

centerra**GOLD**



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

The following discussion has been prepared as of February 22, 2018, and is intended to provide a review of the financial position and results of operations of Centerra Gold Inc. ("Centerra" or the "Company") for the three and twelve months ended December 31, 2017 in comparison with the corresponding period ended December 31, 2016. This discussion should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended December 31, 2017. The consolidated financial statements of Centerra are prepared in accordance with International Financial Reporting Standards ("IFRS"). In addition, this discussion contains forward-looking information regarding Centerra's business and operations. Such forward-looking statements involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward looking statements. See "Risk Factors" and "Caution Regarding Forward-Looking Information" in this discussion. All dollar amounts are expressed in United States dollars ("USD"), except as otherwise indicated. Additional information about Centerra, including the Company's most recently filed Annual Information Form, is available at [www.centerragold.com](http://www.centerragold.com) and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

***All references in this document denoted with <sup>NG</sup>, indicate a non-GAAP term which is discussed under "Non-GAAP Measures" and reconciled to the most directly comparable GAAP measure.***

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## Overview

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

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

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

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

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

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

Substantially all of Centerra's revenues are derived from the sale of gold and copper. The Company's revenues are derived from gold and gold/copper concentrate production from its mines and gold and copper

prices realized upon the sale of these products. Gold doré production from the Kumtor mine is purchased by Kyrgyzaltyn JSC (“Kyrgyzaltyn”), a Kyrgyz Republic state owned refinery and significant shareholder of Centerra, for processing at its refinery in the Kyrgyz Republic while gold and copper concentrate produced by the Mount Milligan mine in Canada is sold to various smelters and off-take purchasers.

The Mount Milligan Mine in Canada is subject to a streaming arrangement whereby RGLD Gold AG and Royal Gold Inc. (collectively “Royal Gold”) is entitled to purchase 35% of the gold and 18.75% of the copper produced from the Mount Milligan Mine for \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered (the “Mount Milligan Streaming Arrangement”).

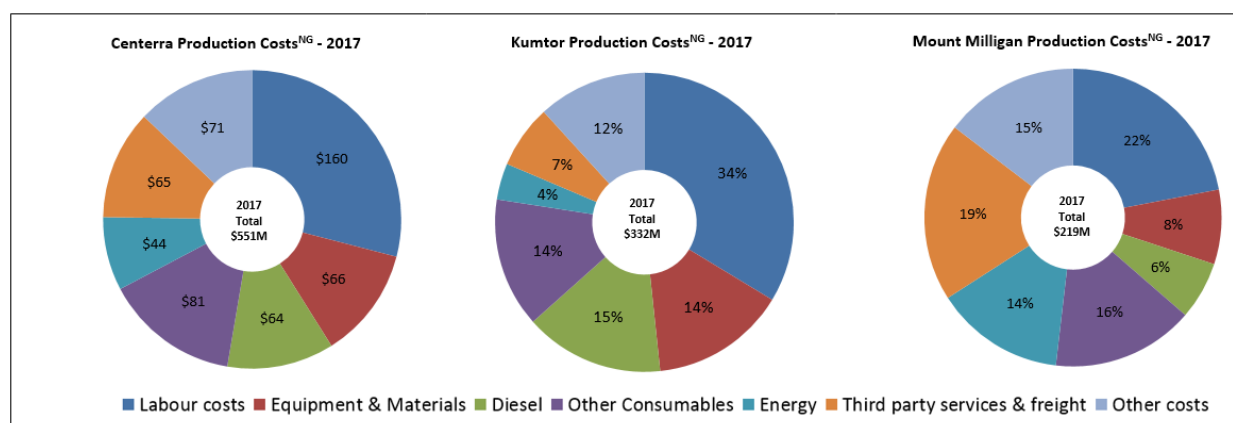
The Company’s costs are comprised primarily of operating costs at the Kumtor and Mount Milligan mines and the Langeloth molybdenum processing facility, project development costs at the Öksüt Gold Project and the Greenstone Gold Property, closure and holding costs of the Boroo Mine (a majority of the Boroo infrastructure is on stand-by pending progress on the Gatsuurt Gold Project), care and maintenance costs at the Company’s molybdenum mines (Endako Mine and Thompson Creek Mine), exploration expenses relating to the Company’s own projects and its earn-in projects, administrative costs from offices worldwide and depreciation, depletion and amortization (“DD&A”).

