Centerra Gold Inc.

Condensed Consolidated Interim Financial Statements

For the Quarter Ended June 30, 2015
(Unaudited)

(Expressed in thousands of United States Dollars)

Centerra Gold Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

(Expressed in Thousands of United States Dollars)	Notes		June 30, 2015		December 31, 2014
Assets					
Current assets					
Cash and cash equivalents		**$**	**250,135**	$	300,514
Short-term investments			**331,544**		261,503
Amounts receivable	**4**		**24,118**		66,214
Inventories	**5**		**344,954**		408,050
Prepaid expenses	**6**		**8,384**		12,888
			959,135		1,049,169
Property, plant and equipment	**7**		**674,178**		524,699
Goodwill			**18,705**		18,705
Restricted cash			**16,339**		12,437
Other assets			**23,737**		23,723
Long-term inventories	**5**		**-**		349
			732,959		579,913
Total assets		**$**	**1,692,094**	$	1,629,082
Liabilities and Shareholders' Equity					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**71,728**	$	45,883
Short-term debt	**8**		**76,000**		76,000
Revenue-based taxes payable			**8,469**		24,605
Taxes payable			**1,001**		1,515
Current portion of provision for reclamation			**2,070**		2,598
			159,268		150,601
Dividend payable to related party	**13**		**16,106**		12,254
Provision for reclamation			**66,031**		65,318
Deferred income tax liability			**2,639**		2,266
			84,776		79,838
Total liabilities			**244,044**		230,439
Shareholders' equity	**11**				
Share capital			**661,513**		660,554
Contributed surplus			**23,517**		22,556
Accumulated other comprehensive income			**18**		-
Retained earnings			**763,002**		715,533
			1,448,050		1,398,643
Total liabilities and shareholders' equity		**$**	**1,692,094**	$	1,629,082

Commitments and contingencies (note 12)
The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Centerra Gold Inc.
Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Income (Loss)
(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
		2015	**2014**	**2015**	**2014**
(Expressed in Thousands of United States Dollars)					
(except per share amounts)					
	Notes				
Revenue from Gold Sales		**$ 146,754**	$ 119,473	**$ 359,392**	$ 267,494
Cost of sales	**9**	**80,966**	109,355	**194,909**	218,469
Standby costs		**1,117**	184	**3,821**	184
Regional office administration		**5,026**	6,106	**10,302**	11,795
Earnings from mine operations		**59,645**	**3,828**	**150,360**	37,046
Revenue-based taxes		**19,823**	13,970	**48,522**	32,402
Other operating expenses		**777**	1,808	**663**	2,865
Pre-development project costs	**10**	**4,888**	1,236	**8,170**	2,074
Exploration and business development		**2,105**	4,034	**4,869**	6,606
Corporate administration		**10,790**	11,818	**20,155**	18,341
Earnings (loss) from operations		**21,262**	(29,038)	**67,981**	(25,242)
Other expenses (income)		**(1,651)**	687	**2,594**	477
Finance costs		**1,086**	1,243	**2,233**	2,636
Earnings (loss) before income taxes		**21,827**	(30,968)	**63,154**	(28,355)
Income tax expense (recovery)		**(95)**	725	**555**	1,277
Net Earnings (loss)		**$ 21,922**	$ (31,693)	**62,599**	(29,632)
Other Comprehensive Income					
Items that May be Subsequently Reclassified to Earnings:					
Exchange differences on translation of foreign operation		**4**	**-**	**18**	**-**
Other Comprehensive Income		**4**	-	**18**	-
Total Comprehensive Income (Loss)		**$ 21,926**	$ **(31,693)**	**$ 62,617**	$ **(29,632)**
Basic earnings (loss) per common share	**11**	**$ 0.09**	$ (0.13)	**$ 0.26**	$ (0.13)
Diluted earnings (loss) per common share	**11**	**$ 0.09**	$ (0.13)	**$ 0.26**	$ (0.13)

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Centerra Gold Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

