

Centerra Gold Inc.

Condensed Consolidated Interim Financial Statements

**For the Quarter Ended September 30, 2019 and 2018
(Unaudited)**

(Expressed in thousands of United States Dollars)

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

		September 30, 2019	December 31, 2018
(Expressed in thousands of United States Dollars)			
	Notes		
Assets			
Current assets			
Cash and cash equivalents		\$ 80,487	\$ 151,705
Amounts receivable		131,104	59,558
Inventories	4	716,524	596,911
Prepaid expenses and other current assets		14,381	24,734
Current portion of derivative assets	17	534	1,081
		<u>943,031</u>	<u>833,989</u>
Property, plant and equipment	5, 12	1,656,360	1,886,046
Goodwill	12	-	16,070
Restricted cash		28,573	27,505
Reclamation deposits		40,859	30,841
Other assets		29,016	32,260
		<u>1,754,808</u>	<u>1,992,722</u>
Total assets		<u>\$ 2,697,839</u>	<u>\$ 2,826,711</u>
Liabilities and Shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 206,263	\$ 173,783
Provision for Kyrgyz Republic settlement	11	8,000	53,000
Short-term debt	7	26,986	5,000
Current portion of lease obligations	8	6,626	797
Revenue-based taxes payable		19,243	954
Taxes payable		765	878
Current portion of provision for reclamation		3,624	197
Other current liabilities		486	168
		<u>271,993</u>	<u>234,777</u>
Long-term debt	7	68,747	179,266
Provision for reclamation		216,620	212,248
Lease obligations	8	22,748	4,227
Deferred income tax liability		37,759	44,524
Other liabilities		3,806	3,636
		<u>349,680</u>	<u>443,901</u>
Shareholders' equity			
Share capital	14	959,455	949,328
Contributed surplus		26,030	27,364
Accumulated other comprehensive loss		(1,466)	(2,086)
Retained earnings		1,092,147	1,173,427
		<u>2,076,166</u>	<u>2,148,033</u>
Total liabilities and Shareholders' equity		<u>\$ 2,697,839</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 September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
(Expressed in thousands of United States Dollars) (except per share amounts)					
	Notes				
Gold sales	9	\$ 296,758	\$ 187,149	\$ 783,311	\$ 521,430
Copper sales	9	41,437	27,389	108,958	65,626
Molybdenum sales		48,651	43,008	163,994	144,281
Tolling, calcining and other		1,430	1,553	6,562	6,478
Revenue		388,276	259,099	1,062,825	737,815
Cost of sales	10	236,584	189,011	698,437	529,206
Standby costs		-	-	-	10,849
Regional office administration		3,025	3,431	8,995	9,694
Earnings from mine operations		148,667	66,657	355,393	188,066
Revenue-based taxes		32,984	20,153	88,155	58,248
Other operating expenses		7,704	2,567	14,853	9,366
Care and maintenance expense		5,904	9,431	20,108	18,258
Pre-development project costs		5,009	2,066	12,257	8,560
Exploration expenses and business development		7,638	7,450	19,102	15,808
Provision for Kyrgyz Republic settlement	11	10,000	-	10,000	-
AuRico Metals Inc. acquisition and integration expenses		-	-	-	4,515
Corporate administration		12,724	4,421	36,110	23,188
Impairment	12	230,500	-	230,500	-
(Loss) earnings from operations		(163,796)	20,569	(75,692)	50,123
Gain on sale of royalty assets		-	-	-	(27,973)
Other income, net		(1,133)	(546)	(1,871)	(3,349)
Finance costs	13	3,428	4,800	11,077	25,337
(Loss) earnings before income tax		(166,091)	16,315	(84,898)	56,108
Income tax (recovery) expense		(980)	143	(3,618)	(8,477)
(Loss) earnings from continuing operations		(165,111)	16,172	(81,280)	64,585
Net loss from discontinued operations		-	(10,180)	-	(6,032)
Net (loss) earnings		\$ (165,111)	\$ 5,992	\$ (81,280)	\$ 58,553
Other Comprehensive Income					
Items that may be subsequently reclassified to earnings:					
Net (loss) gain on translation of foreign operation		(387)	608	1,052	(1,301)
Net unrealized (loss) gain on derivative instruments, net of tax	17	(407)	2,753	(432)	18,713
Other comprehensive (loss) income ("OCI")		(794)	3,361	620	17,412
Total comprehensive (loss) income		\$ (165,905)	\$ 9,353	\$ (80,660)	\$ 75,965
Basic (loss) earnings per share - Continuing operations	14	\$ (0.56)	\$ 0.06	\$ (0.28)	\$ 0.22
Diluted (loss) earnings per share - Continuing operations	14	\$ (0.56)	\$ 0.05	\$ (0.28)	\$ 0.21
Basic (loss) earnings per share	14	\$ (0.56)	\$ 0.02	\$ (0.28)	\$ 0.20
Diluted (loss) earnings per share	14	\$ (0.56)	\$ 0.01	\$ (0.28)	\$ 0.19

