Building for Tomorrow

Built for Today

CORPORATE PROFILE

Centerra Gold 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 operates two flagship assets, the Mount Milligan Mine in British Columbia, Canada and the Kumtor Mine in the Kyrgyz Republic and is the largest Western-based gold producer in Central Asia.

In 2017, Centerra Gold ("Centerra") produced 785,316 ounces of gold and 53.6 million pounds of copper from its two operations.

Centerra's objectives are to build shareholder value by maximizing the potential of its current properties, deliver profitable growth through the development of its late-stage properties such as Öksüt, Kemess Underground, Kemess East, Gatsuurt and Greenstone, add additional exploration properties and exploration joint ventures 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.

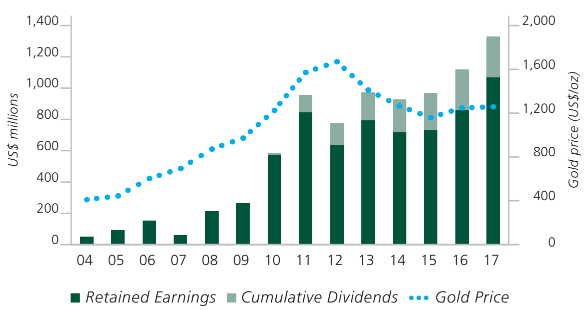
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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, see page 82. 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.

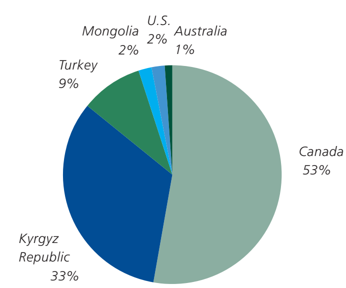
All dollar amounts are expressed in U.S. dollars in this report, except as otherwise indicated.

Centerra Gold

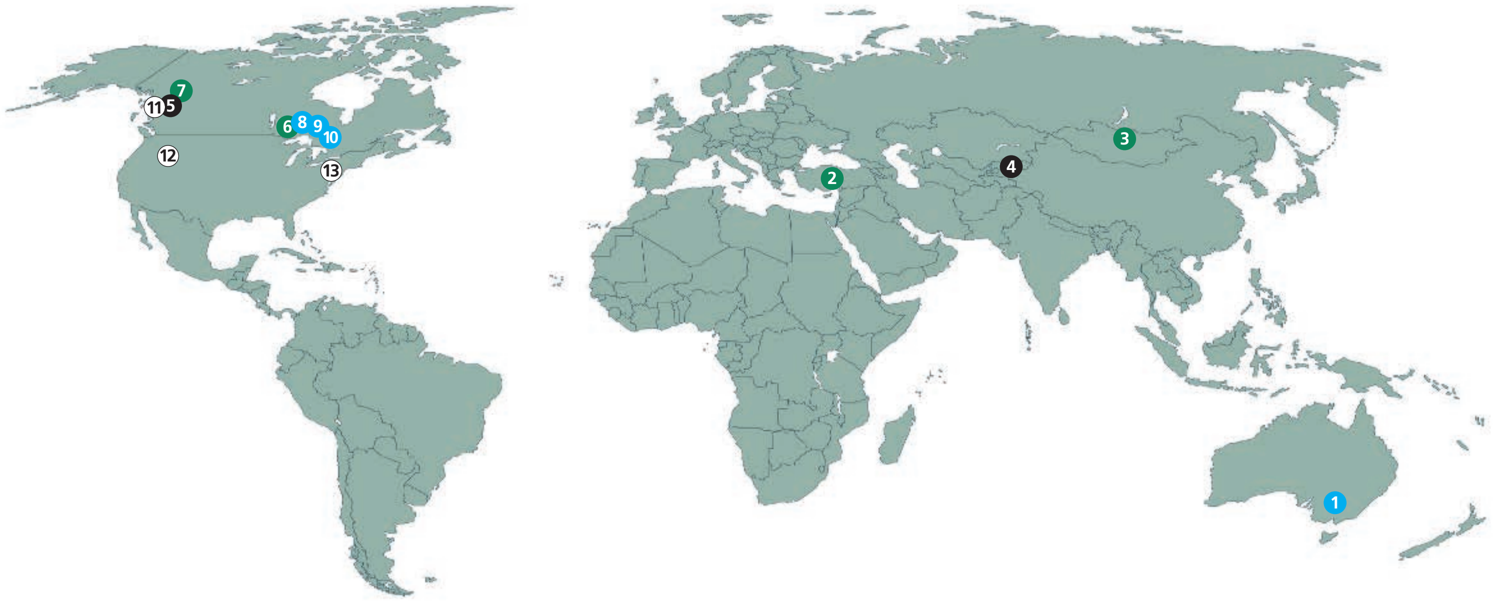
A Diversified Portfolio with a Balanced Geographical Profile



RETAINED EARNINGS PROFILE



CONSENSUS NET ASSET VALUE BREAKDOWN



Australia
Producing Royalty Asset
1 *Fosterville Mine*
(2.0% NSR)
Au

Turkey
Development
2 *Öksüt Project*
Au

Mongolia
Development
3 *Gatsuurt Project*
Boroo Mine
Au

Kyrgyz Republic
Operation
4 *Kumtor Mine*
Au

Canada
Operation
5 *Mount Milligan Mine*
Au, Cu

Development
6 *Greenstone Project*
(50%)
Au
7 *Kemess Underground and East Projects*
Au, Cu

Producing Royalty Assets
8 *Hemlo-Williams Mine*
(0.25% NSR)
Au
9 *Eagle River Mine*
(0.5% NSR)
Au
10 *Young-Davidson Mine*
(1.5% NSR)
Au

Molybdenum Asset
11 *Endako Mine*
(75%)
Mo

United States
Molybdenum Assets
12 *Thompson Creek Mine*
Mo
13 *Langeloth Metallurgical Facility*
Mo

- Operations
- Development
- Producing Royalty Assets
- *Molybdenum Assets*

CORPORATE HIGHLIGHTS

- Internationally Diversified Gold Producer
- Two Cornerstone Lower-Cost Quartile Assets
- 2017 Gold Production 785,000 ounces at AISC[1] of $688 per ounce sold and 53.6 million lbs of copper
- January 2018, Completed Acquisition of AuRico Metals Inc.; Received Öksüt Pastureland Permit
- February 2018, Received Investment Incentive Certificate and the Board's Construction Approval for the Öksüt Project
- Significant Operational Cash Flow Profile; Cash Provided by Operations Totalled $501 million in 2017
- Cash Position of $417 million at December 31, 2017
- Positive Retained Earnings of $1.07 billion at Year-end
- Expected 2018 Production of 645,000 to 715,000 ounces of gold at AISC[1] of $799 to $885 per ounce and 47 to 52 million lbs of copper

1) All-in sustaining costs on a by-product basis per ounce sold (AISC) is a non-GAAP measure discussed under "Non-GAAP Measures" in the Company's MD&A and news release February 23, 2018.

Building for Tomorrow

2017 was a remarkable year for Centerra, we completed the roll out of our safety leadership program Work Safe - Home Safe across all our assets and business units, we had a full year of production from our Mount Milligan Mine, the Kumtor Mine had another strong year exceeding its revised production guidance and beating its all-in sustaining cost[1] guidance, we reached a comprehensive settlement agreement with the Kyrgyz Government which resolved all the outstanding matters affecting the Kumtor Project and we announced the friendly acquisition of AuRico Metals Inc. which closed on January 8, 2018. While we achieved good overall safety and environmental performance statistics in 2017, they were overshadowed by the death of one of our colleagues at Kumtor in an incident with a light duty vehicle.

During 2017, Centerra produced 785,316 ounces of gold at all-in sustaining costs on a by-product basis of $688 per ounce sold[1] achieving our overall gold production guidance and beating the low-end of our cost guidance. Kumtor had another strong year exceeding its revised gold production guidance and beating its cost guidance, delivering 562,749 ounces of gold production at all-in sustaining cost on a by-product basis of $698 per ounce sold[1]. At Mount Milligan, the mine met its cost guidance realizing an all-in sustaining cost on a by-product basis of $505 per ounce sold[1] but fell short of its gold and copper production guidance producing 222,567 ounces of gold and 53.6 million pounds of copper. Regrettably, late in the year we had to temporarily shutdown Mount Milligan's mill due to a shortage of fresh reclaim water. Once sufficient water became available we restarted the mill in early February 2018 at half capacity and expect to return to full capacity after the spring melt (usually occurring in April).

On the financial front in 2017, Centerra had a very strong year in terms of profitability, reporting net earnings of $209.5 million or $0.72 per share (basic). In terms of cash flow on a Company-wide basis, we generated approximately $501 million in cash flow from operations or $1.72 per share, a very strong result. The Kumtor Mine itself, at the actual operating asset level, generated $188 million of free cash flow[1] driven by a higher gold output. At the Mount Milligan Mine, we generated free cash flow[1] of $127 million, reflecting a full year of production. At the end of the year, the Company reported $417 million of cash, cash equivalents, restricted cash and short-term investments and with the strong performance from the operations transitioned to a net positive cash position of $119 million at year-end.

As I mentioned earlier, in September 2017 we achieved an important milestone when we reached a comprehensive settlement agreement with the Kyrgyz Government to resolve all of the outstanding matters affecting the Kumtor Project. It provided for the lifting of all restrictions on the freedom of movement of Kumtor employees, the restrictions on the ability of Kumtor to distribute funds to Centerra, as well as, a path was created for the termination of the legal proceedings affecting the Kumtor Project. The settlement included a one-time lump sum contribution of $50 million (upon closing) to a new government-administered Nature Development Fund,

[1] *Non-GAAP measure, see discussion under "Non-GAAP Measures".*

Turkey

- *Pastureland Permit received January 2018*
- *Investment Incentive Certificate and Board approval received February 2018*
- *Construction expected to start in April 2018*

Öksüt Project: High Margin Open Pit Heap Leach Gold Project

The Öksüt Gold Project is located in the district of Develi in Kayseri Province in the Central Anatolia Region, Turkey.

The project site is approximately 300 km southeast of Ankara and approximately 45 km south of the city of Kayseri.

a $7 million payment to a Cancer Care Support Fund and within 12 months of closing making a further one-time payment of $3 million to the Cancer Care Support Fund. The agreement also provides business certainty for future mining operations at the Kumtor Project, as it preserves all rights of Centerra and Kumtor under the Kumtor Project Agreements. Further details and a full description of the settlement agreement can be found in "Other Corporate Developments – Kyrgyz Republic – Strategic Agreement" in the accompanying Management's Discussion and Analysis.

During 2017, the Company completed and filed an updated technical report on the Gatsuurt Project. We have not made a development or construction decision on the project but expect to restart negotiations with the Mongolian Government based on the results of the new technical report.

On the Greenstone Gold Property, during 2017, work continued on minimizing the risk profile of the project. The Environmental Impact Study and Environmental Assessment were completed and submitted to the government agencies and discussions with the applicable Aboriginal communities on mutually beneficial impact benefit agreements were advanced.

Looking forward in 2018, we want to maintain the momentum built in 2017. In January, we closed the AuRico Metals acquisition which has added a de-risked late-stage brownfield project, the Kemess Underground Project in British Columbia, to our growth pipeline and a high quality positive cash flow generating royalty portfolio to the Company's asset mix. With this acquisition the Company continues to favourably reposition its geographic profile by adding a future cornerstone asset, the Kemess Project located in Canada. Now, on a consensus basis, more than half of Centerra's value is domiciled in North America.

In Turkey, our Öksüt Project received its final permit needed for development, an investment incentive certificate from the Turkish Ministry of Economy which provides the project certain tax incentives and Board approval for construction. We expect to commence construction at Öksüt in April this year and anticipate first gold production in the first quarter of 2020. This will represent our third operating asset and a third source of profitable low-cost production.

At the Corporate level in early 2018 we restructured our debt into a new four-year senior secured $500 million revolving credit facility from which we have drawn $315 million. With this new credit facility, our existing cash reserves and our expectation for continued profitable production, we believe that our business plan and future growth can all be funded internally.

For 2018, we are estimating Company-wide gold production to be in the range of 645,000 to 715,000 ounces. Additionally, we are expecting 47 million to 52 million pounds of payable copper production from Mount Milligan for the year. At Kumtor, we are expecting

Canada

- *De-risked Brownfield Project approximately 280 km northwest of the Mount Milligan Mine*
- *Kemess Underground Environmental Assessment received Q1 2017*
- *First Nations Impact Benefit Agreement received Q2 2017*

Kemess Underground Project: Large, Low-Cost Gold and Copper Project

The Kemess Project is located in north-central British Columbia, Canada approximately 250 km north of Smithers and 430 km northwest of Prince George.

The property is host to the former Kemess South Mine, the Kemess Underground Deposit and the Kemess East Deposit. The Kemess Underground Deposit lies approximately 6.5 km north of the existing processing plant and other infrastructure.

gold production to be weighted more towards the back-half of the year with approximately 45% of its gold production expected in the fourth quarter of 2018. At Mount Milligan we expect 60% of the production to be in the second half of the year, reflecting the mill returning to full capacity when additional fresh water becomes available from the spring melt. In the second half of 2018, we expect Mount Milligan to achieve an average daily mill throughput of approximately 55,000 tonnes per calendar day.

Company-wide our all-in sustaining costs on a by-product basis for 2018 are expected to be in the range of $799 to $885 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 2018, we will continue to invest in our operating properties. Total capital expenditures excluding capitalized stripping are estimated to be $242 million, which includes $100 million of sustaining capital and $142 million of growth capital. The majority of the growth capital, approximately $82 million, will be spent at the Öksüt property where 2018 planned spending includes haul road construction, waste dump preparation, main access road construction, purchase of crusher equipment and initiation of crusher construction, and various earthworks activities for the heap leach pad, ADR plant, administration and truck shop campus, and electrical substation. Also approximately $36 million of growth capital is planned for pre-construction activities at the Kemess Underground Project which includes the purchase of a water treatment and water discharge system. Total capitalized stripping costs related to the development of the open pit at Kumtor in 2018 are estimated to be $168 million of which $122 million is the cash component.

We will continue our commitment to global exploration, with an exploration budget of $17 million in 2018. Exploration and business development activities will focus on our existing properties and joint ventures in Armenia, Canada, Mexico, Mongolia, Nicaragua, Sweden, Turkey, and expand into new regions to meet the long-term growth targets of Centerra.

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. We look forward to another strong year of profitable production at Kumtor and Mount Milligan, constructing the Öksüt Project in Turkey, advancing the Kemess Underground Project in British Columbia and the Gatsuurt Project in Mongolia, continuing to de-risk the Greenstone Gold Project, and lastly expanding our exploration program into new regions.

Scott G. Perry

President and
Chief Executive Officer

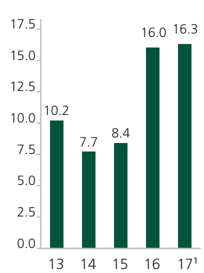
Selected Annual Information *($ millions except as noted)*

		2017		2016[2]		2015
Revenue	$	**1,199**	$	758	$	621
Earnings from mine operations	$	**492**	$	331	$	215
Revenue-based taxes	$	**97**	$	96	$	85
Exploration and business development	$	**11**	$	13	$	11
Thompson Creek Metals Inc. acquisition and integration expenses	$	**2**	$	12		–
AuRico Metals Inc. acquisition and integration expenses	$	**2**		–		–
Corporate administration	$	**38**	$	28	$	36
Impairment of goodwill		**–**		–	$	19
Asset impairment	$	**42**		–		–
Kyrgyz Republic settlement	$	**60**		–		–
Earnings from operations	$	**209**	$	167	$	50
Net earnings	$	**210**	$	152	$	42
Earnings per share – $ per share (basic)	$	**0.72**	$	0.60	$	0.18
Cash provided by operations	$	**501**	$	371	$	334
Cash flow per share – $ per share	$	**1.72**	$	1.48	$	1.41
Cash, cash equivalents and short-term investments (including restricted cash)	$	**417**	$	409	$	552
Total assets	$	**2,772**	$	2,655	$	1,661
Gold produced – ounces		**785,316**		598,677		536,920
Gold sold – ounces		**792,466**		580,496		536,842
Copper produced – 000's payable pounds		**53,596**		10,399		–
Copper sales – 000's payable pounds		**59,719**		9,467		–
Adjusted operating costs – $ per oz sold [1]	$	**331**	$	346	$	354
All-in sustaining costs on a by-product basis – $ per oz sold [1]	$	**688**	$	682	$	814
All-in sustaining costs on a by-product basis including taxes – $ per oz sold [1]	$	**816**	$	849	$	972
Average realized gold price (consolidated) – $ per oz sold [1]	$	**1,171**	$	1,228	$	1,157

(1) Adjusted operating costs per ounce sold, all-in sustaining costs on a by-product basis per ounce sold, all-in costs on a by-product basis including taxes per ounce sold and average realized gold price (consolidated) 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.

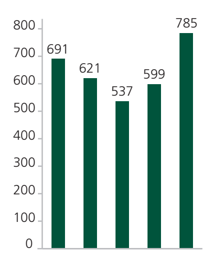
(2) 2016 results include results from Thompson Creek Metals operations (Mount Milligan and the Molybdenum group) from the date of acquisition (October 20, 2016) to December 31, 2016.

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

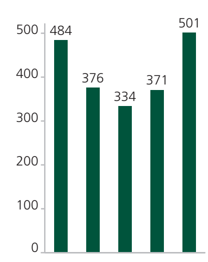


1) Includes acquisition of AuRico Metals Inc.

GOLD PRODUCTION
(thousands of ounces)



CASH FLOW FROM OPERATIONS
($ millions)



Management's Discussion and Analysis

For the Fiscal Year Ended December 31, 2017

Centerra Gold Inc.
Management's Discussion and Analysis ("MD&A")
For the Period Ended December 31, 2017

The following discussion has been prepared as of February 22, 2018, 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, 2017 in comparison with the corresponding period ended December 31, 2016. This discussion should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2017. The consolidated financial statements of Centerra are 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" and reconciled to the most directly comparable GAAP measure.

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Overview

Centerra is a Canadian-based gold mining company focused on operating, developing, exploring and acquiring gold properties worldwide and is one of the largest Western-based gold producers in Central Asia. Centerra's principal operations are the Kumtor Gold Mine located in the Kyrgyz Republic and the Mount Milligan Gold-Copper Mine located in British Columbia, Canada.

Centerra's common shares are listed for trading on the Toronto Stock Exchange under the symbol CG. As of February 22, 2018, there are 291,785,970 common shares issued and outstanding and options to acquire 4,816,297 common shares outstanding under its stock option plan.

As of December 31, 2017, Centerra's significant subsidiaries are as follows:

Entity	Property - Location	Current Status	Property Ownership 2017	Property Ownership 2016
Kumtor Gold Company ("KGC")	Kumtor Mine - Kyrgyz Republic	Operation	100%	100%
Thompson Creek Metals Company Inc.	Mount Milligan Mine - Canada	Operation	100%	100%
Langeloth Metallurgical Company LLC (Molydbenum Processing Plant)	Langeloth - United States	Operation	100%	100%
Boroo Gold LLC ("BGC")	Boroo Mine - Mongolia	Stand-by	100%	100%
Centerra Gold Mongolia LLC	Gatsuurt Project - Mongolia	Pre-Development	100%	100%
Öksüt Madencilik A.S. ("OMAS")	Öksüt Project - Turkey	Pre-Development	100%	100%
Greenstone Gold Mines LP	Greenstone Gold Property - Canada	Pre-development	50%	50%
Thompson Creek Mining Co.	Thompson Creek Mine - United States	Care and Maintenance	100%	100%
Thompson Creek Metals Company Inc.	Endako Mine - Canada	Care and Maintenance	75%	75%

On January 8, 2018, the Company completed the acquisition of AuRico Metals Inc. ("AMI"), thereby acquiring AMI's Kemess Underground and Kemess East properties as well as a royalty portfolio which includes a 1.5% net smelter return ("NSR") royalty on the Young-Davidson gold mine in Ontario and a 2.0% NSR royalty on the Fosterville mine in Australia. See "Subsequent to December 31, 2017" for further information.

As at December 31, 2017, the Company has also entered into agreements to earn an interest in joint venture exploration properties located in Mexico, Sweden and Nicaragua. In addition, the Company has exploration properties in Armenia, Canada and Turkey.

Substantially all of Centerra's revenues are derived from the sale of gold and copper. The Company's revenues are derived from gold and gold/copper concentrate production from its mines and gold and copper prices realized upon the sale of these products. Gold doré production from the Kumtor mine is purchased by Kyrgyzaltyn JSC (“Kyrgyzaltyn”), a Kyrgyz Republic state owned refinery and significant shareholder of Centerra, 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 RGLD Gold AG and Royal Gold Inc. (collectively “Royal Gold”) is entitled to purchase 35% of the gold and 18.75% of the copper produced from the Mount Milligan Mine for $435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered (the “Mount Milligan Streaming Arrangement”).

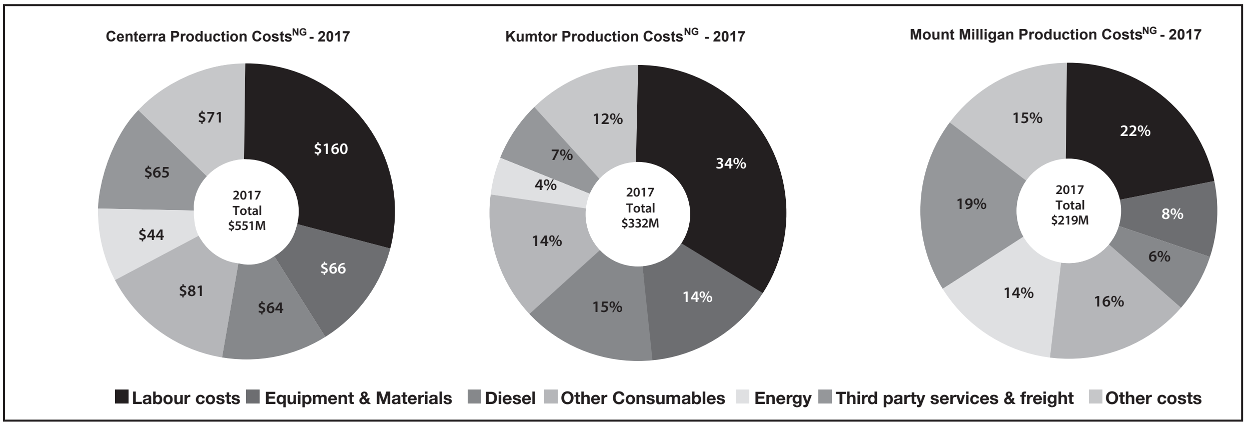
The Company’s costs are comprised primarily of operating costs at the Kumtor and Mount Milligan mines and the Langeloth molybdenum processing facility, project development costs at the Öksüt Gold Project and the Greenstone Gold Property, closure and holding costs of the Boroo Mine (a majority of the Boroo infrastructure is on stand-by pending progress on the Gatsuurt Gold Project), care and maintenance costs at the Company’s molybdenum mines (Endako Mine and Thompson Creek Mine), exploration expenses relating to the Company’s 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.

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.

Figure A



In Figure A, the Company's 2017 production costs[NG] at its two operating mines totaled $551 million, which includes a full year of production at Mount Milligan. Production costs at Kumtor were 3% lower than 2016 ($332 million in 2017 compared to $343 million in 2016). The reduction reflects the impact of lower input prices (mainly for consumables) and the varying levels of production in both years. These impacts on costs are discussed in the operational sections of this MD&A. There is no comparable data for Mount Milligan as the Company acquired the asset on October 20, 2016.

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. 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 during the mine closure phase after completion of the annual environmental commitments. As required by Canadian provincial laws and US federal and state laws, the Company has provided reclamation bonds for mine closure obligations at its Canadian and U.S. sites, including the Mount Milligan Mine.

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 Price

The average quarterly gold spot price of $1,275 in the fourth quarter was in-line with the 2017 quarterly high of $1,278 reached in third quarter. The average gold spot price for 2017 was $1,258 per ounce, an increase of 1% over the average in 2016.

Copper Price

The average quarterly copper spot price increased in the fourth quarter to $3.09 per pound, the highest quarterly average of 2017, from $2.88 per pound in the third quarter. The average copper spot price for 2017 was $2.80 per pound, an increase of 27% over the average in 2016.

Figure B

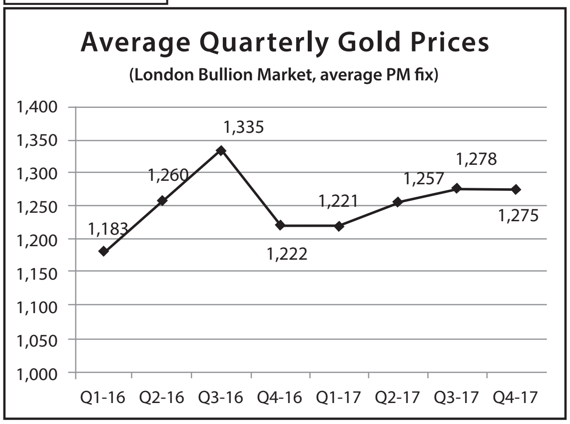
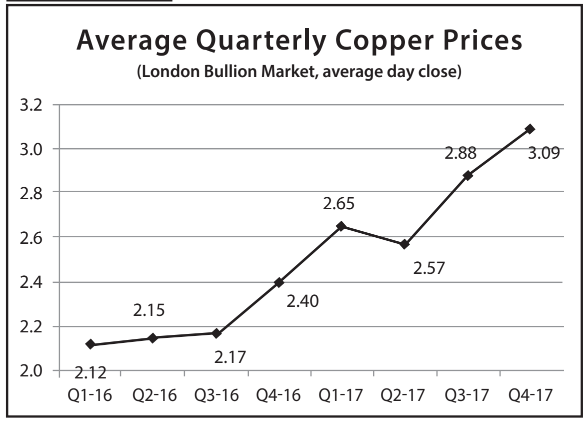


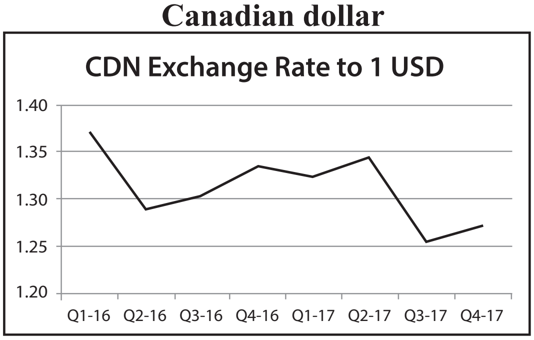
Figure C



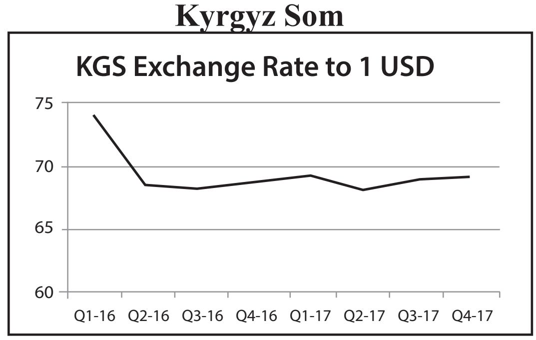
Currency

Figure D

Canadian dollar



Kyrgyz Som



Canadian Dollar

The Canadian dollar, despite starting the year under pressure, and facing the prospects of a widening rate disadvantage with the U.S., saw a 7% gain against the U.S. dollar during 2017 (1.34 to 1.25). With the exception of the U.S. dollar, the Canadian dollar underperformed against other major currencies. In Canada, the Bank of Canada raised its overnight rate twice, from 0.5% to 1%, and suggested it is beginning a tightening phase although it continues to be cautious on concerns surrounding ongoing NAFTA negotiations. The Canadian dollar is highly exposed to fluctuations in crude oil prices due to the country's status as a major exporter of oil. Energy prices are predicted to remain strong in the short term and interest rates to increase through 2018, which may help prevent potential depreciation of the Canadian dollar.

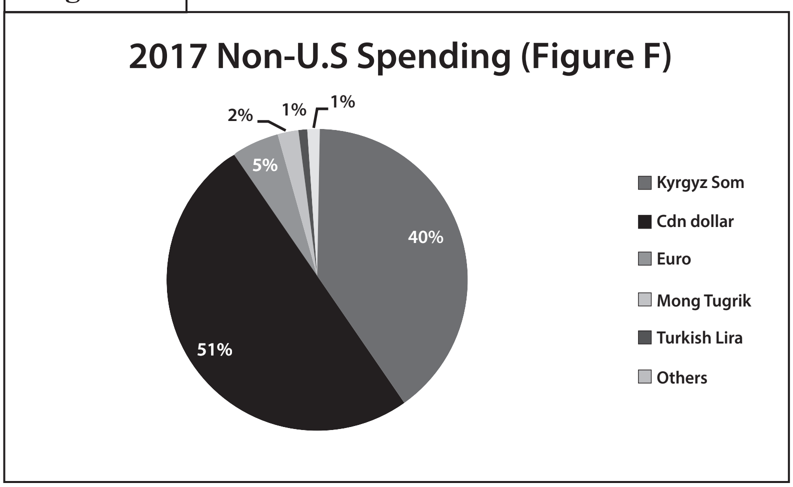
Kyrgyz Som

The Kyrgyz Som to U.S. dollar exchange rate appreciated 1% over 2017. The Som continues to be influenced by the strengthening of currencies of the Kyrgyz Republic's main trading partners, mainly Russia, and by economic growth in the Kyrgyz Republic. In 2017, the Russian Ruble and Kazak Tenge, strengthened against the U.S. dollar by 5% and 2%, respectively. The strengthening in the Russian ruble reflects higher oil prices and Russia's improving economic situation. Independent of the performance of the Kyrgyz Republic's main trading partners, economic growth in the Kyrgyz Republic in 2017 can be attributed to increases in gold mining, manufacturing, electricity generation and construction.

Foreign Exchange Transactions

The Company receives its revenues through the sale of gold, copper and molybdenum in U.S. dollars. The Company has operations in Canada, where the Mount Milligan Mine and its corporate head office are also located, the Kyrgyz Republic, Turkey, Mongolia and the United States of America. During 2017, the Company incurred combined expenditures (including capital) totalling approximately $1,066 million. Approximately $567 million of this (53%) 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



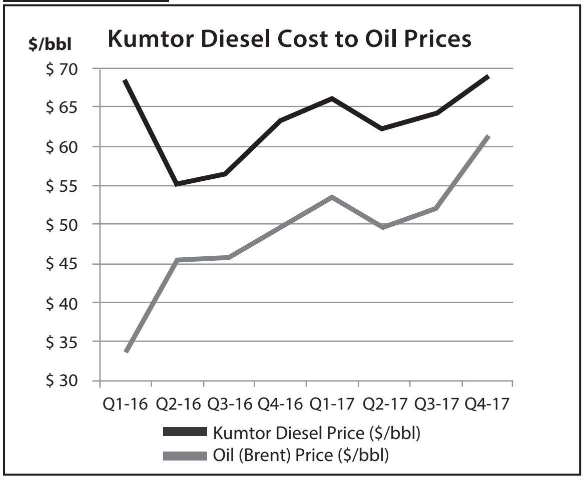
In 2017, Centerra's non-U.S. dollar costs were incurred 51% in Canadian dollars, 40% in Kyrgyz soms, 5% in Euros, 2% in Mongolian tugrik and 1% in Turkish lira. The average value of the Turkish lira depreciated against the U.S. dollar over the year by approximately 3% from its value at December 31, 2016. The Euro, Canadian dollar, Mongolian tugrik and Kyrgyz som appreciated against the U.S. dollar by approximately 7%, 3%, 2%, and 1%, respectively, from their value at December 31, 2016. The net impact of these movements in the year ended December 31, 2017, after taking into account currencies held at the beginning of the year, was to increase annual costs by $9.1 million (increase of $16 million in the year ended December 31, 2016), inclusive of a foreign exchange gain on Canadian dollars acquired in the fourth quarter of 2017 due to the anticipated closing of the acquisition of AMI in January 2018 ($3.0 million) and currency derivative gain of $1.2 million (nil for the year ended December 31, 2016).

Diesel Fuel Prices

One of the most significant movements in commodity prices in 2017 was the continued strengthening of oil prices.

According to the U.S. Energy Information Administration, based on the global benchmark North Sea Brent, crude oil prices ended 2017 at $65/bbl the highest end-of-year price since 2013. Brent prices have increased $10/bbl since the end of 2016. West Texas Intermediate ("WTI") crude oil prices averaged $51/bbl in 2017, up $7/bbl from the 2016 average, and ended the year $6/bbl higher than at the end of 2016.

Figure E



Fuel costs represent a significant cost component for Centerra's mining operations. Prices for Kumtor diesel fuel in 2017 generally reflected the price movements of Brent crude oil, which dipped downward during summer months of 2017 and then gradually started increasing towards the end of the year. On average, the purchase prices for diesel fuel for Kumtor were up 8% in 2017 compared with 2016, averaging $0.41/l for the year. Kumtor sources its fuel from Russia either directly or through Kyrgyz distributors. 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.

To manage its exposure to fluctuations in diesel fuel prices, the Company has established a diesel fuel price hedge program. See "Financial Instruments – Fuel Hedges".

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 $500.9 million in cash from operations in 2017 and has a balance of cash, cash equivalents and short-term investments of $415.9 million as at December 31, 2017.

As at December 31, 2017, the Centerra B.C. Facility, which was entered into as part of the acquisition of Thompson Creek, had an outstanding balance of $190 million at December 31, 2017, after repayments of $135 million in 2017 (outstanding balance as at December 31, 2016 - $325 million). Subsequent to December 31, 2017, this facility was amended and restated to become a corporate facility (see Credit Facility - Centerra Revolving Term Corporate Facility).

As at December 31, 2017, Centerra had drawn $76 million against its $150 million revolving line of credit with the European Bank for Reconstruction and Development ("EBRD"). Subsequent to December 31, 2017, the funds drawn were repaid and the credit facility with EBRD was cancelled.

