

centerra**GOLD**



Centerra Gold Inc.

Condensed Consolidated Interim Financial Statements

For the Quarter Ended September 30, 2017

(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	September 30, 2017	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents	4	\$ 351,958	\$ 160,017
Short-term investments		81	74
Restricted cash and restricted short-term investments	4	-	247,844
Amounts receivable	5	68,863	48,097
Inventories	6	487,667	540,753
Prepaid expenses and other current assets		16,223	18,418
		<u>924,792</u>	<u>1,015,203</u>
Property, plant and equipment	7	1,662,384	1,564,891
Goodwill		16,070	16,070
Restricted cash	4	839	824
Reclamation deposits		26,409	32,035
Other assets		26,156	25,728
		<u>1,731,858</u>	<u>1,639,548</u>
Total assets		<u>\$ 2,656,650</u>	<u>\$ 2,654,751</u>
Liabilities and Shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 172,010	\$ 130,342
Provision for Kyrgyz Republic settlement	13	60,000	-
Short-term debt	9	48,536	72,281
Current portion of lease obligations		7,997	-
Revenue-based taxes payable		5,257	19,202
Taxes payable		3,902	2,302
Current portion of provision for reclamation	10	975	918
Other current liabilities		9,968	1,563
		<u>308,645</u>	<u>226,608</u>
Long-term debt	9	247,614	392,851
Provision for reclamation	10	160,199	157,498
Lease obligations		23,990	29,901
Deferred income tax liability		-	1,661
Other liabilities		14,157	21,950
		<u>445,960</u>	<u>603,861</u>
Shareholders' equity	16		
Share capital		948,105	944,633
Contributed surplus		25,561	25,876
Accumulated other comprehensive loss		(7,538)	(2,592)
Retained earnings		935,917	856,365
		<u>1,902,045</u>	<u>1,824,282</u>
Total liabilities and Shareholders' equity		<u>\$ 2,656,650</u>	<u>\$ 2,654,751</u>

Commitments and contingencies (note 17)

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

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

		Three months ended September 30,		Nine months ended September 30,	
		2017	2016	2017	2016
(Expressed in thousands of United States Dollars)					
(except per share amounts)					
	Note				
Gold sales		\$ 198,749	\$ 218,745	\$ 638,348	\$ 452,000
Copper sales		40,891	-	96,770	-
Molybdenum sales		34,961	-	99,855	-
Tolling, calcining and other		1,636	-	5,824	-
Revenue		276,237	218,745	840,797	452,000
Cost of sales	11	164,236	96,516	501,320	244,381
Standby costs (recovery), net		2,382	(1,542)	5,115	(2,238)
Regional office administration		4,144	3,627	12,440	10,675
Earnings from mine operations		105,475	120,144	321,922	199,182
Revenue-based taxes		17,560	30,827	64,542	63,705
Other operating expenses		5,111	130	9,779	1,396
Care and maintenance expense		3,279	-	9,925	-
Pre-development project costs		853	2,309	3,284	7,593
Exploration expenses and business development		2,460	5,840	6,702	13,029
Thompson Creek Metals Inc. acquisition and integration expenses		647	-	2,085	-
Corporate administration		12,591	5,918	31,628	18,529
Asset impairment	12	-	-	41,300	-
Kyrgyz Republic settlement	13	60,000	-	60,000	-
Earnings from operations		2,974	75,120	92,677	94,930
Other (income) loss, net	14	(10,208)	893	(13,403)	(843)
Finance costs	15	9,428	1,720	24,418	4,394
Earnings before income tax		3,754	72,507	81,662	91,379
Income tax expense		4,595	5,569	2,110	3,469
Net (loss) earnings		\$ (841)	\$ 66,938	\$ 79,552	\$ 87,910
Other Comprehensive Income (Loss)					
Items that may be subsequently reclassified to (loss) earnings:					
Net gain (loss) on translation of foreign operation		1,480	43	2,746	(176)
Net movement in cash flow hedge, net of tax	19	(5,902)	(365)	(7,692)	(365)
Other comprehensive loss		(4,422)	(322)	(4,946)	(541)
Total comprehensive (loss) income		\$ (5,263)	\$ 66,616	\$ 74,606	\$ 87,369
Basic (loss) earnings per common share	16	\$ (0.00)	\$ 0.28	\$ 0.27	\$ 0.36
Diluted (loss) earnings per common share	16	\$ (0.00)	\$ 0.28	\$ 0.27	\$ 0.35

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)

		Three months ended		Nine months ended	
		September 30, 2017	2016	September 30, 2017	2016
(Expressed in thousands of United States Dollars)					
	Notes				
Operating activities					
Net earnings (loss)		\$ (841)	\$ 66,938	\$ 79,552	\$ 87,910
Adjustments for the following items:					
Depreciation, depletion and amortization	7	42,466	60,823	150,571	137,553
Finance costs	15	9,428	1,720	24,418	4,394
Loss on disposal of equipment		27	-	390	119
Compensation expense on stock options		250	561	796	1,905
Other share based compensation expense (reversal)		6,755	1,184	9,194	(365)
Inventory impairment reversal	11	-	(15,431)	-	(27,217)
Income tax expense		4,595	5,569	2,110	3,469
Asset impairment	12	-	-	41,300	-
Kyrgyz Republic Settlement	13	60,000	-	60,000	-
Gain on sale of ATO Project	14	(9,800)	-	(9,800)	-
		112,880	121,364	358,531	207,768
Change in operating working capital	20(a)	11,427	15,110	(22,206)	(4,635)
Purchase and settlement of derivatives		(540)	(1,803)	(482)	(1,803)
Payments toward provision for reclamation		(128)	-	(382)	-
Income taxes paid		(4,185)	(296)	(4,949)	(283)
Cash provided by operations		119,454	134,375	330,512	201,047
Investing activities					
Additions to property, plant and equipment	20(b)	(57,469)	(50,579)	(203,748)	(131,001)
Net redemption (purchase) of short-term investments		59,996	257,094	(7)	156,558
Decrease (increase) in restricted cash		239,206	27	247,829	(272)
Reclamation deposits recovery (payments) and other assets		(2,736)	(1,608)	384	(5,846)
Proceeds from the sale of ATO Project	14	9,800	-	9,800	-
Cash provided by investing		248,797	204,934	54,258	19,439
Financing activities					
Dividends paid - declared in period	20(c)	-	(7,498)	-	(17,668)
Dividends paid - from trust account		-	-	-	(4,466)
Debt (repayment) proceeds		(111,864)	-	(171,865)	24,000
Payment of interest and other borrowing costs		(7,860)	(1,997)	(23,166)	(8,600)
Proceeds from common shares issued for options exercised		2,202	620	2,202	1,302
Proceeds from subscription receipts issued		-	145,390	-	145,390
Cash (used in) provided by financing		(117,522)	136,515	(192,829)	139,958
Increase in cash during the period		250,729	475,824	191,941	360,444
Cash and cash equivalents at beginning of the period		101,229	245,233	160,017	360,613
Restricted cash in respect of subscription receipts		-	(145,390)	-	(145,390)
Restricted cash in respect of court order		-	(121,607)	-	(121,607)
Cash and cash equivalents at end of the period		\$ 351,958	\$ 454,060	\$ 351,958	\$ 454,060
<i>Cash and cash equivalents consist of:</i>					
Cash		\$ 308,905	\$ 80,723	\$ 308,905	\$ 80,723
Cash equivalents		43,053	373,337	43,053	373,337
		\$ 351,958	\$ 454,060	\$ 351,958	\$ 454,060

