



Building a Team-Based Culture of **Excellence** that Responsibly **Delivers** Sustainable **Value** and **Growth**



CORPORATE PROFILE

Centerra is a Canadian-based gold mining company engaged in operating, developing, acquiring and exploring gold properties in North America, Asia and other markets worldwide. The Company is the largest Western-based gold producer in Central Asia with two operating gold mines, one located in the Kyrgyz Republic and one in Canada. In 2016, Centerra produced 598,677 ounces of gold and 10.4 million pounds of copper from its two operations.

Centerra's objectives are to build shareholder value by maximizing the potential of its current properties, expand its portfolio of gold mining operations, add additional exploration properties and continue to increase its reserves and resources. Centerra's shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is headquartered in Toronto, Ontario, Canada.



CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Information contained in this annual report which are not statements of historical facts, and the documents incorporated by reference herein, may be "forward-looking information" for the purposes of Canadian securities laws. These forward-looking statements relate to, among other things, the Company's expectations for 2017 gold and copper production, unit costs, exploration and business development and capital expenditures; the Company's estimates of production and costs at Kumtor, estimates of production and costs at Mount Milligan and consolidated production and costs; expectations regarding the Gatsuurt Project entering into definitive agreements, expected royalty rates, planned processing methods and estimated recoveries and our expectations of updating existing technical and economic studies; expectations regarding further progress on the Öksüt Project, including the schedule for construction; and expectations regarding Greenstone Gold Property, including minimizing the risk profile, advancement of permitting and discussions on impact benefit agreements and completing and submitting the environmental assessments for the Greenstone Gold Property, Hardrock Project. Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. For a detailed discussion of such risks and other factors, see the Management's Discussion and Analysis (MD&A) included in this Annual Report and the Company's most recent Annual Information Form which is available on SEDAR.

Although Centerra believes that the assumptions inherent in these forward-looking statements are reasonable, the reader should not place undue reliance on these statements. Forward-looking information is as of February 23, 2017. Centerra disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.

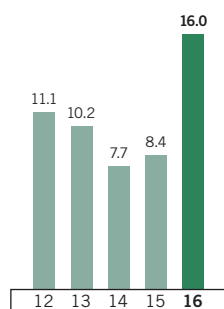
Mineral resources are not mineral reserves and do not have demonstrated economic viability. Inferred mineral resources have a greater amount of uncertainty as to whether they can be mined economically. It cannot be assumed that all or part of the inferred resources will ever be upgraded to a higher category. There is no certainty that mineral resources of any category can be upgraded to mineral reserves through continued exploration. Mineral Reserves and Resources are as of December 31, 2016, please refer to page 13 of the MD&A included in this Annual Report. Except as otherwise noted herein, Gordon Reid, Professional Engineer and Centerra's Vice President and Chief Operating Officer, has reviewed and approved the scientific and technical information contained in this Annual Report. Mr. Reid is a Qualified Person within the meaning of NI 43-101. For more information, please refer to the Company's MD&A included in this Annual Report and the Company's most recent Annual Information Form which is available on SEDAR.

All dollar amounts are expressed in U.S. dollars in this report, except as otherwise indicated.

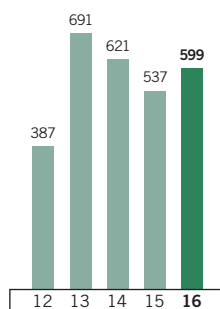


SELECTED ANNUAL INFORMATION <i>(\$ millions except as noted)</i>	2016	2015	2014
Revenue	\$ 761	\$ 624	\$ 763
Earnings from mine operations	\$ 331	\$ 215	\$ 233
Revenue-based taxes	\$ 96	\$ 85	\$ 97
Impairment of goodwill	–	\$ 19	\$ 111
Thompson Creek Metals Inc. acquisition expenses	\$ 12	–	–
Exploration and business development	\$ 13	\$ 11	\$ 16
Corporate administration	\$ 28	\$ 36	\$ 35
Earnings (loss) from operations	\$ 168	\$ 50	\$ (35)
Net earnings (loss)	\$ 152	\$ 42	\$ (44)
Earnings (loss) per share – \$ per share (basic)	\$ 0.60	\$ 0.18	\$ (0.19)
Cash provided by operations	\$ 371	\$ 334	\$ 376
Cash flow per share – \$ per share	\$ 1.48	\$ 1.41	\$ 1.59
Cash, cash equivalents and short-term investments (including restricted cash)	\$ 409	\$ 552	\$ 574
Total assets	\$ 2,655	\$ 1,661	\$ 1,629
Gold produced – ounces	598,677	536,920	620,821
Gold sold – ounces	580,496	536,842	615,234
Copper produced – 000's payable pounds	10,399	–	–
Copper sales – 000's payable pounds	9,467	–	–
Adjusted operating costs – \$ per oz sold ⁽¹⁾	\$ 346	\$ 354	\$ 409
All-in sustaining costs on a by-product basis – \$ per oz sold ⁽¹⁾	\$ 682	\$ 814	\$ 852
All-in costs, excluding development projects, on a by-product basis – \$ per oz sold ⁽¹⁾	\$ 756	\$ 861	\$ 944
All-in costs, excluding development projects, on a by-product basis including taxes – \$ per oz sold ⁽¹⁾	\$ 929	\$ 1,018	\$ 1,106
Average realized gold price (third party) – \$ per oz sold ⁽¹⁾	\$ 1,241	\$ 1,162	\$ 1,241
Average realized gold price (combined) – \$ per oz sold ⁽¹⁾	\$ 1,233	\$ 1,162	\$ 1,241

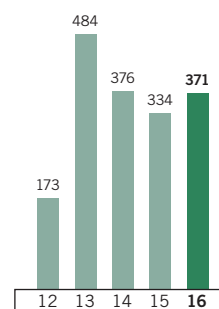
⁽¹⁾ Adjusted operating costs per ounce sold, all-in sustaining costs on a by-product basis per ounce sold, all-in costs excluding development projects on a by-product basis per ounce sold, all-in costs excluding development projects on a by-product basis including taxes per ounce sold and average realized gold price (third party and combined) per ounce sold, are non-GAAP measures and are discussed under "Non-GAAP Measures" in the Management's Discussion and Analysis accompanying this Annual Report.



GOLD MINERAL RESERVES
(as at December 31)
(millions of contained ounces of gold)



GOLD PRODUCTION
(thousands of ounces)



CASH FLOW FROM OPERATIONS
(\$ millions)

CEO'S MESSAGE

IN 2016, we refined the Company's vision to be, Building a Team-based Culture of Excellence that Responsibly Delivers Sustainable Value and Growth. We will achieve our vision through the application of our values which are Win as a Team, Responsible Miners, Deliver Results and Continuous Improvement. Our biggest asset is our people and to make sure we are safeguarding everyone, the Company is rolling out a new Centerra-branded safety leadership program called Work Safe, Home Safe across all our assets and business units. We congratulate our employees for their continued commitment to maintaining the highest safety, health and environmental standards at our mines and for achieving the production goals of the Company.

2016 was a busy, exciting and transformative year for Centerra. The key milestone was the closing of the \$1.03 billion Thompson Creek Metals Company acquisition in October. With this acquisition the Company favourably repositioned its geographic profile by adding a world class, long life, low cost producing mine located in Canada. Now, on a consensus basis, roughly half of Centerra's value is domiciled in North America. This also very favourably increased our gold reserve inventory by adding more than two decades of additional reserve life to our asset base. Our company-wide gold reserves increased by some 90% in 2016 primarily due to the addition of Mount Milligan as well as the resources at our 50% owned Greenstone Gold joint venture project being upgraded into reserve category following the release of the feasibility study in November for the open pit Hardrock Project.

During 2016, Kumtor had another strong year and it exceeded the mid-point of our favourably revised gold production guidance and achieved lower unit costs than the Company's favourably revised cost guidance. With the addition of production from Mount Milligan in October 2016, Centerra produced 598,677 ounces of gold and 10.4 million pounds of copper in 2016. We significantly beat our unit cost guidance for the year as our all-in sustaining costs on a by-product basis were \$682 per ounce sold¹. Our lower costs reflect Kumtor favourably outperforming its cost guidance with all-in sustaining costs¹ of \$640 per ounce sold for the year. Kumtor successfully implemented various continuous improvement initiatives throughout the year resulting in higher throughput in the mill and lower unit costs.

On the financial front in 2016, Centerra had a strong year in terms of profitability, reporting net earnings of \$151.5 million or \$0.60 per share (basic). In terms of cash flow on a Company-wide basis, we generated approximately \$371 million in cash flow from operations or \$1.48 per share, a very strong result. The Kumtor mine itself, at the actual operating asset level, generated \$237 million of free cash flow driven by a slightly higher gold price environment, stronger gold output and lower unit costs. At the

Mount Milligan mine, we generated free cash flow of \$8 million in the stub period in terms of Centerra's ownership from October 20, 2016, the date we closed the Thompson Creek acquisition.

At the end of the year, the Company reported \$409 million of cash, cash equivalents and short-term investments, which includes \$247.8 million of cash required to be retained in Centerra's wholly-owned Kumtor subsidiary. As well, at year-end the Company's debt balance was around \$475 million, after fully drawing our corporate revolving credit facility with the European Bank for Reconstruction and Development (EBRD) in the amount of \$150 million. Additionally, the Company established a new credit facility with a syndicate of lenders, in the aggregate amount of \$325 million which was used for the acquisition of Thompson Creek. In conjunction with the Thompson Creek acquisition, the Company also raised \$141.4 million (net of issuance costs) through an equity financing on a bought-deal basis, issuing 26,599,500 subscription receipts (including the over-allotment option), which were redeemed for common shares upon the close of the Thompson Creek acquisition on October 20, 2016.

The Company also invested \$13 million in exploration and business development and \$39 million in our other development properties and paid \$22.9 million in dividends before suspending the payment of dividends in light of the continued inability of the Company to access cash generated by the Kumtor Project. With the addition of gold and copper production from Mount Milligan, subsequent to year-end, the Company hedged approximately 55% of its expected 2017 copper production to increase cash flow certainty during 2017.

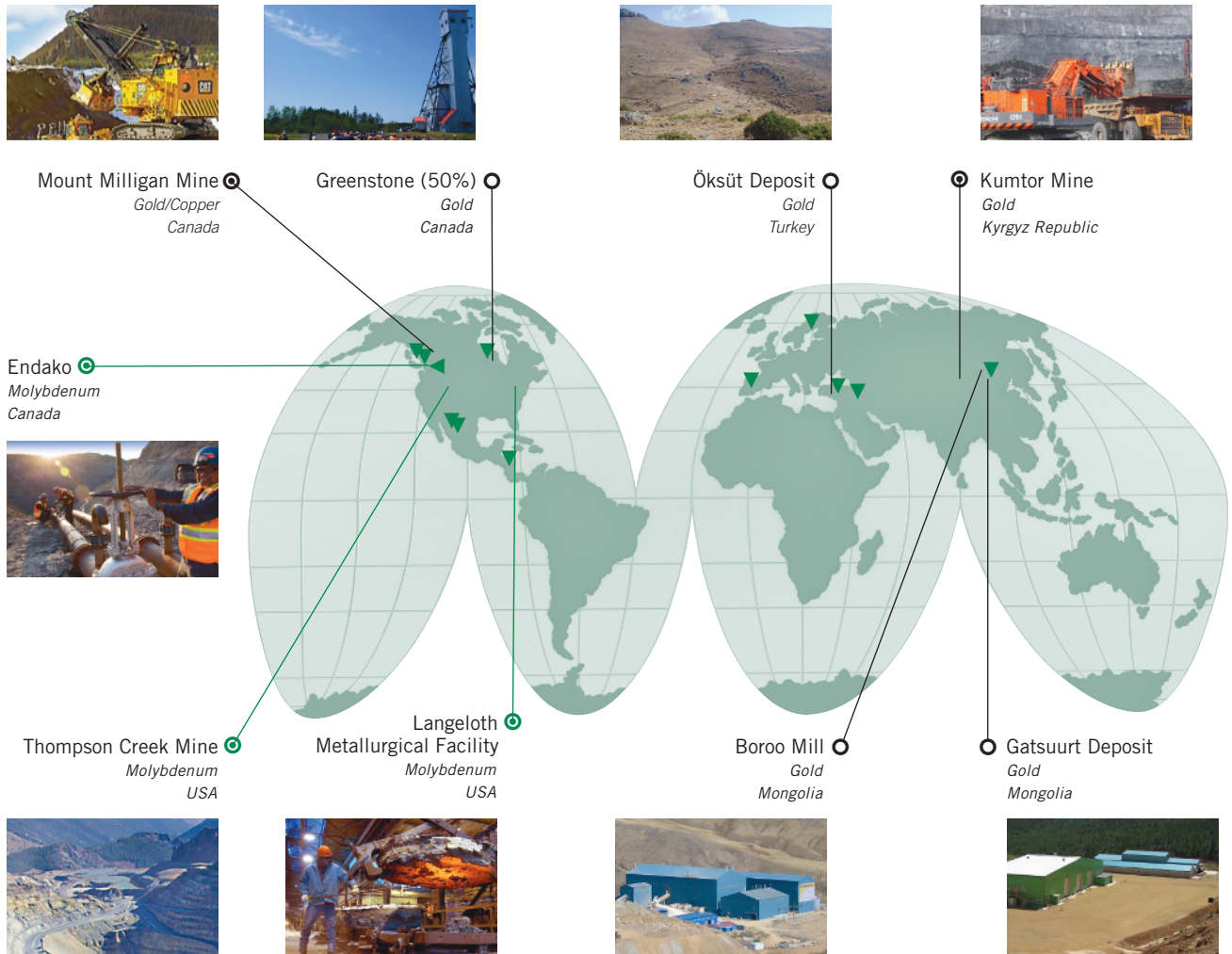
At the Öksüt Project in Turkey, we continued to advance the project to development as we received the forestry usage permit and the operating permit for the forestry area last summer. Currently, the pastureland permit is outstanding and we are working with the relevant agencies to obtain the pastureland permit. Work also continued on the detailed engineering and procurement of contractors and equipment and we put in place a \$150 million project financing facility with UniCredit which EBRD joined as an equal lender in August. The facility is secured by the Öksüt assets and is non-recourse to Centerra. If we receive the pastureland permit in the second quarter of 2017, construction activities at the Öksüt Project could potentially commence in July 2017 which could result in first gold production in the third quarter of 2018.

During 2016, the Company continued to engage in discussions with the Mongolian Government regarding definitive agreements in relation to the future operations and economics of the Gatsuurt Project. Such discussions are expected to continue throughout 2017. At the same time various work programs at Gatsuurt were

¹ Non-GAAP measure, see discussion under "Non-GAAP Measures" in our MD&A.

CENTERRA: AN INTERNATIONALLY DIVERSIFIED PORTFOLIO

- ⊙ Operations
- Development
- ⊕ Molybdenum Asset
- ▼ Exploration Target



ACQUISITION OF THOMPSON CREEK METALS

Created a Geographically Diversified Gold Producer with a High Quality Producing Platform and a Strong Growth Pipeline.



- Strong free cash flow generation provides financial strength and flexibility.
- The combined company has a high quality diversified producing platform with a balanced geopolitical risk profile.



- Completed the \$1.03 billion acquisition of Thompson Creek Metals Company Inc.
- Gold mineral reserves increased 90% to 16.0 million contained ounces of gold (673.5 Mt at 0.7 g/t gold) at year-end.
- Initial copper mineral reserves of 2,049 million pounds of contained copper (496.2 Mt at 0.242% copper) at year-end.
- Achieved Company-wide all-in sustaining costs on a by-product basis per ounce sold¹ of \$682 for the full year.
- Cash provided by operations totalled \$371.4 million for the year.
- Kumtor generated \$237 million in cash after all capital expenditures and taxes in 2016, achieving all-in sustaining costs¹ of \$640 per ounce sold for the year.
- Cash and cash equivalents and short-term investments total \$408.8 million at December 31, 2016, which includes \$247.8 million of cash that can only be used for Centerra's Kumtor subsidiary purposes.
- Entered into a project debt financing facility of \$150 million with UniCredit and the European Bank for Reconstruction and Development to finance the eventual development of the Öksüt Project.
- Established a new credit facility with a syndicate of lenders, in the aggregate amount of \$325 million which was used for the acquisition of Thompson Creek Metals.
- Received the forestry usage permit and the operating permit for the forestry area at the Öksüt Project.
- Completed a feasibility study on Greenstone Gold Mines Hardrock Project.
- Positive retained earnings of \$856.4 million at year-end.

⁽¹⁾ Non-GAAP measure, see discussion under "Non-GAAP Measures" in the MD&A.

completed during the year including exploration drilling, resource definition, metallurgical, geo-technical and hydrogeological drilling and environment and operational studies. We expect to update the existing technical and economic studies on the project in support of future project development.

On the Greenstone Gold Property, during 2016, work continued on the feasibility study for the Hardrock Project and the bankable feasibility study was completed and announced in November and a 43-101 technical report was filed in December. No development or construction decision has been made yet by the partnership on the project. In 2017, work will continue to evaluate programs to minimize the risk profile of the project including the advancement of permitting, discussions with the applicable Aboriginal communities on mutually beneficial impact benefit agreements and completing and submitting the Environmental Assessments based on the feasibility study.

Looking forward in 2017, our gold production is estimated to be in the range of 715,000 to 795,000 ounces, of that 455,000 ounces to 505,000 ounces is expected from Kumtor and 260,000 to 290,000 ounces is expected from Mount Milligan. Our 2017 production outlook assumes no mining activities at Boroo and Gatsuurt, and no gold production from the Gatsuurt and Öksüt projects. In addition, we expect concentrate production from Mount Milligan to be in the range of 125,000 to 135,000 dry tonnes and payable copper production is expected to be in the range of 55 million pounds to 65 million pounds for the year.

Company-wide our all-in sustaining costs on a by-product basis for 2017 are expected to be in the range of \$743 to \$824 per ounce sold. "All-in sustaining costs" is a non-GAAP measure and includes

our sustaining capital and corporate costs on a consolidated basis, but excludes growth capital and taxes. It is more fully described in "Non-GAAP Measures" in the accompanying Management's Discussion and Analysis.

In 2017, we will continue to invest in our operating properties. Total capital expenditures excluding capitalized stripping are estimated to be \$148 million, which includes \$96 million of sustaining capital and \$52 million of growth capital. The cash component of capitalized stripping costs related to the development of the open pit at Kumtor is expected to be \$172 million. We will continue our commitment to global exploration, with an exploration budget of \$9 million in 2017. Exploration and business development activities will focus on Asia, Canada, Mexico, Mongolia, Nicaragua, Sweden, Turkey, and expand into new regions to meet the long-term growth targets of Centerra.

We look forward to another strong year of profitable production at Kumtor and Mount Milligan, advancing the development of the Öksüt Project in Turkey, advancing the Gatsuurt Project in Mongolia, de-risking the Greenstone Gold Project in Canada, expanding our exploration program into new regions and lastly, looking for new accretive profitable growth opportunities.

Scott G. Perry, Chief Executive Officer





Management's Discussion and Analysis

For the Fiscal Year Ended December 31, 2016

Centerra Gold Inc.
Management’s Discussion and Analysis (“MD&A”)
For the Fiscal Year Ended December 31, 2016

The following discussion has been prepared as of February 23, 2017, and is intended to provide a review of the financial position and results of operations of Centerra Gold Inc. (“Centerra” or the “Company”) for the three and twelve months ended December 31, 2016 in comparison with the corresponding periods ended December 31, 2015. This discussion should be read in conjunction with the Company’s audited financial statements and the notes thereto for the year ended December 31, 2016 prepared in accordance with International Financial Reporting Standards (“IFRS”). In addition, this discussion contains forward-looking information regarding Centerra’s business and operations. Such forward-looking statements involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward looking statements. See “Risk Factors” and “Caution Regarding Forward-Looking Information” in this discussion. All dollar amounts are expressed in United States dollars (“USD”), except as otherwise indicated. Additional information about Centerra, including the Company’s most recently filed Annual Information Form, is available at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com.

All references in this document denoted with ^{NG}, indicate a non-GAAP term which is discussed under “Non-GAAP Measures” on pages 55 to 62.

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Highlights

- 1) On October 20, 2016, the Company completed the acquisition of Thompson Creek Metals Company Inc. (“Thompson Creek” or “TCM”) for total considerations of \$1.03 billion, thereby adding a low-cost gold and copper producing asset in Mount Milligan located in British Columbia, Canada.

In conjunction with the Thompson Creek Metals acquisition (the “Acquisition”), the Company raised equity financing on a bought-deal basis totalling \$141.4 million (net of issuance costs), issuing 26,599,500 Subscription Receipts (including the over-allotment option), which were redeemed for common shares upon the close of the acquisition on October 20, 2016. A subsidiary of Centerra also secured debt financing for the Acquisition in the aggregate amount of \$325 million from a lending syndicate of banks.

- 2) Gold production of 598,677 ounces in 2016; the Kumtor mine produced 550,960 ounces, at the higher end of the Company’s revised production guidance of 520,000 to 560,000 ounces, and the Mount Milligan mine produced 47,717 ounces following its acquisition by the Company on October 20, 2016.
- 3) All-in sustaining costs per ounce sold^{NG} for the year of \$682, was lower than the revised guidance of \$716 to \$772 per ounce sold (which did not include Mount Milligan costs).
- 4) Cash generated by operations in the year totalled \$371.4 million.
- 5) Earnings per share for 2016 totalled \$0.60/share.
- 6) In April 2016, the Company entered into a project debt financing facility of \$150 million with UniCredit Bank AG and EBRD to finance the eventual development of the Öksüt Project. The facility remains undrawn at the end of 2016. The Company also re-negotiated and extended the term of its \$150 million revolving credit facility with EBRD in February 2016.
- 7) In light of the continued inability of the Company to access cash generated by the Kumtor Project, including as a result of the denial by the Kyrgyz Republic Supreme Court of Kumtor Gold Company’s (“KGC”) appeal of the interim order, the Company has suspended the payment of dividends.

Developments in 2016

The following is a summary of 2016 events affecting the Company. For further information, see “Other Corporate Developments”.

Acquisition of Thompson Creek

On October 20, 2016, the Company completed the acquisition of Thompson Creek for \$1.03 billion in total consideration. Thompson Creek owned and operated the gold and copper Mount Milligan Mine in north central British Columbia, Canada, a low-cost asset with more than two additional decades of profitable production expected from the current reserve base.

The consideration paid for Thompson Creek included the redemption, at their call prices plus accrued and unpaid interest, or satisfaction and discharge, of all of Thompson Creek’s outstanding Senior Secured Notes due in 2017 and Unsecured Notes due in 2018 and 2019, representing \$326.1 million, \$349.7 million and \$205.2 million, respectively.

Concurrent with the Acquisition, the Thompson Creek streaming arrangement with RGLD Gold AG and Royal Gold Inc. (collectively “Royal Gold”) associated with the Mount Milligan mine was amended. Royal Gold’s 52.25% gold stream at Mount Milligan has been converted to a 35% gold stream and an 18.75% copper stream. Royal Gold will continue to pay US\$435 per ounce of gold delivered and will pay 15% of the spot price per metric tonne of copper delivered.

As part of the transaction, the Company closed an equity offering under which the underwriters purchased on a bought deal basis 26,599,500 subscription receipts, at a price of Cdn\$7.35 per subscription receipt for gross proceeds to the Company of approximately Cdn\$195.5 million (“the Offering”). The funds were held by an escrow agent until the transaction was completed on October 20, 2016. Upon completion of the Acquisition, the net proceeds of the Offering, Cdn\$185.7 million, were used to partially fund the redemption of the Secured and Unsecured Notes of Thompson Creek.

The Acquisition included the exchange of common shares, whereby one Thompson Creek share was exchanged for 0.0988 Centerra common shares. Thompson Creek preferred share units (“PSU”) and restricted share units (“RSU”) were exchanged for an equivalent number of Thompson Creek common shares, which were then exchanged for Centerra common shares. In total, Centerra issued 22,327,001 Centerra common shares in accordance with the exchange ratio, representing approximately 8% of Centerra’s issued and outstanding common shares following closing. The Centerra shares issued were equivalent to \$112.4 million (including \$1.6 million relating to the settled Thompson Creek PSUs and RSUs) using the October 19, 2016 closing price of Centerra’s common share price of Cdn\$6.60. Holders of Thompson Creek’s stock options were issued 111,341 options to acquire common shares of Centerra, with the number of shares and exercise price adjusted for the exchange conversion ratio and other terms consistent with Thompson Creek’s outstanding stock options.

Concurrent with the closing of the Acquisition, Centerra B.C. Holdings (a wholly-owned subsidiary of Centerra) entered into a \$325 million credit agreement with a lending syndicate to finance a portion of the Acquisition and to pay certain related fees and expenses. The 5-year term facilities consist 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 “Centerra B.C. Holdings Credit Facility”). Centerra B.C. Holdings’ obligations under the Centerra B.C. Holdings Credit Facility are guaranteed by the assets of Thompson Creek and certain of Thompson Creek’s material subsidiaries.

Kumtor Operations

- On January 24, 2016, an industrial accident at the Kumtor mill resulted in an employee fatality. Investigations were undertaken internally, and by the relevant Kyrgyz authorities, and subsequently completed. A criminal case has also been initiated by Kyrgyz Republic authorities.
- The Kumtor Project continued to be subject in 2016 to a number of claims made by, among others, Kyrgyz Republic state environmental agencies which the Company continues to dispute. See “Other Corporate Developments” for further details.
- In May and June of 2016, the Bishkek Inter-District Court rendered judgments against Kumtor Gold Company (KGC) and Kumtor Operating Company (KOC) in court proceedings commenced by the Kyrgyz Republic State Inspectorate for Environment and Technical Safety (“SIETS”) and granted an interim order in a separate proceeding brought by the Kyrgyz Republic State Agency on Environment Protection and Forestry (“SAEPF”) which prohibits KGC and KOC from taking any actions relating to certain financial transactions including, transferring property or assets, declaring or paying dividends, pledging assets or making loans (the “KR Interim Court Order”).
- The Kumtor Project is also subject of a number of investigations by the Kyrgyz Republic General Prosecutor’s Office (“GPO”) into, among other things: (i) the reasonableness of certain of KGC’s commercial transactions and in particular, the purchase of goods and supplies in the normal course of its business operations and the expenses relating to the relocation of the Kumtor Project’s camp in 2014 and 2015; (ii) a routine inter-corporate dividend paid by KGC to Centerra in 2013; (iii) legality of the agreements relating to the Kumtor Project which were entered into in 2003, 2004 and 2009, and (iv) the validity of land use rights to portions of the Kumtor concession area.
- On May 30, 2016, Centerra delivered a notice of arbitration to the Kyrgyz Republic Government and Kyrgyzaltyn in connection with certain ongoing disputes relating to the Kumtor Project. The notice of arbitration was amended by Centerra on July 12, 2016. On January 12, 2017, Centerra filed an application to the sole arbitrator for partial award, or in the alternative, interim measures, against the Kyrgyz Republic, which seeks an order that the Kyrgyz Republic withdraw or, in the alternative, stay (suspend) its civil claims, including related court decisions including the KR Interim Court Order.
- On December 28, 2016, the Company received its 2017 maximum allowable emissions permit and its waste disposal permit, and the Kyrgyz authorities approved the 2017 mine plan for its Kumtor Project. Centerra now has all the necessary permits and approvals in place for mining operations at the Kumtor Project throughout 2017. Kumtor routinely discharges water from its tailings facility starting in the spring and expects to apply for and receive, in ordinary course, the required discharge permit at that time.
- The Company continues its discussions with the Government of the Kyrgyz Republic to resolve all outstanding issues affecting the Kumtor Project in a manner that is fair to all of its stakeholders. See “Other Corporate Developments” and “Risk Factors”.

Mount Milligan

- Construction of the permanent secondary crushing circuit was completed at Mount Milligan during the fourth quarter of 2016. The project processed its first ore in late October and began 24-hour operations in November. Work continues to optimize the crushing and grinding equipment and to make adjustments in the mill standard operating procedures to maximize the value of the circuit.

Gatsuurt Project

- On February 4, 2016, the Mongolian Parliament approved the level of Mongolia state ownership in the Gatsuurt Project at 34%. Under the Mongolian Minerals Law, the Government may now implement a special royalty in place of a 34% state ownership in the Gatsuurt Project. The Company expects to continue negotiating definitive agreements with the Mongolian authorities in 2017.

Öksüt Project

- On July 14, 2016, the Company received a forestry usage permit for the Öksüt Project. The operation permit for the forestry area was obtained on August 26, 2016. A pastureland permit is currently outstanding and the Company is working with the relevant agencies to obtain the permit. There are no assurances that the approval of the key pastureland permit or other permits will be obtained by the Company in a timely manner, or at all. See “Developments Projects – Öksüt Project” for further details.

Greenstone Gold’s Hardrock Project

- On November 26, 2016, the Company announced the completion of a feasibility study for the Hardrock Project (the “Hardrock Project”) located in Geraldton, Ontario. This was followed by an announcement on December 22, 2016 of the filing of the NI43-101 technical report for the Hardrock Project which describes in detail the life-of-mine plan, based only on open-pit mineral reserves at the Hardrock Project as at August 11, 2016.

Centerra’s Business

Centerra is a gold mining company focused on operating, developing, exploring and acquiring gold properties in North America, Asia, and other markets worldwide. Centerra is a leading Canadian-based gold producer and is one of the largest Western-based gold producer in Central Asia. One of Centerra’s principal operations is located in the Kyrgyz Republic and is subject to political and regulatory risks. The other principal operation is in British Columbia, Canada and was acquired as part of the Thompson Creek acquisition. See “Other Corporate Developments” and “Risk Factors” for further details. The Company is headquartered in Toronto, Ontario, Canada.

Centerra’s common shares are listed for trading on the Toronto Stock Exchange under the symbol CG. As of February 23, 2017, being the date of this MD&A, there are 291,277,518 common shares issued and outstanding and options to acquire 5,363,755 common shares outstanding under its stock option plan.

As of December 31, 2016, Centerra's significant subsidiaries are as follows:

<u>Entity</u>	<u>Property - Location</u>	<u>Stage of Mine</u>	<u>Property Ownership</u>	
			<u>2016</u>	<u>2015</u>
Kumtor Gold Company	Kumtor Mine - Kyrgyz Republic	Operation	100%	100%
Boroo Gold LLC ("BGC")	Boroo Mine - Mongolia	Stand-by	100%	100%
Centerra Gold Mongolia LLC	Gatsuurt Project - Mongolia	Development	100%	100%
Centerra Gold Mongolia LLC	Altan Tsagaan Ovoo ("ATO") Property - Mongolia	Exploration	100%	100%
Öksüt Madencilik A.S. ("OMAS")	Öksüt Project - Turkey	Development	100%	100%
Greenstone Gold Mines LP ("Greenstone Partnership")	Greenstone Gold Property - Canada	Pre-development	50%	50%
Thompson Creek Metals Company Inc.	Mount Milligan Mine - Canada	Operation	100%	0%
Thompson Creek Metals Company Inc.	Endako Mine - Canada	Care and Maintenance	75%	0%
Langeloth Metallurgical Co LLC	Langeloth - United States	Molybdenum Processing Facility	100%	0%
Thompson Creek Mining Co.	Thompson Creek Mine - United States	Care and Maintenance	100%	0%

As at December 31, 2016, the Company has also entered into agreements to earn an interest in joint venture exploration properties located in Portugal, Canada, Mexico, Sweden and Nicaragua.

Substantially all of Centerra's revenues are derived from the sale of gold and copper. The Company's revenues are derived from gold and concentrate production from its mines and gold and copper prices realized from the sale of these products. Gold doré production from the Kumtor mine is purchased by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic while gold and copper concentrate produced by the Mount Milligan mine in Canada is sold to various smelters and off-take purchasers.

The Mount Milligan mine in Canada is subject to a streaming arrangement whereby Royal Gold is entitled to receive 35% of the gold produced and 18.75% of the copper production. Royal Gold will pay Centerra \$435 per ounce of gold delivered and will pay 15% of the spot price per metric tonne of copper delivered.

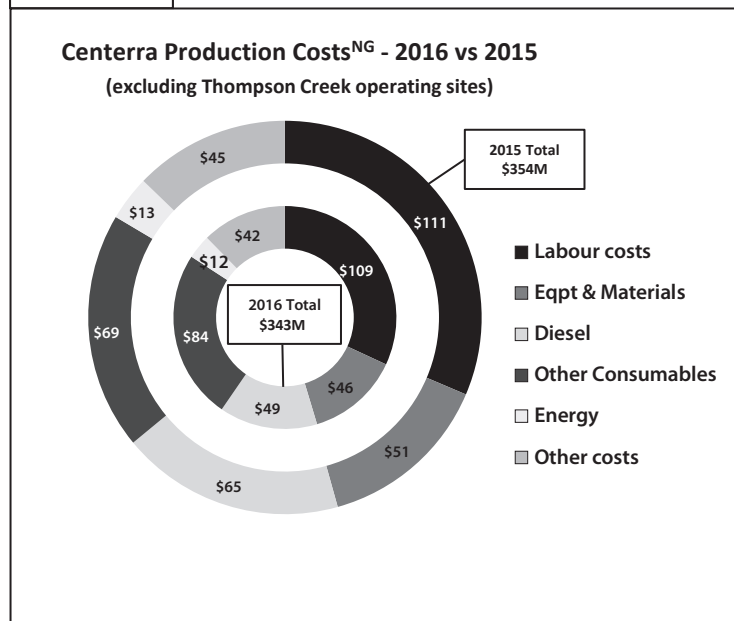
The average spot price for gold in 2016 based on the London PM fix was \$1,248 per ounce, an increase of 8% over the average in 2015. Centerra produced approximately 41% of its gold production in the fourth quarter of 2016 when the average spot price for gold was \$1,222 per ounce. The average realized price^{NG} of gold received by Centerra in 2016 was \$1,233 per ounce, a 6% increase when compared to the average price realized^{NG} in 2015. The average realized price^{NG} of gold in 2016 includes the impact of sales of gold to Royal Gold from the date of the acquisition at an agreed price of \$435 per ounce. See "Non-GAAP Measures".

The Company's costs are comprised primarily from operating costs at the Kumtor and Mount Milligan mines, project development at Öksüt and the Greenstone Gold Property, closure and holding costs of the Boroo mine (a majority of the Boroo infrastructure is on care and maintenance pending progress on the Gatsuurt Project), care and maintenance costs at the Company's molybdenum mines (Endako Mine and Thompson Creek Mine), Langeloth processing facility, exploration expenses relating to its own projects and its earn-in projects, administrative costs from offices worldwide and depreciation, depletion and amortization ("DD&A").

There are many operating variables that affect the cost of producing an ounce of gold and a pound of copper. In the mine, unit costs are influenced by the ore grade and the stripping ratio. The stripping ratio is the ratio of the tonnage of waste material which must be removed per tonne of ore mined. Ore grade refers to the amount of gold and/or copper contained in a tonne of ore. The significant costs of mining include labour, diesel fuel and equipment maintenance.

At the mill, costs are impacted by the ore grade and the metallurgical characteristics of the ore, which can impact gold and copper recovery. For example, a higher grade ore would typically result in a lower unit production cost. The significant costs of milling are labour, energy, grinding media, reagents, consumables and mill maintenance.

Figure A



Mining and milling costs are also affected by the cost of labour, which depends mostly on the availability of qualified personnel in the region where the operations are located, the wages in those markets, and the number of people required. Mining and milling activities involve the use of many materials. The varying costs of acquiring these materials and the amount used in the processing of the ore also influence the cash costs of mining and milling. The non-cash costs (namely DD&A) are influenced by the amount of capital costs related to the mine's acquisition, development and ongoing capital requirements and the estimated useful lives of capital items.

As shown above in Figure A, the Company's 2016 production costs (excluding the impact from the Thompson Creek operating sites since the Acquisition) were 3% lower than 2015 (\$342.7 million in 2016 compared to

\$354.1 million in 2015). The reduction reflects the impact of lower input prices (mainly for commodities like diesel) and the favourable movements in the Som exchange rate, as well as the varying levels of production in both years. These impacts on costs are discussed in the operational sections of this MD&A.

Over the life of each mine, another significant cost that must be planned for is the closure, reclamation and decommissioning of each operating site. In accordance with standard practices for international mining companies, Centerra carries out remediation and reclamation work during the operating period of the mine, where feasible, in order to reduce the final decommissioning costs. Nevertheless, the majority of rehabilitation work can only be performed following the completion of mining operations. Centerra's practice is to record the estimated final decommissioning costs based on conceptual closure plans, and to accrue these costs according to the principles of IFRS. In addition, Kumtor has established a reclamation trust fund to pay for these costs (net of forecast salvage value of assets) from the revenues generated over the life of mine. At Boroo, 50% of the upcoming year's annual environmental budget is deposited by Boroo into a government account and such funds are recovered by Boroo when the annual environmental commitments are completed. As required by US federal and state laws and Canadian provincial laws, the Company has provided reclamation bonds for mine closure obligations for Canadian and U.S. sites.

The Company reports the results of its operations in U.S. dollars, however not all of its costs are incurred in U.S. dollars. As such, the movement in exchange rates between currencies in which the Company incurs costs and the U.S. dollar also impact reported costs of the Company.

Economic Indicators

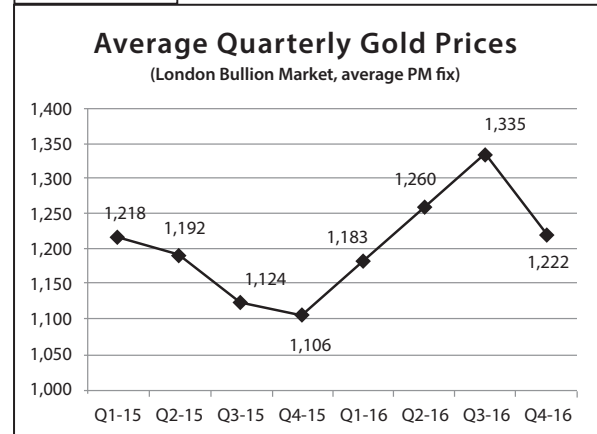
Gold Industry

The two principal uses of gold are bullion investment and product fabrication. A broad range of end uses is included within the fabrication category, the most significant of which is the production of jewelry. Other fabrication uses include official coins, electronics, miscellaneous industrial and decorative uses, medals and medallions.

Gold Price

The average quarterly gold spot price decreased by 10.1% in the fourth quarter of 2016 to \$1,222 per ounce from a high of \$1,335 in the first three quarters. The average gold spot price for the year was \$1,248 per ounce, an increase of 7.6% over the average in 2015.

Figure B

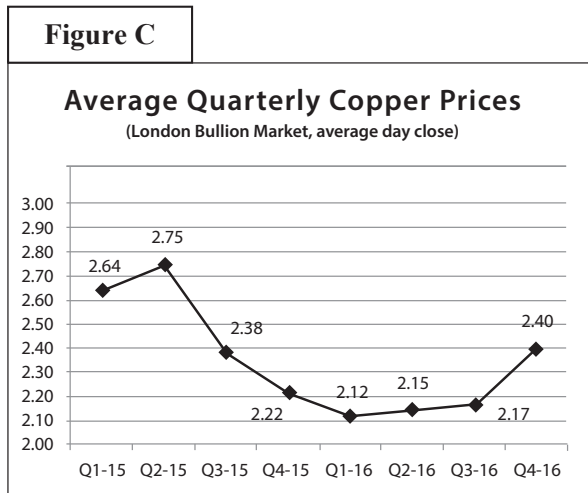


Copper Industry

Copper is an excellent conductor of electricity and heat and these properties result in the principal applications for copper consumption. Refined copper is used in the generation and transmission of electricity as well as industrial machinery and consumer products that have electrical and electronic applications. Copper is used in air conditioners and radiators. Copper has a wide range of material substitutes reflecting the range of its applications. Most common substitutes are aluminum, plastics, stainless steel and fiber optics. Annual copper supply comes primarily from new mined production and also from copper scrap recycling. Copper is an internationally traded commodity whether in the form of concentrate or refined metal. The copper price for refined copper is determined by the major metal exchanges: the London Metal Exchange, the Shanghai Futures Exchange, and the COMEX division of the New York Mercantile Exchange. Prices on these exchanges generally reflect the worldwide balance of copper supply and demand and can be volatile and cyclical. In general, demand for copper reflects the rate of underlying world economic growth.

Copper Price

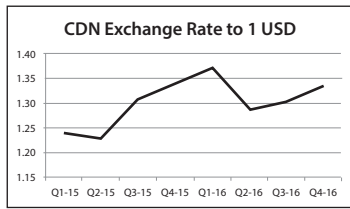
The average quarterly copper spot price increased in the fourth quarter of 2016 to \$2.40 per pound after prices hit a low of \$1.96 per pound on Jan 15, 2016, an 8% decrease from the December 31, 2015 price. The average copper spot price for the year was \$2.21 per pound, a decrease of 11% over the average in 2015.



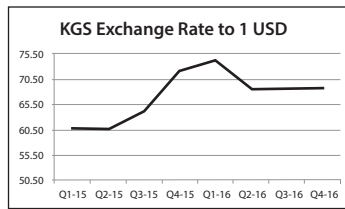
Exchange Rates

Figure D

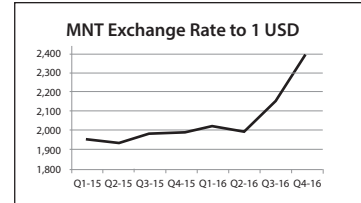
Canadian dollar



Kyrgyz Som



Mongolian Tugrik



In 2016, economic uncertainty caused by events such as the Brexit decision in the United Kingdom and later in the year the U.S. Presidential election created a climate of great uncertainty and contributed to a positive rebound in the year for gold. The mixed U.S. economic signals kept the markets unsettled throughout the year. Overall, despite the U.S. initiating tapering, most other nations kept their policy rates low with a significant number of lenders offering at negative rates. Europe, Japan and Switzerland were joined by Sweden and Denmark in offering debt at negative rates. Unconventional monetary policy remained in play through the 2016 year which led to significant uncertainty in FX rates.

One of the significant price change movements in commodities in 2016 was the recovery of oil prices from opening levels in the US\$30 range to levels of US\$50 plus. This recovery was not consistent across the spectrum of commodities as the robust USD and a slower Chinese growth scenario conflicted with bullish signals in thermal and coking coal, and some of the base metals. However, despite the uneven rate of growth, commodity prices trended upward over the year.

As energy prices recovered, energy producing nations benefitted. In particular, the Russian economic scenario improved and this allowed the Ruble to trace out an improved performance scenario similar to the Canadian dollar. The Ruble rallied from extreme negative pressure to start the year and improved from over 80 Ruble to 1 USD to the low 60 Ruble levels.

In Canada, official policy rates remained at the 0.5% level reached in mid-2015 with the Bank of Canada opting to keep its options open for any future demands that may emerge. As the U.S. economy continued to recover, the yield curve steepened and the Canadian yield curve followed suit. The Canadian dollar, despite starting the year under severe pressure, and facing the prospects of a widening rate disadvantage with the US, recovered in the latter part of the year to trade a steady, range between 1.25 to 1.35 CAD to USD.

Canadian Dollar

The Canadian dollar continued to be highly exposed to fluctuations in crude oil prices in 2016 due to the country's status as a major exporter of oil. The currency rose not only with crude oil prices but also moved with the rise and fall of energy stocks. The Canadian dollar also depends heavily on U.S. demand, as the U.S. is Canada's biggest trading partner, as well as U.S. monetary policy. From the end of December 2015, the Canadian dollar further devalued at its worst by over 5% in January to rebound by almost 10% in May and ending the year with an overall devaluation of almost 3% on the year.

Mongolian Tugrik

Economic growth in Mongolia slowed sharply in 2016 with a drop in the global commodity export activity. Mongolia's mostly resource-based, small economy combined with this slowdown in its main export market to China meant that this had a severe impact on the country's economy. A substantial reduction in foreign investments that mainly targeted Mongolia's mining industry combined with instability in regulatory policies has also led to a significant economic decrease. The result was that Mongolia experienced currency depreciation of almost 25% against the USD in 2016. Volatility in global commodity prices, tighter external finance and large external debt repayments remain as risks to Mongolia's economy and its currency in 2017.

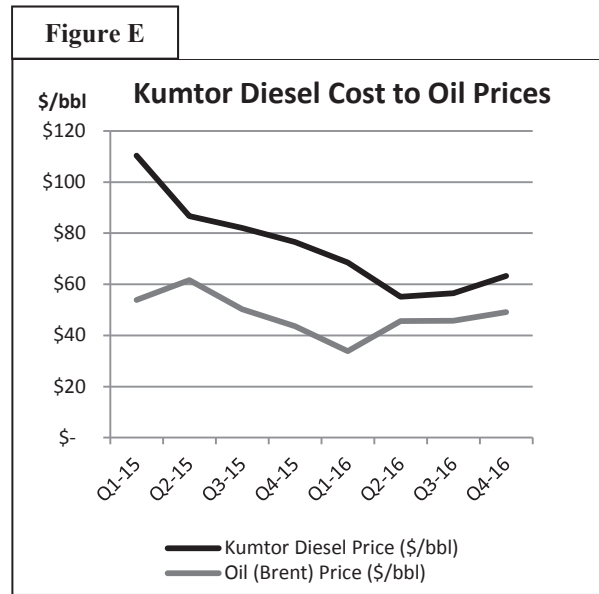
Kyrgyz Som

In 2016, the Kyrgyz Som stabilized against the U.S. dollar as the macroeconomic situation in the Kyrgyz Republic slightly improved. While the economies of Russia and Kazakhstan, main markets for Kyrgyz exports, continued to contract in 2016, both appeared to recover from the economic shock in late 2014 brought about by a significant drop in the world oil prices. Since the August 2015 accession of the Kyrgyz Republic to the Eurasian Economic Union (EAEU) comprising Russia, Belarus, Kazakhstan and Armenia, the Kyrgyz economy continued integration into the EAEU structures, and the Kyrgyz economy's dependence on the economic situation in Russia and Kazakhstan continued to increase. Nevertheless, according to the World Bank, in 2016 the Kyrgyz economy demonstrated resilience to the adverse regional environment. The strengthening of the local currency occurred in part due to significant increased volume of private money transfers from Kyrgyz migrant workers residing in EAEU countries, and the implementation of a "de-dollarization policy" by the National Bank and Government of the Kyrgyz Republic, whereby the Government has placed restrictions on locally-based US-denominated transactions. During 2016, the Russian Ruble, Kazak Tenge, and Kyrgyz Som strengthened against the U.S. dollar by 15.1%, 1.8%, and 8.6%, respectively. However, risks associated with the Kyrgyz economy and the stability of the Kyrgyz Som exchange rates remain, due to the possibility of further economic weakening in the EAEU countries.

Diesel Prices

Fuel costs represent a significant cost component for Centerra's mining operations and in 2016 Kumtor continued to enjoy lower fuel costs at its operations compared to historical averages. The reduced prices on fuel purchases were a result of declining crude oil prices.

Brent crude oil prices averaged \$44/bbl in 2016, compared to \$52/bbl in 2015. According to the U.S. Energy Information Administration, in real terms, crude oil prices in 2016 (based on the global benchmark North Sea Brent) were at their lowest levels since 2004. During 2016 the oil market continued rebalancing global crude oil supply and global demand. The oil supply was affected by lower oil production limited by high global stocks and sharply lower investment in non-OPEC countries. On the demand side the global consumption of petroleum and other liquid fuels grew steadily.



Lower prices for the diesel fuel used by Kumtor favorably affected Kumtor's cost profile in 2016. Purchase prices for diesel fuel for Kumtor were down almost 32% in 2016 compared with 2015, averaging \$0.38/l for the year. Kumtor sources its fuel from Russia either directly or through Kyrgyz distributors. In 2016 Kumtor saw a much closer alignment between movements of Brent crude oil prices and fluctuations in diesel prices for Kumtor quoted from the Russian suppliers which is probably explained by bottoming out of both crude oil and diesel prices. Kumtor's diesel prices include added costs for other factors such as seasonal premiums for winterizing of diesel fuel and transportation costs from the Russian refineries.

Crude oil prices jumped 10 percent in the fourth quarter, averaging \$49/bbl, following agreements by both OPEC and non-OPEC producers to reduce output by nearly 1.8 million barrels per day in the first half of 2017. It is expected that these output agreements will help trim excess supply. According to the World Bank's January 2017 issue of Commodity Markets Outlook, world crude oil prices are projected to average \$55/bbl. Based on the World Bank's outlook, average annual price is expected to increase by 29%. U.S. Energy Information Administration is also projecting higher average oil prices in 2017 at approximately \$50/bbl. Kumtor forecasts to source its Russian diesel at an average price of \$0.50/L in 2017. The diesel fuel price assumptions used in its 2017 forecast were made when the price of oil was approximately \$45 per barrel. Diesel fuel sourced for Kumtor from Russian suppliers only loosely correlates with world oil prices.

Liquidity

Financial liquidity provides the Company with the ability to fund future operating activities and investments. The Company's financial risk management policy focuses on cash preservation, while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company manages counterparty credit risk, in respect of cash and short-term investments, by maintaining bank accounts with highly-rated U.S. and Canadian banks and investing only in highly-rated Canadian and U.S. Government bills, term deposits or banker's acceptances with highly-rated financial institutions, and corporate direct credit of highly-rated, highly-liquid issuers.

