

Centerra Gold Inc.

Condensed Consolidated Interim Financial Statements

For the Quarter Ended March 31, 2019 and 2018

(Unaudited)

(Expressed in thousands of United States Dollars)

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

		March 31, 2019	December 31, 2018
(Expressed in thousands of United States Dollars)			
	Notes		
Assets			
Current assets			
Cash and cash equivalents		\$ 180,421	\$ 151,705
Amounts receivable	4	64,482	59,558
Inventories	5	587,164	596,911
Prepaid expenses and other current assets		20,017	24,734
Current portion of derivative assets	17	594	1,081
		<u>852,678</u>	833,989
Property, plant and equipment	6	1,926,282	1,886,046
Goodwill		16,070	16,070
Restricted cash		27,489	27,505
Reclamation deposits		35,631	30,841
Other assets		31,134	32,260
		<u>2,036,606</u>	1,992,722
Total assets		<u>\$ 2,889,284</u>	<u>\$ 2,826,711</u>
Liabilities and Shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 168,278	\$ 173,783
Provision for Kyrgyz Republic settlement		53,000	53,000
Short-term debt	8	26,986	5,000
Current portion of lease obligations	9	5,535	797
Revenue-based taxes payable		15,358	954
Taxes payable		1,360	878
Current portion of provision for reclamation	10	2,579	197
Current portion of derivative liabilities	17	130	101
Other current liabilities		41	67
		<u>273,267</u>	234,777
Long-term debt	8	136,249	179,266
Provision for reclamation	10	212,294	212,248
Lease obligations	9	20,559	4,229
Deferred income tax liability		41,555	44,524
Other liabilities		3,699	3,636
		<u>414,356</u>	443,903
Shareholders' equity			
Share capital	14	952,130	949,328
Contributed surplus		27,155	27,364
Accumulated other comprehensive loss		(1,488)	(2,088)
Retained earnings		1,223,864	1,173,427
		<u>2,201,661</u>	2,148,031
Total liabilities and Shareholders' equity		<u>\$ 2,889,284</u>	<u>\$ 2,826,711</u>

Commitments (note 15)

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
March 31,
2019 **2018**

(Expressed in thousands of United States Dollars) (except per share amounts)	Notes		
Gold sales	11	\$ 241,313	\$ 169,090
Copper sales	11	31,135	10,012
Molybdenum sales		58,642	54,121
Tolling, calcining and other		2,950	2,176
Revenue		334,040	235,399
Cost of sales	12	223,308	152,815
Standby costs		-	10,849
Regional office administration		2,898	2,802
Earnings from mine operations		107,834	68,933
Revenue-based taxes		27,394	21,556
Other operating expenses		2,968	3,555
Care and maintenance expense		7,323	3,923
Pre-development project costs		3,283	2,168
Exploration expenses and business development		5,003	2,361
Business combination acquisition and integration expenses		-	4,413
Corporate administration		9,699	10,435
Earnings from operations		52,164	20,522
Other income, net		(141)	(5,403)
Finance costs	13	3,982	14,657
Earnings before income tax		48,323	11,268
Income tax (recovery) expense		(2,114)	187
Net earnings from continuing operations		\$ 50,437	\$ 11,081
Net loss from discontinued operations		-	(2,036)
Net earnings		\$ 50,437	\$ 9,045
Other Comprehensive Income			
Items that may be subsequently reclassified to earnings:			
Net gain (loss) on translation of foreign operation		797	(1,039)
Net unrealized (loss) gain on derivative instruments, net of tax	17	(197)	7,385
Other comprehensive income		600	6,346
Total comprehensive income		\$ 51,037	\$ 15,391
Basic earnings per share - Continuing operations	14	\$ 0.17	\$ 0.04
Diluted earnings per share - Continuing operations	14	\$ 0.17	\$ 0.04
Basic earnings per share	14	\$ 0.17	\$ 0.03
Diluted earnings per share	14	\$ 0.17	\$ 0.03

