

centerra**GOLD**



Centerra Gold Inc.

Condensed Consolidated Interim Financial Statements

**For the Quarter Ended June 30, 2017
(Unaudited)**

(Expressed in thousands of United States Dollars)

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

			June 30, 2017	December 31, 2016
(Expressed in thousands of United States Dollars)		Notes		
Assets				
Current assets				
Cash and cash equivalents	4	\$	101,229	\$ 160,017
Short-term investments			77	74
Restricted cash and restricted short-term investments	4		299,218	247,844
Amounts receivable	5		73,508	48,097
Inventories	6		465,369	540,753
Prepaid expenses and other current assets			21,948	18,418
			<u>961,349</u>	<u>1,015,203</u>
Property, plant and equipment	7		1,637,222	1,564,891
Goodwill			16,070	16,070
Restricted cash	4		827	824
Reclamation deposits			26,354	32,035
Other assets			26,503	25,728
			<u>1,706,976</u>	<u>1,639,548</u>
Total assets			<u>\$ 2,668,325</u>	<u>\$ 2,654,751</u>
Liabilities and Shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	8	\$	132,308	\$ 130,342
Short-term debt	9		72,833	72,281
Current portion of lease obligations			31,986	-
Revenue-based taxes payable			12,112	19,202
Taxes payable			2,487	2,302
Current portion of provision for reclamation	10		958	918
Other current liabilities			4,676	1,563
			<u>257,360</u>	<u>226,608</u>
Long-term debt	9		333,550	392,851
Provision for reclamation	10		159,416	157,498
Lease obligations			-	29,901
Deferred income tax liability			-	1,661
Other liabilities			13,274	21,950
			<u>506,240</u>	<u>603,861</u>
Shareholders' equity				
Share capital			944,660	944,633
Contributed surplus			26,422	25,876
Accumulated other comprehensive loss			(3,116)	(2,592)
Retained earnings			936,759	856,365
			<u>1,904,725</u>	<u>1,824,282</u>
Total liabilities and Shareholders' equity			<u>\$ 2,668,325</u>	<u>\$ 2,654,751</u>

Commitments and contingencies (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 June 30,		Six months ended June 30,	
		2017	2016	2017	2016
(Expressed in thousands of United States Dollars)					
(except per share amounts)					
	Notes				
Gold sales		\$ 219,333	\$ 160,448	\$ 439,599	\$ 233,254
Copper sales		27,317	-	55,879	-
Molybdenum sales		30,623	-	64,894	-
Tolling, calcining and other		1,945	-	4,188	-
Revenue		279,218	160,448	564,560	233,254
Cost of sales	11	165,195	116,827	337,084	147,864
Standby costs, net		1,347	(639)	2,733	(696)
Regional office administration		4,145	3,706	8,296	7,048
Earnings from mine operations		108,531	40,554	216,447	79,038
Revenue-based taxes		23,812	22,627	46,982	32,878
Other operating expenses		2,652	706	4,668	1,266
Care and maintenance expense		3,391	-	6,645	-
Pre-development project costs		1,323	3,987	2,431	5,284
Exploration expenses and business development		2,470	5,149	4,242	7,190
Thompson Creek Metals Inc. acquisition and integration expenses		504	-	1,438	-
Corporate administration		8,866	6,785	19,038	12,612
Asset impairment	12	41,300	-	41,300	-
Earnings from operations		24,213	1,300	89,703	19,808
Other income, net		(2,862)	(469)	(3,195)	(1,736)
Finance costs	13	7,257	1,427	14,989	2,674
Earnings before income tax		19,818	342	77,909	18,870
Income tax recovery		(3,622)	(2,570)	(2,485)	(2,100)
Net earnings		\$ 23,440	\$ 2,912	\$ 80,394	\$ 20,970
Other Comprehensive Income (Loss)					
Items that may be subsequently reclassified to earnings:					
Net gain (loss) on translation of foreign operation		977	23	1,267	(219)
Loss on derivative instruments, net of tax	17	(1,509)	-	(1,791)	-
Other comprehensive (loss) income		(532)	23	(524)	(219)
Total comprehensive income		\$ 22,908	\$ 2,935	\$ 79,870	\$ 20,751
Basic earnings per common share	14	\$ 0.08	\$ 0.01	\$ 0.28	\$ 0.09
Diluted earnings per common share	14	\$ 0.08	\$ 0.00	\$ 0.27	\$ 0.08

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		Six months ended	
		June 30,		June 30,	
		2017	2016	2017	2016
(Expressed in thousands of United States Dollars)		Notes			
Operating activities					
Net earnings		\$ 23,440	\$ 2,912	\$ 80,394	\$ 20,970
Adjustments for the following items:					
Depreciation, depletion and amortization	7	52,181	55,980	108,105	76,730
Finance costs	13	7,257	1,427	14,989	2,674
Loss on disposal of equipment		323	-	363	119
Compensation expense on stock options		230	722	546	1,344
Other share based compensation expense (reversal)		684	(483)	2,438	(1,549)
Inventory impairment (reversal)	11	-	1,159	-	(11,786)
Income tax recovery		(3,622)	(2,570)	(2,485)	(2,100)
Asset impairment	12	41,300	-	41,300	-
		121,793	59,147	245,650	86,402
Change in operating working capital	18(a)	20,833	(1,951)	(33,657)	(19,741)
Change in long-term inventory		10	-	24	-
Purchase and settlement of derivatives		610	-	58	-
Payments toward provision for reclamation		(133)	-	(254)	-
Income taxes (paid) recovered		(336)	51	(764)	13
Cash provided by operations		142,777	57,247	211,057	66,674
Investing activities					
Additions to property, plant and equipment	18(b)	(77,299)	(45,017)	(146,279)	(80,422)
Net purchase of short-term investments		(35,002)	(120,114)	(60,003)	(100,536)
Decrease (increase) in restricted cash		11,339	20	8,623	(299)
Long-term reclamation deposits recovery (payments) and other assets		7,138	(830)	3,120	(4,238)
Cash used in investing		(93,824)	(165,941)	(194,539)	(185,495)
Financing activities					
	18(c)				
Dividends paid - declared in period		-	(5,146)	-	(10,170)
Dividends paid - from trust account		-	(2,248)	-	(4,468)
Debt (repayment) proceeds		(22,500)	24,000	(60,000)	24,000
Payment of interest and borrowing costs		(6,564)	(3,128)	(15,306)	(6,603)
Proceeds from common shares issued for options exercised		-	682	-	682
Cash (used in) provided by financing		(29,064)	14,160	(75,306)	3,441
Increase (decrease) in cash during the period		19,889	(94,534)	(58,788)	(115,380)
Cash and cash equivalents at beginning of the period		81,340	339,767	160,017	360,613
Cash and cash equivalents at end of the period		\$ 101,229	\$ 245,233	\$ 101,229	\$ 245,233
Cash and cash equivalents consist of:					
Cash		\$ 58,176	\$ 114,776	\$ 58,176	\$ 114,776
Cash equivalents		43,053	130,457	43,053	130,457
		\$ 101,229	\$ 245,233	\$ 101,229	\$ 245,233