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

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

		Three months ended		Nine months ended	
		September 30,		September 30,	
		2019	2018	2019	2018
(Expressed in thousands of United States Dollars)					
Operating activities					
Net (loss) earnings from continuing operations	Notes	\$ (165,111)\$	16,172\$	(81,280)\$	64,585
Adjustments for the following items:					
Depreciation, depletion and amortization		68,313	48,725	184,623	136,761
Finance costs	13	4,332	4,800	12,011	25,337
Compensation expense on stock options		445	492	1,492	1,224
Other share-based compensation expense (recovery)		6,495	(2,312)	16,948	1,186
Gain on disposition of Royalty Portfolio		-	-	-	(27,973)
Impairment	12	230,500	-	230,500	-
Income tax (recovery) expense, net		(980)	143	(3,618)	(8,477)
Amortization of royalty assets		-	-	-	2,151
Kyrgyz Republic settlement payment	11	(62,600)	-	(62,600)	-
Additional provision for Kyrgyz Republic settlement	11	10,000	-	10,000	-
Other		498	(1,465)	1,122	(853)
Purchase and settlement of derivatives		(118)	2,707	(381)	(3,505)
Income taxes paid		(1,964)	(912)	(3,403)	(4,981)
Cash provided by operations before changes in operating working capital		89,810	68,350	305,414	185,455
Change in operating working capital	18	(57,956)	(29,514)	(63,810)	(115,341)
Cash provided by operations		31,854	38,836	241,604	70,114
Cash used in discontinued operations		-	(1,267)	-	(4,236)
Net cash provided by operations		31,854	37,569	241,604	65,878
Investing activities					
Additions to property, plant and equipment		(80,537)	(57,078)	(197,184)	(188,909)
Deposits on purchase of equipment		(3,896)	(4,606)	(9,351)	(10,850)
Acquisition of AuRico Metals Inc., net of cash acquired		-	-	-	(226,800)
Decrease (increase) in restricted cash		(1,089)	494	(1,068)	(26,389)
(Increase) decrease in other assets		(5,102)	(158)	(10,358)	(4,179)
Proceeds from the sale of the Royalty Portfolio		-	-	-	155,450
Proceeds from disposition of fixed assets		450	17	450	1,758
Cash used in investing		(90,174)	(61,331)	(217,511)	(299,919)
Financing activities					
Debt drawdown	7	121,018	46,000	206,872	395,070
Debt repayment	7	(120,000)	(10,000)	(296,000)	(361,000)
Payment of interest and borrowing costs		(2,140)	(4,912)	(7,398)	(21,298)
Lease payments		(3,164)	(396)	(6,013)	(396)
Proceeds from common shares issued		3,114	178	7,228	776
Cash provided by (used in) financing		(1,172)	30,870	(95,311)	13,152
(Decrease) increase in cash during the period		(59,492)	7,108	(71,218)	(220,889)
Cash and cash equivalents at beginning of the period		139,979	187,894	151,705	415,891
Cash and cash equivalents at end of the period		\$ 80,487\$	195,002\$	80,487\$	195,002
Cash and cash equivalents consist of:					
Cash		\$ 80,487\$	193,104\$	80,487\$	193,104
Cash equivalents		-	1,898	-	1,898
		\$ 80,487\$	195,002\$	80,487\$	195,002

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, 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 unrealized gain on derivative instruments, net of tax (note 17)	-	-	-	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
Balance at January 1, 2019	291,999,949	\$ 949,328	\$ 27,364	\$ (2,088)	\$ 1,173,427	\$ 2,148,031
Share-based compensation expense	-	-	1,491	-	-	1,491
Shares issued on exercise of stock options	1,414,890	9,294	(2,825)	-	-	6,469
Shares issued under the employee share purchase plan	140,015	759	-	-	-	759
Shares issued on redemption of restricted share units	12,970	74	-	-	-	74
Foreign currency translation	-	-	-	1,054	-	1,054
Net unrealized loss on derivative instruments, net of tax (note 17)	-	-	-	(432)	-	(432)
Net loss for the period	-	-	-	-	(81,280)	(81,280)
Balance at September 30, 2019	293,567,824	\$ 959,455	\$ 26,030	\$ (1,466)	\$ 1,092,147	\$ 2,076,166

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.

