Centerra Gold Inc.
Management's Discussion and Analysis ("MD&A")
For the Period Ended September 30, 2016

The following discussion has been prepared as of November 7, 2016, 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 nine months ended September 30, 2016 in comparison with the corresponding periods ended September 30, 2015. This discussion should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the three and nine months ended September 30, 2016. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2015 and 2014, the related MD&A and the Annual Information Form for the year ended December 31, 2015 (the "2015 Annual Information Form"). The condensed consolidated interim financial statements of Centerra are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and the Company's accounting policies as described in note 3 of its annual consolidated financial statements for the year ending December 31, 2015. All dollar amounts are expressed in United States (U.S.) dollars, except as otherwise indicated. In addition, this discussion contains forward-looking information regarding Centerra's business and operations. See "Caution Regarding Forward-Looking Information" in this discussion and "Risk Factors" in the Company's 2015 Annual Information Form. The Company's 2015 Annual Report and 2015 Annual Information Form are available at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

All references in this document denoted with [NG], indicate a non-GAAP term which is discussed under "Non-GAAP Measures" on pages 46 to 50.

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Overview

Centerra is a Canadian-based gold mining company focused on operating, developing, exploring and acquiring gold properties primarily in North America, Asia and other markets worldwide. Centerra is the largest Western-based gold producer in Central Asia.

The Company's significant wholly-owned subsidiaries include Kumtor Gold Company ("KGC" or "Kumtor") in the Kyrgyz Republic, Öksüt Madencilik Sanayi ve Ticaret A.S. ("OMAS") in Turkey and Boroo Gold LLC and Centerra Gold Mongolia LLC in Mongolia. Additionally, the Company holds a 50% interest in Greenstone Gold Mines LP ("GGM"). Centerra's principal operation is located in the Kyrgyz Republic and is subject to significant political and regulatory risks. See "Other Corporate Developments" and "Risk Factors" for further details.

On October 20, 2016, the Company announced that it had completed the acquisition of Thompson Creek Metals Company Inc. ("Thompson Creek").

Centerra's shares trade on the Toronto Stock Exchange ("TSX") under the symbol CG. The Company is headquartered in Toronto, Ontario, Canada.

Recent Developments

The following is a summary of recent events affecting the Company. For further information, see "Other Corporate Developments".

Acquisition of Thompson Creek Metals

- On October 20, 2016, the Company completed the acquisition of Thompson Creek ("the Acquisition") for $1.03 billion. This included the redemption, at their call prices plus accrued and unpaid interest, or satisfaction and discharge, all of Thompson Creek's outstanding Senior Secured Notes due in 2017 and Unsecured Notes due in 2018 and 2019, representing $326.1 million, $349.7 million and $205.2 million, respectively.

- Concurrently with the Acquisition, the streaming arrangement with Royal Gold Inc. ("Royal Gold") associated with the Mount Milligan mine was amended. Royal Gold's 52.25% gold stream at Mount Milligan has been converted to a 35% gold stream and 18.75% copper stream. Royal Gold will continue to pay US$435 per ounce of gold delivered and will pay 15% of the spot price per metric tonne of copper delivered.

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

- The Acquisition included the exchange of common shares, whereby one Thompson Creek share was exchanged for 0.0988 Centerra common shares. Thompson Creek preferred share units ("PSU") and restricted share units ("RSU") were exchanged for an equivalent number of Thompson Creek common shares, which were then exchanged for Centerra common shares. In total, Centerra issued 22,327,218 Centerra common shares in accordance with the exchange ratio, representing approximately 8% of Centerra's issued and outstanding common shares following closing. The Centerra shares issued were equivalent to $112.3 million (including $1.6 million relating to the settled Thompson Creek PSUs and RSUs) using the October 19, 2016 closing price of Centerra's common share price of Cdn$6.60. Holders of Thompson Creek's stock options were issued 111,341 options to acquire common shares of Centerra, with the number of shares and exercise price adjusted for the exchange conversion ratio and other terms consistent with Thompson Creek's outstanding stock options.

- Concurrently with the closing of the Acquisition, Centerra B.C. Holdings (a wholly-owned subsidiary of Centerra) entered into a $325 million credit agreement with a lending syndicate to finance a portion of the Acquisition and to pay certain related fees and expenses. The 5-year term facilities consists of a $75 million senior secured revolving credit facility (the "Revolving Facility") and a $250 million senior secured non-revolving term credit facility (the "Term Facility", collectively, the "TCM Credit Facility"). Centerra B.C. Holdings' obligations under the TCM Credit Facility are guaranteed by the assets of Thompson Creek and certain of Thompson Creek's material subsidiaries.

- As noted in a press release issued by Thompson Creek on October 18, 2016, commissioning of major equipment and components of the Mount Milligan mine permanent secondary crushing circuit have commenced. First feed through the secondary crusher is expected in the fourth quarter of 2016.

2016 Guidance

- The Company has increased its gold production guidance and lowered its cost guidance for the Kumtor mine. See "Outlook" section for further details. No guidance is yet available for Mount Milligan mine.
  - ***Production:***
    - Kumtor production guidance increased to 520,000 - 560,000 ounces from 500,000 - 530,000 ounces.
  - ***All-in sustaining costs per ounce sold***^{NG}:
    - Kumtor reduced to $666 - $718 from prior guidance of $717 - $759
    - Consolidated reduced to $716 - $772 from $776 - $824
  - ***All-in costs, excluding development projects costs (before taxes) per ounce sold***^{NG}**:**
    - Kumtor reduced to $696 - $750 from prior guidance of $749 - $793
    - Consolidated reduced to $780 - $840 from $851 - $903

All-in sustaining costs[NG] and all-in costs excluding development projects costs per ounce sold[NG] measures exclude revenue-based taxes in the Kyrgyz Republic and income taxes.

The Company has not included in its 2016 Guidance any production or cost guidance for the recently acquired Thompson Creek operations as the process of integrating Centerra's and Thompson Creek Metals' operations is still ongoing.

Liquidity

- As previously disclosed, Centerra's Kyrgyz Republic operating subsidiary, KGC is subject to an interim order of the Bishkek Inter-District Court in the Kyrgyz Republic prohibiting KGC from taking any actions relating to certain financial transactions, including transferring property or assets, declaring or paying dividends or making loans to Centerra. While such order does not prohibit KGC from continuing to use its cash resources to operate the Kumtor mine, cash generated from the Kumtor Project continues to be held in KGC and is not being distributed to Centerra. The interim order purports to secure KGC's potential liability for a previously disclosed claim brought by the Kyrgyz Republic State Agency for Environmental Protection and Forestry. The Company believes that such claim and the interim order are without foundation and violate the fundamental investment protections contained in the 2009 agreements governing the Kumtor Project, as, in particular, the order deprives Centerra of the fundamental economic benefits of ownership of the Kumtor Project. KGC appealed the interim order to the Kyrgyz Republic Supreme Court but such appeal was denied on October 19, 2016. Centerra has included the dispute in the ongoing international arbitration proceeding against the Kyrgyz Republic (see "Other Corporate Developments – Notice of Arbitration"). As at September 30, 2016, the cash balance of KGC was $121.6 million and is expected to continue to increase over time. In light of the continued inability of the Company to access cash generated by the Kumtor Project, including as a result of the denial by the Kyrgyz Republic Supreme Court of KGC's appeal of the interim order, the Company is deferring until its next regularly scheduled board meeting in December the consideration of declaring a quarterly dividend. The Company believes its cash at hand, cash from the Company's existing credit facilities, and cash flow from the Company's Mount Milligan operations will be sufficient to fund its anticipated operating cash requirements through to the end of 2017, although there can be no assurance of this. Absent access to cash held by KGC, the Company expects that it will be required to raise financing in order to fund construction and development expenditures on its development properties or to defer such expenditures. For further information, see "Liquidity and capital resources"

Kumtor Operations

- Kumtor's all-in sustaining costs per ounce sold for the third quarter of 2016 was $555, the lowest of the three quarters of 2016. This was primarily a result of lower operating costs per ounce sold (driven by processing higher mining grades from the SB Zone of cut-back 17, improving mill recovery through the year (81.4% by the third quarter) and the reversal of $27.2 million in inventory impairment), in addition to lower sustaining capital expenditures in the quarter.

- There have been a number of significant updates relating to legal proceedings, investigations and other related matters affecting the Kumtor Project. See "Other Corporate Developments" for further details.

Öksüt Project

- On July 14, 2016, the Company received a forestry usage permit for the Öksüt Project. The operation permit for the forestry area was obtained on August 26, 2016. The pastureland permit is currently outstanding and the Company is working with the relevant agencies to obtain the permit. There are no assurances that the approval of the pastureland permit or other permits will be obtained by the Company in a timely manner, or at all. Even if the pastureland permit was received in the fourth quarter of 2016, the Company would not expect to begin construction activity at the Öksüt Project until April 2017 due to advent of the winter season. See "Developments Projects – Öksüt Project" for further details.

Consolidated Financial and Operational Highlights
(excluding results of Thompson Creek Metals Company Inc.)

Unaudited ($ millions, except as noted)	Three months ended September 30,[7]			Nine months ended September 30,[7]		
Financial Highlights	**2016**	2015	% Change	**2016**	2015	% Change
Revenue	$ **220.2**	$ 116.2	90%	$ **455.0**	$ 475.6	(4%)
Cost of sales	**98.0**	76.1	29%	**247.4**	271.1	(9%)
Standby costs, net	**(1.5)**	1.0	(250%)	**(2.2)**	4.8	(146%)
Regional office administration	**3.6**	4.1	(12%)	**10.7**	14.4	(26%)
Earnings from mine operations	**120.1**	35.0	243%	**199.1**	185.3	7%
Revenue-based taxes	**30.8**	15.9	94%	**63.7**	64.4	(1%)
Other operating expenses	**0.1**	0.4	(75%)	**1.4**	1.1	27%
Pre-development project costs	**2.3**	3.3	(30%)	**7.6**	11.5	(34%)
Impairment of goodwill	**-**	18.7	(100%)	**-**	18.7	(100%)
Exploration and business development [1]	**5.8**	3.1	87%	**13.0**	8.0	63%
Corporate administration	**5.9**	8.0	(26%)	**18.5**	28.1	(34%)
Earnings (loss) from operations	**75.2**	(14.4)	622%	**94.9**	53.5	77%
Other (income) and expenses	**1.0**	2.3	(57%)	**(0.9)**	4.9	(118%)
Finance costs	**1.7**	1.1	55%	**4.4**	3.3	33%
Earnings (loss) before income taxes	**72.5**	(17.8)	507%	**91.4**	45.3	102%
Income tax expense	**5.6**	0.3	1767%	**3.5**	0.8	338%
Net earnings (loss)	**66.9**	(18.1)	470%	**87.9**	44.5	98%
Earnings (loss) per common share - $ basic [2]	$ **0.28**	$ (0.08)	450%	$ **0.36**	$ 0.19	89%
Earnings (loss) per common share - $ diluted [2]	$ **0.28**	$ (0.08)	450%	$ **0.35**	$ 0.19	84%
Cash provided by operations	**134.4**	42.2	218%	**201.0**	288.0	(30%)
Average gold spot price - $/oz [3]	**1,335**	1,124	19%	**1,260**	1,178	7%
Average realized gold price - $/oz[4]	**1,336**	1,123	19%	**1,284**	1,184	8%
Capital expenditures [5]	**63.7**	94.7	(33%)	**164.3**	336.9	(51%)
Operating Highlights						
Gold produced – ounces	**166,030**	107,485	54%	**350,199**	403,256	(13%)
Gold sold – ounces	**164,847**	103,467	59%	**354,500**	401,778	(12%)
Operating costs (on a sales basis) [4][6]	**46.7**	35.3	32%	**127.3**	114.7	11%
Adjusted operating costs [4]	**50.1**	40.6	23%	**138.4**	135.0	3%
All-in Sustaining Costs[4]	**97.4**	112.7	(14%)	**265.2**	353.6	(25%)
All-in Costs, excluding development projects[4]	**104.2**	117.2	(11%)	**289.2**	373.4	(23%)
All-in Costs, excluding development projects (including revenue-based taxes and income taxes) [4]	**135.1**	133.1	2%	**353.2**	438.0	(19%)
Unit Costs						
Cost of sales - $/oz sold[4]	**594**	736	(19%)	**698**	675	3%
Adjusted operating costs - $/oz sold [4]	**303**	393	(23%)	**390**	336	16%
All-in sustaining costs – $/oz sold[4]	**591**	1,090	(46%)	**748**	881	(15%)
All-in costs, excluding development projects – $/oz sold [4]	**632**	1,134	(44%)	**816**	930	(12%)
All-in costs, excluding development projects (including revenue-based taxes and income taxes) – $/oz sold [4]	**820**	1,287	(36%)	**996**	1,089	(9%)

(1) Includes business development of $2.3 million and $4.4 million for the three and nine months ended September 30, 2016 (nil and $1.9 million for three and nine months ended September 30, 2015, respectively).

(2) As at September 30, 2016, the Company had 242,277,625 common shares issued and outstanding.

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

(4) Adjusted operating costs, all-in sustaining costs, all-in costs, excluding development projects and all-in costs, excluding development projects (including taxes) ($ millions and per ounce sold) as well as average realized gold price per ounce and cost of sales per ounce sold are non-GAAP measures and are discussed under “Non-GAAP Measures”.

(5) Includes capitalized stripping of $38.7 million and $78.4 million in the three and nine months ended September 30, 2016, respectively ($64.9 million and $198.4 million in the three and nine months ended September 30, 2015, respectively).

(6) Operating costs (on a sales basis) are comprised of mine operating costs such as mining, processing, regional office administration, royalties and production taxes (except at Kumtor where revenue-based taxes are excluded), but excludes reclamation costs and depreciation, depletion and amortization. Operating costs (on a sales basis) represents the cash component of cost of sales associated with the ounces sold in the period.

(7) Results may not add due to rounding.

Results of Operations

Third Quarter 2016 compared to Third Quarter 2015

The Company recorded net earnings of $66.9 million in the third quarter of 2016, compared to a loss of $18.1 million in the comparative quarter of 2015. This reflected the processing of higher grade material from the SB Zone of cut-back 17 at Kumtor in 2016, in addition to higher average realized gold prices, an inventory impairment reversal of $15.4 million and the recording of $18.7 million of goodwill impairment in the comparative period.

Safety and Environment:
Centerra had four reportable injuries in the third quarter of 2016, including three lost-time injuries and one medical aid injury.

There were no reportable releases to the environment during the third quarter of 2016.

Production:
Gold production for the third quarter of 2016 totaled 166,030 ounces compared to 107,485 ounces in the comparative quarter of 2015. The 60% increase in ounces poured at Kumtor reflects the processing of higher grade ore mined from the SB Zone of cut-back 17, in addition to higher recoveries. In contrast the Company processed lower grade ore stockpiled from cut-back 16 and lower grade material obtained from within cut-back 17 in the comparative quarter of 2015.

Financial Performance:
Revenue in the third quarter of 2016 increased to $220.2 million from $116.2 million in the comparative period of 2015 as a result of higher gold ounces sold (164,847 ounces compared to 103,467 ounces in the third quarter of 2015), as well as higher average realized gold prices[NG] ($1,336 per ounce compared to $1,123 per ounce in the same quarter of 2015).

In the third quarter of 2016, ounces sold increased 59% compared to the third quarter of 2015 while cost of sales only incrementally increased by 29% to $98 million when compared to the same period of 2015. The lower costs of sales reflects lower costs per ounce sold for the higher grade ore mined and processed at Kumtor from cut-back 17 in the third quarter of 2016. The cost of sales in the third quarter of 2015 resulted from the processing of lower grade ore stockpiled from cut-back 16 and lower grade material processed within cut-back 17, resulting in higher unit operating costs, and increased waste stripping as compared to the third quarter of 2016. Depreciation, depletion and amortization ("DD&A") associated with production was

$60.6 million in the third quarter of 2016 as compared to $40.8 million in the same quarter of 2015, reflecting increased ounces sold in 2016 and higher equipment charges attributed to the larger scale of cut-back 17.

Exploration and business development expenditures in the third quarter of 2016 increased by $2.7 million to total $5.8 million as compared to the same period of 2015, reflecting higher business development activity associated with the Thompson Creek acquisition ($2.3 million).

Corporate administration costs decreased to $5.9 million in the third quarter of 2016 from $8.0 million in the same period of 2015. The decrease was primarily due to the impact of currency movements, lower share-based compensation and lower general spending. Share-based compensation expense in the third quarter of 2016 was $0.9 million compared to $1.5 million in the same period of 2015.

Operating Costs:
Operating costs (on a sales basis) increased to $46.7 million in the third quarter of 2016 from $35.3 million in the same period of 2015, reflecting more ounces sold, partially offset by lower unit costs in the third quarter of 2016. The decrease in unit costs in the third quarter of 2016 was due to processing higher grade ounces at Kumtor from the SB Zone of cut-back 17, compared to lower grade ore stockpiled from cut-back 16 and lower grade material within cut-back 17 in 2015. Higher costs in the third quarter of 2015 were partially offset by the fact that capitalization of mining costs in cut-back 17 continued until ore was accessed in September 2015.

Centerra's all-in sustaining costs per ounce sold[NG], which excludes revenue-based taxes and income taxes, for the third quarter of 2016 decreased to $591 from $1,089 in the comparative period of 2015, reflecting more ounces sold and the lower unit costs described above.

Centerra's all-in costs per ounce sold[NG] (excluding development projects) for the third quarter of 2016, was $632 compared to $1,133 in the comparative quarter of 2015, and includes all cash costs related to gold production, excluding revenue-based taxes and income taxes. The decrease primarily reflects the lower all-in sustaining costs described above, partially offset by additional spending in the third quarter of 2016 for exploration and business development.

First Nine Months 2016 compared to First Nine Months 2015

The Company recorded net earnings of $87.9 million in the nine months ended September 30, 2016, compared to $44.5 million in the comparative period of 2015. The increase is a result of the reversal of the inventory impairment and lower corporate administration costs in the current period, and the recording of an $18.7 million goodwill impairment in the comparative period.

Safety and Environment:
Centerra had nine reportable injuries in the nine months ended September 30, 2016, consisting of one fatal injury, five lost-time injuries, two medical aid injuries and one restricted work injury. On January 24, 2016, an employee suffered fatal injuries at the Kumtor mill.

There were no reportable releases to the environment during the nine months ended September 30, 2016.

Production:
Gold production for the nine months ended September 30, 2016 totaled 350,198 ounces compared to 403,256 ounces in the comparative period of 2015. The decrease in production is primarily due to lower mill grades processed and lower recoveries at Kumtor.

Financial Performance:
Lower revenues resulted primarily from 12% fewer ounces sold (354,500 ounces compared to 401,778 ounces in the nine months ended September 30, 2015), partially offset by higher average realized gold price[NG] ($1,284 per ounce compared to $1,184 per ounce in the nine months ended September 30, 2015).

Cost of sales decreased by 9% to $247.4 million due primarily to fewer ounces sold in the nine months ended September 30, 2016. DD&A associated with production decreased to $138.6 million in the nine months ended September 30, 2016 from $156.3 million in the comparative period of 2015, reflecting fewer ounces sold, in addition to lower per unit capitalized stripping charges for the cut-back 17 ore that was processed in the nine months ended September 30, 2016.

The idled operation at Boroo generated earnings of $2.2 million in the nine months ended September 30, 2016 as the proceeds from the sale of residual gold coming from the rinsing of the heap leach pad were greater than care and maintenance costs in the period. Standby costs incurred at Boroo during the nine months ended September 30, 2015 to place the mill and operation on care and maintenance totaled $4.8 million, which included spending mainly for cleaning circuits and to maintain equipment in a ready state.

Exploration and business development expenditures totaled $13.0 million compared to $8.0 million in the same period of 2015. The increase in the nine months ended September 30, 2016 reflects higher exploration spending at Gatsuurt and on the Company’s other exploration projects, in addition to an increase in business development costs of $2.5 million, primarily associated with the acquisition of Thompson Creek.

Corporate administration costs decreased to $18.4 million from $28.1 million in the nine months ended September 30, 2016 due primarily to a lower charge for share-based compensation. The share-based compensation charge in the nine months ended September 30, 2016 was a credit of $0.2 million, compared to $6.8 million in the same period in 2015.

Operating Costs:

Operating costs (on a sales basis) increased by $12.6 million to $127.3 million in the nine months ended September 30, 2016 compared to the same period in 2015, mainly as a result of higher per unit operating costs for the ounces from cut-back 17 processed and sold in the period.

