Centerra Gold Inc.

Condensed Consolidated Interim Financial Statements

For the Quarter Ended March 31, 2018
(Unaudited)
(Expressed in thousands of United States Dollars)

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

(Expressed in thousands of United States Dollars)	Notes		March 31, 2018		December 31, 2017
Assets					
Current assets					
Cash and cash equivalents		**$**	**120,431**	$	415,891
Restricted cash			**55**		-
Amounts receivable, net	**5**		**92,573**		63,902
Inventories, net	**6**		**538,723**		506,208
Prepaid expenses and other current assets			**24,892**		25,933
			776,674		1,011,934
Property, plant and equipment	**7**		**1,873,336**		1,674,444
Royalty assets			**127,073**		-
Goodwill			**16,070**		16,070
Restricted cash			**2,955**		687
Reclamation deposits			**30,703**		26,525
Other assets			**36,074**		42,515
			2,086,211		1,760,241
Total assets		**$**	**2,862,885**	$	2,772,175
Liabilities and Shareholders' equity					
Current liabilities					
Accounts payable and accrued liabilities	**8**	**$**	**148,082**	$	181,829
Provision for Kyrgyz Republic settlement			**53,000**		53,000
Short-term debt	**9**		**-**		48,536
Current portion of lease obligations			**32,485**		31,986
Revenue-based taxes payable			**13,058**		15,953
Taxes payable			**744**		2,592
Current portion of provision for reclamation	**10**		**1,278**		832
Current portion of derivative liabilities	**16**		**8,257**		16,057
Other current liabilities			**3,712**		7,021
			260,616		357,806
Long-term debt	**9**		**312,400**		211,611
Provision for reclamation	**10**		**178,507**		166,174
Lease obligations			**995**		-
Deferred income tax liability			**63,131**		-
Derivative liabilities	**16**		**2,205**		7,273
Other liabilities			**3,952**		3,882
			561,190		388,940
Shareholders' equity					
Share capital	**13**		**948,137**		948,121
Contributed surplus			**26,024**		25,781
Accumulated other comprehensive loss			**(8,025)**		(14,371)
Retained earnings			**1,074,943**		1,065,898
			2,041,079		2,025,429
Total liabilities and Shareholders' equity		**$**	**2,862,885**	$	2,772,175

Commitments (note 14)

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

Centerra Gold Inc.
Condensed Consolidated Interim Statements of Earnings and Comprehensive Income
(Unaudited)

			Three months ended March 31,		
			2018		**2017**
(Expressed in thousands of United States Dollars)					
(except per share amounts)					
	Notes				
Gold sales		**$**	**169,090**	$	220,266
Copper sales			**10,012**		28,562
Molybdenum sales			**54,121**		34,271
Tolling, calcining and other			**2,176**		2,243
Revenue			**235,399**		285,342
Cost of sales	**11**		**152,815**		171,889
Standby costs, net			**10,849**		-
Regional office administration			**2,802**		4,150
Earnings from mine operations			**68,933**		109,303
Revenue-based taxes			**21,556**		23,170
Other operating expenses			**3,555**		2,017
Care and maintenance expense			**5,712**		4,640
Pre-development project costs			**2,168**		1,108
Exploration expenses and business development			**2,425**		1,772
Business combination acquisition and integration expenses	**4**		**4,413**		934
Corporate administration			**10,489**		10,172
Earnings from operations			**18,615**		65,490
Other income, net			**(5,421)**		(333)
Finance costs	**12**		**14,804**		7,732
Earnings before income tax			**9,232**		58,091
Income tax expense			**187**		1,137
Net earnings		**$**	**9,045**	$	56,954
Other Comprehensive Income					
Items that may be subsequently reclassified to earnings:					
Net (loss) gain on translation of foreign operation			**(1,039)**		290
Net movement in cashflow hedge, net of tax	**16**		**7,385**		(282)
Other comprehensive income ("OCI")			**6,346**		8
Total comprehensive income		**$**	**15,391**	$	56,962
Basic earnings per common share	**13**	**$**	**0.03**	$	0.20
Diluted earnings per common share	**13**	**$**	**0.03**	$	0.20

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)