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 ("OCI")	Retained Earnings	Total
Balance at January 1, 2016	237,889,274	\$ 668,705	\$ 24,153	\$ 220	\$ 727,773	\$ 1,420,851
Share-based compensation expense	-	-	1,344	-	-	1,344
Shares issued on exercise of stock options	153,915	1,012	(330)	-	-	682
Shares issued on redemption of restricted share units	3,976	20	-	-	-	20
Shares issued to settle obligations	4,117,120	19,857	-	-	-	19,857
Foreign currency translation	-	-	-	(219)	-	(219)
Dividends declared	-	-	-	-	(14,638)	(14,638)
Net earnings for the period	-	-	-	-	20,970	20,970
Balance at June 30, 2016	242,164,285	\$ 689,594	\$ 25,167	\$ 1	\$ 734,105	\$ 1,448,867
Balance at January 1, 2017	291,276,068	\$ 944,633	\$ 25,876	\$ (2,592)	\$ 856,365	\$ 1,824,282
Share-based compensation expense	-	-	546	-	-	546
Shares issued on redemption of restricted share units	5,138	27	-	-	-	27
Foreign currency translation	-	-	-	1,267	-	1,267
Loss on derivative instruments, net of tax (note 17)	-	-	-	(1,791)	-	(1,791)
Net earnings for the period	-	-	-	-	80,394	80,394
Balance at June 30, 2017	291,281,206	\$ 944,660	\$ 26,422	\$ (3,116)	\$ 936,759	\$ 1,904,725

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 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, 2016 annual consolidated financial statements.

Certain comparative figures have been reclassified to comply with the basis of presentation adopted in the current quarter. There has been no change to the Company’s subsidiaries during the current quarter.

These financial statements were authorized for issuance by the Board of Directors of the Company on July 31, 2017.

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, 2016 and those new standards adopted in the period as described below.

Recently adopted accounting policies are as follows:

Amendments to IAS 7, *Statements of Cash Flows* (“IAS 7”). The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Company adopted amendments to IAS 7 on a prospective basis in its interim financial statements on January 1, 2017. The adoption of these amendments did not have a material impact on the Company’s interim financial statements, but did result in additional supplemental cash flow disclosure (note 18(c)).

Amendments to IAS 12, *Income Taxes* (“IAS 12”). The amendments clarify that the existence of a deductible temporary difference is not affected by possible future changes in the carrying amount

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

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

or expected manner of recovery of the asset and also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company adopted amendments to IAS 12 in its interim financial statements on January 1, 2017. The adoption of these amendments did not have a material impact on the Company's interim financial statements

Recently issued but not adopted accounting guidance are as follows:

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company is making progress in the assessment of the impact of adopting this standard on its financial statements. As at June 30, 2017, the Company believes the impact on the revenue recognized related to the sales of gold doré, concentrate and molybdenum will be immaterial.

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16"). IFRS 16 revises the definition of leases and requires companies to bring most leases on-balance sheet, recognizing new assets and liabilities. The objective of this change is to increase the transparency and comparability of a company's financial statements. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and permits early adoption provided IFRS 15 has been applied or is applied at the same date as IFRS 16. The Company has initiated a project to identify all leasing contracts that may be impacted by IFRS 16. The Company plans to quantify the impact of these leases under IFRS 16 by the end of 2017.

4. Cash and restricted cash and restricted short-term investments

The cash and cash equivalents balance at June 30, 2017 of \$101.2 million (December 31, 2016 - \$160.0 million) includes \$44.9 million held in Centerra (December 31, 2016 - \$99.8 million), \$51.6 million held in Centerra B.C Holdings Inc. ("Centerra B.C. Holdings") (December 31, 2016 - \$51.6 million) and the remaining \$4.7 million in other Company subsidiaries (December 31, 2016 - \$8.6 million). Under the terms of the Centerra B.C. Holdings Credit Facility ("Credit Facility"), Centerra B.C. Holdings is required to prepay a portion of the Credit Facility in an amount equal to any amounts paid to Centerra as a distribution, with the exception of amounts outstanding under a general facility between the companies. As at June 30, 2017, Centerra B.C. Holdings owed \$8.9 million to Centerra under a general facility, which can be re-paid provided covenants in the Credit Facility are met. Included in the funds held in Centerra is \$22.0 million advanced under the EBRD Revolving Credit Facility (note 9) that can only be used for direct and indirect costs in Mongolia.

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

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

	June 30, 2017	December 31, 2016
<u>Current</u>		
Cash deposits held subject to court order (a)	\$ 239,218	\$ 247,844
Short-term investments subject to court order (b)	<u>60,000</u>	<u>-</u>
	299,218	247,844
<u>Non-current</u>		
Öksüt Project	552	550
Other	<u>275</u>	<u>274</u>
	827	824
Total restricted cash and restricted short-term investments	\$ 300,045	\$ 248,668

- (a) As discussed in note 15, a Kyrgyz Republic court order requires cash generated from the Kumtor Project to continue to be held in Kumtor Gold Company (“KGC”) and among other things restrict the distribution of such cash to Centerra and any other Centerra group entity as a loan, advance or dividend. The cash subject to the court order is available to fund operations at the Kumtor Project.
- (b) The short-term investments balance at June 30, 2017 of \$60.1 million (December 31, 2016 - \$0.1 million) includes \$60.0 million held by KGC (December 31, 2016 - nil), the distribution of which is restricted under the Kyrgyz Republic court order discussed in note 15. The short-term investments subject to the court order are available to fund operations at the Kumtor Project and have maturities of less than twelve months from the statement of financial position date.

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

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

5. Amounts receivable

		June 30, 2017	December 31, 2016
Gold sales receivable from related party (note 16)	\$	33,761	\$ 11,611
Gold and copper concentrate sales receivable		2,572	9,704
Molybdenum sales receivable		16,254	14,439
Provisionally priced concentrate sales receivable		13,926	4,148
Consumption tax receivable		3,878	4,854
Other receivables		3,117	3,475
Total amounts receivable		73,508	48,231
Less: Provision for credit losses		-	(134)
Total amounts receivable (net of provision)	\$	73,508	\$ 48,097

6. Inventories

		June 30, 2017	December 31, 2016
Stockpiles of ore	\$	169,454	\$ 252,357
Gold in-circuit		25,919	20,304
Gold doré		6,388	7,710
Copper and gold concentrate		21,204	29,113
Molybdenum inventory		31,664	28,923
		254,629	338,407
Supplies (net of provision)		212,462	204,092
Total inventories (net of provisions)	\$	467,091	\$ 542,499
Less: Long-term supplies inventory		(1,722)	(1,746)
Total inventories - current portion	\$	465,369	\$ 540,753

The Company has a provision for supplies obsolescence recorded of \$30.2 million as at June 30, 2017 (December 31, 2016 - \$26.6 million).

Molybdenum inventory of \$31.7 million as at June 30, 2017 (December 31, 2016 - \$28.9 million) included work-in-process inventory of \$18.6 million (December 31, 2016 - \$16.3 million) and finished goods inventory of \$13.1 million (December 31, 2016 - \$12.6 million).