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 Loss ("OCI")	Retained Earnings	Total
Balance at January 1, 2016	237,889,274	\$ 668,705	\$ 24,153	\$ 220	\$ 727,773	\$ 1,420,851
Share-based compensation expense	-	-	1,905	-	-	1,905
Shares issued on exercise of stock options	266,509	1,885	(582)	-	-	1,303
Shares issued on redemption of restricted share units	4,722	24	-	-	-	24
Shares issued to settle obligations	4,117,120	19,857	-	-	-	19,857
Foreign currency translation	-	-	-	(176)	-	(176)
Net movement in cash flow hedge, net of tax (note 19)	-	-	-	(365)	-	(365)
Dividends declared	-	-	-	-	(22,134)	(22,134)
Net earnings for the period	-	-	-	-	87,910	87,910
Balance at September 30, 2016	242,277,625	\$ 690,471	\$ 25,476	\$(321)	\$ 793,549	\$ 1,509,175
Balance at January 1, 2017	291,276,068	\$ 944,633	\$ 25,876	\$(2,592)	\$ 856,365	\$ 1,824,282
Share-based compensation expense	-	-	771	-	-	771
Shares issued on exercise of stock options	480,008	3,313	(1,086)	-	-	2,227
Shares issued on redemption of restricted share units	24,456	159	-	-	-	159
Foreign currency translation	-	-	-	2,746	-	2,746
Net movement in cash flow hedge, net of tax (note 19)	-	-	-	(7,692)	-	(7,692)
Net earnings for the period	-	-	-	-	79,552	79,552
Balance at September 30, 2017	291,780,532	\$ 948,105	\$ 25,561	\$(7,538)	\$ 935,917	\$ 1,902,045

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

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

1. Nature of operations

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 its registered office is located at 1 University Avenue, Suite 1500, Toronto, Ontario, M5J 2P1. The Company is primarily focused on operating, developing, exploring and acquiring gold properties in North America, Asia and other markets worldwide.

2. Basis of presentation

These condensed consolidated interim financial statements (“interim financial statements”) of the Company and its subsidiaries have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). These interim financial statements do not contain all of the required annual disclosures and should be read in conjunction with the Company’s December 31, 2016 annual consolidated financial statements.

Certain comparative figures have been reclassified to comply with the basis of presentation adopted in the current quarter. There has been no change to the Company’s subsidiaries during the current quarter.

These financial statements were authorized for issuance by the Board of Directors of the Company on October 31, 2017.

3. Changes in accounting policies

These interim financial statements have been prepared using accounting policies consistent with those used in the Company’s annual consolidated financial statements as at and for the year ended December 31, 2016 and those new standards adopted in the period as described below.

Recently adopted accounting policies are as follows:

Amendments to IAS 7, *Statements of Cash Flows* (“IAS 7”). The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Company adopted amendments to IAS 7 on a prospective basis in its interim financial statements on January 1, 2017. The adoption of these amendments did not have a material impact on the Company’s interim financial statements, but did result in additional supplemental cash flow disclosure (note 20(c)).

Amendments to IAS 12, *Income Taxes* (“IAS 12”). The amendments clarify that the existence of a deductible temporary difference is not affected by possible future changes in the carrying amount

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

or expected manner of recovery of the asset and also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company adopted amendments to IAS 12 in its interim financial statements on January 1, 2017. The adoption of these amendments did not have a material impact on the Company's interim financial statements

Recently issued but not adopted accounting guidance is as follows:

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, 2018, and permits early adoption. The Company is making progress in the assessment of the impact of adopting this standard on its financial statements. As at September 30, 2017, the Company believes the impact on the revenue recognized in relation to the sales of gold doré, concentrate and molybdenum will be immaterial.

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). IFRS 16 revises the definition of leases and requires companies to bring most leases on-balance sheet, recognizing new assets and liabilities. The objective of this change is to increase the transparency and comparability of a company's financial statements. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided IFRS 15 has been applied or is applied at the same date as IFRS 16. The Company has initiated a project to identify all leasing contracts that may be impacted by IFRS 16. The Company plans to quantify the impact of these leases under IFRS 16 by the end of 2017.

4. Cash and restricted cash and restricted short-term investments

The cash and cash equivalents balance at September 30, 2017 of \$352.0 million (December 31, 2016 - \$160.0 million) includes \$250.6 million held in Centerra (December 31, 2016 - \$99.8 million), \$58.4 million held in Centerra B.C Holdings Inc. ("Centerra B.C. Holdings") (December 31, 2016 - \$51.6 million) and the remaining \$43.0 million in other Company subsidiaries (December 31, 2016 - \$8.6 million).

Under the terms of the amended Centerra B.C. Holdings Credit Facility ("Credit Facility"), Centerra B.C. Holdings is permitted to distribute from Centerra B.C. Holdings to Centerra Gold Inc. up to \$50 million without a matching prepayment on a portion of the Credit Facility until June 30, 2019. Subsequent to June 30, 2019 or once distributions exceed \$50 million, Centerra B.C. Holdings is required to prepay a portion of the Credit Facility in an amount equal to any amounts paid to Centerra, with the exception of amounts outstanding under a general facility between the companies. As at September 30, 2017, Centerra B.C. Holdings owed \$8.6 million to Centerra under the general facility, which can be re-paid provided covenants in the Credit Facility are met.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

	September 30, 2017	December 31, 2016
Current		
Cash deposits held subject to court order (a)	\$ -	\$ 247,844
Non-current		
Öksüt Project	545	550
Other	294	274
	839	824
Total restricted cash and restricted short-term investments	\$ 839	\$ 248,668

- (a) As part of the Kyrgyz Republic settlement discussed in note 13, a Kyrgyz Republic court order restricting the distribution of cash to Centerra was terminated effective September 15, 2017. As a result, cash held by Kumtor Gold Company was reclassified from restricted cash to cash and cash equivalents as at September 30, 2017.