Centerra generated \$371.4 million in cash from operations in 2016 and has a balance of cash and cash equivalents of \$160.1 million (excluding \$247.8 million of restricted cash at Kumtor) at December 31, 2016. The cash and cash equivalents balance comprises \$99.8 million held in Centerra Gold Inc., \$51.6 million held in Centerra B.C Holdings and the remaining \$8.7 million in other Company subsidiaries. Of the funds held in Centerra Gold Inc. \$50 million can only be used for Mongolian purposes. The funds held in Centerra B.C. Holdings can only be used for expenditures on Centerra B.C. Holdings' subsidiaries including the Mount Milligan mine. Cash dividends declared by Centerra B.C. Holdings for distribution to Centerra Gold Inc. will require a matching early repayment to the lender of the Centerra B.C. Holdings Credit Facility.

As part of the acquisition of Thompson Creek, Centerra B.C. Holdings secured financing from a lending syndicate in the aggregate amount of \$325 million which is fully drawn. As at December 31, 2016, Centerra has fully drawn its revolving line of credit with EBRD of \$150 million (\$25 million subsequently repaid in February 2017 and available for re-drawing as needed).

Centerra's Kyrgyz Republic operating subsidiary, KGC, is subject to an interim order of the Bishkek Inter-District Court in the Kyrgyz Republic prohibiting KGC from taking any actions relating to certain financial transactions, including transferring property or assets, declaring or paying dividends or making loans to Centerra. While such order does not prohibit KGC from continuing to use its cash resources to operate the Kumtor mine, cash generated from the Kumtor Project continues to be held in KGC and is not being distributed to Centerra. The interim order purports to secure KGC's potential liability for a claim brought by the Kyrgyz Republic State Agency for Environmental Protection and Forestry. Centerra has included the dispute in the ongoing international arbitration proceeding against the Kyrgyz Republic (see "Other Corporate Developments – Kyrgyz Republic"). As at December 31, 2016, the cash balance of KGC was \$247.8 million and is expected to continue to increase over time. As a result of the interim order, the Company is dependent on the Company's unrestricted cash balance and cash generated from the Mount Milligan mine to meet its obligations when due.

The Company believes its cash on hand, cash from the Company's existing credit facilities, and cash flow from the Company's Mount Milligan operations will be sufficient to fund its anticipated operating cash requirements through to the end of 2017, although there can be no assurance of this. Absent access to cash held by KGC due to the KR Interim Court Order, the Company expects that it will be required to raise financing in order to fund construction and development expenditures on its development properties or to defer such expenditures. Although KGC cash is currently restricted due to the KR Interim Court Order, such cash can be used to fund Kumtor operations. See "Caution Regarding Forward-Looking Information".

Under the Centerra B.C. Holdings Credit Facility, the principal amount of the Term Facility is to be repaid in \$12.5 million quarterly increments commencing March 31, 2017, while the Revolving Facility is to be repaid at the end of the five-year term. The terms of the credit facility require compliance with specified covenants (including financial covenants – commencing in the first quarter of 2017). Obligations under the Centerra B.C. Holdings Credit Facility are guaranteed by the material assets acquired, which includes the Mount Milligan mine, the Endako mine, the Langeloth facility and certain material subsidiaries. As at December 31, 2016 the Centerra B.C. Holdings Credit Facility is fully drawn. In January 2017, the covenants for 2017 were amended to reflect the planned 2017 production profile.

On February 12, 2016, the Company entered into a new five-year \$150 million revolving credit facility (the "Corporate Facility") with EBRD. In the fourth quarter of 2016, EBRD waived a condition precedent to the drawing of an additional \$50 million under the Corporate Facility for the purposes of funding direct and indirect costs associated with the Gatsuurt Project. The additional \$50 million was made available under the Corporate Facility on the condition that the funds are to be re-paid if an investment agreement relating to the Gatsuurt Project has not been concluded with the Government of Mongolia by February 2018. The Company does not expect to expend significant funds until it has signed a definitive investment agreement relating to the Gatsuurt Project with the Government of Mongolia. Subsequent to this, the Company repaid \$25 million (of the \$50 million reserved for the Gatsuurt Project) in February 2017. The remaining \$25 million must be repaid on February 3, 2018, if a definitive agreement for the Gatsuurt Project was not reached by that time. Except as noted in the preceding sentence, funds drawn under the Corporate Facility are available to be re-drawn on a semi-annual basis and, at the

Company's discretion, repayment of the loaned funds may be extended until 2021. As at December 31, 2016, the Corporate Facility is fully drawn. See "Other Corporate Developments – Credit Facilities".

On April 5, 2016, OMAS, a wholly-owned subsidiary of the Company, entered into a \$150 million credit facility agreement with UniCredit Bank AG (the "OMAS Facility") and EBRD expiring 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 approvals. The Company is currently awaiting a pastureland permit at the Öksüt Project. If the conditions are not satisfied or waived by the deadline of June 30, 2017, or an additional extension is not granted by the lenders, the commitments under the OMAS Facility will be cancelled. As of December 31, 2016, the OMAS Facility remains undrawn.

Mineral Reserves and Mineral Resources

On February 23, 2017, the Company released the results of the updated mineral reserve and mineral resource estimates for the Kumtor mine, the Mount Milligan mine and re-iterated mineral reserve and mineral resource estimates for the Company's other projects, including the Hardrock deposit, all as of December 31, 2016. For additional details, please see the news release "*Centerra Gold 2016 Year-End Reserve and Resource Update*" filed on SEDAR and the Company's website on February 23, 2017.

Mount Milligan's mineral reserves and mineral resources are presented on a 100% basis. Sales of gold and copper from the Mount Milligan mine fall under a streaming arrangement whereby Royal Gold is entitled to 35% and 18.75% of gold and copper sales respectively. Under this streaming arrangement, Royal Gold will pay Centerra \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered.

Highlights:

Gold Mineral Reserves

- At the end of 2016, Centerra's estimated proven and probable gold reserves increased by 7.6 million contained ounces, after accounting for processing of 696,000 contained ounces in 2016. Centerra's proven and probable mineral reserves now total an estimated 16.0 million ounces of contained gold (673.4 Mt at 0.7 g/t gold), compared to 8.4 million contained ounces (112.5 Mt at 2.3 g/t gold) as of December 31, 2015. The mineral reserve increase is primarily a result of the addition of Mount Milligan's mineral reserves after the Company closed the acquisition of Thompson Creek Metals Company Inc. on October 20, 2016 and the completion of a feasibility study on the Hardrock Project where mineral resources were upgraded to mineral reserves in November 2016. The 2016 year-end mineral reserves have been verified by the Company's Qualified Person and estimated using a gold price of \$1,200 per ounce.
- At the Kumtor mine, in the Kyrgyz Republic, proven and probable gold mineral reserves decreased by 511,000 contained ounces, after accounting for processing of 696,000 contained ounces in 2016. In 2016 mineral reserves decreased primarily due to mining depletion and as a result Kumtor's proven and probable mineral reserves now total an estimated 5.1 million ounces of contained gold (63.1 Mt at 2.5 g/t gold) at the end of December 2016, compared to 5.6 million contained ounces (69.2 Mt at 2.5 g/t gold) as of December 31, 2015.
- In Canada, at the Mount Milligan mine, proven and probable mineral reserves total 5.8 million ounces of contained gold (496.2 Mt at 0.4 g/t gold) at the end of December 2016. With the completion of the feasibility study for the Hardrock Project at the Company's 50% owned Greenstone Gold Project measured and indicated mineral resources on the Hardrock open pit were upgraded to an estimated probable mineral reserve of 2.3 million ounces of contained gold (70.9 Mt at 1.0 g/t gold) (Centerra's 50% share).
- In Mongolia, at the Gatsuert Project, proven and probable mineral reserves are unchanged from 2015 and are estimated to be 1.6 million contained ounces of gold (17.1 Mt at 2.9 g/t gold).
- In Turkey, at the Öksüt Project, the proven and probable mineral reserves are unchanged from 2015 summary and contain an estimated 1.2 million ounces of gold (26.1 Mt at 1.4 g/t gold).

Gold Mineral Resources

- As of December 31, 2016, Centerra's measured and indicated mineral resources increased by 3.2 million contained ounces to an estimated total of 7.4 million ounces of contained gold (330.0 Mt at 0.7 g/t gold) compared to the December 31, 2015 estimate. The change is primarily a result of the acquisition of Mount Milligan which added 1.8 million contained ounces of gold and the addition of 1.4 million contained ounces of gold (Centerra's 50% share) at the Greenstone Gold Property.
- The 2016 year-end mineral resource estimates for the Öksüt Project in Turkey, Boroo, Gatsuurt, ATO and Ulaan Bulag properties in Mongolia are unchanged from 2015 year-end estimates.

On January 31, 2017, Centerra Gold's Mongolian subsidiary, Centerra Gold Mongolia ("CGM") entered into definitive agreements to sell the ATO Project, located in Eastern Mongolia, to Steppe Gold LLC and Steppe Gold Limited for gross proceeds of \$19.8 million. CGM has received \$0.8 million upon signing of the definitive agreements and is to receive \$9 million at closing, which is scheduled to occur in the second quarter of 2017, followed by two additional \$5 million cash payments at the first anniversary and second anniversary date of the closing of the transaction. The closing of the transaction is conditional upon Steppe Gold Limited executing their financing plans which the Company understands is scheduled to be completed in mid-2017.

- As of December 31, 2016, Centerra's inferred mineral resource estimate totals 5.8 million contained ounces of gold (57.9 Mt at 3.1 g/t gold), an increase of 3.2 million contained ounces from December 31, 2015. At Kumtor 3.4 million estimated ounces of gold (14.5 Mt at 7.3 g/t gold) are contained within the estimated underground inferred mineral resources in the SB, Saddle and Stockwork Zones. This increase of 1.7 million contained ounces in the 2016 year-end inferred underground mineral resource estimate due to a re-interpretation of mineralized structures and their along strike and down dip extents. Additionally, a lower cut-off grade of 4.9 g/t gold was used at 2016 year-end compared to 6.0 g/t gold used for estimation at December 31, 2015. In addition 1.4 million contained ounces (Centerra's share) of open pit and underground inferred gold mineral resources were added to the inferred mineral resource category at the Greenstone Gold Property in 2016.

Gold (000s attributable ozs contained) ⁽³⁾⁽⁴⁾	2016	2015
Total proven and probable mineral reserves	15,978	8,405
Total measured and indicated mineral resources ⁽¹⁾	7,442	4,204
Total inferred resources ⁽¹⁾⁽²⁾	5,780	2,573

⁽¹⁾ Includes ATO open pit mineral resources of 779,000 ounces, which are estimated based on a Net Smelter Return ("NSR") cut-off grade of \$6.50 NSR per tonne for oxide mineralization and \$25.50 NSR per tonne for sulphide mineralization.

⁽²⁾ Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically. It cannot be assumed that all or any part of the inferred mineral resources will ever be converted to a higher category.

⁽³⁾ Mineral resources are in addition to reserves. Mineral resources do not have demonstrated economic viability.

⁽⁴⁾ Royal Gold streaming agreement entitles Royal Gold to 35% of gold sales from the Mount Milligan mine. Under the stream arrangement, Royal Gold will pay \$435 per ounce of gold delivered.

Copper Mineral Reserves

- At the end of 2016, Centerra's proven and probable copper mineral reserves total an estimated 2,049 million pounds of contained copper (496.2 Mt at 0.187% copper). The copper mineral reserves are located at the Company's Mount Milligan mine which was acquired with the acquisition of Thompson Creek on October 20, 2016. The copper mineral reserves have been estimated based on a copper price of \$2.95 per pound and an NSR cut-off of \$8.12 per tonne, which takes into consideration metallurgical recoveries, concentrate grades, transportation costs, smelter treatment charges and royalty and streaming arrangements in determining economic viability.

Copper Mineral Resources

- As of December 31, 2016, Centerra's measured and indicated copper mineral resources total an estimated 4,076 million pounds of contained copper (749.9 Mt at 0.242% copper). The copper mineral resources are located at the Mount Milligan mine and the Berg Property, located in Canada.
- At Mount Milligan, in British Columbia, Canada, measured and indicated mineral resources total an estimated 718 million pounds of contained copper (243.9 Mt at 0.133% copper) at the end of December 2016 and have been estimated based on a copper price of \$3.50 per pound. The open pit mineral resources are constrained by a pit shell and are estimated based on an NSR cut-off of \$8.12 per tonne, which takes into consideration metallurgical recoveries, concentrate grades, transportation costs, smelter treatment charges and royalty and streaming arrangements in determining economic viability.
- At the Berg Property, in British Columbia, Canada, measured and indicated mineral resources total an estimated 3,359 million pounds of contained copper (506.0 Mt at 0.301% copper) at the end of December 2016 and have been estimated based on a copper price of \$1.60 per pound. The unconstrained open pit mineral resources have been estimated based on a 0.30% copper equivalent cut-off grade to a maximum depth of 450 metres below surface.
- As of December 31, 2016, Centerra's inferred copper mineral resource estimate totals 764 million pounds of contained copper (155.6 Mt at 0.218% copper). This includes at Mount Milligan an estimated 31 million pounds of contained copper (11.0 Mt at 0.125% copper) and at the Berg Property an estimated 733 million pounds of contained copper (144.6 Mt at 0.230% copper).

Copper (million pounds contained) ⁽¹⁾⁽³⁾⁽⁵⁾	2016	2015
Total proven and probable mineral reserves ⁽²⁾	2,049	-
Total measured and indicated mineral resources ⁽²⁾	4,076	-
Total inferred resources ⁽¹⁾⁽²⁾⁽⁴⁾	764	-

⁽¹⁾Includes Mount Milligan and Berg properties

⁽²⁾ Mineral reserves estimated based on a copper price of \$2.95 while resources are based on a copper price of \$3.50 and \$1.60 (at Mount Milligan and Berg respectively); exchange rate assumed was 1USD = 1.30CAD for Mount Milligan and 1 USD = 1 CAD for the Berg Property

⁽³⁾ Mineral resources are in addition to mineral reserves. Mineral resources do not have demonstrated economic viability.

⁽⁴⁾ Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically. It cannot be assumed that all or any part of the inferred mineral resources will ever be converted to a higher category.

⁽⁵⁾ Royal Gold streaming agreement entitles Royal Gold to 18.75% of copper sales from the Mount Milligan mine. Under the stream arrangement, Royal Gold will pay 15% of the spot price per metric tonne of copper delivered.

Material assumptions used to determine mineral reserves and mineral resources are as follows:

	2016	2015
<u>Weighted average gold prices</u>		
Gold mineral reserves (\$/oz) ⁽¹⁾	\$ 1,200	\$ 1,200
Gold mineral resources (\$/oz) ⁽²⁾	\$ 1,450	\$ 1,450
<u>Weighted average copper prices</u>		
Copper mineral reserves (\$/lb)	2.95	-
Copper mineral resources (\$/lb) ⁽³⁾	3.50	-
<u>Foreign exchange rates</u>		
1 USD : Cdn\$	1.30	1.34
1 USD : Kyrgyz som	65	65
1 USD : Mongolian tugriks	1,900	1,900
1 USD : Euro	0.95	0.95
<u>Diesel fuel price assumption at Kumtor (per litre)</u>	\$ 0.55	\$ 0.55

⁽¹⁾ The Hardrock open pit deposit was estimated based on a gold price of \$1,250.

⁽²⁾ Mineral resources at the Company's development projects were estimated based on a gold price of \$1,455.

⁽³⁾ Copper mineral resources at the Berg Property were estimated using a copper price of \$1.60 per pound.

Consolidated Financial and Operational Highlights

The consolidated financial statements of Centerra are prepared in accordance with IFRS, as issued by the International Accounting Standards Board and have been measured and expressed in United States dollars. Some of the information discussed below are non-GAAP measures. See “Non-GAAP Measures”.

(\$ millions, except as noted)	Year ended December 31, ⁽⁹⁾		
	2016	2015	2014
Financial Highlights			
Revenue	\$ 760.8	\$ 624.0	\$ 763.3
Cost of sales	414.6	384.5	502.5
Standby costs	0.3	5.7	2.4
Regional office administration	14.7	19.1	25.2
Earnings from mine operations	331.2	214.7	233.2
Revenue-based taxes	96.3	84.6	97.2
Care and maintenance costs	1.8	-	-
Other operating expenses	2.7	1.9	3.8
Pre-development project costs	10.7	13.2	6.0
Impairment of goodwill	-	18.7	111.0
Thompson Creek Metals Inc. acquisition expenses	12.0	-	-
Exploration and business development ⁽¹⁾	13.0	10.6	15.7
Corporate administration	27.6	35.8	34.8
Earnings (loss) from operations	167.1	49.9	(35.3)
Other expenses	-	3.4	1.2
Finance costs	11.1	4.4	5.0
Earnings (loss) before income taxes	156.0	42.1	(41.5)
Income tax expense	4.5	0.4	2.6
Net earnings (loss)	\$ 151.5	\$ 41.6	\$ (44.1)
Earnings (loss) per common share - \$ basic ⁽²⁾	\$ 0.60	\$ 0.18	\$ (0.19)
Earnings (loss) per common share - \$ diluted ⁽²⁾	\$ 0.60	\$ 0.18	\$ (0.19)
Weighted average common shares outstanding - basic (thousands)	251,458	236,592	236,396
Weighted average common shares outstanding - diluted (thousands)	252,079	236,951	236,396
Total assets	\$ 2,654.8	\$ 1,660.6	\$ 1,629.1
Long-term debt and lease obligation	422.8	-	-
Long-term provision for reclamation, dividends payable and deferred income taxes	181.1	76.9	79.8
Cash provided by operations	371.4	333.6	376.4
Average realized gold price (third party) - \$/oz ⁽⁴⁾	1,241	1,162	1,241
Average realized gold price (combined) - \$/oz ⁽⁴⁾	1,233	1,162	1,241
Average gold spot price - \$/oz ⁽⁵⁾	1,248	1,160	1,266
Capital expenditures ⁽⁵⁾	\$ 247.7	\$ 370.5	\$ 351.2
Operating Highlights			
Gold produced – ounces poured	598,677	536,920	620,821
Gold sold – ounces sold	580,496	536,842	615,234
Payable Copper Produced (000s lbs) ⁽⁸⁾	10,399	-	-
Copper Sales (000's payable lbs) ⁽⁸⁾	9,467	-	-
Operating costs (on a sales basis) ⁽⁶⁾	\$ 211.5	\$ 163.4	\$ 219.9
Adjusted operating costs ⁽⁴⁾	\$ 201.1	\$ 189.8	\$ 251.8
All-in Sustaining Costs on a by-product basis ⁽⁴⁾	\$ 395.8	\$ 437.0	\$ 524.4
All-in Costs excluding development projects, on a by-product basis ⁽⁴⁾	\$ 438.7	\$ 461.8	\$ 580.6
All-in Costs excluding development projects, on a by-product basis - including taxes ⁽⁴⁾	\$ 539.5	\$ 546.6	\$ 680.7
Unit Costs			
Cost of sales - \$/oz sold ⁽⁴⁾	\$ 714	\$ 716	\$ 817
Adjusted operating costs - \$/oz sold⁽⁹⁾	\$ 346	\$ 354	\$ 409
All-in sustaining costs on a by-product basis – \$/oz sold⁽⁴⁾	\$ 682	\$ 814	\$ 852
All-in cost, excluding development projects, on a by-product basis – \$/oz sold⁽⁴⁾	\$ 756	\$ 861	\$ 944
All-in costs excluding development projects, on a by-product basis(including taxes) – \$/oz sold⁽⁴⁾	\$ 929	\$ 1,018	\$ 1,106

(1) Includes business development of \$0.5 million for the year ended December 31, 2016 (\$2.2 million for the year ended December 31, 2015).

(2) As at December 31, 2016, the Company had 291,276,068 common shares issued and outstanding.

- (3) Average for the period as reported by the London Bullion Market Association (U.S. dollar Gold P.M. Fix Rate).
- (4) Adjusted operating costs, all-in sustaining costs on a by-product basis, all-in costs excluding development projects on a by-product basis and all-in costs excluding development projects on a by-product basis - including taxes (\$ millions and per ounce sold) as well as average realized gold price (third party and combined) per ounce and cost of sales per ounce sold are non-GAAP measures and are discussed under “Non-GAAP Measures”.
- (5) Includes capitalized stripping of \$136.7 million in the year ended December 31, 2016 (\$210.6 million in the year ended December 31, 2015) and \$75.7 million relating to implementation of the Greenstone Partnership in 2015.
- (6) Operating costs (on a sales basis) are comprised of mine operating costs such as mining, processing, regional office administration, royalties and production taxes (except at Kumtor where revenue-based taxes are excluded), but excludes reclamation costs and depreciation, depletion and amortization. Operating costs (on a sales basis) represents the cash component of cost of sales associated with the ounces sold in the period. See “Non-GAAP Measures”.
- (7) 2016 includes results from Thompson Creek operations beginning October 20, 2016, the date of acquisition. Mount Milligan payable production and ounces sold are presented on a 100% basis (Royal Gold streaming agreement entitles it to 35% and 18.75% of gold and copper sales, respectively). Under the streaming arrangement, Royal Gold will pay \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered. No comparative results presented prior to acquisition.
- (8) Payable production for copper and gold reflects estimated metallurgical losses resulting from handling of the concentrate and payable metal deductions, subject to metal content, levied by smelters. The current payable percentage applied is approximately 95.0% for copper and 96.5% for gold, which may be revised on a prospective basis after sufficient history of payable amounts is determined.
- (9) Results may not add due to rounding.

Results of Operations

Year ended December 31, 2016 compared to 2015

NOTE: The discussion below includes results from Thompson Creek operations for the period beginning on October 20, 2016 (the date of the closing of the Acquisition) to December 31, 2016.

The Company recorded net earnings of \$151.5 million in 2016, compared to \$41.6 million in 2015. The increase in earnings in 2016 reflects higher metal prices, increased production at Kumtor, due to improvements in mill throughput, and lower operating costs as a result of the continued focus on cost reduction and lower cost of consumables. The 2016 year also benefitted from the reversal of an inventory impairment charge at Kumtor of \$27.2 million which was originally recorded in 2015. Net earnings provided by the Thompson Creek operations were \$11.6 million.

The earnings in 2015 were negatively impacted by a non-cash impairment charge on goodwill in the Kyrgyz segment of \$18.7 million. Excluding the goodwill impairment charge, earnings in 2015 would have been \$60.3 million.

Production:

Gold production for 2016 totalled 598,677 ounces, including 47,717 ounces produced by Mount Milligan since October 20, 2016. This compares to 536,920 ounces produced at Kumtor and Boroo in 2015. Kumtor’s gold production in 2016 of 550,960 ounces was 30,266 ounces higher than the prior year due primarily to achieving higher throughput as a result of improvements made in the mill, while grades were 4% lower in 2016 and recoveries were slightly better as compared to 2015. Gold production in 2015 also included 16,226 ounces from Boroo as heap leach operations transitioned from operations to rinse down and eventual shutdown.

Safety and Environment:

Centerra had thirteen reportable injuries in 2016, consisting of one fatal injury, seven lost-time injuries, three medical aid injuries and two restricted work injuries. On January 24, 2016, an industrial accident at the Kumtor mill

resulted in an employee fatality. Investigations were undertaken internally, and by the relevant Kyrgyz authorities, and subsequently completed. A criminal case has also been initiated by Kyrgyz Republic authorities. See “Other Corporate Developments – Kyrgyz Republic”.

There were no reportable releases to the environment during 2016.

Financial Performance:

In the year ended December 31, 2016, the Company recorded revenues of \$760.8 million, compared to \$624.0 million in the year ended December 31, 2015. Revenues in 2016 included \$74.4 million recorded by Mount Milligan and the molybdenum business unit for the period from October 20, 2016 to December 31, 2016. Kumtor recorded 14% increase in revenues with 5% more ounces sold as a result of higher milling throughput, partially offset by 4% lower ore grades. Average realized gold prices^{NG} were 7% higher than the prior year (\$1,241 per ounce compared to \$1,162 per ounce in 2015). Gold sales volumes were 580,496 ounces (including 34,154 ounces from Mount Milligan) compared to 536,842 ounces in 2015. The higher revenue at Kumtor resulted in a 14% increase in revenue based taxes in the Kyrgyz Republic in 2016.

In the year ended December 31, 2016, cost of sales was \$414.6 million including \$64.3 million from Mount Milligan and the molybdenum business unit. Cost of sales at Kumtor was \$17.5 million or 5% lower than in 2015, benefitting from the reversal of an inventory impairment of \$27.2 million and lower consumable costs such as diesel fuel and other successful cost reduction initiatives at the Kumtor mine. The largest component of cost of sales, DD&A, was \$195.3 million, which includes the reversal of \$18.4 million of non-cash inventory impairment, in the year ended December 31, 2016, compared to \$221.1 million in 2015. The decrease reflects lower capitalized stripping charges per ounce from cut-back 17.

Standby costs incurred at Boroo to maintain the mill and operation on care and maintenance totalled \$0.3 million in the year ended December 31, 2016 (\$5.7 million in the year ended December 31, 2015). The spending in 2015 included mainly labour costs associated with the closure of the heap leach facility and placing the operation on standby. The Boroo mill will be kept on standby awaiting the entering into of definitive agreements and receipt of permits with the Mongolian Government regarding the development of the Gatsuert Project.

Goodwill for the Kyrgyz cash generating unit (“CGU”) was impaired by \$18.7 in 2015 million as a result of the annual goodwill impairment test carried out as at September 1, 2015, which brought the goodwill balance to zero.

Pre-development project costs decreased to \$10.7 million in 2016 compared to \$13.3 million in 2015. The decrease in 2016 represents lower spending at the Company’s Greenstone Gold Property, as the feasibility study was completed in November 2016. The decrease also reflects lower expensed costs at the Öksüt Project as the Company began capitalization of Öksüt project costs on August 1, 2015.

Exploration and business development expenditures in the year ended December 31, 2016 totalled \$13.0 million compared to \$10.6 million in 2015. The increase in 2016 reflects the Company’s focus on exploring in new regions of the world with several joint ventures commencing in 2016.

Other expenses of \$3.4 million in 2015 (nil in 2016) included a \$1.7 million write-off of infrastructure at Kumtor related to the waste rock dump movement.

Corporate administration costs, which primarily consist of professional fees, salaries and benefits, and other administrative costs, were \$27.6 million in 2016, including \$1.7 million spent at Thompson Creek’s Denver corporate office since acquisition. This compares to \$35.8 million in 2015. Share-based compensation in 2016 decreased to \$4.6 million compared to \$12.4 million in the prior year, mainly due to movements in the Company’s share price.

The increase in income tax expense of \$4.1 million in 2016 was mainly due to \$4.3 million of withholding and income tax expense incurred on the repatriation of earnings by Boroo during the year.

Operating Costs:

Operating costs (on a sales basis)^{NG} increased to \$211.5 million in 2016, including \$41.4 million from Mount Milligan. Excluding Mount Milligan costs, operating costs (on a sales basis) at Kumtor was \$170.1 million which compares to \$163.4 million in 2015. The increase was due to higher ounces sold and lower capitalized stripping costs in 2016 as compared to the prior year. This was partially offset by processing lower cost ounces at Kumtor, which reflects a reduction in costs for diesel, labour and other consumables.

Cost of sales per ounce sold^{NG} in 2016 was \$714, including the Thompson Creek assets (Mount Milligan and Langeloth). Excluding Thompson Creek assets cost of sales per ounce sold was \$641. In comparison, cost of sales per ounce sold in 2015 was \$716. The reduction at Kumtor year over year is a result of lower operating costs and process improvements in the mill achieved in 2016 (see discussion in the Kumtor operating section) and the impact of a \$27.2 million inventory impairment charge in 2015. The inventory impairment charge was reversed in 2016.

Centerra's all-in sustaining costs (on a by-product basis) per ounce sold^{NG}, which excludes revenue-based tax and income tax, for 2016 decreased to \$682 from \$814 in the comparative period of 2015. The consolidated measure includes a contribution from Kumtor of \$640 per ounce sold, while Mount Milligan contributed \$509 per ounce sold. In addition, corporate costs added \$36 million of costs to the measure in 2016. The improved result at Kumtor reflects lower operating costs and increased volumes achieved as a result of lower fuel prices and various continuous improvement projects.

Centerra's all-in costs, excluding development projects costs (on a by-product basis) per ounce sold^{NG} in 2016 was \$756 compared to \$861 in the comparative year, and includes all cash costs related to gold production, excluding revenue-based tax and income tax. The consolidated measure includes a contribution from Kumtor of \$667 per ounce sold, while Mount Milligan contributed \$605 per ounce sold. Exploration and business development activities added \$12.5 million and \$0.5 million respectively of costs to this measure in 2016. Kumtor reported a 12% reduction in this measure as compared to 2015, from lower operating costs and increased volumes.

Centerra's all-in costs excluding development projects costs, on a by-product basis (including taxes) per ounce sold^{NG} in 2016 was \$929 compared to \$1,018 in the comparative year. Excluding the impact of the Mount Milligan operation from the 2016 measure, the consolidated result would have been \$950 per ounce sold which compares to \$1,018 in the prior year. The reduction in 2016, as compared to the prior year, reflects 37% lower capitalized stripping at Kumtor, 22% lower administration costs, partially offset by higher sustaining capital^{NG} spending at Kumtor, \$12 million of acquisition costs for Thompson Creek and income tax remitted on the repatriation of dividends in 2016.

All-in sustaining costs (on a by-product basis) per ounce sold^{NG} for 2016 for Kumtor and Centerra of \$640 and \$682, respectively, was lower than the Company's most recent revised guidance for Kumtor and Centerra ranging from \$666 to \$718 and \$716 to \$772, respectively, primarily as a result of lower capitalized stripping costs and lower sustaining capital^{NG} costs at Kumtor. In addition, inclusion of Mount Milligan in Centerra's consolidated all-in sustaining costs (on a by-product basis) of \$512 per ounce sold^{NG} helped lower Centerra's consolidated measure. This was partially offset by higher corporate administration costs due to additional costs at the Denver office.

All-in costs, excluding development projects costs (on a by-product basis) per ounce sold^{NG} of \$756 for 2016 was lower than the Company's most recent revised guidance range of \$780 to \$840 primarily due to a decrease in sustaining capital^{NG} costs and the addition of lower cost ounces from Mount Milligan, as discussed above.

Cash generation and capital management

Cashflow

(\$ millions, except as noted)	Year ended December 31,		
	2016	2015	% Change
Cash provided by operating activities	371.4	333.6	11%
Cash used in investing activities:			
-Capital additions (cash)	(212.8)	(243.8)	13%
-Short-term investment net redeemed	181.5	79.9	127%
-Payment to Thompson Creek debtholders	(881.0)	-	(100%)
-Cash received on Thompson Creek acquisition	98.1	-	100%
-Purchase of interest in Greenstone Partnership	-	(75.7)	100%
-Other investing items	(10.0)	(0.5)	(1895%)
Cash used in investing activities	(824.2)	(240.1)	(243%)
Cash received from (used in) financing activities:			
-Proceeds from debt	398.4	-	100%
-Proceeds from equity offering (net)	141.4	-	100%
-Dividends paid	(22.9)	(32.3)	29%
-Payment of interest and borrowing costs and other	(16.7)	(1.0)	(1515%)
Cash received from (used in) financing activities	500.0	(33.4)	1599%
Increase in cash	47.3	60.1	(21%)

Cash provided by operations increased to \$371.4 million in 2016 from \$333.6 million in 2015, primarily from increased earnings and lower levels of working capital.

Cash used in investing activities totalled \$824.2 million in 2016, including a net of \$783.0 million spent on the acquisition of Thompson Creek Metals and \$212.8 million spent on capital additions. The outflow of cash from investing activities was partially offset by a net redemption of \$181.5 million of short-term investments. In 2015, cash outflows from investing activities included spending on capital additions of \$243.8 million and \$75.7 million in cash contributions to the Greenstone Gold Property partially offset by \$79.9 million of net redemptions of short-term investments.

Cash received from (used in) financing activities in the year ended December 31, 2016 was \$500.0 million and included proceeds of \$398.4 million from debt issuance and proceeds of \$141.4 million from an equity offering related to the Thompson Creek acquisition. This compares to a use of cash of \$33.4 million in 2015. Financing activities also include the payment of dividends and interest on borrowings in both years.

Cash, cash equivalents and short-term investments at December 31, 2016 was \$160.1 million, excluding restricted cash of \$248.7 million, mainly at Kumtor. Cash generated by Kumtor can only be used for its own operation, as required by a KR Court Interim Order issued in June 2016 (see "Other Corporate Developments – Kyrgyz"). At December 31, 2015, cash, cash equivalents and short-term investments totalled \$542.2 million.

At December 31, 2016, the Company has fully drawn on the Centerra B.C. Holdings Credit Facility in the aggregate amount of \$325 million (used for the acquisition of Thompson Creek Metals Inc.) and \$150 million on its corporate EBRD revolving credit facility.

Capital Management

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations, continue the development and exploration of its projects, to provide returns for shareholders and benefits for other stakeholders and to pursue and support growth opportunities. The overall objectives for managing capital remained unchanged in 2016 from the prior comparative period.

In 2016, the Company entered into the \$150 million credit facility fully underwritten by UniCredit Bank AG and the European Bank for Reconstruction and Development (“EBRD”) in support of the development of the Company’s Öksüt Project in Turkey. The project is awaiting receipt of its last governmental permit, the pastureland permit, before it can start development activities.

As part of the acquisition of Thompson Creek, the Company entered into the Centerra B.C. Holdings Credit Facility with an aggregate principal amount of \$325 million, including a \$75 million senior secured revolving credit facility, which is secured against Mount Milligan’s assets and other assets held by subsidiaries of Thompson Creek. Management expects that sufficient cash will be generated from the production at Mount Milligan in 2017 to meet the requirements of the operation and to repay its commitments under the Centerra B.C. Holdings Credit Facility in 2017.

On February 12, 2016, the Company entered into a new five year \$150 million Corporate Facility with EBRD, replacing the previous credit facility that was due to mature in February 2016.

To continue the development of the Gatsuurt Project, the development of the Öksüt Project and the advancement of the Greenstone Partnership, it is important for the Company to expand its available credit and attempt to secure additional project financing, either through borrowing and/or the issuance of equity or debt.

One of the Company’s top priorities in 2017 will be to resolve the outstanding issues relating to the Kumtor Project, including the restrictions on the availability of Kumtor’s cash due to the KR Interim Court Order. Based on current projected future cash flows from operations, the Company expects to continue to support its normal operating requirements and exploration of its mineral properties.

Management is aware that market conditions, driven primarily by metal prices, may limit the Company’s ability to raise additional funds. The Company is also required to maintain a number of financial covenants as part of its credit facilities, which may limit the Company’s ability to access future funding. These and other factors are considered when shaping the Company’s capital management strategy.

Capital Expenditures (spent and accrued)

Unaudited (\$ millions)		Year ended December 31,		
		2016	2015	% Change
Kumtor	Sustaining capital ^{NG}	61.0	50.5	21%
	Capitalized stripping	136.7	210.6	(35%)
	Growth capital ^{NG}	14.8	14.2	4%
	Total	212.5	275.3	(23%)
Mount Milligan	Sustaining capital ^{NG}	3.4	-	100%
	Growth capital ^{NG}	3.1	-	100%
	Total	6.5	-	100%
Other ⁽²⁾	Sustaining capital ^{NG}	0.8	0.6	31%
	Growth capital ^{NG}	-	1.5	(100%)
	Öksüt Project development	12.0	6.1	97%
	Gatsuurt Project development	7.2	-	0%
	Greenstone Gold Property capital ⁽¹⁾	8.7	11.3	(23%)
	Greenstone Partnership acquisition	-	75.7	(100%)
	Total	28.7	95.2	(70%)
Consolidated	Sustaining capital ^{NG}	65.2	51.1	28%
	Capitalized stripping	136.7	210.6	(35%)
	Growth capital ^{NG}	17.9	15.7	14%
	Öksüt Project development	12.0	6.1	97%
	Gatsuurt Project development	7.2	-	0%
	Greenstone Gold Property capital ⁽¹⁾	8.7	11.3	(23%)
	Greenstone Partnership acquisition	-	75.7	(100%)
Total capital expenditures	247.7	370.5	(33%)	

⁽¹⁾In accordance with the Company's accounting policy, the 50% share paid on behalf of the Company's partner in the project, Premier Gold Mines Limited (in accordance with the partnership agreement), is capitalized as part of mineral properties in Property, Plant & Equipment.

⁽²⁾ Includes Mongolia (Boroo and Gatsuurt) and Molybdenum business

Lower capital expenditures in the year ended December 31, 2016 resulted primarily from lower spending on capitalized stripping and on development projects, partially offset by higher spending on sustaining and growth capital^{NG} mainly at Kumtor. Development project spending in 2016 included activities at Gatsuurt to update various development studies, while 2015 included \$75.7 million spent on the acquisition of the Company's 50% interest in the Greenstone Gold Property.

Credit and Liquidity:

At December 31, 2016, the Company has fully drawn its Centerra B.C. Holdings Credit Facility in the amount of \$325 million and used these funds for the acquisition of Thompson Creek and for working capital purposes. The Term Facility (\$250 million) will be repaid evenly over the next five years while the Revolving Facility (\$75 million) is due to be repaid at the end of the five-year term. Both facilities carry interest over the five-year term at three month LIBOR plus 2.75% to 3.75%, dependent on the leverage ratio calculated at the end of each quarter over the term of the facility. The Company has also fully drawn on its \$150 million EBRD Corporate Facility as at the end of 2016. Subsequent to year-end, the Company repaid \$25 million in February 2017. Repayment of principal and interest is due at the end of the five-year term, with interest at six month LIBOR plus 3% (on the first tranche of \$100 million) and 5% (on the second tranche of \$50 million which relates to the use of funds in Mongolia). For further details, refer to note 14 in the Company's Consolidated Financial Statements.

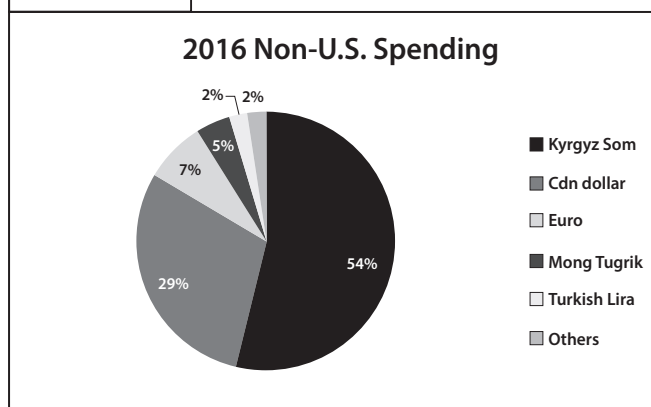
As at December 31, 2016, the Company was in compliance with its financial covenant requirements of its outstanding credit facilities.

Foreign Exchange:

The Company receives its revenues through the sale of gold and copper in U.S. dollars. The Company has operations in the Kyrgyz Republic, Turkey, Mongolia, and Canada (where the Mount Milligan mine and its corporate head office are also located). During 2016, the Company incurred combined costs (including capital)

totalling approximately \$668 million. Approximately \$364 million of this (54%) was in currencies other than the U.S. dollar (Figure F). The percentage of Centerra's non-U.S. dollar costs, by currency was, on average, as follows:

Figure F



In 2016 the average value of the currencies of the British Pound, Mongolian Tugrik and the Turkish Lira depreciated against the U.S. Dollar by approximately 9%, 8% and 4% respectively from their value at December 31, 2015. The Kyrgyz Som, Russian Ruble, Canadian Dollar, Australian Dollar and Euro appreciated against the U.S. Dollar by approximately 8%, 8%, 4%, 2% and 2% respectively from their value at December 31, 2015. The net impact of these movements in 2016, after taking into account currencies held at the beginning of the year, was to increase annual costs by \$16 million (decrease of \$31 million in 2015).

Hedging and Off-Balance Sheet Arrangements:

Commodity Hedges

In 2016, the Company established a hedging strategy using derivative instruments to manage the risk associated with changes in diesel fuel prices on the cost of operations at the Kumtor mine. Changes in the price of Brent crude oil generally impacts diesel fuel prices. The diesel fuel hedging program is a 24-month rolling program. The Company targets to hedge up to 70% of monthly diesel purchases at Kumtor for the first 12 months and 50% of the 13 through 24 month exposure. The Company has designated call options and collars as cash flow hedges for the Brent crude oil component of its highly probable forecasted diesel fuel purchases.

At December 31, 2016, the Company held crude oil options of 305,000 barrels with maturities of 1 year, with an average strike price of \$63 per barrel, and another 230,000 barrels with maturities from 1 year to 2 years, with an average strike price of \$65 per barrel. The Company recorded a fair value loss of \$0.4 million in its Other Comprehensive Income (OCI) account in 2016 in connection with its crude oil hedging arrangements.

Gold Derivative Contracts

The Company must satisfy its obligation under the gold and copper stream arrangement with Royal Gold by delivering gold to Royal Gold after receiving payment from third-party purchasers, including off-takers and traders, which purchase concentrate from the Mount Milligan Mine. In order to hedge the gold price risk that arises when physical purchase and concentrate sales pricing periods do not match, the Company has entered into certain non-hedge forward gold purchase and sales contracts pursuant to which it purchases gold at an average price during a quotational period and sells gold at a spot price.

At December 31, 2016, the Company held forward contracts of 34,872 ounces of gold, worth an estimated \$40.1 million. The Company recorded a fair value loss of \$1.5 million on these contracts in its December 31, 2016 Statement of Earnings in connection with its gold hedging arrangements.

Subsequent to December 31, 2016

Centerra announced on January 24, 2017, that it has hedged a portion of its expected 2017 copper production from Mount Milligan. Centerra entered into fixed price forward sales contracts for 24.9 million pounds of Mount Milligan's expected 2017 copper production at an average price of US\$2.69 per pound. This represents approximately 51% of Mount Milligan's expected 2017 copper production, net of copper streaming arrangements with Royal Gold and is based on the midpoint for 2017 production guidance (see Centerra's news release dated January 16, 2017). The Company has also entered into zero-cost collars for 8.3 million pounds of copper with settlements dates during February to December 2017 at a minimum price of US\$2.25 per pound and a maximum price of US\$3.21 per pound of copper.

On February 10, 2017, Centerra entered into additional fixed price forward sales contracting 2.77 million pounds at an average price of US\$2.75 per pound.

Centerra's policy is to hedge no more than 75% of its anticipated copper production, net of copper streaming arrangements.

The Company had no hedges in place in the comparative year ending December 31, 2015.

Centerra does not enter into off-balance sheet arrangements with special purpose entities in the normal course of its business, nor does it have any unconsolidated affiliates.

Results of Operating Segments

Kumtor Mine

The Kumtor open pit mine, located in the Kyrgyz Republic, is one of the largest gold mines in Central Asia operated by a Western-based gold producer. It has been in production since 1997 and has produced over 10.9 million ounces of gold to December 31, 2016.

Kumtor Operating Results

(\$ millions, except as noted)	Year ended December 31,		
	2016	2015	% Change
Revenue	686.4	604.5	14%
Cost of sales-cash	170.4	151.1	13%
Cost of sales-non-cash	180.0	216.8	(17%)
Cost of sales-total	350.4	367.9	(5%)
Cost of sales - \$/oz sold ⁽¹⁾	641	707	(9%)
Tonnes mined - 000s	144,399	169,527	(15%)
Tonnes ore mined – 000s	8,911	6,583	35%
Average mining grade - g/t	3.45	2.25	53%
Tonnes milled - 000s	6,303	5,729	10%
Average mill head grade - g/t	3.44	3.57	(4%)
Recovery - %	79.2%	78.8%	1%
Mining costs - total (\$/t mined material)	1.27	1.24	2%
Milling costs (\$/t milled material)	9.87	11.17	(12%)
Gold produced – ounces	550,960	520,694	6%
Gold sold – ounces	546,342	520,517	5%
Average realized gold price - \$/oz ⁽¹⁾	1,256	1,161	8%
Capital expenditures (sustaining) ⁽¹⁾	61.0	50.5	21%
Capital expenditures (growth) ⁽¹⁾	14.8	14.2	4%
Capital expenditures (stripping)	136.7	210.6	(35%)
Capital expenditures (total)	212.5	275.3	(23%)
Operating costs (on a sales basis) ⁽²⁾	171.8	151.1	14%
Adjusted operating costs ⁽¹⁾	186.8	169.5	10%
All-in Sustaining Costs on a by-product basis ⁽¹⁾	349.5	380.3	(8%)
All-in Costs on a by-product basis ⁽¹⁾	364.3	394.5	(8%)
All-in Costs on a by-product basis (including taxes) ⁽¹⁾	460.6	479.1	(4%)
Adjusted operating costs - \$/oz sold ⁽¹⁾	342	326	5%
All-in sustaining costs on a by-product basis – \$/oz sold ⁽¹⁾	640	731	(12%)
All-in costs on a by-product basis – \$/oz sold ⁽¹⁾	667	758	(12%)
All-in costs on a by-product basis (including taxes) – \$/oz sold ⁽¹⁾	843	921	(8%)

⁽¹⁾ Adjusted operating costs, all-in sustaining costs, all-in costs and all-in costs (including taxes) (in each case, on an aggregate or per ounce sold basis), as well as average realized gold price per ounce sold, cost of sales per ounce sold and capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under “Non-GAAP Measures”.

⁽²⁾ Operating costs (on a sales basis) is comprised of mine operating costs such as mining, processing, regional office administration, but excludes revenue-based taxes, reclamation costs and depreciation, depletion and amortization. See “Non-GAAP Measures”.

Production:

During the year of 2016, the principal focus of mining operations was the development of cut-back 17. The Company encountered higher-grade ore in cut-back 17 of the SB Zone as planned, and ore mining was completed on October 9, 2016. Kumtor subsequently focused activities on the development and mining of cut-back 18 for the remainder of 2016.

Total waste and ore mined in 2016 was 144.4 million tonnes compared to 169.5 million tonnes in the comparative period of 2015, representing a 15% reduction. The main reason for this reduction was longer average haulage distance when compared to the same period of 2015 (8.92 km in 2016 compared to 7.52 km in 2015) due to mining deeper in the pit resulting in longer hauls to the dump.

Kumtor produced 550,960 ounces of gold in the full year of 2016 compared to 520,694 ounces of gold in the comparative period of 2015. The increase in ounces poured was the result of Kumtor’s continuous improvement program that resulted in a 10% increase in tonnes processed through the mill as compared to 2015.

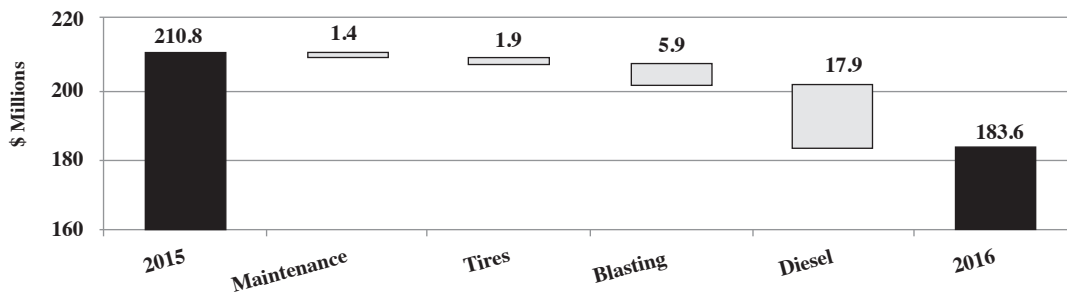
During 2016, Kumtor’s average mill head grade was 3.44 g/t with a recovery of 79.2%, compared with 3.57 g/t and a recovery of 78.8% for the same period in 2015. Kumtor processed 6.3 million tonnes of ore in 2016, 10% higher than the 5.7 million tonnes processed during the comparative period of 2015. This increased throughput was achieved by blending harder and softer ore, opening screens in the SAG mill and increasing the grinding media sizes in both the SAG and ball mills. This resulted in the mills achieving increased tonnage per operating hour (t/h) as compared to 2015 (755 t/h vs 690 t/h).

Operating costs and All-in Measures:

Operating costs (on a sales basis)^{NG}, increased by \$20.7 million to \$171.8 million compared to \$151.1 million in the comparative period of 2015.

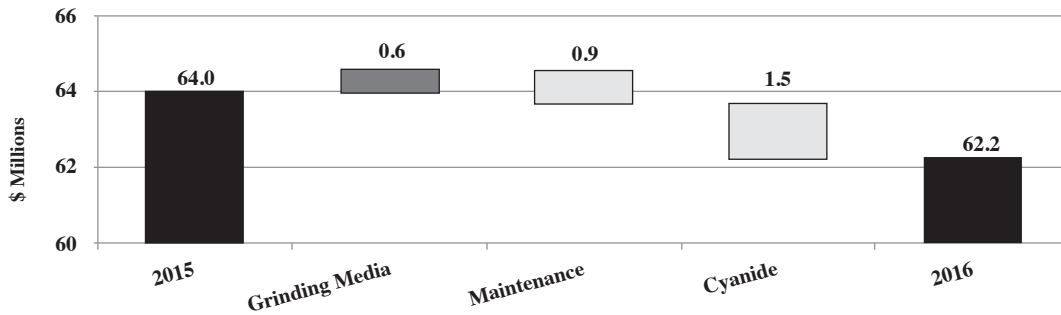
The movements in the major components of operating costs (mining, milling and site support) in 2016 compared to 2015 are explained as follows:

Mining Costs, including capitalized stripping (2016 compared to 2015):



Mining costs, including capitalized stripping, totaled \$183.6 million in 2016, which was \$27.2 million lower than the comparative period. Decreased costs for the year include lower diesel costs (\$17.9 million) resulting from lower global fuel purchase price (\$0.38 vs \$0.56 per liter), lower blasting costs (\$5.9 million) due to lower prices for ammonium nitrate and lower blasting volumes, lower prices for tires and lower maintenance costs (\$1.4 million) for drills and shovels.

