Centerra Gold Inc.
Management's Discussion and Analysis ("MD&A")
For the period ended March 31, 2014

The following discussion has been prepared as of May 6, 2014, 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 months ended March 31, 2014 in comparison with the corresponding period ended March 31, 2013. This discussion should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the three months ended March 31, 2014. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the two years ended December 31, 2013, the related MD&A and the Annual Information Form for the year ended December 31, 2013 (the "2013 Annual Information Form"). The condensed 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, 2013. 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 2013 Annual Information Form. The Company's 2013 Annual Report and 2013 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 28 to 32.

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Overview

Centerra is a gold mining company focused on operating, developing, exploring and acquiring gold properties primarily in Asia, the former Soviet Union and other emerging markets worldwide. Centerra is a leading North American-based gold producer and is the largest Western-based gold producer in Central Asia.

The Company's significant subsidiaries include its wholly-owned Kumtor Gold Company in the Kyrgyz Republic, Boroo Gold LLC and Centerra Gold Mongolia LLC (owner of the Gatsuurt property and Altan Tsagaan Ovoo ("ATO") property) in Mongolia and Öksüt Madencilik A.S. in Turkey.

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

Recent Developments

Kumtor Operations

- In February 2014, the movement of the south arm of the Davidov glacier, located at the southernmost portion of the Kumtor Central Pit, increased beyond anticipated rates. In response to the increased movement, a buttress was constructed from run of mine waste material beginning in late February. The buttress is located at the bottom of the advancing Davidov glacier on the edge of the ultimate pit design and has, thus far, been effective to reduce the rate of movement to manageable levels. While the Company believes that the buttress is working effectively, further monitoring and study will be required and there can be no assurance that the buttress will ultimately stop or sufficiently slow down the movement of the Davidov glacier.
- On February 6, 2014 the Parliament of the Kyrgyz Republic considered the non-binding Heads of Agreement (the "HOA") between Centerra, the Government of the Kyrgyz Republic and Kyrgyzaltyn JSC ("Kyrgyzaltyn") in connection with a potential restructuring transaction under which Kyrgyzaltyn would exchange its 32.7% equity interest in Centerra for a 50% interest in a joint venture company that would own the Kumtor Project. Following its consideration, Parliament adopted a resolution that appears to support the concept of the restructuring described in the HOA but also contains a number of recommendations that are materially inconsistent with the terms of the HOA. See "Other Corporate Developments - Kyrgyz Republic" for details.
- Kumtor continues to work with the relevant Kyrgyz governmental agencies to obtain formal approval for its 2014 annual mine plan. Such agencies are required to be reasonable in their consideration of mine plan approvals under the terms of the agreements governing the Kumtor project. In addition, Kumtor has received a letter from the State Inspectorate for Environmental and Technical Safety (SIETS) which suggests that mine operations could be suspended, though no formal order to suspend operations has been received at this time. In this regard, the Company notes that successive Kyrgyz governments have emphasized the strategic importance to the Kyrgyz Republic of the continued operation of the Kumtor mine. See "Other Corporate Developments – Kyrgyz Republic" for details.
- There have been several additional developments with respect to actions taken by the Kyrgyz Republic Parliament and the Kyrgyz Republic Government that may impact upon Kumtor and

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the agreements that govern the Kumtor Project. See "Other Corporate Developments - Kyrgyz Republic" for details.
- The Company understands that on April 23, 2014, the Parliament of the Kyrgyz Republic passed a law prohibiting activities which affect glaciers in the Kyrgyz Republic (the "Glacier Law"). Centerra has not yet received the official version of the Glacier Law and notes that several of its provisions are unclear, though it appears to contain provisions for the payment of compensation for damages to glaciers, at rates to be determined by the Government. The Glacier Law must be signed by the President of the Kyrgyz Republic before it will take effect.

Mongolian Operations

The Company continued discussions with the Mongolian Government regarding the Gatsuurt project during the first quarter. The Company expects that the Mongolian Parliament will consider the designation of Gatsuurt as a strategic deposit in the first half of 2014. If Parliament ultimately approves this designation, it would have the effect of excluding Gatsuurt from the application of the Mongolian Water and Forest Law and would allow Mongolia to acquire up to a 34% interest in Gatsuurt. The terms of such participation would be subject to further negotiations with the Government. See "Other Corporate Developments – Mongolia".

Öksüt Preliminary Economic Assessment (PEA) Completed

In February 2014, the Company completed a PEA for the Öksüt project in Turkey and moved the project to the feasibility stage. For further details, see the Company's news release dated February 19, 2014.

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Consolidated Financial and Operating Highlights

	Three Months Ended March 31 (5)			
Financial Summary ($ millions, except as noted)	**2014**		**2013**	**% Change**
Revenue	$ **148.0**		$ 192.3	(23%)
Cost of sales	**109.1**		91.1	20%
Regional office administration	**5.7**		5.6	2%
Earnings from mine operations	**33.2**		95.5	(65%)
Revenue-based taxes	**18.4**		20.8	(12%)
Other operating expenses	**1.9**		1.9	0%
Exploration and business development	**2.6**		7.2	(64%)
Corporate administration	**6.5**		6.7	(3%)
Earnings from operations	**3.8**		58.9	(94%)
Other (income) and expenses	**(0.2)**		1.3	(115%)
Finance costs	**1.4**		1.3	8%
Earnings before income taxes	**2.6**		56.3	(95%)
Income tax expense	**0.6**		4.9	(88%)
Net earnings	$ **2.1**		$ 51.4	(96%)
Earnings per common share (basic) - $/share	$ **0.01**		$ 0.22	(100%)
Earnings per common share (diluted) - $/share	**-**		$ 0.21	(100%)
Weighted average common shares outstanding - basic (thousands) (1)	**236,391**		236,376	0%
Weighted average common shares outstanding - diluted (thousands) (1)	**236,649**		236,964	(0%)
Cash provided by operations	**101.6**		92.0	10%
Capital expenditures (2)	**98.9**		103.9	(5%)
Operating Summary				
Gold produced – ounces poured	**116,669**		115,220	1%
Gold sold – ounces sold	**114,493**		118,745	(4%)
Average realized gold price - $/oz (4)	**1,293**		1,619	(20%)
Average gold spot price - $/oz (3)	**1,293**		1,631	(21%)
Cost of sales - $/oz sold (4)	**953**		767	24%
Adjusted operating costs - $/oz sold (4)	**429**		448	(4%)
All-in sustaining costs – $/oz sold (4)	**1,109**		1,068	4%
All-in costs – $/oz sold (4)	**1,158**		1,278	(9%)
All-in costs (including taxes) – $/oz sold (4)	**1,319**		1,497	(12%)

(1) As at March 31, 2014, the Company had 236,392,976 common shares issued and outstanding.
(2) Includes capitalized stripping of $88.1 million in first quarter of 2014 ($74.3 million in first quarter of 2013).
(3) Average for the period as reported by the London Bullion Market Association (US dollar Gold P.M. Fix Rate).
(4) Average realized gold price per ounce, cost of sales per ounce sold, adjusted operating costs per ounce sold, all-in sustaining costs per ounce sold, all-in costs per ounce sold, and all-in costs (including taxes) per ounce sold, are non-GAAP measures and are discussed under "Non-GAAP Measures".
(5) Results may not add due to rounding.

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Results of Operations

First Quarter 2014 compared to First Quarter 2013

The Company recorded net earnings of $2.1 million in the first quarter of 2014, compared to $51.4 million in the comparative quarter of 2013. The decrease in earnings reflects increased depreciation, depletion and amortization ("DD&A") at Kumtor, lower ounces sold and lower realized gold prices.

Production:
Gold production for the first quarter of 2014 totaled 116,669 ounces compared to 115,220 ounces in the comparative quarter of 2013. The increase in ounces poured reflects higher production at Kumtor due to drawing down in-circuit inventory, partially offset by lower production at Boroo due to lower mill grades and lower ounces under primary leach.

Safety and Environment:
Centerra had one recordable injury (medical aid) at its Kumtor operation and no reportable releases to the environment during the first quarter of 2014.

Financial Performance:
Reduced revenue for the first quarter of 2014 resulted primarily from a 20% lower average realized gold price[NG] ($1,293 per ounce compared to $1,619 per ounce in the same quarter of 2013). Sales volumes were also slightly lower (114,493 ounces compared to 118,745 ounces in the first quarter of 2013).

Cost of sales increased by 20% to $109.1 million in the first quarter of 2014 due primarily to higher DD&A at Kumtor. DD&A associated with production increased to $66.7 million in the first quarter of 2014 from $43.8 million in the comparative quarter of 2013. The increase in DD&A resulted from processing higher cost ore from cut-back 15 compared to ore from cut-back 14B which was processed in the first quarter of 2013. Access to ore from cut-back 15 required more stripping of ice and waste thereby resulting in increased amortization of capitalized stripping costs as the ore was mined and stockpiled. For cut-back 15, operating costs were capitalized for the stripping of 142 million tonnes of ice and waste, whereas 61 million tonnes were stripped and capitalized for cut-back 14B. In addition, the expanded mobile fleet at Kumtor was fully commissioned in 2013 thereby attaching a higher equipment cost to the ore from cut-back 15.

Exploration and business development expenditures in the first quarter of 2014 totaled $2.6 million compared to $7.2 million in the same period of 2013, representing mainly exploration spending in both years. The decrease in exploration spending in the first quarter of 2014 reflects the fact that the Company's major drilling programs have not yet commenced this year and because of the cessation of all exploration activities at Kumtor in the fourth quarter of 2013 (first quarter of 2013 included $2.4 million of exploration at Kumtor). Drilling programs planned for 2014 at the Öksüt property in Turkey and the ATO property in Mongolia are expected to begin in the second quarter of 2014.

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Taxes:
Revenue-based tax expense at Kumtor is determined by taking 14% of cash received from the sale of gold at Kumtor. At Boroo, a decrease of $4.4 million in income tax expense resulted from lower earnings reported in the first quarter of 2014.

Unit Operating Costs:

	Three months Ended March 31, [4]		
(unaudited - $ millions, except as noted)	**2014**	**2013**	**% Change**
All-in Costs:			
Operating costs (on a sales basis) [1]	**42.4**	47.3	(10%)
Regional office administration	**5.7**	5.6	2%
Community costs related to current operations	**1.0**	0.4	150%
Refining fees	**0.7**	0.6	17%
By-product credits	**(0.7)**	(0.7)	0%
Adjusted operating costs [2]	**49.1**	53.2	(8%)
Corporate general and administrative costs	**6.4**	6.7	(4%)
Accretion expense	**0.4**	0.2	100%
Capitalized stripping and ice unload - cash	**62.4**	53.4	17%
Capital expenditures (sustaining) [2]	**8.6**	13.3	(35%)
All-in Sustaining Costs [2]	**126.9**	126.8	0%
Capital expenditures (growth) [2]	**2.2**	16.3	(87%)
Other costs [3]	**3.5**	8.6	(59%)
All-in Costs [2]	**132.6**	151.8	(13%)
Revenue-based tax and income taxes	**18.4**	25.9	(29%)
All-in Costs - including taxes [2]	**151.0**	177.7	(15%)
Ounces sold	**114,493**	118,746	(4%)
Adjusted Operating Costs - $/oz sold [2]	**429**	448	(4%)
All-in Sustaining Costs - $/oz sold [2]	**1,109**	1,068	4%
All-in Costs - $/oz sold [2]	**1,158**	1,278	(9%)
All-in Costs - including taxes - $/oz sold [2]	**1,319**	1,497	(12%)

(1) Operating costs (on a sales basis) is 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) is the same as the cash component of cost of sales.
(2) Adjusted operating costs, all-in sustaining costs, all-in costs, all-in costs – including taxes (in $ millions and per ounce sold), as well as adjusted operating costs per ounce sold and capital expenditures (sustaining) and capital expenditures (growth) are non-GAAP Measures and are discussed under "Non-GAAP Measures".
(3) Other costs include global exploration expenses, business development expenses and project development costs not related to current operations.
(4) Results may not add due to rounding.

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Centerra's all-in costs per ounce sold[NG] for the first quarter of 2014 was $1,158, and includes all cash costs related to gold production, excluding revenue-based taxes in the Kyrgyz Republic. This compares to all-in costs[NG] of $1,278 per ounce sold in the first quarter of 2013. The decrease is primarily due to lower spending on sustaining and growth capital[NG] and lower exploration spending, partially offset by lower ounces sold and higher capitalized stripping costs at Kumtor.

Cash generation & capital investments

Cash Flow

	Three months ended March 31, (1)		
$ millions	**2014**	**2013**	**% Change**
Cash provided by operating activities	**101.6**	92.0	10%
Cash used in investing activities :			
- Capital additons (cash used)	**(72.7)**	(73.7)	(1%)
- Short-term investments net redeemed (net purchased)	**(144.1)**	(68.3)	111%
- Other investing items	**(8.2)**	(22.7)	(64%)
Cash used in investing activities - total	**(225.0)**	(164.7)	37%
Cash used in financing activities	**(9.9)**	(7.8)	27%
Decrease in cash	**(133.4)**	(80.5)	66%

(1) Results may not add due to rounding.