There are many operating variables that affect the cost of producing an ounce of gold and a pound of copper. In the mine, unit costs are influenced by the ore grade and the stripping ratio. The stripping ratio is the ratio of the tonnage of waste material which must be removed per tonne of ore mined. Ore grade refers to the amount of gold and/or copper contained in a tonne of ore. The significant costs of mining include labour, diesel fuel and equipment maintenance.

At the mill, costs are impacted by the ore grade and the metallurgical characteristics of the ore, which can impact gold and copper recovery. For example, a higher grade ore would typically result in a lower unit production cost. The significant costs of milling are labour, energy, grinding media, reagents, consumables and mill maintenance.

Mining and milling costs are also affected by the cost of labour, which depends mostly on the availability of qualified personnel in the region where the operations are located, the wages in those markets, and the number of people required. Mining and milling activities involve the use of many materials. The varying costs of acquiring these materials and the amount used in the processing of the ore also influence the cash costs of mining and milling. The non-cash costs (namely DD&A) are influenced by the amount of capital costs related to the mine’s acquisition, development and ongoing capital requirements and the estimated useful lives of capital items.

**Figure A**



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

Over the life of each mine, another significant cost that must be planned for is the closure, reclamation and decommissioning of each operating site. In accordance with standard practices for international mining companies, Centerra carries out remediation and reclamation work during the operating period of the mine, where feasible, in order to reduce the final decommissioning costs. Nevertheless, the majority of rehabilitation work can only be performed following the completion of mining operations. Centerra's practice is to record the estimated final decommissioning costs based on conceptual closure plans, and to accrue these costs according to the principles of IFRS. Kumtor has established a reclamation trust fund to pay for these costs (net of forecast salvage value of assets) from the revenues generated over the life of mine. At Boroo, 50% of the upcoming year's annual environmental budget is deposited by Boroo into a government account and such funds are recovered by Boroo during the mine closure phase after completion of the annual environmental commitments. As required by Canadian provincial laws and US federal and state laws, the Company has provided reclamation bonds for mine closure obligations at its Canadian and U.S. sites, including the Mount Milligan Mine.

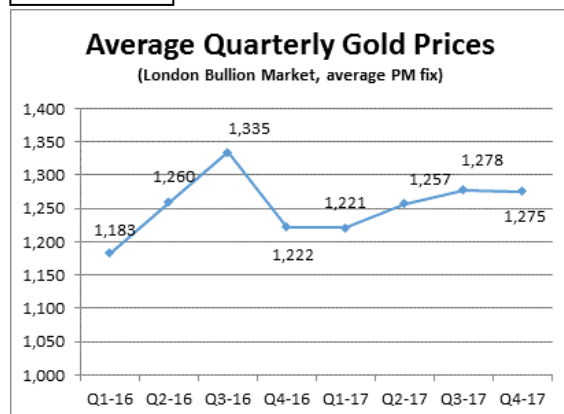
The Company reports the results of its operations in U.S. dollars, however not all of its costs are incurred in U.S. dollars. As such, the movement in exchange rates between currencies in which the Company incurs costs and the U.S. dollar also impact reported costs of the Company.