5. Amounts receivable

	September 30, 2017	December 31, 2016
Gold sales receivable from related party (note 18)	\$ 9,971	\$ 11,611
Gold and copper concentrate sales receivable	11,865	9,704
Molybdenum sales receivable	25,045	14,439
Provisionally priced concentrate sales receivable	15,166	4,148
Consumption tax receivable	3,686	4,854
Other receivables	3,130	3,475
Total amounts receivable	68,863	48,231
Less: Provision for credit losses	-	(134)
Total amounts receivable (net of provision)	\$ 68,863	\$ 48,097

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

6. Inventories

	September 30, 2017	December 31, 2016
Stockpiles of ore	\$ 171,645	\$ 252,357
Gold in-circuit	24,195	20,304
Gold doré	30,983	7,710
Copper and gold concentrate	10,244	29,113
Molybdenum inventory	40,819	28,923
	277,886	338,407
Supplies (net of provision)	211,503	204,092
Total inventories (net of provisions)	\$ 489,389	\$ 542,499
Less: Long-term supplies inventory	(1,722)	(1,746)
Total inventories - current portion	\$ 487,667	\$ 540,753

The Company has a provision for supplies obsolescence recorded of \$32.0 million as at September 30, 2017 (December 31, 2016 - \$26.6 million).

Molybdenum inventory of \$40.8 million as at September 30, 2017 (December 31, 2016 - \$28.9 million) included work-in-process inventory of \$24.5 million (December 31, 2016 - \$16.3 million) and finished goods inventory of \$16.3 million (December 31, 2016 - \$12.6 million).

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

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						
January 1, 2017	\$ 1,083,911	\$ 517,249	\$ 181,724	\$ 537,938	\$ 82,966	\$ 2,403,788
Additions	172	6,214	168,361	730	81,518	256,995
Disposals	(161)	(2,002)	-	(382)	-	(2,545)
Reclassification	19,718	2,350	-	36,530	(58,598)	-
Balance September 30, 2017	\$ 1,103,640	\$ 523,811	\$ 350,085	\$ 574,816	\$ 105,886	\$ 2,658,238
Accumulated depreciation and impairment						
January 1, 2017	\$ 288,809	\$ 159,015	\$ 26,597	\$ 364,476	\$ -	\$ 838,897
Charge for the period	39,279	9,070	15,236	54,312	-	117,897
Disposals	-	(2,003)	-	(237)	-	(2,240)
Impairment (note 12)	25,000	1,952	-	-	14,348	41,300
Reclassification	(120)	120	-	-	-	-
Balance September 30, 2017	\$ 352,968	\$ 168,154	\$ 41,833	\$ 418,551	\$ 14,348	\$ 995,854
Net book value						
Balance, January 1, 2017	\$ 795,102	\$ 358,234	\$ 155,127	\$ 173,462	\$ 82,966	\$ 1,564,891
Balance, September 30, 2017	\$ 750,672	\$ 355,657	\$ 308,252	\$ 156,265	\$ 91,538	\$ 1,662,384

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Amount recorded in cost of sales (note 11)	\$ 41,108	\$ 60,553	\$ 146,200	\$ 138,559
Amount recorded in corporate administration	(57)	110	177	308
Amount recorded in standby costs (recovery), net	640	160	1,774	(1,314)
Amount recorded in care & maintenance expense	775	-	2,420	-
Total included in Statement of (Loss) Earnings	42,466	60,823	150,571	137,553
Inventories movement (note 20(a))	(3,584)	89,616	(76,195)	100,367
Amount capitalized in PP&E (note 20(b))	10,807	10,503	43,521	20,861
Depreciation, depletion and amortization charge for the period	\$ 49,689	\$ 160,942	\$ 117,897	\$ 258,781

8. Accounts payable and accrued liabilities

	September 30,	December 31,
	2017	2016
Trade creditors and accruals	\$ 114,297	\$ 92,715
Amount due to Royal Gold	45,246	29,170
Liability for share-based compensation	12,467	8,457
Total	\$ 172,010	\$ 130,342

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

9. Debt

	September 30, 2017	December 31, 2016
<u>Centerra B.C. Holdings Credit Facility</u>		
Term Facility	\$ 202,500	\$ 250,000
Revolving Facility	-	74,363
Less: deferred financing fees	(4,607)	(6,528)
	197,893	317,835
Less: current portion (net of deferred financing fees)	(48,536)	(47,943)
	\$ 149,357	\$ 269,892
<u>EBRD Facility</u>		
EBRD revolving credit facility	\$ 100,000	\$ 150,000
Less: deferred financing fees	(1,743)	(2,703)
	98,257	147,297
Less: current portion (net of deferred financing fees)	-	(24,338)
	\$ 98,257	\$ 122,959
Short-term debt	\$ 48,536	\$ 72,281
Long-term debt	247,614	392,851
Total debt	\$ 296,150	\$ 465,132

Centerra B.C. Holdings Credit Facility

In connection with the 2016 acquisition of Thompson Creek Metals Inc., Centerra B.C. Holdings, entered into a five-year term facility with a lending syndicate with an aggregate principal amount of \$325 million consisting of a \$75 million senior secured revolving credit facility (the “Revolving Facility”) and a \$250 million senior secured term credit facility (the “Term Facility”, collectively, the “Credit Facility”). Finance fees for the facility are deferred and amortized over the term of the facility.

Centerra B.C. Holdings’ obligations under the Credit Facility are guaranteed by its material subsidiaries and secured by the material assets, which includes the Mount Milligan mine, the Endako mine and the Langeloth facility.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

In July 2017, the Company entered into an amendment of the Credit Facility to increase the Revolving Facility from \$75 million to \$125 million until June 30, 2019, after which time it will revert back to \$75 million. The amendment also included terms permitting distributions from Centerra B.C. Holdings to Centerra Gold Inc. of up to \$50 million without a matching prepayment on the Term Facility up until June 30, 2019. The amendment was effective upon the satisfaction of a number of conditions precedent, including the execution of specific hedges for the next two years covering production at Mount Milligan from July 2017 to June 2019.

The Company was in compliance with the revised covenants for the three and nine months ended September 30, 2017.

On September 29, 2017, the Company repaid the entire outstanding principal amount of \$74.4 million on the Revolving Facility.

The principal amount of the Term Facility is to be repaid in \$12.5 million quarterly increments commencing March 31, 2017. During the three and nine months ended September 30, 2017 the Company repaid principal amounts of \$12.5 million and \$37.5 million on the Term Facility, respectively. In addition, on June 30, 2017, the Company made a mandatory pre-payment of \$10 million as a result of a distribution paid from Centerra B.C Holdings to Centerra Gold Inc.

	September 30, 2017	December 31, 2016
<u>Centerra B.C. Holdings Credit Facility</u>		
Undrawn amount from Revolving Facility (millions)	\$ 125,000	\$ 0.6
Term Facility - Interest rate - three month LIBOR plus ⁽¹⁾	3.75%	3.75%
Revolving Facility - Interest rate - three month LIBOR plus ⁽¹⁾	3.75%	3.75%

⁽¹⁾ The interest rate applied is dependent on an indebtedness ratio calculation and is paid and re-assessed quarterly. The margin interest rate ranges from 2.75% to 3.75%. Accrued interest is included in the Statement of Financial Position as part of 'Accounts payable and accrued liabilities'.

EBRD Revolving Credit Facility

In 2016, the Company entered into a five-year \$150 million revolving credit facility with European Bank for Reconstruction and Development (the "EBRD Facility"). Of the EBRD Facility, \$50 million must be used for the purposes of funding direct and indirect costs associated with the Gatsurt Project.