(Expressed in thousands of United States Dollars)	**Notes**	**Three months ended March 31, 2018**	**2017**
Operating activities			
Net earnings		**$ 9,045**	$ 56,954
Adjustments for the following items:			
Depreciation, depletion and amortization	**7**	**42,704**	55,924
Amortization of royalty assets		**2,151**	-
Fair value movement of marketable securities		**112**	-
Finance costs	**12**	**14,804**	7,732
Loss on disposal of equipment		**22**	40
Compensation expense on stock options		**243**	316
Other share based compensation expense (reversal)		**2,707**	(2,911)
Income tax expense		**187**	1,137
		71,975	119,192
Change in operating working capital	**17(a)**	**(106,305)**	(45,642)
Change in long-term inventory		**-**	14
Purchase and settlement of derivatives		**(2,189)**	(552)
Payments toward provision for reclamation		**(172)**	(121)
Income taxes paid		**(3,039)**	(428)
Cash (used in) provided by operations		**(39,730)**	72,463
Investing activities			
Additions to property, plant and equipment	**17(b)**	**(58,991)**	(68,980)
Net purchase of short-term investments		**-**	(25,001)
Acquisition of AuRico Metals Inc., net of cash acquired	**4**	**(226,800)**	-
Increase in restricted cash		**(2,323)**	(2,716)
Reclamation deposits payments and change in other assets		**(7,336)**	(8,201)
Proceeds from disposition of fixed assets		**1,345**	-
Cash used in investing		**(294,105)**	(104,898)
Financing activities			
Debt proceeds (repayment)	**17(c)**	**49,070**	(37,500)
Payment of interest and borrowing costs	**17(c)**	**(10,695)**	(8,742)
Cash (used in) provided by financing		**38,375**	(46,242)
Increase (decrease) in cash during the period		**(295,460)**	(78,677)
Cash and cash equivalents at beginning of the period		**415,891**	160,017
Cash and cash equivalents at end of the period		**$ 120,431**	$ 81,340
Cash and cash equivalents consist of:			
Cash		**$ 77,378**	$ 38,287
Cash equivalents		**43,053**	43,053
		$ 120,431	$ 81,340

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	-	-	316	-	-	316
Shares issued on redemption of restricted share units	2,369	12	-	-	-	12
Foreign currency translation	-	-	-	290	-	290
Net movement in cashflow hedge, net of tax (note 16)	-	-	-	(282)	-	(282)
Net earnings for the period	-	-	-	-	56,954	56,954
Balance at March 31, 2017	291,278,437	$ 944,645	$ 26,192	$ (2,584)	$ 913,319	$ 1,881,572
Balance at January 1, 2018	**291,782,846**	**948,121**	**25,781**	**(14,371)**	**1,065,898**	**2,025,429**
Share-based compensation expense	**-**	**-**	**243**	**-**	**-**	**243**
Shares issued on redemption of restricted share units	**3,124**	**16**	**-**	**-**	**-**	**16**
Foreign currency translation	**-**	**-**	**-**	**(1,039)**	**-**	**(1,039)**
Net movement in cashflow hedge, net of tax (note 16)	**-**	**-**	**-**	**7,385**	**-**	**7,385**
Net earnings for the period	**-**	**-**	**-**	**-**	**9,045**	**9,045**
Balance at March 31, 2018	**291,785,970**	**$ 948,137**	**$ 26,024**	**$ (8,025)**	**$ 1,074,943**	**$ 2,041,079**

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

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.

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

These financial statements were authorized for issuance by the Board of Directors of the Company on April 30, 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 and those new standards adopted in the period as described below.

Recently adopted accounting policies are as follows:

Royalty interests in mineral properties

Royalty assets acquired in a business combination are recorded at fair value on the date of acquisition. Subsequently, they are recorded at cost less accumulated amortization. Amortization of royalty assets is determined using the unit-of-production method over the life of the property to which the royalty relates. The life of the property is estimated using life of mine models specifically associated with the mineral property to which the royalty relates, which include proven and probable reserves and may include a portion of resources expected to be converted into reserves. Where life of mine models are not available, the Company uses publically available statements of reserves and resources and other information gathered from historical experience to develop a best estimate of ounces to be produced and delivered under the contract.

