Centerra Enters into Non-Binding Memorandum of Understanding with the Kyrgyz Government

Toronto, Canada, September 9, 2013: Centerra Gold Inc. (TSX: CG) today announces that it has entered into a non-binding memorandum of understanding (the “MOU”) with the Government of the Kyrgyz Republic in connection with a potential restructuring transaction under which Kyrgyzaltyn JSC (“Kyrgyzaltyn”) would exchange its 32.7% equity interest in Centerra for an interest in a joint venture company that would own the Kumtor Project. The MOU records the current status of negotiations that have been ongoing between management of Centerra and the Kyrgyz Republic advisory working group and provides, among other things, that the following principles will guide the potential restructuring transaction:

- Kyrgyzaltyn would receive a 50% interest in the joint venture company that would own the Kumtor Project in exchange for its 32.7% equity ownership in Centerra and US$100 million which will be provided to Centerra by way of an adjustment to joint venture distributions otherwise due to Kyrgyzaltyn.

- The adjustment to joint venture distributions otherwise due to Kyrgyzaltyn would occur over 10 years commencing in 2015 (in 2014 only interest would be paid) with an appropriate interest rate.

- All of the state agency environmental claims against the Kumtor Project would be resolved prior to the restructuring, by Centerra’s implementation of certain recommendations contained in a report provided to the Government working group by a third-party environmental consultant, and consistent with the laws and procedures of the Kyrgyz Republic and existing agreements between the parties.

- The agreements entered into between, among others, Centerra, Kyrgyzaltyn and Government of the Kyrgyz Republic in 2009 would remain in full force and effect, including the tax regime set out in such agreements.

- The Board of the joint venture company would be composed of an equal number of Centerra and Kyrgyzaltyn representatives. Major decisions of the joint-venture company would be subject to discussion and approval by the Board of the joint venture company.

- Centerra would remain the operator/manager of the Kumtor Project pursuant to an operating agreement which would contain terms and provisions which are typical of such agreements.
The operating agreement would also include provisions for compensation for services provided by Centerra and Kyrgyzaltyn.

- Kyrgyzaltyn would receive six million warrants to acquire Centerra shares, with an exercise price of CDN$10, exercisable for two years.

As further detailed below, Centerra anticipates that, on the basis of the MOU, the Kyrgyz Government will request an appropriate extension from Kyrgyz Republic Parliament’s previously set deadline of September 10, 2013 for the Government of the Kyrgyz Republic to present final agreements incorporating a mutually acceptable solution with respect to the Kumtor Project and certain issues raised in Parliamentary and State Commission reports.

As previously disclosed, the Kyrgyz Republic Parliament passed a resolution on February 21, 2013, which, among other things, recommended that the Kyrgyz Government conduct consultations and negotiations with Centerra to find mutually acceptable solutions with respect to the Kumtor Project and the issues raised in the Parliamentary and State Commission reports. The resolution set a deadline of June 1, 2013 for the Government to return to the Parliament with information on how to implement the Parliament’s recommendations in the resolution. On June 5, 2013, Parliament passed a subsequent resolution which extended the original deadline of June 1, 2013 for three months, and Parliament set a deadline of September 10, 2013 for the Government to present final agreements incorporating a mutually acceptable solution. Such resolution also provided that if a mutually acceptable solution had not been agreed to by such time, the Government had been instructed to develop and submit a draft law “On Denunciation of the Agreement for the Kumtor Project” for review by the Kyrgyz Republic Parliament.

In accordance with the principles set out in the MOU, Centerra will continue its discussions and negotiations with the Kyrgyz Republic working group, however, no binding agreement between the parties has been reached and any definitive agreement for a potential restructuring remains subject to Centerra Special Committee and Board approval, as well as compliance with all applicable legal and regulatory requirements and approvals, including a formal independent valuation and minority shareholder approval. While Centerra expects to continue discussions with the Government working group with the objective of resolving matters through constructive dialogue, there can be no assurance that any transaction will be consummated or that Centerra will be able to successfully resolve any of the matters currently affecting the Kumtor Project. The inability to successfully resolve matters, including obtaining all necessary approvals, and/or further actions of the Kyrgyz Republic Government and/or Parliament, could have a material adverse impact on Centerra’s future cash flows, earnings, results of operations and financial conditions.

**Cautionary Note Regarding Forward-looking Information**

This news release and the documents referred to herein contain statements which are not statements of current or historical facts and are “forward-looking information” within the meaning of applicable Canadian securities laws. Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. Wherever possible, words
such as “believe”, “expect”, “plan”, “continue”, “may”, “will”, “would”, “could”, “should”, and other similar expressions have been used to identify forward-looking information.

These forward-looking statements relate to, among other things, the Company’s ability to reach definitive agreements with the Kyrgyz Republic Government regarding the potential restructuring transaction, the extension of the Kyrgyz Republic Parliament’s September 10, 2013 deadline and approval of the transaction by the Kyrgyz Republic Government and Parliament, the board of Kyrgyzaltyn, the board of directors and shareholders of Centerra and applicable regulatory authorities in Canada. Although the forward-looking information in this news release reflects Centerra’s current beliefs as of the date of this news release based on information currently available to management and based upon what management believes to be reasonable assumptions, Centerra cannot be certain that actual results, performance, achievements, prospects and opportunities, either expressed or implied will be consistent with such forward-looking information. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking information. Centerra assumes no obligation to update or revise forward-looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

About Centerra

Centerra is a gold mining company focused on operating, developing, exploring and acquiring gold properties primarily in Asia, the former Soviet Union and other emerging markets worldwide. Centerra is a leading North American-based gold producer and is the largest Western-based gold producer in Central Asia. Centerra’s shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is headquartered in Toronto, Ontario, Canada.

Additional information on Centerra is available on the Company’s web site at www.centerragold.com and at SEDAR at www.sedar.com.

For more information:
Jeff Parr
Chief Financial Officer
(416) 204-1369
jeff.parr@centerragold.com

John W. Pearson
Vice President, Investor Relations
(416) 204-1241
john.pearson@centerragold.com