The Company believes its cash on hand, cash flow from the Company's Kumtor and Mount Milligan operations and cash from the Company's existing credit facilities will be sufficient to fund its anticipated operating, construction and development cash requirements through to the end of 2018.

Capital Management

The Company's primary objective with respect to its capital management is to provide returns for shareholders by ensuring that it has sufficient cash resources to maintain its ongoing operations, pursue and support growth opportunities, continue the development and exploration of its mineral properties, satisfying debt repayment requirements and other obligations, and certain benefits for other stakeholders.

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.

Credit Facilities

Centerra was in compliance with the terms of all of its facilities at December 31, 2017.

Centerra EBRD Corporate Facility

In 2016, the Company entered into a five-year $150 million revolving credit facility (the "EBRD Facility") with EBRD. The EBRD Facility included $50 million for the purpose of funding direct and indirect costs associated with the Gatsuurt Project. At December 31, 2017, the Company had drawn $76 million under the EBRD Facility, after making $74 million of repayments in 2017.

Subsequent to December 31, 2017 and in connection with the entering into of the Corporate Facility, the Company repaid the remaining $76 million principal amount outstanding under the EBRD Facility and subsequently cancelled the EBRD Facility.

Centerra B.C Holdings Credit Facility

As part of the acquisition of Thompson Creek in October 2016, Centerra B.C. Holdings Inc., a wholly-owned subsidiary of the Company, secured financing from a lending syndicate in the aggregate amount of $325 million (the "Centerra B.C. Facility"), consisting of a $250 million non-revolving term facility and a $75 million senior secured revolving credit facility.

In July 2017, the Company entered into an amendment of the Centerra B.C. Facility to increase the senior secured revolving credit facility under the Centerra B.C. Facility from $75 million to $125 million. The amendment also includes additional favourable terms such as permitting upstream distributions of up to $50 million without the matching pre-payment requirement of the original agreement. Prior to the amendment, the Centerra B.C. Facility required Centerra B.C. Holdings to make a matching pre-payment on all distributions to Centerra. The amendment became effective in August 2017, when the conditions precedents were satisfied, including the execution of hedges for 50% of the gold and 75% of the copper production covering Mount Milligan's production from July 2017 to June 2019.

In September 2017, in addition to making the scheduled $12.5 million payment towards the non-revolving term facility, the Company repaid the outstanding balance on the revolving facility ($74.4 million). As at December 31, 2017, $190 million was drawn on the Centerra B.C. Facility ($190 million non-revolving term facility and nil from the revolving credit facility). See also "Centerra Revolving Term Corporate Facility" below.

Subsequent to December 31, 2017, Centerra B.C. Facility was amended and restated in connection with the Company entering into the Corporate Facility.

OMAS Facility

In 2016, OMAS, a wholly-owned subsidiary of the Company, entered into a $150 million five-year revolving credit facility (the "OMAS Facility") that currently expires on December 30, 2021. The purpose of the OMAS Facility is to assist in financing the construction of the Company's Öksüt Project.

Availability of the OMAS Facility is subject to customary conditions precedent, including receipt of all necessary permits and approvals. If the conditions are not satisfied, waived or amended by the deadline (noted below), the commitments under the OMAS Facility will be cancelled. The original deadline for satisfaction of the conditions of June 30, 2017 has been extended several times given the delay in obtaining necessary permits for the Öksüt Project. The current deadline is March 15, 2018, however OMAS and lenders are currently negotiating to further extend the deadline to June 30, 2018. As part of these negotiations, it is expected that the term of the facility will be extended beyond December 30, 2021 and that Centerra will provide a guarantee of OMAS's obligations under the OMAS Facility but that such guarantee would only be effective if certain conditions relating to the tenure of the Öksüt mining license are not satisfied by August 22, 2022.

As at December 31, 2017, $4.8 million (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. The Company expects to be in a position to draw on the OMAS Facility in the second quarter of 2018. See "Caution Regarding Forward Looking information".

AuRico Metals Inc. Acquisition Facility

Subsequent to the end of the year, on January 8, 2018, the Company announced it had acquired all of the issued and outstanding common shares of AuRico Metals Inc. ("AMI"). The purchase was funded, in part, by a new $125 million acquisition facility ("AuRico Acquisition Facility") with the Bank of Nova Scotia, as administrative agent, lead arranger and lender. The AuRico Acquisition Facility was repaid and cancelled subsequent to December 31, 2017, after the Company entered into the Corporate Facility, as noted below.

Centerra Revolving Term Corporate Facility

On February 1, 2018, the Company entered into a $500 million four-year senior secured revolving credit facility (the "Corporate Facility") with a lending syndicate led by The Bank of Nova Scotia and National Bank of Canada.

The Corporate Facility is to be held at the corporate level and is an amendment and restatement of the Centerra B.C. Facility (discussed above), which had an outstanding balance owed of $190 million (continued under the Corporate Facility). The Corporate Facility also replaced the EBRD Facility and the AuRico Acquisition Facility discussed above. The Corporate Facility is for general corporate purposes, including working capital, investments, acquisitions and capital expenditures and as at February 22, 2018, $315 million was drawn on the Corporate Facility.

Mineral Reserves and Mineral Resources

On February 8, 2018, 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, 2017. The release also included the Kemess Project which was acquired on January 8, 2018 as part of the AuRico Metals Inc. acquisition. For additional details, please see the news release "*Centerra Gold 2017 Year-End Statement of Mineral Reserves and Resources and Fourth Quarter Exploration Update*" filed on SEDAR and posted on the Company's website on February 8, 2018.

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

Highlights:

<u>Gold Mineral Reserves</u>

- Centerra's estimated proven and probable gold mineral reserves increased by 343,000 contained ounces, after processing of 1.1 million contained ounces of gold in 2017 and the addition of 1.9 million contained ounces of gold as a result of the purchase of AuRico Metals which closed on January 8, 2018. Centerra's proven and probable mineral reserves now total an estimated 16.3 million ounces of contained gold (746.8 Mt at 0.7 g/t gold), compared to 16 million contained ounces (673.4 Mt at 0.7 g/t gold) as of December 31, 2016. The 2017 year-end gold mineral reserves have been verified and estimated using a gold price of $1,250 per ounce, except for the Kumtor Mine and the Kemess Underground Project which used a gold price of $1,200 per ounce. At the Kumtor Mine estimating gold mineral reserves using a gold price of $1,250 per ounce would result in no material change to the contained ounces.

<u>Gold Mineral Resources</u>

- Centerra's measured and indicated gold mineral resources, exclusive of gold mineral reserves, increased by 2.8 million contained ounces compared to the December 31, 2016 estimate and are now estimated to total 10.2 million ounces of contained gold (559.2 Mt at 0.6 g/t gold). The increase is primarily a result of the inclusion of 3.2 million contained ounces of gold (1.5 million contained ounces of gold from the Kemess Underground and 1.7 million contained ounces of gold from the Kemess East deposit) as a result of the acquisition of AuRico Metals and the removal of 771,000 contained gold ounces of measured and indicated mineral resources from the ATO property in Mongolia as a result of the sale of the property to Steppe Gold LLC and Steppe Gold Limited.
- Centerra's inferred gold mineral resource estimate totals 6.8 million contained ounces of gold (168 Mt at 1.3 g/t gold), an increase of 1.0 million contained ounces from December 31, 2016. The increase is primarily a result of the inclusion of 917,000 contained ounces of gold (277,000 contained ounces of gold from the Kemess Underground and 640,000 contained ounces of gold from the Kemess East deposit) as a result of the acquisition of AuRico Metals. In addition, at Mount Milligan inferred mineral resources increased by 265,000 contained ounces of gold from additional drilling.

Gold (000s attributable ozs contained) (1)(4)(5)	2017	2016
Total proven and probable mineral reserves	**16,321**	15,978
Total measured and indicated mineral resources (2)	**10,204**	7,442
Total inferred mineral resources(2)(3)(4)	**6,819**	5,780

(1) Centerra's equity interests are as follows: Mount Milligan 100%, Kumtor 100%, Gatsuurt 100%, Boroo 100%, Ulaan Bulag 100%, Öksüt 100%, Kemess Underground and Kemess East 100% and Greenstone Gold properties (Hardrock, Brookbank, Key Lake, Kailey) 50%. The mineral reserves and mineral resources above reflect Centerra's equity interests in the applicable properties.
(2) Mineral resources are in addition to mineral reserves. Mineral resources do not have demonstrated economic viability.

(3) 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 part of the inferred mineral resources will ever be upgraded to a higher category.

(4) Production at Mount Milligan is subject to a streaming agreement which 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. Mineral resources for the Mount Milligan property are presented on a 100% basis.

(5) As of January 8, 2018, Centerra Gold closed the acquisition of AuRico Metals Inc. The Kemess Underground and Kemess East reserves and resources have been included in the Company's annual mineral reserves and mineral resources statement above.

Copper Mineral Reserves

- Centerra's proven and probable copper mineral reserves increased by 519 million pounds after processing 72 million pounds of contained copper in 2017 and recording a negative model adjustment of 40 million pounds at Mount Milligan, along with the addition of 630 million pounds of contained copper as a result of the purchase of AuRico Metals which closed January 8, 2018. Centerra's proven and probable copper mineral reserves now total an estimated 2,568 million pounds of contained copper (575.3 Mt at 0.202% copper), compared to an estimated 2,049 million pounds of contained copper (496.2 Mt at 0.187% copper). The copper mineral reserves have been estimated based on a copper price of $3.00 per pound for the Mount Milligan Mine and a copper price of $2.50 per pound for the Kemess Underground Project.

Copper Mineral Resources

- Centerra's measured and indicated copper mineral resources, exclusive of mineral reserves, total an estimated 5,541 million pounds of contained copper (988 Mt at 0.254% copper). The copper mineral resources are located at the Mount Milligan Mine, the Berg Property, the Kemess Underground, and Kemess East properties that are all located in Canada.
- At Mount Milligan, measured and indicated mineral resources total an estimated 663 million pounds of contained copper (229.7 Mt at 0.131% copper) at the end of December 2017 and have been estimated based on a copper price of $3.50 per pound. In comparison to the end of December 2016 measured and indicated resources have decreased by 55 million contained copper pounds.
- The acquisition of AuRico Metals added the Kemess Underground and Kemess East projects to the Company's copper statement. Kemess added measured and indicated resources of an estimated 1,519 million contained copper pounds. This is based on Kemess Underground measured and indicated resources of an estimated 565 million contained copper pounds (139 Mt at 0.184% copper) and Kemess East measured and indicated resources of an estimated 954 million contained copper pounds (113 Mt at 0.383% copper).
- Centerra's inferred copper mineral resource estimate totals 1,427 million pounds of contained copper (265.0 Mt at 0.244% copper). This includes at Mount Milligan an estimated 111 million pounds of contained copper (35 Mt at 0.143% copper) that represents a year-over-year increase of 80 million pounds of contained copper that is largely attributable to additional in-pit drilling

completed in 2017. The Company continues to build on this exploration success with additional drilling planned in 2018.

- The Company's inferred copper mineral resources also increased through the acquisition of AuRico Metals whose inferred copper mineral resources are an estimated 583 million contained copper pounds (85.4 Mt at 0.309% copper), including an estimated 105 million contained copper pounds (21.6 Mt at 0.220% copper) at Kemess Underground and an estimated 478 million contained copper pounds (63.8 Mt at 0.340% copper) at Kemess East.

Copper (million pounds contained) (1)(4)(5)	**2017**	**2016**
Total proven and probable mineral reserves(2)	**2,568**	2,049
Total measured and indicated mineral resources(2)	**5,541**	4,076
Total inferred mineral resources(2)(3)(4)	**1,427**	764

(1) Centerra's equity interests are as follows: Mount Milligan 100%, Kemess Underground 100%, Kemess East 100%, Berg 100%, Thompson Creek 100%, and Endako 75%. The mineral reserves and mineral resources above reflect Centerra's equity interest in the applicable properties.
(2) Mineral resources are in addition to mineral reserves. Mineral resources do not have demonstrated economic viability.

(3) 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 part of the inferred mineral resources will ever be upgraded to a higher category.

(4) Production at Mount Milligan is subject to the Mount Milligan Streaming Arrangement. Under the Mount Milligan Streaming Arrangement, Royal Gold will pay 15% of the spot price per metric tonne of copper delivered. Mineral resources for the Mount Milligan property are presented on a 100% basis.

(5) As of January 8, 2018, Centerra Gold completed the purchase of AuRico Metals. The Kemess Underground and Kemess East reserves and resources have been included in the Company's annual mineral reserves and mineral resources statement set out above.

Molybdenum Mineral Resources

- Centerra's measured and indicated molybdenum mineral resources, exclusive of mineral reserves, total an estimated 758 million pounds of contained molybdenum (792 Mt at 0.043% molybdenum). The molybdenum mineral resources are located at the Berg Property, the Thompson Creek Mine, and the Endako Mine.
- Centerra's inferred molybdenum mineral resource estimate totals 150 million pounds of contained molybdenum (193 Mt at 0.035% molybdenum).

Molybdenum (million pounds contained) (1)(3)(4)	**2017**	**2016**
Total measured and indicated mineral resources(2)	**758**	557
Total inferred mineral resources(3)	**150**	108

(1) Centerra's equity interests are as follows: Berg 100%, Thompson Creek 100%, and Endako 75%.
(2) Mineral resources are in addition to mineral reserves. Mineral resources do not have demonstrated economic viability.

(3) 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 part of the inferred mineral resources will ever be upgraded to a higher category.

(4) Molybdenum mineral resources at Berg were estimated using a molybdenum price of $10.00 per pound, at Thompson Creek and a molybdenum price of $14.00 per pound was used.

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

	2017	2016
Gold price		
Gold mineral reserves ($/oz) (1)	**$1,250**	$1,200
Gold mineral resources ($/oz) (2)	**$1,450**	$1,450
Copper price		
Copper mineral reserves ($/lb) (3)	**$3.00**	$2.95
Copper mineral resources ($/lb) (4)	**$3.50**	$3.50
Foreign exchange rates		
1 USD : Cdn$ (5)	**1.25**	1.30
1 USD : Kyrgyz som	**65**	65
1 USD : Mongolian tugriks	**2,200**	1,900
1 USD : Turkish Lira	**3.50**	2.50

(1) Kumtor and Kemess Underground were estimated based on a gold price of $1,200. At the Kumtor Mine estimating gold mineral reserves using a gold price of $1,250 per ounce would result in no material change to the contained ounces.
(2) Mineral resources at the Kemess Underground and Kemess East projects were estimated based on a gold price of $1,275, while resources at the Hardrock Project was estimated at Cdn$1,625.

(3) Copper mineral reserves at Kemess Underground were estimated using a copper price of $2.50 per pound.

(4) Copper mineral resources at the Kemess Underground and Kemess East projects were estimated using a copper price of $3.20 per pound while resources at the Berg property was estimated at $1.60 per pound.

(5) Cdn$ exchange rate used for Kemess Underground and Kemess East were 1USD:1.33CAD; at the Hardrock Project a rate of 1USD:1.30CAD was used; at the Berg property a rate of 1USD:1.00CAD was used.

Consolidated Financial and Operational Highlights

Unaudited ($ millions, except as noted)	Three months ended December 31,			Year ended December 31,		
Financial Highlights	**2017**	2016 (5)	% Change	**2017**	2016 (5)	% Change
Revenue	**$ 358.2**	$ 305.7	17%	**$ 1,199.0**	$ 757.8	58%
Cost of sales	**180.8**	167.2	8%	**682.1**	411.6	66%
Earnings from mine operations	**170.4**	132.0	29%	**492.3**	331.1	49%
Corporate administration	**6.3**	9.3	(32%)	**37.9**	27.6	37%
Asset Impairment (net of tax)	**0.7**	-	0%	**39.7**	-	0%
Kyrgyz Republic settlement	**-**	-	0%	**60.0**	-	0%
Gain on sale of ATO (net of tax)	**(6.9)**	-	0%	**(6.9)**	-	0%
Net earnings (loss)	**$ 130.0**	$ 63.6	104%	**$ 209.5**	$ 151.5	38%
Adjusted earnings (3)	**108.7**	68.6	58%	**281.0**	160.9	75%
Cash provided by operations	**170.4**	170.4	(0%)	**500.9**	371.4	35%
Cash provided by operations before changes in working capital (3)	**159.9**	133.4	20%	**512.6**	338.8	51%
Capital expenditures (sustaining) (3)	**29.3**	15.0	96%	**92.2**	65.2	41%
Capital expenditures (growth) (3)	**7.2**	4.5	60%	**18.1**	17.9	1%
Capital expenditures (stripping)	**31.9**	58.3	(45%)	**200.2**	136.7	46%
Total assets	**$ 2,772.2**	$ 2,654.8	4%	**$ 2,772.2**	$ 2,654.8	4%
Long-term debt and lease obligation	**211.6**	422.8	(50%)	**211.6**	422.8	(50%)
Cash, cash equivalents and restricted cash	**416.6**	408.8	2%	**416.6**	408.8	2%
Per Share Data						
Earnings per common share - $ basic (1)	**$ 0.45**	$ 0.23	97%	**$ 0.72**	$ 0.60	19%
Earnings per common share - $ diluted (1)	**$ 0.43**	$ 0.23	92%	**$ 0.72**	$ 0.60	19%
Adjusted earnings per common share - $ basic (1)(3)	**$ 0.37**	$ 0.24	53%	**$ 0.96**	$ 0.64	51%
Adjusted earnings per common share - $ diluted (1)(3)	**$ 0.36**	$ 0.24	48%	**$ 0.96**	$ 0.64	51%
Per Ounce Data ***(except as noted)***						
Average gold spot price - $/oz(2)	**1,275**	1,222	4%	**1,258**	1,248	1%
Average copper spot price - $/lbs(2)	**3.10**	2.40	29%	**2.80**	2.21	27%
Average realized gold price (Kumtor) - $/oz(3)	**1,262**	1,206	5%	**1,245**	1,251	(0%)
Average realized gold price (Mount Milligan - combined) - $/oz(3)	**1,005**	861	17%	**1,003**	861	17%
Average realized gold price (Consolidated) - $/oz(3)	**1,197**	1,154	4%	**1,171**	1,228	(5%)
Operating Highlights						
Gold produced – ounces	**216,752**	248,479	(13%)	**785,316**	598,677	31%
Gold sold – ounces	**242,228**	225,996	7%	**792,466**	580,496	37%
Payable Copper Produced (000's lbs)	**12,261**	10,399	18%	**53,596**	10,399	415%
Copper Sales (000's payable lbs)	**13,105**	9,467	38%	**59,719**	9,467	531%
Operating costs (on a sales basis) (3) (4)	**132.0**	81.8	61%	**487.1**	209.2	133%
Unit Costs						
Operating costs (on a sales basis) - $/oz sold (3) (4)	**$ 545**	$ 362	51%	**$ 615**	$ 360	71%
Adjusted operating costs on a by-product basis - $/oz sold(3)(4)	**$ 320**	$ 287	11%	**$ 331**	$ 346	(5%)
Gold - All-in sustaining costs on a by-product basis – $/oz sold(3)(4)	**$ 571**	$ 586	(3%)	**$ 688**	$ 682	1%
Gold - All-in sustaining costs on a by-product basis (including taxes) – $/oz sold(3) (4)	**$ 709**	$ 733	(3%)	**$ 816**	$ 849	(4%)
Gold - All-in sustaining costs on a co-product basis (before taxes) – $/oz sold(3)(4)	**$ 593**	$ 632	(6%)	**$ 737**	$ 700	5%
Copper - All-in sustaining costs on a co-product basis (before taxes) – $/pound sold(3)(4)	**$ 1.70**	$ 1.65	3%	**$ 1.47**	$ 1.65	(11%)

(1) As at December 31, 2017, the Company had 291,782,846 common shares issued and outstanding (291,785,970 common shares as of February 22, 2018). As of February 22, 2018, Centerra had 4,816,297 share options outstanding under its share option plan with exercise prices ranging from Cdn$5.04 per share to US$36.74 per share, with expiry dates between 2018 and 2025.

(2) Average for the period as reported by the London Bullion Market Association (US dollar Gold P.M. Fix Rate) and London Metal Exchange (LME). This is a non-GAAP measure and is discussed under "Non-GAAP Measures".

(3) Adjusted earnings, adjusted earnings per common shares (basic and diluted), capital expenditures (sustaining and growth), operating costs (on a sales basis), adjusted operating costs on a by-product basis per ounce sold, gold all-in sustaining costs on a by-product or co-product basis (excluding and including taxes) per ounce sold, copper all-in sustaining costs on a co-product basis (before taxes) per pound sold, cash provided by operation before changes in working capital, as well as average realized gold price per ounce (Kumtor, Mount Milligan – combined and Consolidated) are non-GAAP measures and are discussed under "Non-GAAP Measures".

(4) Excludes Molybdenum business.

(5) Comparative results for Thompson Creek operations (Mount Milligan and the Molybdenum group) have been presented from the date of acquisition (October 20, 2016) to December 31, 2016.

Overview of Consolidated Results

Year ended December 31, 2017 compared to 2016

The Company recorded net earnings of $210 million in 2017, compared to $152 million in 2016. The increase in earnings in 2017 reflects full-year operations at Mount Milligan, increased gold production at Kumtor, due primarily to higher average mill gold head grades processed in the mill, partially offset by lower realized gold prices. In addition, the 2017 earnings include charges for a settlement reached with the Kyrgyz Republic Government of $60 million, an impairment charge relating to the Company's Mongolian assets of $41.3 million ($39.7 million net of tax), a tax benefit of $21.3 million due to new tax legislation enacted in the United States and a gain of $9.8 million ($6.9 million net of tax) on the sale of the ATO property in Mongolia. Excluding these items, adjusted earnings[NG] in 2017 were $281.0 million compared to $160.9 million in the comparative year.

Production:
Gold production for 2017 totaled 785,316 ounces compared to 598,677 ounces for 2016. Gold production at Kumtor was 562,749 ounces in 2017, 2% higher than the 550,960 ounces produced in 2016. The increase in ounces poured at Kumtor is a result of milling higher grade ore from stockpiles (3.58 g/t compared to 3.44 g/t) compared to 2016. During the year ended December 31, 2017, Mount Milligan produced 222,567 ounces of gold and 53.6 million pounds of copper.

Safety and Environment:
Centerra had sixteen reportable injuries in 2017, including one fatal injury, eight lost time injuries, six medical aid injuries and one restricted work injury. On April 11, 2017, an industrial accident near the Kumtor mobile maintenance shop resulted in an employee fatality. Investigations involving the Kyrgyz State Inspectorate for Environmental and Technical Safety have been completed and no charges are expected to be filed.

During 2017 there was one reportable release to the environment. The incident occurred at Kumtor on July 9, 2017 when a diesel fuel truck rolled over a safety berm on the technical road on its way to the mine site, spilling 8.8 tonnes of diesel fuel that was immediately contained and, within the day, the contaminated soil was excavated and transported to a waste facility licensed for such material. By the end of the third quarter of 2017, Kumtor and local authorities completed and closed their detailed investigations.

Financial Performance:

Revenue increased to $1,199 million in 2017 from $758 million in 2016, as a result of additional gold ounces sold (792,466 ounces compared to 580,496 ounces), the addition of copper sales $125.9 million at Mount Milligan and molybdenum sales of $145.0 million. The increase in gold ounces sold in 2017 results from the addition of Mount Milligan which operated for the full year and recorded sales of 242,331 ounces of gold and contributed $242.9 million in gold revenues. However, the increase in overall revenue was partially offset by a 6% lower combined average realized gold price[NG] during the year ($1,171 per ounce compared to $1,228 per ounce in 2016).

Cost of sales increased in 2017 to $682 million compared to $412 million in 2016, mainly resulting from the addition of Mount Milligan gold and copper sales and the molybdenum business. Depreciation, depletion and amortization associated with production was $195.0 million in 2017 as compared to $205.9 million in 2016 due to the impact of the positive stockpile reconciliation of cut-back 17 ore at Kumtor during 2017, which was partially offset by increased sales from the addition of Mount Milligan and the molybdenum business in 2017.

The Company reduced the carrying value of its Mongolian assets by $41.3 million (pre-tax) in the second quarter of 2017 to reflect the receipt of preliminary results from the ongoing technical and economic studies related to the Gatsuurt Gold Project. As a result, the Company has reduced the carrying value of the Mongolian assets to their estimated recoverable value of approximately $60 million. On December 22, 2017, the Company issued a new technical report relating to the Gatsuurt Gold Project which included the results of such technical and economic studies.

In the third quarter of 2017, the Company entered into a settlement agreement with the Kyrgyz Republic Government which resulted in a charge of $60 million. The Company also recorded a gain on the sale of the ATO property in Mongolia of $9.8 million (or $6.9 million net of tax).

In the fourth quarter of 2017, the Company accrued a tax benefit of $21.3 million resulting from new tax legislation in the United States (the Tax Cuts and Jobs Act enacted on December 22, 2017, "the Act"). In addition to reducing the U.S. corporate tax rate from 35 percent to 21 percent, the new rules make other significant changes to the U.S. tax code, in particular the repeal of the Alternative Minimum Tax ("AMT"). Prior to the new tax legislation, the Company's molybdenum business had paid income tax under the AMT regime, which was deductible against income tax subsequently payable by the Company. Due to the repeal of the AMT under the new tax legislation, the Company expects to receive a refund of $21.3 million of the AMT credit balance, in respect of its 2018 to 2021 income tax years. The final impact of the Act may differ, possibly materially, due to changes in interpretations of the Act or due to any legislative action taken to address questions that arise because of the Act. As a result, the benefit as recorded could be adversely impacted in future periods.

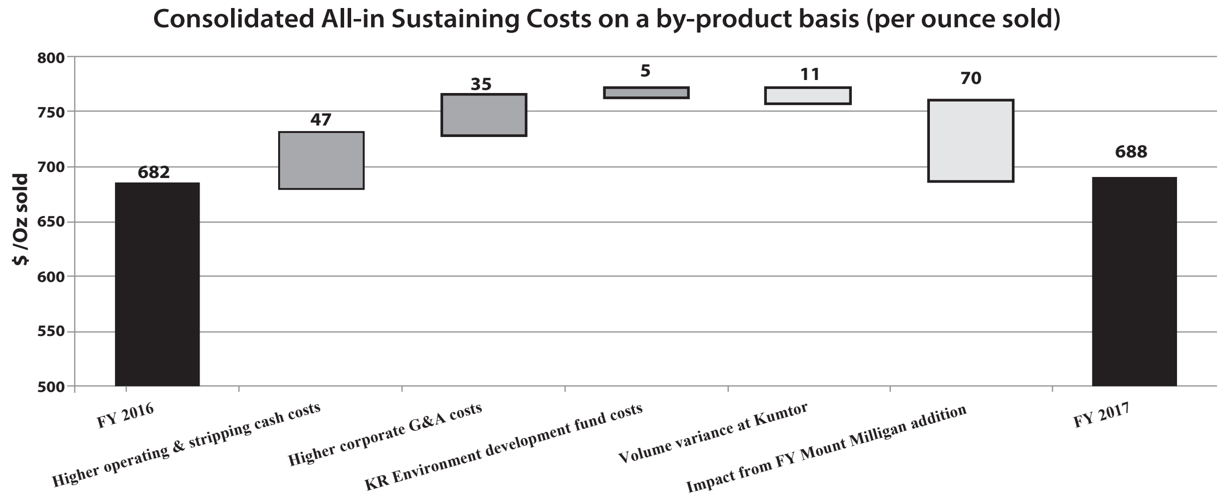
Exploration expenditures in the year ended December 31, 2017 totalled $11.3 million compared to $12.5 million in 2016, reflecting lower spending on advanced projects, mainly at Gatsuurt, as compared to the prior year.

Corporate administration costs were $38 million in 2017, an increase of $10 million compared to the same period of 2016, mainly due to an increase in share-based compensation of $2.3 million as a result of increases in the Company's share price, additional costs for legal and consulting mainly in relation to the Kumtor settlement negotiations ($1.9 million), $1.6 million of costs associated with the acquisition of AuRico Metals Inc., and an increase in the Denver administration office costs of $1.7 million (formerly Thompson Creek Metals Company's corporate office).

Operating Costs:

Operating costs (on a sales basis)[NG] increased to $487 million in 2017 compared to $209 million in 2016, which includes full-year Mount Milligan costs of $209.7 million.

Centerra's all-in sustaining costs on a by-product basis per ounce of gold sold[NG], which excludes revenue-based tax and income tax, increased to $688 in 2017 from $682 in the comparative period mainly as a result of higher operating costs, higher capitalized stripping costs at Kumtor, higher sustaining capital[NG], increased administration costs, as a result of the Thompson Creek acquisition and the impact of the full year of Mount Milligan's operations in 2017 as compared to 2016.



Cash generation and capital management

Cashflow

	Year ended December 31,		
Unaudited ($ millions, except as noted)	**2017**	2016	% Change
Cash provided by operating activities	**500.9**	371.4	35%
Cash used in investing activities:			
- Capital additions (cash)	**(266.8)**	(212.8)	25%
- Short-term investment net redeemed (net purchased)	**-**	181.6	(100%)
- Payment to Thompson Creek debtholders	**-**	(881.0)	(100%)
- Cash received on Thompson Creek acquisition	**-**	98.1	(100%)
- Decrease (increase) in restricted cash	**248.0**	(248.0)	-
- Proceeds from sale of ATO Project	**9.8**	-	-
- Other investing items	**(1.6)**	(9.8)	(84%)
Cash used in investing activities	**(10.6)**	(1,072.0)	(99%)
Cash received from (used in) financing activities:			
- Proceeds from (repayment of) debt	**(208.5)**	398.3	(152%)
- Proceeds from equity offering (net)	**-**	141.3	(100%)
- Dividends paid	**-**	(22.9)	(100%)
- Payment of interest and borrowing costs and other	**(26.0)**	(16.7)	55%
Cash (used in) provided by financing activities	**(234.5)**	500.0	(147%)
Increase in cash and cash equivalents	**255.8**	(200.6)	(228%)

Cash provided by operations before working capital changes[NG] increased to $512.6 million in 2017, compared to $338.8 million in the prior period, as a result of higher earnings in the current year, reflecting one full year of operation at Mount Milligan. Working capital movements in 2017 reflect a reduction in levels at Kumtor mainly due to timing, partially offset by increased levels at Mount Milligan and in the molybdenum business.

The Company generated $500.9 million in cash from operations in 2017, an increase of $129.5 million compared to 2016. With a full year of operation in 2017, Mount Milligan contributed $150.6 million (compared to $92.3 million for the period from October 20 to December 31, 2016), while Kumtor generated $416.1 million, similar to its contribution in 2016. Kumtor's production and gold sales were slightly above the comparative year.

Cash used in investing activities decreased to $10.6 million in 2017 as compared to $1,072.0 million in 2016, reflecting in 2017 the release of Kumtor's restricted cash of $248.0 million, proceeds from the sale of the ATO project, a reduction in net purchases of short-term investments, partially offset by an increase in capital spending (mainly additional sustaining capital[NG] and capitalized stripping at Kumtor) as compared to 2016. The comparative 2016 period reflected payments of $782.9 million on the acquisition of Thompson Creek (net of cash received) and the restriction of Kumtor's cash.

Cash used in financing activities of $234.5 million in 2017 represents debt repayments under the Company's credit facilities. The Company made quarterly payments on the Centerra B.C. Facility non-revolving term loan of $12.5 million, in addition to a required prepayment of $10 million in connection with a $10 million distribution from Mount Milligan to its parent. The Company also paid in full the balance under the revolving portion of the Centerra B.C. Facility of $74.4 million on the Centerra B.C. Facility at the end of the third quarter of 2017. In addition, the Company re-paid $74 million under the EBRD Facility during 2017. In 2016, the Company drew $325 million on the Centerra B.C. Facility and raised equity financing of $145.4 million in the form of subscription receipts in support of its acquisition of Thompson Creek Metals Inc., drew an additional $74 million on its EBRD Facility, paid interest on borrowings and paid dividends to its shareholders.

Cash, cash equivalents, restricted cash and short-term investments at December 31, 2017 increased to $416.6 million from $408.8 million at December 31, 2016 (including $247.8 million of restricted cash and investments at Kumtor).

Capital Expenditure (spent and accrued)

$ millions	**Year ended December 31,**		
	2017	2016	% Change
Consolidated:			
Sustaining capital[NG]	**92.2**	65.2	41%
Capitalized stripping [1]	**200.2**	136.7	46%
Growth capital[NG]	**18.1**	17.9	1%
Gatsuurt Project development	**1.8**	7.2	(75%)
Öksüt Project development [2]	**9.0**	12.0	(25%)
Greenstone Gold Property capital [3]	**5.0**	8.7	(43%)
Total	**326.3**	247.7	32%

(1) Includes cash component of $149.4 million in the year ended December 31, 2017 (2016: $100.5 million).

(2) Year ended December 31, 2016 includes $3 million for the purchase of the net smelter royalty from Teck Resources Limited.

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

Capital expenditures in 2017 totaled $326.3 million compared to $247.7 million in 2016, resulting mainly from increased spending on capitalized stripping at Kumtor to develop cut-back 18 in the Central pit and in the Sarytor pit, higher sustaining capital[NG] for equipment rebuilds and overhauls, partially offset by lower spending on the Company's development projects.

Financial Instruments

The Company seeks to manage its exposure to fluctuations in diesel fuel prices, commodity prices and foreign exchange rates by entering into derivative financial instruments from time-to-time.

Fuel Hedges:
In 2016, the Company established a diesel fuel price hedging strategy using derivative instruments to manage the risk associated with changes in diesel fuel prices to the cost of operations at the Kumtor Mine. The diesel fuel hedging program is a 24-month rolling program and the Company targets to hedge up to 50% of monthly diesel purchases. The Company hedges its exposure with crude oil futures contracts, as the price of diesel fuel closely correlates to the price of crude oil.

Gold and Copper Derivative Contracts:
The Company must satisfy its obligation under the Mount Milligan Streaming Arrangement by delivering refined physical gold and LME copper warrants to Royal Gold after receiving payment from third-party purchasers who purchase concentrate from the Mount Milligan mine. In order to hedge the metal price risk that arises when physical purchase and concentrate sales pricing periods do not match, the Company has entered into certain forward gold and copper purchases and forward sales contracts pursuant to which it purchases gold or copper at an average price during a future quotational period and sells gold or copper at the current spot price. These derivative contracts are not designated as hedging instruments.