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 (January 1, 2018), without restating the financial statements on a retrospective basis.

The Company has reviewed its revenue streams and contracts with customers using the five-step analysis under IFRS 15 and there are no material changes to amount and timing of revenue recognized. Accordingly, there were no transition adjustments and the information presented for 2017 has not been restated and it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

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

4. Acquisition of AuRico Metals

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 mining development and royalty company with 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 including a 1.5% net smelter return ("NSR") royalty on the Young-Davidson gold mine in Ontario and a 2.0% NSR royalty on the Fosterville mine in Australia (collectively "the Royalty Portfolio").

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 Cdn$307 million ($247 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 9).

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:

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

		January 8, 2018
Total consideration		
Cash paid to shareholders	$	246,961
	$	246,961
Assets acquired		
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)		129,224
Total assets	$	330,287
Liabilities assumed		
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

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

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

	Three months ended March 31,			
		2018		2017
Due diligence costs	$	2,082	$	-
Integration costs		2,331		-
	$	4,413	$	-

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

5. Amounts receivable

		March 31, 2018		December 31, 2017
Gold sales receivable from related party (note 15)	**$**	**31,940**	$	20
Gold and copper concentrate sales receivable		**381**		13,650
Molybdenum sales receivable		**33,388**		22,999
Provisionally priced gold and copper concentrate sales		**15,927**		20,890
Consumption tax receivable		**5,386**		3,817
Royalties receivable		**3,160**		-
Other receivables		**2,391**		2,526
Total amounts receivable (net of provision)	**$**	**92,573**	$	63,902

The Company has recorded a provision for credit losses of nil as at March 31, 2018 (December 31, 2017 - nil).

6. Inventories

		March 31, 2018		December 31, 2017
Stockpiles of ore (a)	**$**	**220,768**	$	212,114
Gold in-circuit		**30,332**		23,595
Gold doré		**6,464**		15,023
Copper and gold concentrate		**15,122**		6,745
Molybdenum inventory		**49,914**		41,427
		322,600		298,904
Supplies (net of provision)		**217,843**		209,032
Total inventories (net of provisions)	**$**	**540,443**	$	507,936
Less: Long-term supplies inventory		**(1,720)**		(1,728)
Total inventories - current portion	**$**	**538,723**	$	506,208

(a) As at March 31, 2018, the amount of ore not scheduled for processing within the next 12 months, but is available on-demand, is $113.7 million (December 31, 2017 – $111.8 million).

The Company has recorded a provision for supplies obsolescence of $31.5 million as at March 31, 2018 (December 31, 2017 - $30.9 million).

Molybdenum inventory of $49.9 million as at March 31, 2018 (December 31, 2017 - $41.4 million) included work-in-process inventory of $24.6 million (December 31, 2017 - $21.4 million) and finished goods inventory of $25.3 million (December 31, 2017 - $20.0 million).

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

7. 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)	56,775	113,454	-	1,082	-	171,311
Additions	86	(53)	38,456	1,645	33,641	73,775
Disposals	(1,222)	-	-	(3,439)	-	(4,661)
Reclassification	9,848	-	-	21,999	(31,847)	-
Balance March 31, 2018	**$ 1,169,432**	**$ 643,642**	**$ 386,028**	**$ 571,140**	**$ 121,709**	**$ 2,891,951**
Accumulated depreciation and impairment						
January 1, 2018	361,356	171,494	38,711	391,173	14,348	977,082
Charge for the period	13,417	2,189	12,444	16,731	-	44,781
Disposals	(42)	-	-	(3,206)	-	(3,248)
Balance March 31, 2018	**$ 374,731**	**$ 173,683**	**$ 51,155**	**$ 404,698**	**$ 14,348**	**$ 1,018,615**
Net book value						
Balance December 31, 2017	$ 742,589	$ 358,747	$ 308,861	$ 158,680	$ 105,567	$ 1,674,444
Balance March 31, 2018	**$ 794,701**	**$ 469,959**	**$ 334,873**	**$ 166,442**	**$ 107,361**	**$ 1,873,336**