Centerra’s all-in sustaining costs per ounce sold[NG], which excludes revenue-based taxes and income taxes, for the nine months ended September 30, 2016, was $748 compared to $881 in the same period of 2015. The decrease in the nine months ended September 30, 2016 reflects the lower per unit cost for the cut-back 17 ounces sold in the third quarter of 2016 and lower capitalized stripping.

For the nine months ended September 30, 2016, Centerra's all-in costs per ounce sold[NG] (excluding development projects) which excludes revenue-based taxes at Kumtor and income taxes, was $816, compared to $930 per ounce sold in the nine months ended September 30, 2015. The decrease reflects the lower all-in sustaining costs described above, offset by higher exploration costs, business development costs and growth capital.

Cash generation and capital investments

Cashflow

	Three months ended September 30,			Nine months ended September 30,		
Unaudited ($ millions, except as noted)	**2016**	2015	% Change	**2016**	2015	% Change
Cash provided by operating activities	**134.4**	42.2	218%	**201.0**	288.0	(30%)
Cash generated from (used in) investing activities:						
Additions to property, plant and equipment	**(50.6)**	(69.1)	(27%)	**(131.0)**	(211.7)	(38%)
Sale of short-term investments, net	**257.1**	91.9	180%	**156.6**	21.9	615%
Purchase of interest in Greenstone Gold Mines LP	**-**	(8.3)	(100%)	**-**	(75.7)	(100%)
Other investing items	**(1.6)**	(0.5)	220%	**(6.2)**	(0.6)	933%
Cash generated from (used in) investing activities	**204.9**	14.0	1364%	**19.4**	(266.1)	(107%)
Cash generated from (used in) financing activities	**136.5**	(8.6)	(1687%)	**140.0**	(24.6)	(669%)
Increase (decrease) in cash	**475.8**	47.6	900%	**360.4**	(2.7)	(13448%)
Restricted cash in respect of subscription receipts	**(145.4)**	-	(100%)	**(145.4)**	-	(100%)
Restricted cash in respect of court order	**(121.6)**	**-**	(100%)	**(121.6)**	-	(100%)
Increase (decrease) in cash	**208.8**	47.6	339%	**93.4**	(2.7)	(3559%)

Third Quarter 2016 compared to Third Quarter 2015

Cash provided by operations increased by $92.2 million to $134.4 million in the third quarter of 2016 mainly from the sale of lower cost ounces from the high grade SB Zone of cut-back 17 and lower working capital required in the third quarter of 2016.

Cash generated from investing activities increased to $204.9 million, an increase of $190.9 million as compared to the third quarter of 2015, primarily reflecting the sale of short-term investments in in the third quarter of 2016, in addition to lower capital spending. The Company spent $50.6 million on capital additions in the third quarter of 2016, a 27% reduction from the same period in 2015.

Cash provided by financing activities in the third quarter of 2016 totaled $136.5 million, including proceeds of $145.4 million from the Company's Subscription Receipts issuance (see section "Share Capital and Share Options"), partially offset by the payment of dividends and interest and borrowing costs. This compares to a use of cash from financing activities of $8.6 million in the third quarter of 2015, primarily reflecting the payment of dividends. The proceeds generated from the Subscription Receipts were held in trust, until the Thompson Creek acquisition was completed on October 20, 2016.

First Nine Months 2016 compared to First Nine Months 2015

Cash provided by operating activities decreased to $201.0 million in the nine months ended September 30, 2016, from $288.0 million in the comparative period of 2015, mainly from lower sales and higher working capital levels for gold inventory.

Cash generated from investing activities increased to $19.5 million from cash used in investing activities of $266.2 million in the nine months ended September 30, 2015, reflecting a 38% decrease in capital additions and a $134.8 million net increase in sale of short-term investments. In addition, the Company spent $75.7 million in 2015 as part of its acquisition of a 50% interest in the Greenstone Gold property.

Financing activities in the first nine months of 2016 generated net cash of $140.0 million primarily due to the proceeds from the Subscription Receipts issued (included as part of restricted cash as at September 30, 2016), partially offset by the payment of dividends and borrowing costs, while in the nine months ended September 30, 2015, the Company used $24.6 million of net cash mainly for the payment of dividends and payment of borrowing costs.

Liquidity and capital resources

The Company finances its operations through a combination of operating cash flows, short and long-term debt and, from to time, through the issuance of its equity. The Company primarily uses funds generated from operating activities to fund operational expenses, sustaining and development capital spending, and interest and principal payments on its loans and borrowings. The Company continuously monitors and reviews its actual and forecasted cash flows and manages liquidity risk by maintaining adequate cash and cash equivalents, by utilizing debt and by monitoring developments in the capital markets.

Centerra's Kyrgyz Republic operating subsidiary, KGC is subject to an interim order of the Bishkek Inter-District Court in the Kyrgyz Republic prohibiting KGC from taking any actions relating to certain financial transactions, including transferring property or assets, declaring or paying dividends or making loans to Centerra. While such order does not prohibit KGC from continuing to use its cash resources to operate the Kumtor mine, cash generated from the Kumtor Project continues to be held in KGC and is not being distributed to Centerra. The interim order purports to secure KGC's potential liability for a previously disclosed claim brought by the Kyrgyz Republic State Agency for Environmental Protection and Forestry. The Company believes that such claim and the interim order are without foundation and violate the fundamental investment protections contained in the 2009 agreements governing the Kumtor Project, as, in particular, the order deprives Centerra of the fundamental economic benefits of ownership of the Kumtor Project. KGC appealed the interim order to the Kyrgyz Republic Supreme Court but such appeal was denied on October 19, 2016. Centerra has included the dispute in the ongoing international arbitration proceeding against the Kyrgyz Republic (see "Other Corporate Developments – Notice of Arbitration"). As at September 30, 2016, the cash balance of KGC was $121.6 million and is expected to continue to increase over time. As a result of the interim order, the Company is taking steps to confirm that it has sufficient cash to meet its obligations when due. In light of the continued inability of the Company to access cash generated by the Kumtor Project, including as a result of the denial by the Kyrgyz Republic Supreme Court of KGC's appeal of the interim order, the Company is deferring until December any consideration of declaring a quarterly dividend.

The Company believes its cash at hand, cash from the Company's existing credit facilities, and cash flow from the Company's Mount Milligan operations will be sufficient to fund its anticipated operating cash requirements through to the end of 2017, although there can be no assurance of this. Absent access to cash held by KGC, the Company expects that it will be required to raise financing in order to fund construction and development expenditures on its development properties or to defer such expenditures.

As at September 30, 2016 cash, cash equivalents and short-term investments was $479 million (excluding cash restricted as a result of a court order in the Kyrgyz Republic, and the proceeds from the offering of Subscription Receipts which was completed in connection with the acquisition of Thompson Creek and held in restricted cash) compared to $542 million at December 31, 2015.

The pro-forma cash, cash equivalents and short-term investments giving effect to the acquisition of Thompson Creek as at September 30, 2016 was $106 million (excluding the cash restricted by the Kyrgyz Republic court order). This amount gives effect to the payments made to discharge or redeem the outstanding Thompson Creek Senior Secured and Unsecured Notes.

As at September 30, 2016, the Company had drawn $100 million on its $150 million corporate revolving credit facility with the European Bank for Reconstruction and Development ("EBRD"). Subsequent to the end of the third quarter, the Company drew an additional $50 million under the EBRD credit facility which is intended to be used solely for the Gatsuurt Project and related corporate overhead. . The Company does not expect to expend such additional funds until it has signed a definitive investment agreement relating to the Gatsuurt Project with the Government of Mongolia. The additional $50 million was made available under the EBRD credit facility on the condition that the funds are to be re-paid if an investment agreement relating to the Gatsuurt Project has not been concluded with the Government of Mongolia by February 2018.

The Company also intends to draw on the remaining $25 million available under the TCM Credit Facility, which funds are expected to be used for working capital purposes at Centerra's Thompson Creek operations during the fourth quarter of 2016. Although the Company expects that such funds will be sufficient to fund operations at its Thompson Creek operations, there are no assurances in this regard.

OMAS entered into a $150 million credit facility agreement with UniCredit Bank AG and EBRD expiring on December 30, 2021 (the "OMAS Facility"). The purpose of the OMAS Facility is to assist in financing the construction of the Company's Öksüt Project. Access to the OMAS Facility is dependent on the satisfaction of certain conditions by November 30, 2016, including the receipt of all necessary permits. If the conditions are not satisfied or waived by such date, or an extension is not granted by the lenders, the commitments under the OMAS Facility will be cancelled. The Company continues to work on satisfying the conditions precedents by such deadline, however some conditions, such as the receipt of the pastureland permit, are beyond Centerra's control. There are no assurances that all conditions will be satisfied by the deadline, or that the lenders will provide any waivers or extensions.

Capital Expenditures (spent and accrued)

Unaudited ($ millions)		**Three months ended September 30,**			**Nine months ended September 30,**		
		2016	2015	% Change	**2016**	2015	% Change
Kumtor	Sustaining capital^NG	**13.0**	14.4	(10%)	**49.6**	38.6	28%
	Capitalized stripping	**38.7**	64.9	(40%)	**78.4**	198.4	(60%)
	Growth capital^NG	**3.2**	1.4	129%	**13.3**	11.8	13%
	Total	**54.9**	80.7	(32%)	**141.3**	248.8	(43%)
Boroo and Gatsuurt	Sustaining capital^NG	**-**	-	-	**-**	0.1	(100%)
	Growth capital^NG	**1.5**	0.5	200%	**4.9**	1.0	390%
	Total	**1.5**	0.5	200%	**4.9**	1.1	345%
Other	Sustaining capital^NG	**-**	0.4	(100%)	**0.3**	0.7	(57%)
	Öksüt Project development (1)	**4.7**	1.8	161%	**9.9**	1.8	450%
	Greenstone Gold Property costs (2)	**2.6**	3.0	(13%)	**7.9**	8.8	(10%)
	Greenstone Partnership acquisition	**-**	8.3	(100%)	**-**	75.7	(100%)
	Total	**7.3**	13.5	(46%)	**18.1**	87.0	(79%)
Consolidated	Sustaining capital^NG	**13.0**	14.8	(12%)	**49.9**	39.4	27%
	Capitalized stripping	**38.7**	64.9	(40%)	**78.4**	198.4	(60%)
	Growth capital^NG	**4.7**	1.9	147%	**18.2**	12.8	42%
	Öksüt Project development (1)	**4.7**	1.8	161%	**9.9**	1.8	450%
	Greenstone Gold Property costs (2)	**2.6**	3.0	(13%)	**7.9**	8.8	(10%)
	Greenstone Partnership acquisition	**-**	8.3	(100%)	**-**	75.7	(100%)
Total capital expenditures		**63.7**	94.7	(33%)	**164.3**	336.9	(51%)

(1) Includes $3 million for the purchase of the net smelter royalty from Teck Resources Limited (see "Share Capital and Share Options").

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

Lower capital expenditures in the third quarter of 2016 resulted mainly from lower capitalized stripping at Kumtor and the final payment towards the Greenstone Partnership acquisition in the third quarter of 2015 ($8.3 million).

During the nine months ended September 30, 2016, capital expenditures were $164.3 million, a $172.6 million reduction compared to the same period in 2015. This is due to lower capitalized stripping at Kumtor and the spending of $75.7 million on the Greenstone acquisition in 2015, this was partially offset by higher spending on sustaining capital^NG in 2016.

Foreign Exchange:
The Company receives its revenues through the sale of gold in U.S. dollars. The Company has operations in the Kyrgyz Republic and Mongolia, and its corporate head office is in Toronto, Canada. During the first nine months of 2016, the Company incurred combined costs (including capital) totaling roughly $418 million. Approximately $259 million of this (62%) was in currencies other than the U.S. dollar. The percentage of Centerra's non-U.S. dollar costs, by currency was, on average, as follows: 58% in Kyrgyz Soms, 25% in Canadian dollars, 8% in Euros, 4% in Mongolian Tugriks and 3% in Turkish Lira, and approximately 2% in other non U.S. currency. During the first nine months of 2016, the average value of the currencies of the Kyrgyz Som, Canadian dollar, and Euro appreciated against the U.S. dollar by approximately 7%, 4%, and 3%, respectively, while the average value of Mongolian tugrik and Turkish Lira, depreciated against the U.S. dollar by approximately 3% and 0.6%, respectively, from their value at December 31, 2015. The net impact of these movements during the first nine months of 2016, after taking into account currencies held at the beginning of the year, was to increase costs by $14 million (decrease costs by $15 million in the first nine months of 2015).

Share Capital and Share Options

As of November 7, 2016, Centerra had 291,204,343 common shares issued and outstanding, including, 48,926,718 common shares issued in connection with the acquisition of Thompson Creek, (22,327,218 common shares issued in exchange for Thompson Creek common shares and 26,599,500 as part of the bought deal financing), pursuant to a plan of arrangement under the Business Corporations Act (British Columbia). In addition, as at the same date, the Company had 5,578,510 share options outstanding under its share option plan, including 111,341 replacement options issued in connection with the Thompson Creek acquisition, with exercise prices ranging from Cdn$3.82 to Cdn$119.10 per share, and with expiry dates between 2017 and 2024.

Results of Operating Segments

Kumtor Mine

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based gold producer. It has been in production since 1997 and has produced over 10.7 million ounces of gold to September 30, 2016.

Kumtor Operating Results

Unaudited ($ millions, except as noted)	**Three months ended September 30,**			**Nine months ended September 30,**		
	2016	**2015**	**% Change**	**2016**	**2015**	**% Change**
Tonnes mined - 000s	**34,838**	41,944	(17%)	**108,856**	124,109	(12%)
Tonnes ore mined – 000s	**3,970**	1,136	249%	**8,687**	2,642	229%
Average mining grade - g/t	**5.32**	1.80	196%	**3.32**	2.54	31%
Tonnes milled - 000s	**1,571**	1,496	5%	**4,722**	4,225	12%
Average mill head grade - g/t	**4.11**	2.83	45%	**3.01**	3.63	(17%)
Recovery - %	**81.4%**	75.7%	8%	**77.0%**	78.4%	(2%)
Mining costs - total ($/t mined material)	**1.28**	1.25	2%	**1.28**	1.28	0%
Milling costs ($/t milled material)	**10.28**	11.13	(8%)	**10.04**	11.60	(13%)
Gold produced – ounces	**166,030**	103,701	60%	**350,199**	390,084	(10%)
Gold sold – ounces	**164,847**	100,994	63%	**354,500**	388,968	(9%)
Average realized gold price - $/oz[1]	**1,336**	1,124	19%	**1,284**	1,183	9%
Capital expenditures (sustaining)[1]	**13.0**	14.4	(10%)	**49.6**	38.6	28%
Capital expenditures (growth)[1]	**3.2**	1.4	129%	**13.3**	11.8	13%
Capital expenditures (stripping)	**38.7**	64.9	(40%)	**78.4**	198.4	(60%)
Capital expenditures (total)	**54.9**	80.7	(32%)	**141.3**	248.8	(43%)
Operating costs (on a sales basis) [1][2]	**46.7**	33.5	39%	**127.3**	104.3	22%
Adjusted operating costs [1]	**50.1**	37.4	34%	**138.4**	118.2	17%
All-in Sustaining Costs [1]	**91.5**	101.1	(10%)	**246.3**	307.8	(20%)
All-in Costs[1]	**94.7**	102.5	(8%)	**259.6**	319.4	(19%)
All-in Costs - including revenue-based taxes[1]	**125.5**	118.4	6%	**323.3**	383.8	(16%)
Adjusted operating costs - $/oz sold [1]	**303**	369	(18%)	**390**	304	28%
All-in sustaining costs – $/oz sold [1]	**555**	1,000	(45%)	**695**	791	(12%)
All-in costs – $/oz sold [1]	**574**	1,014	(43%)	**732**	821	(11%)
All-in costs (including revenue-based taxes) – $/oz sold [1]	**761**	1,171	(35%)	**912**	987	(8%)

(1) Adjusted operating costs, all-in sustaining costs, all-in costs and all-in costs – including revenue-based taxes and income taxes (in $ millions and per ounce sold), 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.

Third Quarter 2016 compared to Third Quarter 2015

Production:

In the third quarter of 2016, Kumtor continued to focus the higher grade ore in the SB Zone. Kumtor has stockpiled sufficient inventory to process material through the remainder of 2016. In early October 2016, Kumtor completed cut-back 17, and is now developing cut-back 18.

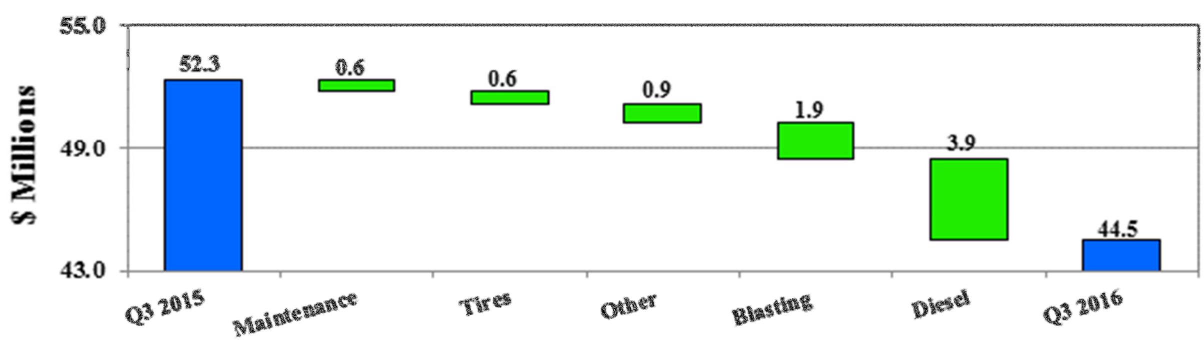
Total waste and ore mined in the third quarter of 2016 was 34.8 million tonnes compared to 41.9 million tonnes in the comparative period of 2015, representing a decrease of 17%. The decrease was mainly due to a 28% increased average haulage distance compared to the same period of 2015, as mining in the third quarter of 2016 was at greater depth and longer hauls were required. The Company mined 4.0 million tonnes of ore at 5.32 g/t in the third quarter of 2016 compared to 1.1 million tonnes of ore at 1.80 g/t in the comparative quarter.

During the third quarter of 2016, Kumtor continued to process ore from cut-back 17. Kumtor produced 166,030 ounces of gold in the third quarter of 2016 compared to 103,701 ounces of gold in the comparative period of 2015. The increase in ounces poured was the result of mining and milling higher grade ore from the SB Zone, while in the third quarter of 2015 the Company processed lower grade ore stockpiled from cut-back 16 and lower grade material within cut-back 17. During the third quarter of 2016, Kumtor's head grade was 4.11 g/t with a recovery rate of 81.4%, compared to 2.83 g/t and a recovery rate of 75.7% for the same period of 2015. The average tonnage processed by the mill increased by 5%, from 16,262 tonnes per day in the third quarter of 2015 to 17,074 tonnes in the third quarter of 2016. Mill throughput has increased as a result of blending harder and softer ore, opening screens in the SAG mill and increasing the grinding media sizes in the SAG and Ball mills.