(Expressed in Thousands of United States Dollars)	**Notes**	**Three months ended June 30, 2015**	**Three months ended June 30, 2014**	**Six months ended June 30, 2015**	**Six months ended June 30, 2014**
Operating activities					
Net earnings (loss)		**$ 21,922**	$ (31,693)	**$ 62,599**	$ (29,632)
Items not requiring (providing) cash:					
Depreciation, depletion and amortization	**7**	**44,820**	60,943	**115,784**	127,714
Finance costs		**1,086**	1,243	**2,233**	2,636
Loss on disposal of equipment	**7**	**447**	446	**494**	542
Share-based compensation expense		**675**	650	**1,302**	1,260
Change in long-term inventory		**494**	1,910	**349**	2,989
Income tax expense (recovery)		**(95)**	725	**555**	1,277
Other operating items		**(1,039)**	(1,489)	**(1,336)**	(590)
		68,310	32,735	**181,980**	106,196
Change in operating working capital		**46,188**	39,096	**63,447**	68,678
Income taxes (paid) recovered		**64**	(435)	**(445)**	(1,512)
Cash provided by operations		**114,562**	71,396	**244,982**	173,362
Investing activities					
Additions to property, plant and equipment	**15**	**(70,461)**	(83,331)	**(142,627)**	(156,057)
Net (purchase) redemption of short-term investments		**(53,793)**	123,009	**(70,041)**	(21,134)
Purchase of interest in Greenstone Partnership[(a)]	**3**	**-**	-	**(67,423)**	-
Increase in restricted cash		**(2,601)**	(25)	**(3,902)**	(51)
(Increase) decrease in long-term other assets		**1,023**	594	**(14)**	(7,957)
Proceeds from disposition of fixed assets		**-**	-	**-**	3
Cash used in investing		**(125,832)**	40,247	**(284,007)**	(185,196)
Financing activities					
Dividends paid		**(5,209)**	(8,642)	**(10,426)**	(17,046)
Payment of interest and other borrowing costs		**-**	-	**(1,509)**	(1,483)
Proceeds from common shares issued for cash		**312**	-	**581**	-
Cash used in financing		**(4,897)**	(8,642)	**(11,354)**	(18,529)
(Decrease) increase in cash during the period		**(16,167)**	103,001	**(50,379)**	(30,363)
Cash and cash equivalents at beginning of the period		**266,302**	209,744	**300,514**	343,108
Cash and cash equivalents at end of the period		**$ 250,135**	$ 312,745	**$ 250,135**	$ 312,745
Cash and cash equivalents consist of:					
Cash		**$ 97,439**	$ 77,949	**$ 97,439**	$ 77,949
Cash equivalents		**152,696**	234,796	**152,696**	234,796
		$ 250,135	$ 312,745	**$ 250,135**	$ 312,745

(a)- Formerly TCP Partnership

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

Centerra Gold Inc.
Condensed Consolidated Interim
Statements of Shareholders' Equity
(Unaudited)

(Expressed in Thousands of United States Dollars, except share information)

	Number of Common Shares	Share Capital Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at January 1, 2014	236,390,219	$ 660,486	$ 20,087	$ -	$ 793,737	$ 1,474,310
Share-based compensation expense	-	-	1,260	-	-	1,260
Shares issued on redemption of restricted share units	6,602	31	-	-		31
Dividend declared (note 11(b))	-	-	-	-	(17,046)	(17,046)
Net loss for the period	-	-	-	-	(29,632)	(29,632)
Balance at June 30, 2014	236,396,821	$ 660,517	$ 21,347	$ -	$ 747,059	$ 1,428,923
Balance at January 1, 2015	**236,403,958**	**$ 660,554**	**$ 22,556**	**$ -**	**$ 715,533**	**$ 1,398,643**
Share-based compensation expense	**-**	**-**	**1,302**	**-**	**-**	**1,302**
Shares issued on exercise of stock options	**143,424**	**922**	**(341)**	**-**	**-**	**581**
Shares issued on redemption of restricted share units	**6,777**	**37**	**-**	**-**	**-**	**37**
Dividend declared (note 11(b))	**-**	**-**	**-**	**-**	**(15,130)**	**(15,130)**
Foreign currency translation	**-**	**-**	**-**	**18**	**-**	**18**
Net earnings for the period	**-**	**-**	**-**	**-**	**62,599**	**62,599**
Balance at June 30, 2015	**236,554,159**	$ **661,513**	$ **23,517**	$ **18**	$ **763,002**	$ **1,448,050**

The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

1. General business description

Centerra Gold Inc. (“Centerra” or the “Company”) was incorporated under the Canada Business Corporations Act on November 7, 2002. Centerra’s common shares are listed on the Toronto Stock Exchange. The Company is domiciled in Canada and the registered office is located at 1 University Avenue, Suite 1500, Toronto, Ontario, M5J 2P1. The Company is engaged in the production of gold and related activities including exploration, development, mining and processing in the Kyrgyz Republic, Mongolia, Turkey and Canada.

On March 9, 2015 the Company entered into a 50/50 partnership with Premier Gold, see note 3 for further details.

2. Basis of Preparation and Statement of Compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”), using accounting policies consistent with those used in its consolidated financial statements as at and for the year ending December 31, 2014. These financial statements should be read in conjunction with the Company’s December 31, 2014 annual consolidated financial statements.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on July 28, 2015.

Future Changes in accounting policies

Recently issued but not adopted accounting guidance are as follows:

The IASB has issued IFRS 9, *Financial Instruments* (“IFRS 9”), which proposes to replace IAS 39, *Financial Instruments Recognition and Measurement*. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets — amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available-for-sale and loans and receivable categories. The effective date of this standard is January 1, 2018, with earlier application permitted. The Company has not adopted IFRS 9 in its financial statements for the current period, but will continue to monitor and evaluate the impact of any required changes to its consolidated financial statements based on the characteristics of its financial instruments at the date of adoption.

In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements,* to clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles of business combinations accounting in IFRS 3, *Business Combinations*. Prospective application of this interpretation is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company is currently assessing the impact of adopting this standard on its consolidated financial statements.

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2017, and permits early adoption. The Company is currently assessing the impact of adopting this standard on its consolidated financial statements.

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"), to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016, with earlier application permitted. The Company has not adopted the amendments to IAS 1 in its financial statements for the current period, but will continue to monitor and evaluate the impact of any required changes to its consolidated financial statements at the date of adoption.