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

Centerra Gold Inc.	Three months ended	
Condensed Consolidated Interim Statements of Cash Flows	March 31,	
(Unaudited)	2019	2018
(Expressed in thousands of United States Dollars)	Notes	
Operating activities		
Net earnings from continuing operations	\$ 50,437	\$ 11,081
Adjustments for the following items:		
Depreciation, depletion and amortization	6 55,735	42,264
Finance costs	13 3,982	14,657
Compensation expense on stock options	607	243
Other share based compensation expense	6,093	2,707
Income tax (recovery) expense, net	(2,114)	187
Reclamation expense (recovery)	436	(671)
Other	(313)	2,640
	114,863	73,108
Change in operating working capital	18(a) 4,546	(106,070)
Purchase and settlement of derivatives	171	(2,189)
Income taxes paid	(827)	(1,735)
Cash provided by (used in) continuing operations	118,753	(36,886)
Cash used in discontinued operations	-	(2,844)
Net cash provided by (used in) operations	118,753	(39,730)
Investing activities		
Additions to property, plant and equipment	18(b) (60,940)	(58,985)
Prepayment for property, plant and equipment	(821)	(2,997)
Acquisition of AuRico Metals Inc., net of cash acquired	-	(226,800)
Decrease (increase) in restricted cash	16	(2,323)
Increase in reclamation deposits and other assets	(4,707)	(4,339)
Proceeds from disposition of fixed assets	-	1,145
Cash used in investing from continuing operations	(66,452)	(294,299)
Cash provided by investing from discontinued operations	-	194
Net cash used in investing	(66,452)	(294,105)
Financing activities		
Debt drawdown	18(c) 54,820	49,070
Debt repayment	18(c) (76,000)	-
Payment of interest and borrowing costs	18(c) (2,949)	(10,695)
Lease payments	18(c) (1,401)	-
Proceeds from common shares issued	1,945	-
Cash (used in) provided by financing	(23,585)	38,375
Increase (decrease) in cash during the period	28,716	(295,460)
Cash and cash equivalents at beginning of the period	151,705	415,891
Cash and cash equivalents at end of the period	\$ 180,421	\$ 120,431
Cash and cash equivalents consist of:		
Cash	\$ 180,421	\$ 77,378
Cash equivalents	-	43,053
	\$ 180,421	\$ 120,431

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

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

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

	Number of Common Shares	Share Capital Amount	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at January 1, 2018	291,782,846	\$ 948,121	\$ 25,781	\$ (14,371)	\$ 1,065,898	\$ 2,025,429
Share-based compensation expense	-	-	243	-	-	243
Shares issued on redemption of restricted share units	3,124	16	-	-	-	16
Foreign currency translation	-	-	-	(1,039)	-	(1,039)
Net unrealized gain on derivative instruments, net of tax (note 17)	-	-	-	7,385	-	7,385
Net earnings for the year	-	-	-	-	9,045	9,045
Balance at March 31, 2018	291,785,970	\$ 948,137	\$ 26,024	\$ (8,025)	\$ 1,074,943	\$ 2,041,079
Balance at January 1, 2019	291,999,949	949,328	27,364	(2,088)	1,173,427	2,148,031
Share-based compensation expense	-	-	607	-	-	607
Shares issued on exercise of stock options	400,364	2,520	(816)	-	-	1,704
Shares issued under the employee share purchase plan	56,329	242	-	-	-	242
Shares issued on redemption of restricted share units	7,682	40	-	-	-	40
Foreign currency translation	-	-	-	797	-	797
Net unrealized loss on derivative instruments, net of tax (note 17)	-	-	-	(197)	-	(197)
Net earnings for the year	-	-	-	-	50,437	50,437
Balance at March 31, 2019	292,464,324	\$ 952,130	\$ 27,155	\$ (1,488)	\$ 1,223,864	\$ 2,201,661

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

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

1. Nature of operations

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

Certain comparative figures have been reclassified to comply with the basis of presentation adopted in the current quarter.

These financial statements were authorized for issuance by the Board of Directors of the Company on April 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.

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

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 the right to contract 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 asset (“ROU”) that will generally be equal to the lease obligation at adoption. The ROU 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 payment 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

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

option is reasonably certain not to be exercised.

