

centerra**GOLD**



NEWS RELEASE

Centerra Enters into Non-Binding Heads of Agreement with the Kyrgyz Government

This news release contains forward-looking information that is subject to the risk factors and assumptions set out on under the heading, “Cautionary Note Regarding Forward-looking Information”. All dollar figures are in U.S. dollars.

Toronto, Canada, December 24, 2013: Centerra Gold Inc. (TSX: CG) today announces that it has entered into a non-binding Heads of Agreement (the “HOA”) with the Government of the Kyrgyz Republic and Kyrgyzaltyn JSC (“Kyrgyzaltyn”) in connection with a potential restructuring transaction under which Kyrgyzaltyn would exchange its 32.7% equity interest in Centerra for a 50% interest in a joint venture company that would own the Kumtor Project. The HOA represents the results of additional negotiations between Centerra, the Government of the Kyrgyz Republic, and Kyrgyzaltyn following the entering of the Memorandum of Understanding dated September 9, 2013 (the “MOU”), which was rejected by the Parliament of the Kyrgyz Republic on October 23, 2013. The HOA supercedes the MOU and contemplates that the parties will negotiate definitive agreements to give effect to the restructuring. Centerra understands that the Government delivered the HOA to Parliament on December 23 for its consideration.

The HOA retains most of the material terms of the MOU, including the following:

- 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.
- 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 comprised of an equal number of Centerra and Kyrgyzaltyn representatives. Consistent with Centerra's ability to consolidate the financial results of the Kumtor project, 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 typical terms and provisions.
- The operating agreement would also include provisions for compensation for services provided by Centerra and Kyrgyzaltyn.

The HOA also includes certain additional provisions not contained in the MOU, including the following:

- The existing mobile mine equipment at Kumtor, having a value of approximately \$200 million, would be held by Centerra and capital leased to the joint venture for 10 years on commercial terms, following which the joint venture would be entitled to purchase such equipment for \$1.
- Further to the equipment lease arrangement, the dividend distribution adjustment of \$100 million (from Kyrgyzaltyn in favour of Centerra) which was in the MOU has been removed.
- Centerra would be entitled to compensation in a fixed amount per year for acting as the manager, which amount will be agreed by the parties and reflected in definitive documents.
- The HOA would resolve, in accordance with the requirements of the laws and agreements of the Kyrgyz Republic, comprehensively and finally, all claims and concerns relating to the Kumtor Project, including but not limited to environmental, technical and land use matters, in accordance with the findings and recommendation of Kyrgyzaltyn's external legal, financial, environmental and technical experts, including AMEC, which has examined the Kumtor Project's environmental and technical practices.
- The joint venture would commit to investments in community development projects in an amount equal to two percent of the prior year's free cash flow (subject to a minimum of \$2 million per year)
- The joint venture would commit to increasing local procurement in the Kyrgyz Republic by an aggregate of \$100 million over the remaining life of the mine and to increase the number of Kyrgyz nationals in management positions at the joint venture.
- At the end of the current life of mine plan in 2026, Kyrgyzaltyn would have the rights to: (a) increase its ownership interest in the Kumtor Project from 50% to 67% for a price equal to fair market value; and (b) recover the gold contained in the tailings facility for \$1.00.
- Kyrgyzaltyn would receive: (a) warrants to acquire six million Centerra shares, for an exercise price of CAD\$10.00 per Centerra share, exercisable for two years after the restructuring; and (b) warrants to acquire four million Centerra shares, for an exercise price of CAD\$12.00 per Centerra share, exercisable for three years after the restructuring. (The MOU provided for a grant of warrants to acquire six million Centerra shares, for an exercise price of CAD\$10.00 per Centerra share, exercisable for two years after the restructuring.)

As previously disclosed, the Kyrgyz Parliament set a deadline of December 23, 2013 for the parties to conclude discussions regarding a proposed restructuring of the Kumtor Project. There can be no assurance that the Kyrgyz Parliament will approve the HOA or any definitive agreements which the parties may negotiate further to the HOA. Any definitive agreements for a potential restructuring remain subject to the recommendation of the Centerra Special Committee and the approval of the Centerra Board, as well as compliance with all applicable legal and regulatory requirements and approvals, including a formal independent valuation and required shareholder approval, as well as required approvals in the Kyrgyz Republic, including of the Government and Parliament of the Kyrgyz Republic.

Centerra remains committed to continuing discussions with the Kyrgyz Government; however there can be no assurance that any definitive agreements will be reached between the parties or that any agreed upon transaction will receive required approvals or will be consummated. The inability of Centerra to successfully resolve all outstanding matters affecting the Kumtor Project would have a

material adverse impact on Centerra's future cash flows, earnings, results of operations and financial conditions.

In its decree of October 23, 2013, the Kyrgyz Parliament instructed the Government to unilaterally initiate, develop and submit a draft law to cancel the project agreements that currently govern the Kumtor Project. There can be no assurance that Parliament and/or the Government will not take unilateral actions which are inconsistent with their obligations under the project agreements that govern the Kumtor Project. Any such action, if taken, 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

Information contained in this news release which are not statements of historical facts, and the documents incorporated by reference herein, may be "forward looking information" for the purposes of 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. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking information.

These forward-looking statements relate to, among other things, the outcome of the Parliamentary review of the HOA, the outcome of any future negotiations between the parties, including the ability of the parties to agree on definitive agreements and to satisfy and obtain the applicable legal and regulatory requirements and approvals required to affect the restructuring.

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. Factors that could cause actual results or events to differ materially from current expectations include, among other things, political and regulatory risks, including the political risks associated with the Company's principal operations in the Kyrgyz Republic, resource nationalism, the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices in the jurisdictions in which the Company operates, the impact of any actions taken by the Kyrgyz Republic Government and Parliament as a result of the Kyrgyz State Commission on Kumtor, any impact on the purported cancellation of Kumtor's land use rights at the Kumtor Project, the impact of changes to, or the increased enforcement of, environmental laws and regulations relating to the Company's operations; risks relating to the Company's ability to enforce its legal rights, risks associated with having a significant shareholder, and possible director conflicts of interest. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated,

estimated or intended. See “Risk Factors” in the Company’s Annual Information Form for the year ended December 31, 2012 available on SEDAR at www.sedar.com.

There can be no assurances that forward looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward looking statements contained herein or incorporated by reference. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward looking information. Forward looking information is as of December 24, 2013. 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 Gold Inc. 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 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 based 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:

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

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