



Management's Discussion and Analysis ("MD&A") For the Period Ended June 30, 2017

This Management Discussion and Analysis ("MD&A") has been prepared as of July 31, 2017, and is intended to provide a review of the financial position and results of operations of Centerra Gold Inc. ("Centerra" or the "Company") for the three and six months ended June 30, 2017 in comparison with the corresponding period ended June 30, 2016. This discussion should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and the notes thereto for the three and six months ended June 30, 2017. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2016 and 2015, the related MD&A and the Annual Information Form for the year ended December 31, 2016 (the "2016 Annual Information Form"). The Company's unaudited condensed consolidated interim financial statements and the notes thereto for the three and six months ended June 30, 2017, 2016 Annual Report and 2016 Annual Information Form are available at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. The consolidated financial statements of Centerra are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. All figures are in United States dollars unless otherwise stated.

All references in this document denoted with ^{NG}, indicate a non-GAAP term which is discussed under "Non-GAAP Measures".

1. Overview

Centerra is a gold mining company focused on operating, developing, exploring and acquiring gold properties in North America, Asia, and other markets worldwide. Centerra is a leading Canadian-based gold producer and is one of the largest Western-based gold producers in Central Asia. Centerra's principal operations are the Kumtor Project located in the Kyrgyz Republic and the Mount Milligan Mine located in British Columbia, Canada.

The Company's significant wholly-owned subsidiaries include Kumtor Gold Company ("KGC" or "Kumtor") in the Kyrgyz Republic, Thompson Creek Metals Company Inc. ("Thompson Creek") in Canada, Langeloth Metallurgical Company LLC ("Langeloth") and Thompson Creek Mining Co. in the United States of America (USA), Öksüt Madencilik Sanayi vi Ticaret A.S. ("OMAS") in Turkey and Boroo Gold LLC and Centerra Gold Mongolia LLC ("CGM") in Mongolia. Additionally, the Company holds, through Thompson Creek, a 75% joint venture interest in the Endako Mine in British Columbia, Canada. It also owns a 50% partnership interest in Greenstone Gold Mines LP (the "Greenstone Partnership") which owns the Greenstone Gold development property including the Hardrock deposit, located in Ontario, Canada. See "Operating Mines and Facilities", "Development Projects" and "Other Corporate Developments" for further details.

The Company has also entered into agreements to earn interests in joint venture exploration properties located in Canada, Mexico, Sweden and Nicaragua.

Centerra's shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is headquartered in Toronto, Ontario, Canada.

2. Market Conditions

Gold Price

During the second quarter of 2017, the gold price fluctuated between a low of \$1,220 per ounce and a high of \$1,294 per ounce. The average gold price for the second quarter of \$1,257 per ounce, was comparable to the second quarter of 2016 average of \$1,259 per ounce, and a \$38 per ounce increase compared to the first quarter of 2017 average.

Over the course of the second quarter of 2017, geopolitical uncertainty saw increased investor demand for gold placing upward pressure on spot prices. However, gold remained below \$1,300 per ounce as market participants prepared for the second rate hike by the US Federal Reserve in June 2017, along with the potential for additional monetary tightening in the second half of the year.

Copper Price

The average copper price for the quarter was \$2.57 per pound, a \$0.42 per pound increase compared to the second quarter of 2016 average of \$2.15 per pound, and a \$0.08 per pound decrease compared to the first quarter of 2017.

Early in the second quarter of 2017, copper prices retreated, but recovered into the end of the quarter with renewed optimism on Chinese demand, the world's largest consumer of the metal.

Foreign Exchange Rates

USD to CAD

The average U.S. dollar exchange rate for the second quarter of 2017 strengthened by 4% when compared to the average of the second quarter of 2016 (1.29), with rates in the second quarter of 2017 ranging from 1.30 to 1.37 and averaging 1.34. The relative weakness of the U.S. dollar over the course of 2016 was largely due to a recovery in oil prices from the first quarter of 2016 price of approximately \$30 per barrel. The first half of the second quarter of 2017 saw the appreciation of the U.S. dollar, with uncertainty in Canada around U.S. government policy (specifically trade concerns resulting from North American Free Trade Agreement ("NAFTA") renegotiations and fears regarding the possible introduction of a border adjustment tax) and cautious language from the Bank of Canada. The exchange rate reached a 14-month high of 1.38 in the month of May. Indications from the Bank of Canada in the second half of the quarter led many to believe an interest rate hike in Canada was imminent, causing the Canadian dollar to strengthen and close the quarter at 1.30. The Bank of Canada announced an interest rate hike on July 12, 2017, further strengthening the Canadian dollar.

USD to Kyrgyz Som

The average U.S. dollar exchange rate for the second quarter of 2017 was consistent with the average of the second quarter of 2016 (68.4), with rates in the second quarter of 2017 ranging from 67.1 to 69.1 and averaging 68.1. The Kyrgyz som continues to be pulled up by the strengthening of currencies of the Kyrgyz Republic's main trading partners – mainly Russia. The strengthening in the Russian ruble reflects higher oil prices and an improving economic situation.

Foreign Exchange Transactions

The Company receives its revenues through the sale of gold, copper and molybdenum in U.S. dollars. The Company has operations in the Kyrgyz Republic, Turkey, Mongolia, United States of America and Canada (where the Mount Milligan Mine and its corporate head office are also located). During the first six months of 2017, the Company incurred combined expenditures (including capital) totalling approximately \$568 million. Approximately \$285 million of this (50%) was in currencies other than the U.S. dollar. The

percentage of Centerra's non-U.S. dollar costs, by currency was, on average, as follows: 50% in Canadian dollars, 41% in Kyrgyz soms, 6% in Euros, and 3% in Turkish lira, Mongolian tugriks and British pounds. The average value of the Turkish lira depreciated against the U.S. dollar by approximately 3% from its value at December 31, 2016. The Euro, Mongolian tugrik, British pound, Kyrgyz som and Canadian dollar appreciated against the U.S. dollar by approximately 3%, 2%, 2%, 1% and 1%, respectively, from their value at December 31, 2016. The net impact of these movements in the six months ended June 30 2017, after taking into account currencies held at the beginning of the year, was to increase annual costs by \$2.7 million (increase of \$7.7 million in the six months ended June 30 2016).

3. Consolidated Highlights Summary

(\$ millions, except as noted)	Three months ended June 30,			Six months ended June 30,		
Financial Highlights	2017	2016 ⁽⁵⁾	% Change	2017	2016 ⁽⁵⁾	% Change
Revenue	\$ 279.2	160.4	74%	\$ 564.5	233.3	142%
Cost of sales	165.2	116.8	41%	337.1	147.9	128%
Earnings from mine operations	108.5	40.5	168%	216.4	79.1	174%
Asset Impairment	41.3	-	100%	41.3	-	100%
Earnings from operations	24.2	1.3	1801%	89.7	19.8	354%
Net earnings	\$ 23.4	\$ 2.9	715%	\$ 80.4	\$ 21.0	282%
Cash provided by operations	142.8	57.2	150%	211.1	66.7	216%
Cash provided by operations before changes in working capital ⁽³⁾	121.9	59.2	106%	244.7	86.4	183%
Capital expenditures (sustaining) ⁽³⁾	18.9	13.7	38%	38.5	36.9	4%
Capital expenditures (growth) ⁽³⁾	9.8	14.4	(32%)	14.3	24.0	(40%)
Capital expenditures (stripping)	64.3	25.6	151%	128.9	39.7	225%
Total assets	\$ 2,667.4	1,711.8	56%	\$ 2,667.4	1,711.8	56%
Long-term debt and long-term lease obligation	358.1	-	100%	358.1	-	100%
Cash, short-term investments and restricted cash	401.4	542.9	(26%)	401.4	542.9	(26%)
Share Data						
Earnings per common share - \$ basic ⁽¹⁾	\$ 0.08	0.01	700%	\$ 0.28	0.09	211%
Earnings per common share - \$ diluted ⁽¹⁾	\$ 0.08	-	100%	\$ 0.27	0.08	238%
Per Ounce Data (except as noted)						
Average gold spot price - \$/oz ⁽²⁾	1,257	1,260	0%	1,238	1,223	1%
Average copper spot price - \$/lbs ⁽²⁾	2.57	-	100%	2.61	-	100%
Average realized gold price - Kumtor (third party) - \$/oz ⁽³⁾	1,247	1,264	(1%)	1,233	1,238	0%
Average realized gold price (combined) - \$/oz ⁽³⁾	1,165	1,264	(8%)	1,169	1,238	(6%)
Operating Highlights						
Gold produced – ounces poured	195,719	97,724	100%	368,364	185,316	99%
Gold sold – ounces sold	188,225	127,909	47%	376,139	189,653	98%
Payable Copper Produced (000's lbs)	15,062	-	100%	27,658	-	100%
Copper Sales (000's payable lbs)	14,358	-	100%	27,970	-	100%
Operating costs (on a sales basis) ⁽³⁾	84.1	60.4	39%	170.0	79.1	115%
Unit Costs						
Adjusted operating costs - \$/oz sold ⁽³⁾⁽⁴⁾	\$ 337	\$ 512	(34%)	\$ 339	\$ 467	(27%)
Gold - All-in sustaining costs on a by-product basis – \$/oz sold ⁽³⁾⁽⁴⁾	\$ 742	\$ 822	(10%)	\$ 746	\$ 885	(16%)
Gold - All-in sustaining costs on a by-product basis (including taxes) – \$/oz sold ⁽³⁾⁽⁴⁾	\$ 858	\$ 1,000	(14%)	\$ 869	\$ 1,060	(18%)
Gold - All-in sustaining costs on a co-product basis (including taxes) – \$/oz sold ⁽³⁾⁽⁴⁾	\$ 789	\$ -	-	\$ 792	\$ -	-
Copper - All-in sustaining costs on a co-product basis (including taxes) – \$/pound sold ⁽³⁾⁽⁴⁾	\$ 1.58	\$ -	-	\$ 1.68	\$ -	-

(1) As at June 30, 2017, the Company had 291,281,206 common shares issued and outstanding (291,283,176 common shares as of July 31, 2017). As of July 31, 2017, Centerra had 5,228,696 share options outstanding under its share option plan with exercise prices ranging from Cdn\$3.82 per share to Cdn\$42.71 per share, with expiry dates between 2017 and 2024.

(2) Average for the period as reported by the London Bullion Market Association (US dollar Gold P.M. Fix Rate) and London Metal Exchange (LME).

- (3) Capital expenditures (sustaining and growth), operating costs (on a sales basis), adjusted operating costs per ounce sold, all-in sustaining costs on a by-product or co-product basis (for gold and copper, in each case excluding and including taxes) per ounce sold, cash provided by operation before changes in working capital, as well as average realized gold price per ounce and average realized copper price per pound are non-GAAP measures and are discussed under “Non-GAAP Measures”.
- (4) Excludes Molybdenum business.
- (5) No comparative results for Thompson Creek operations have been presented.

4. Overview of Consolidated Results

Second Quarter 2017 compared to Second Quarter 2016

The Company recorded net earnings of \$23.4 million in the second quarter of 2017, compared to net earnings of \$2.9 million in the comparative quarter of 2016, reflecting an asset impairment in Mongolia, more gold ounces sold at Kumtor and the addition of the Mount Milligan operations, partially offset by lower average realized gold prices^{NG}.

Production:

Gold production for the second quarter of 2017 totalled 195,719 ounces. Gold production at Kumtor was 138,623 ounces in the second quarter of 2017, 42% higher than the 97,724 ounces produced in the comparative quarter of 2016. The increase in ounces poured at Kumtor is a result of milling higher grade ore from stockpiles, compared to the lower grade ore mined and processed from the initial benches in cut-back 17 during the comparative period. During the quarter, Mount Milligan produced 57,096 ounces of gold and 15.1 million pounds of copper

Safety and Environment:

Centerra had three reportable injuries in the second quarter of 2017, which included a fatal injury of a maintenance employee at Kumtor on April 11, 2017. Investigations involving the Kyrgyz State Inspectorate for Environmental and Technical Safety have been completed and no charges are expected to be filed. There were also two medical aid injuries in the quarter.

There were no reportable releases to the environment during the second quarter of 2017. However, on July 9, 2017, a reportable spill occurred at Kumtor when a diesel fuel truck rolled over a safety berm on the technical road on its way to the mine site. Approximately 8.8 tonnes of diesel leaked and was contained, with no release in any water ways. Clean-up of the affected area was completed on the same day. Kumtor continues to work closely with local authorities to complete the investigation.

Financial Performance:

Revenue increased by 73% to \$279.2 million in the second quarter of 2017 as a result of more gold ounces sold (188,225 ounces compared to 127,909 ounces in the second quarter of 2016), partially offset by a 8% lower combined average realized gold price^{NG} during the quarter (\$1,165 per ounce compared to \$1,264 per ounce in the same quarter of 2016). The increase in gold ounces sold at Kumtor (135,235 ounces compared to 127,909 ounces in the same quarter of 2016) reflects the processing of higher grade ore from stockpiles. In the second quarter of 2016, lower grade ore was mined and processed from the initial benches in cut-back 17. Mount Milligan sold 52,990 ounces of gold and 14.4 million pounds of copper during the second quarter of 2017 which contributed \$78.0 million in revenues. The molybdenum business contributed \$32.6 million in revenues during the second quarter of 2017.

Cost of sales increased by 40% in the second quarter of 2017 (\$165.2 million compared to \$116.8 million in the second quarter of 2016) mainly resulting from the significant increase in ounces sold from the Kumtor mine and also reflecting the addition of Mount Milligan (gold and copper sales) and the molybdenum business. Depreciation, depletion and amortization (“DD&A”) associated with production was \$50.8

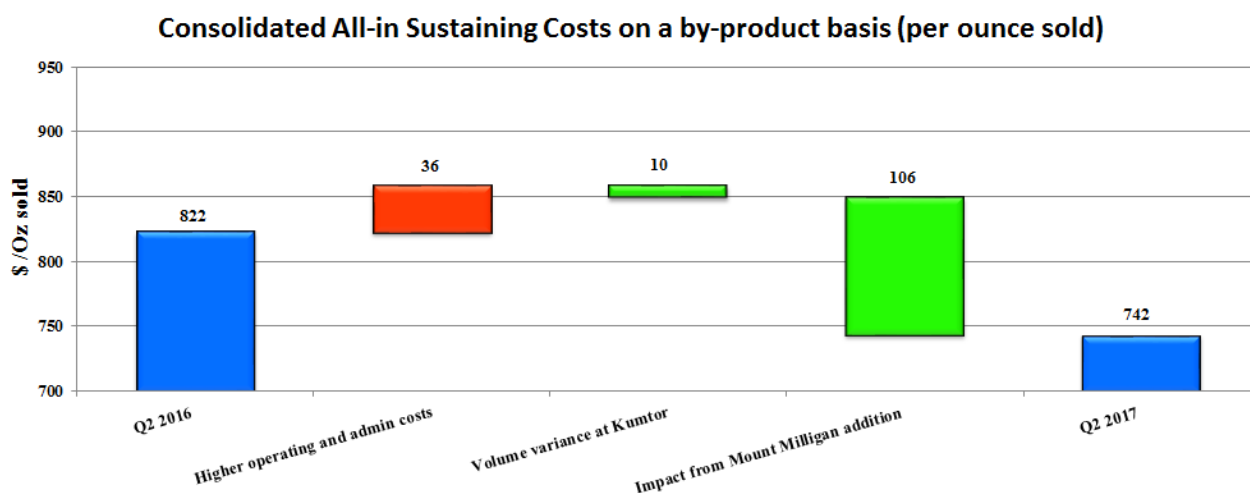
million in the second quarter of 2017 as compared to \$56.4 million in the same period of 2016, primarily due to processing the higher grade and lower cost cut-back 17 ore in the second quarter of 2017, compared to the higher cost ore from cut-back 16 and from the initial benches of cut-back 17 that was processed in the comparative period of 2016, partially offset by higher sales and the addition of Mount Milligan and the molybdenum business in the second quarter of 2017.