Leases transition

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use 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 right-of-use 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 \$26.0 million. Refer to note 9 for further details.

4. Amounts receivable

	March 31,	December 31,
	2019	2018
Gold sales receivable from related party (note 16)	\$ 19	\$ 234
Gold and copper concentrate sales receivable	16,301	7,667
Molybdenum sales receivable	29,147	22,963
Provisionally priced gold and copper concentrate sales receivable	6,248	17,799
Consumption tax receivable	9,237	7,847
Other receivables	3,530	3,048
Total amounts receivable	\$ 64,482	\$ 59,558

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

5. Inventories

	March 31, 2019	December 31, 2018
Stockpiles of ore (a)	\$ 264,494	\$ 265,488
Gold in-circuit	25,078	20,136
Gold doré	18,365	16,524
Copper and gold concentrate	13,189	21,907
Molybdenum inventory	60,494	65,201
	381,620	389,256
Supplies (net of provision)	207,288	209,396
Total inventories (net of provisions)	\$ 588,908	\$ 598,652
Less: Long-term supplies inventory	(1,744)	(1,741)
Total inventories - current portion	\$ 587,164	\$ 596,911

(a) As at March 31, 2019, the amount of ore not scheduled for processing within the next 12 months, but available on-demand, is \$189.0 million (December 31, 2018 – \$181.3 million).

The Company has recorded a provision for supplies obsolescence of \$22.4 million as at March 31, 2019 (December 31, 2018 - \$21.4 million).

6. 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
Cost								
January 1, 2019 (a)	\$ 1,068,881	15,169	577,670	\$ 486,346	\$ 553,139	11,237	134,350	\$ 2,846,792
Additions	66	36	5,247	22,900	1	1,094	41,838	71,182
Disposal	-	-	-	-	(1,109)	-	-	(1,109)
Fully depreciated assets	-	-	-	-	(7,622)	-	-	(7,622)
Reclassification	6,628	-	-	-	11,526	-	(18,154)	-
Balance March 31, 2019	\$ 1,075,575	15,205	582,917	\$ 509,246	\$ 555,935	12,331	158,034	\$ 2,909,243
Accumulated depreciation								
January 1, 2019 (a)	\$ 280,984	-	103,260	\$ 143,615	\$ 411,961	-	-	\$ 939,820
Charge for the period	12,231	560	3,140	15,907	19,332	699	-	51,869
Disposals	-	-	-	-	(1,106)	-	-	(1,106)
Fully depreciated assets	-	-	-	-	(7,622)	-	-	(7,622)
Balance March 31, 2019	\$ 293,215	560	106,400	\$ 159,522	\$ 422,565	699	-	\$ 982,961
Net book value								
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
Balance March 31, 2019	\$ 782,360	14,645	476,517	\$ 349,724	\$ 133,370	11,632	158,034	\$ 1,926,282

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

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

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

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

	Three months ended	
	March 31,	
	2019	2018
Amount recorded in cost of sales (note 12)	\$ 54,431	\$ 41,275
Amount recorded in corporate administration	234	52
Amount recorded in care and maintenance expense	1,070	937
Total included in continuing operations	55,735	42,264
Amount recorded in discontinued operations	-	440
Inventories movement (note 18(a))	(9,492)	(7,705)
Amount capitalized in PP&E (note 18(b))	5,626	9,782
Depreciation, depletion and amortization charge for the period	\$ 51,869	\$ 44,781

7. Accounts payable and accrued liabilities

	March 31,	December 31,
	2019	2018
Trade creditors and accruals	\$ 120,923	\$ 121,973
Amount due to Royal Gold (a)	35,370	42,885
Liability for share-based compensation	11,985	8,925
Total	\$ 168,278	\$ 173,783

- (a) Royal Gold holds 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)

8. Debt

		Corporate Revolving Facility		OMAS Facility		CAT Note		Total
Principal								
Balance December 31, 2018	\$	111,000	\$	49,668	\$	31,986	\$	192,654
Drawdown		30,000		24,820		-		54,820
Repayment		(71,000)		-		(5,000)		(76,000)
Balance March 31, 2019	\$	70,000	\$	74,488	\$	26,986	\$	171,474
Deferred costs								
Balance December 31, 2018	\$	(2,147)	\$	(6,241)	\$	-	\$	(8,388)
Additions		-		(343)		-		(343)
Amortization		178		314		-		492
Balance March 31, 2019	\$	(1,969)	\$	(6,270)	\$	-	\$	(8,239)