Mount Milligan Gold and Copper Facility Hedges:
The Company entered into a hedging program required as part of an amendment to the Centerra B.C. Facility (see "Credit Facilities") to cover the period from July 2017 to June 2019. The amendment required hedging 50% of future un-streamed gold and 75% of un-streamed copper production at the Mount Milligan mine at a minimum average floor price of $1,200 per gold ounce and minimum average floor price of $2.50 per copper pound.

The hedge positions for each of these programs as at December 31, 2017 are summarized as follows:

					Settlement		As at December 31, 2017	
Program	**Instrument**	**Unit**	**Average strike price**	**Type**	**2018**	**2019**	**Total position**	**Fair value gain (loss) ('000')**
Fuel Hedges	Crude oil options(1)	Barrels	$64.60	Fixed	288,000	72,000	360,000	$1,324
Fuel Hedges	Zero-cost collars	Barrels	$46/$59	Fixed	-	23,000	23,000	$135
Centerra B.C. Facility Hedging Program (Strategic Hedges):								
Copper Hedges	Forward contracts(1)	Pounds	$2.90	Fixed	6.7 million	-	6.7 million	$(2,608)
Copper Hedges	Zero-cost collars(2)	Pounds	$2.47/$3.22	Fixed	38.6 million	27.5 million	66.1 million	$(17,724)
Gold Hedges	Forward contracts(1)	Ounces	$1,285	Fixed	39,097	-	39,097	$(1,119)
Gold Hedges	Zero-cost collars(2)	Ounces	$1,247/$1,363	Fixed	47,906	36,799	84,705	$(1,699)
Gold/Copper Hedges (Royal Gold deliverables):								
Gold Derivative Contracts	Forward contracts(1)	Ounces	ND	Float	31,940	-	31,940	$568
Copper Derivative Contracts	Forward contracts(1)	Pounds	ND	Float	5.3 million	-	5.3 million	$467
FX Hedges								
USD/CAD Derivative Contracts	Zero-cost collars(2)	CAD Dollars	1.2570/1.3000	Fixed	26 million	-	26 million	$177

ND = Royal Gold hedging program with floating terms, that are not defined as at December 31, 2017.

(1) Under the forward contracts (including crude oil options), the Company can buy and sell specified assets, typically metals or currency, at a specified price at a certain future date.

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

The gold hedging program in 2018 consists of 87,003 gold ounces, including 39,097 ounces sold under forward contracts at an average strike price of $1,285 per ounce and 47,906 ounces of zero-cost collars at an average strike price range of $1,245 to $1,359 per ounce. The copper hedging program in 2018 consists of 45.3 million pounds of copper, including 6.7 million pounds sold under forward contracts at an average strike price of $2.90 per pound and 38.6 million pounds of zero-cost collars at an average strike price range of $2.45 to $3.14 per pound.

The gold hedging program is more heavily weighted to zero cost collars in the second half of the program in 2018 and 2019 with 55% collars and 100%, collars respectively. This hedging strategy has also been adopted for copper hedges with 85% zero cost collars in 2018 and 100% in 2019.

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.

Operating Mines and Facilities

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 11.5 million ounces of gold to December 31, 2017.

Developments in 2017

- On September 11, 2017, Centerra announced it had signed a comprehensive settlement agreement with the Government of the Kyrgyz Republic. See "Other Corporate Developments – Kyrgyz Republic".
- On September 4, 2017, the Bishkek Inter-District Court lifted the interim court order which prohibited 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 a result, KGC transferred cash balances over and above its ordinary working capital requirements to Centerra on September 15, 2017, when the lifting of the interim court order became effective.
- In December 2017, the Kumtor mine received approval from Kyrgyz Republic authorities of its life of mine plan, state reserves, and ecological passport. It also received its maximum allowable emissions permit ("MAE") and its maximum allowable discharge permit ("MAD") from the Kyrgyz Republic State Agency for Environmental Protection and Forestry ("SAEPF") for the full calendar year of 2018. With such approvals in place, Kumtor now has all the necessary permits and approvals to operate throughout 2018.

Kumtor Operating Results

($ millions, except as noted)	Three months ended December 31,			Year ended December 31,		
	2017	**2016**	**% Change**	**2017**	**2016**	**% Change**
Financial Highlights:						
Revenue - $ millions	**228.1**	231.3	(1%)	**685.2**	683.4	0%
Cost of sales (cash)	**44.9**	43.1	4%	**146.0**	167.4	(13%)
Cost of sales (non-cash)	**39.7**	59.9	(34%)	**145.7**	180.0	(19%)
Cost of sales (total)	**84.7**	103.0	(18%)	**291.7**	347.4	(16%)
Cost of sales - $/oz sold (1)	**468**	537	(13%)	**530**	636	(17%)
Cash provided by operations	**150.8**	193.6	(22%)	**414.0**	416.1	(1%)
Cash provided by operations before changes in working capital(1)	**145.0**	151.3	(4%)	**424.3**	394.7	8%
Operating Highlights:						
Tonnes mined - 000s	**50,770**	35,543	43%	**181,878**	144,399	26%
Tonnes ore mined – 000s	**2,607**	223	1068%	**5,084**	8,911	(43%)
Average mining grade - g/t	**2.30**	8.62	(73%)	**2.12**	3.45	(39%)
Tonnes milled - 000s	**1,668**	1,581	6%	**6,246**	6,303	(1%)
Average mill head grade - g/t	**3.76**	4.71	(20%)	**3.58**	3.44	4%
Mill Recovery - %	**80.4%**	83.5%	(4%)	**79.1%**	79.2%	(0%)
Mining costs - total ($/t mined material)	**1.08**	1.24	(13%)	**1.10**	1.27	(13%)
Milling costs ($/t milled material)	**9.16**	9.37	(2%)	**10.69**	9.87	8%
Gold produced – ounces	**158,165**	200,762	(21%)	**562,749**	550,960	2%
Gold sold – ounces	**180,703**	191,842	(6%)	**550,134**	546,342	1%
Average realized gold price (1) - $/oz sold	**$ 1,262**	$ 1,206	5%	**$ 1,245**	$ 1,251	(0%)
Capital Expenditures (sustaining) (1) - cash	**16.5**	11.5	44%	**60.6**	61.0	(1%)
Capital Expenditures (growth) (1) - cash	**7.1**	1.4	399%	**18.1**	14.8	23%
Capital Expenditures (stripping) - cash	**24.4**	42.9	(43%)	**149.4**	100.5	49%
Capital Expenditures (stripping) - non-cash	**7.5**	15.4	(52%)	**50.9**	36.2	40%
Capital expenditures (total)	**55.5**	71.2	(22%)	**279.0**	212.5	31%
Operating Costs (on a sales basis)(2)	**44.9**	43.1	4%	**146.0**	167.4	(13%)
All-in sustaining costs (including taxes) (1)	**95.1**	103.1	(8%)	**383.9**	349.2	10%
Adjusted operating costs (1)- $/oz sold	**$ 297**	$ 253	18%	**$ 313**	$ 342	(8%)
Operating Costs (on a sales basis)- $/oz sold(1)	**$ 249**	$ 224	11%	**$ 265**	$ 306	(13%)
Gold - All-in sustaining costs on a by-product basis - $/oz sold(1)	**$ 526**	$ 538	(2%)	**$ 698**	$ 640	9%
Gold - All-in sustaining costs on a by-product basis (including taxes) - $/oz sold(1)	**$ 704**	$ 707	(0%)	**$ 874**	$ 815	7%

(1) Adjusted operating costs per ounce sold, operating costs (on a sales basis) ($ and per ounce sold), all-in sustaining costs (including taxes), gold all-in sustaining costs on a by-product basis per ounce sold (including and excluding taxes), as well as average realized gold price 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, administration, royalties and production taxes (except at Kumtor where revenue-based taxes are excluded), but excludes reclamation costs and depreciation, depletion and amortization.

Production

During 2017, Kumtor continued to develop both the Central pit through mining cut-back 18 and the Sarytor pit, which is approximately three kilometres south of the Central pit. Ore production commenced in Sarytor in July 2017, was completed in November 2017 and has supplemented the previously stockpiled ore from the Central pit in advance of obtaining access to the higher-grade ore from cut-back 18 in 2018.

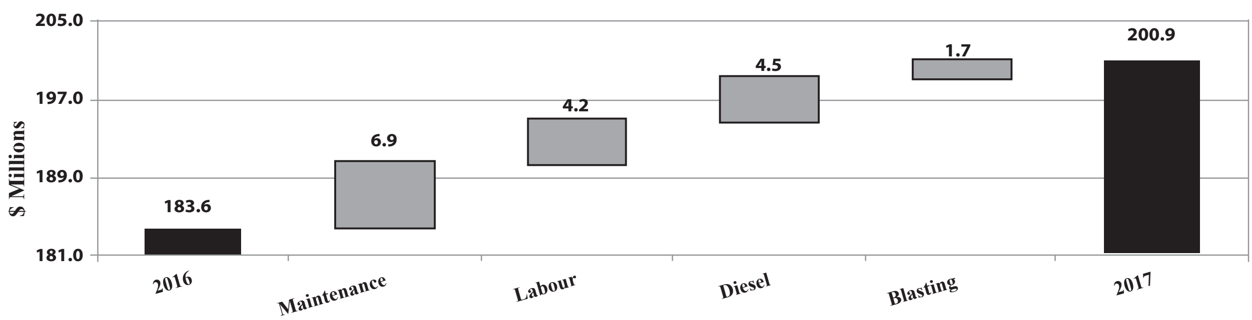
Total waste and ore mined in 2017 was 181.9 million tonnes compared to 144.4 million tonnes in 2016, representing an increase of 26%. The main reasons for this increase were due to favourable weather conditions in 2017 compared to 2016, which resulted in fewer weather delays, 12% shorter average haulage distance compared to 2016 due to the shorter hauls required to mine at the Sarytor pit and various process improvements that increased truck payloads, average truck speeds and truck utilization hours.

Kumtor produced 562,749 ounces of gold in 2017 compared to 550,960 ounces of gold in 2016. The increase in ounces poured is a result of processing during the first half of 2017 higher grade ore from stockpiles containing ore from the lower benches of cut-back 17, whereas lower grade ore mined and processed from the initial benches in cut-back 17 was milled during the comparative period. During 2017, Kumtor's average mill head grade was 3.58 g/t with a recovery of 79.1% compared to 3.44 g/t and a recovery of 79.2% for the same period in 2016.

Operating costs and All-in Measures:

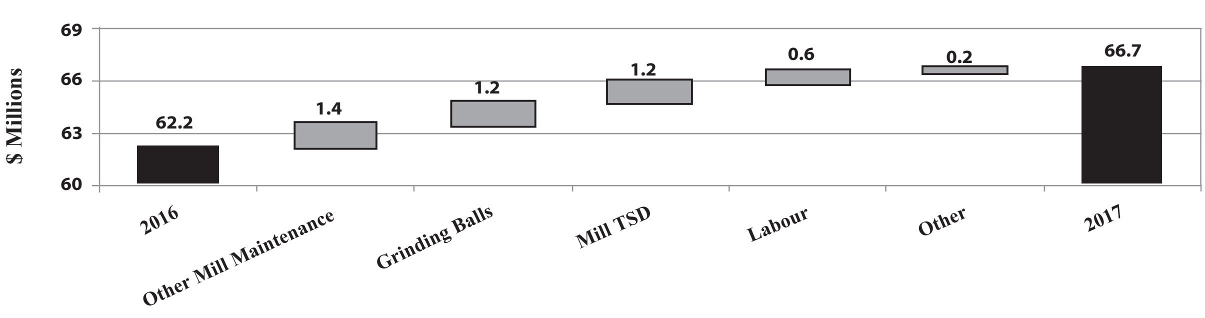
Operating costs (on a sales basis)[NG] for 2017 decreased by $21 million to $146.0 million, as compared to 2016, reflecting 26% more tonnage moved including a significant amount of waste removal in cut-back 18 of the Central pit which was capitalized in 2017. Including capitalized stripping, operating costs were $295.4 million compared to $267.9 million in 2016. The increase in the major components of operating costs (mining, milling and site support) including capitalized stripping but before changes in inventory is explained below.

Mining Costs, including capitalized stripping (2017 compared to 2016):



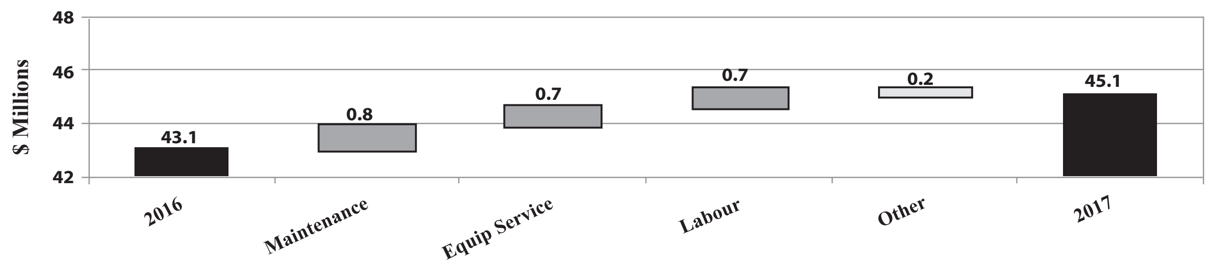
Mining costs, including capitalized stripping, totaled $200.9 million in 2017, which was $16.2 million higher than the comparative year. Increased costs for the year include higher maintenance costs ($6.9 million) resulting from additional repair work on the haul trucks, shovels and drills, higher labour cost ($4.2 million) due to a new collective bargaining agreement and strengthening of the local currency and higher diesel prices ($3.4 million). In addition, higher blasting costs ($1.7 million) resulted from increased blasting volumes.

Milling Costs (2017 compared to 2016):



Milling costs amounted to $66.7 million in 2017 compared to $62.2 million in the 2016. The higher milling costs were mainly due to comprehensive maintenance work during the planned total shutdown for the SAG, ball and regrind mills liners and increased mill reliability projects performed in 2017. In addition, higher grinding balls costs ($1.2 million) was mainly due to the increased consumption rate resulting from harder ore type processed in 2017, and higher labour cost ($0.6 million) due to a new collective bargaining agreement and strengthening of the local currency.

Site support Costs (2017 compared to 2016):



Site support costs in 2017 totaled $45.1 million compared to $43.1 million in 2016. Site support costs increased slightly due to higher costs for light duty vehicle maintenance ($0.8 million), higher contracted equipment services costs ($0.7 million) for a major site clean-up initiative, higher labour costs ($0.7 million) due to a new collective bargaining agreement and strengthening of the local currency.

Other Cost movements

Depreciation, depletion and amortization ("DD&A") associated with sales decreased to $145.7 million in 2017 from $180.0 million in the comparative year, lower than the 2017 guidance of $153 million to $169 million. This is mainly due to the impact on non-cash costs resulting from the positive stockpile reconciliation of cut-back 17 ore during 2017, partially offset by increased sales volumes in 2017.

All-in sustaining costs on a by-product basis per ounce sold, which excludes revenue-based tax, was $698 for 2017 compared to $640 in 2016, representing an increase of 9%. The increase resulted from higher capitalized stripping costs totaling $149.4 million compared to $100.5 million in 2016. The increased capitalization, was partially offset by 3,792 more ounces sold.

Including revenue-based taxes, all-in sustaining costs on a by-product basis per ounce sold was $874 for 2017 compared to $815 in 2016 representing an increase of 7%. The increase is mainly due to the higher all-in sustaining costs (explained above).

Mount Milligan Mine

The Mount Milligan Mine is an open pit mine located in north central British Columbia, Canada producing a gold and copper concentrate. Production at Mount Milligan is subject to the Mount Milligan Streaming Arrangement pursuant to which Royal Gold is entitled to purchase 35% of the gold produced and 18.75% of the copper production at the Mount Milligan mine for $435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered.

During the year, Mount Milligan experienced unexpected maintenance issues that resulted in greater than anticipated downtime thereby negatively impacting average daily mill throughput. Significant cost and effort was expended to minimize unplanned downtime and to improve the maintenance planning processes. The maintenance function was further improved during the year by adding additional experienced maintenance personnel including a Maintenance Manager.

Developments in 2017

On December 27, 2017, the Company reported that, due to a lack of sufficient water resources, mill processing operations at the Mount Milligan mine had been temporarily suspended. Mount Milligan experienced a drier than normal spring and summer during 2017 with a limited amount of spring snow melt. This resulted in lower than expected reclaim water volumes in the tailings storage Facility (TSF) at Mount Milligan which is used for mill processing operations. The water shortage was exacerbated by unanticipated extremely cold temperatures at Mount Milligan, which has resulted in a greater than expected loss of available water volumes in the TSF due to ice formation.

Subsequent to December 31, 2017

On February 5, 2018, the Company reported that its Mount Milligan operation restarted mill operations at a reduced capacity, utilizing one ball mill to minimize water requirements. Following a ramp-up period, mill operations achieved sustainable mill throughput levels of approximately 30,000 tonnes per day by mid-February. The Company expects to return to full capacity when additional fresh water becomes available, restarting the second ball mill once the spring freshet (spring melt leading to surface run off) has commenced, typically in April. Centerra anticipates steadily improving mill throughput, quarter over quarter, during 2018, as water becomes available and improvements are made to the milling and maintenance processes. In the second half of 2018, the Company expects to achieve an average daily throughput of approximately 55,000 tonnes per calendar day.

The company has received an amendment to the Mount Milligan Environmental Assessment Certificate that allows for limited withdrawal of water from Philip Lake until October 2018. The Company expects to commence drawing water by the end of February and expects to carry out the necessary studies, and to consult with affected First Nations groups to work toward a further, longer-term amendment to the Environmental Assessment Certificate.

Mount Milligan Operating Results

($ millions, except as noted)	Three months ended December 31,			Year ended December 31,		
	2017	2016 (1)	% Change	2017	2016 (1)	% Change
Financial Highlights:						
Gold sales	**61.7**	29.4	110%	**242.9**	29.4	726%
Copper sales	**29.2**	26.0	13%	**125.9**	26.0	385%
Total Revenues	**90.9**	55.4	64%	**368.8**	55.4	566%
Cost of sales (cash)	**51.6**	38.8	33%	**209.7**	38.8	440%
Cost of sales (non-cash)	**8.9**	5.9	50%	**43.9**	5.9	645%
Cost of sales (total)	**60.5**	44.7	35%	**253.6**	44.7	467%
Cash provided by operations	**29.2**	92.3	(68%)	**150.6**	92.3	63%
Cash provided by operations before changes in working capital(2)	**30.3**	45.2	(33%)	**138.6**	45.2	206%
Operating Highlights:						
Tonnes mined - 000s	**9,792**	7,592	29%	**41,966**	7,592	453%
Tonnes ore mined – 000s	**4,776**	3,910	22%	**21,501**	3,910	450%
Tonnes milled - 000s	**3,840**	3,904	(2%)	**17,743**	3,904	354%
Mill Head Grade Copper (%)	**0.19%**	0.19%	0%	**0.18%**	0.19%	(6%)
Mill Head Grade Gold (g/t)	**0.75**	0.58	30%	**0.64**	0.58	10%
Copper Recovery - %	**78.4%**	74.7%	5%	**79.0%**	74.7%	6%
Gold Recovery - %	**64.3%**	58.8%	9%	**62.4%**	58.8%	6%
Mining costs - total ($/t mined material)	**$ 2.12**	$ 1.93	10%	**$ 1.86**	$ 1.93	(4%)
Milling costs - total ($/t milled material)	**$ 5.70**	$ 4.27	34%	**$ 5.41**	$ 4.27	27%
Concentrate Produced (dmt)	**28,158**	23,022	22%	**121,502**	23,022	428%
Payable Copper Produced (000's lbs) (5)	**12,261**	10,399	18%	**53,596**	10,399	415%
Payable Gold Produced (oz) (5)	**58,587**	47,717	23%	**222,567**	47,717	366%
Gold Sales (payable oz)(5)	**61,524**	34,154	80%	**242,331**	34,154	610%
Copper Sales (000's payable lbs)(5)	**13,105**	9,467	38%	**59,719**	9,467	531%
Average Realized Price - Gold (combined) - $/oz (2) (4)	**$ 1,005**	$ 861	17%	**$ 1,003**	$ 861	17%
Average Realized Price - Copper (combined) - $/lb (2) (4)	**$ 2.23**	$ 2.74	(19%)	**$ 2.11**	$ 2.74	(23%)
Capital Expenditures (sustaining) (2) - cash	**11.9**	3.4	249%	**30.0**	3.4	782%
Capital Expenditures (growth) (2) - cash	**-**	3.1	(100%)	**-**	3.1	(100%)
Capital expenditures (total)	**11.9**	6.5	83%	**30.0**	6.5	361%
Operating Costs (on a sales basis) ('000s) (3)	**51.6**	38.8	33%	**209.7**	38.8	440%
Operating Costs- $/oz sold	**839**	1,137	(26%)	**866**	1,137	(24%)
Adjusted Operating costs- $/oz sold (2)	**385**	407	(5%)	**370**	407	(9%)
Gold - All in Sustaining costs on a by-product basis - $/oz sold (2)	**594**	509	17%	**505**	509	(1%)
Gold - All in Sustaining costs on a by-product basis (including taxes) - $/oz sold (2)	**611**	529	16%	**525**	529	(1%)
Gold - All in Sustaining costs on a co-product basis - $/oz sold (2)	**706**	811	(13%)	**663**	811	(18%)
Copper - All in Sustaining costs on a co-product basis - $/pound sold (2)	**1.70**	1.65	3%	**1.47**	1.65	(11%)

(1) Comparative results for Mount Milligan have been presented from the date of acquisition (October 20, 2016) to December 31, 2016.

(2) Adjusted operating costs per ounce sold, all-in sustaining costs (for gold and copper) on a by-product or co-product basis (excluding and including tax) per unit sold, cash provided by operations before changes in working capital, payable copper produced, payable gold produced, as well as average realized price per unit sold (gold and copper), and capital expenditures (sustaining and growth) – cash 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, site and 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, in each case under the Mount Milligan Streaming Arrangement.

(5) Mount Milligan payable production and sales are presented on a 100% basis (the Mount Milligan Streaming Agreement entitles it to 35% and 18.75% of gold and copper sales, respectively). Under the Mount Milligan 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% for copper and 97.5% for gold, which may be revised on a prospective basis after sufficient history of payable amounts is determined.

Revenue

In 2017, total revenues were $368.8 million, including gold sales of $242.9 million and copper sales of $125.9 million. Gold ounces sold were 242,331 at an average realized price[NG] of $1,003 per ounce, while

59.7 million pounds of copper were sold at an average realized price[NG] of $2.11 per pound. These figures include gold and copper sales to Royal Gold under the Mount Milligan Streaming Arrangement as described above and the impact of hedging transactions.

Production

During 2017, total payable gold production was 222,567 ounces while total payable copper production was 53.6 million pounds. Total mill throughput was 17.7 million tonnes and averaged 48,612 tonnes per calendar day during 2017 (approximately 54,000 tonnes per operating day), impacted by significant unplanned downtime during the year and by the mill being shut down in late December. Mine production was 42.0 million tonnes. Mined total tonnes (ore and waste) were slightly behind plan due to the reduced mill throughput and increased focus on tailings dam core construction.

Operating costs and All-in Measures

Operating costs (on a sales basis)[NG] for 2017 was $209.7 million and included mining costs of $63.4 million, milling costs of $95.9 million, administration costs of $31.8 million and other costs (including transportation, royalties, inventory movements, net of silver credits) of $18.6 million.

Other Cost movements

DD&A associated with sales were $43.9 million in 2017, representing depreciation of assets related to production which is within the 2017 guidance of $40 million to $45 million.

All-in sustaining costs on a by-product basis per ounce sold, which excludes revenue-based tax, was $505 for 2017, which was in line with the Company's revised guidance of $483 to $523 per ounce sold.

Including income taxes, all-in sustaining costs on a by-product basis per ounce sold was $525 for 2017 which was in line with the Company's revised guidance of $503 to $544 per ounce sold.

Production initiatives

After several months of intensive data generation and analysis, a geometallurgical (GeoMet) program was able to identify significant relationships and trends between various complex ore types to mill throughput and recovery. From these studies, short and long-term block models have been built to predict mill throughput, metal content, alteration, float speed, copper and gold recoveries, and concentrate production. These models are being monitored, validated and beginning to be used in mine planning and scheduling forecasts. Mineralogical limits of single-feed ore have been defined, and resulting ore blend parameters have been put into practice. As a result of these on-going projects, Mount Milligan expects to be able to more accurately predict and maximize future metal production.

Mine engineering initiatives in drilling and blasting continued in the fourth quarter to target optimum fragmentation and particle size distribution for mill feed, based on specific rock types and geological domains. This data will be used in conjunction with the GeoMet program, which aims to optimize recovery and throughput for targeted ore types.

Mount Milligan is working closely with consultants to develop and prioritize projects to improve comminution performance and simplify the flotation circuits to improve recovery. Continuous improvement initiatives to improve mill circuit efficiencies were undertaken such as improved process control through froth crowder installations, equipment sizing, and reagent control strategies. Primary cyclone surveys were conducted in conjunction with the manufacturer to find the optimum apex size, feed density and pressure for the installed cyclones.

Molybdenum Business

The molybdenum business includes two North American primary molybdenum mines that are currently on care and maintenance: the Thompson Creek Mine ("TC Mine") (mine and mill) in Idaho, U.S.A. and the 75%-owned Endako Mine (mine, mill and roaster) is in British Columbia, Canada. The molybdenum business also includes the Langeloth metallurgical roasting facility (the "Langeloth Facility") in Pennsylvania, U.S.A. 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 the TC Mine has allowed the Company to process high copper molybdenum concentrate, which is then transported to the Langeloth Facility for processing.

The molybdenum business provides tolling services for customers by converting molybdenum concentrates to molybdenum oxide powder and briquettes and ferromolybdenum products. Additionally, molybdenum concentrates are also purchased to convert to upgraded products which are then sold in the metallurgical and chemical markets.

Molybdenum Operating Results

($ millions, except as noted)	**Three months ended December 31,**			**Year ended December 31,**		
	2017	**2016 [(1)]**	**% Change**	**2017**	**2016 [(1)]**	**% Change**
Financial Highlights:						
Molybdenum (Mo) Sales - $ millions	**36.9**	16.8	120%	**136.8**	16.8	715%
Tolling, Calcining and Other	**2.4**	2.2	9%	**8.2**	2.2	273%
Total Revenues and Other Income	**39.3**	19.0	107%	**145.0**	19.0	664%
Cost of sales - cash	**35.5**	18.1	96%	**131.5**	18.1	626%
Cost of sales - non-cash	**0.1**	1.5	(93%)	**5.3**	1.5	250%
Cost of Sales - Total	**35.6**	19.6	81%	**136.8**	19.6	597%
Care & Maintenance costs - Molybdenum mines	**3.3**	1.8	85%	**13.2**	1.8	647%
Total capital expenditure	**0.4**	0.3	23%	**0.9**	0.3	182%
Cash provided by operations	**(0.1)**	(2.2)	(93%)	**(8.3)**	(2.2)	279%
Cash provided by operations before changes in working capital[(2)]	**0.6**	(1.0)	(157%)	**1.0**	(1.0)	(202%)
Production Highlights:						
Mo purchased	**3,516**	3,378	4%	**15,513**	3,378	359%
Mo oxide roasted	**4,825**	4,198	15%	**18,555**	4,198	342%
Mo sold	**3,831**	2,188	75%	**14,946**	2,188	583%
Toll roasted and upgraded Mo	**1,145**	1,584	(28%)	**4,736**	1,584	199%

(1) Comparative results for the Molybdenum business have been presented from the date of acquisition (October 20, 2016) to December 31, 2016.
(2) Cash (used in) provided by operations before changes in working capital, is a non-GAAP measure and is discussed under "Non-GAAP Measures".

Production:

A total of 14.9 million pounds of molybdenum were sold and 4.7 million pounds were tolled during 2017 resulting in sales revenue of $145.0 million. Net of $13.2 million in care and maintenance expenses at the two molybdenum mines, as well as total capital spending of $0.9 million, the molybdenum business generated $1.0 million of cash from the operations before changes in working capital[NG].

Consolidated Fourth Quarter Results - 2017 compared to 2016

Net earnings in the fourth quarter of 2017 were $130.0 million ($0.45 per common share - basic), compared to $63.6 million in the same period of 2016. The fourth quarter 2017 result includes a tax benefit of $21.3 million as a result of a change in tax legislation enacted in the U.S. Excluding this item, adjusted earnings[NG] in the fourth quarter of 2017 were $108.7 million or $0.37 per common share (basic). During the same period in 2016, the Company reported net earnings of $63.6 million or $0.23 per common share (basic) and adjusted earnings[NG] of $68.6 million or $0.24 per common share (basic). The following provides an overview of the major items impacting the fourth quarter in 2017 as compared to 2016:

- Gold production for the fourth quarter of 2017 decreased 13% to 216,752 ounces poured, including 158,165 ounces from Kumtor and 58,587 ounces from Mount Milligan. The 21% decrease in ounces poured at Kumtor is a result of milling lower grade ore from the remaining stockpile of cut-back 17 central pit ore and ore from Sarytor pit, compared to the higher grade ore mined from the lower benches of cut-back 17 and processed during the comparative period. During the fourth quarter of 2017, Kumtor's average mill head grade was 3.76 g/t with a recovery of 80.4%, compared to 4.71 g/t and a recovery of 83.5% in the fourth quarter of 2016. This was partially offset by higher mill throughput achieved.

- In the fourth quarter of 2017, Mount Milligan produced 28,158 dry metric tonnes (dmt) of concentrate, containing 12.3 million pounds of copper and 58,587 ounces of gold, compared to 23,022 dmt containing 10.4 million pounds of copper and 47,717 ounces of gold in the fourth quarter of 2016, since the acquisition on October 20, 2016. Milling operations were negatively impacted by the shutdown on December 27, 2017 as a result of a water shortage, as discussed earlier (see "Operating Mines and Facilities – Mount Milligan Mine").

- Revenues in the fourth quarter of 2017 increased 17% to $358.2 million, reflecting a higher average realized gold price[NG] and higher sales volumes from Mount Milligan and from the Molybdenum business as results for both reflects the entire fourth quarter of 2017.

- Cost of sales for the fourth quarter of 2016 increased 8% to $180.8 million compared to the same quarter of 2016. The increase reflects higher sales volumes for gold, copper and molybdenum as compared to the fourth quarter of 2016.

- Regional administration costs increased to $5.8 million in the fourth quarter of 2017 (from $3.8 million in the comparative quarter), as a result of higher employee costs and the strengthening of the Som in relation to the U.S. dollar. Corporate administration costs decreased by $3.3 million as compared to the same period of 2016, as a result of lower share-based compensation in the fourth quarter of 2017, driven by Centerra's share price performance and reduced spending at the Company's administration office in Denver.

- Exploration expenditures in the fourth quarter of 2017 totalled $4.7 million compared to $3.9 million in the comparative period of 2016, reflecting increased drilling activities for the quarter.

- The Company accrued a $21.3 million tax benefit in the fourth quarter of 2017 due to the enactment of the Tax Cuts and Jobs Act, which reduced the U.S. corporate tax rate from 35 percent to 21 percent and repealed the Alternative Minimum Tax which positively impacted the molybdenum business. See "Overview of Consolidated Results".

- Cash provided by operations was $170.4 million in the fourth quarter of 2017 compared to $170.4 million in the same period of 2016.

- Cash used in investing activities in the fourth quarter of 2017 totalling $64.9 million represents mainly spending on capital additions. This compares to $969.8 million of cash used in investing activities in the same quarter of 2016 and reflects the payment to Thompson Creek debtholders of

$783 million (net of cash assumed), the restriction of Kumtor's cash ($126.1 million), increased capital expenditures and a net redemptions of $25 million in short-term investment.

- Capital expenditures (spent and accrued) in the fourth quarter of 2017 were $71.8 million as compared to $83.6 million in the same period of 2016. Sustaining capital[NG] in the fourth quarter of 2017 of $29.4 million compares to $15.3 million the same period of 2016 and reflects increased spending of approximately $9 million, mainly on capital repairs, at Mount Milligan. Growth capital[NG] in the fourth quarter of 2017 of $7.1 million was spent entirely at Kumtor, while $10.1 million was spent in the fourth quarter of 2016 and included $3.1 million spent on the secondary crusher at Mount Milligan. Development project spending totaled $3.4 million in the current period, with $1.6 million spent at the Greenstone Gold Property and $1.8 million at the Öksüt Project. Capitalized stripping in the fourth quarter of 2017 was $31.9 million compared to $58.3 million in the fourth quarter of 2016. In the fourth quarter of 2017, the mining fleet at Kumtor focused primarily on waste stripping from cut-back 18.

- 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 2017, decreased to $571 compared to $586 in the same period of 2016. The reduction reflects a 2% unit cost improvement at Kumtor in the fourth quarter of 2017, mainly as a result of lower capitalized stripping, partly offset by higher sustaining capital[NG]. The fourth quarter of 2017 includes the impact of the Thompson Creek acquisition and the full year inclusion of Mount Milligan as compared to the same period of 2016.

Development Projects

Öksüt Project:

At the Öksüt Project in Turkey, the Company spent $8.9 million during the year ended December 31, 2017 ($12.0 million the year ended December 31, 2016) on development activities to advance access and site preparation and to progress detailed engineering plans which are 96% complete, as well as spending on administration and financing costs.

Subsequent to December 31, 2017

On January 11, 2018, the Company announced that its wholly-owned Turkish subsidiary, Öksüt Madencilik Sanayi ve Ticaret A.S. received approval of its pastureland permit for the Öksüt Project located in central Turkey. OMAS also received notice from the Kayseri Directorate of Food, Agriculture and Livestock ("Directorate") for payment of the necessary "grass fee" (approximately $4 million) and a refundable deposit to the Directorate to commence the land delivery process which converts the pastureland to industrial usage land. It is expected that the land delivery process may take upwards of 45 days.