## Economic Indicators

### Gold Price

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

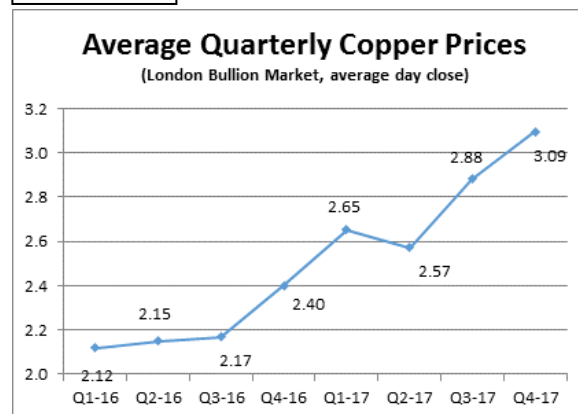
**Figure B**



### Copper Price

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

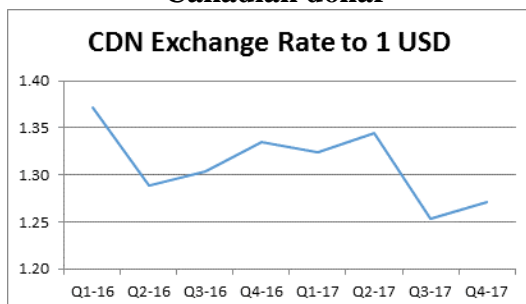
**Figure C**



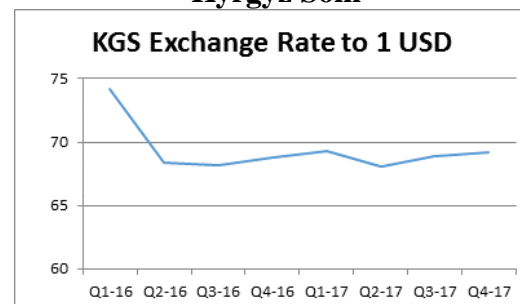
## Currency

**Figure D**

### Canadian dollar



### Kyrgyz Som



### Canadian Dollar

The Canadian dollar, despite starting the year under pressure, and facing the prospects of a widening rate disadvantage with the U.S., saw a 7% gain against the U.S. dollar during 2017 (1.34 to 1.25). With the exception of the U.S. dollar, the Canadian dollar underperformed against other major currencies. In Canada, the Bank of Canada raised its overnight rate twice, from 0.5% to 1%, and suggested it is beginning

a tightening phase although it continues to be cautious on concerns surrounding ongoing NAFTA negotiations. The Canadian dollar is highly exposed to fluctuations in crude oil prices due to the country's status as a major exporter of oil. Energy prices are predicted to remain strong in the short term and interest rates to increase through 2018, which may help prevent potential depreciation of the Canadian dollar.

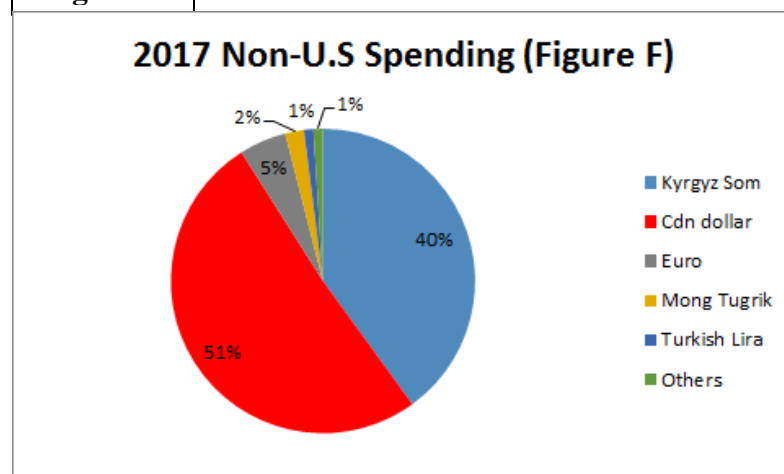
## ***Kyrgyz Som***

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

## **Foreign Exchange Transactions**

The Company receives its revenues through the sale of gold, copper and molybdenum in U.S. dollars. The Company has operations in Canada, where the Mount Milligan Mine and its corporate head office are also located, the Kyrgyz Republic, Turkey, Mongolia and the United States of America. During 2017, the Company incurred combined expenditures (including capital) totalling approximately \$1,066 million. Approximately \$567 million of this (53%) was in currencies other than the U.S. dollar (Figure F). The percentage of Centerra's non-U.S. dollar costs, by currency was, on average, as follows:

**Figure F**



In 2017, Centerra's non-U.S. dollar costs were incurred 51% in Canadian dollars, 40% in Kyrgyz soms, 5% in Euros, 2% in Mongolian tugrik and 1% in Turkish lira. The average value of the Turkish lira depreciated against the U.S. dollar over the year by approximately 3% from its value at December 31, 2016. The Euro, Canadian dollar, Mongolian tugrik and Kyrgyz som appreciated against the U.S. dollar by approximately 7%, 3%, 2%, and 1%, respectively, from their value at December 31, 2016.

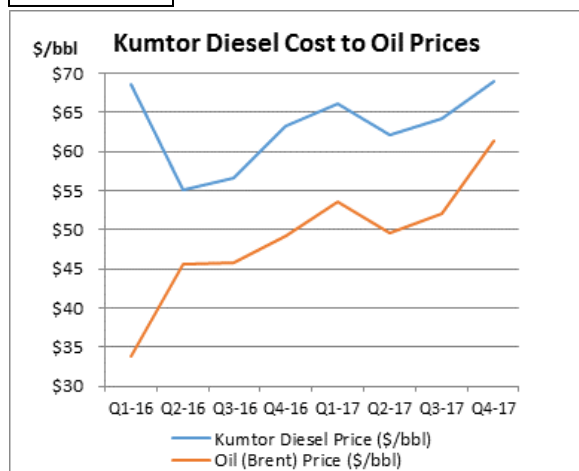
The net impact of these movements in the year ended December 31, 2017, after taking into account currencies held at the beginning of the year, was to increase annual costs by \$9.1 million (increase of \$16 million in the year ended December 31, 2016), inclusive of a foreign exchange gain on Canadian dollars acquired in the fourth quarter of 2017 due to the anticipated closing of the acquisition of AMI in January 2018 (\$3.0 million) and currency derivative gain of \$1.2 million (nil for the year ended December 31, 2016).