		Corporate Revolving Facility		OMAS Facility		CAT Note		Total
Net debt								
Short-term debt	\$	-	\$	-	\$	26,986	\$	26,986
Long-term debt		68,031		68,218		-		136,249
Balance March 31, 2019	\$	68,031	\$	68,218	\$	26,986	\$	163,235
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

Corporate Facility

On February 1, 2018, the Company entered into a \$500 million four-year senior secured revolving credit facility (the "Corporate Facility"). Finance fees for the Corporate Facility are deferred and amortized over the term of the facility.

Funds drawn under the Corporate Facility are available to be re-drawn on a quarterly basis, at the Company's discretion, and repayment of the loaned funds may be extended until February 2022.

The Corporate Facility is for general corporate purposes, including working capital, investments, acquisitions and capital expenditures. The Company's obligations under the Corporate Facility are guaranteed by its subsidiaries which own the Mount Milligan mine, the Endako mine, the Langeloth metallurgical facility, the Kemess Underground property and the Kemess East property. In addition, the Company is expected to maintain compliance with specified covenants (including financial covenants). As of March 31, 2019, the Company was in compliance with its covenants.

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

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

	March 31, 2019	December 31, 2018
<u>Corporate Facility</u>		
Undrawn amount of the facility	\$430 million	\$389 million
Interest rate - LIBOR plus (a)	2.25% - 3.75%	

- (a) The interest rate margin applied is dependent on an indebtedness ratio calculation and is re-assessed quarterly. The interest rate margin ranges from 2.25% to 3.75%. Accrued interest is included in the Condensed Consolidated Interim Statements of Financial Position as part of 'Accounts payable and accrued liabilities'.

OMAS Facility

In 2016, Öksüt Madencilik Sanayi vi Ticaret A.S. (“OMAS”), a wholly-owned subsidiary of the Company, entered into a \$150 million project financing facility (the “OMAS Facility”).

The purpose of the OMAS Facility is to assist in financing the construction of the Company’s Öksüt Project and is to be repaid by March 31, 2024. OMAS has agreed to apply all of its excess cash flow towards debt prepayment under the OMAS Facility until the Öksüt Project’s mining license is extended beyond its current expiry date of January 16, 2023.

	March 31, 2019	December 31, 2018
<u>OMAS Facility</u>		
Undrawn amount of the facility	\$75.5 million	\$100.3 million
Interest rate - LIBOR plus (a)	2.65% - 2.95%	

- (a) The interest rate margin applied is dependent on the timing of the completion of the Öksüt Project construction. Accrued interest is included in the Condensed Consolidated Interim Statements of Financial Position as part of 'Accounts payable and accrued liabilities'.

Caterpillar Promissory Note

As part of the TCM acquisition, the Company assumed TCM’s capital equipment lease obligations owed to Caterpillar Financial Services Limited. The Company re-financed the leases in 2017, whereby the Company purchased the assets held under finance leases through a loan repayable to Caterpillar (the “CAT Note”).

Interest on the CAT Note is at three-month LIBOR + 3.50% paid quarterly in arrears and repayment is due on March 25, 2020. The CAT Note is secured by assets previously held under the finance leases and the Company has agreed to certain non-financial covenants.

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

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

9. Leases

	2019
Maturity analysis - contractual undiscounted cashflows	
Less than one year	9,319
One to three years	14,902
More than three years	4,609
Total undiscounted lease liabilities at March 31, 2019	\$ 28,830
Lease liabilities - discounted	
Current	5,535
Non-current	20,559
Balance March 31, 2019	26,094

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
Lease liabilities recognized at January 1, 2019	26,066

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

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

10. Provision for reclamation

	March 31, 2019	December 31, 2018
Kumtor Gold Mine	\$ 51,828	\$ 51,477
Mount Milligan Mine	23,677	23,068
Thompson Creek Mine	85,050	84,700
Endako Mine	21,470	20,925
Kemess Project	31,648	31,075
Other	1,200	1,200
Total provision for reclamation	214,873	212,445
Less: current portion	(2,579)	(197)
	\$ 212,294	\$ 212,248

11. Gold and Copper sales

For the three months ended March 31, 2019, the Company's gold concentrate sales included pricing and quantity adjustment gains of \$0.8 million (2018: \$1.4 million) and the Company's copper concentrate sales included pricing and quantity adjustment gains of \$4.3 million (2018: \$0.5 million).