The Company reduced the carrying value of its Mongolian assets by \$41.3 million (pre-tax) in the second quarter of 2017 to reflect the receipt of preliminary results from the ongoing technical and economic studies related to the Gatsuurt Project (incorporating updated capital and operating costs and the current Mongolian tax and royalty regime) which were initiated in 2016, . As a result, the Company has reduced the carrying value of the Mongolian assets to their estimated recoverable value of approximately \$60 million. The Company is continuing to work on such studies to optimize the project and its value.

Operating Costs:

Operating costs (on a sales basis) increased to \$84.1 million in the second quarter of 2017 compared to \$60.4 million in the same period of 2016, reflecting greater ounces sold at Kumtor and lower operating costs for consumables, partially offset by labour cost increases at Kumtor plus the addition of Mount Milligan and molybdenum business costs.

Centerra’s all-in sustaining costs on a by-product basis per ounce of gold sold^{NG}, which excludes revenue-based tax and income tax, for the second quarter of 2017 decreased to \$742 from \$822 in the comparative period mainly as a result of more ounces sold at Kumtor (\$10 per ounce) and the positive impact from the addition of Mount Milligan (\$106 per ounce). This was partially offset by higher capitalized stripping and spending on maintenance and labour at Kumtor and incremental administration costs, as a result of the Thompson Creek acquisition (\$36 per ounce).



The increased sales volume at Kumtor in the second quarter of 2017 was due primarily to increased gold production resulting from higher grades of ore processed from the stockpiles as compared to the same period of 2016 (3.53 g/t compared to 2.63 g/t) and better recoveries (79.3% compared to 71.9%).

First Half 2017 compared to First Half 2016

Production:

Gold production for the first half of 2017 totalled 368,364 ounces. Gold production at Kumtor was 266,023 ounces in the first half of 2017, 44% higher than the 184,168 ounces produced in the first half of 2016. The increase in ounces poured at Kumtor is a result of milling higher grade ore from stockpiles (3.53 g/t compared to 2.46 g/t) and realizing higher recoveries (77.6% compared to 73.3%) compared to the same period in 2016. During the first half of 2017, Mount Milligan produced 102,340 ounces of gold and 27.7 million pounds of copper.

Safety and Environment:

Centerra had four reportable injuries in the first half of 2017, including a fatal injury of a maintenance employee at Kumtor, a lost time injury to a contractor and two medical aid injuries.

There were no reportable releases to the environment during the first half of 2017. However, as noted above, on July 9, 2017, a reportable spill occurred at Kumtor when a diesel fuel truck rolled over a safety berm on the technical road on its way to the mine site.

Financial Performance:

Revenue increased to \$564.5 million in the first half of 2017 from \$233.3 million, as a result of additional gold ounces sold (376,139 ounces compared to 185,316 ounces in the first half of 2016), partially offset by a 6% lower combined average realized gold price^{NG} during the first half (\$1,169 per ounce compared to \$1,238 per ounce in the same period of 2016). The increase in gold ounces sold at Kumtor (269,917 ounces compared to 189,654 ounces in the same period of 2016) reflects the processing of higher grade ore from stockpiled material. In the first half of 2016, lower grade ore was mined and processed from the initial benches in cut-back 17. Mount Milligan sold 106,222 ounces of gold and 28 million pounds of copper during the first half of 2017 which contributed \$162.7 million in revenues. The molybdenum business contributed \$69.1 million in revenues during the first half of 2017.

Cost of sales increased in the first half of 2017 to \$337.1 million compared to \$147.9 million in the first half of 2016, mainly resulting from the significant increase in ounces sold from the Kumtor mine and also reflects the addition of Mount Milligan gold and copper sales and the molybdenum business. Depreciation, depletion and amortization (“DD&A”) associated with production was \$106.2 million in the first half of 2017 as compared to \$68.3 million in the same period of 2016 as a result of higher sales and the addition of Mount Milligan and the molybdenum business in the first half of 2017.

In the second quarter of 2017, the Company reduced the carrying value of its Mongolian assets by \$41.3 million (pre-tax) to reflect net recoverable value (as stated above).

Operating Costs:

Operating costs (on a sales basis) increased to \$170.0 million in the first half of 2017 compared to \$79.1 million in the same period of 2016, reflecting more ounces sold at Kumtor and lower operating costs for consumables, partially offset by labour cost increases at Kumtor plus the addition of Mount Milligan and molybdenum business costs.

Centerra’s all-in sustaining costs on a by-product basis per ounce of gold sold^{NG}, which excludes revenue-based tax and income tax, for the first half of 2017 decreased to \$746 from \$885 in the comparative period mainly as a result of more ounces sold at Kumtor and the addition of gold and copper sales Mount Milligan.

This was partially offset by higher capitalized stripping and spending on maintenance and labour at Kumtor and incremental administration costs, as a result of the Thompson Creek acquisition.

5. Liquidity and Capital Resources

The Company believes its cash on hand and working capital as at June 30, 2017, together with future cash flows from operations and cash provided by the Company's existing credit facilities will be sufficient to fund its anticipated operating cash requirements, although there can be no assurance of this. See "Caution Regarding Forward-Looking Information".

Cashflow:

<i>Unaudited (\$ millions, except as noted)</i>	Three months ended June 30,			Six months ended June 30,		
	2017	2016	% Change	2017	2016	% Change
Cash provided by operations before changes in working capital^{NG}	121.9	59.2	106%	244.7	86.4	183%
- Changes in working capital	20.8	(2.0)	(1168%)	(33.7)	(19.7)	70%
Cash provided by operating activities	142.8	57.2	149%	211.1	66.7	217%
Cash used in investing activities:						
- Capital additions (cash)	(77.3)	(45.0)	72%	(146.3)	(80.4)	82%
- Short-term investment purchased, net	(35.0)	(120.1)	(71%)	(60.0)	(100.5)	(40%)
- other investing items	18.5	(0.8)	(2381%)	11.7	(4.5)	(359%)
Cash used in investing activities	(93.8)	(165.9)	(43%)	(194.5)	(185.5)	5%
Cash used in financing activities:						
- Debt (repayment) proceeds	(22.5)	24.0	(194%)	(60.0)	24.0	(350%)
- Dividends declared and paid	-	(7.4)	(100%)	-	(14.6)	(100%)
- Payment of interest and borrowing costs	(6.6)	(3.1)	110%	(15.3)	(6.6)	132%
- Common shares issued for options exercised	-	0.7	(100%)	-	0.7	(100%)
Cash (used in) provided by financing activities	(29.1)	14.2	(300%)	(75.3)	3.4	(2269%)
Increase (decrease) in cash and cash equivalents	19.9	(94.5)	42%	(58.8)	(115.4)	63%

In the second quarter of 2017, Centerra generated cash from operations before working capital changes^{NG} of \$121.9 million, compared to \$59.2 million in the prior period, as a result of higher earnings in the current quarter. The major working capital increase since the beginning of the year was due to the timing of shipments at Kumtor which resulted in a higher receivable balance.

The Company generated \$142.8 million in cash from operations in the second quarter of 2017, an increase of \$85.6 million compared to the second quarter of 2016, mainly as a result of higher ounces sold. The increased sales reflect increased production from Kumtor and the contribution of Mount Milligan in the second quarter of 2017 whereas in the comparative quarter of 2016, Kumtor was impacted by the processing and sale of lower grade ore from the initial benches of cut-back 17.

Cash used in investing activities decreased to \$93.8 million in the second quarter of 2017 as compared to \$165.9 million the second quarter of 2016, reflecting a decrease in net purchases of short-term investments partially offset by an increase in capital spending (mainly additional capitalized stripping at Kumtor) compared to the same quarter in 2016.

Cash used in financing of \$29.1 million in the second quarter of 2017 included debt repayment under the Centerra B.C. Facility (defined below) of \$22.5 million, including the quarterly payment of \$12.5 million and a mandatory pre-payment of \$10.0 million as a result of a \$10.0 million cash dividend paid by Centerra B.C. Holdings to Centerra. In the second quarter of 2016, the Company drew \$24.0 million on its Corporate Facility (defined below), while making dividend and interest payments which netted \$14.2 million of cash from financing activities.

Cash, cash equivalents, restricted cash and short-term investments at June 30, 2017 increased to \$401.4 million (including \$299.2 million of restricted cash and investments at Kumtor) from \$357.8 million at the end of March 2017 (including \$273.9 million of restricted cash and investments at Kumtor). At December 31, 2016 cash and investment balances totaled \$408.8 million (including \$247.8 million of restricted cash at Kumtor).

The restricted amounts at June 30, 2017 includes \$239.2 million of cash and \$60.0 million of short-term investments at Centerra's Kyrgyz Republic operating subsidiary, KGC. KGC is subject to an interim order of the Bishkek Inter-District Court in the Kyrgyz Republic prohibiting KGC from taking any actions relating to certain financial transactions, including transferring property or assets, and declaring or paying dividends or making loans to Centerra. The interim order purports to secure KGC's potential liability for a claim commenced by SAEPF (defined below). Centerra has included the dispute in the ongoing international arbitration proceeding against the Kyrgyz Republic (see Other Corporate Developments – Kyrgyz Republic for further details). As at June 30, 2017, the cash and investments balance of KGC increased to \$299.2 million (from \$273.9 million at March 31, 2017 and \$247.8 million at December 31, 2016) and is expected to continue to increase over time. As a result of the interim order, the Company continues to be dependent on its unrestricted cash balance and cash generated from the Mount Milligan Mine to meet its obligations when due.

The unrestricted cash and cash equivalents balance at June 30, 2017 of \$101.2 million includes \$22 million that can only be used for Mongolian purposes and \$51.6 million held in Centerra B.C Holdings Inc. ("Centerra B.C Holdings"). The funds held in Centerra B.C. Holdings can only be used for expenditures on Centerra B.C. Holdings' subsidiaries and assets including the Mount Milligan Mine it indirectly holds through Thompson Creek as required by the Centerra B.C. Facility. The Centerra B.C. Facility also required that distributions, including cash dividends declared by Centerra B.C. Holdings to Centerra, be matched by an early repayment of an equal amount under the Centerra B.C. Facility (see "Credit Facilities" for further details.).

Credit Facilities:

Centerra Corporate Facility

On February 12, 2016, the Company entered into a five-year \$150 million revolving credit facility (the "Corporate Facility") with the European Bank for Reconstruction and Development ("EBRD"). \$50 million of the Corporate Facility is for the purpose of funding direct and indirect costs associated with the Gatsuurt Project. In February 2017, the Company repaid \$25 million of the \$50 million reserved for the Gatsuurt Project. The remaining \$25 million must be repaid on February 3, 2018, if a definitive agreement for the Gatsuurt Project is not reached by that time.

At June 30, 2017, the Company had drawn \$125 million under the Corporate Facility.

Except as noted above, funds drawn under the Corporate Facility are available to be re-drawn on a semi-annual basis and, at the Company's discretion, repayment of the loaned funds may be extended until 2021.

Centerra B.C Holdings Credit Facility

As part of the acquisition of Thompson Creek which closed on October 20, 2016, Centerra B.C. Holdings, a wholly-owned subsidiary of the Company, secured financing from a lending syndicate in the aggregate amount of \$325 million (the “Centerra B.C. Facility”), consisting of a \$250 million non-revolving term facility and a \$75 million senior secured revolving credit facility. The revolving portion of the Centerra B.C. Facility is to be repaid at the end of the five-year term. The principal amount of the term portion of the Centerra B.C. Facility is to be repaid in \$12.5 million quarterly increments which commenced with the first payment made on March 31, 2017 and the second on June 30, 2017. In addition, Centerra B.C. Holdings must make a matching pre-payment when making distributions to Centerra. In the second quarter of 2017, Centerra B.C. Holdings declared and paid a \$10 million dividend to Centerra and in turn made a matching pre-payment of the same amount under the Centerra B.C. Facility.

As at June 30, 2017, \$290.0 million was drawn on the Centerra B.C. Facility (\$215 million on the term facility and \$75 million on the revolving facility).

Amendment to Centerra B.C. Holdings Credit Facility:

In July 2017, the Company entered into an amendment of the Centerra B.C. Facility to increase the senior secured revolving credit facility under the B.C. Facility (the “Centerra B.C. Revolving Facility”) from \$75 million to \$125 million, an increase of \$50 million provided that the Centerra B.C. Revolving Facility will be reduced by \$50 million by June 30, 2019. This will provide the Company with additional liquidity, if required. It also includes additional favourable terms such as permitting upstream distributions of up to \$50 million without the matching prepayment requirement. The amendment will be effective upon the satisfaction of a number of conditions precedent, including payment of fees and the execution of specific hedges for the next two years covering production from July 2017 to June 2019. These hedges would cover future un-streamed gold and un-streamed copper production at the Mount Milligan mine at a minimum average floor price of \$1,200 per gold ounce and minimum average floor price of \$2.50 per copper pound.

If the Company were to draw such additional principal amounts under the Centerra B.C. Facility, it would expect a total hedge book to be entered of 176,500 gold ounces and 93,435,000 pounds of copper inclusive of existing outstanding hedges as at June 30, 2017 (refer section 6. Financial Instruments for summary of existing hedges) through strategic hedges which would be a combination of collars and forward contracts to both meet minimum pricing requirements and provide beneficial gold and copper price participation.

OMAS Facility

On April 5, 2016, OMAS, a wholly-owned subsidiary of the Company, entered into a 5.75-year \$150 million credit facility agreement (the “OMAS Facility”). 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 for the Öksüt Project. The Company is currently awaiting a pastureland permit at the Öksüt Project. If the conditions are not satisfied or waived by the specified deadline, or an additional extension is not granted by the lenders, the commitments under the OMAS Facility will be cancelled. On June 29, 2017, the previous deadline of June 30, 2017 for satisfaction of the conditions precedent was extended to December 31, 2017. As at June 30, 2017, the OMAS Facility remains undrawn.

Centerra was in compliance with the terms of all of its facilities in the second quarter of 2017.

