

**Centerra Gold Inc.**  
**Management’s Discussion and Analysis (“MD&A”)**  
**For the Period Ended March 31, 2016**

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

**All references in this document denoted with <sup>NG</sup>, indicate a non-GAAP term which is discussed under “Non-GAAP Measures” on pages 30 to 34.**

## TABLE OF CONTENTS

<b>Overview .....</b>	<b>3</b>
<b>Recent Developments.....</b>	<b>3</b>
<b>Consolidated Financial and Operational Highlights .....</b>	<b>5</b>
<b>Results of Operations.....</b>	<b>6</b>
<b>Cash Generation and Capital Management .....</b>	<b>9</b>
<b>Capital Expenditures .....</b>	<b>10</b>
<b>Share Capital and Share Options.....</b>	<b>11</b>
<b>Results of Kumtor Operations.....</b>	<b>12</b>
<b>Development Projects .....</b>	<b>16</b>
<b>Öksüt Project.....</b>	<b>16</b>
<b>Gatsuurt Project.....</b>	<b>16</b>
<b>Greenstone Gold Property .....</b>	<b>17</b>
<b>Other Financial Information –Related Party Transactions.....</b>	<b>17</b>
<b>Quarterly Results – Previous Eight Quarters .....</b>	<b>19</b>
<b>Other Corporate Developments.....</b>	<b>20</b>
<b>Changes in Accounting Policies .....</b>	<b>24</b>
<b>Disclosure Controls and Procedures and Internal Control Over Financial Reporting ("ICFR") .....</b>	<b>25</b>
<b>2016 Outlook.....</b>	<b>25</b>
<b>Non-GAAP Measures .....</b>	<b>30</b>
<b>Qualified Person &amp; QA/QC .....</b>	<b>34</b>
<b>Caution Regarding Forward-Looking Information .....</b>	<b>35</b>

## Overview

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

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

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 December 2015, Kumtor submitted the 2016 Special Mine Plan to the State Agency for Environmental Protection and Forestry ("SAEPF") for environmental expertise (approval) and to the State Agency for Geology and Mineral Resources ("SAGMR") for industrial safety and subsoil expertise. The industrial safety expertise was issued on December 30, 2015 and the subsoil expertise was issued on March 24, 2016. The environmental expertise remains outstanding.
- In late March 2016, Kumtor received approval from SAEPF of its waste disposal permit which is valid until December 31, 2016 and was granted an extension of its maximum allowable emissions ("MAE") permit which is now valid until June 30, 2016, to allow time for further review. Kumtor continues to operate fully in compliance with permits as granted. On April 28, 2016, Kumtor received notice from SAEPF stating that SAEPF requires that KGC provide certain additional information and documents and take certain additional measures as a precondition to the issuance of its environmental expertise (approval) of the 2016 Special Mine Plan. On the same date, Kumtor also received notice from SAGMR stating that if KGC does not receive the environmental expertise from SAEPF by June 30, 2016, it will be required to cease mining operations at Kumtor, effective July 1, 2016. Kumtor management believes that it has previously provided to SAEPF all information and documents and taken all measures required under the Kumtor Project Agreements and Kyrgyz Republic regulations for SAEPF to issue its environmental expertise. While it therefore disputes the SAEPF notice, KGC will continue to work with SAEPF to resolve outstanding questions and concerns in connection with the environmental expertise. No assurances can be provided that such expertise will be issued by SAEPF prior to July 1, 2016 or at all. See "Other Corporate Developments".

- Gold shipments from Kumtor to Kyrgyzaltyn were delayed for a brief period in March while Kyrgyzaltyn held contractual discussions with its off-take bank. These discussions were completed in early April 2016 following which shipments to Kyrgyzaltyn resumed in the normal course. The build-up of gold doré at Kumtor at the end of March of 33,165 ounces were sold to Kyrgyzaltyn by the end of April 2016.
- Centerra and Kumtor are saddened to report that on January 24, 2016, an employee fatality occurred at the primary crusher at the Kumtor mill.
- On April 28, 2016, Centerra reported that the General Prosecutor's Office ("GPO") and other state law enforcement agencies conducted a search at the Bishkek offices of KGC. As noted in our news release of April 28, 2016, the Kyrgyz Republic government has very recently indicated to Centerra its dissatisfaction with the current arrangements governing Centerra and the Kumtor Project, and has repeated historical concerns and allegations regarding Centerra's and KGC's management and governance and the operations of the Kumtor Project. The Government has expressed its desire to resolve all such matters through proposals to be provided by it to Centerra. No negotiations with the Kyrgyz Republic government have taken place. See "Other Corporate Developments".

### **Gatsuurt Project**

- The Company continued to engage in discussions with the Mongolian Government regarding the definitive agreements relating to the Gatsuurt Project. As previously disclosed, such definitive agreements are expected to include a 3% special royalty in place of a 34% Mongolian state ownership in the project.
- Subsequent to the end of the quarter, in early April 2016 the Company mobilized diamond drill rigs to the Gatsuurt Project site and has commenced infill, exploration, geo-technical and hydrogeological drilling in support of eventual project development.

### **Öksüt Project**

- At the Öksüt property, the Company continued development activities to progress the Environmental and Social Impact Assessment ("ESIA"), access and site preparation and detailed engineering works. Following the approval of the Environmental Impact Assessment by the Turkish regulatory authorities on November 9, 2015, the Company prepared an ESIA which has been made available for public review on April 8, 2016. The ESIA is not a regulatory requirement in Turkey.
- Following the approval of the business opening permit on December 28, 2015, applications were submitted for land use permits, after approval of which other required permit applications will be submitted.
- On April 5, 2016, subsequent to the quarter-end, Öksüt Madencilik Sanayi ve Ticaret A.S. ("OMAS"), Centerra's wholly owned subsidiary in Turkey, entered into a \$150 million project financing term loan facility expiring on December 30, 2021, fully underwritten by UniCredit Bank AG. The facility will be used to fund a substantial portion of the development and construction costs of the Öksüt gold mine. Availability of the facility is subject to customary conditions precedent, including receipt of all necessary permits and approvals.

## Consolidated Financial and Operational Highlights

<i>Unaudited (\$ millions, except as noted)</i>	Three months ended March 31,		
	2016	2015	% Change
<b>Financial Highlights</b>			
Revenue	\$ 73.2	\$ 212.6	(66%)
Cost of sales	31.5	114.0	(72%)
Standby costs	(0.1)	2.7	(104%)
Regional office administration	3.3	5.3	(38%)
<b>Earnings from mine operations</b>	<b>38.5</b>	<b>90.6</b>	<b>(58%)</b>
Revenue-based taxes	10.3	28.7	(64%)
Other operating expenses	0.6	(0.1)	(700%)
Pre-development project costs	1.3	3.3	(61%)
Exploration and business development <sup>(1)</sup>	2.0	2.8	(29%)
Corporate administration	5.8	9.4	(38%)
<b>Earnings from operations</b>	<b>18.5</b>	<b>46.5</b>	<b>(60%)</b>
Other (income) and expenses	(1.3)	4.2	(131%)
Finance costs	1.2	1.1	9%
<b>Earnings before income taxes</b>	<b>18.6</b>	<b>41.3</b>	<b>(55%)</b>
Income tax expense	0.5	0.6	(17%)
<b>Net earnings</b>	<b>18.1</b>	<b>40.7</b>	<b>(56%)</b>
Earnings per common share - \$ basic <sup>(2)</sup>	\$ 0.08	\$ 0.17	(53%)
Earnings per common share - \$ diluted <sup>(2)</sup>	\$ 0.07	\$ 0.17	(59%)
Cash provided by operations	9.4	131.5	(93%)
Average gold spot price - \$/oz <sup>(3)</sup>	1,183	1,218	(3%)
Average realized gold price - \$/oz <sup>(4)</sup>	1,186	1,213	(2%)
Capital expenditures <sup>(5)</sup>	49.7	155.6	(68%)
<b>Operating Highlights</b>			
Gold produced – ounces	86,444	170,683	(49%)
Gold sold – ounces	61,744	175,232	(65%)
Operating costs (on a sales basis) <sup>(6)</sup>	19.2	43.5	(56%)
Adjusted operating costs <sup>(4)</sup>	23.1	51.8	(55%)
All-in Sustaining Costs <sup>(4)</sup>	62.8	125.8	(50%)
All-in Costs, excluding development projects <sup>(4)</sup>	70.7	135.1	(48%)
All-in Costs, excluding development projects (including taxes) <sup>(4)</sup>	81.0	163.9	(51%)
<b>Unit Costs</b>			
Cost of sales - \$/oz sold <sup>(4)</sup>	510	651	(22%)
Adjusted operating costs - \$/oz sold <sup>(4)</sup>	372	296	26%
All-in sustaining costs – \$/oz sold <sup>(4)</sup>	1,015	718	41%
All-in costs, excluding development projects - \$/oz sold <sup>(4)</sup>	1,144	770	49%
All-in costs, excluding development projects (including taxes) - \$/oz sold <sup>(4)</sup>	1,312	935	40%

(1) Includes business development of nil for the three months ended March 31, 2016 (\$1.1 million for three months ended March 31, 2015).

(2) As at March 31, 2016, the Company had 242,009,428 common shares issued and outstanding.

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

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

(5) Includes capitalized stripping of \$14.1 million in the three months ended March 31, 2016 (\$67.5 million of capitalized stripping and \$68.9 million to acquire a 50% interest in the Greenstone Gold Property in the three months ended March 31, 2015).

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

## Results of Operations

### First Quarter 2016 compared to First Quarter 2015

The Company recorded net earnings of \$18.1 million in the first quarter of 2016, compared to net earnings of \$40.7 million in the comparative quarter of 2015, reflecting 65% fewer gold ounces sold and lower realized gold prices<sup>NG</sup>, partially offset by lower operating costs and lower share-based compensation charges.

#### ***Production:***

Gold production for the first quarter of 2016 totalled 86,444 ounces compared to 170,683 ounces in the comparative quarter of 2015. The 49% decrease in ounces poured at Kumtor reflects the processing of lower grade ounces mined from the upper benches in cut-back 17, blended with low grade stockpiled ore, as well as lower recoveries. In contrast, Kumtor mined and processed the final benches from cut-back 16 that contained higher grade ore in the comparative quarter of 2015. The lower production level in the first quarter of 2016 is consistent with the Company's forecast and the Company expects to meet its guidance for the year (see "2016 Outlook").

#### ***Safety and Environment:***

Centerra had three reportable injuries in the first quarter of 2016, consisting of three lost time injuries and no medical aid injuries. On January 24th, 2016, an employee suffered fatal injuries at the Kumtor mill. The Company continues to cooperate with relevant Kyrgyz Republic officials who are investigating this incident.

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

#### ***Financial Performance:***

Lower revenue for the first quarter of 2016 resulted from fewer gold ounces sold (61,744 ounces compared to 175,232 ounces in the first quarter of 2015) and 2% lower average realized gold price<sup>NG</sup> during the quarter (\$1,186 per ounce compared to \$1,213 per ounce in the same quarter of 2015). Kumtor ended the first quarter of 2016 with approximately 33,165 ounces of gold doré on hand due to shipments to Kyrgyzaltyn being delayed for a brief period while Kyrgyzaltyn held contractual discussions with its off-take bank. We understand that discussions were completed in early April 2016 following which shipments to Kyrgyzaltyn resumed in the normal course and the 33,165 ounces of gold doré were sold to Kyrgyzaltyn by the end of April 2016.

In the first quarter of 2016, ounces sold decreased by 65% while cost of sales decreased by 72% to \$31.5 million compared with the same period of 2015. Cost of sales in the first quarter of 2016 benefited from lower operating costs (mainly for diesel, consumables and labour) and from a partial reversal of the inventory impairment recorded in the fourth quarter of 2015. Depreciation, depletion and amortization ("DD&A") associated with production was \$12.4 million in the first quarter of 2016 (2015: \$68.7 million). The decrease reflects fewer ounces sold in the first quarter of 2016, and lower capitalized stripping charges per ounce from cut-back 17 ore versus cut-back 16 ore.

Standby costs represent the net activities at Boroo (starting January 1, 2016), where the mill and heap leach facilities are now on care and maintenance. In the first quarter of 2016 the heap leach facility transitioned to closure, as secondary heap leach processing was completed at the end of 2015. A net credit of approximately \$57,000 was recorded at Boroo in the first quarter of 2016, which includes mainly fixed costs offset by revenue from gold sales recovered from residual gold production from the leach pad. Boroo recorded standby expenses of \$2.7 million in the first quarter of 2015, mainly for labour and fixed administration costs to place the mill on care and maintenance.

Regional office administration costs decreased by 38% to \$3.3 million in the first quarter of 2016, reflecting lower labour costs at Kumtor from favourable currency movements of the Kyrgyz Som and lower staffing levels at Boroo.

Pre-development project costs decreased by \$2.0 million to \$1.3 million in the first quarter of 2016, compared to the comparative quarter in 2015. The decrease was due to the Company beginning the capitalization of development costs at the Öksüt Project following the approval of the feasibility study in July 2015, partially offset by higher spending at the Greenstone Property.

Exploration expenditures in the first quarter of 2016 totaled \$2.0 million compared to \$1.7 million in the same quarter of 2015. The increase reflects increased activity at the Company's various exploration projects.

Business development spending in the first quarter of 2015 totalled \$1.1 million, representing consulting and legal charges in connection with the acquisition of the Company's interest in the Greenstone Partnership. There was no spending on business development activities in the first quarter of 2016.

Other income of \$1.3 million recorded in the first quarter of 2016 compared to other expenses of \$4.2 million incurred in the first quarter of 2015 represents mainly the impact of currency movements, as the Canadian dollar appreciated 6% against the US dollar which increased the value of the Company's Canadian assets in the first quarter of 2016 as opposed to a weakening of 9% in the comparative quarter of 2015.