12. Cost of sales

	Three months ended March 31,	
	2019	2018
Operating costs:		
Salaries and benefits	\$ 33,672	\$ 30,111
Consumables and maintenance charges	72,662	58,878
Third-party services	8,075	6,208
Other operating costs	9,645	139
Royalties, levies and production taxes	3,143	1,778
By-product sales	(3,573)	(4,778)
Changes in inventories	42,898	18,610
	166,522	110,946
Supplies inventory obsolescence charge	1,113	594
Inventory impairment	1,242	-
Depreciation, depletion and amortization (note 6)	54,431	41,275
	\$ 223,308	\$ 152,815

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

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

13. Finance costs

	Three months ended	
	March 31,	
	2019	2018
Interest expense	\$ 2,114	\$ 3,389
Deferred financing costs amortized	188	5,976
Commitment fees	333	399
Accretion of provision for reclamation	1,101	1,017
Lease financing expense	225	-
Other financing fees	21	3,876
	\$ 3,982	\$ 14,657

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

Basic and diluted earnings per share computation:

	Three months ended	
	March 31,	
	2019	2018
Net earnings - continuing operations	\$ 50,437	\$ 11,081
Net loss - discontinued operations	-	(2,036)
Net earnings	\$ 50,437	\$ 9,045
Basic earnings per common share - continuing operations	\$ 0.17	\$ 0.04
Basic loss per common share - discontinued operations	-	(0.01)
Basic earnings per common share	\$ 0.17	\$ 0.03
Diluted earnings per common share - continuing operations	\$ 0.17	\$ 0.04
Diluted loss per common share - discontinued operations	-	(0.01)
Diluted earnings per common share	\$ 0.17	\$ 0.03

(Thousands of common shares)

Basic weighted average number of common shares outstanding	292,202	291,785
Effect of potentially dilutive securities:		
Stock options	261	321
Restricted share units	754	-
Diluted weighted average number of common shares outstanding	293,217	292,106

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

For the three months ended March 31, 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.

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

(Thousands of units)	2019	2018
Stock options	4,741	3,015
Restricted share units	-	290
	4,741	3,305

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

As at March 31, 2019, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$175.7 million (Öksüt Project \$84.2 million, Kumtor - \$59.6 million, Mount Milligan - \$8.8 million, Greenstone Gold Property - \$6.5 million and Kemess - \$16.6 million). Öksüt Project commitments include \$10.0 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 consideration for the Company's initial 50% partnership interest in Greenstone Gold Mines LP, the Company agreed to commit up to an additional Cdn\$185 million to fund the project, subject to certain feasibility and project advancement criteria. In the event that the project is put under care and maintenance as a result of feasibility study or project criteria not being met, the Company will be required to make contributions towards the costs associated with the care and maintenance of the project for a period of two years or until the Cdn\$185 million is spent (if such event occurs first), after which time the partners would fund such costs on a pro rata basis. Any such costs will form part of the Cdn\$185 million development contributions commitment of the Company. As at March 31, 2019, the Company has funded a total of Cdn\$100.2 million (\$76.9 million) of its commitment since the inception of the partnership.

(c) Molybdenum purchases

In the normal course of operations, the Company enters into agreements for the purchase of molybdenum. As of March 31, 2019, the Company had commitments to purchase approximately 13.2 million pounds of molybdenum as unroasted molybdenum concentrate from 2019 to 2020

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

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

primarily priced at the time of purchase at a set discount to the market price for roasted molybdenum concentrate.

