

Centerra Gold Inc.

Condensed Consolidated Interim Financial Statements

For the Quarter Ended September 30, 2018

(Unaudited)

(Expressed in thousands of United States Dollars)

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

		September 30, 2018	December 31, 2017
(Expressed in thousands of United States Dollars)			
	Notes		
Assets			
Current assets			
Cash and cash equivalents		\$ 195,002	\$ 415,891
Restricted cash		63	48
Amounts receivable	6	78,951	63,902
Inventories, net	7	591,077	506,208
Prepaid expenses and other current assets		16,703	25,933
Assets held for sale	5	60,418	-
		<u>942,214</u>	1,011,982
Property, plant and equipment	8	1,867,257	1,674,444
Goodwill		16,070	16,070
Restricted cash	11	27,013	639
Reclamation deposits		30,782	26,525
Other assets		32,786	42,515
		<u>1,973,908</u>	1,760,193
Total assets		<u>\$ 2,916,122</u>	<u>\$ 2,772,175</u>
Liabilities and Shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 176,884	\$ 181,829
Provision for Kyrgyz Republic settlement		53,000	53,000
Short-term debt	11	-	48,536
Current portion of lease obligations		32,711	31,986
Revenue-based taxes payable		12,796	15,953
Taxes payable		5,646	2,592
Current portion of provision for reclamation	12	329	832
Current portion of derivative liabilities	18	355	16,057
Other current liabilities		56	7,021
Liabilities related to assets held for sale	5	25,418	-
		<u>307,195</u>	357,806
Long-term debt	11	291,663	211,611
Provision for reclamation	12	159,868	166,174
Lease obligations		4,323	-
Deferred income tax liability		45,541	-
Derivative liabilities	18	-	7,273
Other liabilities		4,087	3,882
		<u>505,482</u>	388,940
Shareholders' equity			
Share capital	15	949,076	948,121
Contributed surplus		26,875	25,781
Accumulated other comprehensive loss		3,042	(14,371)
Retained earnings		1,124,452	1,065,898
		<u>2,103,445</u>	2,025,429
Total liabilities and Shareholders' equity		<u>\$ 2,916,122</u>	<u>\$ 2,772,175</u>
Commitments (note 16)			

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

Centerra Gold Inc.

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

		Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
(Expressed in thousands of United States Dollars)					
(except per share amounts)					
	Notes				
Gold sales		\$ 187,149	\$ 198,749	\$ 521,430	\$ 638,348
Copper sales		27,389	40,891	65,626	96,770
Molybdenum sales		43,008	34,961	144,281	99,855
Tolling, calcining and other		1,553	1,636	6,478	5,824
Revenue		259,099	276,237	737,815	840,797
Cost of sales	13	189,011	164,236	529,206	501,320
Standby costs		-	-	10,849	-
Regional office administration		3,431	4,144	9,694	12,440
Earnings from mine operations		66,657	107,857	188,066	327,037
Revenue-based taxes		20,153	17,560	58,248	64,542
Other operating expenses		2,567	5,104	9,366	9,763
Care and maintenance expense		9,431	3,076	18,258	9,259
Pre-development project costs		2,066	853	8,560	3,284
Exploration expenses and business development		7,450	2,309	15,808	6,179
Business combination acquisition and integration expenses	4	-	647	4,515	2,085
Corporate administration		4,421	12,391	23,188	31,355
Kyrgyz Republic settlement		-	60,000	-	60,000
Earnings from operations		20,569	5,917	50,123	140,570
Gain on sale of royalty assets	9	-	-	(27,973)	-
Other income, net		(546)	(392)	(3,349)	(3,236)
Finance costs	14	4,800	9,268	25,337	23,937
Earnings (loss) before income tax		16,315	(2,959)	56,108	119,869
Income tax expense (recovery)		143	1,604	(8,477)	532
Net earnings (loss) from continuing operations		\$ 16,172	\$ (4,563)	\$ 64,585	\$ 119,337
Net (loss) earnings from discontinued operations	5	(10,180)	3,722	(6,032)	(39,785)
Net earnings (loss)		\$ 5,992	\$ (841)	\$ 58,553	\$ 79,552
Other Comprehensive Income					
Items that may be subsequently reclassified to earnings:					
Net gain (loss) on translation of foreign operation		608	1,480	(1,301)	2,746
Net movement in cashflow hedge, net of tax	18	2,753	(5,902)	18,713	(7,692)
Other comprehensive income (loss) ("OCI")		3,361	(4,422)	17,412	(4,946)
Total comprehensive income (loss)		\$ 9,353	\$ (5,263)	\$ 75,965	\$ 74,606
Basic earnings (loss) per share - Continuing operations	15	\$ 0.06	\$ (0.02)	\$ 0.22	\$ 0.41
Diluted earnings (loss) per share - Continuing operations	15	\$ 0.05	\$ (0.02)	\$ 0.21	\$ 0.40
Basic earnings (loss) per share	15	\$ 0.02	\$ (0.0)	\$ 0.20	\$ 0.27
Diluted earnings (loss) per share	15	\$ 0.01	\$ (0.0)	\$ 0.19	\$ 0.27

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
September 30,
2018 2017 Nine months ended
September 30,
2018 2017**