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

(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, 2017	\$ 1,083,911	\$ 517,249	\$ 181,724	\$ 537,938	\$ 82,966	\$ 2,403,788
Additions	225	3,749	126,857	722	50,427	181,980
Disposals	-	-	-	(378)	-	(378)
Reclassification	5,504	2,350	-	29,089	(36,943)	-
Balance June 30, 2017	\$ 1,089,640	\$ 523,348	\$ 308,581	\$ 567,371	\$ 96,450	\$ 2,585,390
Accumulated depreciation						
January 1, 2017	\$ 288,809	\$ 159,015	\$ 26,597	\$ 364,476	\$ -	\$ 838,897
Charge for the period	24,956	5,665	-	37,587	-	68,208
Disposals	-	-	-	(237)	-	(237)
Impairment (note 12)	25,000	1,952	-	-	14,348	41,300
Reclassification	(120)	120	-	-	-	-
Balance June 30, 2017	\$ 338,645	\$ 166,752	\$ 26,597	\$ 401,826	\$ 14,348	\$ 948,168
Net book value						
Balance, January 1, 2017	\$ 795,102	\$ 358,234	\$ 155,127	\$ 173,462	\$ 82,966	\$ 1,564,891
Balance, June 30, 2017	\$ 750,995	\$ 356,596	\$ 281,984	\$ 165,545	\$ 82,102	\$ 1,637,222

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

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

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Amount recorded in cost of sales (note 11)	\$ 50,784	\$ 55,697	\$ 105,093	\$ 78,006
Amount recorded in corporate administration	121	99	233	198
Amount recorded in standby costs, net	586	184	1,134	(1,474)
Amount recorded in care & maintenance expense	690	-	1,645	-
Total included in Statement of Earnings	52,181	55,980	108,105	76,730
Inventories movement (note 18(a))	(34,632)	(2,138)	(72,611)	10,751
Amount capitalized in PP&E (note 18(b))	16,919	6,703	32,714	10,358
Depreciation, depletion and amortization charge for the period	\$ 34,468	\$ 60,545	\$ 68,208	\$ 97,839

8. Accounts payable and accrued liabilities

	June 30,	December 31,
	2017	2016
Trade creditors and accruals	\$ 91,320	\$ 92,715
Amount due to Royal Gold	34,369	29,170
Liability for share-based compensation	6,619	8,457
Total	\$ 132,308	\$ 130,342

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

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

9. Debt

	June 30, 2017	December 31, 2016
<u>Centerra B.C. Holdings Credit Facility</u>		
Term Facility	\$ 215,000	\$ 250,000
Revolving Facility	74,363	74,363
Less: deferred financing fees	(5,609)	(6,528)
	283,754	317,835
Less: current portion (net of deferred financing fees)	(48,307)	(47,943)
	\$ 235,447	\$ 269,892
<u>EBRD Facility</u>		
EBRD revolving credit facility	\$ 125,000	\$ 150,000
Less: deferred financing fees	(2,371)	(2,703)
	122,629	147,297
Less: current portion (net of deferred financing fees)	(24,526)	(24,338)
	\$ 98,103	\$ 122,959
Short-term debt	\$ 72,833	\$ 72,281
Long-term debt	333,550	392,851
Total debt	\$ 406,383	\$ 465,132

Centerra B.C. Holdings Credit Facility

In connection with the 2016 acquisition of Thompson Creek Metals Inc., Centerra B.C. Holdings Inc., entered into a five-year term facility with a lending syndicate with an aggregate principal amount of \$325 million consisting of a \$75 million senior secured revolving credit facility (the “Revolving Facility”) and a \$250 million senior secured non-revolving term credit facility (the “Term Facility”, collectively, the “Credit Facility”). Finance fees for the facility are deferred and amortized over the term of the facility.

Centerra B.C. Holdings’ obligations under the Credit Facility are guaranteed by its material subsidiaries and secured by the material assets acquired, which includes the Mount Milligan mine, the Endako mine, the Langeloth facility and certain material subsidiaries.

In January 2017, the covenants for 2017 were amended to reflect the planned 2017 production profile. The Company was in compliance with the revised covenants for the three and six months ended June 30, 2017.

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

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

As outlined in the Credit Facility, the Company repaid principal amounts of \$12.5 million and \$12.5 million on March 31, 2017 and June 30, 2017, respectively. In addition, on June 30, 2017, the Company made a mandatory pre-payment of \$10 million as a result of a distribution paid from Centerra B.C Holdings to Centerra Gold Inc.

	June 30, 2017	December 31, 2016
<u>Centerra B.C. Holdings Credit Facility</u>		
Undrawn amount (millions)	\$ 0.6	\$ 0.6
Term Facility - Interest rate - three month LIBOR plus ⁽¹⁾	3.75%	3.75%
Revolving Facility - Interest rate - three month LIBOR plus ⁽¹⁾	3.75%	3.75%

⁽¹⁾ The interest rate applied is dependent on an indebtedness ratio calculation and is paid and re-assessed quarterly. The margin interest rate ranges from 2.75% to 3.75%. Accrued interest is included in the Statement of Financial Position as part of 'Accounts payable and accrued liabilities'.

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 must be used for the purposes of funding direct and indirect costs associated with the Gatsuurt Project.

The terms of the EBRD Facility require the Company to pledge certain mobile equipment from the Kumtor mine as security with a book value of \$97.9 million as at June 30, 2017 (December 31, 2016 - \$110.7 million), and maintain compliance with specified covenants (including financial covenants). The Company was in compliance with all covenants for the three and six months ended June 30, 2017.

Funds drawn under the EBRD Facility are available to be re-drawn on a semi-annual basis, at the Company’s discretion, and repayment of the loaned funds may be extended until 2021. In February 2017, EBRD agreed to amend the collateral coverage ratio associated with the EBRD Facility in consideration of the KGC Interim Order (refer to note 15) and the Company was required to repay \$25 million of the facility in the first quarter of 2017. The remaining \$25 million must be repaid on February 3, 2018 if a definitive agreement for the Gatsuurt Project (refer to note 15) is not reached by that time. Therefore \$25 million has been classified as short-term debt and the remaining \$100 million as long-term debt.

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

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

	June 30, 2017	December 31, 2016
<u>EBRD Facility</u>		
Undrawn amount of the facility ⁽¹⁾	\$ 25,000	\$ -
Interest rate - six month LIBOR plus ⁽²⁾		
First tranche - \$100 million	3.0%	3.0%
Second tranche - \$50 million	5.0%	5.0%

(1) Undrawn amount can only be used for the Gatsuurt Project.

(2) Interest is payable at the end of the term.

OMAS Facility

In 2016, Öksüt Madencilik A.S. (“OMAS”), a wholly-owned subsidiary of the Company, entered into a \$150 million five-year revolving credit facility (the “OMAS Facility”) that expires on December 30, 2021. 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, including receipt of all necessary permits and approvals. If the conditions are not satisfied, waived or amended by the deadline, the commitments under the OMAS Facility will be cancelled. On June 29, 2017, the previous deadline of June 30, 2017 was extended to December 31, 2017.