These financial statements were authorized for issuance by the Board of Directors of the Company on October 29, 2019.

3. Changes in accounting policies

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

Leases

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

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

Leases recognition

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified

Centerra Gold Inc.

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited)

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

asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

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

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

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

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

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

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

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

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

Leases transition

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

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

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

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

4. Inventories

	September 30, 2019	December 31, 2018
Stockpiles of ore (a)	\$ 381,513	\$ 265,488
Gold in-circuit	24,831	20,136
Gold doré	11,621	16,524
Copper and gold concentrate	14,739	21,907
Molybdenum inventory	71,321	65,201
	504,025	389,256
Supplies (net of provision)	214,233	209,396
Total inventories (net of provisions)	\$ 718,258	\$ 598,652
Less: Long-term supplies inventory	(1,734)	(1,741)
Total inventories - current portion	\$ 716,524	\$ 596,911

(a) As at September 30, 2019, the amount of ore in stockpiles not scheduled for processing within the next 12 months, but available on-demand, is \$212.3 million (December 31, 2018 – \$181.3 million).

The Company has recorded a provision for supplies obsolescence of \$ 24.1 million as at September 30, 2019 (December 31, 2018 - \$21.4 million).

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

5. Property, plant and equipment

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

	Buildings, Plant and Equipment	ROU Buildings	Mineral Properties	Capitalized Stripping Costs	Mobile Equipment	ROU Mobile Equipment	Construction in Progress	Total
Cost								
January 1, 2019 (a)	\$ 1,068,881	\$ 15,169	\$ 577,670	\$ 486,346	\$ 553,139	\$ 11,237	\$ 134,350	\$ 2,846,792
Additions	5,543	36	21,722	62,058	34	9,106	152,809	251,308
Disposal	(729)	(36)	(449)	-	(3,246)	-	-	(4,459)
Fully depreciated assets	-	-	-	-	(26,190)	-	-	(26,190)
Reclassification	33,745	-	2,095	-	31,067	-	(66,907)	-
Balance September 30, 2019	\$ 1,107,440	\$ 15,169	\$ 601,039	\$ 548,404	\$ 554,805	\$ 20,343	\$ 220,251	\$ 3,067,451
Accumulated depreciation and impairment								
January 1, 2019 (a)	\$ 280,984	\$ -	\$ 103,260	\$ 143,615	\$ 411,961	\$ -	\$ -	\$ 939,820
Charge for the period	46,865	1,690	13,286	167,196	54,414	2,357	-	285,808
Disposals	(488)	-	-	-	(2,289)	-	-	(2,777)
Impairment (note 12)	151,999	2,636	44,979	-	10,521	4,295	-	214,431
Fully depreciated assets	-	-	-	-	(26,190)	-	-	(26,190)
Balance September 30, 2019	\$ 479,359	\$ 4,326	\$ 161,526	\$ 310,811	\$ 448,417	\$ 6,652	\$ -	\$ 1,411,092
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 September 30, 2019	\$ 628,081	\$ 10,843	\$ 439,513	\$ 237,593	\$ 106,388	\$ 13,691	\$ 220,251	\$ 1,656,360

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

6. Accounts payable and accrued liabilities

	September 30, 2019	December 31, 2018
Trade creditors and accruals	\$ 133,242	\$ 121,973
Amount due to Royal Gold (a)	47,342	42,885
Liability for share-based compensation	25,679	8,925
Total	\$ 206,263	\$ 173,783