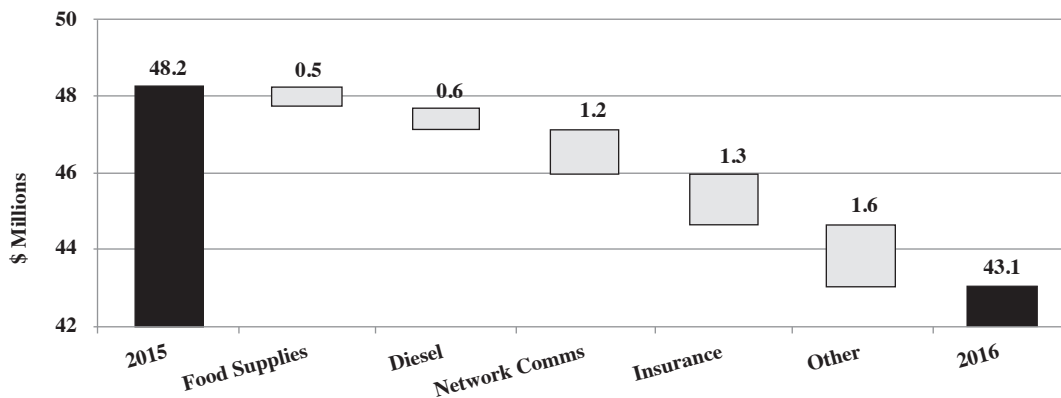
Milling Costs (2016 compared to 2015):



Milling costs were \$62.2 million in 2016 compared to \$64.0 million in 2015. Milling costs in 2016 were lower than the comparative period due to lower cyanide costs (\$1.5 million) as a result of decreased cyanide prices and lower maintenance costs (\$0.9 million). The decrease in milling costs was partially offset by higher grinding media costs (\$0.6 million) due to increased unit costs of grinding balls, and greater usage due to increased mill tonnages.

Cost per tonne milled for the year of 2016, decreased to \$9.87 per tonne compared to \$11.17 per tonne in the comparative period, as the Company maintained total reagent and electricity costs constant even though the mill processed 10% more tonnes during 2016 (6.3 vs 5.7 million tonnes). Consumption and price of various reagents in the mill were lower in 2016.

Site Support Costs (2016 compared to 2015):



Site support costs for 2016 totaled \$43.1 million compared to \$48.2 million in the comparative year. The decrease is primarily attributable to lower insurance costs (\$1.3 million) resulting from lower business interruption insurance premium, lower network communication costs (\$1.2 million) due to benefits from recent site upgrades and lower diesel costs (\$0.6 million) resulting from lower global fuel prices.

Other Cost movements:

DD&A associated with sales, decreased to \$180.0 million in 2016, from \$216.8 million in the comparative period of 2015. The decrease in 2016 is predominantly due to the reversal of the non-cash inventory impairment that was recorded in 2015 (see discussion below).

At December 31, 2015, Kuntor conducted its quarterly inventory valuation test against the estimated net realizable value of inventory and as a result recorded an inventory impairment related to its stockpiles of \$27.2 million (\$18.4 million – non-cash portion and \$8.8 million – cash portion). The same test conducted at December 31, 2016 showed no impairment and the previously recognized impairment was reversed.

Cost of sales per ounce sold^{NG} at Kumtor in 2016 was \$641 compared to \$707 in 2015, a 9% decrease year over year. The comparative 2015 year includes an extra charge of \$27.2 million of operating costs due to an inventory impairment recorded at the end of the year. Excluding this impairment charge from the 2015 results, cost of sales per ounce in the prior year would be slightly higher than in 2016, reflecting the lower operating costs realized in 2016 from continuous improvement activities, cost containment efforts and from lower prices for diesel fuel.

All-in sustaining costs per ounce sold^{NG}, which excludes revenue-based tax, was \$640 in 2016 compared to \$731 in 2015, representing a decrease of 13%. The decrease results primarily from lower operating costs (explained above) and higher ounces sold due to higher production.

All-in costs per ounce sold^{NG}, which excludes revenue-based tax, in 2016 was \$667 compared to \$758 in the same period of 2015, representing a decrease of 13%. The decrease is mainly due to the lower all-in sustaining costs^{NG} (explained above).

Mongolia (Boroo Mine and Gatsuurt Project)

Boroo Mine

The Boroo gold mine, located in Mongolia, completed its mining activities in September of 2012. The mill was placed on care and maintenance in late December 2014 and shutdown activities at the mill were completed at the end of February 2015. The Company intends to keep the mill on standby awaiting the completion of agreements and receipt of permits for the development of the Gatsuurt Project. See “Other Corporate Developments – Mongolia” and “Caution Regarding Forward-Looking Information”.

Gatsuurt Project

The Gatsuurt Project was designated as a mineral deposit of strategic importance by the Mongolian Parliament in January 2015. The Company has continued to engage in discussions with the Mongolian Government regarding the development of the Gatsuurt Project and potential ownership by the Government. In mid-October 2015, the Company and the Government agreed to a 3% special royalty in place of the Government acquiring a 34% ownership interest in the project. On February 4, 2016, the Mongolian Parliament approved the level of Mongolia state ownership in the project at 34% which allows the Government to substitute the 34% state ownership with a special royalty. The final ownership in the Gatsuurt Project is subject to signing definitive agreements with the Mongolian authorities.

The Company continued to engage in discussions with the Mongolian Government regarding definitive agreements in relation to the future operations and economics of the Gatsuurt Project throughout 2016 and expects to continue such discussions in 2017. See “Other Corporate Developments – Mongolia”.

During 2016, the Company funded \$7.2 million (\$1.3 million in 2015) on development activities for drilling on the property and carrying out resource definition, metallurgical, geo-technical and hydrogeological drilling and environment and operational studies in support of eventual project development at Gatsuurt Project.

In the fourth quarter of 2016, the Company updated and filed the local Feasibility Study on the Gatsuurt Project for review and approval by the Minerals Professional Council of Mongolia.

Mount Milligan Mine

The Mount Milligan mine is an open pit mine located in north central British Columbia. The closest major community is Prince George approximately 155 kilometres from the mine site. Site infrastructure includes a high voltage powerline, two gravel roads and a nearby railway loadout. The powerline is serviced by the local utility while the service roads and the railway loadout are primarily serviced by the mine.

The mining operations equipment fleet comprises fifteen 217 tonnes haul trucks, two 41 m³ electric cable shovels, two 19 m³ front end loaders and two 311 mm electric blast hole drills. These major units are supplemented with a

back-up equipment fleet of graders, front-end loaders, track and rubber-tired dozers, backhoes, water trucks and other service vehicles. A 15 metre bench height has been selected for mining both ore and waste. All ore is sent to the primary crusher. All waste is hauled to the tailings storage facility (“TSF”) for the construction of the tailings dam.

The processing facility utilizes conventional crushing, grinding, rougher and cleaner flotation to produce a marketable gold-rich copper concentrate. The processing plant includes one primary crusher, two secondary crushers, two pebble crushers, one SAG mill, two ball mills, rougher, scavenger, and cleaner circuits. The tailings are gravity fed to a centerline TSF where higher gold-grade tailings from the cleaning circuit and lower gold-grade tailings from the rougher/scavenger circuit are separated and deposited into separate cells in the TSF. The concentrate is sent to a thickener/dryer circuit and stored in a covered shed adjacent to the processing plant. Concentrate is loaded out from site via trucks, and then transferred to rail, and finally loaded on to vessels where it is sold to the off-take purchasers.

Financial and Operating Results - October 20, 2016 to December 31, 2016:

Mount Milligan Mine (\$ millions, except as noted)	Period ended December 31, 2016 ^{(1) (5)}
Gold sales	29.4
Copper sales	26.0
Total Revenues	55.4
Cost of sales - cash	38.8
Cost of sales - non-cash	5.9
Cost of sales - total	44.7
Mining / Milling	
Ore Mined (000's t)	3,910
Total Mined (000's t)	7,592
Rehandle Tonnes	446
Total Moved (000's t)	8,038
Tonnes Milled	3,904
Mill Head Grade Cu%	0.19%
Mill Head Grade Gold (g/t)	0.58
Copper Recovery	75%
Gold Recovery	59%
Concentrate Produced (dmt)	23,022
Payable Copper Produced (000's lbs) ⁽⁵⁾	10,399
Payable Gold Produced (oz) ⁽⁵⁾	47,717
Gold Sales (payable oz)	34,154
Copper Sales (000's payable lbs)	9,467
Average Realized Price - Gold (combined) - \$/oz ^{(2) (4)}	861
Average Realized Price - Copper (combined) - \$/lb ⁽²⁾	2.74
Capital expenditures - sustaining ⁽²⁾	3.4
Capital expenditures - growth ⁽²⁾	3.1
Capital expenditures - total	6.5
Operating Costs (on a sales basis) ⁽³⁾	39.5
Adjusted Operating Costs ⁽²⁾	14.0
All-In Sustaining Costs on a by-product basis ⁽²⁾	17.4
All-In Costs on a by-product basis ⁽²⁾	20.6
All-In Costs on a by-product basis (including taxes) ⁽²⁾	21.2
Total Adjusted Operating costs- \$/oz sold ⁽²⁾	410
All in Sustaining costs on a by-product basis - \$/oz sold ⁽²⁾	509
All-in Costs on a by-product basis - \$/oz sold ⁽²⁾	602
All-in Costs on a by-product basis (including taxes) - \$/oz sold ⁽²⁾	621

⁽¹⁾ 2016 includes results beginning October 20, 2016, the date of acquisition. No comparative results presented prior to acquisition.

⁽²⁾ Adjusted operating costs, all-in sustaining costs on a by-product basis, all-in costs on a by-product basis and all-in costs on a by-product basis (including tax) (in each case, on an aggregate or per ounce sold basis), as well as average realized gold price per ounce sold (gold and copper), cost of sales per ounce sold and capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under "Non-GAAP Measures"

⁽³⁾ Operating costs (on a sales basis) is comprised of mine operating costs such as mining, processing, regional office administration, royalties and production taxes, but excludes reclamation costs and depreciation, depletion and amortization.

⁽⁴⁾ The average realized price of gold is a combination of market price paid by third parties and \$435 per ounce paid by Royal Gold, while the average realized price of copper is a combination of market price paid by third parties and 15% of the spot price per metric tonne of copper delivered paid by Royal Gold, both under the Royal Gold streaming arrangement.

⁽⁵⁾ Mount Milligan payable production and ounces sold are presented on a 100% basis (Royal Gold streaming agreement entitles it to 35% and 18.75% of gold and copper sales, respectively). Under the streaming arrangement, Royal Gold will pay \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered. Payable production for copper and gold reflects estimated metallurgical losses resulting from handling of the concentrate and payable metal deductions, subject to metal content, levied by smelters. The current payable percentage applied is approximately 95.0% for copper and 96.5% for gold, which may be revised on a prospective basis after sufficient history of payable amounts is determined.

For the period October 20, 2016 (date of Acquisition) to December 31, 2016, the mill throughput averaged 53,000 tonnes per day (tpd) while mine throughput averaged 110,000 tpd. Total mill throughput was 3.9 million tonnes and total mine tonnes moved was 8.0 million tonnes. Total payable copper production for the period was 10.4 million pounds (lbs) while total payable gold production was 47,717 ounces. Mill throughput was affected by the secondary crusher commissioning activities and harder than average ore. Mine throughput was lower than planned due to harsh winter conditions and lower than expected rehandle tonnes. Several continuous improvement projects continued throughout the period.

In the processing plant, two collector trials and one frother trial were completed in the quarter. As a result, during the period since October 20, 2016, the operation achieved a 1-2% improvement for gold recovery, and copper cleaning was improved without impacting copper recovery. During the fourth quarter, one SAG mill reline was completed and smaller grates were installed to help rebalance the circuit with the addition of smaller feed material to the SAG mill. Throughout the year, high powder factor blasting has been implemented to improve throughput at the mill with success. A blast monitoring trial commenced with the aim to reduce blast movement and dilution with the objective of improving feed grade to the mill.

During the post-acquisition period of October 20 to December 31, 2016, the average realized price of gold was impacted by final price and metal content adjustments on pre-acquisition shipments that had not finalized prior to the transaction date. The effect of these open shipments closing post-transaction was a \$6 million reduction in the realized price of gold sold. The average realized price of gold^{NG} was also impacted by the Royal Gold streaming agreement (see "Non-GAAP Measures"). Under the revised terms of the agreement, 35% of gold is delivered to Royal Gold whereas the pre-Acquisition arrangement delivered 52.25% of gold to Royal Gold.

Construction of the permanent secondary crushing circuit at Mount Milligan was completed during the fourth quarter of 2016. The crusher processed its first ore in late October and began 24-hour operations in November. Work continues to optimize the crushing and grinding equipment and to make adjustments in the mill standard operating procedures, to maximize the value of the circuit.

Molybdenum Business

The US operations for molybdenum include the Thompson Creek Mine ("TC Mine") (mine and mill) in Idaho and the Langeloth Metallurgical Processing Facility (the "Langeloth Facility") in Pennsylvania. The Canadian operations for molybdenum consist of a 75% joint venture interest in the Endako Molybdenum Mine Joint Venture ("Endako Mine") (mine, mill and roaster) in British Columbia. Due to weakness in the molybdenum market, the Endako Mine was placed on care and maintenance effective July 1, 2015 while TC Mine was placed on care and maintenance in December 2014. TC Mine operates a commercial molybdenum beneficiation circuit to treat molybdenum concentrates to supplement the concentrate feed sourced directly for the Langeloth Facility. This beneficiation process at TC Mine allows the Company to process high copper molybdenum concentrate purchased from third parties, which is then transported to Langeloth for processing.

The molybdenum business provides toll roasting services for customers by converting molybdenum concentrates to molybdenum oxide powder and briquettes and ferromolybdenum products. Additionally, molybdenum concentrates are also purchased from third parties to convert to upgraded products which are then sold into the metallurgical and

chemical markets. The Company expects the Langeloth facility to generate sufficient cash flow to continue to substantially cover the annual costs of care and maintenance at its two primary molybdenum mines, enabling the Company to hold its molybdenum business on a cash neutral basis and allowing it to retain the optionality to re-start the mines if a more favorable molybdenum market presents itself.

Results of Operating Segments

Molybdenum Business

(\$ millions, except as noted)	Period ended December 31, 2016 ⁽¹⁾
Molybdenum (Mo) Sales	16.8
Tolling, Calcining and Other	2.2
Total Revenues and Other Income	19.0
Cost of sales - cash	18.1
Cost of sales - non-cash	1.5
Cost of Sales - Total	19.6
Care & Maintenance costs - Molybdenum mines	1.8
Capital expenditures - Endako	-
Capital expenditures - Langeloth	0.1
Capital expenditures - Thompson Creek Mine	0.2
Total capital expenditures	0.3
Net Cash used, before working capital	(1.3)
Production	
Mo purchased (000's lbs)	3,378
Mo oxide roasted (000's lbs)	4,198
Mo sold (000's lbs)	2,188
Toll roasted and upgraded Mo (000's lbs)	1,584

(1) 2016 includes results beginning October 20, 2016, the date of acquisition. No comparative results presented prior to acquisition.

A total of 2.2 million pounds of molybdenum were sold and 1.6 million pounds tolled during the period from October 20, 2016 to December 31, 2016 resulting in sales revenue of \$19.0 million.

Consolidated Fourth Quarter Results - 2016 compared to 2015

<i>Unaudited (\$ millions, except as noted)</i>	Three months ended December 31, ^{(4),(5)}			
	2016	2015	Change	% Change
Financial Highlights				
Revenue	\$ 305.7	\$ 148.3	\$ 157.4	106%
Cost of sales	167.2	113.4	53.8	47%
Standby costs	2.5	0.9	1.6	178%
Regional office administration	4.0	4.6	(0.6)	(12%)
Earnings from mine operations	132.0	29.4	102.6	349%
Revenue-based taxes	32.6	20.2	12.4	61%
Care and maintenance costs	1.8	-	1.8	100%
Other operating expenses (income)	1.3	0.8	0.5	69%
Pre-development project costs	3.1	1.8	1.3	72%
Exploration and business development	4.4	2.6	1.8	68%
Thompson Creek Metals Inc. acquisition expenses	7.4	-	7.4	0%
Corporate administration	9.3	7.7	1.6	21%
Earnings (loss) from operations	72.1	(3.7)	75.8	2050%
Other expenses (income)	0.8	(1.5)	2.3	154%
Finance costs	6.7	1.1	5.6	505%
Earnings (loss) before income taxes	64.6	(3.3)	67.9	2057%
Income tax expense (recovery)	1.0	(0.4)	1.4	358%
Net earnings (loss)	\$ 63.6	\$ (2.9)	\$ 66.5	2291%
Earnings (loss) per common share - \$ basic	\$ 0.23	\$ (0.01)	\$ 0.24	2400%
Earnings (loss) per common share - \$ diluted	\$ 0.23	\$ (0.01)	\$ 0.24	2400%
Cash provided by operations	\$ 170.4	\$ 47.5	\$ 122.9	259%
Average realized gold price (third party) - \$/oz ⁽²⁾	1,170	1,098	72	7%
Average realized gold price (combined) - \$/oz ⁽²⁾⁽³⁾	1,154	1,098	56.0	5%
Average gold spot price - \$/oz ⁽¹⁾	1,222	1,106	116.0	10%
Capital expenditures	\$ 83.6	\$ 33.6	\$ (22.7)	149%
Operating Highlights				
Gold produced – ounces poured	248,479	133,664	114,815	86%
Gold sold – ounces sold	225,996	135,064	90,932	67%
Payable Copper Produced (000's lbs) ⁽⁵⁾	10,399	-	10,399	0%
Copper Sales (000's payable lbs) ⁽⁵⁾	9,467	-	9,467	0%
Cost of sales - \$/oz sold ⁽²⁾	\$ 740	\$ 840	\$ (100)	(12%)
Adjusted operating costs on a by-product basis - \$/oz sold⁽²⁾	\$ 287	\$ 405	\$ (118)	(29%)
All-in sustaining costs on a by-product basis – \$/oz sold⁽²⁾	\$ 586	\$ 617	\$ (31)	(5%)
All-in costs on a by-product basis, excluding development projects – \$/oz sold⁽²⁾	\$ 659	\$ 654	\$ 5	1%
All-in costs on a by-product basis, excluding development projects (including taxes) – \$/oz sold⁽²⁾	\$ 808	\$ 804	\$ 4	0%

(1) Average for the period as reported by the London Bullion Market Association (U.S. dollar Gold P.M. Fix Rate).

(2) All-in sustaining costs per ounce sold, all-in costs per ounce sold, all-in costs (including taxes) per ounce sold, as well as average realized gold price (third party and combined) per ounce sold and cost of sales per ounce sold, are non-GAAP measures and are discussed under "Non-GAAP Measures".

(3) The average realized price is a combination of market price paid by third parties and \$435 per ounce paid by Royal Gold under the gold and copper streaming arrangement.

(4) 2016 includes results from Thompson Creek operations beginning October 20, 2016, the date of acquisition. No comparative results presented prior to acquisition. Results may not add or compute due to rounding.

(5) Mount Milligan payable production and ounces sold are presented on a 100% basis (Royal Gold streaming agreement entitles it to 35% and 18.75% of gold and copper sales, respectively). Under the streaming arrangement, Royal Gold will pay \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered. Payable production for copper and gold reflects estimated metallurgical losses resulting from handling of the concentrate and payable metal deductions, subject to metal content, levied by smelters. The current payable percentage applied is approximately 95.0% for copper and 96.5% for gold, which may be revised on a prospective basis after sufficient history of payable amounts is determined.

Net earnings in the fourth quarter of 2016 were \$63.6 million (\$0.23 per common share - basic), compared to a net loss of \$2.9 million in the same period of 2015. The following provides an overview of the major items impacting the fourth quarter in 2016 as compared to 2015:

- Gold production for the fourth quarter of 2016 increased 86% to 248,479 ounces poured, including 200,762 ounces from Kumtor and 47,717 ounces from Mount Milligan. In the fourth quarter of 2016, Kumtor processed the higher grade ore obtained from cut-back 17 of the SB Zone. Mining of cut-back 17 was completed in early-October 2016, at which time the mine focused exclusively on waste stripping of cut-back 18 for the remainder of the fourth quarter of 2016. In 2017, Kumtor will continue to process ore stockpiled from cut-back 17, while mining focuses on waste stripping from cut-back 18, and mining the recently permitted near surface lower grade Sarytor deposit. During the fourth quarter of 2016, Kumtor's average mill head grade was 4.71 g/t with a recovery rate of 83.5%, compared to 3.42 g/t and a recovery rate of 79.9% for the same period of 2015. The mill processed 5% more tonnage than the prior year, as a result of actions taken to increase the throughput including blending harder and softer ore, opening screens in the SAG mill and increasing the grinding media sizes in the SAG and Ball mills.
- Mount Milligan produced 23,022 dry metric tonnes of concentrate, containing 10.4 million pounds of copper and 47,717 ounces of gold, since the closing of the Acquisition on October 20, 2016. Mill throughput was affected by the secondary crusher commissioning activities and harder than average ore. Mine throughput was lower than planned due to unexpected winter conditions and lower than expected rehandle tonnes.
- Revenues in the fourth quarter of 2016 increased 106% to \$305.7 million, as a result of selling 67% more ounces and a 5% higher average realized gold price^{NG}. The higher ounces sold are a reflection of 53% more production at Kumtor and the contribution from Mount Milligan (34,154 ounces sold) in the fourth quarter of 2016.
- Cost of sales for the fourth quarter of 2016 increased 48% to \$167.2 million compared to the same quarter of 2015. The increase reflects more gold ounces sold at Kumtor and sales of gold and copper at Mount Milligan starting October 20, 2016.
- Regional administration costs decreased 12% in the fourth quarter of 2016, primarily as a result of company-wide cost cutting measures initiated in 2015, in addition to the weakening of the Som in relation to the U.S. dollar. Corporate administration costs increased by \$1.7 million as compared to the same period of 2015, as a result of \$1.6 million of new costs incurred in 2016 for administration costs at the new administration office in Denver. Lastly, share-based compensation in the fourth quarter of 2016 was higher by 31.7% as compared to the same period in 2015, driven by Centerra's share price performance, offset by reduced spending at the corporate office in Toronto.
- Cash provided by operations was \$170.4 million in the fourth quarter of 2016 compared to \$47.5 million in the same period of 2015. The increase is primarily driven by significantly higher earnings in the fourth quarter of 2016.
- Cash used in investing activities in the fourth quarter of 2016 totalled \$843.7 million, compared to \$21.1 million of cash provided by investing activities in the same quarter of 2015. The fourth quarter of 2016 includes the payment to Thompson Creek debtholders of \$783 million (net of cash assumed), increased capital expenditures and a net redemptions of \$25 million in short-term investment as opposed to a net \$58.0 million redeemed in the fourth quarter of 2015.
- Capital expenditures (spent and accrued) in the fourth quarter of 2016 were \$83.6 million as compared to \$33.6 million in the same period of 2015. Sustaining capital^{NG} in the fourth quarter of 2016 of \$15.3 million is unchanged from the same period of 2015 when the spending at Mount Milligan \$3.4 million is excluded. Growth capital^{NG} of \$10.1 million (including \$3.1 million at Mount Milligan) in the fourth quarter of 2016 compares to \$9.7 million in the same quarter of 2015. Development project spending totalled \$5.5 million in the current period, with \$1.1 million spent at the Greenstone Gold Property, \$2.4 million at Gatsurt and \$2.1 million at the Öksüt Project. Capitalized stripping in the fourth quarter of 2016 was \$58.3 million compared to \$12.2 million in the fourth quarter of 2015. In the fourth quarter of 2016, the mining fleet at Kumtor focused primarily on waste stripping from cut-back 18.

- Cost of sales per ounce sold^{NG} in the fourth quarter was \$740 in 2016 compared to \$840 in 2015, a 12% decrease year over year. The 2016 result includes Kumtor and the Thompson Creek operations, with Kumtor representing \$537 per ounce sold. The comparative 2015 year represents only Kumtor and includes a charge of \$27.2 million to operating costs due to an inventory impairment recorded at the end of the year. Excluding this impairment charge from the 2015 results, cost of sales per ounce in the prior year would have been \$645 per ounce sold. The reduction at Kumtor year over year is a result of lower operating costs, the processing of material with higher grades and recoveries and process improvements in the mill achieved in the fourth quarter of 2016, as discussed above.
- All-in sustaining costs (on a by-product basis) per ounce sold^{NG}, which excludes revenue-based tax and income tax, in the fourth quarter of 2016, decreased to \$586 compared to \$617 in the same period of 2015. The consolidated measure includes a contribution from Kumtor of \$538 per ounce sold, reflecting higher volumes, grades, recoveries and lower operating costs. Mount Milligan contributed \$512 per ounce sold, while corporate costs and exploration added \$9.3 million and \$3.8 million respectively of costs to the measure.
- All-in costs, excluding development projects costs (on a by-product basis) per ounce sold^{NG}, which excludes revenue-based tax and income tax, were \$659 in the fourth quarter of 2016 compared to \$654 in the same quarter of 2015. The consolidated measure includes a contribution from Kumtor of \$545 per ounce sold, while Mount Milligan contributed \$605 per ounce sold. The decrease at Kumtor reflects more ounces sold, lower operating costs and lower spending on capital expenditures. The fourth quarter of 2016 includes acquisition costs for Thompson Creek of \$7.4 million and increased exploration and business developments costs of \$1.6 million as compared to the comparative period.
- All-in costs excluding development projects costs, on a by-product basis (including taxes) per ounce sold^{NG} in the fourth quarter of 2016 was \$808 compared to \$804 in the comparative period. Excluding the impact of the Mount Milligan operation from the 2016 measure, the consolidated result would have been \$845 per ounce sold which compares to \$804 in the prior year. The increase in the fourth quarter of 2016, as compared to the same period of 2015, reflects \$34 million higher capitalized stripping at Kumtor, higher administration costs including the costs of the Denver office, \$12 million of acquisition costs for Thompson Creek, partially offset by lower growth capital^{NG} spending and lower operating costs at Kumtor.

Project Development

Öksüt Project:

At the Öksüt Project in Turkey, the Company spent \$12.0 million during the year ended December 31, 2016 (\$10.0 million in the year ended December 31, 2015) on development activities to progress the Environmental and Social Impact Assessment (“ESIA”), access and site preparation and detailed engineering works. Since the approval of the Öksüt feasibility study in July 2015, development costs associated with the Öksüt Project are capitalized.

Following approval of the business operating permit from local authorities in December 2015, applications were submitted for the forestry and pastureland usage permits. On July 14, 2016, OMAS received a forestry land usage permit for the project and the operation permit for forestry area was obtained on August 26, 2016. The pastureland permit is currently outstanding and the Company is working with the relevant agencies to obtain the permit. There is no assurance that the approval of the key pastureland or other permits will be obtained by the Company in a timely manner or at all. If the pastureland permit is received in the second quarter of 2017, construction activities at the Öksüt Project are expected to commence in July 2017. As a result, first gold production would not be expected to occur before the third quarter of 2018.

In 2016, OMAS entered into the \$150 million OMAS Facility with UniCredit and EBRD to assist in financing the construction of the Company’s Öksüt Project. The interest rate on the OMAS Facility is LIBOR plus 2.65% to 2.95% (dependent on project completion status). It is secured by the Öksüt assets and is non-recourse to the

Company. Availability of the OMAS Facility is subject to customary conditions precedent, including receipt of all necessary permits and approvals.

The deadline to satisfy such conditions was extended until June 30, 2017 by the lenders, because of the delays in receiving the pastureland permit. The Company continues to work on satisfying the conditions precedent by such deadline, however some conditions, such as the receipt of the pastureland permit for the Öksüt Project, are beyond Centerra's control.

Greenstone Gold Property:

As previously disclosed, the Greenstone Partnership has not made a development or construction decision on the Hardrock Project. The partnership is evaluating programs to minimize the risk profile of the project including the advancement of permitting and First Nations discussions.

The Company further advanced the Environmental Impact Study/Environmental Assessment ("EIS/EA") on the Greenstone property during 2016, including the submission of a draft in February 2016, and expects to submit a final version in the second quarter of 2017. The comments received on the draft EIS/EA related primarily to the location and management of the tailings storage facility, the management and location of the waste dumps, and water quality.

In 2016, the Company spent \$19.4 million on project development activities (\$17.3 million in 2015). During the year, work continued on advancing the feasibility study for the Hardrock Project. In 2016, the Greenstone Partnership, managed by the managing partner Greenstone Gold Mines GP Inc. ("GGM") recorded \$5.3 million of costs relating to acquiring houses and land surrounding the project area.

On November 16, 2016, the Company, along with its joint venture partner Premier Gold Mines Limited, announced the feasibility study results on the Hardrock Project. A NI 43-101 technical report was filed on SEDAR on December 22, 2016.

GGM continues to engage and consult with local communities of interest, including First Nations, and negotiations commenced early 2017 on mutually beneficial impact benefit agreements.

Balance Sheet

Inventory

Total inventory at December 31, 2016 was \$542.5 million (\$347.0 million at December 31, 2015) including product inventory of \$338.4 million (\$173.8 million in 2015) and supplies inventory of \$204.1 million (\$173.2 million in 2015). The consolidated increase year over year of \$195.5 million reflects the addition of the Thompson Creek operations (Mount Milligan and Langeloth) with total inventory of \$119.9 million, including product inventory of \$74.1 million and supplies inventory of \$45.8 million. Product inventory at Kumtor decreased by 19.7% in the fourth quarter of 2016 and reflects the higher tonnage processed through the mill and a 6% increase in ounces poured in the fourth versus the third quarters of 2016.

Property, Plant and Equipment

The aggregate book value of property, plant and equipment at December 31, 2016 was \$1.6 billion, which compares to \$693.0 million at the end of 2015 and is allocated as follows: the Thompson Creek group of companies \$903.9 million (including Mount Milligan at \$764.6 million), Kumtor \$448 million (2015 - \$511.6 million), Greenstone Gold \$95.8 million (2015 - \$87.2 million), Mongolia (Boroo and Gatsuurt) \$88.4 million (2015 - \$82.5 million), Öksüt \$18.1 million, (2015 - \$11.0 million) and other corporate entities \$10.7 million (2015 - \$0.7 million). The increase in 2016 of \$871 million is attributed to the acquisition of Thompson Creek, with its main asset the Mount Milligan mine.

Goodwill

The Company accounted for its acquisition of Thompson Creek as a business combination in accordance with IFRS 3, *Business Combinations* standard. The net assets acquired were assigned a fair value of \$1.011 billion, as evaluated by an independent firm of valuers using such techniques appropriate to approximate what a market participant would be willing to pay. The net consideration paid by the Company totalled \$1.027 billion, thereby resulting in goodwill on the acquisition of Thompson Creek in the amount of \$16.1 million. The goodwill that arose on the transaction will be evaluated for impairment annually on September 1.

In the prior year and in connection with the annual goodwill impairment test carried out at September 1, 2015, the goodwill for the Kyrgyz segment was fully impaired by \$18.7 million.

Asset Retirement Obligations

The total future asset retirement obligations were estimated by management based on the estimated costs to reclaim the mine sites and facilities and the estimated timing of the costs to be incurred in future periods.

The Company has estimated the net present value of the total asset retirement obligations to be \$158.4 million as at December 31, 2016 (December 31, 2015 - \$66.1 million). The increase in 2016 reflects changes in estimates from the regularly scheduled closure study update at Kumtor completed at the end of 2016, and the assumption of the liabilities associated with the Thompson Creek mines. These payments are expected to commence over the next 1 to 20 years.

The Company's future undiscounted decommissioning and reclamation costs have been estimated to be \$221.9 million at December 31, 2016 before salvage value.

These liabilities are secured by a combination of reclamation bonds, cash on deposit and a reclamation trust fund as prescribed by the regulatory bodies in the jurisdictions where these mines operate and project agreements with relevant Governments. For further details, refer to note 17 in the Company's 2016 Consolidated Financial Statements.

Share capital and share options

As of February 23, 2017, Centerra had 291,277,518 common shares outstanding and options to acquire 5,363,755 common shares outstanding under its stock option plan with exercise prices ranging between Cdn\$3.75 and Cdn\$119.18 per share, with expiry dates ranging between 2017 and 2024.

On October 20, 2016, as part of the Acquisition, outstanding shares of Thompson Creek were exchanged for 0.0988 Centerra common shares for a total of 22,327,001 shares of the Company. The new shares issued by Centerra were equivalent to \$112.4 million.

Contractual Obligations

The following table summarizes Centerra's contractual obligations as of December 31, 2016, including payments due over the next five years and thereafter:

<i>\$ millions</i>	Total	Due in Less than One Year	Due in 1 to 3 Years	Due in 4 to 5 Years	Due After 5 Years
Kumtor					
Reclamation trust fund ⁽¹⁾	\$ 32.2	\$ 4.2	\$ 12.2	\$ 9.4	\$ 6.4
Capital equipment ⁽²⁾	4.3	4.3	-	-	-
Operational supplies	30.2	30.2	-	-	-
Mount Milligan					
Operational supplies	4.3	4.3	-	-	-
B.C. Hydro liability	14.3	-	-	-	14.3
Equipment leases (principal + interest) ⁽³⁾	31.7	1.3	30.4	-	-
Oksüt and Greenstone					
Project development	51.4	15.3	36.1	-	-
Corporate and other					
Loan repayment (principal only)	474.4	75.0	100.0	299.4	-
Capital equipment	0.4	0.4	-	-	-
Lease of premises ⁽⁴⁾	4.4	1.7	1.1	0.8	0.8
Derivative liability	1.5	1.5	-	-	-
Total contractual obligations⁽⁵⁾	\$ 649.1	\$ 138.2	\$ 179.8	\$ 309.6	\$ 21.5

⁽¹⁾ Centerra's future decommissioning and reclamation costs for the Kumtor mine are estimated to be \$65.7 million to be incurred beyond 2026. The estimated future cost of closure, reclamation and decommissioning of the project are used as the basis for calculating the amount remaining to be deposited in the Reclamation Trust Fund (\$43.7 million). This restricted cash is funded by sales revenue, annually in arrears and on December 31, 2016 the balance in the fund was \$22.0 million (2014 - \$18.9 million), with the remaining \$43.7 million to be funded over the life of the mine.

⁽²⁾ Agreements as at December 31, 2016 to purchase capital equipment.

⁽³⁾ In January 2017, this lease was renegotiated and converted into financing with a one-year term.

⁽⁴⁾ Lease of the Toronto corporate office premises expiring in November 2021.

⁽⁵⁾ Excludes trade payables and accrued liabilities.

Other Financial Information- 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:

(000's)	2016		2015	
<i>Included in sales:</i>				
Gross gold and silver sales to Kyrgyzaltyn	\$	691,630	\$	607,832
Deduct: refinery and financing charges		(3,825)		(3,310)
Net sales revenue received from Kyrgyzaltyn	\$	687,805	\$	604,522
<i>Included in expenses:</i>				
Contracting services provided by Kyrgyzaltyn	\$	1,543	\$	1,396
Management fees to Kyrgyzaltyn		546		521
Expenses paid to Kyrgyzaltyn	\$	2,089	\$	1,917
<i>Dividends:</i>				
		2016		2015
Dividends declared to Kyrgyzaltyn (as shareholder)	\$	7,097	\$	9,616
Withholding taxes		(355)		(481)
Net dividends declared to Kyrgyzaltyn	\$	6,742	\$	9,135

Related party balances

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

(000's)	2016		2015	
Amounts receivable ^(a)	\$	11,611	\$	25,725
Dividend payable (net of withholding taxes)	\$	-	\$	13,096
Net unrealized foreign exchange gain		-		(3,766)
Dividend payable (net of withholding taxes)		-		9,330
Amount payable		1,218		1,039
Total related party liabilities	\$	1,218	\$	10,369

(a) Subsequent to December 31, 2016, 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.

Transactions with directors and key management

The Company transacts with key individuals from management and with its directors who have authority and responsibility to plan, direct and control the activities of the Company. The nature of these dealings were in the form of payments for services rendered in their capacity as director (director fees, including share-based payments) and as employees of the Company (salaries, benefits and share-based payments).

Key management personnel are defined as the executive officers of the Company including the Chief Executive Officer, President, Vice President and Chief Financial Officer, Vice President and Chief Operating Officer and Vice President Business Development & Exploration.

In the year ended December 31, 2016, compensation of directors was \$1.5 million, including share-based compensation expense of \$0.6 million (December 31, 2015, \$0.4 million, including share-based compensation credit of \$0.5 million). Compensation of key management personnel in 2016 was \$7.2 million, including share-based compensation of \$2.1 million, (December 31, 2015, \$14.0 million, including share-based compensation of \$7.2 million).

Disclosure regarding related party transactions is included in Note 27 of the Company's December 31, 2016 Annual Financial Statements.

Quarterly Results – Previous Eight Quarters

Over the last eight quarters, Centerra's results reflect the impact of a decline and recovery of gold prices and decreasing input costs, such as diesel, labour and consumables, which have seen a continued decrease through 2015 and 2016. The weakening of currencies as compared to the U.S. dollar had a positive impact on foreign-denominated costs in 2015 and into 2016. The quarterly production profile for 2016 was more concentrated in the second half of the year, while the production profile in 2015 was more consistent across each quarter, as processing was mainly from stockpiles. At the annual goodwill impairment test on September 1, 2015, the Company wrote down the remaining goodwill balance for its Kyrgyz CGU of \$18.7 million, reflecting continued weakness in gold prices. Non-cash costs have also progressively increased since 2014. Depreciation at Kumtor increased due to its expanded mining fleet and the increased amortization of capitalized stripping resulting from increased stripping as the pit gets larger. The quarterly financial results for the last eight quarters are shown below:

<i>\$ million, except per share data</i> <i>Quarterly data unaudited</i>	2016				2015			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	306	220	162	73	148	116	147	213
Net earnings (loss)	64	67	3	18	(3)	(18)	22	41
Basic earnings (loss) per share	0.23	0.28	0.01	0.08	(0.01)	(0.08)	0.09	0.17
Diluted earnings (loss) per share	0.23	0.28	-	0.07	(0.01)	(0.08)	0.09	0.17

Other Corporate Developments

The following is a summary of corporate developments with respect to matters affecting the Company and its subsidiaries. Readers are cautioned that there are a number of legal and regulatory matters that are currently affecting the Company and that the following is only a brief summary of such matters. For a more complete discussion of these matters, see the Company's most recently filed Annual Information Form available on SEDAR at www.sedar.com. The following summary also contains forward-looking statements and readers are referred to "Caution Regarding Forward-looking Information".

Kyrgyz Republic

Arbitration

As previously disclosed, Centerra commenced an arbitration proceeding against the Kyrgyz Republic and Kyrgyzaltyn on July 12, 2016 in relation with certain ongoing disputes relating to the Kumtor Project. On January 12, 2017, Centerra filed with the Permanent Court of Arbitration ("PCA") a request for partial award, or in the alternative, interim measures, against the Kyrgyz Republic. The Company is seeking an award ordering that the Kyrgyz Republic withdraw or stay (suspend) its claims relating to previously disclosed environmental, dividend and land use claims, and related decisions and court orders. The Kyrgyz Republic, Kyrgyzaltyn and Centerra are expected to make submissions by the end of April and the Company expects that the arbitrator will render a decision on this matter in mid-2017.

In addition to the above application to the PCA, Centerra expects to file with the PCA a full statement of claim on February 23, 2017. Under Centerra's Restated Investment Agreement with the Kyrgyz Republic dated as of June 6, 2009, the arbitration will be determined by a single arbitrator and conducted under UNCITRAL Arbitration Rules in Stockholm, Sweden. Disputes arising out of the 2009 Restated Investment Agreement will be governed by the law of the State of New York, USA and the conduct and operations of the parties will be governed by the 2009 Restated Investment Agreement, the 2009 Restated Concession Agreement and the laws of the Kyrgyz Republic.

Even if the Company receives an arbitral award 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 SAEPF claims 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 previously disclosed, KGC has all key permits and approvals in place for mining operations at the Kumtor Project in 2017. Kumtor routinely discharges water from its tailings facility starting in the spring and expects to apply for and receive, in the ordinary course, the required discharge permit prior to such time.

The withdrawal of any required permit could lead to a suspension of Kumtor operations.

Amendments to the Kyrgyz Republic Constitution

In December 2016, the Kyrgyz Republic constitution was amended. The Company understands that the amendments remove the limitation period that would otherwise apply to officials and non-officials charged with abuse of office or abuse of duty in connection with Kumtor development or operations. As previously noted, the Company is not aware of any basis for allegations of criminal misconduct in connection with the development of the Kumtor Project. Centerra has previously asked the Kyrgyz Republic government for evidence of any such wrongdoing but has never received any such evidence. Centerra is not aware of any criminal proceedings or investigations being undertaken as result of the constitutional amendment.

SIETS and SAEPF Claims

As previously disclosed, the Kumtor Project is subject to a number of claims made by, among others, Kyrgyz Republic state environmental agencies. The Company believes that such claims are, in substance, an attempt by the

Kyrgyz Republic to impose additional taxes and payments on the Kumtor Project which are prohibited by the terms of the 2009 Restated Investment Agreement. Such claims are not based on allegations of improper environmental practices or damage to the environment.

The latest such claim, originally filed on August 23, 2016 by the Chui-Bishkek-Talas Local Fund of Nature Protection and Forestry Development of SAEPF, seeks compensation for environmental pollution in the amount of 40,340,819.01 Kyrgyz Soms (approximately US\$600,000).

As previously disclosed, on May 25, 2016, the Bishkek Inter-District Court in the Kyrgyz Republic ruled against 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, KOC and KGC (added by the Kyrgyz courts) 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 KR 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. As at December 31, 2016, KGC's cash balance was approximately \$248 million. The cash generated from the Kumtor Project which is held in KGC is however available to fund Kumtor's operation. 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. As a result of the appeal by KGC, the proceedings on the merits of the SAEPF claim were suspended, however, the Company now expects such hearings on the merits to resume.

Kyrgyz Republic General Prosecutor's Office Proceedings

Criminal Proceedings Against Unnamed KGC Managers

On May 30, 2016, a criminal case was opened by the GPO against unnamed KGC managers alleging that such managers engaged in transactions that deprived KGC of its assets or otherwise abused their authority, causing damage to the Kyrgyz Republic. Specifically, the case appears to be focused on the reasonableness of certain of KGC's commercial transactions and in particular, the purchase of goods and supplies in the normal course of its business operations and the expenses relating to the relocation of the Kumtor Project's camp in 2014 and 2015. Further to such investigation, the GPO has carried out searches of KGC's offices and seized documents and records. The Company and KGC strongly dispute the allegation that any such commercial transactions or the actions of KGC managers were in any way improper. The Company and KGC will challenge the actions of the GPO in the courts of the Kyrgyz Republic as well as in international arbitration.

2013 KGC Dividend Civil and Criminal Proceeding

On June 3, 2016, the Inter-District Court renewed a claim previously commenced by the GPO seeking to unwind the \$200 million dividend paid by KGC to Centerra in December 2013 (the "2013 Dividend"). The Company understands that the GPO has also initiated a criminal investigation of executives of the Company and KGC in respect of the 2013 Dividend but that investigation is currently suspended.

KGC Employee Movement Restrictions

In connection with certain of the foregoing criminal investigations, restrictions have been imposed on certain KGC managers and employees, which prohibit them from leaving the Kyrgyz Republic.

GPO Review of Kumtor Project Agreements

On June 14, 2016, according to reports in the Kyrgyz Republic, the Kyrgyz Republic President instructed the GPO to investigate the legality of the agreements relating to the Kumtor Project which were entered into in 2003, 2004 and 2009. The 2009 Restated Investment Agreement governing the Kumtor Project which was entered into in 2009 superceded entirely the 2003 and 2004 agreements. The 2009 Restated Investment Agreement was negotiated with the Kyrgyz Republic government, Kyrgyzaltyn JSC and their international advisers, and approved by all relevant Kyrgyz Republic state authorities, including the Kyrgyz Republic Parliament and any disputes under the 2009 Restated Investment Agreement are subject to resolution by international arbitration.

Criminal Charges Regarding 2016 Casualty at Kumtor Mill

On June 16, 2016, the Investigator of the Jety-Oguz District Department of Interior Affairs initiated criminal proceedings against two KGC managers in relation to the previously disclosed death of a KGC employee due to an industrial accident which occurred in January 2016.

Land Use Claim

As previously noted, KGC continues to challenge the purported 2012 cancellation of its land use (surface) rights over the Kumtor concession areas in the Kyrgyz Republic courts as well as in its arbitration claim (described above).

Management Assessment of Claims

The Company remains committed to working with Kyrgyz Republic authorities to resolve these issues in accordance with the 2009 Kumtor Project Agreement, which provide for all disputes to be resolved by international arbitration, if necessary. Although the Company has reviewed the various claims discussed above and believes that all disputes related to the 2009 Restated Investment Agreement should be determined in arbitration, there is a risk that the arbitrator may reject the Company's claims. There are also risks that an arbitrator will determine it does not have jurisdiction and/or may stay the arbitration pending determination of certain issues by the Kyrgyz Republic courts. As noted above, there is also a risk that the Kyrgyz Republic or a Kyrgyz Republic court would not recognize and/or enforce an arbitration award issued by the arbitrator.

While the Company has filed a notice of arbitration in 2016 and undertaken other actions with respect to the arbitration, Centerra continues to be in discussions with the Kyrgyz Republic Government with a view to resolving all outstanding matters impacting the Kumtor Project. There are no assurances that: (i) the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Project; (ii) any discussions between the Kyrgyz Republic government and Centerra will result in a mutually acceptable resolution; (iii) Centerra will receive the necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law for any such resolution; or (iv) the Kyrgyz Republic Government and/or Parliament will not take actions that are inconsistent with the Government's obligations under the Kumtor Project Agreements, including adopting a law "denouncing" or purporting to cancel or invalidate the Kumtor Project Agreements or laws enacted in relation thereto which have the effect of nationalization of the Kumtor Project. The inability to successfully resolve all such matters could lead to suspension of operations of the Kumtor Project and would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Mongolia

Gatsuurt – Development

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 is undertaking economic and technical studies to update the existing studies on the project, which were initially completed and published in May 2006.

There are no assurances that Centerra will be able to negotiate definitive agreements with the Mongolian Government (in a timely fashion or at all) or that such economic and technical studies will have positive results.

The inability to successfully negotiate definitive agreements and/or the absence of positive results on the additional financial and technical studies could have a material impact on the Company's future cash flows, earnings, results of operations and financial condition and the Company may be required to write-off approximately \$48 million related to the investment in Gatsuurt and approximately \$53 million of remaining capitalized costs for the Boroo mill facility, other surface structures and equipment parts.

Gatsuurt – Illegal Mining

CGM and Centerra continue to work with appropriate Mongolian federal and aimag (local) governments, relevant state bodies and police to clear the Gatsuurt site from artisanal miners and to restrict their access to the site. Centerra does not condone any violence or use of force by Mongolian authorities and has communicated to Mongolian authorities that matters are to be resolved in a peaceful manner.

Claim Against the Mongolian Mineral Resources Authority to Revoke Gatsuurt Mining Licenses

In the first quarter of 2016, a non-governmental organization called "Movement to Save Mt. Noyon" filed a claim against the Mongolian Mineral Resources Authority (MRAM) requesting that MRAM revoke the two principle mining licenses underlying the Gatsuurt Project. CGM, the holder of these two mining licenses, is involved in the claim as a third party. Such proceedings are ongoing.

Subsequent to December 31, 2016 - Sale of ATO

On January 31, 2017, Centerra Gold's Mongolian subsidiary, Centerra Gold Mongolia (CGM) entered into definitive agreements to sell the ATO project, located in Eastern Mongolia, to Steppe Gold LLC and Steppe Gold Limited for gross proceed of \$19,800,000. CGM has received \$800,000 upon signing of the definitive agreements and is to receive \$9,000,000 at closing, scheduled for the second quarter of 2017, followed by two additional \$5 million cash payments at the first anniversary and second anniversary date of the closing of the transaction. The closing of the transaction is conditional upon Steppe Gold Limited executing their financing plans which the Company understands is scheduled to be completed in mid-2017.

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 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.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of the Company's accounting policies, which are described in note 3 of the consolidated financial statements, the reported amounts of assets and liabilities and disclosure of commitments and contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results could differ from those estimates.

Management's estimates and underlying assumptions are reviewed on an ongoing basis. Any changes or revisions to estimates and underlying assumptions are recognized in the period in which the estimates are revised and in any future periods affected. Changes to these critical accounting estimates could have a material impact on the consolidated financial statements.

The key sources of estimation uncertainty and judgment used in the preparation of the consolidated financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and earnings within the next financial year, are outlined in detail in note 4 of the December 31, 2016 financial statements.