Capital Expenditures (spent and accrued):

\$ millions	Three months ended June 30,			Six months ended June 30,		
	2017	2016	% Change	2017	2016	% Change
Consolidated:						
Sustaining capital ^{NG}	18.9	13.7	38%	38.5	37.0	4%
Capitalized stripping ⁽¹⁾	64.3	25.6	151%	126.9	39.7	220%
Growth capital ^{NG}	4.9	5.4	(10%)	5.8	10.1	(43%)
Gatsuurt Project development	1.3	3.0	(56%)	1.8	3.4	(47%)
Öksüt Project development ⁽²⁾	2.2	1.6	43%	4.3	5.2	(17%)
Greenstone Gold Property capital ⁽³⁾	1.4	4.4	(69%)	2.4	5.2	(54%)
	93.0	53.6	74%	179.7	100.6	79%

⁽¹⁾ Includes cash component of \$47.4 million and \$94.2 million in the three and six months ended June 30, 2017 respectively (\$18.9 million and \$29.3 million in the comparative periods of 2016, respectively).

⁽²⁾ Six months ended June 30, 2016 includes \$3 million for the purchase of the net smelter royalty from Teck Resources Limited.

⁽³⁾ In accordance with the Company's accounting policy, the 50% share paid on behalf of Premier Gold Mines Limited in the project is capitalized as part of mineral properties in Property, Plant & Equipment.

Capital expenditures in the second quarter of 2017 totalled \$93.0 million compared to \$53.6 million in the same period of 2016, resulting mainly from increased spending on capitalized stripping at Kumtor to develop cut-back 18 and the Sarytor pit, higher sustaining capital^{NG}, partially offset by lower growth capital^{NG} for equipment rebuilds and overhauls, as well as lower infrastructure spending at Kumtor.

6. Financial Instruments

The Company seeks to manage its exposure to fluctuations in diesel fuel prices, commodity prices and foreign exchange rates by entering into derivative financial instruments from time-to-time.

Fuel Hedges:

In 2016, the Company established a diesel fuel price hedging strategy using derivative instruments to manage the risk associated with changes in diesel fuel prices on the cost of operations at the Kumtor Mine. The Company targets to hedge up to 70% of monthly diesel purchases at Kumtor for the first 12 months and 50% of the 13 through 24 month exposure. The Company hedges its exposure with crude oil futures contracts, as the price of diesel fuel closely correlates to the price of crude oil.

Gold and Copper Derivative Contracts:

The Company must satisfy its obligation under the gold and copper stream arrangement with RGLD Gold AG and Royal Gold Inc. (collectively "Royal Gold") by delivering refined physical gold or LME copper warrants to Royal Gold after receiving payment from third-party purchasers who purchase concentrate from the Mount Milligan Mine. In order to hedge the metal price risk that arises when physical purchase and concentrate sales pricing periods do not match, the Company has entered into certain forward gold and copper purchases and sales forward contracts pursuant to which it purchases gold or 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.

Strategic Gold and Copper Hedges:

In early 2017, the Company initiated a strategic hedging program for a portion of its expected 2017 and 2018 production from Mount Milligan.

The hedge positions for each of these programs as at June 30, 2017 are summarized as follows:

Program	Instrument	Unit	Strike price	Type	Settlement				As at June 30, 2017	
					Q3-2017	Q4-2017	2018	2019	Total position	Fair value gain (loss) ('000')
Fuel Hedges	Crude oil options ⁽⁴⁾	Barrels	\$62.03 - \$65.45	Fixed	125,000	46,000	288,000	95,000	554,000	\$ 600
Strategic Hedges:										
Copper Hedges ⁽¹⁾	Forward contracts	Pounds	\$2.69 - \$2.76	Fixed	7.4 million	6.2 million	1.2 million	-	14.8 million	\$ 73
Copper Hedges ⁽¹⁾	Zero-cost collars ⁽³⁾	Pounds	\$2.25 - \$3.21	Fixed	3.0 million	2.8 million	11 million	-	16.8 million	\$ (943)
Gold Hedges ⁽²⁾	Zero-cost collars ⁽³⁾	Ounces	\$1,225 - \$1,383	Fixed	6,800	9,000	9,400	-	25,200	\$ 405
Gold/Copper Hedges (Royal Gold deliverables):										
Gold Derivative Contracts	Forward contracts ⁽⁴⁾	Ounces	ND	Float	18,000	-	-	-	18,000	\$ (238)
Copper Derivative Contracts	Forward contracts ⁽⁴⁾	Pounds	ND	Float	2.4 million	-	-	-	2.4 million	\$ 110

ND = Royal Gold hedging program with floating terms, that are not defined as at June 30, 2017

- (1) Represents approximately 64% of Mount Milligan's expected 2017 copper production, net of copper streaming arrangement with Royal Gold.
- (2) Represents approximately 15% of Mount Milligan's expected 2017 gold production, net of gold streaming arrangement with Royal Gold.
- (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) Under the forward contract (including crude oil options), the Company can buy and sell specified assets, typically metals or currency, at a specified price at a certain future date.

Centerra does not enter into off-balance sheet arrangements with special purpose entities in the normal course of its business, nor does it have any unconsolidated affiliates.

7. Operating Mines and Facilities

Kumtor Mine

The Kumtor open pit mine, located in the Kyrgyz Republic, is one of the largest gold mines in Central Asia operated by a Western-based gold producer. It has been in production since 1997 and has produced over 11.2 million ounces of gold to June 30, 2017.

Recent Developments:

- On May 30, 2017, the Company obtained from Kyrgyz regulatory authorities' approval to discharge treated effluent from its sewerage plant following a joint sampling campaign on the Company's discharged water quality. Kumtor has all the necessary permits and approvals in place for continuous operations throughout 2017, including the Sarytor area.
- On April 11, 2017, an accident at the Kumtor mine resulted in an employee fatality. Investigations both internally and externally involving the Kyrgyz State Inspectorate for Environmental and Technical Safety have been completed.
- The Kumtor Project continues to be subject to a number of claims made by, among others, Kyrgyz Republic state environmental agencies which the Company continues to dispute. The Company continues its discussions with the Government of the Kyrgyz Republic to resolve all outstanding issues

affecting the Kumtor Project. See “Other Corporate Developments – Kyrgyz Republic” for further details.

- On July 17, 2017, the arbitrator rendered a decision on Centerra’s interim relief request which in effect, prohibits the Kyrgyz Republic from taking further actions in the outstanding Kyrgyz court proceedings without providing Centerra the opportunity to object to such action. See “Other Corporate Developments – Kyrgyz Republic” for further details.

Kumtor Operating Results

(\$ millions, except as noted)	Three Months Ended June 30			Six Months Ended June 30		
	2017	2016	% Change	2017	2016	% Change
Financial Highlights:						
Revenue - \$ millions	168.6	161.6	4%	332.8	234.8	42%
Cost of sales (cash)	39.3	61.6	(36%)	74.4	80.7	(8%)
Cost of sales (non-cash)	41.0	56.4	(27%)	78.2	68.8	14%
Cost of sales (total)	80.3	118.0	(32%)	152.6	149.5	2%
Cost of sales - \$/oz sold ⁽¹⁾	594	923	(36%)	565	788	(28%)
Cash provided by operations	94.0	66.4	42%	185.6	73.6	152%
Cash provided by operations before changes in working capital ⁽¹⁾	102.6	73.7	39%	205.0	110.7	85%
Operating Highlights:						
Tonnes mined - 000s	42,855	34,744	23%	81,857	74,018	11%
Tonnes ore mined – 000s	12	2,891	(100%)	12	4,717	(100%)
Average mining grade - g/t	1.63	1.84	(11%)	1.63	1.64	-1%
Tonnes milled - 000s	1,537	1,609	(4%)	3,072	3,151	(3%)
Average mill head grade - g/t	3.53	2.63	34%	3.53	2.46	44%
Mill Recovery - %	79.3%	71.9%	10%	77.6%	73.3%	6%
Mining costs - total (\$/t mined material)	1.13	1.36	(17%)	1.17	1.28	(9%)
Milling costs (\$/t milled material)	10.75	9.76	10%	10.40	9.91	5%
Gold produced – ounces	138,623	97,724	42%	266,023	184,168	44%
Gold sold – ounces	135,235	127,909	6%	269,917	189,654	42%
Average realized gold price ⁽¹⁾ - \$/oz sold	\$ 1,247	\$ 1,264	(1%)	\$ 1,233	\$ 1,238	0%
Capital Expenditures (sustaining) ⁽¹⁾ - cash	13.5	13.6	(1%)	28.7	36.6	(22%)
Capital Expenditures (growth) ⁽¹⁾ - cash	4.9	5.4	(10%)	5.8	10.1	(43%)
Capital Expenditures (stripping) ⁽¹⁾ - cash	47.4	18.9	151%	94.2	29.3	221%
Capital expenditures (total)	65.8	37.9	74%	128.7	76.0	69%
Operating Costs (on a sales basis) ⁽²⁾	39.3	61.5	(36%)	77.2	80.4	(4%)
Adjusted operating costs ⁽¹⁾ - \$/oz sold	\$ 329	\$ 511	(36%)	\$ 315	\$ 466	(32%)
Gold - All-in sustaining costs on a by-product basis - \$/oz sold ⁽¹⁾	\$ 780	\$ 768	2%	\$ 771	\$ 817	(6%)
Gold - All-in sustaining costs on a by-product basis (including taxes) - \$/oz sold ⁽¹⁾	\$ 956	\$ 945	1%	\$ 945	\$ 990	(5%)

⁽¹⁾ Adjusted operating costs per ounce sold, all-in sustaining costs on a by-product basis (including and excluding taxes), cash provided by operations before changes in working capital, cost of sales per ounce sold, operating costs (on as sales basis), average realized gold price per ounce sold and capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under “Non-GAAP Measures”.

Second Quarter 2017 compared to Second Quarter 2016

Production:

During the second quarter of 2017, Kumtor focused on simultaneously developing both the Central pit through mining cut-back 18 and the Sarytor pit. The Sarytor pit is approximately three kilometres south of the Central pit. The Company has removed the waste overburden and will now mine the Sarytor ore in the second half of 2017, which will supplement the stockpiled ore in advance of obtaining access to the higher grade ore in the Central pit at the end of 2018.

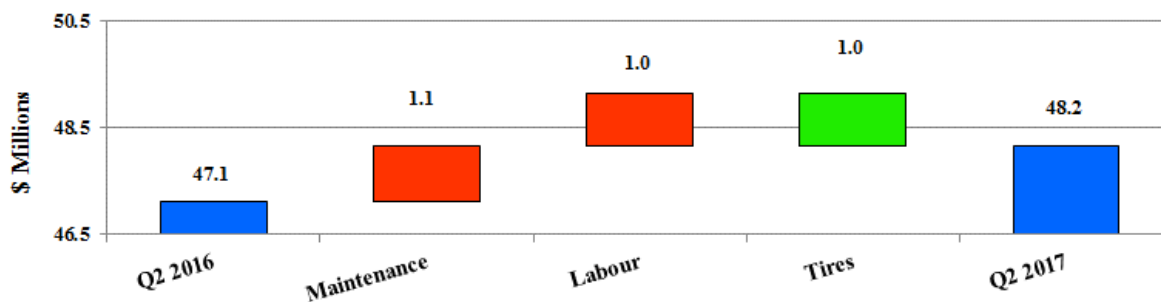
Total waste and ore mined in the second quarter of 2017 was 42.9 million tonnes, an increase of 23% compared to the same period of period of 2016. The major reasons for this increase was a 15% shorter average haulage distance compared to the comparative period of 2016 due to the shorter hauls on commencement of the Sarytor pit and various process improvements that increased truck payloads, average truck speeds and truck utilization hours.

During the second quarter of 2017, Kumtor produced 138,623 ounces of gold compared to 97,724 ounces of gold in the comparative period of 2016. The increase in ounces poured is a result of processing higher grade ore from stockpiles which were mined in the Central pit in cut-back 17 in previous years, compared to the lower grade ore mined and processed from the initial benches in cut-back 17 during the comparative period. During the second quarter of 2017, Kumtor's average mill head grade was 3.53 g/t with a recovery of 79.3%, compared to 2.63 g/t and a recovery of 71.9% for the same period of 2016.

Operating costs and All-in Measures:

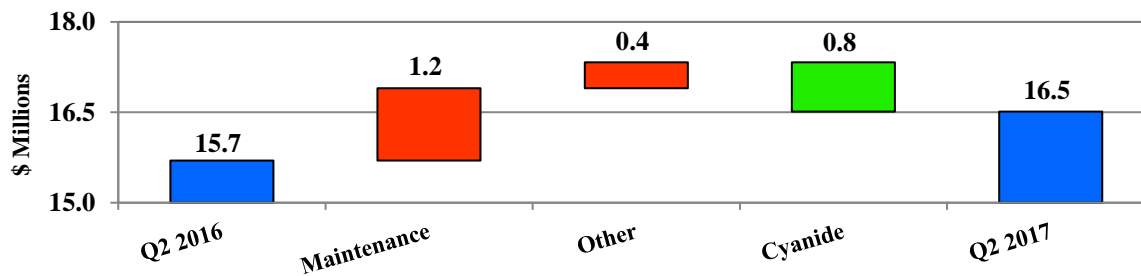
Operating costs (on a sales basis) for the second quarter of 2017 decreased by \$22.2 million to \$39.3 million, as compared to the same quarter of 2016, reflecting 23% more tonnage moved including significant amount of waste removal in cut-back 18 which were capitalized in the second quarter of 2017. Including capitalized stripping, operating costs were \$86.7 million compared to \$80.5 million in the comparative second quarter of 2016. The increase in the major components of operating costs (mining, milling and site support) before changes in inventory is explained below.

Mining Costs, including capitalized stripping (Second Quarter 2017 compared to Second Quarter 2016):



Mining costs, including capitalized stripping, totaled \$48.2 million in the second quarter of 2017, which was \$1.3 million higher than the comparative quarter of 2016. Increased costs for the second quarter of 2017 includes higher maintenance cost (\$1.1 million) resulting from higher repairs on the Liebherr shovels and dozers, and higher labour cost (\$1.0 million) due to collective agreement increases and strengthening of the Kyrgyz som in comparison to the comparative period. This was partially offset by lower tire costs (\$1.0 million) due to both lower tire consumption and lower purchase price for truck tires.

Milling Costs (Second Quarter 2017 compared to Second Quarter 2016):



Milling costs of \$16.5 million in the second quarter of 2017 compared to \$15.7 million in the comparative quarter of 2016. Milling costs were higher than the comparative period due to the timing of the liner replacements and associated maintenance that were required during the replacement of the SAG and regrind mill liners during the second quarter of 2017, not performed in the comparative period in 2016. This was partially offset by lower cyanide costs (\$0.8 million) resulting from lower consumption and a lower purchase price.

Site Support Costs (Second Quarter 2017 compared to Second Quarter 2016):

Site support costs in the second quarter of 2017 totaled \$11.3 million compared to \$10.9 million in the comparative quarter in 2016. Site support costs increased slightly due to higher labour costs resulting from the collective agreement and strengthening of local currency in comparison to the comparative period, and upgrading on-site systems infrastructure to maximize the mine productivity improvement projects.

Other Cost movements:

DD&A associated with sales, decreased to \$40.9 million in the second quarter of 2017, from \$56.4 million in the comparative quarter of 2016, a 27% decrease. The decrease in 2017 is primarily due to processing the lower cost ore from cut-back 17 in the second quarter of 2017, compared to ore sourced from the higher cost cut-back 16 and higher benches of cut-back 17 that was processed in the comparative period of 2016.