16. Related party transactions**a. Kyrgyzaltyn**

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

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

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

	Three months ended March 31,	
	2019	2018
<i>Sales:</i>		
Gross gold and silver sales to Kyrgyzaltyn	\$ 196,858	\$ 155,061
Deduct: refinery and financing charges	(1,184)	(1,091)
Net sales revenue received from Kyrgyzaltyn	\$ 195,674	\$ 153,970
<i>Expenses:</i>		
Contracting services provided by Kyrgyzaltyn	\$ 214	\$ 220
Management fees payable to Kyrgyzaltyn	150	117
Expenses paid to Kyrgyzaltyn	\$ 364	\$ 337

Related party balances

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

	March 31, 2019	December 31, 2018
Amounts receivable (a)	\$ 19	\$ 234
Amount payable	\$ 1,063	\$ 1,199

(a) Subsequent to March 31, 2019, the balance receivable from Kyrgyzaltyn was paid in full.

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to the Sales Agreement. Amounts receivable from

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

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

Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days. The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn.

17. Financial Instruments

The Company's financial instruments include cash and cash equivalents, restricted cash, amounts receivable (including embedded derivatives), derivative instruments, long-term receivables, 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.

The Strategic gold and copper contract positions and Fuel hedge contract positions outstanding as at March 31, 2019 are summarized as follows:

					As at March 31, 2019
Contract	Instrument	Unit	Average strike price	Type	Total position(a)
<i>Strategic gold and copper and</i>					
<i>Fuel hedge contracts</i>					
Fuel	Crude oil options	Barrels	\$63.00	Fixed	18,000
Fuel	Zero-cost collars	Barrels	\$59/\$70	Fixed	177,000
Copper	Zero-cost collars	Pounds	\$2.50/\$3.29	Fixed	7.3 million
Gold	Zero-cost collars	Ounces	\$1,250/\$1,372	Fixed	18,402

(a) Positions to be settled in 2019

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

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

	Three months ended March 31,	
	2019	2018
<u>Strategic gold, copper and fuel hedge contracts</u>		
Cash flow hedges - effective portion of changes in fair value	\$ (422)	\$ 10,213
Cash flow hedges - reclassified to Statements of Earnings	225	(2,828)
Net unrealized (loss) gain included in AOCI, net of tax (a)	\$ (197)	\$ 7,385
Cash flow hedges - reclassified from AOCI	\$ (225)	2,828
Gain recognized on derivatives (b)	283	1,131
Total gain included in Statements of Earnings	\$ 58	\$ 3,959

(a) Includes tax for the three months ended March 31, 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.

The Royal Gold deliverables and FX contracts outstanding as at March 31, 2019 are summarized as follows:

Contract	Instrument	Unit	Average strike price	Type	As at March 31, 2019
					Total position (b)
<i>Royal Gold deliverables</i>					
Gold	Forward contracts	Ounces	(a)	Float	21,945
Copper	Forward contracts	Pounds	(a)	Float	2.5 million

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

(b) Positions to be settled in 2019

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

	Three months ended March 31,	
	2019	2018
<u>Royal Gold deliverables and FX contracts</u>		
Total gain (loss) on gold and copper derivatives included in revenue	\$ 312	\$ (387)
Total loss on FX contracts included in other income	\$ (55)	\$ (1,050)

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

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 March 31, 2019, the Company's trade receivables with embedded derivatives had a fair value of \$6.2 million (December 31, 2018 - \$21.5 million), representing 12.7 million pounds of copper and 45,577 ounces of gold (December 31, 2018 - 23.3 million pounds of copper and 77,032 ounces of gold).