Changes in Accounting Policies

Recently adopted accounting policies:

IFRS 9, *Financial Instruments* ("IFRS 9") was issued by the IASB in July 2014. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments. IFRS 9 also includes a substantially reformed approach to hedge accounting. The Company adopted IFRS 9 on a prospective basis in its Financial Statements on April 1, 2016. The adoption of this standard did not have a material impact on the Company's consolidated financial statements, but did result in additional disclosure in the 2016 Financial Statements.

Recently issued but not adopted accounting guidance:

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 currently assessing the impact of adopting this standard on its Financial Statements, with intent to finalize in 2017.

In January 2016, the IASB issued a new standard and a number of amendments:

* New standard IFRS 16, *Leases* ("IFRS 16"). This standard 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. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company is in the process of determining the impact of IFRS 16 on its Financial Statements.

* 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 amendments apply prospectively for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Company has assessed the impact of adopting these amendments and intends to satisfy the new requirements by disclosing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

* Amendments to IAS 12, *Income Taxes* ("IAS 12"). The amendments apply for annual periods beginning on or after January 1, 2017 with retrospective application. Early application of the amendments is permitted. The amendments clarify that the existence of a deductible temporary difference is not affected by possible future changes

in the carrying amount 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 intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The Company has assessed the impact of adopting these amendments and determined it will not have a material impact on the Company's Financial Statements.

In June 2016, the IASB issued amendments to IFRS 2, Share-based Payment ("IFRS 2"), clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018 with prospective application. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company is in the process of determining the impact of IFRS 2 on its Financial Statements.

In December 2016, IFRIC 22, Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued by the IASB. IFRIC 22 clarifies the date that should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. The Company is in the process of determining the impact of IFRIC 22 on its Financial Statements.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting ("ICFR")

The Company's management, including the CEO and CFO, is responsible for the design of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"). Centerra adheres to COSO's revised 2013 Internal Control Framework for the design of its ICFR. In accordance with National Instrument 52-109, the design of the Company's DC&P and ICFR excludes the controls, policies and procedures related to the Thompson Creek Metals and its subsidiaries on the basis that Thompson Creek and its subsidiaries were acquired on October 20, 2016 and therefore not more than 365 days before the end of the relevant period of December 31, 2016.

The evaluation of DC&P and ICFR was carried out under the supervision of and with the participation of management, including Centerra's CEO and CFO. Based on these evaluations, and other than the exclusion of Thompson Creek Metals and its subsidiaries, the CEO and the CFO concluded that the design and operation of these DC&P and ICFR were effective throughout 2016.

2017 Outlook

See "Material Assumption and Risks" for other material assumptions or factors used to forecast production and costs for 2017.

2017 Gold Production

Centerra's 2017 gold production is expected to be between 715,000 to 795,000 ounces. Kumtor's production forecast is expected to be in the range of 455,000 ounces to 505,000 ounces with 30% of the production expected to be in the fourth quarter. At Mount Milligan, the Company expects payable gold production to be in the range of 260,000 to 290,000 ounces with approximately 35% of the ounces expected to be produced in the fourth quarter.

The Mongolian operations will continue with care and maintenance activities at the Boroo mine mainly focusing on reclamation work. Any revenue from Boroo gold production from the rinsing of the heap leach pad will be offset against care and maintenance costs. The 2017 production forecast assumes no gold production from Boroo, Gatsuurt or Öksüt.

2017 Copper Production

Centerra expects concentrate production from the Mount Milligan mine to be in the range of 125,000 to 135,000 dry metric tonnes for 2017. Payable copper production is expected to be in the range of 55 million pounds to 65 million pounds.

Centerra's 2017 production is forecast as follows:

2017 Production Guidance	Units	Kumtor	Mount Milligan⁽¹⁾	Centerra
Gold				
Unstreamed Gold Payable Production	(Koz)	455 – 505	169 – 189	624 – 694
Streamed Gold Payable Production ⁽¹⁾	(Koz)	–	91 – 101	91 – 101
Total Gold Payable Production⁽²⁾	(Koz)	455 – 505	260 – 290	715 – 795
Copper				
Unstreamed Copper Payable Production	(Mlb)	–	45 – 53	45 – 53
Streamed Copper Payable Production ⁽¹⁾	(Mlb)	–	10 – 12	10 – 12
Total Copper Payable Production⁽³⁾	(Mlb)	–	55 – 65	55 – 65
Concentrate production in dry tonnes	(Kt)	–	125 – 135	125 – 135

- 1) Royal Gold streaming agreement entitles Royal Gold to 35% and 18.75% of gold and copper sales, respectively, from the Mount Milligan mine. Under the streaming arrangement, Royal Gold will pay \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered. The current payable percentage applied is approximately 95.0% for copper and 96.5% for gold, which may be revised on a prospective basis after sufficient history of payable amounts is determined.
- 2) Gold production assumes 78.8% recovery at Kumtor and 62.5% recovery at Mount Milligan.
- 3) Copper production assumes 75.5% recovery for copper at Mount Milligan.

2017 All-in Sustaining Unit Costs^{NG}

Centerra's 2017 all-in sustaining costs per ounce sold^{NG} are calculated on a by-product basis and are forecast as follows:

	Kumtor	Mount Milligan⁽²⁾	Centerra⁽²⁾
Ounces sold forecast	455,000 – 505,000	260,000 – 290,000	715,000-795,000
US \$ / gold ounce sold			
Operating costs	288 – 319	748 – 834	456 – 507
Changes in inventory	35 – 39	35 – 39	35 – 39
Operating costs (on a sales basis)⁽³⁾	\$323 - \$358	\$783 - \$873	\$491 – \$546
Selling & marketing	-	18 – 20	6 – 7
Regional office administration	31 – 34	-	20 – 22
Social development costs	5	-	3
Treatment & refining charges	6 – 7	71 – 79	30 – 33
Copper credits ⁽²⁾	-	(484) – (540)	(177) – (196)
Silver credits	(6) – (7)	(23) – (26)	(12) – (14)
Subtotal (Adjusted operating costs)^{(1), (2)}	\$359 - \$397	\$365 - \$406	\$361 – \$401
Accretion expense	2	1	2
Capitalized stripping costs (cash)	340 – 377	-	216 – 240
Sustaining capital expenditures ⁽¹⁾	135 – 149	91 – 101	120 – 133
Corporate general and administrative costs	-	-	44 – 48
All-in sustaining costs on a by-product basis^{(1), (2)}	\$836 - \$925	\$457 - \$508	\$743 - \$824
Revenue-based tax ⁽⁴⁾ and taxes ⁽⁴⁾	166 – 184	19 - 21	113 – 125
All-in sustaining costs on a by-product basis (including taxes)^{(1), (2), (4)}	\$1,002 – \$1,109	\$476 - \$529	\$856 - \$949
Gold - All-in sustaining costs on a co-product basis (\$/ounce)^{(1), (2), (5)}	\$836 - \$925	\$575 - \$640	\$786 - \$873
Copper - All-in sustaining costs on a co-product basis (\$/pound)^{(1), (2), (5)}	-	\$1.63 - \$1.93	\$1.63 - \$1.93

- 1) Adjusted operating costs per ounce sold, all-in sustaining costs per ounce sold on a by-product basis, all-in sustaining costs per ounce on a by-product basis plus taxes, all-in sustaining costs per ounce of gold sold or per pound of copper sold on a co-product basis and sustaining capital expenditures are non-GAAP measures and are discussed under “Non-GAAP Measures”.
- 2) Mount Milligan payable production and ounces sold are presented on a 100% basis (Royal Gold streaming agreement entitles it to 35% and 18.75% of gold and copper sales, respectively). Unit costs and consolidated unit costs include a credit for forecasted copper sales treated as by-product for all-in sustaining costs and all-in sustaining costs plus taxes. The copper sales are based on a copper price assumption of \$2.50 per pound sold for Centerra's 81.25% share of copper production and the remaining 18.75% of copper revenue at \$0.375 per pound (15% of spot price, assuming spot at \$2.50 per pound), representing the Royal Gold copper stream arrangement. Payable production for copper and gold reflects estimated metallurgical losses resulting from handling of the concentrate and payable metal deductions, subject to metal content, levied by smelters. The current payable percentage applied is approximately 95.0% for copper and 96.5% for gold, which may be revised on a prospective basis after sufficient history of payable amounts is determined.
- 3) Operating costs (on a sales basis) are comprised of mine operating costs such as mining, processing, regional office administration, royalties and production taxes (except at Kumtor where revenue-based taxes are excluded), but excludes reclamation costs and depreciation, depletion and amortization. Operating costs (on a sales basis) represents the cash component of cost of sales associated with the ounces sold in the period.
- 4) Includes revenue-based tax at Kumtor that reflects a forecast gold price assumption of \$1,200 per ounce sold and at Mount Milligan the British Columbia mineral tax.
- 5) All-in sustaining costs per ounce of gold sold or per pound of copper sold, both on a co-product basis, are defined in “Non-GAAP Measures”.

Results in chart may not add due to rounding.

2017 Exploration Expenditures

Planned exploration expenditures for 2017 totals \$9 million. The 2017 exploration plan includes \$6.4 million to fund ongoing projects (excluding Greenstone) and \$2.6 million for generative and other exploration programs. See also 2017 Greenstone Gold Property.

2017 Capital Expenditures

Centerra's projected capital expenditures for 2017, excluding capitalized stripping, are estimated to be \$148 million, including \$96 million of sustaining capital^{NG} and \$52 million of growth capital^{NG}.

Projected capital expenditures (excluding capitalized stripping) include:

Projects	2017 Sustaining Capital ^{NG} (\$ millions)	2017 Growth Capital ^{NG} (\$ millions)
Kumtor mine	68	28
Mount Milligan mine	26	-
Öksüt project	-	11
Greenstone Gold property	-	8
Mongolia	-	5
Other (Thompson Creek mine, Endako mine (75%), Langeloth facility and Corporate)	2	-
Consolidated Total	\$96	\$52

Kumtor

At Kumtor, 2017 total capital expenditures, excluding capitalized stripping, are forecast to be \$96 million. Spending on sustaining capital^{NG} of \$68 million relates primarily to major overhauls and replacements of the heavy duty mine equipment (\$58 million), major overhauls and replacements of mill equipment (\$3 million) and other items (\$7 million).

Growth capital^{NG} investment at Kumtor for 2017 is forecast at \$28 million and includes the relocation of certain infrastructure at Kumtor related to the life-of-mine expansion plan amounting to \$9 million, tailings dam construction (\$11 million), purchase of new mining equipment (\$4 million), dewatering projects (\$2 million) and other items (\$2 million). The tailings dam construction in 2017 is the first such construction required to contain the tailings attributable to the additional 3.6 million ounces of gold reserves that resulted from the KS-13 pit expansion. As such, it is classified as growth capital^{NG}. This initial raise is the start of a 3-year program that will not be completed until 2019 (total estimated cost of \$32 million). All tailings dam construction prior to 2017 was related to containing tailings that were generated from the approved ore reserve prior to approval of the KS13 pit expansion.

The cash component of capitalized stripping costs related to the development of the open pit is expected to be \$172 million of the \$234 million total capitalized stripping in 2017.

Mount Milligan

At Mount Milligan, 2017 sustaining capital expenditures are forecast to be \$26 million. Spending on sustaining capital^{NG} of \$26 million relates primarily to tailing dam construction (\$20 million), purchases of the heavy duty mine equipment (\$3 million), and other items (\$3 million).

Mongolia (Boroo and Gatsuurt)

In Mongolia 2017 sustaining capital^{NG} expenditures are expected to be minimal and growth capital^{NG} expenditures are estimated at \$5 million which covers costs for additional studies and capitalized project support and administration costs related to the Gatsuurt Project.

Öksüt Project

The Company expects to spend \$11 million at the Öksüt property in 2017. The total planned spending of \$11 million includes detailed engineering, powerline construction, and capitalized project support and administration costs. Expected capital expenditures at Öksüt in 2017 will be re-assessed upon the Company obtaining all required permits for construction from local authorities.

Greenstone Gold Property

Centerra's guidance for 2017 expenditures in connection with the Greenstone Gold Property is approximately \$8 million (Cdn\$11 million) and represents costs forecast to be spent for capitalized project support and administration costs and other capital expenditures for the project. During 2017, Greenstone Gold Mines expects to evaluate programs to minimize the risk profile of the Hardrock Project including advancing permitting, First Nation discussions and completing and submitting the Environmental Assessments based on the Feasibility Study which would incorporate comments already received from the agencies and impacted stakeholders.

Other sites and Corporate

At the Thompson Creek mine, Endako mine (75% share) and Langeloth metallurgical processing facility, 2017 sustaining capital^{NG} expenditures are expected to be approximately \$1 million. Sustaining capital^{NG} expenditures for 2017 at the corporate office are expected to be approximately \$1 million.

2017 Corporate Administration and Community Investment

Corporate and administration expense for 2017 is forecast to be \$40 million, which includes \$35 million (including \$8 million of stock-based compensation expense) for corporate and administration costs, and \$5 million for community investment activities.

2017 Depreciation, Depletion and Amortization

Consolidated depreciation, depletion and amortization (DD&A) expense included in costs of sales expense for 2017 is forecasted to be in the range of \$201 million to \$223 million including Kumtor's DD&A expense of \$153 million to \$169 million, Mount Milligan's DD&A expense of \$40 million to \$45 million, and Langeloth's DD&A expense range of \$8 million to \$9 million.

<i>(In millions)</i>	2017 DD&A Forecast (Unaudited)	2016 DD&A Actual
Kumtor		
Mine equipment	\$ 73	65
Less DD&A capitalized to stripping costs ⁽¹⁾	(62)	(36)
Capital stripping costs amortized	37 – 42	195
Other mining assets	3	3
Mill assets	10	9
Administration assets and other	16	16
Inventory adjustment (non-cash depreciation)	76 – 87	(55)
Subtotal for Kumtor	\$ 153 – 169	197
Mount Milligan		
Plant & equipment	\$ 21 – 22	4
Mineral properties	7 – 8	1
Buildings and other	7 – 8	1
Tailings storage facility	3 - 4	1
Inventory adjustment (non-cash depreciation)	2 – 3	-
Subtotal for Mount Milligan	\$ 40 – 45	7
Langeloth		
Plant & equipment	\$ 6 – 7	1
Buildings and other	2	1
Subtotal for Langeloth	\$ 8 – 9	2
Consolidated Total	\$ 201 – 223	206

(1) Use of the Company's mining fleet for stripping activities results in a portion of the depreciation related to the mine fleet to be allocated to capitalized stripping costs. In 2016, \$36 million of depreciation costs was allocated to capitalized stripping costs.

Kumtor

At Kumtor, depreciation, depletion and amortization expense included in costs of sales expense for 2016 was approximately \$197 million which is within the guidance for 2016 of \$194 million to \$208 million disclosed in the 2016 Outlook section of the Company's 2015 MD&A filed on SEDAR on February 24, 2016.

The forecast for 2017 DD&A to be expensed as part of costs of sales is between \$153 million and \$169 million. The mine equipment assets are depreciated on a straight-line basis over their estimated useful lives. The total mine equipment depreciation for 2017 is forecasted at \$73 million reflecting increased depreciation on replacement and expansion of mining equipment. The depreciation related to mine equipment engaged in a stripping campaign and capitalized as stripping costs is forecasted to be \$62 million in 2017.

Mount Milligan

At Mount Milligan, depreciation, depletion and amortization expense included in costs of sales expense for 2016 was approximately \$7 million which represents DD&A expense from October 20 to December 31, 2016. The forecast for 2017 DD&A to be expensed as part of costs of sales is forecasted to be between \$40 million and \$45 million.

Langeloth

At Langeloth, depreciation, depletion and amortization expense included in costs of sales expense for 2016 was approximately \$2 million which represents DD&A expense from October 20 to December 31, 2016. The forecast for 2017 DD&A to be expensed as part of costs of sales is forecasted to be between \$8 million and \$9 million.

2017 Taxes

Pursuant to the Restated Investment Agreement, Kumtor's operations are not subject to corporate income taxes. The agreement assesses tax at 13% on gross revenue (plus 1% for the Issyk-Kul Oblast Development Fund).

The Mount Milligan operations are subject to corporate income tax and British Columbia mineral tax. Corporate income tax for 2017 is forecast to be nil, while British Columbia mineral tax is forecast to be between \$3.8 million and \$5.4 million.

Sensitivities

Centerra's revenues, earnings and cash flows for 2017 are sensitive to changes in certain key inputs or currencies. The Company has estimated the impact of any such changes on revenues, net earnings and cash from operations.

	Change	Impact on (\$ millions)				Impact on (\$ per ounce sold)
		Costs	Revenues	Cash flows	Net Earnings (after tax)	AISC ⁽²⁾ on by- product basis
Gold Price	\$50/oz	3.4 - 3.8	31.2 – 34.7	27.7 - 30.7	27.7 - 30.7	1.0
Copper Price ⁽³⁾	10%	0.1 – 0.2	4.6 – 6.7	4.5 – 6.6	4.5 – 6.6	6.3 – 8.3
Diesel Fuel	10%	3.5	-	8.3	3.5	10.4 – 11.6
Kyrgyz som ⁽¹⁾	1 som	0.9	-	1.4	0.9	1.8 – 2.0
Canadian dollar ⁽¹⁾	10 cents	21.0	-	22.7	21.0	28.5 – 31.7

- 1) Appreciation of currency against the US dollar will result in higher costs and lower cash flow and earnings, depreciation of currency against the US dollar results in decreased costs and increased cash flow and earnings.
- 2) All-in sustaining costs per ounce sold ("AISC") on a by-product basis is a non-GAAP measure and is discussed under "Non-GAAP Measures"
- 3) The Company has recalculated the sensitivities of its revenues, earnings and cash flows for 2017 to movements in copper price changes following the commencement in the first quarter of 2017 of a hedging program to mitigate the copper price risk by purchasing fixed price forward sales contracts and zero-cost collars.

Material Assumptions and Risks

Material assumptions or factors used to forecast production and costs for 2017 include the following:

- a gold price of \$1,200 per ounce,
- a copper price of \$2.50 per pound,
- a molybdenum price of \$7.35 per pound,
- exchange rates:
 - \$1USD:\$1.32 CAD
 - \$1USD:67.0 Kyrgyz som
 - \$1USD:0.90 Euro
- diesel fuel price assumption:
 - \$0.50/litre at Kumtor
 - \$0.65/litre at Mount Milligan

The assumed diesel price of \$0.50/litre at Kumtor assumes that no Russian export duty will be paid on the fuel exports from Russia to the Kyrgyz Republic. Diesel fuel is sourced from separate Russian suppliers for both sites and only loosely correlates with world oil prices. The diesel fuel price assumptions were made when the price of oil was approximately \$45 per barrel. Crude oil is a component of diesel fuel purchased by the Company, such that changes in the price of Brent crude oil generally impacts diesel fuel prices. The Company established a hedging strategy to manage changes in diesel fuel prices on the cost of operations at the Kumtor mine. The diesel fuel hedging program is a 24-month rolling program. The Company targets to hedge up to 70% of monthly diesel purchases for the first 12 months and 50% of the 13 through 24 month exposure by entering into hedging arrangements for Brent crude oil.

Other material assumptions were used in forecasting production and costs for 2017. These material assumptions include the following:

- (1) That the Company has sufficient cash on hand or available to it in order to fund anticipated operating and development costs.
- (2) The Company and its applicable subsidiaries throughout the year continue to meet the terms of the TCM Facility, the Öksüt Facility and the Corporate Facility in order to maintain current borrowings and compliance with the facilities financial covenants.
- (3) That any discussions between the Government of the Kyrgyz Republic and Centerra regarding the resolution of all outstanding matters affecting the Kumtor mine are satisfactory to Centerra, fair to all of Centerra's stakeholders, and that any such resolution will receive all necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law.
- (4) All mine plans, expertise and related permits and authorizations at Kumtor, including permits to allow the raising of the tailings dam, receive timely approval from all relevant governmental agencies in the Kyrgyz Republic and are not subsequently withdrawn.
- (5) Any recurrence of political or civil unrest in the Kyrgyz Republic will not impact operations, including movement of people, supplies and gold shipments to and from the Kumtor mine and/or power to the mine site.
- (6) Any actions taken by the Kyrgyz Republic Parliament and Government do not have a material impact on operations or financial results. This includes any actions (i) being taken by the Parliament or Government to cancel the Kumtor Project Agreements; (ii) which are not consistent with the rights of Centerra and KGC under the Kumtor Project Agreements; or (iii) that cause any disruptions to the operation and management of KGC and / or the Kumtor Project.
- (7) The previously disclosed claims received from the Kyrgyz regulatory authorities (SIETS and SAEPF) and related Kyrgyz Republic court decisions, the claims of the Kyrgyz Republic's General Prosecutor's Office purporting to invalidate land use rights and/or seize land at Kumtor and to unwind the \$200 million inter-company dividend declared and paid by KGC to Centerra in December 2013, criminal and other investigations initiated by the GPO in connection with loans and dividends made by KGC and the alleged misuse of funds or other property at KGC, any further claims by Kyrgyz authorities, whether environmental allegations or otherwise, and the securities litigation involving Thompson Creek are resolved without material impact on Centerra's operations or financial results.
- (8) Any sanctions imposed on Russian entities do not have a negative effect on the costs or availability of inputs or equipment to the Kumtor Project.
- (9) The movement in the Central Valley Waste Dump at Kumtor, initially referred to in the Annual Information Form for the year ended December 31, 2013, and in the Lysii and Sarytor Waste Dumps, does not accelerate and will be managed to ensure continued safe operations, without impact to gold production.
- (10) The buttress constructed at the bottom of the Davidov glacier continues to function as planned.
- (11) The Company is able to manage the risks associated with the increased height of the pit walls at Kumtor.
- (12) The dewatering program at Kumtor continues to produce the expected results and the water management system works as planned.
- (13) The pit walls at Kumtor and Mount Milligan remain stable.
- (14) The resource block model at Kumtor and Mount Milligan reconciles as expected against production.
- (15) Grades and recoveries at Kumtor and Mount Milligan remain consistent with the 2017 production plan to achieve the forecast gold and copper production.
- (16) The Kumtor mill and the Mount Milligan processing plant continues to operate as expected.

- (17) Commissioning of the permanent secondary crushing plant at Mount Milligan continues within schedule and budget, and performs as designed.
- (18) The Mount Milligan processing facility continues to have access to sufficient water supplies to operate year round.
- (19) There are no unfavourable changes to concentrate sales arrangements at Mount Milligan and roasting arrangements at the Langeloth facility.
- (20) There are no adverse regulatory changes affecting Mount Milligan operations and molybdenum assets.
- (21) Exchange rates, prices of key consumables, costs of power, water usage fees, and any other cost assumptions at all operations and projects of the Company are not significantly higher than prices assumed in planning.
- (22) No unplanned delays in or interruption of scheduled production from our mines, including due to climate/weather conditions, political or civil unrest, natural phenomena, regulatory or political disputes, equipment breakdown or other developmental and operational risks.

The Company cannot give any assurances in this regard.

Production, cost and capital forecasts for 2017 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed herein under the headings “Material Assumptions & Risks” and “Cautionary Note Regarding Forward-Looking Information” and under the heading “Risk Factors” in this MD&A.

Non-GAAP Measures

This MD&A contains the following non-GAAP financial measures: all-in sustaining costs per ounce sold on a by-product basis, all-in sustaining costs per ounce sold on a by-product basis including taxes, and all-in sustaining costs per ounce sold on a co-product basis. In addition, non-GAAP financial measures include all-in costs on a by-product basis per ounce sold (with or without tax), all-in costs excluding development projects (on a by-product basis) per ounce sold (with or without tax), operating costs (on a sales basis), adjusted operating costs in dollars (millions) and per ounce sold, as well as cost of sales per ounce sold, capital expenditures (sustaining) and capital expenditures (growth). These financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers, even as compared to other issuers who may be applying the World Gold Council (“WGC”) guidelines, which can be found at <http://www.gold.org>.

Management believes that the use of these non-GAAP measures will assist analysts, investors and other stakeholders of the Company in understanding the costs associated with producing gold, understanding the economics of gold mining, assessing our operating performance, our ability to generate free cash flow from current operations and to generate free cash flow on an overall Company basis, and for planning and forecasting of future periods. However, the measures do have limitations as analytical tools as they may be influenced by the point in the life cycle of a specific mine and the level of additional exploration or expenditures a company has to make to fully develop its properties. Accordingly, these non-GAAP measures should not be considered in isolation, or as a substitute for, analysis of our results as reported under GAAP.

Definitions

The following is a description of the non-GAAP measures used in this news release. The definitions are similar to the WGC’s Guidance Note on these non-GAAP measures:

- *Production costs* represent operating costs associated with the mining, milling and site administration activities at the Company’s operating sites, excluding costs unrelated to production such as mine standby and community costs related to current operations.
- *Operating costs (on a sales basis)* include mine operating costs such as mining, processing, site support, royalties and operating taxes (except at Kumtor where revenue-based taxes are excluded), but exclude depreciation, depletion and amortization (DD&A), reclamation costs, financing costs, capital development and exploration.

- *Adjusted operating costs per ounce sold* include operating costs (on a sales basis), regional office administration, mine standby costs, community costs related to current operations, refining fees and by-product credits.
- *All-in sustaining costs on a by-product basis per ounce sold* include adjusted operating costs, the cash component of capitalized stripping costs, corporate general and administrative expenses, accretion expenses, and sustaining capital, net of copper and silver credits. The measure incorporates costs related to sustaining production. Copper and silver credits represent the expected revenue from the sale of these metals.
- *All-in sustaining costs on a by-product basis per ounce sold including taxes*, include revenue-based tax at Kumtor and taxes at Mount Milligan.
- *All-in sustaining costs on a co-product basis per ounce of gold sold or per pound of copper sold*, operating costs are allocated between copper and gold based on production. To calculate the allocation of operating costs, copper production has been converted to ounces of gold equivalent using the copper production for the periods presented, as well as the forecasted average prices for copper and gold.
- *All-in costs per ounce sold* include all-in sustaining costs and additional costs for growth capital, global exploration expenses, business development costs, project development costs and social development costs not related to current operations.
- *All-in cost per ounce sold* exclude the following:
 - Working capital (except for adjustments to inventory on a sales basis).
 - All financing charges (including capitalized interest).
 - Costs related to business combinations, asset acquisitions and asset disposals.
 - Other non-operating income and expenses, including interest income, bank charges, and foreign exchange gains and losses.
- *All-in costs per ounce sold (excluding growth projects)* measure comprises all-in costs per ounce sold as described above and excluded the Company's growth projects.
- *All-in costs including taxes per ounce sold* measure includes revenue-based taxes at Kumtor and income taxes at Boroo.
- *Capital expenditure (Sustaining)* is a capital expenditure necessary to maintain existing levels of production. The sustaining capital expenditures maintain the existing mine fleet, mill and other facilities so that they function at levels consistent from year to year.
- *Capital expenditure (Growth)* is capital expended to expand the business or operations by increasing productive capacity beyond current levels of performance.
- *Growth projects* are defined as projects that are beyond the exploration stage but are pre-operational. For 2016, growth projects include Öksüt, Gatsuurt and the Greenstone Gold Property.
- *Cost of sales per ounce sold* is calculated by dividing cost of sales by gold ounces sold.
- *Average realized gold price* is calculated by dividing revenue derived from gold sales by the number of ounces sold.
- *Average realized copper price* is calculated by dividing revenue derived from copper sales by the number of pounds sold.

Adjusted Operating Cost, All-in Sustaining Costs on a by-product basis and All-in Costs on a by-product basis (including and excluding taxes) are non-GAAP measures and can be reconciled as follows:

(1) By operation

Kumtor

<i>(unaudited)</i> (\$ millions, unless otherwise specified)	Year ended December 31, ⁽¹⁾		Three months ended December 31,	
	2016	2015	2016	2015
Cost of sales, as reported	\$ 350.4	\$ 367.9	\$ 103.0	\$ 112.1
Less: By-product credits included in cost of sales	(1.4)	-	(1.4)	-
Less: Non-cash component	180.0	216.8	59.9	65.2
Cost of sales, cash component	\$ 171.8	\$ 151.1	\$ 44.5	\$ 46.9
Adjust for:				
Regional office administration	14.5	15.7	3.8	3.9
Refining fees	3.8	3.3	1.3	1.0
By-product credits	(4.5)	(2.8)	(1.4)	(0.9)
Community costs related to current operations	1.2	2.2	0.3	0.7
Adjusted Operating Costs	\$ 186.8	\$ 169.5	\$ 48.5	\$ 51.6
Accretion expense	0.9	0.9	0.2	0.2
Capitalized stripping and ice unload	100.5	159.4	42.9	9.1
Capital expenditures (sustaining)	61.0	50.5	11.5	11.8
All-in Sustaining Costs	\$ 349.2	\$ 380.3	\$ 103.1	\$ 72.7
Capital expenditures (growth)	14.8	14.2	1.4	2.5
All-in Costs on a by-product basis	\$ 364.0	\$ 394.5	\$ 104.5	\$ 75.2
Revenue-based taxes and income taxes	96.3	84.6	32.6	20.2
All-in Costs on a by-product basis (including taxes)	\$ 460.3	\$ 479.1	\$ 137.1	\$ 95.4
Ounces sold (000)	546.4	521	191.8	132
Adjusted Operating Costs per oz sold	\$ 342	\$ 326	\$ 253	\$ 392
All-in Sustaining Costs on a by-product basis, per oz sold	\$ 640	\$ 731	\$ 538	\$ 553
All-in Costs on a by-product basis, per oz sold	\$ 667	\$ 758	\$ 545	\$ 572
All-in Costs on a by-product basis (including taxes) per oz sold	\$ 843	\$ 921	\$ 715	\$ 725

(1) Result may not add due to rounding

(1) By operation

Mount Milligan

<i>(unaudited)</i>	October 20 to	
(\$ millions, unless otherwise specified)	December 31, 2016 ⁽¹⁾	
Cost of sales, as reported	\$	44.7
Less: By-product credits included in cost of sales		(0.6)
Less: Non-cash component		5.9
Cost of sales, cash component	\$	39.4
Adjust for:		
Selling and marketing		1.0
Refining fees		0.2
By-product credits - silver		(0.7)
By-product credits - copper		(26.0)
Adjusted Operating Costs	\$	13.9
Accretion expense		0.1
Capital expenditures (sustaining)		3.4
All-in Sustaining Costs	\$	17.4
Capital expenditures (growth)		3.2
All-in Costs, on a by-product basis	\$	20.6
BC mineral taxes and income taxes		0.6
All-in Costs, on a by-product basis (including taxes)	\$	21.2
Ounces sold (000)		34.2
Adjusted Operating Costs per ounce sold	\$	407
All-in Sustaining Costs per ounce sold	\$	509
All-in Costs, on a by-product basis per ounce sold	\$	602
All-in Costs, on a by-product basis(including taxes) per ounce sold	\$	621

(1) Result may not add due to rounding

2) Consolidated

Centerra

<i>(unaudited)</i> (\$ millions, unless otherwise specified)	Year ended December 31, ⁽¹⁾		Three months ended December 31, ⁽¹⁾	
	2016	2015	2016	2015
Cost of sales excluding molybdenum segment, as reported	\$ 395.1	\$ 384.5	\$ 147.6	\$ 113.4
Less: By-product credits included in cost of sales	(2.1)	-	(2.2)	-
Less: Non-cash component	185.9	221.1	65.8	64.8
Cost of sales, cash component	\$ 211.3	\$ 163.4	\$ 84.0	\$ 48.6
Adjust for:				
Regional office administration	14.7	19.1	4.0	4.6
Standby costs	0.3	4.3	2.5	0.6
Refining fees	4.0	3.3	1.4	1.0
Selling and marketing	0.9	-	0.9	-
By-product credits (copper and silver)	(31.1)	(2.8)	(28.1)	(0.9)
Community costs related to current operations	1.1	2.5	0.1	0.7
Adjusted Operating Costs on a by-product basis	\$ 201.1	\$ 189.8	\$ 64.8	\$ 54.6
Corporate general administrative costs	27.6	35.3	9.3	7.5
Accretion expense	1.9	1.5	0.7	0.4
Capitalized stripping and ice unload	100.5	159.4	42.9	9.1
Capital expenditures (sustaining)	64.8	51.0	14.8	11.5
All-in Sustaining Costs on a by-product basis	\$ 395.8	\$ 437.0	\$ 132.5	\$ 83.1
Capital expenditures (growth)	17.9	14.2	4.5	3.0
Exploration and business development	13.0	10.6	4.4	2.6
Thompson Creek acquisition and integration costs	12.0	-	7.4	-
All-in Costs excluding development projects costs, on a by-product basis	\$ 438.7	\$ 461.8	\$ 148.8	\$ 88.7
Revenue-based taxes and income taxes	100.8	84.8	33.6	20.2
All-in Costs excluding development projects costs, on a by-product basis (including taxes)	\$ 539.5	\$ 546.6	\$ 182.4	\$ 108.9
Ounces sold (000)	580.5	536.8	226.0	135.1
Adjusted Operating Costs on a by-product basis per oz sold	\$ 346	\$ 354	\$ 287	\$ 405
All-in Sustaining Costs on a by-product basis per oz sold	\$ 682	\$ 814	\$ 586	\$ 617
All-in Costs excluding development projects costs, on a by-product basis per oz sold	\$ 756	\$ 861	\$ 659	\$ 654
All-in Costs excluding development projects costs, on a by-product basis (including taxes) per oz sold	\$ 929	\$ 1,018	\$ 808	\$ 804

Sustaining capital, growth capital and capitalized stripping presented in the All-in measures can be reconciled as follows:

Year ended December 31,	Kumtor	Mount Milligan	Turkey	Boroo	All other	Consolidated
(\$ millions) <i>(Unaudited)</i>						
2016						
Capitalized stripping –cash	100.5	-	-	-	-	100.5
Sustaining capital - cash	61.0	3.4	-	-	0.4	64.8
Growth capital - cash	14.8	3.1	-	-	-	17.9
Gatsuert project development capital cash	-	-	-	-	7.2	7.2
Greenstone Gold Property pre-development capital cash	-	-	-	-	11.4	11.4
Öksüt project development capital - cash	-	-	12.0	-	-	12.0
Molybdenum business capital - cash	-	-	-	-	0.3	0.3
Net increase in accruals included in additions to PP&E	(1.3)	-	-	-	-	(1.3)
Total - Additions to PP&E	175.0	6.5	12.0	-	19.3	212.8
2015						
Capitalized stripping –cash	159.4	-	-	-	-	159.4
Sustaining capital - cash	50.5	-	-	-	0.5	51
Growth capital - cash	14.2	-	-	-	1.5	15.7
Greenstone Gold Property pre-development capital cash	-	-	-	-	11.3	11.3
Öksüt project development capital - cash	-	-	6.1	-	-	6.1
Net decrease in accruals included in additions to PP&E	0.2	-	-	-	-	0.2
Total - Additions to PP&E	224.3	-	6.1	-	13.3	243.7

Three months ended December 31,	Kumtor	Mount Milligan	Turkey	Boroo	All other	Consolidated
(\$ millions) <i>(Unaudited)</i>						
2016						
Capitalized stripping –cash	42.9	-	-	-	-	42.9
Sustaining capital - cash	11.5	3.4	-	-	0.1	15.0
Growth capital - cash	1.4	3.1	-	-	-	4.5
Gatsuert project development capital cash	-	-	-	-	2.4	2.4
Greenstone Gold Property pre-development capital cash	-	-	-	-	3.6	3.6
Öksüt project development capital - cash	-	-	2.1	-	0.0	2.1
Molybdenum business capital - cash	-	-	-	-	0.3	0.3
Net decrease in accruals included in additions to PP&E	11.0	-	-	-	-	11.0
Total - Additions to PP&E	66.8	6.5	2.1	-	6.4	81.8
2015						
Capitalized stripping –cash	9.1	-	-	-	-	9.1
Sustaining capital - cash	11.8	-	-	-	-	11.8
Growth capital - cash	2.5	-	-	-	0.5	3.0
Greenstone Gold Property pre-development capital cash	-	-	-	-	2.6	2.6
Öksüt project development capital - cash	-	-	3.9	-	-	3.9
Net decrease in accruals included in additions to PP&E	1.6	-	-	-	-	1.6
Total - Additions to PP&E	25.0	-	3.9	-	3.1	32.0

Average realized gold price

The average realized gold price per ounce sold is calculated by dividing gold sales revenue, gross together with the final pricing adjustments and mark-to-market adjustments by the ounces sold, as shown in the table below:

	Year ended December 31,		Three months ended December 31,	
	2016	2015	2016	2015
Gold sales reconciliation (\$ millions)				
Gold sales - Kumtor (plus Boroo in 2015)	686.4	624.0	231.3	148.0
<u>Gold sales - Mt. Milligan</u>				
Gold sales related to cash portion of Royal Gold stream	5.3	-	5.3	-
Mark-to-market adjustments on sales to Royal Gold	3.7	-	3.7	-
Final adjustments on sales to Royal Gold	0.9	-	0.9	-
Total gold sales under Royal Gold stream	9.9	-	9.9	-
Gold sales to third party customers	25.7	-	25.7	-
Mark-to-market adjustments	1.3	-	1.3	-
Final pricing adjustments	(7.3)	-	(7.3)	-
Total gold sales to third party customers	19.7	-	19.7	-
Gold sales, net of adjustments	29.6	-	29.6	-
Refining and treatment costs	(0.2)	-	(0.2)	-
Total gold sales	29.4	-	29.4	-
Total gold revenue - Consolidated	715.8	624.0	260.7	148.0
Ounces of gold sold				
Gold ounces sold - Kumtor (plus Boroo in 2015)	546,342	536,842	191,842	135,064
Ounces sold to Royal Gold - Mt. Milligan	12,249	-	12,249	-
Ounces sold to Royal Gold - Mt. Milligan - Assay adjustment	(711)	-	(711)	-
Ounces sold to third party customers - Mt. Milligan	22,616	-	22,616	-
Total ounces sold - Consolidated	580,496	536,842	225,996	135,064
Average realized sales price for gold on a per ounce basis				
Average realized sales price - Kumtor (plus Boroo in 2015)	1,256	1,162	1,206	1,096
Average realized gold price - Royal Gold	435	-	435	-
Average realized gold price - Mark-to-market adjustments	316	-	316	-
Average realized gold price - Final pricing adjustments	76	-	76	-
Average realized gold price - Mt. Milligan - Royal Gold	828	-	828	-
Average realized gold price - Third party	1,136	-	1,136	-
Average realized gold price - Mark-to-market adjustments	58	-	58	-
Average realized gold price - Final pricing adjustments	(323)	-	(323)	-
Average realized gold price - Mt. Milligan - Third party	871	-	871	-
Average realized gold price - Mt. Milligan - Combined	861	-	861	-
Average realized sales price for gold - Consolidated	1,233	1,162	1,154	1,096

Average realized copper price

The average realized copper price per pound is calculated by dividing copper sales revenue, gross together with the final pricing adjustments and mark-to-market adjustments per pound, as shown in the table below:

<i>(unaudited)</i> <i>(\$ millions, unless otherwise specified)</i>	Oct. 20 to Dec. 31, 2016
Copper sales reconciliation - Mount Milligan (\$ millions)	
Copper sales related to cash portion of Royal Gold stream	0.7
Mark-to-market adjustments on Royal Gold stream	<u>0.1</u>
Total copper sales under Royal Gold stream	<u>0.8</u>
Copper sales to third party customers	19.6
Mark-to-market adjustments	1.3
Final price adjustments	<u>7.0</u>
Total copper sales to third party customers	<u>27.9</u>
Copper sales, net of adjustments	28.7
Refining and treatment costs	<u>(2.7)</u>
Copper sales - Mount Milligan	<u>26.0</u>
Pounds of copper sold (000's lbs)	
Pounds sold to Royal Gold	1,775
Pounds sold to third party customers	<u>7,693</u>
Total pounds sold	<u>9,467</u>
Average realized sales price for copper - \$ per pound	
Copper sales related to cash portion of Royal Gold stream	0.38
Mark-to-market adjustments on Royal Gold stream	<u>0.05</u>
Average realized copper price (Royal Gold) - \$ per pound	<u>0.43</u>
Average realized copper price - Third party	2.55
Average realized copper price - Mark-to-market adjustments	0.17
Average realized copper price - Final pricing adjustments	<u>0.90</u>
Average realized copper price (Third party) - \$ per pound	<u>3.63</u>
Average realized copper price (Combined) - \$ per pound	<u><u>2.74</u></u>

Qualified Person & QA/QC

The scientific and technical information in this MD&A, including the production estimates were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 – Standards of Disclosure for Mineral Projects and were prepared, reviewed, verified and compiled by Centerra’s geological and mining staff under the supervision of Mr. Gordon Reid, Professional Engineer and Centerra’s Vice-President and Chief Operating Officer, who is the qualified person for the purpose of NI 43-101. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the exploration drilling programs are done consistent with industry standards and independent certified assay labs are used.

The Kumtor deposit is described in Centerra’s most recently filed Annual Information Form and a technical report dated March 20, 2015, which are both filed on SEDAR at www.sedar.com. The technical report is prepared in accordance with NI 43-101 and describes the exploration history, geology and style of gold mineralization at the Kumtor deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Kumtor site are described in the technical report.

The Mount Milligan deposit is described in the NI 43-101 Technical Report, Mount Milligan Mine, Northern Central British Columbia dated January 21, 2015 and filed on SEDAR at www.sedar.com by Thompson Creek Metals Inc. The technical report describes the exploration history, geology and style of gold mineralization at the Mount Milligan deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the exploration drilling programs are done consistent with industry standards and independent certified assay labs.

The Boroo deposit is described in Centerra’s most recently filed Annual Information Form and a technical report dated December 17, 2009 prepared in accordance with NI 43-101, both of which are available on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the Boroo deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Boroo site are the same as, or similar to, those described in the technical report.

The Gatsuurt deposit is described in Centerra’s most recently filed Annual Information Form and a technical report dated May 9, 2006 prepared in accordance with NI 43-101. The technical report has been filed on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the Gatsuurt deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Gatsuurt Project are the same as, or similar to, those described in the technical report.

The Öksüt deposit is described in a technical report dated September 3, 2015 prepared in accordance with NI 43-101. The technical report has been filed on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the Öksüt deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Öksüt Project are the same as, or similar to, those described in the technical report.

The Hardrock deposit is described in a technical report dated December 21, 2016 prepared in accordance with NI 43-101. The technical report has been filed on SEDAR at www.sedar.com. The technical report describes the exploration history, geology and style of gold mineralization at the Hardrock deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Hardrock Project are the same as, or similar to, those described in the technical report.

Risk Factors

Below are the risk factors that Centerra believes can have a material effect on the profitability, future cash flow, earnings, results of operations, stated reserves and financial condition of the Company. If any event arising from these risks occurs, the Company's business, prospects, financial condition, results of operations or cash flows could be adversely affected, the trading price of Centerra's common shares could decline and all or part of any investment may be lost. Additional risks and uncertainties not currently known to the Company, or that are currently deemed immaterial, may also materially and adversely affect the Company's business operations, prospects, financial condition, results of operations, or cash flows.

You should note that the following is not, however, a complete list of the potential risks the Company may face. Additional risks and uncertainties not currently known to the Company, or that are currently deemed immaterial, may also materially and adversely affect the Company's business operations, prospects, financial condition, results of operations, or cash flows.

STRATEGIC

Centerra's principal operations and mineral resources are subject to country risk

Centerra's mining operations and gold exploration activities are affected in varying degrees by the political stability and government regulations relating to foreign investment, social unrest, corporate activity, and the mining business in the countries in which it operates, explores and develops properties. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, populism, activism, extreme fluctuations in currency rates and high inflation. The relevant governments have entered into contracts with the Company and/or granted permits, licenses or concessions that enable the Company to conduct operations or exploration and development activities. Notwithstanding these arrangements, the Company's ability to conduct operations, exploration and/or development activities at any of its projects is subject to obtaining and/or renewing permits or concessions, changes in laws or government regulations or shifts in political attitudes beyond the Company's control. As disclosed elsewhere in this document, the Company has experienced, and continues to experience disputes with Kyrgyz regulatory authorities regarding land use rights, annual mine plan approvals and environmental permits.

A significant portion of the Company's gold production and mineral reserves and resources are derived from assets located in the Kyrgyz Republic, Mongolia, and Turkey, countries that have experienced political difficulties in recent years including, in the case of the Kyrgyz Republic, civil unrest in April 2010 that resulted in the ouster of the incumbent President, in Mongolia, the resignation of the Prime Minister and Government in 2014 and a history of fractious governing coalitions comprised of many political parties, and in Turkey where in July 2016, an attempted coup against the President failed. There continues to be a risk of future political instability in these jurisdictions.

The Company does not currently carry political risk insurance covering its investments in in any of the countries where it operates. From time to time, the Company assess the costs and benefits of obtaining and maintaining such insurance. There can be no assurance that, if the Company choses to obtain it, political risk insurance would be available to it, or that particular losses it may suffer with respect to its foreign investments will be covered by any insurance that it may obtain in the future. Any such losses could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Resource nationalism could adversely impact Centerra's business

Companies in the mining and metals sector continue to be targeted to raise government revenue, particularly as governments struggle with deficits and concerns over the effects of depressed economies. Governments are continually assessing the fiscal terms of the economic rent for mining companies to exploit resources in their countries. Numerous countries, including the Kyrgyz Republic and Mongolia, have in the past introduced changes to their respective mining regimes that reflect increased government control or participation in the mining sector, including, but not limited to, changes of laws or governmental regulations affecting foreign ownership, mandatory government participation, taxation and royalties, labour mine safety, exchange rates, exchange controls, permitting and licensing of exploration, development and production, land use restrictions, annual fees to maintain mineral properties in good standing, price controls, export controls, export and import duties, restrictions on repatriation of income or return of capital, environmental protection, as well as requirements for employment of local staff or

contractors, and contributions to infrastructure and social support systems. The Company's operations may be affected in varying degrees by such laws and government regulations.

There can be no assurance that industries deemed of national or strategic importance like mineral production will not be nationalized. Government policy may change to discourage foreign investment; renationalization of mining industries may occur; or other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that the Company's assets will not be subject to nationalization, expropriation or confiscation, whether legitimate or not, by any authority or body. While there are often provisions for compensation and reimbursement of losses to investors under such circumstances, there is no assurance that such provisions would effectively restore the value of the Company's original investment or that such restoration would occur within a reasonable timeframe. There also can be no assurance that the laws in these countries protecting foreign investments will not be amended or abolished or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above. Furthermore, there can be no assurance that the agreements the Company have with the governments of these countries will prove to be enforceable or provide adequate protection against any or all of the risks described above.

As discussed elsewhere in this document, the Kumtor Project has in recent years been threatened with proposed Parliamentary and Government decrees which, if implemented, would have the effect of nationalization, including decrees which instructed the Kyrgyz Republic Government to take certain actions with respect to the Kumtor project, including, unilaterally terminating the project agreements governing the Kumtor project (the "Kumtor Project Agreements"), invalidating the legislation which provides for the tax regime set out in the Kumtor Project Agreements, confiscating land plots granting surface rights in relation to the Kumtor Project and authorizing measures to have the Company's Kyrgyz subsidiaries pay fines and other charges for purported violations of environmental, mining and geological and subsoil legislation. Court proceedings on some of these matters were concluded in 2016 and decisions ordering the Company's Kyrgyz subsidiaries to pay "damages" and "fees" for purported environmental claims are currently being appealed by the Company. These claims are also the subject matter of the international arbitration proceedings commenced by the Company in 2016.

Centerra's inability to access funds at KGC creates liquidity risks

Centerra is a holding company that conducts substantially all of its operations through subsidiaries, some of which are incorporated outside North America. Centerra has no direct operations and no significant assets other than the shares of its subsidiaries. Therefore, Centerra is dependent on the cash flows of its subsidiaries to meet its obligations, including payment of principal and interest on any debt it incurs. The ability of Centerra's subsidiaries to provide the parent company with payments may be constrained by the following factors: (i) the cash flows generated by operations, investment activities and financing activities; (ii) the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which they operate and in Canada; and (iii) the introduction of exchange controls and repatriation restrictions or the availability of hard currency to be repatriated.

The Company is currently subject to a Kyrgyz Republic interim court order which prevents access to funds held at KGC which adversely impacts the Company's cash on hand. While such order does not prohibit KGC from continuing to use its cash resources to operate the Kumtor mine, it has to date prevented KGC from distributing such cash to Centerra. Any insufficiency of cash at hand or available to the Company through its Mount Milligan operations and its existing credit facilities could result in the Company not being able to fulfill its obligations when due, and/or to be in non-compliance with financial covenants in the Company's credit facilities. In such cases, the Company may be required to refinance its indebtedness, raise fund in public or private offerings or to sell some of its assets. There are no assurances that such refinancing or offerings would be available to the Company, or that such transactions could be completed on terms satisfactory to Centerra. The realization of any of these foregoing events could have an adverse impact on the Company's future earnings, results of operations, and financial condition.

Changes in, or more aggressive enforcement of, laws, regulations and government practices could adversely impact Centerra's business

Mining operations, development activities, and exploration activities are subject to extensive laws and regulations,

both in the countries where mining operations and exploration and development activities are conducted and in the mining company's home jurisdiction. These relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, suppliers and contractors, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response, social responsibilities and sustainability, and other matters.

Compliance with these laws and regulations increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays, access to land, water, and power, and other effects associated with these laws and regulations may impact the Company's decision as to whether to continue with operating its existing mines, ore processing and other facilities or whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, the Company is unable to predict the ultimate cost of compliance with these requirements or their effect on operations.