Operating costs and All-in Measures:

Operating costs (on a sales basis) increased by $13.2 million predominantly due to increased sales of $46.7 million. The movements in the major components of operating costs (mining, milling and site support) in the third quarter of 2016 compared to the same period of 2015 are explained as follows:

Mining Costs, before capitalization of stripping activity (Third Quarter 2016 compared to Third Quarter 2015):



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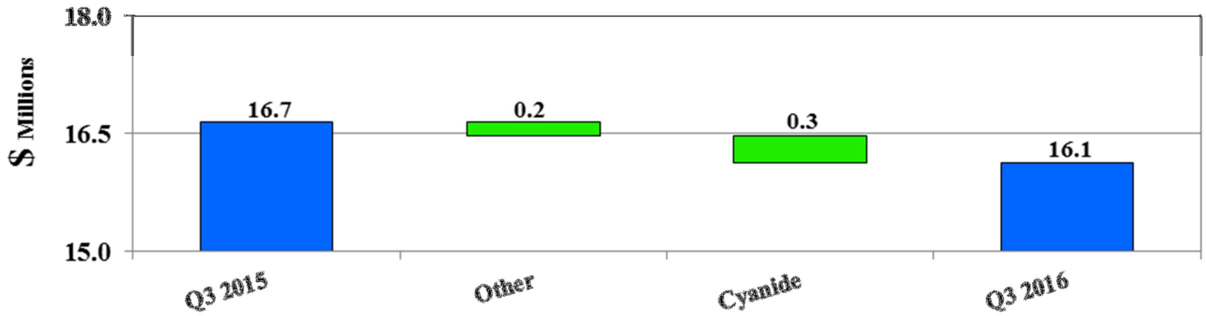
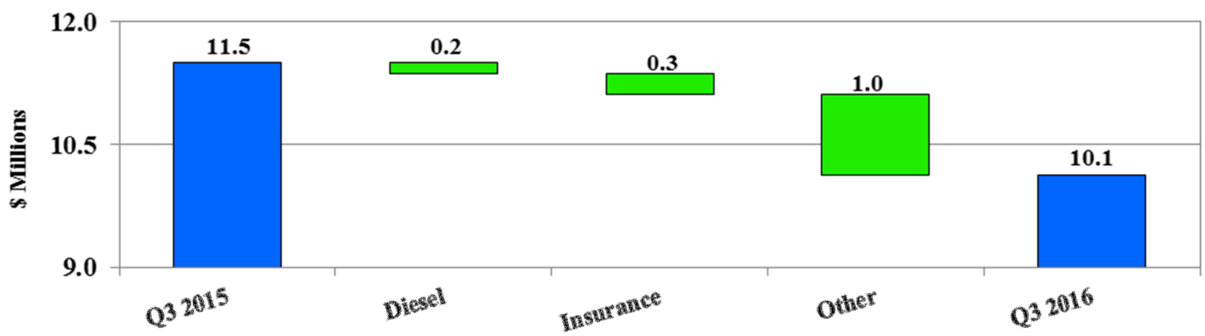
Mining costs, before capitalization of stripping activity, totalled $44.5 million in 2016, which was $7.8 million lower than the comparative period. Decreased costs for the third quarter of 2016 include lower diesel costs ($3.9 million) due to lower fuel prices realized, lower blasting costs and volumes ($1.9 million and 13.6 million tonnes) and lower tires costs ($0.6 million).

Milling Costs (Third Quarter 2016 compared to Third Quarter 2015):



Milling costs in 2016 were lower than the comparative period primarily due to lower cost of cyanide ($0.3 million).

Site support costs (Third Quarter 2016 compared to Third Quarter 2015):



Site support costs in the third quarter of 2016 totalled $10.1 million compared to $11.5 million in the third quarter of 2015. The decrease is primarily attributable to lower insurance costs resulting from lower premiums, and lower labour costs due to a reduction in manpower. Other cost reductions include diesel costs, rent costs and network equipment costs.

Other Cost movements:

DD&A associated with sales, increased to $51.3 million in the third quarter of 2016, from $39.3 million in the comparative quarter of 2015. The increase in DD&A is mainly due to the increased depreciation charges relating to the ounces processed from cut-back 17 compared to the ounces processed in the comparative period and the higher ounces sold in the third quarter of 2016.

All-in sustaining costs per ounce sold[NG], which excludes revenue-based taxes, was $555 in the third quarter of 2016 compared to $1,000 in the third quarter of 2015, representing a decrease of 45%. The decrease results primarily from the higher ounces sold and the lower operating costs, as explained above.

All-in costs per ounce sold[NG], which excludes revenue-based taxes, in the third quarter of 2016 was $574 compared to $1,014 in the same period of 2015, representing a decrease of 43%, for the same reasons explained above.

First Nine Months 2016 compared to First Nine Months 2015

During the first nine months of 2016, Kumtor focused predominantly on the development and mining of cut-back 17.

Total waste and ore mined in the first nine months of 2016 was 108.9 million tonnes compared to 124.1 million tonnes in the comparative period of 2015, representing a decrease of 12%, primarily due to the 18% increase in average haulage distance when compared to the same period of 2015. The Company mined 8.7 million tonnes of ore at 3.32 g/t in the first nine months of 2016 compared to 2.6 million tonnes of ore at 2.54 g/t in the comparative period.

Kumtor produced 350,197 ounces of gold in the first nine months of 2016 compared to 390,084 ounces of gold in the comparative period of 2015. The decrease in ounces poured, is primarily the result of differences between the first six months of 2016 and its comparative period. In the first six months of 2016, Kumtor's increasing size of cut-backs resulted in the Company mining and processing lower grade ore from cut-back 17, blended with lower grade stockpiles. In contrast, during the first six months of 2015, the Company processed higher grade ore mined from cut-back 16. Lower production during the quarter was slightly offset as the Company obtained and processed higher grade ore during the third quarter of 2016 compared to the lower grade ore mined from cut-back 16 and the initial lower grade benches from cut-back 17 that were processed in the third quarter of the comparative period.

During the first nine months of 2016, Kumtor's head grade was 3.01 g/t with a recovery of 77.0%, compared with 3.63 g/t and a recovery of 78.4% for the same period in 2015. Tonnes processed were approximately 4.7 million for the first nine months of 2016, 12% higher than the comparative period in 2015 as a result of targeted actions to improve throughput.

Operating costs and All-in Measures:

Operating costs (on a sales basis) excluding capitalized stripping, increased by $23 million to $127.3 million compared to $104.3 million in the comparative period of 2015. This was predominantly as a result of processing, lower grade ounces with higher mining costs during the initial benches of cut-back 17. In the comparative period of 2015, greater amounts of mining costs were capitalized as Kumtor was in initial development stages of cut-back 17.

DD&A associated with sales, decreased to $120.1 million in the first nine months of 2016, from $150.7 million in the comparative period of 2015, mainly due to 9% fewer ounces sold. The decrease was magnified by the reversal of a non-cash inventory impairment that was recorded during the first nine months of 2016 of $27.2 million.

All-in sustaining costs per ounce sold [NG], which excludes revenue-based tax, was $695 for the first nine months of 2016 compared to $791 in the first nine months of 2015, representing a decrease of 12%. The decrease primarily results from reduced operating costs for mining, milling, and site support and the reversal of a non-cash inventory impairment. This was partially offset by lower ounces sold due to lower production.

All-in costs per ounce sold [NG], which excludes revenue-based tax, in the first nine months of 2016 was $732 compared to $821 in the same period of 2015, representing a decrease of 11%, due to the same factors explained above.

Development Projects

Öksüt Project:

At the Öksüt Project in Turkey, the Company spent $4.7 million and $10.0 million during the three and nine months ended September 30, 2016, respectively ($2.4 million and $6.0 million in the three and nine months ended September 30, 2015, respectively) on development activities to progress the Environmental and Social Impact Assessment ("ESIA"), access and site preparation and detailed engineering works. Since the approval of the Öksüt feasibility study in July 2015, development costs associated with the Öksüt Project are capitalized.

Following approval of the business opening permit from local authorities in December 2015, applications were submitted for the land usage permits (Forestry and Pastureland). On July 14, 2016, OMAS received a forestry usage permit for the project and the operation permit for forestry area was obtained on August 26, 2016. The pastureland permit is currently outstanding and the Company is working with the relevant agencies to obtain the permit. There are no assurances that the approval of the pastureland permit or other permits will be obtained by the Company in a timely manner or at all. Even if the pastureland permit was received in the fourth quarter of 2016, construction activities at the Öksüt Project are not expected to commence until April 2017 due to advent of the winter season. As a result, first gold production would not be expected to occur before mid-2018.

On April 5, 2016, OMAS entered into the $150 million OMAS Facility with UniCredit to assist in financing the construction of the Company's Öksüt Project. In August 2016, EBRD became a lender under the OMAS Facility, underwriting $75 million. The interest rate on the OMAS Facility is LIBOR plus 2.65% to 2.95% (dependent on project completion status). It is secured by the Öksüt assets and is non-recourse to the Company. Availability of the OMAS Facility is subject to customary conditions precedent, including receipt of all necessary permits approvals.

If the conditions are not satisfied or waived by the deadline of November 30, 2016, or an extension is not granted by the lenders, the commitments under the OMAS Facility will be cancelled. The Company continues to work on satisfying the conditions precedents by such deadline, however some conditions, such as the receipt of the pastureland permit for the Öksüt

Project, are beyond Centerra's control. There are no assurances that all conditions will be satisfied by the deadline, or that the lenders will provide any waivers or extensions.

Gatsuurt Project:

The Company continued to engage in discussions with the Mongolian Government regarding the definitive agreements relating to the Gatsuurt Project, during the quarter. During the quarter, the Company continued drilling on the property and carrying out resource definition, metallurgical, exploration, geo-technical and hydrogeological drilling in support of eventual project development. See "Other Corporate Developments – Mongolia".

Greenstone Gold Property:

In the third quarter of 2016, the Company funded $5.3 million ($16.2 million in the first nine months of 2016) on project development activities ($33.5 million, cumulative to date) at GGM. During the third quarter, work continued on advancing the feasibility study for the Hardrock Project. In the first nine months 2016, GGM recorded $5.0 million of costs relating to acquiring houses and land surrounding the project area.

GGM submitted a draft Environmental Impact Study/Environmental Assessment ("EIS/EA") in February 2016 and received comments from the various provincial and federal regulatory agencies, as well as from other stakeholders. The comments received related primarily to the location and management of the tailings storage facility, the management and location of the waste dumps, and on water quality. Responses to the comments will be incorporated into the final EIS/EA submission scheduled to be made at the end of the first quarter of 2017.

GGM continues to engage and consult with local communities of interest regarding mutually beneficial impact benefit agreements.

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 JSC ("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 Sales Agreement ("Sales Agreement") between KGC, Kyrgyzaltyn and the Government of the Kyrgyz Republic (in thousands of U.S. dollars).

	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Included in sales:				
Gross gold and silver sales to Kyrgyzaltyn	**$ 221,300**	$ 114,098	**$ 457,576**	$ 462,420
Deduct: refinery and financing charges	**(1,110)**	(617)	**(2,541)**	(2,355)
Net sales revenue received from Kyrgyzaltyn	**$ 220,190**	$ 113,481	**$ 455,035**	$ 460,065
Included in expenses:				
Contracting services provided by Kyrgyzaltyn	**$ 285**	$ 385	**$ 984**	$ 1,049
Management fees to Kyrgyzaltyn	**164**	101	**354**	389
Expenses paid to Kyrgyzaltyn	**$ 449**	$ 486	**$ 1,338**	$ 1,438
Dividends:				
Dividends declared to Kyrgyzaltyn	**$ 2,396**	$ 2,346	**$ 7,097**	$ 7,298
Withholding taxes	**(120)**	(117)	**(355)**	(365)
Net dividends declared to Kyrgyzaltyn	**$ 2,276**	2,229	**$ 6,742**	$ 6,933

Related party balances

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

	September 30, 2016	December 31, 2015
Amounts receivable	**$ 35,427**	$ 25,725
Dividends payable (net of withholding taxes)	**$ -**	$ 13,096
Net unrealized foreign exchange gain	**-**	(3,766)
Dividends payable (net of withholding taxes)	**-**	9,330
Amounts payable	**1,126**	1,039
Total related party liabilities	**$ 1,126**	$ 10,369

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.

As at September 30, 2016, $35.4 million was outstanding under the Sales Agreement (December 31, 2015 - $25.7 million). Subsequent to September 30, 2016, the previously outstanding balance receivable from Kyrgyzaltyn was paid in full.

Dividends payable and restricted cash held in trust

As a result of an Ontario court decision, the dividends previously held in trust were released to Kyrgyzaltyn on July 26, 2016. See "Other Corporate Developments - Corporate" for additional information.

In the third quarter of 2016, the Company declared and paid dividends, net of withholding taxes, of $2.3 million to Kyrgyzaltyn (third quarter of 2015 - $2.2 million, transferred to the trust account).

Quarterly Results – Previous Eight Quarters

Over the last eight quarters, Centerra's results reflect the impact of a decline and recovery of gold prices and decreasing input costs, such as diesel, labour and consumables, which have seen a continued decrease through 2014, 2015 and 2016. The weakening of currencies as compared to the U.S. dollar has had a positive impact on foreign-denominated costs in the latter part of 2014, 2015 and into 2016. The quarterly production profile for 2016 is expected to be more concentrated in the second half of the year, as evident by production in the third quarter of 2016, while the production profile in 2015 was more consistent across each quarter, as processing was mainly from stockpiles. Following the update to the Kumtor reserves at the end of 2014, the Company recorded, in the fourth quarter of 2014, an impairment charge to the goodwill amount it carried on its Kyrgyz cash generating unit ("CGU") of $111.0 million. At the subsequent annual goodwill impairment test on September 1, 2015, the Company wrote down the remaining goodwill balance for its Kyrgyz CGU of $18.7 million, reflecting continued weakness in gold prices. Non-cash costs have also progressively increased since 2014. Depreciation at Kumtor increased due to its expanded mining fleet and the increased amortization of capitalized stripping resulting from increased stripping as the pit gets larger. The quarterly financial results for the last eight quarters are shown below:

$ million, except per share data Unaudited	**2016**			**2015**				**2014**
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenue	**220**	**162**	**73**	148	116	147	213	360
Net earnings (loss)	**67**	**3**	**18**	(3)	(18)	22	41	(11)
Basic earnings (loss) per share	**0.28**	**0.01**	**0.08**	(0.01)	(0.08)	0.09	0.17	(0.05)
Diluted earnings (loss) per share	**0.28**	**-**	**0.07**	(0.01)	(0.08)	0.09	0.17	(0.05)

Other Corporate Developments

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

Kyrgyz Republic

Notice of Arbitration

On October 12, 2016, the Permanent Court of Arbitration in The Hague, Netherlands appointed a sole arbitrator for the arbitration proceeding brought by Centerra against the Kyrgyz Republic and Kyrgyzaltyn earlier this year. An initial conference with the arbitrator to establish arbitration procedures is scheduled for November 30, 2016.

As previously disclosed, on May 30, 2016, Centerra delivered a notice of arbitration to the government of the Kyrgyz Republic and Kyrgyzaltyn in connection with certain ongoing disputes relating to the Kumtor Project. These include, among other things: (i) each of the claims brought by the Kyrgyz Republic State Inspectorate for Environment and Technical Safety ("SIETS") and the Kyrgyz Republic State Agency for Environment Protection and Forestry ("SAEPF") and the decisions of the Kyrgyz Republic courts related thereto; and (ii) the previously announced claims of the Kyrgyz Republic General Prosecutor's Office ("GPO") seeking to unwind a US$200 million inter-corporate dividend paid by KGC to Centerra in December 2013 and the related search of KGC's Bishkek office conducted on April 28, 2016. On July 12, 2016, the Company delivered an amended notice of arbitration to the Kyrgyz Republic Government and Kyrgyzaltyn to include, among other things, subsequent court decisions of the Kyrgyz Republic courts in relation to the claims of SIETS and SAEPF and actions by Kyrgyz Republic instrumentalities, including the GPO, which interfere with KGC's operations. Under Centerra's Restated Investment Agreement with the Kyrgyz Republic dated as of June 6, 2009 (the "2009 Restated Investment Agreement"), the arbitration will be determined by a single arbitrator. The arbitration will be conducted under UNCITRAL Arbitration Rules in Stockholm, Sweden, disputes arising out of the 2009 Restated Investment Agreement will be governed by the law of the State of New York, USA and the conduct and operations of the parties will be governed by the 2009 Restated Investment Agreement, the 2009 Restated Concession Agreement and the laws of the Kyrgyz Republic.

Even if the Company is successful in convincing the arbitrator to reduce the amounts claimed or overturn the claims brought by SIETS, SAEPF or other matters which the Company believes are subject to the notice of arbitration, there are no assurances that such an arbitration award would be recognized and enforced by courts in the Kyrgyz Republic, as the courts of the Kyrgyz Republic have held that certain claims brought by SIETS and SAEPF are not within the scope of the arbitration provision of the 2009 Restated Investment Agreement. Accordingly, the Company may be obligated to pay part of or the full amounts of, among others, the SIETS and SAEPF claims regardless of the action taken by the arbitrator. The Company does not have insurance or litigation reserves to cover these costs. If the Company were obligated to pay these amounts, it would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Kyrgyz Permitting and Regulatory Matters

As previously noted, KGC now has all the necessary permits and approvals in place for continuous operations at the Kumtor Project through the end of 2016.

However, the Company notes that on July 11, 2016, SAEPF again expressed concerns to KGC about approving Kumtor's Ecological Passport due to the application of the 2005 Kyrgyz Republic Water Code and would not provide the renewed Ecological Passport. The Ecological Passport identifies some of the permits and approvals required by Kumtor for its operations. KGC continues to be in discussions with SAEPF but does not believe that the absence of the Ecological Passport will have any effect on the Kumtor Project operations.

While KGC management will continue to work closely with SAEPF and the Kyrgyz State Agency for Geology and Mineral Resources to obtain all necessary permits and approvals for continued operation of the Kumtor Project beyond December 31, 2016, Centerra can provide no assurance that such permits and approvals will be granted in a timely fashion or at all. Failure to obtain the necessary permits and approvals in a timely fashion could lead to suspension of Kumtor Project operations until such permits and approvals are obtained.

KGC continues to operate fully in compliance with permits as granted. The Company understands that the delay in obtaining the necessary approvals and permits related to, among other things, concerns regarding the mining of ice at Kumtor. With regard to the mining of ice, regulatory authorities referenced the 2005 Water Code of the Kyrgyz Republic (Water Code) and its prohibition regarding the mining of ice. Centerra has repeatedly disputed the interpretation of the Water Code by the regulatory agencies based on the rights provided to Centerra and KGC under the agreements governing the Kumtor Project.

Should Kumtor be prohibited from moving ice (as a result of the purported application of the Water Code) or if any required permits are withdrawn or not renewed, the entire December 31, 2015 mineral reserves at Kumtor, and Kumtor's current life-of-mine plan would be at risk, leading to an early closure of the operation. Centerra believes that any disagreements with respect to the foregoing would be subject to international arbitration under the Kumtor Project Agreements.

Draft Kyrgyz Republic Bills

In June 2016, the Kyrgyz Republic Parliament posted a draft bill, for public comment, of the "Law on Nationalization of Kumtor Gold Company CJSC's Property". The draft bill proposes the nationalization of all assets of KGC, and the suspension of the effect of the 2009 Restated Investment Agreement, among other laws and agreements relating to the Kumtor Project.

In addition in June 2016, the Kyrgyz Republic Parliament posted a draft bill, for public comment, of the "Law On legal responsibility of persons committing offenses against Kumtor gold field" which proposes to amend the Kyrgyz Republic criminal law to remove the statute of limitations for crimes committed in connection with the Kumtor project.

In November 2016, the Kyrgyz Republic called a referendum, scheduled for December 11, 2016, on the question of whether to amend the Kyrgyz Republic constitution in order to eliminate the limitation period for criminal offenses committed in connection with the development of the Kumtor Project. As previously noted, the Company is not aware of any basis for allegations of misconduct in connection with the development of the Kumtor Project. Centerra has previously asked the Kyrgyz Republic government for evidence of such wrongdoing but has never received any such evidence.

As previously disclosed, the Kumtor Project has in recent years been threatened with proposed Parliamentary decrees and draft laws that would have the effect of nationalization. While the Company believes that it is unlikely that such bills will be adopted, it cannot predict with certainty the likelihood of adoption. If such bills were passed, they could have a material adverse impact on the Company's interest in the Kumtor Project, future cash flows, earnings, results of operations and financial condition.

SIETS and SAEPF Claims

As previously disclosed, the Kumtor Project is subject to a number of claims made by, among others, Kyrgyz Republic state environmental agencies. The Company believes that such claims are, in substance, an attempt by the Kyrgyz Republic to impose additional taxes and payments on the Kumtor Project which are prohibited by the terms of the 2009 Restated Investment Agreement. Such claims are not based on allegations of improper environmental practices or damage to the environment.

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

As previously disclosed, on May 25, 2016, the Bishkek Inter-District Court in the Kyrgyz Republic ruled against Kumtor Operating Company ("KOC"), Centerra's wholly-owned subsidiary, on two claims made by SIETS in relation to the placement of waste rock at the Kumtor waste dumps and unrecorded wastes from Kumtor's effluent and sewage treatment plants. The Inter-District Court awarded damages of 6,698,878,290 Kyrgyz soms (approximately US$99.4 million, based on an exchange rate of 67.4 Kyrgyz soms per US$1.00) and 663,839 Kyrgyz soms (approximately US$10,000), respectively. On June 1, 2016, the Inter-District Court ruled against KOC on two other claims made by SIETS in relation to alleged land damage and failure to pay for water use. The Inter-District Court awarded damages of 161,840,109 Kyrgyz soms (approximately US$2.4 million) and 188,533,730 Kyrgyz soms (approximately US$2.8 million), respectively. Centerra and KOC strongly dispute the SIETS claims and have appealed the decisions to the Bishkek City Court and will, if necessary, appeal to the Kyrgyz Republic Supreme Court.