(Expressed in thousands of United States Dollars)	Notes				
Operating activities					
Net earnings (loss)		\$ 5,992	\$ (841)	\$ 58,553	\$ 79,552
Adjustments for the following items:					
Depreciation, depletion and amortization		48,725	42,466	136,761	150,571
Amortization of royalty assets		-	-	2,151	-
Gain on sale of royalty assets		-	-	(27,973)	-
Gain on sale of ATO Project		-	(9,800)	(9,439)	(9,800)
Finance costs	14	4,947	9,428	25,777	24,418
Compensation expense on stock options		492	250	1,224	796
Other share-based compensation (recovery) expense		(2,312)	6,755	1,186	9,194
Income tax expense (recovery)		143	4,595	(8,477)	2,110
Asset impairment - Mongolia	5	8,477	-	10,113	41,300
Kyrgyz Republic Settlement		-	60,000	-	60,000
Other		(1,009)	27	519	390
		65,455	112,880	190,395	358,531
Change in operating working capital	19(a)	(29,514)	11,427	(115,341)	(22,206)
Settlement of derivatives		2,707	(540)	(3,505)	(482)
Payments toward provision for reclamation		(167)	(128)	(690)	(382)
Income taxes paid		(912)	(4,185)	(4,981)	(4,949)
Cash provided by operations		37,569	119,454	65,878	330,512
Investing activities					
Additions to property, plant and equipment	19(b)	(57,078)	(57,469)	(188,909)	(203,748)
Lease payments - Capital equipment		(396)	-	(396)	-
Net purchase of short-term investments		-	59,996	-	(7)
Acquisition of AuRico Metals Inc., net of cash acquired	4	-	-	(226,800)	-
Decrease (increase) in restricted cash		494	239,206	(26,389)	247,829
Reclamation deposits payments and change in other assets		(4,764)	(2,736)	(15,029)	384
Proceeds from the sale of the royalty assets		-	-	155,450	-
Proceeds from the sale of the ATO project		-	9,800	-	9,800
Proceeds from disposition of fixed assets		17	-	1,758	-
Cash (used in) provided by investing		(61,727)	248,797	(300,315)	54,258
Financing activities					
Debt drawdown	19(c)	46,000	-	395,070	-
Debt repayment	19(c)	(10,000)	(111,864)	(361,000)	(171,865)
Payment of interest and borrowing costs	19(c)	(4,912)	(7,860)	(21,298)	(23,166)
Proceeds from common shares issued for options exercised		178	2,202	776	2,202
Cash provided by (used in) financing		31,266	(117,522)	13,548	(192,829)
Increase (decrease) in cash during the period		7,108	250,729	(220,889)	191,941
Cash and cash equivalents at beginning of the period		187,894	101,229	415,891	160,017
Cash and cash equivalents at end of the period		\$ 195,002	\$ 351,958	\$ 195,002	\$ 351,958
<i>Cash and cash equivalents consist of:</i>					
Cash		\$ 193,104	\$ 308,905	\$ 193,104	\$ 308,905
Cash equivalents		1,898	43,053	1,898	43,053
		\$ 195,002	\$ 351,958	\$ 195,002	\$ 351,958

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 ("AOCI")	Retained Earnings	Total
Balance at January 1, 2017	291,276,068	\$ 944,633	\$ 25,876	\$(2,592)	\$ 856,365	\$ 1,824,282
Share-based compensation expense	-	-	771	-	-	771
options	480,008	3,313	(1,086)	-	-	2,227
Shares issued on redemption of restricted share units	24,456	159	-	-	-	159
Foreign currency translation	-	-	-	2,746	-	2,746
Net movement in cashflow hedge, net of tax (note 18)	-	-	-	(7,692)	-	(7,692)
Net earnings for the period	-	-	-	-	79,552	79,552
Balance at September 30, 2017	291,780,532	\$ 948,105	\$ 25,561	\$(7,538)	\$ 935,917	\$ 1,902,045
Balance at January 1, 2018	291,782,846	948,121	25,781	(14,371)	1,065,899	2,025,430
Share-based compensation expense	-	-	1,224	-	-	1,224
Shares issued on exercise of stock options	63,860	445	(130)	-	-	315
Shares issued under the employee share purchase plan	83,026	462	-	-	-	462
Shares issued on redemption of restricted share units	9,072	48	-	-	-	48
Foreign currency translation	-	-	-	(1,300)	-	(1,300)
Net movement in cashflow hedge, net of tax (note 18)	-	-	-	18,713	-	18,713
Net earnings for the period	-	-	-	-	58,553	58,553
Balance at September 30, 2018	291,938,804	\$ 949,076	\$ 26,875	3,042	\$ 1,124,452	\$ 2,103,445

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, 2017 annual consolidated financial statements.

These financial statements were authorized for issuance by the Board of Directors of the Company on October 30, 2018.

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, 2017 except for those new standards adopted in the period as described below.

Recently adopted accounting policies are as follows:

Revenue

As of January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”) that establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contract with customers. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

The Company adopted IFRS 15 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 application, without restating the financial statements on a retrospective basis.

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

The Company reviewed its revenue streams and contracts with customers using the five-step analysis under IFRS 15 and concluded that there are no material changes to amount and timing of revenue recognized.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. The Company has adopted this accounting policy for revenue recognition as detailed below.

Revenue recognition

The Company sells its products pursuant to sales contracts entered into with its customers. Revenue associated with the sale of gold, concentrates and molybdenum products is recognized when control is transferred to the customer. Typically, the transfer of control occurs when the customer has taken delivery and the consideration is received, or to be received. For concentrate sales, the passing of control is based on the terms of the sales contracts, generally upon the earlier of loading of the shipment at the shipping origin or payment by the customer.

Revenues from the Company's concentrate sales are based on a provisional forward sales price, which is subject to adjustments for the final price. Revenues from concentrate sales are recorded net of treatment and refining charges and the impact of derivative contracts accounted for as hedges of the contained metal. Treatment and refining charges represent payments or price adjustments that are contractually negotiated, as are typical in the industry. Moreover, because a portion of the metals contained in concentrate is unrecoverable as a result of the smelting process, the Company's revenues from concentrate sales are also recorded net of allowances for the quantity and value of these unrecoverable metals. Gains and losses related to the Company's forward commodity contracts to economically hedge the Company's commodity price exposure under the Gold and Copper Stream Arrangement are recorded to revenue.

The provisional prices are finalized in a specified future month (generally one to four months from the date of title transfer) based on spot copper prices on the London Metal Exchange ("LME") or spot gold prices on the London Bullion Market Association ("LBMA"). The Company receives market prices based on prices in the specified future month, which results in mark-to-market price fluctuations on the related receivable. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded each reporting period reflecting estimated forward prices until the date of final pricing. For changes in metal quantities upon receipt of final assay, the provisional sales quantities are adjusted as well. Any such adjustments generally are not material to the transaction price.

The Company's molybdenum sales contracts specify the point in the delivery process at which time control transfers to the customer (shipping point or destination). Shipping and handling fees are accounted for on a gross basis under the terms of the contracts. The Company recognizes tolling

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

and calcining revenue under contractual arrangements as the services are performed on a per-unit basis.

Non-Current Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset or disposal group and the sale expected to be completed within one year from the date of the classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal ("FVLCD"). If the FVLCD is lower than the carrying amount, an impairment loss is recognized in the Statements of Earnings. Costs to sell are the incremental costs directly attributable to the disposal of an asset or disposal group, excluding finance costs and income tax expense. Non-current assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the Company's Statements of Financial Position.

A disposal group qualifies as a discontinued operation if it is a component of the Company that either has been disposed of, or is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operations; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) is a subsidiary acquired exclusively with a view to resale. A component of the Company comprises an operation and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statements of Earnings.

Recently issued but not adopted accounting guidance is as follows:

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). IFRS 16 revises the definition of leases and requires companies to bring most leases on-balance sheet, recognizing new assets and liabilities. The objective of this change is to increase the transparency and comparability of a company's financial statements. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided IFRS 15 has been applied or is applied at the same date as IFRS 16. The Company has identified and collected data relating to existing agreements that will extend beyond January 1, 2019 and is in the process of quantifying the

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

accounting impact of its adoption.