Cash provided from operations in the first quarter of 2014 totaled $101.6 million compared to $92 million in the same period of 2013, as a result of lower working capital levels partially offset by lower earnings in the first quarter of 2014.

Working capital, which consists of amounts receivable, prepaid expenses, gold inventory, supplies inventory and accounts payable, decreased in the first quarter of 2014 by $22.3 million compared to the comparative quarter where working capital increased by $7.2 million. The decrease was due to the timing of and payment for gold shipments and a reduction of gold inventory.

Cash used in investing activities totaled $225 million in the first quarter of 2014 compared to $164.7 million in the comparative quarter. In the first quarter of 2013, other investing items include the purchase of the remaining interest in the Öksüt project in Turkey for $19.7 million in cash.

Cash used in financing for both quarters includes a dividend payment and payment of interest and commitment fees on Centerra's credit facility.

Cash, cash equivalents and short-term investments at March 31, 2014 increased to $512.2 million from $501.5 million at December 31, 2013.

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Capital Expenditures (spent and accrued):

	Three months ended March 31, (1)		
$ millions	**2014**	**2013**	**% Change**
Capital expenditures (Kumtor)	**98.4**	102.2	(4%)
Capital expenditures (Boroo & Gatsuurt)	**0.4**	1.3	(69%)
Capital expenditures (Corporate & Others)	**0.1**	0.4	(75%)
Capital expenditures (Consolidated)	**98.9**	103.9	(5%)

(1) Results may not add due to rounding.

Sustaining capital[NG] in the first quarter of 2014 was $8.6 million (including $8.3 million at Kumtor and $0.2 million at Boroo), compared to $13.3 million in 2013 (including $11.7 million at Kumtor and $1.2 million at Boroo). Growth capital[NG], excluding capitalized stripping, was $2.2 million in the first quarter of 2014, spent mainly on infrastructure relocation at Kumtor, compared to $16.2 million the prior year, spent mainly on the fleet expansion at Kumtor. Capitalized stripping in the first quarter of 2014 totaled $88.1 million, as compared to $74.3 million in the comparative quarter of 2013, spent on stripping activities in cut-backs and in the ice unload areas at Kumtor.

Credit and Liquidity:

The Company has a $150 million revolving credit facility with the European Bank for Reconstruction and Development (EBRD) from which it has drawn $76 million. This amount is due to be repaid on August 11, 2014 but at the Company's discretion, repayment may be deferred until February 2015.

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 quarter, the Company's expenditures (including capital) totaled approximately $181 million. About $92 million of this (51%) 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: 57% in Kyrgyz soms, 20% in Canadian dollars, 10% in Mongolian tugriks, 9% in Euros, and approximately 4% in Russian rubles, Australian dollars, Turkish lira, British pounds, Chinese yuan and Japanese yen. The Russian ruble, Kyrgyz som, Mongolian tugrik, Canadian dollar and Turkish lira decreased in value against the U.S. dollar by 6.7%, 5.4%, 4.6%, 3.8%, and 3.1%, respectively. On average, the value of the British pound remained virtually flat compared to its value at December 31, 2013. The net impact of these movements in 2014, after taking into account currencies held at the beginning of the year, was to decrease annual costs by $3.7 million.

Gold Hedging and Off-Balance Sheet Arrangements:

The Company had no gold hedges in place as of March 31, 2014.

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

Share Capital and Share Options

As of May 6, 2014, Centerra had 236,394,616 common shares issued and outstanding. In addition, as at the same date, the Company had 3,904,549 share options outstanding under its share option plan with exercise prices ranging from Cdn$4.81 to Cdn$22.28 per share, and with expiry dates between 2016 and 2022.

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 9.4 million ounces of gold to March 31, 2014.

Overview of Operating Results - First Quarter 2014 compared to First Quarter 2013

	Three months Ended March 31, (2)		
Kumtor Operating Results	**2014**	**2013**	**% Change**
Tonnes mined - 000s	**50,762**	40,184	26%
Tonnes ore mined - 000s	**143**	209	(32%)
Average mining grade - g/t (1)	**1.45**	2.45	(41%)
Tonnes milled - 000s	**1,482**	1,473	1%
Average mill head grade - g/t (1)	**2.65**	2.69	(2%)
Recovery - %	**76.2%**	74.1%	3%
Gold produced – ounces	**102,933**	89,618	15%

(1) g/t means grams per tonne.
(2) Results may not add due to rounding.

During the first quarter of 2014, Kumtor's mining fleet focused on stripping waste to establish access to the south portion of the Kumtor pit (cut-back 16) that is expected to provide high-grade ore at the end of the third quarter of 2014. In addition, Kumtor accelerated its planned mining of waste material from the eastern portion of cut-back 17 which was used to construct the buttress discussed earlier. During the first quarter of 2014, Kumtor's mill processed stockpiled ore that had been mined and stockpiled during the fourth quarter of 2013.

The total waste and ore mined for the first quarter of 2014 was 50.8 million tonnes compared to 40.2 million tonnes in the comparative period of 2013, representing an increase of 26%. The increased tonnage is due to the increased fleet capacity at Kumtor, shorter hauling distances of waste material due to the buttress construction within the pit, and a greater amount of bedrock material versus ice mined during the first quarter of 2014 compared to 2013. In the first quarter of 2014, Kumtor moved

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an additional 13.8 million tonnes of bedrock material while the tonnage of ice moved was lower by 3.1 million as compared to the first quarter of 2013.

Gold production for the first quarter of 2014 increased to 102,933 ounces compared to 89,618 ounces in the comparative quarter of 2013 primarily due to a reduction in in-circuit inventory.

	Three months Ended March 31, [3]		
Kumtor Cost Performance ($ millions, except as noted)	**2014**	**2013**	**% Change**
Mining costs - total (including capitalized stripping)	**63.9**	59.7	7%
Operating Costs:			
Mining - excluding capitalized stripping [1]	**1.5**	6.3	(76%)
Milling	**16.4**	15.8	4%
Site support	**14.2**	14.4	(1%)
Changes in inventories	**(0.7)**	(4.5)	(84%)
Management fees and other	**0.1**	0.1	0%
Operating costs (on a sales basis)	**31.6**	32.1	(2%)
Bishkek administration	**4.4**	4.1	7%
Refining fees	**0.6**	0.5	20%
By-product credits	**(0.6)**	(0.6)	0%
Community costs related to current operations	**0.8**	0.4	100%
Adjusted Operating Costs [2]	**36.8**	36.5	1%
Unit operating costs			
Mining costs - total ($/t mined material)	**1.26**	1.49	(13%)
Milling costs ($/t milled material)	**11.09**	10.72	4%

[1] Mining costs charged to operations reduced by amounts charged to capital for stripping – cash component (2014 $62.4 million; 2013 $53.4 million).
[2] Adjusted operating costs is a non-GAAP Measure and is discussed under "Non-GAAP Measures".
[3] Results may not add due to rounding.

Mining costs including capitalized stripping increased by $4.2 million or 7% primarily due to the expanded mine fleet which required more spare parts, tires and other consumables. These cost increases were partially offset by lower costs on national labour and diesel fuel.

The combination of the increase in tonnage mined of 26% with the 7% increase in total mining costs resulted in a 13% reduction in mining costs per tonne mined in the first quarter of 2014 compared to the same period of last year.

Adjusted operating costs[NG], excluding the capitalization of stripping activities and the expensing of unloading activities, of $36.8 million were essentially unchanged from the comparative period of 2013.

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Kumtor Unit operating costs

	Three months Ended March 31, (3)		
(unaudited - $ millions, except as noted)	**2014**	**2013**	**% Change**
All-in Unit Costs:			
Adjusted operating costs (1)	**36.8**	36.5	1%
Corporate general administrative costs	**-**	-	-
Accretion expense	**0.3**	0.2	50%
Capitalized stripping and ice unload - cash	**62.4**	53.4	17%
Capital expenditures (sustaining) (1)	**8.3**	11.7	(29%)
All-in Sustaining Costs (1)	**107.8**	101.8	6%
Capital expenditures (growth) (1)	**1.9**	16.1	(88%)
Other costs (2)	**-**	3.8	(100%)
All-in Costs (1)	**109.7**	121.8	(10%)
Revenue-based tax	**18.4**	20.8	(12%)
All-in Costs - including taxes (1)	**128.1**	142.6	(10%)
Ounces sold	**101,915**	91,617	11%
Adjusted Operating Costs - $/oz sold (1)	**361**	398	(9%)
All-in Sustaining Costs - $/oz sold (1)	**1,058**	1,111	(5%)
All-in Costs - $/oz sold (1)	**1,077**	1,329	(19%)
All-in Costs - including taxes - $/oz sold (1)	**1,257**	1,556	(19%)

(1) Adjusted operating costs per ounce sold, all-in sustaining costs, all-in costs, all-in costs – including taxes (in $ millions and per ounce sold), as well as capital expenditures (sustaining) and capital expenditures (growth) are non-GAAP Measures and are discussed under "Non-GAAP Measures".

(2) Other costs include global exploration expenses business development expenses and project development costs not related to current operations.

(3) Results may not add due to rounding.

The all-in costs per ounce sold[NG] for the first quarter of 2014 was $1,077 compared to $1,329 in the comparative period of 2013, representing a decrease of 19%. The decrease in all-in costs[NG] is due to an 11% increase in gold sold for the first quarter of 2014 and a $14.2 million, or $155 per ounce reduction in growth capital[NG] expenditures (excluding capitalized stripping) as the Company received the last of the equipment for the expanded mining fleet at Kumtor in the comparative period of 2013.

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Boroo Mine

The Boroo gold mine, located in Mongolia, was the first hard rock gold mine in Mongolia. It has produced approximately 1.76 million ounces of gold since it began operation in 2004.

Mining activities at Boroo were completed in September 2012, though the mill continued to process stockpiled ore during the first quarter of 2014. Heap leach processing activities continued during the first quarter of 2014 however crushing and stacking was completed in 2013.

Overview of Operating Results - First Quarter 2014 compared to First Quarter 2013

	Three months Ended March 31, (2)		
Boroo Operating Results	**2014**	**2013**	**% Change**
Tonnes ore milled - 000s	**581**	572	2%
Average mill head grade - g/t (1)	**0.66**	1.54	(57%)
Recovery (mill) - %	**61.3%**	54.0%	14%
Tonnes placed (heap leach) - 000s	**-**	268	(100%)
Tonnes leached - 000s	**613**	1,803	(66%)
Average grade leached - g/t (1)	**0.74**	0.63	17%
Recovery (heap leach) - %	**45.9%**	29.7%	55%
Gold produced – mill (ounces)	**7,013**	15,230	(54%)
Gold produced – heap leach (ounces)	**6,723**	10,372	(35%)
Total gold produced (ounces)	**13,736**	25,602	(46%)

(1) g/t means grams per tonne.
(2) Results may not add due to rounding.

Boroo produced 13,736 ounces of gold in the first quarter of 2014 as compared to 25,602 ounces of gold in the same period of 2013. The lower gold production results mainly from processing lower grade ore through the mill. Additionally, fewer ounces were poured from the heap leach operation due to having fewer tonnes placed under primary leach in the first quarter of 2014.

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	Three months Ended March 31 [2]		
Boroo Cost Performance ($ millions, except as noted)	**2014**	**2013**	**% Change**
Operating costs:			
Mining - excluding capitalized stripping	**-**	-	-
Milling	**6.5**	5.7	14%
Leaching	**1.0**	2.5	(60%)
Site support	**1.6**	2.1	(24%)
Royalties & other	**0.4**	1.9	(79%)
Changes in inventories	**1.4**	3.1	(55%)
Operating Costs (on a sales basis)	**10.9**	15.2	(28%)
Ullaanbaatar administration	**1.3**	1.5	(13%)
Refining fees	**0.1**	0.1	0%
By-product credits	**(0.1)**	(0.1)	0%
Community costs related to current operations	**0.1**	-	100%
Adjusted operating costs [1]	**12.3**	16.8	(27%)
Unit operating costs			
Milling costs ($/t milled material)	**11.19**	9.92	13%

[1] Adjusted operating costs is a non-GAAP measure and is discussed under "Non-GAAP Measures".
[2] Results may not add due to rounding.

Adjusted operating costs[NG] at Boroo decreased by $4.5 million in the first quarter of 2014 compared to the same period of 2013 as activities at the mine begin to wind down. The operation is expected to deplete its ore stockpiles by November 2014 while leaching is expected to continue through the first quarter of 2015.