The Company continues to work on satisfying the conditions precedents by such deadline, however some conditions, such as the receipt of the pastureland permit for the Öksüt Project, are beyond the Company’s control. There are no assurances that all conditions will be satisfied by the deadline, or that the lenders will provide any waivers or extensions.

	June 30, 2017	December 31, 2016
<u>OMAS Facility</u>		
Undrawn amount of the facility	\$ 150,000	\$ 150,000
Interest rate - LIBOR plus ⁽¹⁾	2.65% - 2.95%	

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

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

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

10. Provision for reclamation

	June 30, 2017	December 31, 2016
Kumtor gold mine	\$ 52,224	\$ 51,593
Boroo gold mine	23,088	23,044
Mount Milligan mine	24,645	24,211
Thompson Creek mine	32,137	31,744
Endako mine	26,480	26,046
Gatsuurt Project	1,800	1,778
Total provision for reclamation	160,374	158,416
Less: current portion	(958)	(918)
	\$ 159,416	\$ 157,498

For the three and six months ended June 30, 2017, 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 June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Operating costs:				
Salaries and benefits	\$ 28,292	\$ 15,048	\$ 55,813	\$ 28,947
Consumables and maintenance charges	45,606	35,682	89,470	81,779
Third party services	7,236	826	12,853	1,491
Other operating costs	6,083	3,277	12,310	6,358
Royalties, levies and production taxes	3,065	93	6,064	189
By-product sales ⁽¹⁾	(4,529)	(1,176)	(8,838)	(1,591)
Changes in inventories	27,522	6,221	61,608	(35,529)
	113,275	59,971	229,280	81,644
Supplies inventory obsolescence charge (note 6)	1,136	-	2,711	-
Inventory impairment (reversal)	-	1,159	-	(11,786)
Depreciation, depletion and amortization (note 7)	50,784	55,697	105,093	78,006
	\$ 165,195	\$ 116,827	\$ 337,084	\$ 147,864

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

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

⁽¹⁾ For the three months ended June 30, 2017, by-product sales included \$2.4 million, \$1.0 million and \$1.1 million of silver, sulfuric acid and rhenium sales, respectively (three months ended June 30, 2016 - \$1.2 million of silver sales).

For the six months ended June 30, 2017, by-product sales included \$5.0 million, \$2.1 million and \$1.7 million of silver, sulfuric acid and rhenium sales, respectively (six months ended June 30, 2016 - \$1.6 million of silver sales).

12. Impairment of Mongolia Segment

The Company assesses at the end of each reporting period whether there is any indication from external and internal sources of information, that an asset may be impaired.

After receipt in the second quarter of 2017 of the preliminary results from the ongoing technical and economic studies (incorporating updated capital and operating costs) related to the Gatsuurt Project which were initiated in 2016 and the current Mongolian tax and royalty regime, the Company determined that it could no longer support the carrying value of the Mongolian segment cash generating unit (“CGU”) and that it would be appropriate to recognize an impairment charge. The amount of the charge was determined as the excess of the carrying value over the fair value less cost to sell the resources in place (estimated to be \$25 per resource ounce) based on comparable market transactions.

Based on this estimate, management determined that the carrying amount of \$101.3 million exceeded the recoverable amount of \$60 million (net of costs to sell), resulting in an impairment charge of \$41.3 million. The impairment was allocated to buildings, plant and equipment, mineral properties and construction in progress within property, plant and equipment for the Mongolian segment.

The fair value of the Mongolian segment CGU and associated impairment charge was determined using significant unobservable (level 3) inputs (note 17).

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

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13. Finance costs

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
<u>EBRD Facility:</u>				
Interest expense	\$ 1,327	\$ 742	\$ 3,091	\$ 1,417
Financing costs amortized	165	101	331	161
Commitment fees	32	93	46	187
<u>Centerra B.C. Holdings Credit Facility:</u>				
Interest expense	3,864	-	8,190	-
Financing costs amortized	423	-	920	-
Accretion of provision for reclamation	967	384	1,901	769
Other financing fees	479	107	510	140
	\$ 7,257	\$ 1,427	\$ 14,989	\$ 2,674

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

Basic and diluted earnings per share computation:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net earnings attributable to shareholders	\$ 23,440	\$ 2,912	\$ 80,394	\$ 20,970
Adjustment to earnings:				
Impact of performance share units accounted for as equity-settled	(756)	(2,049)	(217)	(2,870)
Impact of restricted share units treated as equity-settled	(37)	-	-	-
Net earnings for the purposes of diluted earnings per share	\$ 22,647	\$ 863	\$ 80,177	\$ 18,100

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

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

	Three months ended		Six months ended	
	June 30,		June 30,	
(Thousands of common shares)	2017	2016	2017	2016
Basic weighted average number of common shares outstanding	291,281	242,051	291,279	240,854
Effect of potentially dilutive securities:				
Stock options	642	465	540	424
Restricted share units	190	-	-	-
Diluted weighted average number of common shares outstanding	292,113	242,516	291,819	241,278
Basic earnings per common share	\$ 0.08	\$ 0.01	\$ 0.28	\$ 0.09
Diluted earnings per common share	\$ 0.08	\$ 0.00	\$ 0.27	\$ 0.08

For the three and six months ended June 30, 2017 and 2016, certain potentially dilutive securities, including stock options and restricted share units, 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.

Potentially dilutive securities are summarized below:

	Three months ended		Six months ended	
	June 30,		June 30,	
(Thousands of units)	2017	2016	2017	2016
Stock options	1,392	2,778	2,136	2,360
Restricted share units	-	108	168	115
	1,392	2,886	2,304	2,475

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

As at June 30, 2017, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$97 million (Öksüt Project \$50 million, Kumtor - \$39 million, Mount Milligan - \$5 million, Greenstone Gold Property - \$2 million, and other - \$1 million). Öksüt Project commitments include \$36 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.

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

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

(b) Greenstone Partnership

As partial 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 June 30, 2017, the Company has funded a total of Cdn\$62 million (\$47.5 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. As at June 30, 2017, the Company had commitments to purchase approximately 12.1 million pounds of molybdenum as unroasted molybdenum concentrate in 2017 primarily priced at the time of purchase at a set discount to the market price for roasted molybdenum concentrate.

Contingencies

Various legal and tax matters are outstanding from time to time due to the nature of the Company's operations. While the final outcome with respect to actions outstanding or pending at June 30, 2017 cannot be predicted with certainty, it is management's opinion that it is not, except as noted below, more likely than not that these actions will result in the outflow of resources to settle the obligation; therefore no amounts have been accrued.

Kyrgyz Republic**Arbitration**

Centerra commenced an arbitration proceeding against the Kyrgyz Republic and Kyrgyzaltyn JSC ("Kyrgyzaltyn") on July 12, 2016, in relation with certain ongoing disputes relating to the Kumtor Project. In February 2017, Centerra filed with the Permanent Court of Arbitration ("PCA") a statement of claim for this main arbitration proceeding.