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* (“IFRIC 23”). IFRIC 23 clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 and requires an entity to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it uses or plans to use in its income tax filing. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019, and permits early adoption. The Company is in the process of determining the impact of IFRIC 23 on its financial statements.

4. Acquisition of AuRico Metals Inc.

On January 8, 2018, the Company completed the acquisition of 100% of the outstanding shares of AuRico Metals Inc. (“AuRico”) (“the Acquisition”). AuRico was a North American-based company with a wholly-owned interest in a feasibility stage underground gold-copper project in British Columbia, Canada, known as the Kemess Underground and Kemess East properties. The Acquisition also included a royalty portfolio that included a 1.5% net smelter return (“NSR”) royalty on the operating Young-Davidson gold mine in Ontario and a 2.0% NSR royalty on the operating Fosterville mine in Australia (collectively “the Royalty Portfolio”). On June 27 2018, the Royalty Portfolio was sold (see note 9).

The Acquisition was completed by way of a Plan of Arrangement under the Business Corporations Act (Ontario), whereby the Company acquired all of the issued and outstanding AuRico common shares for Cdn\$1.80 per share in cash consideration, representing an aggregate transaction value of approximately \$247 million (Cdn\$307 million). Concurrently with the closing of the Acquisition, the Company entered into a credit facility (“AuRico Facility”) to finance a portion of the Acquisition and to pay certain related costs (see note 11).

The Company determined that the Acquisition was a business combination in accordance with the definition in IFRS 3, *Business Combinations*, and as such has accounted for it in accordance with this standard, with Centerra being the accounting acquirer on the acquisition date of January 8, 2018. The Company engaged an external third-party valuator to assist in the determination of the fair value of the acquired assets and liabilities.

The following table summarizes the preliminary fair value of the identified assets acquired and liabilities assumed from AuRico:

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

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

	January 8, 2018	
<u>Total consideration</u>		
Cash paid to shareholders	\$	246,961
<u>Assets acquired</u>		
Current assets		
Cash and cash equivalents	\$	20,161
Marketable investments		2,254
Amounts receivable		4,005
Inventories		3,000
Prepaid expenses and other assets		379
	\$	29,799
Non-current assets		
Property, plant and equipment	\$	171,264
Intangible assets (Royalties) (note 9)		129,224
Total assets	\$	330,287
<u>Liabilities assumed</u>		
Accounts payable and accrued liabilities	\$	5,955
Asset retirement obligations		13,795
Deferred tax liability		63,576
Total liabilities	\$	83,326
Net assets acquired	\$	246,961

The purchase price allocation was based on a preliminary assessment of fair values that were estimated at the acquisition date pending confirmation or completion of the valuation process. The valuation has been finalized, resulting in no adjustments to the preliminary purchase price allocation.

Transaction costs, due diligence costs and integration costs of the Acquisition were as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Due diligence costs	\$ -	\$ -	\$ 2,042	\$ -
Integration costs	-	-	2,473	-
	\$ -	\$ -	\$ 4,515	\$ -

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

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

5. Disposal group held for sale

On September 25, 2018, the Company entered into a definitive agreement to sell its Mongolian business unit including Boroo Gold LLC and Centerra Gold Mongolia LLC (including the Gatsuurt gold project). The sale closed on October 11, 2018 for net cash proceeds of \$35 million.

As the sale was considered highly probable at September 30, 2018, the assets and liabilities of the Mongolian business unit were classified as assets and liabilities (a disposal group) held for sale and presented separately under current assets and current liabilities, respectively. Immediately prior to the classification, an impairment loss of \$8.5 million was recognized as FVLCD was lower than the carrying amount of the Mongolian business unit based on the sales price in the agreement.

As the Mongolian business unit was a component of the Company, clearly distinguished operationally and for financial reporting purposes from the rest of the Company, the disposal group was considered a discontinued operation. Results of the discontinued operation, including the impairment loss, have been presented in the Statement of Earnings, and comparative periods have been recast accordingly.

As at September 30, 2018, the disposal group comprised assets of \$60.4 million less liabilities of \$25.4 million, detailed as follows:

	September 30
	2018
Current assets	
Cash and cash equivalents	\$ 1,279
Amounts receivable	9,697
Inventories	6,958
Prepaid expenses and other assets	2,592
	\$ 20,526
Non-current assets	
Property, plant and equipment	\$ 39,892
Assets held for sale	\$ 60,418
<u>Liabilities</u>	
Accounts payable and accrued liabilities	\$ 1,403
Asset retirement obligations	22,062
Other liabilities	1,953
Liabilities related to assets held for sale	\$ 25,418

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

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

Loss (earnings) from discontinued operations

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Other operating expenses	\$ 10	\$ 7	\$ 14	\$ 16
Care and maintenance expense	1,218	2,585	4,777	5,781
Exploration expenses	132	151	315	523
Corporate administration	107	200	198	273
Asset impairment	8,477	-	10,113	41,300
Loss from operations	\$ 9,944	\$ 2,943	\$ 15,417	\$ 47,893
Finance costs	147	160	440	481
Other expense (income), net	89	(9,816)	(9,825)	(10,167)
Loss (earnings) before income tax	\$ 10,180	\$ (6,713)	\$ 6,032	\$ 38,207
Income tax recovery	-	2,991	-	1,578
Net loss (earnings) from discontinued operations	\$ 10,180	\$ (3,722)	\$ 6,032	\$ 39,785

Cash flow (used in) from discontinued operations

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Cash flow used in operating activities	\$ (1,267)	\$ (5,324)	\$ (4,236)	\$ (8,088)
Cash flow from investing activities	-	9,800	-	9,800
Cash flow for the period	(1,267)	4,476	(4,236)	1,712

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

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

6. Amounts receivable

	September 30, 2018	December 31, 2017
Gold sales receivable from related party (note 17)	\$ 33,454	\$ 20
Gold and copper concentrate sales receivable	1,504	13,650
Molybdenum sales receivable	24,709	22,999
Provisionally priced gold and copper concentrate sales receivable	9,609	20,890
Consumption tax receivable	6,491	3,817
Other receivables	3,184	2,526
Total amounts receivable	\$ 78,951	\$ 63,902

7. Inventories

	September 30, 2018	December 31, 2017
Stockpiles of ore (a)	\$ 261,025	\$ 212,114
Gold in-circuit	27,979	23,595
Gold doré	3,734	15,023
Copper and gold concentrate	27,302	6,745
Molybdenum inventory	57,446	41,427
	377,486	298,904
Supplies (net of provision)	215,319	209,032
Total inventories (net of provisions)	\$ 592,805	\$ 507,936
Less: Long-term supplies inventory	(1,728)	(1,728)
Total inventories - current portion	\$ 591,077	\$ 506,208

(a) As at September 30, 2018, the amount of ore not scheduled for processing within the next 12 months, but is available on-demand, is \$157.2 million (December 31, 2017 – \$111.8 million).