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Boroo Unit operating costs

	Three months Ended March 31, [3]		
(unaudited - $ millions, except as noted)	**2014**	**2013**	**% Change**
All-in Unit Costs:			
Adjusted operating costs [1]	**12.3**	16.8	(27%)
Corporate general administrative costs	**-**	-	-
Accretion expense	**0.1**	0.1	0%
Capital expenditures (sustaining) [1]	**0.2**	1.2	(83%)
All-in Sustaining Costs [1]	**12.6**	18.0	(30%)
Capital expenditures (growth) [1]	**-**	-	-
Other costs [2]	**-**	-	-
All-in Costs [1]	**12.6**	18.0	(30%)
Income tax	**-**	5.1	(100%)
All-in Costs - including taxes [1]	**12.6**	23.2	(46%)
Ounces sold	**12,578**	27,129	(54%)
Adjusted Operating Costs - $/oz sold [1]	**977**	618	58%
All-in Sustaining Costs - $/oz sold [1]	**1,001**	665	51%
All-in Costs - $/oz sold [1]	**1,001**	665	51%
All-in Costs - including taxes - $/oz sold [1]	**1,001**	854	17%

(1) Adjusted operating costs per ounce sold, all-in sustaining costs, all-in costs, all-in costs – including taxes (in $ millions and per ounce sold), as well as capital expenditures (sustaining) and capital expenditures (growth) are non-GAAP Measures and are discussed under "Non-GAAP Measures".

(2) Other costs include global exploration expenses, business development expenses and community investments.

(3) Results may not add due to rounding.

Boroo's all-in costs per ounce sold[NG], including all costs directly related to gold production except income tax, was $1,001 for the first quarter of 2014 compared to $665 for the same period of 2013. The increase in all-in costs[NG] is primarily due to a 54% decrease in ounces sold at Boroo year-over-year, partially offset by lower adjusted operating costs[NG] and lower sustaining capital[NG] expenditures.

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, 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 Kumtor Gold Company (“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 Sales Agreement (“Sales Agreement”) between KGC, Kyrgyzaltyn and the Government of the Kyrgyz Republic dated June 6, 2009.

($ thousands)	**Three months ended March 31**	
	2014	**2013**
Paid by KGC to Kyrgyzaltyn:		
Management fees	**$ 102**	$ 92
Contracting services	**258**	411
Total paid by KGC to Kyrgyzaltyn	**$ 360**	$ 503
Gross gold and silver sales from KGC to Kyrgyzaltyn	**$ 132,254**	$ 149,207
Deduct: refinery and financing charges	**(596)**	(514)
Net sales revenue received by KGC from Kyrgyzaltyn	**$ 131,658**	$ 148,693

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. Based on movements in Centerra’s share price, and the value of individual or unsettled gold shipments over the course of the first quarter of 2014, the maximum exposure (reflecting the shortfall in the value of the security as compared to the value of any unsettled shipments during the first quarter of 2014) was approximately $56.2 million, as compared to $24.3 million in the same period of 2013.

As at March 31, 2014, $33.9 million was outstanding under the Sales Agreement (December 31, 2013 - $69.4 million). Subsequent to March 31, 2014, the balance receivable from Kyrgyzaltyn was paid in full.

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Related party balances

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

(Thousands of US$)		March 31 2014		December 31 2013
Amounts receivable	**$**	**33,935**	$	69,382
Total related party assets	**$**	**33,935**	$	69,382
Dividend payable (net of withholding taxes)	**$**	**10,636**	$	11,233
Net unrealized foreign exchange gain		**(411)**		(597)
		10,225		10,636
Amount payable		**200**		157
Total related party liabilities	**$**	**10,425**	$	10,793

Dividends

	Three months ended March 31,			
(Thousands of US$)		2014		2013
Dividends declared to Kyrgyzaltyn	**$**	**2,608**	$	3,020
Withholding taxes		**(139)**		(151)
Net dividends declared to Kyrgyzaltyn		**2,469**		2,869
Net dividends transferred to restricted cash		**-**		(2,869)
Net dividends paid to Kyrgyzaltyn	**$**	**2,469**	$	-

Dividends payable and restricted cash held in trust

An Ontario court order last updated on June 5, 2013, set a maximum of approximately Cdn$11.3 million of Centerra dividends otherwise payable to Kyrgyzaltyn to be held in trust for the benefit of the court proceedings commenced by a Turkish company, Sistem Muhenkislik Insaat Sanayi Tiacaret SA. Pursuant to the court order, the maximum was met in July 2013. As at March 31, 2014, the full amount required under the court order was held in trust. See "Other Corporate Developments – Corporate".

Quarterly Results – Previous Eight Quarters

Over the last eight quarters, Centerra's results reflect the impact of declining gold prices as well as increasing costs. Increased production was recorded in the first quarter of 2014 and the fourth quarter of 2013. Production and sales in 2012 were impacted by the accelerated ice movement at Kumtor which necessitated a change in the mine plan and a delay in the release of gold from the pit. Non-cash costs have also progressively increased since 2011 as depreciation at Kumtor increased due to its expanded mining fleet and the amortization of capitalized stripping. The fourth quarter of 2012 includes a charge for the loss on de-recognition of the underground assets at Kumtor in the amount of $180.7 million, following the decision to expand the open pit which is expected to partially consume the underground declines. Other operating charges in the second quarter of 2012 include $21 million for social development programs spent by Kumtor on a national micro-credit financing program and $1.1 million accrued by Boroo to increase its funding of a maternity hospital in Ulaanbaatar. The quarterly financial results for the last eight quarters are shown below:

$ millions, except per share data *Quarterly Data Unaudited*	**2014**	**2013**				**2012**		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenue	**148**	469	155	128	192	368	69	90
Net earnings (loss)	**2.1**	107	(2)	2	51	(71)	(34)	(49)
Basic earnings (loss) per share	**0.01**	0.45	(0.01)	0.01	0.22	(0.30)	(0.14)	(0.21)
Diluted earnings (loss) per share	**0.00**	0.44	(0.01)	0.00	0.21	(0.30)	(0.14)	(0.21)

Other Corporate Developments

The following is a summary of corporate developments with respect to matters affecting the Company and its subsidiaries in the Kyrgyz Republic and Mongolia. A summary discussion of certain regulatory matters affecting the Kumtor Project follows the discussion of events that occurred in the first quarter of 2014. For a more complete discussion of these matters impacting Kumtor, and for outstanding matters in Mongolia and at the corporate level, see the Company's 2013 Annual Information Form available on SEDAR at www.sedar.com.

Readers are cautioned that there are a number of legal, regulatory and political matters that are currently affecting the Company and that the following brief description is only a summary of the current status of such matters. For more complete background and information on these matters, including with respect to the Kyrgyz Parliamentary and State Commissions and their reports, Kyrgyz Parliamentary resolutions, discussions with the Government of the Kyrgyz Republic in relation to the Memorandum of Understanding and the Heads of Agreement relating to the proposed restructuring of the Kumtor Project, various environmental and other claims made by Kyrgyz state agencies and the draft Kyrgyz Law on Denunciation of the Agreement on New Terms for the Kumtor Project, please refer to the description contained in the 2013 Annual Information Form.

Kyrgyz Republic

Negotiations between Kyrgyz Republic and Centerra

Following discussions with representatives of the Kyrgyz Government in the third quarter of 2013, Centerra announced on September 9, 2013 that it had entered into a non-binding memorandum of understanding ("MOU") with the Government of the Kyrgyz Republic in connection with a potential restructuring transaction under which Kyrgyzaltyn would exchange its 32.7% equity interest in Centerra for an interest of equivalent value in a joint venture company that would own the Kumtor Project. The Kyrgyz Parliament considered the MOU on October 23, 2013 and passed a decree rejecting the MOU and ordering the Government to continue negotiations with Centerra to improve the Kyrgyz Republic's position. After further discussions with the Government, Centerra announced

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on December 23, 2013 that it had entered into a non-binding heads of agreement ("HOA") which superseded the terms of the MOU but retained most of its material terms. After making some non-material amendments, the parties re-signed the HOA on January 18, 2014.

On February 6, 2014, after their review of the HOA, the Kyrgyz Parliament adopted a resolution which appears to support the concept of the restructuring described in the HOA but also contains a number of recommendations that are materially inconsistent with the terms of the HOA. Among other things, the resolution calls for further audits of the Kumtor operation and for the Government and the General Prosecutor's Office to continue pursuing claims for environmental and economic damages, which the Company disputes.

On March 18, 2014, the Prime Minister of the Kyrgyz Republic resigned following the collapse of Parliament's ruling coalition. Subsequently, a new coalition was formed and former First Vice Prime Minister Djoomart Otorbaev was appointed as the new prime minister.

Centerra expects to continue its discussions with the Government regarding a potential restructuring transaction to resolve all outstanding concerns relating to the Kumtor Project. However, it maintains that any agreement to resolve matters must be fair to all of Centerra's shareholders. Any definitive agreement for a potential restructuring remains subject to required approvals in the Kyrgyz Republic, including the Government and Parliament of the Kyrgyz Republic, Centerra Special Committee and Board approval, as well as compliance with all applicable legal and regulatory requirements and approvals, including an independent formal valuation and shareholder approval.

While Centerra expects to continue discussions with the Government, there can be no assurance that any transaction will be consummated or that Centerra will be able to successfully resolve any of the matters currently affecting the Kumtor Project. The inability to successfully resolve matters, including obtaining all necessary approvals, and/or further actions of the Kyrgyz Republic Government and/or Parliament, could have a material adverse impact on Centerra's future cash flows, earnings, results of operations and financial conditions.

Kyrgyz Republic Glacier Law

Centerra understands that, on April 23, 2014 the Parliament of the Kyrgyz Republic passed a law prohibiting activities which affect glaciers in the Kyrgyz Republic (the "Glacier Law"). The Glacier Law must be signed by the President of the Kyrgyz Republic before it will take effect.

Centerra has not yet received the official version of the Glacier Law and notes that several of its provisions are unclear. The Glacier Law also contains provisions for the payment of compensation for damages to glaciers, at rates to be determined by the Kyrgyz Government. Nevertheless, Centerra believes that the stabilization and non-discrimination provisions contained in the agreements governing the Kumtor project (the "Kumtor Project Agreements") and the law of the Kyrgyz Republic which implemented the Kumtor Project Agreements support the view that the Glacier Law would not apply to Kumtor mining operations. In addition, Centerra believes that any disagreement in relation to the application of the Glacier Law to Kumtor would be subject to the dispute resolution (international arbitration) provisions of the Kumtor Project Agreements.

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Limited measures to manage glaciers and ice have been a feature of mining operations at Kumtor from the beginning of the project in 1994 and have been the subject of frequent Kyrgyz regulatory oversight and approval as well as review by international technical and environmental experts, including experts retained by the European Bank for Reconstruction and Development in connection with the extension of a credit facility to Centerra. Such mining measures are necessary to ensure that mine operations can be carried on safely in the open pit. The continuation of mining at Kumtor depends on Centerra's ability to carry on such activities throughout the life of the mine.

In view of the strategic importance of the Kumtor project to the Kyrgyz Republic, Centerra believes that the Glacier Law is unlikely to be enforced in a manner that would require the project to suspend mining activities. Centerra notes that in all its dealings with successive governments of the Kyrgyz Republic, such governments have consistently and emphatically stressed the strategic importance of Kumtor to the Kyrgyz Republic and that mining operations at the project continue uninterrupted, notwithstanding any disagreements that may arise between Centerra and the government regarding the project. Centerra also notes that the President of the Kyrgyz Republic has the discretion to reject the Glacier Law and return it to Parliament for further consideration.

Kyrgyz Permitting and Regulatory Matters

In the normal course of operations at Kumtor, KGC prepares annual mine plans for the project which are considered and approved by, among others, the State Agency for Environmental Protection and Forestry under the Government of the Kyrgyz Republic ("SAEPF") and the State Agency for Geology and Mineral Resources. In previous years, annual mine plans for the Kumtor project were approved by such authorities in the first quarter of the year to which they related (for example, the 2013 annual mine plan was approved in the first quarter of 2013).

This year, however, the Company has not yet received formal approval of the proposed 2014 annual mine plan for the Kumtor project despite working with the relevant authorities since the beginning of 2014 to satisfy their requests and concerns. In this regard, Centerra has received communications from representatives of the Kyrgyz Government, including the State Inspectorate Office for Environmental and Technical Safety ("SIETS") expressing concern about the status of such permits, the mining of ice and building of the buttress at Kumtor. SIETS has also suggested that mine operations could be suspended though no formal order or deadline to suspend mine operations has been communicated to KGC.

Centerra has responded to such letters by urging the Government to provide KGC with all approvals which are necessary for the operation of the Kumtor project, including approval of the 2014 annual mine plan. The Company has also explained that: (i) the 2009 Restated Investment Agreement requires the relevant Government authorities to be reasonable in their consideration of such approvals; (ii) the mining of ice has been a constant feature of the Kumtor project since its inception; and (iii) that the continued mining of ice is critical to ensuring efficient and stable mine operations.

