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

The following discussion has been prepared as of July 26, 2016, and is intended to provide a review of the financial position and results of operations of Centerra Gold Inc. ("Centerra" or the "Company") for the three and six months ended June 30, 2016 in comparison with the corresponding periods ended June 30, 2015. This discussion should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and the notes thereto for the three and six months ended June 30, 2016. This MD&A should also be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2015 and 2014, the related MD&A and the Annual Information Form for the year ended December 31, 2015 (the "2015 Annual Information Form"). The condensed consolidated interim financial statements of Centerra are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board and the Company's accounting policies as described in note 3 of its annual consolidated financial statements for the year ending December 31, 2015. All dollar amounts are expressed in United States (U.S.) dollars, except as otherwise indicated. In addition, this discussion contains forward-looking information regarding Centerra's business and operations. See "Caution Regarding Forward-Looking Information" in this discussion and "Risk Factors" in the Company's 2015 Annual Information Form. The Company's 2015 Annual Report and 2015 Annual Information Form are available at www.centerragold.com and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

All references in this document denoted with ^{NG}, indicate a non-GAAP term which is discussed under "Non-GAAP Measures" on pages 36 to 40.

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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 Sanayi ve Ticaret A.S. ("OMAS") in Turkey and Boroo Gold LLC and Centerra Gold Mongolia LLC in Mongolia. Additionally, the Company holds a 50% interest in Greenstone Gold Mines LP. 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

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

Acquisition of Thompson Creek Metals

- On July 5, 2016, the Company announced that it had entered into a definitive arrangement agreement with Thompson Creek Metals Company Inc. ("Thompson Creek" or "TCM") pursuant to which the Company will acquire all of the issued and outstanding common shares of Thompson Creek. In connection with the proposed transaction, the Company expects to redeem all of Thompson Creek's secured and unsecured notes at their call price plus accrued and unpaid interest in accordance with their terms. The total transaction value is approximately $1.1 billion. Centerra has also entered into a binding commitment letter with Royal Gold Inc. ("Royal Gold") whereby, upon the closing of the arrangement, Royal Gold's 52.25% gold streaming interest at Mount Milligan will be amended to a 35.00% gold stream and 18.75% copper stream. Centerra expects to finance the acquisition through a combination of a new US$325 million senior secured revolver and term loan facility provided by The Bank of Nova Scotia and a recently completed bought deal offering of subscription receipts of C$170 million (total gross proceeds of C$195.5 million including underwriters fully-exercised over-allotment; net proceeds after fees of C$185.7 million). Refer to the Company's July 20, 2016 news release for further details.

  The acquisition is subject to the approval of TCM shareholders and other applicable regulatory approvals, and satisfaction of other customary conditions. If approved, the transaction is expected to close in the fall of 2016.

  For further information, refer to the Company's news releases dated July 5, 2016 and July 20, 2016 and filed on SEDAR.

Updated 2016 Guidance

- With this second quarter release, the Company has narrowed its gold production guidance and lowered its cost guidance to reflect lower operating costs expected.
    - ***Production:*** new guidance of 500,000 - 530,000 ounces from 480,000 to 530,000 ounces.
    - ***All-in sustaining costs per ounce sold[NG]***:
        - Kumtor reduced to $717 - $759 from prior guidance of $817 - $902
        - Consolidated reduced to $776 - $824 from $877 - $968
    - ***All-in costs, excluding development projects costs (before taxes) per ounce sold[NG]*:**
        - Kumtor reduced to $749 - $793 from $866 - $956
        - Consolidated reduced to $851 - $903 from $965 - $1,066

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

  See "Outlook" section for further details.

Kumtor Operations

- On June 23, 2016, Kumtor received its 2016 maximum allowable emissions ("MAE") permit from the Kyrgyz Republic State Agency for Environmental Protection and Forestry ("SAEPF"). The MAE permit is valid until December 31, 2016 and is the first new MAE permit issued by SAEPF to Kumtor since 2014. In addition, the Kumtor operation also received approval from SAEPF for its 2016 maximum allowable discharge ("MAD") permits, which allows for discharge of treated effluent and treated sewage. The environmental expertise (approval) of Kumtor's 2016 mine plan was received on June 27, 2016. With the issuance of the MAE and MAD permits and the receipt of the environmental expertise, Kumtor has the necessary permits and approvals in place for continuous operations throughout the second half of 2016.
- There have been a number of significant updates relating to legal proceedings, investigations and other related matters affecting the Kumtor Project. See "Other Corporate Developments" for further details.

Gatsuurt Project

- In the second quarter of 2016, the Company continued to engage in discussions with the Mongolian Government regarding the definitive agreements relating to the Gatsuurt Project. The Company expects the discussions with the Government to continue in the third quarter of 2016.

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Consolidated Financial and Operational Highlights

Unaudited ($ millions, except as noted)	Three months ended June 30,[7]			Six months ended June 30,[7]		
Financial Highlights	**2016**	2015	% Change	**2016**	2015	% Change
Revenue	**$ 161.6**	$ 146.8	10%	**$ 234.8**	$ 359.4	(35%)
Cost of sales	**118.0**	81.0	46%	**149.5**	195.0	(23%)
Standby costs	**(0.6)**	1.1	(155%)	**(0.7)**	3.8	(118%)
Regional office administration	**3.7**	5.0	(26%)	**7.0**	10.3	(32%)
Earnings from mine operations	**40.5**	59.7	(32%)	**79.0**	150.3	(47%)
Revenue-based taxes	**22.6**	19.8	14%	**32.9**	48.5	(32%)
Other operating expenses	**0.7**	0.8	(13%)	**1.3**	0.6	117%
Pre-development project costs	**4.0**	4.9	(18%)	**5.3**	8.2	(35%)
Exploration and business development [1]	**5.1**	2.1	143%	**7.2**	4.9	47%
Corporate administration	**6.8**	10.8	(37%)	**12.5**	20.2	(38%)
Earnings from operations	**1.3**	21.3	(94%)	**19.8**	67.9	(71%)
Other (income) and expenses	**(0.4)**	(1.7)	(76%)	**(1.7)**	2.6	(165%)
Finance costs	**1.4**	1.1	27%	**2.7**	2.2	23%
Earnings before income taxes	**0.3**	21.8	(99%)	**18.9**	63.2	(70%)
Income tax expense (benefit)	**(2.6)**	(0.1)	2500%	**(2.1)**	0.6	(450%)
Net earnings	**2.9**	21.9	(87%)	**21.0**	62.6	(66%)
Earnings per common share - $ basic [2]	**$ 0.01**	$ 0.09	(89%)	**$ 0.09**	$ 0.26	(65%)
Earnings per common share - $ diluted [2]	**$ -**	$ 0.09	(100%)	**$ 0.08**	$ 0.26	(69%)
Cash provided by operations	**57.2**	114.6	(50%)	**66.7**	245.0	(73%)
Average gold spot price - $/oz [3]	**1,260**	1,192	6%	**1,223**	1,206	1%
Average realized gold price - $/oz[4]	**1,264**	1,192	6%	**1,238**	1,205	3%
Capital expenditures [5]	**53.6**	86.7	(38%)	**100.7**	242.2	(58%)
Operating Highlights						
Gold produced – ounces	**97,724**	125,088	(22%)	**185,316**	295,771	(37%)
Gold sold – ounces	**127,909**	123,079	4%	**189,653**	298,311	(36%)
Operating costs (on a sales basis) [6]	**61.6**	36.0	71%	**80.7**	79.5	1%
Adjusted operating costs [4]	**65.5**	42.7	53%	**88.5**	94.5	(6%)
All-in Sustaining Costs[4]	**105.2**	115.3	(9%)	**167.9**	241.2	(30%)
All-in Costs, excluding development projects[4]	**114.4**	121.3	(6%)	**185.1**	256.4	(28%)
All-in Costs, excluding development projects (including revenue-based taxes and income taxes) [4]	**137.2**	141.2	(3%)	**218.2**	305.1	(28%)
Unit Costs						
Cost of sales - $/oz sold[4]	**923**	658	40%	**788**	654	21%
Adjusted operating costs - $/oz sold [4]	**512**	347	48%	**467**	317	47%
All-in sustaining costs – $/oz sold[4]	**822**	937	(12%)	**885**	808	10%
All-in costs, excluding development projects – $/oz sold [4]	**894**	986	(9%)	**976**	859	14%
All-in costs, excluding development projects (including revenue-based taxes and income taxes) – $/oz sold [4]	**1,072**	1,147	(7%)	**1,151**	1,022	13%

(1) Includes business development of $2.1 million for the three and six months ended June 30, 2016 ($0.8 million and $1.9 million for three and six months ended June 30, 2015, respectively).

(2) As at June 30, 2016, the Company had 242,164,285 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 $25.6 million and $39.7 million in the three and six months ended June 30, 2016, respectively ($66 million and $133.5 million in the three and six months ended June 30, 2015, respectively).

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

(7) Results may not add due to rounding.

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Results of Operations

Second Quarter 2016 compared to Second Quarter 2015

The Company recorded net earnings of $2.9 million in the second quarter of 2016, compared to $21.9 million in the comparative quarter of 2015, reflecting the processing and sale in the second quarter of 2016 of lower grade material from stockpiles and ore from the initial benches of cut-back 17 at Kumtor, partially offset by higher average realized gold prices and lower share-based compensation expense.

Safety and Environment:
Centerra had two reportable injuries in the second quarter of 2016, including one restricted work injury and one medical aid injury.

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

Production:
Gold production for the second quarter of 2016 totaled 97,724 ounces compared to 125,088 ounces in the comparative quarter of 2015. The 22% decrease in ounces poured at Kumtor reflects the processing of lower grade ore mined from the upper benches of 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.

Financial Performance:
Revenue in the second quarter of 2016 increased 10% to $161.6 million as a result of higher gold ounces sold (127,909 ounces compared to 123,079 ounces in the second quarter of 2015), as well as higher average realized gold prices[NG] ($1,240 per ounce compared to $1,192 per ounce in the same quarter of 2015). The build-up of gold bullion inventory at Kumtor at the end of March 2016 of 33,165 ounces was sold in April 2016 once Kyrgyzaltyn completed its negotiations with its off-take bank.

In the second quarter of 2016, ounces sold increased 4% compared to the second quarter of 2015 while cost of sales increased by 46% to $118 million compared to the same period of 2015. This reflects higher costs for mining and stripping in both the stockpiled ore processed and in the lower grade ore mined and processed at Kumtor from cut-back 17 in the second quarter of 2016. The cost of sales in the second quarter of 2015 benefited from the processing of ore from the final benches of cut-back 16 which contained higher grades and higher recoveries, resulting in lower unit operating costs, and reduced waste stripping as compared to cut-back 17 ore that was processed in the second quarter of 2016. Depreciation, depletion and amortization (“DD&A”) associated with production was $56.4 million in the second quarter of 2016 as compared to $45.0 million in the same quarter of 2015, reflecting increased ounces sold in 2016 and higher equipment charges for the longer mining campaign of cut-back 17.

Regional office administration costs decreased by 26% to $3.7 million in the second quarter of 2016, reflecting lower labour costs at Kumtor from favourable currency movements of the Kyrgyz Som and lower staffing levels in Mongolia.

Pre-development project costs decreased by $0.9 million to $4.0 million in the second quarter of 2016, compared to the same quarter in 2015. The decrease was due to the Company starting to capitalize 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 and business development expenditures in the second quarter of 2016 increased by $3.0 million to total $5.1 million as compared to the same period of 2015, reflecting higher exploration activity at the Company's various projects (an increase of $1.7 million), principally at the Gatsuurt property, and increased costs associated with the transaction involving TCM announced after the end of the second quarter of 2016.

Corporate administration costs decreased to $6.8 million in the second quarter of 2016 from $10.8 million in the same period of 2015. The decrease was primarily due to lower share-based compensation, the impact of currency movements and lower general spending. Share-based compensation expense in the second quarter of 2016 was $0.1 million compared to $5.1 million in the same period of 2015, reflecting the relative performance of the Company's share price as compared to the S&P/TSX Global Gold Index.

Operating Costs:
Operating costs (on a sales basis) increased to $61.6 million in the second quarter of 2016 from $32.7 million in the same period of 2015 and reflect more ounces sold and higher unit costs in the second quarter of 2016. The increase in costs in the second quarter of 2016 was due to processing ounces at Kumtor from cut-back 17 which is a larger cut-back, requiring more waste to be moved and resulting in higher mining unit costs as compared to cut-back 16. Capitalization of mining costs in cut-back 17 ceased when ore was uncovered in September 2015. In the comparative period of 2015, the mining costs were capitalized as mining was focused on the initial development of cut-back 17 before accessing ore.

Centerra's all-in sustaining costs per ounce sold[NG], which excludes revenue-based taxes and income taxes, for the second quarter of 2016 decreased to $822 from $937 in the comparative period of 2015, reflecting more ounces sold and less spending on capitalized stripping.

Centerra's all-in costs per ounce sold[NG] (excluding development projects) for the second quarter of 2016, was $894 compared to $986 in the comparative quarter of 2015, and includes all cash costs related to gold production, excluding revenue-based taxes and income taxes. The decrease reflects the lower all-in sustaining costs described above, partially offset by additional spending in the second quarter of 2016 for exploration and business development.

First Half 2016 compared to First Half 2015

The Company recorded net earnings of $21.0 million in the first six months of 2016, compared to $62.6 million in the comparative period of 2015, reflecting lower ounces sold in the current period.

Safety and Environment:
Centerra had five reportable injuries in the first six months of 2016, consisting of three lost time injuries, one medical aid injury and one restricted work injury. On January 24th, 2016, an employee suffered fatal injuries at the Kumtor mill.

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

Production:
Gold production for the first six months of 2016 totaled 185,316 ounces compared to 292,176 ounces in the comparative period of 2015. The decrease in production is primarily due to lower mill grades processed and lower recoveries at Kumtor.

Financial Performance:
Lower revenues resulted primarily from 36% fewer ounces sold (189,653 ounces compared to 298,311 ounces in the first six months of 2015), partially offset by higher average realized gold price[NG] ($1,217 per ounce compared to $1,205 per ounce in the first six months of 2015).