On February 12, 2018, the Company also announced that it had received an investment incentive certificate from the Turkish Ministry of Economy. The investment incentive certificate provides OMAS with certain anticipated tax incentives.

Centerra's Board of Directors approved the development of the Öksüt Project subject to continued availability of the OMAS Facility. The Company expects to start construction in April 2018. See "2018 Outlook".

Gatsuurt Project:

In December 2017, the Company filed an updated technical report for the Gatsuurt Project located in central northern Mongolia. The technical report incorporates results from the technical and economic studies initiated in 2016, further optimization studies completed in 2017, updated capital and operating costs and the current Mongolian tax and royalty regime. The Company has not made a development or construction decision on the Gatsuurt Project and expects to restart negotiations with the Mongolian Government based on the results of the new technical report.

Greenstone Gold Property:

As previously disclosed, the Greenstone Partnership has not made a development or construction decision on the Hardrock Project. During 2017 the partnership continued programs to minimize the risk profile of the project. The Company completed and submitted the Environmental Impact Study and Environmental Assessment ("EIS/EA") to CEAA and MOECC in July 2017, anticipating a decision in the fall of 2018.

In 2017, the Company spent $9.8 million on project development activities ($19.4 million in 2016). The focus areas included completing the EIS/EA, advancing public infrastructure engineering, and supporting local communities in their review of the EIS/EA. The Company continues to engage and consult with local communities of interest, including First Nations, and is seeking to enter into mutually beneficial impact benefit agreements in 2018.

Centerra's funding to date of its C$185 million commitment in the Greenstone Partnership totals C$67.2 million ($51.6 million).

Balance Sheet

Inventory
Total inventory at December 31, 2017 was $507.9 million (2016 - $542.5 million) including product inventory of $298.9 million (2016 - $338.4 million) and supplies inventory of $209.0 million (2016 - $204.1 million). The consolidated decrease year over year of $34.6 million reflects a 17.4% decrease in product inventories at Kumtor as the mill processed stockpiled material in 2017 due to lower tonnage of mined ore from the pit. Product inventories at Mount Milligan were also lower, partially offset by higher inventory levels at the Langeloth processing facility due to the timing of receipt of molybdenum feed material.

Property, Plant and Equipment
The aggregate book value of property, plant and equipment at December 31, 2017 was $1.7 billion, which compares to $1.6 billion at the end of 2016. The increase in 2017 of $109.6 million is attributed to an increase of $145.1 million at Kumtor representing additions of $279.7 million mainly consisting of capitalized stripping costs related to cut-back 18 and Sarytor, mobile equipment re-build programs and tailings dam construction net of depreciation of $134.5 million. However, such increases were partially offset by a decrease of $41.3 million due to the impairment of Mongolian assets and a decrease of $6.6 million at Mount Milligan due to depreciation of $38.5 million net of additions of $32.2 million mainly consisting of tailings storage facility construction.

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 $167.0 million as at December 31, 2017 (2016 - $158.4 million). The increase in 2017 reflects changes from the regularly scheduled updates to the Company's closure costs estimates at its various properties. 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 $232.8 million at December 31, 2017 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 2017 Consolidated Financial Statements.

Share capital and share options
As of February 22, 2018, Centerra had 291,785,970 common shares outstanding and options to acquire 4,816,297 common shares outstanding under its stock option plan with exercise prices ranging between Cdn$5.04 and US$36.74 per share, with expiry dates ranging between 2018 and 2025.

Contractual Obligations

The following table summarizes Centerra's contractual obligations as of December 31, 2017, including payments due over the next five years and thereafter:

$ millions	**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)	**$42.6**	$6.0	$18.0	$12.0	$6.6
Capital equipment (2)	**1.2**	1.2	-	-	-
Operational supplies	**36.0**	36.0	-	-	-
Mount Milligan					
Operational supplies	**15.2**	15.2	-	-	-
B.C. Hydro liability	**6.9**	6.9	-	-	-
Equipment leases (principal + interest) (3)	**34.1**	34.1	-	-	-
Öksüt and Greenstone					
Project development	**48.9**	21.0	27.9	-	-
Operational supplies	**0.1**	0.1	-	-	-
Corporate and other					
Loan repayment (principal only)	**266.0**	50.0	100.0	116.0	-
Operational supplies	**1.4**	1.4	-	-	-
Lease of premises (4)	**3.2**	0.8	1.0	0.7	0.7
Derivative liability	**23.3**	16.0	7.3	-	-
Total contractual obligations (5)	**$478.9**	$188.7	$154.2	$128.7	$7.3

(1) Centerra's future decommissioning and reclamation costs for the Kumtor mine are estimated to be $66.2 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 ($39.8 million). The settlement agreement with the Kyrgyz Republic Government requires this restricted cash to be funded at a rate of $6 million per year until the Reclamation Trust Fund reaches a balance of $69 million.

On December 31, 2017 the balance in the Reclamation Trust Fund was $26.4 million (2016 - $22.0 million), with the remaining $39.8 million to be funded over the life of the mine.

(2) Agreements as at December 31, 2017 to purchase capital equipment.

(3) In January 2017, this lease was renegotiated and converted into a 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

Kyrgyzaltyn JSC

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.

		2017		2016
Sales:				
Gross gold and silver sales to Kyrgyzaltyn	**$**	**695,288**	$	691,630
Deduct: refinery and financing charges		**(4,364)**		(3,825)
Net sales revenue received from Kyrgyzaltyn	**$**	**690,924**	$	687,805
Expenses:				
Contracting services provided by Kyrgyzaltyn	**$**	**1,250**	$	1,543
Management fees payable to Kyrgyzaltyn		**550**		546
Expenses paid to Kyrgyzaltyn	**$**	**1,800**	$	2,089
Dividends:				
Dividends declared to Kyrgyzaltyn	**$**	**-**	$	7,097
Withholding taxes		**-**		(355)
Net dividends payable to Kyrgyzaltyn	**$**	**-**	$	6,742

Related party balances

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

		2017		2016
Amounts receivable (a)	**$**	**20**	$	11,611
Amount payable	**$**	**1,160**	$	1,218

(a) Subsequent to December 31, 2017, the balance receivable from Kyrgyzaltyn was paid in full.

Gold produced by the Kumtor Mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to the Sale 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).

For 2017, key management personnel are defined as the executive officers of the Company including the Chief Executive Officer, the President, the Vice President and Chief Financial Officer, the Vice President and Chief Operating Officer and the Vice President, Business Development & Exploration.

In the year ended December 31, 2017, compensation of directors was $2.2 million, including share-based compensation expense of $1.1 million (December 31, 2016 - $1.5 million, including share-based compensation credit of $0.6 million). Compensation of key management personnel in 2017 was $8.1 million, including shared-based compensation of $2.6 million, (December 31, 2016 - $7.2 million, including share-based compensation of $2.1 million).

Disclosure regarding related party transactions is included in Note 27 of the Company's December 31, 2017 Annual Financial Statements.

Quarterly Results – Previous Eight Quarters

Over the last eight quarters, Centerra's results reflect the impact of decreasing input costs (mainly for consumables) which have seen a continued decrease since 2015, except for diesel prices which increased in 2017. Over the same periods, gold prices progressively increased over the first three quarters of 2016, until dropping in the fourth quarter following the 2016 U.S. election and resumed a steady increase over the 2017 year. In 2017, the Euro, Canadian dollar, Mongolian tugrik and Kyrgyz som appreciated against the U.S. dollar thereby putting pressure on operating costs spent in these currencies. Comparatively, most currencies weakened in 2016 as compared to the U.S. dollar which had a positive impact on foreign-denominated costs (such as labour). The Company reduced its carrying value of its Mongolian assets by $41.3 million (pre-tax) in the second quarter of 2017 and provided $60 million regarding the Strategic Agreement in the third quarter of 2017. The quarterly production profile at Kumtor for 2017 was more consistent across each quarter, while the production profile in 2016 was more concentrated in the last nine months of the year. Non-cash costs have progressively increased at Kumtor due to its expanded mining fleet and the increased amortization of capitalized stripping resulting from increased stripping as the Central pit has become larger. The addition of Mount Milligan's results began with the closing of the acquisition of Thompson Creek on October 20, 2016. The quarterly financial results for the last eight quarters are shown below:

$ million, except per share data Quarterly data unaudited	**2017**				**2016**			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	**358**	**276**	**279**	**285**	306	220	162	73
Net earnings (loss)	**130**	**(1)**	**23**	**57**	64	67	3	18
Basic earnings (loss) per share	**0.45**	**-**	**0.08**	**0.20**	0.23	0.28	0.01	0.08
Diluted earnings (loss) per share	**0.43**	**-**	**0.08**	**0.20**	0.23	0.28	-	0.07

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 news releases and its 2016 Annual Information Form and specifically the section entitled "Risks that can affect our business" therein 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

Strategic Agreement

As previously disclosed, Centerra and its Kyrgyz subsidiaries (Kumtor Gold Company ("KGC") and Kumtor Operating Company) entered into a comprehensive settlement agreement (the "Strategic Agreement") with the Government of the Kyrgyz Republic (the "Government") on behalf of the Kyrgyz Republic on September 11, 2017. The Strategic Agreement includes, among other things:

(i) full and final reciprocal releases and resolution of all existing arbitral and environmental claims, disputes, proceedings and court orders, and releases of the Company and its Kyrgyz subsidiaries from future claims covering the same subject matter as the existing environmental claims arising from approved mine activities;

(ii) the agreement of KGC to:

a. make a one-time lump sum payment totaling $57 million to a new, government-administered Nature Development Fund ($50 million) and to a new, government administered Cancer Care Support Fund ($7 million);

b. within 12 months of closing make a further one-time payment of $3 million to the new, government administered Cancer Care Support Fund;

c. make annual payments of $2.7 million to the Nature Development Fund, conditional on the Government continuing to comply with its obligations under the Strategic Agreement; and

d. accelerate its annual payments to Kumtor's Reclamation Trust Fund in the amount of $6 million a year until the total amount contributed by KGC reaches the total estimated reclamation cost for the Kumtor Project (representing the independent assessment of

Kumtor's current reclamation costs) subject to a minimum total reclamation cost of $69 million (which is broadly in line with KGC's current estimated reclamation cost for the Kumtor Project);

The releases of liability and all payments are subject to a range of initial conditions precedent designed to protect Centerra, KGC and KOC, including (i) the approval by the Government of various outstanding items, including the Kumtor life-of-mine (LOM) plan, official reserves report and the tailings dam expansion, (ii) compliance by the Government with its obligations under the Kumtor Project Agreements, (iii) continued operation of the Kumtor Mine by KGC and KOC with all necessary permits, (iv) no expropriatory action having been taken by the Government, and (v) termination of the environmental disputes and the civil and criminal proceedings instigated by the Kyrgyz General Prosecutor's Office on terms satisfactory to Centerra. The Government approvals conditions noted in (i) above all been obtained and the Company is continuing to work closely with the Government to expeditiously satisfy the remaining conditions precedent to the Strategic Agreement, which are expected to be completed in the first quarter of 2018. The initial longstop date for the satisfaction of all of the conditions precedent to completion of the Strategic Agreement has been extended to April 20, 2018.

In connection with the Strategic Agreement, the arbitration previously commenced by Centerra, KGC and KOC against the Government of the Kyrgyz Republic and Kyrgyzaltyn will be suspended until April 20, 2018. During the suspension, the parties will work towards completing the Strategic Agreement and the resolution of all outstanding matters affecting the Kumtor Project.

Kyrgyz Republic Claims

The following is a summary of the claims in the Kyrgyz Republic against the Kumtor Project, including those made by Kyrgyz Republic state environmental agencies and the General Prosecutor's office. As noted above, the Strategic Agreement provides a pathway to the resolution of all such claims, disputes, proceedings and court orders, except as noted below.

SAEPF Claims

On September 4, 2017, the Bishkek Inter-District Court terminated a claim made bythe Chui-Bishkek-Talas Local Fund of Nature Protection and Forestry Development (the "Local Fund") of the Kyrgyz Republic State Agency for Environmental Protection and Forestry ("SAEPF") which sought compensation for alleged environmental pollution in the amount of 40,340,819 Kyrgyz soms (approximately $580,000 based on the exchange rate of 69.6105 Kyrgyz soms per US$1.00).

On September 4, 2017, the Bishkek Inter-District Court also terminated the claim made by SAEPF which had alleged that Kumtor owes additional environmental pollution fees in the amount of approximately $220 million. The court also lifted the interim court order which prohibited 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 a result, KGC transferred cash balances over and above its ordinary working capital requirements to Centerra on September 15, 2017, when the lifting of the interim court order became effective.

SIETS Claims

As previously disclosed, 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 the State Inspectorate Office for Environmental and Technical Safety of the Kyrgyz Republic ("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 $94.4 million at current exchange rates) and 663,839 Kyrgyz soms (approximately $9,300 at current exchange rates), 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 $2.3 million) and 188,533,730 Kyrgyz soms (approximately $2.7 million), respectively. Centerra, KOC and KGC 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. Such claims are expected to be terminated upon completion of the Strategic Agreement.

Kyrgyz Republic General Prosecutor's Office Proceedings

The Company is subject to a number of other criminal proceedings commenced by the Kyrgyz Republic General Prosecutor's Office and other Kyrgyz Republic state agencies as described below. However, the Strategic Agreement provides a pathway to the resolution of claims, except as noted below.

Criminal Proceedings Against Unnamed KGC Managers

On May 30, 2016, a criminal case was opened by the Kyrgyz Republic General Prosecutor's Office ("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.

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"). On September 14, 2017, the Bishkek Inter-District Court determined to leave the claim without review and, accordingly, the claim has been terminated.

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.

Land Use Claim

As previously noted, KGC had challenged 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). On August 28, 2017, the Bishkek Inter-District Court terminated the proceeding commenced by the GPO in respect of Kumtor's land use rights over the Kumtor concession area.

KGC Employee Movement Restrictions

In connection with certain of the foregoing criminal investigations, restrictions had been imposed by the Kyrgyz Republic on certain KGC managers and employees, which prohibit them from leaving the Kyrgyz Republic. The Company understands that all such movement restrictions have now been lifted.

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 superseded entirely the 2003 and 2004 agreements. The 2009 Restated Investment Agreement was negotiated with the Kyrgyz Republic Government, Kyrgyzaltyn 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. The Company understands that this investigation has been closed with respect to certain individuals.

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. On July 11, 2017, the criminal proceedings were dismissed by the Kyrgyz courts but were later sent for new consideration by the courts upon the request of the deceased's family. This claim is not expected to be resolved in connection with the Strategic Agreement.

Management Assessment of Outstanding Kumtor Matters

As noted above, the Strategic Agreement contained no admission on the part of Centerra or its Kyrgyz subsidiaries of: (i) any environmental wrongdoing, (ii) any non-compliance with Kyrgyz law or the Kumtor Project Agreements or (iii) any pre-existing obligation to make additional environmental or Reclamation Trust Fund payments or environmental remediation efforts. The Company and KGC continue to dispute all of the allegations noted above.

While the Strategic Agreement provides a pathway for the resolution of all outstanding matters affecting the Kumtor Project, there are no assurances that all of the conditions precedent to the completion of the settlement contained in the Strategic Agreement will be satisfied. If the settlement contained in the Strategic Agreement is not completed, 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 or that any future discussions between the Kyrgyz Republic Government and Centerra will result in a mutually acceptable resolution; or (ii) the Kyrgyz Republic Government and/or Parliament will not take actions that are inconsistent with the Government's obligations under the Strategic Agreement or 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, whether through the Strategic Agreement or otherwise, 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.

Furthermore, if all such claims are not resolved as provided for in the Strategic Agreement and despite the Company's view that all disputes related to the 2009 Restated Investment Agreement should be determined in arbitration, there are risks that the arbitrator may (i) reject the Company's claims; (ii) determine it does not have jurisdiction; and/or (iii) stay the arbitration pending determination of certain issues by the Kyrgyz Republic courts. 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.

Kyrgyzaltyn Purchaser Bank

As previously disclosed, beginning in September 2017, Kumtor began to limit shipments to Kyrgyzaltyn due to concerns about the financial stability at Bank Otkritie Financial ("Bank Otkritie"), which is the bank that previously purchased Kyrgyzaltyn's refined gold. In November 2017, Kyrgyzaltyn appointed a new purchaser for its refined gold, Auramet International LLC ("Auramet"). All gold doré produced at Kumtor is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to the Restated Gold and Silver Sale Agreement dated June 6, 2009 entered into between KGC, Kyrgyzaltyn and the Kyrgyz Government. Auramet now purchases refined gold from Kyrgyzaltyn and pays Kumtor directly.

Following the appointment of Auramet as Kyrgyzaltyn's purchaser bank at the end of November 2017, KGC resumed full shipments of gold doré to Kyrgyzaltyn and completed the sale of all gold doré accumulated in inventory due to the concerns about Bank Otkritie's financial condition.

Mongolia

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 Annul Certain Administrative Decisions Related to Gatsuurt Mining Licenses.

In the first quarter of 2016, a non-governmental organization called "Movement to Save Mt. Noyon" filed a claim in Mongolian court against the Mongolian Mineral Resources Authority (MRAM) requesting that MRAM annul two administrative decisions related to the mining licenses underlying the Gatsuurt Project. Centerra Gold Mongolia ("CGM"), the wholly owned subsidiary of Centerra and the holder of these mining licenses, is involved in the claim as a third party. One administrative decision related to a routine approval of a change of name of the Gatsuurt license holder. That administrative decision does not affect the validity of the Gatsuurt licenses. The second decision related to a non-material license. The claimant's request has previously been granted twice (in May 2016 and May 2017) by the lower court and overturned both times on appeal. On July 26, 2017, the Mongolian lower court granted the claimant's request to suspend the two administrative acts and that decision has subsequently been upheld by an appellate court. While Centerra believes that this claim is without merit, there are no assurances that the claim will be resolved in favour of CGM. Subsequent adverse rulings of the Mongolian courts which may otherwise relate to the Gatsuurt licenses or delays in the court process may have a material adverse impact on the Company's future cash flows, earnings, results of operations or financial condition.

Sale of ATO

On January 31, 2017, Centerra Gold's Mongolian subsidiary, 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 $20.0 million. CGM received $0.8 million upon signing of the definitive agreements and $9 million at closing, which occurred on September 15, 2017. CGM is to receive additional $5 million cash payments on each of September 30, 2018 and September 30, 2019.

Accounting Estimates, Policies and Changes

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, 2017 financial statements.

Recently issued but not adopted accounting guidance

Note 5 in the consolidated financial statements for the year ended December 31, 2017 presents a list of recently issued accounting standards not yet adopted by the Company, provides a brief description on the nature of these changes and potential impact on the Company. The recently issued accounting standards and amendments are as follows: IFRS 15, *Revenue from Contracts with Customers* and IFRS 16, *Leases*.

The Company has assessed the impact of adopting IFRS 15 and determined that IFRS 15 does not have an impact on revenue recognized related to the sales of gold doré, gold and copper concentrate and molybdenum. The Company is in the process of determining the impact of IFRS 16 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 the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) revised 2013 Internal Control Framework for the design of its ICFR.

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, the CEO and the CFO concluded that the design and operation of these DC&P and ICFR were effective throughout 2017.

2018 Outlook

Production, cost and capital forecasts for 2018 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially. These risks are discussed herein under the headings "Risks That Can Affect Our Business", "Material Assumptions & Risks" and "Caution Regarding Forward-Looking Information" in this document. Also refer to the Company's most recent Annual Information Form and specifically the section entitled "Risks That Can Affect Our Business" therein available on SEDAR.

Mount Milligan Update

As noted previously, the mill throughput levels at Mount Milligan reached approximately 30,000 tonnes per day by mid-February. The Company expects to return to full capacity when additional fresh water becomes available, restarting the second ball mill once the spring freshet has commenced, typically in April. Centerra anticipates steadily improving mill throughput, quarter over quarter, during 2018, as water becomes available and improvements are made to the milling and maintenance processes. In the second half of 2018, the Company expects to achieve an average daily throughput of approximately 55,000 tonnes per calendar day.

2018 Gold Production

Centerra's 2018 gold production is expected to be between 645,000 to 715,000 ounces. Kumtor's gold production forecast is expected to be in the range of 450,000 ounces to 500,000 ounces with about 45% 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 195,000 to 215,000 ounces.

2018 Copper Production

Payable copper production is expected to be in the range of 47 million pounds to 52 million pounds.

Centerra's 2018 production is forecast as follows:

2018 Production Guidance	Units	Kumtor	Mount Milligan[1]	Centerra
Gold				
Unstreamed Gold Payable Production	(Koz)	450 – 500	127 – 140	577 – 640
Streamed Gold Payable Production[1]	(Koz)	–	68 – 75	68 – 75
Total Gold Payable Production[2]	**(Koz)**	**450 – 500**	**195 – 215**	**645 – 715**
Copper				
Unstreamed Copper Payable Production	(Mlb)	–	38 – 42	38 – 42
Streamed Copper Payable Production[1]	(Mlb)	–	9 – 10	9 – 10
Total Copper Payable Production[3]	**(Mlb)**	**–**	**47 – 52**	**47 – 52**

1) The Royal Gold Stream Arrangement entitles Royal Gold to 35% and 18.75% of gold and copper sales, respectively, from the Mount Milligan Mine and Royal Gold will pay $435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered.
2) Gold production assumes 79% recovery at Kumtor and 61% recovery at Mount Milligan.
3) Copper production assumes 79% recovery for copper at Mount Milligan.

2018 All-in Sustaining Unit Costs NG

Centerra's 2018 all-in sustaining costs per ounce sold NG are calculated on a by-product basis and are forecast as follows:

2018 All-in Sustaining Unit Costs NG	Kumtor	Mount Milligan[2]	Centerra[2]
Ounces sold forecast	**450,000 – 500,000**	**195,000 – 215,000**	**645,000-715,000**
All-in sustaining costs on a by-product basis[1], [2]	**$733 – $815**	**$806 – $888**	**$799 – $885**
Revenue-based tax[3] and taxes[3]	171 – 190	19 – 21	125 – 139
All-in sustaining costs on a by-product basis, including taxes [1], [2], [3]	**$904 – $1,005**	**$825 – $909**	**$924 – $1,024**
Gold - All-in sustaining costs on a co-product basis ($/ounce) [1],[2]	**$733 – $815**	**$847 – $932**	**$812 – $900**
Copper - All-in sustaining costs on a co-product basis ($/pound) [1],[2]	–	**$1.90 – $2.10**	**$1.90 – $2.10**

1) All-in sustaining costs per ounce sold, all-in sustaining costs per ounce sold on a by-product basis, all-in sustaining costs on a by-product basis including taxes per ounce sold and all-in sustaining costs on a co-product basis (gold and copper) on a per unit basis are non-GAAP measures and are discussed under "Non-GAAP Measures".

2) Mount Milligan payable production and ounces sold are on a 100% basis (the Mount Milligan Streaming Arrangement entitles Royal Gold 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 $2.90 per pound sold for Centerra's 81.25% share of copper production and the remaining 18.75% of copper revenue at $0.435 per pound (15% of spot price, assuming spot at $2.90 per pound), representing the Mount Milligan Streaming 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.

3) Includes revenue-based tax at Kumtor and the British Columbia mineral tax at Mount Milligan based on a forecast gold price assumption of $1,275 per ounce sold.

Results in chart may not add due to rounding.

2018 Royalty Revenue

Based on the mid-point of the operator's guidance of the Company's royalty portfolio, royalty revenue is estimated for 2018 to be in the range of $11.5 million to $12.7 million.

2018 Exploration Expenditures

Planned exploration expenditures for 2018 are expected to be $16.7 million, including $14.4 million to fund ongoing projects and $2.3 million for generative and other exploration programs.

2018 Capital Expenditures

Centerra's projected capital expenditures for 2018, excluding capitalized stripping, are estimated to be $242 million, including $100 million of sustaining capital[NG] and $142 million of growth capital[NG].

Projected capital expenditures (excluding capitalized stripping) include:

Projects	**2018 Sustaining Capital[(1)]** ($ millions)	**2018 Growth Capital[(1)]** ($ millions)
Kumtor mine	49	14
Mount Milligan mine	44	-
Öksüt project	-	82
Kemess Underground project	-	36
Greenstone Gold property	-	10
Other (Thompson Creek mine, Endako mine (75%), Langeloth facility and Corporate)	7	-
Consolidated Total	**$100**	**$142**

(1) Sustaining capital and growth are non-GAAP measures and are discussed under "Non-GAAP Measures".

Kumtor

At Kumtor, 2018 total capital expenditures, excluding capitalized stripping, are forecast to be $63 million. Spending on sustaining capital[NG] of $49 million relates primarily to major overhauls and replacements of the heavy duty mine equipment ($42 million).

Growth capital[NG] investment at Kumtor for 2018 is forecast at $14 million primarily related to tailings dam construction ($9 million).

The cash component of capitalized stripping costs related to the development of the open pit is expected to be $122 million of the $168 million total capitalized stripping estimated in 2018.

Mount Milligan

At Mount Milligan, 2018 sustaining capital expenditures are forecast to be $44 million and relates primarily to tailing dam construction ($17 million), mine equipment rebuilds ($11 million) and water supply improvement projects ($3 million).

Öksüt Project

On February 22, 2018, Centerra's Board of Directors approved construction of the Öksüt project. The total cost of construction is expected to be approximately $220 million (including contingency) to first gold pour which is anticipated in the first quarter of 2020. Currently 96% of the engineering has been completed for the project and the Company expects to commence construction in April 2018. Planned spending in 2018 is expected to be approximately $82 million at the Öksüt property which includes initiation of haul road construction, waste dump preparation, main access road construction, purchase of crusher equipment and initiation of crusher construction, and various earthworks activities for the heap leach pad, ADR plant, administration and truck shop campus, and electrical substation. Additional details related to the Öksüt project can be found in the Technical Report dated September 3, 2015 filed on SEDAR.

Kemess Underground Project

In 2018, spending on pre-construction activities at the Kemess Underground Project (KUG) is estimated at $36 million. Pre-construction activities include the purchase of a water treatment and water discharge system. The Company continues to prioritize receipt of all critical permits, and other approvals required in advance of a potential construction decision later in the year. Additional details related to the KUG project is described in the technical report dated July 14, 2017 and filed on SEDAR by AuRico Metals Inc.

Greenstone Gold Property

Centerra's guidance for 2018 expenditures in connection with the Greenstone Gold Property (50-50 joint venture with Premier Gold) is approximately $20 million (Cdn$25 million), on a 100% basis, which is forecast to be spent on project de-risking including negotiations for advancing long-term relationship agreements with local aboriginal groups, permitting, project optimization and project support. The forecast spending for 2018 will be fully funded by Centerra with 50% of spending accounted for as pre-development project spending or exploration and expensed through Centerra's income statement. The remaining 50% of spending will be capitalized on Centerra's balance sheet and be accounted for as an acquisition cost of the Greenstone Gold Property ($10 million).

2018 Corporate Administration

Corporate and administration expense for 2018 is forecast to be $32 million (including $9 million of stock-based compensation expense).

2018 Depreciation, Depletion and Amortization

Consolidated depreciation, depletion and amortization expense included in costs of sales expense for 2018 is forecasted to be between $188 million and $216 million including Kumtor's DD&A expense of between $149 million and $166 million and Mount Milligan's DD&A expense of between $33 million and $41 million.

(In millions)	**2018 DD&A Forecast (Unaudited)**	**2017 DD&A Actual**
Kumtor		
Mine equipment	$ 65 – 75	67
Less DD&A capitalized to stripping costs[1]	(36) – (46)	(51)
Capitalized stripping costs amortized	129 – 156	46
Other mining assets	3	2
Mill assets	12	8
Administration assets and other	13	12
Inventory adjustment (non-cash depreciation)	(37) – (47)	62
Subtotal for Kumtor	**$ 149 – 166**	**146**
Mount Milligan		
Plant & equipment	$ 17 – 20	21
Mineral properties	5 – 6	6
Buildings and other	5 – 6	7
Tailings storage facility	2 – 3	4
Inventory adjustment (non-cash depreciation)	4 – 6	6
Subtotal for Mount Milligan	**$ 33 – 41**	**44**
Langeloth		
Plant & equipment	$ 5 – 7	4
Buildings and other	1 – 2	1
Subtotal for Langeloth	**$ 6 – 9**	**5**
Consolidated Total	**$ 188 – 216**	**195**

(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 2017, $51 million of depreciation costs was allocated to capitalized stripping costs.

2018 Taxes

Pursuant to the Restated Investment Agreement, Kumtor's operations are not subject to corporate income taxes. Instead, the Restated Investment Agreement imposes a tax of 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 2018 is forecast to be nil, while British Columbia mineral tax is forecast to be between $3.5 million and $4.2 million.

Kumtor Settlement Agreement

The Company expects the settlement agreement with the Kyrgyz Government to close in the first quarter of 2018 at which time the payment of $50 million is expected to be made.

Sensitivities

Centerra's revenues, earnings and cash flows for 2018 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[3] on by-product basis
Gold price[1]	**$50/oz**	3.2 – 3.7	22.0 – 25.2	18.8 – 21.5	18.8 – 21.5	0 - 1
Copper price[1]	**10%**	1.9 – 2.3	6.6 – 7.9	4.7 – 5.6	4.7 – 5.6	10 – 11
Diesel fuel	**10%**	4.5 - 5.0	-	6.0 - 7.0	4.5 - 5.0	9 – 10
Kyrgyz som[2]	**1 som**	1.0 - 2.0	-	1.0 - 2.0	1.0 - 2.0	1 - 2
Canadian dollar[2]	**10 cents**	30.0 - 32.0	-	30.0 - 32.0	25.0 - 27.0	35 – 40

(1) Gold and copper price sensitivities include the impact of the hedging program set up in order to mitigate gold and copper price risks.

(2) Appreciation of currency against the U.S. dollar will result in higher costs and lower cash flow and earnings, depreciation of currency against the U.S. dollar results in decreased costs and increased cash flow and earnings.

(3) 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".

Material Assumptions and Risks

Material assumptions or factors used to forecast production and costs for 2018 include the following:

- a gold price of $1,275 per ounce,
- a copper price of $2.90 per pound,
- a molybdenum price of $8.25 per pound,
- exchange rates:
  - $1USD:$1.25 CAD
  - $1USD:71.0 Kyrgyz som
  - $1USD:3.5 Turkish lira
  - $1USD:0.87 Euro
- diesel fuel price assumption:
  - $0.45/litre at Kumtor
  - $0.69/litre at Mount Milligan

The assumed diesel price of $0.45/litre at Kumtor assumes that no Russian export duty will be paid on the fuel exports from Russia to the Kyrgyz Republic. Diesel fuel for Kumtor is sourced from separate Russian suppliers. The diesel fuel price assumptions were made when the price of oil was approximately $63 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 50% of crude oil component of monthly diesel purchases exposure.

Other material assumptions were used in forecasting production and costs for 2018. These material assumptions include the following:

- The Company and its applicable subsidiaries throughout the year continue to meet the terms of their respective credit facilities in order to maintain current borrowings and compliance with the facilities financial covenants.
- That the positive relationship with the Kyrgyz Republic Government ("Government") continue and that the parties continue to work constructively to complete the Kumtor Strategic Agreement, that the Government does not take any actions that are contrary to the Strategic Agreement and/or the Kumtor Project Agreement and which have a material adverse impact on the Kumtor operations, and that the outstanding Kyrgyz proceedings (some of which are currently postponed) are not reinstated or progressed contrary to the terms of the Strategic Agreement and/or the Kumtor Project Agreements.
- The mine plans, expertises and related permits and authorizations at Kumtor which have been received to date for 2018 are not withdrawn and that any further approvals are obtained in a timely manner from relevant governmental agencies in the Kyrgyz Republic.
- 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.
- 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.
- 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.
- The buttress constructed at the bottom of the Davidov glacier continues to function as planned.
- The Company is able to manage the risks associated with the increased height of the pit walls at Kumtor.
- The dewatering program at Kumtor continues to produce the expected results and the water management system works as planned.
- The pit walls at Kumtor and Mount Milligan remain stable.
- The resource block model at Kumtor and Mount Milligan reconciles as expected against production.
- The Mount Milligan processing facility continues to have access to sufficient water supplies to operate year round at the intended capacity. This includes management's expectations that we continue to successfully draw water from existing water wells, identify and access new water wells, capture water sources from within the existing operations, and that the spring freshet will produce the expected levels of run-off water which will be captured for our operations. The Company's guidance reflects its expectation that the spring freshet will occur in April 2018. Guidance also assumes that Mount Milligan will pump water from nearby Philip Lake until October 2018, as currently permitted under an amendment to the Mount Milligan Environmental Assessment Certificate. Pursuant to the amendment issued in January 2018, the Company has until February 2019 to carry out the necessary studies and to consult with relevant First Nations groups in an effort to make permanent the amendment to the Environmental Assessment Certificate.
- Grades and recoveries at Kumtor and Mount Milligan remain consistent with the 2018 production plan to achieve the forecast gold and copper production.
- The Kumtor mill and the Mount Milligan mill continues to operate as expected, including that there are no unplanned suspension of operations due to (among other things), mechanical or technical performance issues.

- The permanent secondary crushing plant at Mount Milligan continues to perform as designed.
- No changes to any existing agreements and relationships with affected First Nations groups which would materially and adversely impact our operations.
- There are no unfavourable changes to concentrate sales arrangements at Mount Milligan and roasting arrangements at the Langeloth facility.
- There are no adverse regulatory changes affecting the Kumtor and Mount Milligan operations and the Company's molybdenum assets.
- 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.
- 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 2018 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 "Risks That Can Affect Our Business", "Material Assumptions & Risks" and "Caution Regarding Forward-Looking Information" in this document and under the heading "Risks That Can Affect Our Business" in the Company's 2017 MD&A and in the Company's most recent Annual Information Form.