Centerra has also indicated that KGC has not received notice from any governmental authority ordering or threatening to order it to suspend operations. Furthermore, successive governments have consistently emphasized the strategic importance to the Kyrgyz Republic of continued operation of the Kumtor mine. The Restated Investment Agreement requires that any order of suspension be stayed pending the outcome of the dispute resolution provisions of the Restated Investment

Agreement, unless necessary to prevent imminent harm to human health and safety or imminent material harm to the environment.

The Company further understands that the Kyrgz Republic General Prosecutor's Office announced that it had begun an investigation into the declaration and payment of an inter-corporate dividend by KGC to Centerra in December 2013. At the request of the General Prosecutor's Office, Centerra provided a legal analysis, including the opinion of local Kyrgyz counsel, confirming the legality of the dividend. The Company also confirmed that the dividend would have no impact on the valuation underlying the HOA.

While Centerra and KGC expect to continue discussions with the Government and the relevant Kyrgyz authorities in relation to the approval of the 2014 annual mine plan and other related permits, there can be no assurance that any such approvals will be received or that the relevant Kyrgyz authorities will not order a suspension of mining operations. The inability to successfully resolve matters, including obtaining all necessary approvals, and/or further actions of the Kyrgyz Republic Government and/or Parliament, could have a material adverse impact on Centerra's future cash flows, earnings, results of operations and financial conditions.

Environmental Claims

As previously disclosed, on June 7, 2013, Kumtor received four claims filed by SIETS with the Bishkek Inter-district court. The SIETS environmental claims sought to enforce the previously disclosed environmental claims issued by SIETS in December 2012, seeking compensation in the aggregate amount of $150 million in relation to (i) placement of waste rock on glaciers; (ii) unpaid use of water from Petrov Lake; (iii) unaccounted industrial and household waste; and (iv) damages caused to land resources (top soil). Each of these claims was dismissed by the Bishkek Inter-District Court and, on appeal, by the Bishkek City Court, on the basis that the arbitration clause in the Restated Investment Agreement requires that all such disputes be resolved through international arbitration. Each of these decisions has been appealed by SIETS to the Kyrgyz Republic Supreme Court.

In addition to the original four claims of SIETS discussed above, SIETS has filed the following additional claims against KOC: (i) on October 12, 2013, a claim in the amount of approximately $485,000 for damages caused to land resources due to disturbance of land at the Kumtor project (similar to the claim in (iv) above but involving a different area of the Kumtor concession); and (ii) on January 21, 2014, a claim for approximately $8.5 million for lost agricultural production and lost profits from 1994 to 2042. Kumtor has responded in writing to SIETS disputing both of these additional claims.

The previously disclosed claim commenced by SAEPF for the aggregate amount of approximately $315 million is currently subject to appeal on a preliminary motion in the Bishkek City Court.

On October 11, 2013, Centerra received a statement of claim from the Green Party of Kyrgyzstan in the Bishkek Inter-District Court which seeks damages of approximately $9 billion for alleged environmental damages arising from the Kumtor operations since 1996. The claimant, Green Party, requests that the damage be paid by Kumtor to the Issyk-Kul Nature Protection and Forestry Development Fund, a Kyrgyz state fund. The claim by the Green Party relates to allegations substantially similar to the claims raised by SIETS and SAEPF. On February 14, 2014, the Green

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Party withdrew their claim from the Bishkek Inter-District Court. However, the Green Party and/or certain individuals from the village of Saruu have attempted to re-file the same claim in the Jety-Oguz District Court though the court has returned their claim due to lack of jurisdiction.

As previously disclosed, Kumtor believes the claims are exaggerated and without merit. The Kumtor Project has been the subject of systematic audits and investigations over the years by Kyrgyz and international experts, including by an independent internationally recognized expert who carried out a due diligence review of Kumtor's performance on environmental matters at the request of Centerra's Safety, Health and Environmental Committee of the Board of Directors. The report of this expert released in October 2012 can be found on the Kumtor website at http://www.kumtor.kg/en/ under the "Environment" section.

Land Use Claim

On November 11, 2013, the Company received a claim from the Kyrgyz Republic General Prosecutor's Office requesting the Inter-District Court of the Issyk-Kul Province to invalidate the Company's land use certificate and seize certain lands within Kumtor's concession area.

As previously noted, the Company believes that the invalidation of the land use certificate and purported seizure of land is in violation of the Kyrgyz Republic Land Code as well as the Restated Investment Agreement, which provides that the Kumtor project is guaranteed all necessary access to the Kumtor concession area, including all surface lands as are necessary or desirable for the operation of the Kumtor project.

There can be no assurance that the Company will be able to successfully resolve any of the matters discussed above. The inability to successfully resolve matters could have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial conditions.

Management Assessment

There are several important outstanding issues affecting the Kumtor Project, which require consultation and co-operation between the Company and Kyrgyz regulatory authorities. The Company has benefited from a close and constructive dialogue with Kyrgyz authorities during project operations and remains committed to working with them to resolve these issues in accordance with the agreements governing the Kumtor project (the "Kumtor Project Agreements"), which provide for all disputes to be resolved by international arbitration, if necessary. However, there are no assurances that the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Project. There are also no assurances that continued discussions between the Kyrgyz Government and Centerra will result in a mutually acceptable solution regarding the Kumtor project, that any agreed upon proposal for restructuring would receive the necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law and that 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 would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition. See "Caution Regarding Forward-looking Information".

Mongolia

Gatsuurt

Centerra continues to be in discussions with the Mongolian Government regarding the development of the Gatsuurt property. Centerra remains reasonably confident that the economic and development benefits resulting from its exploration and development activities will ultimately result in the Mongolian Water and Forest Law having a limited impact on the Gatsuurt project, in particular, and other of the Company's Mongolian activities, including the ATO deposit. As previously disclosed, the Mongolian Water and Forest Law prohibits mineral prospecting, exploration and mining in water basins and forestry areas in Mongolia.

During meetings with representatives of the Mongolian Government, Centerra was advised that the Mongolian Government is currently developing a list of deposits, which will include Gatsuurt, to be submitted to the Mongolian Parliament for consideration as "strategic deposits". Centerra expects that Parliament and/or any relevant committees of Parliament will consider this matter further in the first half of 2014. If the Mongolian Parliament ultimately approves this designation, it would have the effect of excluding the Gatsuurt deposit from the application of the Mongolian Water and Forest Law and would allow the Government of Mongolia to acquire up to a 34% interest in Gatsuurt. The terms of any such participation would be subject to negotiations with the Mongolian Government.

There can be no assurance, however, that the Water and Forest Law will not have a material impact on Centerra's Mongolian operations. Unless the Water and Forest Law is repealed or amended such that the law no longer applies to the Gatsuurt project or Gatsuurt is designated by the Parliament of Mongolia as a "mineral deposit of strategic importance" that is exempt from the Water and Forest Law, mineral reserves at Gatsuurt may have to be reclassified as mineral resources or eliminated entirely and the Company may be required to write-off approximately $37 million related to the investment in Gatsuurt and approximately $39 million of costs that remain capitalized for the Boroo mill facility and other surface structures. These amounts represent the capitalized costs at March 31, 2014 associated with its investment in Gatsuurt and Boroo (where Gatsuurt ore is planned to be milled).

Corporate

Enforcement Notice by Sistem

In March 2011, a Turkish company, Sistem Muhenkislik Insaat Sanayi Ticaret SA ("Sistem") initiated a claim in an Ontario court which alleged that the shares in Centerra owned by Kyrgyzaltyn are, in fact, legally and beneficially owned by the Kyrgyz Republic. On April 15, 2014, the Ontario Superior Court of Justice found in favour of Sistem, ruling that the shares of Centerra owned by Kyrgyzaltyn could be seized to satisfy an arbitration award against the Kyrgyz Republic.

Pursuant to a separate court order issued by the Ontario Superior Court of Justice (as amended from time to time, and most recently amended on June 5, 2013) (the "Court Order"), Centerra is holding in trust (for the credit of the Sistem court proceedings) dividends otherwise payable to Kyrgyzaltyn. Effective as of June 6, 2013, when a dividend was paid by Centerra, the maximum amount to be held in trust, as set out in the Court Order (Cdn$11.3 million), has been reached. As of

March 31, 2014, Centerra holds in trust, for the benefit of the Sistem court proceeding, approximately Cdn$11.4 million, including interest earned.

Changes in Accounting Policies

Adoption of New Accounting Standards

Effective January 1, 2014, the Company adopted the new recommendations of IFRIC 21, *Levies* ("IFRIC 21"). IFRIC 21 is an interpretation of the accounting for levies imposed by governments which were accounted for under IAS 37, *Provisions, contingent liabilities and contingent assets* ("IAS 37"). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Future Changes in accounting policies

The IASB has issued IFRS 9 *Financial Instruments* ("IFRS 9") which proposes to replace IAS 39 *Financial Instruments Recognition and Measurement*. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets — amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available-for-sale and loans and receivable categories.

The IASB tentatively decided at its February 2014 meeting to select an effective date of January 1, 2018 as the effective date for the mandatory application of IFRS 9. However, entities may still choose to apply IFRS 9 immediately. The Company does not intend to adopt IFRS 9 in its financial statements for the annual period beginning January 1, 2014 but will continue to monitor and evaluate the impact of any required changes to its consolidated financial statements based on the characteristics of its financial instruments until the adoption time.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer, with the participation of management, last completed an evaluation of the design and operating effectiveness of the Company's disclosure controls and internal control over financial reporting ("ICFR") as at December 31, 2013. Based on this assessment, management concluded that the Company's ICFR were operating effectively at December 31, 2013.

The Chief Executive Officer and Chief Financial Officer have evaluated whether there were changes to the ICFR during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the ICFR. No such significant changes were identified through their evaluation.

2014 Outlook

Kumtor's forecast for 2014 production and costs discussed in this MD&A are provided on a 100% basis and the forecast does not make any assumptions regarding possible changes in the structure and management of the Kumtor Project, including the level of ownership resulting from ongoing discussions with the Government of the Kyrgyz Republic and Kyrgyzaltyn JSC, Centerra's largest shareholder. See "Material Assumption and Risks" for other material assumptions or factors used to forecast production and costs for 2014.

Centerra's 2014 guidance for production, capital spending and expenditures for exploration, corporate administration, community costs and DD&A are unchanged from the previous guidance disclosed in the Company's news release of February 19, 2014. Unit costs have been reduced from the previous guidance to reflect the updated forecast for operating costs at Boroo:

	2014 Production Forecast (ounces of gold)	**2014 Adjusted Operating Costs**NG ($ per ounce sold)	**2014 All-in Costs**NG ($ per ounce sold)
Kumtor	550,000 – 600,000	$373 – $407	$833 – $909
Boroo	Approx. 45,000	$1,280	$1,308
Consolidated	**595,000 – 645,000**	**$434 – $471**	**$971 – $1,053**

Gold Production

Centerra's 2014 consolidated gold production is expected to be 595,000 to 645,000 ounces, which is unchanged from the previous guidance disclosed in the Company's news release of February 19, 2014. Over 50% of gold production at Kumtor is expected during the fourth quarter when mining will reach the high-grade section of the SB Zone.

The 2014 forecast assumes no mining activities at Boroo or Gatsuurt, and no gold production from Gatsuurt.

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All-in Unit Costs:

Centerra's 2014 all-in sustaining costs per ounce sold[NG], which excludes revenue-based tax in the Kyrgyz Republic, and all-in costs per ounce sold[NG], which excludes revenue-based tax in the Kyrgyz Republic and income taxes, have been revised to reflect updated estimates for operating costs at Boroo. Unit operating costs for Kumtor have not been changed. The updated unit costs are forecast as follows:

	Kumtor	Boroo	Consolidated
Ounces sold forecast	550,000-600,000	Approximately 45,000	595,000-645,000
US $ / gold ounces sold			
Operating costs	$356 – 390	$839	$389 – 422
Changes in inventories	(26) – (30)	298[4]	(3) – (4)
Operating Costs (on a sales basis)	**$329 – 360**	**$1,137**	**$386 – 418**
Regional office administration	32 – 35	131	37 – 40
Community costs related to current operations	13 – 13	13	12 – 14
Refining costs and by-product credits	(1) – (1)	(1)	(1) – (1)
Sub-Total (Adjusted Operating Costs) [1]	**$373 – 407**	**$1,280**	**$434 – 471**
Corporate general & administrative costs	–	–	57– 62
Accretion expense	1 – 1	11	3 – 3
Capitalized stripping costs – cash	319 – 348	–	296 – 321
Capital expenditures (sustaining) [1]	69 – 76	17	67 – 72
All-in Sustaining Costs [1]	**$762 – 832**	**$1,308**	**$857 – 929**
Capital expenditures (growth) [1]	71 – 77	–	66 – 72
Other costs [2]	–	–	48 – 52
All-in Costs [1]	**$833 – 909**	**$1,308**	**$971 –1,053**
Revenue-based tax and income taxes [3]	$175 – 191	-	$163 – 176
All-in Costs (including taxes) [1],[3]	$1,008 –1,100	$1,308	$1,134 –1,229

(1) Adjusted operating costs per ounce sold, all-in sustaining costs per ounce sold, all-in costs per ounce sold, all-in costs ($ and including taxes) per ounce sold, as well as capital expenditures (sustaining and growth), are non-GAAP measures and are discussed under "Non-GAAP Measures".