Cost of sales decreased by 23% to $149.5 million due primarily to fewer ounces sold in the first six months of 2016. DD&A associated with production decreased to $68.8 million in the first six months of 2016 from $115.6 million in the comparative period of 2015, reflecting fewer ounces sold, partially offset by higher per unit capitalized stripping charges for the cut-back 17 ore that was processed in the first six months of 2016.

The idled operation at Boroo incurred minimal net costs in the first six months of 2016 as care and maintenance costs were offset by the sale of residual gold coming from the rinsing of the heap leach pad. Standby costs incurred at Boroo in the first six months of 2015 to place the mill and operation on care and maintenance totaled $3.8 million, which included spending mainly for cleaning circuits and to maintain equipment in a ready state, as well as fixed costs for administration.

Pre-development project costs decreased by $2.9 million to $5.3 million in the first six months of 2016, compared to the same period in 2015, mainly reflecting the start of capitalization of development costs at the Öksüt Project following the approval of the feasibility study in July 2015.

Exploration and business development expenditures totaled $7.2 million compared to $4.9 million in the same period of 2015. The increase in the first six months of 2016 reflects higher exploration spending at Gatsuurt and on the Company’s other projects around the world.

Corporate administration costs decreased to $12.5 million from $20.2 million in the first six months of 2015 due primarily to a lower charge for share-based compensation. The share-based compensation charge in the first six months of 2016 was $1.0 million, compared to $7.4 million in the same period in 2015.

Operating Costs:
Operating costs (on a sales basis) increased by $1.2 million to $80.7 million in the first six months of 2016 compared to the same period in 2015, mainly as a result of higher per unit operating costs for the ounces from cut-back 17 processed and sold in the first six months of 2016.

Centerra's all-in sustaining costs per ounce sold[NG], which excludes revenue-based taxes and income taxes, for the first six months of 2016, was $885 compared to $808 in the same period of 2015. The increase in the first six months of 2016 reflects the higher per unit cost for the cut-back 17 ounces sold in the first six months of 2016 and higher sustaining capital[NG].

For the first six months of 2016, Centerra's all-in costs per ounce sold[NG] (excluding development projects) which excludes revenue-based taxes at Kumtor and income taxes, was $976, compared to $859 per ounce sold in the first six months of 2015. The increase reflects the higher all-in sustaining costs described above and higher exploration costs.

Cash generation and capital investments

Cashflow

	Three months ended June 30,			Six months ended June 30,		
Unaudited ($ millions, except as noted)	**2016**	2015	% Change	**2016**	2015	% Change
Cash provided by operating activities	**57.2**	114.6	(50%)	**66.7**	245.0	(73%)
Cash used in investing activities:						
-Capital additions - cash	**(45.0)**	(70.5)	(36%)	**(80.4)**	(142.6)	(44%)
-Short-term investment, net purchased	**(120.1)**	(53.8)	123%	**(100.6)**	(70.1)	44%
-Purchase of interest in Greenstone Partnership	**-**	-	-	**-**	(67.4)	(100%)
-other investing items	**(0.8)**	(1.6)	(50%)	**(4.5)**	(3.9)	15%
Cash used in investing activities:	**(165.9)**	(125.9)	32%	**(185.5)**	(284.0)	(35%)
Cash provided by (used in) financing activities	**14.2**	(4.9)	(390%)	**3.4**	(11.4)	(130%)
Decrease in cash	**(94.5)**	(16.2)	483%	**(115.4)**	(50.4)	129%

Second Quarter 2016 compared to Second Quarter 2015

Cash provided by operations decreased by $57.4 million in the second quarter of 2016 mainly from the sale of higher cost ounces from the initial benches of cut-back 17 and higher working capital levels for amounts receivable due to the timing of gold shipments in the second quarter of 2016.

Cash used in investing activities increased to $165.9 million in the second quarter of 2016, an increase of $40 million as compared to the second quarter of 2015 reflecting increased net purchases of short-term investments in 2016, partially offset by lower capital spending. The

Company spent $45.0 million on capital additions in the second quarter of 2016, a 36% reduction from the same period in 2015.

Cash provided by financing activities in the second quarter of 2016 totaled $14.2 million, reflecting the draw of $24 million from the Company's revolving credit facility, the payment of dividends and interest on borrowing costs. This compares to a use of cash from financing activities of $4.9 million in the second quarter of 2015, reflecting the payment of dividends.

First Half 2016 compared to First Half 2015

Cash provided by operating activities decreased to $66.7 million in the first six months of 2016 mainly from lower sales and higher working capital levels for gold inventory and amounts receivable due to the timing of gold shipments.

Cash used in investing activities decreased to $185.5 million from $284.0 million in the first six months of 2015, reflecting a 44% decrease in capital additions and a $30.5 million increase in net purchases of short-term investments. In addition, the Company spent $67.4 million (C$85 million) for a 50% interest in the Greenstone Gold property in March 2015.

Financing activities in the first six months of 2016 generated net cash of $3.4 million due to the $24 million drawn on the corporate revolving credit facility in June 2016, partially offset by the payment of dividends and borrowing costs, while the first six months of 2015 used $11.4 million of net cash mainly for the payment of dividends and payment of borrowing costs.

Cash, cash equivalents and short-term investments at June 30, 2016 decreased to $527.4 million from $542 million at December 31, 2015.

Capital Expenditures (spent and accrued)

Unaudited ($ millions)		**Three months ended June 30,**			**Six months ended June 30,**		
		2016	2015	% Change	**2016**	2015	% Change
Kumtor	Sustaining capital^NG	**13.6**	11.8	15%	**36.6**	24.3	51%
	Capitalized stripping	**25.6**	66.0	(61%)	**39.7**	133.5	(70%)
	Growth capital^NG	**5.4**	3.9	38%	**10.1**	10.3	(2%)
	Total	**44.6**	81.7	(45%)	**86.4**	168.1	(49%)
Boroo and Gatsuurt	Sustaining capital^NG	**-**	-	-	**-**	0.1	(100%)
	Growth capital^NG	**3.0**	0.5	500%	**3.4**	0.5	580%
	Total	**3.0**	0.5	500%	**3.4**	0.6	467%
Other	Sustaining capital^NG	**0.1**	0.2	(50%)	**0.3**	0.3	0%
	Öksüt Project development (1)	**1.6**	-	100%	**5.2**	-	100%
	Greenstone Gold Property costs (2)	**4.4**	4.3	2%	**5.2**	5.8	(10%)
	Greenstone Partnership acquisition	**-**	-	-	**-**	67.4	(100%)
	Total	**6.1**	4.5	36%	**10.7**	73.5	(85%)
Consolidated	Sustaining capital^NG	**13.7**	12.0	14%	**36.9**	24.7	49%
	Capitalized stripping	**25.6**	66.0	(61%)	**39.7**	133.5	(70%)
	Growth capital^NG	**8.4**	4.4	91%	**13.6**	10.8	26%
	Öksüt Project development (1)	**1.6**	-	100%	**5.2**	-	100%
	Greenstone Gold Property costs (2)	**4.4**	4.3	2%	**5.2**	5.8	(10%)
	Greenstone Partnership acquisition	**-**	-	-	**-**	67.4	(100%)
Total capital expenditures		**53.7**	86.7	(38%)	**100.6**	242.2	(58%)

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

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

Lower capital expenditures in the second quarter of 2016 resulted mainly from lower capitalized stripping at Kumtor.

During the first six months of 2016, capital expenditures were lower by $141.6 million due to lower capitalized stripping at Kumtor and the spending of $67.4 million on the Greenstone acquisition in 2015, partially offset by higher spending on sustaining capital^NG in the first half of this year.

Credit and Liquidity:

In the second quarter of 2016, the Company drew $24 million from its $150 million revolving corporate credit facility to bring its current principal amount outstanding to $100 million at June 30, 2016. The funds are available to be re-drawn on a semi-annual basis and at the Company's discretion repayment of the loaned funds may be extended until 2021.

Foreign Exchange:

The Company receives its revenues through the sale of gold in U.S. dollars. The Company has operations in the Kyrgyz Republic and Mongolia, and its corporate head office is in Toronto, Canada. During the first six months of 2016, the Company incurred combined costs (including capital) totaling roughly $264 million. Approximately $173 million of this (66%) 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: 38% in Kyrgyz Soms, 17% in Canadian dollars, 5% in Euros, 3% in Mongolian Tugriks and 2% in Turkish Lira, and approximately 1% in other non U.S. currency. During the first six months of 2016, the average value of the currencies of the Kyrgyz Som, Canadian dollar, and Euro appreciated against the U.S. dollar by approximately 6%, 4%, and 3%, respectively, while the average value of Mongolian tugrik and Turkish Lira, depreciated against the U.S. dollar by approximately 1% and 0.1%, respectively, from their value at December 31, 2015. The net impact of these movements at end of the first six months of 2016, after taking into account currencies held at the beginning of the year, was to increase costs by $8 million (decrease of $7 million in the first six months of 2015).

Share Capital and Share Options

As of July 26, 2016, Centerra had 242,164,285 common shares issued and outstanding. In addition, as at the same date, the Company had 5,624,779 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.

On July 20, 2016, the Company completed a bought deal offering (the "Offering") of subscription receipts (the "Subscription Receipts") in relation to the acquisition of Thompson Creek announced on July 5, 2016. A total of 23,130,000 Subscription Receipts were sold to the public at a price of C$7.35 per Subscription Receipt. In addition, the underwriters exercised in full their over-allotment option to acquire an additional 3,469,500 Subscription Receipts, such that a total of 26,599,500 Subscription Receipts were issued for total gross proceeds of C$195,506,325. Each Subscription Receipt represents the right of the holder to receive, upon closing of the transaction, without payment of additional consideration or further action, one common share of the Company plus an amount equal to the amount per common share of any cash dividends for which a record date has occurred on or after the closing of the offering and before the date on which common shares underlying the Subscription Receipts are issued or deemed to be issued, net of applicable withholding taxes, if any.

Results of Operating Segments

Kumtor Mine

The Kumtor open pit mine, located in the Kyrgyz Republic, is the largest gold mine in Central Asia operated by a Western-based gold producer. It has been in production since 1997 and has produced over 10.6 million ounces of gold to June 30, 2016.

Kumtor Operating Results

Unaudited ($ millions, except as noted)	**Three months ended June 30,**			**Six months ended June 30,**		
	2016	**2015**	**% Change**	**2016**	**2015**	**% Change**
Tonnes mined - 000s	**34,744**	40,434	(14%)	**74,018**	82,165	(10%)
Tonnes ore mined – 000s	**2,891**	168	1621%	**4,717**	1,506	213%
Average mining grade - g/t	**1.84**	1.50	23%	**1.64**	3.10	(47%)
Tonnes milled - 000s	**1,609**	1,554	4%	**3,151**	2,729	15%
Average mill head grade - g/t	**2.63**	3.26	(19%)	**2.46**	4.06	(39%)
Recovery - %	**71.9%**	77.5%	(7%)	**73.3%**	79.4%	(8%)
Mining costs - total ($/t mined material)	**1.36**	1.27	7%	**1.28**	1.30	(2%)
Milling costs ($/t milled material)	**9.80**	10.50	(7%)	**9.91**	11.86	(16%)
Gold produced – ounces	**97,724**	122,111	(20%)	**184,168**	286,383	(36%)
Gold sold – ounces	**127,909**	118,789	8%	**189,653**	287,974	(34%)
Average realized gold price - $/oz (1)	**1,264**	1,192	6%	**1,238**	1,204	3%
Capital expenditures (sustaining) (1)	**13.6**	11.8	15%	**36.6**	24.3	51%
Capital expenditures (growth) (1)	**5.4**	3.9	38%	**10.1**	10.4	(3%)
Capital expenditures (stripping)	**25.6**	66.0	(61%)	**39.7**	133.5	(70%)
Capital expenditures (total)	**44.6**	81.7	(45%)	**86.4**	168.2	(49%)
Operating costs (on a sales basis) (2)	**61.6**	32.7	88%	**80.7**	70.8	14%
Adjusted operating costs (1)	**65.4**	37.6	74%	**88.3**	80.6	10%
All-in Sustaining Costs (1)	**98.1**	99.1	(1%)	**154.7**	206.6	(25%)
All-in Costs (1)	**103.5**	103.0	0%	**164.8**	216.9	(24%)
All-in Costs - including revenue-based taxes (1)	**126.1**	122.8	3%	**197.7**	265.4	(26%)
Adjusted operating costs - $/oz sold (1)	**511**	317	61%	**466**	280	66%
All-in sustaining costs – $/oz sold (1)	**768**	835	(8%)	**816**	717	14%
All-in costs – $/oz sold (1)	**810**	867	(7%)	**869**	753	15%
All-in costs (including revenue-based taxes) – $/oz sold (1)	**987**	1,034	(5%)	**1,043**	922	13%

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

(2) Operating costs (on a sales basis) is comprised of mine operating costs such as mining, processing, administration, royalties and production taxes (except at Kumtor where revenue-based taxes are excluded), but excludes reclamation costs and depreciation, depletion and amortization.

Second Quarter 2016 compared to Second Quarter 2015

Production:

In the second quarter of 2016, Kumtor continued to focus on the development and mining of cut-back 17, and obtained increasingly greater quantities of lower grade ore from the upper benches of the ore body. The Company has recently intersected the higher grade ore from the SB Zone from cut-back 17 which is anticipated to provide the majority of the ounces processed during the remainder of the current year.

Cut-back 17 is unlike past cut-backs at Kumtor since it is significantly larger in size and mining of the ore is spread over a longer period of time. The typical profile of mining a cut-back at Kumtor, starts with waste removal (capitalized stripping), followed by a short period of mining in significantly higher grade ore. Cut-back 16 followed the typical profile, with the completion of mining higher grade ore in early 2015. In contrast, cut-back 17 required a longer stripping period to uncover low grade ore in September 2015 (date when capitalization of stripping stopped), followed by an extended period of mining lower grade ore until the recent intersection of higher grade ore at the end of the second quarter of 2016. Due to the extended mining period, the result has been more mining costs being absorbed by the lower grade ore mined in cut-back 17 from September 2015 until now.