3. Formation of 50/50 partnership with Premier Gold Mines Ltd.

On March 9, 2015 the Company formed a 50/50 partnership with Premier Gold Mines Hardrock Inc., a subsidiary of Premier Gold Mines Limited ("Premier") for the purpose of the joint ownership and development of the Trans-Canada Property including the Hardrock Gold Project located in the Geraldton-Beardmore Greenstone belt in Ontario, Canada. The partnership name was changed from TCP Limited Partnership Corporation to Greenstone Gold Mines LP ("Greenstone Partnership") effective July 20, 2015.

The Company made an initial cash contribution to the Greenstone Partnership in the amount of Cdn$85 million (US$67.4 million) for its 50% limited partner interest. Premier contributed all property, assets and rights it held in respect of the Trans-Canada Property to Greenstone Partnership in consideration for its 50% interest in the partnership. Premier in accordance with contractual arrangements with the Company subsequently withdrew Cdn85 million (US$67.4 million) from Greenstone Partnership in recognition of their property contribution. The Company also agreed to commit up to an additional Cdn$185 million to fund the project, subject to certain feasibility and project advancement criteria, after which both partners will contribute on a 50/50 basis. An additional Cdn$30 million is payable to Premier contingent on the results of an updated mineral resources study, which is expected to be completed in 2015.

The Cdn$185 million is subject to satisfaction of certain feasibility study results and project advancement criteria.

Following the completion of the formation of Greenstone Gold Partnership, the Company and Premier have formed a joint board of directors to oversee future exploration, development and operations by the partnership at the Trans-Canada Property, now to be known as the Greenstone Gold Property.

The joint arrangement was determined to be a joint operation under IFRS 11, *Joint Arrangements.* The factors the Company considered in making this determination include the terms and conditions of the partnership agreement and the purpose and design of the joint arrangement. The purpose of the arrangement is to jointly develop the Greenstone Gold Property. The project funding structure is designed to provide for all of the partnership costs, the partners' rights to the assets, and obligations for the liabilities of the partnership.

The Company has recorded in its Condensed Consolidated Interim Statements of Financial Position and Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Income (Loss) its interest in the assets, liabilities, revenues and expenses of the partnership in accordance with the Company's rights and obligations prescribed by the terms of the partnership agreement. For the three and six months ended June 30, 2015 the Company recognized, in accordance with its accounting policy, its 50% interest and the 50% share paid on behalf of Premier in the project spending totaling $6.5 million and $9.5 million, respectively.

(Expressed in thousands of United States Dollars)

Transaction costs associated with the acquisition totaling $0.3 million and $1.4 million were expensed and reported as business development in the Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Income (Loss) for the three and six months ended June 30, 2015.

4. Amounts receivable

		June 30, 2015		December 31, 2014
Gold sales receivable from related party (note 13)	**$**	**18,825**	$	62,143
Other receivables		**5,293**		4,071
	$	**24,118**	$	66,214

(Expressed in thousands of United States Dollars)

5. Inventories

		June 30, 2015		December 31, 2014
Stockpiles of ore	**$**	**132,772**	$	200,751
Gold in-circuit		**25,628**		24,725
Heap leach in circuit		**1,787**		3,393
Gold doré		**5,165**		5,512
		165,352		234,381
Supplies		**179,602**		174,018
Total Inventories (net of provisions)		**344,954**		408,399
Less: Long-term inventory (heap leach gold inventories)		**-**		(349)
Total Inventories-current portion	**$**	**344,954**	$	408,050

As at June 30, 2015, there is no write down of inventory ($14.2 million and $14.6 million for the three and six months ended June 30, 2014 inventory write down were charged to cost of sales).

The provision for mine supplies obsolescence was increased for the three and six months ended June 30, 2015 by $0.4 million and $0.8 million respectively ($0.3 million and $0.6 million for the three and six months ended June 30, 2014) which was charged to cost of sales, as disclosed in note 9.

The table below summarizes inventories adjusted for the provision for obsolescence:

		June 30, 2015		December 31, 2014
Total Inventories	**$**	**350,870**	$	413,537
Less: Provisions for supplies obsolescence		**(5,916)**		(5,138)
Total Inventories (net of provisions)		**344,954**		408,399
Less: Long-term inventory (heap leach stockpiles)		**-**		(349)
Total Inventories-current portion	**$**	**344,954**	$	408,050

6. Prepaid expenses

		June 30, 2015		December 31, 2014
Insurance	**$**	**470**	$	4,734
Rent		**226**		369
Deposit for consumable supplies		**5,571**		5,355
Other		**2,117**		2,430
	$	**8,384**	$	12,888

(Expressed in thousands of United States Dollars)

7. Property, plant and equipment

The following is a summary of the carrying value of property, plant and equipment ("PP&E"):