On June 3, 2016, the Inter-District Court held a hearing in respect of the claim made by SAEPF alleging that Kumtor owes additional environmental pollution fees in the amount of approximately US$220 million. The court did not issue a decision on the merits of the claim itself. However, at the request of SAEPF, the court granted an interim order against KGC, to secure SAEPF's claim. The interim order purports to prohibit KGC from taking any actions relating to certain financial transactions including, transferring property or assets, declaring or paying dividends or making loans. The cash generated from the Kumtor Project which is held in KGC is however available to fund Kumtor's operation. The injunction is effective immediately. KGC's appeal of the Inter-District Court's order to Bishkek City Court was dismissed on July 19, 2016 its subsequent appeal to the Kyrgyz Republic Supreme Court was dismissed on October 19, 2016. As a result of the appeal by KGC, the proceedings on the merits of the SAEPF claim were suspended, however, the Company now expects such hearings on the merits to resume.

As noted above, a Kyrgyz Republic court order purports to: (i) require cash generated from the Kumtor Project to continue to be held in KGC; and (ii) prevent distribution of such cash to Centerra. As at September 30, 2016, KGC's cash balance was $121.6 million.

Kyrgyz Republic General Prosecutor's Office Proceedings

Criminal Proceedings Against Unnamed KGC Managers

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

2013 KGC Dividend Civil and Criminal Proceeding

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

KGC Employee Movement Restrictions

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

GPO Review of Kumtor Project Agreements

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

Criminal Charges Regarding 2016 Casualty at Kumtor Mill

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

Land Use Claim

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

Management Assessment of Claims

The Company remains committed to working with Kyrgyz Republic authorities to resolve these issues in accordance with the agreements governing the Kumtor Project ("Kumtor Project Agreements"), which provide for all disputes to be resolved by international arbitration, if necessary. Although the Company has reviewed the various claims discussed above and believes that all disputes related to the 2009 Restated Investment Agreement should be determined in arbitration, there is a risk that the arbitrator may reject the Company's claims. There are also risks that an arbitrator will determine it does not have jurisdiction and/or may stay the arbitration pending determination of certain issues by the Kyrgyz Republic courts. These claims include, but are not limited to, (i) the validity or enforceability of the 2009 Restated Investment Agreement itself, (ii) criminal claims and (iii) any claims that a non-party to the 2009 Restated Investment Agreement has brought in Kyrgyz Republic courts. There is also risk that a Kyrgyz Republic court would not confirm and/or enforce an arbitration award issued by the arbitrator. There are also no assurances that: (i) the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Project; (ii) any discussions between the Kyrgyz Republic government and Centerra will result in a mutually acceptable solution regarding the Kumtor Project Agreements; (iii) Centerra will receive the necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law for any such solution; or (iv) the Kyrgyz Republic government and/or Parliament will not take actions that are inconsistent with the government's obligations under the Kumtor Project Agreements, including adopting a law "denouncing" or purporting to cancel or invalidate the Kumtor Project Agreements or laws enacted in relation thereto. The inability to successfully resolve all such matters could lead to suspension of operations of the Kumtor Project and would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Mongolia

Gatsuurt – Development

Throughout the first half of 2016, the Company held discussions with the Mongolian Government to implement the previously disclosed 3% special royalty in lieu of the Government's 34% direct interest in the Gatsuurt Project. Various working groups were established by the Mongolian Government to negotiate with Centerra and its wholly owned subsidiary, Centerra Gold Mongolia ("CGM"), the definitive agreements relating to the Gatsuurt Project. The Company continued such discussions through the third quarter.

Concurrent with the negotiations of such agreements, the Company is undertaking economic and technical studies to update the existing studies on the project, which were initially completed and published in May 2006.

There are no assurances that Centerra will be able to negotiate definitive agreements with the Mongolian Government (in a timely fashion or at all) or that such economic and technical studies will have positive results. The inability to successfully resolve all such matters could have a material impact on the Company's future cash flows, earnings, results of operations and financial condition.

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 support any violence or excessive use of force in encounters between Mongolian authorities and artisanal miners and has made this explicitly clear to the Mongolian authorities.

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

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

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 has now released to Kyrgyzaltyn approximately Cdn$18.9 million which was previously held in trust for the benefit of two Ontario court proceedings.

The Company understands that two plaintiffs, Valeri Belokon and Entes Industrial Plant Construction & Erection Contracting Co. Inc. have filed notices of appeal in respect of the July 20, 2016 decision of the Ontario court.

Changes in Accounting Policies

Future Changes in accounting policies

Recently adopted accounting policies are as follows:

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

Recently issued but not adopted accounting guidance are as follows:

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”). IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption.

The Company is currently assessing the impact of adopting this standard on its consolidated financial statements.

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

- New standard IFRS 16, *Leases* ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption, provided IFRS 15, has been applied, or is applied at the same date as IFRS 16. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company is in the process of determining the impact of IFRS 16 on its consolidated financial statements.

- Amendments to IAS 7, *Statements of Cash Flows* ("IAS 7"). The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Company is in the process of determining the impact of the amendments to IAS 7 on its consolidated financial statements.

- Amendments to IAS 12, *Income Taxes* ("IAS 12"). The amendments apply for annual periods beginning on or after January 1, 2017 with retrospective application. Early application of the amendments is permitted. The amendments clarify that the existence of a deductible temporary difference is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset and also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The Company is in the process of determining the impact of the amendments to IAS 7 on its consolidated financial statements.

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

Centerra adheres to COSO's 2013 Internal Control Framework for the design of its internal controls over financial reporting.

There was no change in the Company's internal controls over financial reporting that occurred during the period that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

The evaluation of disclosure controls and procedures and internal controls over financial reporting under COSO's 2013 Internal Control Framework 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 of these disclosure controls and procedures and internal control over financial reporting were effective.

2016 Outlook

Centerra's 2016 gold production has been revised to reflect an increased production forecast at Kumtor. The Company has not included in its forecast any production and cost guidance for the recently acquired Thompson Creek operations (including Mount Milligan) as the process of integrating Centerra's and Thompson Creek Metals' operations is still ongoing. Kumtor's production forecast has been increased from the previous guidance of 500,000 ounces to 530,000 ounces provided in the July 26, 2016 news release to a new guidance of 520,000 ounces to 560,000 ounces. The Mongolian operations will continue with care and maintenance activities at the Boroo mine mainly focusing on reclamation work. Any revenue from Boroo gold production from the drain down of the heap leach pad will be offset against care and maintenance costs. The 2016 production forecast assumes no gold production from Boroo, Gatsuurt or Öksüt, which is unchanged from the previous guidance.

2016 All-in Unit Costs[NG]

Centerra updated its 2016 guidance for all-in sustaining costs per ounce sold[NG] and all-in costs (excluding Mount Milligan and the Öksüt, Greenstone, and Gatsuurt development projects) per ounce sold[NG] as follows:

	Revised Guidance		*Previous Guidance at 2016 Q2*	
	Kumtor	**Consolidated[(5)]**	***Kumtor***	***Consolidated[(5)]***
Ounces sold forecast	520,000-560,000	520,000-560,000	*500,000-530,000*	*500,000-530,000*
US $ / gold ounces sold				
Operating costs	338 – 364	338 – 364	*374 – 396*	*374 – 396*
Changes in inventories	(25) – (27)	(25) – (27)	*(39) – (41)*	*(39) – (41)*
Operating Costs (on a sales basis)	**$313 – 337**	**$313 – 337**	***$335 – 355***	***$335 – 355***
Regional office administration	26 – 28	26 – 28	*29 – 30*	*29 – 30*
Community costs related to current operations	4	4	*4 – 5*	*4 – 5*
Refining costs and by-product credits	-	-	*1*	*1*
Subtotal (Adjusted Operating Costs) [(1)]	**$343 – 369**	**$343 – 369**	***$369 – 391***	***$369 – 391***
Corporate general & administrative costs	-	48 – 52	-	*56 – 62*
Accretion expense	2	3	*2*	*3*
Capitalized stripping costs – cash	200 – 216	200 – 216	*204 – 216*	*204 – 216*
Capital expenditures (sustaining)[(1)]	121 – 131	122 – 132	*142 – 150*	*144 – 152*
All-in Sustaining Costs [(1)]	**$666 – 718**	**$716 – 772**	***$717 – 759***	***$776 – 824***
Capital expenditures (growth) [(1), (5)]	30 – 32	30 – 32	*32 – 34*	*32 – 34*
Boroo closure costs[(2)]	-	1	-	*7 – 8*
Other costs[(3)]	-	34 – 35	-	*36 – 37*
All-in Costs (excluding development projects costs)[(5)]	**$696 – 750**	**$780 – 840**	***$749 – 793***	***$851 – 903***
Revenue-based taxes and income taxes [(4)]	179	180	*177*	*177*
All-in Costs (excluding development projects costs and including revenue-based taxes and income taxes)[(1), (5)]	$875 – 929	$960 – 1,020	*$926 – 970*	*$1,028 –1,080*

(1) Adjusted operating costs per ounce sold, all-in sustaining costs per ounce sold, all-in costs (excluding growth projects costs) per ounce sold, all-in costs (excluding development projects costs and including revenue-bases taxes and income taxes) per ounce sold, as well as capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under “Non-GAAP Measures”.

(2) Boroo closure costs include maintaining the Boroo mill on care and maintenance and ongoing closure costs net of gold sales.

(3) Other costs per ounce sold include global exploration expenses, business development expenses and other costs not related to current operations.

(4) Includes revenue-based tax that reflects actual realized gold price of $1,284 per ounce sold for the January – September 2016 period and a forecasted gold price assumption of $1,275 per ounce sold for the October – December 2016 period ($1,275 per ounce sold for the June – December 2016 period in the previous guidance).

(5) All-in costs per ounce sold (excluding development projects costs) and all-in costs (excluding development projects costs and including revenue-based taxes and income taxes) per ounce sold as well as capital expenditures (sustaining and growth) measures in the above table exclude capital expenditures required to advance development of Öksüt, Gatsuurt and Greenstone development projects. The consolidated numbers do not include any impact of Thompson Creek and its operations

The Company has revised its 2016 forecast for operating costs at the Kumtor mine due to realized and forecasted cost savings from lower costs for diesel fuel, blasting materials and reagents.

2016 Corporate General and Administrative Costs

The forecast for the 2016 corporate general and administrative costs has been revised to $32 million from $31 million in the previous guidance to reflect additional business development costs.

2016 Exploration Expenditures

2016 planned exploration expenditures excluding exploration at Greenstone Gold property are forecasted to be $13 million ($12.4 million in the previous guidance) due to new exploration projects.

2016 Capital Expenditures

Centerra’s projected capital expenditures for 2016, excluding capitalized stripping, have been revised to $124 million ($140 million in the previous guidance), including $69 million of sustaining capital[NG] ($76 million in the previous guidance) and $55 million of growth capital[NG] ($64 million in the previous guidance). The changes in capital expenditure forecasts are described below.

Projected capital expenditures do not include sustaining and growth capital for Mount Milligan. Projected capital expenditures for the Company’s other projects (excluding capitalized stripping) are:

Projects	2016 Sustaining Capital^{NG} (millions of dollars)	2016 Growth Capital^{NG} (millions of dollars)
Kumtor	$68	$17
Öksüt	-	14
Gatsuurt	-	10
Greenstone(1)	-	14
Corporate and other	1	-
Consolidated Total (excluding Mount Milligan)	**$69**	**$55**

(1) Greenstone capital expenditures above include capitalized amounts for Premier's 50% share of the Greenstone project costs funded in full by Centerra.

Kumtor

At Kumtor, 2016 total capital expenditures, excluding capitalized stripping, are forecast to be $85 million, which is $12 million lower than the previous guidance. The Company decreased its forecast for sustaining capital^{NG} from $75 million in the previous guidance to $68 million due to further cancelations or deferral of major overhauls and replacements of certain heavy duty mine equipment ($7 million).

2016 forecast for growth capital investment at Kumtor has been reduced to $17 million ($22 million in the previous guidance) reflecting lower cost estimates for relocation of certain infrastructure at Kumtor relating to the ongoing Kumtor pit expansion ($5 million).

The projected cash component of capitalized stripping costs related to the development of the open pit is expected to be $122 million ($108 million in the previous guidance) due to increased overburden stripping at the cut-back 18. Total capitalized stripping costs, including DD&A, are forecasted at $150 million for 2016 ($145 million in the previous guidance).

Mongolia (Boroo and Gatsuurt)

At Boroo, 2016 sustaining capital^{NG} expenditures are expected to be minimal and no growth capital^{NG} is forecast for Boroo, which is unchanged from the previous guidance.

The Company is carrying out additional exploration drilling to expand the Gatsuurt resource base as well as geo-technical and hydrogeological drilling in support of the eventual project development. The Company has increased its 2016 forecast to $10 million from $6 million in the previous guidance (excluding $1.4 million for additional exploration) for additional feasibility study work for the Gatsuurt Project.

Öksüt Project

The Company has decreased its 2016 forecast for capital construction expenditures at the Öksüt property from $25 million in the previous guidance to $14 million in the current guidance due to delays in obtaining permits.

Greenstone Gold Property
The Company has revised its guidance for 2016 expenditures for the Greenstone Gold Property to approximately $29 million (Cdn$38 million) compared to $37 million (Cdn$49 million) in the previous guidance. Currently, the Greenstone Partnership is in the final stages of completing the feasibility study.

Sensitivities
Centerra's revenues, earnings and cash flows for the remaining three months of 2016 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.

		Impact on *($ millions)*				**Impact on** *($ per ounce sold)*
	Change	**Costs**	**Revenues**	**Cash flow**	**Earnings before taxes**	**AISC**[(2)]
Gold Price	**$50/oz**	1.2 – 1.4	8.3 – 10.3	7.1 – 8.8	7.1 – 8.8	n/a
Diesel Fuel	**10%**	2.2	-	2.2	2.2	3.6 – 3.9
Kyrgyz som[(1)]	**1 som**	0.4	-	0.4	0.4	0.6 - 0.7
Canadian dollar[(1)]	**10 cents**	0.7	-	0.7	0.7	1.2 - 1.3

(1) 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
(2) All-in sustaining costs per ounce sold ("AISC") is a non-GAAP measure discussed under "Non-GAAP Measures".

Material Assumptions and Risks
Material assumptions or factors used to forecast production and costs for the remaining three months of 2016 include the following:

- a gold price of $1,275 per ounce ($1,275 per ounce in the previous guidance)
- exchange rates:
    - $1USD : $1.31 CAD (from $1.34 CAD in the previous guidance)
    - $1USD : 68.5 Kyrgyz som (from 71 KGS in the previous guidance)
    - $1USD : 0.91 Euro (from 0.91 Euro in the previous guidance)
- diesel fuel price assumption:
    - $0.47/litre at Kumtor (from $0.43/litre in the previous guidance)

The assumed diesel price of $0.47/litre at Kumtor assumes that no Russian export duty will be paid on the fuel exports from Russia to the Kyrgyz Republic. Diesel fuel is sourced from Russian suppliers and correlates in part with world oil prices. The diesel fuel price assumptions were made when the price of oil (Brent) was approximately $49 per barrel. During the first nine months of 2016 diesel prices at Kumtor averaged approximately $0.38/litre, while average price of oil (Brent) was about $42 per barrel. The lower costs of diesel fuel, blasting materials and reagents have provided significant year-to-date costs savings for the Kumtor operations. Centerra's management continues to monitor the prices of diesel and exchange rates affecting the Company's operations.

Other material assumptions were used in forecasting production and costs for the fourth quarter of 2016. These material assumptions include the following:

- That the Company has sufficient cash on hand or available to it in order to fund anticipated operating and development costs and to satisfy compliance with financial covenants in its credit facilities.
- That any discussions between the Government of the Kyrgyz Republic and Centerra regarding the resolution of all outstanding matters affecting the Kumtor mine are satisfactory to Centerra, fair to all of Centerra's shareholders, and that any such resolution will receive all necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law.
- All mine plans, expertise and related permits and authorizations at Kumtor receive timely approval from all relevant governmental agencies in the Kyrgyz Republic and are not subsequently withdrawn.
- The buttress constructed at the bottom of the Davidov glacier continues to function as planned.
- The pit walls at Kumtor remain stable.
- The resource block model at Kumtor reconciles as expected against production.
- 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 actions taken by the Kyrgyz Republic Parliament and Government do not have a material impact on operations or financial results. This includes any actions (i) being taken by the Parliament or Government to cancel the Kumtor Project Agreements; (ii) which are not consistent with the rights of Centerra and KGC under the Kumtor Project Agreements; or (iii) that cause any disruptions to the operation and management of KGC and / or the Kumtor Project.
- The previously disclosed claims received from the Kyrgyz regulatory authorities (SIETS and SAEPF) and related Kyrgyz Republic court decisions, the claims of the Kyrgyz Republic's General Prosecutor's Office purporting to invalidate land use rights and/or seize land at Kumtor and to unwind the $200 million inter-company dividend declared and paid by KGC to Centerra in December 2013, criminal and other investigations initiated by the GPO in connection with loans and dividends made by KGC and the alleged misuse of funds or other property at KGC and any further claims, whether environmental allegations or otherwise, are resolved without material impact on Centerra's operations or financial results.
- 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, does not accelerate and will be managed to ensure continued safe operations, without impact to gold production.
- Grades and recoveries at Kumtor will remain consistent with the 2016 production plan to achieve the forecast gold production.
- 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 Kumtor mill continues to operate as expected.
- The Company continues to meet the terms of the EBRD Facility in order to further access such funds.
- 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 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 2016 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed herein under the headings “Material Assumptions & Risks” and “Cautionary Note Regarding Forward-Looking Information” and under the heading “Risk Factors” in this MD&A.

Risk Factors

Centerra’s operations and financial results are subject to various risks and uncertainties, including those described in its 2015 Annual Information Form under the heading “Risks that can affect our business” and those described below. These risk factors could materially adversely impact the profitability, future cash flow, earnings, results of operation, stated reserves and financial condition of the Company. The lists referenced in the 2015 Annual Information Form and below are not a complete list of potential risks facing Centerra. Additional risks and uncertainties not currently known to us, or that are currently deemed immaterial, may also materially and adversely affect our business operations, prospects, financial condition, results of operations, or cash flows.

In addition to general risks described in the Company’s 2015 Annual Information Form, the following additional risk factors apply, many of which relate to the Company’s recently completed acquisition of Thompson Creek and its assets (the “Acquisition”).

<u>Liquidity Risk</u>

The Company is unable to access funds held at KGC which adversely impacts its cash on hand.

The Company is dependent on its cash flow from its operating subsidiaries to meet its obligations, including the payment of principal and interest on its outstanding credit facilities. As discussed elsewhere in this document, Centerra’s Kyrgyz Republic operating subsidiary, KGC, is subject to an interim order of the Kyrgyz Republic court prohibiting KGC from taking any actions relating to certain financial transactions, including transferring property or assets, declaring or paying dividends or making loans. While such order does not prohibit KGC from continuing to use its cash resources to operate the Kumtor mine, it has to date prevented KGC from distributing such cash to Centerra. Any insufficiency of cash at hand or available to the Company through its existing credit facilities could result in the Company not being able to fulfill its obligations when due, and/or to be in non-compliance with financial covenants in the Company's credit facilities. In such cases, the Company may be required to refinance its indebtedness, raise fund in public or private offerings or to sell some of its assets. There are no assurances that such refinancing or offerings would be available to the Company, or that such transactions could be completed on terms satisfactory to Centerra. The realization of any of these foregoing events could have an adverse impact on the Company's future earnings, results of operations, and financial condition.

Integration Risk

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

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

Financial Risk

Extended declines in the prices of copper and gold would have a material adverse effect on the Company's earnings and cash flows and its ability to repay outstanding debt as it comes due. Fluctuations in the prices of copper and gold can cause significant volatility in the Company's financial performance.
Centerra's business is dependent on the prices of gold and copper, which are volatile and are affected by numerous factors beyond its control. In addition, the Company's ability to recommence operations at its molybdenum mines (acquired as part of the Acquisition) depend on the price of molybdenum, which has declined in recent years.