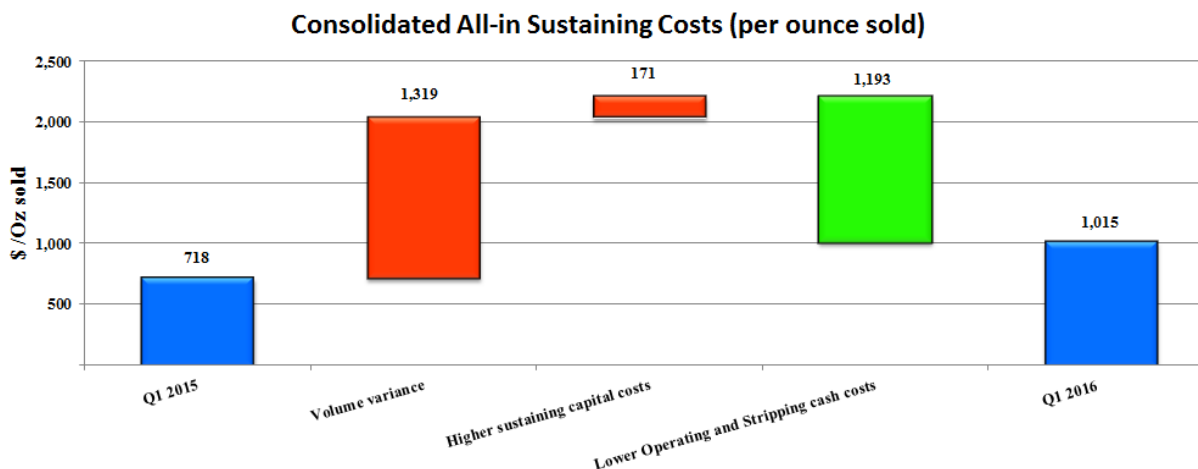
Corporate administration costs decreased to \$5.8 million in the first quarter of 2016 from \$9.4 million in the same period of 2015. The decrease was primarily due to a lower charge for share-based compensation as a result of the decline in the Company's stock price in the first quarter of 2016. In addition, the first quarter of 2015 included higher legal and consulting costs related to on-going negotiations and the formation of the Greenstone Partnership.

***Operating Costs:***

Operating costs (on a sales basis) decreased by 56% to \$19.2 million in the first quarter of 2016 compared to the same period of 2015, reflecting fewer ounces sold at Kumtor and lower operating costs for diesel, consumables and labour. Operating costs in the first quarter of 2016 were also reduced by the partial reversal of an inventory impairment recorded at the end of 2015.

The Kumtor operation continues to benefit from current diesel prices during the quarter and the Kyrgyz som has also continued to trade at historical lows at 72 soms per 1 \$USD. The benefit of lower diesel prices and favourable rate of the Som to Kumtor is significant as diesel and the impact of the Som account for approximately 17% and 25% of total operating costs at Kumtor, respectively.

Centerra's all-in sustaining costs per ounce sold<sup>NG</sup>, which excludes revenue-based tax and income tax, for the first quarter of 2016 increased to \$1,015 from \$718 in the comparative period mainly as a result of fewer ounces sold and higher sustaining capital<sup>NG</sup> spending. This was partially offset by lower operating and administration costs, as well as lower spending on capitalized stripping.



The significant impact of the lower sales volume in the first quarter of 2016 was due primarily to the lower grades of ore processed from the pit and from the stockpiles as compared to the same period of 2015 (2.27 g/t compared to 5.13 g/t) which resulted in lower recoveries (75% compared to 81%). The lower grade ore mined and processed in this quarter was expected, and the Company expects higher grade ore to be released from cut-back 17 in the latter half of 2016, which should improve the grade of the feed for the mill, improve recoveries and result in lower unit operating costs.

Centerra's all-in costs per ounce sold<sup>NG</sup> (excluding development projects) for the first quarter of 2016, was \$1,144 compared to \$770 in the comparative quarter of 2015, and includes all cash costs related to gold production, excluding revenue-based tax and income tax. The increase reflects the higher all-in sustaining unit costs<sup>NG</sup> described above, as well as higher spending on exploration costs, partially offset by lower spending for growth capital<sup>NG</sup> in the first quarter of 2016.



## Cash generation and capital investments

### Cashflow

<i>Unaudited (\$ millions, except as noted)</i>	<b>Three months ended March 31,</b>		
	<b>2016</b>	2015	% Change
<b>Cash provided by operating activities</b>	<b>9.4</b>	131.5	(93%)
Cash used in investing activities:			
- Capital additions (cash)	(35.4)	(72.2)	(51%)
- Short-term investment net redeemed (net purchased)	19.6	(16.2)	(220%)
- Purchase of interest in Greenstone Partnership	-	(67.4)	(100%)
- other investing items	(3.7)	(1.0)	259%
<b>Cash used in investing activities</b>	<b>(19.6)</b>	(156.9)	(88%)
<b>Cash used in financing activities</b>	<b>(10.7)</b>	(8.8)	22%
<b>Decrease in cash and cash equivalents</b>	<b>(20.8)</b>	(34.2)	(39%)

### First Quarter 2016 compared to First Quarter 2015

Cash provided by operations decreased by \$122.1 million to \$9.4 million in the first quarter of 2016 compared to the first quarter of 2015, mainly as a result of lower ounces sold and earnings. The lower sales were impacted by the delayed gold shipments to Kyrgyzaltyn in March and the resulting build-up of gold doré at Kumtor at the end of March 2016 (as discussed previously).

Cash used in investing activities decreased from \$156.9 million to \$19.6 million in the first quarter of 2016 as compared to the first quarter of 2015, reflecting a reduction in capital spending and the net redemption of short-term investments as compared to the net purchase in the comparative quarter. In addition, the Company spent \$67.4 million (C\$85 million) for a 50% interest in the Greenstone Partnership in March 2015.

Cash used in financing of \$10.7 million in the first quarter of 2016 was \$1.9 million higher than the amount spent in the first quarter of 2015, and reflected higher borrowing charges related to the renewal of the Company's credit facility (see "Credit and Liquidity" on page 10).

Cash, cash equivalents and short-term investments at March 31, 2016 decreased to \$501.8 million from \$542.2 million at December 31, 2015.

## Capital Expenditure (spent and accrued)

Unaudited (\$ millions)		Three months ended March 31,		
		2016	2015	% Change
Kumtor	Sustaining capital <sup>NG</sup>	23.0	12.4	85%
	Capitalized stripping	14.1	67.5	(79%)
	Growth capital <sup>NG</sup>	4.7	6.5	(28%)
	Total	41.8	86.4	(52%)
Boroo and Gatsuurt	Sustaining capital <sup>NG</sup>	-	0.1	(100%)
	Growth capital <sup>NG</sup>	0.4	0.1	300%
	Total	0.4	0.2	100%
Other	Sustaining capital <sup>NG</sup>	0.2	0.1	100%
	Öksüt Project development <sup>(1)</sup>	6.7	-	100%
	Greenstone Gold Property capital <sup>(2)</sup>	0.6	1.5	(60%)
	Greenstone Partnership acquisition	-	67.4	(100%)
	Total	7.5	69.0	(89%)
Consolidated	Sustaining capital <sup>NG</sup>	23.2	12.6	84%
	Capitalized stripping	14.1	67.5	(79%)
	Growth capital <sup>NG</sup>	5.1	6.6	(23%)
	Öksüt Project development <sup>(1)</sup>	6.7	-	100%
	Greenstone Gold Property capital <sup>(2)</sup>	0.6	1.5	(60%)
	Greenstone Partnership acquisition	-	67.4	(100%)
<b>Total capital expenditures</b>		<b>49.7</b>	<b>155.6</b>	<b>(68%)</b>

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

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

Reduced capital expenditures in the first quarter of 2016 resulted mainly from lower spending on capitalized stripping (decrease of \$53.4 million) and lower growth capital<sup>NG</sup> at Kumtor, partially offset by higher sustaining capital for equipment rebuilds and overhauls at Kumtor and for the capitalization of Öksüt development costs. In addition, the Company spent \$68.9 million to acquire a 50 percent interest in the Greenstone Property, including pre-development costs of \$1.5 million, in the comparative period of 2015.

### ***Credit and Liquidity:***

On February 12, 2016, the Company entered into a new five-year \$150 million revolving credit facility (the "Facility") with the European Bank for Reconstruction and Development ("EBRD") and immediately drew down \$76 million.

On April 4, 2016, Öksüt Madencilik Sanayi ve Ticaret A.S. ("OMAS"), a wholly-owned subsidiary of the Company, entered into a 5.75-year \$150 million credit facility agreement with UniCredit Bank AG ("UniCredit") (the "Öksüt Facility"). The purpose of the Öksüt Facility is to assist in financing the construction of the Company's Öksüt Project. The interest rate is LIBOR

plus 2.65% to 2.95% (dependent on project completion status). The Öksüt Facility is secured by the Öksüt assets and is non-recourse to Centerra. Availability of the Öksüt Facility is subject to customary conditions precedent, including receipt of all necessary permits and approvals.

***Foreign Exchange:***

The Company receives its revenues through the sale of gold in U.S. dollars. The Company has operations in the Kyrgyz Republic, Turkey and Mongolia, and its corporate head office is in Toronto, Canada. During the first three months of 2016, the Company incurred combined costs (including capital) totalling roughly \$166 million. Approximately \$86 million of this (52%) 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: 62% in Kyrgyz soms, 25% in Canadian dollars, 5% in Euros, 3% in Turkish lira and 2% in Mongolian tugriks and approximately 3% in other non U.S. currency. During the first three months of 2016, the average value of the currencies of the Kyrgyz som, Euro and Canadian dollar appreciated against the U.S. dollar by approximately 2%, 2%, and 1% respectively, from their value at December 31, 2015. The GBP, Mongolian tugrik and Turkish lira depreciated against the U.S. dollar by approximately 3%, 1% and 1% respectively. The net impact of these movements for the first three months of 2016, after taking into account currencies held at the beginning of the year, was to increase costs by \$1.3 million (decrease of \$3.8 million in the first three months of 2015).

**Share Capital and Share Options**

As of May 3, 2016, Centerra had 242,009,428 common shares issued and outstanding. In addition, as at the same date, the Company had 5,854,445 share options outstanding under its share option plan with exercise prices ranging from Cdn\$3.82 to Cdn\$22.28 per share, and with expiry dates between 2016 and 2024.

In March 2016, the Company finalized a purchase of a net smelter royalty on the Öksüt property from Teck Resources Limited through the issuance of 546,703 common shares of the Company, representing a value of approximately \$3 million.

The Company also settled an obligation of \$16.9 million relating to capital purchases at Kumtor through the issuance of an aggregate of 3,570,417 common shares during the first quarter of 2016.

## Results of Kumtor Operations

### Kumtor Mine

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based gold producer. It has been in production since 1997 and has produced over 10.5 million ounces of gold to March 31, 2016.

<b>Kumtor Operating Results</b> <i>Unaudited (\$ millions, except as noted)</i>	<b>Three months ended March 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>% Change</b>
Tonnes mined - 000s	<b>39,275</b>	41,731	(6%)
Tonnes ore mined – 000s	<b>1,826</b>	1,339	36%
Average mining grade - g/t	<b>1.32</b>	3.30	(60%)
Tonnes milled - 000s	<b>1,543</b>	1,175	31%
Average mill head grade - g/t	<b>2.27</b>	5.13	(56%)
Recovery - %	<b>75.0%</b>	81.0%	(7%)
Mining costs - total (\$/t mined material)	<b>1.22</b>	1.34	(9%)
Milling costs (\$/t milled material)	<b>10.07</b>	13.62	(26%)
Gold produced – ounces	<b>86,444</b>	164,272	(47%)
Gold sold – ounces	<b>61,744</b>	169,185	(64%)
Average realized gold price - \$/oz <sup>(1)</sup>	<b>1,186</b>	1,212	(2%)
Capital expenditures (sustaining) <sup>(1)</sup>	<b>23.0</b>	12.4	85%
Capital expenditures (growth) <sup>(1)</sup>	<b>4.7</b>	6.5	(28%)
Capital expenditures (stripping)	<b>14.1</b>	67.5	(79%)
Operating costs (on a sales basis) <sup>(2)</sup>	<b>19.1</b>	37.9	(50%)
Adjusted operating costs <sup>(1)</sup>	<b>23.0</b>	42.9	(46%)
All-in Sustaining Costs <sup>(1)</sup>	<b>56.6</b>	107.2	(47%)
All-in Costs <sup>(1)</sup>	<b>61.3</b>	113.7	(46%)
All-in Costs - including taxes <sup>(1)</sup>	<b>71.6</b>	142.4	(50%)
<b>Adjusted operating costs - \$/oz sold<sup>(1)</sup></b>	<b>371</b>	254	46%
<b>All-in sustaining costs – \$/oz sold<sup>(1)</sup></b>	<b>916</b>	634	44%
<b>All-in costs – \$/oz sold<sup>(1)</sup></b>	<b>993</b>	673	48%
<b>All-in costs (including taxes) – \$/oz sold<sup>(1)</sup></b>	<b>1,159</b>	842	38%

(1) Adjusted operating costs, all-in sustaining costs, all-in costs and all-in costs – including taxes (in \$ millions and per ounce sold), as well as average realized gold price per ounce sold and capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under “Non-GAAP Measures”.

(2) Operating costs (on a sales basis) is comprised of mine operating costs such as mining, processing, 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.

## **First Quarter 2016 compared to First Quarter 2015**

### ***Production:***

In the first quarter of 2016, Kumtor focused predominantly on the development and mining of cut-back 17 and continued to mine lower grade ore from the upper benches of the ore body. The Company expects to intersect higher grade ore in the SB Zone from cut-back 17 during the third quarter of 2016. Kumtor continued to process ore from cut-back 17 and ore stockpiled from the prior year.

Total waste and ore mined in the first quarter of 2016 was 39.3 million tonnes compared to 41.7 million tonnes in the comparative period of 2015, representing a decrease of 6%. The main reason for this decrease was the increased average haulage distance when compared to the same period of 2015.

Kumtor produced 86,444 ounces of gold in the first quarter of 2016 compared to 164,272 ounces of gold in the comparative period of 2015. The decrease in ounces poured in the first quarter of 2016 resulted from the processing of lower grade ore mined from cut-back 17 which was blended with lower grade stockpiles. In contrast, during the comparative quarter of 2015, the Company mined and processed ore from the higher grade final benches from cut-back 16. The Company mined 1.8 million tonnes of ore at 1.32 g/t in the first quarter of 2016 compared to 1.3 million tonnes of ore at 3.30 g/t in the comparative quarter.