Funds drawn under the EBRD Facility are available to be re-drawn on a semi-annual basis, at the Company's discretion, and repayment of the loaned funds may be extended until 2021. In February 2017, EBRD agreed to amend the collateral coverage ratio associated with the EBRD Facility in consideration of the KGC Interim Order (refer to note 13) and the Company was required to repay \$25 million of the facility in the first quarter of 2017, with the remaining \$25 million to be repaid

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

on February 3, 2018 if a definitive agreement for the Gatsuurt Project was not reached by that time. On September 29, 2017, the Company repaid the remaining \$25 million associated with the Gatsuurt Project. If a definitive agreement for the Gatsuurt Project is not reached by February 3, 2018, and no waiver is granted by EBRD, the EBRD Facility will be reduced to \$100 million.

The Company was in compliance with all covenants for the three and nine months ended September 30, 2017.

	September 30, 2017	December 31, 2016
<u>EBRD Facility</u>		
Undrawn amount of the facility ⁽¹⁾	\$ 50,000	\$ -
Interest rate - six month LIBOR plus ⁽²⁾		
First tranche - \$100 million	3.0%	3.0%
Second tranche - \$50 million	5.0%	5.0%

(1) Undrawn amount can only be used for the Gatsuurt Project

(2) Interest is payable at the end of each three or six months term chosen at the discretion of the Company.

OMAS Facility

In 2016, Öksüt Madencilik A.S. (“OMAS”), a wholly-owned subsidiary of the Company, entered into a \$150 million five-year revolving credit facility (the “OMAS Facility”) that expires on December 31, 2021. The purpose of the OMAS Facility is to assist in financing the construction of the Company’s Öksüt Project.

Availability of the OMAS Facility is subject to customary conditions precedent, including receipt of all necessary permits and approvals. If the conditions are not satisfied, waived or amended by the deadline, the commitments under the OMAS Facility will be cancelled. On June 29, 2017, the previous deadline of June 30, 2017 was extended to December 31, 2017.

The Company continues to work on satisfying the conditions precedents by such deadline, however some conditions, such as the receipt of the pastureland permit for the Öksüt Project, are beyond the Company’s control. There are no assurances that all conditions will be satisfied by the deadline, or that the lenders will provide any waivers or extensions.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

	September 30, 2017	December 31, 2016
<u>OMAS Facility</u>		
Undrawn amount of the facility	\$ 150,000	\$ 150,000
Interest rate - LIBOR plus ⁽¹⁾	2.65% - 2.95%	

⁽¹⁾ The interest rate applied is dependent on the timing of the completion of the Öksüt Project construction.

10. Provision for reclamation

	September 30, 2017	December 31, 2016
Kumtor gold mine	\$ 52,542	\$ 51,593
Boroo gold mine	23,109	23,044
Mount Milligan mine	24,773	24,211
Thompson Creek mine	32,334	31,744
Endako mine	26,605	26,046
Gatsuurt Project	1,811	1,778
Total provision for reclamation	161,174	158,416
Less: current portion	(975)	(918)
	\$ 160,199	\$ 157,498

For the three and nine months ended September 30, 2017, there were no changes to the risk-free discount rates or undiscounted costs on any of the Company's reclamation provisions.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

11. Cost of sales

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Operating costs:				
Salaries and benefits	\$ 31,166	\$ 14,439	\$ 86,982	\$ 43,386
Consumables and maintenance charges	56,656	24,676	146,080	106,455
Third party services	8,896	795	21,750	2,286
Other operating costs	16,561	2,713	28,916	9,071
Royalties, levies and production taxes	4,005	96	10,068	285
By-product sales ⁽¹⁾	(5,183)	(1,445)	(14,021)	(3,035)
Changes in inventories	9,687	10,120	71,295	(25,409)
	121,788	51,394	351,070	133,039
Supplies inventory obsolescence charge (note 6)	1,340	-	4,050	-
Inventory impairment reversal	-	(15,431)	-	(27,217)
Depreciation, depletion and amortization (note 7)	41,108	60,553	146,200	138,559
	\$ 164,236	\$ 96,516	\$ 501,320	\$ 244,381

⁽¹⁾ For the three months ended September 30, 2017, by-product sales included \$2.7 million, \$1.4 million and \$1.1 million of silver, rhenium and sulfuric acid sales, respectively (three months ended September 30, 2016 - \$1.4 million of silver sales).

For the nine months ended September 30, 2017, by-product sales included \$7.7 million, \$3.2 million and \$3.1 million of silver, sulfuric acid and rhenium sales, respectively (nine months ended September 30, 2016 - \$3.0 million of silver sales).

12. Impairment of Mongolia Segment

The Company assesses at the end of each reporting period whether there is any indication from external and internal sources of information, that an asset may be impaired.

During the second quarter, the Company received preliminary results from the ongoing technical and economic studies (incorporating updated capital and operating costs) related to the Gatsuert Project which were initiated in 2016 and the current Mongolian tax and royalty regime, the Company determined that it could no longer support the carrying value of the Mongolian segment cash generating unit (“CGU”) and that it would be appropriate to recognize an impairment charge. The amount of the charge was determined as the excess of the carrying value over the recoverable amount defined as the fair value less cost to sell the resources in place (estimated to be \$25 per

Centerra Gold Inc.

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(Expressed in thousands of United States Dollars, except where otherwise indicated)

resource ounce) based on comparable market transactions.

Based on this estimate, management determined that the carrying amount of \$101.3 million exceeded the recoverable amount of \$60 million (net of costs to sell), resulting in an impairment charge of \$41.3 million. The impairment was allocated to buildings, plant and equipment, mineral properties and construction in progress within property, plant and equipment for the Mongolian segment.

The fair value of the Mongolian segment CGU and associated impairment charge was determined using significant unobservable inputs.

13. Kyrgyz Republic Settlement

On September 11, 2017, the Company reached a comprehensive settlement agreement (“Strategic Agreement”) with the Government of the Kyrgyz Republic to resolve all of the outstanding matters affecting to the Kumtor Project.

In connection with the Strategic Agreement, the arbitration previously commenced by Centerra, against the Kyrgyz Republic has been suspended until November 15, 2017. During the suspension, the parties will work towards completing the Strategic Agreement and the resolution of all outstanding matters affecting the Kumtor Project.

As at September 30, 2017, the Company recognized a provision of \$60.0 million (\$57.0 million payable on closing and \$3 million payable within 12 months of closing) in relation to the Strategic Agreement and accrued a liability of \$2.0 million within “Accounts payable and accrued liabilities” relating to an increase in the annual environmental fee.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

14. Other (income) loss, net

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Interest income	\$ (944)	\$ (780)	\$ (2,422)	\$ (2,079)
Foreign exchange (income) loss	302	1,025	(574)	558
Change in fair value of non-hedge financial instruments	-	641	(480)	641
Gain on sale of ATO Project ⁽¹⁾	(9,800)	-	(9,800)	-
Miscellaneous (income) loss	234	7	(127)	37
	\$ (10,208)	\$ 893	\$ (13,403)	\$ (843)

⁽¹⁾ On January 31, 2017, the Company entered into a definitive agreement to sell the Altan Tsagaan Ovol Project (“ATO Project”), located in Eastern Mongolia for gross proceeds of \$19.8 million. The Company received \$9.8 million upon closing in September 2017. The remaining will be received in additional cash payments of \$5 million on each of September 30, 2018 and September 30, 2019.