On January 12, 2017, Centerra filed with the PCA an application for partial award, or in the alternative, interim measures, against the Kyrgyz Republic with respect to certain Kyrgyz Republic environmental, dividend and land use claims and court orders, including the Kyrgyz court order which restricts Centerra's access to funds held by KGC (collectively, the "Kyrgyz court

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

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proceedings”), as more fully set out below. In this application, Centerra sought an award ordering that the Kyrgyz Republic withdraw or stay (suspend) the Kyrgyz court proceedings.

On July 17, 2017, the arbitrator rendered a decision (the “Interim Arbitration Decision”) on Centerra’s application for partial award/interim relief which among other things: (i) orders the Kyrgyz Republic to give 30 days’ prior notice to the arbitrator and Centerra in the event of resumption of the Kyrgyz court proceedings, in order to allow Centerra to seek appropriate relief from the arbitrator; (ii) directs the Kyrgyz Republic to give immediate notice to the arbitrator and Centerra if any procedural action is taken in the Kyrgyz court proceedings; and (iii) orders the Kyrgyz Republic to use its best efforts to ensure that public officials, authorities, agencies, and instrumentalities of the Kyrgyz Republic comply with the decision.

In addition, the arbitrator found that Centerra had made both (i) a *prima facie* case for the arbitrator to take jurisdiction over the arbitration proceeding; and (ii) a *prima facie* case on the merits of the case. Such findings relating to jurisdiction and merits support Centerra’s long-standing view that the Kyrgyz court proceedings are disputes that should be brought in international arbitration and may not be brought before the courts of the Kyrgyz Republic. Centerra further believes that the Kyrgyz court proceedings are without foundation or substance on the merits.

The arbitrator’s order does not grant the original relief requested by Centerra because it did not find an imminent threat of irreparable or substantial harm to Centerra’s rights if the Kyrgyz court order remained in place while the main arbitration proceeding proceeds. However, the order effectively prohibits the Kyrgyz Republic from taking further action in the Kyrgyz court proceedings without providing Centerra the opportunity to object to such action, and preserves for the arbitrator the authority to order the Kyrgyz Republic to refrain from taking any proposed action.

Even if the Company receives an arbitral award (in respect of the main arbitration which is still ongoing) in its favour against the Kyrgyz Republic and/or Kyrgyzaltyn, there are no assurances that it will be recognized or enforced in the Kyrgyz Republic. Accordingly, the Company may be obligated to pay part of or the full amounts of, among others, the SIETS and SAEPP claims (referred to below), regardless of the action taken by the arbitrator. The Company does not have insurance or litigation reserves to cover these costs. If the Company were obligated to pay these amounts, it would have a material adverse impact on the Company’s future cash flows, earnings, results of operations and financial condition.

Kyrgyz Permitting and Regulatory Matters

As at June 30, 2017, KGC has all key permits and approvals in place for mining operations at the Kumtor Project in 2017, including the maximum allowable discharge permit which was received in April 2017. The withdrawal of any required permit could lead to a suspension of Kumtor operations.

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

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Kyrgyz Republic Claims

The Kumtor Project is subject to a number of claims made by, among others, Kyrgyz Republic state environmental agencies and the Kyrgyz Republic General Prosecutor's Office. The claims set out below relating to environmental, dividend and land use claims are subject to the Interim Arbitration Decision described above.

SIETS and SAEPF Claims

On May 25, 2016, the Bishkek Inter-District Court in the Kyrgyz Republic ruled against Kumtor Operating Company ("KOC"), Centerra's wholly-owned subsidiary, on two claims made by SIETS in relation to the placement of waste rock at the Kumtor waste dumps and unrecorded wastes from Kumtor's effluent and sewage treatment plants. The Inter-District Court awarded damages of 6,698,878,290 Kyrgyz soms (approximately US\$96.5 million, based on an exchange rate of 69.43 Kyrgyz soms per US\$1.00) and 663,839 Kyrgyz soms (approximately US\$9,500), respectively. On June 1, 2016, the Inter-District Court ruled against KOC on two other claims made by SIETS in relation to alleged land damage and failure to pay for water use. The Inter-District Court awarded damages of 161,840,109 Kyrgyz soms (approximately US\$2.3 million) and 188,533,730 Kyrgyz soms (approximately US\$2.7 million), respectively. Centerra and KOC strongly dispute the SIETS claims and have appealed the decisions to the Bishkek City Court and will, if necessary, appeal to the Kyrgyz Republic Supreme Court.

On June 3, 2016, the Inter-District Court held a hearing in respect of the claim made by SAEPF alleging that Kumtor owes additional environmental pollution fees in the amount of approximately US\$220 million. The court did not issue a decision on the merits of the claim itself. However, at the request of SAEPF, the court granted the Kyrgyz Republic an interim court order which prohibits KGC from taking any actions relating to certain financial transactions including, transferring property or assets, declaring or paying dividends, pledging assets or making loans. The injunction was effective immediately. KGC's appeal of the Inter-District Court's order to Bishkek City Court was dismissed on July 19, 2016, and its subsequent appeal to the Kyrgyz Republic Supreme Court was dismissed on October 19, 2016.

The Kyrgyz Republic court order dated June 3, 2016 purports to: (i) require cash generated from the Kumtor Project to continue to be held in KGC; and (ii) prevent distribution of such cash to Centerra ("KGC Interim Order"). As at June 30, 2017, KGC's cash balance of approximately \$239 million (December 31, 2016 - \$248 million) and short-term investments of approximately \$60 million (December 31, 2016 - nil) was restricted under the KGC Interim Order (note 4). The cash generated from the Kumtor Project is available to fund Kumtor's operation.

The most recent claim was filed on August 23, 2016 by the Chui-Bishkek-Talas Local Fund of Nature Protection and Forestry Development of SAEPF, seeking compensation for environmental pollution in the amount of 40,340,819 Kyrgyz soms (approximately \$0.6 million).

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2013 KGC Dividend Civil Proceeding

On June 3, 2016, the Inter-District Court renewed a claim previously commenced by the Kyrgyz Republic General Prosecutor's Office seeking to unwind the \$200 million dividend paid by KGC to Centerra in December 2013 (the "2013 Dividend"). Centerra believes that the claim is without merit.

Mongolia***Gatsuurt***

Since 2016, the Company has been in discussions with the Mongolian Government to implement a 3% special royalty in lieu of the Government's 34% direct interest in the Gatsuurt Project. Various working groups were established by the Mongolian Government to negotiate with Centerra and its wholly owned subsidiary, Centerra Gold Mongolia ("CGM"), the definitive agreements relating to the Gatsuurt Project. The Company expects to continue such negotiation in 2017.

Concurrent with the negotiations of such agreements, the Company undertook an update of its existing technical studies on the project. During the second quarter 2017, preliminary findings were received and optimization was initiated.

There are no assurances that Centerra will be able to negotiate definitive agreements with the Mongolian Government on terms that are commercially economic or that such economic and technical studies will have positive results. The inability to successfully negotiate the definitive agreements and/or adverse results of the additional economic and technical studies being conducted would result in a write down of the approximately \$32 million related to the investment in Gatsuurt and approximately \$28 million of remaining capitalized costs for the Boroo mill facility, other surface structures and equipment parts.