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

	Three months ended March 31, 2018	2017
Amount recorded in cost of sales (note 11)	**$ 41,275**	$ 54,309
Amount recorded in corporate administration	**52**	112
Amount recorded in care and maintenance expense	**1,377**	1,503
Total included in Statements of Earnings	**42,704**	55,924
Inventories movement (note 17(a))	**(7,705)**	(37,979)
Amount capitalized in PP&E (note 17(b))	**9,782**	15,795
Depreciation, depletion and amortization charge for the year	**$ 44,781**	$ 33,740

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

8. Accounts payable and accrued liabilities

		March 31, 2018		December 31, 2017
Trade creditors and accruals	$	**113,903**	$	122,101
Amount due to Royal Gold		**23,884**		50,650
Liability for share-based compensation		**10,295**		9,078
	$	**148,082**	$	181,829

9. Debt

	Centerra B.C. Holdings Credit Facility Non-Revolver	EBRD Facility Revolver	AuRico Acquisition Facility Non-Revolver	Corporate Facility Revolver	Total
Principal					
Balance December 31, 2017	$ 190,000	$ 76,000	$ -	$ -	$ 266,000
Drawdown	-	-	125,000	315,070	440,070
Settlement	(190,000)	(76,000)	(125,000)	-	(391,000)
Balance March 31, 2018	**$ -**	**$ -**	**$ -**	**$ 315,070**	**$ 315,070**
Deferred costs					
Balance December 31, 2017	$ (4,241)	$ (1,612)	$ -	$ -	$ (5,853)
Additions	-	-	-	(2,793)	(2,793)
Amortization	4,241	1,612	-	123	5,976
Balance March 31, 2018	**$ -**	**$ -**	**$ -**	**$ (2,670)**	**$ (2,670)**
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	-	-	-	312,400	312,400
Balance March 31, 2018	**$ -**	**$ -**	**$ -**	**$ 312,400**	**$ 312,400**

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 noted 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"). Of the EBRD Facility, $50 million was to be used for the purposes of funding direct and indirect costs associated with the Gatsuurt Project.

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.

AuRico Acquisition Facility

The Acquisition was funded, in part, by a new $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 noted below. All fees associated with the financing have been 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.

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 certain of its material subsidiaries which includes the Mount Milligan mine, the Endako mine, the Langeloth facility, the Kemess Underground property, the Kemess East property and the Royalty Portfolio. In addition, the Company is expected to maintain compliance with specified covenants (including financial covenants) which it was in compliance with for the period ended March 31, 2018.

As at March 31, 2018, $315 million was drawn on the Corporate Facility.

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

		March 31, 2018		December 2017
Corporate Facility				
Undrawn amount of the facility	**$**	**185,000**	$	-
Interest rate - LIBOR plus (a)		**2.25% - 3.75%**		

(a) The interest rate applied is dependent on an indebtedness ratio calculation and is paid and re-assessed quarterly. The margin interest rate 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 revolving credit 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.

Availability of the OMAS Facility is subject to customary conditions precedent, with a deadline for completion of June 30, 2018. If the conditions are not satisfied, waived or amended by such deadline, the commitments under the OMAS Facility will be cancelled.

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, Centerra 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 as at January 16, 2023 will be limited to the OMAS facility balance outstanding at that time.

		March 31, 2018		December 2017
OMAS Facility				
Undrawn amount of the facility	**$**	**150,000**	$	150,000
Interest rate - LIBOR plus (a)		**2.65% - 2.95%**		

(a) The interest rate applied is dependent on the timing of the completion of the Öksüt Project construction.

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

10. Provision for reclamation

		March 31, 2018		**December 31, 2017**
Kumtor gold mine	**$**	**53,884**	$	53,565
Boroo gold mine		**21,646**		21,644
Mount Milligan mine		**27,599**		28,148
Thompson Creek mine		**35,827**		35,618
Endako mine		**26,180**		26,714
Kemess Underground Project		**13,324**		-
Gatsuurt Project		**1,325**		1,317
Total provision for reclamation		**179,785**		167,006
Less: current portion		**(1,278)**		(832)
	$	**178,507**	$	166,174

For the three months ended March 31, 2018, there were no changes to the risk-free discount rates or undiscounted costs on any of the Company's reclamation provisions.

