

**Centerra Gold Inc.**

**Condensed Consolidated Interim Financial Statements**

**For the Quarter Ended June 30, 2019 and 2018**

**(Unaudited)**

**(Expressed in thousands of United States Dollars)**

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

		June 30, 2019	December 31, 2018
<b>(Expressed in thousands of United States Dollars)</b>			
	<b>Notes</b>		
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 139,979	\$ 151,705
Amounts receivable		65,626	59,558
Inventories	4	610,464	596,911
Prepaid expenses and other current assets		16,389	24,734
Current portion of derivative assets	15	2,013	1,081
		<u>834,471</u>	<u>833,989</u>
Property, plant and equipment	5	1,942,341	1,886,046
Goodwill		16,070	16,070
Restricted cash		27,485	27,505
Reclamation deposits		35,778	30,841
Other assets		31,744	32,260
		<u>2,053,418</u>	<u>1,992,722</u>
<b>Total assets</b>		<u>\$ 2,887,889</u>	<u>\$ 2,826,711</u>
<b>Liabilities and Shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6	\$ 197,824	\$ 173,783
Provision for Kyrgyz Republic settlement		53,000	53,000
Short-term debt	7	26,986	5,000
Current portion of lease obligations	8	6,955	797
Revenue-based taxes payable		11,273	954
Taxes payable		1,184	878
Current portion of provision for reclamation		3,137	197
Other current liabilities		58	168
		<u>300,417</u>	<u>234,777</u>
Long-term debt	7	67,461	179,266
Provision for reclamation		214,434	212,248
Lease obligations	8	23,136	4,229
Deferred income tax liability		40,175	44,524
Other liabilities		3,752	3,636
		<u>348,958</u>	<u>443,903</u>
<b>Shareholders' equity</b>			
Share capital	12	955,167	949,328
Contributed surplus		26,740	27,364
Accumulated other comprehensive loss		(666)	(2,088)
Retained earnings		1,257,273	1,173,427
		<u>2,238,514</u>	<u>2,148,031</u>
<b>Total liabilities and Shareholders' equity</b>		<u>\$ 2,887,889</u>	<u>\$ 2,826,711</u>

Commitments (note 13)

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

**Centerra Gold Inc.**

**Condensed Consolidated Interim Statements of Earnings and Comprehensive Income  
(Unaudited)**

		Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
<b>(Expressed in thousands of United States Dollars)</b>					
<b>(except per share amounts)</b>					
	Notes				
Gold sales	\$	245,241	\$ 165,190	\$ 486,554	\$ 334,279
Copper sales		36,386	28,225	67,521	38,237
Molybdenum sales		56,701	47,152	115,342	101,273
Tolling, calcining and other		2,182	2,748	5,132	4,924
<b>Revenue</b>	<b>9</b>	<b>340,510</b>	243,315	<b>674,549</b>	478,713
Cost of sales	<b>10</b>	238,545	187,380	461,854	340,195
Standby costs		-	-	-	10,849
Regional office administration		3,072	3,460	5,970	6,263
<b>Earnings from mine operations</b>		<b>98,893</b>	52,475	<b>206,725</b>	121,406
Revenue-based taxes		27,777	16,539	55,171	38,095
Other operating expenses		4,121	3,139	7,089	6,694
Care and maintenance expense		6,881	4,941	14,204	8,864
Pre-development project costs		3,961	4,326	7,248	6,494
Exploration expenses and business development		6,459	5,998	11,464	8,358
Corporate administration		13,690	8,351	23,388	18,785
Other expenses		30	82	30	4,496
<b>Earnings from operations</b>		<b>35,974</b>	9,099	<b>88,131</b>	29,620
Other income, net		(613)	(25,373)	(755)	(30,777)
Finance costs	<b>11</b>	3,697	5,879	7,678	20,537
<b>Earnings before income tax</b>		<b>32,890</b>	28,593	<b>81,208</b>	39,860
Income tax recovery		(524)	(8,807)	(2,638)	(8,620)
<b>Earnings from continuing operations</b>		<b>33,414</b>	37,400	<b>83,846</b>	48,480
Net earnings from discontinued operations		-	6,115	-	4,080
<b>Net earnings</b>		<b>\$ 33,414</b>	\$ 43,515	<b>\$ 83,846</b>	\$ 52,560
<b>Other Comprehensive Income</b>					
<b>Items that may be subsequently reclassified to earnings:</b>					
Net gain (loss) on translation of foreign operation		712	(870)	1,447	(1,909)
Net unrealized gain (loss) on derivative instruments, net of tax	<b>15</b>	166	8,575	(25)	15,960
<b>Other comprehensive income ("OCI")</b>		<b>878</b>	7,705	<b>1,422</b>	14,051
<b>Total comprehensive income</b>		<b>\$ 34,292</b>	\$ 51,220	<b>\$ 85,268</b>	\$ 66,611
<b>Basic earnings per share - Continuing operations</b>	<b>12</b>	<b>\$ 0.11</b>	\$ 0.15	<b>\$ 0.29</b>	\$ 0.18
<b>Diluted earnings per share - Continuing operations</b>	<b>12</b>	<b>\$ 0.11</b>	\$ 0.15	<b>\$ 0.29</b>	\$ 0.18
<b>Basic earnings per share</b>	<b>12</b>	<b>\$ 0.11</b>	\$ 0.19	<b>\$ 0.29</b>	\$ 0.19
<b>Diluted earnings per share</b>	<b>12</b>	<b>\$ 0.11</b>	\$ 0.18	<b>\$ 0.29</b>	\$ 0.18