Any decline in the prices of gold or copper adversely impacts the Company's revenues, net income, cash flows, and could affect its ability to make necessary capital investments, repay debt and meet debt service and other fixed obligations, and depress the trading prices of our common stock. Sustained declines in prices could also:

- cause Centerra to revise its operating plans, resulting in reduced output, the placement of its producing mines on care and maintenance or closure of one or more of its mines or other facilities;
- reduce revenues through production declines due to cessation of mining of deposits that have become uneconomic;
- reduce funds available for capital expenditures;
- delay or prevent the Company's ability to make accretive acquisitions or conduct exploration work;
- reduce existing reserves due to economic viability; and
- cause the Company to write down assets and accelerate depletion, reclamation and closure charges.

Mine closure and reclamation costs for environmental liabilities may exceed the provisions we have made and our inability to provide reclamation bonding or maintain insurance could adversely affect our operating results and financial condition.

For properties located in the US and Canada, Centerra is required by US federal and state laws and Canadian federal and provincial laws to provide financial assurance sufficient to allow a third party to implement approved closure and reclamation plans if it is unable to do so. These laws are complex and vary from jurisdiction to jurisdiction. The laws govern the determination of the scope and cost of the closure and reclamation obligations and the amount and forms of financial assurance. The amount and nature of the financial assurances are dependent upon a number of factors, including the Company's financial condition and reclamation cost estimates. As our operations expand or reclamation expenses increase, the Company's reclamation obligations and the financial assurances that the Company is required to provide may increase accordingly.

In addition, the costs of surety bonds and financial assurance have fluctuated in recent years while the market terms of such bonds and financial assurance have generally become less favorable to mine operators. These changes in the terms of the bonds and financial assurance have been accompanied at times by a decrease in the number of companies willing to issue surety bonds and financial assurance. Increased costs related to surety bonds and financial assurance could have a material adverse effect on our financial condition and liquidity.

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 corresponding revenues from Mount Milligan.

Thompson Creek entered into four multi-year concentrate sales agreements for the sale of copper-gold concentrate produced at Mount Milligan Mine. Pursuant to these agreements, Thompson Creek has agreed to sell an aggregate of approximately 120,000 tonnes in calendar year 2016, and 60,000 tonnes in 2017 and 40,000 tonnes in 2018. A breach of the applicable sales agreement by Thompson Creek 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 consolidated financial condition. If, in such an event, the Company is unable to sell the affected concentrate volume to another customer, or if the

Company sells the affected concentrate to another customer on terms less advantageous terms to the Company, its revenues could be negatively impacted.

The commodity hedging activities relating to Thompson Creek assets may reduce the realized prices the Company will receive for its copper and gold produced at Mount Milligan, and involve market risk for the fair value of the derivatives, credit risk that the 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 its cash flow exposure to copper and gold price volatility in selling production from Mount Milligan Mine, Thompson Creek entered into commodity derivatives from time to time for a portion of the expected gold production from the Mount Milligan mine. Additionally, Thompson Creek receives cash provisional payments in selling production for Mount Milligan Mine, thus requiring that it purchases gold in order to satisfy its obligation to pay Royal Gold in physical gold. Thompson Creek has historically entered into, and the Company may going forward enter into, commodity derivatives from time to time in order to manage its gold price risk for the Mount Milligan mine that arises when physical purchase and concentrate sales pricing periods do not match. Thompson Creek currently has in place unsecured hedging lines with various banks and trading companies in order to manage these exposures.

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

Commodity derivatives may expose the Company 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 our expected production, which may result in a significant financial loss on the derivative. The Company may mitigate the potential market risk by establishing trading agreements with counterparties under which it is not required to post any collateral or make any margin calls on its derivatives. Further, we are also at risk of having a fewer number of counterparties available to enter into future hedging transactions. We can mitigate the risk of having commodity derivative transactions in excess of production at Mount Milligan by entering into derivatives for only a portion of the expected production at Mount Milligan.

Commodity derivatives would also expose the Company to credit risk that counterparties may be unable to satisfy their obligations to the Company. To the extent required, the Company would mitigate 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 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 at Mount Milligan 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.

Operational Risks

The mining business is subject to production and operational risks that could adversely affect the Company's 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 the following:

- unanticipated ground and water conditions;
- adverse claims to water rights and shortages of water to which we have rights;
- adjacent or adverse land or mineral ownership that results in constraints on current or future mine operations;
- geological problems, including earthquakes and other natural disasters;
- metallurgical and other processing problems;
- unusual or unexpected mineralogy or rock formations;
- ground or slope failures;
- tailings design or operational issues, including dam breaches or failures;
- structural cave-ins, wall failures or rock-slides;
- flooding or fires;
- equipment failures;
- periodic interruptions due to inclement or hazardous weather conditions or operating conditions and other force majeure events;
- lower than expected ore grades or recovery rates;
- accidents;
- delays in the receipt of or failure to receive necessary government permits;
- the results of litigation, including appeals of agency decisions;
- delays in transportation;
- interruption of energy supply;
- labor 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, our mines, mills and roasting facilities, resulting in partial or complete shutdowns, 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.

In addition, the Company relies on a few key vendors for the transportation of concentrate from the Mount Milligan Mine to its customers. Concentrate is transported from the mine site to Mackenzie, British Columbia, Canada by truck pursuant to a contract with a single trucking company, then to Vancouver by rail pursuant to a contract with a single railway operator, stored at the Port of Vancouver pursuant to a contract with the Port of Vancouver terminal operator, and shipped to the customers pursuant to a contract with a single shipping provider. A breach of the applicable contract by any of these vendors, a significant dispute with any of these vendors, a force majeure event or other operational or financial issues affecting one or more of these vendors, including labor strikes or work stoppages, or any other event that would significantly impede the ability of these vendors to perform their contractual obligations to the Company or that would have a significant negative impact on the contractual relationship with them would adversely affect the Company's ability to satisfy its obligations to its customers, which could have a material impact on the financial condition and results of operations.

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

Our 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 water rights and claims. Although the Company's current operations have sufficient water rights and claims to cover current operational demands, the Company cannot predict the potential outcome of future legal proceedings affecting water rights, claims and uses. The failure to obtain needed water permits, the loss of some or all water rights for any of the Company's mines, in whole or in part, or shortages of water to which we have rights due to weather, equipment issues or other factors could require the Company to curtail or close mining production and could prevent us from pursuing expansion opportunities.

A temporary or extended shutdown of any of the Company's operations could expose it to significant costs and adversely affect our access to skilled labor.

From time to time, the Company may have to temporarily shut down one or more of its operating sites or place one or more of its operating sites on care and maintenance or permanent shutdown, if they are not commercially viable due to factors such as declines in metal prices, increased costs or adverse changes in interest rates or currency exchange rates. For example, the Company's molybdenum mines are currently on care and maintenance due to ongoing weakness in the molybdenum price. During temporary shutdowns or while a site is on care and maintenance, the Company will have to continue to expend capital to maintain the site or facility and equipment. In addition, reductions in workforce, advance notice requirements under collective labor agreements or applicable law, and severance obligations arising from such suspension or shutdown could cause the Company to incur significant labour costs. Furthermore, temporary or extended shutdowns may adversely affect the Company's future access to skilled labor, as employees who are laid off may seek employment elsewhere.

In addition, if the Company's operations are shut down for an extended period of time, the Company may be required to engage in environmental remediation of the plant sites or accelerated reclamation of our mines, which would require the Company to incur additional costs. The costs of ramping up production at one of the Company's operations following a temporary shutdown could be significant. Given the costs involved in a temporary shutdown of operations, the Company may instead choose to continue to operate those operations at a loss.
Such a decision could have a material adverse effect on our results of operations and financial condition.

Certain mines and exploration properties owned by the Company are located on land that is or may become subject to traditional territory and/or title claims by certain First Nations, and such claims and the attendant obligations of the provincial and federal governments to those First Nations may affect our current and future operations.

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

The Company is required to obtain government approvals and permits in order to conduct operations.

Government approvals and permits are currently required in connection with all of the Company's operations, and further approvals and permits may be required in the future. The Company must obtain and maintain a variety of licenses and permits, which include or cover without limitation air quality, water quality, water rights, dam safety, emergency preparedness, hazardous materials, waste rock management, solid waste disposal and tailings operations. The duration and success of the Company’s efforts to obtain permits are contingent upon many variables outside of its control. Obtaining governmental approvals and permits may increase costs and cause delays depending on the nature of the activity to be permitted and the applicable requirements implemented by the permitting authority. There can be no assurance that all necessary approvals and permits will be obtained or timely obtained or that they would remain in effect if the Company were forced into a reorganization, bankruptcy or insolvency proceeding. In addition, there can be no assurance that, if obtained, the costs of the approvals and permits will not exceed the Company’s estimates or that the Company will be able to maintain such approvals and permits. To the extent such approvals or permits are required and not obtained or maintained, the Company’s operations may be curtailed, or the Company may be prohibited from proceeding with planned exploration, development or operation of our mineral properties.

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

The Company’s operations plan for Mount Milligan Mine provides that employees have the option to live in an operations residence located on the minesite, and that copper-gold concentrate from the mill will be transported to the District of Mackenzie (as opposed to Fort St. James) to be loaded onto railcars for transport to the Port of Vancouver. To construct and operate an operations residence and to load out concentrate in Mackenzie, the Company applied for and obtained an amendment to its Environmental Assessment Certificate for Mount Milligan Mine. Any failure to comply with the amendment as issued may have a material adverse effect on the Company’s business.

Obtaining and maintaining the various permits for the Company’s mine development operations and exploration projects will be complex, time-consuming and expensive. Changes in a mine's design, production rates, quality of material mined and many other matters often require submission of the proposed changes for agency approval prior to implementation, and these may not be obtained. In addition, changes in operating conditions beyond the Company’s control, changes in agency policy and federal and state laws, litigation or community opposition could further affect the successful permitting of operations.

Major network failures could have an adverse effect on our business.
Major equipment failures, natural disasters including severe weather, terrorist acts, acts of war, cyber-attacks or other breaches of network systems or security that affect computer systems within the Company’s network could disrupt its business functions, including the Company’s

production activities. The Company's mines and mills are automated and networked such that a cyber incident involving the Company's information systems and related infrastructure could negatively impact our operations. A corruption of the Company's financial or operational data or an operational disruption of the Company's production infrastructure could, among other potential impacts, result in: (i) loss of production or accidental discharge; (ii) expensive remediation efforts; (iii) distraction of management; (iv) damage to the Company's reputation or its relationship with customers; or (v) in events of noncompliance, which events could lead to regulatory fines or penalties. Any of the foregoing could have a material adverse effect on the Company's business, results of operations and financial condition.

Environmental Risks

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, the Company 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.

On July 1, 2008, the Province of British Columbia introduced a carbon tax on the purchase or use of fossil fuels within the province. The current carbon tax rate is $30 per tonne of carbon dioxide equivalent emissions. British Columbia has determined to maintain the carbon tax, but not to increase the rate. Endako Mine and Mount Milligan Mine are located in British Columbia, and the carbon tax may have a material impact on the Company's energy and compliance costs.

The US federal and state governments may also enact an emission trading or similar program for greenhouse gas emissions, which could significantly increase the Company's energy and regulatory compliance costs. For example, the US federal government has considered legislation to reduce greenhouse gas emissions through a cap-and-trade system of allowances and credits, among other provisions. In addition, the US Environmental Protection Agency has developed final rules requiring certain emitters of greenhouse gases to collect and report data with respect to their greenhouse gas emissions.

The Company is in the process of evaluating the potential impacts on its operations of these new and potential regulations. Either a carbon tax or a cap-and-trade program will likely result in increased future energy costs. The regulations will also likely increase the Company's compliance costs. For example, the Company may be required to install new equipment to reduce emissions from its processing facilities in order to comply with new regulatory standards or to mitigate the financial impact of a new climate change program. The Company also may be subject to additional and extensive monitoring and reporting requirements. It is uncertain at this time how provincial and regional initiatives will interact with any federal climate change regulations.

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 the Company's facilities. These may include changes in weather and rainfall patterns, water shortages, changing storm patterns and intensities 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.

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 the Company 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 negatively affect the Company's financial results.

Non-GAAP Measures

This MD&A contains the following non-GAAP financial measures: all-in sustaining costs, all-in costs, and all-in costs (excluding development projects), all three measures with and without revenue-based taxes and income taxes. In addition, non-GAAP financial measures include adjusted operating costs in dollars (millions) and per ounce sold, as well as cost of sales per ounce sold, capital expenditures (sustaining), capital expenditures (growth) and average realized gold price. 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.
- *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.
- *All-in sustaining costs per ounce sold* include adjusted operating costs, the cash component of capitalized stripping costs, corporate general and administrative expenses, accretion expenses, and sustaining capital. The measure incorporates costs related to sustaining production.
- *Capital expenditure (Growth)* is capital expended to expand the business or operations by increasing productive capacity beyond current levels of performance.
- *All-in costs per ounce sold* include all-in sustaining costs and additional costs for growth capital, global exploration expenses, business development costs and social development costs not related to current operations.
- *All-in cost per ounce sold* exclude the following:
    - Working capital (except for adjustments to inventory on a sales basis).
    - All financing charges (including capitalized interest).
    - Costs related to business combinations, asset acquisitions and asset disposals.
    - Other non-operating income and expenses, including interest income, bank charges, and foreign exchange gains and losses.
- *All-in costs per ounce sold (excluding development projects costs)* measure comprises all-in costs per ounce sold as described above and excludes the Company's development projects.
- *Development projects* are defined as projects that are beyond the exploration stage but are pre-operational. For 2016, development projects include all spending at Öksüt, Gatsuurt and the Greenstone Gold Property.
- *Development projects costs* represent spending on development projects whether expensed as pre-development costs or capitalized as development costs.

- *All-in costs including taxes per ounce sold* measure includes revenue-based taxes at Kumtor and income taxes in Mongolia.
- *Cost of sales per ounce sold* is calculated by dividing cost of sales by gold ounces sold.
- *Average realized gold price* is calculated by dividing revenue derived from gold sales by the number of ounces sold.

Adjusted Operating Cost, All-in Sustaining Costs and All-in Costs, excluding development projects (including and excluding revenue-based taxes and income taxes) are non-GAAP measures used in this MD&A and can be reconciled as follows:

(1) By operation

Kumtor

(unaudited) **($ millions, unless otherwise specified)**	**Three months ended September 30,[1] 2016**	**2015**	**Nine months ended September 30,[1] 2016**	**2015**
Cost of sales, as reported	$ **98.0**	$ 72.8	$ **247.4**	$ 255.9
Less: Non-cash component	**51.3**	39.3	**120.1**	151.6
Cost of sales, cash component	$ **46.7**	$ 33.5	$ **127.3**	$ 104.3
Adjust for:				
Regional office administration	**3.6**	3.4	**10.7**	11.8
Refining fees	**1.1**	0.6	**2.5**	2.4
By-product credits	**(1.4)**	(0.5)	**(3.0)**	(1.9)
Community costs related to current operations	**0.1**	0.3	**0.9**	1.6
Adjusted Operating Costs	**$ 50.1**	**$** 37.4	**$ 138.4**	**$** 118.2
Accretion expense	**0.2**	0.2	**0.7**	0.7
Capitalized stripping and ice unload	**28.2**	49.1	**57.6**	150.3
Capital expenditures (sustaining)	**13.0**	14.4	**49.6**	38.6
All-in Sustaining Costs	**$ 91.5**	**$** 101.1	**$ 246.3**	**$** 307.8
Capital expenditures (growth)	**3.2**	1.4	**13.3**	11.8
All-in Costs	**$ 94.7**	**$** 102.5	**$ 259.6**	**$** 319.4
Revenue-based taxes	**30.8**	15.9	**63.7**	64.4
All-in Costs (including revenue-based taxes)	**$ 125.5**	**$** 118.4	**$ 323.3**	**$** 383.8
Ounces sold (000)	**165**	101	**355**	389
Adjusted Operating Costs - $ / oz sold	**$ 303**	**$** 369	**$ 390**	**$** 304
All-in Sustaining Costs - $ / oz sold	**$ 555**	**$** 1,000	**$ 695**	**$** 791
All-in Costs - $ / oz sold	**$ 574**	**$** 1,014	**$ 732**	**$** 821
All-in Costs (including revenue-based taxes) - $ /oz sold	**$ 761**	**$** 1,171	**$ 912**	**$** 987

(1) Results may not add due to rounding

2) Consolidated

Centerra

(unaudited) **($ millions, unless otherwise specified)**	**Three months ended September 30,[1]** **2016**	 **2015**	**Nine months ended September 30,[1]** **2016**	 **2015**
Cost of sales, as reported	**$ 98.0**	$ 76.1	**$ 247.4**	$ 271.0
Less: Non-cash component	**51.3**	40.8	**120.1**	156.3
Cost of sales, cash component	**46.7**	$ 35.3	**127.3**	$ 114.7
Adjust for:				
Regional office administration	**3.6**	4.1	**10.7**	14.4
Mine stand-by costs	**-**	0.7	**-**	3.7
Refining fees	**1.2**	0.6	**2.5**	2.4
By-product credits	**(1.4)**	(0.5)	**(3.0)**	(2.0)
Community costs related to current operations	**-**	0.4	**0.9**	1.8
Adjusted Operating Costs	**50.1**	$ 40.6	**138.4**	$ 135.0
Corporate general administrative costs	**5.8**	7.8	**18.2**	27.8
Accretion expense	**0.3**	0.4	**1.2**	1.1
Capitalized stripping and ice unload	**28.2**	49.1	**57.6**	150.3
Capital expenditures (sustaining)	**13.0**	14.8	**49.9**	39.4
All-in Sustaining Costs	**97.4**	$ 112.7	**265.2**	$ 353.6
Capital expenditures (growth)	**3.2**	1.4	**13.3**	11.8
Boroo closure costs	**(2.2)**	-	**(2.4)**	-
Exploration and business development	**5.8**	3.1	**13.0**	8.0
All-in Costs, excluding development projects costs	**104.2**	117.2	**289.2**	373.4
Revenue-based taxes	**30.8**	15.9	**63.7**	64.4
Income taxes	**0.1**	-	**0.3**	0.2
All-in Costs, excluding development projects costs (including revenue-based taxes and income taxes)	**$ 135.1**	$ 133.1	**$ 353.2**	$ 438.0
Ounces sold (000)	**165**	103	**355**	402
Adjusted Operating Costs - $ / oz sold	**$ 303**	$ 393	**$ 390**	$ 336
All-in Sustaining Costs - $ / oz sold	**$ 591**	$ 1,089	**$ 748**	$ 881
All-in Costs, excluding development projects costs - $ / oz sold	**$ 632**	$ 1,133	**$ 816**	$ 930
All-in Costs, excluding development projects costs (including revenue-based taxes and income taxes) - $ / oz sold	**$ 820**	$ 1,287	**$ 996**	$ 1,089

(1) Results may not add due to rounding

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

Three months ended September 30,	**Kumtor**	**Boroo**	**Turkey**	**All other**	**Consolidated**
($ millions - Unaudited)					
2016					
Capitalized stripping – cash	28.2	-	-	-	28.2
Sustaining capital - cash	13.0	-	-	-	13.0
Growth capital - cash	3.2	-	-	1.5	4.7
Greenstone Gold Property pre-development costs - cash	-	-	-	2.6	2.6
Öksüt project development capital - cash	-	-	4.7	-	4.7
Net increase in accruals included in additions to PP&E	(2.6)	-	-	-	(2.6)
Total - Additions to PP&E(1)	**41.8**	**-**	**4.7**	**4.1**	**50.6**
2015					
Capitalized stripping – cash	49.1	-	-	-	49.1
Sustaining capital - cash	14.4	-	-	0.4	14.8
Growth capital - cash	1.4	-	-	0.5	1.9
Greenstone Gold Property pre-development costs - cash	-	-	-	3.0	3.0
Öksüt project development capital - cash	-	-	1.8	-	1.8
Net increase in accruals included in additions to PP&E	(1.4)	-	-	-	(1.4)
Total - Additions to PP&E(1)	63.5	-	1.8	3.9	69.2

Nine months ended September 30,	**Kumtor**	**Boroo**	**Turkey**	**All other**	**Consolidated**
($ millions - Unaudited)					
2016					
Capitalized stripping – cash	57.6	-	-	-	57.6
Sustaining capital - cash	49.6	-	-	0.3	49.9
Growth capital - cash	13.3	-	-	5.0	18.3
Greenstone Gold Property pre-development costs - cash	-	-	-	7.6	7.6
Öksüt project development capital - cash	-	-	9.9	-	9.9
Net increase in accruals included in additions to PP&E	(12.3)	-	-	-	(12.3)
Total - Additions to PP&E(1)	**108.2**	**-**	**9.9**	**12.9**	**131.0**
2015					
Capitalized stripping – cash	150.3	-	-	-	150.3
Sustaining capital - cash	38.6	0.1	-	0.7	39.4
Growth capital - cash	11.8	-	-	1.0	12.8
Greenstone Gold Property pre-development costs - cash	-	-	-	8.8	8.8
Öksüt project development capital - cash	-	-	1.8	-	1.8
Net increase in accruals included in additions to PP&E	(1.3)	-	-	-	(1.3)
Total - Additions to PP&E(1)	199.4	0.1	1.8	10.5	211.8

(1) As reported in the Company's Consolidated Statement of Cash Flows as "Investing Activities – Additions to PP&E".