## ***Diesel Fuel Prices***

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

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

**Figure E**



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

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

## Liquidity

Financial liquidity provides the Company with the ability to fund future operating activities and investments. The Company’s financial risk management policy focuses on cash preservation, while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Company manages counterparty credit risk, in respect of cash and short-term investments, by maintaining bank accounts with highly-rated U.S. and Canadian banks and investing only in highly-rated Canadian and U.S. Government bills, term deposits or banker’s acceptances with highly-rated financial institutions, and corporate direct credit of highly-rated, highly-liquid issuers.

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

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

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



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

## **Capital Management**

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

Management is aware that market conditions, driven primarily by metal prices, may limit the Company's ability to raise additional funds. The Company is also required to maintain a number of financial covenants as part of its credit facilities, which may limit the Company's ability to access future funding. These and other factors are considered when shaping the Company's capital management strategy.

## **Credit Facilities**

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

### **Centerra EBRD Corporate Facility**

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

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

### **Centerra B.C Holdings Credit Facility**

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

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

In September 2017, in addition to making the scheduled \$12.5 million payment towards the non-revolving term facility, the Company repaid the outstanding balance on the revolving facility (\$74.4 million). As at December 31, 2017, \$190 million was drawn on the Centerra B.C. Facility (\$190 million non-revolving

term facility and nil from the revolving credit facility). See also “Centerra Revolving Term Corporate Facility” below.

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

### OMAS Facility

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

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

As at December 31, 2017, \$4.8 million (December 31, 2016 - \$4.2 million) of OMAS Facility deferred financing fees were included in prepaid expenses (note 10) as the Company has yet to draw from the facility. The deferred financing fees are being amortized over the term of the OMAS Facility. The Company expects to be in a position to draw on the OMAS Facility in the second quarter of 2018. See “Caution Regarding Forward Looking information”.

### AuRico Metals Inc. Acquisition Facility

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

### Centerra Revolving Term Corporate Facility

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

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

## Mineral Reserves and Mineral Resources

On February 8, 2018, the Company released the results of the updated mineral reserve and mineral resource estimates for the Kumtor mine, the Mount Milligan mine and re-iterated mineral reserve and mineral resource estimates for the Company's other projects, including the Hardrock deposit, all as of December 31, 2017. The release also included the Kemess Project which was acquired on January 8, 2018 as part of the AuRico Metals Inc. acquisition. For additional details, please see the news release "*Centerra Gold 2017 Year-End Statement of Mineral Reserves and Resources and Fourth Quarter Exploration Update*" filed on SEDAR and posted on the Company's website on February 8, 2018.

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

### Highlights:

#### Gold Mineral Reserves

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

#### Gold Mineral Resources

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

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

<sup>(1)</sup> Centerra's equity interests are as follows: Mount Milligan 100%, Kumtor 100%, Gatsuurt 100%, Boroo 100%, Ulaan Bulag 100%, Öksüt 100%, Kemess Underground and Kemess East 100% and Greenstone Gold properties (Hardrock, Brookbank, Key Lake, Kailey) 50%. The mineral reserves and mineral resources above reflect Centerra's equity interests in the applicable properties.

<sup>(2)</sup> Mineral resources are in addition to mineral reserves. Mineral resources do not have demonstrated economic viability.

<sup>(3)</sup> Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically. It cannot be assumed that all or part of the inferred mineral resources will ever be upgraded to a higher category.

<sup>(4)</sup> Production at Mount Milligan is subject to a streaming agreement which entitles Royal Gold to 18.75% of copper sales from the Mount Milligan Mine. Under the stream arrangement, Royal Gold will pay 15% of the spot price per metric tonne of copper delivered. Mineral resources for the Mount Milligan property are presented on a 100% basis.

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

### Copper Mineral Reserves

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

### Copper Mineral Resources

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

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

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

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

<sup>(1)</sup> Centerra's equity interests are as follows: Mount Milligan 100%, Kemess Underground 100%, Kemess East 100%, Berg 100%, Thompson Creek 100%, and Endako 75%. The mineral reserves and mineral resources above reflect Centerra's equity interest in the applicable properties.