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

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

**Three months ended  
June 30,  
2019      2018**

**Six months ended  
June 30,  
2019      2018**

**(Expressed in thousands of United States Dollars)**
**Operating activities**

	Notes	\$	\$	\$	\$
Net earnings from continuing operations		<b>33,414</b>	37,400	<b>83,846</b>	48,480
Adjustments for the following items:					
Depreciation, depletion and amortization		<b>60,575</b>	44,903	<b>116,310</b>	87,167
Finance costs	11	<b>3,697</b>	5,879	<b>7,678</b>	20,537
Compensation expense on stock options		<b>438</b>	490	<b>1,046</b>	733
Other share based compensation expense		<b>4,354</b>	792	<b>10,453</b>	3,498
Gain on disposition of Royalty Portfolio		-	(27,973)	-	(27,973)
Income tax recovery, net		<b>(524)</b>	(8,807)	<b>(2,638)</b>	(8,620)
Other		<b>492</b>	1,504	<b>615</b>	4,145
		<b>102,446</b>	54,188	<b>217,310</b>	127,967
Change in operating working capital	16	<b>(10,400)</b>	19,186	<b>(5,854)</b>	(87,555)
Purchase and settlement of derivatives		<b>(438)</b>	(4,023)	<b>(267)</b>	(6,212)
Income taxes paid		<b>(612)</b>	(1,030)	<b>(1,439)</b>	(2,766)
<b>Cash provided by continuing operations</b>		<b>90,996</b>	68,321	<b>209,750</b>	31,434
Cash used in discontinued operations		-	(282)	-	(3,125)
<b>Net cash provided by operations</b>		<b>90,996</b>	68,039	<b>209,750</b>	28,309

**Investing activities**

Additions to property, plant and equipment		<b>(55,707)</b>	(72,840)	<b>(116,647)</b>	(131,825)
Prepayment for property, plant and equipment		<b>(4,634)</b>	(3,247)	<b>(5,455)</b>	(6,244)
Acquisition of AuRico Metals Inc., net of cash acquired		-	-	-	(226,800)
Decrease (increase) in restricted cash		<b>5</b>	(24,560)	<b>21</b>	(26,883)
(Increase) decrease in other assets		<b>(549)</b>	318	<b>(5,256)</b>	(4,021)
Proceeds from the sale of the Royalty Portfolio		-	155,450	-	155,450
Proceeds from disposition of fixed assets		-	(4)	-	1,141
<b>Cash (used in) provided by investing activities from continuing operations</b>		<b>(60,885)</b>	55,117	<b>(127,337)</b>	(239,182)
Cash provided by investing activities from discontinued operations		-	400	-	594
<b>Net cash (used in) provided by investing activities</b>		<b>(60,885)</b>	55,517	<b>(127,337)</b>	(238,588)

**Financing activities**

Debt drawdown	7	<b>31,035</b>	99,000	<b>85,854</b>	349,070
Debt repayment	7	<b>(100,000)</b>	(150,000)	<b>(176,000)</b>	(351,000)
Payment of interest and borrowing costs		<b>(2,309)</b>	(5,691)	<b>(5,258)</b>	(16,386)
Lease payments		<b>(1,448)</b>	-	<b>(2,849)</b>	-
Proceeds from common shares issued		<b>2,169</b>	598	<b>4,114</b>	598
<b>Cash used in financing</b>		<b>(70,553)</b>	(56,093)	<b>(94,139)</b>	(17,718)
(Decrease) increase in cash during the period		<b>(40,442)</b>	67,463	<b>(11,726)</b>	(227,997)
Cash and cash equivalents at beginning of the period		<b>180,421</b>	120,431	<b>151,705</b>	415,891
<b>Cash and cash equivalents at end of the period</b>		<b>\$ 139,979</b>	\$ 187,894	<b>\$ 139,979</b>	\$ 187,894

**Cash and cash equivalents consist of:**

Cash		<b>\$ 139,979</b>	\$ 185,996	<b>\$ 139,979</b>	\$ 185,996
Cash equivalents		-	1,898	-	1,898
		<b>\$ 139,979</b>	\$ 187,894	<b>\$ 139,979</b>	\$ 187,894