Qualified Person and QA/QC

The scientific and technical information in this MD&A, including the production estimates were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”) and were prepared, reviewed, verified and compiled by Centerra’s geological and mining staff under the supervision of 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.

Caution Regarding Forward-Looking Information

Information contained in this MD&A which are not statements of historical facts, and the documents incorporated by reference herein, may be “forward-looking information” for the purposes of Canadian securities laws. Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward looking information. The words “believe”, “expect”, “anticipate”, “contemplate”, “target”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule” and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things: expectations regarding the sufficiency of the Company’s cash resources to fund ongoing expenditures; expectations regarding commencement of the permanent secondary crushing plant at the Mt. Milligan mine; matters relating to the Öksüt Project, including as to applications for and receipt of permits, commencement of project development and timing of first gold production; timing of EIS/EA submissions relating to the Hardrock Project feasibility study; GGM’s ongoing discussion with local communities; claims and investigations made by Kyrgyz Republic state agencies, including the GPO, SIETS and SAEPF and arbitration proceedings involving KGC and the Kumtor Project, related Kyrgyz Republic court orders, the potential effects of such court orders and the Company’s intentions relating thereto; permitting and regulatory matters, including the Ecological Passport, relating to the Kumtor Project, and the potential effect on the Kumtor Project of Kumtor being prevented from moving ice; estimates relating to the Company’s cash and short-term investments; expectations relating to the Company’s production, capital expenditures and costs for 2016.

Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward looking information. Factors that could cause actual results or events to differ materially from current expectations include, among other things: (A) strategic, legal, planning and other risks, including: political risks associated with the Company’s operations in the Kyrgyz Republic, Mongolia and Turkey; resource nationalism including the management of external stakeholder expectations; the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices in the jurisdictions in which the Company operates

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including any unjustified civil or criminal action against the Company, its affiliates or its current or former employees; the impact of any actions taken by the Kyrgyz Republic Government and Parliament relating to the Kumtor Project Agreements which are inconsistent with the rights of Centerra and KGC under the Kumtor Project Agreements; any impact on the purported cancellation of Kumtor's land use rights at the Kumtor Project pursuant to a court claim commenced by the Kyrgyz Republic GPO; the risks related to other outstanding litigation affecting the Company's operations in the Kyrgyz Republic and elsewhere; the impact of the delay by relevant government agencies to provide required approvals and permits, including the delay currently being experienced at the Kumtor Project over the Ecological Passport; the potential impact on the Kumtor Project of investigations by Kyrgyz Republic instrumentalities and movement restrictions on KGC employees and managers; the rights of the Mongolian Government to take an interest in the Gatsuurt Project as a result of the deposit being declared a strategic deposit, and the terms of any such participation, or to take a special royalty rate which has yet to be defined; the impact of changes to, the increased enforcement of, environmental laws and regulations relating to the Company's operations; the impact of any sanctions imposed by Canada, the United States or other jurisdictions against various Russian individuals and entities; the ability of the Company to negotiate a successful deposit development agreement for Gatsuurt; potential defects of title in the Company's properties that are not known as of the date hereof; the inability of the Company and its subsidiaries to enforce their legal rights in certain circumstances; the presence of a significant shareholder that is a state-owned company of the Kyrgyz Republic; risks related to anti-corruption legislation; risks related to the concentration of assets in Central Asia; Centerra's future exploration and development activities not being successful; Centerra not being able to replace mineral reserves; difficulties with Centerra's joint venture partners; and aboriginal claims and consultative issues relating to the Company's 50% interest in the Greenstone Gold Property; 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 prices, 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 revolving credit facilities which may, among other things, restrict the Company from pursuing certain business activities, 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, including: movement of the Davidov Glacier and the waste and ice movement at the Kumtor Project and the Company's continued ability to successfully manage such matters, including the continued performance of the buttress; the occurrence of further ground movements at the Kumtor Project and mechanical availability; the success of the Company's future exploration and development activities, including the financial and political risks inherent in carrying out exploration activities; inherent risks associated with the use of sodium cyanide in the mining operations; the adequacy of the Company's insurance to mitigate operational risks; mechanical breakdowns; the Company's ability to obtain the necessary permits and authorizations to (among other things) raise the tailings dam at the Kumtor Project to the required height; the Company's ability to replace its mineral reserves; the occurrence of any labour unrest or disturbance and the ability of the Company to successfully re-negotiate collective agreements when required; the risk that

Centerra's workforce may be exposed to widespread epidemic; seismic activity in the vicinity of the Company's operations in the Kyrgyz Republic and Mongolia; 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, including Greenstone Gold Mines LP; the Company's ability to manage its projects effectively and to mitigate the potential lack of availability of contractors, budget and timing overruns and project resources. See "Risk Factors" in the Company's 2015 Annual Information Form available on SEDAR at www.sedar.com.

Furthermore, market price fluctuations in gold, 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 November 7, 2016. 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.

Condensed Consolidated Interim Financial Statements

For the Quarter Ended September 30, 2016
(Unaudited)

(Expressed in thousands of United States Dollars)

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

(Expressed in Thousands of United States Dollars)	Notes	September 30, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		**$ 454,060**	$ 360,613
Short-term investments		**25,055**	181,613
Restricted cash – Kyrgyz Republic court order	**4**	**121,607**	-
Restricted cash - financing	**4, 8**	**145,390**	-
Amounts receivable	**5**	**40,665**	28,781
Inventories	**6**	**480,373**	347,011
Prepaid expenses	**7**	**19,850**	12,880
		1,287,000	930,898
Property, plant and equipment	**9**	**601,222**	693,016
Restricted cash		**895**	9,989
Other assets		**33,378**	26,681
		635,495	729,686
Total assets		**$ 1,922,495**	$ 1,660,584
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 72,864**	$ 75,292
Short-term debt	**10**	**98,024**	76,000
Subscription receipt issue liability	**8**	**149,570**	-
Revenue-based taxes payable		**19,013**	9,152
Taxes payable		**1,172**	1,286
Current portion of provision for reclamation		**906**	1,062
		341,549	162,792
Dividends payable to related party	**15**	**-**	9,330
Provision for reclamation		**66,124**	65,087
Deferred income tax liability		**5,647**	2,524
		71,771	76,941
Total liabilities		**$ 413,320**	$ 239,733
Shareholders' equity	**13**		
Share capital		**690,471**	668,705
Contributed surplus		**25,476**	24,153
Accumulated other comprehensive income		**(321)**	220
Retained earnings		**793,549**	727,773
		1,509,175	1,420,851
Total liabilities and Shareholders' equity		**$ 1,922,495**	$ 1,660,584

Commitments and contingencies (note 14) and subsequent events (notes 8, 14, 10 and 18)

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

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

(Expressed in Thousands of United States Dollars, except per share amounts)	Notes	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenue from gold sales		**$ 220,190**	$ 116,226	**$ 455,035**	$ 475,618
Cost of sales	**11**	**97,961**	76,136	**247,416**	271,045
Standby costs, net		**(1,542)**	980	**(2,238)**	4,802
Regional office administration		**3,627**	4,134	**10,675**	14,437
Earnings from mine operations		**120,144**	34,976	**199,182**	185,334
Revenue-based taxes		**30,827**	15,887	**63,705**	64,409
Other operating expenses		**130**	423	**1,396**	1,086
Pre-development project costs	**12**	**2,309**	3,320	**7,593**	11,490
Impairment of goodwill		**-**	18,705	**-**	18,705
Exploration and business development		**5,840**	3,120	**13,029**	7,990
Corporate administration		**5,918**	7,961	**18,529**	28,114
Earnings (loss) from operations		**75,120**	(14,440)	**94,930**	53,540
Other expenses (income), net		**893**	2,281	**(843)**	4,875
Finance costs		**1,720**	1,093	**4,394**	3,328
Earnings (loss) before income taxes		**72,507**	(17,814)	**91,379**	45,337
Income tax expense		**5,569**	278	**3,469**	832
Net earnings (loss)		**$ 66,938**	$ (18,092)	**$ 87,910**	$ 44,505
Other Comprehensive Income					
Items that may be subsequently reclassified to earnings:					
Net gain (loss) on translation of foreign operation		**43**	44	**(176)**	61
Loss on fair value of hedging instruments	**16**	**(365)**	-	**(365)**	-
Other comprehensive (loss) income		**(322)**	44	**(541)**	61
Total comprehensive income (loss)		**$ 66,616**	$ (18,048)	**$ 87,369**	$ 44,566
Basic earnings (loss) per common share	**13**	**$ 0.28**	$ (0.08)	**$ 0.36**	$ 0.19
Diluted earnings (loss) per common share	**13**	**$ 0.28**	$ (0.08)	**$ 0.35**	$ 0.19

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

Centerra Gold Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

	Notes	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
(Expressed in Thousands of United States Dollars)					
Operating activities	**Notes**				
Net earnings (loss)		**$ 66,938**	$ (18,092)	**$ 87,910**	$ 44,505
Items not requiring (providing) cash:					
Depreciation, depletion and amortization	**9**	**60,823**	41,264	**137,553**	157,687
Finance costs		**1,720**	1,093	**4,394**	3,328
Loss on disposal of equipment		**-**	1,482	**119**	1,976
Compensation expense on stock options		**561**	688	**1,905**	1,990
Other share based compensation charge (reversal)		**1,184**	2,220	**(365)**	3,868
Inventory (reversal) impairment	**6**	**(15,431)**	-	**(27,217)**	-
Impairment of goodwill		**-**	18,705	**-**	18,705
Derivative loss		**463**	-	**463**	-
Income tax expense		**5,569**	277	**3,469**	832
Other operating items		**313**	1,478	**(253)**	303
		122,140	49,115	**207,978**	233,194
Change in operating working capital	**17**	**14,334**	(6,980)	**(4,845)**	54,819
Change in long-term inventory		**-**	-	**-**	349
Purchase and settlement of derivatives		**(1,803)**	-	**(1,803)**	-
Income taxes recovered (paid)		**(296)**	105	**(283)**	(340)
Cash provided by operations		**134,375**	42,240	**201,047**	288,022
Investing activities					
Additions to property, plant and equipment	**17**	**(50,579)**	(69,092)	**(131,001)**	(211,737)
Sale of short-term investments, net		**257,094**	91,921	**156,558**	21,880
Purchase of interest in Greenstone Gold Mines LP		**-**	(8,296)	**-**	(75,701)
Decrease (increase) in restricted cash		**27**	-	**(272)**	-
Increase in long-term other assets		**(1,608)**	(546)	**(5,846)**	(560)
Cash generated from (used in) investing		**204,934**	13,987	**19,439**	(266,118)
Financing activities					
Dividends paid - declared in period		**(7,498)**	(4,938)	**(17,668)**	(15,364)
Dividends transferred to trust account		**-**	(2,229)	**(4,466)**	(6,933)
Payment of interest and borrowing costs		**(1,997)**	(1,470)	**(8,600)**	(2,977)
Increase in short term debt	**10**	**-**	-	**24,000**	-
Proceeds from common shares issued for options exercised		**620**	58	**1,302**	639
Proceeds from subscription receipts issued	**8**	**145,390**	-	**145,390**	-
Cash generated from (used in) financing		**136,515**	(8,579)	**139,958**	(24,635)
Increase (decrease) in cash during the period		**475,824**	47,648	**360,444**	(2,731)
Cash and cash equivalents at beginning of the period		**245,233**	250,135	**360,613**	300,514
Restricted cash in respect of subscriptions receipts	**8**	**(145,390)**	-	**(145,390)**	-
Restricted cash in respect of court order	**4**	**(121,607)**	-	**(121,607)**	-
Cash and cash equivalents at end of the period		**$ 454,060**	$ 297,783	**$ 454,060**	$ 297,783
Cash and cash equivalents consist of:					
Cash		**$ 80,723**	$ 86,227	**$ 80,723**	$ 86,227
Cash equivalents		**373,337**	211,556	**373,337**	211,556
		$ 454,060	$ 297,783	**$ 454,060**	$ 297,783

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

Centerra Gold Inc.
Condensed Consolidated Interim Statements of Shareholders' Equity
(Unaudited)

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

	Number of Common Shares		Share Capital Amount		Contributed Surplus		Accumulated Other Comprehensive Income		Retained Earnings		Total
Balance at January 1, 2015	236,403,958	$	660,554	$	22,556	$	-	$	715,533	$	1,398,643
Share-based compensation expense	-		-		1,990		-		-		1,990
Shares issued on exercise of stock options	156,863		1,009		(370)		-		-		639
Shares issued on redemption of restricted share units	9,622		52		-		-		-		52
Dividends declared (note 13(b))	-		-		-		-		(22,297)		(22,297)
Foreign currency translation	-		-		-		61		-		61
Net earnings for the period	-		-		-		-		44,505		44,505
Balance at September 30, 2015	236,570,443	$	661,615	$	24,176	$	61	$	737,741	$	1,423,593
Balance at January 1, 2016	**237,889,274**	**$**	**668,705**	**$**	**24,153**	**$**	**220**	**$**	**727,773**	**$**	**1,420,851**
Share-based compensation expense	**-**		**-**		**1,905**		**-**		**-**		**1,905**
Shares issued on exercise of stock options	**266,509**		**1,885**		**(582)**		**-**		**-**		**1,303**
Shares issued on redemption of restricted share units	**4,722**		**24**		**-**		**-**		**-**		**24**
Shares issued to settle obligations	**4,117,120**		**19,857**		**-**		**-**		**-**		**19,857**
Dividends declared (note 13(b))	**-**		**-**		**-**		**-**		**(22,134)**		**(22,134)**
Foreign currency translation	**-**		**-**		**-**		**(176)**		**-**		**(176)**
Loss on derivative instruments	**-**		**-**		**-**		**(365)**		**-**		**(365)**
Net earnings for the period	**-**		**-**		**-**		**-**		**87,910**		**87,910**
Balance at September 30, 2016	**242,277,625**	$	**690,471**	$	**25,476**	$	**(321)**	$	**793,549**	$	**1,509,175**

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

1. Nature of operations

Centerra Gold Inc. ("Centerra" or the "Company") was incorporated under the Canada Business Corporations Act on November 7, 2002. Centerra's common shares are listed on the Toronto Stock Exchange. The Company is domiciled in Canada and the registered office is located at 1 University Avenue, Suite 1500, Toronto, Ontario, M5J 2P1. The Company is engaged in the production of gold and related activities including exploration, development, mining and processing in the Kyrgyz Republic, Mongolia, Turkey, Portugal, Mexico, Nicaragua and Canada.

On October 20, 2016, the Company announced that it had finalized the acquisition of Thompson Creek Metals Company Inc. ("Thompson Creek"), whereby Centerra acquired all of the issued and outstanding common shares of Thompson Creek. See note 18 for additional details of the transaction.

2. Basis of preparation

These condensed consolidated interim financial statements ("interim financial statements") of the Company have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), using accounting policies consistent with those used in its consolidated financial statements as at and for the year ending December 31, 2015. These financial statements do not contain all of the required annual disclosures and should be read in conjunction with the Company's December 31, 2015 annual consolidated financial statements. Certain comparative figures included in the statement of cash flows have been reclassified to comply with the basis of presentation adopted in the current year.

These interim financial statements were authorized for issuance by the Board of Directors of the Company on November 7, 2016.

3. Changes in accounting policies

Recently adopted accounting policies are as follows:

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

Recently issued but not adopted accounting guidance are as follows:

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company is currently assessing the impact of adopting this standard on its consolidated financial statements.

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

- New standard IFRS 16, *Leases* ("IFRS 16"). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption, provided IFRS 15, has been applied, or is applied at the same date as IFRS 16. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company is in the process of determining the impact of IFRS 16 on its consolidated financial statements.

- Amendments to IAS 7, *Statements of Cash Flows* ("IAS 7"). The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Company is in the process of determining the impact of the amendments to IAS 7 on its consolidated financial statements.

- Amendments to IAS 12, *Income Taxes* ("IAS 12"). The amendments apply for annual periods beginning on or after January 1, 2017 with retrospective application. Early application of the amendments is permitted. The amendments clarify that the existence of a deductible temporary difference is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset and also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The Company is in the process of determining the impact of the amendments to IAS 7 on its consolidated financial statements.

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

4. Restricted cash

	September 30, 2016	December 31, 2015
Cash deposits held subject to court order (Kyrgyz Republic)	**$ 121,607**	$ -
Cash proceeds from Subscription Receipts offering	**145,390**	-
	$ 266,997	$ -

As discussed in Note 14, a Kyrgyz Republic court order purports to require cash generated from the Kumtor Project to continue to be held in Kumtor Gold Corporation ("KGC") and restrict the distribution of such cash to Centerra as a loan, advance or dividend. The restricted cash is however available to fund Kumtor's operation.

As discussed in Note 8, the Company completed an offering of Subscription Receipts in the period, the proceeds of which are to be used in connection with the acquisition of Thompson Creek.

5. Amounts receivable

	September 30, 2016	December 31, 2015
Gold sales receivable from related party (note 15)	**$ 35,427**	$ 25,725
Consumption tax receivable	**2,291**	1,840
Other receivables	**2,947**	1,216
	$ 40,665	$ 28,781

6. Inventories

	September 30, 2016	December 31, 2015
Stockpiles of ore	**$ 305,068**	$ 144,758
Gold in-circuit	**21,193**	23,155
Heap leach in circuit	**-**	226
Gold doré	**2,880**	5,632
	329,141	173,771
Supplies	**151,232**	173,240
Total inventories (net of provisions)	**$ 480,373**	$ 347,011

In the nine months ended September 30, 2016, the Company has recognized a reversal of $27.2 million in net realizable value ("NRV") charges recorded against gold inventories that was recorded as at December 31, 2015 ($15.4 million reversal in the three months ended September 30, 2016). See note 11 for additional information.

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

The Company recorded a provision for supplies obsolescence of $25.6 million as at September 30, 2016 (December 31, 2015 - $21.1 million), resulting in supplies inventory net of the provision of $151.2 million as at September 30, 2016 (December 31, 2015 - $173.2 million).

7. Prepaid expenses

	September 30, 2016	December 31, 2015
Insurance	**$ 5,212**	$ 4,261
OMAS credit facility financing fees (note 10)	**3,266**	-
Underwriters fees associated with acquisition of Thompson Creek (note 8)	**4,803**	-
Deposit for consumable supplies	**3,910**	4,657
Advances for project development	**-**	1,453
Other	**2,659**	2,509
	$ 19,850	$ 12,880

8. Bought deal financing

In connection with the acquisition of Thompson Creek, on July 20, 2016, the Company completed an offering under which underwriters purchased, on a bought deal basis, 26,599,500 Subscription Receipts, at a price of Cdn$7.35 per Subscription Receipt for gross proceeds to the Company of approximately Cdn$195.5 million (“the Offering”). Each Subscription Receipt represents the right of the holder to receive without payment of additional consideration or further action, one common share of Centerra. The funds were held by an escrow agent until the transaction was completed. On July 21, 2016, the Company entered into a foreign exchange forward contract to hedge the currency risk associated with the Offering (Note 16). Upon completion of the acquisition, the net proceeds of the Offering were used to partially fund the redemption of the secured and unsecured notes of Thompson Creek.

On July 20, 2016, the Company recorded the proceeds of the Offering, with the exception of the prepaid underwriter’s fee, as restricted cash, with a corresponding entry to subscription receipt liability. The Company’s prepayment of 50% of the underwriter’s fee from the proceeds generated ($3.7 million) was recorded as a prepaid expense. The Company accrued $0.2 million for interest earned from July 20, 2016 to September 30, 2016 on the funds held in escrow. As at September 30, 2016, the Company had recorded restricted cash of $145.4 million (excluding the 50% underwriter’s fee prepayment) and a subscription receipt liability of $149.1 million in connection with the Offering.

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

On October 20, 2016, the restricted cash was released in connection with completion of the acquisition of Thomson Creek – see note 18, the subscription receipt liability was settled and share capital of $141.5 million, net of $7.5 million of underwriter fees, was recorded in connection with the issuance of the Company's common shares.