Fair value measurement

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

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

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

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

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

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

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

March 31, 2019

	Amortized cost	At fair value through earnings	At fair value through OCI
<u>Financial assets</u>			
Cash and cash equivalents	\$ 180,421	\$ -	-
Restricted cash	27,489	-	-
Amounts receivable	58,234	-	-
Provisionally-priced receivables - Level 2	-	6,248	-
Taxes receivable	22,808	-	-
Derivative assets - Level 2	-	293	301
	\$ 288,952	\$ 6,541	\$ 301

Financial liabilities

Trade creditors and accruals	\$ 120,923	\$ -	-
Lease obligations	26,094	-	-
Debt	163,235	-	-
Derivative liabilities - Level 2	-	94	36
	\$ 310,252	\$ 94	\$ 36

December 31, 2018

	Amortized cost	At fair value through earnings	At fair value through OCI
<u>Financial assets</u>			
Cash and cash equivalents	\$ 151,705	\$ -	-
Restricted cash	27,505	-	-
Amounts receivable	41,759	-	-
Provisionally-priced receivables - Level 2	-	17,799	-
Taxes receivable	21,302	-	-
Derivative assets - Level 2	-	629	452
	\$ 242,271	\$ 18,428	\$ 452

Financial liabilities

Trade creditors and accruals	\$ 121,973	\$ -	-
Lease obligations	5,026	-	-
Debt	184,266	-	-
Derivative liabilities - Level 2	-	96	5
	\$ 311,265	\$ 96	\$ 5

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

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

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

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

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

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

	Three months ended	
	March 31,	
	2019	2018
Increase in amounts receivable	\$ (4,671)	\$ (24,331)
Decrease (increase) in inventory - ore and metals	7,637	(20,696)
Decrease (increase) in inventory - supplies	2,110	(9,196)
Decrease in prepaid expenses	4,999	2,833
Decrease in trade creditors and accruals	(11,142)	(44,871)
Increase (decrease) in revenue-based tax payable	14,404	(2,895)
Decrease in depreciation and amortization included in inventory (note 6)	(9,492)	(7,705)
Increase in accruals included in additions to PP&E	501	562
Increase in other taxes payable	200	229
Change in operating working capital of continuing operations	\$ 4,546	\$ (106,070)
Change in operating working capital of discontinued operations	-	436
Net changes in operating working capital	\$ 4,546	\$ (105,634)

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

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

b. Investment in PP&E

	Three months ended	
	March 31,	
	2019	2018
Additions to PP&E during the period (note 6)	\$ (71,182)	\$ (73,775)
Greenstone Gold Property translation adjustment	790	(1,039)
Capitalized parts	2,059	5,508
Impact of revisions to asset retirement obligation included in PP&E	4	(703)
Depreciation and amortization included in additions to PP&E (note 6)	5,626	9,782
Capitalization of OMAS financing costs	1,134	304
Leased assets	1,130	1,494
Decrease in accruals related to additions to PP&E	(501)	(562)
Additions to PP&E recognized as discontinued operations	-	6
	\$ (60,940)	\$ (58,985)

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

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

c) Changes in liabilities arising from financing activities

	Lease liabilities ^(c)	Debt	Interest payable ^(a)
Balance at January 1, 2019	26,066	184,266	593
Changes due to:			
Debt repayments and interest payments	-	(76,000)	(2,606)
Debt drawdowns and lease additions	1,094	54,820	-
Financing costs incurred	-	(343)	-
Amortization of deferred financing costs	-	188	-
Interest expense	225	-	2,114
Lease payments	(1,401)	-	-
Capitalized financing costs and other (b)	110	304	343
Balance at March 31, 2019	26,094	163,235	444
Balance at January 1, 2018	-	292,133	1,551
Changes due to:			
Debt repayments and interest payments	-	-	(7,902)
Debt drawdowns and lease additions	1,491	49,070	-
Financing costs deferred	-	(2,793)	-
Amortization of deferred financing costs	-	5,976	-
Interest expense	-	-	3,389
Capitalized financing costs and other (b)	-	-	3,576
Balance at March 31, 2018	1,491	344,386	614

(a) Included within "Accounts payable and accrued liabilities".

(b) Includes costs associated with the OMAS Facility which have been capitalized and other financing costs recognized in the Statement of Earnings.