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

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

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

7. Debt

	Corporate Revolving Facility	OMAS Facility	CAT Note	Total
Principal				
Balance December 31, 2018	\$ 111,000	\$ 49,668	\$ 31,986	\$ 192,654
Drawdown	180,000	26,872	-	206,872
Repayment	(291,000)	-	(5,000)	(296,000)
Balance September 30, 2019	\$ -	\$ 76,540	\$ 26,986	\$ 103,526
Deferred costs				
Balance December 31, 2018	\$ (2,147)	\$ (6,241)	\$ -	\$ (8,388)
Additions	-	(900)	-	(900)
Amortization	546	949	-	1,495
Balance September 30, 2019	\$ (1,601)	\$ (6,192)	\$ -	\$ (7,793)
Net debt				
Short-term debt	\$ -	\$ -	\$ 26,986	\$ 26,986
Long-term debt	(1,601)	70,349	-	68,747
Balance September 30, 2019	\$ (1,601)	\$ 70,349	\$ 26,986	\$ 95,734
Short-term debt	\$ -	\$ -	\$ 5,000	\$ 5,000
Long-term debt	108,853	43,427	26,986	179,266
Balance December 31, 2018	\$ 108,853	\$ 43,427	\$ 31,986	\$ 184,266

8. Leases

	2019
Maturity analysis - contractual undiscounted cashflows	
Less than one year	9,042
One to three years	19,600
More than three years	3,645
Total undiscounted lease liabilities at September 30, 2019	\$ 32,287
Lease liabilities - discounted	
Current	6,626
Non-current	22,748
Balance September 30, 2019	\$ 29,373

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

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

The table below 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

9. Gold and Copper sales

The sales quantity and sales pricing adjustment of gold in concentrate, including the impact of hedge contracts, are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Quantity adjustment	\$ 358	\$ (451)	\$ 440	\$ (610)
Pricing adjustment	(320)	460	2,826	(263)
	\$ 37	\$ 9	\$ 3,266	\$ (873)

The sales quantity and sales pricing adjustment of copper in concentrate, including the impact of hedge contracts, are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Quantity adjustment	\$ (98)	\$ 17	\$ (952)	\$ (719)
Pricing adjustment	(1,293)	(432)	2,061	(3,676)
	\$ (1,391)	\$ (415)	\$ 1,110	\$ (4,395)

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

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

10. Cost of sales

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Salaries and benefits (including share based compensation)	\$ 39,050	\$ 28,569	\$ 120,381	\$ 82,173
Consumables and maintenance charges	73,190	84,009	220,282	202,420
Third-party services	10,973	9,630	33,676	23,659
Other operating costs	8,644	10,004	28,089	29,459
Royalties, levies and production taxes	3,414	3,328	9,802	8,143
By-product sales	(5,172)	(5,007)	(13,959)	(15,816)
Changes in inventories	37,629	16,198	115,223	74,356
	167,728	146,731	513,494	404,394
Supplies inventory obsolescence charge	1,433	(5,064)	2,741	(8,384)
Inventory impairment (reversal)	586	(1,019)	1,971	-
Depreciation, depletion and amortization	66,837	48,363	180,231	133,196
	\$ 236,584	\$ 189,011	\$ 698,437	\$ 529,206

11. Kyrgyz Republic Settlement

In August 2019, the Company announced the completion of the Strategic Agreement, with all the remaining Kyrgyz legal proceedings affecting the Kumtor Project, and the international arbitration proceeding at the Permanent Court of Arbitration being terminated, in accordance with the Strategic Agreement on Environmental Protection and Investment Promotion previously entered into with the Kyrgyz Government (the “Strategic Agreement”). As a result, all obligations under the Strategic Agreement, including the settlement and releases of liability as well as the obligations of Kumtor Gold Company (“KGC”) to make contributions to various environmental and social funds of the Kyrgyz Republic Government, became effective.

As part of the completion of the Strategic Agreement and at the request of the Kyrgyz Government, KGC committed to certain additional contributions in the Kyrgyz Republic (over and above those required under the Strategic Agreement) to strengthen its social license to operate in Kyrgyz Republic. In particular, KGC is committed to:

- a) a \$5 million lump sum contribution to a new Kyrgyz Republic Social Partnership for Regional Development Fund (the “Regional Fund”) (this contribution was made on August 28, 2019);

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

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

- b) a \$5 million lump sum contribution to the Regional Fund within 12 months of the Second Completion Date;
- c) monthly contributions to the Regional Fund equivalent to 0.4% of KGC's revenues from the Kumtor Project earned after the Second Completion Date;
- d) an annual contribution of \$1 million to the Kyrgyz Republic Nature Development Fund; and
- e) exploration expenditures of at least \$16 million at the Kumtor Project over a two-year period (the Company expects to have spent this amount by the end of 2019).

All future contributions are conditional upon the Kyrgyz Government continuing to comply with the conditions precedent under the Strategic Agreement.