Non-GAAP Measures

This document 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 operating costs (on a sales basis), adjusted operating costs and adjusted operating costs per ounce sold, as well as capital expenditures (sustaining) and capital expenditures (growth) and cash provided by operations before changes in working capital. 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 MD&A. 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 (mining and income) 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 an average of the futures prices during the quotational pricing period for copper and gold sold from Mount Milligan. For the twelve months ended December 31, 2017, 449 pounds of copper was equivalent to one ounce of gold.
- *Adjusted earnings* is calculated by adjusting net earnings (loss) as recorded in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) for non-recurring items.
- *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 2017, growth projects include Öksüt, Gatsuurt and the Greenstone Gold Property.
- *Average realized gold price* is calculated by dividing revenue (including third party sales and the fixed amount received under the Mount Milligan Streaming Arrangement) derived from gold sales by the number of ounces sold.
- *Average realized copper price* is calculated by dividing revenue (including third party sales and the fixed amount received under the Mount Milligan Streaming Arrangement) derived from copper sales by the number of pounds sold.
- *Free cash flow (unlevered)* is calculated as cash provided by operations less additions to property, plant and equipment.
- *Cash provided by operations before changes in working capital* starts with cash provided by operations and removes the changes in working capital as presented in the Company's Statement of Cash Flows.

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

	Three months ended December 31,						Year ended December 31,					
(Unaudited - $ millions, unless otherwise specified)	Consolidated [1]		Kumtor[1]		Mount Milligan[1]		Consolidated [1]		Kumtor[1]		Mount Milligan[1]	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Cost of sales excluding molybdenum segment, as reported	**145.2**	147.6	**84.7**	103.0	**60.5**	44.7	**545.4**	392.1	**291.7**	347.4	**253.6**	44.7
Less: Non-cash component	**48.6**	65.8	**39.7**	59.9	**8.9**	5.9	**189.6**	185.9	**145.7**	180.0	**43.9**	5.9
Cost of sales, cash component	**96.6**	81.8	**44.9**	43.1	**51.6**	38.8	**355.8**	206.2	**146.0**	167.4	**209.7**	38.8
Adjust for:												
Regional office administration	**5.8**	4.0	**5.8**	3.8	**-**	-	**18.2**	14.7	**18.2**	14.5	**-**	-
Standby costs	**-**	2.5	**-**	-	**-**	-	**-**	0.3	**-**	-	**-**	-
Selling and marketing	**0.9**	0.9	**-**	-	**0.9**	1.0	**4.7**	0.9	**-**	-	**4.7**	1.0
Refining fees	**1.9**	1.4	**1.6**	1.3	**0.3**	0.2	**5.5**	4.0	**4.4**	3.8	**1.1**	0.2
By-product credits - copper	**(29.2)**	(26.0)	**-**	-	**(29.2)**	(26.0)	**(125.9)**	(26.0)	**-**	-	**(125.9)**	(26.0)
Community costs related to current operations	**1.4**	0.1	**1.4**	0.3	**-**	-	**3.7**	1.1	**3.7**	1.2	**-**	-
Adjusted Operating Costs	**77.4**	64.8	**53.7**	48.5	**23.7**	14.0	**262.0**	201.1	**172.3**	186.8	**89.7**	13.9
Corporate general administrative and other costs	**7.1**	9.3	**0.1**	-	**0.8**	-	**40.0**	27.6	**0.3**	-	**2.2**	-
Accretion expense	**0.5**	0.7	**0.3**	0.2	**0.2**	0.1	**2.4**	1.9	**1.3**	0.9	**0.6**	0.1
Capitalized stripping and ice unload	**24.4**	42.9	**24.4**	42.9	**-**	-	**149.4**	100.5	**149.4**	100.5	**-**	-
Capital expenditures (sustaining)	**28.9**	14.8	**16.5**	11.5	**11.9**	3.4	**91.3**	64.8	**60.6**	61.0	**30.0**	3.4
All-in Sustaining Costs on a by-product basis	**138.4**	132.5	**95.1**	103.1	**36.6**	17.5	**545.1**	395.8	**383.9**	349.2	**122.5**	17.4
Revenue-based taxes	**32.2**	32.6	**32.2**	32.6	**-**	-	**96.7**	96.3	**96.7**	96.3	**-**	-
Income and mining taxes	**1.1**	0.6	**-**	-	**1.1**	0.6	**4.7**	0.6	**-**	-	**4.7**	0.6
All-in Sustaining Costs on a by-product basis (including taxes)	**171.6**	165.7	**127.3**	135.7	**37.6**	18.1	**646.5**	492.8	**480.6**	445.5	**127.2**	18.0
Ounces sold (000)	**242.2**	226.0	**180.7**	191.8	**61.5**	34.2	**792.5**	580.5	**550.1**	546.4	**242.3**	34.2
Adjusted Operating Costs - $ /oz sold	**320**	287	**297**	253	**385**	410	**331**	346	**313**	342	**370**	407
Gold - All-in Sustaining Costs on a by-product basis - $ /oz sold	**571**	586	**526**	538	**594**	512	**688**	682	**698**	640	**505**	509
Gold - All-in Sustaining Costs on a by-product basis (including taxes) - $ /oz sold	**709**	733	**704**	707	**611**	531	**816**	849	**874**	815	**525**	528
Gold - All-in Sustaining Costs on a co-product basis (before taxes) - $ /oz sold	**593**	632	**526**	538	**706**	811	**737**	700	**698**	640	**663**	811
Copper - All-in Sustaining Costs on a co-product basis (before taxes) - $ /pound sold	**1.70**	1.65	**n/a**	n/a	**1.70**	1.65	**1.47**	1.65	**n/a**	n/a	**1.47**	1.65

[1] Results may not add due to rounding

Adjusted earnings can be reconciled as follows:

Adjusted earnings is intended to provide investors with information about the Company's continuing income generating capabilities. Hence, this measure adjusts for the earnings impact of non-recurring items.

	Three months ended December 31,		Year ended December 31,	
($ millions, except as noted)	**2017**	**2016**	**2017**	**2016**
Net earnings (loss)	**$ 130.0**	$ 63.6	**$ 209.5**	$ 151.5
Adjust for non-recurring items:				
Impairment of Mongolia CGU (net of tax)	**-**	-	**39.7**	-
Kyrgyz Republic settlement	**-**	-	**60.0**	-
Gain on sale of ATO (net of tax)	**-**	-	**(6.9)**	-
Thompson Creek Metals acquisition expenses	**-**	5.0	**-**	9.4
Income tax benefit from US tax reform	**(21.3)**	-	**(21.3)**	-
Adjusted net earnings	**$ 108.7**	$ 68.6	**$ 281.0**	$ 160.9
Net earnings (loss) per share - basic	**$ 0.45**	$ 0.23	**$ 0.72**	$ 0.60
Net earnings (loss) per share - diluted	**$ 0.43**	$ 0.23	**$ 0.72**	$ 0.60
Adjusted net earnings per share - basic	**$ 0.37**	$ 0.24	**$ 0.96**	$ 0.64
Adjusted net earnings per share - diluted	**$ 0.36**	$ 0.24	**$ 0.96**	$ 0.64

Free cash flow (unlevered) is calculated as follows:

	Three months ended December 31,		Year ended December 31,	
($ millions, except as noted)	**2017**	**2016**	**2017**	**2016**
Cash provided by operations (1)	**$ 170.4**	$ 170.4	**$ 500.9**	$ 371.4
Adjust for:				
Additions to property, plant and equipment (1)	**(63.1)**	(81.8)	**(266.9)**	(212.8)
Free cash flow	**$ 107.3**	$ 88.6	**$ 234.0**	$ 158.6

(1) as presented in the Company's Consolidated Statements of Cash Flows.

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

Three months ended December 31,	Kumtor	Mount Milligan	Turkey	Mongolia	All other	Consolidated
($ millions) *(Unaudited)*						
2017						
Capitalized stripping –cash	**24.4**	**-**	**-**	**-**	**-**	**24.4**
Sustaining capital - cash	**16.5**	**11.9**	**-**	**-**	**0.5**	**28.9**
Growth capital - cash	**7.1**	**-**	**-**	**-**	**-**	**7.1**
Gatsuurt project development capital cash	**-**	**-**	**-**	**-**	**-**	**-**
Greenstone Gold Property pre-development capital cash	**-**	**-**	**-**	**-**	**1.2**	**1.2**
Öksüt project development capital - cash	**-**	**-**	**2.4**	**-**	**-**	**2.4**
Molybdenum business capital - cash	**-**	**-**	**-**	**-**	**0.4**	**0.4**
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	**3.2**	**(4.8)**	**0.3**	**-**	**(0.1)**	**(1.4)**
Greenstone Gold Property translation adjustment	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Total - Additions to PP&E [1]	**51.2**	**7.1**	**2.7**	**-**	**2.1**	**63.1**
2016						
($ millions) *(Unaudited)*						
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
Gatsuurt 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	-	-	2.1
Molybdenum business capital - cash	-	-	-	-	0.3	0.3
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	11.0	-	-	-	-	11.0
Total - Additions to PP&E [1]	66.8	6.5	2.1	-	6.4	81.8

Year ended December 31,	Kumtor	Mount Milligan	Turkey	Mongolia	All other	Consolidated
($ millions) *(Unaudited)*						
2017						
Capitalized stripping –cash	**149.4**	**-**	**-**	**-**	**-**	**149.4**
Sustaining capital - cash	**60.6**	**30.0**	**-**	**-**	**0.7**	**91.3**
Growth capital - cash	**18.1**	**-**	**-**	**-**	**-**	**18.1**
Gatsuurt project development capital cash	**-**	**-**	**-**	**1.8**	**-**	**1.8**
Greenstone Gold Property pre-development capital cash	**-**	**-**	**-**	**-**	**5.0**	**5.0**
Öksüt project development capital - cash	**-**	**-**	**9.0**	**-**	**-**	**9.0**
Molybdenum business capital - cash	**-**	**-**	**-**	**-**	**0.9**	**0.9**
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	**-**	**(6.8)**	**(1.5)**	**(0.3)**	**(0.1)**	**(8.7)**
Greenstone Gold Property translation adjustment	**-**	**-**	**-**	**-**	**0.1**	**0.1**
Total - Additions to PP&E [1]	**228.1**	**23.2**	**7.5**	**1.5**	**6.6**	**266.9**
2016						
($ millions) *(Unaudited)*						
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
Gatsuurt 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
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	(1.3)	-	-	-	-	(1.3)
Total - Additions to PP&E [1]	175.0	6.5	12.0	-	19.3	212.8

Reconciliation of Cash Provided by Operations Before Changes in Working Capital:

	Three months ended December 31, 2017				
	Kumtor	**Mount Milligan**	**Molybdenum**	**Other**	**Consolidated**
Cash provided by (used in) operations	**150,952**	**29,183**	**(148)**	**(9,603)**	**170,384**
Add back (deduct):					
Change in operating working capital	**(5,908)**	**1,079**	**721**	**(6,405)**	**(10,513)**
Net cash provided by (used in) operations before changes in working capital	**145,044**	**30,262**	**573**	**(16,008)**	**159,871**

	Three months ended December 31, 2016				
	Kumtor	**Mount Milligan**	**Molybdenum**	**Other**	**Consolidated**
Cash provided by (used in) operations	193,810	92,251	(2,185)	(113,479)	170,397
Add back (deduct):					
Change in operating working capital	(42,504)	(47,010)	1,172	51,320	(37,022)
Net cash provided by (used in) operations before changes in working capital	151,306	45,241	(1,013)	(62,159)	133,375

	Year ended December 31, 2017				
	Kumtor	**Mount Milligan**	**Molybdenum**	**Other**	**Consolidated**
Cash provided by (used in) operations	**416,082**	**150,567**	**(8,281)**	**(57,472)**	**500,896**
Add back (deduct):					
Change in operating working capital	**8,209**	**(11,973)**	**9,310**	**6,147**	**11,693**
Net cash provided by (used in) operations before changes in working capital	**424,291**	**138,594**	**1,029**	**(51,325)**	**512,589**

	Year ended December 31, 2016				
	Kumtor	**Mount Milligan**	**Molybdenum**	**Other**	**Consolidated**
Cash provided by (used in) operations	416,355	92,251	(2,185)	(134,977)	371,444
Add back (deduct):					
Change in operating working capital	(21,697)	(47,010)	1,172	34,877	(32,658)
Net cash provided by (used in) operations before changes in working capital	394,658	45,241	(1,013)	(100,100)	338,786

Average realized sales price for gold

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:

Average realized sales price for gold	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Gold sales reconciliation ($ millions)				
Gold sales - Kumtor	228.1	231.3	685.2	683.4
Gold sales - Mt. Milligan				
Gold sales related to cash portion of Royal Gold stream	9.3	5.3	37.0	5.3
Mark-to-market adjustments on sales to Royal Gold	(1.1)	3.7	(1.4)	3.7
Final adjustments on sales to Royal Gold	(0.2)	0.9	(0.2)	0.9
Total gold sales under Royal Gold stream	8.0	9.9	35.4	9.9
Gold sales to third party customers	48.8	25.7	199.9	25.7
Mark-to-market adjustments	4.1	1.3	2.7	1.3
Final pricing adjustments	1.3	(7.3)	6.1	(7.3)
Total gold sales to third party customers	54.1	19.7	208.6	19.7
Gold sales, net of adjustments	62.1	29.6	244.0	29.6
Refining and treatment costs	(0.3)	(0.2)	(1.1)	(0.2)
Total gold sales	61.8	29.4	242.9	29.4
Total gold revenue - Consolidated	**289.9**	**260.7**	**928.1**	**712.8**
Ounces of gold sold				
Gold ounces sold - Kumtor	180,703	191,842	550,134	546,342
Ounces sold to Royal Gold - Mt. Milligan	21,266	12,249	85,059	12,249
Ounces sold to Royal Gold - Mt. Milligan - Final adjustments	-	(711)	(7,556)	(711)
Ounces sold to third party customers - Mt. Milligan	40,258	22,616	164,828	22,616
Total ounces sold - Consolidated	**242,228**	**225,996**	**792,466**	**580,496**
Average realized sales price for gold on a per ounce basis				
Average realized sales price - Kumtor	1,262	1,206	1,245	1,251
Average realized gold price - Royal Gold	435	435	435	435
Average realized gold price - Mark-to-market adjustments	(54)	316	(18)	316
Average realized gold price - Final pricing adjustments	(8)	76	(3)	76
Average realized gold price - Mt. Milligan - Royal Gold	**374**	**827**	**414**	**827**
Average realized gold price - Third party	1,211	1,136	1,212	1,136
Average realized gold price - Mark-to-market adjustments	102	58	17	58
Average realized gold price - Final pricing adjustments	32	(323)	37	(323)
Average realized gold price - Mt. Milligan - Third party	**1,345**	**872**	**1,266**	**872**
Average realized gold price - Mt. Milligan - Combined	**1,005**	**861**	**1,003**	**861**
Average realized sales price for gold - Consolidated	**1,197**	**1,154**	**1,171**	**1,228**

Average realized sales price for Copper - Mount Milligan

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:

Average realized sales price for Copper - Mount Milligan	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Copper sales reconciliation ($ millions)				
Copper sales related to cash portion of Royal Gold stream	1.3	0.7	5.0	0.7
Mark-to-market adjustments on Royal Gold stream	0.2	0.1	(0.5)	0.1
Final adjustments on sales to Royal Gold	0.2	-	0.7	-
Total copper sales under Royal Gold stream	1.8	0.8	5.2	0.8
Copper sales to third party customers	31.2	19.6	133.9	19.6
Mark-to-market adjustments	(2.0)	1.3	(1.5)	1.3
Final price adjustments	2.1	7.0	5.7	7.0
Total copper sales to third party customers	31.3	27.9	138.1	27.9
Copper sales, net of adjustments	33.1	28.7	143.3	28.7
Refining and treatment costs	(3.9)	(2.7)	(17.4)	(2.7)
Copper sales	**29.2**	**26.0**	**125.9**	**26.0**
Pounds of copper sold (000's lbs)				
Pounds sold to Royal Gold	2,506	1,775	11,232	1,775
Pounds sold to third party customers	10,599	7,693	48,487	7,693
Total pounds sold	**13,105**	**9,468**	**59,719**	**9,468**
Average realized sales price for copper on a per pound basis				
Copper sales related to cash portion of Royal Gold stream	0.53	0.38	0.45	0.38
Mark-to-market adjustments on Royal Gold stream	0.08	0.05	(0.05)	0.05
Final pricing adjustments on Royal Gold stream	0.09	-	0.06	-
Average realized copper price - Royal Gold	**0.71**	**0.43**	**0.46**	**0.43**
Average realized copper price - Third party	2.94	2.55	2.76	2.55
Average realized copper price - Mark-to-market adjustments	(0.19)	0.17	(0.03)	0.17
Average realized copper price - Final pricing adjustments	0.20	0.90	0.12	0.90
Average realized copper price - Third party	**2.95**	**3.63**	**2.85**	**3.63**
Average realized copper price - Combined	**2.23**	**2.74**	**2.11**	**2.74**

Qualified Person & QA/QC

The scientific and technical information in this document, 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 ("NI 43-101") 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 (with an effective date of December 31, 2014), 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 Centerra's most recently filed Annual Information Form and a technical report dated March 22, 2017 (with an effective date of December 31, 2016) prepared in accordance win 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 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 December 22, 2017 (with an effective date of October 31, 2017) 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 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 Centerra's most recently filed Annual Information Form and in a technical report dated September 3, 2015 (with an effective date of June 30, 2015) 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 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.

The Kemess project is described in a technical report dated July 14, 2017 prepared in accordance with NI 43-101. The technical report has been filed on SEDAR at www.sedar.com by AuRico Metals Inc. The technical report describes the exploration history, geology and style of gold mineralization at the Kemess Underground deposit and the Kemess East project. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Kemess Project are the same as, or similar to, those described in the technical report.

Risks That Can Affect Our Business

Below are the risk factors that Centerra believes can have a material effect on the profitability, future cash flows, earnings, results of operations, stated mineral reserves and mineral resources 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 in Centerra may be lost. You should note that the following is not however a complete list of the potential risks we 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 Risks

Country, Political & Regulatory

Centerra's operations and mineral resources are subject to country political and regulatory risks

Centerra's mining operations and exploration activities are affected in varying degrees by the political stability and government regulations relating to investment, 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; labour unrest; attempts to renegotiate or nullify existing concessions, licenses, permits and contracts; unstable or unreliable legal systems; changes in fiscal regimes including taxation, and other risks arising out of sovereignty issues.

Relevant governments have entered into contracts with Centerra and/or granted mining claims, permits, licenses or concessions that enable us to conduct operations or exploration and development activities. Notwithstanding these arrangements, Centerra's ability to conduct operations, exploration and/or development activities at any of its properties is subject to obtaining and/or renewing permits or concessions, changes in laws or government regulations or shifts in political attitudes beyond its control.

A significant portion of the Company's gold production and its mineral reserves and mineral resources are derived from assets located in the Kyrgyz Republic and Turkey, countries that have experienced political difficulties in recent years. 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 any of the countries where it operates. From time to time, it assesses the costs and benefits of obtaining and maintaining such insurance. There can be no assurance that, if the Company chose to obtain it, political risk insurance would be available to it, or that particular losses the Company may suffer with respect to its foreign investments will be covered by any insurance that we may obtain in the future. Any such losses could have an adverse impact on the Company's future business operations, prospects, financial condition, results of operations and cash flows.

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. Many 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, Mongolia and Turkey 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, requirements for local processing of mineral products, 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 has with the governments of these countries will prove to be enforceable or provide adequate protection against any or all of the risks described above.

Centerra's ability to make payments depends on the cash flows of its subsidiaries.

Centerra conducts substantially all of its operations through subsidiaries, some of which are incorporated outside North America. The Company has no direct operations and no significant assets other than the shares of its subsidiaries. Therefore, the Company is dependent on the cash flows of its subsidiaries to meet its obligations, including payment of dividends, 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, repatriation restrictions (including those that may be ordered by courts) or the availability of hard currency to be repatriated.

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. Centerra's lenders may also impose similar requirements to Centerra's operations. These regulations 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, regulations and lender requirements 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.

In particular, globally there has been an increasing level of local community concerns in respect of the environmental footprint of mining operations as well as concerns over the management of water resources, and the mine closure plans. This may lead to governments and lenders becoming increasing rigorous in their laws, regulations or lender's requirements.

If the laws, regulations or lender requirements relating to the Company's operations were to change, or the enforcement of such requirements 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 its financial position and its 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 or delay

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. 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, review of laws aimed at environmental protection, and delays in the issuance of required permits and licenses for development and operation activities. 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.

There is a risk that the Strategic Agreement with the Government of the Kyrgyz Republic will not be successfully completed

The Company entered into the Strategic Agreement with the Government of the Kyrgyz Republic on September 11, 2017 which sets out the pathway for the resolution of substantially all the outstanding claims, disputes, court proceedings and court orders affecting the Kumtor Project. A fulsome discussion of the Strategic Agreement is found elsewhere in this document. Completion of the Strategic Agreement is subject to various conditions precedents which are expected to be completed by the deadline of April 20, 2018. While the Company has been working closely with the Government of the Kyrgyz Republic to expeditiously satisfy the remaining conditions precedents, there are no assurances that all of the conditions precedent to the completion of the settlement contained in the Strategic Agreement will be satisfied. If the settlement contained in the Strategic Agreement is not completed, there are no assurances that (i) the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Mine or that any future discussions between us and the Kyrgyz Republic Government will result in a mutually acceptable resolution; or (ii) the Kyrgyz Republic Government and/or Parliament will not take actions that are inconsistent with the Government's obligations under the Strategic Agreement or 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. Furthermore, if all such claims are not resolved as provided for in the Strategic Agreement and despite the Company's view that all disputes related to the 2009 Restated Investment Agreement should be determined in arbitration, there are risks that the arbitrator may (i) reject the Company's claims; (ii) determine it does not have jurisdiction; and/or (iii) stay the arbitration pending determination of certain issues by the Kyrgyz Republic courts. 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 such 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.

The Company's planned activities are dependent upon receipt and/or renewal of numerous 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. 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 our control, changes in agency policy and federal, provincial and state laws, litigation or community opposition could further affect the successful permitting of operations.

Obtaining and maintaining the various permits for the Company's exploration, mine development, and operations is complex, time-consuming and expensive. The Company has in place processes and personnel designed to obtain all necessary permits and licenses. However, its efforts are contingent upon many variables outside of its control. The Company cannot be certain that all necessary permits and licenses will be maintained or obtained on acceptable terms or in a timely manner. Any failure to obtain or maintain permits or licenses, even if inadvertent, could result in the interruption of production, exploration or development, or material fines, penalties or other liabilities. Any inability to obtain and maintain required approvals, licenses and permits could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

The Company's relationships with local communities may affect our existing operations and development projects

Having positive and constructive relationship with the communities in which the Company operates is critical to ensure the future success of its existing operations and the construction and development of our development projects. There is an increasing level of public concern relating to the real and perceived effect of mining activities on the environment and on communities impacted by such activities. Adverse publicity relating to the mining industry or the Company could have an adverse effect on the Company's reputation or financial condition and may impact its relationship with the communities in which it operates. Reputation loss may also result in decreased investor confidence, increased challenges in developing and maintaining community relations and serve as an impediment to the Company's overall ability to advance its projects, which could have a material adverse impact on the Company's results of operations, financial condition and prospects. While the Company is committed to operating in a socially responsible manner, there is no guarantee that its efforts in this regard will mitigate this potential risk.

The inability of the Company to maintain positive relationships with local communities may also result in additional obstacles to permitting, increased legal challenges, or other disruptive operational issues at any of its operating mines, and could have a significant adverse impact on the Company's ability to generate cash flow, with a corresponding adverse impact to our share price and financial condition.

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

There can be no assurance that Centerra will be able to successfully negotiate with the Government of Mongolia a mutually acceptable investment agreement, deposit development agreement, and/or community development 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.

Aboriginal Claims and Consultation Issues

Certain of Centerra's properties are subject to rights or the asserted rights of various community stakeholders, including First Nations and other Indigenous groups. These interests of such community stakeholders 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. Governments in many jurisdictions must consult with, or require the Company to consult with, affected First Nations and other indigenous groups with respect to grants of mineral rights, the issuance or amendment of project authorizations, and the grant of necessary licenses and permits. Consultation and other rights of First Nations and indigenous groups may require accommodation including undertakings regarding employment, royalty payments and other matters. This may affect the Company's ability to acquire within a reasonable time frame effective mineral titles, permits or licenses in these jurisdictions in which title or other rights are claimed by First Nations and other indigenous peoples, and may affect the timetable and costs of development and operation of mineral properties in these jurisdictions, particularly if the Company is required to, or chooses to, enter into community development, impact benefits agreements, or other similar agreements with affected communities. These legal requirements may also affect the Company's ability to expand or transfer existing operations or to develop new projects.

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.

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 breach of contract, negligence, breach of statutory duty, public nuisance or private nuisance or otherwise in connection with our 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 its potential liability, if any, is a highly subjective process that requires judgments about future events that are not within our 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 our 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 the Company's 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 the Company's 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 Kumtor's land use rights is invalid. The court proceedings commenced by the GPO were terminated by the GPO in August 2017 as part of the Strategic Agreement. The matter of Kumtor's land use certificate is expected to be resolved as part of the Strategic Agreement which is scheduled to close by April 20, 2018.

On December 6, 2006, Gatsuurt LLC commenced arbitration before the Mongolian National Arbitration Court (MNAC) alleging non-compliance by its 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. CGM 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. CGM 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.

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 principal mining licenses underlying the Gatsuurt Project. CGM, the holder of these two mining licenses, is involved in the claim as a third party. Centerra believes that such claims are without merit, however, such proceedings are ongoing.

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 the Company'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 its 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 or in arbitration. 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 the Restated Investment Agreement for the Kumtor project 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 Shareholders Agreement, to which Centerra and Kyrgyzaltyn are parties, Kyrgyzaltyn has two nominees on its board of directors. In addition, and in light of various considerations including the importance of the Kumtor project to Centerra, Centerra included in its proposed nominees for election at the most recent annual general shareholders' meeting a third nominee of Kyrgyzaltyn 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 its shareholders of a control premium that might otherwise be offered in connection with such a change of control. The Company 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 illegally 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 Centerra'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 use of force in encounters between Mongolian authorities and artisanal miners and have made this explicitly clear to Mongolian authorities. Centerra 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 the Company's 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 anti-corruption and anti-bribery laws, including 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 prohibits these practices and provides training and education to its employees and seeks confirmation of compliance from its consultants and agents. However, Centerra's existing safeguards 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 us 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. 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.

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 Company 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.

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 the Company's future cash flows, earnings, results of operations and financial condition.

Centerra's mineral reserves may not be replaced

Centerra 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 contemplate mining until 2023 and milling operations until 2026. Based on the current life-of-mine plan for Mount Milligan, there is approximately 20 years remaining (to 2038)

If the Company's existing mineral reserves are not replaced either by the development or discovery of additional reserves and/or extension of the life-of-mine at its operations or through the acquisition or development of an additional producing mine, this could have an adverse impact on its 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

As a result of having partners in the exploration, development and operation of the Company's projects (Endako, Greenstone, and exploration option arrangements), 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, possible litigation between us and a partner regarding matters in the agreement, and failure by the Company's partners to abide by Centerra's policies and procedures. 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 we 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 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, copper and other commodities 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 mineral resource figures are inaccurate or are reduced in the future, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Centerra's production and cost estimates may be inaccurate

Centerra 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 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; encountering unusual or unexpected geological conditions; risks and hazards associated with mining; shortages of principal supplies needed for operations, including explosives, fuel, chemical reagents, water, equipment parts and lubricants; natural phenomena, such as inclement weather conditions, floods, earthquakes, ice or ground movements, pit wall failures and cave-ins; equipment failures; labour issues including unexpected labour shortages or strikes, and the inability to retain or attract the proper talent and civil action by employees; 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.

As a result of social media and other web-based applications, companies today are at much greater risk of losing control over how they are perceived.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, including, without limitation, allegations of fraud or improper conduct, environmental non-compliance or damage, or the lack of meeting the Company's objectives or guidance. Any of these events could result in negative publicity to the Company, regardless of whether the underlying event is true or not.

Although Centerra places a great emphasis on protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may lead to increased challenges in developing and maintaining government and community relations, decreased investor confidence and act as an impediment to the Company's overall ability to advance its projects, or to access equity or debt financing, thereby having a material adverse impact on the Company's share price, financial performance, cash flows and growth prospects.

Centerra may be unable to identify opportunities to grow its business or replace depleted reserves, and it may be unsuccessful in integrating new businesses and assets that we acquire.

As part of Centerra's business strategy, the Company has sought and will continue to seek new operating, development and exploration opportunities in the mining industry. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable arrangements, including arrangements to finance acquisitions or integrate the acquired businesses into its business. The Company cannot provide assurances that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favorable terms, if at all, or that any acquisitions or business arrangements completed will ultimately benefit its business. Further, any acquisition the Company makes will require a significant amount of time and attention of the Company's management, as well as resources that otherwise could be spent on the operation and development of its existing business.

Any future acquisitions would be accompanied by risks, such as a significant decline in the relevant metal price after the Company commits to complete an acquisition on certain terms; the quality of the mineral deposit acquired proving to be lower than expected; the difficulty of assimilating the operations and personnel of any acquired companies; the potential disruption of its ongoing business; the inability of management to realize anticipated synergies and maximize its financial and strategic position; the failure to maintain uniform standards, controls, procedures and policies; and the potential for unknown or unanticipated liabilities associated with acquired assets and businesses, including tax, environmental or other liabilities. There can be no assurance that any business or assets acquired in the future will prove to be profitable, that the Company will be able to integrate the acquired businesses or assets successfully or that the Company will identify all potential liabilities during the course of due diligence. Any of these factors could have a material adverse effect on its business, expansion, results of operations and financial condition.

The trading price of the Company's common shares may be subject to large fluctuations and may increase or decrease in response to a number of events and factors.

These factors may include, but are not limited to:

- The price of gold, copper and other metals;
- The impact of exchange rates on our operation costs;
- The Company's operating performance and the performance of competitors and other similar companies;

- The public's reaction to the Company's press releases, other public announcements and its filings with the various securities regulatory authorities;
- Changes in earnings estimates or recommendations by research analysts who track the Company's common shares or the shares of other companies in the resource sector;
- Changes in general economic conditions;
- The presences or actions of a large shareholder;
- The arrival or departure of key personnel; and
- Acquisitions, strategic alliances or joint ventures involving the Company or its competitors.

In addition, the market price of the Company's shares are affected by many variables not directly related to the Company's success and are therefore not within its control, including other developments that affect the market price and volume volatility for all resource sector shares, the breadth of the public market for the Company's shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the common shares on the exchanges in which the Company trades has historically made Centerra's share price volatile and suggests that the Company's share price will continue to be volatile in the future.

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 the Company's future cash flows, earnings, results of operations and financial condition.

Centerra may experience unanticipated waste dump movements at the Kumtor project

We often have to mine a significant amount of waste rock material in order to gain access to the economically viable ore. At the Kumtor Mine, we place this waste rock material in three areas which have been permitted by Kyrgyz authorities for such purpose: the Davidov Valley waste dump, Lysii waste dump and Sarytor waste dump. These waste dumps are continuously monitored to, among other things, ensure their stability. In 2013, a large section of Kumtor's principal waste-rock dump, the Davidov Valley waste dump, experiencing a greater than anticipated rate of movement which required the relocation of certain mine infrastructure including workshops, administrative facilities and electrical substations. The Company expedited the relocation of the affected infrastructure to ensure continued safe operations.

Extensive efforts are employed by Kumtor to confirm the stability of the waste dumps and to anticipate waste dump movement (some minimal movement is naturally expected to occur) including automated system monitoring, third parties geotechnical reviews, and revision to the strategies for placing waste rock on the waste dumps. However, despite these effects, there are no assurances that sudden unexpected waste dump movements will not recur as they are many factors that are outside of our control that may impact the stability and movement of the waste dump, including weather conditions. Any unanticipated waste dump movement could result in interruption of operations. There is also a possibility that waste dump movement may reach the tailings dam facility, which could have significant effects on the environment (see risk entitled "Water management and the oversight of our tailings management facilities are subject to regulation and risks and could result in significant damages to persons and property.") The consequences of a waste dump movement will depend upon the magnitude, location and timing of any such movement. If mining operations are interrupted to a significant magnitude or waste dump reaches the tailings dam facility, this would have an adverse impact on our 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 its 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 us 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 us 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 the Company 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. 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 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 the Company'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 Company's 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 its operations, there can be no assurance that the Company's operations will not be adversely affected by this kind of activity, all of which could have an adverse impact on the Company'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, the Company may be unable to acquire rights to exploit additional attractive mining properties on terms we consider 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. The Company'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 the Company 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

The value of the Company's mineral resources and future operating profit and loss is largely dependent on the world market price of gold and copper, which are volatile and are affected by numerous factors beyond its control. A reduction in the price of gold or copper may prevent the Company's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low gold prices. The price of gold or copper may also have a significant influence on the market price of Centerra's common shares. The price of gold and copper are subject to many factors which are beyond the control of the Company, including 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, development and exploration activities. The Company 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 our mineral reserves and resources. These factors could have an adverse impact on the Company's future cash flows, earnings, results of operations, stated mineral reserves and financial condition.

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

At the Company's Mount Milligan operations, it enters 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.

Centerra has entered into three multi-year concentrate sales agreements for the sale of copper-gold concentrate produced at Mount Milligan Mine. Pursuant to these agreements, the Company has agreed to sell an aggregate of approximately 140,000 tonnes in 2018, 80,000 tonnes in 2019; and 40,000 tonnes in 2020. A breach of the applicable sales agreement by us 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 the Company's financial condition. If, in such an event, the Company is unable to sell the affected concentrate volume to another customer, or the Company sells the affected concentrate to another customer on terms less advantageous terms to it, the Company's revenues could be negatively impacted.

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

In order to manage our 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 our 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 have 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 the Company's 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 the Company is not required to post any collateral or make any margin calls on our derivatives. The Company's commodity derivatives also expose it to credit risks that counterparties may be unable to satisfy their obligations to the Company.

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 the Company's counterparties were to default on its obligations to the Company under the derivative transaction or seek bankruptcy protection, it could result in a larger percentage of the Company's future production being subject to commodity price changes which may have a significant adverse effect on the Company'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.