	Buildings, Plant and equipment	Mineral properties	Capitalized stripping costs	Mobile Equipment	Construction in progress	Total
Cost						
Balance January 1, 2015	$ 407,872	$ 208,931	$ 907,614	$ 458,218	$ 72,591	$ 2,055,226
Additions	249	5,899	133,510	53	35,103	174,814
Acquisition of interest in Greenstone Partnership[(a)]	65	67,358	-	-	-	67,423
Disposals	(32)	(11,690)	-	(20,796)	(200)	(32,718)
Reclassification	5,817	(47)	-	19,314	(25,084)	-
Balance June 30, 2015	**$ 413,971**	**$ 270,451**	**$ 1,041,124**	**$ 456,789**	**$ 82,410**	**$ 2,264,745**
Accumulated depreciation						
Balance January 1, 2015	$ 262,239	$ 156,820	$ 795,786	$ 315,682	$ -	$ 1,530,527
Charge for the period	8,085	4,274	44,839	35,066	-	92,264
Disposals	(31)	(11,690)	-	(20,503)	-	(32,224)
Balance June 30, 2015	**$ 270,293**	**$ 149,404**	**$ 840,625**	**$ 330,245**	**$ -**	**$ 1,590,567**
Net book Value						
Balance January 1, 2015	$ 145,633	$ 52,111	$ 111,828	$ 142,536	$ 72,591	$ 524,699
Balance June 30, 2015	**$ 143,678**	**$ 121,047**	**$ 200,499**	**$ 126,544**	**$ 82,410**	**$ 674,178**

(a) - refer to note 3

The following is an analysis of the depreciation, depletion and amortization charge recorded in the Condensed Consolidated Interim Statements of Financial Position and Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Income (Loss):

	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
Amount recorded in cost of sales (note 9)	**$ 45,008**	$ 49,139	**$ 115,467**	$ 115,417
Amount recorded in corporate administration	**92**	81	**189**	175
Amount recorded in standby costs	**(280)**	-	**128**	-
Amount recorded in inventories impairment	**-**	11,723	**-**	12,122
Total included in Condensed Consolidated Interim Statements of Earnings (Loss) and Comprehensive Income (Loss)	**44,820**	60,943	**115,784**	127,714
Inventories movement	**(37,948)**	(54,057)	**(55,801)**	(114,496)
Amount capitalised in PP&E (note 15)	**16,433**	25,412	**32,281**	51,105
Depreciation, depletion and amortization charge for the period	**$ 23,305**	$ 32,298	**$ 92,264**	$ 64,323

(Expressed in thousands of United States Dollars)

8. Short-term debt

The Company has borrowed $76 million under the $150 million revolving credit facility (the "Facility") provided by the European Bank for Reconstruction and Development. The borrowed amount is due to be repaid and the facility will also expire in February 2016.

The terms of the Facility require the Company to pledge certain mobile equipment at Kumtor as security and maintain compliance with specified covenants including financial covenants. The Company was in compliance with the covenants for the three-month period ended June 30, 2015.

9. Cost of sales

	Three months ended June 30,		Six months ended June 30,	
(Thousands of U.S. Dollars)	**2015**	**2014**	**2015**	**2014**
Operating costs:				
Salaries and benefits	**$ 15,875**	$ 20,117	**$ 30,997**	$ 38,372
Consumables	**11,076**	16,637	**26,334**	34,113
Third party services	**1,072**	1,265	**1,922**	2,326
Other operating costs	**2,808**	4,313	**4,638**	8,632
Royalties, levies and production taxes	**226**	593	**515**	1,171
Changes in inventories	**4,488**	2,826	**14,258**	3,229
	35,545	45,751	**78,664**	87,843
Supplies inventory obsolescence charge (note 5)	**413**	291	**778**	585
Inventory impairment	**-**	14,174	**-**	14,624
Depreciation, depletion and amortization	**45,008**	49,139	**115,467**	115,417
	$ 80,966	$ 109,355	**$ 194,909**	$ 218,469

10. Pre-development project costs

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Greenstone Gold Property	$ **3,045**	$ -	$ **4,523**	$ -
Öksüt Gold Project	**1,843**	1,236	**3,647**	2,074
	$ **4,888**	$ 1,236	$ **8,170**	$ 2,074

(Expressed in thousands of United States Dollars)

11. Shareholders' Equity

a. Earnings (loss) per Share

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	**2014**
Net earnings (loss) attributable to shareholders	**$ 21,922**	$ (31,693)	**$ 62,599**	$ (29,632)
Adjustment to earnings (loss):				
Impact of restricted share units treated as equity-settled	**-**	-	**52**	-
Net earnings (loss) for the purposes of diluted earnings per share	**$ 21,922**	$ (31,693)	**$ 62,651**	$ (29,632)

Basic and diluted earnings per share computation:

	Three months ended June 30,		Six months ended June 30,	
(Thousands of units)	**2015**	2014	**2015**	**2014**
Basic weighted average number of common shares outstanding (thousands)	**236,511**	236,395	**236,482**	236,393
Effect of stock options (thousands)	**319**	-	**259**	-
Effect of restricted share units (thousands)	**-**	-	**247**	-
Diluted weighted average number of common shares outstanding (thousands)	**236,830**	236,395	**236,988**	236,393
Basic earnings (loss) per common share	**$ 0.09**	$ (0.13)	**$ 0.26**	$ (0.13)
Diluted earnings (loss) per common share	**$ 0.09**	$ (0.13)	**$ 0.26**	$ (0.13)

For the three and six months ended June 30, 2015 and 2014 certain potentially dilutive securities were excluded from the calculation of diluted earnings (loss) per share due to the exercise prices of certain stock options being greater than the average market price of the Company's ordinary shares for the period.