The following table summarizes the amounts recorded and paid as a result of the completion of the Strategic Agreement:

	KR Settlement Provision	Other Payables⁽¹⁾
Balance December 31, 2018	\$ 53,000	\$ 5,400
Third quarter 2019 movements:		
Additional charges on closure of agreement	10,000	5,400
Payment on completion of Strategic Agreement ⁽²⁾	(55,000)	(7,600)
Balance September 30, 2019	\$ 8,000	\$ 3,200

⁽¹⁾ Charges under the annual environmental fund and regional fund.

⁽²⁾ In addition to the payment above, the paid an additional \$5 million to the reclamation trust fund.

12. Impairment***Goodwill***

In accordance with its accounting policy, the Company reviews and tests the carrying amounts of goodwill on September 1 of each year and when an indicator of impairment is considered to exist.

The Mount Milligan cash generating unit ("CGU") was allocated goodwill of \$16.1 million as a result of the Company's acquisition of Thompson Creek Metals Company in October 2016. In the third quarter of 2019, the carrying value of Mount Milligan's CGU net assets was written down to its net realizable value, which included the write-off of the entire goodwill amount.

Centerra Gold Inc.

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

Impairment testing

As part of our annual budget and life of mine process, it was identified that recent cost escalation relating to short and long-term water sourcing requirements, higher maintenance costs, higher than expected labour requirements, and lower mill throughput estimates, among other things, will continue in the short to medium term. This combined with lower than expected gold recoveries resulted in a trigger for an impairment test on Mount Milligan's long-lived assets.

The Company has begun a comprehensive technical review of the Mount Milligan mine with the objective of publishing an updated NI 43-101 technical report in the coming months. The extent of any change in reserves and resources cannot be precisely determined until all of the relevant studies and modelling are completed, including studies to optimize the economics of the mine and further work to incorporate results of the Company's exploration drilling through 2019. However, based upon the work performed in connection with the impairment test, the Company's expectation is that Mount Milligan's mineral reserves and resources will be materially reduced.

The impairment test was performed using the Fair Value Less Costs of Disposal ("FVLCD") methodology. Specifically, the net asset value ("NAV") of the Mount Milligan CGU was determined based on a discounted cash flow analysis of an indicative life-of-mine ("LOM") model developed solely for impairment testing purposes. The LOM model is not a NI 43-101 technical report, and it does not include the associated detailed engineering; rather, it is Management's best estimate at this point in time. The LOM model includes the estimated higher cost profile referred to above, updated grade-recovery curves for both gold and copper, an updated estimate of contained gold and copper metal to be mined and processed over the LOM (not reserves), the cash flows expected to be generated over the LOM, and various other business and economic assumptions. The higher cost profile referred to above, was incorporated in the discounted cash flow analysis used in the impairment test.

In determining fair value, Management believes that an industry participant would consider the value of resources not included in the LOM model. As such, the Company also included the fair value of the estimated recoverable amount of known resources beyond the LOM model by considering the estimated cash flows per ounce generated in the LOM model.

Some gold companies trade at a market capitalization greater than the net present value ("NPV") of their expected cash flows. Market participants describe this as a "NAV multiple", which represents the multiple applied to the NPV to arrive at the trading price. The NAV multiple is generally understood to take account of a variety of additional value factors such as the exploration potential of the mineral property, namely the ability to find and produce more metal than what is currently included in the LOM plan or reserve and resource estimates, and the benefit of gold price optionality. As a result, the Company applied a specific NAV multiple to the NAV based on the

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NAV multiples observed in the market in recent periods and that Management judged to be appropriate.

The test concluded that the recoverable amount of the Mount Milligan CGU using the latest LOM model and higher cost profile was lower than its carrying value as at September 1, 2019. This resulted in an impairment charge of \$230.5 million to the Statement of Earnings, including the write-down of goodwill of \$16.1 million and long-lived assets of \$214.4 million, reducing the carrying value of the Mount Milligan CGU to \$522.6 million as at September 30, 2019.

The FVLCD determined from the discounted cash flow analysis is categorized as non-recurring level 3 hierarchy in accordance with IFRS 13, *Fair Value Measurement*.

Assumptions and Judgments

Calculating the FVLCD requires management to make estimates and assumptions with respect to future production levels and operating, capital and closure costs in the life of mine plans; continued license to operate; future metal prices; foreign exchange rates; discount rates; net asset value multiples, and the value of reserves and resources outside the LOM. Changes in any of the assumptions or estimates used in determining the fair values could impact the impairment analysis and its conclusions.