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

19. 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 March 31, 2019

(Millions of U.S. Dollars)			North America		Corporate and other	Total
	Kyrgyz Republic	Turkey	Gold-Copper	Molybdenum		
Gold sales	\$ 195.0	\$ -	\$ 46.3	\$ -	\$ -	\$ 241.3
Copper sales	-	-	31.1	-	-	31.1
Molybdenum sales	-	-	-	58.6	-	58.6
Tolling, calcining and other	-	-	-	3.0	-	3.0
Revenue	195.0	-	77.4	61.6	-	334.0
Cost of sales	92.0	-	68.7	62.3	0.3	223.3
Regional office administration	2.9	-	-	-	-	2.9
Earnings (loss) from mine operations	100.1	-	8.7	(0.7)	(0.3)	107.8
Revenue-based taxes	27.4	-	-	-	-	27.4
Other operating expenses	1.1	-	1.2	0.6	0.1	3.0
Care and maintenance	-	-	3.7	3.6	-	7.3
Pre-development project costs	-	-	-	-	3.3	3.3
Exploration expenses and business development	2.9	-	0.6	-	1.5	5.0
Corporate administration	-	-	-	-	9.7	9.7
Earnings (loss) from operations	68.7	-	3.2	(4.9)	(14.9)	52.1
Other income, net	-	-	-	-	-	(0.1)
Finance costs	-	-	-	-	-	4.0
Earnings before income tax						48.2
Income tax recovery	-	-	-	-	-	(2.1)
Net earnings						50.3
Capital expenditures for the period	\$ 33.8	\$ 15.4	\$ 17.4	\$ 0.2	\$ 4.4	\$ 71.2
Goodwill	\$ -	\$ -	\$ 16.1	\$ -	\$ -	\$ 16.1
Total assets (excluding goodwill)	\$ 1,074.4	\$ 222.8	\$ 1,155.4	\$ 245.9	\$ 174.6	\$ 2,873.1
Total liabilities	\$ 176.9	\$ 79.0	\$ 253.1	\$ 121.2	\$ 57.4	\$ 687.6

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 March 31, 2018

(Millions of U.S. Dollars)	North America						Total
	Kyrgyz Republic	Turkey	Gold-Copper	Molybdenum	Corporate and other		
Gold sales	\$ 153.0	\$ -	\$ 16.1	\$ -	\$ -	\$ 169.1	
Copper sales	-	-	10.0	-	-	10.0	
Molybdenum sales	-	-	-	54.1	-	54.1	
Tolling, calcining and other	-	-	-	2.2	-	2.2	
Revenue	153.0	-	26.1	56.3	-	235.4	
Cost of sales	78.1	-	24.2	50.5	-	152.8	
Standby costs	-	-	10.8	-	-	10.8	
Regional office administration	2.8	-	-	-	-	2.8	
Earnings (loss) from mine operations	72.1	-	(8.9)	5.8	-	69.0	
Revenue-based taxes	21.6	-	-	-	-	21.6	
Other operating expenses	1.7	-	1.2	0.6	-	3.5	
Care and maintenance	-	-	1.4	2.6	-	4.0	
Pre-development project costs	-	-	0.6	-	1.6	2.2	
Exploration expenses and business development	-	-	0.2	-	2.2	2.4	
Acquisition and integration expenses	-	-	-	-	4.4	4.4	
Corporate administration	-	-	0.1	-	10.3	10.4	
Earnings (loss) from operations	48.8	-	(12.4)	2.6	(18.5)	20.5	
Other income, net	-	-	-	-	-	(5.4)	
Finance costs	-	-	-	-	-	14.7	
Earnings before income tax	-	-	-	-	-	11.2	
Income tax expense	-	-	-	-	-	0.2	
Net earnings from continuing operations	-	-	-	-	-	11.0	
Net (loss) from discontinued operations	-	-	-	-	-	(2.0)	
Net earnings	-	-	-	-	-	9.0	
Capital expenditure for the period	\$ 53.2	\$ 5.4	\$ 12.7	\$ 0.2	\$ 2.3	\$ 73.8	
Goodwill	\$ -	\$ -	\$ 16.1	\$ -	\$ -	\$ 16.1	
Total assets (excluding goodwill)	\$ 1,081.9	\$ 60.6	\$ 1,089.1	\$ 243.7	\$ 371.5	\$ 2,846.8	
Total liabilities	\$ 183.7	\$ 0.5	\$ 168.9	\$ 79.8	\$ 388.9	\$ 821.8	