If the laws and regulations relating to the Company's operations were to change, or the enforcement of such laws and regulations were to become more rigorous, the Company could be required to incur significant capital and operating expenditures to comply, which could have a material adverse effect on Centerra's financial position and the Company's ability to achieve operating and development targets. Changes to laws and regulations may also impact the value of the Company's reserves.

Community activism may influence laws and regulations, result in increased contributory demands, or in business interruption

Slow economic development in some of the countries in which the Company operates has resulted in an increase in community activism and expectations by local governments for resource companies to increase their contributions to local communities. For example, Kumtor has experienced a number of roadblocks in the past resulting from the discontent of various community groups. Similarly, in Mongolia, community groups and NGOs have vigorously campaigned against foreign mining companies. The Mongolian Forest and Water Law, for example, was a response to heightened civil concern about the environmental impact of mining enterprises. Heightened global concern for the environment and water in particular, as a result of both climate change impacts as well as following certain significant industrial accidents, has led to increased scrutiny of mining operations and a review of legislation aimed at environmental protection. There can be no assurance that the Company's operations will not be disrupted by civil action or be subject to restrictions or imposed demands that will impact future cash flows, earnings, results of operation, financial condition, and reputation.

The Kyrgyz Government and Parliament may take actions in connection with the State Commission Report and the Parliamentary Decree adopted on February 21, 2013

A State Commission was formed by the Kyrgyz Government in July 2012 for the purpose of reviewing the report of a Parliamentary Commission on Kumtor which was issued in June 2012 and which made a number of assertions regarding the operation of the Kumtor project, including non-compliance with Kyrgyz environmental and other laws. The State Commission was also given the responsibility of inspecting and reviewing Kumtor's compliance with Kyrgyz operational and environmental laws and community standards.

The State Commission issued its own report in late December 2012 (the State Commission Report). The State Commission Report included numerous allegations in regards to prior transactions relating to the Kumtor project and its management. Reference is made to the Company's annual information form for the year ended December 31, 2012 which provides a detailed description of the State Commission Report findings.

As recommended by the State Commission Report, the Kyrgyz Government formed a working group in 2013 to, among other things, open negotiations with Centerra and Kumtor on the Kumtor project. Following many months of negotiations with the Kyrgyz Government, a non-binding heads of agreement was entered into on December 24, 2013 and revised and re-executed on January 18, 2014. While Centerra, Kumtor and the Government of the Kyrgyz Republic and Kyrgyzaltyn were negotiating, the Government and Parliament continued to issue various decrees and take other actions recommended by the State Commission Report, including purporting to revoke Kumtor's land use rights and commencing claims against Kumtor for significant alleged environmental damages and fines, all of which are currently being argued in the Kyrgyz court system on procedural matters. As disclosed elsewhere in this document, the Government of the Kyrgyz Republic announced in December 2015 that it was withdrawing from the

heads of agreement. However, the Prime Minister also stated that “the government of the Kyrgyz Republic is still deeply interested in ensuring uninterrupted operations of the Kumtor mine and achieving mutual agreements which would allow further efficient implementation of the Kumtor project in accordance with the best world practices, standards and requirements of the mining industry transparency initiative”. Despite this, the court actions commenced by Kyrgyz regulatory authorities are still in process, and there are no assurances that the Government may not attempt to implement other recommendations found in the State Commission Report.

While Centerra believes that the findings of the Parliamentary Commission Report and the State Commission Report are without merit and that the Kumtor Project Agreements between the Company and the Kyrgyz Republic are legal, valid and enforceable obligations, there can be no assurance that the Company will be able to successfully resolve any or all of these matters currently affecting the Kumtor project. There can also be no assurances that the Kyrgyz Republic Government and/or Parliament will not take further actions that are inconsistent with the Kyrgyz Republic’s obligations under the Kumtor Project Agreements or cancel government decrees, orders or licenses under which Kumtor currently operates. Any such actions could have a material adverse impact on Centerra’s future cash flows, earnings, results of operations and financial condition.

The purported cancellation of Kumtor’s land use rights could adversely impact the Kumtor operations

On July 5, 2012 the Kyrgyz Government purported to cancel Government Decree #168, which provided Kumtor with land use rights over the surface of the Kumtor concession area for the duration of the Restated Concession Agreement. A related land use certificate issued by the local land office was also cancelled. This action was contemplated in Government Resolution 2117-V, which was adopted in late June 2012 after the Kyrgyz Republic Parliament received the Parliamentary Commission report.

In the third quarter of 2012, the Company requested the issuance of a new land use certificate pursuant to the Restated Investment Agreement dated June 6, 2009 between the Company and the Kyrgyz Republic. Under the Restated Investment Agreement, the Kumtor project is guaranteed all necessary access to the Kumtor concession area, including all surface lands as is necessary or desirable for the operation of the Kumtor project. The Restated Investment Agreement also provides that the Kyrgyz Government shall use its best efforts to reserve or cancel any action that conflicts with Centerra’s rights under that agreement.

Further, in November 2013, the Company received a claim from the Kyrgyz Republic General Prosecutor’s Office requesting the Inter-District Court of the Issyk-Kul Province to invalidate the Company’s land use certificate and seize certain lands within the Kumtor concession area. As of the date of this disclosure, this matter remains before the Kyrgyz courts.

Although the Company believes, based on advice from Kyrgyz legal counsel, that the purported cancellation of Kumtor’s land rights, invalidation of its land use certificate and seizure of lands are in violation of the Kyrgyz Republic Land Code and the Restated Investment Agreement, there can be no assurance that cancellation of Kumtor’s land rights will not be upheld and enforced by the Kyrgyz Government. If Kumtor’s land rights are cancelled, it could have an adverse impact on Centerra’s future cash flows, earnings, results of operations and financial condition.

If the environmental laws and regulations relating to the Company’s operations were to change, or the enforcement of such laws and regulations were to become more rigorous, the Company could be required to incur significant capital and operating expenditures

The Company is subject to environmental regulation in connection with its exploration, development and operation activities in each of the jurisdictions in which it operate. The financial and operational effects of its environmental protection requirements relate primarily to operations in (i) the Kyrgyz Republic, where the Company operates the Kumtor project; (ii) in Canada where the Company operates the Mount Milligan project, has a 75% joint venture interest in the Endako mine which is currently on care and maintenance, and has a 50% interest in the Greenstone Gold property; (iii) in Mongolia, where the Company operated the Boroo project (currently under care and maintenance with planned reclamation activities occurring), and has a 100% interest in the Gatsuert, ATO and Ulaan Bulag exploration and development properties; (iv) in Turkey, where the Company has a 100% interest in the Öksüt exploration and development property; and (v) in the United States where the Company owns the Thompson Creek Mine which is currently on care and maintenance, and the Langeloth Facility. Local regulatory regimes in

these jurisdictions may be influenced by increased local community concern in respect of the environmental footprint of mining operations as well as concerns over the management of water resources, and the mine closure plans.

If the environmental laws and regulations relating to the Company's operations were to change, or the enforcement of such laws and regulations were to become more rigorous, Centerra could be required to incur significant capital and operating expenditures to comply, which could have a material adverse effect on its future cash flows, earnings, results of operations and financial condition, its ability to develop projects further, and increase its reserves and resources.

The Company's planned activities are dependent upon receipt of permits and licenses

A number of approvals, licenses and permits are required for various aspects of exploration, mine development, and operations. This includes licenses and permits, which include or cover without limitation air quality, water quality, water rights, dam safety, emergency preparedness, hazardous materials (including the transportation thereof), waste rock management, solid waste disposal and tailings operations. The Company has in place plans to obtain all necessary permits and licenses for all of its operations and projects. However, its efforts are contingent upon many variables outside of its control. The Company is uncertain if all necessary permits will be maintained or obtained on acceptable terms or in a timely manner. Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration, development and/or mining activities. Any failure to comply with applicable laws and regulations or failure to obtain or maintain permits, even if inadvertent, could result in the interruption of production, exploration or development, or material fines, penalties or other liabilities. It remains uncertain if the Company's existing permits may be affected in the future or if the Company will have difficulties in obtaining all necessary permits that it requires for its proposed or existing mining activities. Any inability to obtain and maintain require approvals, licenses and permits could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Mining operations at Kumtor are subject to various permits and licenses, some of which are obtained on an annual basis or for a fixed term. As noted elsewhere in this document, KGC has in the recent years experienced delays in obtaining necessary permits and approvals for the Kumtor annual mine plans and certain environmental permits, including the maximum allowable discharge permit, the permit for waste and the Ecological Passport.

Mine development activities at Gatsuurt and Öksüt are subject to Centerra obtaining from the Government of Mongolia and the Government of Turkey (respectively) the necessary permits and commissions.

The Company's Langeloth Facility is currently operating with a National Pollutants Discharge Elimination System ("NPDES") permit (for water), the terms of which have expired. However, the Langeloth Facility is authorized to continue to operate under its existing permit until a renewed permit is issued. On June 30, 2014, the Pennsylvania Department of Environmental Protection ("PaDEP") issued to the Company a final Title V air quality permit for the Langeloth Facility. A new NPDES permit, or any future revisions to the Company's air quality permit, may contain more onerous requirements with which the Company must comply, and the Company could be required to install costly new pollution control equipment or to curtail or cease its operations, and the Company's business may be adversely affected. Violations of the existing, or new, air quality or NPDES permit conditions at the Langeloth Facility could result in a range of criminal and civil penalties under the federal Clean Water Act and Clean Air Act or the Pennsylvania Clean Streams Law or Air Pollution Control Act.

At the Endako Mine, the Company filed an application for an amendment to its permit issued under the British Columbia Mines Act in September 2014. This application is pending before the Ministry of Energy and Mines. The outcome of the Mines Act Permit Amendment (MAPA) may include terms and conditions that impose regulatory or reclamation requirements, including requirements relating to long-term treatment of water discharged from the mine that may materially increase its costs during operations and closure of Endako. Moreover, litigation may be filed challenging the MAPA process, which could materially increase the Company's costs, or prevent or delay its ability conduct mining operations at Endako. Obtaining and maintaining the various permits for mine development operations and exploration projects can be complex, time-consuming and expensive. Changes in a mine's design, production rates, quality of material mined, milling processes or circuits, and many other matters often require

submission of the proposed changes for agency approval prior to implementation (including consultations with First Nations), and these may not be obtained. In addition, changes in operating conditions beyond the Company's control, changes in agency policy and federal, provincial and state laws, litigation or community opposition could further affect the successful permitting of operations.

Centerra may not be able to successfully negotiate a deposit development agreement, community development agreement, and/or an investment agreement for Gatsuurt

There can be no assurance that the Company will be able to successfully negotiate with the Government of Mongolia a mutually acceptable deposit development agreement, community development agreement, and/or an investment agreement, in all cases for the development and operation of the Gatsuurt project. The Company is in discussions with the Government of Mongolia regarding these potential agreements. Furthermore, even if these agreements are successfully concluded with the Government of Mongolia for the Gatsuurt project, there are no assurances that the Government will not later seek to re-negotiate its terms and conditions.

The expected royalty payment for the Gatsuurt Project may increase significantly beyond the control of the Company.

The royalty structure on mineral projects in Mongolia has fluctuated in recent years. In November 2010, the Mongolian Parliament passed amendments to the Minerals Law of Mongolia that modified the existing royalty structure on mineral projects. Pursuant to the amended royalty structure, the royalty rate is no longer a fixed percentage but is graduated and dependent upon the commodity price in US dollars. In the case of gold, there is a basic 5% royalty fee that applies while gold is less than \$900 per ounce. For any increase of \$100 to the price of gold, there is a corresponding 1% increase to the royalty fee. Accordingly, at \$900 per ounce, the royalty fee increases to 6%, at \$1,000 per ounce, the royalty increases to 7%, at \$1,100 per ounce, the royalty increases to 8%, and at \$1,200, the royalty increases to 9%. The highest royalty fee rate is 10% when the price of gold is \$1,300 per ounce and above. The graduated royalty became effective as of January 1, 2011 for all mining projects in Mongolia.

In January 2014 the Mongolian Parliament further amended the royalty regime (on a temporary basis) to provide for a two-tiered royalty structure, to be effective until January 1, 2019. For producers selling gold to the Bank of Mongolia, Mongolia's central bank ("BoM"), or other commercial banks authorized by the BoM, the basic royalty fee is reduced to 2.5% and the incremental royalty rate is annulled. The Company started selling gold produced at the Boroo Project in 2014 to the BoM. Gold production has now ceased for Boroo. Going forward, there are no assurances that the BoM will purchase gold produced from the Gatsuurt project. If the BoM does not wish to purchase such gold, and in any event, from January 1, 2019 onwards, the Company would be subject to the regular graduated royalty scheme which would increase the royalty from 2.5% to a rate between 5-10% depending on the price of gold. Such increase could have a significant material adverse effect on Centerra's future cash flows, earnings, results of operations, stated mineral reserves and financial conditions.

Centerra may fail to realize the anticipated benefits of the Acquisition, which could adversely affect the value of Centerra common shares, its business and results of operations.

The success of Centerra's acquisition of Thompson Creek (the "Acquisition") will depend, in part, on Centerra's ability to integrate effectively the businesses of Centerra and Thompson Creek and realize the anticipated benefits from such combination. There is a risk that some or all of the expected benefits of the Acquisition may fail to materialize, or may not occur within the time periods anticipated by Centerra. The realization of such benefits may be affected by a number of factors, many of which may be beyond the control of Centerra.

In addition, Centerra is required to devote significant management attention and resources to integrating its business practices and support functions. The diversion of management's attention and any delays or difficulties encountered in connection with the Acquisition and the integration of the two companies' operations could have an adverse effect on the Company's business, financial results, or financial condition. The integration process may also result in greater than anticipated or unforeseen expenses.

Legal and Other

Current and future litigation may impact the revenue and profits of the Company

The Company is from time to time involved in or subject to legal proceedings related to its business. These claims can be based on allegations of negligence, breach of statutory duty, public nuisance or private nuisance or otherwise in connection with the Company's operations or investigations relating thereto. Such legal proceedings can be complex, costly, and highly disruptive to business operations by diverting the attention and energies of management and other key personnel. The assessment of the outcome of legal proceedings, including the Company's potential liability, if any, is a highly subjective process that requires judgments about future events that are not within its control. The outcome of litigation, arbitration or other legal proceedings, including amounts ultimately received or paid upon judgment or settlement, may differ materially from management's outlook or estimates, including any amounts accrued in the financial statements. Actual outcomes, including judgments, awards, settlements or orders, could have a material adverse effect on Centerra's business, financial condition, operating results, or cash flows.

Centerra's properties may be subject to defects in title

Centerra has investigated its rights to explore and exploit all of its material properties, and, except as described below, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that such rights will not be revoked or significantly altered to its detriment. There can also be no assurance that its rights will not be challenged or impugned by third parties, including local governments and Aboriginal groups. As a result, the Company may be constrained in its ability to operate its properties or unable to enforce its rights with respect to its properties. An impairment to, or defect in, title to its properties could have a material adverse effect on its business, financial condition or results of operations.

On July 5, 2012, the Kyrgyz Government cancelled Government Decree #168, which provided Kumtor with land use (surface) rights over the Kumtor Concession Area for the duration of the Restated Concession Agreement. At the same time, the related land use certificate issued by the local land office was also cancelled. In addition, in November 2013, the Company received a claim from the Kyrgyz Republic General Prosecutor's Office requesting the Inter-District Court of the Issyk-Kul Province to invalidate the Company's land use certificate and seize certain lands within the Kumtor concession area. Based on advice from Kyrgyz legal counsel, the Company believes that the purported cancellation of its land use rights, invalidation of the land use certificate and seizure of lands are in violation of the Kyrgyz Republic Land Code, because the Land Code provides that land rights can only be terminated by court decision and on the listed grounds set out in the Land Code. To the extent that the land use rights are considered invalid (which the Company does not accept), the Company would seek to enforce its rights under the Restated Investment Agreement to obtain the reissuance of its land use rights, which are guaranteed pursuant to the Restated Investment Agreement.

On December 6, 2006, Gatsuurt LLC commenced arbitration before the Mongolian National Arbitration Court (MNAC) alleging non-compliance by the Company's subsidiary, CGM, with its obligation to complete a feasibility study on the Gatsuurt property by December 31, 2005 and seeking the return of the license. Centerra believed that Gatsuurt LLC's position was without merit. CGM challenged the MNAC's jurisdiction and the independence and impartiality of the Gatsuurt LLC nominee to the arbitration panel. The Company later reached an agreement with Gatsuurt LLC to terminate arbitration proceedings. Further to that agreement CGM paid \$1.5 million to Gatsuurt LLC. On signing of a definitive agreement, but subject to CGM having entered into an investment agreement with the Government of Mongolia in respect of the development of the Gatsuurt project, CGM will make a further non-refundable payment to Gatsuurt LLC in the amount of \$1.5 million. Final settlement with Gatsuurt LLC is subject to the negotiation and signing of a definitive settlement agreement.

Although the Company is not currently aware of any existing title uncertainties with respect to any of its properties except as discussed in the preceding paragraphs, there is no assurance that such uncertainties will not result in future losses or additional expenditures, which could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Centerra may be unable to enforce its legal rights in certain circumstances

In the event of a dispute arising at the Company's foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in

Canada. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

The dispute resolution provisions of: (i) the Restated Investment Agreement for the Kumtor project and (ii) the Boroo Stability Agreement (now expired) stipulate that any dispute between the parties thereto is to be submitted to international arbitration. However, there can be no assurance that a particular governmental entity or instrumentality will either comply with the provisions of these or any other agreements or voluntarily submit to arbitration. The Company's inability to enforce its rights could have an adverse effect on its future cash flows, earnings, results of operations and financial condition.

Centerra's largest shareholder is a state-owned entity of the Kyrgyz Government

Centerra's largest shareholder is Kyrgyzaltyn, which is a state-owned entity. Kyrgyzaltyn owns approximately 27% of the common shares of Centerra. Pursuant to the terms of the Restated Investment Agreement, Kyrgyzaltyn has two nominees on Centerra's board of directors. In addition, and in light of various considerations including the importance of the Kumtor project to Centerra, it included in its proposed nominees for election at the most recent annual general shareholders' meeting a third Kyrgyz Republic national who was elected to the Board. There can be no assurance that the Kyrgyz Government, through its ownership and control of Kyrgyzaltyn, will not use its influence to materially change the direction of the Company. This concentration of ownership may have the effect of delaying or preventing a change in control of Centerra, which may deprive the Company's shareholders of a control premium that might otherwise be offered in connection with such a change of control. Centerra is aware that Kyrgyzaltyn has in the past received inquiries regarding the potential acquisition of some or all of its common shares in the Company and the sale by Kyrgyzaltyn of its shareholdings to a third party could result in a new purchasing shareholder obtaining a considerable interest in the Company. Should Kyrgyzaltyn sell some or all of its interest in Centerra, there can be no assurance that an offer would be made to the other shareholders of Centerra or that the interests of such a shareholder would be consistent with the plans of the Company or that such a sale would not decrease the value of the common shares.

Artisanal mining is occurring and may continue to occur on the Gatsuurt property

Artisanal mining is widespread in Mongolia and a significant number of artisanal miners have entered into the Gatsuurt property. The Company is unable to continuously monitor the full extent of the artisanal miners on the Gatsuurt property however it understands that the numbers have reached up to 200-400 artisanal miners at a single time. In addition to potential health and safety concerns for the Company's employee and of the artisanal miners, the presence of artisanal miners could also lead to project delays and disputes regarding the development or operation of commercial gold deposits, including disputes with Mongolian governmental authorities regarding reporting of reserves and mine production. The illegal activities of these miners could also cause environmental damage (including environmental damage from the use of mercury by these miners) or other damage to the Company's property, equipment, personal injury or death, or conflict with local communities. The Company has advised appropriate Mongolian federal and aimag (local) governments, relevant state bodies and police of the issues relating to the activities of artisanal miners and have requested their assistance to clear the Gatsuurt site. Centerra does not support any violence or the excessive use of force in encounters between Mongolian authorities and artisanal miners and have made this explicitly clear to Mongolian authorities. The Company will continue to work with relevant authorities in Mongolia, but to the extent that there are adverse consequences from the presence of these artisanal miners, the Company could potentially be held responsible and this could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

Centerra's directors may have conflicts of interest

Certain of Centerra's directors also serve as directors and/or officers of other companies involved in natural resource exploration, development and production and consequently there exists the possibility for such directors to be in a position of conflict.

Centerra is subject to Anti-Corruption Legislation

Centerra is subject to Canada's *Corruption of Foreign Public Officials Act* (the "Anti-Corruption Legislation"), which prohibits Centerra or any officer, director, employee or agent of Centerra or any shareholder of Centerra

acting on its behalf from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. The Anti-Corruption Legislation also requires public companies to make and keep books and records that accurately and fairly reflect their transactions and to devise and maintain an adequate system of internal accounting controls. Centerra's international activities create the risk of unauthorized payments or offers of payments by Centerra's employees, consultants or agents, even though they may not always be subject to Centerra's control. Centerra discourages these practices by its employees and agents. However, Centerra's existing safeguards and any future improvements may prove to be less than effective, and Centerra's employees, consultants and agents may engage in conduct for which Centerra might be held responsible. Any failure by the Company to adopt appropriate compliance procedures and ensure that Centerra's employees and agents comply with the Anti-Corruption Legislation and applicable laws and regulations in foreign jurisdictions could result in substantial penalties or restrictions on Centerra's ability to conduct business in certain foreign jurisdictions, which may have a material adverse impact on Centerra and its share price.

Strategy and Planning

Centerra's future exploration and development activities may not be successful

Exploration for and development of gold properties involve significant financial risks and may be subject to political risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an orebody may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish mineral reserves by drilling, constructing mining and processing facilities at a site, connecting to a reliable infrastructure, developing metallurgical processes and extracting gold from ore. Centerra cannot ensure that its current exploration and development programs will result in profitable commercial mining operations or replacement of current production at existing mining operations with new mineral reserves. Also, substantial expenses may be incurred on exploration projects that are subsequently abandoned due to poor exploration results or the inability to define mineral reserves that can be mined economically.

The Company's ability to sustain or increase present levels of gold production is dependent on the successful acquisition or discovery and development of new orebodies and/or expansion of existing mining operations. The economic feasibility of development projects is based upon many factors, including the accuracy of mineral reserve estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, water consumption, importing and exporting, environmental protection; and gold prices, which are highly volatile. Development projects are also subject to the successful completion of socio-environmental impact assessments, feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

Development projects have no operating history upon which to base estimates of future cash flow. Estimates of proven and probable mineral reserves and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. The Company also conducts feasibility studies that derive estimates of capital and operating costs based upon many factors, including access to required infrastructure, power and water, anticipated tonnage and grades of ore to be mined and processed; the configuration of the orebody; ground and mining conditions; expected recovery rates of the gold from the ore; and anticipated environmental and regulatory compliance costs.

It is possible that actual costs and economic returns of current and new mining operations may differ materially from the Company's best estimates. It is not unusual for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated. These uncertainties could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Centerra's mineral reserves may not be replaced

The Company has two projects that provide revenue – the Kumtor project located in the Kyrgyz Republic and the Mount Milligan project located in British Columbia, Canada. Current life-of-mine plans for Kumtor contemplates mining until 2023 and milling operations until 2026. Based on the current life-of-mine plan for Mount Milligan, there is approximately 21 years remaining (to 2038).

If the Company's existing mineral reserves (including mineral reserves at the Gatsurt deposit in Mongolia, the Öksüt project in Turkey, and the Hardrock deposit in Canada) are not replaced either by the development or discovery of additional reserves and/or extension of the life-of-mine at the Company's existing operations, or through the acquisition or development of an additional producing mine, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition, including as a result of requirements to expend funds for reclamation and decommissioning. Although the Company is actively engaged in programs to increase mineral reserves, there can be no assurance that these programs will be successful.

Centerra may experience difficulties with its partners

Two of Centerra's properties are owned / operated with partners. Centerra is in a 50/50 partnership for the Greenstone Gold property, located in Ontario, Canada, which includes the Hardrock deposit. Centerra's partner in this property is Premier Gold Mines Limited which owns the other 50%. The partnership is currently engaged in project development activities regarding the Hardrock deposit. According to the partnership agreement, activities relating to the Greenstone Gold property are determined by the board of its managing partner which is comprised of 2 directors from Centerra and 2 directors from Premier.

Centerra also holds a 75% joint venture interest in the Endako mine located in British Columbia. Sojitz holds the remaining 25% joint venture interest. The Endako mine is currently on care and maintenance. While the Company is the operator of Endako Mine, Sojitz has certain consent and veto rights pursuant to the agreement governing the joint venture.

The Company also has a number of partners for exploration properties located world-wide, and may enter into additional exploration agreements in the future.

As a result of having partners in the exploration, development and operation of its projects, the Company is subject to the risks normally associated with any partnership/joint venture arrangements. These risks include disagreement with a partner on how to explore, develop, operate and finance a project and possible litigation between the Company and a partner regarding matters in the agreement. This may be particularly the case when the Company is not the operator on the property. These matters may have an adverse effect on the Company's ability to pursue the projects subject to the partner, which could affect its future cash flows, earnings, results of operations and financial condition.

Centerra's mineral reserve and resource estimates may be imprecise

Mineral reserve and resource figures are estimates and no assurances can be given that the indicated levels of gold will be produced or economically extracted, or that the Company will receive the price assumed in determining its mineral reserves. These estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates and the assumptions such estimates rely on made at a given time may significantly change when new information becomes available or conditions change. While the Company believes that the mineral reserve and resource estimates included are well established and reflect management's best estimates, by their nature mineral reserve and resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences that may ultimately prove unreliable.

Furthermore, fluctuations in the market price of gold, as well as increased capital or production costs or reduced recovery rates may render mineral reserves uneconomic and may ultimately result in a reduction of reserves. The extent to which mineral resources may ultimately be reclassified as proven or probable mineral reserves is dependent upon the demonstration of their profitable recovery. The evaluation of mineral reserves or resources is always influenced by economic and technical factors, which may change over time.

No assurances can be given that any mineral resource estimate will ultimately be reclassified as proven or probable mineral reserves.

If the Company's mineral reserve or resource figures are inaccurate or are reduced in the future, this could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

Centerra's production and cost estimates may be inaccurate

The Company prepares estimates of future production and future production costs for particular operations. No assurance can be given that production and cost estimates will be achieved. These production and cost estimates are based on, among other things, the following factors: the accuracy of mineral reserve estimates; the accuracy of assumptions regarding ground conditions and physical characteristics of ores, such as hardness and presence or absence of particular metallurgical characteristics; metallurgical recoveries of metals from ore equipment and mechanical availability; labour availability; access to the mine, facilities and infrastructure; sufficient materials and supplies on hand; and the accuracy of estimated rates and costs of mining and processing, including environmental management costs, the cost of human and physical resources required to carry out the Company's activities, as well as the stability of the local taxation / royalty regime. Failure to achieve production or cost estimates, or increases in costs, could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

The Company's estimates on production and costs are, where applicable, based on historical costs and productivity experience. Despite this, actual production and costs may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the ore reserves, such as the need for sequential development of orebodies and the processing of new or different ore grades; risks and hazards associated with mining; natural phenomena, such as inclement weather conditions, floods, earthquakes, ice or ground movements, pit wall failures and cave-ins; equipment failures; unexpected labour shortages or strikes, and civil action; and insufficient modelling robustness. Costs of production may also be affected by a variety of factors, including: changing waste-to-ore ratios, ore grade metallurgy, labour costs, costs of supplies and services (such as, for example, fuel and power), general inflationary pressures and currency exchange rates. Failure to achieve production estimates or production cost estimates could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Aboriginal Claims and Consultation Issues

Aboriginal interests and rights as well as related consultation issues may impact the Company's ability to pursue exploration, development and mining at certain of its properties. Mount Milligan Mine, Endako Mine and the Berg property are located on land in British Columbia. The Greenstone property which is jointly owned and developed with Centerra's partner, Premier is located in Ontario. Each of these properties is or may become subject to various use and/or title claims by First Nations. The nature and extent of First Nations' rights and title to territory in Canada has been, and continues to be, the subject of extensive debate, claims, and litigation.

In 2014, the Supreme Court of Canada recognized, for the first time in history, aboriginal title to a certain tract of land in British Columbia. While this recognition does not legally change the consultation and accommodation obligations of the provincial and federal governments with respect to actions affecting the land, including actions to approve or grant mining rights or permits, the decision may impact governmental actions and processes relating to economic development on such lands going forward, which could adversely impact the Company's ability to obtain permits, licenses, and other approvals for its operations or exploration and development projects. Opposition by First Nations to the Company's presence, operations or development on land subject to their traditional territory or title claims could negatively impact it in terms of public perception, costly legal proceedings, potential blockades or other interference by third parties in the Company's operations, or court-ordered relief impacting its operations. In addition, the Company may be required to, or may voluntarily, enter into certain agreements with such First Nations in order to facilitate development of its properties, which could reduce the expected earnings or income from any future production.

In addition, the *Mining Act (Ontario)* was amended on October 28, 2009, with various amendments coming into force with applicable regulations, the last of which became effective on April 1, 2013. The *Mining Act*, among other legislation, governs mineral exploration, development and mining activities of the Company's Greenstone property (of which it owns a 50% interest). Among other things, the amendments to the *Mining Act* and applicable regulations provide a new framework for consultation and dispute resolution with Aboriginal communities as well as other surface rights owners affected by exploration, development and mining activities. To conduct most early exploration activities on mining claims, mining leases and licenses of occupation for mining purposes, exploration plans must be submitted to, and in the case of certain work, exploration permits are required from, the Ontario Ministry of Northern Development and Mines (MNDM). The Ontario MNDM will consider whether consultation

has occurred with the Aboriginal communities identified by MNDM, provide a copy of that exploration plan to those communities and accept any comments those communities may have. The Director of Exploration will also consider (among other things) any arrangements made with surface rights owner. Patented claims are not subject to these exploration plans and permit requirements. The effect of these and other *Mining Act* amendments on the Greenstone Partnership is not yet clear but may cause delays in obtaining the permits and approvals necessary for the Greenstone Partnership's operations, and may adversely impact the partnership's operations.

The costs and delays associated with obtaining necessary licences and permits and complying with these licences and permits and applicable laws and regulations could stop or materially delay or restrict exploration and development activities. Any failure to comply with applicable laws and regulations or licences and permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities.

Natural Phenomena

Centerra may experience further ground movements at the Kumtor project

From time to time, Kumtor has experienced ground movement in various parts of the Central pit, which has, in some cases, led to an employee casualty, considerable short falls in the annual gold production, changes in mining sequences, increased expenditure on depressurization and dewatering programs, the movement of existing infrastructure and/or the redesign and construction of new infrastructure, reduced slope angles of the Central Pit, and changes in waste rock dump designs.

Although extensive efforts are employed by Centerra to prevent and anticipate further ground movement, there is no guarantee that sudden unexpected ground movements will not recur. A future ground movement could result in a significant interruption of operations. The Company may also experience a loss of mineral reserves or a material increase in costs, if it is necessary to redesign the open pit or waste rock dumps as a result of a ground movement. The consequences of a ground movement will depend upon the magnitude, location and timing of any such movement. If mining operations are interrupted to a significant magnitude or the mine experiences a significant loss of mineral reserves or materially higher costs of operation, this would have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Centerra will experience further ice movement at the Kumtor project

Continued movement of ice from the South East Ice Wall into the Kumtor Central pit above the high grade SB Zone section requires the mining of ice and waste to maintain Kumtor's planned production of ore.

During 2012, a substantial acceleration of ice movement, which was exacerbated by a 10-day illegal strike which occurred in early February 2012, required the Company to revise its mine plan to maintain safe access to the Kumtor Central pit. Under the new mine plan, mining of cut-back 12B, where ore for the second quarter of 2012 was to be released, was stopped to permit pre-stripping of ice and waste in the southwest portion of the pit (cut-back 14B) and unloading of ice and waste material from the High Movement Area to provide access to the southeast section of the Kumtor Central pit. The changes to the mine plan and the delayed release of ore from cut-back 12B resulted in a seven week shutdown of the Kumtor mill and required the Company to revise its 2012 production and cost guidance.

In February 2014, increased movement of the South arm of the Davidov glacier required the construction of a buttress to ensure continued safe mining in the open pit.

Although Centerra is employing extensive efforts to manage further waste and ice movements, there is no guarantee that such efforts will be successful or that further waste and ice movements will not adversely affect operations at the Kumtor project. Future movements could result in a significant interruption of operations, impede access to ore deposits, or require redeployment of mobile equipment away from mining of ore. Centerra may also experience a loss of mineral reserves or a material increase in costs if it is necessary to redesign the open pit and surrounding infrastructure as a result of waste and ice movements. The consequences of further ice movement into the Kumtor Central pit will depend upon the extent, location and timing of any such movement. If mining operations are interrupted to a significant magnitude or the mine experiences a significant loss of mineral reserves or materially

higher costs of operation, this would have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Centerra's operations and projects are located in areas of seismic activity

The areas surrounding the Kumtor, Boroo, Öksüt, Mount Milligan and Thompson Creek projects are seismically active. While the risks of seismic activity were taken into account when determining the design criteria for the operations, there can be no assurance that the operations will not be adversely affected by this kind of activity, all of which could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Competition

Centerra's future prospects may suffer due to increased competition for mineral acquisition opportunities

Significant and increasing competition exists for mineral acquisition opportunities throughout the world, particularly for opportunities in jurisdictions considered politically safer. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, Centerra may be unable to acquire rights to exploit additional attractive mining properties on terms its considers acceptable. Accordingly, there can be no assurance that the Company will acquire any interest in additional operations that would yield mineral reserves or result in commercial mining operations. Centerra's inability to acquire such interests could have an adverse impact on its future cash flows, earnings, results of operations and financial condition. Even if Centerra does acquire such interests, the resulting business arrangements may not ultimately prove beneficial to its business.

FINANCIAL RISKS

Commodity Market

Centerra's business is sensitive to the volatility of gold and copper prices

Centerra's revenue is largely dependent on the world market price of gold and copper, which are volatile and are affected by numerous factors beyond its control. Furthermore, the Company's ability to recommence operations at its molybdenum mines depends on the price of molybdenum, which has declined in recent years. Factors tending to influence such metals prices include the following: global supply and demand; central bank lending, sales and purchases; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the U.S. dollar; market speculative activities; the availability and cost of substitute materials; and global or regional political and economic events, including the performance of Asia's economies.

If the market prices fall and remain below production costs of any of the Company's mining operations for an extended period, losses would be sustained, and, under certain circumstances, there may be a curtailment or suspension of some or all of the Company's mining and exploration activities. Centerra would also have to assess the economic impact of any sustained lower metal prices on recoverability and, therefore, the cut-off grade and level of its mineral reserves and resources. These factors could have an adverse impact on Centerra's future cash flows, earnings, results of operations, stated mineral reserves and financial condition.

The Company has entered into provisionally-priced sales contracts, which could have a negative impact on its revenues if prices decline.

At the Mount Milligan operations, the Company entered into provisionally-priced sales contracts, whereby the contracts settle at prices to be determined at a future date. The future pricing mechanism of these agreements constitutes an embedded derivative, which is bifurcated and separately marked to estimated fair value at the end of each period. Changes to the fair value of embedded derivatives related to sales agreements are included in sales revenue in the determination of net income. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to sales, respectively, is recorded each reporting period until the date of final pricing. Accordingly, in times of falling commodities prices, the Company's revenues and cash flow are negatively impacted by lower prices received for contracts priced at current market rates and also from a decrease

related to the final pricing of provisionally-priced sales pursuant to contracts entered into in prior years; in times of rising commodities prices, the opposite occurs.

The Company relies on a few key customers for its copper-gold concentrate from Mount Milligan Mine, and the loss of any one key customer could reduce its revenues.

The Company entered into four multi-year concentrate sales agreements for the sale of copper-gold concentrate produced at Mount Milligan Mine. Pursuant to these agreements, it has agreed to sell an aggregate of approximately 100,000 tonnes in 2017, 90,000 tonnes in 2018, and 40,000 tonnes in 2019. A breach of the applicable sales agreement by it or the applicable customer, a significant dispute with one of these customers, a force majeure event affecting the parties' respective performances under the agreement, a bankruptcy event experienced by the customer, early termination of the agreement, or any other event significantly and negatively impacting the contractual relationship with one of these customers could harm Centerra's financial condition. If, in such an event, the Company is unable to sell the affected concentrate volume to another customer, or it sells the affected concentrate to another customer on terms less advantageous terms to it, Centerra's revenues could be negatively impacted.

The Company's commodity hedging activities may reduce the realized prices it receive for its copper and gold (as it relates to Mount Milligan), and involves market risk for the fair value of the derivatives, credit risk that its counterparties may be unable to satisfy their obligations to it, and financial risk due to fluctuations in the fair value of the derivatives.

In order to manage the Company's cash flow exposure to copper and gold price volatility in selling production from Mount Milligan Mine, the Company enters into commodity derivatives from time to time for a portion of its expected production from Mount Milligan. Additionally, the Company receives cash provisional payments in selling production for Mount Milligan Mine, thus requiring that it purchases gold or copper in order to satisfy its obligation to pay Royal Gold in gold and copper (as the case may be). The Company enters into commodity derivatives from time to time in order to manage its gold and copper price risk that arises when physical purchase and concentrate sales pricing periods do not match. The Company currently has in place unsecured hedging lines with various banks and trading companies in order to manage these exposures.

Commodity derivatives may limit the prices the Company actually realizes and therefore could reduce its copper and gold revenues in the future. The Company's commodity hedging activities could impact its earnings in various ways, including recognition of certain mark-to-market gains and losses on derivative instruments. The fair value of the Company's derivative instruments could fluctuate significantly between periods.

The Company's commodity derivatives may expose it to significant market risk, which is the risk that the fair value of a commodity derivative might be adversely affected by a change in underlying commodity prices or a change in its expected production, which may result in a significant financial loss on the derivative. The Company mitigates the potential market risk by establishing trading agreements with counterparties under which it is not required to post any collateral or make any margin calls on its derivatives. The Company's commodity derivatives also expose it to credit risk that counterparties may be unable to satisfy their obligations to it.

The Company mitigates the potential credit risk by entering into derivatives with a number of counterparties, limiting the amount of exposure to any one counterparty, and monitoring the financial condition of the counterparties. If any of its counterparties were to default on its obligations to it under the derivative transaction or seek bankruptcy protection, it could result in a larger percentage of its future production being subject to commodity price changes which may have a significant adverse effect on Centerra's cash flow, earnings and financial condition. The risk of counterparty default is heightened in a poor economic environment.

Centerra's operations are sensitive to fuel price volatility

The Company is also exposed to price volatility in respect of key inputs, the most significant of which is fuel. Increases in global fuel prices can materially increase operating costs, erode operating margins and project investment returns, and potentially reduce viable reserves. Conversely, a significant and sustained decline in world oil prices may offset other costs and improve returns. While the Company has entered into hedge arrangements to

minimize its risk to fluctuating fuel prices, there are no assurances that such arrangements will be successful.

Currency fluctuations

The Company's earnings and cash flow may also be affected by fluctuations in the exchange rate between the U.S. dollar and other currencies, such as the Kyrgyz Som, the Mongolian Tugrik, the Turkish Lira, the Canadian dollar and the Euro. Centerra's consolidated financial statements are expressed in U.S. dollars. Sales of gold are denominated in U.S. dollars, while production costs and corporate administration costs are, in part, denominated in Kyrgyz Soms, Mongolian Tugriks, Turkish Lira, Canadian dollars, Euros and other currencies. Fluctuations in exchange rates between the U.S. dollar and other currencies may give rise to foreign exchange currency exposures, both favourable and unfavourable, which may materially impact Centerra's future financial results. Although from time to time the Company enter into short-term forward contracts to purchase Canadian dollars and Euros, it does not utilize a hedging program to limit the adverse effects of foreign exchange rate fluctuations in other currencies. In the case of the Kyrgyz Som and the Mongolian Tugrik, the Company cannot hedge currency exchange risk because such currencies are not freely traded.

Economy, Credit and Liquidity

Global financial conditions

Although the sector saw a rebound of metal prices in 2016, the significant decrease in the price of metals during 2013 and the lingering effects of the 2007 financial crisis continues to affect lender and investor interest in the sector. Global financial conditions may affect the Company's ability to obtain equity or debt financing in the future on favourable terms. Additionally, these factors, as well as other related factors, may cause decreases in the Company's asset values that may be other than temporary, which may result in impairment losses. These factors may also increase the Company's exposure to financial counterparty risk. If such increased levels of volatility and market turmoil continue, or if more extensive disruptions of the global financial markets occur, the Company's operations could be adversely impacted and the trading price of its common shares may be adversely affected.

Centerra may experience reduced liquidity and difficulty in obtaining future financing

The further development and exploration of mineral properties in which the Company holds or acquires interests may depend upon its ability to obtain financing through earn-in arrangements, debt financing, equity financing or other means. While the Company entered into several credit facilities in 2016 (described elsewhere in this document), there is no assurance that Centerra will be successful in obtaining any additional financing if required in the future. The Company's principal operations are located in Central Asia, Canada and other markets worldwide, some of which are developing areas that may have experienced past economic and political difficulties and may be perceived as unstable. This perceived increased country or political risk may make it more difficult for the Company to obtain debt financing. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in its properties or partners or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Restrictive covenants in Centerra's credit facilities may prevent the Company from pursuing business activities

Pursuant to Centerra's Credit Facilities with EBRD, and to a lesser extent the specific credit facilities for Thompson Creek entities and the Öksüt project, the Company must maintain certain financial ratios and satisfy other non-financial maintenance covenants. Centerra and its material subsidiaries are also subject to other restrictive and affirmative covenants in respect of its respective operations. Compliance with these covenants and financial ratios may impair the Company's ability to finance future operations or capital needs or to take advantage of other favourable business opportunities. The Company's ability to comply with these covenants and financial ratios will depend on the Company's future performance, which may be affected by events beyond its control. The Company's failure to comply with any of these covenants or financial ratios will result in a default under applicable credit agreements and may result in the acceleration of applicable indebtedness and other indebtedness to the extent there are cross-default provisions. In the event of a default and the Company is unable to repay any amounts then outstanding, the applicable lender(s), may be entitled to take possession of any collateral securing the credit facility

to the extent required to repay those borrowings, including in the case of the Company's credit facility with EBRD, certain mobile equipment used in the operations at Kumtor.

Counterparty

Short-term investment risks

Centerra may, from time to time, invest excess cash balances in short-term instruments. Recent market conditions affecting certain types of short-term investments of some North American and European issuers and certain financial institutions have resulted in heightened risk in holding some of these investments. There can be no guarantee that further market disruptions affecting various short-term investments or the potential failure of financial institutions will not have a negative effect on the liquidity of Centerra's investments.

OPERATIONAL RISKS

Centerra's business is subject to production and operational risks that could adversely affect its business and insurance may not cover these risks and hazards adequately or at all.

Mining and metals processing involve significant production and operational risks, some of which are outside of its control, including but not limited to the following:

- unanticipated ground and water conditions;
- adverse claims to water rights and shortages of water to which the Company has rights;
- adjacent or adverse land or mineral ownership that results in constraints on current or future mine operations;
- geological problems, including earthquakes and other natural disasters;
- metallurgical and other processing problems;
- unusual or unexpected mineralogy or rock formations;
- ground or slope failures;
- tailings design or operational issues, including dam breaches or failures;
- structural cave-ins, wall failures or rock-slides;
- flooding or fires;
- equipment failures;
- periodic interruptions due to inclement or hazardous weather conditions or operating conditions and other force majeure events;
- lower than expected ore grades or recovery rates;
- accidents;
- delays in the receipt of or failure to receive necessary government permits;
- the results of litigation, including appeals of agency decisions;
- delays in transportation;
- interruption of energy supply;
- labour disputes;
- inability to obtain satisfactory insurance coverage;
- the availability of drilling and related equipment in the area where mining operations will be conducted;
- and
- the failure of equipment or processes to operate in accordance with specifications or expectations.

These risks could result in damage to, or destruction of, the Company's mines, mills and roasting facilities, resulting in partial or complete shutdowns, personal injury or death, environmental or other damage to the Company's properties or the properties of others, delays in mining, reduced production, monetary losses and potential legal liability. Milling operations are subject to hazards, such as equipment failure or failure of retaining dams around tailings disposal areas that may result in personal injury or death, environmental pollution and consequential liabilities.

The Company's insurance will not cover all the potential risks associated with its operations. In addition, although certain risks are insurable, the Company may be unable to maintain insurance to cover these risks at economically feasible premiums. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or that it may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its business. Furthermore, should Centerra be unable to fund fully the cost of remedying an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy.

Health, Safety and Environment

Centerra is subject to environmental, health and safety risks

Centerra expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, "laws") drawn from a number of different jurisdictions. The Company believes that it is in material compliance with these laws. The historical trend that the Company observes is toward stricter laws, and the Company expects this trend to continue. The possibility of more stringent laws or more rigorous enforcement of existing laws exists in the areas of worker health and safety, the disposition of wastes, the decommissioning and reclamation of mining sites, restriction of areas where exploration, development and mining activities may take place, consumption and treatment of water, and other environmental matters, each of which could have a material adverse effect on Centerra's exploration activities, operations and the cost or the viability of a particular project.

Centerra's facilities operate under various operating and environmental permits, licenses and approvals that contain conditions that must be met and its right to continue operating its facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties, all of which could have an adverse impact on Centerra's future cash flows, earnings, results of operations, financial condition, and reputation. Centerra is unable to quantify the costs of such a failure.

Centerra's workforce may be exposed to widespread pandemic

Centerra's operations are located in areas relatively remote from local towns and villages and represent a concentration of personnel working and residing in close proximity to one another. Further, the sites receive frequent visitors from all over the world, and a number of employees travel frequently abroad. Should an employee or visitor become infected with a serious illness that has the potential to spread rapidly, this could place Centerra's workforce at risk. The 2014 outbreak of the Ebola virus in several African countries is one example of such an illness. The Company takes every precaution to strictly follow industrial hygiene and occupational health guidelines, and medical services are in place along with pandemic management protocols. There can be no assurance that this virus or another infectious illness will not impact Centerra personnel and ultimately its operations.

The Kumtor Project is subject to significant claims of environmental damage

Starting from December 2012, the Company's Kyrgyz subsidiaries received various claims from Kyrgyz regulatory authorities alleging significant environmental damages at the Kumtor project which the Company refutes. These claims are discussed elsewhere in this document. In 2016, three court decisions were issued by the Kyrgyz Republic courts on the four claims commenced by SIETS (consolidated into 3 court cases) for an aggregate amount of \$101.5 million. The Company is appealing these cases in the Kyrgyz Republic courts and are included in the international arbitration proceedings commenced by Centerra in 2016. The court case commenced by SAEPF on environmental pollution charges which seeks payment of approximately \$220 million is still being reviewed on its merits. The latest claim filed by Kyrgyz Republic regulatory agencies was filed on August 23, 2016 by the Chui-Bishkek-Talas Local Fund of Nature Protection and Forestry Development of SAEPF, and seeks compensation for environmental pollution in the amount of 40,340,819.01 Kyrgyz Soms (approximately US\$600,000). From time to time, Kumtor also receives other claims from regulatory agencies for damages which are later withdrawn or for which court claims

are not commenced.

In December 2015, the Company received a claim filed by the Green Party of Kyrgyzstan with the Bishkek Inter-District Court which sought damages of approximately \$5.8 billion for alleged environmental damages arising from the Kumtor operations since 1996. The Green Party of Kyrgyzstan is not a regulatory authority. The Company understands that the court rejected the claim on procedural grounds. To the Company's knowledge, the Green Party has not refiled the claim. In any event, the Company believes that the claim is without merit. The claim by the Green Party relates to allegations substantially similar to the other outstanding court claims for environmental damage commenced by Kyrgyz regulatory authorities, and is substantially similar to a similar claim commenced by the Green Party in 2013 which was subsequently withdrawn.

While the Company believes that the allegations contained in these claims are exaggerated or without foundation and are subject to the Release Agreement between Centerra and the Kyrgyz Republic dated June 6, 2009, there can be no assurance that the claims of environmental damage from such regulatory authorities or the Green Party of Kyrgyzstan will not be upheld and enforced. If such claims should be upheld and enforced against the Company, it could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition. In addition, additional claims for alleged environmental violations may be forthcoming.

Centerra's operations use cyanide

The Kumtor operations employ sodium cyanide, which is a hazardous material, to extract gold from ore. The Öksüt and Gatsuurt projects, if they proceed to production, will also use gold processing technology in which cyanide is used. There is inherent risk of unintended discharge of hazardous materials in the operation of leach pads.

If any spills or discharges of sodium cyanide were to occur (at site or during transport), Centerra could become subject to liability for remediation costs, which could be significant and may not be insured against. In addition, production could be delayed or halted to allow for remediation, resulting in a reduction or loss of cash flow. Finally, increased sensitivity in respect to the use of cyanide and the potential and perceived environmental impacts of cyanide use in mining operations could exacerbate potential reputational damage to the company in the event of a cyanide release. While the Company takes appropriate steps to prevent discharges and accidental releases of sodium cyanide and other hazardous materials into the ground water, surface water and the downstream environment, there is inherent risk in the operation of gold processing facilities and there can be no assurance that a release of hazardous materials will not occur.