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

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

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

	<b>Number of Common Shares</b>	<b>Share Capital Amount</b>	<b>Contributed Surplus</b>	<b>Accumulated Other Comprehensive Loss ("AOCI")</b>	<b>Retained Earnings</b>	<b>Total</b>
<b>Balance at January 1, 2018</b>	291,782,846	\$ 948,121	\$ 25,781	\$ (14,371)	\$ 1,065,898	\$ 2,025,429
Share-based compensation expense	-	-	733	-	-	733
Shares issued on exercise of stock options	63,860	445	(130)	-	-	315
Shares issued under the employee share purchase plan	38,590	212	-	-	-	212
Shares issued on redemption of restricted share units	6,086	33	-	-	-	33
Foreign currency translation	-	-	-	(1,909)	-	15,960
Net unrealized gain on derivative instruments, net of tax (note 15)	-	-	-	15,960	-	(1,909)
Net earnings for the period	-	-	-	-	52,560	52,560
<b>Balance at June 30, 2018</b>	<b>291,891,382</b>	<b>\$ 948,811</b>	<b>\$ 26,384</b>	<b>\$ (320)</b>	<b>\$ 1,118,458</b>	<b>\$ 2,093,333</b>
<b>Balance at January 1, 2019</b>	<b>291,999,949</b>	<b>\$ 949,328</b>	<b>\$ 27,364</b>	<b>\$ (2,088)</b>	<b>\$ 1,173,427</b>	<b>\$ 2,148,031</b>
Share-based compensation expense	-	-	1,046	-	-	1,046
Shares issued on exercise of stock options	400,364	5,303	(1,670)	-	-	3,633
Shares issued under the employee share purchase plan	56,329	481	-	-	-	481
Shares issued on redemption of restricted share units	7,682	55	-	-	-	55
Foreign currency translation	-	-	-	1,447	-	1,447
Net unrealized loss on derivative instruments, net of tax (note 15)	-	-	-	(25)	-	(25)
Net earnings for the period	-	-	-	-	83,846	83,846
<b>Balance at June 30, 2019</b>	<b>292,464,324</b>	<b>\$ 955,167</b>	<b>\$ 26,740</b>	<b>\$ (666)</b>	<b>\$ 1,257,273</b>	<b>\$ 2,238,514</b>

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

## **Centerra Gold Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

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

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#### **1. Nature of operations**

Centerra Gold Inc. (“Centerra” or the “Company”) was incorporated under the *Canada Business Corporations Act* on November 7, 2002. Centerra’s common shares are listed on the Toronto Stock Exchange. The Company is domiciled in Canada and its registered office is located at 1 University Avenue, Suite 1500, Toronto, Ontario, M5J 2P1. The Company is primarily focused on operating, developing, exploring and acquiring gold and copper properties in North America, Asia and other markets worldwide.

#### **2. Basis of presentation**

These condensed consolidated interim financial statements (“interim financial statements”) of the Company and its subsidiaries have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). These interim financial statements do not contain all of the required annual disclosures and should be read in conjunction with the Company’s December 31, 2018 annual consolidated financial statements.

These financial statements were authorized for issuance by the Board of Directors of the Company on July 30, 2019.

#### **3. Changes in accounting policies**

These interim financial statements have been prepared using accounting policies consistent with those used in the Company’s annual consolidated financial statements as at and for the year ended December 31, 2018 and those new standards adopted in the period as described below.

##### ***Leases***

As of January 1, 2019 the Company adopted IFRS 16, *Leases* (“IFRS 16”) that revises the definition of leases and requires companies to bring most leases on-balance sheet, recognizing new assets and liabilities.

The Company adopted IFRS 16 using the modified retrospective approach. Under the modified retrospective approach, the Company recognizes transition adjustments, if any, in retained earnings on the date of initial adoption (January 1, 2019), without retrospective restatement of the financial statements.

##### ***Leases recognition***

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys

**Centerra Gold Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

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

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the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision as to how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of that asset if either:
  - The Company has the right to operate the asset; or
  - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

If a contract is assessed to contain a lease, a lease liability is recognized representing the present value of cash flows estimated to settle the contract, discounted using a discount rate which would be required if the underlying asset was acquired through a financing arrangement. The Company will also recognize a right-of-use (“ROU”) asset that will generally be equal to the lease obligation at adoption. The ROU asset is subsequently amortized over the life of the contract.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

***Leases transition***

For leases that were classified as finance leases under IAS 17 *Leases* (“IAS 17”), the carrying

**Centerra Gold Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

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

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amount of the ROU asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date. For leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019 and the related ROU assets were recognised at amounts equal to the corresponding lease liability.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise ROU assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the ROU asset at the date of initial application.
- Applied a single discount rate to a portfolio of leases with similar characteristics.

Lease liabilities recognized at January 1, 2019 amounted to \$26 million. Refer to note 8 for further details.



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

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

**4. Inventories**

	<b>June 30, 2019</b>	<b>December 31, 2018</b>
Stockpiles of ore (a)	\$ 276,837	\$ 265,488
Gold in-circuit	24,092	20,136
Gold doré	19,037	16,524
Copper and gold concentrate	16,877	21,907
Molybdenum inventory	62,484	65,201
	<b>399,327</b>	389,256
Supplies (net of provision)	212,871	209,396
Total inventories (net of provisions)	\$ 612,198	\$ 598,652
Less: Long-term supplies inventory	(1,734)	(1,741)
Total inventories - current portion	\$ 610,464	\$ 596,911

(a) As at June 30, 2019, the amount of ore in stockpiles not scheduled for processing within the next 12 months, but available on-demand, is \$218.2 million (December 31, 2018 – \$181.3 million).

The Company has recorded a provision for supplies obsolescence of \$23.5 million as at June 30, 2019 (December 31, 2018 - \$21.4 million).