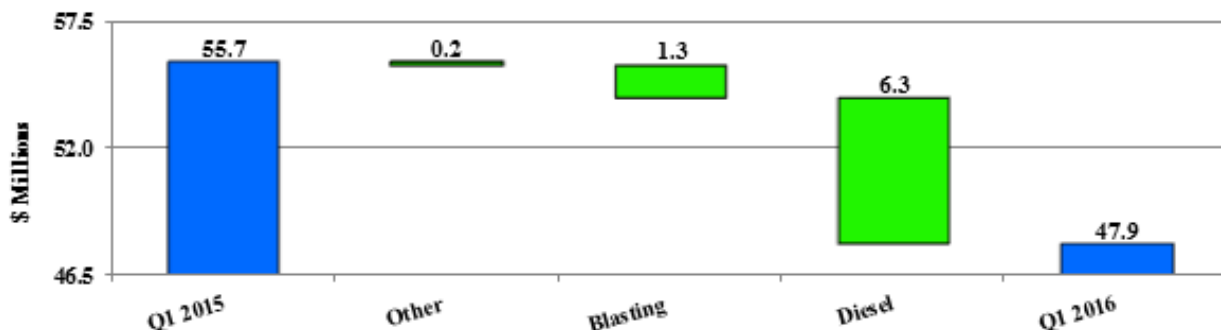
During the first quarter of 2016, Kumtor's head grade was 2.27 g/t with a recovery rate of 75.0%, compared to 5.13 g/t and a recovery rate of 81.0% for the same period of 2015. The lower head grade was partially offset by 31% higher milled tonnes processed than the comparative period in 2015. In the first quarter of 2016, the mill achieved average throughput of 16,900 tonnes per day (reaching in excess of 18,500 tonnes per day) as compared to an average of 13,000 tonnes per day in the first quarter of 2015. Actions taken to increase the throughput have included blending harder and softer ore, opening screens in the SAG mill and increasing the grinding media sizes in the SAG and ball mills. In addition to these improvements, the comparative period of 2015 was affected by lower throughput rates due to maintenance on the ball mill and subsequent replacement of the ball mill's ring gear.

### ***Operating costs and All-in Measures:***

Operating costs (on a sales basis), excluding capitalized stripping, decreased by \$18.8 million predominantly due to processing fewer and lower cost ounces, reflecting a reduction in costs for diesel and other consumables as well as favourable movements in the Kyrgyz som as compared to the comparative period of 2015. Operating costs in the first quarter of 2016 were also reduced by the partial reversal of an inventory impairment recorded at the end of 2015.

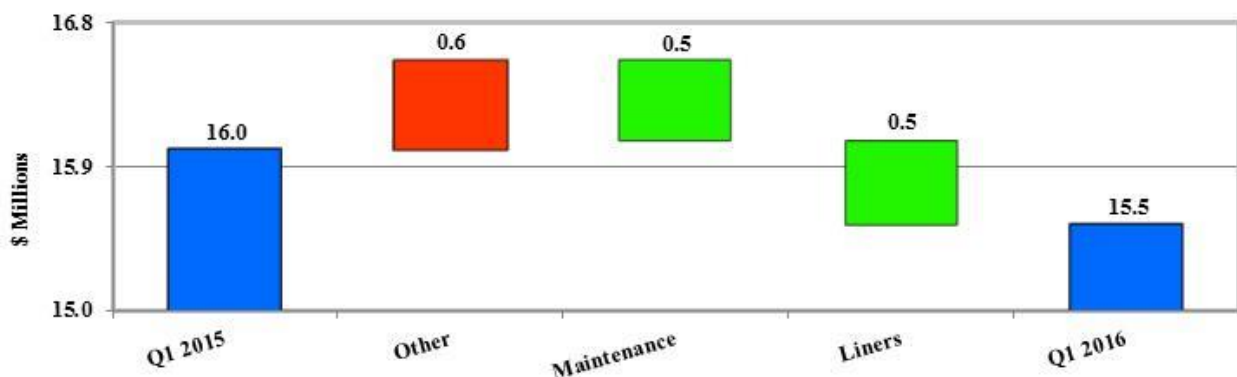
The movements in the major components of operating costs (mining, milling and site support) in the first quarter of 2016 compared to the same period of 2015 are explained as follows:

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



Mining costs, including capitalized stripping, totalled \$47.9 million in 2016, which was \$7.8 million lower than the comparative period. Decreased costs for the first quarter of 2016 include lower diesel costs (\$6.3 million) due to a lower average diesel price during the quarter (\$0.43 vs \$0.69 per litre), and lower blasting costs (\$1.3 million).

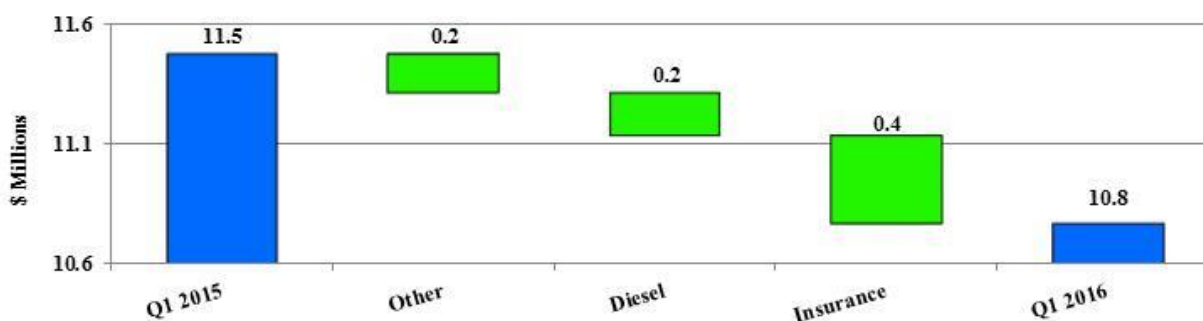
**Milling Costs (First Quarter 2016 compared to First Quarter 2015):**



Milling costs of \$15.5 million in the first quarter of 2016 compared to \$16.0 million in the comparative quarter of 2015. Milling costs in 2016 were lower than the comparative period due to lower cost of liner replacements (\$0.5 million) and lower maintenance costs (\$0.5 million) as the Company completed a significant maintenance shutdown during the comparative period. This was partially offset by higher reagent and electricity consumption due to processing additional tonnage.

Cost per tonne milled for the first quarter of 2016, decreased to \$10.07 per tonne compared to \$13.62 per tonne in the comparative quarter, as the Company maintained its total reagent and electricity costs stable even though the mill processed 31% more tonnes during the first quarter of 2016 (1,543 vs 1,175 thousand tonnes).

### Site support costs (First Quarter 2016 compared to First Quarter 2015):



Site support costs in the first quarter of 2016 totalled \$10.8 million compared to \$11.5 million in the first quarter of 2015. The decrease is primarily attributable to lower insurance costs resulting from lower premiums and lower diesel costs due to lower global fuel prices.

#### *Other Cost movements:*

DD&A associated with sales, decreased to \$12.4 million in the first quarter of 2016, from \$68.8 million in the comparative quarter of 2015, mainly due to 64% fewer ounces sold. In addition, the lower DD&A charge reflects a lower capitalized stripping charge per ounce from cut-back 17 ore, compared to cut-back 16 ore that was processed in the comparative period. The decrease was magnified by the reversal of a non-cash inventory impairment that was recorded during the first quarter of 2016 (see discussion below).

At December 31, 2015, Kumtor conducted its quarterly inventory valuation test against the estimated net realizable value of inventory and as a result recorded an inventory impairment related to its stockpiles of \$27.2 million. The same test conducted at March 31, 2016 resulted in a reduction of the impairment to \$14.3 million, reflecting higher realized gold prices and lower operating costs in the first quarter of 2016. As a result, the Company recorded a reversal in its impairment of \$12.9 million which was credited to costs of sales during the first quarter of 2016.

All-in sustaining costs per ounce sold<sup>NG</sup>, which excludes revenue-based tax, was \$916 for the first quarter of 2016 compared to \$634 in the first quarter of 2015, representing an increase of 45%. The increase results primarily from the lower ounces sold discussed above. This was partially offset by reduced operating costs for mining, milling and site support discussed above.

All-in costs per ounce sold<sup>NG</sup>, which excludes revenue-based tax, in the first quarter of 2016 was \$993 compared to \$673 in the same period of 2015, representing an increase of 48%. The increase is due to the higher all-in sustaining costs<sup>NG</sup> (explained above) and lower ounces sold.

## **Development Projects**

### **Öksüt Project:**

At the Öksüt Project in Turkey, the Company spent \$3.6 million during the first quarter of 2016 (\$1.8 million in the first quarter of 2015) on development activities to progress the ESIA, access and site preparation and detailed engineering works.

Following approval of the business opening permit from local authorities in December 2015, applications were submitted for the land usage permits, after approval of which other required permits will be submitted. There are no assurances that the approval of the land use permits or other permits will be obtained by the Company in the anticipated time frame, or at all.

Subject to timely receipt of permits, the Company expects to commence development of the Öksüt Project in the second quarter of 2016 with first gold production anticipated in the third quarter of 2017. On September 3, 2015 a Technical Report for the Öksüt Project was filed on SEDAR.

As noted above, on April 5, 2016, subsequent to the quarter-end, OMAS entered into a \$150 million credit facility agreement with UniCredit Bank AG to assist in financing the construction of the Company's Öksüt Project. The interest rate on the Öksüt Facility is LIBOR plus 2.65% to 2.95% (dependent on project completion status) and it is secured by Öksüt assets and is non-recourse to the Company. Availability of the Öksüt Facility is subject to customary conditions precedent, including receipt of all necessary permits and approvals.

### **Gatsuurt Project:**

The Company continued to engage in discussions with the Mongolian Government regarding the definitive agreements relating to the Gatsuurt Project, during the quarter. As previously disclosed, such definitive agreements are expected to include a 3% special royalty in place of a 34% Mongolian state ownership in the project. The Company is currently drilling on the property and expects to carry out infill, exploration, geo-technical and hydrogeological drilling in 2016 in support of eventual project development. See "Other Corporate Developments – Mongolia".



## **Greenstone Gold Property:**

As part of the formation of the Greenstone Partnership in March 2015, the Company agreed to commit up to Cdn\$185 million to fund the Greenstone Gold Property, subject to certain feasibility study results and project advancement criteria, after which both partners will contribute on a 50/50 basis. The Company and Premier have formed a joint board of directors to oversee future exploration, development and operations by the partnership (referred to herein as “Greenstone Gold Mines” or “GGM”).

In the first quarter of 2016, the Company spent \$3.6 million on project development activities (\$20.9 million, cumulative to date). During the first quarter, work continued on the feasibility study for the Hardrock Project, including detailed engineering on the processing facility, tailings facility and critical site infrastructure. A third party engineer was engaged to provide a peer review, the results of which will be incorporated into the final feasibility study expected to be completed in mid-year 2016.

GGM has also begun to receive comments on the draft Environmental Impact Study/Environmental Assessment (“EIS/EA”) from the various provincial and federal regulatory agencies, as well as from other stakeholders. These comments will be reviewed and addressed in the final EIS/EA submission expected to occur shortly after completion of the feasibility study.

GGM is also continuing consultations with local communities of interest regarding mutually beneficial impact benefit agreements.

## **Other Financial Information- Related Party Transactions**

### **Kyrgyzaltyn JSC**

Revenues from the Kumtor gold mine are subject to a management fee of \$1.00 per ounce based on sales volumes, payable to Kyrgyzaltyn, 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. In March 2016, Kumtor agreed to a \$0.50 per ounce increase in the discount attributable to gold sales under the Sales Agreement.

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

	<b>Three Months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b><i>Included in sales:</i></b>		
Gross gold and silver sales to Kyrgyzaltyn	\$ 73,694	\$ 206,028
Deduct: refinery and financing charges	(473)	(1,038)
Net sales revenue received from Kyrgyzaltyn	<b>\$ 73,221</b>	<b>\$ 204,990</b>
<b><i>Included in expenses:</i></b>		
Contracting services provided by Kyrgyzaltyn	\$ 352	\$ 296
Management fees to Kyrgyzaltyn	62	169
Expenses paid to Kyrgyzaltyn	<b>\$ 414</b>	<b>\$ 465</b>
<b><i>Dividends:</i></b>		
Dividends declared to Kyrgyzaltyn	\$ 2,337	\$ 2,476
Withholding taxes	(117)	(124)
Net dividends declared to Kyrgyzaltyn	<b>\$ 2,220</b>	<b>\$ 2,352</b>

### *Gold Sales*

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

As at March 31, 2016, \$0.2 million was outstanding under the Sales Agreement (December 31, 2015 - \$25.7 million) and this amount was collected subsequent to the end of the quarter.

As stated previously, Kyrgyzaltyn held contractual discussions with its off-take bank in March 2016 which were completed in early April 2016. During these discussions gold shipments from Kumtor were temporarily delayed and eventually resumed in April 2016.

### *Dividends payable and restricted cash held in trust*

In the first quarter of 2016, the Company declared dividends, net of withholding taxes, of \$2.2 million to Kyrgyzaltyn (first quarter 2015 - \$2.4 million). These funds were held in trust as a result of Ontario court proceedings against the Kyrgyz Republic and Kyrgyzaltyn and, in accordance with such court proceedings, all future dividends will be held in trust going forward.

See “Other Corporate Developments - Corporate” for additional information.

Dividends payable to Kyrgyzaltyn at March 31, 2016, net of unrealized foreign exchange were \$12.2 million (December 31, 2015 - \$9.3 million).

### *Dividends declared and paid*

Dividends declared to Kyrgyzaltyn relate to the normal quarterly dividend declared by Centerra.

### *Related party balances*

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

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Amounts receivable	\$ 177	\$ 25,725
Dividends payable (net of withholding taxes)	\$ 15,316	\$ 13,096
Net unrealized foreign exchange gain	(3,130)	(3,766)
Dividends payable (net of withholding taxes) <sup>(a)</sup>	12,186	9,330
Amount payable	1,075	1,039
Total related party liabilities	\$ 13,261	\$ 10,369

(a) Equivalent of Cdn \$15.8 million as at March 31, 2016 (December 31, 2015 - Cdn\$12.9 million).

### **Quarterly Results – Previous Eight Quarters**

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

\$ million, except per share data Quarterly data unaudited	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	73	148	116	147	213	360	136	119
Net earnings (loss)	18	(3)	(18)	22	41	(11)	(3)	(32)
Basic earnings (loss) per share	0.08	(0.01)	(0.08)	0.09	0.17	(0.05)	(0.01)	(0.13)
Diluted earnings (loss) per share	0.07	(0.01)	(0.08)	0.09	0.17	(0.05)	(0.02)	(0.13)

## Other Corporate Developments

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

### Credit Facilities

#### EBRD Facility

On February 12, 2016, the Company entered into a new five-year \$150 million revolving credit facility (the "Facility") with EBRD and currently has \$76 million drawn down on the Facility.