Corporate**Ontario Court Proceedings Involving the Kyrgyz Republic and Kyrgyzaltyn**

Since 2011, there have been four applications commenced in the Ontario courts by different applicants against the Kyrgyz Republic and Kyrgyzaltyn, each seeking to enforce in Ontario international arbitral awards against the Kyrgyz Republic. None of these disputes relate directly to Centerra or the Kumtor Project. In each of these cases, the applicants have argued that the Kyrgyz Republic has an interest in the Centerra common shares held by Kyrgyzaltyn, a state controlled entity, and therefore that such applicant(s) are entitled to seize such number of common shares and/or such amount of dividends as necessary to satisfy their respective arbitral awards against the Kyrgyz Republic. On July 11, 2016, the Ontario Superior Court of Justice released a decision on the common issue in these four applications - whether the Kyrgyz Republic has an exigible ownership interest in the Centerra common shares held by Kyrgyzaltyn. The Ontario Superior

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

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

Court of Justice determined that the Kyrgyz Republic does not have any equitable or other right, property, interest or equity of redemption in the common shares held by Kyrgyzaltyn. As a result, on July 20, 2016, the Ontario Superior Court of Justice set aside previous injunctions which prevented Centerra from, among other things, paying any dividends to Kyrgyzaltyn. Accordingly, Centerra released to Kyrgyzaltyn approximately Cdn\$18.9 million which was previously held in trust for the benefit of two Ontario court proceedings.

Three of the applicants appealed the decision to the Ontario Court of Appeal which heard the case on December 4, 2016. The court issued its decision on January 3, 2017 which upheld the trial judge's decision. Two of the applicants applied to the Supreme Court of Canada for leave to appeal this decision, which application was refused on June 15, 2017.

16. 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.

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

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Sales:				
Gross gold and silver sales to Kyrgyzaltyn	\$ 171,101	\$ 162,582	\$ 337,571	\$ 236,276
Deduct: refinery and financing charges	(1,012)	(958)	(1,982)	(1,431)
Net sales revenue received from Kyrgyzaltyn	\$ 170,089	\$ 161,624	\$ 335,589	\$ 234,845
Expenses:				
Contracting services provided by Kyrgyzaltyn	\$ 286	\$ 347	\$ 465	\$ 699
Management fees payable to Kyrgyzaltyn	135	128	270	190
Expenses paid to Kyrgyzaltyn	\$ 421	\$ 475	\$ 735	\$ 889
Dividends:				
Dividends declared to Kyrgyzaltyn	\$ -	\$ 2,364	\$ -	\$ 4,701
Withholding taxes	-	(118)	-	(235)
Net dividends payable to Kyrgyzaltyn	\$ -	\$ 2,246	\$ -	\$ 4,466

Related party balances

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

	June 30,	December 31,
	2017	2016
Amounts receivable ^(a)	\$ 33,761	\$ 11,611
Amount payable	1,171	1,218
Total related party liabilities	\$ 1,171	\$ 1,218

(a) Subsequent to June 30, 2017, 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.

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17. Financial Instruments

The Company's financial instruments include cash and cash equivalents, short-term investments, restricted cash, restricted short-term investments, amounts receivable (including embedded derivatives), derivative assets and liabilities, reclamation deposits, long-term receivables, accounts payable and accrued liabilities, debt, and revenue-based taxes payable.

Derivative Instruments

The Company uses derivatives 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.

Gold, copper and fuel hedge contracts

During the first quarter 2017, the Company commenced a program to mitigate copper price risk, purchasing fixed price forward sales contracts and zero-cost collars to hedge a portion of its expected 2017 and 2018 copper price risk. As at June 30, 2017, the Company has in place derivatives for 15,000 metric tonnes (33 million pounds) designated as cash flow hedges against forecasted production at the Company's Mount Milligan mine of which 7,000 metric tonnes are fixed price forwards and 8,000 metric tonnes are zero-cost collars.

During the second quarter 2017, the Company commenced a program to mitigate gold price risk, purchasing fixed price forward sales contracts and zero-cost collars to hedge a portion of expected 2017 and 2018 gold price risk. As at June 30, 2017, the Company has in place zero cost collars covering 25,000 ounces designated as cash flow hedges against forecasted production at the Company's Mount Milligan mine.

Fuel hedging contracts consist of call options to purchase crude oil, which are designated as cash flow hedges against forecast fuel consumption at the Company's Kumtor Project. As at June 30, 2017, the Company has in place call options on 554,000 barrels of Brent crude oil (December 31, 2016 - 535,000).

Non-hedge gold, copper and currency contracts

Non-hedge gold contracts are not designated as hedging instruments and are entered into to manage the price risk associated with the provisional pricing of gold deliverables to Royal Gold. As at June 30, 2017, the Company had forward contracts outstanding for 18,000 ounces of gold (December 31, 2016 – 35,000 ounces).

Non-hedge copper contracts are not designated as hedging instruments and are entered into to manage the price risk associated with the provisional pricing of copper deliverables to Royal Gold. As at June 30, 2017, the Company had forward contracts outstanding for 1,000 metric tonnes (2 million pounds) of copper (December 31, 2016 – nil).

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Non-hedge foreign currency contracts are used to mitigate the variability of non-US dollar denominated exposures that do not meet the strict hedge effectiveness criteria.

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 June 30, 2017, the Company's trade receivables with embedded derivatives had a fair value of \$14 million (December 31, 2016 - \$4.1 million), representing 18 million pounds of copper and 72,000 ounces of gold (December 31, 2016 – 6.5 million pounds of copper and 61,693 ounces of gold).

The hedge positions outstanding for each of the type of commodity contracts as at June 30, 2017 are summarized as follows:

Contract	Instrument	Unit	Strike price	Settlement				As at June 30, 2017
				Q3-2017	Q4-2017	2018	2019	Total position
Fuel	Crude oil options ⁽¹⁾	Barrels	\$62.03 - \$65.45	125,000	46,000	288,000	95,000	554,000
Copper	Forward contracts ⁽²⁾	Pounds	\$2.69 - \$2.76	7.4 million	6.2 million	1.2 million	-	14.8 million
Copper	Zero-cost collars ⁽³⁾	Pounds	\$2.25 - \$3.21	3.0 million	2.8 million	11 million	-	16.8 million
Gold	Zero-cost collars ⁽³⁾	Ounces	\$1,225 - \$1,383	6,800	9,000	9,400	-	25,200
<u>Royal Gold deliverables</u>								
Non-hedge gold	Forward contracts ⁽⁴⁾	Ounces	ND	18,000	-	-	-	18,000
Non-hedge copper	Forward contracts ⁽⁴⁾	Pounds	ND	2.4 million	-	-	-	2.4 million

ND = Contracts with floating terms, that are not defined as at June 30, 2017.

⁽¹⁾ Under the option contract, the Company has the option buy or sell specified assets, typically metals or currency, at a specified price at a certain future date.