15. Finance costs

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<u>EBRD Facility</u>				
Interest expense	\$ 1,630	\$ 1,021	\$ 4,722	\$ 2,438
Financing costs amortized	629	114	960	275
Commitment fees	32	64	78	251
<u>Centerra B.C. Holdings Credit Facility</u>				
Interest expense	3,676	-	11,866	-
Financing costs amortized	1,887	-	2,807	-
Accretion of provision for reclamation	914	384	2,815	1,153
Other financing fees	660	137	1,170	277
	\$ 9,428	\$ 1,720	\$ 24,418	\$ 4,394

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

16. Shareholders' equity**(Loss) earnings per share**

Basic and diluted (loss) earnings per share

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net (loss) earnings attributable to shareholders	\$ (841)	\$ 66,938	\$ 79,552	\$ 87,910
Adjustment to (loss) earnings:				
Impact of performance share units accounted for as equity-settled	-	-	-	(2,200)
Impact of restricted share units treated as equity-settled	-	(60)	-	24
Net (loss) earnings for the purposes of diluted earnings per share	\$ (841)	\$ 66,878	\$ 79,552	\$ 85,734
(Thousands of common shares)				
Basic weighted average number of common shares outstanding	291,292	242,222	291,284	241,313
Effect of potentially dilutive securities:				
Stock options	639	606	548	489
Restricted share units	-	108	-	120
Diluted weighted average number of common shares outstanding	291,931	242,936	291,832	241,922
Basic (loss) earnings per common share	\$ (0.00)	\$ 0.28	\$ 0.27	\$ 0.36
Diluted (loss) earnings per common share	\$ (0.00)	\$ 0.28	\$ 0.27	\$ 0.35

For the three and nine months ended September 30, 2017 and 2016, certain potentially dilutive securities, including stock options and restricted share units, were excluded from the calculation of diluted (loss) earnings per share due to the exercise prices being greater than the average market price of the Company's common shares for the period.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Potentially dilutive securities are summarized below:

(Thousands of units)	Three months ended		Nine months ended	
	September 30, 2017	2016	September 30, 2017	2016
Stock options	1,388	1,760	2,109	2,396
Restricted share units	205	-	181	-
	1,593	1,760	2,290	2,396

17. Commitments and contingencies**Commitments****(a) Contracts**

As at September 30, 2017, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$111 million (Öksüt Project - \$50 million, Kumtor - \$45 million, Mount Milligan - \$15 million, and other - \$1 million). Öksüt Project commitments include \$36 million of contracts that will be settled over the next two to three years, while a majority of all other contracts are expected to be settled over the next twelve months.

(b) Greenstone Partnership

As partial consideration for the Company's initial 50% partnership interest in Greenstone Gold Mines LP, the Company agreed to commit up to an additional Cdn\$185 million to fund the project, subject to certain feasibility and project advancement criteria. 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 at September 30, 2017, the Company has funded a total of Cdn\$65 million (\$50 million) of its commitment since the inception of the partnership.

(c) Molybdenum Purchases

In the normal course of operations, the Company enters into agreements for the purchase of molybdenum. As at September 30, 2017, the Company had commitments to purchase approximately 2.6 million pounds of molybdenum as unroasted molybdenum concentrate in 2017 primarily priced at the time of purchase at a set discount to the market price for roasted molybdenum concentrate.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**(Expressed in thousands of United States Dollars, except where otherwise indicated)

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 September 30, 2017 cannot be predicted with certainty, it is management's opinion that it is not, except as noted below, more likely than not that these actions will result in the outflow of resources to settle the obligation; therefore no amounts have been accrued.

Corporate**Ontario Court Proceedings Involving the Kyrgyz Republic and Kyrgyzaltyn**

Since 2011, there have been four applications commenced in the Ontario courts by different applicants against the Kyrgyz Republic and Kyrgyzaltyn, each seeking to enforce in Ontario international arbitral awards against the Kyrgyz Republic. None of these disputes relate directly to Centerra or the Kumtor Project. In each of these cases, the applicants have argued that the Kyrgyz Republic has an interest in the Centerra common shares held by Kyrgyzaltyn, a state controlled entity, and therefore that such applicant(s) are entitled to seize such number of common shares and/or such amount of dividends as necessary to satisfy their respective arbitral awards against the Kyrgyz Republic. On July 11, 2016, the Ontario Superior Court of Justice released a decision on the common issue in these four applications - whether the Kyrgyz Republic has an exigible ownership interest in the Centerra common shares held by Kyrgyzaltyn. The Ontario Superior Court of Justice determined that the Kyrgyz Republic does not have any equitable or other right, property, interest or equity of redemption in the common shares held by Kyrgyzaltyn. As a result, on July 20, 2016, the Ontario Superior Court of Justice set aside previous injunctions which prevented Centerra from, among other things, paying any dividends to Kyrgyzaltyn. Accordingly, Centerra released to Kyrgyzaltyn approximately Cdn\$18.9 million which was previously held in trust for the benefit of two Ontario court proceedings.

Three of the applicants appealed the decision to the Ontario Court of Appeal which heard the case on December 4, 2016. The court issued its decision on January 3, 2017 which upheld the trial judge's decision. Two of the applicants applied to the Supreme Court of Canada for leave to appeal this decision, which application was refused on June 15, 2017.

18. Related party transactions**a. Kyrgyzaltyn**

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

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Sales:				
Gross gold and silver sales to Kyrgyzaltyn	\$ 126,193	\$ 221,300	\$ 463,763	\$ 457,576
Deduct: refinery and financing charges	(765)	(1,110)	(2,747)	(2,541)
Net sales revenue received from Kyrgyzaltyn	\$ 125,428	\$ 220,190	\$ 461,016	\$ 455,035
Expenses:				
Contracting services provided by Kyrgyzaltyn	\$ 509	\$ 285	\$ 974	\$ 984
Management fees payable to Kyrgyzaltyn	100	164	369	354
Expenses paid to Kyrgyzaltyn	\$ 609	\$ 449	\$ 1,343	\$ 1,338
Dividends:				
Dividends declared to Kyrgyzaltyn	\$ -	\$ 2,396	\$ -	\$ 7,097
Withholding taxes	-	(120)	-	(355)
Net dividends payable to Kyrgyzaltyn	\$ -	\$ 2,276	\$ -	\$ 6,742

Related party balances

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

	September 30, 2017	December 31, 2016
Amounts receivable ^(a)	\$ 9,971	\$ 11,611
Amount payable	1,131	1,218
Total related party liabilities	\$ 1,131	\$ 1,218

(a) Subsequent to September 30, 2017, the balance receivable from Kyrgyzaltyn was paid in full.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**(Expressed in thousands of United States Dollars, except where otherwise indicated)

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.