## Centerra Gold Inc.

### Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

## 5. Property, plant and equipment

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

	Buildings, Plant and Equipment	ROU Buildings	Mineral Properties	Capitalized Stripping Costs	Mobile Equipment	ROU Mobile Equipment	Construction in Progress	Total
<b>Cost</b>								
January 1, 2019 (a)	\$ 1,068,881	\$ 15,169	\$ 577,670	\$ 486,346	\$ 553,139	\$ 11,237	\$ 134,350	\$ 2,846,792
Additions	1,559	36	14,720	38,460	34	6,069	92,205	153,083
Disposal	(641)	(36)	-	-	(1,914)	-	-	(2,591)
Fully depreciated assets	-	-	-	-	(15,498)	-	-	(15,498)
Reclassification	29,029	-	-	-	21,104	-	(50,133)	-
<b>Balance June 30, 2019</b>	<b>\$ 1,098,828</b>	<b>\$ 15,169</b>	<b>\$ 592,390</b>	<b>\$ 524,806</b>	<b>\$ 556,865</b>	<b>\$ 17,306</b>	<b>\$ 176,422</b>	<b>\$ 2,981,786</b>
<b>Accumulated depreciation</b>								
January 1, 2019 (a)	\$ 280,984	\$ -	\$ 103,260	\$ 143,615	\$ 411,961	\$ -	\$ -	\$ 939,820
Charge for the period	28,593	1,119	7,311	40,868	38,107	1,558	-	117,556
Disposals	(488)	-	-	-	(1,945)	-	-	(2,433)
Fully depreciated assets	-	-	-	-	(15,498)	-	-	(15,498)
<b>Balance June 30, 2019</b>	<b>\$ 309,089</b>	<b>\$ 1,119</b>	<b>\$ 110,571</b>	<b>\$ 184,483</b>	<b>\$ 432,625</b>	<b>\$ 1,558</b>	<b>\$ -</b>	<b>\$ 1,039,445</b>
<b>Net book value</b>								
Balance December 31, 2018	\$ 787,897	\$ -	\$ 474,410	\$ 342,731	\$ 146,658	\$ -	\$ 134,350	\$ 1,886,046
Balance January 1, 2019 (a)	\$ 787,897	\$ 15,169	\$ 474,410	\$ 342,731	\$ 141,178	\$ 11,237	\$ 134,350	\$ 1,906,972
<b>Balance June 30, 2019</b>	<b>\$ 789,739</b>	<b>\$ 14,050</b>	<b>\$ 481,819</b>	<b>\$ 340,323</b>	<b>\$ 124,240</b>	<b>\$ 15,748</b>	<b>\$ 176,422</b>	<b>\$ 1,942,341</b>

(a) Includes opening balance adjustments on adoption of IFRS 16.

## 6. Accounts payable and accrued liabilities

	June 30, 2019	December 31, 2018
Trade creditors and accruals	\$ 141,572	\$ 121,973
Amount due to Royal Gold (a)	36,920	42,885
Liability for share-based compensation	19,332	8,925
<b>Total</b>	<b>\$ 197,824</b>	<b>\$ 173,783</b>

(a) RGLD AG and Royal Gold, Inc (together, “Royal Gold”) hold a streaming interest in the production at the Mount Milligan Mine. As a result, when a trade receivable is recorded in relation to a third-party customer gold and copper concentrate delivery, a corresponding liability to Royal Gold is recorded.

**Centerra Gold Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

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

**7. Debt**

	<b>Corporate Revolving Facility</b>	<b>OMAS Facility</b>	<b>CAT Note</b>	<b>Total</b>
<b>Principal</b>				
Balance December 31, 2018	\$ 111,000	\$ 49,668	\$ 31,986	\$ 192,654
Drawdown	60,000	25,854	-	85,854
Repayment	(171,000)	-	(5,000)	(176,000)
<b>Balance June 30, 2019</b>	<b>\$ -</b>	<b>\$ 75,522</b>	<b>\$ 26,986</b>	<b>\$ 102,508</b>
<b>Deferred costs</b>				
Balance December 31, 2018	\$ (2,147)	\$ (6,241)	\$ -	\$ (8,388)
Additions	-	(666)	-	(666)
Amortization	374	619	-	993
<b>Balance June 30, 2019</b>	<b>\$ (1,773)</b>	<b>\$ (6,288)</b>	<b>\$ -</b>	<b>\$ (8,061)</b>

	<b>Corporate Revolving Facility</b>	<b>OMAS Facility</b>	<b>CAT Note</b>	<b>Total</b>
<b>Net debt</b>				
Short-term debt	\$ -	\$ -	\$ 26,986	\$ 26,986
Long-term debt	(1,773)	69,234	-	67,461
<b>Balance June 30, 2019</b>	<b>\$ (1,773)</b>	<b>\$ 69,234</b>	<b>\$ 26,986</b>	<b>\$ 94,447</b>
Short-term debt	\$ -	\$ -	\$ 5,000	\$ 5,000
Long-term debt	108,853	43,427	26,986	179,266
Balance December 31, 2018	\$ 108,853	\$ 43,427	\$ 31,986	\$ 184,266

**8. Leases**

	<b>2019</b>
<b>Maturity analysis - contractual undiscounted cashflows</b>	
Less than one year	10,195
One to three years	17,975
More than three years	4,637
<b>Total undiscounted lease liabilities at June 30, 2019</b>	<b>\$ 32,807</b>
<b>Lease liabilities - discounted</b>	
Current	6,955
Non-current	23,136
<b>Balance June 30, 2019</b>	<b>\$ 30,091</b>

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

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

The below table is a reconciliation of the lease commitments disclosed at December 31, 2018 in the Company's consolidated financial statements and the lease liability recognized as a result of the adoption of IFRS 16 on January 1, 2019. When measuring the value of the lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied was 3.83%.