The Company has recorded a provision for supplies obsolescence of \$13.0 million as at September 30, 2018 (December 31, 2017 - \$30.9 million). As a result of the planned disposal of the Mongolian segment (note 5), \$9.4 million worth of supplies obsolescence was reclassified to assets held for sale.

Molybdenum inventory of \$57.4 million as at September 30, 2018 (December 31, 2017 - \$41.4 million) included work-in-process inventory of \$24.3 million (December 31, 2017 - \$21.4 million) and finished goods inventory of \$33.1 million (December 31, 2017 - \$20.0 million).

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

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

8. Property, plant and equipment

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

	Buildings, Plant and Equipment	Mineral Properties	Capitalized Stripping Costs	Mobile Equipment	Construction In Progress	Total
Cost						
January 1, 2018	1,103,945	530,241	347,572	549,853	119,915	2,651,526
Acquisition of AuRico (note 4)	56,814	113,454	-	1,082	-	171,350
Additions	2,397	5,796	102,791	5,502	126,418	242,904
Disposals	(4,969)	-	-	(2,567)	-	(7,536)
Assets held for sale	(89,254)	(81,432)	-	(14,474)	(31,557)	(216,717)
Reclassification	32,428	1,544	-	53,628	(87,600)	-
Balance September 30, 2018	\$ 1,101,361	\$ 569,603	\$ 450,363	\$ 593,024	\$ 127,176	\$ 2,841,527
Accumulated depreciation and impairment						
January 1, 2018	361,356	171,494	38,711	391,173	14,348	977,082
Charge for the period	45,518	9,485	66,366	50,161	-	171,530
Disposals	(2,382)	-	-	(3,612)	-	(5,994)
Assets held for sale	(73,941)	(80,241)	-	(14,166)	-	(168,348)
Balance September 30, 2018	\$ 330,551	\$ 100,738	\$ 105,077	\$ 423,556	\$ 14,348	\$ 974,270
Net book value						
Balance December 31, 2017	\$ 742,589	\$ 358,747	\$ 308,861	\$ 158,680	\$ 105,567	\$ 1,674,444
Balance September 30, 2018	\$ 770,810	\$ 468,865	\$ 345,286	\$ 169,468	\$ 112,828	\$ 1,867,257

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		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Amount recorded in cost of sales (note 13)	\$ 48,363	\$ 41,108	\$ 133,196	\$ 146,200
Amount recorded in corporate administration	74	(57)	247	177
Amount recorded in care and maintenance expense	90	831	2,251	2,477
Amount recorded in discontinued operations (note 5)	198	584	1,067	1,717
Total included in Statements of Earnings	48,725	42,466	136,761	150,571
Inventories movement (note 19(a))	31,302	(3,584)	9,438	(76,195)
Amount capitalized in PP&E (note 19(b))	4,271	10,807	25,331	43,521
Depreciation, depletion and amortization charge for the period	\$ 84,298	\$ 49,689	\$ 171,530	\$ 117,897

9. Gain on sale of royalty assets

On June 27, 2018 the Company announced completion of the sale of its Royalty Portfolio (note 4) and other royalties to Triple Flag Mining Finance Bermuda Ltd (“Triple Flag”) for an up-front cash payment of \$155.5 million with an effective date of April 1, 2018, subject to customary working capital adjustments. A pre-tax gain on disposal of \$28 million was recognized in the Statement of Earnings in the second quarter of 2018.

The sale of the Royalty Portfolio and other royalties was part of a larger transaction between the Company and Triple Flag. The sale also included a stream on 100% of the silver production at the Kemess Underground and Kemess East properties in consideration for a series of payments totaling \$45 million to be received during construction of the mine.

10. Accounts payable and accrued liabilities

	September 30,	December 31,
	2018	2017
Trade creditors and accruals	\$ 139,227	\$ 122,101
Amount due to Royal Gold	29,037	50,650
Liability for share-based compensation	8,620	9,078
	\$ 176,884	\$ 181,829

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

11. Debt

	Centerra B.C. Holdings Credit Facility Non-Revolver		EBRD Facility Revolver	AuRico Acquisition Facility Non-Revolver	Corporate Facility Revolver	OMAS Facility	Total				
Principal											
Balance December 31, 2017	\$	190,000	\$	76,000	\$	-	\$	266,000			
Transfer		(190,000)		-		190,000		-			
Drawdown		-		-		125,000		221,069			
Settlement		-		(76,000)		(125,000)		(160,000)			
Balance September 30, 2018	\$	-	\$	-	\$	251,069	\$	49,000	\$	300,069	
Deferred costs											
Balance December 31, 2017	\$	(4,241)	\$	(1,612)	\$	-	\$	-	\$	(5,853)	
Additions		-		-		(2,806)		(6,340)		(9,146)	
Amortization		4,241		1,612		-		485		255	6,593
Balance September 30, 2018	\$	-	\$	-	\$	(2,321)	\$	(6,085)	\$	(8,406)	
Total debt											
Short-term debt		48,536		-		-		-		48,536	
Long-term debt		137,223		74,388		-		-		211,611	
Balance December 31, 2017	\$	185,759	\$	74,388	\$	-	\$	-	\$	260,147	
Long-term debt		-		-		248,748		42,915		291,663	
Balance September 30, 2018	\$	-	\$	-	\$	248,748	\$	42,915	\$	291,663	

Centerra B.C. Holdings Credit Facility

As part of the acquisition of Thompson Creek in October 2016, Centerra B.C. Holdings Inc., 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.

On February 1, 2018, the Centerra B.C. Facility was replaced with a new Corporate Facility, as defined below. As a result, the Centerra B.C. Facility was deemed to be extinguished and all associated unamortized capitalized deferred financing fees were expensed.

EBRD Revolving Credit Facility

In 2016, the Company entered into a five-year \$150 million revolving credit facility with European Bank for Reconstruction and Development (the “EBRD Facility”).

On January 29, 2018, in connection with the establishment of the Corporate Facility, the EBRD Facility was repaid in full and subsequently cancelled. All associated unamortized capitalized deferred financing fees were expensed.