Total waste and ore mined in the second quarter of 2016 was 34.7 million tonnes compared to 40.4 million tonnes in the comparative period of 2015, representing a decrease of 14%. The decrease was mainly due to 14.6% increased average haulage distance compared to the same period of 2015 (4.3 kilometres compared to 3.7 kilometres), as mining in the second quarter of 2016 was at greater depth and longer hauls were required to the Lysii Valley northern dumps as set forth in the life-of-mine plan. The Company mined 2.9 million tonnes of ore at 1.84 g/t in the second quarter of 2016 compared to 0.2 million tonnes of ore at 1.50 g/t in the comparative quarter.

During the second quarter of 2016, Kumtor continued to process ore from cut-back 17 and ore stockpiled from the previous year. Kumtor produced 97,724 ounces of gold in the second quarter of 2016 compared to 122,111 ounces of gold in the comparative period of 2015. The decrease in ounces poured is due to processing lower grade ore from stockpiles and from cut-back 17. In contrast, during the comparative quarter of 2015, the Company processed higher grade ore stockpiled from the lower benches of cut-back 16.

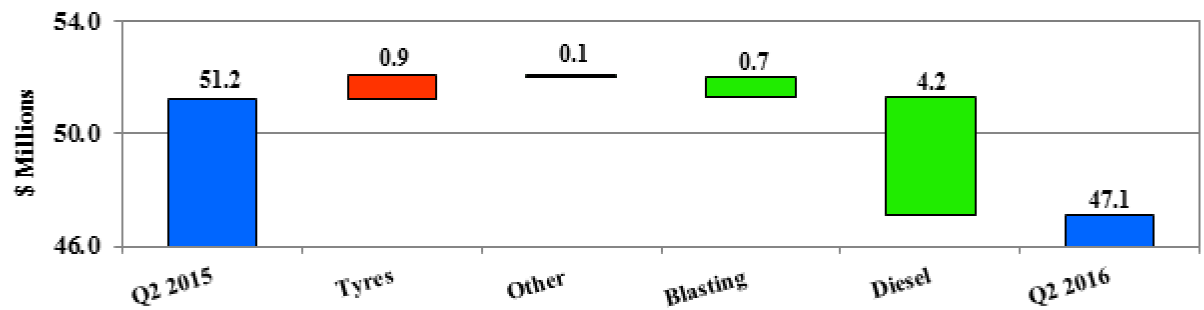
During the second quarter of 2016, Kumtor's head grade was 2.63 g/t with a recovery rate of 71.9%, compared to 3.26 g/t and a recovery rate of 77.5% for the same period of 2015. The lower head grade was partially offset by 4% higher milled tonnes processed than the comparative period in 2015. The mill achieved increased throughput in the second quarter of 2016 averaging 17,700 tonnes per day compared to 17,100 tonnes per day in the comparative quarter. 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.

Operating costs and All-in Measures:

Operating costs (on a sales basis), increased by $28.9 million predominantly due to increased sales, and processing ounces in the second quarter of 2016 with greater mining costs as cut-back 17 ounces require more waste tonnes to be moved. In the comparative period of 2015, the mining costs were capitalized as they were focused on the initial stages of cut-back 17, before ore in the cut-back had been uncovered.

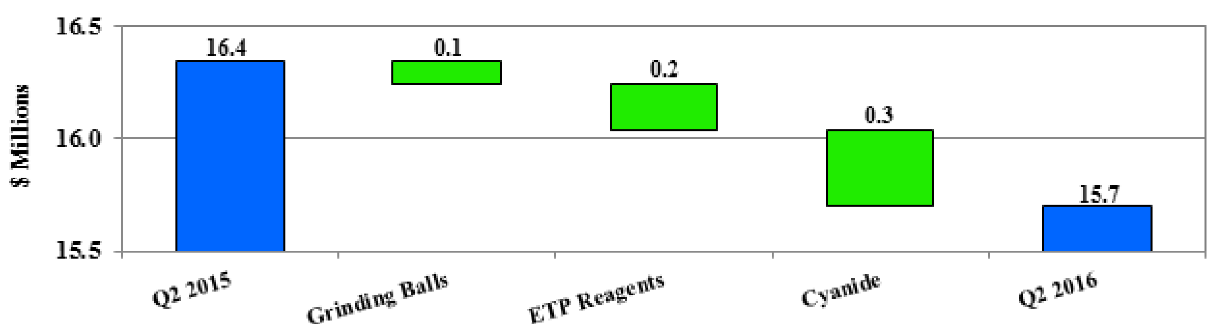
The movements in the major components of operating costs (mining, milling and site support) in the second quarter of 2016 compared to the same period of 2015 are explained as follows:

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



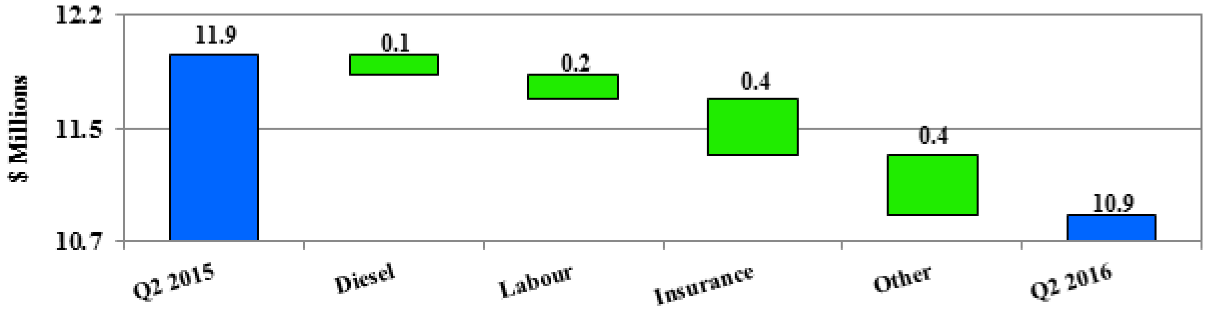
Mining costs, including capitalized stripping, totalled $47.1 million in 2016, which was $4.1 million lower than the comparative period. Decreased costs for the second quarter of 2016 include lower diesel costs ($4.2 million) due to lower fuel prices and lower blasting costs ($0.7 million). This was partially offset by higher costs for tires ($0.9 million) due to the timing of tire replacements during the quarter.

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



Milling costs of $15.7 million in the second quarter of 2016 compared to $16.4 million in the comparative quarter of 2015. Milling costs in 2016 were lower than the comparative period due mainly to the lower cost of cyanide ($0.3 million).

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



Site support costs in the second quarter of 2016 totalled $10.9 million compared to $11.9 million in the second quarter of 2015. The decrease is primarily attributable to lower insurance costs resulting from lower premiums, and lower labour costs due to a reduction in manpower.

Other Cost movements:

DD&A associated with sales, increased to $56.4 million in the second quarter of 2016, from $43.5 million in the comparative quarter of 2015. The increase in DD&A is mainly due to the increased depreciation charges relating to the ounces processed from cut-back 17 compared to the ounces processed in the comparative period and the higher ounces sold in the second quarter of 2016.

All-in sustaining costs per ounce sold[NG], which excludes revenue-based taxes, was $768 in the second quarter of 2016 compared to $835 in the second quarter of 2015, representing a decrease of 8%. The decrease results primarily from the higher ounces sold, as the Company sold the 33,165 ounces that were delayed at the end of March 2016 due to the contractual negotiations between Kyrgyzaltyn and its off-take bank.

All-in costs per ounce sold[NG], which excludes revenue-based taxes, in the second quarter of 2016 was $810 compared to $867 in the same period of 2015, representing a decrease of 7%. The decrease is a result of lower all-in sustaining costs[NG], as explained above.

First Half 2016 compared to First Half 2015

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

Total waste and ore mined in the first half of 2016 was 74.0 million tonnes compared to 82.2 million tonnes in the comparative period of 2015, representing a decrease of 10%, primarily due to the 14% increase in average haulage distance when compared to the same period of 2015. The Company mined 4.7 million tonnes of ore at 1.64 g/t in the first half of 2016 compared to 1.5 million tonnes of ore at 3.10 g/t in the comparative period.

Kumtor produced 184,168 ounces of gold in the first half of 2016 compared to 286,383 ounces of gold in the comparative period of 2015. The decrease in ounces poured is a result of the increasing size of cut-backs that has resulted in the Company continuing to mine and process the lower grade ore from cut-back 17, blended with lower grade stockpiles. In contrast, during the comparative period of 2015, the Company processed higher grade ore mined from the final benches of cut-back 16 during the first quarter of the comparative period.

During the first half of 2016, Kumtor's head grade was 2.46 g/t with a recovery of 73.3%, compared with 4.06 g/t and a recovery of 79.4% for the same period in 2015. Tonnes processed were approximately 3.2 million for the first half of 2016, 15% higher than the comparative period in 2015 as a result of targeted actions to improve throughput. In addition, the comparative period of 2015 was affected by lower throughput rates due to a ring gear replacement of the Ball mill.

Operating costs and All-in Measures:

Operating costs (on a sales basis), excluding capitalized stripping, increased by $9.9 million to $80.7 million compared to $70.8 million in the comparative period of 2015. This was predominantly as a result of processing in the first half of 2016 ounces with greater mining costs due to higher waste haulage while releasing lower grade ounces during the initial benches of cut-back 17. In the comparative period of 2015, greater mining costs were capitalized as they were focused on the initial stages of cut-back 17 before uncovering ore.

DD&A associated with sales, decreased to $68.8 million in the first half of 2016, from $112.3 million in the comparative period of 2015, mainly due to 34% fewer ounces sold. The decrease was magnified by the reversal of a non-cash inventory impairment that was recorded during the first half 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 June 30, 2016 resulted in a reduction of the impairment to $15.4 million, reflecting higher realized gold prices and lower operating costs in the first half of 2016. As a result, the Company recorded a reversal in its impairment of $11.8 million which was credited to costs of sales during the first half of 2016 (a reversal of $12.9 million in the quarter ended March 31, 2016 and an additional charge of $1.1 million in the quarter ended June 30, 2016).

All-in sustaining costs per ounce sold[NG], which excludes revenue-based taxes, was $816 for the first half of 2016 compared to $717 in the first half of 2015, representing an increase of 14%. The increase results primarily from the lower ounces sold in the first half of 2016 due to lower production. This was partially offset by reduced operating costs for mining, milling and site support discussed above.

All-in costs per ounce sold[NG], which excludes revenue-based taxes, in the first half of 2016 was $869 compared to $753 in the same period of 2015, representing an increase of 15%. The increase is due to the higher all-in sustaining costs[NG], explained above.

Development Projects

Öksüt Project:

At the Öksüt Project in Turkey, the Company spent $1.6 million and $5.2 million during the three and six months ended June 30, 2016 respectively ($1.8 million and $3.6 million in the three and six months ended June 30, 2015) on development activities to progress the ESIA, access and site preparation and detailed engineering works. With the approval of the feasibility study in July 2015, development costs at the Öksüt Project are now being capitalized.

Following approval of the business opening permit from local authorities in December 2015, applications were submitted for the land usage permits (Forestry and Pastureland). On July 14, 2016, OMAS received the Forestry Usage Permit for the project. The Pastureland permit is currently outstanding and the Company is working with the relevant agencies to obtain the permit which is expected shortly. There are no assurances that the approval of the Pastureland permit or other permits will be obtained by the Company in the anticipated time frame, or at all.

Due to delays in receiving operating permits, the Company now expects to commence development of the Öksüt Project in the fourth quarter of 2016 with first gold production anticipated in mid-2018. On September 3, 2015 a Technical Report for the Öksüt Project was filed on SEDAR.

On April 5, 2016, 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). It is secured by the 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 approvals.

The Company's operations in Turkey have not been affected by recent political developments; however, no assurances can be provided in this regard.

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. The Company is currently drilling on the property and is carrying out resource definition, metallurgical, exploration, geo-technical and hydrogeological drilling in support of eventual project development. See "Other Corporate Developments – Mongolia".

Greenstone Gold Property:

In the second quarter of 2016, the Company funded $7.3 million ($10.9 million in the first six months of 2016) on project development activities ($28.2 million, cumulative to date) at GGM. During the second quarter, work continued on advancing the feasibility study for the Hardrock Project, including completing peer reviews with third party engineers, with results to be incorporated into the final feasibility study. GGM has decided to optimize certain aspects of the study to improve the economics and has delayed the completion of the feasibility study to the end of October 2016. During the second quarter of 2016, GGM exercised purchase options totaling $5.4 million to acquire houses and land surrounding the project area.

GGM submitted a draft Environmental Impact Study/Environmental Assessment ("EIS/EA") in February and received comments from the various provincial and federal regulatory agencies, as well as from all other stakeholders. GGM, along with their consultants, have been reviewing and evaluating these comments, consulted with the regulators, and amendments will be addressed in the final EIS/EA submission, which is expected to occur a few months after the completion of the feasibility study.

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

Other Financial Information- Related Party Transactions

Kyrgyzaltyn JSC

Revenues from the Kumtor gold mine are subject to a management fee of $1.00 per ounce based on sales volumes, payable to Kyrgyzaltyn, 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.

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Included in sales:				
Gross gold and silver sales to Kyrgyzaltyn	**$ 162,582**	$ 142,293	**$ 236,276**	$ 348,321
Deduct: refinery and financing charges	**(958)**	(700)	**(1,431)**	(1,738)
Net sales revenue received from Kyrgyzaltyn	**$ 161,624**	$ 141,593	**$ 234,845**	$ 346,583
Included in expenses:				
Contracting services provided by Kyrgyzaltyn	**$ 347**	$ 368	**$ 699**	$ 664
Management fees to Kyrgyzaltyn	**128**	119	**190**	288
Expenses paid to Kyrgyzaltyn	**$ 475**	$ 487	**$ 889**	$ 952
Dividends:				
Dividends declared to Kyrgyzaltyn	**$ 2,364**	$ 2,476	**$ 4,701**	$ 4,952
Withholding taxes	**(118)**	(124)	**(235)**	(248)
Net dividends declared to Kyrgyzaltyn	**$ 2,246**	2,352	**$ 4,466**	$ 4,704

Related party balances

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

	June 30, 2016	**December 31, 2015**
Amounts receivable	**$ 39,214**	$ 25,725
Dividends payable (net of withholding taxes)	**$ 17,562**	$ 13,096
Net unrealized foreign exchange gain	**(3,025)**	(3,766)
Dividends payable (net of withholding taxes)[a]	**14,537**	9,330
Amounts payable	**1,130**	1,039
Total related party liabilities	**$ 15,667**	$ 10,369

(a) Equivalent of Cdn$18.8 million as at June 30, 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 June 30, 2016, $39.2 million was outstanding under the Sales Agreement (December 31, 2015 - $25.7 million). Subsequent to June 30, 2016, the previously outstanding balance receivable from Kyrgyzaltyn was paid in full.