19. Financial Instruments

The Company's financial instruments include cash and cash equivalents, short-term investments, restricted cash, amounts receivable (including embedded derivatives), derivative assets and liabilities, reclamation deposits, long-term receivables, other assets, accounts payable and accrued liabilities, debt, lease obligations and revenue-based taxes payable.

Derivative Instruments

The Company uses derivatives as part of its risk management program to mitigate exposures to various market risks including, commodity prices, currency exchange rates and the cost of fuel.

Gold, copper and fuel hedge contracts

During the first quarter 2017, the Company commenced a program to mitigate copper price risk by purchasing fixed price forward sales contracts and zero-cost collars to hedge a portion of its expected 2017 and 2018 copper price risk. As at September 30, 2017, the Company has in place 38,000 metric tonnes (83 million pounds) designated as cash flow hedges against forecasted production at the Company's Mount Milligan mine of which 6,000 metric tonnes are fixed price forwards and 32,000 metric tonnes are zero-cost collars.

During the second quarter 2017, the Company commenced a program to mitigate gold price risk by purchasing fixed price forward sales contracts and zero-cost collars to hedge a portion of expected 2017 and 2018 gold price risk. As at September 30, 2017, the Company has 156,000 ounces designated as cash flow hedges against forecasted production at the Company's Mount Milligan mine of which 62,000 ounces are fixed price forwards and 94,000 ounces are zero-cost collars.

Fuel hedging contracts consist of call options to purchase crude oil, which are designated as cash flow hedges against forecast fuel consumption at the Company's Kumtor Project. As at September 30, 2017, the Company has in place call options on 407,000 barrels of Brent crude oil (December 31, 2016 - 535,000 barrels).

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Notes to the Condensed Consolidated Interim Financial Statements

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(Expressed in thousands of United States Dollars, except where otherwise indicated)

Non-hedge gold, copper and currency contracts

Non-hedge gold contracts are not designated as hedging instruments and are entered into to manage the price risk associated with the provisional pricing of gold deliverables to Royal Gold. As at September 30, 2017, the Company had forward contracts outstanding for 25,000 ounces of gold (December 31, 2016 – 35,000 ounces).

Non-hedge copper contracts are not designated as hedging instruments and are entered in to manage the price risk associated with the provisional pricing of copper deliverables to Royal Gold. As at September 30, 2017, the Company has forward contracts outstanding for 2,000 metric tonnes (4.4 million pounds) of copper (December 31, 2016 – nil).

Non-hedge foreign currency contracts are used to mitigate the variability of non-US dollar denominated exposures that do not meet the strict hedge effectiveness criteria. As at September 30, 2017, the Company has nil non-hedge foreign currency contracts outstanding.

Provisionally-priced contracts

Certain copper-gold concentrate sales contracts provide for provisional pricing. These sales contain an embedded derivative related to the provisional pricing mechanism and are marked to market at the end of each reporting period. As at September 30, 2017, the Company's trade receivables with embedded derivatives has a fair value of \$15.2 million (December 31, 2016 - \$4.1 million), representing 14 million pounds of copper and 54,000 ounces of gold (December 31, 2016 – 6.5 million pounds of copper and 61,693 ounces of gold).

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

The hedge positions outstanding for each of the type of commodity contracts as at September 30, 2017 are summarized as follows:

Contract	Instrument	Unit	Strike price	Settlement			As at September 30, 2017
				Q4-2017	2018	2019	Total position
Fuel	Crude oil options ⁽¹⁾	Barrels	\$65.53	46,000	288,000	73,000	407,000
Copper	Forward contracts ⁽²⁾	Pounds	\$2.81	7.1 million	6.8 million	-	13.9 million
Copper	Zero-cost collars ⁽³⁾	Pounds	\$2.46/\$3.22	2.8 million	38.6 million	27.5 million	68.9 million
Gold	Forward contracts ⁽²⁾	Ounces	\$1,282	23,453	39,097	-	62,550
Gold	Zero-cost collars ⁽³⁾	Ounces	\$1,245/\$1,363	9,000	47,906	36,799	93,705
<i>Royal Gold deliverables</i>							
Non-hedge gold	Forward contracts ⁽⁴⁾	Ounces	ND	25,070	-	-	25,070
Non-hedge copper	Forward contracts ⁽⁴⁾	Pounds	ND	4.4 million	-	-	4.4 million

ND = Contracts with floating terms that are not defined as at September 30, 2017.

⁽¹⁾ Under the option contract, the Company has the option buy or sell specified assets, typically metals or currency, at a specified price at a certain future date.

⁽²⁾ Under the forward contract, the Company will buy or sell specified assets, typically metals or currency, at a specified price to be settled at a certain future date.

⁽³⁾ Under the zero-cost collar, the Company can put the number of gold ounces or copper pounds to the counterparty at the minimum price, if the price were to fall below the minimum, and the counterparty has the option to require the Company to sell to it the number of gold ounces or copper pounds at the maximum price, if the price were to rise above the maximum.

⁽⁴⁾ Regarding sales to Royal Gold, the Company has entered into forward gold and copper contracts pursuant to which it purchases gold copper at an average price during a quotational period and sells gold or copper at a spot price. These derivative contracts are not designated as hedging instruments.

As noted above, the remaining facility gold hedging program in 2017 consists of 32,453 gold ounces, including 23,453 forward contracts at an average strike price of \$1,276 per ounce and 9,000 zero-cost collars at an average strike price range of \$1,225 to \$1,372 per ounce. The remaining facility copper hedging program in 2017 consists of 9.9 million pounds of copper, including 7.1 million forward contracts at an average strike price of \$2.73 per pound and 2.8 million pounds of zero-cost collars at an average strike price range of \$2.25 to \$3.21 per pound.

The gold hedging program is more heavily weighted to zero cost collars in 2018 and 2019 representing 55% and 100% of all hedges, respectively. This hedging strategy has also been adopted for copper hedges with 85% zero cost collars in 2018 and 100% in 2019.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

The following table is an analysis of the derivative instruments recorded in the Statement of (Loss) Earnings:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<u>Cash flow hedge</u>				
<i>Gold, copper and fuel contracts</i>				
Unrealized loss recognized in OCI	\$ (11,857)	\$ (365)	\$ (10,756)	\$ (365)
Loss reclassified to revenue	5,955	-	3,064	-
Net movement in cash flow hedge, net of tax	\$ (5,902)	\$ (365)	\$ (7,692)	\$ (365)
Total loss included in revenue	\$ (3,519)	\$ -	\$ (3,171)	\$ -
<u>Non-hedge derivatives</u>				
<i>Non-hedge gold, non-hedge copper and currency contracts</i>				
Total gain included in revenue	\$ 502	\$ -	\$ 2,726	\$ -
Total loss included in other (loss) income, net	\$ (427)	\$ -	\$ (1,871)	\$ -

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

The following table is an analysis of the fair value of the derivative instruments recorded in the Statement of Financial Position.