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

AuRico Acquisition Facility

The AuRico Acquisition was funded, in part, by a \$125 million acquisition facility (“AuRico Acquisition Facility”) entered into on January 8, 2018. The AuRico Acquisition Facility was subsequently repaid and cancelled on February 1, 2018, when the Company entered into the Corporate Facility, as defined below. All fees associated with the financing were expensed and reflected in the Statement of Earnings.

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 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 September 30, 2018, it was in compliance with its covenants.

**September 30,
2018**

Corporate Facility

Undrawn amount of the facility **\$249 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 paid and 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'.

Öksüt Madencilik Sanayi vi Ticaret A.S. (“OMAS”) Facility

In 2016, OMAS, a wholly-owned subsidiary of the Company, entered into a \$150 million five-year project financing facility (the “OMAS Facility”). In April 2018, the OMAS Facility was amended, extending the expiry of the facility from December 30, 2021 to March 31, 2024. The purpose of the OMAS Facility is to assist in financing the construction of the Company’s Öksüt Project.

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

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

As part of the April 2018 amendment to the OMAS Facility, OMAS agreed to apply all excess cash flow towards debt prepayment until the Öksüt Project's mining license is extended beyond its current expiry date of January 16, 2023. In addition, the Company will provide a limited guarantee of a portion of OMAS' obligations under the OMAS Facility and will agree to comply with certain covenants which are consistent with the covenants under the Corporate Facility. The guarantee will be callable under certain limited circumstances – primarily if the Öksüt mining license is not extended beyond January 16, 2023. The guarantee provided by Centerra will be limited to the OMAS Facility balance outstanding as at January 16, 2023.

As a condition of the OMAS Facility, the Company has recognized a restricted cash balance of \$25 million, including \$15 million which is restricted until the Öksüt Project mining lease has been extended and \$10 million which is restricted during the construction phase.

	September 30, 2018	December 31, 2017
<u>OMAS Facility</u>		
Undrawn amount of the facility	\$101 million	\$150 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.

12. Provision for reclamation

	September 30, 2018	December 31, 2017
Kumtor gold mine	\$ 54,523	\$ 53,565
Boroo gold mine	-	21,644
Mount Milligan mine	27,276	28,148
Thompson Creek mine	36,246	35,618
Endako mine	26,299	26,714
Kemess Underground Project	15,853	-
Gatsuurt Project	-	1,317
Total provision for reclamation	160,197	167,006
Less: current portion	(329)	(832)
	\$ 159,868	\$ 166,174

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

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

13. Cost of sales

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Operating costs:				
Salaries and benefits	\$ 28,569	\$ 31,166	\$ 82,173	\$ 86,982
Consumables and maintenance charges	84,009	56,656	202,420	146,080
Third-party services	9,630	8,896	23,659	21,750
Other operating costs	10,004	16,561	29,459	28,916
Royalties, levies and production taxes	3,328	4,005	8,143	10,068
By-product sales (a)	(5,007)	(5,183)	(15,816)	(14,021)
Changes in inventories	16,198	9,687	74,356	71,295
	146,731	121,788	404,394	351,070
Supplies inventory obsolescence charge	(5,064)	1,340	(8,384)	4,050
Inventory impairment	(1,019)	-	-	-
Depreciation, depletion and amortization (note 8)	48,363	41,108	133,196	146,200
	\$ 189,011	\$ 164,236	\$ 529,206	\$ 501,320

(a) By-product sales includes silver, rhenium and sulfuric acid sales.

As a result of the temporary suspension of mill processing operations at the Mount Milligan mine, \$10.9 million of operating costs incurred in the three months ended March 31, 2018 were classified as standby costs. No standby costs were recorded at the Mount Milligan mine in the six months ended September 30, 2018.

14. Finance costs

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Interest expense	\$ 2,928	\$ 5,306	\$ 10,199	\$ 16,588
Deferred costs amortized	182	2,516	6,337	3,767
Commitment fees	205	32	1,068	78
Accretion of provision for reclamation	425	754	2,593	2,334
Other financing fees	1,060	660	5,140	1,170
	\$ 4,800	\$ 9,268	\$ 25,337	\$ 23,937

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

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

15. Shareholders' equity

Basic and diluted earnings for the three and nine months ended September 30, 2018 are calculated as shown below. The diluted earnings per share for the three and nine months ended September 30, 2018, includes the impact of certain outstanding performance share units and restricted share units.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net earnings (loss) - continuing operations	\$ 16,172	(4,563)	\$ 64,585	\$ 119,337
Net (loss) earnings - discontinued operations (note 5)	(10,180)	3,722	(6,032)	(39,785)
Net earnings (loss)	\$ 5,992	\$ (841)	\$ 58,553	\$ 79,552
Basic earnings (loss) per common share - continuing operations	\$ 0.06	\$ (0.02)	\$ 0.22	\$ 0.41
Basic (loss) earnings per common share - discontinued operations	(0.03)	0.01	(0.02)	(0.14)
Basic earnings (loss) per common share	\$ 0.02	\$ (0.0)	\$ 0.20	\$ 0.27
Diluted earnings (loss) per common share - continuing operations	\$ 0.05	\$ (0.02)	\$ 0.21	\$ 0.40
Diluted (loss) earnings per common share - discontinued operations	(0.04)	0.01	(0.03)	(0.14)
Diluted earnings (loss) per common share	\$ 0.01	\$ (0.0)	\$ 0.19	\$ 0.27
(Thousands of common shares)				
Basic weighted average number of common shares outstanding	291,939	291,292	291,861	291,284
Effect of potentially dilutive securities:				
Stock options	117	639	282	548
Restricted share units	706	-	565	-
Diluted weighted average number of common shares outstanding	292,762	291,931	292,708	291,832

For the three and nine months ended September 30, 2018 and 2017, certain anti-dilutive securities 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:

(Thousands of units)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Stock options	4,010	1,388	8,065	2,109
Restricted share units	-	205	-	181
	4,010	1,593	8,065	2,290

16. Commitments and Contingencies**Commitments****(a) Contracts**

As at September 30, 2018, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$132.1 million (Öksüt Project \$73.0 million, Kumtor - \$38.2 million, Mount Milligan - \$11.1 million, Greenstone Gold Property - \$1.6 million and Kemess Underground - \$8.2 million). Öksüt Project commitments include \$34 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 September 30, 2018, the Company has funded a total of Cdn\$85.9 million (\$66.1 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 material. As of September 30, 2018, the Company had commitments to purchase approximately 10.4 million pounds of molybdenum as unroasted molybdenum concentrate from 2018 to 2020 primarily priced at the time of purchase at a set discount to the market price for roasted molybdenum concentrate.