All-in sustaining costs on a by-product basis per ounce sold^{NG}, which excludes revenue-based tax, was \$780 for the second quarter of 2017 compared to \$768 in the second quarter of 2016, representing an increase of 2%. The increase results from \$28.5 million higher stripping capital as the mine focused on stripping cut-back 18 and the Sarytor pit in the second quarter of 2017, which offset the benefit from processing lower cost stockpiled ore from the lower benches of cut-back 17.

Including revenue-based taxes, all-in sustaining costs on a by-product basis per ounce sold^{NG} was \$956 for the second quarter of 2017 compared to \$945 in the second quarter of 2016. The increase is due to the higher all-in sustaining costs (explained above).

First Half 2017 compared to First Half 2016

During the first half of 2017, mining at Kumtor focused on advancing cut-back 18 and developing the Sarytor pit.

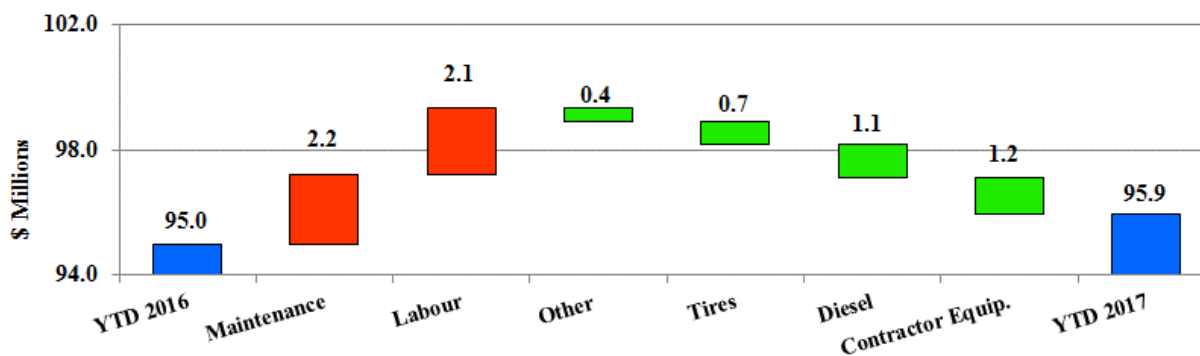
Total waste and ore mined in the first half of 2017 was 81.9 million tonnes compared to 74.0 million tonnes in the comparative period of 2016, representing an increase of 11%. The main reasons for this increase was a 7% shorter average haulage distance in the comparative period of 2016 due to the shorter hauls required upon commencing mining activities at the Sarytor pit and various process improvements.

During the first half of 2017, the Company processed ore from stockpiles, including the higher grade ore remaining from cut-back 17 mined at the end of 2016. Kumtor produced 266,023 ounces of gold in the first half of 2017 compared to 184,168 ounces of gold in the first half of 2016. The increase in ounces poured is a result of milling higher grade ore from stockpiles, compared to the lower grade ore mined and processed from the initial benches in cut-back 17 during the comparative period. During the first half of 2017, Kumtor's average mill head grade was 3.53 g/t with a recovery of 77.6%, compared with 2.46 g/t and a recovery of 73.3% for the same period in 2016.

Operating costs and All-in Measures:

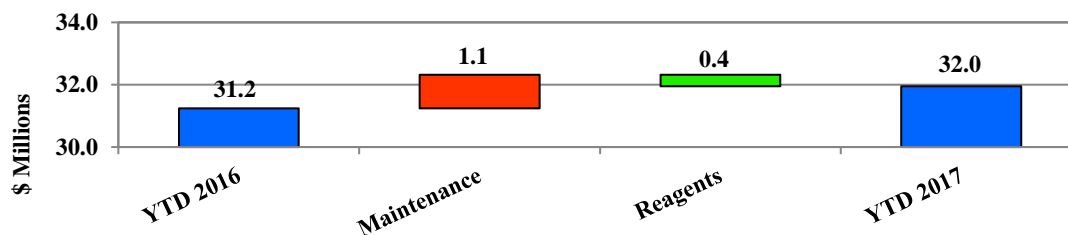
Operating costs (on as sales basis) decreased by \$3.2 million to \$77.2 million as compared to the same period of 2016. Including capitalized stripping, operating costs were \$171.4 million compared to \$110.0 million in the first half of 2016, reflecting 11% more tonnage moved including significant amount of waste removal in cut-back 18 capitalized in the first half of 2017. The increase in the major components of operating costs (mining, milling and site support) before changes in inventory is explained below.

Mining Costs, including capitalized stripping (First Half 2017 compared to First Half 2016):



Mining costs, including capitalized stripping, totaled \$95.9 million in the first half of 2017 compared to \$95.0 million in the comparative period of 2016. Increased costs for the first half of 2017 includes higher maintenance cost (\$2.2 million) resulting from higher repairs across the fleet to support increased mining productivity, and higher labour cost (\$2.1 million) due to collective agreement increases and strengthening of the Kyrgyz som in comparison to 2016. These were partially offset by lower contractor equipment cost (\$1.2 million) due to increased internal capability and lower requirements; lower diesel costs (\$1.1 million) due to lower consumption associated with favorable shorter haulage profiles; and lower tire costs due to lower purchase prices.

Milling Costs (First Half 2017 compared to First Half 2016):



Milling costs of \$32.0 million in the first half of 2017 compared to \$31.2 million in the comparative period of 2016. Milling costs in 2017 were higher than the comparative period due to higher maintenance costs resulting from the replacement of additional mill liners in 2017 compared to the prior year. This was partially offset by lower reagents costs, resulting from lower cyanide purchase price and lower consumption.

Site support Costs (First Half 2017 compared to First Half 2016):

Site support costs in the first half of 2017 totaled \$22.0 million compared to \$21.6 million in the comparative year. Site support costs slightly increased due to higher labour costs resulting from the collective agreement and strengthening of the Kyrgyz som in comparison to the comparative period.

Other Cost movements

DD&A associated with sales, increased to \$78.2 million in the first half of 2017, from \$68.8 million in the comparative period of 2016. The overall depreciation costs were comparable after adjusting for the \$9.6 million reversal of a non-cash inventory impairment recognized during the first half of 2016.

All-in sustaining costs on a by-product basis per ounce sold^{NG}, which excludes revenue-based tax, was \$771 for the first half of 2017 compared to \$817 in the first half of 2016, representing a decrease of 5%. The decrease results from processing lower unit cost ore from the Central pit of cut-back 17 and realizing 42% more ounces sold during the first half of 2017. These benefits were offset by an increase in pre-stripping capital cost of \$64.8 million.

Including revenue-based taxes, all-in sustaining costs on a by-product basis per ounce sold^{NG} was \$945 for the first half of 2017 compared to \$990 in the first half of 2016. The decrease is due to lower all-in sustaining costs (explained above).

Mount Milligan Mine

The Mount Milligan Mine is an open pit mine located in north central British Columbia, Canada producing a gold and copper concentrate. Production at Mount Milligan is subject to a streaming arrangement with Royal Gold pursuant to which Royal Gold is entitled to receive 35% of the gold produced and 18.75% of the copper production at our Mount Milligan project. Royal Gold pays Centerra \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered (the "Royal Gold Stream Arrangement").

Mount Milligan Mine Operating Results Unaudited (\$ millions, except as noted)	Three months ended June 30, 2017 ⁽¹⁾	Six months ended June 30, 2017 ⁽¹⁾
Financial Highlights:		
Gold sales	50.7	106.8
Copper sales	27.3	55.9
Total Revenues	78.0	162.7
Cost of sales - cash	44.9	95.6
Cost of sales - non-cash	8.0	23.0
Cost of sales - total	52.9	118.6
Cash provided by operations	44.5	41.3
Cash provided by operations before changes in working capital ⁽²⁾	29.9	60.8
Operating Highlights:		
Ore Mined (000's t)	5,855	11,720
Total Mined (000's t)	10,541	21,722
Tonnes Milled (000's t)	4,686	9,430
Mill Head Grade Copper (%)	0.19%	0.18%
Mill Head Grade Gold (g/t)	0.61	0.57
Copper Recovery - %	81.3%	78.8%
Gold Recovery - %	63.3%	61.1%
Mining costs - total (\$/t mined material)	\$ 1.73	\$ 1.69
Milling costs - total (\$/t milled material)	\$ 5.21	\$ 4.78
Concentrate Produced (dmt)	34,020	61,771
Payable Copper Produced (000's lbs) ⁽⁵⁾	15,062	27,658
Payable Gold Produced (oz) ⁽⁵⁾	57,096	102,340
Gold Sales (payable oz)	52,990	106,222
Copper Sales (000's payable lbs)	14,358	27,970
Average Realized Price - Gold (combined) - \$/oz ^{(2) (4)}	\$ 957	\$ 1,006
Average Realized Price - Copper (combined) - \$/lb ^{(2) (4)}	\$ 1.90	\$ 2.00
Capital expenditures - sustaining ⁽²⁾	4.6	9.0
Capital expenditures - growth ⁽²⁾	-	-
Capital expenditures - total	4.6	9.0
Operating Costs (on a sales basis) ('000s) ⁽³⁾	44,845	95,560
Operating Costs- \$/oz sold	846	900
Adjusted Operating costs- \$/oz sold ⁽²⁾	\$ 357	\$ 400
Gold - All in Sustaining costs on a by-product basis - \$/oz sold ⁽²⁾	\$ 473	\$ 500
Gold - All in Sustaining costs on a by-product basis (including taxes) - \$/oz sold ⁽²⁾	\$ 492	\$ 519
Gold - All in Sustaining costs on a co-product basis - \$/oz sold ⁽²⁾	\$ 638	\$ 662
Copper - All in Sustaining costs on a co-product basis - \$/pound sold ⁽²⁾	\$ 1.58	\$ 1.68

⁽¹⁾ No comparative results for Mount Milligan have been presented. Reporting of comparative information will start in the fourth quarter of 2017, from date of acquisition (October 20, 2016).

⁽²⁾ Adjusted operating costs per ounce sold, all-in sustaining costs (for gold and copper) on a by-product or co-product basis (excluding and including tax) per ounce sold, cash provided by operations before changes in working capital, payable copper produced, payable gold produced, as well as average realized price per unit sold (gold and copper),

and capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under “Non-GAAP Measures”.

⁽³⁾ Operating costs (on a sales basis) is comprised of mine operating costs such as mining, processing, site and regional office administration, royalties and production taxes, but excludes reclamation costs and depreciation, depletion and amortization.

⁽⁴⁾ The average realized price of gold is a combination of market price paid by third parties and \$435 per ounce paid by Royal Gold, while the average realized price of copper is a combination of market price paid by third parties and 15% of the spot price per metric tonne of copper delivered paid by Royal Gold, in each case under the Royal Gold Stream Arrangement.

⁽⁵⁾ Mount Milligan payable production and ounces sold are presented on a 100% basis (the Royal Gold Stream Agreement entitles it to 35% and 18.75% of gold and copper sales, respectively). Under the Royal Gold Stream Arrangement, Royal Gold will pay \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered. Payable production for copper and gold reflects estimated metallurgical losses resulting from handling of the concentrate and payable metal deductions, subject to metal content, levied by smelters. The current payable percentage applied is approximately 95.0% for copper and 96.5% for gold, which may be revised on a prospective basis after sufficient history of payable amounts is determined.

Second Quarter 2017

For the quarter, mill throughput averaged 51,495 tonnes per day (tpd) while mine production averaged 115,835 tpd. Total mill throughput was 4.7 million tonnes and total mined tonnes moved was 10.5 million tonnes. Total payable gold production was 57,096 ounces while total payable copper production for the period was 15.1 million pounds.

Mill throughput in the second quarter of 2017 was impacted by an unscheduled 84 hour total shut down in April to complete required hardware modifications to both ball mills and by lower-than-expected availability of supporting and auxiliary equipment.

During the quarter, total gross gold sales, representing three concentrate shipments, were \$50.7 million with a total of 52,990 ounces of gold sold for an average realized price of \$957 per ounce. Total gross copper sales for the quarter were \$27.3 million with a total of 14.4 million pounds sold for an average realized price of \$1.90/lb ounce. The gold and copper sales incorporate sales to Royal Gold under the Royal Gold Stream Arrangement as described above.

The Company has initiated an intensive geometallurgical project aimed at improving metal recovery and mill throughput. This project is in conjunction with mine engineering initiatives in drilling and blasting to target optimum fragmentation and particle size distribution for improved mill feed. Work on these projects are expected to continue throughout the year.

The Company has also worked closely with external consultants to develop and prioritize several process optimization opportunities related to flotation performance. Optimization studies into slurry density, process water quality/source, alternate flotation technologies and general flotation circuit mass balances were initiated and are on-going. Along with this optimization, continuous improvement initiatives to improve mill circuit efficiencies were undertaken such as process control, equipment sizing, and reagent control strategies. Comminution studies to understand equipment capabilities and restrictions were conducted around the secondary crushing plant and mill grinding circuits.

First Half 2017

Year-to-date, mill throughput averaged 52,099 tpd, while mine production averaged 120,011 tpd. Total mill throughput was 9.43 million tonnes and total mine tonnes moved was 21.7 million tonnes. During the first half of 2017, total payable copper was 27.7 million pounds while total payable gold was 102,340 ounces.

Year-to-date the total gross gold sales were \$106.8 million with a total of 106,222 ounces of gold sold for an average realized price of \$1,006 per ounce. Total gross copper sales for the first half year were \$55.9 million with a total of 27.9 million pounds sold for an average realized price of \$2.00/lb. Such amounts include gold and copper sales to Royal Gold under the Royal Gold Stream Arrangement as described above.

Molybdenum Business

The molybdenum business includes two North American primary molybdenum mines that are currently on care and maintenance, the Thompson Creek Mine ("TC Mine") (mine and mill) in Idaho USA operated by Thompson Creek Mining Co. and the 75%-owned Endako Mine joint venture (mine, mill and roaster) in British Columbia, Canada. The U.S. operations also include the Langeloth metallurgical roasting facility (the "Langeloth Facility") in Pennsylvania USA. TC Mine operates a commercial molybdenum beneficiation circuit to treat molybdenum concentrates to supplement the concentrate feed sourced directly for the Langeloth Facility. This beneficiation process at the TC Mine has allowed the Company to process high copper molybdenum concentrate, which is then transported to the Langeloth Facility for processing.

The molybdenum business provides tolling services for customers by converting molybdenum concentrates to molybdenum oxide powder and briquettes and ferromolybdenum products. Additionally, molybdenum concentrates are also purchased to convert to upgraded products which are then sold in the metallurgical and chemical markets.