Operating lease commitment at December 31, 2018	\$	3,571
Operating leases deemed not to be leases under IFRS 16		(329)
Operating leases at December 31, 2018 deemed to be leases at January 1, 2019		3,242
Discounted value using the incremental borrowing rate at January 1, 2019		2,799
Finance lease liabilities recognized as at December 31, 2018		5,024
Contracts identified as a lease under IFRS 16		18,243
<b>Lease liabilities recognized at January 1, 2019</b>	<b>\$</b>	<b>26,066</b>

**9. Gold and Copper sales**

For the three and six months ended June 30, 2019, the Company's gold concentrate sales included pricing and quantity adjustment gains of \$2.4 million and \$3.2 million, respectively (2018: losses of \$3.9 million and \$2.5 million, respectively). For the three and six months ended June 30, 2019 the Company's copper concentrate sales included pricing and quantity adjustment losses of \$1.8 million and gains of \$2.5 million, respectively (2018: losses \$3.5 million and \$4.9 million, respectively).

**10. Cost of sales**

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Salaries and benefits	\$ 47,658	\$ 30,236	\$ 81,331	\$ 60,345
Consumables and maintenance charges	74,431	58,666	147,093	117,590
Third-party services	14,628	8,081	22,703	14,288
Other operating costs	9,800	13,159	19,445	13,296
Royalties, levies and production taxes	3,245	3,044	6,388	4,821
By-product sales	(5,214)	(6,029)	(8,787)	(10,808)
Changes in inventories	34,696	34,305	77,594	52,660
	<b>179,244</b>	<b>141,462</b>	<b>345,767</b>	<b>252,192</b>
Supplies inventory obsolescence charge	195	968	1,308	1,778
Inventory impairment	143	1,019	1,385	1,019
Depreciation, depletion and amortization	58,963	43,931	113,394	85,206
	<b>\$ 238,545</b>	<b>\$ 187,380</b>	<b>\$ 461,854</b>	<b>\$ 340,195</b>

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

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

**11. Finance costs**

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Interest expense	\$ 1,633	\$ 3,881	\$ 3,746	\$ 7,271
Deferred financing costs amortized	204	179	392	6,155
Commitment fees	460	464	793	863
Accretion of provision for reclamation	1,098	711	2,199	1,728
Lease financing expense	293	-	518	-
Other financing fees	9	644	30	4,520
	\$ 3,697	\$ 5,879	\$ 7,678	\$ 20,537

**12. Shareholders' equity****Earnings per share**

Basic and diluted earnings per share computation:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
(Thousands of common shares)				
Basic weighted average number of common shares outstanding	292,633	291,858	292,418	291,822
Effect of potentially dilutive securities:				
Stock options	593	526	365	402
Restricted share units	1,221	695	989	494
Diluted weighted average number of common shares outstanding	294,447	293,079	293,772	292,718

For the three and six months ended June 30, 2019 and 2018, certain potentially anti-dilutive securities, including stock options were excluded from the calculation of diluted earnings per share due to the exercise prices being greater than the average market price of the Company's common shares for the period.

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

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

Anti-dilutive securities, excluded from the calculation, are summarized below:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Stock options	3,813	3,924	4,697	2,982
	3,813	3,924	4,697	2,982

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

As at June 30, 2019, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$174.5 million (Öksüt Project \$94.6 million, Kumtor - \$45.3 million, Mount Milligan - \$9.7 million, Greenstone Gold Property - \$4.9 million and Kemess - \$13.5 million). Öksüt Project commitments include \$10.5 million of contracts that will be settled over the next two to three years, while a majority of all other contracts are expected to be settled over the next twelve months.

***(b) Greenstone Partnership***

As at June 30, 2019, the Company has funded a total of Cdn\$110.9 million (\$84.9 million) of its Cdn\$185 million development contributions commitment since the inception of the partnership to Greenstone Gold Mines LP.

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

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

**14. Related party transactions****a. Kyrgyzaltyn**

The breakdown of the sales transactions and expenses with Kyrgyzaltyn JSC (“Kyrgyzaltyn”) are as follows:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Sales:</b>				
Gross gold and silver sales to Kyrgyzaltyn	\$ 199,635	\$ 118,995	\$ 396,494	\$ 274,057
Deduct: refinery and financing charges	(1,230)	(862)	(2,414)	(1,953)
Net sales revenue received from Kyrgyzaltyn	\$ 198,405	\$ 118,133	\$ 394,080	\$ 272,104
<b>Expenses:</b>				
Contracting services provided by Kyrgyzaltyn	\$ 226	\$ 422	\$ 440	\$ 600
Management fees payable to Kyrgyzaltyn	153	91	304	208
Expenses paid to Kyrgyzaltyn	\$ 379	\$ 513	\$ 744	\$ 808

**Related party balances**

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

	<b>June 30,</b>	<b>December 31,</b>
	<b>2019</b>	<b>2018</b>
Amounts receivable (a)	\$ 77	\$ 234
Amount payable	\$ 1,094	\$ 1,199

(a) Subsequent to June 30, 2019, the balance receivable from Kyrgyzaltyn was paid in full.