Potentially dilutive securities summarized below were excluded in the calculation of the diluted earnings (loss) per share:

(Expressed in thousands of United States Dollars)

	Three months ended June 30,		Six months ended June 30,	
(Thousands of units)	**2015**	2014	**2015**	**2014**
Stock options	**4,498**	3,642	**4,246**	3,144
Restricted share units	**243**	265	**-**	262
	4,741	3,907	**4,246**	3,406

b. Dividends

Dividends are declared in Canadian dollars and paid in Canadian dollars. At June 30, 2015, accrued dividends payable to Kyrgyzaltyn JSC ("Kyrgyzaltyn"), in United States Dollars, were $16.1 million (December 31, 2014- $12.3 million, see note 13).

The details of the dividends declared in the three and six months ended June 30, 2015 and 2014 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	**2015**	**2014**
Dividend declared (Thousands of U.S Dollars)	**$ 7,561**	$ 8,642	**$ 15,130**	$ 17,046
Dividend declared (Canadian Dollars per share amount)	**$ 0.04**	$ 0.04	**$ 0.08**	$ 0.08

12. Commitments and Contingencies

Commitments

As at June 30, 2015, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $52.5 million (Kumtor - $52.2 million and Boroo - $0.3 million) which are expected to be settled over the next twelve months.

As partial consideration for the Company's initial 50% partnership interest in the Greenstone Partnership, the Company agreed to commit up to an additional Cdn$185 million to fund the project, subject to certain feasibility and project advancement criteria, and a contingent payment of up to Cdn$30 million payable to Premier based on the results of an updated mineral resource calculation. In the event that the project is put under care and maintenance as a result of feasibility study or project criteria not being met, the Company will be required to make contributions towards the costs associated with the care and maintenance of the project for a period of two years or until the Cdn$185 million is spent (if such event occurs first), after which time the partners would fund such costs on a pro rata basis. Any such costs will form part of the Cdn$185 million development contributions commitment of the Company as noted above (see note 3). As at June 30, 2015, the Company has funded a total of Cdn$11.5 million (US$9.3 million) of its commitment since the inception of the partnership.

Contingencies

Various legal and tax matters are outstanding from time to time due to the nature of the Company's operations. While the final outcome with respect to actions outstanding or pending at June 30, 2015 cannot be predicted with certainty, it is management's opinion that, except as noted below, their resolution will not have a material effect on the Company's financial statements.

Kyrgyz Republic

(a) Negotiations between Kyrgyz Republic and Centerra

The Company continues to be in discussions with the Kyrgyz Government regarding the non-binding Heads of Agreement dated January 18, 2014 with the Government of the Kyrgyz Republic and Kyrgyzaltyn, which contemplates the restructuring of Kyrgyzaltyn's interest in Centerra and the ownership of the Kumtor Project. Centerra notes that any proposed resolution would need to be fair to all shareholders of Centerra and to receive all necessary legal and regulatory approvals under Kyrgyz Republic and Canadian laws. Currently, in connection with an arbitration award of approximately $16.5 million held by Valeri Belokon ("Belokon"), 6,500,240 shares of Centerra held by Kyrgyzaltyn (out of 77,401,766 shares owned by Kyrgyzaltyn) are subject to an Ontario court order (injunction) which places restrictions on Kyrgyzaltyn's ability to transfer, and its ability to exercise its rights as a registered shareholder of Centerra in a manner that is inconsistent with or would undermine the terms of the applicable court order. The completion of any transaction pursuant to the Heads of Agreement is subject to the resolution of the Belokon claim against the Kyrgyz Republic or the dissolution of the injunction granted by the Ontario court in respect thereof.

(b) Kyrgyz Permitting and Regulatory Matters

In the normal course of operations at Kumtor, KGC prepares annual mine plans and other documents for approval for the Kumtor Project which are considered and approved by, among others, the State Agency for Environmental and Forestry under the Government of the Kyrgyz Republic ("SAEPF") and the State Agency for Geology and Mineral Resources ("SAGMR").

KGC has received approval from SAGMR for its 2015 annual mine plan.

SAEPF continues to review the 2015 annual mine plan and, according to Kyrgyz Republic regulations, has until September 3, 2015 to complete its review. SAEPF has expressed concern that the mine plan is inconsistent with the Kyrgyz Republic Water Code. Centerra and KGC dispute SAEPF's interpretation and do not believe that the Water Code applies to the Kumtor operations. The Kyrgyz Republic Parliament considered draft amendments to the Water Code in June/July 2015 and such amendments received second reading. Further consideration of the amendments by Parliament is expected to occur in September. Kumtor will continue to work with the SAEPF to obtain the necessary annual mine plan approval. There can be no assurances that the annual mine plan approval will be received.

Furthermore, should Kumtor be prohibited from moving ice (as a result of the Water Code), the entire December 31, 2014 mineral reserves at Kumtor, and Kumtor's current life of mine plan would be at risk, leading to an early closure of the operation. Centerra believes that any disagreement in relation to the application of the Water Code to Kumtor would be subject international arbitration under the 2009 agreements governing the Kumtor Project (the "Kumtor Project Agreements")

(c) Environmental Claims

KGC has received claims from various Kyrgyz Republic state agencies in relation to alleged environmental offences and other matters. In aggregate, these claims amount to over $470 million at the then current exchange rates. As at June 30, 2015, the Company has not recorded any provisions related to the alleged claims.