#### Öksüt Project Financing

On April 4, 2016, subsequent to quarter-end, the Company announced that its wholly-owned Turkish subsidiary OMAS entered into a project financing term loan facility for its Öksüt Project in Turkey. The 5.75-year term facility of up to \$150 million is fully underwritten by UniCredit Bank AG as sole mandated lead arranger and bookrunner. Availability of the Öksüt Facility is subject to customary conditions precedent, including receipt of all necessary permits and approvals. OMAS intends to use the Öksüt Facility to finance a substantial portion of the construction, development and operation of the Öksüt gold mine and its related infrastructure.

### Kyrgyz Republic

#### Outstanding Matters

There remain several significant outstanding matters affecting the Kumtor Project which require discussion between the Company and the Kyrgyz Republic government, including discussion regarding, among other things: (i) claims made by the General Prosecutor relating to a \$200 million inter-corporate dividend declared and paid by Kumtor Gold Company ("KGC") to Centerra in December 2013; (ii) claims made by the Kyrgyz Republic General Prosecutor's Office ("GPO") seeking to invalidate Kumtor's land use certificate and to seize certain lands

within the Kumtor concession area; and (iii) significant environmental claims made by various Kyrgyz state agencies alleging environmental offenses and other matters totalling approximately \$473 million (at applicable exchange rates when the claims were commenced). Centerra believes that each of these claims is without foundation.

On April 28, 2016, the Company reported that the GPO and other state law enforcement agencies conducted a search at the Bishkek offices of KGC. According to a news release issued by the GPO, the purpose of the search appears to have been to collect documents relevant to a criminal case relating to alleged financial violations by KGC in connection with past inter-corporate transactions between KGC and Centerra.

The Kyrgyz Republic government has very recently indicated to Centerra its dissatisfaction with the current arrangements governing Centerra and the Kumtor Project. The government repeated certain historical concerns and allegations regarding Centerra's and KGC's management and governance and the operations of the Kumtor Project and expressed its desire to resolve all such matters through proposals to be provided by it to Centerra.

Centerra has communicated to the Kyrgyz Republic government its openness to receive and discuss proposals to resolve such concerns in a manner that is fair to all of Centerra's shareholders. No negotiations with the Kyrgyz Republic government have to date taken place.

The Company has benefited from a close and constructive dialogue with Kyrgyz Republic authorities during the Kumtor Project operations and remains committed to working with them to resolve these issues in accordance with the 2009 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 any discussions between the Kyrgyz Republic government and Centerra will result in a mutually acceptable solution regarding the arrangements governing Centerra and the Kumtor Project or 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 or actions that cause disruptions to the operation and management of KGC and / or the Kumtor Project. 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.

### Kyrgyz Permitting and Regulatory Matters

As previously disclosed, KGC experienced delays in 2016 in receiving key permits and approvals required from Kyrgyz regulatory authorities. KGC has received the industrial safety and subsoil expertises (approvals) for Kumtor's 2016 Special Mine Plan (two of the three required expertises). The remaining expertise for environmental protection is being reviewed by the Kyrgyz Republic State Agency for Environment and Protection and Forestry ("SAEPF"). In late March 2016, KGC received approval from SAEPF of its waste disposal permit which is

valid until December 31, 2016 and was granted an extension to its maximum allowable emissions (“MAE”) permit which is now valid until June 30, 2016, to allow time for further review.

On April 28, 2016, KGC received notice from SAEPF stating that SAEPF requires that KGC provide certain additional information and documents and take certain additional measures as a pre-condition to SAEPF issuing its environmental expertise on the 2016 Special Mine Plan. On the same date, KGC also received notice from SAGMR stating that if KGC did not receive the environmental expertise from SAEPF by June 30, 2016, it will be required to cease mining operations at Kumtor effective July 1, 2016. Kumtor management believes that it has previously provided to SAEPF all information and documents and taken all measures required under the Kumtor Project Agreements and Kyrgyz Republic regulations for SAEPF to issue its environmental expertise. While it therefore disputes the SAEPF notice, KGC will continue to work with SAEPF to resolve outstanding questions and concerns in connection with the environmental expertise. No assurances can be provided that such expertise will be issued by SAEPF prior to July 1, 2016 or at all.

KGC continues to operate fully in compliance with permits as granted. The Company understands that the delay in obtaining the necessary approvals and permits relate to concerns regarding the mining of ice at Kumtor as well as the additional informational and document requests made by SAEPF which are referred to above. With regard to the mining of ice, regulatory authorities referenced the 2005 Water Code of the Kyrgyz Republic (Water Code) and its prohibition regarding the mining of ice. Centerra has repeatedly disputed the interpretation of the Water Code by the regulatory agencies based on the rights provided to Centerra and KGC under the Kumtor Project Agreements.

There can be no assurances that the remaining expertise for the 2016 Special Mine Plan and the MAE permit for 2016 will be issued or issued in a timely manner.

Should Kumtor be prohibited from moving ice (as a result of the purported application of the Water Code) or if SAEPF does not provide the expertise of the 2016 Special Mine Plan or if any required permits are withdrawn or not further extended, the entire December 31, 2015 mineral reserves at Kumtor, and Kumtor’s current life-of-mine plan would be at risk, leading to an early closure of the operation. Centerra believes that any disagreements with respect to the foregoing would be subject to international arbitration under the Kumtor Project Agreements.

## **Mongolia**

### Gatsuurt – Development

Throughout the first quarter of 2016, the Company has been in discussions with the Mongolian Government to implement the previously disclosed 3% special royalty in lieu of the Government’s 34% direct interest in the Gatsuurt project. Various working groups have been established by the Mongolian Government to negotiate with Centerra and its wholly owned subsidiary, Centerra Gold Mongolia (“CGM”), the definitive agreements relating to the Gatsuurt Project.

Concurrent with the negotiations of such agreements, the Company expects to undertake economic and technical studies to update the existing studies on the project, which were initially completed and published in May 2006. As part of such work, the Company will undertake a program of exploration drilling, and geotechnical and additional hydrogeological drilling in preparation for eventual project development.

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

#### Gatsuurt – Illegal Mining

No significant developments have occurred in the first quarter of 2016 regarding the presence of illegal miners at the Gatsuurt project. CGM and Centerra continue to work with appropriate Mongolian federal and aimag (local) governments, relevant state bodies and police to clear the Gatsuurt site from artisanal miners and to restrict their access to the site. Centerra does not support any violence or excessive use of force in encounters between Mongolian authorities and artisanal miners and has made this explicitly clear to the Mongolian authorities. In early April 2016, the Company resumed limited drilling activity at the Gatsuurt site. The presence of artisanal miners on the Gatsuurt site has decreased significantly since drilling activity resumed.

#### Claim against the Mongolian Mineral Resources Authority to revoke Gatsuurt mining licenses

In the first quarter of 2016, a non-governmental organization (NGO) called "Movement to Save Mt. Noyon" filed a claim against the Mongolian Mineral Resources Authority (MRAM) requesting that MRAM revoke the two principle mining license underlying the Gatsuurt Project. CGM, the holder of these two mining licenses, is involved in the claim as a third party. At this time, this court proceeding is in its preliminary stages. The Company and CGM will continue to monitor the proceedings.

### **Corporate**

#### Ontario Court Proceedings Involving the Kyrgyz Republic and Kyrgyzaltyn

There were no significant developments in the first quarter of 2016 on the Ontario court proceedings involving the Kyrgyz Republic and Kyrgyzaltyn. Centerra continues to be subject to two court orders which prevent Centerra from paying any dividends to Kyrgyzaltyn. Centerra currently holds approximately C\$15.9 million in trust for these two court proceedings. These court orders also restricted Kyrgyzaltyn's ability to certificate and/or transfer 11,253,655 common shares of Centerra (3,787,879 shares are restricted in the court order involving Valeri Belokon, and 7,465,776 shares are restricted in the court order involves Entes Industrial Plant Construction & Erection Contracting Co. Inc.). The Company understands that further court dates are scheduled for May and June 2016 regarding the Ontario court's ability to recognize the underlying arbitral awards against the Kyrgyz Republic and to determine the issue of whether the Kyrgyz Republic has an interest in the Centerra shares held by Kyrgyzaltyn.

## Changes in Accounting Policies

### Recently adopted accounting policies are as follows:

In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements* (“IFRS 11”), to clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles of business combinations accounting in IFRS 3, *Business Combinations*. Prospective application of this interpretation was effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments did not have a material impact on the Company’s consolidated financial statements.

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* (“IAS 1”), to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016. The adoption of these amendments did not have a material impact on the Company’s consolidated financial statements.

### Recently issued but not adopted accounting guidance are as follows:

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

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

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

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



- Amendments to IAS 7, *Statements of Cash Flows* (“IAS 7”). The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.
- Amendments to IAS 12, *Income Taxes* (“IAS 12”). The amendments apply for annual periods beginning on or after January 1, 2017 with retrospective application. Early application of the amendments is permitted. The amendments clarify that the existence of a deductible temporary difference is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset and also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

## **Disclosure Controls and Procedures and Internal Control Over Financial Reporting (“ICFR”)**

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

The evaluation of disclosure controls and procedures and internal controls over financial reporting under COSO's 2013 Internal Control Framework was carried out under the supervision of and with the participation of management, including Centerra's CEO and CFO. Based on these evaluations, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures and internal control over financial reporting were effective.

## **2016 Outlook**

### **2016 Gold Production**

Centerra's 2016 gold production is expected to be between 480,000 to 530,000 ounces, which is unchanged from the previous guidance disclosed in the Company's news release of January 11, 2016. All of Centerra's 2016 production is expected to come from the Kumtor mine and is consistent with the 2016 production outlined in the life-of-mine plan set out in the Kumtor NI 43-101 technical report dated March 20, 2015, filed on SEDAR. According to the 2016 mine plan at Kumtor more than half of the annual gold production will come in the second half of 2016.

The Boroo operation will continue with closure activities mainly focusing on reclamation work. Any revenue from Boroo gold production from the drain down of the heap leach pad will be offset against mine closure costs. The 2016 production forecast assumes no gold production from Boroo or Gatsurt, which is unchanged from the previous guidance.

Centerra's 2016 guidance for production, exploration, capital spending, corporate administration, and community costs and DD&A is unchanged from the previous guidance disclosed in the Company's news release of January 11, 2016.

### 2016 All-in Unit Costs<sup>NG</sup>

Centerra's 2016 all-in sustaining costs per ounce sold<sup>NG</sup> and all-in costs (excluding Öksüt, Greenstone, and Gatsurt development projects) per ounce sold<sup>NG</sup> are unchanged from the previous guidance and are forecast as follows:

	Kumtor	Consolidated <sup>(5)</sup>
<b>Ounces sold forecast</b>	480,000-530,000	480,000-530,000
<b>US \$ / gold ounces sold</b>		
Operating Costs	400 – 442	400 – 442
Changes in inventories	(8) – (9)	(8) – (9)
<b>Operating Costs (on a sales basis)</b>	<b>\$392 – 433</b>	<b>\$392 – 433</b>
Regional office administration	29 – 32	29 – 32
Social Development costs	4 – 5	4 – 5
Refining costs and by-product credits	1	1
<b>Sub-Total (Adjusted Operating Costs)<sup>(1)</sup></b>	<b>\$426 – 471</b>	<b>\$426 – 471</b>
Corporate general & administrative costs	-	56 – 62
Accretion expense	3	4
Capitalized stripping costs – cash	230 – 254	230 – 254
Capital expenditures (sustaining) <sup>(1)</sup>	158 – 174	161 – 177
<b>All-in Sustaining Costs<sup>(1)</sup></b>	<b>\$817 – 902</b>	<b>\$877 – 968</b>
Capital expenditures (growth) <sup>(1), (5)</sup>	49 – 54	49 – 54
Boroo closure costs <sup>(2)</sup>	-	14 – 16
Other costs <sup>(3)</sup>	-	25 – 28
<b>All-in Costs (excluding development projects)<sup>(5)</sup></b>	<b>\$866 – 956</b>	<b>\$965 – 1,066</b>
Revenue-based tax and income taxes <sup>(4)</sup>	168	168
<b>All-in Costs (excluding development projects and including taxes)<sup>(1), (5)</sup></b>	<b>\$1,034 – 1,124</b>	<b>\$1,133 – 1,234</b>

(1) Adjusted operating costs per ounce sold, all-in sustaining costs per ounce sold, all-in costs (excluding growth projects) per ounce sold, all-in costs (excluding development projects 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) Boroo closure costs include maintaining the Boroo mill on care and maintenance and ongoing closure costs net of gold sales.

- (3) Other costs per ounce sold include global exploration expenses, business development expenses and other costs not related to current operations.
- (4) Includes revenue-based tax that reflects actual realized gold price of \$1,186 per ounce sold for January – March period and a revised forecast gold price assumption of \$1,200 per ounce sold for April – December period (\$1,125 per ounce sold for the full year in the previous guidance).
- (5) All-in costs per ounce sold (excluding development projects) and all-in costs (excluding development projects and including taxes) per ounce sold as well as capital expenditures (sustaining and growth) measures in the above table exclude capital expenditures required to advance development of Öksüt, Gatsuurt and Greenstone development projects.

### 2016 Exploration Expenditures

Planned exploration expenditures for 2016 total \$11.0 million, which is unchanged from the previous guidance provided in the January 11, 2016 news release.

### 2016 Capital Expenditures

Centerra's projected capital expenditures for 2016, excluding capitalized stripping, are unchanged from the previous guidance and estimated to be \$269 million, including \$85 million of sustaining capital<sup>NG</sup> and \$184 million of growth capital<sup>NG</sup> and.

Projected capital expenditures (excluding capitalized stripping) include:

Projects	2016 Sustaining Capital <sup>NG</sup> (millions of dollars)	2016 Growth Capital <sup>NG</sup> (millions of dollars)
Kumtor	\$84	\$26
Öksüt Project	-	157
Greenstone Gold Property	-	1*
Other (Boroo, Gatsuurt and Corporate)	1	-
<b>Consolidated Total</b>	<b>\$85</b>	<b>\$184</b>

\* Excludes \$4.9 million representing capitalized amount for Premier's 50% share of the development expenditures related to the Greenstone Gold Property and funded by Centerra.

#### *Kumtor*

At Kumtor, 2016 total capital expenditures, excluding capitalized stripping, are forecast to be \$110 million, which is unchanged from the previous guidance.

#### *Mongolia (Boroo and Gatsuurt)*

At Boroo, 2016 sustaining capital<sup>NG</sup> expenditures are expected to be minimal and no growth capital<sup>NG</sup> is forecast for Boroo, which is unchanged from the previous guidance.