The key assumptions used in the impairment test, for Mount Milligan are summarized in the table below:

	2019 Test
Gold price per oz - short-term	\$1,350
Gold price per oz - long-term	\$1,300
Copper price per lb - short-term	\$2.60-\$2.80
Copper price per lb - long-term	\$3.00
Discount rate	8%
NAV multiple	1.13

Gold prices

Management estimated gold prices through an analysis of gold forward prices and by considering the average of the most recent market commodity price forecasts from a number of recognized financial analysts.

Beyond Life of Mine

For the impairment tests, a fair value of \$111 to \$139 per ounce was included for contained ounces not used in the LOM but deemed to be mineable with a change in the economic or business environment (not resources).

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Production

Management determined its indicative production profile and total life of mine production based on an updated pit shell estimate developed in the quarter.

Discount rate

A real after-tax discount rate was based on the Company's estimated weighted-average cost of capital adjusted for the risks associated with Mount Milligan's cash flow.

13. Finance costs

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Interest expense	\$ 1,284	\$ 2,928	\$ 5,031	\$ 10,199
Deferred financing costs amortized	181	182	573	6,337
Commitment fees	522	205	1,315	1,068
Accretion of provision for reclamation	1,100	865	3,299	2,593
Lease financing expense	341	-	859	-
Other financing fees	-	620	-	5,140
	\$ 3,428	\$ 4,800	\$ 11,077	\$ 25,337

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

Basic and diluted earnings per share computation:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Basic weighted average number of common shares outstanding	293,306	291,939	292,658	291,861
Effect of potentially dilutive securities:				
Stock options	1,877	117	379	282
Restricted share units	-	706	-	565
Diluted weighted average number of common shares outstanding	295,183	292,762	293,037	292,708

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

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Stock options	3,720	4,010	2,274	8,065
Restricted share units	1,061	-	1,667	-
	4,782	4,010	3,941	8,065

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

As at September 30, 2019, the Company has entered into contracts to purchase capital equipment and operational supplies totalling \$85 million (Öksüt Project \$23.4 million, Kumtor - \$40.2 million, Mount Milligan - \$6.0 million, Greenstone Gold Property - \$1.9 million and Kemess - \$13.5 million). Öksüt Project commitments include \$8.5 million of contracts that will be settled over the next two to three years, while a majority of all other contracts are expected to be settled over the next twelve months.

b. Greenstone Partnership

As at September 30, 2019, the Company has funded a total of Cdn\$125 million (\$94.4 million) of its Cdn\$185 million development contributions commitment since the inception of the partnership to Greenstone Gold Mines LP.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Sales:				
Gross gold and silver sales to Kyrgyzaltyn	\$ 237,005	\$ 145,102	\$ 633,498	\$ 419,158
Deduct: refinery and financing charges	(1,407)	(1,150)	(3,822)	(3,103)
Net sales revenue received from Kyrgyzaltyn	\$ 235,597	\$ 143,952	\$ 629,676	\$ 416,055
Expenses:				
Contracting services provided by Kyrgyzaltyn	\$ 358	\$ 404	\$ 798	\$ 1,004
Management fees payable to Kyrgyzaltyn	160	120	464	327
Expenses paid to Kyrgyzaltyn	\$ 518	\$ 524	\$ 1,261	\$ 1,331

Related party balances

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

	September 30, 2019	December 31, 2018
Amounts receivable	\$ 67,931	\$ 234
Amount payable	\$ 1,114	\$ 1,199

All amounts receivable from Kyrgyzaltyn were collected subsequent to September 30, 2019.

17. Financial Instruments

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

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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 fuel hedge contract positions outstanding as at September 30, 2019 are summarized as follows:

Contract	Instrument	Unit	Average strike price	Type	Total position
Fuel	ULSD Zero-cost collars	Barrels	\$75/\$82	Fixed	54,210
Fuel	Brent Crude Oil zero-cost collars	Barrels	\$57/\$65	Fixed	54,210