9. 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						
Balance January 1, 2016	$ 445,980	$ 289,657	$ 1,118,167	$ 455,069	$ 49,808	$ 2,358,681
Additions	578	10,636	78,416	133	77,343	167,106
Disposals/Retirements	(2,263)	(119)	(814,029)	(32,463)	-	(848,874)
Reclassification	1,545	-	-	44,355	(45,900)	-
Balance September 30, 2016	**$ 445,840**	**$ 300,174**	**$ 382,554**	**$ 467,094**	**$ 81,251**	**$ 1,676,913**
Accumulated depreciation						
Balance January 1, 2016	$ 266,048	$ 153,224	$ 905,223	$ 341,170	$ -	$ 1,665,665
Charge for the period	12,566	3,225	192,180	50,810	-	258,781
Disposals/Retirements	(2,263)	-	(814,029)	(32,463)	-	(848,755)
Balance September 30, 2016	**$ 276,351**	**$ 156,449**	**$ 283,374**	**$ 359,517**	**$ -**	**$ 1,075,691**
Net book value						
Balance January 1, 2016	$ 179,932	$ 136,433	$ 212,944	$ 113,899	$ 49,808	$ 693,016
Balance September 30, 2016	**$ 169,489**	**$ 143,725**	**$ 99,180**	**$ 107,577**	**$ 81,251**	**$ 601,222**

In the nine month period ended September 30, 2016, the Company offset $814.0 million of fully depreciated capitalized stripping costs with the associated accumulated depreciation. The net impact to the PP&E balance was nil. The following is an analysis of the depreciation, depletion and amortization charge recorded in the Statements of Financial Position and Statements of Earnings (Loss):

	Three months ended September 30,		**Nine months ended September 30,**	
	2016	**2015**	**2016**	**2015**
Amount recorded in cost of sales (note 11)	**$ 60,553**	$ 40,825	**$ 138,559**	$ 156,291
Amount recorded in corporate administration	**110**	112	**308**	302
Amount recorded in standby costs	**160**	327	**(1,314)**	1,094
Total included in Statements of Earnings	**60,823**	41,264	**137,553**	157,687
Movement in inventories (note 17(b))	**89,616**	(33,701)	**100,367**	(89,502)
Amount capitalized in PP&E (note 17(a))	**10,503**	15,842	**20,861**	48,123
Depreciation, depletion and amortization charge for the period	**$ 160,942**	$ 23,405	**$ 258,781**	$ 116,308

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

10. Short-term debt

		September 30, 2016		December 31, 2015
EBRD revolving credit facility	**$**	**100,000**	$	76,000
Deferred financing fee		**(1,976)**		-
Total	**$**	**98,024**	$	76,000

EBRD Revolving Credit Facility

On February 12, 2016, the Company entered into a new five-year $150 million revolving credit facility with European Bank for Reconstruction and Development ("the EBRD Facility"). The $76 million outstanding under the previous facility was transferred to the new EBRD Facility. In the second quarter of 2016, the Company drew $24 million to increase borrowings under the EBRD Facility to $100.0 million.

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 $117.2 million as at September 30, 2016 (December 31, 2015 - $136.5 million), and maintain compliance with specified covenants (including financial covenants). The Company was in compliance with the covenants for the three months and nine months ended September 30, 2016.

Subsequent to September 30, 2016, EBRD waived a condition precedent to the drawing of an additional $50 million under the facility for the purposes of funding direct and indirect costs associated with the Gatsuurt Project. The Company expects to draw the additional $50 million under the EBRD Facility in the fourth quarter. The interest rate associated with the additional $50 million draw will be six month LIBOR plus 5.0%. Funds drawn under the EBRD Facility are available to be re-drawn on a semi-annual basis and at the Company's discretion, repayment of the loaned funds may be extended until 2021.

EBRD Facility		September 30, 2016		December 31, 2015
Undrawn amount of the facility	**$**	**50,000**	$	74,000
Interest rate - six month LIBOR plus(1)		**3.0 %**		2.9 %

(1) Interest is payable at the end of the semi-annual terms.

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

OMAS Facility

On April 5, 2016, Öksüt Madencilik Sanayi ve Ticaret A.S. ("OMAS"), a wholly-owned subsidiary of the Company, entered into a $150 million credit facility agreement with UniCredit Bank AG (the “OMAS Facility”) expiring on December 30, 2021. The purpose of the OMAS Facility is to assist in financing the construction of the Company’s Öksüt Project.

Availability of the OMAS Facility is subject to customary conditions precedent, including receipt of all necessary permits approvals. If the conditions are not satisfied or waived by the deadline of November 30, 2016, or an extension is not granted by the lenders, the commitments under the OMAS Facility will be cancelled. The Company continues to work on satisfying the conditions precedents by such deadline, however some conditions, such as the receipt of the pastureland permit for the Öksüt Project, are beyond Centerra’s control. There are no assurances that all conditions will be satisfied by the deadline, or that the lenders will provide any waivers or extensions.

As at September 30, 2016, $3.3 million of OMAS Facility deferred financing fees were included in prepaid expenses (note 7) as the Company has yet to draw from the facility. The deferred financing fees are being amortized on a straight-line basis over the term of the OMAS Facility consistent with IFRS 9 (note 16). The OMAS Facility is secured by Öksüt assets and is non-recourse to the Company.

OMAS Facility		**September 30, 2016**
Undrawn amount of the facility	$	**150,000**
Interest rate - LIBOR plus(1)		**2.65% - 2.95%**

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

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

11. Cost of sales

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Operating costs:				
Salaries and benefits	**$ 14,439**	$ 14,657	**$ 43,386**	$ 45,654
Consumables	**24,676**	13,838	**106,455**	40,172
Third party services	**795**	891	**2,286**	2,813
Other operating costs	**2,713**	2,588	**9,071**	7,225
Royalties, levies and production taxes	**96**	169	**285**	684
Changes in inventories - cash component	**10,120**	3,168	**(25,409)**	18,206
	52,839	35,311	**136,074**	114,754
Reversal of gold inventory impairment (note 6)	**(15,431)**	-	**(27,217)**	-
Depreciation, depletion and amortization (note 9)	**60,553**	40,825	**138,559**	156,291
	$ 97,961	$ 76,136	**$ 247,416**	$ 271,045

12. Pre-development project costs

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Greenstone Gold Property	**$ 2,309**	$ 2,774	**$ 7,593**	$ 7,299
Öksüt Gold Project	**-**	546	**-**	4,191
	$ 2,309	$ 3,320	**$ 7,593**	$ 11,490

In the three months ended September 30, 2015, the Board of Directors of the Company made the decision to move the Öksüt Gold Project into the development phase. In accordance with the Company's accounting policies, development costs of the project subsequent to this date are capitalized. In the three and nine months ended September 30, 2016, the Company capitalized $4.7 million and $10.0 million of Öksüt Gold Project development costs, respectively, as "Construction in Progress", part of PP&E (note 9).

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

13. Shareholders' equity

a. Earnings per share

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Net earnings (loss) attributable to shareholders	**$ 66,938**	$ (18,092)	**$ 87,910**	$ 44,505
Adjustments to earnings (loss):				
Impact of performance share units	**-**	-	**(2,200)**	-
Impact of restricted share units	**(60)**	(25)	**24**	27
Net earnings (loss) for the purposes of diluted earnings per share	**$ 66,878**	$ (18,117)	**$ 85,734**	$ 44,532

Basic and diluted earnings per share computation:

	Three months ended September 30,		Nine months ended September 30,	
(Thousands of units)	**2016**	**2015**	**2016**	**2015**
Basic weighted average number of common shares outstanding	**242,222**	236,556	**241,313**	236,507
Effect of stock options	**606**	-	**489**	290
Effect of restricted share units	**108**	191	**120**	226
Diluted weighted average number of common shares outstanding	**242,936**	236,747	**241,922**	237,023
Basic earnings (loss) per common share	**$ 0.28**	$ (0.08)	**$ 0.36**	$ 0.19
Diluted earnings (loss) per common share	**$ 0.28**	$ (0.08)	**$ 0.35**	$ 0.19

For the three and nine months ended September 30, 2016 and 2015 certain potentially dilutive 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 ordinary shares for the period.

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

Potentially dilutive securities are summarized below:

	Three months ended September 30,		Nine months ended September 30,	
(Thousands of units)	**2016**	**2015**	**2016**	**2015**
Stock options	**1,760**	4,755	**2,396**	2,929

b. Dividends

Dividends are declared and paid in Canadian dollars. The details of the dividends declared in the three and nine months ended September 30, 2016 and 2015 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Dividends declared	**$ 7,498**	$ 7,167	**$ 22,134**	$ 22,297
Dividends declared (Canadian Dollars per share amount)	**$ 0.04**	$ 0.04	**$ 0.12**	$ 0.12

In the three months ended September 30, 2016, the previously outstanding dividend balance held in trust for Kyrgyzaltyn JSC ("Kyrgyzaltyn") was paid in full - note 15.

14. Commitments and contingencies

Commitments

(a) Contracts

As at September 30, 2016, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $92.5 million (Kumtor - $36.8 million, Öksüt Project $54.3 million, Greenstone Gold Property - $1.1 million and Boroo - $0.3 million). Öksüt Project commitments include $30.2 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 Gold Mines LP

As partial consideration for the Company's initial 50% partnership interest in Greenstone Gold Mines LP, the Company agreed to commit up to an additional Cdn$185 million to fund the project, subject to certain feasibility and project advancement criteria. In the event that the project is put under care and maintenance as a result of feasibility study or project criteria not being met, the Company will be required to make contributions towards the costs associated with the care and maintenance of the project for a period of two years or until the Cdn$185 million is spent (if such event occurs first), after which time the partners would fund such costs on a pro rata basis. Any such costs will form part of the Cdn$185 million development contributions commitment of the Company, as noted above. As at September 30, 2016, the Company has funded a total of Cdn$43.3 million ($33.5 million) of its commitment since the inception of the partnership.

(c) Endako mine – Letter of Credit

In advance of the acquisition of Thompson Creek (note 18), on August 11, 2016, the Company was granted a standby letter of credit from the Bank of Nova Scotia to provide non-cash reclamation financial assurance for Thompson Creek's Canadian-based Endako molybdenum mine. Thompson Creek's letter of credit covering the Endako mine was set to expire on August 18, 2016. The British Columbia Ministry of Mines requires financial assurance for Cdn$15.3 million, therefore the Company's letter of credit was set at Cdn$11.5 million, with the Endako mine's joint venture partner posting the remaining 25%. The Company's letter of credit expires on December 16, 2016.

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 September 30, 2016 cannot be predicted with certainty, it is management's opinion that it is not, except as noted below, more likely than not that these actions will result in the outflow of resources to settle the obligation and therefore no amounts have been accrued.

Kyrgyz Republic

<u>Notice of Arbitration</u>

Subsequent to the quarter-end, on October 12, 2016, the Permanent Court of Arbitration in The Hague, Netherlands appointed a sole arbitrator for the arbitration proceeding brought by Centerra against the Kyrgyz Republic and Kyrgyzaltyn earlier this year. An initial conference with the arbitrator to establish arbitration procedures is scheduled for November 30, 2016.

On May 30, 2016, Centerra delivered a notice of arbitration to the government of the Kyrgyz Republic and Kyrgyzaltyn in connection with certain ongoing disputes relating to the Kumtor Project. These include, among other things: (i) each of the claims brought by the Kyrgyz Republic State Inspectorate for Environment and Technical Safety ("SIETS") and the Kyrgyz Republic State Agency for Environment Protection and Forestry ("SAEPF") and the decisions of the Kyrgyz Republic courts related thereto; and (ii) the previously announced claims of the Kyrgyz Republic General Prosecutor's Office ("GPO") seeking to unwind a $200 million inter-corporate dividend paid by KGC to Centerra in December 2013 and the related search of KGC's

Bishkek office conducted on April 28, 2016. On July 12, 2016, the Company delivered an amended notice of arbitration to the Kyrgyz Republic Government and Kyrgyzaltyn to include, among other things, subsequent court decisions of the Kyrgyz Republic courts in relation to the claims of SIETS and SAEPF and actions by Kyrgyz Republic instrumentalities, including the GPO, which interfere with KGC's operations. Under Centerra's Restated Investment Agreement with the Kyrgyz Republic dated as of June 6, 2009 (the "2009 Restated Investment Agreement"), the arbitration will be determined by a single arbitrator. The arbitration will be conducted under UNCITRAL Arbitration Rules in Stockholm, Sweden, disputes arising out of the 2009 Restated Investment Agreement will be governed by the law of the State of New York, USA and the conduct and operations of the parties will be governed by the 2009 Restated Investment Agreement, the 2009 Restated Concession Agreement and the laws of the Kyrgyz Republic.

Even if the Company is successful in convincing the arbitrator to reduce the amounts claimed or overturn the claims brought by SIETS, SAEPF or other matters which the Company believes are subject to the notice of arbitration, there are no assurances that such an arbitration award would be recognized and enforced by courts in the Kyrgyz Republic, as the courts of the Kyrgyz Republic have held that certain claims brought by SIETS and SAEPF are not within the scope of the arbitration provision of the 2009 Restated Investment Agreement. Accordingly, the Company may be obligated to pay part of or the full amounts of, among others, the SIETS and SAEPF claims regardless of the action taken by the arbitrator. The Company does not have insurance or litigation reserves to cover these costs. If the Company were obligated to pay these amounts, it would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Kyrgyz Permitting and Regulatory Matters

As at September 30, 2016 KGC has all the necessary permits and approvals in place for continuous operations at the Kumtor Project through the end of 2016.

However, the Company notes that on July 11, 2016, SAEPF again expressed concerns to KGC about approving Kumtor's Ecological Passport due to the application of the 2005 Kyrgyz Republic Water Code and would not provide the renewed Ecological Passport. The Ecological Passport identifies some of the permits and approvals required by Kumtor for its operations. KGC continues to be in discussions with SAEPF but does not believe that the absence of the Ecological Passport will have any effect on the Kumtor Project operations.

While KGC management will continue to work closely with SAEPF and the Kyrgyz State Agency for Geology and Mineral Resources to obtain all necessary permits and approvals for continued operation of the Kumtor Project beyond December 31, 2016, Centerra can provide no assurance that such permits and approvals will be granted in a timely fashion or at all. Failure to obtain the necessary permits and approvals in a timely fashion could lead to suspension of Kumtor Project operations until such permits and approvals are obtained.

KGC continues to operate fully in compliance with permits as granted. Regarding the mining of ice, regulatory authorities referenced the 2005 Water Code of the Kyrgyz Republic (Water Code) and its prohibition regarding the mining of ice. Centerra has repeatedly disputed the interpretation of the Water Code by the regulatory agencies based on the rights provided to Centerra and KGC under the agreements governing the Kumtor Project.

Should Kumtor be prohibited from moving ice (as a result of the purported application of the Water Code) or if any required permits are withdrawn or not renewed, the entire December 31, 2015 mineral reserves at Kumtor, and Kumtor's current life-of-mine plan would be at risk, leading to an early closure of the operation. Centerra believes that any disagreements with respect to the foregoing would be subject to international arbitration under the Kumtor Project Agreements.

SIETS and SAEPF Claims

As previously disclosed, the Kumtor Project is subject to a number of claims made by, among others, Kyrgyz Republic state environmental agencies. The latest such claim, originally filed on August 23, 2016 by the Chui-Bishkek-Talas Local Fund of Nature Protection and Forestry Development of SAEPF, seeks compensation for environmental pollution in the amount of 40,340,819.01 Kyrgyz soms (approximately $0.6 million).

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 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 $99.4 million, based on an exchange rate of 67.4 Kyrgyz soms per $1.00) and 663,839 Kyrgyz soms (approximately $10,000), 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 $2.4 million) and 188,533,730 Kyrgyz soms (approximately $2.8 million), respectively. Centerra and KOC strongly dispute the SIETS claims and have appealed the decisions to the Bishkek City Court and will, if necessary, appeal to the Kyrgyz Republic Supreme Court.

On June 3, 2016, the Inter-District Court held a hearing in respect of the claim made by SAEPF alleging that Kumtor owes additional environmental pollution fees in the amount of approximately $220 million. The court did not issue a decision on the merits of the claim itself. However, at the request of SAEPF, the court granted an interim order against KGC, to secure SAEPF's claim. The interim order purports to prohibit KGC from taking any actions relating to certain financial transactions including, transferring property or assets, declaring or paying dividends or making loans. The cash generated from the Kumtor Project which is held in KGC is however available to fund Kumtor's is operation. The injunction is effective immediately.

KGC's appeal of the Inter-District Court's order to Bishkek City Court was dismissed on July 19, 2016 and its subsequent appeal to the Kyrgyz Republic Supreme Court was dismissed on October 19, 2016. As a result of the appeal by KGC, the proceedings on the merits of the SAEPF claim were suspended, however, the Company now expects such hearings on the merits to resume.

2013 KGC Dividend Civil Proceeding

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

Mongolia

Gatsuurt

Throughout the first half of 2016, the Company held discussions with the Mongolian Government to implement the previously disclosed 3% special royalty in lieu of the Government's 34% direct interest in the Gatsuurt project. Various working groups were established by the Mongolian Government to negotiate with Centerra and its wholly owned subsidiary, Centerra Gold Mongolia ("CGM"), the definitive agreements relating to the Gatsuurt Project. The Company continued such discussions through the third quarter.

Concurrent with the negotiations of such agreements, the Company is undertaking economic and technical studies to update the existing studies on the project, which were initially completed and published in May 2006.

There are no assurances that Centerra will be able to negotiate definitive agreements with the Mongolian Government or that such economic and technical studies will have positive results. The inability to successfully resolve all such matters could have a material impact on the Company's future cash flows, earnings, results of operations and financial condition.

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 has now released to Kyrgyzaltyn approximately Cdn$18.9 million which was previously held in trust for the benefit of two Ontario court proceedings.

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

15. Related Party Transactions

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, a subsidiary of the Company, 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. The breakdown of the sales transactions and expenses with Kyrgyzaltyn are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	**2015**	**2016**	**2015**
Included in sales:				
Gross gold and silver sales to Kyrgyzaltyn	**$ 221,300**	$ 114,098	**$ 457,576**	$ 462,420
Deduct: refinery and financing charges	**(1,110)**	(617)	**(2,541)**	(2,355)
Net sales revenue received from Kyrgyzaltyn	**$ 220,190**	$ 113,481	**$ 455,035**	$ 460,065
Included in expenses:				
Contracting services provided by Kyrgyzaltyn	**$ 285**	$ 385	**$ 984**	$ 1,049
Management fees to Kyrgyzaltyn	**164**	101	**354**	389
Expenses paid to Kyrgyzaltyn	**$ 449**	$ 486	**$ 1,338**	$ 1,438
Dividends:				
Dividends declared to Kyrgyzaltyn	**$ 2,396**	$ 2,346	**$ 7,097**	$ 7,298
Withholding taxes	**(120)**	(117)	**(355)**	(365)
Net dividends declared to Kyrgyzaltyn	**$ 2,276**	2,229	**$ 6,742**	$ 6,933

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

In the three and nine months ended September 30, 2016, the Company declared dividends, net of withholding taxes, of $2.3 million and $6.7 million, respectively, to Kyrgyzaltyn (three and nine months ended September 30, 2015 - $2.2 million and $6.9 million, respectively). As of June 30, 2016, dividends declared to Kyrgyzaltyn were held in trust as a result of Ontario court proceedings against the Kyrgyz Republic and Kyrgyzaltyn. In the quarter ended September 30, 2016, as a result of an Ontario court decision, the dividends previously held in trust were released to Kyrgyzaltyn (note 14).

Related party balances

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

		September 30, 2016		**December 31, 2015**
Amounts receivable	**$**	**35,427**	$	25,725
Dividends payable (net of withholding taxes)	**$**	**-**	$	13,096
Net unrealized foreign exchange gain		**-**		(3,766)
Dividends payable (net of withholding taxes)		**-**		9,330
Amounts payable		**1,126**		1,039
Total related party liabilities	**$**	**1,126**	$	10,369

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.

As at September 30, 2016, $35.4 million was outstanding under the Sales Agreement (December 31, 2015 - $25.7 million). Subsequent to September 30, 2016, the previously outstanding balance receivable from Kyrgyzaltyn was paid in full.

16. Financial instruments

The Company's financial instruments include cash and cash equivalents, short-term investments, restricted cash, amounts receivable, derivative assets, reclamation trust fund, long-term receivables, short-term debt, dividends payable, derivative liabilities, subscription receipt liability, revenue-based taxes payable, accounts payable and accrued liabilities.