Dividends payable and restricted cash held in trust

In the second quarter of 2016, the Company declared dividends, net of withholding taxes, of $2.2 million to Kyrgyzaltyn (second quarter 2015 - $2.4 million). These funds were held in trust as a result of Ontario court proceedings against the Kyrgyz Republic and Kyrgyzaltyn. As a result of an Ontario court decision, the dividends previously held in trust were released to Kyrgyzaltyn on July 26, 2016.

See "Other Corporate Developments - Corporate" for additional information.

Dividends payable to Kyrgyzaltyn at June 30, 2016, net of unrealized foreign exchange were $14.5 million (December 31, 2015 - $9.3 million).

Dividends declared and paid

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

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. 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**	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue	**162**	**73**	148	116	147	213	360	136
Net earnings (loss)	**3**	**18**	(3)	(18)	22	41	(11)	(3)
Basic earnings (loss) per share	**0.01**	**0.08**	(0.01)	(0.08)	0.09	0.17	(0.05)	(0.01)
Diluted earnings (loss) per share	**-**	**0.07**	(0.01)	(0.08)	0.09	0.17	(0.05)	(0.02)

Other Corporate Developments

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

Kyrgyz Republic

Notice of Arbitration

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

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

Kyrgyz Permitting and Regulatory Matters

On June 23, 2016, the Company received its 2016 maximum allowable emissions permit for its Kumtor Project from SAEPF, which permit is valid until December 31, 2016. In addition, Kumtor Project also received approval from SAEPF for its 2016 maximum allowable discharge permit which allows for discharge of treated effluent. On June 27, 2016, SAEPF issued its official environmental expertise (approval) on the 2016 mine plan for the Kumtor Project. Centerra now has all the necessary permits and approvals in place for continuous operations at the Kumtor Project throughout the second half of 2016.

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

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

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

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

Draft Bill on Nationalization

On June 28, 2016, the Kyrgyz Republic Parliament posted a draft bill, for public comment, of the "Law on Nationalization of Kumtor Gold Company CJSC's Property," (the "Draft Nationalization Bill"), which was proposed by deputies of the Ata-Meken political party, a ruling coalition party in the Kyrgyz Republic parliament. The Draft Nationalization Bill proposes the nationalization of all assets of KGC, and the suspension of the effect of the 2009 Restated Investment Agreement, among other laws and agreements relating to the Kumtor Project.

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

SIETS and SAEPF Claims

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

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

On June 3, 2016, the Inter-District Court held a hearing in respect of the claim made by SAEPF alleging that Kumtor owes additional environmental pollution fees in the amount of approximately US$220 million. The court did not issue a decision on the merits of the claim itself. However, at the request of SAEPF, the court granted an interim order against KGC, to secure SAEPF's claim. The interim order prohibits KGC from taking any actions relating to certain financial transactions including, transferring property or assets, declaring or paying dividends or making loans. The injunction is effective immediately. KGC's appeal of the Inter-District Court's order to Bishkek City Court was dismissed on July 19, 2016 and the Company intends to appeal that decision to the Kyrgyz Republic Supreme Court. As a result of the appeal by KGC, the proceedings on the merits of the SAEPF claim at the Bishkek Inter-District Court to be held on June 21, 2016 were suspended pending resolution of the appeal.

As a result, cash generated from the Kumtor Project must continue to be held in KGC and is not available for distribution to Centerra. As at June 30, 2016, KGC's cash balance was $15.6 million.

Criminal Proceedings Against Unnamed KGC Managers

On May 30, 3016, a new criminal case was opened by the GPO against unnamed KGC managers alleging that such managers engaged in transactions that deprived KGC of its assets or otherwise abused their authority, causing damage to the Kyrgyz Republic. Specifically, the case appears to be focused on the commercial reasonableness of certain of KGC's commercial transactions and in particular, the purchase of goods and supplies in the normal course of its business operations and the expenses relating to the relocation of the Kumtor Project's camp in 2014 and 2015. Further to such investigation, the GPO has carried out searches of KGC's offices and seized documents and records. The Company and KGC strongly dispute the allegation that any such commercial transactions or the actions of KGC managers were in any way improper. The Company and KGC will challenge the actions of the GPO in the courts of the Kyrgyz Republic as well as in international arbitration.

2013 KGC Dividend Civil and Criminal Proceeding

On June 3, 2016, the Inter-District Court also renewed a claim previously commenced by the GPO seeking to unwind the $200 million dividend paid by KGC to Centerra in December 2013 (the "2013 Dividend"). The Company also understands that the GPO has initiated a criminal proceeding against executives of the Company and KGC in respect of the 2013 Dividend and that Kyrgyz Republic State National Security Committee is investigating in relation to that proceeding.

KGC Employee Movement Restrictions

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

GPO Review of Kumtor Project Agreements

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

Criminal Charges Regarding 2016 Casualty at Kumtor Mill

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

Management Assessment of Claims

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

Mongolia

Gatsuurt – Development

Throughout the first half of 2016, the Company held discussions with the Mongolian Government to implement the previously disclosed 3% special royalty in lieu of the Government's 34% direct interest in the Gatsuurt project. Various working groups 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 is undertaking 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 is conducting a program of exploration drilling, and geotechnical and additional hydrogeological drilling.

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

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 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. The Company and CGM will continue to monitor the proceedings.

Corporate

Ontario Court Proceedings Involving the Kyrgyz Republic and Kyrgyzaltyn

Since 2011, there have been four applications commenced in the Ontario courts by different applicants against the Kyrgyz Republic and Kyrgyzaltyn JSC, each seeking to enforce in Ontario international arbitral awards against the Kyrgyz Republic. None of these disputes relate directly to Centerra or the Kumtor Project. In each of these cases, the applicants have argued that the Kyrgyz Republic has an interest in the Common Shares held by Kyrgyzaltyn JSC, a state controlled entity, and therefore that such applicant(s) are entitled to seize such number of Common Shares and/or such amount of dividends as necessary to satisfy their respective arbitral awards against the Kyrgyz Republic. On July 11, 2016, the Ontario Superior Court of Justice released a decision on the common issue in these four applications as to whether the Kyrgyz Republic has an exigible ownership interest in the Common Shares held by Kyrgyzaltyn JSC. The Ontario Superior Court of Justice held that the Kyrgyz Republic does not have any equitable or other right, property, interest or equity of redemption in the Common Shares held by Kyrgyzaltyn JSC. As a result, on July 20, 2016, the Ontario Superior Court of Justice set aside previous injunctions which prevented Centerra from, among other things, paying any dividends to Kyrgyzaltyn. Accordingly, Centerra has now released to Kyrgyzaltyn approximately C$18.9 million which was previously held in trust for the benefit of two Ontario court proceedings.

Changes in Accounting Policies

Future Changes in accounting policies

Recently adopted accounting policies are as follows:

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

Recently issued but not adopted accounting guidance are as follows:

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

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

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

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

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

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

2016 Outlook

Centerra's 2016 gold production is expected to be between 500,000 to 530,000 ounces, which narrows the range from the previous guidance of 480,000 to 530,000 ounces as disclosed in the Company's news release of May 3, 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 Gatsuurt, which is unchanged from the previous guidance.

The Company has revised its 2016 forecast to reflect lower operating costs, capital expenditures, and DD&A expense at Kumtor and higher exploration and development costs at the Gatsuurt property. The Company has also revised its 2016 forecast for capital costs at the Öksüt, Greenstone, and Gatsuurt development projects as discussed below. Centerra's 2016 guidance for corporate administration and community costs remains unchanged from the previous guidance disclosed in the Company's news release of May 3, 2016.

2016 All-in Unit Costs^{NG}

Centerra has updated its 2016 guidance for all-in sustaining costs per ounce sold^{NG} and all-in costs (excluding Öksüt, Greenstone, and Gatsuurt development projects) per ounce sold^{NG} as follows:

	Revised Guidance		Previous Guidance at 2016 Q1	
	Kumtor	**Consolidated(5)**	***Kumtor***	***Consolidated(5)***
Ounces sold forecast	500,000-530,000	500,000-530,000	*480,000-530,000*	*480,000-530,000*
US $ / gold ounces sold				
Operating Costs	374 – 396	374 – 396	*400 – 442*	*400 – 442*
Changes in inventories	(39) – (41)	(39) – (41)	*(8) – (9)*	*(8) – (9)*
Operating Costs (on a sales basis)	**$335 – 355**	**$335 – 355**	***$392 – 433***	***$392 – 433***
Regional office administration	29 – 30	29 – 30	*29 – 32*	*29 – 32*
Community costs related to current operations	4 – 5	4 – 5	*4 – 5*	*4 – 5*
Refining costs and by-product credits	1	1	*1*	*1*
Subtotal (Adjusted Operating Costs) (1)	**$369 – 391**	**$369 – 391**	***$426 – 471***	***$426 – 471***
Corporate general & administrative costs	-	56 – 62	-	*56 – 62*
Accretion expense	2	3	*3*	*4*
Capitalized stripping costs – cash	204 – 216	204 – 216	*230 – 254*	*230 – 254*
Capital expenditures (sustaining)(1)	142 – 150	144 – 152	*158 – 174*	*161 – 177*
All-in Sustaining Costs (1)	**$717 – 759**	**$776 – 824**	***$817 – 902***	***$877 – 968***
Capital expenditures (growth) (1), (5)	32 – 34	32 – 34	*49 – 54*	*49 – 54*
Boroo closure costs(2)	-	7 – 8	-	*14 – 16*
Other costs(3)	-	36 – 37	-	*25 – 28*
All-in Costs (excluding development projects costs)(5)	**$749 – 793**	**$851 – 903**	***$866 – 956***	***$965 – 1,066***
Revenue-based taxes and income taxes (4)	177	177	*168*	*168*
All-in Costs (excluding development projects costs and including revenue-based taxes and income taxes)(1), (5)	$926 – 970	$1,028 –1,080	*$1,034 – 1,124*	*$1,133 –1,234*

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

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

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

(4) Includes revenue-based tax that reflects actual realized gold price of $1,238 per ounce sold for January – June period and a forecasted gold price assumption of $1,275 per ounce sold for July – December period ($1,200 per ounce sold for April – December period in the previous guidance).

(5) All-in costs per ounce sold (excluding development projects costs) and all-in costs (excluding development projects costs and including revenue-based taxes and income taxes) per ounce sold as well as capital expenditures (sustaining and growth) measures in the above table exclude capital expenditures required to advance development of Öksüt, Gatsuurt and Greenstone development projects.

The Company has revised its 2016 forecast for operating costs and capitalized stripping costs at the Kumtor mine due to realized and forecasted cost savings from lower diesel fuel and national labour costs. Diesel fuel costs are lower than expected due to lower unit costs and national labour costs are lower than expected due to favorable exchange rates of the Kyrgyz Som to the U.S. dollar. The Company also revised its forecast for Boroo closure costs due to expected lower labour costs and expected higher offsetting credit from Boroo gold sales. Higher credit for changes in inventories reflects the updated gold production guidance range and movement between the actual gold inventory balance at the beginning of 2016 and an updated estimate for gold inventory at the end of 2016 at Kumtor. Higher forecast for other costs reflects higher exploration costs and higher business development costs due to an increased M&A activity.

2016 Exploration Expenditures

2016 planned exploration expenditures excluding exploration at Greenstone Gold property have been revised to $12.4 million, which is $1.4 million higher from the previous guidance provided in the May 3, 2016 news release primarily due to additional drilling at the Gatsuurt property.

2016 Capital Expenditures

Centerra's projected capital expenditures for 2016, excluding capitalized stripping, have been revised to $140 million ($269 million in the previous guidance), including $76 million of sustaining capital[NG] ($85 million in the previous guidance) and $64 million of growth capital[NG] ($184 million in the previous guidance). The decrease in capital expenditure forecasts are described below.

Projected capital expenditures (excluding capitalized stripping) include:

Projects	**2016 Sustaining Capital[NG]** (millions of dollars)	**2016 Growth Capital[NG]** (millions of dollars)
Kumtor	$75	$22
Öksüt	-	25
Greenstone Gold Property	-	11*
Gatsuurt Project	-	$6
Other (Boroo and Corporate)	$1	-
Consolidated Total	**$76**	**$64**

* Excludes $13 million ($4.9 million in the previous guidance) 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 $97 million, which is $13 million lower from the previous guidance. The Company decreased its forecast for sustaining capital[NG] from $84 million in the previous guidance to $75 million due to cancelations or deferral of major overhauls and replacements of certain heavy duty mine equipment ($7 million) and mill equipment ($2 million).

2016 forecast for growth capital investment at Kumtor has been reduced to $22 million ($26 million in the previous guidance) reflecting lower cost estimates for relocation of certain infrastructure at Kumtor relating to the ongoing Kumtor pit expansion ($2 million) and other items ($2 million).

The projected cash component of capitalized stripping costs related to the development of the open pit is expected to decrease to $108 million from $122 million in the previous guidance reflecting lower labour and diesel costs. Total capitalized stripping costs, including DD&A, are forecasted at $145 million ($162 million in the previous guidance) for 2016.

Mongolia (Boroo and Gatsuurt)
At Boroo, 2016 sustaining capital[NG] expenditures are expected to be minimal and no growth capital[NG] is forecast for Boroo, which is unchanged from the previous guidance.

The Company is carrying out additional exploration drilling to expand the Gatsuurt resource base as well as geo-technical and hydrogeological drilling in support of the eventual project development. The Company has added to its 2016 forecast $6 million of additional expenditures (excluding $1.4 million for additional exploration) for further development of the Gatsuurt Project.

Öksüt Project
The Company has decreased its 2016 forecast for capital construction expenditures at the Öksüt property from $157 million in the previous guidance to $25 million in the current guidance due to delays in obtaining of permits. The revised forecast assumes receipt of required permits from the Turkish authorities in the third quarter of 2016 and commencement of some construction activities at the Öksüt property in the fourth quarter of 2016.