The following table is an analysis of the strategic gold and copper contracts and fuel hedge contracts recorded in the Statements of Earnings. The strategic gold and copper hedge contracts were settled as at June 30, 2019.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Strategic hedge contracts				
Cash flow hedges - effective portion of changes in fair value	\$ (202)	\$ 4,605	\$ (6)	\$ 29,186
Cash flow hedges - reclassified to Statements of Earnings	(205)	(1,852)	(426)	(10,473)
Net unrealized (loss) gain included in AOCI, net of tax (a)	\$ (407)	\$ 2,753	\$ (432)	\$ 18,713
Cash flow hedges - reclassified from AOCI	\$ 205	\$ 1,852	\$ 426	\$ 10,473
Gain (loss) recognized on derivatives (b)	(227)	335	90	(3,812)
Total (loss) gain included in Statements of Earnings	\$ (22)	\$ 2,187	\$ 516	\$ 6,661

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

(b) The 2018 amounts represent 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.

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

Contract	Instrument	Unit	Average strike price	Type	Total position
Gold (Royal Gold)	Forward contracts	Ounces	(a)	Float	15,300
Copper (Royal Gold)	Forward contracts	Pounds	(a)	Float	3.4 million
FX Hedges	Zero-cost collars	CAD Dollars	1.30/1.35	Fixed	107.2 million

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

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Royal Gold deliverables and FX contracts				
Total gain (loss) on gold and copper derivatives included in revenue	\$ 995	\$ (1,104)	\$ 1,784	\$ (2,334)
Total gain (loss) on FX contracts included in other income	\$ (596)	\$ 802	\$ (195)	\$ (2,127)

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, 2019 the Company's trade receivables with embedded derivatives had a fair value of \$18.1 million (September 30, 2018 - \$21.5 million), representing 23.1 million pounds of copper and 45,487 ounces of gold (September 30, 2018 - 23.3 million pounds of copper and 77,032 ounces of gold).

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

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

Fair value measurement

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

September 30, 2019

	Amortized cost	At fair value through earnings	At fair value through OCI
<u>Financial assets</u>			
Cash and cash equivalents	\$ 80,487	\$ -	-
Restricted cash	28,573	-	-
Amounts receivable	122,522	-	-
Provisionally-priced receivables - Level 2	-	8,582	-
Taxes receivable	22,808	-	-
Derivative assets - Level 2	-	571	-
	\$ 254,390	\$ 9,153	-
<u>Financial liabilities</u>			
Trade creditors and accruals	\$ 133,242	\$ -	-
Amount due to Royal Gold - Level 2	-	47,342	-
Provision for Kyrgyz Republic settlement	8,000	-	-
Lease obligations	29,374	-	-
Debt	95,733	-	-
Revenue-based taxes payable	19,243	-	-
Derivative liabilities - Level 2	-	459	37
	\$ 285,592	\$ 47,802	37

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

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

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
(Increase) in amounts receivable	\$ (65,648)	\$ (22,294)	\$ (71,486)	\$ (12,994)
(Increase) in inventory - ore and metals	(104,418)	(65,306)	(114,475)	(75,585)
(Increase) decrease in inventory - supplies	(1,361)	13,337	(4,843)	(13,266)
Decrease in prepaid expenses	1,875	3,102	10,538	5,379
Increase (decrease) in trade creditors and accruals	10,693	13,534	21,802	(15,891)
Decrease (increase) in revenue-based tax payable	7,970	4,766	18,289	(3,157)
Increase in depreciation and amortization included in inventory	95,119	31,302	87,111	9,438
Decrease (increase) in accruals included in additions to PP&E	856	(7,868)	(7,494)	(9,106)
Decrease in other taxes payable	-	(87)	(210)	(159)
(Increase) in operating working capital	\$ (54,914)	\$ (29,514)	\$ (60,768)	\$ (115,341)

Centerra Gold Inc.