The Company expects to carry out additional exploration drilling to expand the Gatsuurt resource base as well as geo-technical and hydrogeological drilling in support of the eventual project development. The Company is in process of estimating a complete scope of work and additional expenditures that would be required for further development of the Gatsuurt Project assuming that the definitive agreements with the Mongolian authorities are completed.

## Öksüt Project

Subject to the timely receipt of permits, the Company expects to spend \$157 million for capital construction at the Öksüt property in 2016, which is unchanged from the previous guidance.

## Greenstone Gold Property

Centerra's guidance for 2016 expenditures in connection with the Greenstone Gold Property is approximately \$10.8 million (Cdn\$14.5 million), which is unchanged from the previous guidance. The Greenstone Partnership is expected to complete the feasibility study mid-year 2016. At that time, Centerra will re-estimate costs for the balance of the year.

## Sensitivities

Centerra's revenues, earnings and cash flows for the remaining nine months of 2016 are sensitive to changes in certain key inputs or currencies. The Company has estimated the impact of any such changes on revenues, net earnings and cash from operations.

	Change	Impact on (\$ millions)				Impact on (\$ per ounce sold)
		Costs	Revenues	Cash flow	Earnings	AISC <sup>(2)</sup>
Gold Price	\$50/oz	2.9 – 3.3	20.9 - 23.4	18.0 - 20.2	18.0 - 20.2	6.0 - 6.2
Diesel Fuel	10%	1.7	-	4.2	1.1	3.2 - 3.5
Kyrgyz som <sup>(1)</sup>	1 som	0.7	-	1.1	0.7	1.3 - 1.5
Canadian dollar <sup>(1)</sup>	10 cents	2.1	-	2.1	2.1	4.0 - 4.4

<sup>(1)</sup> appreciation of currency against the U.S. dollar will result in higher costs and lower cash flow and earnings, depreciation of currency against the U.S. dollar results in decreased costs and increased cash flow and earnings

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

## Material Assumptions and Risks

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

- a gold price of \$1,200 per ounce (from \$1,125 per ounce in the previous guidance),
- exchange rates (unchanged):
  - \$1USD:\$1.34 CAD
  - \$1USD:65.0 Kyrgyz som
  - \$1USD:0.95 Euro
- diesel fuel price assumption (unchanged):
  - \$0.55/litre at Kumtor

The assumed diesel price of \$0.55/litre at Kumtor assumes that no Russian export duty will be paid on the fuel exports from Russia to the Kyrgyz Republic. Diesel fuel is sourced from Russian suppliers and correlates in part with world oil prices. The diesel fuel price assumptions were made when the price of oil (Brent) was approximately \$50 per barrel. During the first quarter of 2016 diesel prices at Kumtor averaged approximately \$0.43/litre, while average price of oil (Brent) was about \$34 per barrel. During the same period average exchange rate of the United States dollar to the Kyrgyz som was about 72 soms per 1 U.S. dollar. The lower costs of

diesel fuel and favorable exchange for the Kyrgyz som have provided some year-to-date costs savings for the Kumtor operations. Centerra's management continues to monitor the prices of diesel and exchange rates affecting the Company's operations. Currently, Centerra's management is investigating a hedging program and supply chain management options to source lower fuel costs at Kumtor in the short to medium term. The decision on introduction of a hedging program will be made during the second quarter of 2016.

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

- That any discussions between the Government of the Kyrgyz Republic and Centerra regarding the resolution of all outstanding matters affecting the Kumtor mine are satisfactory to Centerra, fair to all of Centerra's shareholders, and that any such resolution will receive all necessary legal and regulatory approvals under Kyrgyz law and/or Canadian law.
- All mine plans, expertises and related permits and authorizations at Kumtor receive timely approval from all relevant governmental agencies of the Kyrgyz Republic and are not subsequently withdrawn, and Kumtor is able to resolve outstanding questions and concerns raised by SAEPF in its April 28, 2016 letter in connection with its issuance of the environmental expertise for the 2016 Special Mine Plan.
- All construction related permits and authorizations for development of the Öksüt property are received in a timely manner.
- The buttress constructed at the bottom of the Davidov glacier continues to function as planned.
- The pit walls at Kumtor remain stable.
- The resource block model at Kumtor reconciles as expected against production.
- Any recurrence of political or civil unrest in the Kyrgyz Republic will not impact operations, including movement of people, supplies and gold shipments to and from the Kumtor mine and/or power to the mine site.
- Any actions taken by the Kyrgyz Republic Parliament and Government do not have a material impact on operations or financial results. This includes any actions (i) being taken by the Parliament or Government to cancel the Kumtor Project Agreements; (ii) which are not consistent with the rights of Centerra and KGC under the Kumtor Project Agreements; or (iii) that cause any disruptions to the operation and management of KGC and / or the Kumtor Project.
- The previously disclosed environmental claims received from the Kyrgyz regulatory authorities in the aggregate amount of approximately \$476 million (at the then current exchange rates) and the claims of the Kyrgyz Republic's General Prosecutor's Office purporting to invalidate land use rights and/or seize land at Kumtor and to unwind the \$200 million inter-company dividend declared and paid by KGC to Centerra in December 2013, and any further claims, whether environmental allegations or otherwise, are resolved without material impact on Centerra's operations or financial results.
- The accession of the Kyrgyz Republic into the Eurasian Economic Union and/or any sanctions imposed on Russian entities do not have a negative effect on the costs or availability of inputs or equipment to the Kumtor Project.

- The movement in the Central Valley Waste Dump at Kumtor, initially referred to in the Annual Information Form for the year ended December 31, 2013, does not accelerate and will be managed to ensure continued safe operations, without impact to gold production.
- Grades and recoveries at Kumtor will remain consistent with the 2016 production plan to achieve the forecast gold production.
- The Company is able to manage the risks associated with the increased height of the pit walls at Kumtor.
- The dewatering program at Kumtor continues to produce the expected results and the water management system works as planned.
- The Kumtor mill continues to operate as expected.
- The Company continues to meet the terms of the EBRD Facility in order to further access such funds.
- OMAS is able to meet the UniCredit Facility conditions to access the funds.
- Exchange rates, prices of key consumables, costs of power, water usage fees, and any other cost assumptions at all operations and projects of the Company are not significantly higher than prices assumed in planning.
- No unplanned delays in or interruption of scheduled production from our mines, including due to civil unrest, natural phenomena, regulatory or political disputes, equipment breakdown or other developmental and operational risks.

The Company cannot give any assurances in this regard.

Production, cost and capital forecasts for 2016 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed herein under the headings “Material Assumptions & Risks” and “Cautionary Note Regarding Forward-Looking Information” and under the heading “Risk Factors” in this MD&A.

## **Non-GAAP Measures**

This MD&A contains the following non-GAAP financial measures: all-in sustaining costs, all-in costs, all-in costs (excluding development projects), all-in costs including taxes and adjusted operating costs in dollars (millions) and per ounce sold, as well as cost of sales per ounce sold, capital expenditures (sustaining), capital expenditures (growth) and average realized gold price. These financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers, even as compared to other issuers who may be applying the World Gold Council (“WGC”) guidelines, which can be found at <http://www.gold.org>.

Management believes that the use of these non-GAAP measures will assist analysts, investors and other stakeholders of the Company in understanding the costs associated with producing gold, understanding the economics of gold mining, assessing our operating performance, our ability to generate free cash flow from current operations and to generate free cash flow on an overall Company basis, and for planning and forecasting of future periods. However, the

measures do have limitations as analytical tools as they may be influenced by the point in the life cycle of a specific mine and the level of additional exploration or expenditures a company has to make to fully develop its properties. Accordingly, these non-GAAP measures should not be considered in isolation, or as a substitute for, analysis of our results as reported under GAAP.

### ***Definitions***

The following is a description of the non-GAAP measures used in this MD&A. The definitions are similar to the WGC's Guidance Note on these non-GAAP measures:

- *Production costs* represent operating costs associated with the mining, milling and site administration activities at the Company's operating sites, excluding costs unrelated to production such as mine standby and corporate social responsibility.
- *Operating costs* (on a sales basis) include mine operating costs such as mining, processing, site support, royalties and operating taxes (except at Kumtor where revenue-based taxes are excluded), but exclude depreciation, depletion and amortization (DD&A), reclamation costs, financing costs, capital development and exploration.
- *Adjusted operating costs per ounce sold* include operating costs (on a sales basis), regional office administration, mine standby costs, community and social development 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, corporate general and administrative expenses, 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, global exploration expenses, business development costs and social development costs not related to current operations.
- *All-in cost per ounce sold* exclude the following:
  - Working capital (except for adjustments to inventory on a sales basis).
  - All financing charges (including capitalized interest).
  - Costs related to business combinations, asset acquisitions and asset disposals.
  - Other non-operating income and expenses, including interest income, bank charges, and foreign exchange gains and losses.
- *All-in costs per ounce sold (excluding development projects)* measure comprises all-in costs per ounce sold as described above and excludes the Company's development projects.
- *All-in costs including taxes per ounce sold* measure includes revenue-based taxes at Kumtor and income taxes at Boroo.
- *Capital expenditure (Sustaining)* is a capital expenditure necessary to maintain existing levels of production. The sustaining capital expenditures maintain the existing mine fleet, mill and other facilities so that they function at levels consistent from year to year.
- *Capital expenditure (Growth)* is capital expended to expand the business or operations by increasing productive capacity beyond current levels of performance.
- *Development projects* are defined as projects that are beyond the exploration stage but are pre-operational. For 2016, development projects include all spending at Öksüt, Gatsuurt and the Greenstone Gold Property.

- Cost of sales per ounce sold is calculated by dividing cost of sales by gold ounces sold.
- Average realized gold price is calculated by dividing revenue derived from gold sales by the number of ounces sold.

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

**(1) By operation**

**Kumtor**

<i>(unaudited)</i> (\$ millions, unless otherwise specified)	Three months ended March 31, <sup>(1)</sup>	
	2016	2015
Cost of sales, as reported	\$ 31.5	\$ 106.7
Less: Non-cash component	12.4	68.8
Cost of sales, cash component	19.1	37.9
Adjust for:		
Regional office administration	3.3	4.3
Refining fees	0.5	1.0
By-product credits	(0.4)	(0.9)
Community costs related to current operations	0.5	0.6
<b>Adjusted Operating Costs</b>	<b>23.0</b>	<b>42.9</b>
Accretion expense	0.2	0.2
Capitalized stripping and ice unload	10.4	51.7
Capital expenditures (sustaining)	23.0	12.4
<b>All-in Sustaining Costs</b>	<b>56.6</b>	<b>107.2</b>
Capital expenditures (growth)	4.7	6.5
<b>All-in Costs</b>	<b>61.3</b>	<b>113.7</b>
Revenue-based taxes and income taxes	10.3	28.7
<b>All-in Costs (including taxes)</b>	<b>\$ 71.6</b>	<b>\$ 142.4</b>
Ounces sold (000)	61.7	169.2
<b>Adjusted Operating Costs - \$ /oz sold</b>	<b>\$ 371</b>	<b>\$ 254</b>
<b>All-in Sustaining Costs - \$ /oz sold</b>	<b>\$ 916</b>	<b>\$ 634</b>
<b>All-in Costs - \$ /oz sold</b>	<b>\$ 993</b>	<b>\$ 673</b>
<b>All-in Costs (including taxes) - \$ /oz sold</b>	<b>\$ 1,159</b>	<b>\$ 842</b>

(1) Results may not add due to rounding



## (2) Consolidated

### Centerra

<i>(unaudited)</i> (\$ millions, unless otherwise specified)	Three months ended March 31, <sup>(1)</sup>	
	2016	2015
Cost of sales, as reported	\$ 31.5	\$ 113.9
Less: Non-cash component	12.3	70.4
Cost of sales, cash component	19.2	43.5
Adjust for:		
Regional office administration	3.3	5.3
Stand-by costs	-	2.3
Refining fees	0.5	1.0
By-product credits	(0.4)	(1.0)
Community costs related to current operations	0.5	0.7
<b>Adjusted Operating Costs</b>	<b>23.1</b>	<b>51.8</b>
Corporate general administrative costs	5.7	9.3
Accretion expense	0.4	0.4
Capitalized stripping and ice unload	10.4	51.7
Capital expenditures (sustaining)	23.2	12.6
<b>All-in Sustaining Costs</b>	<b>62.8</b>	<b>125.8</b>
Capital expenditures (growth)	4.7	6.5
Boroo Closure Costs	1.2	-
Exploration and business development	2.0	2.8
<b>All-in Costs, excluding development projects</b>	<b>70.7</b>	<b>135.1</b>
Revenue-based taxes and income taxes	10.3	28.8
<b>All-in Costs, excluding development projects (including taxes)</b>	<b>\$ 81.0</b>	<b>\$ 163.9</b>
Ounces sold (000)	61.7	175.2
<b>Adjusted Operating Costs - \$ /oz sold</b>	<b>\$ 372</b>	<b>\$ 296</b>
<b>All-in Sustaining Costs - \$ /oz sold</b>	<b>\$ 1,015</b>	<b>\$ 718</b>
<b>All-in Costs, excluding development projects - \$ /oz sold</b>	<b>\$ 1,144</b>	<b>\$ 770</b>
<b>All-in Costs, excluding development projects (including taxes) - \$ /oz sold</b>	<b>\$ 1,312</b>	<b>\$ 935</b>

(1) Results may not add due to rounding

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

<b>First Quarter - 2016</b>	<b>Kumtor</b>	<b>Mongolia</b>	<b>Turkey</b>	<b>All other</b>	<b>Consolidated</b>
(\$ millions) <i>(Unaudited)</i>					
Capitalized stripping –cash	10.4	-	-	-	10.4
Sustaining capital - cash	23.0	-	-	0.2	23.2
Growth capital - cash	4.7	0.4	-	-	5.1
Greenstone Property pre-development capital - cash	-	-	-	0.6	0.6
Öksüt project development capital - cash	-	-	3.6	-	3.6
Net increase in accruals included in additions to PP&E	(7.6)	-	-	-	(7.6)
<b>Total - Additions to PP&amp;E</b>	<b>30.5</b>	<b>0.4</b>	<b>3.6</b>	<b>0.8</b>	<b>35.3 <sup>(1)</sup></b>

<b>First Quarter - 2015</b>	<b>Kumtor</b>	<b>Mongolia</b>	<b>Turkey</b>	<b>All other</b>	<b>Consolidated</b>
(\$ millions) <i>(Unaudited)</i>					
Capitalized stripping –cash	51.7	-	-	-	51.7
Sustaining capital - cash	12.4	0.1	-	0.1	12.6
Growth capital - cash	6.5	0.1	-	-	6.6
Greenstone Property pre-development capital - cash	-	-	-	1.5	1.5
Net increase in accruals included in additions to PP&E	(0.2)	-	-	-	(0.2)
<b>Total - Additions to PP&amp;E</b>	<b>70.4</b>	<b>0.2</b>		<b>1.6</b>	<b>72.2 <sup>(1)</sup></b>

<sup>(1)</sup> 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 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”) and were prepared, reviewed, verified and compiled by Centerra’s geological and mining staff under the supervision of Gordon Reid, Professional Engineer and Centerra’s Vice-President and Chief Operating Officer, who is the qualified person for the purpose of NI 43-101. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the exploration drilling programs are done consistent with industry standards and independent certified assay labs are used.