	September 30, 2017	December 31, 2016
<u>Cash flow hedge</u>		
<i>Gold, copper and fuel contracts</i>		
Prepaid expenses and other current assets	\$ 161	\$ 750
Other non-current assets	364	904
Other current liabilities	(5,342)	-
Other liabilities	(2,646)	-
	\$ (7,463)	\$ 1,654

Non-hedge derivatives*Non-hedge gold, non-hedge copper and currency contracts*

Other current liabilities	\$ (628)	\$ (1,512)
	\$ (628)	\$ (1,512)

Fair value measurement

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, which therefore require an entity to develop its own assumptions.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Classification and the fair value measurement by level of the financial assets and liabilities in the Statement of Financial Position were as follows:

September 30, 2017

	Amortized cost	Assets/liabilities at fair value through earnings (loss)	Assets/liabilities at fair value through OCI
<u>Financial assets</u>			
Cash and cash equivalents - Level 1	\$ -	\$ 351,958	-
Short-term investments	81	-	-
Restricted cash - Level 1	-	839	-
Amounts receivable	53,697	-	-
Provisionally-priced receivables - Level 2	-	15,166	-
Reclamation deposits	26,409	-	-
Long-term receivables	2,729	-	-
Derivative assets - Level 2	-	-	525
	\$ 82,916	\$ 367,963	\$ 525
<u>Financial liabilities</u>			
Trade creditors and accruals	\$ 114,297	\$ -	-
Amount due to Royal Gold - Level 2	-	45,246	-
Lease obligations	31,987	-	-
Debt	296,150	-	-
Revenue-based taxes payable	5,257	-	-
Derivative liability - Level 2	-	1,997	6,619
	\$ 447,691	\$ 47,243	\$ 6,619

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

December 31, 2016

	Amortized cost	Assets/liabilities at fair value through earnings (loss)	Assets/liabilities at fair value through OCI
<u>Financial assets</u>			
Cash and cash equivalents - Level 1	\$ -	\$ 160,017	-
Short-term investments	74	-	-
Restricted cash - Level 1	-	248,668	-
Amounts receivable	43,949	-	-
Provisionally-priced receivables - Level 2	-	4,148	-
Reclamation deposits	32,035	-	-
Long-term receivables	6,326	-	-
Derivative assets - Level 2	-	-	1,654
	\$ 82,384	\$ 412,833	\$ 1,654
<u>Financial liabilities</u>			
Trade creditors and accruals	\$ 92,715	\$ -	-
Amount due to Royal Gold - Level 2	-	29,170	-
Lease obligations	29,901	-	-
Debt	465,132	-	-
Revenue-based taxes payable	19,202	-	-
Derivative liability - Level 2	-	1,512	-
	\$ 606,950	\$ 30,682	-

The recorded value of short-term investments, amounts receivable, reclamation deposits, long-term receivables, accounts payable and accrued liabilities, lease obligations, debt and revenue-based taxes payable approximate their relative fair values.

The fair value of gold, copper, diesel and currency derivative instruments, classified within Level 2, is determined using derivative pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. The fair value of the Company's derivative contracts includes an adjustment for credit risk.

Forward commodity contracts and provisionally priced contracts, are classified within Level 2 because they are valued using a market-based-approach, other than observable quoted prices included within Level 1, other inputs from published market prices and contracted prices and terms.

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

20. Supplemental disclosure**a. Changes in operating working capital**

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Decrease (increase) in amounts receivable	\$ 5,174	\$ 2,119	\$ (18,765)	\$ (11,884)
(Increase) decrease in inventory - ore and metal	(23,258)	(80,580)	60,521	(128,153)
Decrease (increase) in inventory - supplies	960	3,625	(7,411)	22,008
Decrease (increase) in prepaid expenses	4,883	(6,537)	1,606	559
Increase (decrease) in trade creditors and accruals	35,619	2,082	33,743	15,075
(Decrease) increase in revenue-based tax payable	(6,855)	8,261	(13,945)	9,861
(Decrease) increase in depreciation and amortization included in inventory (note 7)	(3,584)	89,616	(76,195)	100,367
(Increase) decrease in accruals included in additions to PP&E	(1,975)	(2,639)	(1,430)	(12,290)
Increase (decrease) in other taxes payable	463	(837)	(330)	(178)
	\$ 11,427	\$ 15,110	\$ (22,206)	\$ (4,635)

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

b. Investment in PP&E

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Additions to PP&E during the period (note 7)	\$ (75,013)	\$ (63,721)	\$ (256,995)	\$ (167,106)
Greenstone Gold Property translation adjustment	1,480	-	2,746	-
Parts transferred to PP&E	2,896	-	4,334	-
Purchase of Teck royalty via share issuance	-	-	-	2,954
Impact of revisions to asset retirement obligation included in PP&E	50	-	51	-
Depreciation and amortization included in additions to PP&E (note 7)	10,807	10,503	43,521	20,861
Capitalization of OMAS financing costs	257	-	1,165	-
(Decrease) increase in accruals related to additions to PP&E	2,054	2,639	1,430	12,290
	\$ (57,469)	\$ (50,579)	\$ (203,748)	\$ (131,001)

Centerra Gold Inc.**Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**

(Expressed in thousands of United States Dollars, except where otherwise indicated)

c. Changes in liabilities arising from financing activities

	Three months ended September 30, 2017	
	Debt⁽²⁾	Interest payable⁽¹⁾
Opening balance	406,383	2,040
Changes due to:		
Repayments	(111,864)	(7,860)
Amortization of deferred financing costs	2,516	-
Interest expense	-	5,306
Capitalized interest and other	(885)	1,929
Balance at September 30, 2017	296,150	1,415

⁽¹⁾Included within "Accounts payable and accrued liabilities".⁽²⁾Includes short term debt (\$48,536) and long term debt (\$247,614).

	Nine months ended September 30, 2017	
	Debt⁽²⁾	Interest payable⁽¹⁾
Opening balance	465,132	4,783
Changes due to:		
Repayments	(171,865)	(23,166)
Amortization of deferred financing costs	3,767	-
Interest expense	-	16,588
Capitalized interest and other	(884)	3,210
Balance at September 30, 2017	296,150	1,415

⁽¹⁾Included within "Accounts payable and accrued liabilities".⁽²⁾Includes short term debt (\$48,536) and long term debt (\$247,614).**21. Segmented Information**

The following table reconciles segment earnings (loss) per the reportable segment information to earnings (loss) per the Statements of Earnings.