The Company's operations are subject to currency fluctuations that may adversely affect the financial position of the Company

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, Canadian dollar, Turkish Lira, Mongolian tugrik, and the Euro. The Company's consolidated financial statements are expressed in U.S. dollars. The Company's sales of gold are denominated in U.S. dollars, while production costs and corporate administration costs are, in part, denominated in Kyrgyz soms, Canadian dollars, Turkish Lira, Mongolian tugrik, 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.

Centerra does not currently use a hedging program to limit the adverse effects of foreign exchange rate fluctuations largely because we cannot hedge the Kyrgyz Som due to it not being freely traded. As the Company's exposure to other currencies increases, including the Turkish Lira with the development of the Öksüt project, the Company may decide to engage in foreign exchange hedging transactions to reduce the risks associated with fluctuations in foreign exchange rates (to the extent available), but there are no assurances that any such hedging program will be successful.

Economy, Credit and Liquidity

Global financial conditions

Global financial conditions are beyond the Company's control. A significant disruption in the credit and capital markets could adversely affect our ability to obtain equity or debt financing in the future on favourable terms and could cause permanent decreases in our asset values, which may result in impairment losses. These factors could also increase the Company's exposure to financial counterparty risk, adversely impact commodity prices, exchange rates, interest rates and impact the trading price of Centerra's common shares.

Centerra may experience reduced liquidity and difficulty in obtaining future financing

Centerra may not continue to generate cash flow from operations in the future sufficient to service its debt and make necessary or planned capital expenditures, including the further development and exploration of its mineral properties, including the Öksüt project or the Kemess project. If the Company is unable to generate such cash flow, it may be required to adopt one or more alternatives, such as selling assets, borrowing additional funds, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive, cancelling or deferring capital expenditures and/or suspending or curtailing operations Such actions may impact production at mining operations and/or the timelines and cost associated with development projects, which could have a material adverse effect on the Company's prospects, results of operations and financial condition.

The Company's ability to borrow additional funds or refinance its indebtedness will depend on the capital markets and its financial condition at such time. The Company may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on its debt obligations.

Many of the Company's principal operations and development projects are located in under-developed 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 Centerra to obtain debt or equity financing. Failure to obtain additional financing on a timely basis may cause us to postpone development plans, forfeit rights in our properties or reduce or terminate our operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

In order to finance future operations, Centerra may raise funds through the issuance of shares or the issuance of debt instruments or other securities convertible into shares.

Centerra cannot predict the potential need or size of future issuances of common shares or the issuance of debt instruments or other securities convertible into shares or the effect, if any, that this would have on the market price of our common shares. Any transaction involving the issuance of shares, or securities convertible into shares, could result in dilution, possibly substantial, to present and prospective security holders.

Restrictive covenants in Centerra's credit facilities may impact business activities

Pursuant to Centerra's credit facilities, 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 the Company's respective operations. These covenants include, without limitation, restrictions on our ability to incur additional indebtedness; pay dividends or make other distributions; make loans or investments; sell, transfer or otherwise dispose of assets; and incur or permit to exist certain liens.

Compliance with these covenants and financial ratios may impair the Company's ability to finance its 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, if left uncured, will depend on its 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, if left uncured, will result in a default under applicable credit agreements and may result in the acceleration of the 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.

Tax

The Company is subject to taxation in multiple jurisdictions and adverse changes to the taxation laws of such jurisdictions could have a material impact on our profitability

Centerra has operations and conducts business in a number of different jurisdictions and are accordingly subject to the taxation laws of each such jurisdiction, as well as tax reviews and assessments in the ordinary course. In some jurisdictions, such as Turkey, the Company is eligible for certain investment incentive programs which provide tax benefits for companies making investments in the relevant country. Participation in such programs requires continued oversight and compliance with the applicable program, which can be time consuming and require the input from third parties including contractors engaged in the investment.

The Company's international operations are also subject to the Organization of Economic and Co-operative Development's Base Erosion and Profit Shifting Action Plan, which mandates global businesses to conduct themselves in a manner that ensures taxes are paid in jurisdictions in which income arises.

Taxation laws are complex, subject to interpretation and subject to change. Any such changes in taxation law or reviews and assessments could result in higher taxes being payable by the Company, which could adversely affect its profitability. Taxes may also adversely affect the Company's ability to repatriate earnings and otherwise deploy our assets.

Counterparty

Short-term investment risks

The Company may, from time to time, invest some excess cash balances in short-term instruments issued by highly rated global financial institutions. The failure of any such financial institutions could have a negative effect on the liquidity of the Company'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 our control, including but not limited to the following:

- unanticipated ground and water conditions;
- adverse claims to water rights and shortages of water to which we have rights;
- a shortage of water for processing activities;
- 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;
- pit flooding
- tailings design or operational issues, including dam breaches or failures;
- structural cave-ins, wall failures or rock-slides;
- flooding or fires;
- equipment failures or performance problems;
- 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 permanent shutdowns, sterilization of mineral reserves, personal injury or death, environmental or other damage to our 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 our 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 the Company 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 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 the Company's exploration activities, operations and the cost or the viability of a particular project.

Water management and the oversight of our tailings management facilities are subject to regulation and risks and could result in significant damages to persons and property.

The water collection, treatment and disposal operations at the Company's mines are subject to substantial regulation and involve significant environmental risks. The extraction process for gold and metals can produce tailings, which are the sand like materials which remain from the extraction process. Tailings are stored in engineered facilities which are designed, constructed, operated and closed in conformance with local requirements and best practices.

If collection or our management systems (including our physical tailings management facilities) were to fail, overflow or do not operate properly (including through matters beyond our control such as extreme weather, seismic event, or other incident), untreated water or other contaminants could spill onto nearby properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. Environmental and regulatory authorities in the applicable jurisdictions of operation conduct periodic or annual inspections of the relevant mine. As a result of these inspections, the Company is from time to time required to modify its water management program, complete additional monitoring work or take remedial actions with respect to the operations as it pertains to water management.

Liabilities resulting from non-compliance, damage, regulatory orders or demands, or similar, could adversely and materially affect the Company's business, results of operations and financial condition. Moreover, in the event that the Company is deemed liable for any damage caused by overflow, the Company's losses or consequences of regulatory action might not be covered by insurance policies.

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.

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), the Company 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.

The Company 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 the Company 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 us 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 the Company's 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 have an adverse impact on the Company's future cash flow, earnings, results of operations or financial condition.

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 an elevation that 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. The Company received in March 2017 the necessary permits from the Kyrgyz Republic state authorities to commence a 3-year construction program to raise the tailings dam to provide adequate tailings storage capacity for Kumtor's mill tailings deposition from 2021 to 2024. Furthermore, the Company has also received in January 2018 approval to raise the tailings dam to its final elevation of 3,677.5 metres, subject to the approval of the final detailed design which is scheduled to be submitted in 2020. While the Company has received these approvals to date in order to raise the tailings dam, there are no assurances that such approvals will continue to apply in the future, or that the Company will receive the further approvals required to raise the tailings dam to its final height. If all necessary approvals are not maintained or obtained, delays in, or interruptions or cessation of the Company's production from the Kumtor project may occur, which may have an adverse impact on the Company's future cash flows, earnings, results of operations or financial condition.

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

The Company's operations require significant quantities of water for mining, ore processing and related support facilities. Continuous production at the Company's mines depends on its ability to maintain its water rights and claims. The failure to obtain needed water permits, the loss of some or all water rights for any of its 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 it from pursuing expansion opportunities.

In December 2017, the Mount Milligan mill operations were temporarily suspended due to a lack of available water for processing. Mount Milligan experienced a drier than normal spring and summer during 2017 with a limited amount of spring snow melt. This resulted in lower than expected reclaim water volumes in the tailings storage facility (TSF) at Mount Milligan which is used for mill processing operations. The water shortage has been exacerbated by unanticipated extremely cold temperatures at Mount Milligan, which has resulted in a greater than expected loss of water volumes in the TSF due to ice formation. The Company restarted mill operations at Mount Milligan in early February 2018 after completing a number of steps to increase the flow of water into the TSF, including adding pumps to existing water wells, increasing pump sizes, to increase the flow rate, and drilling additional wells. The Company has received an amendment to the Mount Milligan Environmental Assessment Certificate that allows for limited withdrawal of water from Philip Lake until October 2018. The Company expects to commence drawing water by the end of February and expects to carry out the necessary studies, and to consult with affected First Nations groups to work toward a further, longer-term amendment to the Environmental Assessment Certificate.

There are no assurances that this long term solution will be successful. The failure to find a long term solution to the lack of available water resources at Mount Milligan, or the re-occurrence of any water availability issues at Mount Milligan, including due to drier than expected weather conditions, extreme temperatures, or for any other reason, could adversely impact on the Company's future cash flows, earnings, results of operations and financial condition.

Regulation of greenhouse gas emissions effects and climate change issues may adversely affect the Company's operations and markets.

Global climate change continues to attract considerable public, scientific and regulatory attention, and greenhouse gas emission regulation is becoming more commonplace and stringent. As energy, including energy produced from the combustion of carbon-based fuels, is a significant input to the Company's mining and processing operations, it must also comply with emerging climate change regulatory requirements, including programs to reduce greenhouse gas emissions. The Company's principal energy sources are electricity, purchased petroleum products and natural gas. In addition, the Company's processing facilities and mobile mining equipment emit carbon dioxide.

A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to the potential impacts of climate change. Where legislation already exists, regulation relating to emission levels and energy efficiency is becoming more stringent. The changes in legislation and regulation will likely increase the Company's compliance costs. The Company also may be subject to additional and extensive monitoring and reporting requirements.

In addition, the potential physical impacts of climate change on the Company's operations are highly uncertain and may be particular to the unique geographic circumstances associated with each of its facilities. These may include extreme weather events, changes in rainfall patterns, water shortages, and changing temperatures. These physical impacts could require the Company to curtail or close mining production and could prevent the Company from pursuing expansion opportunities. These effects may adversely impact the cost, production and financial performance of the Company's operations.

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. As required by Canadian provincial and US federal and state laws, the Company has provided reclamation bonds for mine closure obligations for the Mount Milligan Mine, Endako Mine and the Thompson Creek Mine.

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 the Company's future cash flows, earnings, results of operations and financial condition.

Centerra is developing the Öksüt mine and this raises risks relating to construction and development

The capital expenditures and time required to develop new mines are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to build the project. Construction costs and timelines can be impacted by a wide variety of factors, many of which are beyond our control. These include, but are not limited to, weather conditions, ground conditions, performance of the mining fleet and availability of appropriate rock and other material required for construction, availability and performance of contractors and suppliers, delivery and installation of equipment, design changes, accuracy of estimates, global capital cost inflation, local in-country inflation and availability of accommodations for the workforce. Project development schedules are also dependent on obtaining the governmental approvals necessary for the operation of a project. The timeline to obtain these government approvals is often beyond the control of the Company. A delay in start-up or commercial production would increase capital costs and delay receipt of revenues.

Centerra's board of directors recently provided approval to commence development of the Öksüt project in Turkey, subject to the continued availability of the OMAS Facility. While the Company believes that it has the expertise to develop the project within budget and on schedule, there can be no assurances. Any increase in the capital costs or delay in the project development timeline may adversely impact the Company's future cash flow, earnings, results of operations and financial conditions.

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 the Company 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 the Company's future cash flows, earnings, results of operations and financial conditions.

Royalty interests may not be honored by operators

The Company's agreements representing the royalties owned by the Company are contractual in nature. Parties to contracts do not always honor contractual terms and contracts themselves may be subject to interpretation or technical defects. To the extent grantors of royalties do not abide by their contractual obligations, the Company would be forced to take legal action to enforce its contractual rights. Such litigation may be time consuming and costly and there is no guarantee of success. The Company's rights to payment under the royalties must, in most cases, be enforced by contract without the protection of the ability to liquidate a property. This inhibits the Company's ability to collect outstanding royalties upon a default.

The operation of the properties in which the Company holds a royalty interest are determined by third party property owners and operators

The Company has no or limited decision making power as to how the properties it holds royalty interests are operated, and the operators' failure to perform could affect the revenues generated by Company. The revenue derived from the Company's royalty portfolio is based on production by third party property owners and operators. The owners and operators generally will have the power to determine the manner in which the properties are exploited, including decisions to expand, continue or reduce, suspend or discontinue production from a property, decisions about the marketing of products extracted from the property and decisions to advance exploration efforts and conduct development of non-producing properties. The interests of third party owners and operators and those of the Company on the relevant properties may not always be aligned. The Company may not be entitled to any material compensation if any of the properties in which it holds a royalty interest shuts down or discontinues their operations on a temporary or permanent basis. At any time, any of the operators of the properties in which it holds a royalty interest or their successors may decide to suspend or discontinue operations.

The Company has limited access to data and disclosure regarding the operation of properties, it has a royalty interest in which affects the Company's ability to assess the royalty's performance

As a royalty holder, the Company has limited access to data on the operations or to the actual properties themselves. This could affect the Company's ability to assess the performance of the royalty and/or result in delays in cash flow from that which is anticipated by the Company. In addition, some royalties may be subject to confidentiality arrangements which govern the disclosure of information with regard to royalties and, as such, the Company may not be in a position to publicly disclose non-public information with respect to certain royalties.

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. The Company has unionized environments at our Kumtor project, Boroo project, 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.

The Langeloth Facility has certain unionized employees. The labour agreement currently in place with respect to the unionized employees at the Company's Langeloth Facility is effective through March 11, 2019.

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 the Company.

There is also a possibility that the Company's employees at its 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. Certain jurisdictions in which the Company operates may limit the number of foreign nationals that can be employed at the mining site. For example, 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 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 the Company's operations could be affected, which could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

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 its future cash flows, earnings, results of operations and financial condition.

Centerra's operations may be impacted by supply chain disruptions

The Company'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. Centerra is dependent on information technology systems in the conduct of its operations. The Company's mines and mills are automated and networked such that Centerra could be adversely affected by network disruptions from a variety of sources, including, without limitation, computer viruses, security breaches, cyber-attacks, natural disasters and defects in design. Centerra's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment information technology systems and software, as well as pre-emptive expenses to mitigate the risk of failure.

Given the unpredictability of the timing, nature and scope of information technology disruptions, a corruption of the Company's financial or operational data or an operational disruption of its production infrastructure as a result of any of these or other events could result, among other things, in: (i) production downtimes; (ii) operational delays; (iii) destruction or corruption of data; (iv) increases in capital expenditures; (v) loss of production or accidental discharge; (vi) expensive remediation efforts; (vii) distraction of management; (viii) damage to our reputation or our relationship with customers; or (ix) in events of noncompliance, which events could lead to regulatory fines or penalties. Any of the foregoing could have a material adverse effect on the Company's business, results of operations and financial condition.

Insurance

Centerra may not be adequately insured for certain risks

Although the Company maintains 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 the Company's future cash flows, earnings, results of operations and financial condition.

Caution Regarding Forward-Looking Information

Information contained in this document 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", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule", "understand" and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things: the development activities at the Öksüt Project and the Kemess Project; further amendments of Mount Milligan's Environmental Assessment Certificate; currency movements and hedging transactions; operational plans at Kumtor and Mount Milligan in 2018, including as to the expected restart of the Mount Milligan mill, the timing and outcomes of projects initiated at the Mount Milligan mine aimed at improving metal recovery and other opportunities, the availability of water and consultations with regulatory and First Nations groups; discussions between GGM and First Nations groups regarding impact benefit agreements; the closing of the Strategic Agreement entered into with the Kyrgyz Republic Government and the related resolution of various civil and criminal cases in the Kyrgyz Republic which affect the Kumtor Project; the Company's cash on hand, working capital, future cash flows and existing credit facilities being sufficient to fund anticipated operating cash requirements; AMT refund; the resumption of negotiations with the Mongolian Government related to the Gatsuurt Project; the timing for receipt of proceeds from the sale of the ATO licenses; and statements found under the heading, "2018 Outlook", including forecast 2018 production costs, capital and exploration expenditures and taxes .

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 and Canada; risks that any of the conditions precedent to the Strategic Agreement will not be satisfied in a timely manner or at all, particularly as the Government may not bind the General Prosecutor's Office or the Parliament of the Kyrgyz Republic; a decision by the General Prosecutor's Office, or its successor the Anti-Corruption Service of the State Committee for National Security, to re-open at any time civil or criminal proceedings against Centerra, its subsidiaries or other stakeholders; the failure of the Government to comply with its continuing obligations under the Strategic Agreement, including the requirement that it comply at all times with its obligations under the Kumtor Project Agreements, allow for the continued operation of the Kumtor Mine by KGC and KOC and not take any expropriatory action; actions by the Government or any state agency or the General Prosecutor's Office that serve to restrict or otherwise interfere with the payment of funds by KGC and KOC to Centerra; resource nationalism including the management of external stakeholder expectations; the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices, including with respect to the environment, 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 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; the risks related to other outstanding litigation affecting the Company's operations in the Kyrgyz Republic and elsewhere; the impact of the delay by relevant government agencies to provide required approvals, expertises and permits; potential impact on the Kumtor Project of investigations by Kyrgyz Republic instrumentalities; the terms pursuant to which the Mongolian Government will participate in, or to take a special royalty rate in, the Gatsuurt Project; the impact of constitutional changes in Turkey; the impact of any sanctions imposed by Canada, the United States or other jurisdictions against various Russian individuals and entities; the ability of the Company to successfully negotiate agreements for the development of the Gatsuurt Project; 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; Aboriginal claims and consultative issues relating to the Company's properties which are in proximity to Aboriginal communities; and 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, copper and other mineral 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 the movement of the Davidov Glacier, waste and ice movement and continued performance of the buttress at the Kumtor Project; the occurrence of further ground movements at the Kumtor Project and mechanical availability; the ability of the Company to successfully re-start full mill processing operation at Mount Milligan and achieve expected throughput; 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 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 section titled "Risks that can affect our business" in the Company's most recently filed Annual Information Form available on SEDAR at www.sedar.com.*

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 22, 2018. 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, 2017 and 2016

(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 Board of 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 President and 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
President and Chief Executive Officer

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

February 22, 2018

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, 2017 and December 31, 2016, the consolidated statements of earnings and comprehensive income, 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 the 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, 2017 and December 31, 2016, 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 22, 2018
Toronto, Canada

Centerra Gold Inc.
Consolidated Statements of Financial Position

(Expressed in thousands of United States Dollars)	Notes	December 31, 2017	December 31, 2016
Assets			
Current assets			
Cash and cash equivalents		**$ 415,891**	$ 160,091
Restricted cash and restricted short-term investments	**7**	**-**	247,844
Amounts receivable	**8**	**63,902**	48,097
Inventories	**9**	**506,208**	540,753
Prepaid expenses and other current assets	**10**	**25,933**	18,418
		1,011,934	1,015,203
Property, plant and equipment	**11**	**1,674,444**	1,564,891
Goodwill	**6**	**16,070**	16,070
Restricted cash	**7**	**687**	824
Reclamation deposits	**17**	**26,525**	32,035
Other assets	**12**	**42,515**	25,728
		1,760,241	1,639,548
Total assets		**$ 2,772,175**	$ 2,654,751
Liabilities and Shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	**13**	**$ 181,829**	$ 130,342
Provision for Kyrgyz Republic settlement	**21**	**53,000**	-
Short-term debt	**14**	**48,536**	72,281
Current portion of lease obligations	**15**	**31,986**	-
Revenue-based taxes payable		**15,953**	19,202
Taxes payable		**2,592**	2,302
Current portion of provision for reclamation	**17**	**832**	918
Current portion of derivative liabilities	**29**	**16,057**	1,512
Other current liabilities	**12**	**7,021**	51
		357,806	226,608
Long-term debt	**14**	**211,611**	392,851
Provision for reclamation	**17**	**166,174**	157,498
Lease obligations	**15**	**-**	29,901
Deferred income tax liability	**16**	**-**	1,661
Derivative liabilities	**29**	**7,273**	-
Other liabilities	**12**	**3,882**	21,950
		388,940	603,861
Shareholders' equity			
Share capital	**25**	**948,121**	944,633
Contributed surplus		**25,781**	25,876
Accumulated other comprehensive loss		**(14,371)**	(2,592)
Retained earnings		**1,065,898**	856,365
		2,025,429	1,824,282
Total liabilities and Shareholders' equity		**$ 2,772,175**	$ 2,654,751

Commitments and contingencies (note 26)

Subsequent events (note 32)

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

Approved by the Board of Directors

Original signed by:

Stephen Lang Richard Connor

Centerra Gold Inc.
Consolidated Statements of Earnings and Comprehensive Income

For the years ended December 31,	Notes		2017		2016
(Expressed in thousands of United States Dollars)					
(except per share amounts)					
Gold sales		$	928,099	$	712,737
Copper sales			125,938		25,951
Molybdenum sales			136,760		16,780
Tolling, calcining and other			8,231		2,255
Revenue			1,199,028		757,723
Cost of sales	18		682,094		411,607
Standby costs, net			6,400		259
Regional office administration			18,212		14,722
Earnings from mine operations			492,322		331,135
Revenue-based taxes			96,729		96,293
Other operating expenses	20		13,764		2,744
Care and maintenance expense			13,198		1,766
Pre-development project costs			4,794		10,687
Exploration expenses and business development			11,442		12,994
Thompson Creek Metals Inc. acquisition and integration expenses			2,363		12,015
AuRico Metals Inc. acquisition and integration expenses			1,552		-
Corporate administration	19		37,918		27,583
Asset impairment	22		41,983		-
Kyrgyz Republic settlement	21		60,000		-
Earnings from operations			208,579		167,053
Other income, net	23		(13,315)		(40)
Finance costs	24		30,562		11,053
Earnings before income tax			191,332		156,040
Income tax (recovery) expense	16		(18,201)		4,502
Net earnings		$	209,533	$	151,538
Other Comprehensive Income					
Items that may be subsequently reclassified to earnings:					
Net gain (loss) on translation of foreign operation			2,405		(2,573)
Net movement in cashflow hedge, net of tax	29		(14,143)		(387)
Post-retirement benefit, net of tax			(41)		148
Other comprehensive loss			(11,779)		(2,812)
Total comprehensive income		$	197,754	$	148,726
Basic earnings per common share	25	$	0.72	$	0.60
Diluted earnings per common share	25	$	0.72	$	0.60

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,		2017	2016
(Expressed in thousands of United States Dollars)	**Notes**		
Operating activities			
Net earnings		**$ 209,533**	$ 151,538
Adjustments for the following items:			
Depreciation, depletion and amortization	**11**	**200,702**	205,176
Finance costs	**24**	**30,562**	11,053
Loss on disposal of equipment		**954**	210
Compensation expense on stock options		**1,019**	2,456
Other share based compensation expense (reversal)		**6,473**	(668)
Inventory impairment (reversal)	**18**	**-**	(27,216)
Income tax (recovery) expense		**(18,201)**	4,502
Asset impairment	**22**	**41,983**	-
Kyrgyz Republic Settlement	**21**	**60,000**	-
Gain on sale of ATO project	**23**	**(9,800)**	-
		523,225	347,051
Change in operating working capital	**31(a)**	**(11,693)**	32,658
Purchase and settlement of derivatives		**(4,135)**	(2,099)
Payments toward provision for reclamation		**(432)**	(613)
Income taxes paid		**(6,069)**	(5,553)
Cash provided by operations		**500,896**	371,444
Investing activities			
Additions to property, plant and equipment	**31(b)**	**(266,854)**	(212,832)
Lease payments - Capital equipment		**-**	(3,810)
Net purchase of short-term investments		**-**	181,613
Payment to Thompson Creek Metals Inc. debtholders		**-**	(881,018)
Cash received on completion of acquisition		**-**	98,054
Decrease (increase) in restricted cash		**247,981**	(248,045)
Reclamation deposits payments and change in other assets		**(1,780)**	(5,964)
Proceeds from the sale of the ATO project		**9,800**	-
Proceeds from disposition of fixed assets		**226**	-
Cash used in investing		**(10,627)**	(1,072,002)
Financing activities			
Dividends paid		**-**	(22,946)
Debt (repayment) proceeds	**31(c)**	**(208,363)**	398,363
Payment of interest and borrowing costs	**31(c)**	**(28,303)**	(18,323)
Proceeds from common shares issued for options exercised		**2,197**	1,581
Proceeds from subscription receipts issued		**-**	141,361
Cash (used in) provided by financing		**(234,469)**	500,036
Increase (decrease) in cash during the year		**255,800**	(200,522)
Cash and cash equivalents at beginning of the year		**160,091**	360,613
Cash and cash equivalents at end of the year		**$ 415,891**	$ 160,091
Cash and cash equivalents consist of:			
Cash		**$ 372,753**	$ 60,995
Cash equivalents		**43,138**	99,096
		$ 415,891	$ 160,091

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 Loss ("AOCI")	Retained Earnings	Total
Balance at January 1, 2016	237,889,274	$ 668,705	$ 24,153	$ 220	$ 727,773	$ 1,420,851
Share-based compensation expense	-	-	2,456	-	-	2,456
Shares issued on exercise of stock options	337,669	2,314	(733)	-	-	1,581
Shares issued on redemption of restricted share units	5,504	28	-	-	-	28
Shares issued to settle obligations	4,117,120	19,857	-	-	-	19,857
Shares issued to former Thompson Creek Metal Inc. shareholders	22,327,001	112,368	-	-	-	112,368
Shares issued in equity offering	26,599,500	141,361	-	-	-	141,361
Foreign currency translation	-	-	-	(2,573)	-	(2,573)
Net movement in cashflow hedge, net of tax (note 29)	-	-	-	(387)	-	(387)
Dividends declared	-	-	-	-	(22,946)	(22,946)
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
Share-based compensation expense	**-**	**-**	**1,020**	**-**	**-**	**1,020**
Shares issued on exercise of stock options	**480,008**	**3,313**	**(1,115)**	**-**	**-**	**2,198**
Shares issued on redemption of restricted share units	**26,770**	**175**	**-**	**-**	**-**	**175**
Foreign currency translation	**-**	**-**	**-**	**2,405**	**-**	**2,405**
Net movement in cashflow hedge, net of tax (note 29)	**-**	**-**	**-**	**(14,143)**	**-**	**(14,143)**
Post retirement benefit, net of tax	**-**	**-**	**-**	**(41)**	**-**	**(41)**
Net earnings for the year	**-**	**-**	**-**	**-**	**209,533**	**209,533**
Balance at December 31, 2017	**291,782,846**	**$ 948,121**	**$ 25,781**	**$ (14,371)**	**$ 1,065,898**	**$ 2,025,429**

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 primarily focused on operating, developing, exploring and acquiring gold and copper properties 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”) and on January 8, 2018, it completed the acquisition of AuRico Metals Inc. (“AuRico” or “AMI”). Centerra acquired all of the issued and outstanding common shares of Thompson Creek and AuRico. See notes 6 and 32, respectively, for additional details on the transactions.

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 22, 2018.

These consolidated financial statements have been prepared under the historical cost basis, except for cash and cash equivalents, restricted cash and restricted short-term investments, provisionally priced amounts receivable, 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.

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

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

Entity	Property - Location	Current status	Ownership 2017	Ownership 2016
Kumtor Gold Company ("KGC")	Kumtor Mine - Kyrgyz Republic	Operation	100%	100%
Thompson Creek Metals Company Inc.	Mount Milligan Mine - Canada	Operation	100%	100%
Langeloth Metallurgical Company LLC ("Langeloth") Molybdenum Processing Facility	Langeloth - United States	Operation	100%	100%
Boroo Gold LLC ("BGC")	Boroo Mine - Mongolia	Stand-by	100%	100%
Centerra Gold Mongolia LLC	Gatsuurt Project - Mongolia	Pre-development	100%	100%
Öksüt Madencilik A.S. ("OMAS")	Öksüt Project - Turkey	Pre-development	100%	100%
Greenstone Gold Mines LP ("Greenstone Partnership")	Greenstone Gold Property - Canada	Pre-development	50%	50%
Thompson Creek Mining Company	Thompson Creek Mine - United States	Care and Maintenance	100%	100%
Thompson Creek Metals Company Inc.	Endako Mine - Canada	Care and Maintenance	75%	75%

As part of the AuRico acquisition (note 32), the Company acquired the Kemess Underground property, Kemess East property and a royalty portfolio which includes a 1.5% net smelter return ("NSR") royalty on the Young-Davidson gold mine in Ontario, Canada and a 2.0% NSR royalty on the Fosterville mine in Australia.

As at December 31, 2017, the Company had also entered into agreements to earn interests in joint venture exploration properties located in Sweden, 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.

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 Consolidated Statements of Earnings and Comprehensive Income ("Statements of Earning").

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 amortized cost.

e. 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.

f. Restricted cash and restricted short-term investments

Cash and short-term investments which are subject to legal or contractual restrictions on their use are classified separately as restricted cash and restricted short-term investments.

g. Inventories

Inventories of stockpiled ore, in-circuit gold, gold and copper concentrate, gold doré and molybdenum inventory are valued at the lower of weighted average production cost and NRV. Finished gold and copper inventory valuation is based on payable 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 Statements 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.

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 conclude 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 property, plant and equipment.

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.

All expenditures incurred from the time the development decision is made until 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's property, 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 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 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 flows 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 an event occurs which leads to an indication that the carrying amount may be impaired. In addition, goodwill is tested for impairment annually on September 1.

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 based on detailed mine and/or production plans.

k. Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the Statements 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 Company, at the end of the reporting period, intends 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 may arise as a result of the translation of obligations which are considered monetary assets or changes in discount rates and timing or amounts of the costs to be incurred. These changes 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 as a reduction in profit or loss 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 profit or loss in the Statements of Earnings on initial recognition and subsequently when re-measured.

n. Earnings per share

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

Diluted 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 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 profit or loss 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.

Equity instruments that could potentially be dilutive in the future, but do not currently have a dilutive effect are excluded from the calculation of diluted earnings per share.

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 the earlier of loading of the shipment at the Port of Vancouver or payment by the customer.

Revenues from the Company’s concentrate sales are based on a provisional sales price and recorded upon the transfer of title to the customer, 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 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 date of title transfer) based on spot copper prices on the London Metal Exchange ("LME") or spot gold prices on the London Bullion Market Association ("LBMA"). The Company receives market prices based on prices in the specified future month, which results in mark-to-market price fluctuations 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 final assay, the provisional sales quantities are adjusted as well.

To satisfy its obligations under the Gold and Copper Stream Arrangement, the Company purchases refined gold and LME copper warrants and arranges for delivery to RGLD Gold AG and Royal Gold, Inc (collectively “Royal Gold”). Revenue from Royal Gold 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 commodity price 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 five share-based compensation plans: the Stock Option plan, Performance Share Unit plan, Deferred Share Unit Plan, Restricted Share Unit Plan and Employee Share Purchase 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 simulation 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 simulation 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. Effective for 2017, certain executives and other employees may elect to receive a portion of their annual incentive payments as restricted share units. The Company will match 50% of the restricted share units granted to such individuals and all such restricted share units granted to executives and other employees vest over a two year period

("Executive RSUs"). Restricted share units which are not Executive RSUs 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 restricted share 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.

v. Employee Share Purchase Plan

Centerra has an Employee Share Purchase Plan ("ESPP") for certain employees of the Company, which was introduced in 2017. Under the ESPP, employees may elect to purchase the Company's shares through a payroll deduction. Each year, employees may contribute up to 10% of their base salary and the Company will match 25% of the contribution. Such contributions are then used to acquire Centerra shares on a quarterly basis. Shares purchased have no vesting requirement and may be issued from treasury or acquired on the open market. The Company records an expense equal to the match provided.

When dividends are paid, participants under each of the Performance Share Unit Plan, Deferred Share Unit Plan, and Restricted Share Unit Plan are 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 day 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 profit or 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 Statements of Earnings. The Company's provisionally-priced receivables are classified as financial assets measured at fair value through profit or loss.

ii. Amortized cost

Financial assets are recorded at amortized cost if both of the following criteria are met: 1) the objective 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 cash and cash equivalents, short-term investments, restricted short-term investments, amounts receivable (excluding provisionally-priced receivables), taxes receivable 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, lease obligations, 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 are measured at fair value through other comprehensive income. Provisionally-priced payables to Royal Gold are measured at fair value through profit or loss.

Derivative financial instruments

The Company may hold derivative financial instruments to manage 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.

Hedges

The Company applies hedge accounting to derivative instruments which hedge a certain percentage of the gold and copper components of its future concentrate sales at its Mount Milligan operation. The Company also applies hedge accounting to derivative instruments which hedge a certain percentage of its future diesel fuel purchases at its Kumtor operations.

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. The amounts accumulated in other comprehensive income are reclassified to revenue or to the cost of the purchased asset the Statements of Earnings when the underlying hedged transaction, identified at contract inception, is recognized in revenue.

Any ineffective portion of a hedge relationship is recognized immediately in the Statements of Earnings as other income, net. 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 until the underlying hedged transaction is recognized in revenue at which time such amounts are reclassified to revenue or to the cost of the purchased asset.

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

Non-hedges

All derivative instruments not designated in a hedge relationship are classified as financial instruments at fair value through profit or loss.

Changes in fair value of non-hedge derivatives at each reporting date are included in the Statements of Earnings as non-hedge derivative gains or losses, with the exception of spot and forward contracts associated with the Royal Gold deliverables, which are included in revenue.

r. Finance leases

The Company is the lessee of equipment with Caterpillar Financial Services Limited (“Caterpillar” - see note 15).

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 lesser 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 CGU's where value cannot be obtained from an active market: 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 Statements 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 subsequent periods. See note 16 for additional information on the basis for recognizing deferred tax assets.

v. 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.

vi. 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.

vii. 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.

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 a sensitivity analyses based on changes in commodity prices.

viii. 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 provision 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 provisions and contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such provisions and 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:

Amendments to IAS 7, *Statements of Cash Flows* ("IAS 7"). The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Company adopted the amendments to IAS 7 on a prospective basis in its financial statements on January 1, 2017. The adoption of these amendments did not have a material impact on the Company's financial statements, but did result in additional supplemental cash flow disclosure (note 31(c)).

Amendments to IAS 12, *Income Taxes* ("IAS 12"). The amendments clarify that the existence of a deductible temporary difference is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset and also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company adopted the amendments to IAS 12 in its financial statements on January 1, 2017. The adoption of these amendments did not have a material impact on the Company's 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 has assessed the impact of adopting IFRS 15 and has determined IFRS 15 will not have an impact on revenue recognized related to the sales of gold doré, gold and copper concentrate and molybdenum.