## Caution Regarding Forward-Looking Information

Information contained in this MD&A which are not statements of historical facts, and the documents incorporated by reference herein, may be “forward-looking information” for the purposes of Canadian securities laws. Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward looking information. The words “believe”, “expect”, “anticipate”, “contemplate”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule”, “understand” and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things: timing of receiving a positive environmental expertise of the Kumtor 2016 Special Mine Plan and the possibility of KGC being required to cease mining operations at Kumtor effective July 1, 2016 if such environmental expertise is not provided by SAEPF; plans to begin the development of the Öksüt Project in the second quarter of 2016 and timing for first gold production; the Company’s expectations regarding the release of, and related timing of, low grade and high grade ore from cut-back 17 at the Kumtor Project; OMAS’ plans to use the Öksüt Facility to fund a substantial portion of the development and construction of the Öksüt gold mine; the expected timing for the completion of the feasibility study for the Greenstone Gold Property and the filing of a NI 43-101 compliance technical report; the Company’s expectations regarding additional infill, exploration, geo-technical and hydrological drilling in 2016 at the Gatsuurt Project; the Company’s expectations regarding negotiating a definitive development agreement with the Mongolian Government on the Gatsuurt Project and obtaining all necessary approvals and permits for the development of the Gatsuurt Project; statements found under the heading, “2016 Outlook”, including forecast 2016 production and unit cost estimates, the Company’s plans to introduce a hedging program and supply chain management option to source lower fuel costs at the Kumtor Project, the Company’s plans in 2016 for exploration expenditures, capital expenditures at its properties, corporate administrative and community investment expenditures, and DD&A expenses for 2016.

Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward looking information. Factors that could cause actual results or events to differ materially from current expectations include, among other things: (A) strategic, legal, planning and other risks, including: political risks associated with the Company’s operations in the Kyrgyz Republic, Mongolia and Turkey; resource nationalism including the management of external stakeholder expectations; the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices in the jurisdictions in which the Company operates including any unjustified civil or criminal action against the Company, its affiliates or its current or former employees; the impact of any actions taken by the Kyrgyz Republic Government and Parliament relating to the Kumtor Project Agreements which are inconsistent with the rights of Centerra and KGC under the Kumtor Project Agreements; any impact on the purported cancellation of Kumtor’s land use rights at the Kumtor Project pursuant to a court claim commenced by the Kyrgyz Republic General Prosecutor’s Office; the risks related to other outstanding litigation affecting the Company’s operations in the Kyrgyz Republic and elsewhere;

the impact of the delay by relevant government agencies to provide required approvals, expertises and permits, including the delay currently being experienced at the Kumtor Project over the Kumtor 2016 Special Mine Plan and ecological passport and the Company's ability to resolve outstanding questions and concerns raised by SAEPP in connection with its issuance of its environmental expertise of the 2016 Special Mine Plan; the terms pursuant to which the Mongolian Government will participate in, or to take a special royalty rate in, the Gatsuurt Project; the impact of changes to, the increased enforcement of, environmental laws and regulations relating to the Company's operations; the impact of any sanctions imposed by Canada, the United States or other jurisdictions against various Russian individuals and entities; the ability of the Company to negotiate a successful development agreement for the Gatsuurt Project; potential defects of title in the Company's properties that are not known as of the date hereof; the inability of the Company and its subsidiaries to enforce their legal rights in certain circumstances; the presence of a significant shareholder that is a state-owned company of the Kyrgyz Republic; risks related to anti-corruption legislation; risks related to the concentration of assets in Central Asia; Centerra's future exploration and development activities not being successful; Centerra not being able to replace mineral reserves; difficulties with Centerra's joint venture partners; and aboriginal claims and consultative issues relating to the Company's 50% interest in the Greenstone Gold Property; potential risks related to kidnapping or acts of terrorism; (B) risks relating to financial matters, including: sensitivity of the Company's business to the volatility of gold prices, the imprecision of the Company's mineral reserves and resources estimates and the assumptions they rely on, the accuracy of the Company's production and cost estimates, the impact of restrictive covenants in the Company's revolving credit 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 (C) risks related to operational matters and geotechnical issues, including: movement of the Davidov Glacier and the waste and ice movement at the Kumtor Project and the Company's continued ability to successfully manage such matters, including the continued performance of the buttress; the occurrence of further ground movements at the Kumtor Project and mechanical availability; the success of the Company's future exploration and development activities, including the financial and political risks inherent in carrying out exploration activities; inherent risks associated with the use of sodium cyanide in the mining operations; the adequacy of the Company's insurance to mitigate operational risks; mechanical breakdowns; the Company's ability to obtain the necessary permits and authorizations to (among other things) raise the tailings dam at the Kumtor Project to the required height; the Company's ability to replace its mineral reserves; the occurrence of any labour unrest or disturbance and the ability of the Company to successfully re-negotiate collective agreements when required; the risk that Centerra's workforce may be exposed to widespread epidemic; seismic activity in the vicinity of the Company's operations; long lead times required for equipment and supplies given the remote location of some of the Company's operating properties; reliance on a limited number of suppliers for certain consumables, equipment and components; illegal mining on the Company's Mongolian properties; the Company's ability to accurately predict decommissioning and reclamation costs; the Company's ability to attract and retain qualified personnel; competition for mineral acquisition opportunities; and risks associated with the conduct of joint

ventures/partnerships, including the Greenstone Gold Partnership; the Company's ability to manage its projects effectively and to mitigate the potential lack of availability of contractors, budget and timing overruns and project resources. See section titled "Risk Factors" above and in the Company's most recently filed Annual Information Form available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained herein or incorporated by reference. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward looking information. Forward-looking information is as of May 3, 2016. Centerra assumes no obligation to update or revise forward looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.

**Centerra Gold Inc.**

**Condensed Consolidated Interim Financial Statements**

**For the Quarter Ended March 31, 2016  
(Unaudited)**

**(Expressed in thousands of United States Dollars)**

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

		March 31, 2016	December 31, 2015
<b>(Expressed in Thousands of United States Dollars)</b>			
	<b>Notes</b>		
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 339,767	\$ 360,613
Short-term investments		162,035	181,613
Amounts receivable	4	3,147	28,781
Inventories	5	411,205	347,011
Prepaid expenses	6	9,503	12,880
		<u>925,657</u>	<u>930,898</u>
Property, plant and equipment	7	705,255	693,016
Restricted cash		13,188	9,989
Other assets		30,090	26,681
		<u>748,533</u>	<u>729,686</u>
<b>Total assets</b>		<u>\$ 1,674,190</u>	<u>\$ 1,660,584</u>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 61,446	\$ 75,292
Short-term debt	8	74,198	76,000
Revenue-based taxes payable		3,167	9,152
Taxes payable		1,885	1,286
Current portion of provision for reclamation		1,062	1,062
		<u>141,758</u>	<u>162,792</u>
Dividends payable to related party	13	12,186	9,330
Provision for reclamation		65,419	65,087
Deferred income tax liability		2,899	2,524
		<u>80,504</u>	<u>76,941</u>
<b>Total liabilities</b>		<u>\$ 222,262</u>	<u>\$ 239,733</u>
<b>Shareholders' equity</b>			
Share capital	11	688,577	668,705
Contributed surplus		24,775	24,153
Accumulated other comprehensive (loss) income		(11)	220
Retained earnings		738,587	727,773
		<u>1,451,928</u>	<u>1,420,851</u>
<b>Total liabilities and Shareholders' equity</b>		<u>\$ 1,674,190</u>	<u>\$ 1,660,584</u>

Commitments and contingencies (note 12)

Subsequent events (note 13 and 16)

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,	
		2016	2015
<b>(Expressed in Thousands of United States Dollars, except per share amounts)</b>			
	Notes		
<b>Revenue from gold sales</b>		<b>\$ 73,221</b>	\$ 212,638
Cost of sales	9	31,452	113,943
Standby costs, net		(57)	2,704
Regional office administration		3,341	5,276
<b>Earnings from mine operations</b>		<b>38,485</b>	90,715
Revenue-based taxes		10,251	28,699
Other operating expenses (income)		561	(114)
Pre-development project costs	10	1,297	3,282
Exploration and business development		2,041	2,764
Corporate administration		5,829	9,365
<b>Earnings from operations</b>		<b>18,506</b>	46,719
Other (income) expenses, net		(1,267)	4,245
Finance costs		1,246	1,147
<b>Earnings before income taxes</b>		<b>18,527</b>	41,327
Income tax expense		469	650
<b>Net earnings</b>		<b>\$ 18,058</b>	\$ 40,677
<b>Other Comprehensive Income</b>			
<b>Items that may be subsequently reclassified to earnings:</b>			
Net (loss) gain on translation of foreign operation		(231)	14
<b>Other comprehensive (loss) income</b>		<b>(231)</b>	14
<b>Total comprehensive income</b>		<b>\$ 17,827</b>	\$ 40,691
<b>Basic earnings per common share</b>	<b>11</b>	<b>\$ 0.08</b>	\$ 0.17
<b>Diluted earnings per common share</b>	<b>11</b>	<b>\$ 0.07</b>	\$ 0.17

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)**

		<b>Three months ended</b>	
		<b>March 31,</b>	
		<b>2016</b>	<b>2015</b>
<b>(Expressed in Thousands of United States Dollars)</b>			
	<b>Notes</b>		
<b>Operating activities</b>			
Net earnings		\$ 18,058	\$ 40,677
Items not requiring (providing) cash:			
Depreciation, depletion and amortization	7	20,749	70,964
Finance costs		1,246	1,147
Loss on disposal of equipment		118	47
Compensation expense on stock options		622	627
Reversal of other share based compensation charge		(1,066)	(2,824)
Reversal of inventory impairment charge		(12,946)	-
Income tax expense		469	650
Other operating items		504	754
		<u>27,754</u>	112,042
Change in operating working capital	15(b)	(18,289)	20,083
Change in long-term inventory		-	(145)
Income taxes paid		(38)	(509)
<b>Cash provided by operations</b>		<u>9,427</u>	<u>131,471</u>
<b>Investing activities</b>			
Additions to property, plant and equipment	15(a)	(35,405)	(72,166)
Net redemption (purchase) of short-term investments		19,578	(16,248)
Purchase of interest in Greenstone Partnership		-	(67,423)
Decrease (increase) in restricted cash		(319)	-
Increase in long-term other assets		(3,408)	(1,037)
<b>Cash used in investing</b>		<u>(19,554)</u>	<u>(156,874)</u>
<b>Financing activities</b>			
Dividends paid - declared in period		(5,024)	(5,217)
Dividends transferred to trust account		(2,220)	(2,352)
Payment of interest and borrowing costs		(3,475)	(1,509)
Proceeds from common shares issued for options exercised		-	269
<b>Cash used in financing</b>		<u>(10,719)</u>	<u>(8,809)</u>
Decrease in cash during the period		(20,846)	(34,212)
Cash and cash equivalents at beginning of the period		360,613	300,514
<b>Cash and cash equivalents at end of the period</b>		<u>\$ 339,767</u>	<u>\$ 266,302</u>
<b>Cash and cash equivalents consist of:</b>			
Cash		\$ 113,562	\$ 95,846
Cash equivalents		226,205	170,456
		<u>\$ 339,767</u>	<u>\$ 266,302</u>

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

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

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

	Number of Common Shares	Share Capital Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
<b>Balance at January 1, 2015</b>	236,403,958	\$ 660,554	\$ 22,556	\$ -	\$ 715,533	\$ 1,398,643
Share-based compensation expense	-	-	627	-	-	627
Shares issued on exercise of stock options	67,969	447	(178)	-	-	269
Shares issued on redemption of restricted share units	3,550	18	-	-	-	18
Dividend declared (note 11(b))	-	-	-	-	(7,569)	(7,569)
Foreign currency translation	-	-	-	14	-	14
Net earnings for the period	-	-	-	-	40,677	40,677
<b>Balance at March 31, 2015</b>	236,475,477	\$ 661,019	\$ 23,005	\$ 14	\$ 748,641	\$ 1,432,679
<b>Balance at January 1, 2016</b>	237,889,274	\$ 668,705	\$ 24,153	\$ 220	\$ 727,773	\$ 1,420,851
Share-based compensation expense	-	-	622	-	-	622
Shares issued on redemption of restricted share units	3,034	15	-	-	-	15
Shares issued to settle obligations	4,117,120	19,857	-	-	-	19,857
Dividend declared (note 11(b))	-	-	-	-	(7,244)	(7,244)
Foreign currency translation	-	-	-	(231)	-	(231)
Net earnings for the period	-	-	-	-	18,058	18,058
<b>Balance at March 31, 2016</b>	242,009,428	\$ 688,577	\$ 24,775	\$ (11)	\$ 738,587	\$ 1,451,928

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

## **Centerra Gold Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

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

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#### **1. Nature of operations**

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

#### **2. Basis of preparation**

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

These interim financial statements were authorized for issuance by the Board of Directors of the Company on May 3, 2016.

#### **3. Changes in accounting policies**

##### **Recently adopted accounting policies are as follows:**

In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements* (“IFRS 11”), to clarify that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles of business combinations accounting in IFRS 3, *Business Combinations*. Prospective application of this interpretation was effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments did not have a material impact on the Company’s consolidated financial statements.

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* (“IAS 1”), to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statement of financial position, statement of income and statement of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016. The adoption of these amendments did not have a material impact on the Company’s consolidated financial statements.