⁽²⁾ Under the forward contract, the Company will buy or sell specified assets, typically metals or currency, at a specified price to be settled at a certain future date.

⁽³⁾ Under the zero-cost collar, the Company can put the number of gold ounces or copper pounds to the counterparty at the minimum price, if the price were to fall below the minimum, and the counterparty has the option to require the Company to sell to it the number of gold ounces or copper pounds at the maximum price, if the price were to rise above the maximum.

⁽⁴⁾ Regarding sales to Royal Gold, the Company has entered into forward gold and copper contracts pursuant to which it purchases gold copper at an average price during a quotational period and sells gold or copper at a spot price. These derivative contracts are not designated as hedging instruments.

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

The following table is an analysis of the derivative instruments recorded in the Statement of Earnings.

	Three months ended June 30, 2017		Six months ended June 30, 2017		2016	
--	---	--	---	--	-------------	--

Cash flow hedge*Gold, copper and fuel contracts*

Unrealized loss recognized in OCI, net	\$	(1,509)	\$	-	\$	(1,791)	\$	-
Net realized gain included in earnings from mine operations	\$	59	\$	-	\$	337	\$	-

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

Total (loss) gain included in revenue	\$	(340)	\$	-	\$	2,236	\$	-
Total gain included in other income, net	\$	896	\$	-	\$	1,206	\$	-

The following table is an analysis of the derivative instruments recorded in the Statement of Financial Position.

	June 30, 2017		December 31, 2016	
--	--------------------------	--	------------------------------	--

Cash flow hedge*Gold, copper and fuel contracts*

Prepaid expenses and other current assets	\$	482	\$	750
Other non-current assets		496		904
Other current liabilities		(871)		-
	\$	107	\$	1,654

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

Prepaid expenses and other current assets		516		1,512
	\$	516	\$	1,512

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

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 Statement of Financial Position were as follows:

June 30, 2017

	Amortized cost	Assets/liabilities at fair value through earnings (loss)	Assets/liabilities at fair value through OCI
<u>Financial assets</u>			
Cash and cash equivalents - Level 1	\$ -	\$ 101,229	\$ -
Short-term investments	77	-	-
Restricted cash - Level 1	-	240,045	-
Restricted short-term investments	60,000	-	-
Amounts receivable	59,582	-	-
Provisionally-priced receivables - Level 2	-	13,926	-
Reclamation deposits	26,354	-	-
Long-term receivables	2,979	-	-
Derivative assets - Level 2	-	516	978
	\$ 148,992	\$ 355,716	\$ 978
<u>Financial liabilities</u>			
Trade creditors and accruals	\$ 91,320	\$ -	\$ -
Amount due to Royal Gold - Level 2	-	34,369	-
Finance lease liability	31,986	-	-
Debt	406,383	-	-
Revenue-based taxes payable	12,112	-	-
Derivative liabilities - Level 2	-	-	871
	\$ 541,801	\$ 34,369	\$ 871

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

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December 31, 2016

	Amortized cost	Assets/liabilities at fair value through earnings (loss)	Assets/liabilities at fair value through OCI
<u>Financial assets</u>			
Cash and cash equivalents - Level 1	\$ -	\$ 160,017	\$ -
Short-term investments	74	-	-
Restricted cash - Level 1	-	248,668	-
Amounts receivable	43,949	-	-
Provisionally-priced receivables - Level 2	-	4,148	-
Reclamation deposits	32,035	-	-
Long-term receivables	6,326	-	-
Fuel derivative assets - Level 2	-	-	1,654
	\$ 82,384	\$ 412,833	\$ 1,654
<u>Financial liabilities</u>			
Trade creditors and accruals	\$ 92,715	\$ -	\$ -
Amount due to Royal Gold - Level 2	-	29,170	-
Finance lease liability	29,901	-	-
Debt	465,132	-	-
Revenue-based taxes payable	19,202	-	-
Commodity derivative liability - Level 2	-	1,512	-
	\$ 606,950	\$ 30,682	\$ -

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

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

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

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

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

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Decrease (increase) in amounts receivable	\$ 34,282	\$ (39,637)	\$ (23,939)	\$ (14,003)
Decrease (increase) in inventory - ore and metal	33,332	7,910	83,779	(47,573)
Decrease (increase) in inventory - supplies	6,184	14,148	(8,395)	18,383
(Increase) decrease in prepaid expenses	(3,809)	3,720	(3,277)	7,096
(Decrease) increase in trade creditors and accruals	(10,998)	8,360	(1,873)	12,997
Increase (decrease) in revenue-based tax payable	(5,702)	7,585	(7,090)	1,600
Increase (decrease) in depreciation and amortization included in inventory (note 7)	(34,632)	(2,138)	(72,611)	10,751
Decrease (increase) in accruals included in additions to PP&E	2,283	(2,015)	542	(9,651)
(Decrease) increase in other taxes payable	(107)	116	(793)	659
	\$ 20,833	\$ (1,951)	\$ (33,657)	\$ (19,741)

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

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

b. Investment in PP&E

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Additions to PP&E during the period (note 7)	\$ (94,113)	\$ (53,735)	\$ (181,980)	\$ (103,385)
Greenstone Gold Property translation adjustment	977	-	1,267	-
Capitalized parts	1,436	-	1,436	-
Purchase of Teck royalty via share issuance	-	-	-	2,954
Impact of revisions to asset retirement obligation included in PP&E	(364)	-	-	-
Depreciation and amortization included in additions to PP&E (note 7)	16,919	6,703	32,714	10,358
Capitalization of OMAS financing costs	209	-	908	-
(Decrease) increase in accruals related to additions to PP&E	(2,363)	2,015	(624)	9,651
	\$ (77,299)	\$ (45,017)	\$ (146,279)	\$ (80,422)

c. Changes in liabilities arising from financing activities

	Three months ended	
	June 30, 2017	
	Debt⁽²⁾	Interest payable⁽¹⁾
Opening balance	428,294	2,208
Changes due to:		
Repayments	(22,500)	(6,564)
Amortization of deferred financing costs	589	-
Interest expense	-	5,669
Capitalized interest and other	-	727
Balance at June 30, 2017	406,383	2,040

⁽¹⁾Included within "Accounts payable and accrued liabilities".

⁽²⁾Includes short term debt (\$72,833) and long term debt (\$333,550).

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

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

	Six months ended June 30, 2017	
	Debt⁽²⁾	Interest payable⁽¹⁾
Opening balance	465,132	4,783
Changes due to:		
Repayments	(60,000)	(15,306)
Amortization of deferred financing costs	1,251	-
Interest expense	-	12,154
Capitalized interest and other	-	409
Balance at June 30, 2017	406,383	2,040

⁽¹⁾Included within "Accounts payable and accrued liabilities".⁽²⁾Includes short term debt (\$72,833) and long term debt (\$333,550).**19. Segmented Information**

The following table reconciles segment earnings (loss) per the reportable segment information to earnings (loss) per the Statements of Earnings.