<sup>(2)</sup> Mineral resources are in addition to mineral reserves. Mineral resources do not have demonstrated economic viability.

<sup>(3)</sup> Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically. It cannot be assumed that all or part of the inferred mineral resources will ever be upgraded to a higher category.

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

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

#### Molybdenum Mineral Resources

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

<b>Molybdenum (million pounds contained) <sup>(1)(3)(4)</sup></b>	<b><u>2017</u></b>	<b><u>2016</u></b>
Total measured and indicated mineral resources <sup>(2)</sup>	<b>758</b>	557
Total inferred mineral resources <sup>(3)</sup>	<b>150</b>	108

<sup>(1)</sup> Centerra's equity interests are as follows: Berg 100%, Thompson Creek 100%, and Endako 75%.

<sup>(2)</sup> Mineral resources are in addition to mineral reserves. Mineral resources do not have demonstrated economic viability.

<sup>(3)</sup> Inferred mineral resources have a great amount of uncertainty as to their existence and as to whether they can be mined economically. It cannot be assumed that all or part of the inferred mineral resources will ever be upgraded to a higher category.

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

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

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

<sup>(1)</sup> Kumtor and Kemess Underground were estimated based on a gold price of \$1,200. At the Kumtor Mine estimating gold mineral reserves using a gold price of \$1,250 per ounce would result in no material change to the contained ounces.

<sup>(2)</sup> Mineral resources at the Kemess Underground and Kemess East projects were estimated based on a gold price of \$1,275, while resources at the Hardrock Project was estimated at Cdn\$1,625.

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

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

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

## Consolidated Financial and Operational Highlights

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

- (1) As at December 31, 2017, the Company had 291,782,846 common shares issued and outstanding (291,785,970 common shares as of February 22, 2018). As of February 22, 2018, Centerra had 4,816,297 share options outstanding under its share option plan with exercise prices ranging from Cdn\$5.04 per share to US\$36.74 per share, with expiry dates between 2018 and 2025.
- (2) Average for the period as reported by the London Bullion Market Association (US dollar Gold P.M. Fix Rate) and London Metal Exchange (LME). This is a non-GAAP measure and is discussed under “Non-GAAP Measures”.
- (3) Adjusted earnings, adjusted earnings per common shares (basic and diluted), capital expenditures (sustaining and growth), operating costs (on a sales basis), adjusted operating costs on a by-product basis per ounce sold, gold all-in sustaining costs on a by-product or co-product basis (excluding and including taxes) per ounce sold, copper all-in sustaining costs on a co-product basis (before taxes) per pound sold, cash provided by operation before changes in working capital, as well as average realized gold price per ounce (Kumtor, Mount Milligan – combined and Consolidated) are non-GAAP measures and are discussed under “Non-GAAP Measures”.
- (4) Excludes Molybdenum business.
- (5) Comparative results for Thompson Creek operations (Mount Milligan and the Molybdenum group) have been presented from the date of acquisition (October 20, 2016) to December 31, 2016.

## Overview of Consolidated Results

### Year ended December 31, 2017 compared to 2016

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

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

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

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

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

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



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

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

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

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

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

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

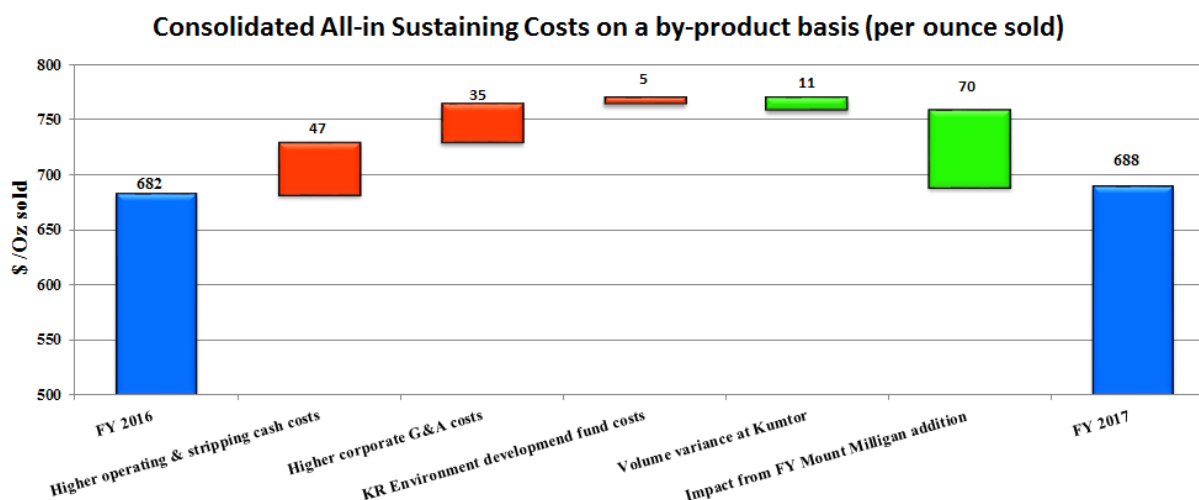
Exploration expenditures in the year ended December 31, 2017 totalled \$11.3 million compared to \$12.5 million in 2016, reflecting lower spending on advanced projects, mainly at Gatsuert, as compared to the prior year.