**Centerra Gold Inc.**

**Notes to the Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

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

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**Recently issued but not adopted accounting guidance are as follows:**

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

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

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

- New standard IFRS 16, *Leases* (“IFRS 16”). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption, provided IFRS 15, has been applied, or is applied at the same date as IFRS 16. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company is in the process of determining the impact of IFRS 16 on its consolidated financial statements.
- Amendments to IAS 7, *Statements of Cash Flows*. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.
- Amendments to IAS 12, *Income Taxes* (“IAS 12”). The amendments apply for annual periods beginning on or after January 1, 2017 with retrospective application. Early application of the amendments is permitted. The amendments clarify that the existence of a deductible temporary difference is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset and also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

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

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

**4. Amounts receivable**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Gold sales receivable from related party (note 13)	\$ 177	\$ 25,725
Other receivables	2,970	3,056
	<b>\$ 3,147</b>	<b>\$ 28,781</b>

**5. Inventories**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Stockpiles of ore	\$ 183,655	\$ 144,758
Gold in-circuit	29,136	23,155
Heap leach in circuit	-	226
Gold doré	29,410	5,632
	<b>242,201</b>	<b>173,771</b>
Supplies	169,004	173,240
Total inventories (net of provisions)	<b>\$ 411,205</b>	<b>\$ 347,011</b>

As at March 31, 2016, the net realizable value (“NRV”) of gold inventories was greater than the carrying value, resulting in a \$12.9 million reversal in NRV adjustment recorded in costs of sales (the Company had recorded \$27.2 million of inventory impairment as at December 31, 2015) – see note 9.

The Company had recorded a provision for supplies obsolescence of \$22.8 million as at March 31, 2016 (December 31, 2015 - \$21.1 million), resulting in supplies inventory net of the provision of \$169 million (December 31, 2015 - \$173.2 million).

**6. Prepaid expenses**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Insurance	\$ 2,294	\$ 4,261
Rent	179	195
Deposit for consumable supplies	3,898	4,657
Advances for project development	1,463	1,453
Other	1,669	2,314
	<b>\$ 9,503</b>	<b>\$ 12,880</b>

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

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

**7. Property, plant and equipment**

The following is a summary of the carrying value of property, plant and equipment ("PP&amp;E"):

	<b>Buildings, plant and equipment</b>	<b>Mineral properties</b>	<b>Capitalized stripping costs</b>	<b>Mobile equipment</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost</b>						
Balance January 1, 2016	\$ 445,980	\$ 289,657	\$ 1,118,167	\$ 455,069	\$ 49,808	\$ 2,358,681
Additions	192	3,627	14,089	9	31,733	49,650
Disposals	(9)	(118)	(814,029)	(10,846)	-	(825,002)
Reclassification	1,072	-	-	18,358	(19,430)	-
<b>Balance March 31, 2016</b>	<b>\$ 447,235</b>	<b>\$ 293,166</b>	<b>\$ 318,227</b>	<b>\$ 462,590</b>	<b>\$ 62,111</b>	<b>\$ 1,583,329</b>
<b>Accumulated depreciation</b>						
Balance January 1, 2016	\$ 266,048	\$ 153,224	\$ 905,223	\$ 341,170	\$ -	\$ 1,665,665
Charge for the period	2,979	(1,081)	18,388	17,007	-	37,293
Disposals	(9)	-	(814,029)	(10,846)	-	(824,884)
<b>Balance March 31, 2016</b>	<b>\$ 269,018</b>	<b>\$ 152,143</b>	<b>\$ 109,582</b>	<b>\$ 347,331</b>	<b>\$ -</b>	<b>\$ 878,074</b>
<b>Net book value</b>						
Balance January 1, 2016	\$ 179,932	\$ 136,433	\$ 212,944	\$ 113,899	\$ 49,808	\$ 693,016
<b>Balance March 31, 2016</b>	<b>\$ 178,217</b>	<b>\$ 141,023</b>	<b>\$ 208,645</b>	<b>\$ 115,259</b>	<b>\$ 62,111</b>	<b>\$ 705,255</b>

In the first quarter of 2016, the Company offset \$814 million of fully depreciated capitalized stripping costs with the associated accumulated depreciation. The net impact to the PP&E balance was nil. The following is an analysis of the depreciation, depletion and amortization charge recorded in the Statements of Financial Position and Statements of Earnings:

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Amount recorded in cost of sales (note 9)	\$ 22,309	\$ 70,459
Amount recorded in corporate administration	98	97
Amount recorded in standby costs	(1,658)	408
Total included in Statements of Earnings	20,749	70,964
Inventories movement (note 15(b))	12,889	(17,853)
Amount capitalized in PP&E (note 15(a))	3,655	15,848
Depreciation, depletion and amortization charge for the period	\$ 37,293	\$ 68,959

**8. Short-term debt**

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Revolving credit facility	\$ 76,000	\$ 76,000
Deferred financing fee	(1,802)	-
Total	\$ 74,198	\$ 76,000

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

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

On February 12, 2016, the Company entered into a new five-year \$150 million revolving credit facility with European Bank for Reconstruction and Development (“the EBRD Facility”). As at March 31, 2016, the Company has borrowed \$76 million under the EBRD Facility. The funds are due to be repaid on August 17, 2016 or, at the Company’s discretion, repayment of the loaned funds may be extended until 2021. The right to draw in excess of \$100 million of the EBRD Facility is subject to the satisfaction of a specified condition precedent.

EBRD Facility	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Undrawn amount of the facility	\$ 74,000	\$ 74,000
Interest rate - six month LIBOR plus <sup>(1)</sup>	3.0 %	2.9 %

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

The terms of the EBRD Facility require the Company to pledge certain mobile equipment from the Kumtor mine as security with a net book value of \$130.1 million as at March 31, 2016 (December 31, 2015 - \$136.5 million), and maintain compliance with specified covenants (including financial covenants). The Company was in compliance with the covenants for the three months ended March 31, 2016.

**9. Cost of sales**

	<b>Three months ended March 31, 2016</b>		<b>2015</b>
Operating costs:			
Salaries and benefits	\$ 13,898	\$	15,122
Consumables	46,099		15,258
Third party services	665		850
Other operating costs	3,081		1,830
Royalties, levies and production taxes	96		289
Changes in inventories - cash component	(41,750)		10,135
	<b>22,089</b>		<b>43,484</b>
Reversal of inventory impairment (note 5)	(12,946)		-
Depreciation, depletion and amortization	22,309		70,459
	<b>\$ 31,452</b>	<b>\$</b>	<b>113,943</b>

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

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

**10. Pre-development project costs**

	Three months ended March 31,	
	2016	2015
Greenstone Gold Property	\$ 1,297	\$ 1,478
Öksüt Gold Project	-	1,804
	\$ 1,297	\$ 3,282

In the third quarter of 2015, the Board of Directors of the Company made the decision to develop the Öksüt Gold Project. In accordance with the Company's accounting policies, development costs of the project subsequent to this date are capitalized. In the three months ended March 31, 2016, the Company capitalized \$3.6 million of Öksüt Gold Project development costs as "Construction in Progress", part of PP&E (note 7).

**11. Shareholders' equity**

In March 2016, the Company finalized the purchase of a 1% net smelter royalty related to the Öksüt production from Teck Resources Ltd. through the issuance of 546,703 common shares representing a value of \$3.0 million. The Company also settled an obligation of \$16.9 million relating to capital purchases at Kumtor through the issuance of an aggregate of 3,570,417 common shares in the three months ended March 31, 2016.

**a. Earnings per share**

	Three months ended March 31,	
	2016	2015
Net earnings attributable to shareholders	\$ 18,058	\$ 40,677
Adjustments to earnings:		
Impact of performance share units	(687)	-
Impact of restricted share units	(82)	(46)
Net earnings for the purposes of diluted earnings per share	\$ 17,289	\$ 40,631



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

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

Basic and diluted earnings per share computation:

(Thousands of units)	Three months ended March 31,	
	2016	2015
Basic weighted average number of common shares outstanding	239,656	236,451
Effect of stock options	353	164
Effect of restricted share units	107	240
Diluted weighted average number of common shares outstanding	240,116	236,855
Basic earnings per common share	\$ 0.08	\$ 0.17
Diluted earnings per common share	\$ 0.07	\$ 0.17

For the three months ended March 31, 2016 and 2015 certain potentially dilutive stock options were excluded from the calculation of diluted earnings per share due to the exercise prices being greater than the average market price of the Company's ordinary shares for the period. Potentially dilutive securities are summarized below:

(Thousands of units)	Three months ended March 31,	
	2016	2015
Stock options	3,204	3,623

**b. Dividends**

Dividends are declared and paid in Canadian dollars. The details of the dividends declared in the three months ended March 31, 2016 and 2015 are as follows:

	Three months ended March 31,	
	2016	2015
Dividend declared	\$ 7,244	\$ 7,569
Dividend declared (Canadian Dollars per share amount)	\$ 0.04	\$ 0.04

At March 31, 2016, accrued dividends payable to Kyrgyzaltyn JSC ("Kyrgyzaltyn") were \$12.2 million (December 31, 2015 - \$9.3 million) - note 13.

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

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

**c. Stock options**

Centerra's stock options transactions during the three months ended March 31, 2016 and 2015 were as follows:

	<b>March 31, 2016</b>		<b>March 31, 2015</b>	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price (Cdn\$)</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price (Cdn\$)</b>
Balance, January 1	<b>4,793,592</b>	<b>\$ 7.75</b>	3,868,334	<b>\$ 8.21</b>
Granted	<b>1,137,351</b>	<b>7.24</b>	1,512,840	<b>6.05</b>
Forfeited	<b>(76,498)</b>	<b>(16.58)</b>	(77,629)	<b>(7.37)</b>
Exercised <sup>a</sup>	-	-	(67,969)	<b>(4.80)</b>
<b>Balance, March 31</b>	<b>5,854,445</b>	<b>\$ 6.13</b>	<b>5,235,576</b>	<b>\$ 7.65</b>

<sup>a</sup> The weighted average market price of shares issued for options exercised in the three months ended March 31, 2015 was Cdn\$6.70.

The Black-Scholes model was used to estimate the fair value of stock options. The following reflect the weighted average assumptions, with the exception of the number of units, used for the options issued in the three months ended March 31, 2016:

<b>Grant Date</b>	<b>Number of Options</b>	<b>Grant Price (Cdn\$)</b>	<b>Expected Share price Life</b>	<b>Share price Volatility (i)</b>	<b>Dividend Yield</b>	<b>Risk free rate</b>	<b>Fair value Price (Cdn\$)</b>
March 7, 2016	1,066,307	7.32	3 years	67.37%	2.67%	0.56%	2.95
March 30, 2016	71,044	5.99	3 years	68.36%	2.67%	0.55%	2.46
	<b>1,137,351</b>	<b>7.24</b>	<b>3 years</b>	<b>67.43%</b>	<b>2.67%</b>	<b>0.56%</b>	<b>2.92</b>

(i) Expected volatility is measured as the annualized daily standard deviation of share price returns, based on the historical movement in the price of the Company's common shares.

**d. Performance Share Unit plan**

Transactions under Centerra's Performance Share Unit plan during the three months ended March 31, 2016 and 2015 were as follows:

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

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

	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Balance, January 1	<b>2,177,233</b>	1,813,811
Granted	<b>628,095</b>	911,004
Exercised	<b>(745,415)</b>	(392,369)
Cancelled	<b>(7,555)</b>	(77,872)
Balance, March 31	<b>2,052,358</b>	2,254,574

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

	<b>March 31, 2016</b>	<b>March 31 2015</b>
Share price	\$ <b>6.03</b>	\$ 6.36
S&P/TSX Global Gold Index	\$ <b>209.50</b>	\$ 180.23
Expected life (years)	<b>1.58</b>	1.59
Expected volatility- Centerra's share price	<b>64.4 %</b>	71.5 %
Expected volatility- S&P/TSX Global Gold Index	<b>46.5 %</b>	42.4 %
Risk-free rate of return	<b>1.0 %</b>	0.9 %
Forfeiture rate	<b>3.1 %</b>	3.6 %
Weighted adjustment factor	<b>0.9</b>	1.6

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

As at March 31, 2016, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$78.4 million (Kumtor - \$53.1 million, Öksüt Project \$22.1 million, Greenstone Gold Property - \$2.8 million and Boroo - \$0.4 million), a majority of which are expected to be settled over the next twelve months.

**(b) Greenstone Partnership**

As partial consideration for the Company's initial 50% partnership interest in the Greenstone Partnership, the Company agreed to commit up to an additional Cdn\$185 million to fund the project, subject to certain feasibility and project advancement criteria. In the event that the project is put under care and maintenance as a result of feasibility study or project criteria not being met, the Company will be required to make contributions towards the costs associated with

**Centerra Gold Inc.****Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**(Expressed in thousands of United States Dollars, except where otherwise indicated)

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the care and maintenance of the project for a period of two years or until the Cdn\$185 million is spent (if such event occurs first), after which time the partners would fund such costs on a pro rata basis. Any such costs will form part of the Cdn\$185 million development contributions commitment of the Company, as noted above. As at March 31, 2016, the Company has funded a total of Cdn\$27.0 million (\$20.9 million) of its commitment since the inception of the partnership.

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

**Kyrgyz Republic**Outstanding Matters

There remain several significant outstanding matters affecting the Kumtor Project which require discussions between the Company and the Kyrgyz Republic government, including, among other things: (i) claims made by the General Prosecutor relating to a \$200 million inter-corporate dividend declared and paid by Kumtor Gold Company ("KGC") to Centerra in December 2013; (ii) claims made by the Kyrgyz Republic General Prosecutor's Office ("GPO") seeking to invalidate Kumtor's land use certificate and to seize certain lands within the Kumtor concession area; and (iii) significant environmental claims made by various Kyrgyz state agencies alleging environmental offenses and other matters totalling approximately \$473 million (at applicable exchange rates when the claims were commenced). Centerra believes that each of these claims is without foundation.

On April 28, 2016, the Company reported that the GPO and other state law enforcement agencies conducted a search at the Bishkek offices of KGC.

The Kyrgyz Republic government has very recently indicated to Centerra its dissatisfaction with the current arrangements governing Centerra and the Kumtor Project. The government repeated certain historical concerns and allegations regarding Centerra's and KGC's management and governance and the operations of the Kumtor Project and expressed its desire to resolve all such matters through proposals to be provided by it to Centerra.

Centerra has communicated to the Kyrgyz Republic government its openness to receive and discuss proposals to resolve such concerns in a manner that is fair to all of Centerra's shareholders. No negotiations with the Kyrgyz Republic government have to date taken place.

**Centerra Gold Inc.****Notes to the Condensed Consolidated Interim Financial Statements****(Unaudited)**(Expressed in thousands of United States Dollars, except where otherwise indicated)

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The Company has benefited from a close and constructive dialogue with Kyrgyz Republic authorities during the Kumtor Project operations and remains committed to working with them to resolve these issues in accordance with the 2009 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 any discussions between the Kyrgyz Republic government and Centerra will result in a mutually acceptable solution regarding the arrangements governing Centerra and the Kumtor Project or 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. 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.