Greenstone Gold Property
The Company has revised its guidance for 2016 expenditures in connection with the Greenstone Gold Property to approximately $37 million (Cdn$49 million) compared to $10.8 million (Cdn$14.5 million) in the previous guidance, which reflects the assumption of a positive feasibility study leading to Board approval of additional spending on detailed engineering and other development costs. The previous guidance included partnership costs only up to mid-year 2016, which was expected timing for completion of the feasibility study by the Greenstone Partnership. The Greenstone Partnership now expects to complete the feasibility study early in the fourth quarter of 2016.

The revised 2016 guidance includes $23 million of spending related to work on technical studies, environmental and social impact assessment, house and property acquisition, and project support

($7.6 million in the previous guidance), exploration costs of $3 million ($2.2 million in the previous guidance) as well as $11 million for capital expenditures ($1 million in the previous guidance). The forecast spending for 2016 will be fully funded by Centerra with 50% of spending accounted for as pre-development project spending or exploration and expensed through Centerra's income statement. The remaining 50% of spending will be capitalized on Centerra's balance sheet and be accounted for as an acquisition cost of the Greenstone Gold Property ($13 million compared to $4.9 million in the previous guidance) in addition to $11 million ($1 million in the previous guidance) to be spent on capital items.

2016 Depreciation, Depletion and Amortization

Forecast for consolidated depreciation, depletion and amortization expense included in costs of sales expense for 2016 has been revised to be between $180 million and $190 million at Kumtor ($194 million and $208 million in the previous guidance).

(In millions)	**2016 DD&A Revised Forecast (Unaudited)**	***2016 DD&A Previous Forecast (Unaudited)***
Kumtor		
Mine equipment	$ 65	*$ 70*
Less DD&A capitalized to stripping costs(1)	(37)	*(40)*
Capital stripping costs amortized	183 - 197	*185 - 205*
Other mining assets	7	*7*
Mill assets	10	*10*
Administration assets and other	14	*14*
Inventory adjustment (non-cash depreciation)	(62) - (66)	*(52) - (58)*
Subtotal for Kumtor & Consolidated Centerra	**$ 180 – 190**	***$ 194 – 208***

(1) Use of the Company's mining fleet for stripping activities results in a portion of the depreciation related to the mine fleet to be allocated to capitalized stripping costs.

Kumtor

The revised forecast for 2016 DD&A to be expensed as part of costs of sales is between $180 million and $190 million ($194 million to $208 million in the previous guidance). The amortization of capitalized stripping costs is the largest component of depreciation expense in 2016 forecasted to be between $183 million to $197 million ($185 million to $205 million in the previous guidance) reflecting the updated gold production guidance range and lower forecasted mining costs due to lower fuel and labor costs. Capitalized stripping costs include mining operating costs such as labour, diesel and maintenance costs, as well as the depreciation expense for the mine equipment used in the stripping campaign. The capitalized stripping costs are amortized over the ounces contained in the ore body exposed by the stripping campaign.

The mine equipment assets are depreciated on a straight-line basis over their estimated useful lives. The total mine equipment depreciation for 2016 is forecasted at $65 million ($70 million in the previous guidance) due to lower forecasted depreciation on replacement of mining equipment. The depreciation related to mine equipment engaged in a stripping campaign and capitalized as stripping costs is forecasted to be $37 million ($40 million in the previous guidance) in 2016.

Forecast for credit for inventory adjustment (non-cash depreciation) has been revised to be between $62 million and $66 million ($52 million to $58 million in the previous guidance) reflecting movement between non-cash costs in the actual gold inventory balance at the beginning of 2016 and non-cash costs in an updated estimate for gold inventory at the end of 2016 at Kumtor.

Sensitivities
Centerra's revenues, earnings and cash flows for the remaining six 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**(2)
Gold Price	**$50/oz**	2.0 – 2.4	14.5 - 17.0	12.5 - 14.6	12.5 - 14.6	n/a
Diesel Fuel	**10%**	3.1	-	3.1	3.1	9.1 - 10.7
Kyrgyz som(1)	**1 som**	0.6	-	0.6	0.6	1.8 - 2.1
Canadian dollar(1)	**10 cents**	3.0	-	3.0	3.0	4.5 - 5.3

(1) appreciation of currency against the U.S. dollar will result in higher costs and lower cash flow and earnings, depreciation of currency against the U.S. dollar results in decreased costs and increased cash flow and earnings
(2) All-in sustaining costs per ounce sold ("AISC") is a non-GAAP measure discussed under "Non-GAAP Measures".

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

- a gold price of $1,275 per ounce ($1,200 per ounce in the previous guidance)
- exchange rates:
  - $1USD : $1.31 CAD (from $1.34 CAD in the previous guidance)
  - $1USD : 71 Kyrgyz som (from 65 KGS in the previous guidance)
  - $1USD : 0.91 Euro (from 0.95 Euro in the previous guidance)
- diesel fuel price assumption:
  - $0.43/litre at Kumtor (from $0.55/litre in the previous guidance)

The assumed diesel price of $0.43/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 $47 per barrel. During the first half of 2016 diesel prices at Kumtor averaged approximately $0.39/litre, while average price of oil (Brent) was about $40 per barrel. During the same period average exchange rate of the United States dollar to the Kyrgyz som was about 71 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.

Other material assumptions were used in forecasting production and costs for the second half of 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 in the Kyrgyz Republic and are not subsequently withdrawn.
- 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 including due to the Draft Bill on Nationalization; (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 and related Kyrgyz Republic court decisions, the claims of the Kyrgyz Republic's General Prosecutor's Office purporting to invalidate land use rights and/or seize land at Kumtor and to unwind the $200 million inter-company dividend declared and paid by KGC to Centerra in December 2013, criminal and other investigations initiated by the GPO in connection with loans and dividends made by KGC and the alleged misuse of funds or other property at KGC and any further claims, whether environmental allegations or otherwise, are resolved without material impact on Centerra's operations or financial results.
- 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 political or civil unrest, natural phenomena, regulatory or political disputes, equipment breakdown or other developmental and operational risks.

The Company cannot give any assurances in this regard.

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

Non-GAAP Measures

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

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

Definitions

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

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

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

(1) By operation

<u>Kumtor</u>

(unaudited) **($ millions, unless otherwise specified)**	**Three months ended June 30,(1)** **2016**	 **2015**	**Six months ended June 30,(1)** **2016**	 **2015**
Cost of sales, as reported	$ **118.0**	$ 76.2	$ **149.5**	$ 183.1
Less: Non-cash component	**56.4**	43.5	**68.8**	112.3
Cost of sales, cash component	$ **61.6**	$ 32.7	$ **80.7**	$ 70.8
Adjust for:				
Regional office administration	**3.7**	4.1	**7.0**	8.4
Refining fees	**1.0**	0.7	**1.4**	1.7
By-product credits	**(1.2)**	(0.5)	**(1.6)**	(1.5)
Community costs related to current operations	**0.3**	0.6	**0.8**	1.2
Adjusted Operating Costs	**$ 65.4**	**$** 37.6	**$ 88.3**	**$** 80.6
Accretion expense	**0.2**	0.2	**0.5**	0.5
Capitalized stripping and ice unload	**18.9**	49.5	**29.3**	101.2
Capital expenditures (sustaining)	**13.6**	11.8	**36.6**	24.3
All-in Sustaining Costs	**$ 98.1**	**$** 99.1	**$ 154.7**	**$** 206.6
Capital expenditures (growth)	**5.4**	3.9	**10.1**	10.3
All-in Costs	**$ 103.5**	**$** 103.0	**$ 164.8**	**$** 216.9
Revenue-based taxes	**22.6**	19.8	**32.9**	48.5
All-in Costs (including revenue-based taxes)	**$** 126.1	**$** 122.8	**$ 197.7**	**$** 265.4
Ounces sold (000)	**128**	119	**190**	288
Adjusted Operating Costs - $ / oz sold	**$ 512**	**$** 317	**$ 466**	**$** 280
All-in Sustaining Costs - $ / oz sold	**$ 768**	**$** 835	**$ 816**	**$** 717
All-in Costs - $ / oz sold	**$ 810**	**$** 868	**$ 869**	**$** 753
All-in Costs (including revenue-based taxes) - $ /oz sold	**$ 986**	**$** 1,035	**$ 1,043**	**$** 922

(1) Results may not add due to rounding

2) Consolidated

Centerra

(unaudited) ($ millions, unless otherwise specified)	Three months ended June 30,[1] 2016	2015	Six months ended June 30,[1] 2016	2015
Cost of sales, as reported	**$ 118.0**	$ 81.0	**$ 149.5**	$ 195.0
Less: Non-cash component	**56.4**	45.0	**68.8**	115.6
Cost of sales, cash component	**61.6**	$ 36.0	**80.7**	$ 79.4
Adjust for:				
Regional office administration	**3.7**	5.0	**7.0**	10.3
Mine stand-by costs	**-**	0.8	**-**	3.1
Refining fees	**1.0**	0.7	**1.4**	1.8
By-product credits	**(1.2)**	(0.6)	**(1.6)**	(1.5)
Community costs related to current operations	**0.4**	0.7	**0.9**	1.4
Adjusted Operating Costs	**65.5**	$ 42.7	**88.4**	$ 94.5
Corporate general administrative costs	**6.7**	10.7	**12.4**	20.0
Accretion expense	**0.4**	0.4	**0.8**	0.8
Capitalized stripping and ice unload	**18.9**	49.5	**29.3**	101.2
Capital expenditures (sustaining)	**13.7**	12.0	**36.9**	24.7
All-in Sustaining Costs	**105.2**	$ 115.3	**167.9**	$ 241.3
Capital expenditures (growth)	**5.4**	3.9	**10.1**	10.3
Boroo closure costs	**(1.3)**	-	**(0.2)**	-
Exploration and business development	**5.1**	2.1	**7.2**	4.9
All-in Costs, excluding development projects costs	**114.4**	121.3	**185.1**	256.5
Revenue-based taxes	**22.6**	19.8	**32.9**	48.5
Income taxes	**0.2**	0.1	**0.2**	0.2
All-in Costs, excluding development projects costs (including revenue-based taxes and income taxes)	**$ 137.2**	$ 141.2	**$ 218.0**	$ 305.1
Ounces sold (000)	**127.9**	123.1	**189.7**	298.3
Adjusted Operating Costs - $ / oz sold	**$ 512**	$ 347	**$ 467**	$ 317
All-in Sustaining Costs - $ / oz sold	**$ 822**	$ 937	**$ 886**	$ 808
All-in Costs, excluding development projects costs - $ / oz sold	**$ 894**	$ 986	**$ 976**	$ 859
All-in Costs, excluding development projects costs (including revenue-based taxes and income taxes) - $ / oz sold	**$ 1,072**	$ 1,147	**$ 1,151**	$ 1,022

(1) Results may not add due to rounding

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

Three months ended June 30,	**Kumtor**	**Boroo**	**Turkey**	**All other**	**Consolidated**
($ millions) ***(Unaudited)***					
2016					
Capitalized stripping –cash	**18.9**	**-**	**-**	**-**	**18.9**
Sustaining capital - cash	**13.6**	**-**	**-**	**0.1**	**13.7**
Growth capital - cash	**5.4**	**-**	**-**	**3.0**	**8.4**
Greenstone Gold Property pre-development costs - cash	**-**	**-**	**-**	**4.4**	**4.4**
Öksüt project development capital - cash	**-**	**-**	**1.6**	**-**	**1.6**
Net increase in accruals included in additions to PP&E	**(2.0)**	**-**	**-**	**-**	**(2.0)**
Total - Additions to PP&E	**35.9**	**-**	**1.6**	**7.5**	**45.0** [(1)]
2015					
Capitalized stripping – cash	49.5	-	-	-	49.5
Sustaining capital – cash	11.8	-	-	0.2	12.0
Growth capital - cash	3.9	-	-	0.4	4.3
Greenstone Gold Property pre-development costs - cash	-	-	-	4.3	4.3
Net decrease in accruals included in additions to PP&E	0.3	-	-	-	0.3
Total - Additions to PP&E	65.5	-	-	4.9	70.4 [(1)]

Six months ended June 30,	**Kumtor**	**Boroo**	**Turkey**	**All other**	**Consolidated**
($ millions) ***(Unaudited)***					
2016					
Capitalized stripping –cash	**29.3**	**-**	**-**	**-**	**29.3**
Sustaining capital - cash	**36.6**	**-**	**-**	**0.3**	**36.9**
Growth capital - cash	**10.1**	**-**	**-**	**3.5**	**13.6**
Greenstone Gold Property pre-development costs - cash	**-**	**-**	**-**	**5.0**	**5.0**
Öksüt project development capital - cash	**-**	**-**	**5.2**	**-**	**5.2**
Net increase in accruals included in additions to PP&E	**(9.6)**	**-**	**-**	**-**	**(9.6)**
Total - Additions to PP&E	**66.4**	**-**	**5.2**	**8.8**	**80.4** [(1)]
2015					
Capitalized stripping – cash	101.2	-	-	-	101.2
Sustaining capital – cash	24.3	0.1	-	0.3	24.7
Growth capital - cash	10.3	-	-	0.5	10.8
Greenstone Gold Property pre-development costs - cash	-	-	-	5.8	5.8
Net decrease in accruals included in additions to PP&E	0.1	-	-	-	0.1
Total - Additions to PP&E	135.9	0.1	-	6.6	142.6 [(1)]

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

Qualified Person and QA/QC

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

Caution Regarding Forward-Looking Information

Information contained in this MD&A which are not statements of historical facts, and the documents incorporated by reference herein, may be “forward-looking information” for the purposes of Canadian securities laws. Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward looking information. The words “believe”, “expect”, “anticipate”, “contemplate”, “target”, “plan”, “intends”, “continue”, “budget”, “estimate”, “may”, “will”, “schedule” and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things: expectations regarding the proposed acquisition of TCM and related regulatory approvals and conditions, further discussions with the Mongolian Government relating to definitive agreements for the development of the Gatsuurt project, higher grade ore from cut-back 17 at Kumtor; matters relating to the Öksüt Project, including as to applications for and receipt of permits, timelines for development and production; completion of a feasibility study; EIS/EA submissions and impact benefits agreements relating to the Hardrock Project; claims and investigations made by Kyrgyz Republic state agencies, including the GPO, SIETS and SAEPF and arbitration proceedings involving KGC and the Kumtor Project, related Kyrgyz Republic court orders, the potential effects of such court orders, and the Company’s intentions relating thereto; permitting and regulatory matters, including the Ecological Passport, relating to the Kumtor Project, the potential effect of the Draft Nationalization Bill, and the potential effect on the Kumtor Project of Kumtor being prevented from moving ice; reclamation and closure activities at Boroo; estimates relating to the Company’s cash and short term investments and its 2016 business plans; expectations relating to the Company’s production, capital expenditures and costs for 2016.

Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward looking information. Factors that could cause actual results or events to differ materially from current expectations include, among other things: (A) strategic, legal, planning and other risks, including: political risks associated with the Company’s operations in the Kyrgyz Republic, Mongolia and Turkey; resource nationalism including the management of external stakeholder expectations; the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices in the jurisdictions in which the Company operates including any unjustified civil or criminal action against the Company, its affiliates or its current or former employees; the impact of any actions taken by the Kyrgyz Republic Government and Parliament relating to the Kumtor Project Agreements which are inconsistent with the rights of Centerra and KGC under the Kumtor Project Agreements; any impact on the purported cancellation of Kumtor's land use rights at the Kumtor Project pursuant to a court claim commenced by the Kyrgyz Republic GPO; the risks related to other outstanding litigation affecting the Company's operations in the Kyrgyz Republic and elsewhere; the impact of the delay by relevant government agencies to provide required approvals and permits, including the delay currently being experienced at the Kumtor Project over the ecological passport; the potential impact on the Kumtor Project of investigations by Kyrgyz Republic instrumentalities and movement restrictions on KGC employees and managers; the rights of the Mongolian Government to take an interest in the Gatsuurt Project as a result of the deposit being declared a strategic deposit, and the terms of any such participation, or to take a special royalty rate which has yet to be defined; the impact of changes to, the increased enforcement of, environmental laws and regulations relating to the Company's operations; the impact of any sanctions imposed by Canada, the United States or other jurisdictions against various Russian individuals and entities; the ability of the Company to negotiate a successful deposit development agreement for Gatsuurt; potential defects of title in the Company's properties that are not known as of the date hereof; the inability of the Company and its subsidiaries to enforce their legal rights in certain circumstances; the presence of a significant shareholder that is a state-owned company of the Kyrgyz Republic; risks related to anti-corruption legislation; risks related to the concentration of assets in Central Asia; Centerra's future exploration and development activities not being successful; Centerra not being able to replace mineral reserves; difficulties with Centerra's joint venture partners; and aboriginal claims and consultative issues relating to the Company's 50% interest in the Greenstone Gold Property; potential risks related to kidnapping or acts of terrorism; and the failure of the Company and/or TCM to satisfy the conditions precedent, including shareholder or regulatory approvals, to the closing of the proposed acquisition of TCM by the Company or related transactions; (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 in the Kyrgyz Republic and Mongolia; long lead times required for equipment and supplies given the remote location of some of the Company's operating properties; reliance on a limited number of suppliers for certain consumables, equipment and components; illegal mining on the Company's Mongolian properties; the Company's ability to accurately predict decommissioning and reclamation costs; the Company's ability to attract and retain qualified personnel; competition for mineral acquisition opportunities; and risks associated with the conduct of joint ventures/partnerships, including Greenstone Gold Mines LP; the Company's ability to manage its projects effectively and to mitigate the potential lack of availability of contractors, budget and timing overruns and project resources. See "Risk Factors" in the Company's 2015 Annual Information Form available on SEDAR at www.sedar.com.

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

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

There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained herein or incorporated by reference. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward looking information. Forward-looking information is as of July 26, 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 June 30, 2016
(Unaudited)

(Expressed in thousands of United States Dollars)

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

(Expressed in Thousands of United States Dollars)	Notes	June 30, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		**$ 245,233**	$ 360,613
Short-term investments		**282,149**	181,613
Amounts receivable	**4**	**42,784**	28,781
Inventories	**5**	**387,986**	347,011
Prepaid expenses	**6**	**8,742**	12,880
		966,894	930,898
Property, plant and equipment	**7**	**698,444**	693,016
Restricted cash		**15,541**	9,989
Other assets		**30,918**	26,681
		744,903	729,686
Total assets		**$ 1,711,797**	$ 1,660,584
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		**$ 70,377**	$ 75,292
Short-term debt	**8**	**98,134**	76,000
Revenue-based taxes payable		**10,752**	9,152
Taxes payable		**2,201**	1,286
Current portion of provision for reclamation		**906**	1,062
		182,370	162,792
Dividends payable to related party	**13**	**14,537**	9,330
Provision for reclamation		**65,843**	65,087
Deferred income tax liability		**180**	2,524
		80,560	76,941
Total liabilities		**$ 262,930**	$ 239,733
Shareholders' equity	**11**		
Share capital		**689,594**	668,705
Contributed surplus		**25,167**	24,153
Accumulated other comprehensive income		**1**	220
Retained earnings		**734,105**	727,773
		1,448,867	1,420,851
Total liabilities and Shareholders' equity		**$ 1,711,797**	$ 1,660,584

Commitments and contingencies (note 12)
Subsequent events (notes 12, 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)

(Expressed in Thousands of United States Dollars, except per share amounts)	Notes	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue from gold sales		**$ 161,624**	$ 146,754	**$ 234,845**	$ 359,392
Cost of sales	**9**	**118,003**	80,966	**149,455**	194,909
Standby costs, net		**(639)**	1,117	**(696)**	3,821
Regional office administration		**3,706**	5,026	**7,048**	10,302
Earnings from mine operations		**40,554**	59,645	**79,038**	150,360
Revenue-based taxes		**22,627**	19,823	**32,878**	48,522
Other operating expenses		**706**	777	**1,266**	663
Pre-development project costs	**10**	**3,987**	4,888	**5,284**	8,170
Exploration and business development		**5,149**	2,105	**7,190**	4,869
Corporate administration		**6,785**	10,790	**12,612**	20,155
Earnings from operations		**1,300**	21,262	**19,808**	67,981
Other (income) expenses, net		**(469)**	(1,651)	**(1,736)**	2,594
Finance costs		**1,427**	1,086	**2,674**	2,233
Earnings before income taxes		**342**	21,827	**18,870**	63,154
Income tax (recovery) expense		**(2,570)**	(95)	**(2,100)**	555
Net earnings		**$ 2,912**	$ 21,922	**$ 20,970**	$ 62,599
Other Comprehensive Income					
Items that may be subsequently reclassified to earnings:					
Net gain (loss) on translation of foreign operation		**23**	**4**	**(219)**	18
Other comprehensive (loss) income		**23**	4	**(219)**	18
Total comprehensive income		**$ 2,935**	$ 21,926	**$ 20,751**	$ 62,617
Basic earnings per common share	**11**	**$ 0.01**	$ 0.09	**$ 0.09**	$ 0.26
Diluted earnings per common share	**11**	**$ 0.00**	$ 0.09	**$ 0.08**	$ 0.26

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

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

(Expressed in Thousands of United States Dollars)	Notes	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Operating activities					
Net earnings		**$ 2,912**	$ 21,922	**$ 20,970**	$ 62,599
Items not requiring (providing) cash:					
Depreciation, depletion and amortization	**7**	**55,980**	44,820	**76,730**	115,784
Finance costs		**1,427**	1,087	**2,674**	2,233
Loss on disposal of equipment		**-**	447	**119**	494
Compensation expense on stock options		**722**	675	**1,344**	1,302
Other share based compensation charge (reversal)		**(483)**	4,472	**(1,549)**	1,648
Inventory impairment (reversal)	**5**	**1,159**	-	**(11,786)**	-
Income tax (recovery) expense		**(2,570)**	(95)	**(2,100)**	555
Other operating items		**(1,061)**	(1,289)	**(562)**	(534)
		58,086	72,039	**85,840**	184,081
Change in operating working capital	**15(b)**	**(890)**	41,716	**(19,179)**	61,799
Change in long-term inventory		**-**	494	**-**	349
Income taxes paid		**51**	64	**13**	(445)
Cash provided by operations		**57,247**	114,313	**66,674**	245,784
Investing activities					
Additions to property, plant and equipment	**15(a)**	**(45,017)**	(70,461)	**(80,422)**	(142,627)
Purchase of short-term investments, net		**(120,114)**	(53,793)	**(100,536)**	(70,041)
Purchase of interest in Greenstone Gold Mines LP		**-**	-	**-**	(67,423)
Decrease (increase) in restricted cash		**20**	-	**(299)**	-
(Increase) decrease in long-term other assets		**(830)**	1,023	**(4,238)**	(14)
Cash used in investing		**(165,941)**	(123,231)	**(185,495)**	(280,105)
Financing activities					
Dividends paid - declared in period		**(5,146)**	(5,209)	**(10,170)**	(10,426)
Dividends transferred to trust account		**(2,248)**	(2,352)	**(4,468)**	(4,704)
Payment of interest and borrowing costs		**(3,128)**	-	**(6,603)**	(1,509)
Increase in short-term debt	**8**	**24,000**	-	**24,000**	-
Proceeds from common shares issued for options exercised		**682**	312	**682**	581
Cash provided by (used in) financing		**14,160**	(7,249)	**3,441**	(16,058)
Decrease in cash during the period		**(94,534)**	(16,167)	**(115,380)**	(50,379)
Cash and cash equivalents at beginning of the period		**339,767**	266,302	**360,613**	300,514
Cash and cash equivalents at end of the period		**$ 245,233**	$ 250,135	**$ 245,233**	$ 250,135
Cash and cash equivalents consist of:					
Cash		**$ 114,776**	$ 97,439	**$ 114,776**	$ 97,439
Cash equivalents		**130,457**	152,696	**130,457**	152,696
		$ 245,233	$ 250,135	**$ 245,233**	$ 250,135

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

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

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

	Number of Common Shares	Share Capital Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at January 1, 2015	236,403,958	$ 660,554	$ 22,556	$ -	$ 715,533	$ 1,398,643
Share-based compensation expense	-	-	1,302	-	-	1,302
Shares issued on exercise of stock options	143,424	922	(341)	-	-	581
Shares issued on redemption of restricted share units	6,777	37	-	-	-	37
Dividends declared (note 11(b))	-	-	-	-	(15,130)	(15,130)
Foreign currency translation	-	-	-	18	-	18
Net earnings for the period	-	-	-	-	62,599	62,599
Balance at June 30, 2015	236,554,159	$ 661,513	$ 23,517	$ 18	$ 763,002	$ 1,448,050
Balance at January 1, 2016	**237,889,274**	**$ 668,705**	**$ 24,153**	**$ 220**	**$ 727,773**	**$ 1,420,851**
Share-based compensation expense	**-**	**-**	**1,344**	**-**	**-**	**1,344**
Shares issued on exercise of stock options	**153,915**	**1,012**	**(330)**	**-**	**-**	**682**
Shares issued on redemption of restricted share units	**3,976**	**20**	**-**	**-**	**-**	**20**
Shares issued to settle obligations	**4,117,120**	**19,857**	**-**	**-**	**-**	**19,857**
Dividends declared (note 11(b))	**-**	**-**	**-**	**-**	**(14,638)**	**(14,638)**
Foreign currency translation	**-**	**-**	**-**	**(219)**	**-**	**(219)**
Net earnings for the period	**-**	**-**	**-**	**-**	**20,970**	**20,970**
Balance at June 30, 2016	**242,164,285**	**$ 689,594**	**$ 25,167**	**$ 1**	**$ 734,105**	**$ 1,448,867**

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

1. Nature of operations

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

On July 5, 2016, the Company announced that it had entered into a definitive arrangement agreement with Thompson Creek Metals Company Inc. ("Thompson Creek"), whereby Centerra will acquire all of the issued and outstanding common shares of Thompson Creek. See note 16 for additional details of the proposed transaction.

2. Basis of preparation

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

These interim financial statements were authorized for issuance by the Board of Directors of the Company on July 26, 2016.

3. Changes in accounting policies

Recently adopted accounting policies are as follows:

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

Recently issued but not adopted accounting guidance are as follows:

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

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

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

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

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

4. Amounts receivable

		June 30, 2016		December 31, 2015
Gold sales receivable from related party (note 13)	**$**	**39,214**	$	25,725
Consumption tax receivable		**1,594**		1,840
Other receivables		**1,976**		1,216
	$	**42,784**	$	28,781

5. Inventories

		June 30, 2016		December 31, 2015
Stockpiles of ore	**$**	**200,142**	$	144,758
Gold in-circuit		**30,061**		23,155
Heap leach in circuit		**-**		226
Gold doré		**2,927**		5,632
		233,130		173,771
Supplies		**154,856**		173,240
Total inventories (net of provisions)	**$**	**387,986**	$	347,011

In the six months ended June 30, 2016, the Company has recognized a net reversal of $11.8 million in net realizable value (“NRV”) charges recorded against gold inventories that was recorded as at December 31, 2015 (a reversal of $13.0 million in the period ended March 31, 2016 and an additional charge of $1.2 million in the period ended June 30, 2016). See note 9 for additional information. The Company recorded a provision for supplies obsolescence of $23.9 million as at June 30, 2016 (December 31, 2015 - $21.1 million), resulting in supplies inventory net of the provision of $154.9 million as at June 30, 2016 (December 31, 2015 - $173.2 million).