KGC believes the claims are exaggerated and without merit. The Kumtor Project has been the subject of systematic audits and investigations over the years by Kyrgyz and international experts, including by an independent internationally recognized expert who carried out a due diligence review of Kumtor's performance on environmental matters at the request of Centerra's Safety, Health and Environmental Committee of the Board of Directors.

(d) Land Use Claim

On November 11, 2013, the Company received a claim from the Kyrgyz Republic General Prosecutor's Office requesting the Inter-District Court of the Issyk-Kul Province to invalidate the Company's land use certificate and seize certain lands within Kumtor's concession area.

The invalidation of the land use certificate and purported seizure of land is in violation of the Kyrgyz Republic Land Code as well as the Restated Investment Agreement, which provides that the Kumtor Project is guaranteed all necessary access to the Kumtor concession area, including all surface lands as are necessary or desirable for the operation of the Kumtor Project.

The Company has benefited from a close and constructive dialogue with Kyrgyz authorities during project operations and remains committed to working with them to resolve these issues in accordance with the Kumtor Project Agreements, which provide for all disputes to be resolved by international arbitration, if necessary. However, there are no assurances that the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Project. The inability to successfully resolve all such matters would have a material impact on the Company's future cash flows, earnings, results of operations and financial condition.

Mongolia

Gatsuurt

Following the designation of the Company's Gatsuurt Project as a mineral deposit of strategic importance by the Mongolian Parliament, the Company has been in discussions with the Government of Mongolia and its working groups to determine the economic terms of the future development of the Gatsuurt Project. Such terms are subject to continued discussions between the Company and the Mongolian Government and may include up to a 34% Mongolian ownership in the project or a special royalty in lieu of such ownership. The Company expects that Parliament will consider a proposal for the level of state ownership in or special royalty on the project this year.

Further development of the Gatsuurt Project will be subject to, among other things, receiving Parliamentary approval of the Mongolia's state ownership or special royalty as well as all required approvals and regulatory commissioning from the Mongolian Government. There are no assurances that the Company and the Mongolian Government will be able to finalize and agree upon the terms of the Government's involvement in the project, that the Mongolian Parliament will agree upon and approve a level of ownership or special royalty for the Gatsuurt Project, and that applicable approvals and regulatory commissions from the Mongolian Government are received (in a timely fashion or at all). The inability to successfully resolve all such matters would have a material impact on the Company's future cash flows, earnings, results of operations and financial condition.

Corporate

Enforcement Notice by Stans

On October 10, 2014, the Company was served with a temporary order (the "Stans Order") from the Ontario Superior Court of Justice in favour of Stans Energy Corp. ("Stans") which prohibits Kyrgyzaltyn from, among other things: (i) selling, disposing or exchanging 47,000,000 shares (the "Frozen Shares") of the 77,401,766 shares it holds of the Company; (ii) obtaining share certificates in respect of such shares; or (iii) exercising its rights as a registered shareholder of the Company in a manner that is inconsistent with or would undermine the terms of the Stans Order. The order also prohibits the Company from, among other things, registering the transfer of the Frozen Shares, and requires the Company to hold in trust for the proceeding under the Stans Application any amounts payable to Kyrgyzaltyn in respect of dividends or distributions that the Company may declare or pay in the future.

On June 10, 2015, the Ontario Superior Court of Justice Divisional Court issued its decision in the case involving Stans. The effect of this decision was to cancel the previously issued court order (injunction) which (among other things) restricted Kyrgyzaltyn's ability to deal with 47,000,000 Centerra shares and prevented the payment of dividends on all Centerra shares held by Kyrgyzaltyn. The court made its decision based on the existence of new evidence put forward by Kyrgyzaltyn, in particular the Moscow State Court decision dated May 15, 2015 which determined that the Moscow Chamber of Commerce and Industry ("MCCI"), the arbitral body which granted the Stans' arbitral award for $118 million, did not have jurisdiction to make an award.

Enforcement Notice by Belokon

On February 25, 2015, the Company was served with a temporary order, which was subsequently extended on March 5, 2015 (the "Belokon Order"), from the Ontario Superior Court of Justice in favour of Valeri Belokon ("Belokon") which prohibits Kyrgyzaltyn from, among other things: (i) selling, disposing or exchanging 6,500,240 shares (the "Belokon Frozen Shares") of the 77,401,766 shares it holds in the capital of the Company; (ii) obtaining share certificates in respect of such shares; or (iii) exercising its rights as a registered shareholder of the Company in a manner that is inconsistent with or would undermine the terms of the Belokon Order. The order also prohibits the Company from, among other things, registering the transfer of the Belokon Frozen Shares, and requires the Company to hold in trust for the proceeding under the Belokon Application any amounts payable to Kyrgyzaltyn in respect of dividends or distributions that the Company is currently holding in trust or may declare or pay in the future.

Centerra currently holds approximately $16.1 million in dividends in trust for these court proceedings against the Kyrgyzaltyn.