11. Cost of sales

		Three months ended March 31, 2018		**2017**
Operating costs:				
Salaries and benefits	**$**	**30,111**	$	28,358
Consumables and maintenance charges		**58,878**		44,072
Third party services		**6,208**		6,761
Other operating costs		**139**		4,144
Royalties, levies and production taxes		**1,778**		2,894
By-product sales (a)		**(4,778)**		(4,309)
Changes in inventories		**18,610**		35,660
		110,946		117,580
Supplies inventory obsolescence charge		**594**		-
Depreciation, depletion and amortization (note 7)		**41,275**		54,309
	$	**152,815**	$	171,889

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

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

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.

12. Finance costs

	Three months ended March 31,	
	2018	**2017**
Interest expense	**$ 3,389**	$ 6,090
Deferred costs amortized	**5,976**	661
Commitment fees	**399**	(13)
Accretion of provision for reclamation	**1,017**	934
Other financing fees	**4,023**	60
	$ 14,804	$ 7,732

13. Shareholders' equity

Earnings per share

Basic and diluted earnings per share computation:

	Three months ended March 31,	
	2018	**2017**
Net earnings attributable to shareholders and for the purposes of diluted earnings per share	**$ 9,045**	$ 56,954
(Thousands of common shares)		
Basic weighted average number of common shares outstanding	**291,785**	291,278
Effect of potentially dilutive securities:		
Stock options	**321**	425
Diluted weighted average number of common shares outstanding	**292,106**	291,703
Basic earnings per common share	**$ 0.03**	$ 0.20
Diluted earnings per common share	**$ 0.03**	$ 0.20

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

For the three months ended March 31, 2018 and 2017, certain 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 March 31,	
(Thousands of units)	**2018**	**2017**
Stock options	**3,015**	2,200
Restricted share units	**290**	148
	3,305	2,348

14. Commitments

Commitments

(a) Contracts

As at March 31, 2018, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $106.4 million (Öksüt Project $47.1 million, Kumtor - $41.5 million, Mount Milligan - $15.5 million, Greenstone Gold Property - $1.7 million and Kemess Underground - $0.3 million and other - $0.3 million). Öksüt Project commitments include $27 million of contracts that will be settled over the next two to three years, while a majority of all other contracts are expected to be settled over the next twelve months.

(b) Greenstone Partnership

As consideration for the Company's initial 50% partnership interest in Greenstone Gold Mines LP, the Company agreed to commit up to an additional Cdn$185 million to fund the project, subject to certain feasibility and project advancement criteria. In the event that the project is put under care and maintenance as a result of feasibility study or project criteria not being met, the Company will be required to make contributions towards the costs associated with the care and maintenance of the project for a period of two years or until the Cdn$185 million is spent (if such event occurs first), after which time the partners would fund such costs on a pro rata basis. Any such costs will form part of the Cdn$185 million development contributions commitment of the Company. As at March 31, 2018, the Company has funded a total of Cdn$71.9 million ($55.3 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 March 31, 2018, the Company had commitments to purchase approximately 17.4 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.

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

15. Related party transactions

a. Kyrgyzaltyn

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

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

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

	Three months ended March 31,			
		2018		**2017**
Sales:				
Gross gold and silver sales to Kyrgyzaltyn	**$**	**155,061**	$	165,119
Deduct: refinery and financing charges		**(1,091)**		(970)
Net sales revenue received from Kyrgyzaltyn	**$**	**153,970**	$	164,149
Expenses:				
Contracting services provided by Kyrgyzaltyn	**$**	**220**	$	179
Management fees payable to Kyrgyzaltyn		**117**		135
Expenses paid to Kyrgyzaltyn	**$**	**337**	$	314

Related party balances

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

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

		March 31, 2018		December 31, 2017
Amounts receivable (a)	**$**	**31,940**	$	20
Amount payable	**$**	**1,173**	$	1,160

(a) Subsequent to March 31, 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.

16. 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, trade creditors and accruals, lease obligations, debt, and revenue-based taxes payable.