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

(3) Includes revenue-based tax that reflects a forecast gold price assumption of $1,285 per ounce sold ($1,250 per ounce sold assumed in the previous forecast).

(4) The Boroo operation is nearing the end of its mine life. All forecast production and sales are a result of drawing down the existing stockpiles and assume no mining activities.

Changes to 2014 Unit Cost Guidance

The unit costs for Boroo have been revised mainly to reflect lower operating costs and a lower adjustment for changes in inventory. The revised outlook of $839 of operating cost per ounce sold ($956 per ounce sold in the previous guidance) reflects lower royalties, electricity, national labour, reagents and consumables costs. The forecasted royalty expense has been decreased due to a reduced royalty rate of 2.5% (9% rate assumed in the previous forecast) in connection with commencing sales of gold to the Bank of Mongolia in 2014. The lower electricity, national labour, reagents and

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consumables costs reflect a depreciation of the Mongolian Tugrik against the US dollar as well as lower consumption of electricity, reagents and consumables. The revised adjustment for changes in inventory of $298 per ounce sold ($438 per ounce sold in the previous guidance) reflects the impact of the updated inventory balances and lower operating costs charged to inventory.

Öksüt Project

The Company completed a preliminary economic assessment in the first quarter of 2014 and has commenced a feasibility study for its Öksüt property. The total planned spending in 2014 of approximately $10 million includes work for technical studies, environmental and social impact assessment and project support (collectively, $6.4 million) and $3.5 million for exploration activities.

Taxes

Since January 2014, Boroo has been paying a royalty rate of 2.5% for gold sold to the Bank of Mongolia (reduced from 9% using current gold prices for gold not sold to the Bank of Mongolia). Boroo does not expect to pay any income tax in 2014.

Production, cost and capital forecasts for 2014 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 the Company's Annual Information Form for the year ended December 31, 2013.

Sensitivities:

Centerra's revenues, earnings and cash flows for the remaining nine months of 2014 are sensitive to changes in certain variables and the Company has estimated the impact of any such changes on revenues, net earnings and cash from operations.

	Change	**Impact on** *($ millions)*			
		Costs	**Revenues**	**Cash flow**	**Earnings before income tax**
Gold Price	**$50/oz**	3.9	26.6	22.7	22.7
Diesel Fuel [1]	**10%**	7.8	-	7.8	7.8
Kyrgyz som [2]	**1 som**	1.4	-	1.4	1.4
Mongolian tugrik[2]	**25 tugrik**	0.2	-	0.2	0.2
Canadian dollar [2]	**10 cents**	2.1	-	2.1	2.1

(1) a 10% change in diesel fuel price equals $15/oz produced

(2) appreciation of currency against the US dollar will result in higher costs and lower cash flow and earnings, depreciation of currency against the US dollar results in decreased costs and increased cash flow and earnings

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Material Assumptions and Risks:

Material assumptions or factors used to forecast production and costs for the remaining nine month of 2014 include the following:

- a gold price of $1,285 per ounce,
- exchange rates:
  - $1USD:$1.08 CAD
  - $1USD:50.0 Kyrgyz som
  - $1USD:1,700 Mongolian tugriks
  - $1USD:0.75 Euro
- diesel fuel price assumption:
  - $0.72/litre at Kumtor
  - $1.22/litre at Boroo

The assumed diesel price of $0.72/litre at Kumtor assumes that no Russian export duty will be paid on the fuel exports from Russia to the Kyrgyz Republic. Diesel fuel is sourced from separate Russian suppliers for both sites and only loosely correlates with world oil prices. The diesel fuel price assumptions were made when the price of oil was approximately $107 per barrel.

Other material assumptions were used in forecasting production and costs for 2014. The Company cannot give any assurances in this regard. These material assumptions include the following:

- That current discussions between the Government of the Kyrgyz Republic and Centerra regarding a potential restructuring of the Kumtor Project will result in a mutually satisfactory solution to the outstanding matters affecting the Kumtor project, which is fair to all of Centerra's shareholders, and that such proposal will receive all necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law.
- All mine plans and related permits and authorizations at Kumtor receive timely approval from all relevant governmental agencies.
- The buttress constructed at the bottom of the Davidov glacier successfully stops or slows the movement of the Davidov glacier.
- The Glacier Law will not affect mining or other operations at the Kumtor project.
- 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.
- The activities of the Kyrgyz Republic Parliament and Government, referred to in the 2013 Annual Information Form do not have a material impact on operations or financial results. This includes any action being taken by the Parliament or Government to cancel the current project agreements governing the Kumtor Project, or taking any actions which would be inconsistent with the rights of Centerra, Kumtor Gold Company and Kumtor Operating Company under the project agreements governing the Kumtor project.
- The previously disclosed environmental claims received from the Kyrgyz regulatory authorities in the aggregate amount of approximately $476 million, the claim received from the Kyrgyz Green Party for $9 billion and the claim of the Kyrgyz Republic's General Prosecutor's Office purporting to invalidate land use rights and/or seize land at Kumtor, and any further claims, whether alleging environmental allegations or otherwise, are resolved without material impact on Centerra's operations or financial results.

- The movement in the Central Valley Waste Dump at Kumtor, referred to in the 2013 Annual Information Form, does not accelerate and will be managed to ensure continued safe operations, without impact to gold production, including the successful demolition of buildings and relocation of certain other infrastructure as planned.
- Grades and recoveries at Kumtor will remain consistent with the 2014 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 ball mill and the rotated ring gear or replacement ring gear continue to operate as expected.
- The successful negotiation of new collective agreements at both Kumtor which expires on December 31, 2014, and Boroo, which expires on June 30, 2014, without any labour actions/strikes and without significantly increasing labour costs.
- Prices of key consumables, costs of power and water usage fees are not significantly higher than prices assumed in planning.
- No unplanned delays in or interruption of scheduled production from our mines, including due to civil unrest, natural phenomena, regulatory or political disputes, equipment breakdown or other developmental and operational risks.
- All necessary permits, licenses and approvals are received in a timely manner.

Production and cost forecasts and capital estimates are forward-looking information and are based on key assumptions and subject to material risk factors. If any event arising from these risks occurs, the Company's business, prospects, financial condition and results of operations and cash flows could be adversely affected. Additional risks and uncertainties not currently known to the Company, or that are currently deemed immaterial, may also materially and adversely affect the Company's business operations, prospects, financial condition, results of operations or cash flows and the market price of Centerra's shares. See the section entitled "Cautionary Note Regarding Forward-Looking Information" in this news release and also the Risk Factors listed in the Company's 2013 Annual Information Form available on SEDAR at www.sedar.com.

Non-GAAP Measures

This MD&A contains the following non-GAAP financial measures: all-in sustaining costs per ounce sold, all-in costs per ounce sold, all-in costs including taxes per ounce sold, adjusted operating costs per ounce sold, 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 also 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

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Company basis, and for planning and forecasting of future periods. However, the new 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 therefore 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 consistent with the WGC's Guidance Note on these non-GAAP measures:

- *Operating costs* 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, regional office administration, community costs related to current operations, refining fees and by-product credits.
- *All-in sustaining costs per ounce sold* include adjusted operating costs, the cash component of capitalized stripping costs, regional office administration costs, accretion expenses, and sustaining capital. The measure incorporates costs related to sustaining production.
- *All-in costs per ounce sold* include all-in sustaining costs and additional costs for growth capital, corporate general and administrative expenses, global exploration expenses 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 including taxes per ounce sold* measure includes revenue-based taxes at Kumtor and income taxes at Boroo.
- *Capital expenditures (Sustaining)* is a capital expenditure necessary to maintain existing levels of production. The sustaining capital expenditures maintain the existing mine fleet, mill and other facilities so that they function at levels consistent from year to year.
- *Capital expenditures (Growth)* is capital expended to expand the business or operations by increasing productive capacity beyond current levels of performance.
- *Average realized gold price* is calculated by dividing revenue derived from gold sales by the number of ounces sold.

Adjusted Operating Cost per Ounce Sold, All-in Sustaining Costs per Ounce Sold and All-in Costs per Ounce Sold (including and excluding taxes) are non-GAAP measures and can be reconciled as follows:

1) By operation

(unaudited)	Three months ended March 31,	
($ millions, unless otherwise specified)	**2014**	**2013**
Kumtor:		
Cost of sales, as reported	**$ 95.1**	$ 66.3
Less: Non-cash component	**63.5**	34.1
Cost of sales, cash component	**$ 31.6**	$ 32.1
Adjust for: Regional office administration	**4.4**	4.1
Refining fees	**0.6**	0.5
By-product credits	**(0.6)**	(0.6)
Community costs related to current operations	**0.8**	0.4
Adjusted Operating Costs	**$ 36.8**	$ 36.5
Accretion expense	**0.3**	0.2
Capitalized stripping and ice unload	**62.4**	53.4
Capital expenditures (sustaining)	**8.3**	11.7
All-in Sustaining Costs	**$ 107.8**	$ 101.8
Capital expenditures (growth)	**1.9**	16.1
Exploration expense	**(0.0)**	2.4
Other project costs not related to current operations	**-**	1.4
All-in Costs	**$ 109.7**	$ 121.7
Revenue-based taxes	**18.4**	20.8
All-in Costs (including taxes)	**$ 128.1**	$ 142.6
Ounces sold (000)	**101.9**	91.6
Adjusted Operating Costs per ounce sold	**$ 361**	$ 398
All-in Sustaining Costs per ounce sold	**$ 1,058**	$ 1,111
All-in Costs per ounce sold	**$ 1,077**	$ 1,329
All-in Costs (including taxes) per ounce sold	**$ 1,257**	$ 1,556
Boroo:		
Cost of sales, as reported	**$ 14.0**	$ 24.9
Less: Non-cash component	**3.1**	9.7
Cost of sales, cash component	**$ 10.9**	$ 15.2
Adjust for: Regional office administration	**1.3**	1.5
Refining fees	**0.1**	0.1
By-product credits	**(0.1)**	(0.1)
Community costs related to current operations	**0.1**	0.0
Adjusted Operating Costs	**$ 12.3**	$ 16.8
Accretion expense	**0.1**	0.1
Capitalized stripping	**-**	-
Capital expenditures (sustaining)	**0.2**	1.2
All-in Sustaining Costs	**$ 12.6**	$ 18.0
Capital expenditures (growth)	**-**	-
Exploration expense	**-**	-
Other project costs not related to current operations	**-**	-
All-in Costs	**$ 12.6**	$ 18.0
Income taxes		5.1
All-in Costs (including taxes)	**$ 12.6**	$ 23.2
Ounces sold (000)	**12.6**	27.1
Adjusted Operating Costs per ounce sold	**$ 977**	$ 617
All-in Sustaining Costs per ounce sold	**$ 1,001**	$ 665
All-in Costs per ounce sold	**$ 1,001**	$ 665
All-in Costs (including taxes) per ounce sold	**$ 1,001**	$ 854

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2) Consolidated

(unaudited) **($ millions, unless otherwise specified)**	**Three months ended March 31,** **2014**	 **2013**
Centerra:		
Cost of sales, as reported	**$ 109.1**	$ 91.1
Less: Non-cash component	**66.7**	43.8
Cost of sales, cash component	**$ 42.4**	$ 47.3
Adjust for: Regional office administration	**5.7**	5.6
Mine stand-by costs	**-**	-
Refining fees	**0.7**	0.6
By-product credits	**(0.7)**	(0.7)
Community costs related to current operations	**1.0**	0.4
Adjusted Operating Costs	**$ 49.1**	$ 53.2
Corporate general and administrative costs	**6.4**	6.7
Accretion expense	**0.4**	0.2
Capitalized stripping and ice unload	**62.4**	53.4
Capital expenditures (sustaining)	**8.6**	13.3
All-in Sustaining Costs	**$ 126.9**	$ 126.8
Capital expenditures (growth)	**2.2**	16.2
Exploration and business development	**2.5**	7.1
Other project costs not related to current operations	**0.9**	1.6
All-in Costs	**$ 132.6**	$ 151.8
Revenue-based taxes and income taxes	**18.4**	25.9
All-in Costs (including taxes)	**$ 151.0**	$ 177.7
Ounces sold (000)	**114.5**	118.7
Adjusted Operating Costs per ounce sold	**$ 429**	$ 448
All-in Sustaining Costs per ounce sold	**$ 1,109**	$ 1,068
All-in Costs per ounce sold	**$ 1,158**	$ 1,278
All-in Costs (including taxes) per ounce sold	**$ 1,319**	$ 1,496

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

First Quarter – 2014 ***(Unaudited)***	**Kumtor**	**Boroo**	**All other**	**Consolidated**
($ millions)				
Capitalized stripping –cash	**62.4**	**-**	**-**	**62.4**
Sustaining capital - cash	**8.3**	**0.2**	**0.1**	**8.6**
Growth capital - cash	**1.9**	**-**	**0.3**	**2.2**
Net increase in accruals included in additions to PP&E	**(0.5)**	**-**	**-**	**(0.5)**
	72.1	**0.2**	**0.4**	**72.7** (1)
Total - Additions to PP&E				
First Quarter – 2013 ***(Unaudited)***	**Kumtor**	**Boroo**	**All other**	**Consolidated**
($ millions)				
Capitalized stripping – cash	53.4	-	-	53.4
Sustaining capital – cash	11.7	1.2	0.4	13.3
Growth capital - cash	16.1	-	0.1	16.2
Net increase in accruals included in additions to PP&E	(9.2)	-	-	(9.2)
Total - Additions to PP&E	72.0	1.2	0.5	73.7 (1)

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

Qualified Person & QA/QC

The scientific and technical information in this MD&A, including the production estimates were prepared in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 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. Mr. Reid will supervise the preparation, review, verification and compilation of such information as the qualified person following the departure of Mr. Dan Redmond from the Company and until Mr. Redmond's replacement develops sufficient knowledge and familiarity with the Company's projects to take on such responsibility.