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

Contingencies

Various legal, tax and environmental matters are outstanding from time to time due to the nature of the Company's operations. While the final outcome with respect to actions outstanding or pending at September 30, 2018 cannot be predicted with certainty, it is management's opinion that it is more likely than not that these actions, other than the settlement with the Kyrgyz Republic described below, will not result in the outflow of resources to settle the obligation; therefore, no amounts have been accrued.

Kyrgyz Republic

As disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2017, the Company and its Kyrgyz subsidiaries (Kumtor Gold Company ("KGC") and Kumtor Operating Company) entered into a comprehensive settlement agreement (the "Strategic Agreement") with the Government of the Kyrgyz Republic (the "Kyrgyz Government") on behalf of the Kyrgyz Republic on September 11, 2017. The Strategic Agreement includes a resolution of all then existing arbitral and environmental claims, disputes, proceedings and court orders, and releases of the Company and its Kyrgyz subsidiaries from future claims covering the same subject matter as the existing environmental claims arising from approved mine activities.

In August 2018, KGC commenced a claim in the Kyrgyz courts (refiled on September 26, 2018) seeking to invalidate orders of the Kyrgyz Republic State Tax Service which reassessed taxes (including sanctions and penalties) owing from KGC for the period from 2016 to 2017 in the amount of approximately \$20 million, primarily in relation to the alleged failure to pay taxes on high altitude premiums paid to employees at the Kumtor mine site. The Company believes that the claims are without merit and is working to resolve the claims and the underlying order of the Kyrgyz State Tax Service prior to completion of the Strategic Agreement.

17. Related party transactions**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.

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Sales:				
Gross gold and silver sales to Kyrgyzaltyn	\$ 145,102	\$ 126,193	\$ 419,158	\$ 463,763
Deduct: refinery and financing charges	(1,150)	(765)	(3,103)	(2,747)
Net sales revenue received from				
Kyrgyzaltyn	\$ 143,952	\$ 125,428	\$ 416,055	\$ 461,016
Expenses:				
Contracting services provided by				
Kyrgyzaltyn	\$ 404	\$ 509	\$ 1,004	\$ 974
Management fees payable to Kyrgyzaltyn	120	100	327	369
Expenses paid to Kyrgyzaltyn	\$ 524	\$ 609	\$ 1,331	\$ 1,343

Related party balances

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

	September 30,	December 31,
	2018	2017
Amounts receivable (a)	\$ 33,454	\$ 20
Amount payable	\$ 1,179	\$ 1,160

(a) Subsequent to September 30, 2018, 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 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.

18. 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, lease obligations, debt, and revenue-based taxes payable.

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

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

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.

Provisionally-priced contracts

Certain copper-gold concentrate sales contracts provide for provisional pricing. These sales contain an embedded derivative related to the provisional pricing mechanism and are marked to market at the end of each reporting period. As at September 30, 2018 the Company's trade receivables with embedded derivatives had a fair value of \$9.6 million (December 31, 2017 - \$20.9 million), representing 13.7 million pounds of copper and 47,579 ounces of gold (December 31, 2017 – 17.6 million pounds of copper and 78,578 ounces of gold).

Summary of Derivative Positions

The hedging and non-hedging derivative positions outstanding as at September 30, 2018 are summarized as follows:

Contract	Instrument	Unit	Average strike price	Type	Settlement		As at
					2018	2019	September 30, 2018
							Total position
Fuel	Crude oil options	Barrels	\$65.00	Fixed	40,000	72,000	112,000
Fuel	Zero-cost collars	Barrels	\$46/\$59	Fixed	-	23,000	23,000
Copper	Zero-cost collars	Pounds	\$2.50/\$3.30	Fixed	8.0 million	12.6 million	20.6 million
Gold	Zero-cost collars	Ounces	\$1,250/\$1,364	Fixed	21,254	36,799	58,053
<i><u>Royal Gold deliverables</u></i>							
Non-hedge gold	Forward contracts	Ounces	ND	Float	16,470	-	16,470
Non-hedge copper	Forward contracts	Pounds	ND	Float	2.4 million	-	2.4 million
<i><u>Currency contracts</u></i>							
Non-hedge currency contracts	Zero-cost collars	CAD Dollars	1.27/1.35	Fixed	27 million	-	27 million

ND = Contracts with floating terms. The settlement price for the quantities purchased under the contracts is the spot price at the end of the contract.

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

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

The following table is an analysis of the derivative instruments recorded in the Statements of Earnings:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
<u>Cash flow hedges</u>				
<i>Gold, copper and fuel contracts</i>				
Cash flow hedges - effective portion of changes in fair value	\$ 4,605	\$ (10,638)	\$ 29,186	\$ (10,322)
Cash flow hedges - reclassified to Statement of Earnings	(1,852)	4,736	(10,473)	2,630
Net gain (loss) included in AOCI, net of tax (a)	\$ 2,753	\$ (5,902)	\$ 18,713	\$ (7,692)
Cash flow hedges - reclassified from AOCI	\$ 1,852	\$ (4,736)	\$ 10,473	(2,630)
Gain (loss) recognized on derivatives (b)	335	1,217	(3,812)	(552)
Total gain included in Statements of Earnings	\$ 2,187	\$ (3,519)	\$ 6,661	\$ (3,182)

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

Total (loss) gain included in revenue	\$ (1,104)	\$ 501	\$ (2,334)	\$ 2,737
Total gain (loss) included in other income, net	\$ 802	\$ 427	\$ (2,127)	\$ 1,871

(a) Includes tax for the three and nine months ended September 30, 2018 of nil (2017 – nil).