Derivative Instruments

The Company uses derivative instruments as part of its risk management program to mitigate exposures to various market risks including commodity prices, currency exchange rates and the cost of fuel.

Provisionally-priced contracts

Certain copper-gold concentrate sales contracts provide for provisional pricing. These sales contain an embedded derivative related to the provisional pricing mechanism and are marked to market at the end of each reporting period. As at March 31, 2018 the Company's trade receivables with embedded derivatives had a fair value of $7.7 million (December 31, 2017 - $20.9 million), representing 13.4 million pounds of copper and 33,080 ounces of gold (December 31, 2017 – 17.6 million pounds of copper and 78,578 ounces of gold).

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

The hedge positions outstanding as at March 31, 2018 are summarized as follows:

					Settlement		As at March 31, 2018
Contract	**Instrument**	**Unit**	**Average strike price**	**Type**	**2018**	**2019**	**Total position**
Fuel	Crude oil options	Barrels	$65.00	Fixed	225,000	72,000	297,000
Fuel	Zero-cost collars	Barrels	$46/$59	Fixed	-	23,000	23,000
Copper	Forward contracts	Pounds	$2.95	Fixed	3.6 million	-	3.6 million
Copper	Zero-cost collars	Pounds	$2.49/$3.25	Fixed	32.9 million	27.5 million	60.4 million
Gold	Forward contracts	Ounces	$1,286.00	Fixed	26,045	-	26,045
Gold	Zero-cost collars	Ounces	$1,248/$1,362	Fixed	44,806	36,799	81,605
Royal Gold deliverables							
Non-hedge gold	Forward contracts	Ounces	ND	Float	18,809	-	18,809
Non-hedge copper	Forward contracts	Pounds	ND	Float	5.3 million	-	5.3 million
Currency contracts							
Non-hedge currency contracts	Zero-cost collars	CAD Dollars	1.23/1.311	Fixed	37 million	-	37 million

ND = Contracts with floating terms, that are not defined as at March 31, 2018.

The gold hedging program is more heavily weighted to zero cost collars in the second half of 2018 and 2019 with 70% and 100% collars, respectively. This hedging strategy has also been adopted for copper hedges with 100% collars remaining in 2018 and 2019.

(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 March 31,			
		2018		**2017**
Cash flow hedges				
Gold, copper and fuel contracts				
Cash flow hedges - effective portion of changes in fair value	**$**	**10,213**	$	(107)
Cash flow hedges - reclassified to Statement of Earnings		**(2,828)**		(175)
Net gain (loss) included in AOCI, net of tax (a)	**$**	**7,385**	$	(282)
Cash flow hedges - reclassified from AOCI	**$**	**2,828**		175
Gain (loss) recognized on derivative instruments (b)		**1,131**		(155)
Total gain included in Statements of Earnings	**$**	**3,959**	$	20
Non-hedge derivatives				
Non-hedge gold, non-hedge copper and currency contracts				
Total (loss) gain included in revenue	**$**	**(387)**	$	2,834
Total (loss) gain included in other income, net	**$**	**(1,050)**	$	312

(a) Includes tax for the three months ended March 31, 2018 of nil (March 31, 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.

(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:

	March 31, 2018	December 31, 2017
Cash flow hedge		
Gold, copper and fuel contracts		
Prepaid expenses and other current assets	**$ 1,313**	$ 908
Other non-current assets	**455**	545
Current portion of derivative liabilities	**(7,768)**	(15,870)
Non-current derivative liabilities	**(2,205)**	(7,273)
	$ (8,205)	$ (21,690)
Non-hedge derivatives		
Non-hedge gold, non-hedge copper and currency contracts		
Prepaid expenses and other current assets	**$ -**	$ 1,055
Current portion of derivative liabilities	**(489)**	(187)
	$ (489)	$ 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:

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

March 31, 2018

	Amortized cost	Assets/liabilities at fair value through earnings	Assets/liabilities at fair value through OCI
Financial assets			
Cash and cash equivalents	$ 120,431	$ -	$ -
Restricted cash	3,010	-	-
Amounts receivable	76,646	-	-
Provisionally-priced receivables - Level 2	-	15,927	-
Taxes receivable	21,302	-	-
Long-term receivables	2,549	-	-
Derivative assets - Level 2	-	-	1,768
	$ 223,938	$ 15,927	$ 1,768
Financial liabilities			
Trade creditors and accruals	$ 113,903	$ -	$ -
Amount due to Royal Gold - Level 2	-	23,884	-
Lease obligations	32,485	-	-
Debt	312,400	-	-
Revenue-based taxes payable	13,058	-	-
Derivative liabilities - Level 2	-	489	9,973
	$ 471,846	$ 24,373	$ 9,973

(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
Financial assets			
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
	$ 483,541	$ 21,945	$ 1,453
Financial liabilities			
Trade creditors and accruals	$ 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
	$ 430,187	$ 50,837	$ 23,143

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.

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

17. Supplemental disclosure

a. Changes in operating working capital

	Three months ended March 31, 2018		Three months ended March 31, 2017	
Increase in amounts receivable	**$**	**(24,328)**	$	(58,221)
(Increase) decrease in inventory - ore and metal		**(20,696)**		50,447
Increase in inventory - supplies		**(8,836)**		(14,579)
Decrease in prepaid expenses		**2,897**		532
(Decrease) increase in trade creditors and accruals		**(45,533)**		17,971
Decrease in revenue-based tax payable		**(2,895)**		(1,388)
Decrease in depreciation and amortization included in inventory (note 7)		**(7,705)**		(37,979)
Decrease (increase) in accruals included in additions to PP&E		**562**		(1,739)
Increase (Decrease) in other taxes payable		**229**		(686)
	$	**(106,305)**	$	(45,642)

b. Investment in PP&E

	Three months ended March 31, 2018		Three months ended March 31, 2017	
Additions to PP&E during the period (note 7)	**$**	**(73,775)**	$	(87,867)
Greenstone Gold Property translation adjustment		**(1,039)**		290
Capitalized parts		**5,508**		-
Impact of revisions to asset retirement obligation included in PP&E		**(703)**		364
Depreciation and amortization included in additions to PP&E (note 7)		**9,782**		15,795
Capitalization of OMAS financing costs		**304**		699
Leased asset		**1,494**		-
Increase in accruals related to additions to PP&E		**(562)**		1,739
	$	**(58,991)**	$	(68,980)

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

c. Changes in liabilities arising from financing activities

	Debt	Interest payable[(a)]
Balance at January 1, 2018	**260,147**	**1,551**
Changes due to:		
Borrowings (repayments)	**49,070**	**(7,902)**
Financing costs deferred	**(2,793)**	**-**
Amortization of deferred financing costs	**5,976**	**-**
Interest expense	**-**	**3,389**
Capitalized financing costs and other	**-**	**3,576**
Balance at March 31, 2018	**312,400**	**614**
Balance at January 1, 2017	**465,132**	**4,783**
Changes due to:		
Repayments	**(37,500)**	**(8,742)**
Amortization of deferred financing costs	**662**	**-**
Interest expense	**-**	**6,090**
Capitalized financing costs and other	**-**	**77**
Balance at March 31, 2017	**428,294**	**2,208**