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

### Operating Costs:

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

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



## Cash generation and capital management

### Cashflow

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

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

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

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

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

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

### **Capital Expenditure (spent and accrued)**

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

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

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

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

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

## **Financial Instruments**

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

### *Fuel Hedges:*

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

### *Gold and Copper Derivative Contracts:*

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

### *Mount Milligan Gold and Copper Facility Hedges:*

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

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

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

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

- (1) Under the forward contracts (including crude oil options), the Company can buy and sell specified assets, typically metals or currency, at a specified price at a certain future date.
- (2) Under the zero-cost collar: (i) the Company can put the number of gold ounces or copper pounds to the counterparty at the minimum price, if the price were to fall below the minimum, and (ii) the counterparty has the option to require the Company to sell to it the number of gold ounces or copper pounds at the maximum price, if the price were to rise above the maximum.

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

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

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

## Operating Mines and Facilities

### Kumtor Mine

The Kumtor open pit mine, located in the Kyrgyz Republic, is one of the largest gold mines in Central Asia operated by a Western-based gold producer. It has been in production since 1997 and has produced over 11.5 million ounces of gold to December 31, 2017.

## Developments in 2017

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

## Kumtor Operating Results

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

(1) Adjusted operating costs per ounce sold, operating costs (on a sales basis) (\$ and per ounce sold), all-in sustaining costs (including taxes), gold all-in sustaining costs on a by-product basis per ounce sold (including and excluding taxes), as well as average realized gold price per ounce sold and capital expenditures (sustaining and growth) are non-GAAP measures and are discussed under "Non-GAAP Measures".

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

## Production

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

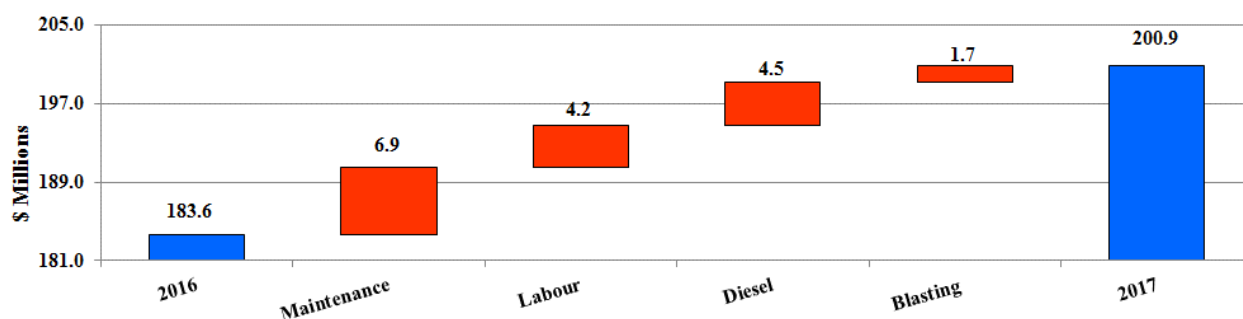
Total waste and ore mined in 2017 was 181.9 million tonnes compared to 144.4 million tonnes in 2016, representing an increase of 26%. The main reasons for this increase were due to favourable weather conditions in 2017 compared to 2016, which resulted in fewer weather delays, 12% shorter average haulage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