13. Related Party Transactions

Kyrgyzaltyn JSC

Revenues from the Kumtor gold mine are subject to a management fee of $1.00 per ounce based on sales volumes, payable to Kyrgyzaltyn JSC ("Kyrgyzaltyn"), a shareholder of the Company and a state-owned entity of the Kyrgyz Republic.

The table below summarizes the management fees paid and accrued by Kumtor Gold Company ("KGC"), a subsidiary of the Company, to Kyrgyzaltyn and the amounts paid and accrued by Kyrgyzaltyn to KGC according to the terms of a Restated Gold and Silver Sale Agreement ("Sales Agreement") between KGC, Kyrgyzaltyn and the Government of the Kyrgyz Republic dated June 6, 2009.

The breakdown of the sales transactions and expenses with Kyrgyzaltyn are as follows:

(Expressed in thousands of United States Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2015	**2014**	**2015**	**2014**
Included in sales:				
Gross gold and silver sales to Kyrgyzaltyn	**$ 142,293**	$ 100,235	**$ 348,321**	$ 232,489
Deduct: refinery and financing charges	**(700)**	(450)	**(1,738)**	(1,046)
Net sales revenue received from Kyrgyzaltyn	**$ 141,593**	$ 99,785	**$ 346,583**	$ 231,443
Included in expenses:				
Contracting services provided by Kyrgyzaltyn	**$ 368**	$ 390	**$ 664**	$ 648
Management fees to Kyrgyzaltyn	**119**	78	**288**	180
Expenses paid to Kyrgyzaltyn	**$ 487**	$ 468	**$ 952**	$ 828
Dividend:				
Dividends declared to Kyrgyzaltyn	**$ 2,476**	$ 2,968	**$ 4,952**	$ 5,576
Withholding taxes	**(124)**	(142)	**(248)**	(281)
Net dividends declared to Kyrgyzaltyn	**$ 2,352**	2,826	**4,704**	5,295
Net dividends transferred to restricted cash	**(2,352)**	-	**(4,704)**	-
Net dividends paid to Kyrgyzaltyn	**$ -**	$ 2,826	**$ -**	$ 5,295

Related party balances

The assets and liabilities of the Company include the following amounts receivable from and payable to Kyrgyzaltyn:

(Expressed in thousands of United States Dollars)

		June 30, 2015		December 31, 2014
Amounts receivable	**$**	**18,825**	$	62,143

		June 30, 2015		December 31, 2014
Dividend payable (net of withholding taxes)	**$**	**18,532**	$	13,828
Net unrealized foreign exchange gain		**(2,426)**		(1,574)
Dividend payable (net of withholding taxes)[(a)]		**16,106**		12,254
Amount payable		**820**		616
Total related party liabilities	**$**	**16,926**	$	12,870

(a) Equivalent of Cdn $20.1 million as at June 30, 2015 (December 31, 2014 - Cdn $14.2 million).

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to the Sales Agreement. Amounts receivable from Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days.

The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn.

As at June 30, 2015, $18.8 million was outstanding under the Sales Agreement (December 31, 2014 - $62.1 million). Subsequent to June 30, 2015, the balance receivable from Kyrgyzaltyn was paid in full.

14. Fair value measurements

All financial instruments measured at fair value are categorized into one of three hierarchy levels for which the financial instruments must be grouped based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. These two types of inputs create the following fair value hierarchy:

Level 1: observable inputs such as quoted prices in active markets;

Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and

Level 3: unobservable inputs for the asset or liability in which little or no market data exists, therefore require an entity to develop its own assumptions.

(Expressed in thousands of United States Dollars)

The following table summarizes the fair value measurement by level at June 30, 2015 and December 31, 2014 for assets and liabilities measured at fair value on a recurring basis:

		June 30, 2015		**December 31, 2014**
		Level 1		**Level 1**
Financial Assets				
Cash and cash equivalents	**$**	**250,135**	$	300,514
Short-term investments		**331,544**		261,503
Restricted cash		**16,339**		12,437
Reclamation trust fund		**18,886**		15,951
	$	**616,904**	$	590,405

The company does not have any assets and liabilities that are measured under level 2 or level 3.

15. Supplemental cash flow disclosure

Investment in property, plant and equipment (PP&E)

		Three months ended June 30,			Six months ended June 30,		
(Thousands of U.S. Dollars)		**2015**		**2014**		**2015**		**2014**

(Thousands of U.S. Dollars)		**Three months ended June 30, 2015**		**Three months ended June 30, 2014**		**Six months ended June 30, 2015**		**Six months ended June 30, 2014**
Additions to PP&E during the period	$	**(86,589)**	$	(111,534)	$	**(174,814)**	$	(211,937)
Impact of revisions to asset retirement obligation included in PP&E		**-**		-		**-**		1,502
Depreciation and amortization included in additions to PP&E (note 7)		**16,433**		25,412		**32,281**		51,105
(Decrease) Increase in accruals included in additions to PP&E		**(305)**		2,791		**(94)**		3,273
Cash investment in PP&E	$	**(70,461)**	$	(83,331)	$	**(142,627)**	$	(156,057)

16. Subsequent event

On July 28, 2015, the Company announced that its Board of Directors approved a quarterly dividend of Cdn$0.04 per common share. The dividend is payable August 27, 2015 to shareholders of record on August 13, 2015.