(b) Represents the change in fair value of certain gold and copper derivative instruments reclassified to the Statements of Earnings that 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 following table is an analysis of where derivative instruments are recorded in the Statements of Financial Position:

	September 30, 2018	December 31, 2017
<u>Cash flow hedge</u>		
<i>Gold, copper and fuel contracts</i>		
Prepaid expenses and other current assets	\$ 5,832	\$ 908
Other non-current assets	-	545
Current portion of derivative liabilities	-	(15,870)
Non-current derivative liabilities	-	(7,273)
	\$ 5,832	\$ (21,690)

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

Prepaid expenses and other current assets	\$ 77	\$ 1,055
Current portion of derivative liabilities	(355)	(187)
	\$ (278)	\$ 868

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)

September 30, 2018

	Amortized cost	Assets/liabilities at fair value through earnings	Assets/liabilities at fair value through OCI
<u>Financial assets</u>			
Cash and cash equivalents	\$ 195,002	\$ -	-
Restricted cash	27,076	-	-
Amounts receivable	69,342	-	-
Provisionally-priced receivables - Level 2	-	9,609	-
Taxes receivable	21,302	-	-
Derivative assets - Level 2	-	77	5,832
	\$ 312,722	\$ 9,686	\$ 5,832
<u>Financial liabilities</u>			
Accounts payable and accrued liabilities	\$ 139,227	\$ -	-
Amount due to Royal Gold - Level 2	-	29,037	-
Lease obligations	32,711	-	-
Debt	291,663	-	-
Revenue-based taxes payable	12,796	-	-
Derivative liabilities - Level 2	-	355	-
	\$ 476,397	\$ 29,392	\$ -

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

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

December 31, 2017

	Amortized cost	Assets/liabilities at fair value through earnings	Assets/liabilities at fair value through OCI
<u>Financial assets</u>			
Cash and cash equivalents	\$ 415,891	\$ -	-
Restricted cash	687	-	-
Amounts receivable	43,012	-	-
Provisionally-priced receivables - Level 2	-	20,890	-
Taxes receivable	21,302	-	-
Long-term receivables	2,649	-	-
Fuel derivative assets - Level 2	-	1,055	1,453
	<u>\$ 483,541</u>	<u>\$ 21,945</u>	<u>\$ 1,453</u>
<u>Financial liabilities</u>			
Accounts payable and accrued liabilities	\$ 122,101	\$ -	-
Amount due to Royal Gold - Level 2	-	50,650	-
Lease obligations	31,986	-	-
Debt	260,147	-	-
Revenue-based taxes payable	15,953	-	-
Commodity derivative liability - Level 2	-	187	23,143
	<u>\$ 430,187</u>	<u>\$ 50,837</u>	<u>\$ 23,143</u>

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

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

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

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

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

19. Supplemental disclosure**a) Changes in operating working capital**

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
(Increase) decrease in amounts receivable	\$ (22,294)	\$ 5,174	\$ (12,994)	\$ (18,765)
(Increase) decrease in inventory - ore and metal	(65,306)	(23,258)	(75,585)	60,521
Decrease (increase) in inventory - supplies	13,337	960	(13,266)	(7,411)
Decrease in prepaid expenses	3,102	4,883	5,379	1,606
Increase (decrease) in accounts payable and accruals	13,534	35,619	(15,891)	33,743
Decrease (increase) in revenue-based taxes payable	4,766	(6,855)	(3,157)	(13,945)
Decrease (increase) in depreciation and amortization included in inventory (note 8)	31,302	(3,584)	9,438	(76,195)
Decrease (increase) in accruals included in additions to PP&E	(7,868)	(1,975)	(9,106)	(1,430)
(Decrease) increase in other taxes payable	(87)	463	(159)	(330)
	\$ (29,514)	\$ 11,427	\$ (115,341)	\$ (22,206)

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

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

b) Investment in PP&E

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Additions to PP&E during the period (note 8)	\$ (76,300)	\$ (75,013)	\$ (242,904)	\$ (256,995)
Greenstone Gold Property translation adjustment	606	1,480	(1,300)	2,746
Capitalized parts	493	2,896	13,416	4,334
Impact of revisions to asset retirement obligation included in PP&E	2,553	50	1,224	51
Depreciation and amortization included in additions to PP&E (note 8)	4,271	10,807	25,331	43,521
Capitalization of OMAS financing costs	255	257	774	1,165
Leased assets	3,146	-	5,444	-
Increase (decrease) in accruals related to additions to PP&E	7,898	2,054	9,106	1,430
	\$ (57,078)	\$ (57,469)	\$ (188,909)	\$ (203,748)

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

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

c) Changes in liabilities arising from financing activities

	Three months ended September 30,	
	Debt	Interest payable^(a)
Balance at July 1, 2018	255,939	612
Changes due to:		
Debt repayments and interest payments	(10,000)	(4,208)
Debt drawdowns	46,000	-
Financing costs incurred	(704)	-
Amortization of deferred financing costs	182	-
Interest expense	-	2,928
Capitalized financing costs and other	246	1,280
Balance at September 30, 2018	291,663	612
Balance at July 1, 2017	406,383	2,040
Changes due to:		
Debt repayments and interest payments	(111,864)	(7,860)
Amortization of deferred financing costs	2,516	-
Interest expense	-	5,306
Capitalized financing costs and other	(885)	1,929
Balance at September 30, 2017	296,150	1,415

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

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

	Nine months ended September 30,	
	Debt	Interest payable^(a)
Balance at January 1, 2018	260,147	1,551
Changes due to:		
Debt repayments and interest payments	(361,000)	(17,273)
Debt drawdowns	395,070	-
Financing costs incurred	(4,025)	-
Financing costs reclassified from prepaids	(5,640)	-
Amortization of deferred financing costs	6,337	-
Interest expense	-	10,199
Capitalized financing costs and other	774	6,135
Balance at September 30, 2018	291,663	612
Balance at January 1, 2017	465,132	4,783
Changes due to:		
Debt repayments and interest payments	(171,865)	(23,166)
Amortization of deferred financing costs	3,767	-
Interest expense	-	16,588
Capitalized financing costs and other	(884)	3,210
Balance at September 30, 2017	296,150	1,415

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

20. 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 September 30, 2018

(Millions of U.S. Dollars)	Kyrgyz		North America		Corporate and other	Total
	Republic	Turkey	Gold-Copper	Molybdenum		
Gold sales	\$ 142.9	-	44.2	\$ -	-	187.1
Copper sales	-	-	27.4	-	-	27.4
Molybdenum sales	-	-	-	43.0	-	43.0
Tolling, calcining and other	-	-	-	1.6	-	1.6
Revenue	142.9	-	71.6	-	44.6	259.1
Cost of sales	87.5	-	59.2	-	42.3	189.0
Regional office administration	3.4	-	-	-	-	3.4
Earnings from mine operations	52.0	-	12.4	-	2.3	66.7
Revenue-based taxes	20.1	-	-	-	-	20.1
Other operating expenses	1.0	-	1.1	-	(0.1)	2.6
Care and maintenance	-	-	5.7	-	3.7	9.4
Pre-development project costs	-	-	(0.4)	-	2.5	2.1
Exploration expenses and business development	2.4	-	1.9	-	3.2	7.5
Corporate administration	0.1	-	(0.6)	-	4.9	4.4
Earnings (loss) from operations	28.4	-	4.7	-	(2.0)	20.6
Other income, net	-	-	-	-	-	(0.5)
Finance costs	-	-	-	-	-	4.8
Earnings before income tax	-	-	-	-	-	16.3
Income tax expense	-	-	-	-	-	0.1
Net earnings from continuing operations	-	-	-	-	-	16.2
Net loss from discontinued operations	-	-	-	-	-	(10.2)
Net earnings	-	-	-	-	-	6.0
Capital expenditures for the period	\$ 31.6	13.8	9.0	\$ 0.3	14.2	68.9