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Three months ended September 30, 2017

(Millions of U.S. Dollars)	North America						Total
	Kyrgyz Republic	Mongolia	Turkey	Gold-Copper	Molybdenum	Corporate and other	
Gold sales	\$ 124.3	\$ -	\$ -	\$ 74.4	\$ -	\$ -	\$ 198.7
Copper sales	-	-	-	40.9	-	-	40.9
Molybdenum sales	-	-	-	-	35.0	-	35.0
Tolling, calcining and other	-	-	-	-	1.6	-	1.6
Revenue	124.3	-	-	115.3	36.6	-	276.2
Cost of sales	54.5	-	-	74.6	35.1	-	164.2
Standby costs, net	-	2.4	-	-	-	-	2.4
Regional office administration	4.1	-	-	-	-	-	4.1
Earnings (loss) from mine operations	65.7	(2.4)	-	40.7	1.5	-	105.5
Revenue-based taxes	17.6	-	-	-	-	-	17.6
Other operating expenses	2.1	0.2	-	2.2	0.6	-	5.1
Care and maintenance	-	-	-	-	3.3	-	3.3
Pre-development project costs	-	-	-	-	-	0.9	0.9
Exploration expenses and business development	-	0.1	-	-	-	2.4	2.5
TCM acquisition and integration expenses	-	-	-	-	-	0.6	0.6
Corporate administration	0.1	0.6	(0.1)	-	-	11.9	12.5
Kyrgyz Republic settlement	60.0	-	-	-	-	-	60.0
Earnings (loss) from operations	(14.1)	(3.3)	0.1	38.5	(2.4)	(15.8)	3.0
Other income, net	-	-	-	-	-	-	(10.2)
Finance costs	-	-	-	-	-	-	9.4
Earnings before income tax							3.8
Income tax expense	-	-	-	-	-	-	4.6
Net loss							\$ (0.8)
Capital expenditure for the period	\$ 62.2	\$ -	\$ 2.0	\$ 8.2	\$ 0.2	\$ 2.4	\$ 75.0

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Three months ended September 30, 2016

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	North America		Corporate and other	Total
				Gold-Copper	Molybdenum		
Gold sales	\$ 218.7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 218.7
Revenue	218.7	-	-	-	-	-	218.7
Cost of sales	96.5	-	-	-	-	-	96.5
Standby costs (recovery), net	-	(1.5)	-	-	-	-	(1.5)
Regional office administration	3.6	-	-	-	-	-	3.6
Earnings from mine operations	118.6	1.5	-	-	-	-	120.1
Revenue-based taxes	30.8	-	-	-	-	-	30.8
Other operating expenses	0.1	-	-	-	-	-	0.1
Pre-development project costs	-	-	-	-	-	2.3	2.3
Exploration expenses and business development	-	0.8	-	-	-	5.0	5.8
Corporate administration	0.1	0.1	-	-	-	5.8	6.0
Earnings (loss) from operations	87.6	0.6	-	-	-	(13.1)	75.1
Other loss, net	-	-	-	-	-	-	0.9
Finance costs	-	-	-	-	-	-	1.7
Earnings before income tax							72.5
Income tax expense							5.6
Net earnings							\$ 66.9
Capital expenditure for the period	\$ 54.9	\$ 1.5	\$ 4.7	\$ -	\$ -	\$ 2.6	\$ 63.7

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Nine months ended September 30, 2017

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	North America		Corporate and other	Total
				Gold-Copper	Molybdenum		
Gold sales	\$ 457.1	\$ -	\$ -	\$ 181.2	\$ -	\$ -	638.3
Copper sales	-	-	-	96.8	-	-	96.8
Molybdenum sales	-	-	-	-	99.9	-	99.9
Tolling, calcining and other	-	-	-	-	5.8	-	5.8
Revenue	457.1	-	-	278.0	105.7	-	840.8
Cost of sales	207.1	-	-	193.1	101.1	-	501.3
Standby costs, net	-	5.1	-	-	-	-	5.1
Regional office administration	12.4	-	-	-	-	-	12.4
Earnings (loss) from mine operations	237.6	(5.1)	-	84.9	4.6	-	322.0
Revenue-based taxes	64.5	-	-	-	-	-	64.5
Other operating expenses	2.3	0.7	-	5.2	1.7	-	9.9
Care and maintenance	-	-	-	-	9.9	-	9.9
Pre-development project costs	-	-	-	-	-	3.3	3.3
Exploration expenses and business development	-	0.5	-	-	-	6.2	6.7
TCM acquisition and integration expenses	-	-	-	-	-	2.1	2.1
Corporate administration	0.2	0.8	0.1	-	-	30.5	31.6
Kyrgyz Republic settlement	60.0	-	-	-	-	-	60.0
Asset impairment	-	41.3	-	-	-	-	41.3
Earnings (loss) from operations	110.6	(48.4)	(0.1)	79.7	(7.0)	(42.1)	92.7
Other income, net	-	-	-	-	-	-	(13.4)
Finance costs	-	-	-	-	-	-	24.4
Earnings before income tax							81.7
Income tax expense	-	-	-	-	-	-	2.1
Net earnings							\$ 79.6
Capital expenditure for the period	\$ 223.5	\$ 1.8	\$ 7.2	\$ 17.9	\$ 0.3	\$ 6.3	\$ 257.0
Goodwill	\$ -	\$ -	\$ -	\$ 16.1	\$ -	\$ -	\$ 16.1
Total assets (excluding goodwill)	\$ 1,023.6	\$ 78.1	\$ 44.6	\$ 911.4	\$ 205.0	\$ 377.9	\$ 2,640.6
Total liabilities	\$ 180.2	\$ 30.8	\$ 0.3	\$ 149.8	\$ 75.7	\$ 317.8	\$ 754.6

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

(Expressed in thousands of United States Dollars, except where otherwise indicated)

Nine months ended September 30, 2016

(Millions of U.S. Dollars)	North America						Corporate and other	Total
	Kyrgyz Republic	Mongolia	Turkey	Gold-Copper	Molybdenum			
Gold sales	\$ 452.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	452.0
Revenue	452.0	-	-	-	-	-	-	452.0
Cost of sales	244.4	-	-	-	-	-	-	244.4
Standby costs (recovery), net	-	(2.2)	-	-	-	-	-	(2.2)
Regional office administration	10.6	-	-	-	-	-	-	10.6
Earnings from mine operations	197.0	2.2	-	-	-	-	-	199.2
Revenue-based taxes	63.7	-	-	-	-	-	-	63.7
Other operating expenses	1.0	0.4	-	-	-	-	-	1.4
Pre-development project costs	-	-	-	-	-	-	7.6	7.6
Exploration expenses and business development	-	1.4	-	-	-	-	11.6	13.0
Corporate administration	0.2	0.2	0.1	-	-	-	18.1	18.6
Earnings (loss) from operations	132.1	0.2	(0.1)	-	-	-	(37.3)	94.9
Other income, net								(0.9)
Finance costs								4.4
Earnings before income tax								91.4
Income tax expense								3.5
Net earnings							\$	87.9
Capital expenditure for the period	\$ 141.3	\$ 4.9	\$ 9.9	\$ -	\$ -	\$ -	\$ 11.0	\$ 167.1
Total assets	\$ 1,055.3	\$ 177.8	\$ 30.4	\$ -	\$ -	\$ -	\$ 659.0	\$ 1,922.5
Total liabilities	\$ 114.7	\$ 34.1	\$ 3.1	\$ -	\$ -	\$ -	\$ 261.4	\$ 413.3