Centerra must remove and reduce impurities and toxic substances naturally occurring in copper, gold and molybdenum and comply with applicable law relating thereto, which could result in remedial action and other costs.

Mineral ores and mineral products, including copper, gold and molybdenum ore and products, contain naturally occurring impurities and toxic substances. Although Centerra has implemented procedures that are designed to identify, isolate and safely remove or reduce such impurities and substances, such procedures require strict adherence and no assurance can be given that employees, contractors or others will not be exposed to or be affected by such impurities and toxic substances, which may subject Centerra to liability. Standard operating procedures may not identify, isolate and safely remove or reduce such substances.

Even with careful monitoring and effective control, there is still a risk that the presence of impurities or toxic substances in the Company's products may result in such products being rejected by its customers, penalties being imposed due to such impurities or the products being barred from certain markets. Such incidents could require remedial action and could result in curtailment of operations. Legislation requiring manufacturers, importers and downstream users of chemical substances, including metals and minerals, to establish that the substances can be handled and used without negatively affecting health or the environment may impact the Company's operations and markets. These potential compliance costs, litigation expenses, regulatory delays, remediation expenses and operational costs could negatively affect Centerra's financial results.

There is currently a capacity shortfall of the tailings management facility at Kumtor

The Kumtor tailings dam design is currently approved by the Kyrgyz authorities to elevation 3,670.5 metres. The dam crest is presently at elevation 3,667 metres. The dam crest is regularly raised, and Kumtor is required to apply and obtain permits from the Government from time to time to address the interim raising and construction activities. The existing facility will reach its permitted capacity (1.5 metre freeboard at a dam elevation of 3,670.5 metres) in 2020. The remaining approved capacity of the tailings management facility is insufficient to store all of the 45 million cubic metres of tailings (68.6 million tonnes of ore) to be processed in the current life-of-mine plan. To accommodate the shortfall, the Company intends to raise the existing tailings dam by approximately seven metres to a crest elevation of 3,677.5 metres, which requires approvals from relevant Kyrgyz authorities. Applications for such permits were submitted to applicable Kyrgyz authorities in 2016 with the intention of beginning work in spring 2017. If permitting of this option cannot be obtained, additional capital expenditures beyond those in the current capital budget for the new life-of-mine plan would have to be incurred.

While the Company has obtained the necessary permits and authorizations in the past in connection with tailings dam raises, there are no assurances that such permits and authorizations can be obtained in the future or obtained in the timeframe required by the Company. If all necessary permits and authorizations are not obtained, delays in, or interruptions or cessation of its production from the Kumtor project may occur, which may have an adverse impact on Centerra's future cash flows, earnings, results of operations or financial condition.

The Company's mining production depends on the availability of sufficient water supplies.

Centerra's operations require significant quantities of water for mining, ore processing and related support facilities. Continuous production at the mines depends on the Company's ability to maintain its water rights and claims. Although current operations have sufficient water rights and claims to cover current operational demands, the Company cannot predict the potential outcome of future legal proceedings affecting its water rights, claims and uses. The failure to obtain needed water permits, the loss of some or all water rights for any of the Company's mines, in whole or in part, or shortages of water to which the Company has rights due to weather, equipment issues or other factors could require the Company to curtail or close mining production and could prevent the Company from pursuing expansion opportunities.

Centerra faces substantial decommissioning and reclamation costs

The Company is required to establish at each of its mine sites and development projects a decommissioning and reclamation plan. Provision must be made for the cost of decommissioning and reclamation for operating sites. These costs can be significant and are subject to change. Kumtor has established a reclamation trust fund to pay for these costs (net of forecast salvage value of assets) from the revenues generated over the life of mine. At Boroo, 50% of the upcoming year's annual environmental budget is deposited by Boroo into a government account and such funds are recovered by Boroo when the annual environmental commitments are completed. As required by US federal and state laws and Canadian provincial laws, the Company has provided reclamation bonds (secured with cash collateral) for mine closure obligations for the various Thompson Creek mines.

The Company cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If the Company is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Asset Management

Centerra may experience mechanical breakdowns

The Company's mines (whether operating or currently on care and maintenance) use expensive, large mining and processing equipment that requires a long time to procure, build and install. Although the Company conducts extensive preventive maintenance programs, there can be no assurance that it will not experience mechanical breakdowns of mining and processing equipment.

In the past, the Company has experienced such mechanical breakdowns, which have resulted in unplanned mill shutdowns and reduced mill capacity. In addition, obtaining replacement components for the equipment can take considerable time which may also impact production.

Any extended breakdown in mining or processing equipment could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial conditions.

Human Resources

Certain of the Company's projects are unionized and may be subject to labour disturbances

Production at the Company's operations depends on the efforts of its employees. Centerra has unionized environments at its Kumtor project, Boroo project, Endako mine and Langeloth Facility, and therefore employees are subject to collective agreements which require frequent renegotiations.

Non-management employees at Kumtor and Boroo (including those in head office) are unionized and subject to collective agreements. At Kumtor, a 2-year collective bargaining agreement was approved and ratified in January 2017. At Boroo, which has been placed in care and maintenance, the current collective bargaining agreement is in effect until June 30, 2018.

Endako Mine and Langeloth Facility each have certain unionized employees. The labour agreement currently in place with respect to the unionized employees at the Langeloth Facility is effective through March 11, 2019, and the labour agreement currently in place with respect to the unionized employees at Endako Mine is effective through March 31, 2015, with continuation under existing terms until either party provides notice requiring negotiation of a new collective bargaining agreement.

There can be no assurance that, when such agreements expire, there will not be any delays in the renewal process, that negotiations will not prove difficult or that Centerra will be able to renegotiate the collective agreement on satisfactory terms, or at all. The renewal of the collective agreement could result in higher on-going labor costs, which could have a material adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition. Centerra could be subject to labour unrest or other labour disturbances including strikes as a result of any failure of negotiations which could, while ongoing, have a material adverse impact on Centerra, including the achievement of any annual production guidelines and costs estimates. Existing collective agreements may not prevent a strike or work stoppage, and any such work stoppage could have a material adverse impact on us. On February 6, 2012, unionized employees at the Kumtor project began a 10-day illegal strike, during which operations at the mine were suspended. The illegal work stoppage related to a dispute regarding social fund deductions, which resulted in higher labour costs, of approximately \$2 million (for 2012).

There is also a possibility that employees at the Company's other projects, including Mount Milligan Mine, could organize and certify a union in the future.

Centerra's success depends on its ability to attract and retain qualified personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative and mining personnel as well as additional operations staff. The Restated Concession Agreement relating to the Kumtor operations also requires two thirds of all administrative or technical personnel to be citizens of the Kyrgyz Republic. However, it has been necessary to engage expatriate workers for the Company's operations in Mongolia and the Kyrgyz Republic because of the shortage locally of trained personnel. Although the Company believes that it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If the Company is not successful in attracting and training qualified personnel, the efficiency of its operations could be affected, which could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

The closure of Boroo operations in 2015 combined with ongoing delays in receiving necessary approvals to develop

the Gatsuurt deposit and prolong operations in Mongolia has resulted in personnel departures. There is no assurance that Centerra will be able to re-hire required personnel, should Gatsuurt proceed to development. This risk is heightened by the increased presence of new companies in the country seeking qualified personnel. Further, the increased risk associated with the recent actions of the Kyrgyz Government may have an adverse effect on employee morale potentially leading to the departure of some employees and the inability to recruit new staff from outside the country.

Supply Chain

Centerra's properties are located in remote locations and require a long lead time for equipment and supplies

Some of the Company's properties are in remote locations and depend on an uninterrupted flow of materials, supplies and services to those locations. Any interruptions to the procurement of equipment, or the flow of materials, supplies and services to the Company's properties could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Centerra's operations may be impacted by supply chain disruptions

Centerra's operations depend on uninterrupted supply of key consumables, equipment and components. The Company's Kyrgyz operations are limited with respect to alternative suppliers of fuel, and any disruption at supplier facilities could result in curtailment or suspension of operations. In addition, major equipment and components and certain key consumables are imported. Recent and potential future economic sanctions imposed on Russia by the U.S. and European Union in 2014 and 2016, may impact delivery of goods and services to the Kumtor operation. The accession of the Kyrgyz Republic to the Eurasian Economic Union may also impact Kumtor supply chains. Any disruption in the transportation of or restriction in the flow of these goods or the imposition of customs clearance requirements may result in production delays.

Information Technology Systems

Centerra's critical operating systems may be compromised

Cyber threats have evolved in severity, frequency and sophistication in recent years, and target entities are no longer primarily from the financial or retail sectors. Individuals engaging in cybercrime may target corruption of systems or data, or theft of sensitive data. The Company's mines and mills are automated and networked such that a cyber incident involving the Company's information systems and related infrastructure could negatively impact its operations. A corruption of the Company's financial or operational data or an operational disruption of its production infrastructure could, among other potential impacts, result in: (i) loss of production or accidental discharge; (ii) expensive remediation efforts; (iii) distraction of management; (iv) damage to the Company's reputation or its relationship with customers; or (v) in events of noncompliance, which events could lead to regulatory fines or penalties. Any of the foregoing could have a material adverse effect on Centerra's business, results of operations and financial condition.

While Centerra invests in robust security systems to detect and block inappropriate or illegal access to its key systems, including SCADA operating systems at its operations, and regularly review policies, procedures and protocols to ensure data and system integrity, there can be no assurance that a critical system is not inadvertently or intentionally breached and compromised. This may result in business interruption losses, equipment damage, or loss of critical or sensitive information.

Insurance

Centerra may not be adequately insured for certain risks

Although the Company maintain insurance to cover some of the operational risks and hazards in amounts it believes to be reasonable, insurance may not provide adequate coverage or may not be available in all circumstances. No assurance can be given that insurance will continue to be available at economically feasible premiums or that it will provide sufficient coverage for losses related to these or other risks and hazards.

The Company may also be subject to liability or sustain losses in relation to certain risks and hazards against which the Company cannot insure or for which it may elect not to insure. The occurrence of operational risks and/or a shortfall or lack of insurance coverage could have an adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition.

Caution Regarding Forward-Looking Information

Information contained in this MD&A which are not statements of historical facts, and the documents incorporated by reference herein, may be “forward-looking information” for the purposes of Canadian securities laws. Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward looking information. The words “believe”, “expect”, “anticipate”, “contemplate”, “target”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule” and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things, the Company’s expectations regarding funding all planned capital and operating expenditures of the Company for 2017 from cash, short-term investments and cash generated from the Mount Milligan mine; expectations regarding continued discussions with the Government of the Kyrgyz Republic to resolve all outstanding issues affecting the Kumtor Project in a manner that is fair to all stakeholders; the continuation of negotiations with the Mongolian Government on definitive agreements related to the Gatsuurt Project; the impact of continuous improvement projects at Mount Milligan, including improvements on gold and copper recovery rates; the timing for a new technical report on the Mount Milligan Project; timing for gold production from the Öksüt Project; ability to satisfy conditions precedents to access funds under the Öksüt Facility, including the receipt of the key pastureland permit; expected time frames for an arbitral decision on the Company’s application for partial award or in the alternative, interim relief; the expectation of applying for and receiving the permit to discharge water from its tailings facility starting in the spring; plans to appeal to the Kyrgyz Republic Supreme Court any court decisions on the Kumtor environmental court claims (if needed); expectations of the resumption of the Kumtor environmental pollution claim in the Kyrgyz Republic court; timing for the closing of the sale of ATO; statements made under the heading, “2017 Outlook” including 2017 production, all-in sustaining costs per ounce sold^{NG}, 2017 exploration expenditures, 2017 capital expenditures, 2017 corporate administration and community investment expenses, 2017 depreciation, depletion and amortization expenses, expectations of our hedging program, and 2017 tax expenses; planned mining activities in 2017; expectations regarding the continuation of the cash neutral basis of the Company’s molybdenum business unit; the expected time frame for the tailings dam construction at the Kumtor mine.

Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward looking information. Factors that could cause actual results or events to differ materially from current expectations include, among other things: (A) strategic, legal, planning and other risks, including: political risks associated with the Company’s operations in the Kyrgyz Republic, Mongolia and Turkey; resource nationalism including the management of external stakeholder expectations; liquidity risks created by Centerra’s inability to access funds held at KGC; the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices in the jurisdictions in which the Company operates including any delays or refusals to grant required permits and licenses, unjustified civil or criminal action against the Company, its affiliates or its current or former employees; risks that community activism may result in increased contributory demands or in business interruptions; the impact of any actions taken by the Kyrgyz Republic Government and Parliament relating to the Kumtor Project Agreements which are inconsistent with the rights of Centerra and KGC under the Kumtor Project Agreements; any impact on the purported cancellation of Kumtor’s land use rights at the Kumtor Project pursuant to a court claim commenced by the Kyrgyz Republic GPO; the risks related to other outstanding litigation affecting the Company’s operations in the Kyrgyz Republic and elsewhere; the potential impact on the Kumtor Project of investigations by Kyrgyz Republic instrumentalities and movement restrictions on KGC employees and managers; the impact of changes to, the increased enforcement of, environmental laws and regulations relating to the Company’s operations; the impact of any sanctions imposed by Canada, the United States or other jurisdictions against various Russian individuals and entities; potential defects of title in the Company’s properties that are not known as of the date hereof; the inability of the Company and its subsidiaries to enforce their legal rights in certain circumstances; the presence of a significant shareholder that is a state-owned company of the Kyrgyz Republic; risks related to anti-corruption legislation; risks related to the concentration of assets in Central Asia; Centerra’s future exploration and development activities not being successful; Centerra not being able to replace mineral reserves; difficulties with Centerra’s joint venture partners; and aboriginal claims and consultative issues relating to the Company’s properties which are in proximity to First Nations communities; potential risks related to kidnapping or acts of terrorism; (B) risks relating to financial matters, including: sensitivity of the

Company's business to the volatility of gold and copper prices, the use of provisionally-priced sales contracts for production at Mount Milligan, reliance on a few key customers for the gold-copper concentrate at Mount Milligan, use of commodity derivatives, the imprecision of the Company's mineral reserves and resources estimates and the assumptions they rely on, the accuracy of the Company's production and cost estimates, the impact of restrictive covenants in the Company's credit facilities which may, among other things, restrict the Company from pursuing certain business activities or making distributions from its subsidiaries, the Company's ability to obtain future financing, the impact of global financial conditions, the impact of currency fluctuations, the effect of market conditions on the Company's short-term investments, the Company's ability to make payments including any payments of principal and interest on the Company's debt facilities depends on the cash flow of its subsidiaries; and (C) risks related to operational matters and geotechnical issues and the Company's continued ability to successfully manage such matters, including: movement of the Davidov Glacier and the waste and ice movement at the Kumtor Project, the continued performance of the buttress; the occurrence of further ground movements at the Kumtor Project and mechanical availability; the ability of the Company to successfully ramp-up to design criteria of the secondary crusher at the Mt. Milligan Project; the success of the Company's future exploration and development activities, including the financial and political risks inherent in carrying out exploration activities; inherent risks associated with the use of sodium cyanide in the mining operations; the adequacy of the Company's insurance to mitigate operational risks; mechanical breakdowns; the Company's ability to obtain the necessary permits and authorizations to (among other things) raise the tailings dam at the Kumtor Project to the required height; the Company's ability to replace its mineral reserves; the occurrence of any labour unrest or disturbance and the ability of the Company to successfully re-negotiate collective agreements when required; the risk that Centerra's workforce may be exposed to widespread epidemic; seismic activity in the vicinity of the Company's properties; long lead times required for equipment and supplies given the remote location of some of the Company's operating properties; reliance on a limited number of suppliers for certain consumables, equipment and components; illegal mining on the Company's Mongolian properties; the Company's ability to accurately predict decommissioning and reclamation costs; the Company's ability to attract and retain qualified personnel; competition for mineral acquisition opportunities; and risks associated with the conduct of joint ventures/partnerships; the Company's ability to manage its projects effectively and to mitigate the potential lack of availability of contractors, budget and timing overruns and project resources. See "Risk Factors".

Furthermore, market price fluctuations in gold and copper, as well as increased capital or production costs or reduced recovery rates may render ore reserves containing lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. Economic and technological factors which may change over time always influence the evaluation of reserves or resources. Centerra has not adjusted mineral resource figures in consideration of these risks and, therefore, Centerra can give no assurances that any mineral resource estimate will ultimately be reclassified as proven and probable reserves.

Mineral resources are not mineral reserves, and do not have demonstrated economic viability, but do have reasonable prospects for economic extraction. Measured and indicated resources are sufficiently well defined to allow geological and grade continuity to be reasonably assumed and permit the application of technical and economic parameters in assessing the economic viability of the resource. Inferred resources are estimated on limited information not sufficient to verify geological and grade continuity or to allow technical and economic parameters to be applied. Inferred resources are too speculative geologically to have economic considerations applied to them to enable them to be categorized as mineral reserves. There is no certainty that mineral resources of any category can be upgraded to mineral reserves through continued exploration.

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained herein or incorporated by reference. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward looking information. Forward-looking information is as of February 23, 2017. Centerra assumes no obligation to update or revise forward looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

Centerra Gold Inc.

Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

(Expressed in thousands of United States Dollars)

Report of Management's Accountability

The Consolidated Financial Statements have been prepared by the management of the Company. Management is responsible for the integrity, consistency and reliability of all such information presented. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The preparation of the Consolidated Financial Statements involves the use of estimates and assumptions based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances, with critical analysis of the significant accounting policies followed by the Company as described in Note 3 to the Consolidated Financial Statements. The preparation of the Consolidated Financial Statements includes information regarding the estimated impact of future events and transactions. Actual results in the future may differ materially from the present assessment of this information because future events and circumstances may not occur as expected.

In meeting its responsibility for the reliability of financial information, management maintains and relies on a comprehensive system of internal controls and checks to see if the controls are operating as designed. The system of internal controls includes a written corporate conduct policy; implementation of a risk management framework; effective segregation of duties and delegation of authorities; and sound and conservative accounting policies that are regularly reviewed. This structure is designed to provide reasonable assurance that assets are safeguarded and that reliable information is available on a timely basis. In addition internal controls on financial reporting and disclosure controls have been documented, evaluated and tested in a manner consistent with National Instrument 52-109.

The Consolidated Financial Statements have been audited by KPMG LLP, independent external auditors appointed by the Company's shareholders. The external auditors' responsibility is to express their opinion on whether the Consolidated Financial Statements are fairly presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. KPMG LLP's report outlines the scope of their examination and their opinion.

The Company's Directors, through its Audit Committee, are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee met periodically with management, the internal auditors, and the external auditors to satisfy itself that each group had properly discharged its respective responsibility and to review the Consolidated Financial Statements before recommending approval by the Board of Directors. The external auditors had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of the financial reporting.

The Company's Chief Executive Officer and the Company's Vice President and Chief Financial Officer have evaluated the design and operating effectiveness of related disclosure controls and procedures and internal controls over financial reporting based on criteria established in "Internal Control-Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Original signed by:
Scott G. Perry
Chief Executive Officer

Original signed by:
Darren J. Millman
Vice President and Chief Financial Officer

February 23, 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Centerra Gold Inc.

We have audited the accompanying consolidated financial statements of Centerra Gold Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of earnings and other comprehensive income (loss), Shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Centerra Gold Inc. as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Original Signed by:

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

February 23, 2017

Toronto, Canada

Centerra Gold Inc.
Consolidated Statements of Financial Position

		December 31, 2016	December 31, 2015
(Expressed in Thousands of United States Dollars)			
Assets			
Current assets			
Cash and cash equivalents	7	\$ 160,017	\$ 360,613
Short-term investments		74	181,613
Restricted cash	7	247,844	-
Amounts receivable	8	48,097	28,781
Inventories	9	540,753	347,011
Prepaid expenses	10	18,418	12,880
		<u>1,015,203</u>	<u>930,898</u>
Property, plant and equipment	11	1,564,891	693,016
Goodwill	6	16,070	-
Restricted cash	7	824	9,989
Reclamation deposits	17	32,035	18,909
Other assets	12	25,728	7,772
		<u>1,639,548</u>	<u>729,686</u>
Total assets		<u>\$ 2,654,751</u>	<u>\$ 1,660,584</u>
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 130,342	\$ 75,292
Short-term debt	14	72,281	76,000
Revenue-based taxes payable	16(a)	19,202	9,152
Taxes payable	16(d)	2,302	1,286
Current portion of provision for reclamation	17	918	1,062
Other current liabilities	12	1,563	-
		<u>226,608</u>	<u>162,792</u>
Dividend payable to related party		-	9,330
Long-term debt	14	392,851	-
Provision for reclamation	17	157,498	65,087
Lease obligations	15	29,901	-
Deferred income tax liability	16(c)	1,661	2,524
Other liabilities	12	21,950	-
		<u>603,861</u>	<u>76,941</u>
Shareholders' equity	25		
Share capital		944,633	668,705
Contributed surplus		25,876	24,153
Accumulated other comprehensive (loss) income		(2,592)	220
Retained earnings		856,365	727,773
		<u>1,824,282</u>	<u>1,420,851</u>
Total liabilities and Shareholders' equity		<u>\$ 2,654,751</u>	<u>\$ 1,660,584</u>

Commitments and contingencies (note 26)

Subsequent events (note 14, 15, 26 and 29)

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

Approved by the Board of Directors

Original signed by:

Stephen Lang
Chairman

Richard Connor
Director

Centerra Gold Inc.
Consolidated Statements of Earnings and Comprehensive Income (Loss)

For the years ended December 31,		2016	2015
(Expressed in Thousands of United States Dollars)			
(except per share amounts)			
	Notes		
Gold sales		\$ 715,772	\$ 623,950
Copper sales		25,951	-
Molybdenum sales		16,780	-
Tolling, calcining and other		2,255	-
Revenue		\$ 760,758	\$ 623,950
Cost of sales	18	414,642	384,459
Standby costs		259	5,684
Regional office administration		14,722	19,068
Earnings from mine operations		331,135	214,739
Revenue-based taxes	16(a)	96,293	84,633
Corporate administration	19	27,583	35,780
Exploration expenses		12,535	8,413
Thompson Creek Metals Inc. acquisition and integration expenses	6	12,015	-
Pre-development project costs	20	10,687	13,252
Other operating expenses	21	2,744	1,869
Care and maintenance expense		1,766	-
Business development		459	2,208
Impairment of goodwill		-	18,705
Earnings from operations		167,053	49,879
Other (income) expenses, net	22	(40)	3,375
Finance costs	23	11,053	4,426
Earnings before income tax		156,040	42,078
Income tax expense	16(b)	4,502	449
Net earnings		\$ 151,538	\$ 41,629
Other Comprehensive Income			
Items that may be subsequently reclassified to earnings:			
Net (loss) gain on translation of foreign operation		(2,573)	220
Loss on derivative instruments, net of tax	29	(387)	-
Post-retirement benefit, net of tax		148	-
Other comprehensive (loss) income		(2,812)	220
Total comprehensive income		\$ 148,726	\$ 41,849
Basic earnings per common share	25(b)	\$ 0.60	\$ 0.18
Diluted earnings per common share	25(b)	\$ 0.60	\$ 0.18

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

Centerra Gold Inc.**Consolidated Statements of Cash Flows****For the years ended December 31,**

		2016	2015
(Expressed in Thousands of United States Dollars)	Notes		
Operating activities			
Net earnings		\$ 151,538	\$ 41,629
Adjustments for the following items:			
Depreciation, depletion and amortization	11	205,176	205,390
Finance costs	23	11,053	4,426
Loss on disposal of equipment		210	1,972
Compensation expense on stock options	25(d)	2,456	2,611
Other share based compensation (reversal) expense		(668)	828
Impairment of goodwill		-	18,705
Inventory (reversal of) impairment	9	(27,216)	27,216
Income tax expense	16(b)	4,502	449
Other operating items		(371)	(861)
		<u>346,680</u>	302,365
Changes in operating working capital	31(a)	33,029	32,532
Change in long-term inventory		-	349
Purchase and settlement of derivatives	29	(2,099)	-
Payments toward provision for reclamation	17	(613)	(1,004)
Income taxes paid		(5,553)	(676)
Cash provided by operations		<u>371,444</u>	<u>333,566</u>
Investing activities			
Additions to property, plant and equipment	31(b)	(212,832)	(243,767)
Equipment finance lease payments		(3,810)	-
Net redemption of short-term investments		181,539	79,890
Payment to Thompson Creek Metals Inc. debtholders	6	(881,018)	-
Cash received on completion of acquisition	6	98,054	-
Purchase of interest in Greenstone Partnership	11	-	(75,718)
(Increase) decrease in other non-current restricted cash		(201)	2,448
Payments for long-term reclamation deposits and other assets		(5,964)	(2,958)
Cash used in investing		<u>(824,232)</u>	<u>(240,105)</u>
Financing activities			
Dividends paid - declared in period		(18,480)	(29,389)
Dividends paid - from trust account		(4,466)	(2,936)
Proceeds from equity offering (net)	25	141,361	-
Proceeds from debt		398,363	-
Payment of interest and borrowing costs		(18,323)	(2,974)
Proceeds from common shares issued for options exercised		1,581	1,937
Cash received from (used in) financing		<u>500,036</u>	<u>(33,362)</u>
Increase in cash during the year		47,248	60,099
Cash and cash equivalents at beginning of the year		360,613	300,514
Restricted cash in respect of court order	7	(247,844)	-
Cash and cash equivalents at end of the year		<u>\$ 160,017</u>	<u>\$ 360,613</u>
Cash and cash equivalents consist of:			
Cash		\$ 60,995	\$ 122,581
Cash equivalents		99,022	238,032
		<u>\$ 160,017</u>	<u>\$ 360,613</u>

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

Centerra Gold Inc.
Consolidated Statements of Shareholders' Equity

(Expressed in Thousands of United States Dollars, except share information)

	Number of Common Shares	Share Capital Amount	Contributed Surplus	Accumulated Other Comprehensive Income ("OCI")	Retained Earnings	Total
Balance at January 1, 2015	236,403,958	\$ 660,554	\$ 22,556	\$ -	\$ 715,533	1,398,643
Share-based compensation expense	-	-	2,611	-	-	2,611
Shares issued on exercise of stock options	461,697	2,951	(1,014)	-	-	1,937
Shares issued on redemption of restricted share units	61,077	340	-	-	-	340
Purchase of Öksüt royalty	962,542	4,860	-	-	-	4,860
Foreign currency translation	-	-	-	220	-	220
Dividends declared (note 25(c))	-	-	-	-	(29,389)	(29,389)
Net earnings for the year	-	-	-	-	41,629	41,629
Balance at December 31, 2015	237,889,274	\$ 668,705	\$ 24,153	\$ 220	\$ 727,773	1,420,851
Share-based compensation expense	-	-	2,456	-	-	2,456
Shares issued on exercise of stock options	337,669	2,314	(733)	-	-	1,581
Shares issued to settle obligations	4,117,120	19,857	-	-	-	19,857
Shares issued on redemption of restricted share units	5,504	28	-	-	-	28
Shares issued to former Thompson Creek Metals Inc. shareholders	22,327,001	112,368	-	-	-	112,368
Shares issued in equity offering	26,599,500	141,361	-	-	-	141,361
Dividends declared (note 25(c))	-	-	-	-	(22,946)	(22,946)
Foreign currency translation	-	-	-	(2,573)	-	(2,573)
Loss on derivative instruments, net of tax	-	-	-	(387)	-	(387)
Post retirement benefit, net of tax	-	-	-	148	-	148
Net earnings for the year	-	-	-	-	151,538	151,538
Balance at December 31, 2016	291,276,068	\$ 944,633	\$ 25,876	\$ (2,592)	\$ 856,365	1,824,282

The accompanying notes form an integral part of these consolidated 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 focused on operating, developing, exploring and acquiring gold properties primarily in North America, Asia and other markets worldwide.

On October 20, 2016, the Company completed the acquisition of Thompson Creek Metals Company Inc. (“Thompson Creek” or “TCM”), whereby Centerra acquired all of the issued and outstanding common shares of Thompson Creek. See note 6 for additional details on the transaction.

2. Basis of presentation

The consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These financial statements were authorized for issuance by the Board of Directors of the Company on February 23, 2017.

These consolidated financial statements have been prepared under the historical cost basis, except for cash and cash equivalents, short-term investments, reclamation trust fund, restricted cash, derivative instruments, liabilities for cash settled share-based compensation and post-retirement benefit liability (measured at fair value) and inventories (measured at the lower of cost or net realizable value (“NRV”)).

These financial statements are presented in United States (“U.S.”) dollars with all amounts rounded to the nearest thousand, except for share and per share data, or as otherwise noted.

3. Summary of significant accounting policies

The significant accounting policies summarized below have been applied consistently to all periods presented in these consolidated financial statements.

a. Consolidation principles

These consolidated financial statements include the accounts of Centerra and its subsidiaries. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

Centerra Gold Inc.
Notes to the Consolidated Financial Statements
For the years ended 2016 and 2015

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

Centerra's significant subsidiaries and joint operations are as follows:

<u>Entity</u>	<u>Property - Location</u>	<u>Stage of Mine</u>	<u>Property Ownership</u>	
			<u>2016</u>	<u>2015</u>
Kumtor Gold Company ("KGC")	Kumtor Mine - Kyrgyz Republic	Operation	100%	100%
Boroo Gold LLC ("BGC")	Boroo Mine - Mongolia	Stand-by	100%	100%
Centerra Gold Mongolia LLC	Gatsuurt Project - Mongolia	Development	100%	100%
Centerra Gold Mongolia LLC	Altan Tsagaan Ovoo ("ATO") Property - Mongolia	Exploration	100%	100%
Öksüt Madencilik A.S. ("OMAS")	Öksüt Project - Turkey	Development	100%	100%
Greenstone Gold Mines LP ("Greenstone Partnership")	Greenstone Gold Property - Canada	Pre-development	50%	50%
Thompson Creek Metals Company Inc.	Mount Milligan Mine - Canada	Operation	100%	0%
Thompson Creek Metals Company Inc.	Endako Mine - Canada	Care and Maintenance	75%	0%
Langeloth Metallurgical Company LLC ("Langeloth")	Langeloth - United States	Molybdenum Processing Facility	100%	0%
Thompson Creek Mining Company	Thompson Creek Mine - United States	Care and Maintenance	100%	0%

As at December 31, 2016, the Company had also entered into agreements to earn interests in joint venture exploration properties located in Portugal, Canada, Mexico and Nicaragua.

Inter-company transactions between subsidiaries are eliminated on consolidation.

b. Business combinations

The Company uses the acquisition method of accounting for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets received and, the liabilities assumed or the equity interests issued by the Company. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of earnings.

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.

c. Foreign currency

The functional currency of the Company and its subsidiaries is the U.S. dollar (“USD”), which is also the presentation currency of the consolidated financial statements. The functional and reporting currency of the Greenstone Partnership is the Canadian dollar (“Cdn\$”), which results in translation gains (losses) being recorded as part of Other Comprehensive Income in the Statements of Earnings and Comprehensive Income (Loss) (“Statements of Earnings”).

Foreign currency transactions are translated into the entity’s functional currency using the exchange rate prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statements of Earnings. Non-monetary assets and liabilities, arising from transactions denominated in foreign currencies, are translated at the historical exchange rates prevailing at each transaction date.

d. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term investments with original maturities of 90 days or less. Cash and cash equivalents are classified as financial instruments carried at fair value through earnings (loss).

e. Restricted cash

Cash which is subject to legal or contractual restrictions on its use is classified separately as restricted cash.

f. Short-term investments

Short-term investments consist of marketable securities with original maturities of more than 90 days but no longer than 12 months, from the date of purchase. Short-term investments consist mostly of U.S. federal, Canadian federal and provincial government treasury bills and notes, agency notes, foreign sovereign issues, term deposits, bankers’ acceptances, bearer deposit notes, and highly-rated, highly-liquid corporate direct credit. Short-term investments are classified as financial instruments carried at fair value through profit or loss.

g. Inventories

Inventories of stockpiled ore, heap leach ore, in-circuit gold, heap leach gold in-circuit, gold and copper concentrate, gold doré and molybdenum inventory are valued at the lower of weighted average production cost and NRV. Gold and copper inventory valuation is based on contained ounces or pounds of the respective commodity. The production cost of inventories is determined on a weighted-average basis and includes direct materials, direct labour, transportation, shipping, freight and insurance costs, mine-site overhead expenses and depreciation, depletion and amortization of mining assets. Molybdenum inventory additionally includes amounts paid for molybdenum concentrate purchased from third parties, as well as costs associated with beneficiation and roasting.

Stockpiled ore is ore that has been extracted from the mine and is available for further processing. Costs are added to the cost of stockpiles based on the current mining cost per unit mined and removed at the average cost per unit of the stockpiled ore. In-circuit inventories represent materials that are in the process of being converted to gold doré or concentrate. Variances between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to NRV are accounted for on a prospective basis.

When inventories are sold, the carrying amount is recognized as an expense in the period in which the related revenue is recognized. Any write-down of inventories to NRV or reversals of previous write-downs are recognized in the Statement of Earnings in the period that the write-down or reversal occurs. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to sell.

Consumable supplies and spare parts are valued at the lower of weighted-average cost and NRV, which approximates replacement cost. Replacement cost includes expenditures incurred to acquire the inventories and bring them to their existing location and condition. Any provision for obsolescence is determined by reference to specific stock items identified as obsolete. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss on their disposal. Consumable supplies for operations in the care and maintenance stage of the mine life cycle and which are not expected to be used in the next twelve months are classified as long-term.

h. Property, plant and equipment

i. General

Property, plant and equipment are recorded at cost less accumulated depreciation, depletion and impairment charges.

Major overhaul expenditures and the cost of replacement of a component of plant and mobile equipment are capitalized and depreciated over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of mobile equipment are charged to the cost of production.

Directly attributable costs, including capitalized borrowing costs, incurred for major capital projects and site preparation are capitalized until the asset is in a location and condition necessary for operation as intended by management. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

Management annually reviews the estimated useful lives, residual values and depreciation methods of the Company's property, plant and equipment and also when events and circumstances indicate that such a review should be undertaken. Changes to estimated useful lives, residual values or depreciation methods resulting from such reviews are accounted for prospectively.

An item of property, plant and equipment is de-recognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between any proceeds received and the carrying amount of the asset) is included in the Statements of Earnings in the year the asset is de-recognized.

As part of the purchase of Thompson Creek, the Company assumed a stream arrangement with RGLD GOLD AG ("Royal Gold"), a subsidiary of Royal Gold Inc. (described in further detail in note 6). Thompson Creek had previously recorded the upfront cash payments of \$781.5 million received under the Stream Arrangement as deferred revenue and classified it as a liability. Upon acquisition, the Company recorded the fair value of the deferred revenue as a proportionate reduction across the Mount Milligan Mine property, plant and equipment acquired (note 11).

ii. Exploration, evaluation and pre-development expenditure

All exploration and evaluation expenditures of the Company within an area of interest are expensed until management and board of directors concludes that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and that future economic benefits are probable. In making this determination, the extent of exploration, as well as the degree of confidence in the mineral resource is considered. Once a project has been established as commercially viable and technically feasible, and approval is received from the Board of Directors, further expenditures are capitalized as development costs.

Exploration and evaluation assets acquired are initially recognized at fair value as exploration rights within tangible assets.

iii. Development properties (underground and open pit)

A property, either open pit or underground, is classified as a development property when a mine plan has been prepared and a decision is made to commercially develop the property. Development expenditures are accumulated separately for each area of interest for which economically recoverable mineral reserves and resources have been identified.

All expenditures incurred prior to the commencement of commercial levels of production from each development property are capitalized. In addition, capitalized costs are assessed for impairment when there is an indicator of impairment.

Development properties are not depleted until they are reclassified as mine property assets following the achievement of commercial levels of production.

iv. Mine properties

All direct costs related to the acquisition of mineral property interests are capitalized at the date of acquisition.

After a mine property has been brought into commercial production, costs of any additional mining, in-pit drilling and related work on that property are expensed as incurred. Mine development costs incurred to expand operating capacity, develop new ore bodies or develop mine areas in advance of current production, including the stripping of waste material, are capitalized and then depleted on a unit-of-production basis.

v. Deferred stripping costs

Stripping costs incurred in the production phase of a mining operation are accounted for as production costs and are included in the costs of inventory produced. Stripping activity that improves access to ore in future periods is accounted for as an addition to or enhancement of an existing asset. The Company recognizes stripping activity assets when the following three criteria are met:

- it is probable that the future economic benefit associated with the stripping activity will flow to the Company;
- the Company can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably by the Company.

Stripping activity assets are depleted on a unit-of-production basis in subsequent periods over the proven and probable reserves to which they relate.

vi. Depreciation and depletion

Buildings, plant and equipment used in production and mineral properties, with the exception of Langeloth, are depreciated or depleted using the unit-of-production method over proven and probable ore reserves, or if their estimated useful lives are shorter, on a straight-line basis over the useful lives of the particular assets. Under this process, depreciation commences when ore is extracted from the ground. The depreciation charge is allocated to inventory throughout the production process from the point at which ore is extracted from the pit until the ore is processed into its final form, gold doré or concentrate. Where a change in estimated recoverable gold ounces or copper pounds contained in proven and probable ore reserves is made, adjustments to depreciation are accounted for prospectively. Langeloth buildings, plant and equipment are depreciated on a straight-line basis, based on estimated useful lives which range from five to twenty years.

Mobile equipment and other assets, such as offsite roads, buildings, office furniture and equipment are depreciated using the straight-line method based on estimated useful lives which range from two years to twenty years, but do not exceed the related estimated mine life based on proven and probable ore reserves.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are depreciated separately but are grouped for disclosure purposes as property, plant and equipment.

i. Goodwill

Goodwill represents the difference between the sum of the cost of a business acquisition and the fair value of the identifiable net assets acquired. Subsequent to recording, goodwill is measured at cost less accumulated impairment losses and is not amortized.

Goodwill, upon acquisition, is allocated to the cash-generating units (“CGU”) expected to benefit from the related business combination. A CGU, in accordance with IAS 36, *Impairment of Assets*, is identified as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from other assets.

The Company evaluates, on at least an annual basis, the carrying amount of a CGU to which goodwill is allocated, for potential impairment.

j. Impairment

Long-term assets, including goodwill, are reviewed for impairment if there is any indication that the carrying amount may be impaired. In addition, goodwill is tested for impairment annually on September 1. Impairment is assessed for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or groups of assets, in which case, the individual assets are grouped together into CGUs for impairment testing purposes.

To accomplish this impairment testing, the Company compares the recoverable amount (which is the greater of value-in-use and fair value less costs of disposal (“FVLCD”) of the CGU) to its carrying amount. If the carrying amount of a CGU exceeds its recoverable amount, the Company first applies the difference to reduce goodwill and then any further excess is applied to the CGU’s other long-lived assets. Assumptions, such as gold price, copper price, molybdenum price, exchange rates, discount rate, and expenditures underlying the estimate of recoverable value are subject to risks and uncertainties.

The best evidence of FVLCD is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCD is based on the best information available to reflect the amount the Company could receive for the CGU in an arm’s length transaction, which the Company typically estimates using discounted cash flow methods.

Where the recoverable amount is assessed using discounted cash flow methods, the resulting estimates are based on detailed mine and/or production plans.

Expected future cash flows reflect long-term mine plans, which are based on detailed research, analysis and iterative modeling to optimize the level of return from investment, output and sequence of extraction.

The mine plans take account of all relevant characteristics of the ore bodies, including waste to ore ratios, ore grades, haul distances, chemical and metallurgical properties of the ore impacting on process recoveries and capacities of processing equipment that can be used. The mine plans are therefore the basis for forecasting production output in each future year and for forecasting production costs.

The Company's cash flow forecasts are based on estimates of future commodity prices which are derived through the analysis of commodity forward prices and by considering the average of the most recent market commodity price forecasts consensus from a number of recognized financial analysts. These assessments can differ from current price levels and are updated periodically.

The discount rates applied to the future cash flow forecasts represent a real after tax discount rate based on the Company's estimated weighted-average cost of capital adjusted for the risks specific to the CGU. The Company's weighted-average cost of capital is used as a starting point for determining the discount rates, with appropriate adjustments for the risk profile of the countries in which the individual CGUs operate.

An impairment loss is recognized for any excess of carrying amount over the recoverable amount.

k. Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the Statement of Earnings except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the group Company, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l. Provisions

Provisions are recorded when a legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the amount required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the present value of cash flows

estimated to settle the present obligation, discounted using a pre-tax risk-free discount rate consistent with the time period of expected cash flows.

m. Asset retirement and reclamation obligations

Asset retirement and reclamation costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated asset retirement and reclamation costs are provided in the accounting period when the obligation arising from the related disturbance occurs based on the net present value of estimated future costs.

Provision for asset retirement and reclamation costs recognized is estimated based on the risk-adjusted costs required to settle present obligations, discounted using a pre-tax risk-free discount rate consistent with the time period of expected cash flows.

Asset retirement and reclamation obligations relating to operating mines and development projects are initially recorded with a corresponding increase to the carrying amounts of related mining properties. Changes to the obligations which may arise as a result of changes in discount rates and timing or amounts of the costs to be incurred are also accounted for as changes in the carrying amounts of related mining properties, except where a reduction in the obligation is greater than the amount capitalized, in which case the capitalized costs are reduced to nil and the remaining adjustment is included in production costs in the Statements of Earnings. If reclamation and restoration costs are incurred as a consequence of the production of inventory, the costs are recognized as a cost of that inventory. Asset retirement and reclamation obligations related to inactive and closed mines are included in production costs in the Statements of Earnings on initial recognition and subsequently when remeasured.

n. Earnings per share

Basic net earnings per share is computed by dividing the net earnings by the weighted average number of common shares outstanding during the year.

Diluted net earnings per share is computed by dividing the net earnings applicable to common shares, after adjusting for the effect of performance share units as though they were accounted for as an equity instrument, by the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents such as stock options and restricted share units. Diluted net earnings per share is calculated using the treasury method, where the exercise of stock options and restricted share units are assumed to be at the beginning of the period, the proceeds from the exercise of stock options and restricted share units and the amount of compensation expense measured but not yet recognized in income are assumed to be used to purchase common shares of the Company at the average market price during the period. The incremental number of common shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) is included in the denominator of the diluted earnings per share computation.

o. 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 all significant risks and rewards of ownership are transferred to the customer and the amount of revenue can be measured reliably. Typically the transfer of risks and rewards associated with ownership occurs when the customer has taken delivery and the consideration is received, or to be received. For concentrate sales, the passing of title and risk of loss are based on the terms of the sales contracts, generally upon shipment departure from the Port of Vancouver.

Revenues from the Company's concentrate sales are recorded at the time of shipment based on a provisional sales price, with adjustments made for a final sales price calculated in accordance with the terms specified in the relevant sales contract. Revenues from concentrate sales are recorded net of treatment and all refining charges and the impact of derivative contracts. 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.

The provisional prices are finalized in a specified future month (generally one to four months from the shipment date) based on quoted monthly average spot gold prices on the London Metal Exchange ("LME") or spot copper 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 recorded to revenues until the date of settlement. 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 new information and assay, the provisional sales quantities are adjusted as well.

To satisfy its obligations under the Gold and Copper Stream Arrangement (note 13), the Company purchases refined gold and LME copper warrants and arranges for delivery to Royal Gold. Revenue from and costs for refined physical gold and LME copper warrants delivered under the Gold and Copper Stream Arrangement and gains and losses related to the Company's forward commodity contracts to economically hedge the Company's exposure under the Gold and Copper Stream Arrangement are netted and recorded to revenue.

The Company's molybdenum sales contracts specify the point in the delivery process at which title 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.

p. Share-based compensation

The Company has four share-based compensation plans: the Stock Option plan, Performance Share Unit plan, Deferred Share Unit plan, and Restricted Share Unit plan.

i. Stock Option plan

Stock options are equity-settled share-based compensation awards. The fair value of stock options at the grant date is estimated using the Black-Scholes option pricing model. Compensation expense is recognized over the stock option vesting period based on the number of units estimated to vest. This expense is recognized as share-based compensation expense with a corresponding increase in contributed surplus. When options are exercised, the proceeds received by the Company, together with the amount in contributed surplus, are credited to common shares.

ii. Performance Share Unit plan

Units under Centerra's Performance Share Unit plan, performance share units can be granted to employees and officers of the Company. A performance share unit represents the right to receive the cash equivalent of a common share or, at the Company's option, a common share purchased on the open market. Performance share units are accounted for under the liability method using the Monte Carlo simulated option pricing model and vest 50% at the end of the year after grant and the remaining 50% the following year. Under this method, a portion of the fair value of the performance share units is recognized at each reporting period based on the pro-rated number of days the eligible employees are employed by the Company compared to the vesting period of each series granted. The cash paid to employees on exercise of these performance share units is recorded as a reduction of the accrued obligation. The Monte Carlo simulated option pricing model requires the use of subjective assumptions, including expected stock-price volatility, risk-free rate of return and forfeiture rate. Historical data is considered in setting the assumptions.

The number of units that vest is determined by multiplying the number of units granted to the participant by the adjustment factor, which ranges from 0 to 2.0. Therefore, the number of units that will vest and be paid out may be higher or lower than the number of units originally granted to a participant. The adjustment factor is based on Centerra's total return performance (based on the preceding sixty-one trading days volume weighted average share price) relative to the S&P/TSX Global Gold Index Total Return Index Value during the applicable period. The fair value of the fully vested units is determined using the sixty-one trading days volume weighted average share price.

iii. Deferred Share Unit plan

Centerra has a Deferred Share Unit plan for directors of the Company to receive all or a portion of their annual retainer as deferred share units. Deferred share units are settled in cash and are accounted for under the liability method. The deferred share units cannot be converted to shares by the unit holder or by the Company. The deferred share units vest immediately upon granting. A liability is recorded at grant date equal to the fair value of the deferred share units. The liability is adjusted to fair value at each reporting period and any resulting adjustment to the accrued obligation is recognized as an expense or, if negative, a recovery. The cash paid to eligible members of the Board of Directors on exercise of these deferred share units, being no later than December 31 of the calendar year immediately following the calendar year of termination of service, is recorded as a reduction of the accrued obligation.

iv. Restricted Share Unit plan

Centerra has a Restricted Share Unit plan for non-executive directors, certain executives and employees of the Company to receive all or a portion of their annual retainer or annual incentive payments as restricted share units. Restricted share units can be settled in cash or equity at the option of the holder. The restricted share units vest immediately upon grant and are redeemed on a date chosen by the participant (subject to certain restrictions as set out in the plan). The units granted are accounted for under the liability method whereby a liability is recorded at grant date equal to the fair value of the restricted share unit. The liability is adjusted to fair value at each reporting period and any resulting adjustment to the accrued obligation is recognized as an expense or, if negative, a recovery. The cash paid or common shares issued on exercise of these restricted share units is recorded as a reduction of the accrued obligation.

When dividends are paid, each Performance Share Unit plan, Deferred Share Unit plan, and Restricted Share Unit plan participant is allocated additional units equal in value to the dividend paid per common share equal to the number of units held by the participant. For performance share units, the number of units issued is based on the sixty-one trading days volume weighted average share price on the date of the dividend.

q. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are classified and measured as described below.

Transaction costs associated with financial instruments, carried at fair value through profit or loss, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability. The amortization of debt financing fees is calculated on an amortized cost basis over the term of the instrument.

i. Financial assets recorded at fair value through earnings (loss)

Financial assets are classified at fair value if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in the Statement of Earnings. The Company's cash and cash equivalents, restricted cash and provisionally-priced receivables are classified as financial assets measured at fair value through earnings (loss).

ii. Amortized cost

Financial assets are recorded at amortized cost if both of the following criteria are met: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'.

The Company's short-term investments, amounts receivable (excluding provisionally-priced receivables), reclamation deposits and long-term receivables are recorded at amortized cost as they meet the required criteria. An allowance is recorded when the estimated recoverable amount of the loan or receivable is lower than the carrying amount. The carrying values of amounts receivable and long-term receivables approximate their fair values.

iii. Non-derivative financial liabilities

Accounts payable and accrued liabilities, provisionally payable amount due to Royal Gold, finance lease liability, debt and revenue-based taxes payable are accounted for at amortized cost, using the effective interest rate method. The amortization of debt issue costs is calculated using the effective interest rate method.

The Company's post-retirement benefit liability is measured at fair value through other comprehensive income (note 24).

Derivative financial instruments

The Company may hold derivative financial instruments to hedge its risk exposure to fluctuations of commodity prices, including the Company's final product (for example, gold or copper) and consumables (for example, diesel fuel) and other currencies compared to the USD. All derivative instruments not designated in a hedge relationship that qualifies for hedge accounting are classified as financial instruments at fair value through earnings (loss).

Derivative financial instruments through earnings are recorded in the Consolidated Statement of Financial Position ("Statement of Financial Position"). Changes in estimated fair value of non-hedge derivatives at each reporting date are included in the Consolidated Statement of Earnings as non-hedge derivative gains or losses, with the exception of the Royal Gold spot and forward contracts, which are included in revenue.

Hedges

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedge transactions. This process includes linking all derivative hedging instruments to forecasted transactions. Hedge effectiveness is assessed based on the degree to which the cash flows from the derivative contracts are expected to offset the cash flows of the underlying transaction being hedged.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value is recognized in other comprehensive income. For hedge items other than the purchase of non-financial assets, the amounts accumulated in other comprehensive income are reclassified to the consolidated statement of earnings when the underlying hedged transaction, identified at contract inception, affects profit or loss. When hedging a

forecasted transaction that results in the recognition of a non-financial asset, the amounts accumulated in other comprehensive income are removed and added to the carrying amount of the non-financial asset.