**15. Financial Instruments**

The Company’s financial instruments include cash and cash equivalents, restricted cash, amounts receivable (including embedded derivatives), derivative instruments, tax receivables, accounts payable and accrued liabilities (including amounts due to Royal Gold), debt, and revenue-based taxes payable.

**Derivative Instruments**

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

**Centerra Gold Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

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

The Strategic gold and copper contract positions and Fuel hedge contract positions outstanding as at June 30, 2019 are summarized as follows:

					As at June 30, 2019
Contract	Instrument	Unit	Average strike price	Type	Total position
<i>Fuel hedge contracts</i>					
Fuel	ULSD Zero-cost collars	Barrels	\$75/\$82	Fixed	68,670
Fuel	ULSD forwards	Barrels	\$77	Fixed	29,320
Fuel	Brent Crude Zero-cost collars	Barrels	\$59/\$69	Fixed	147,570

The following table is an analysis of the strategic gold and copper contracts and fuel hedge contracts recorded in the Statements of Earnings:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b><u>Strategic gold, copper and fuel hedge</u></b>				
Cash flow hedges - effective portion of changes in fair value	\$ 612	\$ 14,369	\$ 196	\$ 24,582
Cash flow hedges - reclassified to Statements of Earnings	(446)	(5,794)	(221)	(8,622)
Net unrealized (loss) gain included in AOCI, net of tax (a)	\$ 166	\$ 8,575	\$ (25)	\$ 15,960
Cash flow hedges - reclassified from AOCI	\$ 446	5,794	\$ 221	8,622
Gain (loss) recognized on derivatives (b)	35	(5,279)	317	(4,148)
Total gain included in Statements of Earnings	\$ 481	\$ 515	\$ 538	\$ 4,474

(a) Includes tax for the three and six months ended June 30, 2019 and 2018 of nil.

(b) Represents the change in fair value of certain gold and copper derivative instruments which were early settled or reclassified to the Statements of Earnings since they no longer qualify for hedge accounting.



**Centerra Gold Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

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

The Royal Gold deliverables and FX contracts outstanding as at June 30, 2019 are summarized as follows:

					As at June 30, 2019
Contract	Instrument	Unit	Average strike price	Type	Total position
<i>Royal Gold deliverables and</i>					
<i>FX Hedges</i>					
Gold	Forward contracts	Ounces	(a)	Float	20,860
Copper	Forward contracts	Pounds	(a)	Float	4.1 million
FX Hedges	Zero-cost collars	CAD Dollars	(a)	Fixed	125.1 million

(a) Royal Gold hedging program with a market price determined on closing of the contract

The following table is an analysis of the Royal Gold deliverables and FX contracts recorded in the Statements of Earnings:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<b><u>Royal Gold deliverables and FX contracts</u></b>				
Total gain (loss) on gold and copper derivatives included in revenue	\$ 789	\$ (840)	\$ 1,101	\$ (1,228)
Total gain (loss) on FX contracts included in other income	\$ 401	\$ (1,878)	\$ 346	\$ (2,928)

*Provisionally-priced contracts*

Certain copper-gold concentrate sales contracts provide for provisional pricing. These sales contain an embedded derivative related to the provisional pricing mechanism and are marked to market at the end of each reporting period. As at June 30, 2019, the Company's trade receivables with embedded derivatives had a fair value of \$18.1 million (December 31, 2018 - \$21.5 million), representing 23.1 million pounds of copper and 45,487 ounces of gold (December 31, 2018 - 23.3 million pounds of copper and 77,032 ounces of gold).

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

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

*Fair value measurement*

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

**June 30, 2019**

	Amortized cost	At fair value through earnings	At fair value through OCI
<b><u>Financial assets</u></b>			
Cash and cash equivalents	\$ 139,979	\$ -	-
Restricted cash	27,485	-	-
Amounts receivable	47,488	-	-
Provisionally-priced receivables - Level 2	-	18,138	-
Taxes receivable	22,808	-	-
Derivative assets - Level 2	-	1,643	370
	<b>\$ 237,760</b>	<b>\$ 19,781</b>	<b>\$ 370</b>
<b><u>Financial liabilities</u></b>			
Trade creditors and accruals	\$ 141,572	\$ -	-
Amount due to Royal Gold - Level 2	-	36,920	-
Lease obligations	30,091	-	-
Debt	94,447	-	-
Revenue-based taxes payable	11,273	-	-
	<b>\$ 277,383</b>	<b>\$ 36,920</b>	<b>\$ -</b>