Molybdenum Business Operating Results	Three months ended	Six months ended
Unaudited (\$ millions, except as noted)	June 30, 2017 ⁽¹⁾	June 30, 2017 ⁽¹⁾
Financial Highlights:		
Molybdenum (Mo) Sales	30.6	64.9
Tolling, Calcining and Other	1.9	4.2
Total Revenues and Other Income	32.6	69.1
Cost of sales - cash	30.3	61.9
Cost of sales - non-cash	1.8	3.8
Cost of Sales - Total	32.1	65.7
Care & Maintenance costs - Molybdenum mines	3.4	6.6
Total capital expenditures	0.3	0.4
Cash used in operations	(3.5)	(6.3)
Cash (used in) provided by operations before changes in working capital ⁽²⁾	(1.3)	0.4
Production Highlights:		
Mo purchased (000's lbs)	4,271	7,097
Mo oxide roasted (000's lbs)	4,168	8,902
Mo sold (000's lbs)	3,164	7,185
Toll roasted and upgraded Mo (000's lbs)	1,000	2,690

- (1) No comparative results for the molybdenum business have been presented. Reporting of comparative information will start in the fourth quarter of 2017, from date of acquisition (October 20, 2016).
- (2) Cash (used in) provided by operations before changes in working capital, is a non-GAAP measures and is discussed under "Non-GAAP Measures".

Second Quarter 2017

A total of 3.2 million pounds of molybdenum were sold and 1.0 million pounds were tolled during the second quarter of 2017 resulting in sales revenue of \$32.6 million. Net of \$3.4 million in care and maintenance expenses at the two closed molybdenum mines, as well as a total capital spending of \$0.3

million, the molybdenum business consumed \$1.3 million of cash from the operations. (before changes in working capital^{NG}).

First Half 2017

A total of 7.2 million pounds of molybdenum were sold and 2.7 million pounds were tolled during the first half of 2017 resulting in sales revenue of \$69.1 million. Net of \$6.6 million in care and maintenance expenses at the two molybdenum mines, as well as total capital spending of \$0.4 million, the molybdenum business generated \$0.4 million of cash from the operations (before changes in working capital^{NG}).

8. Development Projects

Öksüt Project:

At the Öksüt Project in Turkey, the Company spent \$2.1 million and \$4.8 million during the three and six months ended June 30, 2017 respectively (\$1.6 million and \$5.2 million in the three and six months ended June 30, 2016) on development activities to progress access and site preparation and detailed engineering plans.

On July 14, 2016, OMAS received a forestry land usage permit for the project and the operation permit for forestry area was obtained on August 26, 2016. The pastureland permit is currently outstanding and the Company is working with the relevant agencies to obtain the permit. After the receipt of the pastureland permit, the Company expects the first gold pour to occur approximately 18 months after the start of construction. There is no assurance that the approval of the key pastureland or other permits will be obtained by the Company in a timely manner or at all.

As at June 30, 2017, the construction of a 26 kilometre power line, which will provide dedicated power to the Öksüt Project, was completed. In the second quarter 2017, Turkish Electricity Transmission Company (TEİAŞ) completed site based controls of the completed power line and is proceeding to final acceptance. After receipt of the pastureland permit, on site electrical infrastructure and substation construction will be started in accordance with the project construction schedule.

Gatsuurt Project:

The Company reduced the carrying value of its Mongolian assets by \$41.3 million (pre-tax) in the second quarter of 2017 to reflect the receipt of preliminary results from the ongoing technical and economic studies related to the Gatsuurt Project (incorporating updated capital and operating costs and the current Mongolian tax and royalty regime) which were initiated in 2016. As a result, the Company has reduced the carrying value of the Mongolian assets to their estimated recoverable value of approximately \$60 million. The Company is continuing to work on such studies to optimize the project and its value.

Greenstone Gold Property:

As previously disclosed, the Greenstone Partnership has not made a development or construction decision on the Hardrock Project. The Greenstone Partnership is evaluating programs to minimize the risk profile of the project including the advancement of permitting and discussions with Aboriginal communities.

The Company has completed the Environmental Impact Study/Environmental Assessment (“EIS/EA”) on the Hardrock Project, with a formal submission on July 18, 2017 to Federal and Provincial Governments, and the general public. Greenstone continues to have regular discussions with Aboriginal communities, focusing on consultation around the EIS/EA, and discussing key aspects of Long Term Relationship Agreements (“LTRA”).

In the second quarter of 2017, the Company spent \$2.8 million on completing the EIS/EA, negotiating and supporting Aboriginal communities with the LTRA, and optimizing the feasibility study. In the second quarter of 2016, \$8.6 million was spent on project development activities. Centerra’s funding to date totals \$47.5 million.

On November 16, 2016, the Company, along with its joint venture partner Premier Gold Mines Limited, announced the feasibility study results on the Hardrock Project. A NI 43-101 technical report was filed on SEDAR on December 22, 2016.

9. Quarterly Results – Previous Eight Quarters

Over the last eight quarters, Centerra’s results reflect the impact of decreasing input costs, such as diesel and consumables, which have seen a continued decrease through 2015, 2016 and into 2017. Over the same periods, gold prices declined through 2015 and progressively increased over the first three quarters of 2016, until dropping in the fourth quarter following the 2016 U.S. election. The weakening of currencies as compared to the U.S. dollar has also had a positive impact on foreign-denominated costs (such as labour). The Company reduced its carrying value of its Mongolian assets by \$41.3 million (pre-tax) in the second quarter of 2017. The quarterly production profile for 2017 is expected to be somewhat more consistent across each quarter (similar to 2015), while the production profile in 2016 was more concentrated in the last half of the year. Non-cash costs have progressively increased at Kumtor due to its expanded mining fleet and the increased amortization of capitalized stripping resulting from increased stripping as the pit gets larger. The addition of Mount Milligan’s results started with the closing of the acquisition of Thompson Creek on October 20, 2016. The quarterly financial results for the last eight quarters are shown below:

\$ million, except per share data or as specified Quarterly data unaudited	2017		2016				2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	279	285	306	220	162	73	148	116
Net earnings (loss)	23	57	64	67	3	18	(3)	(18)
Basic earnings (loss) per share	0.08	0.20	0.23	0.28	0.01	0.08	(0.01)	(0.08)
Diluted earnings (loss) per share	0.08	0.20	0.23	0.28	-	0.07	(0.01)	(0.08)

10. Other Corporate Developments

The following is a summary of corporate developments with respect to matters affecting the Company and its subsidiaries. Readers are cautioned that there are a number of legal and regulatory matters that are currently affecting the Company and that the following is only a brief summary of such matters. For a more complete discussion of these matters, see the Company’s 2016 Annual Information Form and specifically the section entitled “Risks that can affect our business” therein available on SEDAR at www.sedar.com. The following summary also contains forward-looking statements and readers are referred to “Caution Regarding Forward-looking Information”.

Kyrgyz Republic

Arbitration

As previously disclosed, Centerra commenced an arbitration proceeding against the Kyrgyz Republic and Kyrgyzaltyn in 2016 in relation to certain ongoing disputes relating to the Kumtor Project and, on February 23, 2017, filed with the Permanent Court of Arbitration (“PCA”) a full statement of claim seeking, among other things: (i) declarations that the arbitrator has jurisdiction to hear Centerra’s claims; (ii) declarations that the actions of the Kyrgyz Republic and Kyrgyzaltyn have breached the Kumtor Project Agreements (defined below); (iii) ordering the Kyrgyz Republic to withdraw its environmental, dividend and land use claims (further discussed below), terminate related judgments and orders, declare those judgments and orders null and void and issued without jurisdiction; and (iv) ordering the Kyrgyz Republic and Kyrgyzaltyn to pay monetary damages, costs and interest.

Responses to Centerra’s statement of claim are expected to be submitted by the Kyrgyz Republic and Kyrgyzaltyn in September 2017.

Under Centerra’s Restated Investment Agreement with the Kyrgyz Republic dated as of June 6, 2009, the arbitration will be determined by a single arbitrator and conducted under UNCITRAL Arbitration Rules in Stockholm, Sweden. Disputes arising out of the 2009 Restated Investment Agreement will be governed by the law of the State of New York, USA and the conduct and operations of the parties will be governed by the 2009 Restated Investment Agreement, the 2009 Restated Concession Agreement (together with the 2009 Restated Investment Agreement, the “Kumtor Project Agreements”) and the laws of the Kyrgyz Republic.

Request for Interim Measures or Partial Award

On January 12, 2017, Centerra filed with the PCA a request for partial award, or in the alternative, interim measures, against the Kyrgyz Republic. In which Centerra sought an award ordering that the Kyrgyz Republic withdraw or stay (suspend) the Kyrgyz court proceedings, and related decisions, court orders and judgments, which proceedings have been continuously postponed for several months. As noted above, one consequence of the Kyrgyz court proceedings is a freezing order from a Kyrgyz Republic court seeking to block Centerra’s subsidiary, KGC, from distributing cash it currently holds to Centerra. The interim relief Centerra sought included a declaration that the freezing order was invalid.

On July 17, 2017, the arbitrator rendered a decision (the “Interim Arbitration Decision”) on Centerra’s request which among other things: (i) orders the Kyrgyz Republic to give 30 days’ prior notice to the arbitrator and Centerra in the event of resumption of the claims brought by Kyrgyz Government entities in Kyrgyz courts relating to alleged environmental harm, dividends and land use, in order to allow Centerra to seek appropriate relief from the arbitrator; (ii) directs the Kyrgyz Republic to give immediate notice to the arbitrator and Centerra if any procedural action is taken in the Kyrgyz court proceedings; and (iii) orders the Kyrgyz Republic to use its best efforts to ensure that public officials, authorities, agencies, and instrumentalities of the Kyrgyz Republic comply with her decision.

In addition, the arbitrator found that Centerra had made both (i) a *prima facie* case for the arbitrator to take jurisdiction over the arbitration proceeding; and (ii) a *prima facie* case on the merits of the case. Such findings relating to jurisdiction and merits support Centerra’s long-standing view that the Kyrgyz court proceedings are disputes that should be brought in international arbitration and may not be brought before

the courts of the Kyrgyz Republic. Centerra further believes that the court claims are without foundation or substance on the merits.

The arbitrator's order does not grant the interim relief requested by Centerra because she did not find an imminent threat of irreparable or substantial harm to Centerra's rights if the Kyrgyz court order remained in place while the main arbitration proceeding proceeds. However, her order effectively prohibits the Kyrgyz Republic from taking further action in the Kyrgyz court proceedings without providing Centerra the opportunity to object to such action, and preserves for the arbitrator the authority to order the Kyrgyz Republic to refrain from taking any proposed action.

Kyrgyz Republic Claims

The following is a summary of the claims in the Kyrgyz Republic against the Kumtor Project, including those made by Kyrgyz Republic state environmental agencies and the General Prosecutor's office. Claims described below regarding environmental claims commenced by SIETS and SAEPF, and the dividend (civil) and land use claims commenced by the Kyrgyz Republic General Prosecutor's Office are subject to the Interim Arbitration Decision described above.

SIETS and SAEPF Claims

As previously disclosed, the Kumtor Project is subject to a number of claims made by, among others, Kyrgyz Republic state environmental agencies. The Company believes that such claims are, in substance, an attempt by the Kyrgyz Republic to impose additional taxes and payments on the Kumtor Project which are prohibited by the terms of the 2009 Restated Investment Agreement. Such claims are not based on allegations of improper environmental practices or damage to the environment.

The latest such claims was filed on August 23, 2016 by the Chui-Bishkek-Talas Local Fund of Nature Protection and Forestry Development of the Kyrgyz Republic State Agency for Environmental Protection and Forestry ("SAEPF"), seeks compensation for alleged environmental pollution in the amount of 40,340,819 Kyrgyz soms (approximately \$580,000 based on the exchange rate of 69.6105 Kyrgyz soms per US\$1.00). This claim remains before the Kyrgyz Republic courts and no decision has been rendered to date.

As previously disclosed, on May 25, 2016, the Bishkek Inter-District Court in the Kyrgyz Republic ruled against Kumtor Operating Company ("KOC"), Centerra's wholly-owned subsidiary, on two claims made by the State Inspectorate Office for Environmental and Technical Safety of the Kyrgyz Republic ("SIETS") in relation to the placement of waste rock at the Kumtor waste dumps and unrecorded wastes from Kumtor's effluent and sewage treatment plants. The Inter-District Court awarded damages of 6,698,878,290 Kyrgyz soms (approximately \$96.2 million) and 663,839 Kyrgyz soms (approximately \$9,500), respectively. On June 1, 2016, the Inter-District Court ruled against KOC on two other claims made by SIETS in relation to alleged land damage and failure to pay for water use. The Inter-District Court awarded damages of 161,840,109 Kyrgyz soms (approximately \$2.3 million) and 188,533,730 Kyrgyz soms (approximately \$2.7 million), respectively. Centerra, KOC and KGC (added by the Kyrgyz courts) strongly dispute the SIETS claims and have appealed the decisions to the Bishkek City Court and will, if necessary, appeal to the Kyrgyz Republic Supreme Court.

On June 3, 2016, the Inter-District Court held a hearing in respect of the claim made by SAEPF alleging that Kumtor owes additional environmental pollution fees in the amount of approximately \$220 million. The court did not issue a decision on the merits of the claim itself. However, at the request of SAEPF, the court granted the KR Interim Court Order which prohibits KGC from taking any actions relating to certain

financial transactions including, transferring property or assets, declaring or paying dividends, pledging assets or making loans. As at June 30, 2017, KGC's cash and investments balance was \$299.2 million. The cash generated from the Kumtor Project which is held in KGC is however available to fund Kumtor's operation. The injunction was effective immediately. KGC's appeal of the Inter-District Court's order to Bishkek City Court was dismissed on July 19, 2016, and its subsequent appeal to the Kyrgyz Republic Supreme Court was dismissed on October 19, 2016.

Kyrgyz Republic General Prosecutor's Office Proceedings

Criminal Proceedings Against Unnamed KGC Managers

On May 30, 2016, a criminal case was opened by the Kyrgyz Republic General Prosecutor's Office ("GPO") against unnamed KGC managers alleging that such managers engaged in transactions that deprived KGC of its assets or otherwise abused their authority, causing damage to the Kyrgyz Republic. Specifically, the case appears to be focused on the reasonableness of certain of KGC's commercial transactions and in particular, the purchase of goods and supplies in the normal course of its business operations and the expenses relating to the relocation of the Kumtor Project's camp in 2014 and 2015. Further to such investigation, the GPO has carried out searches of KGC's offices and seized documents and records.

2013 KGC Dividend Civil and Criminal Proceeding

On June 3, 2016, the Inter-District Court renewed a claim previously commenced by the GPO seeking to unwind the \$200 million dividend paid by KGC to Centerra in December 2013 (the "2013 Dividend"). The Company understands that the GPO has also initiated a criminal investigation of executives of the Company and KGC in respect of the 2013 Dividend but that investigation is currently suspended.

Land Use Claim

As previously noted, KGC continues to challenge the purported 2012 cancellation of its land use (surface) rights over the Kumtor concession areas in the Kyrgyz Republic courts as well as in its arbitration claim (described above).

KGC Employee Movement Restrictions

In connection with certain of the foregoing criminal investigations, restrictions have been imposed by the Kyrgyz Republic on certain KGC managers and employees, which prohibit them from leaving the Kyrgyz Republic.

GPO Review of Kumtor Project Agreements

On June 14, 2016, according to reports in the Kyrgyz Republic, the Kyrgyz Republic President instructed the GPO to investigate the legality of the agreements relating to the Kumtor Project which were entered into in 2003, 2004 and 2009. The 2009 Restated Investment Agreement governing the Kumtor Project which was entered into in 2009 superseded entirely the 2003 and 2004 agreements. The 2009 Restated Investment Agreement was negotiated with the Kyrgyz Republic government, Kyrgyzaltyn and their international advisers, and approved by all relevant Kyrgyz Republic state authorities, including the Kyrgyz Republic Parliament and any disputes under the 2009 Restated Investment Agreement are subject to resolution by international arbitration.