Any ineffective portion of a hedge relationship is recognized immediately in the Statement of Earnings. When derivative contracts designated as cash flow hedges are terminated, expired, sold or no longer qualify for hedge accounting, hedge accounting is discontinued prospectively. Any amounts recorded in other comprehensive income up until the time the contracts do not qualify for hedge accounting remain in other comprehensive income.

Gains or losses arising subsequent to the derivative contracts not qualifying for hedge accounting are recognized in the period incurred in the Statement of Earnings. If the forecasted transaction is no longer expected to occur, then the amounts accumulated in other comprehensive income are reclassified to the Statement of Earnings immediately.

r. Finance leases

The Company is the lessee of equipment with Caterpillar Financial Services Limited (“Caterpillar” - see note 15), which was assumed as part of the Thompson Creek Acquisition (note 6).

The assets and liabilities under these capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Once ready for their intended use, the assets are depreciated over the lower of their related lease terms or their estimated productive lives.

4. Critical accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of the Company’s accounting policies, which are described in note 3, the reported amounts of assets and liabilities and disclosure of commitments and contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results could differ from those estimates.

Management’s estimates and underlying assumptions are reviewed on an ongoing basis. Any changes or revisions to estimates and underlying assumptions are recognized in the period in which the estimates are revised and in any future periods affected.

The key sources of estimation uncertainty and judgments used in the preparation of these consolidated financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and earnings within the next financial year, are discussed below:

i. Impairment

Significant judgement is required in assessing indicators of impairment. For long-term assets, including development properties the Company completes an evaluation at each reporting period of potential impairment indicators. The Company considers both external and internal sources of information in assessing whether there are any indications that long-term assets may be impaired.

External sources of information that the Company considers include changes in the market, economic, political and legal environment in which the Company operates that are not within its control and could affect the recoverable amounts of long-term assets and goodwill. Internal sources of information that the Company considers include the manner in which long-term assets are being used or are expected to be used, analyses of economic performance of the assets and assessment of factors that may impact continuing progress toward development.

For the Mongolia CGU, management considers the likelihood of its ability to negotiate definitive agreements with the Mongolian Government on terms that are commercially economic. The inability to successfully negotiate the definitive agreements would result in a write-down of the carrying amount of the assets within the Mongolia CGU.

If an impairment trigger is identified, for the purposes of determining the amount of any impairment or its reversal, management uses key assumptions in estimating the recoverable value of a CGU which is calculated as the higher of the CGU's value-in-use and FVLCD.

Expected gold, copper and molybdenum prices, and production levels, which comprise proven and probable reserves and an estimated recoverable amount of resources if deemed appropriate, are used to estimate expected future cash flows. Management also estimates future operating and capital costs based on the most recently approved life of mine plan. The discount rate applied is reviewed for each assessment. Changes in these estimates which decrease the estimated recoverable amount of the CGU could affect the carrying amounts of assets and result in an impairment charge.

While management believes that estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the recoverable amount of the CGU.

ii. Materials inventory

Management makes estimates of recoverable quantities of gold and copper in stockpiled ore, ore in-process and molybdenum work-in-process to determine the average costs of finished goods sold during the period and the value of inventories in the Statements of Financial Position. NRV tests are performed at each reporting period based on the estimated future sales price of the gold doré, gold and copper concentrate, molybdenum and other products based on prevailing market prices, less estimated costs to complete production and bring the materials to selling condition.

The recoverable quantity of ore on stockpiles is estimated based on tonnage added and removed from the stockpiles, the amount of contained gold ounces and copper pounds based on assay data, and the estimated recovery percentage based on the historical recoveries obtained in the expected processing method. Stockpiled ore tonnage is verified by periodic surveys.

Although the quantities of recoverable metal are reconciled by comparing the grades of ore to the quantities actually recovered, the nature of the process inherently limits the ability to precisely monitor recoverability levels. As a result, the metallurgical reconciliation process is constantly monitored and engineering estimates are refined based on actual results over time.

iii. Asset retirement obligations

Amounts recorded for asset retirement obligations and the related accretion expense require the use of estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mine site, as well as the timing of the reclamation activities and estimated discount rate. The Company assesses and revises its asset retirement obligations on an annual basis or when new material information becomes available. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation costs based on environmental disturbances as at the reporting date.

A change in any or a combination of the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions (note 17). Changes to the estimated future reclamation costs for operating sites are recognized in the Statement of Financial Position by adjusting both the retirement asset and provision, and will impact earnings as these amounts are depleted and accreted over the life of the mine.

iv. Deferred income taxes

The Company operates in a number of tax jurisdictions and is therefore required to estimate its income taxes in each of these tax jurisdictions in preparing its financial statements. In calculating the income taxes, the Company considers factors such as tax rates in the different jurisdictions, non-deductible expenses, changes in tax law, and management's expectations of future results. The Company estimates deferred income taxes based on temporary differences between the income and losses reported in its financial statements and its taxable income and losses as determined under the applicable tax laws. The tax effects of these temporary differences are recorded as deferred tax assets or liabilities in the financial statements.

The Company does not recognize deferred tax assets where management does not expect such assets to be realized based upon current forecasts. In the event that actual results differ from these estimates, adjustments are made in future periods in these estimates, and changes in the amount of the deferred tax assets recognized may be required, which could materially impact the financial position and the income for the period. See note 16 for additional information on the basis for recognizing deferred tax assets.

v. Share-based compensation

Cash-settled share-based payments are measured at fair value at each reporting period, while equity-settled share-based payments are measured at grant date. The fair value determined using the Black-Scholes option pricing model or Monte Carlo simulation model, is based on significant assumptions such as volatility, expected life, expected dividends, risk-free interest rate and expected forfeiture rates. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability of the instruments and employees' performance.

A change in any or a combination of the key assumptions used to determine the fair value of the issued share-based compensation at grant date and at the reporting date, could have a material impact on the share-based compensation expense and the carrying value of the share-based compensation liabilities.

vi. Depreciation, depletion and amortization of property plant and equipment

All mining assets (except for mobile equipment) are depleted using the units-of-production method where the mine operating plan calls for production from well-defined ore reserves over proven and probable reserves. For mobile and other equipment, the straight-line method is applied over the estimated useful life of the asset which does not exceed the estimated mine life based on proven and probable ore reserves as the useful lives of these assets are considered to be limited to the life of the relevant mine.

The calculation of the units-of-production rate of property, plant and equipment to be depleted could be impacted to the extent that actual production in the future is different from current forecast production based on proven and probable ore reserves. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating ore reserves.

Changes to these estimates, which can be significant, could be caused by a variety of factors, including future production differing from current forecasts, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and other factors impacting mineral reserves or the expected life of the mining operation.

vii. Mineral reserve and resources estimation

The Company estimates its mineral reserves and mineral resources based on information compiled by qualified persons as defined in accordance with the National Instrument 43-101, *Standards of Disclosure for Mineral Projects*. The estimation of mineral reserves requires judgment to interpret available geological data, select an appropriate mining method and establish an extraction schedule. It also requires assumptions about future

commodity prices, exchange rates, production costs, recovery rates and discount rates and, in some instances, the renewal of mining licenses. There are numerous uncertainties inherent in estimating mineral reserves and assumptions that are valid at the time of estimation and may change significantly when new information becomes available. New geological data as well as changes in the above assumptions may change the economic status of mineral reserves and may, ultimately, result in the mineral reserves being revised.

Estimates of mineral reserves and mineral resources impact the following items in the financial statements:

- Useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of the mine
- Depreciation and depletion of assets using the units-of-production method
- Estimate of recoverable value of CGUs
- Estimated timing of reclamation activities
- Expected future economic benefit of expenditures, including stripping and development activities

viii. Revenue recognition

For concentrate sales, revenue is recognized when title and risk of loss pass and when collectability is reasonably assured. The passing of title and risk of loss are based on terms of the sales contracts, generally upon shipment of product. Revenues and the corresponding accounts receivable from the Company's concentrate sales are recorded based on a provisional sales price, with an adjustment made for a final sales price calculated in accordance with the terms specified in the relevant sales contract.

Under the long-established structure of sales agreements prevalent in the industry, metals contained in concentrate are generally provisionally priced at the time of shipment. The provisional prices are finalized in a specified future month (generally one to four months from the shipment date) based on quoted monthly average spot copper prices on the LME or the LBMA. The Company receives forward market prices based on prices in the specified future month, which results in mark-to-market price fluctuations recorded to revenues until the date of settlement. At times, the Company enters hedging arrangements to limit our exposure to such pricing fluctuations.

ix. Derivative financial instruments

Judgment is required to determine if an effective hedging relationship exists throughout the financial reporting period for derivative financial instruments classified as either a fair value or cash flow hedge. As at December 31, 2016, the Company determined that the Kumtor mine diesel hedging program continued to qualify for hedge accounting.

Management assesses the relationships on an ongoing basis to determine if hedge accounting is appropriate. The Company monitors on a regular basis its hedge position for its risk exposure to fluctuations in commodity prices, including prices for gold, copper and oil. For derivative contracts, valuations are based on forward rates considering the market price, rate of interest and volatility, and take into account the credit risk of the financial instrument. Refer to note 29 for sensitivity analyses based on changes in commodity prices.

x. Litigation and contingency

On an ongoing basis, the Company is subject to various claims and other legal disputes described in note 26, the outcomes of which cannot be assessed with a high degree of certainty. A liability is recognized where, based on the Company's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably.

By their nature, these contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment of the potential outcome of future events. Disclosure of other contingent liabilities is made unless the possibility that a loss may occur is considered remote.

5. Changes in accounting policies

Recently adopted accounting policies are as follows:

IFRS 9, *Financial Instruments* (“IFRS 9”) was issued by the IASB in July 2014. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. IFRS 9 provides a revised model for recognition, measurement and impairment of financial instruments. IFRS 9 also includes a substantially reformed approach to hedge accounting. The Company adopted IFRS 9 on a prospective basis in its Financial Statements on April 1, 2016. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements, but did result in additional disclosure in the 2016 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 currently assessing the impact of adopting this standard on its Financial Statements, with an intent to finalize in 2017.

In January 2016, the IASB issued a new standard and a number of amendments:

- New standard IFRS 16, *Leases* (“IFRS 16”). This standard 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. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company is in the process of determining the impact of IFRS 16 on its Financial Statements.
- 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 amendments apply prospectively for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Company has assessed the impact of adopting these amendments and intends to satisfy the new requirements by disclosing a reconciliation between the opening and closing balances for liabilities arising from financing activities commencing in 2017.
- Amendments to IAS 12, *Income Taxes* (“IAS 12”). The amendments apply for annual periods beginning on or after January 1, 2017 with retrospective application. Early application of the amendments is permitted. The amendments clarify that the existence of a deductible temporary difference is not affected by possible future changes in the carrying amount 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 intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The Company has assessed the impact of adopting these amendments and determined it will not have a material impact on the Company’s Financial Statements.

In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payment* (“IFRS 2”), clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or

after January 1, 2018 with prospective application. Retrospective, or early, application is permitted if information is available without the use of hindsight. The Company is in the process of determining the impact of IFRS 2 on its Financial Statements.

In December 2016, IFRIC 22, *Foreign Currency Transactions and Advance Consideration* (“IFRIC 22”) was issued by the IASB. IFRIC 22 clarifies the date that should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. The Company is in the process of determining the impact of IFRIC 22 on its Financial Statements.

6. Acquisition of Thompson Creek

i) Details of the Acquisition

On October 20, 2016, the Company completed the acquisition of 100% of the outstanding shares of Thompson Creek (“the Acquisition”). Thompson Creek was a North American-based mining company with gold, copper and molybdenum mining, milling, processing and marketing operations in Canada and the US.

The Acquisition was completed by way of a Plan of Arrangement under the Business Corporations Act (British Columbia), whereby all of the issued and outstanding Thompson Creek common shares were acquired by Centerra in exchange for 0.0988 Centerra common shares for each Thompson Creek common share (22,327,001 Centerra common shares - (note 25(a)). The common shares of Thompson Creek were then transferred to Centerra’s newly-formed wholly-owned subsidiary, Centerra B.C. Holdings Inc. (“Centerra B.C. Holdings”).

In connection with the closing of the Acquisition, Centerra redeemed, at their call prices, inclusive of early settlement premiums, plus accrued and unpaid interest, or satisfied and discharged, all of Thompson Creek’s outstanding Senior Secured Notes due in 2017 and Unsecured Notes due in 2018 and 2019, representing \$326.1 million (100%), \$349.7 million (101.84%) and \$205.2 million (106.25%), respectively.

Holders of Thompson Creek’s stock options were issued 111,341 replacement options to acquire common shares of Centerra, with the number of shares and exercise price adjusted for the exchange conversion ratio (note 25(d)).

ii) Stream Arrangement

In connection with the Acquisition, the streaming arrangement with Royal Gold associated with the Mount Milligan Mine was amended concurrently with closing of the Acquisition. Under the terms of the amendment, Royal Gold’s 52.25% gold stream, based on ounces of produced gold, and first ranking security at Mount Milligan has been converted to a 35% gold stream and 18.75% copper stream, based on copper produced, with a consistent change to the first ranking security. Royal Gold will continue to pay US\$435 per ounce of gold delivered and will pay 15% of the spot price per metric tonne of copper delivered. Royal Gold also continues to have a security interest over all of the Mount Milligan Mine assets.

iii) Financing

In connection with the Acquisition, as described in note 25, on July 20, 2016, the Company closed an offering under which the underwriters purchased 26,599,500 Subscription Receipts (“the Offering”) on a bought deal basis. Upon completion of the Acquisition, the net proceeds of the Offering, Cdn\$185.7 million, were used to partially fund the redemption of the Secured and Unsecured Notes of Thompson Creek and each Subscription Receipt holder received without payment of additional consideration or further action, one common share of Centerra. As stipulated in the Subscription Receipt agreement, Subscription Receipt holders were paid \$0.8 million (Cdn\$0.04 per subscription receipt held), in lieu of the dividend paid to common shareholders in August 2016 (note 25(c)). Upon closing of the Acquisition, 26,599,500 Centerra common shares were issued to settle the issued Subscription Receipts (note 25(a)).

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Concurrently with the closing of the Acquisition, Centerra B.C. Holdings entered into a credit agreement with a lending syndicate, as lead arranger and administrative agent, providing for a \$250 million senior secured non-revolving term credit facility and a \$75 million senior secured revolving term credit facility to finance a portion of the Acquisition and to pay certain related fees and expenses (note 14).

iv) Purchase price allocation

The Company determined that the Acquisition was a business combination in accordance with the definition in IFRS 3, *Business Combinations* (“IFRS 3”), and as such has accounted for it in accordance with this standard, with Centerra being the accounting acquirer on the acquisition date of October 20, 2016.

The Company engaged an external third party valuator to assist in the determination of the fair value of the acquired assets and liabilities. A discounted cash flow model was used to estimate the fair values of the producing properties, where expected future cash flows were based on estimates of future production and commodity prices, operating costs and forecast capital expenditures based on the respective life of mine plan as at the acquisition date.

The following table summarizes the preliminary fair value of the identified assets acquired and liabilities assumed from Thompson Creek, based on the calculated fair value estimates.

	October 20, 2016
<u>Total consideration</u>	
Cash paid to debtholders	\$ 881,018
Common share issuance (exchange for Thompson Creek shares)	112,368
Capital leases assumed	33,712
	<u>\$ 1,027,098</u>
<u>Assets acquired</u>	
Current assets	
Cash and cash equivalents	\$ 98,054
Amounts receivable	29,577
Inventories	119,454
Prepaid expenses and other assets	6,687
	<u>\$ 253,772</u>
Non-current assets	
Reclamation deposits and restricted cash	\$ 10,084
Property, plant and equipment	905,575
Other assets	13,951
	<u>\$ 929,610</u>
Total assets	\$ 1,183,382
<u>Liabilities assumed</u>	
Accounts payable and accrued liabilities	\$ 60,347
Asset retirement obligations	81,766
Other liabilities	30,241
Total liabilities	\$ 172,354
Net assets acquired	1,011,028
Goodwill	\$ 16,070

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The goodwill generated from the Acquisition was allocated to the North American Gold Copper CGU.

The Company's consolidated financial statements include \$74.4 million in revenues and net earnings of \$11.6 million from the Centerra B.C. Holdings group of companies for the period from October 20, 2016 to December 31, 2016. If the transaction had been completed on January 1, 2016, Centerra B.C. Holdings would have contributed additional revenues of \$343.4 million, for the period of January 1, 2016 to October 19, 2016. Consolidated revenues including pre-merger Thompson Creek would be \$1,104.1 million for the year ended December 31, 2016.

Centerra B.C. Holdings had a loss of \$55.5 million from January 1, 2016 to October 19, 2016 (inclusive of restructuring, transaction costs and interest expense), and including this amount would have decreased net earnings for the year ended December 31, 2016 to \$96.1 million.

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 of \$6 million relating to the arrangement have been expensed in the Statement of Earnings accordance with IFRS 3. In addition, due diligence costs and integration costs of \$3.3 million and \$2.6 million, respectively, were incurred in connection with the Acquisition:

	2016
Due diligence costs	\$ 3,346
Transaction costs	6,046
Integration costs	2,623
	\$ 12,015

7. Cash and Restricted cash

	2016	2015
<u>Current</u>		
Cash deposits held subject to court order (a)	\$ 247,844	\$ -
<u>Non-current</u>		
Öksüt Project (b)	550	623
Dividend trust account	-	9,366
Other	274	-
	824	9,989
Total	\$ 248,668	\$ 9,989

(a) As discussed in note 26, a Kyrgyz Republic court order requires cash generated from the Kumtor Project to continue to be held in KGC and among other things restrict the distribution of such cash to Centerra and any other Centerra group entities as a loan, advance or dividend. The restricted cash is however available to fund Kumtor's operation.

(b) In 2015, OMAS signed an agreement with a supplier to provide electrical power to the Öksüt Project. As part of the agreement, OMAS was required to deposit \$0.6 million, in equivalent Turkish Liras, in a restricted bank account, which the supplier has the right to claim in the event of a breach of contract by OMAS. The decrease in the December 31, 2016 balance represents movement in the underlying local currency exchange rate.

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The cash and cash equivalents balance at December 31, 2016 of \$160 million includes \$99.8 million held in Centerra Gold Inc., \$51.6 million held in Centerra B.C Holdings, the subsidiary that owns all of the former Thompson Creek assets, and the remaining \$8.6 million in other Company subsidiaries. Under the terms of the Centerra B.C. Holdings Credit Facility, the Company is required to prepay a portion of the loan in an amount equal to any amounts paid to Centerra as a dividend. Included in the funds held in Centerra Gold Inc. is \$50 million that can only be used for Mongolian purposes.

8. Amounts receivable

	2016	2015
Gold sales receivable from related party (note 27)	\$ 11,611	\$ 25,725
Gold and copper concentrate sales receivable from third party	9,704	-
Molybdenum sales receivable from third party	14,439	-
Provisionally priced sales receivable from third party	4,148	-
Consumption tax receivable	4,854	1,840
Other receivables	3,475	1,216
Total amounts receivable	48,231	28,781
Less: Provision for credit losses	(134)	-
Total amounts receivable (net of provision)	\$ 48,097	\$ 28,781

The aging of amounts receivable at each reporting date was as follows:

	2016	2015
Less than one month	\$ 32,195	\$ 26,481
One to three months	4,874	860
Three to six months	10,516	302
Over six months	646	1,138
Total amounts receivable	\$ 48,231	\$ 28,781
Less: Provision for credit losses	(134)	-
Total amounts receivable (net of provision)	\$ 48,097	\$ 28,781

As at December 31, 2016, provisionally priced amounts receivable from gold and copper concentrate sales of \$2.7 million and \$1.4 million were included within less than one month and one to three months, respectively. These sales are provisionally priced and settle at prices determined at a future date pursuant to various off-take agreements (note 3(o)). No provision for credit losses has been made for gold and copper concentrate sales.

9. Inventories

	2016	2015
Stockpiles of ore	\$ 252,357	\$ 144,758
Gold in-circuit	20,304	23,155
Heap leach in circuit	-	226
Gold doré	7,710	5,632
Copper and gold concentrate	29,113	-
Molybdenum inventory	28,923	-
	338,407	173,771
Supplies	204,092	173,240
Total inventories (net of provisions)	\$ 542,499	\$ 347,011
Less: Long-term supplies inventory (note 12)	(1,746)	-
Total inventories - current portion	\$ 540,753	\$ 347,011

Copper and gold concentrate and molybdenum inventories relate to operations acquired as part of the Thompson Creek Acquisition (note 6). The amount of inventories recognized as an expense during the year ended December 31, 2016 was \$414.9 million (year ended December 31, 2015 - \$356.5 million) and is included in cost of sales. In the twelve months ended December 31, 2016, the Company has recognized a reversal of \$27.2 million in NRV charges recorded against gold inventories at Kumtor that was recorded as at December 31, 2015. See note 18 for additional information.

Molybdenum inventory of \$28.9 million as at December 31, 2016 included work-in-process inventory of \$16.3 million and finished goods inventory of \$12.6 million

The Company recorded a provision for supplies obsolescence of \$26.6 million as at December 31, 2016 (December 31, 2015 - \$21.1 million), resulting in supplies inventory net of the provision of \$204.1 million as at December 31, 2016 (December 31, 2015 - \$173.2 million).

10. Prepaid expenses

	2016	2015
Insurance	\$ 6,593	\$ 4,261
OMAS credit facility financing fees (note 14)	4,203	-
Deposits for consumable supplies	5,119	4,657
Advances for project development	-	1,453
Other	2,503	2,509
Total	\$ 18,418	\$ 12,880

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11. 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, 2015	\$ 407,872	\$ 208,931	\$ 907,614	\$ 458,218	\$ 72,591	\$ 2,055,226
Additions	687	14,958	210,553	57	72,150	298,405
Acquisition of interest in Greenstone Partnership	65	75,653	-	-	-	75,718
Disposals	(14,544)	(11,652)	-	(44,272)	(200)	(70,668)
Reclassification	51,900	1,767	-	41,066	(94,733)	-
Balance December 31, 2015	\$ 445,980	\$ 289,657	\$ 1,118,167	\$ 455,069	\$ 49,808	\$ 2,358,681
Acquisition of Thompson Creek (note 6)	598,072	205,019	-	74,221	28,263	905,575
Additions	740	21,039	136,690	164	101,390	260,023
Disposals	(2,355)	(146)	-	(1,803)	-	(4,304)
Fully depreciated assets	(80)	-	(1,073,133)	(42,974)	-	(1,116,187)
Reclassification	41,554	1,680	-	53,261	(96,495)	-
Balance December 31, 2016	\$ 1,083,911	\$ 517,249	\$ 181,724	\$ 537,938	\$ 82,966	\$ 2,403,788
Accumulated depreciation						
January 1, 2015	\$ 262,239	\$ 156,820	\$ 795,786	\$ 315,682	\$ -	\$ 1,530,527
Charge for the year	16,661	8,052	109,437	69,684	-	203,834
Disposals	(12,852)	(11,648)	-	(44,196)	-	(68,696)
Balance December 31, 2015	\$ 266,048	\$ 153,224	\$ 905,223	\$ 341,170	\$ -	\$ 1,665,665
Charge for the year	25,153	5,791	194,507	68,061	-	293,512
Disposals	(2,312)	-	-	(1,781)	-	(4,093)
Fully depreciated assets	(80)	-	(1,073,133)	(42,974)	-	(1,116,187)
Balance December 31, 2016	\$ 288,809	\$ 159,015	\$ 26,597	\$ 364,476	\$ -	\$ 838,897
Net book value						
Balance December 31, 2015	\$ 179,932	\$ 136,433	\$ 212,944	\$ 113,899	\$ 49,808	\$ 693,016
Balance December 31, 2016	\$ 795,102	\$ 358,234	\$ 155,127	\$ 173,462	\$ 82,966	\$ 1,564,891

During the year ended December 31, 2016, the Company offset \$1,116 million of fully depreciated capitalized stripping costs and mobile equipment with the associated accumulated depreciation. The net impact to the PP&E balance was nil.

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

	2016	2015
Amount recorded in cost of sales (note 18)	\$ 205,912	\$ 203,598
Amount recorded in corporate administration (note 19)	409	454
Amount recorded in standby costs	(1,175)	1,338
Amount recorded in care & maintenance costs	30	-
Total included in Statement of Earnings	205,176	205,390
Inventories movement (note 31(a))	52,076	(52,693)
Amount capitalized in PP&E (note 31(b))	36,260	51,137
Depreciation, depletion and amortization charge for the year	\$ 293,512	\$ 203,834

12. Other assets and Other liabilities

	2016	2015
Other assets:		
Long-term deposits and receivables (a)	\$ 6,326	\$ 1,509
Long-term supplies inventory (note 9) (b)	1,746	-
Prepayment for capital spares (c)	7,959	-
Derivative assets (note 29)	904	-
Prepayments for property, plant and equipment (d)	4,299	1,704
Other assets	4,494	4,559
Total other assets	\$ 25,728	\$ 7,772
Other liabilities:		
Deferred vendor payables (e)	\$ 14,291	\$ -
Post-retirement benefits (note 24)	3,541	-
Derivative liabilities (note 29)	1,512	-
Liabilities for unrecognized tax benefits	4,109	-
Other liabilities	60	-
Total other liabilities	23,513	-
Current portion of other liabilities	(1,563)	-
Non-current portion of other liabilities	\$ 21,950	\$ -

- a) Includes \$2.6 million (December 31, 2015 - nil) security deposit for the Company's leased assets (note 15), \$2.5 million (December 31, 2015 - nil) of fees recoverable, \$0.7 million (December 31, 2015 - \$1.5 million) consumption tax receivable and \$0.5 million (December 31, 2015 - nil) of cash collateral for a bond with a utility company.
- b) Long-term inventories represent materials and supplies for the Endako Mine which is currently in care and maintenance.
- c) Prepayment for capital spares represents capitalized Component Operating Cost Program ("COCP") payments. Under the COCP, the Company is required to make regular payments for ongoing repair and replacement of material equipment components of assets held under finance leases (note 15). The portion of payments

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attributable to the replacement of equipment components that extend the useful life of the equipment has been capitalized.

- d) Prepayments for property, plant and equipment represents vendor advances of \$2.4 million and \$1.9 million (December 31, 2015 – nil and \$1.7 million, respectively) for fixed asset purchases for the Öksüt Project and Kumtor Mine, respectively.
- e) Deferred vendor payable represents amounts due to BC Hydro and Power Authority. In February 2016, a deferred energy program was announced to provide relief to mining operations located in British Columbia, Canada. Under the program, mines would be able to defer up to 75 per cent of their electricity bills for up to 24 months, with repayment over five years. Repayment for deferred energy costs is dependent on average monthly copper prices and the average monthly Cdn\$/USD exchange rate. If the average monthly copper price converted to Canadian dollars exceeds C\$3.40/pound, then a portion of the deferred energy liability will be due and payable in the subsequent month.

13. Accounts payable and accrued liabilities

	2016	2015
Trade creditors and accruals	\$ 92,715	\$ 65,765
Amount due to Royal Gold (a)	29,170	-
Liability for share-based compensation (note 25)	8,457	9,527
Total	\$ 130,342	\$ 75,292

- (a) A subsidiary of Royal Gold holds a streaming interest in the production at Mount Milligan Mine, as described in note 6. As a result, when a trade receivable is recorded in relation to a third party customer gold and copper concentrate delivery, a corresponding liability to Royal Gold is generated.

14. Debt

	2016	2015
<u>Centerra B.C. Holdings Credit Facility</u>		
Term Facility	\$ 250,000	\$ -
Revolving Facility	74,363	-
Less: deferred financing fees	(6,528)	-
	317,835	-
Less: current portion (net of deferred financing fees)	(47,943)	-
	269,892	-
<u>EBRD Facility</u>		
EBRD revolving credit facility	150,000	76,000
Less: deferred financing fees	(2,703)	-
	147,297	76,000
Less: current portion (net of deferred financing fees)	(24,338)	(76,000)
	122,959	-
Short-term debt	72,281	76,000
Long-term debt	392,851	-
Total	\$ 465,132	\$ 76,000

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Centerra B.C. Holdings Credit Facility

In connection with the Acquisition, as described in note 6, Centerra B.C. Holdings, entered into a credit agreement with a lending syndicate with an aggregate principal amount of \$325 million to finance a portion of the Acquisition and to pay certain related fees and expenses.

Finance fees for the facility are deferred and amortized over the term of the facility. The five-year term facility consists 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”). The Term Facility was used to fund part of the Acquisition, while \$49.4 million of the Revolving Facility was used for the Acquisition. The principal amount of the Term Facility is to be repaid in \$12.5 million quarterly increments commencing March 31, 2017, while the Revolving Facility is to be repaid at the end of the five-year term. Centerra B.C. Holdings must make a matching pre-payment on the Term Facility when declaring a dividend to Centerra Gold Inc. In the fourth quarter of 2016, the Company drew an additional \$25 million of the Revolving Facility, to be used for working capital purposes. The terms of the Credit Facility require compliance with specified covenants (including financial covenants – commencing in the first quarter of 2017). In January 2017, the covenants for 2017 were amended to reflect the planned 2017 production profile.

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.

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

(1) The interest rate applied is dependent on a covenant 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

On February 12, 2016, the Company entered into a new five-year \$150 million revolving credit facility with European Bank for Reconstruction and Development (“the EBRD Facility”). In connection with the fourth quarter second tranche withdrawal, EBRD waived a condition precedent to the drawing of an additional \$50 million under the facility for the purposes of funding direct and indirect costs associated with the Gatsurt 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 \$110.7 million as at December 31, 2016 (December 31, 2015 - \$136.5 million), and maintain compliance with specified covenants (including financial covenants). In February 2017, EBRD agreed to amend the collateral coverage ratio associated with the EBRD Facility in consideration of the KGC interim order. The Company was in compliance with the covenants for the year ended December 31, 2016.

Funds drawn under the EBRD Facility are available to be re-drawn on a semi-annual basis and at the Company’s discretion, repayment of the loaned funds may be extended until 2021. In connection with the amendment to the collateral coverage ratio the Company was required to repay \$25 million of the EBRD Facility in 2017, which were paid in February 2017, and therefore \$25 million has been classified as a current debt obligation and the remaining \$125 million as non-current debt obligation as at December 31, 2016.

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	2016	2015
<u>EBRD Facility</u>		
Undrawn amount of the facility	\$ -	\$ 74,000
Interest rate - six month LIBOR plus ⁽¹⁾ :		
First tranche - \$100 million	3.0%	2.9%
Second tranche - \$50 million	5.0%	N/A

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

OMAS Facility

On April 5, 2016, OMAS a wholly-owned subsidiary of the Company, entered into the \$150 million OMAS Facility expiring 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 or waived by the deadline of June 30, 2017 or an additional extension is not granted by the lenders, the commitments under the OMAS Facility will be cancelled. 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 Centerra'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.

As at December 31, 2016, \$4.2 million of OMAS Facility deferred financing fees were included in prepaid expenses (note 10) as the Company has yet to draw from the facility. The deferred financing fees are being amortized over the term of the OMAS Facility consistent with IFRS 9 (note 29). The OMAS Facility is secured by Öksüt assets and is non-recourse to the Company.

	2016
<u>OMAS Facility</u>	
Undrawn amount of the facility	\$ 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.

15. Leases

	2016	2015
Equipment Facility leases	\$ 29,901	\$ -
	\$ 29,901	\$ -

As part of the Acquisition (note 6), on October 20, 2016, the Company assumed Thompson Creek's capital equipment lease obligations of \$33.7 million owed to Caterpillar in relation to the mobile fleet equipment for the Mount Milligan Mine.

On December 22, 2016, the Company entered into a refinance commitment to consolidate and refinance the Company's finance leases whereby the Company would purchase the assets held under finance leases through a loan ("Promissory Note") provided by Caterpillar. The Promissory Note was subsequently signed on January 25, 2017. The Promissory Note is repayable on February 28, 2018. Interest on the Promissory Note is at three-month LIBOR + 4.93% paid quarterly in arrears. The refinancing of the finance leases defers payments of \$22.7 million previously

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due in 2017. The Promissory Note is secured by assets previously held under finance leases and contains certain non-financial covenants. The terms of the finance leases outstanding as at December 31, 2016 are not considered to be substantially different under the Promissory Note.

See note 30 for future lease payments under finance leases as at December 31, 2016.

16. Taxes

a. Revenue based taxes - Kumtor

Kumtor pays taxes on revenue, at a rate of 13% of gross revenue, with an additional contribution of 1% of gross revenue payable to the Issyk-Kul Oblast Development Fund.

During the year ended December 31, 2016, the 13% revenue-based tax expense recorded by Kumtor was \$89.4 million (year ended December 31, 2015 - \$78.6 million), while the Issyk-Kul Oblast Development Fund contribution of 1% of gross revenue totalled \$6.9 million (year ended December 31, 2015 - \$6 million).

As at December 31, 2016, \$19.2 million of revenue-based tax was payable to the Kyrgyz Government (December 31, 2015 – \$9.2 million).

b. Income tax expense

	2016	2015
Current tax	\$ 5,365	\$ 191
Deferred tax	(863)	258
Total Income tax expense	\$ 4,502	\$ 449

No entities, other than those in Mongolia, Netherlands, Canada and the United States recorded an income tax expense during the years ended December 31, 2016 and December 31, 2015.

A reconciliation between income tax expense and the product of accounting profit multiplied by the Company's weighted average tax rate applicable to profits of the consolidated entities is provided below:

	2016	2015
Earnings before income tax	\$ 156,040	\$ 42,078
Income tax expense calculated at Canadian tax rates if applicable to earnings in other countries.	41,350	11,151
Income tax effects of:		
Difference between Canadian tax rate and rates applicable to subsidiaries in other countries	(51,641)	(30,872)
Change in unrecognized deductible temporary differences	(757)	(3,195)
Impact of foreign currency movements	10,066	1,768
Non-deductible employee costs	3,033	692
Mongolian withholding tax on dividends	3,250	-
BC mining tax	633	-
Other non-deductible expenses or non-taxable items	(1,432)	20,905
	\$ 4,502	\$ 449

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c. Deferred income tax

The following are significant components of deferred income tax assets and liabilities:

	2016	2015
Deferred income tax assets:		
Provisions - asset retirement obligation and other	\$ 5,681	\$ 8,508
Total deferred tax assets	\$ 5,681	\$ 8,508
Deferred income tax liabilities:		
Property plant and equipment	\$ (7,493)	\$ (6,342)
Cash and cash equivalents	-	(3,760)
Short-term investments	-	(930)
Other	151	-
Total deferred tax liabilities	\$ (7,342)	\$ (11,032)
Net deferred tax liabilities	\$ (1,661)	\$ (2,524)

The Company has not recognized the following deferred income tax assets:

	Tax losses income ^(a)	Tax losses capital	Exploration	Asset retirement obligation	Property, plant and equipment ^(b)	Tax credits	Other	Total
December 31, 2016								
Expiring within one year	\$ 4,064	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4,064
Expiring within one to five years	14,399	-	-	-	-	-	-	14,399
Expiring after five years	679,739	-	-	-	-	-	-	679,739
No expiry date	-	38,527	101,747	50,252	181,256	86,457	64,526	522,765
	\$ 698,202	\$ 38,527	\$ 101,747	\$ 50,252	\$ 181,256	\$ 86,457	\$ 64,526	\$ 1,220,967
December 31, 2015								
Expiring within one to five years	\$ 18,409	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	18,409
Expiring after five years	132,691	-	-	-	-	-	-	132,691
No expiry date	296	28,446	48,547	-	-	-	7,765	85,054
	\$ 151,396	\$ 28,446	\$ 48,547	\$ -	\$ -	\$ -	\$ 7,765	\$ 236,154

(a) The utilization of United States net operating loss carryforwards of \$72.9 million will be limited in any year as a result of the change in ownership.

(b) The PP&E deferred income tax assets includes resources expenditures for operating mines.

The Company also has a deferred mining tax asset for BC mining tax of \$74.4 million that is not recognized.

At December 31, 2016, no deferred tax liabilities have been recognized in respect of the aggregate amount of \$1,133 million (December 31, 2015 - \$820 million) of taxable temporary differences associated with investments in subsidiaries. The Company controls the timing and circumstances of the reversal of these differences, and the differences are not anticipated to reverse in the foreseeable future.

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d. Taxes payable and receivable

	2016	2015
Other taxes payable	\$ 1,199	\$ 1,286
Income taxes payable	1,103	-
Total taxes payable	2,302	1,286
Income taxes receivable ^(a)	(709)	-
Total taxes payable and receivable	\$ 1,593	\$ 1,286

^(a) Income taxes receivables are included within amounts receivable (note 8).

17. Provision for reclamation

	2016	2015
Kumtor gold mine	\$ 51,593	\$ 40,861
Boroo gold mine	23,044	23,520
Mount Milligan mine	24,211	-
Thompson Creek mine	31,744	-
Endako mine	26,046	-
Gatsuurt Project	1,778	1,768
Total provision for reclamation	158,416	66,149
Less: current portion	(918)	(1,062)
	\$ 157,498	\$ 65,087

Centerra's estimates of future asset retirement obligations are based on standards that meet reclamation regulatory requirements. The Company estimates its total undiscounted future decommissioning and reclamation costs to be \$221.9 million at December 31, 2016, including \$122.9 million assumed from the sites related to the Acquisition – Note 6 (December 31, 2015 - \$84.2 million):

Undiscounted costs (millions)	Total	Kumtor	Boroo	Gatsuurt	Mount Milligan	Endako	Thompson Creek
December 31, 2016	\$221.9	\$65.7	\$31.0	\$2.3	\$40.9	\$36.1	\$45.9
December 31, 2015	\$84.2	\$52.5	\$29.4	\$2.3	N/A	N/A	N/A

The carrying amount of the asset retirement obligations and the expected timing of payment of the cash flows are based on the life of mine plans with the following key assumptions:

	Kumtor	Boroo	Gatsuurt	Mount Milligan	Endako	Thompson Creek
Start date	2026	Ongoing	2027	2038	2028	2031
Risk-free discount rate (2016)	2.45%	2.59%	2.48%	2.30%	1.84%	2.62%
Risk-free discount rate (2015)	2.31%	2.35%	2.31%	N/A	N/A	N/A

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In the year ended December 31, 2016, the Company updated the Kumtor conceptual closure plan, leading to an increase in the undiscounted costs associated with reclamation of \$13.2 million, primarily as a result of design updates and inclusion of a requirement to regrade all waste dumps.

The Company completed its regularly scheduled update to its closure costs estimates at Boroo and Gatsuurt in 2014, which included development work already completed at the Gatsuurt site. Mount Milligan, Endako and Thompson Creek completed their regularly scheduled updates to their closure costs estimates in December 2016.

The following is a reconciliation of the provision for the reclamation liability amount:

	2016	2015
Balance at January 1	\$ 66,149	\$ 67,916
Obligations assumed as a result of the Acquisition (note 6)	81,766	-
Liabilities paid	(613)	(1,004)
Change in estimates ^(a)	9,238	(2,285)
Accretion expense (note 23)	1,876	1,522
Total provision for reclamation	158,416	66,149
Less: current portion	(918)	(1,062)
Balance at December 31	\$ 157,498	\$ 65,087

^(a)In the year ended December 31, 2016, the discounted change in estimates includes: increases in Kumtor of \$9.8 million and a decrease in Boroo and Thompson Creek of \$0.5 million and \$0.1 million, respectively.

In 1998, a Reclamation Trust Fund was established to cover the future costs of reclamation, net of salvage values, at the Kumtor gold mine. This restricted cash is funded based on the estimated yearly production, annually in arrears, over the life of the mine. On December 31, 2016, this fund had a balance of \$22.0 million (December 31, 2015 - \$18.9 million).

The Company is required by US federal and state laws and Canadian provincial laws to provide financial assurance sufficient to allow a third party to implement approved closure and reclamation plans at Mount Milligan, Endako and Thompson Creek mine if the Company is unable to do so. These laws are complex and vary from jurisdiction to jurisdiction. The laws govern the determination of the scope, cost of the closure, reclamation obligation and the amount and forms of financial assurance. As of December 31, 2016, the Company has provided the appropriate regulatory authorities in the US and Canada with \$73.4 million in reclamation bonds for mine closure obligations, partially secured by a cash deposit.

December 31, 2016 - Reclamation bonds	Total	Mount Milligan	Endako	Thompson Creek
Total (millions)	\$73.4	\$22.5	\$8.6	\$42.3
Cash collateral (millions)	\$10.0	Nil	Nil	\$10.0

	2016	2015
Kumtor reclamation trust fund	\$ 21,953	\$ 18,909
Thompson Creek Mine	10,000	-
Other	82	-
Total	\$ 32,035	\$ 18,909

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18. Cost of sales

	2016	2015
Operating costs:		
Salaries and benefits	\$ 67,584	\$ 59,435
Consumables and maintenance charges	146,440	93,856
Third party services	7,742	3,761
Other operating costs	10,489	10,160
Royalties, levies and production taxes	378	874
By-product sales ^(a)	(3,680)	-
Changes in inventories	3,093	(15,223)
	232,046	152,863
Supplies inventory obsolescence charge (note 9)	3,900	1,729
Inventory impairment (note 9)	(27,216)	27,216
Provision for reclamation adjustment	-	(947)
Depreciation, depletion and amortization (note 11)	205,912	203,598
	\$ 414,642	\$ 384,459

^(a) 2016 by-product sales includes \$2.2 million of silver sales.

19. Corporate administration

	2016	2015
Administration and office costs	\$ 4,850	\$ 3,457
Professional fees	4,330	7,710
Salaries and benefits	13,718	13,131
Share-based compensation	4,276	11,028
Depreciation and amortization (note 11)	409	454
	\$ 27,583	\$ 35,780

As part of the Acquisition, the Company assumed Thompson Creek's corporate office in Denver, Colorado, which contributed \$1.7 million to corporate administration costs for the period from October 20, 2016 to December 31, 2016.

20. Pre-development project costs

	2016	2015
Greenstone Gold Property	\$ 10,687	\$ 9,310
Öksüt Project	-	3,942
	\$ 10,687	\$ 13,252

On July 28, 2015, the Board of Directors of the Company made the decision to advance the Öksüt Project and commit to additional costs, including long lead time items. In accordance with the Company's accounting policies, costs incurred subsequent to this date, associated with the development of the Öksüt Project, are capitalized. In the year ended December 31, 2016, the Company capitalized Öksüt Project development costs of \$11.8 million (2015 - \$5.4 million) as Construction in Progress, part of PP&E (note 11).

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21. Other operating expenses

	2016	2015
Social development contributions	\$ 1,075	\$ 2,549
Gatsurt Project care and maintenance	580	138
Selling and marketing (a)	1,089	-
Sundry income	-	(818)
	\$ 2,744	\$ 1,869

a) Selling and marketing costs primarily comprised of freight charges associated with the Mount Milligan Mine and Langeloth processing facility.

22. Other (income) expenses, net

	2016	2015
Interest income	\$ (2,490)	\$ (1,428)
Foreign exchange loss	1,087	6,073
Provision for credit losses (note 8)	134	-
Change in fair value of non-hedge financial instruments	524	-
Ineffective portion of hedging financial instruments	4	-
Miscellaneous expense (income)	701	(1,270)
	\$ (40)	\$ 3,375

23. Finance costs

	2016	2015
<u>EBRD Facility:</u>		
Interest expense	\$ 3,993	\$ 2,463
Financing costs amortized	424	66
Commitment fees	272	375
<u>Centerra B.C. Holdings Credit Facility:</u>		
Interest expense	3,124	-
Financing costs amortized	439	-
Commitment fees	11	-
<u>OMAS Facility:</u>		
Financing costs amortized	457	-
Accretion expense (note 17)	1,876	1,522
Other financing fees	457	-
	\$ 11,053	\$ 4,426

24. Employee benefits

Defined Contribution Pension Plans

Centerra, as a result of the acquisition of Thompson Creek, is required to maintain defined contribution pension plans. The Thrift Plan (the "Plan") is a defined contribution pension plan and covers all eligible employees employed in the US. The Plan is subject to the provisions of the US Employee Retirement Income Security Act of 1974, as amended, and Section 401(k) of the US Internal Revenue Code. The assets of the Plan are held and the related investment transactions are executed by the Plan's trustee. Administrative fees, including accounting and attorney fees, are paid by the Company on behalf of the Plan. The Company contributed approximately \$0.2 million, from October 20, 2016 to December 31, 2016. The Company may make additional contributions to the Plan at its sole discretion; however, there are no further obligation relating to benefits under this Plan.

As part of the Acquisition, the Company also assumed a Registered Pension Plan (the "Pension Plan") covering all of the former Thompson Creek's Canadian employees. The assets of the Pension Plan are held and the related investment transactions are executed by the Pension Plan's trustee. Administrative fees, including any accounting and legal fees, are paid by the Company on behalf of the Pension Plan. All participating locations of the Pension Plan contributed Cdn\$0.2 million from October 20, 2016 to December 31, 2016. The Company has no further obligation relating to pension benefits under this Pension Plan.

Post-retirement benefits

Under the union agreement at the Langeloth Facility, the Company is required to provide post- retirement medical benefits for certain retired former employees and their dependents by making the monthly medical insurance premium payments on their behalf. Substantially all service requirements are met at the time of retirement, as specified in the union agreement. The benefit ceases when the eligible retired employee reaches 65 years of age. The Company does not have any obligation related to eligible retired unionized employees beyond the monthly medical insurance premiums. Prior service costs, actuarial gains and losses and transition obligations are amortized over the average life expectancy of the plan's participants.

The liability for this obligation of \$3.5 million was included in other liabilities of the Company's Statement of Financial Position as of December 31, 2016.

The assumptions used to determine the benefit obligations as of December 31, 2016 included a discount rate of 4.0%. The health care cost trend assumed that average cost of coverage was 7.0% for 2016, reduced by 0.25% annually from 2018 to 2021 and from there being reduced by 0.5% to an ultimate trend of 4.5% in 2025 and beyond. The assumed health care cost trend rates can have a significant effect on the amounts reported for post-retirement medical benefits. The effect of a one percent change in the health care cost trend rate used to calculate periodic post-retirement medical costs and the related benefit obligation would be insignificant to this benefit obligation.

The expected post-retirement medical benefits provided below were based on actuarial assumptions:

Expected benefit payments:	
2017	\$ 66
2018	76
2019	128
2020	177
2021	215
2022-2026	<u>1,504</u>
	<u>\$ 2,166</u>

25. Shareholders' equity

a. Share capital

Centerra is authorized to issue an unlimited number of common shares, class A non-voting shares and preference shares with no par value.

	<u>Number of common shares</u>		<u>Amount</u>
Balance at January 1, 2015	236,403,958	\$	660,554
Shares issued on exercise of stock options	461,697		2,951
Shares issued on redemption of restricted share units	61,077		340
Purchase of Öksüt royalty	962,542		4,860
Balance at December 31, 2015	237,889,274	\$	668,705
Shares issued on exercise of stock options	337,669		2,314
Shares issued on redemption of restricted share units	5,504		28
Shares issued to settle obligations	4,117,120		19,857
Shares issued to former Thompson Creek shareholders	22,327,001		112,368
Shares issued in equity offering	26,599,500		149,082
Equity offering issuance costs	-		(7,721)
Balance at December 31, 2016	291,276,068	\$	944,633

The Acquisition was completed by the exchange of common shares, whereby one Thompson Creek share was exchanged for 0.0988 Centerra common shares (note 6), for a total of 22,327,001 shares of the Company. The value of the Centerra shares issued was \$112.4 million (including \$1.6 million relating to the settlement of performance share units and restricted share units) using the October 19, 2016 closing common share price of Cdn\$6.60.

Additionally, in connection with the Acquisition, on July 20, 2016, the Company closed an offering under which the underwriters purchased on a bought deal basis 26,599,500 Subscription Receipts, which were redeemed for common shares upon the close of the Acquisition on October 19, 2016. Proceeds from the Centerra shares issued were \$141.4 million, net of issuance costs of \$7.7 million.

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b. Earnings per share

Basic and diluted earnings per share computation:

	2016	2015
Net earnings attributable to shareholders	\$ 151,538	\$ 41,629
Adjustment to earnings:		
Impact of performance share units accounted for as equity-settled	(553)	-
Impact of restricted share units treated as equity-settled	(207)	-
Net earnings for the purposes of diluted earnings per share	\$ 150,778	\$ 41,629
<hr/> (Thousands of common shares)		
Basic weighted average number of common shares outstanding	251,458	236,592
Effect of potentially dilutive securities:		
Stock options	494	359
Restricted share units	127	-
Diluted weighted average number of common shares outstanding	252,079	236,951
<hr/>		
Basic earnings per common share	\$ 0.60	\$ 0.18
Diluted earnings per common share	\$ 0.60	\$ 0.18

For the years ended December 31, 2016 and 2015, 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 ordinary shares for the period.

Potentially dilutive securities are summarized below:

(Thousands of units)	2016	2015
Stock options	2,023	1,924
Restricted share units	-	218
	2,023	2,142

c. Dividends

Dividends are declared and paid in Canadian dollars.

In the year ended December 31, 2016, the Company's Board of Directors approved three quarterly dividend payments of Cdn\$0.04 per common share, paid to common shareholders in March 2016, May 2016 and August 2016. As described in note 30(d), no further dividends have been declared or paid by the Company.