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

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

**16. Supplemental disclosure****Changes in operating working capital**

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
(Increase) decrease in amounts receivable	\$ (1,167)	\$ 33,076	\$ (5,838)	\$ 8,745
(Increase) decrease in inventory - ore and metals	(17,694)	10,417	(10,057)	(10,279)
Increase in inventory - supplies	(5,592)	(18,254)	(3,482)	(27,450)
Decrease (increase) in prepaid expenses	3,664	(711)	8,663	2,122
Increase (decrease) in trade creditors and accruals	22,251	15,947	11,109	(29,595)
(Decrease) increase in revenue-based tax payable	(4,085)	(5,028)	10,319	(7,923)
Increase (decrease) in depreciation and amortization included in inventory	1,484	(14,190)	(8,008)	(21,895)
Increase in accruals included in additions to PP&E	(8,851)	(1,770)	(8,350)	(1,208)
Decrease in other taxes payable	(410)	(301)	(210)	(72)
<b>Change in operating working capital of continuing operations</b>	<b>\$ (10,400)</b>	<b>\$ 19,186</b>	<b>\$ (5,854)</b>	<b>\$ (87,555)</b>
Change in operating working capital of discontinued operations	-	1,292	-	1,728
<b>Net changes in operating working capital</b>	<b>\$ (10,400)</b>	<b>\$ 20,478</b>	<b>\$ (5,854)</b>	<b>\$ (85,827)</b>

**17. Segmented Information**

The following table reconciles segment operating profit to the consolidated operating profit in the Statements of Earnings:

**Centerra Gold Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

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

**Three months ended June 30, 2019**

<b>(Millions of U.S. Dollars)</b>	<b>Kyrgyz</b>		<b>North America</b>		<b>Corporate and other</b>	<b>Total</b>
	<b>Republic</b>	<b>Turkey</b>	<b>Gold-Copper</b>	<b>Molybdenum</b>		
Gold sales	\$ -	\$ -	\$ 47.6	\$ -	\$ -	\$ 47.6
Copper sales	-	-	36.4	-	-	36.4
Molybdenum sales	-	-	-	56.7	-	56.7
Tolling, calcining and other	197.6	-	-	2.2	-	199.8
<b>Revenue</b>	<b>197.6</b>	<b>-</b>	<b>84.0</b>	<b>58.9</b>	<b>-</b>	<b>340.5</b>
Cost of sales	101.1	-	79.6	57.9	(0.1)	238.5
Regional office administration	3.1	-	-	-	-	3.1
<b>Earnings from mine operations</b>	<b>93.4</b>	<b>-</b>	<b>4.4</b>	<b>1.0</b>	<b>0.1</b>	<b>98.9</b>
Revenue-based taxes	27.8	-	-	-	-	27.8
Other operating expenses	0.9	-	2.5	0.7	-	4.1
Care and maintenance	-	-	3.0	3.9	-	6.9
Pre-development project costs	-	-	0.1	-	3.9	4.0
Exploration expenses and business development	2.4	-	2.1	-	2.0	6.5
Corporate administration	-	0.1	-	-	13.6	13.7
<b>Earnings (loss) from operations</b>	<b>\$ 62.3</b>	<b>\$ (0.1)</b>	<b>\$ (3.3)</b>	<b>\$ (3.6)</b>	<b>\$ (19.4)</b>	<b>\$ 35.9</b>
Other income, net	-	-	-	-	-	(0.6)
Finance costs	-	-	-	-	-	3.7
<b>Earnings before income tax</b>						<b>32.8</b>
Income tax recovery	-	-	-	-	-	(0.5)
<b>Net earnings</b>						<b>\$ 33.3</b>

**Centerra Gold Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

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

**Three months ended June 30, 2018**

(Millions of U.S. Dollars)	Kyrgyz Republic	Turkey	North America		Corporate and other	Total
			Gold-Copper	Molybdenum		
Gold sales	\$ 117.3	\$ -	\$ 47.9	\$ -	\$ -	\$ 165.2
Copper sales	-	-	28.2	-	-	28.2
Molybdenum sales	-	-	-	47.2	-	47.2
Tolling, calcining and other	-	-	-	2.7	-	2.7
<b>Revenue</b>	117.3	-	76.1	49.9	-	243.3
Cost of sales	75.9	-	62.0	49.5	-	187.4
Regional office administration	3.5	-	-	-	-	3.5
<b>Earnings from mine operations</b>	37.9	-	14.1	0.4	-	52.4
Revenue-based taxes	16.5	-	-	-	-	16.5
Other operating expenses	1.2	-	1.4	0.6	-	3.2
Care and maintenance	-	-	2.2	2.7	-	4.9
Pre-development project costs	-	-	0.9	-	3.4	4.3
Exploration expenses and business development	0.3	-	0.9	-	4.8	6.0
Corporate administration	-	0.1	0.5	-	7.8	8.4
<b>Earnings (loss) from operations</b>	\$ 19.9	\$ (0.1)	\$ 8.2	\$ (2.9)	\$ (16.0)	\$ 9.1
Other income, net						(25.4)
Finance costs						5.9
<b>Earnings before income tax</b>						28.6
Income tax recovery						(8.8)
<b>Net earnings from continuing operations</b>						37.4
Net earnings from discontinued operations						6.1
<b>Net earnings</b>						\$ 43.5