Criminal Charges Regarding 2016 Casualty at Kumtor Mill

On June 16, 2016, the Investigator of the Jety-Oguz District Department of Interior Affairs initiated criminal proceedings against two KGC managers in relation to the previously disclosed death of a KGC employee due to an industrial accident which occurred in January 2016. On July 11, 2017, the criminal proceedings were dismissed by the Kyrgyz courts. However, we understand that the dismissal is being challenged by the employee's family.

Management Assessment of Claims

The Company and KGC strongly dispute the allegations noted above and will continue to challenge the actions of the Government and its instrumentalities, including SIETS, SAEPF, and the GPO, in the courts of the Kyrgyz Republic as well as in international arbitration.

The Company remains committed to working with Kyrgyz Republic authorities to resolve these issues in accordance with the 2009 Restated Investment Agreement, which provide for all disputes to be resolved by international arbitration, if necessary. Although the Company has reviewed the various claims discussed above and believes that all disputes related to the 2009 Restated Investment Agreement should be determined in arbitration, there are risks that the arbitrator may (i) reject the Company's claims; (ii) determine it does not have jurisdiction; and/or (iii) stay the arbitration pending determination of certain issues by the Kyrgyz Republic courts. Even if the Company receives an arbitral award in its favour against the Kyrgyz Republic and/or Kyrgyzaltyn, there are no assurances that it will be recognized or enforced in the Kyrgyz Republic. Accordingly, the Company may be obligated to pay part of or the full amounts of, among others, the SIETS and SAEPF claims regardless of the action taken by the arbitrator. The Company does not have insurance or litigation reserves to cover these costs. If the Company were obligated to pay these amounts, it would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

While the Company has commenced arbitration proceedings, it also continues to be in discussions with the Kyrgyz Republic Government with a view to resolving all outstanding matters impacting the Kumtor Project. However, there are no assurances that: (i) the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Project; (ii) any discussions between the Kyrgyz Republic Government and Centerra will result in a mutually acceptable resolution; (iii) Centerra will receive the necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law for any such resolution; or (iv) the Kyrgyz Republic Government and/or Parliament will not take actions that are inconsistent with the Government's obligations under the Kumtor Project Agreements, including adopting a law "denouncing" or purporting to cancel or invalidate the Kumtor Project Agreements or laws enacted in relation thereto which have the effect of nationalization of the Kumtor Project. The inability to successfully resolve all such matters could lead to suspension of operations of the Kumtor Project and would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Mongolia

Gatsuurt – Development

Since 2016, the Company has been in discussions with the Mongolian Government to implement a 3% special royalty in lieu of the Government's 34% direct interest in the Gatsuurt Project. Various working

groups have been established by the Mongolian Government to negotiate with Centerra the definitive agreements relating to the Gatsuurt Project.

As noted above, the Company is also continuing its technical and economic studies of the Gatsuurt project to optimize the project and its value. There are no assurances that such studies will have positive results or that Centerra will be able to negotiate definitive agreements with the Mongolian Government (in a timely fashion or at all). The absence of positive results on additional financial and technical studies and/or the inability to successfully negotiate definitive agreements could have a material impact on the Company's future cash flows, earnings, results of operations and financial condition and the Company may be required to write-off the remaining book value of its Mongolian assets of \$60 million (approximately \$34 million related to the investment in Gatsuurt and approximately \$26 million of remaining capitalized costs for the Boroo mill facility, other surface structures and equipment parts).

Gatsuurt – Illegal Mining

CGM and Centerra continue to work with appropriate Mongolian federal and aimag (local) governments, relevant state bodies and police to clear the Gatsuurt site from artisanal miners and to restrict their access to the site. Centerra does not condone any violence or use of force by Mongolian authorities and has communicated to Mongolian authorities that matters are to be resolved in a peaceful manner.

Claim Against the Mongolian Mineral Resources Authority to Annul Certain Administrative Decisions Related to Gatsuurt Mining Licenses.

In the first quarter of 2016, a non-governmental organization called “Movement to Save Mt. Noyon” filed a claim in Mongolian court against the Mongolian Mineral Resources Authority (MRAM) requesting that MRAM annul two administrative decisions related to the mining licenses underlying the Gatsuurt Project. Centerra Gold Mongolia (“CGM”), the wholly owned subsidiary of Centerra and the holder of these mining licenses, is involved in the claim as a third party. One administrative decision related to a routine approval of a change of name of the Gatsuurt license holder. That administrative decision does not affect the validity of the Gatsuurt licenses. The second decision related to a non-material license. The claimant's request has previously been granted twice (in May 2016 and May 2017) by the lower court and overturned both times on appeal. The Company understands that on July 26, 2017, the Mongolian lower court granted to the claimant's request to suspend the two administrative acts. The Company further understands that MRAM intends to appeal the decision again. The claimant's request has previously been granted twice (in May 2016 and May 2017) by the lower court and overturned both times on appeal. The Company understands that on July 26, 2017, the Mongolian lower court granted to the claimant's request to suspend the two administrative acts. The Company further understands that MRAM intends to appeal the decision again. While Centerra believes that this claim is without merit, there are no assurances that the claim will be resolved in favour of CGM. Subsequent adverse rulings of the Mongolian courts which may otherwise relate to the Gatsuurt licenses or delays in the court process may have a material adverse impact on the Company's future cash flows, earnings, results of operations or financial condition.

Sale of ATO

On January 31, 2017, Centerra Gold's Mongolian subsidiary, CGM entered into definitive agreements to sell the ATO Project, located in Eastern Mongolia, to Steppe Gold LLC and Steppe Gold Limited for gross proceed of \$19,800,000. CGM received \$800,000 upon signing of the definitive agreements and is to receive \$9,000,000 at closing, currently scheduled for the third quarter of 2017, followed by two additional \$5 million cash payments at the first anniversary and second anniversary date of the closing of the

transaction. The closing of the transaction is conditional upon Steppe Gold Limited executing their financing plans which the Company understands is scheduled to be completed in the second half of 2017.

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. 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.

11. Accounting Estimates, Policies and Changes

Accounting Estimates

The preparation of the Company's consolidated financial statements in accordance with IFRS required management to make estimates and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. The critical estimates and judgments applied in the preparation of the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2017 are consistent with those used in the Company's consolidated financial statements for the year ended December 31, 2016.

Accounting policies and recent changes

The accounting policies applied in the condensed consolidated interim financial statements for the three and six months ended June 30, 2017 are consistent with those used in the Company's consolidated financial statements for the year ended December 31, 2016, with the exceptions listed in note 3 of the condensed consolidated interim financial statements.

Recently issued but not adopted accounting guidance

Note 3 in the condensed consolidated interim financial statements for the three and six months ended June 30, 2017 presents a list of recently issued accounting standards not yet adopted by the Company, provides

a brief description on the nature of these changes and potential impact on the Company. The recently issued accounting standards and amendments are as follows: IFRS 15, *Revenue from Contracts with Customers* and IFRS 16, *Leases*.

12. Disclosure Controls and Procedures and Internal Control Over Financial Reporting (“ICFR”)

Centerra adheres to the Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) revised 2013 Internal Control Framework for the design of its ICFR. In accordance with National Instrument 52-109, the design of the Company’s DC&P and ICFR excludes the controls, policies and procedures related to Thompson Creek and its subsidiaries on the basis that Thompson Creek and its subsidiaries were acquired on October 20, 2016 and therefore have been an operating subsidiary less than one year.

The evaluation of disclosure controls and procedures and internal controls over financial reporting under COSO’s 2013 Internal Control Framework was carried out under the supervision of and with the participation of management, including Centerra’s CEO and CFO. Based on these evaluations, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures and internal control over financial reporting were effective.

13. 2017 Outlook

Production, cost and capital forecasts for 2017 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially. These risks are discussed herein under the headings “2017 Outlook - Material Assumptions & Risks” and “Caution Regarding Forward-Looking Information” in this MD&A. Also refer to the Company’s 2016 Annual Information Form and specifically the section entitled “Risks that can affect our business” therein available on SEDAR.

2017 Gold Production

Centerra’s 2017 gold production has been revised to 785,000 to 845,000 ounces up from the previous guidance of 715,000 to 795,000 ounces disclosed in the Company’s news release dated May 1, 2017 to reflect an increased production forecast at Kumtor.

Kumtor’s gold production forecast has been increased to a new guidance range of 525,000 ounces to 555,000, up from the previous guidance of 455,000 ounces to 505,000 ounces provided in the May 1, 2017 news release. The higher production forecast for Kumtor reflects the strong gold production performance in the first half of 2017.

Mount Milligan’s payable gold production is expected to be in the range of 260,000 to 290,000 ounces, which is unchanged from the previous guidance. Management anticipates that Mount Milligan’s payable gold production will be closer to the lower end of the above guidance due to lower than expected gold production in the first half of the year. Management has not revised cost guidance for the Mount Milligan mine, however the Company will continue to monitor the Canadian dollar to the U.S. dollar exchange rate for the second half of 2017 given the Canadian dollar appreciation year-to-date. This has somewhat been offset with the positive movement in the copper price. Refer to sensitivities section below.

Kumtor and Mount Milligan are expected to generate approximately 28% and 35% of their annual gold production, respectively, in the fourth quarter of 2017.

The Mongolian operations will continue with care and maintenance activities at the Boroo mine mainly focusing on reclamation work. Any revenue from Boroo gold production from the rinsing of the heap leach pad is offset against care and maintenance costs.

Centerra's 2017 guidance for capital spending, corporate administration, and community costs and DD&A is unchanged from the guidance disclosed in the Company's news release of January 16, 2017.

2017 Copper Production

Centerra expects concentrate production from the Mount Milligan Mine to be in the range of 125,000 to 135,000 dry metric tonnes for 2017, which is unchanged from the previous guidance. Payable copper production is expected to be in the range of 55 million pounds to 65 million pounds, which is unchanged from the previous guidance.

Centerra's 2017 production is forecast as follows:

2017 Production Guidance	Units	Kumtor	Mount Milligan⁽¹⁾	Centerra
Gold				
Unstreamed Gold Payable Production	(Koz)	525 – 555	169 – 189	694 – 744
Streamed Gold Payable Production ⁽¹⁾	(Koz)	–	91 – 101	91 – 101
Total Gold Payable Production⁽²⁾	(Koz)	525 – 555	260 – 290	785 – 845
Copper				
Unstreamed Copper Payable Production	(Mlb)	–	45 – 53	45 – 53
Streamed Copper Payable Production ⁽¹⁾	(Mlb)	–	10 – 12	10 – 12
Total Copper Payable Production⁽³⁾	(Mlb)	–	55 – 65	55 – 65
Concentrate production in dry tonnes	(Kt)	–	125 – 135	125 – 135

(1) The Royal Gold Stream Arrangement entitles Royal Gold to 35% and 18.75% of gold and copper sales, respectively, from the Mount Milligan Mine and Royal Gold pays \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered. The current payable percentage applied to each metal is approximately 95.0% for copper and 96.5% for gold.

(2) Gold production assumes 78.5% recovery at Kumtor and 62.3% recovery at Mount Milligan.

(3) Copper production assumes 76.8% recovery for copper at Mount Milligan.

2017 All-in Sustaining Unit Costs^{NG}

Centerra's 2017 all-in sustaining costs per ounce sold^{NG} on by-product and co-product basis are forecast as follows:

	Kumtor	Mount Milligan⁽²⁾	Centerra⁽²⁾
Ounces sold forecast	525,000 – 555,000	260,000 – 290,000	785,000- 845,000
<i>US \$ / gold ounce sold</i>			
Operating costs	255 – 270	748 – 834	424 – 457
Changes in inventory	41 – 43	35 – 39	39 – 42
Operating costs (on a sales basis)⁽³⁾	\$296 - \$313	\$783 - \$873	\$463 – \$499
Selling & marketing	-	18 – 20	6 – 7
Regional office administration	29 – 31	-	19 – 20
Social development costs	3 – 4	-	2 – 3
Treatment & refining charges	6 – 7	71 – 79	29 – 31
Copper credits ⁽²⁾	-	(484) – (540)	(166) – (179)
Silver credits	(8) – (9)	(23) – (26)	(13) – (14)
Subtotal (Adjusted operating costs)^{(1), (2)}	\$326 - \$346	\$365 - \$406	\$340 – \$367
Accretion expense	2	1	2
Capitalized stripping costs (cash)	304 – 322	-	200 – 215
Sustaining capital expenditures ⁽¹⁾	119 – 125	91 – 101	110 – 119
Corporate and G&A	-	-	41 – 44
All-in sustaining costs on a by-product basis^{(1), (2)}	\$751 - \$795	\$457 - \$508	\$693 - \$747
Revenue-based tax ⁽⁴⁾ and taxes ⁽⁴⁾	175 – 185	19 - 21	121 – 131
All-in sustaining costs on a by-product basis (including taxes)^{(1), (2), (4)}	\$926 – \$980	\$476 - \$529	\$814 - \$878
Gold - All-in sustaining costs on a co-product basis (\$/ounce)^{(1),(2)}	\$926 – \$980	\$575 - \$640	\$732 - \$789
Copper - All-in sustaining costs on a co-product basis (\$/pound)^{(1),(2)}	-	\$1.63 - \$1.93	\$1.63 - \$1.93

- (1) Adjusted operating costs per ounce sold, all-in sustaining costs per ounce sold on a by-product basis, all-in sustaining costs per ounce on a by-product basis plus taxes, all-in sustaining costs per ounce of gold sold or per pound of copper sold on a co-product basis and sustaining capital expenditures are non-GAAP measures and are discussed under “Non-GAAP Measures”.
- (2) Mount Milligan payable production and ounces sold are presented on a 100% basis (the Royal Gold Stream Arrangement entitles it to 35% and 18.75% of gold and copper sales, respectively). Unit costs and consolidated unit costs include a credit for copper sales treated as by-product credit for all-in sustaining costs and all-in sustaining costs including taxes. The copper sales are based on a copper price assumption of \$2.60 per pound sold for the second half of 2017 for Centerra's 81.25% share of copper production and the remaining 18.75% of copper revenue at \$0.39 per pound for the second half of 2017 (15% of spot price, assuming spot at \$2.60 per pound), reflecting the Royal Gold Stream Arrangement. Payable production for copper and gold reflects estimated metallurgical losses resulting from handling of the concentrate and payable metal deductions, subject to metal content, levied by smelters. The current payable percentage applied is approximately 95.0% for copper and 96.5% for gold.
- (3) Operating costs (on a sales basis) are comprised of mine operating costs such as mining, processing, regional office administration, royalties and production taxes (except at Kumtor where revenue-based taxes are excluded), but excludes reclamation costs and depreciation, depletion and amortization. Operating costs (on a sales basis) represents the cash component of cost of sales associated with the ounces sold in the period.
- (4) Includes revenue-based tax at Kumtor that reflects a forecast gold price assumption of \$1,200 per ounce sold for the second half of 2017, the British Columbia mineral tax at Mount Milligan and income taxes.