As stipulated in the Subscription Receipt agreement, Subscription Receipt holders were paid \$0.8 million (Cdn\$0.04 per subscription receipt held), in lieu of the dividend paid to common shareholders in August 2016 (note 6).

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The details of dividends declared in 2016 and 2015 are as follows:

	2016		2015	
Dividends declared (U.S. dollars)	\$	22,946	\$	29,389
Dividends declared (Canadian Dollars per share amount)	\$	0.12	\$	0.16

d. Share-based compensation

The impact of share-based compensation as of and for the years ended December 31, 2016 and 2015 is summarized as follows:

	Number outstanding Dec 31, 2016	(Millions of U.S. dollars except as indicated)			
		Expense		Liability	
		2016	2015	Dec 31, 2016	Dec 31, 2015
(i) Stock options	5,363,755	\$ 2.5	\$ 2.6	\$ -	\$ -
(ii) Performance share units	1,652,792	1.5	8.9	6.8	8.0
(iii) Deferred share units	216,542	-	0.1	1.0	1.0
(iv) Restricted share units	147,064	0.6	0.8	0.7	0.5
		\$ 4.6	\$ 12.4	\$ 8.5	\$ 9.5

(i) Stock options

Under the Company's Stock Option plan, options to purchase common shares of the Company may be granted to officers and employees. The exercise price of options granted under this plan is not less than the weighted average common share price for the five trading days prior to the date of grant. Options granted vest over three years and expire after eight years from the date granted.

Centerra's stock options transactions during the year were as follows:

	2016			2015		
	Number of Options	Weighted Average Exercise Price (Cdn\$)	Number of Options	Weighted Average Exercise Price (Cdn\$)	Number of Options	Weighted Average Exercise Price (Cdn\$)
Balance, January 1	4,793,592	\$ 7.75	3,868,334	\$ 8.21		
Granted	1,281,329	9.15	1,572,592	6.10		
Forfeited	(373,497)	(10.03)	(185,639)	(9.03)		
Exercised ^(a)	(337,669)	(6.10)	(461,695)	(5.47)		
Balance, December 31	5,363,755	\$ 8.03	4,793,592	\$ 7.75		

^(a) The weighted average market price of shares issued for options exercised in the year ended December 31, 2016 was Cdn\$7.52 (year ended December 31, 2015 - Cdn\$7.53).

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The Black-Scholes model was used to estimate the fair value of stock options. The following assumptions were used for the options issued in the years ended December 31, 2016 and 2015:

Grant date	Number of options	Grant price (Cdn\$)	Expected life	Share price volatility^(b)	Dividend yield	Risk free rate	Fair value price (Cdn\$)
March 7, 2016	1,066,307	7.32	3 years	67.37%	2.67%	0.56%	2.95
March 30, 2016	71,044	5.99	1 year	68.36%	2.67%	0.55%	2.46
May 31, 2016	3,256	6.86	3 years	67.69%	2.33%	0.65%	2.71
October 20, 2016 ^(a)	111,341	29.38	2.1 years	59.75%	2.39%	0.55%	0.22
November 16, 2016	29,381	6.84	3 years	62.65%	2.33%	0.74%	2.54
	1,281,329	9.15	2.8 years	66.66%	2.64%	0.56%	2.68

Grant date	Number of options	Grant price (Cdn\$)	Expected life	Share price volatility (b)	Dividend yield	Risk free rate	Fair value price (Cdn\$)
March 3, 2015	1,462,840	6.05	3 years	73.69%	2.51%	0.59%	2.47
March 5, 2015	50,000	6.03	1 year	73.46%	2.51%	0.62%	2.14
May 12, 2015	7,131	6.73	3 years	72.90%	2.18%	0.83%	2.34
November 6, 2015	52,621	7.33	3 years	67.67%	2.20%	0.76%	2.74
	1,572,592	6.10	3 years	73.48%	2.50%	0.60%	2.47

^(a) Options granted to former Thompson Creek option holders, grant price conversation ratio of 0.0988 to 1 and maintaining the underlying time period of the original option (note 6). Figures above are average of the series (grant price range - Cdn\$3.75 and Cdn\$119.18 per share).

^(b) Expected volatility is measured as the annualized daily standard deviation of share price returns, based on the historical movement in the price of the Company's common shares.

As at December 31, 2016, there were 5,363,755 options outstanding to acquire common shares with exercise prices ranging from Cdn\$3.75 to Cdn\$119.18 per share, and expiry dates ranging between 2017 and 2024. There were 3,049,042 options vested as at December 31, 2016.

(ii) Performance Share Unit plan

Centerra's Performance Share Unit plan transactions during the years ended December 31, 2016 and 2015 were as follows:

Number of units	2016	2015
Balance, January 1	2,177,233	1,813,811
Granted	663,799	1,018,943
Exercised	(871,887)	(491,619)
Cancelled	(316,353)	(163,902)
Balance, December 31	1,652,792	2,177,233

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In determining the fair value of these units, the principal assumptions used in applying the Monte Carlo simulated option pricing model were as follows:

	2016	2015
Share price (Canadian dollars)	\$ 6.29	\$ 6.53
S&P/TSX Global Gold Index	\$ 224.13	\$ 148.44
Expected life (years)	1.31	0.86
Expected volatility- Centerra's share price	57.7 %	36.0 %
Expected volatility- S&P/TSX Global Gold Index	46.4 %	27.9 %
Risk-free rate of return	1.2 %	0.6 %
Forfeiture rate	5.7 %	5.5 %
Weighted adjustment factor	2.0	2.0

The vested number of units outstanding as at December 31, 2016 are 762,613 (December 31, 2015 – 745,415). The December 31, 2016 performance share unit liability balance of \$6.8 million includes \$5.4 million attributable to the vested units (December 31, 2015 – liability of \$8.0 million, of which \$7.0 million was vested).

(iii) Deferred Share Unit plan

Centerra's Deferred Share Unit plan transactions during the year were as follows:

Number of units	2016	2015
Balance, January 1	205,645	187,807
Granted	10,897	17,838
Balance, December 31	216,542	205,645

At December 31, 2016, the number of units outstanding had a related liability of \$1.0 million (December 31, 2015 – \$1.0 million). In 2016, no compensation cost was recorded for this plan (compensation cost in year ended December 31, 2015 - \$0.1 million).

(iv) Restricted Share Unit plan

Centerra's Restricted Share Unit plan transactions during the year were as follows:

Number of units	2016	2015
Balance, January 1	107,291	239,336
Granted	166,690	145,123
Redeemed	(126,917)	(277,168)
Balance, December 31	147,064	107,291

At December 31, 2016, the number of units outstanding had a related liability of \$0.7 million (December 31, 2015 - \$0.5 million). Compensation expense for the plan was \$0.6 million in the year ended December 31, 2016 (year ended December 31, 2015 - \$0.8 million).

26. Commitments and contingencies

Commitments

(a) Contracts

As at December 31, 2016, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$90.6 million (Öksüt Project \$50.3 million, Kumtor - \$34.5 million, Mount Milligan - \$4.3 million, Greenstone Gold Property - \$1.1 million, and other - \$0.4 million). Öksüt Project commitments include \$36.1 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. The cost to cancel Öksüt Project commitments is approximately \$7.9 million.

(b) Concentrate sales agreements

As of December 31, 2016, the Company is party to three multi-year concentrate sales agreements for the sale of concentrate produced at Mount Milligan Mine. Pursuant to these agreements, the Company has agreed to sell an aggregate of the copper and gold concentrate produced at Mount Milligan Mine of approximately 100,000 tonnes in 2017, 90,000 tonnes in 2018 and 40,000 tonnes in 2019. Pricing under these concentrate sales agreements will be determined by reference to specified published reference prices during the applicable quotation periods. Payment for the concentrate will be based on the price for the agreed copper and gold content of the parcels delivered, less smelting and refining charges and certain other deductions, if applicable. The copper smelting and refining charges will be negotiated in good faith and agreed by the parties for each contract year based on terms generally acknowledged as industry benchmark terms. The gold refining charges are as specified in the agreements. The remaining concentrate produced at the Mount Milligan Mine will be sold under short-term contracts or on a spot basis.

(c) 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 noted above. As at December 31, 2016, the Company has funded a total of Cdn\$51.3 million (\$39.4 million) of its commitment since the inception of the partnership.

(d) Molybdenum purchases and sales

In the normal course of operations, the Company enters into agreements for the purchase of molybdenum. As of December 31, 2016, the Company had commitments to purchase approximately 11.0 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.

In the normal course of operations, the Company enters into certain molybdenum sales contracts pursuant to which it sells future production at fixed prices. As of December 31, 2016, the Company had commitments to sell approximately 56,000 pounds of molybdenum oxide annually from 2017 to 2019 at an average price of \$12.73 per pound.

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(e) Leases

The Company enters into operating leases in the ordinary course of business, primarily for its various offices and facilities around the world. Payments under these leases represent contractual obligations as scheduled in each agreement. The significant operating lease payments, including operating costs, are for its corporate offices and storage facilities in North America, which amounted to \$1.1 million in the year ended December 31, 2016 (year ended December 31, 2015 - \$0.8 million). The future aggregate minimum lease payments for the non-cancellable operating lease of the Toronto and Denver offices are as follows:

	2016	2015
2016	\$ -	\$ 479
2017	1,747	497
2018	924	501
2019	575	537
2020 to 2021	800	1,074
	\$ 4,046	\$ 3,088

Note that the lease commitment excludes \$0.8 million of sublease rental income the Company anticipates collecting over the next two years.

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 December 31, 2016 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

As previously disclosed, Centerra commenced an arbitration proceeding against the Kyrgyz Republic and Kyrgyzaltyn on July 12, 2016, in relation with certain ongoing disputes relating to the Kumtor Project.

Subsequent to year-end on January 12, 2017, Centerra filed with the Permanent Court of Arbitration ("PCA") a request for partial award, or in the alternative, interim measures, against the Kyrgyz Republic. The Company is seeking an award ordering that the Kyrgyz Republic withdraw or stay its claims relating to previously disclosed environmental, dividend and land use claims, and related decisions and court orders. Centerra has requested that the matter be heard on a compressed time frame.

Under Centerra's Restated Investment Agreement with the Kyrgyz Republic dated as of June 6, 2009 (the "2009 Restated Investment Agreement"), the arbitration will be determined by a single arbitrator and conducted under UNCITRAL Arbitration Rules in Stockholm, Sweden. Disputes arising out of the 2009 Restated Investment Agreement will be governed by the law of the State of New York, USA and the conduct and operations of the parties will be governed by the 2009 Restated Investment Agreement, the 2009 Restated Concession Agreement and the laws of the Kyrgyz Republic.

Even if the Company receives an arbitral award in our 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 SAEPF claims regardless of the action taken by the arbitrator. The Company does not have insurance or litigation reserves to cover these costs. If the

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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 December 31, 2016, KGC has all key permits and approvals in place for mining operations at the Kumtor Project in 2017. Kumtor routinely discharges water from its tailings facility starting in the spring 2017 and expects to apply for and receive, in the ordinary course, the required discharge permit prior to such time. The withdrawal of any required permit could lead to a suspension of Kumtor operations.

SIETS and SAEPF Claims

The Kumtor Project is subject to a number of claims made by, among others, Kyrgyz Republic state environmental agencies. A 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).

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. As a result of the appeal by KGC, the proceedings on the merits of the SAEPF claim were suspended, however, the Company now expects such hearings on the merits to resume.

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. As at December 31, 2016, KGC's cash balance was approximately \$248 million (note 7). The cash generated from the Kumtor Project is available to fund Kumtor's operation.

2013 KGC Dividend Civil Proceeding

On June 3, 2016, the Inter-District Court renewed a claim previously commenced by the GPO 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 is undertaking economic and technical studies to update the existing studies on the project, which were initially completed and published in May 2006.

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 \$48 million related to the investment in the Gatsuurt Project and approximately \$53 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 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.

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

	2016	2015
<i>Included in sales:</i>		
Gross gold and silver sales to Kyrgyzaltyn	\$ 691,630	\$ 607,832
Deduct: refinery and financing charges	(3,825)	(3,310)
Net sales revenue received from Kyrgyzaltyn	\$ 687,805	\$ 604,522

<i>Included in expenses:</i>		
Contracting services provided to Kyrgyzaltyn	\$ 1,543	\$ 1,396
Management fees payable to Kyrgyzaltyn	546	521
Expenses paid to Kyrgyzaltyn	\$ 2,089	\$ 1,917

<i>Dividends:</i>		
	2016	2015
Dividends declared to Kyrgyzaltyn (as shareholder)	\$ 7,097	\$ 9,616
Withholding taxes	(355)	(481)
Net dividends declared to Kyrgyzaltyn	\$ 6,742	\$ 9,135

Related party balances

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

	2016	2015
Amounts receivable ^(a)	\$ 11,611	\$ 25,725
Dividend payable (net of withholding taxes)	\$ -	\$ 13,096
Net unrealized foreign exchange gain	-	(3,766)
Dividend payable (net of withholding taxes)	-	9,330
Amount payable	1,218	1,039
Total related party liabilities	\$ 1,218	\$ 10,369

^(a) Subsequent to December 31, 2016, 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.

b. Transactions with directors and key management

The Company transacts with key individuals from management and with its directors who have authority and responsibility to plan, direct and control the activities of the Company. The nature of these dealings were in the form of payments for services rendered in their capacity as director (director fees, including share-based payments) and as employees of the Company (salaries, benefits and share-based payments).

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Key management personnel are defined as the executive officers of the Company including the Chief Executive Officer, President, Vice President and Chief Financial Officer, Vice President and Chief Operating Officer, and Vice President Business Development & Exploration.

During the years ended December 31, 2016 and 2015, remuneration to directors and key management personnel were as follows:

Compensation of directors

		2016		2015
Fees earned and other compensation	\$	861	\$	938
Share-based compensation		619		(510)
Total expense	\$	1,480	\$	428

Fees earned and other compensation

Represent fees earned by the non-executive chairman and the non-executive directors during the financial year.

Share-based compensation

A portion of the directors' compensation is in the form of participation in the Company's share-based payment plans (Deferred Share Unit plan and Restricted Share Unit plan) according to the election of each of the directors.

Compensation of key management personnel

		2016		2015
Salaries and benefits	\$	5,064	\$	6,800
Share-based compensation		2,114		7,202
Total expense	\$	7,178	\$	14,002

Salaries and benefits

Represent salary, supplementary executive retirement plan contributions, and benefits earned during the year, plus cash bonuses awarded for the year.

Share-based compensation

A portion of the senior management's compensation is in the form of participation in the Company's share-based payment plans (Stock Option plan and Performance Share Unit plan).

28. Capital management

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to maintain its ongoing operations, pursue and support growth opportunities (see the Acquisition – note 6), continue the development and exploration of its mineral properties, satisfying debt repayment requirements and other obligations, and to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure and makes adjustments in light of changes in its economic and operating environment and the risk characteristics of the Company's assets, as evidence through funds raised via debt and equity offerings in connection with the Acquisition (note 6). For effective capital management, the Company implemented planning, budgeting and forecasting processes to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there is access to sufficient funds to meet its short-term business, operating and financing requirements, taking into

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account its anticipated cash flows from operations and its holdings of cash and cash equivalents and short term investments.

At December 31, 2016, the Company expects its capital resources and projected future cash flows from operations to support its normal operating requirements on an ongoing basis. Refer to the liquidity risk section of note 30 for further discussion of the availability of funds to the Company.

The Company's capital structure consists of short-term and long-term debt (net of cash and cash equivalents and short-term investments) and shareholders' equity, comprising issued common shares, contributed surplus and retained earnings as shown below:

	2016	2015
Shareholders' equity	\$ 1,824,282	\$ 1,420,851
Long-term debt	392,851	-
Short-term debt	72,281	76,000
	2,289,414	1,496,851
Less:		
Restricted cash (note 7)	(248,668)	(9,989)
Cash and cash equivalents	(160,017)	(360,613)
Short-term investments	(74)	(181,613)
Total invested capital	\$ 1,880,655	\$ 944,636

29. Financial Instruments

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

Financial Instruments

The Company has early adopted all of the requirements of IFRS 9, with a date of initial application of April 1, 2016. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in debt or credit quality since initial recognition.

The adoption of the expected credit loss impairment model did not impact the Company's existing financial statements, with the exception of additional disclosure. The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

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	IAS 39	IFRS 9
Assets		
Cash and cash equivalents	Fair value through earnings (loss)	Fair value through earnings (loss)
Short-term investments	Fair value through earnings (loss)	Amortized cost
Restricted cash	Fair value through earnings (loss)	Fair value through earnings (loss)
Amounts receivable	Loans and receivables	Amortized cost
Derivative asset	Fair value through OCI	Fair value through OCI
Provisionally-priced receivables	Fair value through earnings (loss)	Fair value through earnings (loss)
Reclamation deposits	Fair value through earnings (loss)	Amortized cost
Long-term receivables	Loans and receivables	Amortized cost
Liabilities		
Trade creditors and accruals	Other financial liabilities	Amortized cost
Amount due to Royal Gold	Fair value through earnings (loss)	Fair value through earnings (loss)
Finance lease liability	Other financial liabilities	Amortized cost
Debt	Other financial liabilities	Amortized cost
Derivative liability	Fair value through OCI	Fair value through OCI
Dividend payable to related party	Other financial liabilities	Amortized cost
Revenue-based taxes payable	Other financial liabilities	Amortized cost

IFRS 9 does not require restatement of comparative periods.

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 consumables.

The Company designates certain derivatives as cash flow hedging instruments (“Derivatives designated as hedging instruments”). The effective portion of changes in the fair value of these derivatives is recognized in other comprehensive income (loss) and accumulated in the hedging reserve. The amount accumulated in the hedging reserve is removed and included in the carrying amount of the non-financial item when recognized. Any ineffective portion of changes in the fair value of these derivatives is recognized immediately in the Statement of Earnings.

Hedges that are expected to be highly effective in achieving offsetting changes in cash flows are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Company uses a selection of derivative instruments that are effective in achieving our risk management objectives, but are not designated under the hedge accounting criteria (“Derivatives not designated as hedging instruments”). Changes in fair value of these derivatives are recognized immediately in the Statement of Earnings.

As of December 31, 2016, the Company had four counterparties to our derivative positions. On an ongoing basis, the Company monitors its exposures and ensures that the counterparties with which it holds outstanding contracts with continue to meet the credit rating requirements of the Company’s risk management policy.

Gold and copper contracts

The Company must satisfy its obligation the under Gold and Copper Stream Arrangement by delivering gold and copper to Royal Gold after receiving payment from third-party purchasers, including offtakers and traders, which purchase concentrate from the Mount Milligan Mine ("MTM Customers"). The Company delivers physical gold and copper warrants to Royal Gold based on a percentage of the gold ounces and copper pounds included in each final sale of concentrate to MTM Customers within two days of receiving a final payment. If the final payment from an MTM Customer is not received within five months of the provisional payment date, then the Company will deliver an estimated amount of gold ounces and copper warrants based on information that is available from the MTM Customer at that time.

The Company receives payment from MTM Customers in cash, thus requiring the purchase of physical gold and copper warrants in order to satisfy the obligation to pay Royal Gold. In order to hedge its gold price risk that arises when physical purchase and concentrate sales pricing periods do not match, hereafter referred to as the "Gold Stream Risk", the Company has entered into certain forward gold purchase and sales contracts pursuant to which it purchases gold at an average price during a quotational period and sells gold at a spot price. These contracts are treated as "Derivatives not designated as hedging instruments". The Company records its forward commodity contracts at fair value using a market approach based on observable quoted market prices and contracted prices. In January 2017, the Company entered similar contracts to hedge its copper price risk that arises as a result of the Company purchasing and delivering copper warrants to Royal Gold.

From October 20, 2016 to December 31, 2016, the Company entered spot and forward contracts for 42,000 ounces of gold, with forward contracts for 35,000 ounces of gold outstanding at December 31, 2016. As at December 31, 2016, the Company had two counterparties to its gold derivative positions, one of which the Company holds a liability position of \$1.5 million and the other a net position of nil.

Consumables contracts

For the risk relating to the consumption of diesel fuel, the Company believes that derivatives are an appropriate way of managing the price risk of the cost of diesel fuel.

Crude oil is a component of diesel fuel purchased by the Company, such that changes in the price of Brent crude oil generally impacts diesel fuel prices. The Company established a hedging strategy to manage changes in diesel fuel prices on the cost of operations at the Kumtor Mine. The diesel fuel hedging program is a 24-month rolling program. The Company targets to hedge up to 70% of monthly diesel purchases for the first 12 months and 50% of the 13 through 24 month exposure.

The Company has designated call options and collars as cash flow hedges for the crude oil component of its highly probable forecasted diesel fuel purchases. These derivatives meet the hedge effectiveness criteria and are designated in a hedge accounting relationship as a result of the following factors:

- Economic relationship exists between the hedged item and hedging instrument, as notional amounts match and both the hedged item and hedging instrument fair values move in response to the same risk (crude oil). A comprehensive qualitative and quantitative analysis was performed in order to conclude that crude oil is a separately identifiable and reliably measurable risk component of the diesel purchases for the Kumtor mine. In considering the economic relationship qualitatively, the Company considered the Russian oil market and the approach to purchasing diesel oil for the Kumtor mine. Quantitatively, the Company performed historical correlation analysis between prices of diesel purchased at Kumtor and Brent crude oil prices.
- The hedge ratio is 1.0 for this hedging relationship, as the hedged item is the specific crude oil risk component of the diesel purchases and matches the hedging instrument.

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- Credit risk is not dominant in the fair value of the hedging instrument.

The Company has identified two sources of potential ineffectiveness; 1) the timing of cash flow differences between the diesel fuel purchases and the related derivative and 2) the inclusion of credit risk in the fair value of the derivative not replicated in the hedged item. The Company expects the impact of these sources of hedge ineffectiveness to be minimal. The timing of hedge settlements and purchases of diesel fuel are closely aligned, as they are expected to occur within 30 days of each other. As noted above, credit risk is not a material component of the fair value of the Company's hedging instruments, as all counterparties are reputable banking institutions and are highly rated.

During the year, call options for 608,000 barrels of crude oil were designated against forecasted fuel consumption at the Company's Kumtor mine. As at December 31, 2016, there remain call options for 535,000 barrels of Brent crude oil designated as cash flow hedges of the Company's exposure to forecasted fuel purchases at the Kumtor mine. As at December 31, 2016, the Company had two counterparties to its crude oil derivative positions, one of which the Company holds a net asset position of \$0.6 million and the other a net asset position of \$1.1 million.

Provisionally-Priced Contracts

Certain copper-gold and molybdenum sales contracts provide for provisional pricing. These sales contain an embedded derivative related to the provisional-pricing mechanism. As at December 31, 2016, the Company's embedded derivatives trade receivable had a value of \$4.1 million, representing 6.5 million pounds of copper and 61,693 ounces of gold.

Currency contracts

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

In the year ended December 31, 2016, the Company entered into a foreign exchange forward contract to mitigate the currency risk associated with the Canadian funds raised through the bought deal financing associated with the acquisition of TCM (note 6). This derivative was settled in the fourth quarter of 2016, resulting in a realized loss of \$0.6 million.

Cash flow hedge gains (losses) for the year ended December 31, 2016

Consumable contracts

Effective portion of change in fair value of hedging instruments	(428)
Transfers to Inventory on recording hedged items in Inventory	41
Loss recognized in OCI	\$ (387)
Portion of hedge loss expected to affect earnings in next 12 months	\$ (218)

Amount of gain (loss) transferred from OCI to inventory (effective portion)	\$ 41
Loss recognized in Other expense, net (ineffective portion)	\$ (4)

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Non-hedge derivatives for the year ended December 31, 2016

Revenue (loss)

Commodity contracts - realized	(2,181)
Commodity contracts - unrealized	170
Total loss included in revenue	\$ (2,011)

Other expense (income)

Commodity contracts	(52)
Consumables contracts	(16)
Currency contract	592
Total loss included in Other expense, net	\$ 524

Derivative assets and liabilities

As at January 1, 2016	\$ -
Cost of crude oil options purchased	2,099
Cash flow hedges:	
Effective portion	(441)
Ineffective portion	(4)
As at December 31, 2016	\$ 1,654
Classification of cash flow hedges:	
Current assets - Prepaid expenses	\$ 750
Non-current assets - Other assets (note 12)	904
	\$ 1,654

Classification of non-hedge:

Current liabilities - Commodity contracts (Royal Gold)	\$ 1,512
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The fair value of these contracts, based on an increase or a decrease of 10% of the price of the hedged item, would have been as shown in the sensitivity table below. The entire change in fair value would be recorded in the Statement of Earnings.

Sensitivity table

	<u>Fair value as at</u> <u>December 31, 2016</u>	<u>Increase of 10%</u>	<u>Decrease of</u> <u>10%</u>
Brent crude oil option contracts	\$ 1,654	\$ 3,128	\$ 758
Commodity contracts (Royal Gold)	\$ (1,512)	\$ 1,715	\$ (4,738)

Fair values of derivative instruments

	Balance Sheet Classification	Fair Value as at December 31, 2016
Derivatives designated as hedging instruments		
Consumables contracts	Other assets	\$ 1,654
Derivatives not designated as hedging instruments		
Commodity contracts	Other liabilities	\$ (1,512)

Summary of derivatives at December 31, 2016

	Notional Amount by Term to Maturity		Accounting Classification by Notional Amount		Fair value gain (loss)
	1 year	1 to 2 years	Cash flow hedge	Non-hedge	
Commodity contracts					
Forward contracts	\$ 40,103	\$ -	\$ -	\$ 40,103	\$ (1,512)
Consumable contracts					
Crude oil contracts (000s of barrels) ¹	305	230	535	-	\$ (391)
Option contracts with strike prices at (US\$/barrel - average)	\$ 63	\$ 65			

¹Fuel contracts represent crude oil options. These derivatives hedge physical diesel fuel purchases at the Kumtor mine. For the year ended December 31, 2016, the \$0.4 million effective portion of the fair value loss is included in OCI. The Company's option contracts expiring within one year and one to two years have an average strike price per barrel of \$63 and \$65, respectively.

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.

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

December 31, 2016

	Amortized cost	Assets/liabilities at fair value through earnings (loss)	Assets/liabilities at fair value through OCI
Financial assets			
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	-	-
Consumable derivative assets - Level 2	-	-	1,654
	\$ 82,384	\$ 412,833	\$ 1,654
Financial liabilities			
Trade creditors and accruals	\$ 92,715	\$ -	\$ -
Amount due to Royal Gold - Level 1	-	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	\$ 29,170	\$ 1,512

December 31, 2015

Financial assets			
Cash and cash equivalents - Level 1	\$ -	\$ 360,613	\$ -
Short-term investments	181,613	-	-
Restricted cash - Level 1	-	9,989	-
Amounts receivable	28,781	-	-
Reclamation trust fund	18,909	-	-
Long-term receivables	1,509	-	-
	\$ 230,812	\$ 370,602	\$ -
Financial liabilities			
Trade creditors and accruals	\$ 65,765	\$ -	\$ -
Debt	76,000	-	-
Dividend payable to related party	9,330	-	-
Revenue-based taxes payable	9,152	-	-
	\$ 160,247	\$ -	\$ -

The book value of short-term investments, amounts receivable, reclamation deposits, long-term receivables, trade creditors and accruals, finance lease liability, debt and revenue-based taxes payable approximate their relative fair value.

The fair value of diesel derivative instruments, classified within Level 2, is determined using option 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.

30. Financial risk exposure and risk management

The Company is exposed in varying degrees to certain financial risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The Board of Directors has a responsibility to ensure that an adequate financial risk management policy is established. Financial risk management is carried out by the Company's treasury department in accordance with the Board of Directors, approved policy. The treasury department identifies and evaluates financial risks, establishes controls and procedures to ensure financial risks are mitigated in accordance with the approved policy and programs, and risk management activities comply thereto.

The Company's Audit Committee oversees management's compliance with the Company's financial risk management policy, approves financial risk management programs, and receives and reviews reports on management compliance with the policy and programs. The internal audit department assists in undertaking its oversight of financial risk management controls and procedures, the results of which are reported to the Audit Committee.

The Company is exposed to the following types of risk and manages them as follows:

a. Currency risk

The Company's operations are located in various geographic locations, exposing the Company to potential foreign exchange risk in its financial position and cash flows. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the U.S. dollar. The operating results and financial position of the Company are reported in U.S. dollars in the Company's consolidated financial statements. The fluctuation of the U.S. dollar in relation to other currencies will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets.

To mitigate this risk, the Company makes purchases in foreign currencies at the prevailing spot price to fund corporate activities or enters into short-term forward contracts to purchase foreign currencies. During the year ended December 31, 2016, total Canadian dollars and Euros purchased were Cdn\$130.0 million and €22.2 million (year ended December 31, 2015 - Cdn\$133.5 million and €20.6 million), including executed forward contracts of Cdn\$11.5 million and €0.5 million (year ended December 31, 2015 - Cdn\$5.6 million and €4.4 million).

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The exposure of the Company's monetary assets and liabilities to currency risk is as follows:

December 31, 2016

	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	European Euro	Turkish Lira	Other
Financial Assets						
Cash and cash equivalents	\$ -	\$ 1,581	\$ 16,605	\$ 91	\$ 52	\$ 212
Short term investments	-	-	74	-	-	-
Restricted cash	442	-	639	697	550	-
Amounts receivable	192	485	4,108	-	1,835	5
Reclamation deposits	-	-	83	-	-	-
Other assets	-	750	2,635	-	-	-
	\$ 634	\$ 2,816	\$ 24,144	\$ 788	\$ 2,437	\$ 217
Financial Liabilities						
Accounts payable and accrued liabilities	\$ 8,063	\$ 364	\$ 38,175	\$ 476	\$ 98	\$ 112
Taxes payable	929	54	233	1,050	23	13
Other liabilities	-	-	14,291	-	-	-
	\$ 8,992	\$ 418	\$ 52,699	\$ 1,526	\$ 121	\$ 125

December 31, 2015

	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	European Euro	Turkish Lira	Other
Financial Assets						
Cash and cash equivalents	\$ 222	\$ 4,639	\$ 11,774	\$ 598	\$ 347	\$ 67
Restricted cash	-	-	9,366	-	623	-
Amounts receivable	212	1,869	1,102	208	1,015	6
	\$ 434	\$ 6,508	\$ 22,242	\$ 806	\$ 1,985	\$ 73
Financial Liabilities						
Accounts payable and accrued liabilities	\$ 7,804	\$ 456	\$ 18,098	\$ -	\$ 87	\$ 107
Taxes payable	757	29	-	-	727	-
Dividend payable to related party	-	-	9,325	-	-	-
	\$ 8,561	\$ 485	\$ 27,423	\$ -	\$ 814	\$ 107

Based on the above net exposures at December 31, 2016, a 10% devaluation or appreciation of the above currencies against the U.S. dollar, with all other variables held constant would have led to additional income or loss before tax of \$3.3 million (December 31, 2015 - \$0.5 million).

b. Interest rate risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to risk of changes in cash flows. The Company's cash and cash equivalents and short-term investments include highly liquid investments that earn interest at market rates. As at December 31, 2016, the majority of the \$408.8 million in cash and cash equivalents, short-term investments and current and non-current restricted cash (December 31, 2015 - \$552.2 million) were comprised of interest-bearing assets. Based on amounts as at December 31, 2016, a 100 basis point change in interest rates would result in a \$4.1 million adjustment to interest income (December 31, 2015 - \$5.5 million).

Additionally, the interest on the \$465.1 million of debt includes a variable rate component referenced to LIBOR (December 31, 2015 - \$76 million). Based on the amount drawn as at December 31, 2016, a 100 basis point change in LIBOR would result in a \$1.1 million adjustment to interest expenses (December 31, 2015 - \$0.8 million).

The Company's policy limits the investing of excess funds to liquid term deposits, treasury bills, banker's acceptances, bearer's deposit notes and corporate direct credit having a single "A" rating or greater.

c. Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises principally from the Company's receivables from customers and on cash and cash equivalents and short-term investments.

The Company's exposure to credit risk, in respect of gold sales, is influenced mainly by the individual characteristics of each customer. Kyrgyzaltyn is the sole customer of gold doré from the Kumtor mine and is a shareholder of Centerra. Gold and copper concentrate from Mount Milligan are sold to five multi-national off-takers with limited credit risk.

To partially mitigate exposure to potential credit risk related to Kumtor sales, the Company has an agreement in place whereby Kyrgyzaltyn has pledged 2,850,000 Centerra common shares it owns as security against unsettled gold shipments, in the event of default on payment (note 27).

Based on movements in Centerra's share price and the value of individual or unsettled gold shipments over the course of 2016, the maximum exposure during the year, reflecting the shortfall in the value of the security as compared to the value of any unsettled shipments, was approximately \$24.0 million (year ended December 31, 2015 - \$23.5 million).

Mount Milligan and Langeloth manage their credit risk from accounts receivable through their collection activities. Mount Milligan's collection risk is further reduced by the nature of the concentrate sales contracts, as they are structured for the Company to collect 90% of the provisional sales price upon shipment. As of December 31, 2016, Mount Milligan trade receivables included one multi-national customer with a balance owing of \$11.6 million (84% of the mine's trade receivables). In accordance with IFRS 9, Langeloth's receivables are provided for based on lifetime expected credit losses, which are established by considering historical credit loss experience with each customer.

The Company manages counterparty credit risk, in respect of short-term investments, by maintaining bank accounts with highly-rated U.S. and Canadian banks and investing only in highly-rated Canadian and U.S. Government bills, term deposits or banker's acceptances with highly-rated financial institutions and corporate direct credit issues that can be promptly liquidated. As at December 31, 2016, the Company's short-term investments are maintained with Canadian Schedule I banks with a minimum of an A1/P1 rating.

d. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company finances its operations through a combination of operating cash flows, short and long-term debt and, from to time, through the issuance of its equity. The Company primarily uses funds generated from operating activities to fund operational expenses, sustaining and development capital spending, and interest and principal payments on its loans and borrowings. The Company continuously monitors and reviews its actual and forecasted cash flows and manages liquidity risk by maintaining adequate cash and cash equivalents, by utilizing debt and by monitoring developments in the capital markets.

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Centerra's Kyrgyz Republic operating subsidiary, KGC, is subject to an interim order of the Bishkek Inter-District Court in the Kyrgyz Republic prohibiting KGC from taking any actions relating to certain financial transactions, including transferring property or assets, declaring or paying dividends or making loans to Centerra. While such order does not prohibit KGC from continuing to use its cash resources to operate the Kumtor Mine, cash generated from the Kumtor Project continues to be held in KGC and is not being distributed to Centerra. The interim order purports to secure KGC's potential liability for a claim brought by the Kyrgyz Republic State Agency for Environmental Protection and Forestry. Centerra has included the dispute in the ongoing international arbitration proceeding against the Kyrgyz Republic (see note 26). As at December 31, 2016, the cash balance of KGC was \$247.8 million and is expected to continue to increase over time. As a result of the interim order, the Company is dependent on the Company's unrestricted cash balance and cash generated from the Mount Milligan Mine to meet its obligations when due.

In light of the continued inability of the Company to access cash generated by the Kumtor Project, including as a result of the denial by the Kyrgyz Republic Supreme Court of KGC's appeal of the interim order, the Company has suspended the payment of dividends.

As at December 31, 2016 cash, cash equivalents and short-term investments were \$160.1 million (excluding cash restricted as a result of a court order in the Kyrgyz Republic) compared to \$542.2 million at December 31, 2015. The cash balance includes the \$50 million second tranche of the EBRD Facility which is intended to be used solely for the Gatsuert Project and related corporate overhead. The Company does not expect to expend all of the additional funds until it has signed a definitive investment agreement relating to the Gatsuert Project with the Government of Mongolia. In February 2017, the Company repaid \$25 million of the second tranche. The remaining \$25 million was made available under the EBRD Facility on the condition that the funds are to be re-paid if an investment agreement relating to the Gatsuert Project has not been concluded with the Government of Mongolia by February 2018.

The Company believes its cash on hand, cash from the Company's existing credit facilities, and cash flow from the Company's Mount Milligan operations will be sufficient to fund its anticipated operating cash requirements through to the end of 2017, although there can be no assurance of this. Absent access to cash held by KGC, the Company expects that it will be required to raise financing in order to fund construction and development expenditures on its development properties or to defer such expenditures.

A maturity analysis of the Company's financial liabilities, contractual obligations, other fixed operating and capital commitments is set out below:

Year ended December 31, 2016

(Millions of U.S. Dollars)	Total	Due In Less Than One Year	Due In One to Three Years	Due In Four to Five Years	Due After Five Years
Accounts payable and accrued liabilities	\$ 130.3	\$ 130.3	\$ -	\$ -	\$ -
Debt	474.4	75.0	100.0	299.4	-
Reclamation trust deed	32.2	4.2	12.2	9.4	6.4
Capital equipment	4.7	4.7	-	-	-
Operational supplies	34.5	34.5	-	-	-
Project development	51.4	15.3	36.1	-	-
Deferred vendor payables ^(a)	14.3	-	-	-	14.3
Equipment Promissory Note (principal + interest)	31.7	1.3	30.4	-	-
Lease of premises	4.4	1.7	1.1	0.8	0.8
Derivative liability	1.5	1.5	-	-	-
Total contractual obligations	\$ 779.4	\$ 268.5	\$ 179.8	\$ 309.6	\$ 21.5

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Year ended December 31, 2015

(Millions of U.S. Dollars)	Total	Due In Less Than One Year	Due In One to Three Years	Due In Four to Five Years	Due After Five Years
Accounts payable and accrued liabilities	\$ 75.3	\$ 75.3	\$ -	\$ -	\$ -
Short-term debt	76.0	76.0	-	-	-
Reclamation trust deed	25.4	3.0	8.3	6.1	8.0
Capital equipment	13.5	13.5	-	-	-
Operation supplies	39.5	39.5	-	-	-
Project development	13.8	12.6	1.2	-	-
Lease of premises	2.7	0.5	0.9	0.9	0.4
Total contractual obligations	\$ 246.2	\$ 220.4	\$ 10.4	\$ 7.0	\$ 8.4

(a) Deferred vendor payable represents amounts due to BC Hydro and Power Authority. Repayment for deferred energy costs is dependent on average monthly copper prices and the average monthly Cdn\$/USD exchange rate. If the average copper price for the month exceeds C\$3.40/pound, then a portion of the deferred energy liability is due and payable in the subsequent month. As at December 31, 2016, the copper forward curve did not exceed C\$3.40/pound, therefore the amount due is not scheduled to be paid until the end of the five year deferred term, although an increase in the copper price in the future may lead to an earlier repayment of this liability.

e. Commodity price risk

The profitability of the Company's operations and mineral resource properties relates primarily to the market price and outlook of gold and copper. Adverse changes in the price of certain raw materials can also significantly affect the Company's cash flows.

Gold and copper prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial, residential and retail demand, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand due to speculative or hedging activities, macro-economic variables, geopolitical events and certain other factors related specifically to gold (including central bank reserves management).

Provisional pricing mechanisms embedded within the Company's Mount Milligan sales contracts have the character of a commodity derivative and are carried at fair value as part of amounts receivables. As at December 31, 2016, the Company's trade receivable balance included three provisionally priced shipments (\$4.1 million). A 10% change in the forward copper and gold prices used to fair value this provision would have a \$6.0 million impact on the receivable and related revenue recorded at December 31, 2016. Additionally, as a result of the Royal Gold stream, when a gold and copper concentrate receivable is recorded, a corresponding provisionally priced liability to Royal Gold is generated. As at December 31, 2016, \$29.2 million is owed to Royal Gold. A 10% change in the forward copper and gold prices used to fair value this provision would have a \$4.4 million impact on the payable recorded at December 31, 2016.

To the extent that the price of gold and copper increase over time, the fair value of the Company's mineral assets increases and cash flows will improve; conversely, declines in the price of gold will reduce the fair value of mineral assets and cash flows. A protracted period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value. To the extent there are adverse changes to the price of certain raw materials (e.g. diesel fuel), the Company's profitability and cash flows may be impacted.

The Company enters into hedging arrangements to mitigate commodity price risk (see note 29).

31. Supplemental disclosure

a. Changes in operating working capital

	2016	2015
Decrease in amounts receivable	\$ 10,971	\$ 37,433
(Increase) decrease in inventory - ore and metal ^(a)	(63,350)	33,045
Decrease in inventory - supplies	16,278	778
(Increase) decrease in prepaid expenses	(688)	8
Increase in trade creditors and accruals ^(b)	8,005	28,921
Increase (decrease) in revenue-based tax payable	10,050	(15,453)
Increase (decrease) in depreciation and amortization included in inventory (note 11)	52,076	(52,693)
(Increase) decrease in accruals included in additions to PP&E	(1,261)	237
Increase in other taxes payable	948	256
	\$ 33,029	\$ 32,532

^(a)Increase in the year ended December 31, 2016 excludes reversal of inventory impairment of \$27.2 million (year ended December 31, 2015 - excludes inventory impairment of \$27.2 million).

^(b)Excludes \$16.9 million of accounts payable settled via share issuance in the year ended December 31, 2016.

b. Investment in PP&E

	2016	2015
Additions to PP&E during the year (note 11)	\$ (260,023)	\$ (298,405)
Greenstone Gold Property translation adjustment	(2,523)	220
Purchase of Teck royalty via share issuance	2,955	-
Impact of revisions to asset retirement obligation included in PP&E (note 17)	9,238	(1,338)
Depreciation and amortization included in additions to PP&E (note 11)	36,260	51,137
Purchase of Öksüt royalty via share issuance (note 25(a))	-	4,860
(Decrease) Increase in accruals related to additions to PP&E	1,261	(241)
	\$ (212,832)	\$ (243,767)

32. Segmented Information

In accordance with IFRS 8, *Operating Segments*, the Company's operations are segmented on a regional basis and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The Chief Executive Officer has authority for resource allocation and assessment of the Company's performance and is therefore the CODM. Information presented in the table below is shown at the level at which it is reviewed by the CODM in his decision making process.

The Company manages its reportable operating segments by a combination of geographic location and products. The Kyrgyz Republic segment includes the operations of the Kumtor Gold Project. The Mongolian segment involves the operations of the Boroo Gold Project, activities related to the Gatsurt Project and local exploration activities. The Turkish segment includes the development of the Öksüt Project. The North America Gold-Copper segment includes the operations of the Mount Milligan Mine. The North America Molybdenum segment includes

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the operations of the Langeloth processing facility and care and maintenance activities of Endako and Thompson Creek Mine. The Corporate and other segment include the head office located in Toronto, the corporate office located in Denver, Colorado, the Greenstone Gold Property and other international exploration projects. The segments' accounting policies are consistent with those described in note 3.

Segment Revenues and Results

The following table reconciles segment operating profit per the reportable segment information to operating profit per the Statements of Earnings.

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	North America							Total
	Kyrgyz Republic	Mongolia	Turkey	Gold-Copper	Molybdenum	Corporate and other		
(Millions of U.S. Dollars)	\$							
Gold sales	686.4	-	-	29.4	-	-	715.8	
Copper sales	-	-	-	26.0	-	-	26.0	
Molybdenum sales	-	-	-	-	16.8	-	16.8	
Tolling, calcining and other	-	-	-	-	2.2	-	2.2	
Revenue	686.4	-	-	55.4	19.0	-	760.8	
Cost of sales	350.4	-	-	44.7	19.6	-	414.7	
Standby costs	-	0.3	-	-	-	-	0.3	
Regional office administration	14.5	-	-	0.2	-	-	14.7	
Earnings (loss) from mine operations	321.5	(0.3)	-	10.5	(0.6)	-	331.1	
Revenue-based taxes	96.3	-	-	-	-	-	96.3	
Other operating expenses	1.2	0.4	-	0.9	0.2	-	2.7	
Care and maintenance	-	-	-	-	1.8	-	1.8	
Pre-development project costs	-	-	-	-	-	10.7	10.7	
Exploration expenses	-	1.8	-	0.1	-	10.6	12.5	
Business development	-	-	-	-	-	0.5	0.5	
TCM acquisition and integration costs	-	-	-	-	-	12.0	12.0	
Corporate administration	0.2	0.2	0.1	-	-	27.1	27.6	
Earnings (loss) from operations	223.8	(2.7)	(0.1)	9.5	(2.6)	(60.9)	167.0	
Finance costs	-	-	-	-	-	-	11.0	
Earnings before income tax							156.0	
Income tax expense	-	-	-	-	-	-	4.5	
Net earnings and comprehensive income							\$ 151.5	
Capital expenditure for the year	\$ 222.3	\$ 6.8	\$ 12.0	\$ 6.5	\$ 0.3	\$ 12.1	\$ 260.0	
Capital additions from acquisition of Thompson Creek (note 6)	\$ -	\$ -	\$ -	\$ 764.9	\$ 126.1	\$ 14.6	\$ 905.6	
Goodwill	\$ -	\$ -	\$ -	\$ 16.1	\$ -	\$ -	\$ 16.1	
Total assets (excluding goodwill)	\$ 1,148.2	\$ 112.0	\$ 30.2	\$ 912.4	\$ 200.2	\$ 235.7	\$ 2,638.7	
Total liabilities	\$ 116.9	\$ 31.3	\$ 0.9	\$ 118.7	\$ 66.4	\$ 496.3	\$ 830.5	

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Year ended	December 31, 2015	North America						Corporate and other	Total
		Kyrgyz Republic	Mongolia	Turkey	Gold-Copper	Molybdenum			
(Millions of U.S. Dollars)	\$	604.6	\$ 19.4	\$ -	\$ -	\$ -	\$ -	\$ 624.0	
Revenue		604.6	19.4	-	-	-	-	624.0	
Cost of sales		367.9	16.6	-	-	-	-	384.5	
Standby costs		-	5.7	-	-	-	-	5.7	
Regional office administration		15.8	3.3	-	-	-	-	19.1	
Earnings (loss) from mine operations		220.9	(6.2)	-	-	-	-	214.7	
Revenue-based taxes		84.6	-	-	-	-	-	84.6	
Other operating expenses		2.2	(0.3)	-	-	-	-	1.9	
Pre-development project costs		-	-	3.9	-	-	9.4	13.3	
Impairment of goodwill		18.7	-	-	-	-	-	18.7	
Exploration expenses		-	0.8	0.2	-	-	7.4	8.4	
Business development		-	-	-	-	-	2.2	2.2	
Corporate administration		0.3	0.3	-	-	-	35.2	35.8	
Earnings (loss) from operations		115.1	(7.0)	(4.1)	-	-	(54.2)	49.8	
Other expenses, net								3.4	
Finance costs								4.4	
Earnings before income tax								42.0	
Income tax expense								0.4	
Net earnings and comprehensive income								\$ 41.6	
Capital expenditure for the year	\$	275.2	\$ 1.6	\$ 6.1	\$ -	\$ -	\$ 87.7	\$ 370.6	
Total assets	\$	949.1	\$ 171.6	\$ 14.7	\$ -	\$ -	\$ 525.2	\$ 1,660.6	
Total liabilities	\$	103.0	\$ 31.2	\$ 3.6	\$ -	\$ -	\$ 101.9	\$ 239.7	

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Geographical Information

The following table details the Company's revenue by location of customer and information about the Company's non-current assets by location of assets.

	Revenue				Non-current assets	
	Year ended December 31,				As at December 31,	
	2016	2015	2016	2015	2016	2015
Asia (excluding Mongolia)	\$ 742.4	\$ 604.6	\$ 471.8	\$ 532.2		
United States	16.6	-	122.1	-		
Canada	-	-	921.2	102.3		
Mongolia	-	19.4	93.4	86.4		
Turkey	-	-	21.1	6.9		
Other	1.8	-	9.9	1.9		
Total	\$ 760.8	\$ 624.0	\$ 1,639.5	\$ 729.7		

Customer information

For the year ended December 31, 2016, sales of gold doré from the Kumtor Gold Project to the Kyrgyzaltyn refinery in the Kyrgyz Republic accounted for 90% (2015 – 97%) of the Company's total sales revenue.

CORPORATE INFORMATION

DIRECTORS

Stephen A. Lang
Chair

Richard W. Connor

Raphael A. Girard

Eduard D. Kubatov

Nurlan Kyshtobaev

Michael S. Parrett

Jacques Perron

Scott G. Perry

Sheryl K. Pressler

Terry V. Rogers
Independent Lead Director

Bektur Sagynov

Bruce V. Walter
Vice-Chair

OFFICERS AND MANAGEMENT

Scott G. Perry
Chief Executive Officer

Frank H. Herbert
President

Darren J. Millman
*Vice President and
Chief Financial Officer*

Gordon D. Reid
*Vice President and
Chief Operating Officer*

Dennis C. Kwong
*Vice President, Business Development
and Exploration*

Chris Gibbs
Vice President, Operational Excellence

John W. Pearson
Vice President, Investor Relations

Geoff Ramey
*Vice President, Human Resources
and HR Systems*

Kevin D'Souza
*Vice President, Sustainability
and Environment*

Peter W. Woodhouse
Vice President, Capital Projects

Rod Chanin
*Acting General Manager,
Boroo Gold Company*

Daniel R. Desjardins
President, Kumtor Gold Company

Greg Herbert
Site Manager, Endako Mine

Jim Kopp
Site Manager, Thompson Creek Mine

Tom Ondrejko
*General Manager,
Langeloth Metallurgical Company*

Alper Sezener
*Acting General Manager,
Öksüt Madencilik A.S.*

Mark A. Wilson
President, Base Metals Division

TRANSFER AGENT

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