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, general economic indicators affecting the price of gold and gold production, interest rates, and exchange rates, the Company’s plans for future borrowing under its revolving credit facility the successful resolution of outstanding matters in the Kyrgyz Republic to the benefit of all shareholders including matters relating to the State Commission report, government resolutions and decrees, discussions with the Kyrgyz Government on the Kumtor Project Agreements and a possible restructuring of the Kumtor project into a joint venture pursuant to the terms of the HOA, the resolution of environmental claims received by Kumtor from SIETS and SAEPF in December 2012 and February 2013, the possible effect of the Glacier Law on mining or other operations at the Kumtor project, the legal effect of the Glacier Law and the likelihood of its enforcement by Kyrgyz authorities, the draft Kyrgyz law on denunciation, the claim of the Kyrgyz General Prosecutor’s Office’s purporting to invalidate Kumtor’s land use certificate and to seize certain lands within the Kumtor concession area, discussions with various Kyrgyz state agencies regarding the approval for Kumtor’s 2014 annual mine plan and investigations of the Kyrgyz General Prosecutor’s Office into a an inter-corporate dividend declared and paid by KGC to Centerra having no material impact on Kumtor operations, the Company’s ability to manage the increased rate of movement of the Davidov Waste-rock Dump (Central Valley Waste Dump), the activities of a special commission formed to inspect the increased movement of the Davidov Waste-rock Dump, statements regarding the Company’s ability to successfully the movement of the Davidov Glacier, the construction of a buttress at the bottom of the Davidov Glacier and the effectiveness of the buttress, and the Company’s ability to successfully demolish certain buildings and relocate other infrastructure at Kumtor, and to maintain the availability of the Kumtor mobile fleet, the Company’s ability to mine high grade ore in the SB Zone at Kumtor, statements regarding the Company’s future production in 2014, including estimates of cash operating costs, all-in sustaining costs per ounce sold[NG], all in costs per ounce sold[NG], all in costs per ounce sold (including taxes) [NG], capital expenditures (sustaining) [NG] and capital expenditures (growth) [NG], exploration and drilling plans and expenditures and the success thereof, capital expenditures, mining plans at Kumtor; and processing activities at Boroo; statements regarding having sufficient cash and investments to carry out the Company’s business plans for 2014,; the outcome of discussions with the Mongolian government on the potential development of the Company’s Gatsuurt deposit, the impact of the Water and Forest Law on the Company’s Mongolian activities; the Company’s ability to carry out a feasibility study on the Öksüt project; the Company’s business and political environment and business prospects; and the timing and development of new deposits.

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) political and regulatory risks, including the political risks associated with the Company’s principal operations in the Kyrgyz Republic and Mongolia, resource nationalism, 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, the impact of any actions taken by the Government and Parliament relating to the Kumtor Project Agreement, any impact on the purported cancellation of Kumtor’s land use rights at the Kumtor Project, the impact of the failure of relevant Kyrgyz Government agencies to provide approvals of annual mine plans and other required permits

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and authorizations, the effect of the Water and Forest Law on the Company's operations in Mongolia, the impact of continued scrutiny from Mongolian regulatory authorities on the Company's Boroo project, the impact of changes to, or the increased enforcement of, environmental laws and regulations relating to the Company's operations, the Company's ability to successfully negotiate an investment agreement for the Gatsuurt project to complete the development of the mine and the Company's ability to obtain all necessary permits and commissions needed to commence mining activity at the Gatsuurt project; the ability of the Company to obtain, in a timely manner, all required permits and other authorizations to carry out its feasibility and other studies at the Öksüt project and related drilling and operational activities; (B) risks related to operational matters and geotechnical issues, including the movement of the Davidov Glacier and the Davidov Waste-rock Dump (Central Valley Waste Dump), the waste and ice movement at the Kumtor Project and the Company's continued ability to successfully manage such matters, including by the building of a buttress at the bottom of the Davidov Glacier, the occurrence of further ground movements at the Kumtor Project, the timing of the infrastructure move potentially impacting the maintenance of the mobile fleet and its availability, the success of the Company's future exploration and development activities, including the financial and political risks inherent in carrying out exploration activities, 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, 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 the Company's 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; (C) risks relating to financial matters including the 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 facility 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 (D) risks related to environmental and safety matters, including the ability to continue obtaining necessary operating and environmental permits, licenses and approvals, the impact of the significant environmental claims made in December 2012 and February 2013 relating to the Kumtor Project, inherent risks associated with using sodium cyanide in the mining operations; legal and other factors such as litigation, defects in title in connection with the Company's properties, the Company's ability to enforce its legal rights, risks associated with having a significant shareholder, and possible director conflicts of interest. There may be other factors that cause results, assumptions, performance, achievements, prospects or opportunities in future periods not to be as anticipated, estimated or intended. See "Risk Factors" in the Company's 2013 Annual Information Form available on SEDAR at www.sedar.com.

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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 May 6, 2014. 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 March 31, 2014
(Unaudited)

(Expressed in thousands of United States Dollars)

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

(Expressed in Thousands of United States Dollars)	Notes	March 31, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents		**$ 209,744**	$ 343,108
Short-term investments		**302,501**	158,358
Amounts receivable	**3**	**38,196**	78,707
Inventories	**4**	**310,871**	373,289
Prepaid expenses	**5**	**14,436**	29,191
		875,748	982,653
Property, plant and equipment	**6**	**607,349**	539,070
Goodwill		**129,705**	129,705
Restricted cash		**10,342**	10,731
Other assets		**28,827**	20,276
Long-term inventories	**4**	**4,150**	5,229
		780,373	705,011
Total assets		**$ 1,656,121**	$ 1,687,664
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 27,530**	$ 32,109
Short-term debt	**7**	**75,855**	75,582
Revenue-based taxes payable		**8,123**	30,742
Taxes payable		**1,050**	2,108
Current portion of provision for reclamation		**1,909**	1,194
		114,467	141,735
Dividend payable		**10,225**	10,636
Provision for reclamation		**60,017**	58,826
Deferred income tax liability		**2,821**	2,157
		73,063	71,619
Total liabilities		**187,530**	213,354
Shareholders' equity	**9**		
Share capital		**660,500**	660,486
Contributed surplus		**20,697**	20,087
Retained earnings		**787,394**	793,737
		1,468,591	1,474,310
Total liabilities and shareholders' equity		**$ 1,656,121**	$ 1,687,664

Commitments and contingencies (note 10)
The accompanying notes form an integral part of these unaudited condensed consolidated interim financial statements.

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

		Three Months ended March 31,	
(Expressed in Thousands of United States Dollars) **(except per share amounts)**	**Notes**	**2014**	**2013**
Revenue from Gold Sales		**$ 148,021**	$ 192,251
Cost of sales	**8**	**109,114**	91,149
Regional office administration		**5,689**	5,621
Earnings from mine operations		**33,218**	95,481
Revenue-based taxes		**18,432**	20,818
Other operating expenses		**1,895**	1,946
Exploration and business development		**2,572**	7,170
Corporate administration		**6,523**	6,743
Earnings from operations		**3,796**	58,804
Other (income) and expenses		**(210)**	1,280
Finance costs		**1,393**	1,256
Earnings before income taxes		**2,613**	56,268
Income tax expense		**552**	4,916
Net Earnings and comprehensive income		**$ 2,061**	$ 51,352
Basic earnings per common share	**9**	**$ 0.01**	$ 0.22
Diluted earnings per common share	**9**	**$ -**	$ 0.21

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

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

(Expressed in Thousands of United States Dollars)	Notes	Three Months ended March 31, 2014	2013
Operating activities			
Net earnings		**$ 2,061**	$ 51,352
Items not requiring (providing) cash:			
Depreciation, depletion and amortization	**6**	**66,771**	43,900
Finance costs		**1,393**	1,256
Loss on disposal of equipment		**96**	9
Share-based compensation expense		**610**	751
Change in long-term inventory		**1,079**	952
Change in provision		**-**	(67)
Income tax expense		**552**	4,916
Other operating items		**484**	(101)
		73,046	102,968
Change in operating working capital		**22,315**	(7,219)
Prepaid revenue-based taxes utilized		**7,267**	2,768
Income taxes paid		**(1,077)**	(6,479)
Cash provided by operations		**101,551**	92,038
Investing activities			
Additions to property, plant and equipment	**13**	**(72,726)**	(73,673)
Net purchase of short-term investments		**(144,143)**	(68,343)
Purchase of interest in Öksüt Gold Project- net of cash acquired		**-**	(19,742)
Decrease (increase) in restricted cash		**389**	(2,756)
Increase in long-term other assets		**(8,551)**	(217)
Proceeds from disposition of fixed assets		**3**	27
Cash used in investing		**(225,028)**	(164,704)
Financing activities			
Dividends paid		**(8,404)**	(6,349)
Payment of interest and other borrowing costs		**(1,483)**	(1,499)
Cash used in financing		**(9,887)**	(7,848)
Decrease in cash during the period		**(133,364)**	(80,514)
Cash and cash equivalents at beginning of the period		**343,108**	334,115
Cash and cash equivalents at end of the period		**$ 209,744**	$ 253,601
Cash and cash equivalents consist of:			
Cash		**$ 66,660**	$ 91,076
Cash equivalents		**143,084**	162,525
		$ 209,744	$ 253,601

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	Retained Earnings	Total
Balance at January 1, 2013	236,376,011	$ 660,420	$ 36,243	$ 672,430	$ 1,369,093
Share-based compensation expense	-	-	751	-	751
Adjustment for acquisition of 30% minority interest	-	-	(18,986)		(18,986)
Dividend declared	-	-	-	(9,218)	(9,218)
Net earnings for the period	-	-	-	51,352	51,352
Balance at March 31, 2013	236,376,011	$ 660,420	$ 18,008	$ 714,564	$ 1,392,992
Balance at January 1, 2014	**236,390,219**	**$ 660,486**	**$ 20,087**	**$ 793,737**	**$ 1,474,310**
Share-based compensation expense	**-**	**-**	**610**	**-**	**610**
Shares issued on redemption of restricted share units	**2,757**	**14**	**-**	**-**	**14**
Dividend declared	**-**	**-**	**-**	**(8,404)**	**(8,404)**
Net earnings for the period	**-**	**-**	**-**	**2,061**	**2,061**
Balance at March 31, 2014	**236,392,976**	$ **660,500**	$ **20,697**	$ **787,394**	$ **1,468,591**

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

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1. General business description

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, Russia, Cyprus and western Canada.

2. Basis of Preparation and Statement of Compliance

These condensed interim consolidated 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, 2013 and reflecting the new IFRS standards adopted as at January 1, 2014. These financial statements should be read in conjunction with the Company's December 31, 2013 annual consolidated financial statements.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors of the Company on May 6, 2014.