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

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23"). IFRIC 23 clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 and requires an entity to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it uses or plans to use in its income tax filing.

IFRIC 23 is effective for annual periods beginning on or after January 1, 2019, and permits early adoption. The Company is in the process of determining the impact of IFRIC 23 on its financial statements.

6. Acquisition of Thompson Creek

On October 20, 2016, the Company completed the acquisition of all of the outstanding shares of Thompson Creek. Thompson Creek was a North American-based mining company with gold, copper and molybdenum mining, milling, processing and marketing operations in Canada and the United States.

The purchase price allocation recognized in 2016 was based on a preliminary assessment of fair value while the Company finalized an independent valuation. The valuation was finalized in 2017, resulting in no adjustments to the preliminary purchase price allocation.

The following table summarizes the fair value of the identified assets acquired and liabilities assumed from Thompson Creek.

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

		October 20, 2016
Total consideration		
Cash paid to debtholders	$	881,018
Common share issuance (exchange for Thompson Creek shares)		112,368
Capital leases assumed		33,712
	$	1,027,098
Assets acquired		
Current assets		
Cash and cash equivalents	$	98,054
Amounts receivable		29,577
Inventories		119,454
Prepaid expenses and other assets		6,687
	$	253,772
Non-current assets		
Reclamation deposits and restricted cash	$	10,084
Property, plant and equipment		905,575
Other assets		13,951
	$	929,610
Total assets	$	1,183,382
Liabilities assumed		
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

The goodwill generated from the acquisition was allocated to the North America Gold-Copper CGU.

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

7. Restricted cash and restricted short-term investments

		2017		2016
Current				
Cash deposits held subject to court order (a)	**$**	**-**	$	247,844
Non-current				
Öksüt Project		**386**		550
Other		**301**		274
		687		824
Total restricted cash and restricted short-term investments	**$**	**687**	$	248,668

(a) As part of the settlement with the Government of the Kyrgyz Republic discussed in note 21, a Kyrgyz Republic court order restricting the distribution of cash to Centerra was terminated effective September 15, 2017. As a result, cash held by Kumtor Gold Company was classified as cash and cash equivalents as at December 31, 2017 (December 31, 2016 - $247.8 million disclosed as restricted cash).

8. Amounts receivable

		2017		2016
Gold sales receivable from related party (note 27)	**$**	**20**	$	11,611
Gold and copper concentrate sales receivable		**13,650**		9,704
Molybdenum sales receivable		**22,999**		14,439
Provisionally priced gold and copper concentrate sales		**20,890**		4,148
Consumption tax receivable		**3,817**		4,854
Other receivables		**2,526**		3,475
Total amounts receivable		**63,902**		48,231
Less: Provision for credit losses		**-**		(134)
Total amounts receivable (net of provision)	**$**	**63,902**	$	48,097

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

		2017		2016
Less than one month	$	**33,113**	$	32,195
One to three months		**12,230**		4,874
Three to six months		**17,636**		10,516
Over six months		**923**		646
Total amounts receivable	$	**63,902**	$	48,231
Less: Provision for credit losses		**-**		(134)
Total amounts receivable (net of provision)	$	**63,902**	$	48,097

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

As at December 31, 2017, provisionally priced amounts receivable from gold and copper concentrate sales of $11.4 million, $5.5 million and $4.0 million were included within less than one month, one to three months and three to six months, respectively (December 31, 2016 - $2.7 million, $1.4 million and nil were included within less than one month, one to three months and three to six months, respectively). These sales are provisionally priced and settle at prices determined at a future date pursuant to various off-take agreements. No provision for credit losses has been made for gold and copper concentrate sales.

9. Inventories

		2017		**2016**
Stockpiles of ore (a)	**$**	**212,114**	$	252,357
Gold in-circuit		**23,595**		20,304
Gold doré		**15,023**		7,710
Copper and gold concentrate		**6,745**		29,113
Molybdenum inventory		**41,427**		28,923
		298,904		338,407
Supplies (net of provision)		**209,032**		204,092
Total inventories (net of provisions)	**$**	**507,936**	$	542,499
Less: Long-term supplies inventory (note 12)		**(1,728)**		(1,746)
Total inventories - current portion	**$**	**506,208**	$	540,753

(a) As at December 31, 2017, the amount of ore not scheduled for processing within the next 12 months, but is available on-demand, is $111.8 million (December 31, 2016 – $151.2 million).

The amount of inventories recognized as an expense during the year ended December 31, 2017 was $684.3 million (year ended December 31, 2016 - $414.9 million). The Company has recorded a provision for supplies obsolescence of $30.9 million as at December 31, 2017 (December 31, 2016 - $26.6 million).

During the year ended December 31, 2017, no impairment charge or reversal was recognized against gold inventories at Kumtor (year ended December 31, 2016 - reversal of $27.2 million in impairment charges recorded against gold inventories at Kumtor).

Molybdenum inventory of $41.4 million as at December 31, 2017 (December 31, 2016 - $28.9 million) included work-in-process inventory of $21.4 million (December 31, 2016 - $16.3 million) and finished goods inventory of $20.0 million (December 31, 2016 - $12.6 million).

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

10. Prepaid expenses and other current assets

		2017		2016
Insurance	$	**6,193**	$	6,593
OMAS credit facility financing fees (note 14)		**4,770**		4,203
Deposits for consumable supplies		**5,330**		5,119
Derivative assets		**1,963**		750
Other		**7,677**		1,753
Total	$	**25,933**	$	18,418

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, 2016	$	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**
Additions		386		12,645		200,223		1,596		119,296		334,146
Disposals		(868)		(2,003)		-		(7,271)		-		(10,142)
Fully depreciated assets		(3,591)		-		(34,375)		(38,300)		-		(76,266)
Reclassification		24,107		2,350		-		55,890		(82,347)		-
Balance December 31, 2017	**$**	**1,103,945**	**$**	**530,241**	**$**	**347,572**	**$**	**549,853**	**$**	**119,915**	**$**	**2,651,526**
Accumulated depreciation and impairment												
January 1, 2016	$	266,048	$	153,224	$	905,223	$	341,170	$	-	$	1,665,665
Charge for the period		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**
Charge for the period		52,524		12,409		46,489		70,692		-		182,114
Disposals		(1,386)		(1,882)		-		(5,695)		-		(8,963)
Impairment (note 22)		25,000		1,952		-		-		14,348		41,300
Fully depreciated assets		(3,591)		-		(34,375)		(38,300)		-		(76,266)
Balance December 31, 2017	**$**	**361,356**	**$**	**171,494**	**$**	**38,711**	**$**	**391,173**	**$**	**14,348**	**$**	**977,082**

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

	Buildings, Plant and Equipment	Mineral Properties	Capitalized Stripping Costs	Mobile Equipment	Construction In Progress	Total
Net book value						
Balance December 31, 2016	$ 795,102	$ 358,234	$ 155,127	$ 173,462	$ 82,966	$ 1,564,891
Balance December 31, 2017	**$ 742,589**	**$ 358,747**	**$ 308,861**	**$ 158,680**	**$ 105,567**	**$ 1,674,444**

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

	2017	2016
Amount recorded in cost of sales (note 18)	**$ 195,036**	$ 205,912
Amount recorded in corporate administration (note 19)	**248**	409
Amount recorded in standby costs, net	**2,126**	(1,175)
Amount recorded in care & maintenance expense	**3,292**	30
Total included in Statements of Earnings	**200,702**	205,176
Inventories movement (note 31(a))	**(69,644)**	52,076
Amount capitalized in PP&E (note 31(b))	**51,056**	36,260
Depreciation, depletion and amortization charge for the year	**$ 182,114**	$ 293,512

12. Other assets and Other liabilities

	2017	2016
Other assets:		
Alternative Minimum Tax receivable (a)	**$ 21,302**	$ -
Long term deposits and receivables (b)	**2,649**	6,326
Long term inventories (note 9)	**1,728**	1,746
Prepayments for equipment spares (c)	**9,161**	7,959
Derivative assets (note 29)	**545**	904
Prepayments for property, plant and equipment (d)	**6,927**	4,299
Other assets	**203**	4,494
Total other assets	**$ 42,515**	$ 25,728
Other liabilities:		
Deferred vendor payables (e)	**$ 6,930**	$ 14,291
Post-retirement benefits	**3,880**	3,541
Liabilities for unrecognized tax benefits	**-**	4,109
Other liabilities	**93**	60
Total other liabilities	**10,903**	22,001
Current portion of other liabilities	**(7,021)**	(51)
Non-current portion of other liabilities	**$ 3,882**	$ 21,950

a) For the year ended December 31, 2017, the Company has accrued a $21.3 million tax benefit due to enactment of The Tax Cuts and Jobs Act (the "Act") on December 22, 2017. In addition to reducing the U.S. corporate tax rate from 35 percent to 21 percent, the Act makes other large changes to the U.S. tax code affecting the molybdenum business acquired in the Thompson Creek acquisition. Amongst the more impactful provisions to the Company, the Alternative Minimum Tax ("AMT") has been repealed. No deferred tax assets were recognized in prior years with respect to these AMT credits as it was not probable that future taxable profit will be available against which unused tax credits could be utilized. With the repeal of the AMT, the $22.8 million of AMT paid in prior years is expected to be refunded over the course of 2019 to 2022, less the impact of a 6.6% sequestration rate in the U.S ($1.5 million).

b) Represents $2.6 million (December 31, 2016 - $2.5 million) of British Columbia Mineral Tax receivable. The December 31, 2016 balance also included a $2.6 million security deposit for the Company's leased assets (note 15), $0.7 million of consumption tax receivable and $0.5 million of cash collateral for a bond with a utility company.

c) Prepayments for equipment 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 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 $4.5 million (December 31, 2016 - $2.4 million) and $2.4 million (December 31, 2016 - $1.9 million) for fixed asset purchases for the Öksüt Project and Kumtor mine, respectively.

e) Deferred vendor payables represent 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 Cdn$3.40/pound, then a portion of the deferred energy liability will be due and payable in the subsequent month.

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

13. Accounts payable and accrued liabilities

		2017		2016
Trade creditors and accruals	**$**	**122,101**	$	92,715
Amount due to Royal Gold (a)		**50,650**		29,170
Liability for share-based compensation (note 25)		**9,078**		8,457
Total	**$**	**181,829**	$	130,342

(a) Royal Gold holds a streaming interest in the production at the Mount Milligan mine. 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 recorded.

14. Debt

		2017		2016
Centerra B.C. Holdings Credit Facility				
Term Facility	**$**	**190,000**	$	250,000
Revolving Facility		**-**		74,363
Less: deferred financing fees		**(4,241)**		(6,528)
		185,759		317,835
Less: current portion (net of deferred financing fees)		**(48,536)**		(47,943)
	$	**137,223**	$	269,892
EBRD Facility				
EBRD revolving credit facility	**$**	**76,000**	$	150,000
Less: deferred financing fees		**(1,612)**		(2,703)
		74,388		147,297
Less: current portion (net of deferred financing fees)		**-**		(24,338)
	$	**74,388**	$	122,959
Short-term debt	**$**	**48,536**	$	72,281
Long-term debt		**211,611**		392,851
Total debt	**$**	**260,147**	$	465,132

Centerra B.C. Holdings Credit Facility

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

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 and the Langeloth facility.

In July 2017, the Company entered into an amendment of the Credit Facility to increase the maximum principal amount available under the Revolving Facility from $75 million to $125 million until June 30, 2019, after which time it will revert back to $75 million. The amendment also included terms permitting distributions from B.C. Holdings to Centerra and was effective upon the satisfaction of a number of conditions precedent, including the execution of specific hedges for the next two years covering production at Mount Milligan.

The Company was in compliance with the revised covenants as of and for the year ended December 31, 2017.

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. During the year ended December 31, 2017, the Company repaid principal amounts of $50 million on the Term Facility. In addition, on June 30, 2017, the Company made a mandatory prepayment of $10 million as a result of a distribution paid from B.C Holdings to Centerra.

On September 29, 2017, the Company repaid the entire outstanding principal amount of $74.4 million on the Revolving Facility.

On February 1, 2018, the Company entered into a new senior secured facility which replaced the Credit Facility (refer to note 32).

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

		2017		2016
<u>Centerra B.C. Holdings Credit Facility</u>				
Undrawn amount (millions)	**$**	**125,000**	$	0.6
Term Facility - Interest rate - three month LIBOR plus (a)		**3.25%**		3.75%
Revolving Facility - Interest rate - three month LIBOR plus (a)		**3.75%**		3.75%

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

EBRD Revolving Credit Facility

In 2016, the Company entered into a five-year $150 million revolving credit facility with European Bank for Reconstruction and Development (the "EBRD Facility"). Of the EBRD Facility, $50 million must be used for the purposes of funding direct and indirect costs associated with the Gatsuurt Project.

Funds drawn under the EBRD Facility are available to be re-drawn on a semi-annual basis, at the Company's discretion, and repayment of the loaned funds may be extended until 2021.

In February 2017, EBRD agreed to amend the collateral coverage ratio contained in the EBRD Facility and the Company was required to repay $25 million of the facility in the first quarter of 2017. On September 29, 2017, the Company repaid the remaining $25 million associated with the Gatsuurt Project.

On December 29, 2017 Company elected to repay a further $24 million of the EBRD Facility.

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 $164.6 million as at December 31, 2017 (December 31, 2016 - $110.7 million), and maintain compliance with specified covenants (including financial covenants). The Company was in compliance with all covenants for the year ended December 31, 2017.

On February 1, 2018, the Company entered into a new senior secured facility which replaced the EBRD Facility (refer to note 32).

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

		2017		2016
EBRD Facility				
Undrawn amount of the facility (a)	**$**	**74,000**	$	-
Interest rate - six month LIBOR plus (b)				
First tranche - $100 million		**3.0%**		3.0%
Second tranche - $50 million		**5.0%**		5.0%

(a) $50 million of the undrawn amount can only be used for the Gatsuurt Project.
(b) Interest is payable at the end of the term.

OMAS Facility

In 2016, OMAS, a wholly-owned subsidiary of the Company, entered into a $150 million five-year revolving credit facility (the "OMAS Facility") that expires on December 30, 2021. The purpose of the OMAS Facility is to assist in financing the construction of the Company's Öksüt Project.

Availability of the OMAS Facility is subject to customary conditions precedent, including receipt of all necessary permits and approvals. If the conditions are not satisfied, waived or amended by the deadline, the commitments under the OMAS Facility will be cancelled. The original deadline of June 30, 2017 was initially extended to December 31, 2017 and then further extended to March 15, 2018.

As at December 31, 2017, $4.8 million (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. The OMAS Facility is secured by Öksüt assets and is non-recourse to the Company.

		2017		2016
OMAS Facility				
Undrawn amount of the facility	**$**	**150,000**	$	150,000
Interest rate - LIBOR plus (a)		**2.65% - 2.95%**		

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

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

15. Leases

		2017		2016
Equipment Facility leases	**$**	**31,986**	$	29,901

As part of the Thompson Creek acquisition (note 6), the Company assumed Thompson Creek's capital equipment lease obligations owed to Caterpillar Financial Services Limited ("Caterpillar") for the mobile fleet equipment at the Mount Milligan mine.

In January 2017, the Company entered into a re-finance commitment to consolidate and re-finance the Company's finance leases whereby the Company would purchase the assets held under finance leases through a loan ("Promissory Note") repayable to Caterpillar, due to be repaid on February 28, 2018.

In December 2017, the maturity date of the Promissory Note was amended to December 25, 2018.

Interest on the Promissory Note is at three-month LIBOR + 4.93% paid quarterly in arrears. The Promissory Note is secured by assets previously held under the finance leases and contains certain non-financial covenants.

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, 2017, the 13% revenue-based tax expense recorded by Kumtor was $89.8 million (December 31, 2016 - $89.4 million), while the Issyk-Kul Oblast Development Fund contribution of 1% of gross revenue totalled $6.9 million (December 31, 2016 - $6.9 million).

b. Income tax (recovery) expense

		2017		2016
Current tax	**$**	**(16,543)**	$	5,365
Deferred tax		**(1,658)**		(863)
Total income tax (recovery) expense	**$**	**(18,201)**	$	4,502

Mongolia, Netherlands, Canada and the United States recorded an income tax expense (recovery) during the years ended December 31, 2017 and December 31, 2016.

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

Income tax expense (recovery) differs from the amount that would arise from applying the Canadian federal and provincial statutory income tax rates to earnings before income tax as follows:

		2017		**2016**
Earnings before income tax	**$**	**191,332**	$	156,040
Income tax expense calculated at the combined Canadian and provincial statutory income tax rate of 26.5%		**50,703**		41,350
Increase (decrease) due to:				
Difference between Canadian federal and provincial tax rates and foreign tax rates applicable to subsidiaries in other countries		**(58,138)**		(51,641)
Change in unrecognized deductible temporary differences		**(27,663)**		(757)
Expiry of Foreign Tax Credits		**43,190**		-
Impact of foreign currency movements		**(27,843)**		10,066
Non-deductible employee costs		**313**		3,033
Mongolian withholding tax on dividends		**-**		3,250
Mongolian tax on sale of assets		**2,939**		-
British Columbia ("B.C.") mining tax		**4,694**		633
Impact of tax legislation/rate change		**(9,531)**		-
Other non-deductible expenses or non-taxable items		**3,135**		(1,432)
	$	**(18,201)**	$	4,502

For the year ended December 31, 2017, due to enactment of the Act in the United States on December 22, 2017, the Company has recognized a net tax benefit of $21.3 million, which is a component of the line “Impact of tax legislation/rate change” shown above. The final impact of the Act may differ, possibly materially, due to changes in interpretations of the Act or due to any legislative action taken to address questions that arise because of the Act. As a result, the benefit as recorded could be adversely impacted in future periods.

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

c. Deferred income tax

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

		2017		2016
Deferred income tax assets:				
Provisions - asset retirement obligations and other	**$**	**1,185**	$	5,681
Total deferred tax assets	**$**	**1,185**	$	5,681
Deferred income tax liabilities:				
Property, plant and equipment	**$**	**(1,336)**	$	(7,493)
Other		**151**		151
Total deferred tax liabilities	**$**	**(1,185)**	$	(7,342)
Net deferred tax liabilities	**$**	**-**	$	(1,661)

The Company has not recognized deferred tax assets in respect to the following deductible temporary differences:

		2017		2016
Natural resources deductions	**$**	**75,490**	$	101,747
Asset retirement obligations		**77,003**		50,252
Property, plant and equipment		**140,892**		181,256
Other		**68,344**		64,526
Total	**$**	**361,729**	$	397,781

The Company has not recognized deferred tax assets with respect to deductible temporary differences related to B.C. mining tax of $679.4 million (December 31, 2016 - $684.4 million).

Tax losses and credits for which no deferred tax assets were recognized expire as follows:

		Expiring within one year		Expiring within one to five years		Expiring after five years (a)		No expiry date obligation		Total
Losses:										
Income	**$**	**1,014**	**$**	**29,825**	**$**	**823,470**	**$**	**-**	**$**	**854,309**
Capital		**-**		**-**		**-**		**58,279**		**58,279**
December 31, 2017	**$**	**1,014**	**$**	**29,825**	**$**	**823,470**	**$**	**58,279**	**$**	**912,588**
Credits:										
Foreign Tax	**$**	**2,727**	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**2,727**
Investment Tax		**-**		**-**		**16,649**		**-**		**16,649**
B.C. Mining Tax		**-**		**-**		**-**		**17,200**		**17,200**
Other		**-**		**-**		**-**		**30**		**30**
December 31, 2017	**$**	**2,727**	**$**	**-**	**$**	**16,649**	**$**	**17,230**	**$**	**36,606**

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

	Expiring within one year	Expiring within one to five years	Expiring after five years (a)	No expiry date obligation	Total
Losses:					
Income	$ 4,064	$ 14,399	$ 679,739	$ -	$ 698,202
Capital	-	-	-	38,527	38,527
December 31, 2016	$ 4,064	$ 14,399	$ 679,739	$ 38,527	$ 736,729
Credits:					
Alternative Minimum Tax	$ -	$ -	$ -	$ 25,578	$ 25,578
Foreign Tax	43,190	2,727	-	-	45,917
Investment Tax	-	-	14,932	-	14,932
B.C. Mining Tax	-	-	-	11,641	11,641
Other	-	-	-	30	30
December 31, 2016	$ 43,190	$ 2,727	$ 14,932	$ 37,249	$ 98,098

(a) The utilization of United States net operating loss carryforwards of $74.7 million will be limited in any year as a result of a change in ownership in 2016.

At December 31, 2017, no deferred tax liabilities have been recognized in respect of the aggregate amount of $868 million (December 31, 2016 - $1,133 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.

17. Provision for reclamation

	December 31, 2017	December 31, 2016
Kumtor gold mine	**$ 53,565**	$ 51,593
Boroo gold mine	**21,644**	23,044
Mount Milligan mine	**28,148**	24,211
Thompson Creek mine	**35,618**	31,744
Endako mine	**26,714**	26,046
Gatsuurt Project	**1,317**	1,778
Total provision for reclamation	**167,006**	158,416
Less: current portion	**(832)**	(918)
	$ 166,174	$ 157,498

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

Centerra's estimates of future asset for reclamation obligations are based on standards that meet regulatory requirements. The Company estimates its total undiscounted future decommissioning and reclamation costs to be $232.8 million at December 31, 2017 (December 31, 2016 - $221.9 million):

Undiscounted costs (millions)	Total	Kumtor	Boroo	Gatsuurt	Mount Milligan	Endako	Thompson Creek
December 31, 2017	**$232.8**	**$66.2**	**$31.2**	**$1.8**	**$45.9**	**$38.3**	**$49.4**
December 31, 2016	$221.9	$65.7	$31.0	$2.3	$40.9	$36.1	$45.9

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	2028	2038	2028	2031
Risk-free discount rate (2017)	2.38%	2.56%	2.44%	2.23%	2.1%	2.5%
Risk-free discount rate (2016)	2.45%	2.59%	2.48%	2.30%	1.84%	2.62%

The Company completed its regularly scheduled update to its closure costs estimates at Boroo, Mount Milligan, Endako and Thompson Creek Mine in December 2017. Kumtor completed its regularly scheduled update to its closure estimates in December 2016.

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

	2017	2016
Balance at January 1	**$ 158,416**	$ 66,149
Obligations assumed as a result of the TCM acquisition (note 6)	**-**	81,766
Liabilities paid	**(432)**	(613)
Change in estimates (a)	**5,329**	9,238
Accretion expense (note 24)	**3,693**	1,876
Total provision for reclamation	**167,006**	158,416
Less: current portion	**(832)**	(918)
Balance at December 31	**$ 166,174**	$ 157,498

(a) In the year ended December 31, 2017, the discounted change in estimates includes: increases in Kumtor, Mount Milligan, Thompson Creek Mine and Endako of $0.7 million, $3.3 million, $3.1 million and $0.1 million, respectively, and decreases in Boroo and Gatsuurt of $1.4 million and $0.5 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. As part of the settlement reached with the Government of the Kyrgyz Republic (note 21), the Company agreed, on the terms and subject to the conditions contained in the Strategic Agreement, to increase the rate of funding of the Reclamation Trust Fund to a minimum of $6 million per year until the fund reaches $69 million. On December 31, 2017, this fund had a balance of $26.4 million (December 31, 2016 - $22.0 million).

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

The Company is required by U.S. 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, 2017, the Company has provided the appropriate regulatory authorities in the U.S. and Canada with $81.0 million (December 31, 2016 - $73.4 million) in reclamation bonds for mine closure obligations.

December 31, 2017 - Reclamation bonds	Total	Mount Milligan	Endako	Thompson Creek
Total (millions)	**$81.0**	**$28.5**	**$9.2**	**$43.3**
Cash collateral (millions)	**Nil**	**Nil**	**Nil**	**Nil**

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

The following is a reconciliation of the reclamation deposits asset amount:

	2017	2016
Kumtor reclamation trust fund	**$ 26,436**	$ 21,953
Thompson Creek Mine	**-**	10,000
Other	**89**	82
Total	**$ 26,525**	$ 32,035

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

18. Cost of sales

	2017	2016
Operating costs:		
Salaries and benefits	**$ 113,086**	$ 67,584
Consumables and maintenance charges	**218,989**	146,440
Third party services	**29,915**	7,742
Other operating costs	**42,036**	10,489
Royalties, levies and production taxes	**13,251**	378
By-product sales (a)	**(19,042)**	(6,715)
Changes in inventories	**85,675**	3,093
	483,910	229,011
Supplies inventory obsolescence charge (note 9)	**3,148**	3,900
Inventory impairment reversal	**-**	(27,216)
Depreciation, depletion and amortization (note 11)	**195,036**	205,912
	$ 682,094	$ 411,607

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

19. Corporate administration

	2017	2016
Administration and office costs	**$ 5,689**	$ 4,850
Professional fees	**8,907**	4,330
Salaries and benefits	**16,263**	13,718
Share-based compensation	**6,811**	4,276
Depreciation and amortization	**248**	409
	$ 37,918	$ 27,583

20. Other operating expenses

	2017	2016
Social development contributions	**$ 1,051**	$ 1,075
Gatsuurt Project care and maintenance	**897**	580
Selling and marketing (a)	**6,901**	1,089
Nature Development Fund contributions (note 21)	**2,700**	-
Mill optimization studies - Mount Milligan	**2,215**	-
	$ 13,764	$ 2,744

(a) Selling and marketing costs primarily comprise of freight charges associated with the Mount Milligan mine and Langeloth processing facility.

21. Kyrgyz Republic Settlement

On September 11, 2017, the Company reached a comprehensive settlement agreement ("Strategic Agreement") with the Government of the Kyrgyz Republic to resolve all of the outstanding matters affecting the Kumtor Project. The Company's financial obligations as a result of signing the Strategic Agreement are as follows:

- a $50 million lump sum payment to a new Kyrgyz Republic government-administered Nature Development Fund established for the purpose of financing environmental conservation projects and nature preservation in the Kyrgyz Republic and lump sum payments in the aggregate amount of $10 million ($7 million prior to closing plus $3 million within 12 months of closing) to a new, Kyrgyz Republic government-administered Cancer Care Fund established for the purpose of funding cancer treatment, research, support and outreach in the Kyrgyz Republic (the "Lump Sum Payments").

- $2.7 million on-going annual payments to the Nature Development Fund (the "On-Going Payments").

- a minimum of $6 million in annual contributions to Kumtor's reclamation trust fund (note 17) until the fund reaches $69 million.

For the year ended December, 31, 2017, the Company recognized an expense of $62.7 million in the Statements of Earnings for the Lump Sum Payments ($60 million) and On-Going Payments ($2.7 million).

On October 18, 2017, the Company paid $7 million in relation to the Lump Sum Payments and as at December 31, 2017, the provision remaining was $53 million.

Kyrgyz Republic Legal Proceedings

The Strategic Agreement provided a pathway to the resolution of all outstanding matters affecting the Kumtor Project. Among other things, the Strategic Agreement will settle matters relating to decisions of the Bishkek Inter-District Court in the Kyrgyz Republic which ruled against Kumtor Operating Company, Centerra's wholly-owned subsidiary, on claims made by the State Inspectorate Office for Environmental and Technical Safety of the Kyrgyz Republic. Such court decisions were appealed by the Company and proceedings have been postponed pending the resolution of the Strategic Agreement. The court decisions awarded damages in relation to claims which were still outstanding as at December 31, 2017 for:

i. The placement of waste rock at the Kumtor waste dumps (6,698,878,290 Kyrgyz soms or approximately $96.2 million);

ii. Unrecorded wastes from Kumtor's effluent and sewage treatment plants (663,839 Kyrgyz soms or approximately $9,500);

iii. Alleged land damage (161,840,109 Kyrgyz soms or approximately $2.3 million); and

iv. Failure to pay for water use (188,533,730 Kyrgyz soms or approximately $2.7 million).

In connection with the Strategic Agreement, the arbitration previously commenced by the Company against the Government of the Kyrgyz Republic and Kyrgyzaltyn has been suspended until February 28, 2018. During the suspension, the parties will work towards completing the Strategic Agreement and the resolution of all outstanding matters affecting the Kumtor Project.

22. Impairment of Mongolian Assets

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

In the second quarter of 2017, after receipt of the preliminary results from the technical and economic studies (incorporating updated capital and operating costs) related to the Gatsuurt Project under the current Mongolian tax and royalty regime, the Company determined that it could no longer support the carrying value of the Mongolian segment CGU and that it would recognize an impairment charge. The amount of the charge was determined as the excess of the carrying value over the fair value less cost of disposal (estimated to be $25 per resource ounce) based on comparable market transactions.

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

The fair value of the Mongolian segment CGU and associated impairment charge was determined using significant unobservable (level 2) inputs.

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

23. Other income, net

		2017		2016
Interest income	**$**	**(3,028)**	$	(2,490)
Foreign exchange (gain) loss		**(3,108)**		1,087
Provision for credit losses (note 8)		**-**		134
Change in fair value of hedge financial instruments (note 29)		**4,274**		-
Change in fair value of non-hedge financial instruments (note 29)		**(1,562)**		524
Ineffective portion of hedging financial instruments		**-**		4
Gain on sale of ATO Project (a)		**(9,800)**		-
Other (income) expense		**(91)**		701
	$	**(13,315)**	$	(40)

(a) On January 31, 2017, the Company entered into a definitive agreement to sell the Altan Tsagaan Ovoo Project ("ATO Project"), located in Eastern Mongolia for gross proceeds of $19.8 million. The Company received $9.8 million upon closing in September 2017. The remaining balance is scheduled to be received in payments of $5 million on each of September 30, 2018 and September 30, 2019.

24. Finance costs

		2017		2016
Interest expense	**$**	**20,362**	$	7,117
Financing costs amortized		**4,274**		863
Commitment fees		**180**		283
Accretion of provision for reclamation (note 17)		**3,693**		1,876
Other financing fees		**2,053**		914
	$	**30,562**	$	11,053

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.

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

	Number of common shares		Amount
Balance at January 1, 2016	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**	**$**	**944,633**
Shares issued on exercise of stock options	480,008		3,313
Shares issued on redemption of restricted share units	26,770		175
Balance at December 31, 2017	**291,782,846**	**$**	**948,121**

b. Earnings per share

Basic and diluted earnings per share computation:

		2017		2016
Net earnings attributable to shareholders	$	**209,533**	$	151,538
Adjustment to earnings:				
Impact of performance share units accounted for as equity-settled		**-**		(553)
Impact of restricted share units treated as equity-settled		**(286)**		(207)
Net earnings for the purposes of diluted earnings per share	$	**209,247**	$	150,778

(Thousands of common shares)		
Basic weighted average number of common shares outstanding	**291,409**	251,458
Effect of potentially dilutive securities:		
Stock options	**638**	494
Restricted share units	**175**	127
Diluted weighted average number of common shares outstanding	**292,222**	252,079

Basic earnings per common share	$	**0.72**	$	0.60
Diluted earnings per common share	$	**0.72**	$	0.60

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

For the years ended December 31, 2017 and 2016, certain potentially dilutive securities, including stock options were excluded from the calculation of diluted earnings per share due to the exercise prices being greater than the average market price of the Company's common shares for the period.

Potentially dilutive securities, excluded from the calculation, are summarized below:

(Thousands of units)	2017	2016
Stock options	**1,030**	2,023

c. Dividends

Dividends are declared and paid in Canadian dollars. The details of dividends declared in December 31, 2017 and 2016 are as follows:

	2017	2016
Dividends declared (U.S. dollars)	$ **-**	$ 22,946
Dividends declared (Canadian Dollars per share amount)	$ **-**	$ 0.12

d. Share-based compensation

The impact of share-based compensation as of and for the years ended December 31, 2017 and 2016 is summarized as follows:

	Number outstanding	(Millions of U.S. dollars except as indicated)			
		Expense		Liability	
	Dec 31, 2017	2017	2016	Dec 31, 2017	Dec 31, 2016
(i) Stock options	**4,817,452**	**$ 1.0**	$ 2.5	**$ -**	$ -
(ii) Performance share units	**2,222,380**	**4.8**	1.5	**6.2**	6.8
(iii) Deferred share units	**242,695**	**0.3**	-	**1.3**	1.0
(iv) Restricted share units	**289,648**	**1.0**	0.6	**1.6**	0.7
		$ 7.1	$ 4.6	**$ 9.1**	$ 8.5

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

(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 ended December 31, 2017 and 2016 were as follows:

	2017		**2016**	
	Number of Options	**Weighted Average Exercise Price (Cdn$)**	Number of Options	Weighted Average Exercise Price (Cdn$)
Balance, January 1	**5,363,755**	**$ 8.03**	4,793,592	$ 7.75
Granted	**77,374**	**7.56**	1,281,329	9.15
Forfeited	**(143,669)**	**(23.18)**	(373,497)	(10.03)
Exercised (a)	**(480,008)**	**(5.67)**	(337,669)	(6.10)
Balance, December 31	**4,817,452**	**$ 7.81**	5,363,755	$ 8.03

(a) The weighted average market price of shares issued for options exercised in the year ended December 31, 2017 was Cdn$9.01 (year ended December 31, 2016 - Cdn$7.52).

The Black-Scholes model was used to estimate the fair value of stock options granted. The following assumptions were used for the options granted in the years ended December 31 2017, and 2016:

Grant date	**Number of options**	**Grant price (Cdn$)**	**Expected life**	**Share price volatility [(a)]**	**Dividend yield**	**Risk free rate**	**Fair value price (Cdn$)**
November 16, 2017	77,374	7.56	3.3 years	54.91%	0.00%	1.56%	2.95

Grant date	**Number of options**	**Grant price (Cdn$)**	**Expected life**	**Share price volatility [(a)]**	**Dividend yield**	**Risk free rate**	**Fair value price (Cdn$)**
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	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

(a) 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.

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

As at December 31, 2017, there were 4,817,452 options outstanding to acquire common shares with exercise prices ranging from Cdn$3.82 to Cdn$22.28 per share, and expiry dates ranging between 2018 and 2024. There were 3,657,522 options vested as at December 31, 2017.