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

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

Three months ended June 30, 2017

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	North America		Corporate and other	Total
				Gold-Copper	Molybdenum		
Gold sales	\$ 168.6	\$ -	\$ -	\$ 50.7	\$ -	\$ -	\$ 219.3
Copper sales	-	-	-	27.3	-	-	27.3
Molybdenum sales	-	-	-	-	30.6	-	30.6
Tolling, calcining and other	-	-	-	-	1.9	-	1.9
Revenue	168.6	-	-	78.0	32.5	-	279.1
Cost of sales	80.3	-	-	52.9	32.0	-	165.2
Standby costs, net	-	1.3	-	-	-	-	1.3
Regional office administration	4.1	-	-	-	-	-	4.1
Earnings (loss) from mine operations	84.2	(1.3)	-	25.1	0.5	-	108.5
Revenue-based taxes	23.8	-	-	-	-	-	23.8
Other operating expenses	0.1	0.3	-	1.8	0.5	-	2.7
Care and maintenance	-	-	-	-	3.3	-	3.3
Pre-development project costs	-	-	-	-	-	1.3	1.3
Exploration expenses and business development	-	0.2	-	-	-	2.3	2.5
Thompson Creek Metals Inc. acquisition and integration expenses	-	-	-	-	-	0.5	0.5
Corporate administration	-	0.2	0.2	-	-	8.5	8.9
Asset impairment	-	41.3	-	-	-	-	41.3
Earnings (loss) from operations	60.3	(43.3)	(0.2)	23.3	(3.3)	(12.6)	24.2
Other income, net							(2.9)
Finance costs							7.3
Earnings before income tax							19.8
Income tax recovery							(3.6)
Net earnings							\$ 23.4
Capital expenditure for the period	\$ 82.6	\$ 1.3	\$ 2.4	\$ 5.3	\$ -	\$ 2.5	\$ 94.1

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

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

Three months ended June 30, 2016

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	North America		Corporate and other	Total
				Gold-Copper	Molybdenum		
Gold sales	\$ 160.4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160.4
Revenue	160.4	-	-	-	-	-	160.4
Cost of sales	116.8	-	-	-	-	-	116.8
Standby costs, net	-	(0.6)	-	-	-	-	(0.6)
Regional office administration	3.7	-	-	-	-	-	3.7
Earnings from mine operations	39.9	0.6	-	-	-	-	40.5
Revenue-based taxes	22.6	-	-	-	-	-	22.6
Other operating expenses	0.7	-	-	-	-	-	0.7
Pre-development project costs	-	-	-	-	-	4.0	4.0
Exploration expenses and business development	-	0.5	-	-	-	4.6	5.1
Corporate administration	0.1	-	-	-	-	6.7	6.8
Earnings (loss) from operations	16.5	0.1	-	-	-	(15.3)	1.3
Other income, net							(0.4)
Finance costs							1.4
Earnings before income tax							0.3
Income tax recovery							(2.6)
Net earnings							\$ 2.9
Capital expenditure for the period	\$ 44.6	\$ 3.0	\$ 1.6	\$ -	\$ -	\$ 4.5	\$ 53.7

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

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

Six months ended June 30, 2017

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	North America		Corporate and other	Total
				Gold-Copper	Molybdenum		
Gold sales	\$ 332.8	\$ -	\$ -	\$ 106.8	\$ -	\$ -	\$ 439.6
Copper sales	-	-	-	55.9	-	-	55.9
Molybdenum sales	-	-	-	-	64.9	-	64.9
Tolling, calcining and other	-	-	-	-	4.1	-	4.1
Revenue	332.8	-	-	162.7	69.0	-	564.5
Cost of sales	152.8	-	-	118.6	65.7	-	337.1
Standby costs, net	-	2.7	-	-	-	-	2.7
Regional office administration	8.3	-	-	-	-	-	8.3
Earnings (loss) from mine operations	171.7	(2.7)	-	44.1	3.3	-	216.4
Revenue-based taxes	47.0	-	-	-	-	-	47.0
Other operating expenses	0.2	0.5	-	3.0	1.0	-	4.7
Care and maintenance	-	-	-	-	6.6	-	6.6
Pre-development project costs	-	-	-	-	-	2.4	2.4
Exploration expenses and business development	-	0.4	-	-	-	3.8	4.2
Thompson Creek Metals Inc. acquisition and integration expenses	-	-	-	-	-	1.4	1.4
Corporate administration	0.1	0.2	0.2	-	-	18.6	19.1
Asset impairment	-	41.3	-	-	-	-	41.3
Earnings (loss) from operations	124.4	(45.1)	(0.2)	41.1	(4.3)	(26.2)	89.7
Other income, net	-	-	-	-	-	-	(3.2)
Finance costs	-	-	-	-	-	-	15.0
Earnings before income tax							77.9
Income tax recovery	-	-	-	-	-	-	(2.5)
Net earnings							\$ 80.4
Capital expenditure for the period	\$ 161.3	\$ 1.8	\$ 5.2	\$ 9.7	\$ 0.1	\$ 3.9	\$ 182.0
Goodwill	\$ -	\$ -	\$ -	\$ 16.1	\$ -	\$ -	\$ 16.1
Total assets (excluding goodwill)	\$ 1,274.6	\$ 69.2	\$ 42.0	\$ 896.9	\$ 190.7	\$ 178.9	\$ 2,652.3
Total liabilities	\$ 117.9	\$ 30.1	\$ 0.7	\$ 127.2	\$ 66.2	\$ 421.5	\$ 763.6

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

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

Six months ended June 30, 2016

(Millions of U.S. Dollars)	North America						Corporate and other	Total
	Kyrgyz Republic	Mongolia	Turkey	Gold- Copper	Molybdenum			
Gold sales	\$ 233.2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	233.2
Revenue	233.2	-	-	-	-	-	-	233.2
Cost of sales	147.9	-	-	-	-	-	-	147.9
Standby costs, net	-	(0.7)	-	-	-	-	-	(0.7)
Regional office administration	7.0	-	-	-	-	-	-	7.0
Earnings from mine operations	78.3	0.7	-	-	-	-	-	79.0
Revenue-based taxes	32.9	-	-	-	-	-	-	32.9
Other operating expenses	1.3	(0.1)	-	-	-	-	-	1.2
Pre-development project costs	-	-	-	-	-	-	5.3	5.3
Exploration expenses and business development	-	0.6	-	-	-	-	6.6	7.2
Corporate administration	0.1	-	-	-	-	-	12.5	12.6
Earnings (loss) from operations	44.0	0.2	-	-	-	-	(24.4)	19.8
Other income, net								(1.7)
Finance costs								2.6
Earnings before income tax								18.9
Income tax recovery								(2.1)
Net earnings							\$	21.0
Capital expenditure for the period	\$ 86.5	\$ 3.4	\$ 8.2	\$ -	\$ -	\$ -	\$ 5.3	\$ 103.4
Total assets	\$ 958.3	\$ 175.1	\$ 27.3	\$ -	\$ -	\$ -	\$ 551.1	\$ 1,711.8
Total liabilities	\$ 105.1	\$ 28.8	\$ 3.4	\$ -	\$ -	\$ -	\$ 125.6	\$ 262.9