Future Changes in accounting policies

The IASB has issued IFRS 9 *Financial Instruments* ("IFRS 9") which proposes to replace IAS 39 *Financial Instruments Recognition and Measurement*. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets — amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available-for-sale and loans and receivable categories. The IASB tentatively decided at its February 2014 meeting to select an effective date of January 1, 2018 as the effective date for the mandatory application of IFRS 9. However, entities may still choose to apply IFRS 9 immediately. The Company does not intend to adopt IFRS 9 in its financial statements for the annual period beginning January 1, 2014 but will continue to monitor and evaluate the impact of any required changes to its consolidated financial statements based on the characteristics of its financial instruments up to the date adoption.

Adoption of New Accounting Standards and Developments

Effective January 1, 2014, the Company adopted the IFRIC 21, *Levies* ("IFRIC 21"). IFRIC 21 is an interpretation of the accounting for levies imposed by governments which were accounted for under IAS 37, *Provisions, contingent liabilities and contingent assets* ("IAS 37"). IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

(Expressed in thousands of United States Dollars)

3. Amounts receivable

(Thousands of U.S. Dollars)		**March 31, 2014**		**December 31, 2013**
Gold sales receivable from related party (note 11)	**$**	**33,935**	$	69,382
Gold sales receivable from third party		**-**		4,777
Other receivables		**4,261**		4,548
	$	**38,196**	$	78,707

4. Inventories

(Thousands of U.S. Dollars)		**March 31, 2014**		**December 31, 2013**
Stockpiles of ore	**$**	**97,201**	$	161,818
Gold in-circuit		**31,288**		27,212
Heap leach in circuit		**10,270**		12,860
Gold doré		**5,397**		2,699
		144,156		204,589
Supplies		**170,865**		173,929
Total Inventories (net of provisions)		**315,021**		378,518
Less: Long-term inventory (heap leach gold inventories)		**(4,150)**		(5,229)
Total Inventories-current portion	**$**	**310,871**	$	373,289

Stockpiled inventory at Kumtor was written down to net realizable value at March 31, 2014 resulting from an increase in costs and a lower gold price. The cost of inventory in excess of what the Company believes can be realized after further processing and subsequent sale of the gold was $0.5 million and is included in cost of sales.

The provision for mine supplies obsolescence was increased for the three months ended March 31, 2014 by $0.3 million ($0.2 million for the three months ended March 31, 2013) which was charged to cost of sales.

The table below summarizes inventories adjusted for the provision for obsolescence:

(Expressed in thousands of United States Dollars)

(Thousands of U.S. Dollars)		**March 31, 2014**		December 31, 2013
Total inventories	**$**	**319,201**	$	382,404
Less : Provisions for supplies obsolescence		**(4,180)**		(3,886)
Total Inventories (net of provisions)		**315,021**		378,518
Less: Long-term inventory (heap leach stockpiles)		**(4,150)**		(5,229)
Total Inventories-current portion	**$**	**310,871**	$	373,289

5. Prepaid expenses

(Thousands of U.S. Dollars)		**March 31, 2014**		December 31, 2013
Revenue-based taxes	**$**	**2,733**	$	10,000
Insurance		**3,302**		6,488
Rent		**255**		399
Deposit for consumable supplies		**7,810**		9,823
Other		**336**		2,481
	$	**14,436**	$	29,191

6. Property, plant and equipment

The following is a summary of the carrying value of property, plant and equipment:

(Thousands of U.S. Dollars)		Buildings, Plant and equipment		Mobile Equipment		Mineral properties		Capitalized stripping costs		Construction in progress ("CIP")		Total
Cost												
Balance January 1, 2014	$	392,437	$	465,361	$	196,939	$	646,536	$	51,879	$	1,753,152
Additions		51		47		1,501		88,101		10,703		100,403
Disposals		(2,036)		(7,022)		(34)		-		-		(9,092)
Reclassification		11,795		6,363		299		-		(18,457)		-
Balance March 31, 2014	**$**	**402,247**	**$**	**464,749**	**$**	**198,705**	**$**	**734,637**	**$**	**44,125**	**$**	**1,844,463**
Accumulated depreciation												
Balance January 1, 2014	$	247,110	$	269,177	$	147,648	$	550,147	$	-	$	1,214,082
Charge for the period		3,609		26,630		1,757		29		-		32,025
Disposals		(2,036)		(6,923)		(34)		-		-		(8,993)
Balance March 31, 2014	**$**	**248,683**	**$**	**288,884**	**$**	**149,371**	**$**	**550,176**	**$**	**-**	**$**	**1,237,114**
Net book Value												
Balance January 1, 2014	$	145,327	$	196,184	$	49,291	$	96,389	$	51,879	$	539,070
Balance March 31, 2014	**$**	**153,564**	**$**	**175,865**	**$**	**49,334**	**$**	**184,461**	**$**	**44,125**	**$**	**607,349**

(Expressed in thousands of United States Dollars)

The additions to construction in progress during the three months ended March 31, 2014 includes $7.4 million of overhauls for mobile equipment components and $2.6 million of infrastructure equipment at the Kumtor site, which are currently under construction.

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

(Thousands of U.S. Dollars)		**Three months ended March 31, 2014**		**2013**
Amount recorded in cost of sales	**$**	**66,677**	$	43,815
Amount recorded in corporate administration		**94**		85
Total included in Statements of Earnings and Comprehensive Income		**66,771**		43,900
Inventories movement		**(60,439)**		(30,639)
Amount capitalised in PP&E		**25,693**		20,860
Depreciation, depletion and amortization charge for the period	**$**	**32,025**	$	34,121

7. Short-term debt

On February 10, 2014, the Company rolled over its maturing $76 million borrowed under the $150 million revolving credit facility (the "Facility") provided by the European Bank for Reconstruction and Development ("EBRD"). The borrowed amount is due to be repaid on August 11, 2014 or, at the Company's discretion, repayment of the loaned funds may be extended until February 2015.

The terms of the Facility require the Company to pledge certain mobile equipment at Kumtor as security and maintain compliance with specified covenants including financial covenants. The Company was in compliance with the covenants for the three-month period ended March 31, 2014.

The amount of the short-term debt is presented net of deferred financing fees as shown below:

(Thousands of U.S. Dollars)		**March 31, 2014**		**December 31, 2013**
Revolving credit facility	**$**	**76,000**	$	76,000
Deferred financing fee		**(145)**		(418)
Total	**$**	**75,855**	$	75,582

(Expressed in thousands of United States Dollars)

8. Cost of sales

(Thousands of U.S. Dollars)	Three Months ended March 31, 2014	2013
Operating costs:		
Salaries and benefits	**$ 18,255**	$ 19,310
Consumables	**17,476**	22,011
Third party services	**1,061**	1,165
Other operating costs	**4,319**	3,654
Royalties, levies and production taxes	**578**	2,591
Changes in inventories	**454**	(1,619)
	42,143	47,112
Inventory obsolescence charge	**294**	222
Depreciation, depletion and amortization	**66,677**	43,815
	$ 109,114	$ 91,149

(Expressed in thousands of United States Dollars)

9. Shareholders' Equity

a. Share Capital

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

b. Earnings per Share

(Thousands of U.S. Dollars)	Three Months ended March 31, 2014	2013
Net earnings attributable to shareholders	**$ 2,061**	$ 51,352
Adjustment to earnings:		
Impact of performance share units treated as equity settled	**(890)**	(1,381)
Net earnings for the purposes of diluted earnings per share	**$ 1,171**	$ 49,971

Basic and diluted earnings per share computation:

	Three Months ended March 31, 2014	2013
Basic weighted average number of common shares outstanding (thousands)	**236,391**	236,376
Effect of stock options (thousands)	**6**	103
Effect of restricted share units (thousands)	**-**	133
Diluted weighted average number of common shares outstanding (thousands)	**236,397**	236,612
Basic earnings per common share	**$ 0.01**	$ 0.22
Diluted earnings per common share	**$ -**	$ 0.21

For the three months ended March 31, 2014 and March 31, 2013 certain potentially dilutive securities were excluded from the calculation of diluted earnings per share due to the exercise prices of certain stock options being greater than the average market price of the Company's ordinary shares for the period.

(Expressed in thousands of United States Dollars)

Potentially dilutive securities, including stock options summarized below were excluded in the calculation of the diluted earnings per share:

	Three months ended March 31,	
(Thousands of units)	**2014**	**2013**
Stock options	**-**	1,855
	-	1,855

c. Dividends

Dividends are declared in Canadian dollars and paid in Canadian dollars. At March 31, 2014, accrued dividends payable to Kyrgyzaltyn of $10.2 million, which are held in trust in relation to the court proceedings commenced by a Turkish company, Sistem Muhenkislik Insaat Sanayi Tiacaret SA., were outstanding (December 31, 2013 $10.6 million- see note 11).

The details of the dividend declared in the three months ended March 31, 2014 and 2013 are as follows:

	Three Months ended March 31,	
(Thousands of U.S. Dollars)	**2014**	**2013**
Dividend declared (Thousands of U.S Dollars)	**$ 8,404**	$ 9,218
Dividend declared (Canadian Dollar per share amount)	**$ 0.04**	$ 0.04

d. Share-Based Compensation

Annual Performance Share Unit Plan

During the three months ended March 31, 2014, the Company implemented changes to the annual performance share unit plan for eligible employees at its mine sites. The new plan, which carries the same terms as the corporate performance share unit, provides for eligible employees to be granted performance share units which now vest 50% at the end of the year after the year of grant and the remaining 50% the following year. The number of units which will vest is determined based on Centerra's share performance total return (for the sixty-one trading days volume weighted average share price, preceding the start and end of each performance period) relative to the S&P/TSX Global Gold Index Total Return Index Value during the same period. The number of units that vest is determined by multiplying the number of units granted to the participant by the adjustment factor, which ranges from 0 to 2.0. Therefore, the number of units that will vest and are paid out may be higher or lower than the number of units originally granted to a participant. The performance share units cannot be converted to shares by the unit holder.

If dividends are paid, each participant will be allocated additional performance share units equal in value to the dividend paid on the number of common shares equal to the number of performance share units held by the participant, based on the sixty-one trading days volume weighted average share price on the date of the dividend.

In transitioning to the new plan, a special transition series of performance share units were issued to eligible employees at the Company's mine sites on January 2, 2014, vesting equally over the three years following the date of grant.

10. Commitments and Contingencies

Commitments

As at March 31, 2014, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $65.8 million (Kumtor - $65.5 million and Boroo - $0.3 million) which are expected to be settled over the next twelve months.

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 March 31, 2014 cannot be predicted with certainty, it is management's opinion that, except as noted below, their resolution will not have a material adverse effect on the Company's financial statements.

Kyrgyz Republic

(a) Negotiations between Kyrgyz Republic and Centerra

On December 23, 2013 Centerra entered into a non-binding heads of agreement ("HOA") which superseded the terms of the MOU but retained most of its material terms. After making some non-material amendments, the parties re-signed the HOA on January 18, 2014.

On February 6, 2014, after their review of the HOA, the Kyrgyz Parliament adopted a resolution relating to the restructuring described in the HOA but which contains a number of recommendations that are materially inconsistent with the terms of the HOA. Among other things, the resolution calls for further audits of the Kumtor operation and for the Government and the General Prosecutor's Office to continue pursuing claims for environmental and economic damages, which the Company disputes.

On March 18, 2014, the Prime Minister of the Kyrgyz Republic resigned. Subsequently, a new coalition was formed and former First Vice Prime Minister Djoomart Otorbaev was appointed as the new prime minister.

Centerra expects to continue its discussions with the Government regarding a potential restructuring transaction to resolve all outstanding concerns relating to the Kumtor Project. However, it maintains that any agreement to resolve matters must be fair to all of Centerra's shareholders. Any definitive agreement for a potential restructuring remains subject to required approvals in the Kyrgyz Republic, including Government and Parliament of the Kyrgyz Republic, Centerra Special Committee and Board approval, as well as compliance with all applicable legal and regulatory requirements and approvals, including an independent formal valuation and shareholder approval.

(b) Kyrgyz Permitting and Regulatory Matters

In the normal course of operations at Kumtor, KGC prepares annual mine plans for the project which are considered and approved by, among others, the State Agency for Environmental Protection and Forestry under the Government of the Kyrgyz Republic ("SAEPF") and the State Agency for Geology and Mineral Resources. In previous years, annual mine plans for the Kumtor project were approved by such authorities in the first quarter of the year to which they related (for example, the 2013 annual mine plan was approved in the first quarter of 2013).

This year, however, the Company has not yet received formal approval of the proposed 2014 annual mine plan for the Kumtor project despite working with the relevant authorities since the beginning of 2014 to satisfy their requests and concerns. In this regard, Centerra has received communications from representatives of the Kyrgyz Government, including the State Inspectorate Office for Environmental and Technical Safety ("SIETS") expressing concern about the status of such permits, the mining of ice and building of the buttress at Kumtor. SIETS has also suggested that mine operations could be suspended though no formal order or deadline to suspend mine operations has been communicated to KGC.