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

19. Segmented Information

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

Three months ended September 30, 2019

(Millions of U.S. Dollars)	Kyrgyz Republic	Turkey	North America		Corporate and other	Total
			Gold-Copper	Molybdenum		
Gold sales	\$ 234.5	\$ -	\$ 62.3	\$ -	\$ -	\$ 296.8
Copper sales	-	-	41.3	0.1	-	41.4
Molybdenum sales	-	-	-	48.7	-	48.7
Tolling, calcining and other	-	-	-	1.4	-	1.4
Revenue	234.5	-	103.6	50.2	-	388.3
Cost of sales	111.8	-	77.3	47.5	-	236.6
Regional office administration	3.0	-	-	-	-	3.0
Earnings from mine operations	119.7	-	26.3	2.7	-	148.7
Revenue-based taxes	33.0	-	-	-	0.0	33.0
Other operating expenses	4.3	-	2.0	0.6	0.8	7.7
Care and maintenance	-	-	3.1	2.7	0.1	5.9
Pre-development project costs	-	-	0.4	-	4.6	5.0
Exploration expenses and business development	1.7	-	2.6	-	3.3	7.6
Settlements	10.0	-	-	-	-	10.0
Corporate administration	-	-	-	-	12.7	12.7
Impairment	-	-	230.5	-	-	230.5
Earnings (loss) from operations	\$ 70.8	\$ -	(212.3)	\$ (0.6)	(21.5)	(163.7)
Other income, net	-	-	-	-	-	(1.1)
Finance costs	-	-	-	-	-	3.4
Loss before income tax						(166.1)
Income tax expense (recovery)	-	-	-	-	-	(1.0)
Net loss						\$ (165.1)

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

Three months ended September 30, 2018

(Millions of U.S. Dollars)	Kyrgyz Republic	Turkey	North America		Corporate and other	Total
			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	0.6	(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	-	-	(0.5)	-	4.9	4.4
Earnings (loss) from operations	\$ 28.4	\$ -	\$ 4.6	\$ (2.0)	\$ (10.5)	20.5
Other income, net	-	-	-	-	-	(0.5)
Finance costs	-	-	-	-	-	4.8
Earnings before income tax						16.2
Income tax expense	-	-	-	-	-	0.1
Earnings from continuing operations						16.2
Net loss from discontinued operations	-	-	-	-	-	(10.2)
Net earnings	-	-	-	-	\$	6.0

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

Nine months ended September 30, 2019

(Millions of U.S. Dollars)	Kyrgyz Republic	Turkey	North America		Corporate and other	Total
			Gold-Copper	Molybdenum		
Gold sales	\$ 627.0	\$ -	\$ 156.3	\$ -	\$ -	783.3
Copper sales	-	-	108.9	0.1	-	109.0
Molybdenum sales	-	-	-	164.0	-	164.0
Tolling, calcining and other	-	-	-	6.6	-	6.6
Revenue	627.0	-	265.2	170.7	-	1,062.9
Cost of sales	304.9	-	225.7	167.8	-	698.4
Regional office administration	9.0	-	-	-	-	9.0
Earnings from mine operations	313.1	-	39.5	2.9	-	355.5
Revenue-based taxes	88.2	-	-	-	-	88.2
Other operating expenses	6.3	-	5.7	1.9	0.9	14.8
Care and maintenance	-	-	9.8	10.3	-	20.1
Settlements	10.0	-	-	-	-	10.0
Pre-development project costs	-	-	0.5	-	11.8	12.3
Exploration expenses and business development	7.0	-	5.3	-	6.8	19.1
Corporate administration	-	-	-	-	36.1	36.1
Impairment	-	-	230.5	-	-	230.5
Earnings (loss) from operations	\$ 201.6	\$ -	\$ (212.3)	\$ (9.3)	\$ (55.6)	(75.6)
Other income, net	-	-	-	-	-	(1.8)
Finance costs	-	-	-	-	-	11.1
Loss before income tax						(84.9)
Income tax expense (recovery)	-	-	-	-	-	(3.6)
Net loss						\$ (81.3)
Total assets	\$ 1,101.1	\$ 286.9	\$ 938.3	\$ 248.4	\$ 123.1	2,697.8
Total liabilities	\$ 128.7	\$ 86.4	\$ 242.9	\$ 119.8	\$ 43.9	621.7
Capital expenditure for the period	\$ 106.0	\$ 59.9	\$ 62.9	\$ 4.9	\$ 14.4	248.1

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Nine months ended September 30, 2018

(Millions of U.S. Dollars)	Kyrgyz Republic	Turkey	North America		Corporate and other	Total
			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)
Earnings from continuing operations	-	-	-	-	-	64.6
Net loss from discontinued operations	-	-	-	-	-	(6.0)
Net earnings						\$ 58.6
Total assets (including goodwill)	\$ 1,110.9	\$ 194.2	\$ 1,132.0	\$ 238.8	\$ 240.2	\$ 2,916.1
Total liabilities	\$ 189.8	\$ 52.1	\$ 194.2	\$ 76.5	\$ 300.1	\$ 812.7
Capital expenditure for the period	\$ 148.4	\$ 28.7	\$ 32.1	\$ 0.8	\$ 24.9	\$ 234.9