Results in the chart may not add due to rounding.

2017 Exploration Expenditures

The forecast for exploration expenditures for 2017 has been increased to \$10.5 million (excluding Greenstone) from the previous guidance of \$9 million. The increase in exploration expenditures forecast reflects additional exploration spending at Mount Milligan of \$0.7 million and \$0.8 million on new exploration targets.

Sensitivities

Centerra's revenues, earnings and cash flows for the remaining six months of 2017 are sensitive to changes in certain key inputs or currencies. The Company has estimated the impact of any such changes on revenues, net earnings and cash from operations.

	Change	Impact on (\$ millions)				Impact on (\$ per ounce sold)
		Costs	Revenues	Cash flows	Net Earnings (after tax)	AISC ⁽²⁾ on by-product basis
Gold Price	\$50/oz	3.2 – 3.4	17.7 – 19.4	15.6 – 16.0	15.6 – 16.0	0.1
Copper Price ⁽³⁾	10%	0.2 – 0.8	0.7 – 2.9	0.5 – 2.1	0.5 – 2.1	0.7 – 2.5
Diesel Fuel	10%	1.0	-	4.1	1.1	4.9 – 5.2
Kyrgyz som ⁽¹⁾	1 som	0.2	-	0.8	0.2	0.9 – 1.0
Canadian dollar ⁽¹⁾	10 cents	11.9	-	14.5	11.9	17.2 – 18.5

⁽¹⁾ Appreciation of currency against the US dollar will result in higher costs and lower cash flow and earnings, depreciation of currency against the US dollar results in decreased costs and increased cash flow and earnings.

⁽²⁾ All-in sustaining costs per ounce sold ("AISC") on a by-product basis is a non-GAAP measure and is discussed under "Non-GAAP Measures"

⁽³⁾ The Company has recalculated the sensitivities of its revenues, earnings and cash flows for remaining six months of 2017 to movements in copper price changes, including the impact of the copper and gold hedging contracts in place at the end of June 2017.

Material Assumptions and Risks

Material assumptions or factors used to forecast production and costs for the remaining six months of 2017 include the following:

- a gold price of \$1,200 per ounce,
- a copper price of \$2.60 per pound,
- a molybdenum price of \$7.50 per pound
- exchange rates:
 - a. \$1USD:\$1.32 CAD, changed from prior guidance of \$1.34 CAD
 - b. \$1USD:70.0 Kyrgyz som
 - c. \$1USD:0.89 Euro, changed from prior guidance of 0.95 Euro
- diesel fuel price assumption:
 - a. \$0.43/litre at Kumtor, changed from prior guidance of \$0.50/litre
 - b. \$0.65/litre at Mount Milligan

The assumed diesel price of \$0.43/litre at Kumtor assumes that no Russian export duty will be paid on the fuel exports from Russia to the Kyrgyz Republic. Diesel fuel is sourced from separate Russian suppliers for both sites. The diesel fuel price assumptions were made when the price of oil was approximately \$47 per barrel. Crude oil is a component of diesel fuel purchased by the Company, such that changes in the price of Brent crude oil generally impacts diesel fuel prices. The Company established a hedging strategy to

manage changes in diesel fuel prices on the cost of operations at the Kumtor mine. The diesel fuel hedging program is a 24-month rolling program. The Company targets to hedge up to 50% of monthly diesel purchases for 24 month exposure by entering into futures contracts for Brent crude oil.

Other material assumptions were used in forecasting production and costs for the remaining six months of 2017. These material assumptions include the following:

- That the Company has sufficient cash on hand or available to it in order to fund anticipated operating and development costs.
- The Company and its applicable subsidiaries throughout the year continue to meet the terms of the Corporate Facility, the Centerra B.C. Facility and the Öksüt Facility in order to maintain current borrowings and compliance with the facilities' financial covenants.
- That any discussions between the Government of the Kyrgyz Republic and Centerra regarding the resolution of all outstanding matters affecting the Kumtor mine are satisfactory to Centerra, and that any such resolution will receive all necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law.
- All mine plans, expertise and related permits and authorizations at Kumtor, receive timely approval from all relevant governmental agencies in the Kyrgyz Republic and are not subsequently withdrawn.
- Any recurrence of political or civil unrest in the Kyrgyz Republic will not impact operations, including movement of people, supplies and gold shipments to and from the Kumtor mine and/or power to the mine site.
- Any actions taken by the Kyrgyz Republic Parliament and Government do not have a material impact on operations or financial results. This includes any actions (i) being taken by the Parliament or Government to cancel the Kumtor Project Agreements; (ii) which are not consistent with the rights of Centerra and KGC under the Kumtor Project Agreements; or (iii) that cause any disruptions to the operation and management of KGC and / or the Kumtor Project.
- The previously disclosed claims received from the Kyrgyz regulatory authorities (SIETS and SAEPF) and related Kyrgyz Republic court decisions, the claims of the GPO purporting to invalidate land use rights and/or seize land at Kumtor and to unwind the \$200 million inter-company dividend declared and paid by KGC to Centerra in December 2013, criminal and other investigations initiated by the GPO in connection with loans and dividends made by KGC and the alleged misuse of funds or other property at KGC, any further claims by Kyrgyz authorities, whether environmental allegations or otherwise are resolved without material impact on Centerra's operations or financial results.
- Any sanctions imposed on Russian entities do not have a negative effect on the costs or availability of inputs or equipment to the Kumtor Project.
- The movement in the Central Valley Waste Dump at Kumtor, initially referred to in the Annual Information Form for the year ended December 31, 2013, and in the Lysii and Sarytor Waste Dumps, does not accelerate and will be managed to ensure continued safe operations, without impact to gold production.
- The buttress constructed at the bottom of the Davidov glacier continues to function as planned.
- The Company is able to manage the risks associated with the increased height of the pit walls at Kumtor.
- The dewatering program at Kumtor continues to produce the expected results and the water management system works as planned.
- The pit walls at Kumtor and Mount Milligan remain stable.
- The resource block model at Kumtor and Mount Milligan reconciles as expected against production.
- Grades and recoveries at Kumtor and Mount Milligan remain consistent with the 2017 production plan to achieve the forecast gold and copper production.

- The Kumtor mill and the Mount Milligan processing plant continues to operate as expected.
- The permanent secondary crushing plant at Mount Milligan continues to perform as designed.
- The Mount Milligan processing facility continues to have access to sufficient water supplies to operate year round.
- There are no unfavourable changes to concentrate sales arrangements at Mount Milligan and roasting arrangements at the Langeloth Facility.
- There are no adverse regulatory changes affecting Mount Milligan operations and molybdenum assets.
- Exchange rates, prices of key consumables, costs of power, water usage fees, and any other cost assumptions at all operations and projects of the Company are not significantly higher than prices assumed in planning.
- No unplanned delays in or interruption of scheduled production from our mines, including due to climate/weather conditions, forest fires, political or civil unrest, natural phenomena, regulatory or political disputes, equipment breakdown or other developmental and operational risks.

The Company cannot give any assurances in this regard.

Production, cost and capital forecasts for 2017 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed herein under the headings “Material Assumptions & Risks” and “Caution Regarding Forward-Looking Information” in this MD&A.

Qualified Person & QA/QC – Production Information

The production information and other scientific and technical information presented in this document, including the production estimates were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101 and were prepared, reviewed, verified and compiled by Centerra’s geological and mining staff under the supervision of Gordon Reid, Professional Engineer and Centerra’s Vice- President and Chief Operating Officer, who is the qualified person for the purpose of NI 43-101. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the exploration drilling programs are done consistent with industry standards and independent certified assay labs are used.

14. Non-GAAP Measures

This MD&A contains the following non-GAAP financial measures: all-in sustaining costs per ounce sold on a by-product basis, all-in sustaining costs per ounce sold on a by-product basis including taxes, and all-in sustaining costs per ounce sold on a co-product basis. In addition, non-GAAP financial measures include operating costs (on a sales basis), adjusted operating costs in dollars (millions) and per ounce sold, as well as capital expenditures (sustaining) and capital expenditures (growth) and cash provided by operations before changes in working capital. These financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers, even as compared to other issuers who may be applying the World Gold Council (“WGC”) guidelines, which can be found at <http://www.gold.org>.

Management believes that the use of these non-GAAP measures will assist analysts, investors and other stakeholders of the Company in understanding the costs associated with producing gold, understanding the economics of gold mining, assessing our operating performance, our ability to generate free cash flow from current operations and to generate free cash flow on an overall Company basis, and for planning and forecasting of future periods. However, the measures do have limitations as analytical tools as they may be

influenced by the point in the life cycle of a specific mine and the level of additional exploration or expenditures a company has to make to fully develop its properties. Accordingly, these non-GAAP measures should not be considered in isolation, or as a substitute for, analysis of our results as reported under GAAP.

Definitions

The following is a description of the non-GAAP measures used in this MD&A. The definitions are similar to the WGC's Guidance Note on these non-GAAP measures:

- *Production costs* represent operating costs associated with the mining, milling and site administration activities at the Company's operating sites, excluding costs unrelated to production such as mine standby and community costs related to current operations.
- *Operating costs (on a sales basis)* include mine operating costs such as mining, processing, site support, royalties and operating taxes (except at Kumtor where revenue-based taxes are excluded), but exclude depreciation, depletion and amortization (DD&A), reclamation costs, financing costs, capital development and exploration.
- *Adjusted operating costs per ounce sold* include operating costs (on a sales basis), regional office administration, mine standby costs, community costs related to current operations, refining fees and by-product credits.
- *All-in sustaining costs on a by-product basis per ounce sold* include adjusted operating costs, the cash component of capitalized stripping costs, corporate general and administrative expenses, accretion expenses, and sustaining capital, net of copper and silver credits. The measure incorporates costs related to sustaining production. Copper and silver credits represent the expected revenue from the sale of these metals.
- *All-in sustaining costs on a by-product basis per ounce sold including taxes*, include revenue-based tax at Kumtor and taxes (mining and income) at Mount Milligan.
- *All-in sustaining costs on a co-product basis per ounce of gold sold or per pound of copper sold*, operating costs are allocated between copper and gold based on production. To calculate the allocation of operating costs, copper production has been converted to ounces of gold equivalent using the copper production for the periods presented, as well as an average of the futures prices during the quotational pricing period for copper and gold sold from Mount Milligan. In the second quarter of 2017, 489 pounds of copper was equivalent to one ounce of gold.
- *Capital expenditure (Sustaining)* is a capital expenditure necessary to maintain existing levels of production. The sustaining capital expenditures maintain the existing mine fleet, mill and other facilities so that they function at levels consistent from year to year.
- *Capital expenditure (Growth)* is capital expended to expand the business or operations by increasing productive capacity beyond current levels of performance.
- *Growth projects* are defined as projects that are beyond the exploration stage but are pre-operational. For 2017, growth projects include Öksüt, Gatsuurt and the Greenstone Gold Property.
- *Average realized gold price* is calculated by dividing revenue (including third party sales and the fixed amount received under the Royal Gold Stream Arrangement) derived from gold sales by the number of ounces sold.
- *Average realized copper price* is calculated by dividing revenue (including third party sales and the fixed amount received under the Royal Gold Stream Arrangement) derived from copper sales by the number of pounds sold.
- *Cash provided by operations before changes in working capital* starts with cash provided by operations and removes the changes in working capital as presented in the Company's Statement of Cash Flows.

Adjusted Operating Cost and All-in Sustaining Costs on a by-product basis (including and excluding taxes) per ounce of gold are non-GAAP measures and can be reconciled as follows:

(Unaudited - \$ millions, unless otherwise specified)	Three months ending June 30,						Six months ending June 30,					
	Consolidated ⁽¹⁾		Kumtor ⁽¹⁾		Mount Milligan ⁽¹⁾		Consolidated ⁽¹⁾		Kumtor ⁽¹⁾		Mount Milligan ⁽¹⁾	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Cost of sales excluding molybdenum segment, as reported	133.4	116.8	80.3	116.8	52.9	-	271.8	147.9	152.8	147.9	118.6	-
Less: Non-cash component	49.4	56.4	41.4	56.4	8.0	-	101.8	68.8	78.8	68.8	23.0	-
Cost of sales, cash component	84.1	60.4	39.0	60.4	44.8	-	170.0	79.1	74.0	79.1	95.6	-
Adjust for:												
Regional office administration	4.1	3.7	4.1	3.7	-	-	8.3	7.0	8.3	7.0	-	-
Selling and marketing	1.1	-	-	-	1.1	-	2.3	-	-	-	2.3	-
Refining fees	1.3	1.0	1.0	1.0	0.3	-	2.5	1.4	2.0	1.4	0.5	-
By-product credits - copper	(27.3)	-	-	-	(27.3)	-	(55.9)	-	-	-	(55.9)	-
Community costs related to current operations	0.1	0.3	0.1	0.3	-	-	0.2	0.8	0.2	0.8	-	-
Adjusted Operating Costs	63.4	65.4	44.2	65.4	18.9	-	127.4	88.4	84.5	88.4	42.5	-
Corporate general administrative and other costs	9.4	6.7	-	-	0.7	-	19.5	12.4	-	-	0.7	-
Accretion expense	0.6	0.4	0.3	0.2	0.1	-	1.2	0.8	0.6	0.5	0.3	-
Capitalized stripping and ice unload	47.4	18.9	47.4	18.9	-	-	94.2	29.3	94.2	29.3	-	-
Capital expenditures (sustaining)	18.8	13.8	13.5	13.6	5.3	-	38.4	36.9	28.7	36.6	9.7	-
All-in Sustaining Costs on a by-product basis	139.6	105.2	105.4	98.1	25.0	-	280.7	167.8	208.0	154.8	53.1	-
Revenue-based taxes	23.8	22.6	23.8	22.6	-	-	47.0	32.9	47.0	32.9	-	-
Income and mining taxes	(2.0)	0.2	-	-	1.0	-	(0.8)	0.2	-	-	2.0	-
All-in Sustaining Costs on a by-product basis (including taxes)	161.4	127.9	129.3	120.8	26.1	-	326.8	200.9	254.9	187.7	55.1	-
Ounces sold (000)	188.2	127.9	135.2	127.9	53.0	-	376.1	189.7	269.9	189.7	106.2	-
Adjusted Operating Costs - \$ /oz sold	337	511	327	511	357	-	339	466	313	466	400	-
Gold - All-in Sustaining Costs on a by-product basis - \$ /oz sold	742	822	780	768	473	-	746	885	771	817	500	-
Gold - All-in Sustaining Costs on a by-product basis (including taxes) - \$ /oz sold	858	1,000	956	944	492	-	869	1,059	945	990	519	-
Gold - All-in Sustaining Costs on a co-product basis (before taxes) - \$ /oz sold	789	822	780	768	638	-	792	885	771	817	662	-
Copper - All-in Sustaining Costs on a co-product basis (before taxes) - \$ /pound sold	1.58	n/a	n/a	n/a	1.58	-	1.68	n/a	n/a	n/a	1.68	-

⁽¹⁾ Results may not add due to rounding

Sustaining capital, growth capital and capitalized stripping presented in the All-in measures can be reconciled as follows:

Three months ended June 30,	Kumtor	Mount Milligan	Turkey	Mongolia	All other	Consolidated
(\$ millions) <i>(Unaudited)</i>						
2017						
Capitalized stripping –cash	47.4	-	-	-	-	47.4
Sustaining capital - cash	13.5	3.8	-	-	0.6	17.8
Growth capital - cash	4.9	-	-	-	-	4.9
Gatsuurt project development capital cash	-	-	-	1.3	-	1.3
Greenstone Gold Property pre-development capital cash	-	-	-	-	1.4	1.4
Öksüt project development capital - cash	-	-	2.2	-	-	2.2
Molybdenum business capital - cash	-	-	-	-	-	-
Net (increase) decrease in accruals included in additions to PP&E	2.3	-	-	-	-	2.3
Total - Additions to PP&E ⁽¹⁾	68.0	3.8	2.2	1.3	1.9	77.3
2016						
(\$ millions) <i>(Unaudited)</i>						
Capitalized stripping –cash	18.9	-	-	-	-	18.9
Sustaining capital - cash	13.6	-	-	-	0.1	13.7
Growth capital - cash	5.4	-	-	-	3.0	8.4
Greenstone Gold Property pre-development capital cash	-	-	-	-	4.4	4.4
Öksüt project development capital - cash	-	-	1.6	-	-	1.6
Net (increase) decrease in accruals included in additions to PP&E	(2.0)	-	-	-	-	(2.0)
Total - Additions to PP&E ⁽¹⁾	35.9	-	1.6	-	7.5	45.0
Six months ended June 30,	Kumtor	Mount Milligan	Turkey	Mongolia	All other	Consolidated
(\$ millions) <i>(Unaudited)</i>						
2017						
Capitalized stripping –cash	94.2	-	-	-	-	94.2
Sustaining capital - cash	28.7	8.3	-	-	0.3	37.3
Growth capital - cash	5.8	-	-	-	-	5.8
Gatsuurt project development capital cash	-	-	-	1.8	-	1.8
Greenstone Gold Property pre-development capital cash	-	-	-	-	2.4	2.4
Öksüt project development capital - cash	-	-	4.3	-	-	4.3
Molybdenum business capital - cash	-	-	-	-	-	-
Net (increase) decrease in accruals included in additions to PP&E	0.5	-	-	-	-	0.5
Total - Additions to PP&E ⁽¹⁾	129.2	8.3	4.3	1.8	2.6	146.3
2016						
(\$ millions) <i>(Unaudited)</i>						
Capitalized stripping –cash	29.3	-	-	-	-	29.3
Sustaining capital - cash	36.6	-	-	-	0.3	36.9
Growth capital - cash	10.1	-	-	-	3.5	13.6
Greenstone Gold Property pre-development capital cash	-	-	-	-	5.0	5
Öksüt project development capital - cash	-	-	5.2	-	-	5.2
Net (increase) decrease in accruals included in additions to PP&E	(9.6)	-	-	-	-	(9.6)

⁽¹⁾ As reported in the Company's Consolidated Statement of Cash Flows as "Investing Activities - Additions to property, plant & equipment".

Reconciliation of Cash Provided by Operations Before Changes in Working Capital:

	Three months ended June 30, 2017				
	Kumtor	Mount Milligan	Molybdenum	Other	Consolidated
Cash generated from operations	94,039	54,477	(3,234)	(2,505)	142,777
Add back (deduct):					
Change in non-cash operating working capital	8,557	(24,624)	2,253	(7,019)	(20,833)
Net cash generated from operations before changes in non-cash working capital	102,597	29,853	(981)	(9,525)	121,944
	Three months ended June 30, 2016				
	Kumtor	Mount Milligan	Molybdenum	Other	Consolidated
Cash generated from operations	66,405	-	-	(9,158)	57,247
Add back (deduct):					
Change in non-cash operating working capital	7,271	-	-	(5,320)	1,951
Net cash generated from operations before changes in non-cash working capital	73,676	-	-	(14,478)	59,198
	Six months ended June 30, 2017				
	Kumtor	Mount Milligan	Molybdenum	Other	Consolidated
Cash generated from operations	185,641	41,287	(5,562)	(10,309)	211,057
Add back (deduct):					
Change in non-cash operating working capital	19,335	19,516	6,322	(11,516)	33,657
Net cash generated from operations before changes in non-cash working capital	204,976	60,803	760	(21,825)	244,714
	Six months ended June 30, 2016				
	Kumtor	Mount Milligan	Molybdenum	Other	Consolidated
Cash generated from operations	73,559	-	-	(6,885)	66,674
Add back (deduct):					
Change in non-cash operating working capital	37,182	-	-	(17,441)	19,741
Net cash generated from operations before changes in non-cash working capital	110,741	-	-	(24,326)	86,415

Average realized gold price

The average realized gold price per ounce sold is calculated by dividing gold sales revenue, gross together with the final pricing adjustments and mark-to-market adjustments by the ounces sold, as shown in the table below:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Gold sales reconciliation (\$ millions)				
Gold sales - Kumtor	168.6	161.6	332.8	234.9
<u>Gold sales - Mt. Milligan</u>				
Gold sales related to cash portion of Royal Gold stream	7.8	-	16.5	-
Mark-to-market adjustments on sales to Royal Gold	2.6	-	1.0	-
Final adjustments on sales to Royal Gold	(1.2)	-	(2.8)	-
Total gold sales under Royal Gold stream	9.1	-	14.7	-
Gold sales to third party customers	42.8	-	89.1	-
Mark-to-market adjustments	(2.8)	-	1.4	-
Final pricing adjustments	1.9	-	2.1	-
Total gold sales to third party customers	41.8	-	92.7	-
Gold sales, net of adjustments	51.0	-	107.3	-
Refining and treatment costs	(0.3)	-	(0.5)	-
Total gold sales	50.7	-	106.8	-
Total gold revenue - Consolidated	219.3	161.6	439.6	234.9
Ounces of gold sold				
Gold ounces sold - Kumtor (plus Boroo in 2015)	135,235	127,909	269,917	189,653
Ounces sold to Royal Gold - Mt. Milligan	17,954	-	37,929	-
Ounces sold to Royal Gold - Mt. Milligan - Final adjustments	428	-	(7,556)	-
Ounces sold to third party customers - Mt. Milligan	34,608	-	75,849	-
Total ounces sold - Consolidated	188,225	127,909	376,139	189,653
Average realized sales price for gold on a per ounce basis				
Average realized sales price - Kumtor	1,247	1,264	1,233	1,238
Average realized gold price - Royal Gold	435	-	435	-
Average realized gold price - Mark-to-market adjustments	140	-	33	-
Average realized gold price - Final pricing adjustments	(67)	-	(93)	-
Average realized gold price - Mt. Milligan - Royal Gold	507	-	375	-
Average realized gold price - Third party	1,237	-	1,175	-
Average realized gold price - Mark-to-market adjustments	(82)	-	18	-
Average realized gold price - Final pricing adjustments	53	-	28	-
Average realized gold price - Mt. Milligan - Third party	1,208	-	1,222	-
Average realized gold price - Mt. Milligan - Combined	957	-	1,006	-
Average realized sales price for gold - Consolidated	1,165	1,264	1,169	1,238

Average realized copper price

The average realized copper price per pound is calculated by dividing copper sales revenue, gross together with the final pricing adjustments and mark-to-market adjustments per pound, as shown in the table below:

Average realized sales price for Copper - Mt. Milligan	Three months ended June 30, 2017	Six months ended June 30, 2017
Copper sales reconciliation (\$ millions)		
Copper sales related to cash portion of Royal Gold stream	1.0	2.0
Mark-to-market adjustments on Royal Gold stream	(0.4)	(0.3)
Final adjustments on sales to Royal Gold	(0.2)	(0.2)
Total copper sales under Royal Gold stream	0.5	1.5
Copper sales to third party customers	30.2	59.3
Mark-to-market adjustments	1.7	0.8
Final price adjustments	(0.9)	2.4
Total copper sales to third party customers	30.9	62.5
Copper sales, net of adjustments	31.4	64.0
Refining and treatment costs	(4.1)	(8.1)
Copper sales	27.3	55.9
Pounds of copper sold (000's lbs)		
Pounds sold to Royal Gold	2,694	5,221
Pounds sold to third party customers	11,664	22,748
Total pounds sold	14,358	27,970
Average realized sales price for copper on a per pound basis		
Copper sales related to cash portion of Royal Gold stream	0.37	0.39
Mark-to-market adjustments on Royal Gold stream	(0.13)	(0.05)
Final pricing adjustments on Royal Gold stream	(0.08)	(0.04)
Average realized copper price - Royal Gold	0.17	0.29
Average realized copper price - Third party	2.59	2.61
Average realized copper price - Mark-to-market adjustments	0.14	0.04
Average realized copper price - Final pricing adjustments	(0.08)	0.10
Average realized copper price - Third party	2.65	2.75
Average realized copper price - Combined	1.90	2.00

15. Caution Regarding Forward-Looking Information

Information contained in this MD&A which are not statements of historical facts, and the documents incorporated by reference herein, may be “forward-looking information” for the purposes of Canadian securities laws. Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward looking information. The words “believe”, “expect”, “anticipate”, “contemplate”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule”, “understand” and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things: the Company’s discussions with the Government of the Kyrgyz Republic; statements relating to the Company’s cash on hand, working capital, future cash flows and existing credit facilities being sufficient to fund anticipated operating cash requirements; the timing and outcomes of projects initiated at the Mount Milligan mine aimed at improving metal recovery and other optimization opportunities; the continuation of negotiations with the Mongolian Government on definitive agreements related to the Gatsuurt Project; expectations regarding updating a feasibility study for the Gatsuurt Project; timing for development of, and gold production, from the Öksüt Project; the timing for the sale of the ATO licenses; mining plans at Kumtor, including timing for accessing ore; and statements found under the heading, “2017 Outlook”, including forecast 2017 production, cost and capital estimates, care and maintenance and reclamation activities at the Boroo mine, and the Company’s plans in 2017 for exploration expenditures, capital expenditures, corporate administrative and community expenditures, and DD&A expenses for 2017.

Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward looking information. Factors that could cause actual results or events to differ materially from current expectations include, among other things: (A) strategic, legal, planning and other risks, including: political risks associated with the Company’s operations in the Kyrgyz Republic, Mongolia and Turkey; resource nationalism including the management of external stakeholder expectations; liquidity risks created by Centerra’s inability to access funds held at KGC the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices, including with respect to the environment, in the jurisdictions in which the Company operates including any delays or refusals to grant required permits and licenses, unjustified civil or criminal action against the Company, its affiliates or its current or former employees; risks that community activism may result in increased contributory demands or business interruptions; the impact of any actions taken by the Kyrgyz Republic Government and Parliament relating to the Kumtor Project Agreements which are inconsistent with the rights of Centerra and KGC under the Kumtor Project Agreements; any impact on the purported cancellation of Kumtor’s land use rights at the Kumtor Project pursuant to a court claim commenced by the Kyrgyz Republic GPO; the risks related to other outstanding litigation affecting the Company’s operations in the Kyrgyz Republic and elsewhere; the impact of the delay by relevant government agencies to provide required approvals, expertises and permits; potential impact on the Kumtor Project of investigations by Kyrgyz Republic instrumentalities and movement restrictions on KGC employees and managers; the terms pursuant to which the Mongolian Government will participate in, or to take a special royalty rate in, the Gatsuurt Project; the impact of constitutional changes in Turkey; the impact of any sanctions imposed by Canada, the United States or other jurisdictions against various Russian individuals and entities; the ability of the Company to negotiate a successful development agreement for the Gatsuurt Project; potential defects of title in the Company’s properties that are not known as of the date hereof; the inability of the Company and its subsidiaries to enforce their legal rights in certain circumstances; the presence of a significant shareholder that is a state-owned company of the Kyrgyz Republic; risks related to anti-corruption legislation; risks related to the concentration of assets in Central Asia; Centerra’s future exploration and development activities not being successful; Centerra not being able to replace mineral reserves; Aboriginal claims and consultative issues relating to the Company’s properties which are in proximity to Aboriginal communities; and potential risks related to kidnapping or acts of terrorism; (B) risks relating to financial matters, including: sensitivity of the Company’s business to the volatility of gold, copper and other mineral prices, the use of provisionally-priced sales contracts for production at Mount Milligan, reliance on a few key customers for the gold-copper concentrate at Mount Milligan, use of commodity derivatives, the imprecision of the Company’s mineral reserves and resources estimates and the assumptions they rely on, the accuracy of the Company’s production and cost estimates, the impact of restrictive covenants in the Company’s credit facilities which may, among other things, restrict the Company from pursuing certain business activities or making distributions from its subsidiaries, the Company’s ability to obtain future financing, the impact of global financial conditions, the impact of currency fluctuations, the effect of market conditions on the

Company's short-term investments, the Company's ability to make payments including any payments of principal and interest on the Company's debt facilities depends on the cash flow of its subsidiaries; and (C) risks related to operational matters and geotechnical issues and the Company's continued ability to successfully manage such matters, including the movement of the Davidov Glacier, waste and ice movement and continued performance of the buttress at the Kumtor Project; the occurrence of further ground movements at the Kumtor Project and mechanical availability; the ability of the Company to successfully ramp-up to design criteria of the secondary crusher at Mount Milligan; the success of the Company's future exploration and development activities, including the financial and political risks inherent in carrying out exploration activities; inherent risks associated with the use of sodium cyanide in the mining operations; the adequacy of the Company's insurance to mitigate operational risks; mechanical breakdowns; the Company's ability to replace its mineral reserves; the occurrence of any labour unrest or disturbance and the ability of the Company to successfully re-negotiate collective agreements when required; the risk that Centerra's workforce may be exposed to widespread epidemic; seismic activity in the vicinity of the Company's properties; long lead times required for equipment and supplies given the remote location of some of the Company's operating properties; reliance on a limited number of suppliers for certain consumables, equipment and components; illegal mining on the Company's Mongolian properties; the Company's ability to accurately predict decommissioning and reclamation costs; the Company's ability to attract and retain qualified personnel; competition for mineral acquisition opportunities; and risks associated with the conduct of joint ventures/partnerships; the Company's ability to manage its projects effectively and to mitigate the potential lack of availability of contractors, budget and timing overruns and project resources. See section titled "Risks that can affect our business" in the 2016 Annual Information Form available on SEDAR at www.sedar.com.

Furthermore, market price fluctuations in gold and copper, as well as increased capital or production costs or reduced recovery rates may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. Economic and technological factors which may change over time always influence the evaluation of reserves or resources. Centerra has not adjusted mineral resource figures in consideration of these risks and, therefore, Centerra can give no assurances that any mineral resource estimate will ultimately be reclassified as proven and probable reserves.

Mineral resources are not mineral reserves, and do not have demonstrated economic viability, but do have reasonable prospects for economic extraction. Measured and indicated resources are sufficiently well defined to allow geological and grade continuity to be reasonably assumed and permit the application of technical and economic parameters in assessing the economic viability of the resource. Inferred resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred resources are too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. There is no certainty that mineral resources of any category can be upgraded to mineral reserves through continued exploration.

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained herein or incorporated by reference. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward looking information. Forward-looking information is as of July 31, 2017. Centerra assumes no obligation to update or revise forward looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.