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Three months ended September 30, 2017

(Millions of U.S. Dollars)	Kyrgyz		North America		Corporate and other	Total
	Republic	Turkey	Gold-Copper	Molybdenum		
Gold sales	\$ 124.3	-	74.4	\$ -	-	198.7
Copper sales	-	-	40.9	-	-	40.9
Molybdenum sales	-	-	-	35.0	-	35.0
Tolling, calcining and other	-	-	-	1.6	-	1.6
Revenue	124.3	-	115.3	-	36.6	276.2
Cost of sales	54.5	-	74.6	35.1	-	164.2
Regional office administration	4.1	-	-	-	-	4.1
Earnings (loss) from mine operations	65.7	-	40.7	-	1.5	107.9
Revenue-based taxes	17.6	-	-	-	-	17.6
Other operating expenses	2.1	-	2.2	0.6	0.2	5.1
Care and maintenance	-	-	-	3.3	(0.2)	3.1
Pre-development project costs	-	-	-	-	0.9	0.9
Exploration expenses and business development	-	-	-	-	2.3	2.3
Business combination acquisition and integration	-	-	-	-	0.6	0.6
Corporate administration	-	-	-	-	12.4	12.4
Kyrgyz Republic settlement	60.0	-	-	-	-	60.0
Earnings (loss) from operations	(14.0)	-	38.5	-	(2.4)	5.9
Other income, net	-	-	-	-	-	(0.4)
Finance costs	-	-	-	-	-	9.3
Loss before income tax						(3.0)
Income tax expense	-	-	-	-	-	1.6
Net loss from continuing operations						(4.6)
Net earnings from discontinued operations	-	-	-	-	-	3.7
Net earnings						(0.9)
Capital expenditures for the period	\$ 62.2	2.0	8.2	\$ 0.2	2.4	75.0

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Nine months ended September 30, 2018

(Millions of U.S. Dollars)	Kyrgyz	Turkey	North America		Corporate and other	Total
	Republic		Gold-Copper	Molybdenum		
Gold sales	\$ 413.2	-	108.2	-	-	\$ 521.4
Copper sales	-	-	65.6	-	-	65.6
Molybdenum sales	-	-	-	144.3	-	144.3
Tolling, calcining and other	-	-	-	6.5	-	6.5
Revenue	413.2	-	173.8	150.8	-	737.8
Cost of sales	241.5	-	145.4	142.3	-	529.2
Standby costs, net	-	-	10.8	-	-	10.8
Regional office administration	9.7	-	-	-	-	9.7
Earnings from mine operations	162.0	-	17.6	8.5	-	188.1
Revenue-based taxes	58.2	-	-	-	-	58.2
Other operating expenses	3.9	-	3.7	1.8	-	9.4
Care and maintenance	-	-	9.3	8.9	0.1	18.3
Pre-development project costs	-	-	1.1	-	7.5	8.6
Exploration expenses and business development	2.7	-	3.0	-	10.1	15.8
Business combination acquisition and integration	-	-	-	-	4.5	4.5
Corporate administration	0.1	0.1	-	-	23.0	23.2
Earnings (loss) from operations	97.1	(0.1)	0.5	(2.2)	(45.2)	50.1
Gain on sale of royalty assets	-	-	-	-	-	(28.0)
Other income, net	-	-	-	-	-	(3.4)
Finance costs	-	-	-	-	-	25.4
Earnings before income tax						56.1
Income tax expense	-	-	-	-	-	(8.5)
Net earnings from continuing operations						64.6
Net loss from discontinued operations	-	-	-	-	-	(6.0)
Net earnings						58.6
Capital expenditures for the period	\$ 148.4	28.7	32.1	0.8	24.9	\$ 234.9
Goodwill	\$ -	-	16.1	-	-	\$ 16.1
Total assets (excluding goodwill)	\$ 1,110.9	194.2	1,132.0	238.8	224.1	\$ 2,900.0
Total liabilities	\$ 189.8	52.1	194.2	76.5	294.6	\$ 812.7

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

Nine months ended September 30, 2017

(Millions of U.S. Dollars)	Kyrgyz		North America		Corporate and other	Total
	Republic	Turkey	Gold-Copper	Molybdenum		
Gold sales	\$ 457.1	\$ -	\$ 181.2	\$ -	\$ -	\$ 638.3
Copper sales	-	-	96.8	-	-	96.8
Molybdenum sales	-	-	-	99.9	-	99.9
Tolling, calcining and other	-	-	-	5.8	-	5.8
Revenue	457.1	-	278.0	105.7	-	840.8
Cost of sales	207.1	-	193.1	101.1	-	501.3
Regional office administration	12.4	-	-	-	-	12.4
Earnings from mine operations	237.6	-	84.9	4.6	-	327.1
Revenue-based taxes	64.5	-	-	-	-	64.5
Other operating expenses	2.3	-	5.2	1.7	0.7	9.9
Care and maintenance	-	-	-	9.9	(0.6)	9.3
Pre-development project costs	-	-	-	-	3.3	3.3
Exploration expenses and business development	-	-	-	-	6.2	6.2
Business combination acquisition and integration	-	-	-	-	2.1	2.1
Corporate administration	0.2	0.1	-	-	31.0	31.3
Kyrgyz Republic settlement	60.0	-	-	-	-	60.0
Earnings (loss) from operations	110.6	(0.1)	79.7	(7.0)	(42.7)	140.5
Other income, net	-	-	-	-	-	(3.2)
Finance costs	-	-	-	-	-	23.9
Earnings before income tax						119.8
Income tax expense	-	-	-	-	-	0.5
Net earnings from continuing operations						119.3
Net loss from discontinued operations	-	-	-	-	-	(39.8)
Net earnings						79.5
Capital expenditures for the period	\$ 223.5	\$ 7.2	\$ 17.9	\$ 0.3	\$ 8.1	\$ 257.0
Goodwill	\$ -	\$ -	\$ 16.1	\$ -	\$ -	\$ 16.1
Total assets (excluding goodwill)	\$ 1,023.6	\$ 44.6	\$ 911.4	\$ 205.0	\$ 456.0	\$ 2,640.6
Total liabilities	\$ 180.2	\$ 0.3	\$ 149.8	\$ 75.7	\$ 348.6	\$ 754.6