6. Prepaid expenses

		June 30, 2016		December 31, 2015
Insurance	**$**	**309**	$	4,261
UniCredit Bank AG credit facility financing fees (note 8)		**3,138**		-
Rent		**148**		195
Deposit for consumable supplies		**3,445**		4,657
Advances for project development		**-**		1,453
Other		**1,702**		2,314
	$	**8,742**	$	12,880

(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&E"):

	Buildings, plant and equipment	Mineral properties	Capitalized stripping costs	Mobile equipment	Construction in progress	Total
Cost						
Balance January 1, 2016	$ 445,980	$ 289,657	$ 1,118,167	$ 455,069	$ 49,808	$ 2,358,681
Additions	502	8,010	39,674	133	55,066	103,385
Disposals/Retirements	(2,183)	(118)	(814,029)	(22,670)	-	(839,000)
Reclassification	1,106	-	-	33,679	(34,785)	-
Balance June 30, 2016	**$ 445,405**	**$ 297,549**	**$ 343,812**	**$ 466,211**	**$ 70,089**	**$ 1,623,066**
Accumulated depreciation						
Balance January 1, 2016	$ 266,048	$ 153,224	$ 905,223	$ 341,170	$ -	$ 1,665,665
Charge for the period	6,610	49	57,174	34,006	-	97,839
Disposals/Retirements	(2,183)	-	(814,029)	(22,670)	-	(838,882)
Balance June 30, 2016	**$ 270,475**	**$ 153,273**	**$ 148,368**	**$ 352,506**	**$ -**	**$ 924,622**
Net book value						
Balance January 1, 2016	$ 179,932	$ 136,433	$ 212,944	$ 113,899	$ 49,808	$ 693,016
Balance June 30, 2016	**$ 174,930**	**$ 144,276**	**$ 195,444**	**$ 113,705**	**$ 70,089**	**$ 698,444**

In the six month period ended June 30, 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:

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Amount recorded in cost of sales (note 9)	**$ 55,697**	$ 45,008	**$ 78,006**	$ 115,467
Amount recorded in corporate administration	**99**	92	**198**	189
Amount recorded in standby costs	**184**	(280)	**(1,474)**	128
Total included in Statements of Earnings	**55,980**	44,820	**76,730**	115,784
Movement in inventories (note 15(b))	**(2,138)**	(37,948)	**10,751**	(55,801)
Amount capitalized in PP&E (note 15(a))	**6,703**	16,433	**10,358**	32,281
Depreciation, depletion and amortization charge for the period	**$ 60,545**	$ 23,305	**$ 97,839**	$ 92,264

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

8. Short-term debt

		June 30, 2016		December 31, 2015
EBRD revolving credit facility	**$**	**100,000**	$	76,000
Deferred financing fee		**(1,866)**		-
Total	**$**	**98,134**	$	76,000

EBRD Revolving Credit Facility

On February 12, 2016, the Company entered into a new five-year $150 million revolving credit facility with European Bank for Reconstruction and Development (“the EBRD Facility”). In the second quarter of 2016, the Company drew $24 million to increase borrowings under the EBRD Facility to $100 million at June 30, 2016. The funds are available to be re-drawn on a semi-annual basis and at the Company’s discretion repayment of the loaned funds may be extended until 2021.

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 $123.7 million as at June 30, 2016 (December 31, 2015 - $136.5 million), and maintain compliance with specified covenants (including financial covenants). The Company was in compliance with the covenants for the three months and six months ended June 30, 2016.

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

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

UniCredit Facility

On April 5, 2016, Öksüt Madencilik Sanayi ve Ticaret A.S. ("OMAS"), a wholly-owned subsidiary of the Company, entered into a $150 million credit facility agreement with UniCredit Bank AG (the “UniCredit Facility”) expiring on December 30, 2021. The purpose of the UniCredit Facility is to assist in financing the construction of the Company’s Öksüt Project. As at June 30, 2016, $3.1 million of UniCredit Facility deferred financing fees were included in prepaid expenses (note 6) as the Company has yet to draw from the facility. The deferred financing fees are being amortized on a straight-line basis over the term of the UniCredit Facility consistent with IFRS 9 (note 14). Drawdown under the UniCredit Facility is subject to certain specified conditions precedent. The UniCredit Facility is secured by Öksüt assets and is non-recourse to the Company.

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

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

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

9. Cost of sales

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Operating costs:				
Salaries and benefits	**$ 15,048**	$ 15,875	**$ 28,947**	$ 30,997
Consumables	**35,682**	11,076	**81,779**	26,334
Third party services	**826**	1,072	**1,491**	1,922
Other operating costs	**3,277**	2,808	**6,358**	4,638
Royalties, levies and production taxes	**93**	226	**189**	515
Changes in inventories - cash component	**6,221**	4,901	**(35,529)**	15,036
	61,147	35,958	**83,235**	79,442
Impairment (reversal) of gold inventory (note 5)	**1,159**	-	**(11,786)**	-
Depreciation, depletion and amortization	**55,697**	45,008	**78,006**	115,467
	$ 118,003	$ 80,966	**$ 149,455**	$ 194,909

10. Pre-development project costs

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Greenstone Gold Property	**$ 3,987**	$ 3,045	**$ 5,284**	$ 4,523
Öksüt Gold Project	**-**	1,843	**-**	3,647
	$ 3,987	$ 4,888	**$ 5,284**	$ 8,170

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 and six months ended June 30, 2016, the Company capitalized $1.7 million and $5.3 million of Öksüt Gold Project development costs, respectively, as "Construction in Progress", part of PP&E (note 7).

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

11. Shareholders' equity

a. Earnings per share

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Net earnings attributable to shareholders	**$ 2,912**	$ 21,922	**$ 20,970**	$ 62,599
Adjustments to earnings:				
Impact of performance share units	**(2,049)**	-	**(2,870)**	-
Impact of restricted share units	**-**	-	**-**	52
Net earnings for the purposes of diluted earnings per share	**$ 863**	$ 21,922	**$ 18,100**	$ 62,651

Basic and diluted earnings per share computation:

	Three months ended June 30,		Six months ended June 30,	
(Thousands of units)	**2016**	**2015**	**2016**	**2015**
Basic weighted average number of common shares outstanding	**242,051**	236,511	**240,854**	236,482
Effect of stock options	**465**	319	**424**	259
Effect of restricted share units	**-**	-	**-**	247
Diluted weighted average number of common shares outstanding	**242,516**	236,830	**241,278**	236,988
Basic earnings per common share	**$ 0.01**	$ 0.09	**$ 0.09**	$ 0.26
Diluted earnings per common share	**$ 0.00**	$ 0.09	**$ 0.08**	$ 0.26

For the three and six months ended June 30, 2016 and 2015 certain potentially dilutive stock options were excluded from the calculation of diluted earnings per share due to the exercise prices being greater than the average market price of the Company's ordinary shares for the period.

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

Potentially dilutive securities are summarized below:

	Three months ended June 30,		Six months ended June 30,	
(Thousands of units)	**2016**	**2015**	**2016**	**2015**
Stock options	**2,778**	4,498	**2,360**	4,246
Restricted share units	**108**	243	**115**	-
	2,886	4,741	**2,475**	4,246

b. Dividends

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

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Dividend declared	**$ 7,394**	$ 7,561	**$ 14,638**	$ 15,130
Dividend declared (Canadian Dollars per share amount)	**$ 0.04**	$ 0.04	**$ 0.08**	$ 0.08

At June 30, 2016, accrued dividends payable to Kyrgyzaltyn JSC ("Kyrgyzaltyn") were $14.5 million (December 31, 2015 - $9.3 million) - note 13.

12. Commitments and contingencies

Commitments

(a) Contracts

As at June 30, 2016, the Company had entered into contracts to purchase capital equipment and operational supplies totalling $65.5 million (Kumtor - $39.1 million, Öksüt Project $24.6 million, Greenstone Gold Property - $1.4 million and Boroo - $0.4 million), a majority of which are expected to be settled over the next twelve months.

(b) Greenstone Gold Mines LP

As partial consideration for the Company's initial 50% partnership interest in Greenstone Gold Mines LP, the Company agreed to commit up to an additional Cdn$185 million to fund the project, subject to certain feasibility and project advancement criteria. In the event that the project is put under care and maintenance as a result of feasibility study or project criteria not being met, the Company will be required to make contributions towards the costs associated with the care and maintenance of the project for a period of two years or until the Cdn$185 million is spent (if such event occurs first), after which time the partners would fund such costs on a pro rata basis. Any such costs will form part of the Cdn$185 million development contributions commitment of the Company, as noted above. As at June 30, 2016, the Company has funded a total of Cdn$36.5 million ($28.2 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 June 30, 2016 cannot be predicted with certainty, it is management's opinion that it is not, except as noted below, more likely than not that these actions will result in the outflow of resources to settle the obligation; therefore no amounts have been accrued.

Kyrgyz Republic

<u>Notice of Arbitration</u>

On May 30, 2016, Centerra delivered a notice of arbitration to the Kyrgyz Republic government and Kyrgyzaltyn in connection with certain ongoing disputes relating to the Kumtor Project. These include, among other things: (i) each of the environmental claims brought by the Kyrgyz Republic State Inspectorate for Environment and Technical Safety ("SIETS") and the Kyrgyz Republic State Agency for Environment Protection and Forestry ("SAEPF") and the decisions of the Kyrgyz Republic courts related thereto; and (ii) the previously announced claims of the Kyrgyz Republic General Prosecutor's Office ("GPO") seeking to unwind a $200 million inter-corporate dividend paid by Kumtor Gold Company ("KGC") to Centerra in December 2013 and the related search of KGC's Bishkek office conducted on April 28, 2016. On July 12, 2016, the Company delivered an amended notice of arbitration to the Kyrgyz Republic Government and Kyrgyzaltyn to include, among other things, subsequent decisions of the Kyrgyz Republic courts in relation to the claims of SIETS and SAEPF and actions by Kyrgyz Republic instrumentalities, including the GPO, which interfere with KGC's operations.

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

Kyrgyz Permitting and Regulatory Matters

On June 23, 2016, the Company received its 2016 maximum allowable emissions permit for its Kumtor Project from SAEPF, which is valid until December 31, 2016. In addition, Kumtor Project also received approval from SAEPF for its 2016 maximum allowable discharge permit which allows for discharge of treated effluent. On June 27, 2016, SAEPF issued its official environmental expertise (approval) on the 2016 mine plan for the Kumtor Project. Centerra now has all the necessary permits and approvals in place for continuous operations at the Kumtor Project throughout the second half of 2016.

However, KGC notes that subsequent to the end of the quarter on July 11, 2016, SAEPF expressed concerns to KGC about approving Kumtor's Ecological Passport due to the application of the 2005 Kyrgyz Republic Water Code and would not provide the renewed Ecological Passport. As previously noted, the Ecological Passport identifies some of the permits and approvals required by Kumtor for its operations. KGC continues to be in discussions with SAEPF, however the Company does not believe that the absence of the Ecological Passport will have a material effect on Kumtor project operations.

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

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

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

SIETS and SAEPF Claims

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

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

On June 3, 2016, the Inter-District Court held a hearing in respect of the claim made by SAEPF alleging that Kumtor owes additional environmental pollution fees in the amount of approximately $220 million. The court did not issue a decision on the merits of the claim itself. However, at the request of SAEPF, the court granted an interim order against KGC, to secure SAEPF's claim. The interim order prohibits KGC from taking any actions relating to certain financial transactions including, transferring property or assets, declaring or paying dividends or making loans. The injunction is effective immediately. KGC's appeal of the Inter-District Court's order to Bishkek City Court was dismissed on July 19, 2016 and the Company intends to appeal that decision to the Kyrgyz Republic Supreme Court. As a result of the appeal by KGC, the proceedings on the merits of the SAEPF claim at the Bishkek Inter-District Court to be held on June 21, 2016 were suspended pending resolution of the appeal.

2013 KGC Dividend Civil Proceeding

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

Mongolia

Gatsuurt

Throughout the first quarter of 2016, the Company held discussions with the Mongolian Government to implement the previously disclosed 3% special royalty in lieu of the Government's 34% direct interest in the Gatsuurt Project. Various working groups 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 is conducting a program of exploration drilling, and geotechnical and additional hydrogeological drilling.

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

Since 2011, there have been four applications commenced in the Ontario courts by different applicants against the Kyrgyz Republic and Kyrgyzaltyn JSC, each seeking to enforce in Ontario international arbitral awards against the Kyrgyz Republic. None of these disputes relate directly to Centerra or the Kumtor Project. In each of these cases, the applicants have argued that the Kyrgyz Republic has an interest in the Common Shares held by Kyrgyzaltyn JSC, a state controlled entity, and therefore that such applicant(s) are entitled to seize such number of Common Shares and/or such amount of dividends as necessary to satisfy their respective arbitral awards against the Kyrgyz Republic. Subsequent to the quarter end, on July 11, 2016, the Ontario Superior Court of Justice released a decision on the common issue in these four applications as to whether the Kyrgyz Republic has an exigible ownership interest in the Common Shares held by Kyrgyzaltyn JSC. The Ontario Superior Court of Justice held that the Kyrgyz Republic does not have any equitable or other right, property, interest or equity of redemption in the Common Shares held by Kyrgyzaltyn JSC. As a result, on July 20, 2016, subsequent to the quarter end, the Ontario Superior Court of Justice set aside previous injunctions which prevented Centerra from, among other things, paying any dividends to Kyrgyzaltyn. Accordingly, Centerra has now released to Kyrgyzaltyn approximately $14.5 million which was previously held in trust for the benefit of two Ontario court proceedings.

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

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:

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Included in sales:				
Gross gold and silver sales to Kyrgyzaltyn	**$ 162,582**	$ 142,293	**$ 236,276**	$ 348,321
Deduct: refinery and financing charges	**(958)**	(700)	**(1,431)**	(1,738)
Net sales revenue received from Kyrgyzaltyn	**$ 161,624**	$ 141,593	**$ 234,845**	$ 346,583
Included in expenses:				
Contracting services provided by Kyrgyzaltyn	**$ 347**	$ 368	**$ 699**	$ 664
Management fees to Kyrgyzaltyn	**128**	119	**190**	288
Expenses paid to Kyrgyzaltyn	**$ 475**	$ 487	**$ 889**	$ 952
Dividends:				
Dividends declared to Kyrgyzaltyn	**$ 2,364**	$ 2,476	**$ 4,701**	$ 4,952
Withholding taxes	**(118)**	(124)	**(235)**	(248)
Net dividends declared to Kyrgyzaltyn	**$ 2,246**	2,352	**$ 4,466**	$ 4,704

In the three and six months ended June 30, 2016, the Company declared dividends, net of withholding taxes, of $2.2 million and $4.5 million, respectively, to Kyrgyzaltyn (three and months ended June 30, 2015 - $2.4 million and $4.7 million, respectively). These funds were held in trust as a result of Ontario court proceedings against the Kyrgyz Republic and Kyrgyzaltyn. As a result of an Ontario court decision, the dividends previously held in trust were released to Kyrgyzaltyn on July 26, 2016 (note 12).