Centerra has responded to such letters by requesting the Government to provide KGC with all approvals which are necessary for the operation of the Kumtor project, including approval of the 2014 annual mine plan. The Company has also explained that: (i) the 2009 Restated Investment Agreement requires the relevant Government authorities to be reasonable in their consideration of such approvals; (ii) the mining of ice has been a constant feature of the

Kumtor project since its inception; and (iii) that the continued mining of ice is critical to ensuring efficient and stable mine operations.

Centerra has also indicated that KGC has not received notice from any governmental authority ordering or threatening to order it to suspend operations. Furthermore, successive governments have consistently emphasized the strategic importance to the Kyrgyz Republic of continued operation of the Kumtor mine. The Restated Investment Agreement requires that any order of suspension be stayed pending the outcome of the dispute resolution provisions of the Restated Investment Agreement, unless necessary to prevent imminent harm to human health and safety or imminent material harm to the environment.

In addition, the Kyrgz Republic General Prosecutor's Office announced that it had begun an investigation into the declaration and payment of an inter-corporate dividend by KGC to Centerra in December 2013. At the request of the General Prosecutor's Office, Centerra provided a legal analysis, including the opinion of local Kyrgyz counsel, confirming the legality of the dividend. The Company also confirmed that the dividend would have no impact on the valuation underlying the HOA.

(c) Environmental Claims

On June 7, 2013, Kumtor received four claims filed by SIETS with the Bishkek Inter-district court. The SIETS environmental claims sought to enforce the previously disclosed environmental claims issued by SIETS in December 2012, seeking compensation in the aggregate amount of $150 million in relation to (i) placement of waste rock on glaciers; (ii) unpaid use of water from Petrov Lake; (iii) unaccounted industrial and household waste; and (iv) damages caused to land resources (top soil). Each of these claims was dismissed by the Bishkek Inter-District Court and, on appeal, by the Bishkek City Court, on the basis that the arbitration clause in the Restated Investment Agreement requires that all such disputes be resolved through international arbitration. Each of these decisions has been appealed by SIETS to the Kyrgyz Republic Supreme Court.

In addition to the original four claims of SIETS discussed above, SIETS has filed the following additional claims against KOC: (i) on October 12, 2013, a claim in the amount of approximately $485,000 for damages caused to land resources due to disturbance of land at the Kumtor project (similar to the claim in (iv) above but involving a different area of the Kumtor concession); and (ii) on January 21, 2014, a claim for approximately $8.5 million for lost agricultural production and lost profits from 1994 to 2042. Kumtor has responded in writing to SIETS disputing both of these additional claims.

The previously disclosed claim commenced by SAEPF for the aggregate amount of approximately $315 million is currently subject to appeal on a preliminary motion in the Bishkek City Court.

On October 11, 2013, Centerra received a statement of claim from the Green Party of Kyrgyzstan in the Bishkek Inter-District Court which seeks damages of approximately $9 billion for alleged environmental damages arising from the Kumtor operations since 1996. The claimant, Green Party, requests that the damage be paid by Kumtor to the Issyk-Kul Nature Protection and Forestry Development Fund, a Kyrgyz state fund. The claim by the Green Party relates to allegations substantially similar to the claims raised by SIETS and SAEPF. On February 14, 2014, the Green Party withdrew their claim from the Bishkek Inter-District Court. However, the Green Party and/or certain individuals from the village of Saruu have attempted to re-file the same claim in the Jety-Oguz District Court though the court has returned their claim due to lack of jurisdiction.

The Company believes the claims are exaggerated and without merit. The Kumtor Project has been the subject of systematic audits and investigations over the years by Kyrgyz and international experts, including by an independent internationally recognized expert who carried out a due diligence review of Kumtor's performance on environmental matters at the request of Centerra's Safety, Health and Environmental Committee of the Board of Directors.

(d) Land Use Claim

On November 11, 2013, the Company received a claim from the Kyrgyz Republic General Prosecutor's Office requesting the Inter-District Court of the Issyk-Kul Province to invalidate the Company's land use certificate and seize certain lands within Kumtor's concession area.

The Company believes that the invalidation of the land use certificate and purported seizure of land is in violation of the Kyrgyz Republic Land Code as well as the Restated Investment Agreement, which provides that the Kumtor project is guaranteed all necessary access to the Kumtor concession area, including all surface lands as are necessary or desirable for the operation of the Kumtor project.

There are several important outstanding issues affecting the Kumtor Project, which require consultation and co-operation between the Company and Kyrgyz regulatory authorities. The Company has benefited from a close and constructive dialogue with Kyrgyz authorities during project operations and remains committed to working with them to resolve these issues in accordance with the agreements governing the Kumtor project (the "Kumtor Project Agreements"), which provide for all disputes to be resolved by international arbitration, if necessary. However, there are no assurances that the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Project. There are also no assurances that continued discussions between the Kyrgyz Government and Centerra will result in a mutually acceptable solution regarding the Kumtor project, that any agreed upon proposal for restructuring would receive the necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law and that 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 would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Mongolia

Gatsuurt
Centerra continues to be in discussions with the Mongolian Government regarding the development of the Gatsuurt property. Centerra remains reasonably confident that the economic and development benefits resulting from its exploration and development activities will ultimately result in the Mongolian Water and Forest Law having a limited impact on the Gatsuurt project, in particular, and other of the Company's Mongolian activities, including the ATO deposit. As previously disclosed, the Mongolian Water and Forest Law prohibits mineral prospecting, exploration and mining in water basins and forestry areas in Mongolia.

During meetings with representatives of the Mongolian Government, Centerra was advised that the Mongolian Government is currently developing a list of deposits, which will include Gatsuurt, to be submitted to the Mongolian Parliament for consideration as "strategic deposits". If the Mongolian Parliament ultimately approves this designation, it would have the effect of excluding the Gatsuurt deposit from the application of the Mongolian Water and Forest Law and would allow the Government of Mongolia to acquire up to a 34% interest in Gatsuurt. The terms of any such participation would be subject to negotiations with the Mongolian Government.

There can be no assurance, however, that the Water and Forest Law will not have a material impact on Centerra's Mongolian operations. Unless the Water and Forest Law is repealed or amended such that the law no longer applies to the Gatsuurt project or Gatsuurt is designated by the Parliament of Mongolia as a "mineral deposit of strategic importance" that is exempt from the Water and Forest Law, mineral reserves at Gatsuurt may have to be reclassified as mineral resources or eliminated entirely and the Company may be required to write-off approximately $37 million related to the investment in Gatsuurt and approximately $39 million of costs that remain capitalized for the Boroo mill facility and other surface structures. These amounts represent the capitalized costs at March 31, 2014 associated with its investment in Gatsuurt and Boroo (where Gatsuurt ore is planned to be milled).

(Expressed in thousands of United States Dollars)

11. 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 Kumtor Gold Company ("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 between KGC, Kyrgyzaltyn and the Government of the Kyrgyz Republic dated June 6, 2009.

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

	Three Months ended March 31,	
(Thousands of U.S. Dollars)	**2014**	**2013**
Included in sales:		
Gross gold and silver sales to Kyrgyzaltyn	**$ 132,254**	$ 149,207
Deduct: refinery and financing charges	**(596)**	(514)
Net sales revenue received from Kyrgyzaltyn	**$ 131,658**	$ 148,693
Included in expenses:		
Contracting services provided by Kyrgyzaltyn	**$ 258**	$ 411
Management fees to Kyrgyzaltyn	**102**	92
Expenses paid to Kyrgyzaltyn	**$ 360**	$ 503
Dividend:		
Dividends declared to Kyrgyzaltyn	**$ 2,608**	$ 3,020
Withholding taxes	**(139)**	(151)
Net dividends declared to Kyrgyzaltyn	**2,469**	2,869
Net dividends transferred to restricted cash	**-**	(2,869)
Net dividends paid to Kyrgyzaltyn	**$ 2,469**	$ -

(Expressed in thousands of United States Dollars)

Related party balances

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

(Thousands of U.S. Dollars)		**March 31, 2014**		**December 31, 2013**
Amounts receivable (note 3)	**$**	**33,935**	$	69,382
Dividend payable (net of withholding taxes)	**$**	**10,636**	$	11,233
Net unrealized foreign exchange gain		**(411)**		(597)
		10,225		10,636
Amount payable		**200**		157
Total related party liabilities	**$**	**10,425**	$	10,793

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 a Gold and Silver Sale Agreement. Amounts receivable from Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days.

The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of Centerra owned by Kyrgyzaltyn.

As at March 31, 2014, $33.9 million was outstanding under the Sales Agreement (December 31, 2013 - $69.4 million). Subsequent to March 31, 2014, the balance receivable from Kyrgyzaltyn was paid in full.

12. Fair value measurements

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

(Expressed in thousands of United States Dollars)

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, therefore require an entity to develop its own assumptions.

The following table summarizes the fair value measurement by level at March 31, 2014 and December 31, 2013 for assets and liabilities measured at fair value on a recurring basis:

		March 31, 2014		December 31, 2013
(Thousands of U.S.Dollars)		**Level 1**		**Level 1**
Financial Assets				
Cash and cash equivalents	**$**	**209,744**	$	343,108
Short-term investments		**302,501**		158,358
Reclamation trust fund		**15,985**		13,523
	$	**528,230**	$	514,989

The company does not have any assets and liabilities that are under level 2 or level 3.

13. Supplemental cash flow disclosure

Investment in property, plant and equipment (PP&E)

(Thousands of U.S. Dollars)		Three Months ended March 31, 2014		2013
Additions to PP&E during the period	$	**(100,403)**	$	(103,898)
Impact of revisions to asset retirement obligation included in PP&E		**1,501**		-
Depreciation and amortization included in additions to PP&E		**25,693**		20,860
Increase in accruals included in additions to PP&E		**483**		9,365
Cash investment in PP&E	$	**(72,726)**	$	(73,673)

14. Subsequent event

On May 6, 2014, the Company announced that its Board of Directors approved a quarterly dividend of $0.04 per common share. The dividend is payable June 5, 2014 to shareholders of record on May 22, 2014.

15. Segmented Information

The following table reconciles segment operating profit per the reportable segment information to operating profit per the consolidated statements of earnings and comprehensive income.

(Expressed in thousands of United States Dollars)

Three Months ended March 31, 2014

(Millions of U.S. Dollars)	**Kyrgyz Republic**	**Mongolia**	**Corporate and other**	**Total**
Revenue from Gold Sales	$ **131.7**	$ **16.3**	$ **-**	$ **148.0**
Cost of sales	**95.1**	**14.0**	**-**	**109.1**
Regional office administration	**4.4**	**1.3**	**-**	**5.7**
Earnings from mine operations	**32.2**	**1.0**	**-**	**33.2**
Revenue-based taxes	**18.4**	**-**	**-**	**18.4**
Other operating expenses	**0.8**	**0.2**	**0.9**	**1.9**
Exploration and business development	**0.1**	**0.6**	**1.9**	**2.6**
Corporate administration	**0.2**	**0.1**	**6.2**	**6.5**
Earnings (loss) from operations	**12.7**	**0.1**	**(9.0)**	**3.8**
Other (income) and expenses				**(0.2)**
Finance costs				**1.4**
Earnings before income taxes				**2.6**
Income tax expense				**0.5**
Net earnings and comprehensive income				$ **2.1**
Capital expenditure for the period	**$ 98.4**	**$ 0.4**	**$ 0.1**	**$ 98.9**
Goodwill	**$ 129.7**	**$ -**	**$ -**	**$ 129.7**
Assets (excluding Goodwill)	**$ 888.2**	**$ 174.5**	**$ 463.7**	**$ 1,526.4**
Total liabilities	**$ 67.5**	**$ 29.4**	**$ 90.6**	**$ 187.5**

Three Months ended March 31, 2013

(Millions of U.S. Dollars)	**Kyrgyz Republic**	**Mongolia**	**Corporate and other**	**Total**
Revenue from Gold Sales	$ 148.7	$ 43.6	$ -	$ 192.3
Cost of sales	66.3	24.9	-	91.2
Regional office administration	4.1	1.5	-	5.6
Earnings from mine operations	78.3	17.2	-	95.5
Revenue-based taxes	20.8	-	-	20.8
Other operating expenses	1.8	0.1	-	1.9
Exploration and business development	2.4	0.9	3.9	7.2
Corporate administration	0.1	0.1	6.5	6.7
Earnings (loss) from operations	53.2	16.1	(10.4)	58.9
Other (income) and expenses				1.3
Finance costs				1.3
Earnings before income taxes				56.3
Income tax expense				4.9
Net earnings and comprehensive income				$ 51.4
Capital expenditure for the period	$ 102.2	$ 1.3	$ 0.4	$ 103.9
Goodwill	$ 129.7	$ -	$ -	$ 129.7
Assets (excluding Goodwill)	$ 961.6	$ 197.7	$ 294.0	$ 1,453.3
Total liabilities	$ 67.3	$ 32.5	$ 90.2	$ 190.0