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

18. Segmented Information

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

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

Three months ended March 31, 2018

				North America			
(Millions of U.S. Dollars)	**Kyrgyz Republic**	**Mongolia**	**Turkey**	**Gold-Copper**	**Molybdenum**	**Corporate and other**	**Total**
Gold sales	**$ 153.0**	**$ -**	**$ -**	**$ 16.1**	**$ -**	**$ -**	**$ 169.1**
Copper sales	**-**	**-**	**-**	**10.0**	**-**	**-**	**10.0**
Molybdenum sales	**-**	**-**	**-**	**-**	**54.1**	**-**	**54.1**
Tolling, calcining and other	**-**	**-**	**-**	**-**	**2.2**	**-**	**2.2**
Revenue	**153.0**	**-**	**-**	**26.1**	**56.3**	**-**	**235.4**
Cost of sales	**78.1**	**-**	**-**	**24.2**	**50.5**	**-**	**152.8**
Standby costs, net	**-**	**-**	**-**	**10.8**	**-**	**-**	**10.8**
Regional office administration	**2.8**	**-**	**-**	**-**	**-**	**-**	**2.8**
Earnings (loss) from mine operations	**72.1**	**-**	**-**	**(8.9)**	**5.8**	**-**	**69.0**
Revenue-based taxes	**21.6**	**-**	**-**	**-**	**-**	**-**	**21.6**
Other operating expenses	**1.7**	**-**	**-**	**1.2**	**0.6**	**-**	**3.5**
Care and maintenance	**-**	**1.7**	**-**	**1.4**	**2.6**	**-**	**5.7**
Pre-development project costs	**-**	**-**	**-**	**0.6**	**-**	**1.6**	**2.2**
Exploration expenses and business development	**-**	**0.1**	**-**	**0.2**	**-**	**2.1**	**2.4**
AuRico acquisition and integration						**4.4**	**4.4**
Corporate administration	**-**	**0.1**	**-**	**0.1**	**-**	**10.2**	**10.4**
Earnings (loss) from operations	**48.8**	**(1.9)**	**-**	**(12.4)**	**2.6**	**(18.3)**	**18.8**
Other income, net							**(5.4)**
Finance costs							**14.8**
Earnings before income tax							**9.4**
Income tax expense							**0.2**
Net earnings							**$ 9.2**
Capital expenditure for the year	**$ 53.2**	**$ -**	**$ 5.4**	**$ 12.7**	**$ 0.2**	**$ 2.3**	**$ 73.8**
Goodwill	**$ -**	**$ -**	**$ -**	**$ 16.1**	**$ -**	**$ -**	**$ 16.1**
Total assets (excluding goodwill)	**$ 1,081.9**	**$ 63.5**	**$ 60.6**	**$ 1,089.1**	**$ 243.7**	**$ 308.0**	**$ 2,846.8**
Total liabilities	**$ 183.7**	**$ 25.8**	**$ 0.5**	**$ 168.9**	**$ 79.8**	**$ 363.1**	**$ 821.8**

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

Three months ended March 31, 2017

				North America			
(Millions of U.S. Dollars)	**Kyrgyz Republic**	**Mongolia**	**Turkey**	**Gold-Copper**	**Molybdenum**	**Corporate and other**	**Total**
Gold sales	$ 164.2	$ -	$ -	$ 56.1	$ -	$ -	$ 220.3
Copper sales	-	-	-	28.6	-	-	28.6
Molybdenum sales	-	-	-	-	34.3	-	34.3
Tolling, calcining and other	-	-	-	-	2.2	-	2.2
Revenue	164.2	-	-	84.7	36.5	-	285.4
Cost of sales	72.5	-	-	65.7	33.7	-	171.9
Regional office administration	4.2	-	-	-	-	-	4.2
Earnings (loss) from mine operations	87.5	-	-	19.0	2.8	-	109.3
Revenue-based taxes	23.2	-	-	-	-	-	23.2
Other operating expenses	0.1	0.2	-	1.2	0.5	-	2.0
Care and maintenance	-	1.4	-	-	3.3	-	4.7
Pre-development project costs	-	-	-	-	-	1.1	1.1
Exploration expenses and business development	-	0.2	-		-	1.5	1.7
TCM acquisition and integration expenses	-	-	-	-	-	0.9	0.9
Corporate administration	0.1	-	-	-	-	10.1	10.2
Earnings (loss) from operations	64.1	(1.8)	-	17.8	(1.0)	(13.6)	65.5
Other expenses, net							(0.3)
Finance costs							7.7
Earnings before income tax							58.1
Income tax expense							1.1
Net earnings							$ 57.0
Capital expenditure for the year	$ 78.7	$ 0.5	$ 2.8	$ 4.4	$ 0.1	$ 1.4	$ 87.9
Goodwill	$ -	$ -	$ -	$ 16.1	$ -	$ -	$ 16.1
Total assets (excluding goodwill)	$ 1,225.0	$ 110.5	$ 34.1	$ 914.7	$ 206.7	$ 179.1	$ 2,670.1
Total liabilities	$ 129.3	$ 31.1	$ 0.7	$ 125.5	$ 70.8	$ 447.1	$ 804.5