17. Segmented Information

The following table reconciles segment operating profit per the reportable segment information to operating profit per the Condensed Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss).

(Expressed in thousands of United States Dollars)

Three months ended June 30, 2015

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	$ **141.6**	$ **5.2**	$ **-**	$ **146.8**
Cost of sales	**76.3**	**4.7**	**-**	**81.0**
Mine standby costs	**-**	**1.1**	**-**	**1.1**
Regional office administration	**4.1**	**0.9**	**-**	**5.0**
Earnings (loss) from mine operations	**61.2**	**(1.5)**	**-**	**59.7**
Revenue-based taxes	**19.8**	**-**	**-**	**19.8**
Other operating expenses	**0.7**	**0.1**	**-**	**0.8**
Pre-development project costs	**-**	**-**	**4.9**	**4.9**
Exploration and business development	**-**	**0.2**	**1.9**	**2.1**
Corporate administration	**-**	**0.1**	**10.7**	**10.8**
Earnings (loss) from operations	**40.7**	**(1.9)**	**(17.5)**	**21.3**
Other income				**(1.6)**
Finance costs				**1.1**
Earnings before income taxes				**21.8**
Income tax recovery				**(0.1)**
Net earnings				**$ 21.9**
Capital expenditure for the period	**$ 81.7**	**$ 0.5**	**$ 4.5**	**$ 86.7**

Three months ended June 30, 2014

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	$ 99.8	$ 19.7	$ -	$ 119.5
Cost of sales	92.9	16.5	-	109.4
Mine standby costs	-	0.2	-	0.2
Regional office administration	5.0	1.1	-	6.1
Earnings from mine operations	1.9	1.9	-	3.8
Revenue-based taxes	14.0	-	-	14.0
Other operating expenses	1.8	-	-	1.8
Pre-development project costs	-	-	1.2	1.2
Exploration and business development	-	1.5	2.5	4.0
Corporate administration	0.1	0.1	11.6	11.8
(Loss) earnings from operations	(14.0)	0.3	(15.3)	(29.0)
Other income				0.7
Finance costs				1.3
Loss before income taxes				(31.0)
Income tax expense				0.7
Net loss				$ (31.7)
Capital expenditure for the period	$ 111.2	$ 0.3	$ -	$ 111.5

(Expressed in thousands of United States Dollars)

Six months ended June 30, 2015

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	$ **346.6**	$ **12.8**	$ **-**	$ **359.4**
Cost of sales	**183.0**	**11.9**	**-**	**194.9**
Mine standby costs	**-**	**3.8**	**-**	**3.8**
Regional office administration	**8.4**	**1.9**	**-**	**10.3**
Earnings (loss) from mine operations	**155.2**	**(4.8)**	**-**	**150.4**
Revenue-based taxes	**48.5**	**-**	**-**	**48.5**
Other operating (income) expenses	**1.2**	**(0.5)**	**-**	**0.7**
Pre-development project costs	**-**	**-**	**8.2**	**8.2**
Exploration and business development	**-**	**0.4**	**4.5**	**4.9**
Corporate administration	**-**	**0.2**	**19.9**	**20.1**
Earnings (loss) from operations	**105.5**	**(4.9)**	**(32.6)**	**68.0**
Other expenses				**2.6**
Finance costs				**2.2**
Earnings before income taxes				**63.2**
Income tax expense				**0.6**
Net earnings				**$ 62.6**
Capital expenditure for the period	**$ 168.1**	**$ 0.5**	**$ 73.6**	**$ 242.2**
Goodwill	**$ 18.7**	**$ -**	**$ -**	**$ 18.7**
Assets (excluding Goodwill)	**$ 915.8**	**$ 173.9**	**$ 583.7**	**$ 1,673.4**
Total liabilities	**$ 100.4**	**$ 32.7**	**$ 110.9**	**$ 244.0**

Six months ended June 30, 2014

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Corporate and other	Total
Revenue from Gold Sales	$ 231.4	$ 36.1	$ -	$ 267.5
Cost of sales	188.0	30.5	-	218.5
Mine standby costs	-	0.2	-	0.2
Regional office administration	9.4	2.4	-	11.8
Earnings from mine operations	34.0	3.0	-	37.0
Revenue-based taxes	32.4	-	-	32.4
Other operating expenses	2.6	0.2	-	2.8
Pre-development project costs	-	-	2.1	2.1
Exploration and business development	0.1	2.1	4.4	6.6
Corporate administration	0.3	0.2	17.8	18.3
Earnings (loss) from operations	(1.4)	0.5	(24.3)	(25.2)
Other income				0.5
Finance costs				2.6
Loss before income taxes				(28.3)
Income tax expense				1.3
Net Loss				$ (29.6)
Capital expenditure for the period	$ 209.6	$ 0.7	$ 0.1	$ 210.4
Goodwill	$ 129.7	$ -	$ -	$ 129.7
Assets (excluding Goodwill)	$ 891.7	$ 174.7	$ 432.6	$ 1,499.0
Total liabilities	$ 71.8	$ 29.4	$ 98.6	$ 199.8