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

Related party balances

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

		June 30, 2016		**December 31, 2015**
Amounts receivable	**$**	**39,214**	$	25,725
Dividends payable (net of withholding taxes)	**$**	**17,562**	$	13,096
Net unrealized foreign exchange gain		**(3,025)**		(3,766)
Dividends payable (net of withholding taxes)[(a)]		**14,537**		9,330
Amounts payable		**1,130**		1,039
Total related party liabilities	**$**	**15,667**	$	10,369

(a) Equivalent of Cdn$18.8 million as at June 30, 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 June 30, 2016, $39.2 million was outstanding under the Sales Agreement (December 31, 2015 - $25.7 million). Subsequent to June 30, 2016, the previously outstanding balance receivable from Kyrgyzaltyn was paid in full.

14. Financial instruments

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

IFRS 9 - Financial Instruments

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

The adoption of the expected credit loss impairment model did not have a significant impact on the company's financial statements. The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

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

IFRS 9 does not require restatement of comparative periods. Management has concluded that the adoption of IFRS 9 has no retrospective impact to the Company that would require an adjustment to opening components of equity.

As a result of the adoption of IFRS 9, the Company's accounting policy for financial instruments has been updated as follows:

Financial assets

Financial assets are classified as either financial assets at fair value through earnings (loss), amortized cost, or fair value through other comprehensive income. The Company determines the classification of its financial assets at initial recognition.

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

Financial assets are classified at fair value if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in the Statement of Earnings.

The Company's cash and cash equivalents and restricted cash are classified as financial assets measured at fair value through earnings (loss).

ii. Amortized cost

Financial assets are recorded at amortized cost if both of the following criteria are met: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's short-term investments, reclamation trust fund, amounts receivable and long-term receivables are recorded at amortized cost as they meet the required criteria. A provision is recorded when the estimated recoverable amount of the financial asset is lower than the carrying amount. The carrying values of short-term investments, reclamation trust fund and amounts receivable approximate their fair values, as they are short-term in nature.

Financial liabilities

Financial liabilities (excluding derivatives) are derecognized when the obligation specified in the contract is discharged, cancelled or expired. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements and since the Company does not have any financial liabilities designated at fair value through earnings (loss), the adoption of IFRS 9 did not impact our accounting policies for financial liabilities. Accounts payable and accrued liabilities, short-term debt, dividend payable to related party and revenue-based taxes payable are accounted for at amortized cost.

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

Fair value measurement

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

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

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

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

(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:

June 30, 2016

	Amortized cost	Assets/liabilities at fair value through earnings (loss)
Financial assets (Level 1)		
Cash and cash equivalents	$ **-**	$ **245,233**
Short-term investments	**282,149**	**-**
Restricted cash	**-**	**15,541**
Amounts receivable	**42,784**	**-**
Reclamation trust fund[a]	**21,952**	**-**
Long-term receivables[a]	**1,310**	**-**
	$ **348,195**	$ **260,774**
Financial liabilities (Level 1)		
Trade creditors and accruals	$ **62,418**	$ **-**
Short-term debt	**98,134**	**-**
Dividend payable to related party	**14,537**	**-**
Revenue-based taxes payable	**10,752**	**-**
	$ **185,841**	$ **-**

December 31, 2015

	Amortized cost	Assets/liabilities at fair value through earnings (loss)
Financial assets (Level 1)		
Cash and cash equivalents	$ -	$ 360,613
Short-term investments	181,613	-
Restricted cash	-	9,989
Amounts receivable	28,781	-
Reclamation trust fund[a]	18,909	-
Long-term receivables[a]	1,510	-
	$ 230,813	$ 370,602
Financial liabilities (Level 1)		
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	$ -

[a]Included in 'Other Assets' in the Statement of Financial Position.

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

As at June 30, 2016 and December 31, 2015, the Company did not have any financial assets or financial liabilities that are measured under Level 2 or 3.

15. Supplemental disclosures

a. Investment in PP&E

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
Additions to PP&E during the period (note 7)	$ **(53,735)**	$ (86,589)	$ **(103,385)**	$ (174,814)
Purchase of Teck royalty via share issuance	**-**	-	**2,954**	-
Depreciation and amortization included in additions to PP&E (note 7)	**6,703**	16,433	**10,358**	32,281
(Decrease) increase in accruals included in additions to PP&E	**2,015**	(305)	**9,651**	(94)
	$ **(45,017)**	$ (70,461)	$ **(80,422)**	$ (142,627)

b. Changes in operating working capital

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
(Increase) decrease in amounts receivable	**$ (39,637)**	34,119	**(14,003)**	$ 42,096
(Increase) decrease in inventory - ore and metal[a]	**7,910**	30,540	**(47,573)**	57,512
Decrease in inventory - supplies	**14,148**	15,744	**18,383**	5,584
Decrease in prepaid expenses	**3,720**	2,300	**7,096**	4,504
Increase in trade creditors and accruals[b]	**9,421**	3,340	**13,559**	24,383
Increase (decrease) in revenue-based tax payable	**7,585**	(6,180)	**1,600**	(16,136)
Decrease (increase) in depreciation and amortization included in inventory	**(2,138)**	(37,948)	**10,751**	(55,801)
(Increase) decrease in accruals included in additions to PP&E	**(2,015)**	118	**(9,651)**	(94)
Increase (decrease) in other taxes payable	**116**	(317)	**659**	(249)
	$ (890)	41,716	**(19,179)**	$ 61,799

[a]Increase in the three and six months ended June 30, 2016 excludes $1.1 million inventory impairment and $11.8 million reversal of inventory impairment, respectively (three and six months ended June 30, 2015 - nil).

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

16. Subsequent events

a) Acquisition of Thompson Creek

i) Definitive Arrangement Agreement

On July 5, 2016, the Company announced that it had entered into a definitive arrangement agreement with Thompson Creek pursuant to which the Company will acquire all of the issued and outstanding common shares of Thompson Creek ("the Transaction"). Under the terms of the arrangement, all of the Thompson Creek issued and outstanding common shares will be exchanged on the basis of 0.0988 of a Centerra common share for each Thompson Creek common share. Upon completion of the Transaction, Thompson Creek shareholders are expected to own approximately 8% of the combined company. In connection with the closing of the Transaction, Centerra will redeem all of Thompson Creek's outstanding Senior Secured Notes due in 2017 and Unsecured Notes due in 2018 and 2019 at their call price plus accrued and unpaid interest, in accordance with their terms.

Thompson Creek's primary asset is the Mount Milligan mine in British Columbia, Canada. In connection with the Transaction, Centerra has entered into a binding commitment letter with Royal Gold Inc. ("Royal Gold") whereby, upon closing of the Transaction, Royal Gold's current 52.25% gold streaming interest at Mount Milligan will be amended to a 35.00% gold stream and 18.75% copper stream.

The acquisition is subject to TCM shareholders and other applicable regulatory approvals, and satisfaction of other customary conditions. If approved, the Transaction is expected to close in the fall of 2016. Should the Transaction not be completed, in certain circumstances termination fees of $35 million will be paid to Centerra.

ii) Financing

In connection with the Transaction, the Company entered into an agreement with BMO Capital Markets Inc., Scotia Capital Inc. and Credit Suisse Securities (Canada) Inc. (collectively, the "Underwriters"), under which the Underwriters purchased on a bought deal basis 26,599,500 subscription receipts (the "Subscription Receipts"), at a price of Cdn$7.35 per Subscription Receipt for gross proceeds to the Company of approximately Cdn$195.5 million (the "Offering"). The net proceeds of the Offering, Cdn$185.7 million, will be used to partially fund the redemption of the secured and unsecured notes of Thompson Creek in connection with the Transaction. The funds will be held in escrow until the Transaction is finalized.

Each Subscription Receipt represents the right of the holder to receive, upon closing of the Transaction, without payment of additional consideration or further action, one common share of Centerra plus an amount equal to the amount per Common Share of any cash dividends for which a record date has occurred on or after the closing of the Offering and before the date on which Common Shares underlying the Subscription Receipts are issued or deemed to be issued, net of applicable withholding taxes, if any.

The Offering closed on July 20, 2016.

In connection with the Transaction, the Bank of Nova Scotia has committed to provide credit facilities with an aggregate principal amount of $325 million to finance a portion of the Transaction and to pay certain related fees and expenses. The 5-year term facilities will consist of a $75 million senior secured revolving credit facility (the "Revolving Facility") and a $250 million senior secured non-revolving term credit facility (the "Term Facility"). The Term Facility is to be used to fund part of the Transaction, while the Revolving Facility is to be used in part for the Transaction but can also be used for working capital purposes. Finalizing the credit facilities is contingent on completing the Transaction.

b) Approval of Dividend

On July 26, 2016, the Company announced that its Board of Directors approved a quarterly dividend of Cdn$0.04 per common share. The dividend is payable August 25, 2016 to shareholders of record on August 11, 2016.

17. Segmented information

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

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

Three months ended June 30, 2016

(Millions of U.S. Dollars)	**Kyrgyz Republic**	**Mongolia**	**Turkey**	**Corporate and other**	**Total**
Revenue from gold sales	**$ 161.6**	**$ -**	**$ -**	**$ -**	**$ 161.6**
Cost of sales	**118.0**	**-**	**-**	**-**	**118.0**
Standby costs, net	**-**	**(0.6)**	**-**	**-**	**(0.6)**
Regional office administration	**3.7**	**-**	**-**	**-**	**3.7**
Earnings from mine operations	**39.9**	**0.6**	**-**	**-**	**40.5**
Revenue-based taxes	**22.6**	**-**	**-**	**-**	**22.6**
Other operating expenses	**0.7**	**-**	**-**	**-**	**0.7**
Pre-development project costs	**-**	**-**	**-**	**4.0**	**4.0**
Exploration and business development	**-**	**0.5**	**-**	**4.6**	**5.1**
Corporate administration	**0.1**	**-**	**-**	**6.7**	**6.8**
Earnings (loss) from operations	**16.5**	**0.1**	**-**	**(15.3)**	**1.3**
Other income, net					**(0.4)**
Finance costs					**1.4**
Earnings before income tax					**0.3**
Income tax recovery					**(2.6)**
Net earnings and comprehensive income					**$ 2.9**
Capital expenditure for the period	**$ 44.6**	**$ 3.0**	**$ 1.6**	**$ 4.5**	**$ 53.7**

Three months ended June 30, 2015

(Millions of U.S. Dollars)	**Kyrgyz Republic**	**Mongolia**	**Turkey**	**Corporate and other**	**Total**
Revenue from gold sales	141.6	$ 5.2	$ -	$ -	$ 146.8
Cost of sales	76.3	4.7	-	-	81.0
Standby costs	-	1.1	-	-	1.1
Regional office administration	4.1	0.9	-	-	5.0
Earnings (loss) from mine operations	61.2	(1.5)	-	-	59.7
Revenue-based taxes	19.8	-	-	-	19.8
Other operating expenses	0.6	0.2	-	-	0.8
Pre-development project costs	-	-	-	4.9	4.9
Exploration and business development	-	0.2	-	1.9	2.1
Corporate administration	-	0.1	-	10.7	10.8
Earnings (loss) from operations	40.8	(2.0)	-	(17.5)	21.3
Other income, net					(1.6)
Finance costs					1.1
Earnings before income tax					21.8
Income tax recovery					(0.1)
Net earnings and comprehensive income					$ 21.9
Capital expenditure for the period	$ 81.7	$ 0.5	$ -	$ 4.5	$ 86.7

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

Six months ended June 30, 2016

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	Corporate and other	Total
Revenue from gold sales	$ **234.8**	$ **-**	$ **-**	$ **-**	$ **234.8**
Cost of sales	**149.5**	**-**	**-**	**-**	**149.5**
Standby costs, net	**-**	**(0.7)**	**-**	**-**	**(0.7)**
Regional office administration	**7.0**	**-**	**-**	**-**	**7.0**
Earnings (loss) from mine operations	**78.3**	**0.7**	**-**	**-**	**79.0**
Revenue-based taxes	**32.9**	**-**	**-**	**-**	**32.9**
Other operating expenses (income)	**1.3**	**(0.1)**	**-**	**-**	**1.2**
Pre-development project costs	**-**	**-**	**-**	**5.3**	**5.3**
Exploration and business development	**-**	**0.6**	**-**	**6.6**	**7.2**
Corporate administration	**0.1**	**-**	**-**	**12.5**	**12.6**
Earnings (loss) from operations	**44.0**	**0.2**	**-**	**(24.4)**	**19.8**
Other income, net					**(1.7)**
Finance costs					**2.6**
Earnings before income tax					**18.9**
Income tax recovery					**(2.1)**
Net earnings and comprehensive income					**$ 21.0**
Capital expenditure for the period	**$ 86.5**	**$ 3.4**	**$ 8.2**	**$ 5.3**	**$ 103.4**
Assets	**$ 958.3**	**$ 175.1**	**$ 27.3**	**$ 551.1**	**$ 1,711.8**
Total liabilities	**$ 105.1**	**$ 28.8**	**$ 3.4**	**$ 125.6**	**$ 262.9**

Six months ended June 30, 2015

(Millions of U.S. Dollars)	Kyrgyz Republic	Mongolia	Turkey	Corporate and other	Total
Revenue from gold sales	$ 346.6	$ 12.8	$ -	$ -	$ 359.4
Cost of sales	183.0	11.9	-	-	194.9
Standby costs	-	3.8	-	-	3.8
Regional office administration	8.4	1.9	-	-	10.3
Earnings from mine operations	155.2	(4.8)	-	-	150.4
Revenue-based taxes	48.5	-	-	-	48.5
Other operating expenses (income)	1.2	(0.5)	-	-	0.7
Pre-development project costs	-	-	3.6	4.6	8.2
Exploration and business development	-	0.4	0.1	4.4	4.9
Corporate administration	-	0.2	(0.1)	20.0	20.1
Earnings (loss) from operations	105.5	(4.9)	(3.6)	(29.0)	68.0
Other expenses, net					2.6
Finance costs					2.2
Earnings before income tax					63.2
Income tax expense					0.6
Net earnings and comprehensive income					$ 62.6
Capital expenditure for the period	$ 168.1	$ 0.5	$ -	$ 73.6	$ 242.2
Goodwill	$ 18.7	$ -	$ -	$ -	$ 18.7
Assets (excluding Goodwill)	$ 915.8	$ 173.9	$ 3.3	$ 580.4	$ 1,673.4
Total liabilities	$ 100.4	$ 32.7	$ 0.8	$ 110.1	$ 244.0