**Kyrgyz Permitting and Regulatory Matters**

KGC is currently experiencing delays in 2016 in receiving key permits and approvals required from Kyrgyz regulatory authorities. KGC has received the industrial safety and subsoil expertises (approvals) for Kumtor’s 2016 Special Mine Plan (two of the three required expertises). The remaining expertise for environmental protection is being reviewed by the Kyrgyz Republic State Agency for Environment and Protection and Forestry (“SAEPF”). In late March 2016, KGC received its waste disposal permit and was granted an extension to its maximum allowable emissions (“MAE”) permit which is now valid until June 30, 2016, to allow time for further review.

On April 28, 2016, KGC received notice from SAEPF stating that SAEPF requires that KGC provide certain additional information and documents and take certain additional measures as a pre-condition to SAEPF issuing its environmental expertise on the 2016 Special Mine Plan. On the same date, KGC also received notice from State Agency for Geology and Mineral Resources (“SAGMR”) stating that if KGC did not receive the environmental expertise from SAEPF by June 30, 2016, it will be required to cease mining operations at Kumtor effective July 1, 2016. Kumtor management believes that it has previously provided to SAEPF all information and documents and taken all measures required under the Kumtor project agreements and Kyrgyz Republic regulations for SAEPF to issue its environmental expertise. While it therefore disputes the SAEPF notice, KGC will continue to work with SAEPF to resolve outstanding questions and concerns in connection with the environmental expertise. No assurances can be provided that such expertise will be issued by SAEPF prior to July 1, 2016 or at all.

KGC continues to operate fully in compliance with permits as granted. The Company understands that the delay in obtaining the necessary approvals and permits relate to concerns regarding the mining of ice at Kumtor as well as the additional informational and document requests made by SAEPF which are referred to above. With regard to the mining of ice,

## **Centerra Gold Inc.**

### **Notes to the Condensed Consolidated Interim Financial Statements**

**(Unaudited)**

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

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regulatory authorities referenced the 2005 Water Code of the Kyrgyz Republic (“Water Code”) and its prohibition regarding the mining of ice. The Company has repeatedly disputed the interpretation of the Water Code by the regulatory agencies based on the rights provided to Centerra and KGC under the Kumtor Project Agreements. There can be no assurances that the remaining expertise for the 2016 Special Mine Plan and the MAE permit for 2016 will be issued or issued in a timely manner.

Should Kumtor be prohibited from moving ice (as a result of the purported application of the Water Code) or if SAEPF does not provide the expertise of the 2016 Special Mine Plan or if any required permits are withdrawn or not further extended, the entire December 31, 2015 mineral reserves at Kumtor, and Kumtor’s current life-of-mine plan would be at risk, leading to an early closure of the operation. Centerra believes that any disagreements with respect to the foregoing would be subject to international arbitration under the Kumtor Project Agreements.

## **Mongolia**

### ***Gatsuurt***

Throughout the first quarter of 2016, the Company has been in discussions with the Mongolian Government to implement the previously disclosed 3% special royalty in lieu of the Government’s 34% direct interest in the Gatsuurt Project. Various working groups have been established by the Mongolian Government to negotiate with Centerra and its wholly-owned subsidiary, Centerra Gold Mongolia, the definitive agreements relating to the Gatsuurt Project. Concurrent with the negotiations of such agreements, the Company expects to undertake economic and technical studies to update the existing studies on the project, which were initially completed and published in May 2006. As part of such work, the Company will undertake a program of exploration drilling, and geotechnical and additional hydrogeological drilling in preparation for eventual project development.

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

## **Corporate**

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

There were no significant developments in the first quarter of 2016 on the Ontario court proceedings involving the Kyrgyz Republic and Kyrgyzaltyn. Centerra continues to be subject to two court orders which prevent Centerra from paying any dividends to Kyrgyzaltyn. Centerra currently holds approximately CDN \$15.9 million, including CDN \$0.1 million of interest, in

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

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

trust for these two court proceedings. These court orders also restrict Kyrgyzaltyn's ability to certify and/or transfer 11,253,655 common shares of Centerra (3,787,879 shares are restricted in the court order involving Valeri Belokon, and 7,465,776 shares are restricted in the court order involving Entes Industrial Plant Construction & Erection Contracting Co. Inc.). There are further court dates scheduled for May and June 2016 regarding the Ontario court's ability to recognize the underlying arbitral awards against the Kyrgyz Republic and to determine the issue of whether the Kyrgyz Republic has an interest in the Centerra shares held by Kyrgyzaltyn.

**13. Related Party Transactions****Kyrgyzaltyn**

Revenues from the Kumtor gold mine are subject to a management fee of \$1.00 per ounce based on sales volumes, payable to Kyrgyzaltyn, a shareholder of the Company and a state-owned entity of the Kyrgyz Republic. The table below summarizes the management fees paid and accrued by KGC, a subsidiary of the Company, to Kyrgyzaltyn and the amounts paid and accrued by Kyrgyzaltyn to KGC according to the terms of a Restated Gold and Silver Sale Agreement ("Sales Agreement") between KGC, Kyrgyzaltyn and the Government of the Kyrgyz Republic dated June 6, 2009. In March 2016, KGC agreed to a \$0.50 per ounce increase in the discount attributable to gold sales under the Sales Agreement. The breakdown of the sales transactions and expenses with Kyrgyzaltyn are as follows:

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b><i>Included in sales:</i></b>		
Gross gold and silver sales to Kyrgyzaltyn	\$ 73,694	\$ 206,028
Deduct: refinery and financing charges	(473)	(1,038)
Net sales revenue received from Kyrgyzaltyn	\$ 73,221	\$ 204,990
<b><i>Included in expenses:</i></b>		
Contracting services provided by Kyrgyzaltyn	\$ 352	\$ 296
Management fees to Kyrgyzaltyn	62	169
Expenses paid to Kyrgyzaltyn	\$ 414	\$ 465
<b><i>Dividends:</i></b>		
Dividends declared to Kyrgyzaltyn	\$ 2,337	\$ 2,476
Withholding taxes	(117)	(124)
Net dividends declared to Kyrgyzaltyn	\$ 2,220	\$ 2,352

***Related party balances***

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

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

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

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Amounts receivable	\$ 177	\$ 25,725
Dividends payable (net of withholding taxes)	\$ 15,316	\$ 13,096
Net unrealized foreign exchange gain	(3,130)	(3,766)
Dividends payable (net of withholding taxes) <sup>(a)</sup>	12,186	9,330
Amount payable	1,075	1,039
Total related party liabilities	\$ 13,261	\$ 10,369

(a) Equivalent of Cdn \$15.8 million as at March 31, 2016 (December 31, 2015 - Cdn\$12.9 million).

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

As at March 31, 2016, \$0.2 million was outstanding under the Sales Agreement (December 31, 2015 - \$25.7 million). Subsequent to March 31, 2016, the previously outstanding balance receivable from Kyrgyzaltyn was paid in full. Kyrgyzaltyn held contractual discussions with its off-take bank in March 2016 which were completed in early April 2016. During these discussions gold shipments from Kumtor were temporarily delayed and eventually resumed in April 2016.

**14. Financial instruments**

The Company's financial instruments include cash and cash equivalents, short-term investments, restricted cash, amounts receivable, a reclamation trust fund, short-term debt, dividends payable, revenue-based taxes payable, accounts payable and accrued liabilities.

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

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

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

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



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

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

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

**March 31, 2016**

	Loans and receivables	Other financial liabilities	Assets/liabilities at fair value through earnings (loss)
<b>Financial assets (Level 1)</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 339,767
Short-term investments	-	-	162,035
Restricted cash	-	-	13,188
Amounts receivable	3,147	-	-
Reclamation trust fund	-	-	21,912
	\$ 3,147	\$ -	\$ 536,902
<b>Financial liabilities (Level 1)</b>			
Trade creditors and accruals	\$ -	\$ 52,999	\$ -
Short-term debt	-	74,198	-
Dividend payable to related party	-	12,186	-
Revenue-based taxes payable	-	3,167	-
	\$ -	\$ 142,550	\$ -

**December 31, 2015**

	Loans and receivables	Other financial liabilities	Assets/liabilities at fair value through earnings (loss)
<b>Financial assets (Level 1)</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 360,613
Short-term investments	-	-	181,613
Restricted cash	-	-	9,989
Amounts receivable	28,781	-	-
Reclamation trust fund	-	-	18,909
	\$ 28,781	\$ -	\$ 571,124
<b>Financial liabilities (Level 1)</b>			
Trade creditors and accruals	\$ -	\$ 65,765	\$ -
Short-term debt	-	76,000	-
Dividend payable to related party	-	9,330	-
Revenue-based taxes payable	-	9,152	-
	\$ -	\$ 160,247	\$ -

As at March 31, 2016 and December 31, 2015, the Company did not have any financial assets or financial liabilities that are measured under Level 2 or 3.

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

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

**15. Supplemental disclosures****a. Investment in PP&E**

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Additions to PP&E during the period (note 7)	\$ (49,650)	\$ (88,225)
Purchase of Teck royalty via share issuance (note 11)	2,954	-
Depreciation and amortization included in additions to PP&E (note 7)	3,655	15,848
(Decrease) increase in accruals included in additions to PP&E	7,636	211
	\$ (35,405)	\$ (72,166)

**b. Changes in operating working capital**

	<b>Three months ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Decrease in amounts receivable	\$ 25,634	\$ 7,977
(Increase) decrease in inventory - ore and metal <sup>a</sup>	(55,483)	26,972
Decrease (increase) in inventory - supplies <sup>b</sup>	4,235	(10,160)
Decrease in prepaid expenses	3,376	2,204
Increase in trade creditors and accruals	4,138	21,043
Decrease in revenue-based tax payable	(5,985)	(9,956)
Decrease (increase) in depreciation and amortization included in inventory	12,889	(17,853)
Increase in accruals included in additions to PP&E	(7,636)	(212)
Increase in other taxes payable	543	68
	\$ (18,289)	\$ 20,083

<sup>a</sup>Increase in the three months ended March 31, 2016 excludes \$12.9 million reversal of inventory impairment (March 31, 2015 - nil).

<sup>b</sup>Excludes \$16.9 million of accounts payable settled via share issuance in the three months ended March 31, 2016.

**16. Subsequent events**

On April 5, 2016, Öksüt Madencilik Sanayi ve Ticaret A.S. ("OMAS"), a wholly-owned subsidiary of the Company, entered into a \$150 million credit facility agreement with UniCredit Bank AG (the "UniCredit Facility") expiring on December 30, 2021. The purpose of the Öksüt Facility is to assist in financing the construction of the Company's Öksüt Project. The interest rate is LIBOR plus 2.65% to 2.95% (dependent on project completion status). The UniCredit Facility is secured by Öksüt assets and is non-recourse to the Company.

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

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

On May 3, 2016, the Company announced that its Board of Directors approved a quarterly dividend of Cdn\$0.04 per common share. The dividend is payable June 2, 2016 to shareholders of record on May 19, 2016.

**17. Segmented information**

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

**Three months ended March 31, 2016**

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	Corporate and other	Total
<b>Revenue from gold sales</b>	\$ 73.2	\$ -	\$ -	\$ -	73.2
Cost of sales	31.5	-	-	-	31.5
Standby costs, net	-	(0.1)	-	-	(0.1)
Regional office administration	3.3	-	-	-	3.3
<b>Earnings from mine operations</b>	<b>38.4</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>38.5</b>
Revenue-based taxes	10.3	-	-	-	10.3
Other operating expenses	0.5	0.1	-	-	0.6
Pre-development project costs	-	-	-	1.3	1.3
Exploration and business development	-	0.1	-	1.9	2.0
Corporate administration	-	-	-	5.8	5.8
<b>Earnings (loss) from operations</b>	<b>27.6</b>	<b>(0.1)</b>	<b>-</b>	<b>(9.0)</b>	<b>18.5</b>
Other income, net					(1.3)
Finance costs					1.2
<b>Earnings before income tax</b>					<b>18.6</b>
Income tax expense					0.5
<b>Net earnings and comprehensive income</b>				<b>\$</b>	<b>18.1</b>
<b>Capital expenditure for the period</b>	<b>\$ 41.8</b>	<b>\$ 0.4</b>	<b>\$ 6.7</b>	<b>\$ 0.8</b>	<b>\$ 49.7</b>
<b>Assets</b>	<b>\$ 983.6</b>	<b>\$ 171.5</b>	<b>\$ 25.8</b>	<b>\$ 493.3</b>	<b>\$ 1,674.2</b>
<b>Total liabilities</b>	<b>\$ 92.1</b>	<b>\$ 30.9</b>	<b>\$ 1.3</b>	<b>\$ 98.0</b>	<b>\$ 222.3</b>

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

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

**Three months ended March 31, 2015**

<b>(Millions of U.S. Dollars)</b>	<b>Kyrgyz Republic</b>	<b>Mongolia</b>	<b>Turkey</b>	<b>Corporate and other</b>	<b>Total</b>
<b>Revenue from gold sales</b>	\$ 205.0	\$ 7.6	-	\$ -	\$ 212.6
Cost of sales	106.7	7.2	-	-	113.9
Standby costs	-	2.7	-	-	2.7
Regional office administration	4.3	1.0	-	-	5.3
<b>Earnings (loss) from mine operations</b>	94.0	(3.3)	-	-	90.7
Revenue-based taxes	28.7	-	-	-	28.7
Other operating expenses (income)	0.6	(0.7)	-	-	(0.1)
Pre-development project costs	-	-	1.8	1.5	3.3
Exploration and business development	-	0.2	0.1	2.5	2.8
Corporate administration	-	0.1	-	9.3	9.4
<b>Earnings (loss) from operations</b>	64.7	(2.9)	(1.9)	(13.3)	46.6
Other expenses, net					4.2
Finance costs					1.1
<b>Earnings before income tax</b>					41.3
Income tax expense					0.6
<b>Net earnings and comprehensive income</b>					\$ 40.7
<b>Capital expenditure for the period</b>	\$ 86.4	\$ 0.1	-	\$ 69.1	\$ 155.6
<b>Goodwill</b>	\$ 18.7	\$ -	-	\$ -	\$ 18.7
<b>Assets (excluding Goodwill)</b>	\$ 936.1	\$ 176.1	4.2	\$ 538.1	\$ 1,654.5
<b>Total liabilities</b>	\$ 102.5	\$ 33.6	0.4	\$ 104.1	\$ 240.6