(ii) Performance Share Unit plan

Centerra's Performance Share Unit plan transactions during the year ended December 31, 2017 and 2016 were as follows:

Number of units	2017	2016
Balance, January 1	**1,652,792**	2,177,233
Granted	**1,562,859**	663,799
Exercised	**(820,794)**	(871,887)
Cancelled	**(172,477)**	(316,353)
Balance, December 31	**2,222,380**	1,652,792

In determining the fair value of these units, the principal assumptions used in applying the Monte Carlo simulated option pricing model were as follows:

	2017	2016
Share price (Canadian dollars)	$ **6.44**	$ 6.29
S&P/TSX Global Gold Index	$ **227.16**	$ 224.13
Expected life (years)	**1.41**	1.31
Expected volatility- Centerra's share price	**42.0** %	57.7 %
Expected volatility- S&P/TSX Global Gold Index	**31.0** %	46.4 %
Risk-free rate of return	**1.93** %	1.2 %
Forfeiture rate	**4.16** %	5.7 %
Weighted adjustment factor	**0.72**	2.0

The vested number of units outstanding as at December 31, 2017 are 765,299 (December 31, 2016 – 762,613). The December 31, 2017 Performance Share Unit liability balance of $6.2 million includes $3.6 million attributable to the vested units (December 31, 2016 – liability of $6.8 million, of which $5.4 million was vested).

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

(iii) Deferred Share Unit plan

Centerra's Deferred Share Unit plan transactions during the year were as follows:

Number of units	2017	2016
Balance, January 1	**216,542**	205,645
Granted	**27,234**	10,897
Exercised	**(1,081)**	-
Balance, December 31	**242,695**	216,542

(iv) Restricted Share Unit plan

Centerra's Restricted Share Unit plan transactions during the period were as follows:

Number of units	2017	2016
Balance, January 1	**147,064**	107,291
Granted	**288,530**	166,690
Redeemed	**(145,946)**	(126,917)
Balance, December 31	**289,648**	147,064

26. Commitments and contingencies

Commitments

(a) Contracts

As at December 31, 2017, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $102.7 million (Öksüt Project $48.9 million, Kumtor - $37.2 million, Mount Milligan - $15.2 million, Greenstone Gold Property - $1.0 million, and other - $0.4 million). Öksüt Project commitments include $27.9 million of contracts that will be settled over the next two to three years, while a majority of all other contracts are expected to be settled over the next twelve months.

(b) Greenstone Partnership

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

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

December 31, 2017, the Company has funded a total of Cdn$67.2 million ($51.6 million) of its commitment since the inception of the partnership.

(c) Molybdenum purchases

In the normal course of operations, the Company enters into agreements for the purchase of molybdenum. As of December 31, 2017, the Company had commitments to purchase approximately 18.2 million pounds of molybdenum as unroasted molybdenum concentrate from 2018 to 2020 primarily priced at the time of purchase at a set discount to the market price for roasted molybdenum concentrate.

(d) 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 $2.5 million in the year ended December 31, 2017 (year ended December 31, 2016 - $1.1 million). The future aggregate minimum lease payments for the non-cancellable operating lease are as follows:

		2017		**2016**
2017	**$**	**-**	$	1,747
2018		**788**		924
2019		**531**		575
2020		**506**		400
2021 to 2024		**1,428**		400
	$	**3,253**	$	4,046

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, 2017 cannot be predicted with certainty, it is management's opinion that it is not, except as noted below, more likely than not that these actions will result in the outflow of resources to settle the obligation; therefore no amounts have been accrued.

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. Two of the applicants applied to the Supreme Court of Canada for leave to appeal this decision, which application was refused on June 15, 2017.

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.

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

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

		2017		**2016**
Sales:				
Gross gold and silver sales to Kyrgyzaltyn	**$**	**695,288**	$	691,630
Deduct: refinery and financing charges		**(4,364)**		(3,825)
Net sales revenue received from Kyrgyzaltyn	**$**	**690,924**	$	687,805
Expenses:				
Contracting services provided by Kyrgyzaltyn	**$**	**1,250**	$	1,543
Management fees payable to Kyrgyzaltyn		**550**		546
Expenses paid to Kyrgyzaltyn	**$**	**1,800**	$	2,089
Dividends:				
Dividends declared to Kyrgyzaltyn	**$**	**-**	$	7,097
Withholding taxes		**-**		(355)
Net dividends payable to Kyrgyzaltyn	**$**	**-**	$	6,742

Related party balances

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

		2017		**2016**
Amounts receivable (a)	**$**	**20**	$	11,611
Amount payable	**$**	**1,160**	$	1,218

(a) Subsequent to December 31, 2017, the balance receivable from Kyrgyzaltyn was paid in full.

Gold produced by the Kumtor mine is purchased at the mine site by Kyrgyzaltyn for processing at its refinery in the Kyrgyz Republic pursuant to the Sales Agreement. Amounts receivable from Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days. The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn.

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 directors (director fees, including share-based payments) and as employees of the Company (salaries, benefits and share-based payments).

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

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, 2017 and 2016, remuneration to directors and key management personnel were as follows:

Compensation of directors

		2017		2016
Fees earned and other compensation	**$**	**1,047**	$	861
Share-based compensation		**1,138**		619
Total expense	**$**	**2,185**	$	1,480

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

Compensation of key management personnel includes:

		2017		2016
Salaries and benefits	**$**	**5,460**	$	5,064
Share-based compensation		**2,599**		2,114
Total expense	**$**	**8,059**	$	7,178

Salaries and benefits

Represent salary, supplementary executive retirement plan contributions, and benefits earned during the year, plus cash bonuses awarded for the year.

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

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, Restricted Share Unit plan and Performance Share Unit plan).

28. Capital management

The Company's primary objective with respect to its capital management is to provide returns for shareholders by ensuring that it has sufficient cash resources to maintain its ongoing operations, pursue and support growth opportunities, continue the development and exploration of its mineral properties, satisfying debt repayment requirements and other obligations, and certain 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. 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 account its anticipated cash flows from operations and its holdings of cash and cash equivalents and short term investments.
At December 31, 2017, 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, restricted cash and restricted short-term investments), lease obligations, and shareholders' equity, comprising issued common shares, contributed surplus, AOCI, and retained earnings as shown below:

		2017		2016
Shareholders' equity	**$**	**2,025,429**	$	1,824,282
Long-term debt		**211,611**		392,851
Short-term debt		**48,536**		72,281
Lease obligations		**31,986**		29,901
		2,317,562		2,319,315
Less:				
Restricted cash and restricted short-term investments (note 7)		**(687)**		(248,668)
Cash and cash equivalents		**(415,891)**		(160,091)
Total invested capital	**$**	**1,900,984**	$	1,910,556

29. Financial Instruments

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

Derivative Instruments

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

The Company designates certain derivatives as cash flow hedging instruments ("Gold, copper and fuel hedge contracts"). The effective portion of changes in the fair value of these derivatives is recognized in other comprehensive income and accumulated in OCI. Any ineffective portion of changes in the fair value of these derivatives is recognized immediately in the Statements of Earnings. Amounts previously recognized in other comprehensive income and accumulated in OCI are reclassified to the Statements of Earnings in the periods when the hedged item is recognized in earnings. These amounts are included within the same line of the Statements of Earnings as the hedged item.
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.

On December 27, 2017 the Company announced that due to a lack of water resources, mill processing operations at the Mount Milligan mine had been temporarily suspended and were expected to recommence by the end of January 2018. As a result, the Company anticipated no concentrate shipments in the months of January and February 2018. In accordance with the Company's hedging policy and IFRS 9, if a hedged forecast transaction is no longer expected to occur within the original time period, then hedge accounting is terminated for the associated derivative instrument. As a result, a $4.3 million accumulated unrealized loss on these hedging instruments that was recognized in AOCI was reclassified to the Statements of Earnings.

The Company uses a selection of derivative instruments that are effective in achieving its risk management objectives, but are not designated under the hedge accounting criteria ("Non-hedge gold, copper and currency contracts"). Changes in fair value of these derivatives are recognized immediately in the Statements of Earnings.

As of December 31, 2017, the Company had nine counterparties (December 31, 2016 – four) to its derivative positions. On an ongoing basis, the Company monitors its exposures and ensures that the counterparties with which it holds outstanding contracts will continue to meet the credit rating requirements of the Company's risk management policy.

Gold, copper and fuel hedge contracts

The Company's hedging strategy for which hedge accounting is applied consists of the following:

Gold and copper contracts

The Company established a hedging strategy to manage cash flow streams by protecting against declining copper or gold prices. The Company hedged 75% of expected copper production and 50% of expected gold production at the Mount Milligan mine for a period of two years, ending on June 30, 2019.

The Company has designated fixed price forward sales contracts and zero-cost collars as cash flow hedges for the copper and gold component of its highly probable forecasted copper and gold sales. 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 (monthly gold and copper sales) and hedging instrument (derivatives), as notional amounts match and both the hedged item and hedging instrument fair values move in response to the same average price.

- The hedge ratio is 1.0 for this hedging relationship, as the hedged item and the hedging instrument are the same quantity.

- 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 settlement of the concentrate sale 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 settlement of the concentrate sale 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.

As at December 31, 2017, the Company has in place derivatives for 33,021 metric tonnes (72.8 million pounds) of copper designated as cash flow hedges against forecasted production at the Company's Mount Milligan mine of which 3,039 metric tonnes are fixed price forwards and 29,982 metric tonnes are zero-cost collars. In addition, as at December 31, 2017, the Company has in place derivatives for 123,802 ounces of gold designated as cash flow hedges against forecasted production at the Company's Mount Milligan mine of which 39,097 ounces are fixed price forwards and 84,705 ounces are zero-cost collars.

Fuel hedge contracts

For the price risk relating to the consumption of diesel fuel, the Company believes that crude oil futures contracts 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 mitigate 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 and the Company targets to hedge up to 50% of monthly diesel purchases.

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 price 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 fuel for the Kumtor mine. Quantitatively, the Company performed historical correlation analysis between prices of diesel fuel 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.

- 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.

Non-hedge gold, copper and currency contracts

The Company must satisfy its obligation under the streaming arrangement with Royal Gold by delivering gold and copper to Royal Gold after receiving payment from third-party customers, 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 a 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 and copper price risk that arises when physical purchase and concentrate sales pricing periods do not match, the Company has entered into certain forward gold and copper purchase and sales contracts pursuant to which it purchases gold and copper at an average price during a quotational period and sells gold and copper 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.

As at December 31, 2017, the Company had forward contracts outstanding for 31,940 ounces of gold (December 31, 2016 – 35,000 ounces). As at December 31, 2017, the Company had forward contracts outstanding for 2,404 metric tonnes (5.3 million pounds) of copper (December 31, 2016 – nil).

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

Provisionally-priced contracts

Certain copper-gold concentrate sales contracts provide for provisional pricing. These sales contain an embedded derivative related to the provisional pricing mechanism and are marked to market at the end of each reporting period. As at December 31, 2017, the Company's trade receivables with embedded derivatives had a fair value of $20.9 million (December 31, 2016 - $4.1 million), representing 17.6 million pounds of copper and 78,578 ounces of gold (December 31, 2016 – 6.5 million pounds of copper and 61,693 ounces of gold).

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

The hedge positions outstanding for each of the type of commodity contracts as at December 31, 2017 are summarized as follows:

					Settlement		**As at December 31, 2017**
Contract	**Instrument**	**Unit**	**Average strike price**	**Type**	**2018**	**2019**	**Total position**
Fuel	Crude oil options (a)	Barrels	$64.60	Fixed	288,000	72,000	360,000
Fuel	Zero-cost collars (c)	Barrels	$46/$59	Fixed	-	23,000	23,000
Copper	Forward contracts (b)	Pounds	$2.90	Fixed	6.7 million	-	6.7 million
Copper	Zero-cost collars (c)	Pounds	$2.47/$3.22	Fixed	38.6 million	27.5 million	66.1 million
Gold	Forward contracts (b)	Ounces	$1,285	Fixed	39,097	-	39,097
Gold	Zero-cost collars (c)	Ounces	$1,247/$1,363	Fixed	47,906	36,799	84,705
Royal Gold deliverables							
Non-hedge gold	Forward contracts (d)	Ounces	ND	Float	31,940	-	31,940
Non-hedge copper	Forward contracts (d)	Pounds	ND	Float	5.3 million	-	5.3 million

ND = Contracts with floating terms, that are not defined as at December 31, 2017.

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

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

(c) Under the zero-cost collar, the Company can put the number of gold ounces and copper pounds to the counterparty at the minimum price, if the price were to fall below the minimum, and the counterparty has the option to require the Company to sell to it the number of gold ounces and copper pounds at the maximum price, if the price were to rise above the maximum. Under the zero-cost collar for fuel, the Company can call the number of crude oil barrels from the counterparty at the maximum price, if the price were to increase above the maximum, and the counterparty has the option to require the Company to buy the number of crude oil barrels at the minimum price, if the price were to fall below the minimum.

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

The gold hedging program is more heavily weighted to zero-cost collars in 2018 and 2019 with 55% and 100%, respectively. This hedging strategy has also been adopted for copper hedges with 85% zero-cost collars in 2018 and 100% in 2019.

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

The following table is an analysis of the derivative instruments recorded in the Statements of Earnings:

		2017		2016
Cash flow hedges				
Gold, copper and fuel contracts				
Cash flow hedges - effective portion of changes in fair value	**$**	**(25,356)**	$	(428)
Cash flow hedges - reclassified to Statement of Earnings		**11,213**		41
Net loss included in AOCI, net of tax (a)	**$**	**(14,143)**	$	(387)
Cash flow hedges - reclassified from AOCI (b)	**$**	**(11,213)**		-
Loss recognized on derivative instruments (c)		**(2,120)**		-
Total loss included in Statements of Earnings	**$**	**(13,333)**	$	-
Non-hedge derivatives				
Non-hedge gold, non-hedge copper and currency contracts				
Total gain included in revenue	**$**	**4,063**	$	**(2,011)**
Total gain (loss) included in other income, net	**$**	**1,562**	$	**524**

(a) Includes tax for the year ended December 31, 2017 of nil (December 31, 2016 – nil).
(b) Includes $4.3 million loss recognized in other income, net (note 23).
(c) Represents the total fair value movement of certain gold and copper derivative instruments reclassified to the Statements of Earnings that no longer qualify for hedge accounting.

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

The following table is an analysis of where derivative instruments are recorded in the Statements of Financial Position:

		2017		2016
Cash flow hedge				
Gold, copper and fuel contracts				
Prepaid expenses and other current assets	**$**	**908**	$	750
Other non-current assets		**545**		904
Current portion of derivative liabilities		**(15,870)**		-
Non-current derivative liabilities		**(7,273)**		-
	$	**(21,690)**	$	1,654
Non-hedge derivatives				
Non-hedge gold, non-hedge copper and currency contracts				
Prepaid expenses and other current assets	**$**	**1,055**	$	-
Current portion of derivative liabilities		**(187)**		(1,512)
	$	**868**	$	(1,512)

The following table is a sensitivity analysis of the impact on the Statements of Earnings of an increase or a decrease of 10% of the price of the hedged item:

Sensitivity table						
		Fair value as at December 31, 2017		**Increase of 10%**		**Decrease of 10%**
Fuel contracts	**$**	1,452	**$**	3,076	**$**	494
Gold (Hedge)		(2,810)		(11,629)		10,834
Copper (Hedge)		(20,332)		(28,230)		(2,013)
Gold and Copper (Non-hedge)		1,035		6,671		(4,603)
Currency contracts (Non-hedge)		(167)		1,902		(1,276)

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:

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

Level 1: observable inputs such as quoted prices in active markets;

Level 2: inputs, other than the quoted market prices in active markets, which are observable, either directly and/or indirectly; and

Level 3: unobservable inputs for the asset or liability in which little or no market data exists, which therefore require an entity to develop its own assumptions.

Classification and the fair value measurement by level of the financial assets and liabilities in the Statements of Financial Position were as follows:

December 31, 2017

	Amortized cost	Assets/liabilities at fair value through earnings	Assets/liabilities at fair value through OCI
Financial assets			
Cash and cash equivalents	$ 415,891	$ -	$ -
Restricted cash	687	-	-
Amounts receivable	43,012	-	-
Provisionally-priced receivables - Level 2	-	20,890	-
Taxes receivable	21,302	-	-
Long-term receivables	2,649	-	-
Derivative assets - Level 2	-	1,055	1,453
	$ 483,541	$ 21,945	$ 1,453
Financial liabilities			
Trade creditors and accruals	$ 122,101	$ -	$ -
Amount due to Royal Gold - Level 2	-	50,650	-
Lease obligations	31,986	-	-
Debt	260,147	-	-
Revenue-based taxes payable	15,953	-	-
Derivative liabilities - Level 2	-	187	23,143
	$ 430,187	$ 50,837	$ 23,143

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

December 31, 2016

	Amortized cost	Assets/liabilities at fair value through earnings	Assets/liabilities at fair value through OCI
Financial assets			
Cash and cash equivalents	$ 160,091	$ -	$ -
Restricted cash	248,668	-	-
Amounts receivable	43,949	-	-
Provisionally-priced receivables - Level 2	-	4,148	-
Long-term receivables	6,326	-	-
Fuel derivative assets - Level 2	-	-	1,654
	$ 459,034	$ 4,148	$ 1,654
Financial liabilities			
Trade creditors and accruals	$ 92,715	$ -	$ -
Amount due to Royal Gold - Level 2	-	29,170	-
Lease obligations	29,901	-	-
Debt	465,132	-	-
Revenue-based taxes payable	19,202	-	-
Commodity derivative liability - Level 2	-	1,512	-
	$ 606,950	$ 30,682	$ -

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

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

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

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 that 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 or zero-cost collar contracts to purchase foreign currencies. During the year ended December 31, 2017, total Canadian dollars and Euros purchased were Cdn$521.0 million and €23.9 million, respectively, (year ended December 31, 2016 - Cdn$130.0 million and €22.2 million), including executed forward contracts of Cdn$56.6 million (year ended December 31, 2016 - Cdn$11.5 million and €0.5 million) and exercised zero-cost collar contracts of Cdn$14.0 million (year ended December 31, 2016 - nil).

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

The exposure of the Company's monetary assets and liabilities to currency risk is as follows:

December 31, 2017

	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	European Euro	Turkish Lira	Other
Financial Assets						
Cash and cash equivalents	$ 295	$ 204	$ 155,734	$ 1,289	$ 63	$ 22
Restricted cash	-	-	301	-	-	-
Amounts receivable	152	288	2,355	2	2,080	33
Other assets	-	-	73	-	16	-
	$ 447	$ 492	$ 158,463	$ 1,291	$ 2,159	$ 55
Financial Liabilities						
Accounts payable and accrued liabilities	$ 12,426	$ 421	$ 47,846	$ 1,298	$ 330	$ 657
Taxes payable	6	72	1,376	1,050	79	9
Other liabilities	91	-	6,932	-	-	-
	$ 12,523	$ 493	$ 56,154	$ 2,348	$ 409	$ 666

December 31, 2016

	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	European Euro	Turkish Lira	Other
Financial Assets						
Cash and cash equivalents	$ -	$ 1,581	$ 16,679	$ 91	$ 52	$ 212
Restricted cash	442	-	639	697	550	-
Amounts receivable	192	485	4,108	-	1,835	5
Other assets	-	750	2,635	-	-	-
	$ 634	$ 2,816	$ 24,061	$ 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

Based on the above net exposures at December 31, 2017, 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 $9.0 million (December 31, 2016 - $3.3 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 include highly liquid investments that earn interest at market rates. As at December 31, 2017, the majority of the $416.6 million in cash and cash equivalents and current and non-current restricted cash and short-term investments (December 31, 2016 - $408.8 million) were comprised of interest-bearing assets. Based on amounts as at December 31, 2017, a 100 basis point change in interest rates would result in a $4.2 million adjustment to interest income (December 31, 2016 - $4.1 million).

Additionally, the interest rates on $292.1 million of debt and lease obligations include a variable rate component referenced to LIBOR (December 31, 2016 - $465.1 million). Based on the amount drawn as at December 31, 2017, a 100 basis point change in LIBOR would result in a $3.0 million adjustment to interest expenses (December 31, 2016 - $1.1 million).

The Company's policy limits the investment 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 and restricted cash 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 four 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 2017, 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 $86.6 million (year ended December 31, 2016 - $24.0 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, 2017, Mount Milligan's trade receivables included two multi-national customers with a combined balance owing of $25.0 million, representing 73% of the mine's trade receivables (December 31, 2016 - one multi-national customer with a balance owing of $11.6 million representing 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, 2017, 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 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.

As at December 31, 2017, cash and cash equivalents were $415.9 million compared to $160.1 million at December 31, 2016. At December 31, 2016, $247.8 million of cash held by Kumtor Gold Company was restricted under a Kyrgyz Republic court order (note 21).

The Company believes its cash on hand, available cash from the Company's existing credit facilities, and cash flow from the Company's operations will be sufficient to fund its anticipated operating cash requirements and development expenditures through to the end of 2018.

A maturity analysis of the Company's financial liabilities, contractual obligations, other fixed operating and capital commitments, excluding asset retirement obligations, is set out below:

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

Year ended December 31, 2017

(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	**$ 181.8**	**$ 181.8**	**$ -**	**$ -**	**$ -**
Debt	**266.0**	**50.0**	**100.0**	**116.0**	
Reclamation trust fund	**42.6**	**6.0**	**18.0**	**12.0**	**6.6**
Capital equipment	**4.4**	**4.4**	**-**	**-**	**-**
Operational supplies	**48.4**	**48.4**	**-**	**-**	**-**
Project development	**49.9**	**22.0**	**27.9**	**-**	**-**
Deferred vendor payables (a)	**6.9**	**6.9**	**-**	**-**	**-**
Equipment Promissory Note (principal + interest)	**34.1**	**34.1**	**-**	**-**	**-**
Lease of premises	**3.2**	**0.8**	**1.0**	**0.7**	**0.7**
Derivative liability	**23.3**	**16.0**	**7.3**	**-**	**-**
Total contractual obligations	**$ 660.6**	**$ 370.4**	**$ 154.2**	**$ 128.7**	**$ 7.3**

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 fund	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

(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.

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 accounts receivables. As at December 31, 2017, the Company's trade receivable balance included four provisionally priced shipments with a combined carrying value of $20.9 million (December 31, 2016 – three provisionally priced shipments with a combined carrying value of $4.1 million). A 10% change in the forward copper and gold prices used to fair value this provision would have a $14.8 million impact on the receivable and related revenue recorded at December 31, 2017 (December 31, 2016 - $6.0 million). 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, 2017, $50.7 million is owed to Royal Gold (December 31, 2016 - $29.2 million). A 10% change in the forward copper and gold prices used to fair value this provision would have a $6.9 million impact on the payable and related revenue recorded at December 31, 2017 (December 31, 2016 - $4.4 million).

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).

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

31. Supplemental disclosure

a. Changes in operating working capital

		2017		2016
(Increase) decrease in amounts receivable	**$**	**(14,396)**	$	10,971
Decrease (increase) in inventory - ore and metal		**39,504**		(63,350)
(Increase) decrease in inventory - supplies		**(4,935)**		16,278
Increase in prepaid expenses		**(2,265)**		(688)
Increase in trade creditors and accruals		**44,532**		7,634
(Decrease) increase in revenue-based tax payable		**(3,249)**		10,050
(Decrease) increase in depreciation and amortization included in inventory (note 11)		**(69,644)**		52,076
Increase in accruals included in additions to PP&E		**(340)**		(1,261)
(Decrease) increase in other taxes payable		**(900)**		948
	$	**(11,693)**	$	32,658

b. Investment in PP&E

		2017		2016
Additions to PP&E during the period (note 11)	**$**	**(334,146)**	$	(260,023)
Greenstone Gold Property translation adjustment		**2,530**		(2,523)
Capitalized parts		**6,769**		-
Purchase of Teck royalty via share issuance		**-**		2,955
Impact of revisions to asset retirement obligation included in PP&E		**5,153**		9,238
Depreciation and amortization included in additions to PP&E (note 11)		**51,056**		36,260
Capitalization of OMAS financing costs		**1,444**		-
Increase in accruals related to additions to PP&E		**340**		1,261
	$	**(266,854)**	$	(212,832)

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

c. Changes in liabilities arising from financing activities

	Debt[b]	Interest payable[a]
Opening balance	**465,132**	**4,783**
Changes due to:		
Repayments	**(208,363)**	**(27,407)**
Financing costs deferred	**(896)**	**-**
Amortization of deferred financing costs	**4,274**	**-**
Interest expense	-	**20,362**
Capitalized financing costs and other (c)	-	**3,813**
Balance at December 31, 2017	**260,147**	**1,551**

(a) Included within "Accounts payable and accrued liabilities".
(b) Includes short term debt ($48,536) and long term debt ($211,611).
(c) Includes costs associated with the Promissory Note and OMAS Facility.

32. Subsequent events

AuRico Metals Inc. acquisition

On January 8, 2018, the Company completed the acquisition of 100% of the outstanding shares of AuRico Metals Inc. (“AuRico”) (“the Acquisition”). AuRico was a North American-based mining development and royalty company with interest in a feasibility stage underground gold-copper project in British Columbia, Canada.

The Acquisition was completed by way of a Plan of Arrangement under the Business Corporations Act (Ontario), whereby the Company acquired all of the issued and outstanding AuRico common shares for Cdn$1.80 per share in cash consideration, representing an aggregate transaction value of approximately Cdn$307 million ($247 million).

Concurrently with the closing of the Acquisition, the Company entered into a credit facility (“AuRico Facility”) with The Bank of Nova Scotia, as administrative agent, lead arranger and lender, providing for a $125 million senior secured non revolving term credit facility to finance a portion of the Acquisition and to pay certain related costs.

The Company determined that the Acquisition was a business combination in accordance with the definition in IFRS 3, *Business Combinations*, and as such has accounted for it in accordance with this standard, with Centerra being the accounting acquirer on the acquisition date of January 8, 2018.

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

The Company engaged an external third party valuator to assist in the determination of the fair value of the acquired assets and liabilities.

The following table summarizes the preliminary fair value of the identified assets acquired and liabilities assumed from AuRico:

		January 8, 2018
Total consideration		
Cash paid to shareholders	**$**	**246,961**
	$	**246,961**
Assets acquired		
Current assets		
Cash and cash equivalents	**$**	**20,161**
Marketable investments		**2,254**
Amounts receivable		**4,005**
Inventories		**3,000**
Prepaid expenses and other assets		**375**
	$	**29,795**
Non-current assets		
Property, plant and equipment	**$**	**171,264**
Intangible assets (Royalties)		**129,223**
Total assets	**$**	**330,282**
Liabilities assumed		
Accounts payable and accrued liabilities	**$**	**5,955**
Asset retirement obligations		**13,795**
Deferred tax liability		**63,576**
Total liabilities	**$**	**83,326**
Net assets acquired	**$**	**246,956**
Goodwill	**$**	**5**

Borrowings

EBRD Facility

On January 29, 2018, the EBRD Facility was repaid in full and subsequently cancelled. All associated unamortized capitalized deferred financing fees were expensed in the Statements of Earnings in January 2018.

CGI Credit Facility

On February 1, 2018, the Company entered into a $500 million four-year senior secured revolving credit facility (the "CGI Credit Facility") with a lending syndicate led by The Bank of Nova Scotia and National Bank of Canada.

The CGI Credit Facility is held at the corporate level and replaces the Credit Facility, which had an outstanding balance owed of $190 million and the $125 million AuRico Facility. The Credit Facility was deemed to be extinguished and all associated unamortized capitalized deferred financing fees were expensed into the Statements of Earnings in February 2018.

The CGI Credit Facility is for general corporate purposes, including working capital, investments, acquisitions and capital expenditures.

Öksüt Project

On January 11, 2018, the Company announced it had received approval for the last remaining outstanding permit (pastureland permit) and construction of the Öksüt Project could proceed upon receipt of approval from the Company's Board of Directors.

33. 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 includes the operations of the Boroo Gold Project, activities related to the Gatsuurt Project and local exploration activities. The Turkish segment represents the development of the Öksüt Project. The North America Gold-Copper segment represents the operations of the Mount Milligan Mine. The North America Molybdenum segment includes the operations of the

Langeloth processing facility and care and maintenance activities of the Endako and Thompson Creek Mines. 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 to the consolidated operating profit in the Statements of Earnings:

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

Year ended December 31, 2017

				North America			
(Millions of U.S. Dollars)	**Kyrgyz Republic**	**Mongolia**	**Turkey**	**Gold-Copper**	**Molybdenum**	**Corporate and other**	**Total**
Gold sales	$ 685.2	$ -	$ -	$ 242.9	$ -	$ -	$ 928.1
Copper sales	-	-	-	125.9	-	-	125.9
Molybdenum sales	-	-	-	-	136.8	-	136.8
Tolling, calcining and other	-	-	-	-	8.2	-	8.2
Revenue	685.2	-	-	368.8	145.0	-	1,199.0
Cost of sales	291.7	-	-	253.6	136.8	-	682.1
Standby costs, net	-	6.4	-	-	-	-	6.4
Regional office administration	18.2	-	-	-	-	-	18.2
Earnings (loss) from mine operations	375.3	(6.4)	-	115.2	8.2	-	492.3
Revenue-based taxes	96.7	-	-	-	-	-	96.7
Other operating expenses	3.7	0.9	-	6.9	2.3	-	13.8
Care and maintenance	-	-	-	-	13.2	-	13.2
Pre-development project costs	-	-	-	-	-	4.8	4.8
Exploration expenses and business development	-	0.7	-	0.3	-	10.4	11.4
TCM acquisition and integration expenses	-	-	-	-	-	2.4	2.4
AuRico acquisition and integration expenses	-	-	-	-	-	1.5	1.5
Corporate administration	0.3	0.4	0.2	-	-	37.0	37.9
Asset impairment	-	42.0	-	-	-	-	42.0
Kyrgyz Republic settlement	60.0	-	-	-	-	-	60.0
Earnings (loss) from operations	214.6	(50.4)	(0.2)	108.0	(7.3)	(56.1)	208.6
Other income, net							(13.3)
Finance costs							30.6
Earnings before income tax							191.3
Income tax recovery							(18.2)
Net earnings							$ 209.5
Capital expenditure for the year	$ 279.7	$ -	$ 9.0	$ 33.2	$ 4.0	$ 8.2	$ 334.1
Goodwill	$ -	$ -	$ -	$ 16.1	$ -	$ -	$ 16.1
Total assets (excluding goodwill)	$ 1,106.4	$ 66.7	$ 47.5	$ 933.7	$ 227.7	$ 374.1	$ 2,756.1
Total liabilities	$ 187.0	$ 26.9	$ 0.6	$ 171.6	$ 76.3	$ 284.3	$ 746.7

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

Year ended December 31, 2016

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	North America Gold-Copper	North America Molybdenum	Corporate and other	Total
Gold sales	$ 683.3	$ -	$ -	$ 29.4	$ -	$ -	$ 712.7
Copper sales	-	-	-	26.0	-	-	26.0
Molybdenum sales	-	-	-	-	16.8	-	16.8
Tolling, calcining and other	-	-	-	-	2.2	-	2.2
Revenue	683.3	-	-	55.4	19.0	-	757.7
Cost of sales	347.3	-	-	44.7	19.6	-	411.6
Standby costs, net	-	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 and business development	-	1.8	-	0.1	-	11.1	13.0
TCM acquisition and integration expenses	-	-	-	-	-	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							$ 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

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

Geographical Information

The following table details the Company's revenue by the location of the customers and information about the Company's non-current assets by location of the assets.

	Revenue		Non-current assets	
	Year ended December 31,		As at December 31,	
(Millions of U.S. Dollars)	**2017**	**2016**	**2017**	**2016**
Kyrgyz Republic	**$ 685.2**	$ 683.3	**$ 621.9**	$ 471.8
South Korea	**284.8**	56.0	**-**	-
United States	**123.9**	16.6	**112.1**	122.1
Japan	**59.3**	0.9	**-**	-
China	**32.1**	-	**-**	-
Canada	**3.6**	-	**937.9**	921.2
Mongolia	**-**	-	**48.5**	93.4
Turkey	**-**	-	**31.8**	21.1
Other	**10.1**	0.9	**8.0**	9.9
Total	**$ 1,199.0**	$ 757.7	**$ 1,760.2**	$ 1,639.5

Customer information

The following table presents sales to individual customers exceeding 10% of annual sales for the years ended December 31, 2017 and 2016. The following three customers represent 77% (2016 – 98%) of the Company's sales revenue:

(Millions of U.S. Dollars)			
Customer	**Reporting segment**	**2017**	**2016**
1	Kyrgyz Republic	**$ 685.2**	$ 683.3
2	North America - Gold-Copper	**118.3**	27.0
3	North America - Gold-Copper	**115.5**	28.9
Total sales to customers exceeding 10% of annual sales		**$ 919.0**	$ 739.2

DIRECTORS

Stephen A. Lang
Chair

Richard W. Connor

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[1]
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

Yousef Rehman[1]
Vice President and General Counsel

1) *Mr. Herbert retired from the organization effective December 31, 2017. As part of the organization's succession planning, Mr. Yousef Rehman was promoted to Vice President and General Counsel, effective January 1, 2018 and Mr. Perry assumed the title of President.*

MANAGEMENT

Picklu Datta
Vice President, Finance & Treasurer

Cam Duquette
Vice President, Health and Safety

John Fitzgerald
Vice President, Capital Projects & Technical Services

John W. Pearson
Vice President, Investor Relations

Claude Plourde
Vice President, Controller

Geoff Ramey
Vice President, Human Resources and HR Systems

Kevin D'Souza
Vice President, Security, Sustainability and Environment

Mark A. Wilson
President, Base Metals Division

Daniel R. Desjardins
President, Kumtor Gold Company

Rod Chanin
Acting General Manager, Boroo Gold Company

Greg Herbert
Site Manager, Endako Mine

Jim Kopp
Site Manager, Thompson Creek Mine

Tom Ondrejko
General Manager, Langeloth Metallurgical Company

Alper Sezener
General Manager, Öksüt Madencilik A.S.

Phil Welten
General Manager, Mount Milligan Mine

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