IFRS 9 - Financial Instruments

The Company has early adopted all of the requirements of IFRS 9, with a date of initial application of April 1, 2016. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition.

The adoption of the expected credit loss impairment model did not impact the Company's existing financial statements, with the exception of additional disclosure. The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

	IAS 39	IFRS 9
Assets		
Cash and cash equivalents	Fair value through earnings (loss)	Fair value through earnings (loss)
Short-term investments	Fair value through earnings (loss)	Amortized cost
Restricted cash	Fair value through earnings (loss)	Fair value through earnings (loss)
Amounts receivable	Loans and receivables	Amortized cost
Reclamation trust fund	Fair value through earnings (loss)	Amortized cost
Long-term receivables	Loans and receivables	Amortized cost
Liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Short-term debt	Other financial liabilities	Amortized cost
Dividend payable to related party	Other financial liabilities	Amortized cost
Revenue-based taxes payable	Other financial liabilities	Amortized cost

IFRS 9 does not require restatement of comparative periods.

Derivative Instruments

The Company uses derivatives as part of its risk management program to mitigate exposures to various market risks including, the price of gold, currency exchange rates and the cost of consumables.

The Company designates certain derivatives as cash flow hedging instruments ("Derivatives designated as hedging instruments"). The effective portion of changes in the fair value of these derivatives is recognized in other comprehensive income and accumulated in the hedging reserve. The amount accumulated in the hedging reserve is removed and included in the carrying amount of the non-financial item when recognized. Any ineffective portion of changes in the fair value of these derivatives is recognized immediately in profit or loss.

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. For derivatives designated as hedges, there was a minimal amount of ineffectiveness for the period ended September 30, 2016 related to changes in the credit valuation adjustment.

Occasionally, the derivative instruments the Company uses are effective in achieving our risk management objectives, but are not designated under the hedge accounting criteria ("Derivatives not designated as hedging instruments"). Changes in fair value of these derivatives are recognized immediately in profit or loss.

Summary of derivatives at September 30, 2016

	Notional Amount by Term to Maturity		Accounting Classification by Notional Amount		
	1 year	**1 to 2 years**	**Cash flow hedge**	**Non-hedge**	**Fair value gain (loss)**
Currency contract					
USD:CDN$ contracts	$ 125,000	$ -	$ -	$ 125,000	$ (457)
Commodity contracts					
Crude oil contracts (000s of barrels)[1]	293	210	503	-	$ (371)
Option contracts with strike prices at (US$/barrel - average)	$ 61	$ 65			

[1]Fuel contracts represent crude oil options. These derivatives hedge physical diesel fuel purchases at the Kumtor mine. For the nine months ended September 30, 2016, the $365k effective portion of the fair value loss is included in OCI, while the $6k ineffective portion is recorded in the Statement of Earnings. The Company's option contracts expiring within one year and one to two years have an average strike price per barrel of $61 and $65, respectively.

Fair values of derivative instruments

	Balance Sheet classification	Fair value as at September 30, 2016	Fair value as at December 31, 2015
Derivatives designated as hedging instruments			
Commodity contracts	Other assets	**$ 1,432**	$ -
Derivatives not designated as hedging instruments			
Currency contract	Subscription receipt issue liability	**$ (457)**	$ -

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

Derivative assets and liabilities		
As at January 1, 2016	$	-
Initialization of fuel hedging program (cost of crude oil options purchased)		1,803
Cash flow hedges:		
Effective portion		(365)
Ineffective portion		(6)
As at September 30, 2016	$	1,432
Classification of cash flow hedges:		
Current assets - Prepaid expenses	$	582
Non-current assets - Other assets		850
	$	1,432
Fair value of non-hedge currency contract	$	(457)
Classification of non-hedge:		
Current liabilities - Subscription receipt issue liability	$	(457)

Cash flow hedge gains (losses) in for the period ended September 30, 2016		
Commodity contracts		
At January 1, 2016	$	-
Effective portion of change in fair value of hedging instruments		(365)
Transfers to Inventory on recording hedged items in Inventory		-
Loss recognized in Other Comprehensive Income (Loss) ("OCI")	**$**	**(365)**
Portion of hedge loss expected to affect earnings in next 12 months	$	(187)
Loss recognized in other expense, net (ineffective portion)	**$**	**(6)**
Currency contract – loss recognized in other expense, net (non-hedge)	**$**	**(457)**

As of September 30, 2016, the Company had three counterparties to our derivative positions. On an ongoing basis, the Company monitors its exposures and ensures that the counterparties with which it holds outstanding contracts with continue to meet the credit rating requirements of the Company's risk management policy.

Commodity contracts

For the risk relating to the consumption of diesel fuel, the Company believes that derivatives are an appropriate way of managing the price risk of the cost of diesel fuel.

Crude oil is a component of diesel fuel purchased by the Company, such that changes in the price of Brent crude oil generally impacts diesel fuel prices. The Company established a hedging strategy to manage changes in diesel fuel prices on the cost of operations at the Kumtor mine. The diesel fuel hedging program is a 24-month rolling program. The Company targets to hedge up to 70% of monthly diesel purchases for the first 12 months and 50% of the 13 through 24 month exposure.

The Company has designated call options and collars as cash flow hedges for the crude oil component of its highly probable forecasted diesel fuel purchases. These derivatives meet the hedge effectiveness criteria and are designated in a hedge accounting relationship as a result of the following factors:

- Economic relationship exists between the hedged item and hedging instrument, as notional amounts match and both the hedged item and hedging instrument fair values move in response to the same risk (crude oil). A comprehensive qualitative and quantitative analysis was performed in order to conclude that crude oil is a separately identifiable and reliably measurable risk component of the diesel purchases for the Kumtor mine. In considering the economic relationship qualitatively, the Company considered the Russian oil market and the approach to purchasing diesel oil for the Kumtor mine. Quantitatively, the Company performed historical correlation analysis between purchase prices of diesel 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.

During the period, call options for 520 thousand barrels of crude oil were designated against forecasted fuel consumption at the Company's Kumtor mine. As at September 30, 2016, there remain call options for 520 thousand barrels of Brent crude oil designated as cash flow hedges of the Company's exposure to forecasted fuel purchases at the Kumtor mine. As at September 30, 2016, the Company had two counterparties to its crude oil derivative positions, one of which the Company holds a net asset position of $0.5 million and the other a net asset position of $0.9 million.

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

Currency contracts

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

In the three months ended September 30, 2016, the Company entered into a foreign exchange forward contract to mitigate the currency risk associated with the Canadian funds raised through the bought deal financing associated with the acquisition of TCM (note 8). This derivative was settled subsequent to September 30, 2016, resulting in a realized loss of $0.5 million in the fourth quarter of 2016.

The fair value of these contracts, based on an increase or a decrease of 10% of the price, would have been as follows. The entire change in fair value would be recorded in the consolidated statement of comprehensive income.

Sensitivity table	**Fair value as at September 30, 2016**	**Increase of 10%**	**Decrease of 10%**
Brent crude oil option contracts	$1,432	$2,442	$750

Fair value measurement

All financial instruments measured at fair value are categorized into one of three hierarchy levels for which the financial instruments must be grouped based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions. These two types of inputs create the following fair value hierarchy:

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

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

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

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

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

September 30, 2016

		Amortized cost		Assets/liabilities at fair value through earnings (loss)		Assets/liabilities at fair value through OCI
Financial assets						
Cash and cash equivalents - Level 1	$	**-**	$	**575,667**	$	**-**
Short-term investments		**25,055**		**-**		**-**
Restricted cash - Level 1		**-**		**146,285**		**-**
Amounts receivable		**40,665**		**-**		**-**
Reclamation trust fund		**21,952**		**-**		**-**
Long-term receivables		**1,110**		**-**		**-**
Commodity derivative assets - Level 2		**-**		**-**		**1,432**
	$	**88,782**	$	**721,952**	$	**1,432**
Financial liabilities						
Trade creditors and accruals	$	**63,769**	$	**-**		**-**
Short-term debt		**98,024**		**-**		**-**
Revenue-based taxes payable		**19,013**		**-**		**-**
Subscription receipt liability - Level 1		**-**		**149,113**		**-**
Currency derivative liability - Level 2		**-**		**457**		**-**
	$	**180,806**	$	**149,570**		**-**

December 31, 2015

		Amortized cost		Assets/liabilities at fair value through earnings (loss)		Assets/liabilities at fair value through OCI
Financial assets						
Cash and cash equivalents - Level 1	$	-	$	360,613		
Short-term investments		181,613		-		
Restricted cash - Level 1		-		9,989		
Amounts receivable		28,781		-		
Reclamation trust fund		18,909		-		
Long-term receivables		1,510		-		
	$	230,813	$	370,602	$	-
Financial liabilities						
Trade creditors and accruals	$	65,765	$	-		
Short-term debt		76,000		-		
Dividend payable to related party		9,330		-		
Revenue-based taxes payable		9,152		-		
	$	160,247	$	-	$	-

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

The fair value of derivative instruments is determined using option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. The fair value of all our derivative contracts includes an adjustment for credit risk.

As at September 30, 2016 and December 31, 2015, the Company did not have any financial assets or financial liabilities that are measured under Level 3.

17. Supplemental disclosures

a. Investment in PP&E

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Additions to PP&E during the period (note 9)	$ **(63,721)**	$ (86,359)	$ **(167,106)**	$ (261,191)
Purchase of Teck royalty via share issuance	**-**	**-**	**2,954**	-
Depreciation and amortization included in additions to PP&E (note 9)	**10,503**	15,842	**20,861**	48,123
Increase in accruals included in additions to PP&E	**2,639**	1,425	**12,290**	1,331
	$ **(50,579)**	$ (69,092)	$ **(131,001)**	$ (211,737)

b. Changes in operating working capital

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Decrease (increase) in amounts receivable	**$ 2,119**	(8,473)	**(11,884)**	$ 33,623
(Increase) decrease in inventory - ore and metal[a]	**(80,580)**	45,467	**(128,153)**	102,979
Decrease (increase) in inventory - supplies	**3,625**	(10,875)	**22,008**	(5,291)
(Increase) decrease in prepaid expenses	**(6,537)**	(4,549)	**559**	(45)
Increase in trade creditors and accruals[b]	**1,306**	3,140	**14,865**	27,523
Increase (decrease) in revenue-based tax payable	**8,261**	682	**9,861**	(15,454)
Decrease (increase) in depreciation and amortization included in inventory	**89,616**	(33,701)	**100,367**	(89,502)
(Increase) decrease in accruals included in additions to PP&E	**(2,639)**	1,426	**(12,290)**	1,332
Decrease in other taxes payable	**(837)**	(97)	**(178)**	(346)
	$ 14,334	(6,980)	**(4,845)**	$ 54,819

[a]Increase in the three and nine months ended September 30, 2016 excludes reversal of inventory impairment of $15.4 million and $27.2 million, respectively (three and nine months ended September 30, 2015 - nil).

[b]Excludes $16.9 million of accounts payable settled via share issuance in the period ended September 30, 2016.

18. Subsequent events

a) Acquisition of Thompson Creek

i) Details of the Acquisition

On October 20, 2016, the Company completed the acquisition of Thompson Creek ("the Acquisition"). Thompson Creek is an established North American-based mining company with gold, copper and molybdenum mining, milling, processing and marketing operations in Canada and the United States ("US").

The Acquisition was completed by acquisition of common shares, whereby one Thompson Creek share was exchanged for 0.0988 Centerra common shares. Thompson Creek preferred share units and restricted share units were exchanged for an equivalent number of Thompson Creek common shares. The common shares of Thompson Creek were then transferred to Centerra's newly-formed wholly-owned subsidiary, Centerra B.C. Holdings Inc. ("Centerra B.C. Holdings"). Centerra then exchanged the Thompson Creek common shares for 22,327,218 Centerra common shares in accordance with the exchange ratio, representing approximately 8% of Centerra's issued and outstanding common shares following closing. The Centerra shares issued were equivalent to $112.3 million (including $1.6 million relating to the settled PSUs and RSUs) using the October 19, 2016 closing common share price of Cdn$6.60.

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

Holders of Thompson Creek's stock options were issued 111,341 options to acquire common shares of Centerra, with terms consistent with Thompson Creek's outstanding stock options, with the number of shares and exercise price adjusted for the exchange conversion ratio.

ii) Stream Arrangement

In connection with the Acquisition, the streaming arrangement with Royal Gold Inc. ("Royal Gold") associated with the Mount Milligan mine has been amended concurrently with closing of the Acquisition. Under the terms of the amendment, Royal Gold's 52.25% gold stream at Mount Milligan has been converted to a 35% gold stream and 18.75% copper stream. Royal Gold will continue to pay US$435 per ounce of gold delivered and will pay 15% of the spot price per metric tonne of copper delivered. In conjunction with the amendment, Royal Gold's first ranking security over 52.25% of gold produced from the Mount Milligan assets has been amended to provide for first ranking security over 35% of produced gold and 18.75% of produced copper. Royal Gold's existing security over the Mount Milligan assets remains unaffected.

iii) Financing

In connection with the Acquisition, as described in note 8, on July 20, 2016, the Company closed an offering under which the underwriters purchased on a bought deal basis 26,599,500 Subscription Receipts. Upon completion of the Acquisition, the net proceeds of the Offering, Cdn$185.7 million, were used to partially fund the redemption of the Secured and Unsecured Notes of Thompson Creek. Each Subscription Receipt represents the right of the holder to receive without payment of additional consideration or further action, one common share of Centerra. As stipulated in the Subscription Receipt agreement, Subscription Receipt holders were paid $0.8 million (C$0.04 per subscription receipt held), in lieu of the dividend paid to common shareholders in August 2016.

Concurrently with the closing of the Acquisition, Centerra B.C. Holdings entered into a credit agreement with the Bank of Nova Scotia with an aggregate principal amount of $325 million to finance a portion of the Acquisition and to pay certain related fees and expenses. The 5-year term facilities consists of a $75 million senior secured revolving credit facility (the "Revolving Facility") and a $250 million senior secured non-revolving term credit facility (the "Term Facility", collectively, the "Credit Facility"). The Term Facility was used to fund part of the Acquisition, while $50 million of the Revolving Facility was used for the Acquisition. The Company plans to draw the remaining $25 million of the Credit Facility in the fourth quarter, to be used for working capital purposes.

Centerra B.C. Holdings' obligations under the Credit Facility are guaranteed by the assets of Thompson Creek and certain of Thompson Creek's material subsidiaries. In addition, the Bank of Nova Scotia has been granted a security interest over substantially all of the properties and assets of Thompson Creek and its material subsidiaries, as well as the shares of Thompson Creek and Thompson Creek's material subsidiaries.

iv) Purchase price allocation

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 October 20, 2016.

Management has engaged a third party to assist in the valuation of the assets and liabilities acquired, a process which has not been completed to date. The amounts recognized for each major class of assets acquired and liabilities assumed is expected to be finalized in connection with the issuance of the Company's December 31, 2016 Financial Statements.

v) Share capital and share-based compensation of Centerra

In connection with the Acquisition, the following adjustments were made to capital stock and options outstanding:

	Number of units		
	Pre-close	**Acquisition**	**Post-close**
Common shares	242,277,625	48,926,718	291,204,343
Stock options	5,476,169	111,341	5,587,510

19. Segmented information

The following table reconciles segment operating profit per the reportable segment information to operating profit per the Statements of Earnings (Loss).

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

Three months ended September 30, 2016

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	Corporate and other	Total
Revenue from gold sales	$ 220.2	$ -	$ -	$ -	$ 220.2
Cost of sales	98.0	-	-	-	98.0
Standby costs, net	-	(1.5)	-	-	(1.5)
Regional office administration	3.6	-	-	-	3.6
Earnings from mine operations	118.6	1.5	-	-	120.1
Revenue-based taxes	30.8	-	-	-	30.8
Other operating expenses	0.1	-	-	-	0.1
Pre-development project costs	-	-	-	2.3	2.3
Exploration and business development	-	0.8	-	5.0	5.8
Corporate administration	0.1	0.1	-	5.8	6.0
Earnings (loss) from operations	87.6	0.6	-	(13.1)	75.1
Other expenses, net					0.9
Finance costs					1.7
Earnings before income tax					72.5
Income tax expense					5.6
Net earnings and comprehensive income					$ 66.9
Capital expenditure for the period	$ 54.9	$ 1.5	$ 4.7	$ 2.6	$ 63.7

Three months ended September 30, 2015

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	Corporate and other	Total
Revenue from gold sales	113.5	$ 2.7	$ -	$ -	$ 116.2
Cost of sales	72.8	3.3	-	-	76.1
Standby costs, net	-	1.0	-	-	1.0
Regional office administration	3.4	0.7	-	-	4.1
Earnings (loss) from mine operations	37.3	(2.3)	-	-	35.0
Revenue-based taxes	15.9	-	-	-	15.9
Other operating expenses	0.3	0.1	-	-	0.4
Pre-development project costs	-	-	-	3.3	3.3
Impairment of goodwill	18.7	-	-	-	18.7
Exploration and business development	-	0.3	0.1	2.7	3.1
Corporate administration	0.2	-	-	7.8	8.0
Earnings (loss) from operations	2.2	(2.7)	(0.1)	(13.8)	(14.4)
Other expenses, net					2.3
Finance costs					1.1
Loss before income tax					(17.8)
Income tax expense					0.3
Net loss					$ (18.1)
Capital expenditure for the period	$ 80.7	$ 0.5	$ 1.8	$ 11.7	$ 94.7

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

Nine months ended September 30, 2016

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	Corporate and other	Total
Revenue from gold sales	$ **455.0**	$ **-**	$ **-**	$ **-**	$ **455.0**
Cost of sales	**247.4**	**-**	**-**	**-**	**247.4**
Standby costs, net	**-**	**(2.2)**	**-**	**-**	**(2.2)**
Regional office administration	**10.6**	**-**	**-**	**-**	**10.6**
Earnings from mine operations	**197.0**	**2.2**	**-**	**-**	**199.2**
Revenue-based taxes	**63.7**	**-**	**-**	**-**	**63.7**
Other operating expenses (income)	**1.0**	**0.4**	**-**	**-**	**1.4**
Pre-development project costs	**-**	**-**	**-**	**7.6**	**7.6**
Exploration and business development	**-**	**1.4**	**-**	**11.6**	**13.0**
Corporate administration	**0.2**	**0.2**	**0.1**	**18.1**	**18.6**
Earnings (loss) from operations	**132.1**	**0.2**	**(0.1)**	**(37.3)**	**94.9**
Other income, net					**(0.9)**
Finance costs					**4.4**
Earnings before income tax					**91.4**
Income tax expense					**3.5**
Net earnings and comprehensive income					$ **87.9**
Capital expenditure for the period	**$ 141.3**	**$ 4.9**	**$ 9.9**	**$ 11.0**	**$ 167.1**
Assets	**$ 1,055.3**	**$ 177.8**	**$ 30.4**	**$ 659.0**	**$ 1,922.5**
Total liabilities	**$ 114.7**	**$ 34.1**	**$ 3.1**	**$ 261.4**	**$ 413.3**

Nine months ended September 30, 2015

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	Corporate and other	Total
Revenue from gold sales	$ 460.1	$ 15.5	$ -	$ -	$ 475.6
Cost of sales	255.8	15.3	-	-	271.1
Standby costs, net	-	4.8	-	-	4.8
Regional office administration	11.8	2.6	-	-	14.4
Earnings (loss) from mine operations	192.5	(7.2)	-	-	185.3
Revenue-based taxes	64.4	-	-	-	64.4
Other operating expenses (income)	1.6	(0.5)	-	-	1.1
Pre-development project costs	-	-	4.2	7.3	11.5
Impairment of goodwill	18.7	-	-	-	18.7
Exploration and business development	-	0.7	0.2	7.1	8.0
Corporate administration	0.2	0.2	-	27.7	28.1
Earnings (loss) from operations	107.6	(7.6)	(4.4)	(42.1)	53.5
Other expenses, net					4.9
Finance costs					3.3
Earnings before income tax					45.3
Income tax expense					0.8
Net earnings and comprehensive income					$ 44.5
Capital expenditure for the period	$ 248.8	$ 1.1	$ 1.8	$ 85.2	$ 336.9
Assets	$ 943.4	$ 171.3	$ 5.4	$ 548.3	$ 1,668.4
Total liabilities	$ 106.0	$ 32.6	$ 1.1	$ 105.1	$ 244.8