**Centerra Gold Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

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

**Six Months ended June 30, 2019**

(Millions of U.S. Dollars)	Kyrgyz Republic		North America		Corporate and other	Total
		Turkey	Gold-Copper	Molybdenum		
Gold sales	\$ 392.7	\$ -	\$ 93.9	\$ -	\$ -	\$ 486.6
Copper sales	-	-	67.5	-	-	67.5
Molybdenum sales	-	-	-	115.3	-	115.3
Tolling, calcining and other	-	-	-	5.1	-	5.1
<b>Revenue</b>	<b>392.7</b>	<b>-</b>	<b>161.4</b>	<b>120.4</b>	<b>-</b>	<b>674.5</b>
Cost of sales	193.1	-	148.4	120.4	-	461.9
Regional office administration	6.0	-	-	-	-	6.0
<b>Earnings from mine operations</b>	<b>193.6</b>	<b>-</b>	<b>13.0</b>	<b>-</b>	<b>-</b>	<b>206.6</b>
Revenue-based taxes	55.2	-	-	-	-	55.2
Other operating expenses	2.0	-	3.7	1.4	-	7.1
Care and maintenance	-	-	6.7	7.5	-	14.2
Pre-development project costs	-	-	-	-	7.1	7.1
Exploration expenses and business development	5.4	-	2.7	-	3.4	11.5
Corporate administration	-	0.1	-	-	23.3	23.4
<b>Earnings (loss) from operations</b>	<b>\$ 131.0</b>	<b>\$ (0.1)</b>	<b>\$ (0.1)</b>	<b>\$ (8.9)</b>	<b>\$ (33.8)</b>	<b>\$ 88.1</b>
Other income, net	-	-	-	-	-	(0.8)
Finance costs	-	-	-	-	-	7.7
<b>Earnings before income tax</b>						<b>81.2</b>
Income tax recovery	-	-	-	-	-	(2.6)
<b>Net earnings</b>						<b>\$ 83.8</b>
<b>Total assets</b>	<b>\$ 1,051.8</b>	<b>\$ 282.3</b>	<b>\$ 1,176.2</b>	<b>\$ 247.1</b>	<b>\$ 130.5</b>	<b>\$ 2,887.9</b>
<b>Total liabilities</b>	<b>\$ 170.0</b>	<b>\$ 82.8</b>	<b>\$ 235.6</b>	<b>\$ 121.8</b>	<b>\$ 39.2</b>	<b>\$ 649.4</b>
<b>Capital expenditure for the period</b>	<b>\$ 65.2</b>	<b>\$ 35.8</b>	<b>\$ 42.0</b>	<b>\$ 0.8</b>	<b>\$ 9.4</b>	<b>\$ 153.2</b>

**Centerra Gold Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

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

**Six Months ended June 30, 2018**

(Millions of U.S. Dollars)	Kyrgyz Republic		North America		Corporate and other	Total
	Turkey	Gold-Copper	Molybdenum			
Gold sales	\$ 270.3	\$ -	\$ 64.0	\$ -	\$ -	\$ 334.3
Copper sales	-	-	38.2	-	-	38.2
Molybdenum sales	-	-	-	101.3	-	101.3
Tolling, calcining and other	-	-	-	4.9	-	4.9
<b>Revenue</b>	270.3	-	102.2	106.2	-	478.7
Cost of sales	154.0	-	86.2	100.0	-	340.2
Standby costs, net	-	-	10.8	-	-	10.8
Regional office administration	6.3	-	-	-	-	6.3
<b>Earnings from mine operations</b>	110.0	-	5.2	6.2	-	121.4
Revenue-based taxes	38.1	-	-	-	-	38.1
Other operating expenses	2.9	-	2.6	1.2	0.1	6.8
Care and maintenance	-	-	3.6	5.2	-	8.8
Pre-development project costs	-	-	1.5	-	5.0	6.5
Exploration expenses and business development	0.3	-	1.1	-	6.9	8.3
Business combination acquisition and integration	-	-	-	-	4.5	4.5
Corporate administration	-	0.1	0.6	-	18.1	18.8
<b>Earnings (loss) from operations</b>	\$ 68.7	\$ (0.1)	\$ (4.2)	\$ (0.2)	\$ (34.6)	\$ 29.6
Other income, net	-	-	-	-	-	(30.8)
Finance costs	-	-	-	-	-	20.5
<b>Earnings before income tax</b>	-	-	-	-	-	39.9
Income tax recovery	-	-	-	-	-	(8.6)
<b>Net earnings from continuing operations</b>	-	-	-	-	-	48.5
Net earnings from discontinued operations	-	-	-	-	-	4.1
<b>Net earnings</b>	-	-	-	-	-	\$ 52.6
<b>Total assets</b>	\$ 1,099.1	\$ 153.1	\$ 1,120.1	\$ 236.9	\$ 241.3	\$ 2,850.5
<b>Total liabilities</b>	\$ 191.3	\$ 10.2	\$ 182.3	\$ 72.2	\$ 301.1	\$ 757.1
<b>Capital expenditure for the period</b>	\$ 116.9	\$ 15.9	\$ 28.6	\$ 0.4	\$ 5.2	\$ 167.0