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

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

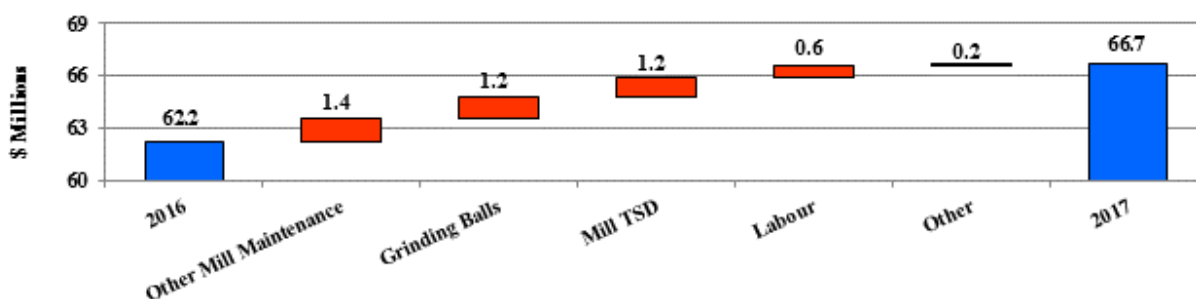
Operating costs (on a sales basis)<sup>NG</sup> for 2017 decreased by \$21 million to \$146.0 million, as compared to 2016, reflecting 26% more tonnage moved including a significant amount of waste removal in cut-back 18 of the Central pit which was capitalized in 2017. Including capitalized stripping,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

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



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

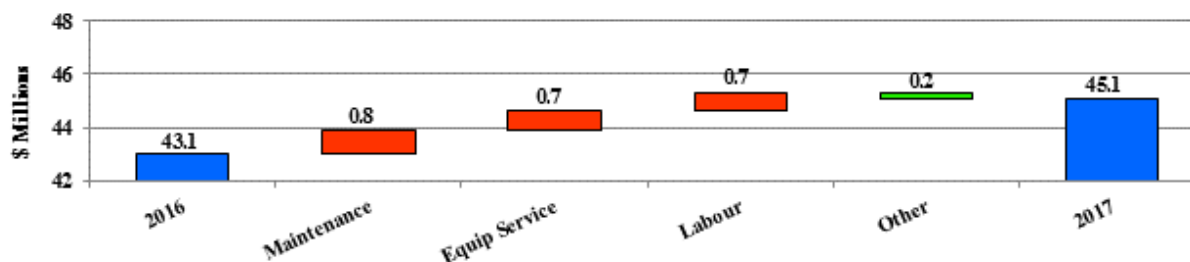
### **Milling Costs (2017 compared to 2016):**





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

#### Site support Costs (2017 compared to 2016):



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

#### Other Cost movements

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

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

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

#### Mount Milligan Mine

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

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

### **Developments in 2017**

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

### **Subsequent to December 31, 2017**

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

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

## Mount Milligan Operating Results

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

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

(2) Adjusted operating costs per ounce sold, all-in sustaining costs (for gold and copper) on a by-product or co-product basis (excluding and including tax) per unit sold, cash provided by operations before changes in working capital, payable copper produced, payable gold produced, as well as average realized price per unit sold (gold and copper), and capital expenditures (sustaining and growth) – cash are non-GAAP measures and are discussed under “Non-GAAP Measures”.

(3) Operating costs (on a sales basis) is comprised of mine operating costs such as mining, processing, site and regional office administration, royalties and production taxes, but excludes reclamation costs and depreciation, depletion and amortization..

(4) The average realized price of gold is a combination of market price paid by third parties and \$435 per ounce paid by Royal Gold, while the average realized price of copper is a combination of market price paid by third parties and 15% of the spot price per metric tonne of copper delivered paid by Royal Gold, in each case under the Mount Milligan Streaming Arrangement.

(5) Mount Milligan payable production and sales are presented on a 100% basis (the Mount Milligan Streaming Agreement entitles it to 35% and 18.75% of gold and copper sales, respectively). Under the Mount Milligan Streaming Arrangement, Royal Gold will pay \$435 per ounce of gold delivered and 15% of the spot price per metric tonne of copper delivered. Payable production for copper and gold reflects estimated metallurgical losses resulting from handling of the concentrate and payable metal deductions, subject to metal content, levied by smelters. The current payable percentage applied is approximately 95% for copper and 97.5% for gold, which may be revised on a prospective basis after sufficient history of payable amounts is determined.

## Revenue

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

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

### ***Production***

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

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

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

### ***Other Cost movements***

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

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

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

### ***Production initiatives***

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

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

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

## Molybdenum Business

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

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

## Molybdenum Operating Results

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

<sup>(1)</sup> Comparative results for the Molybdenum business have been presented from the date of acquisition (October 20, 2016) to December 31, 2016.

<sup>(2)</sup> Cash (used in) provided by operations before changes in working capital, is a non-GAAP measure and is discussed under "Non-GAAP Measures".

### Production:

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

## Consolidated Fourth Quarter Results - 2017 compared to 2016

Net earnings in the fourth quarter of 2017 were \$130.0 million (\$0.45 per common share - basic), compared to \$63.6 million in the same period of 2016. The fourth quarter 2017 result includes a tax benefit of \$21.3 million as a result of a change in tax legislation enacted in the U.S. Excluding this item, adjusted earnings<sup>NG</sup> in the fourth quarter of 2017 were \$108.7 million or \$0.37 per common share (basic). During the same

period in 2016, the Company reported net earnings of \$63.6 million or \$0.23 per common share (basic) and adjusted earnings<sup>NG</sup> of \$68.6 million or \$0.24 per common share (basic). The following provides an overview of the major items impacting the fourth quarter in 2017 as compared to 2016:

- Gold production for the fourth quarter of 2017 decreased 13% to 216,752 ounces poured, including 158,165 ounces from Kumtor and 58,587 ounces from Mount Milligan. The 21% decrease in ounces poured at Kumtor is a result of milling lower grade ore from the remaining stockpile of cut-back 17 central pit ore and ore from Sarytor pit, compared to the higher grade ore mined from the lower benches of cut-back 17 and processed during the comparative period. During the fourth quarter of 2017, Kumtor's average mill head grade was 3.76 g/t with a recovery of 80.4%, compared to 4.71 g/t and a recovery of 83.5% in the fourth quarter of 2016. This was partially offset by higher mill throughput achieved.
- In the fourth quarter of 2017, Mount Milligan produced 28,158 dry metric tonnes (dmt) of concentrate, containing 12.3 million pounds of copper and 58,587 ounces of gold, compared to 23,022 dmt containing 10.4 million pounds of copper and 47,717 ounces of gold in the fourth quarter of 2016, since the acquisition on October 20, 2016. Milling operations were negatively impacted by the shutdown on December 27, 2017 as a result of a water shortage, as discussed earlier (see "Operating Mines and Facilities – Mount Milligan Mine").
- Revenues in the fourth quarter of 2017 increased 17% to \$358.2 million, reflecting a higher average realized gold price<sup>NG</sup> and higher sales volumes from Mount Milligan and from the Molybdenum business as results for both reflects the entire fourth quarter of 2017.
- Cost of sales for the fourth quarter of 2017 increased 8% to \$180.8 million compared to the same quarter of 2016. The increase reflects higher sales volumes for gold, copper and molybdenum as compared to the fourth quarter of 2016.
- Regional administration costs increased to \$5.8 million in the fourth quarter of 2017 (from \$3.8 million in the comparative quarter), as a result of higher employee costs and the strengthening of the Som in relation to the U.S. dollar. Corporate administration costs decreased by \$3.3 million as compared to the same period of 2016, as a result of lower share-based compensation in the fourth quarter of 2017, driven by Centerra's share price performance and reduced spending at the Company's administration office in Denver.
- Exploration expenditures in the fourth quarter of 2017 totalled \$4.7 million compared to \$3.9 million in the comparative period of 2016, reflecting increased drilling activities for the quarter.
- The Company accrued a \$21.3 million tax benefit in the fourth quarter of 2017 due to the enactment of the Tax Cuts and Jobs Act, which reduced the U.S. corporate tax rate from 35 percent to 21 percent and repealed the Alternative Minimum Tax which positively impacted the molybdenum business. See "Overview of Consolidated Results".
- Cash provided by operations was \$170.4 million in the fourth quarter of 2017 compared to \$170.4 million in the same period of 2016.
- Cash used in investing activities in the fourth quarter of 2017 totalling \$64.9 million represents mainly spending on capital additions. This compares to \$969.8 million of cash used in investing activities in the same quarter of 2016 and reflects the payment to Thompson Creek debtholders of

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

- Capital expenditures (spent and accrued) in the fourth quarter of 2017 were \$71.8 million as compared to \$83.6 million in the same period of 2016. Sustaining capital<sup>NG</sup> in the fourth quarter of 2017 of \$29.4 million compares to \$15.3 million the same period of 2016 and reflects increased spending of approximately \$9 million, mainly on capital repairs, at Mount Milligan. Growth capital<sup>NG</sup> in the fourth quarter of 2017 of \$7.1 million was spent entirely at Kumtor, while \$10.1 million was spent in the fourth quarter of 2016 and included \$3.1 million spent on the secondary crusher at Mount Milligan. Development project spending totaled \$3.4 million in the current period, with \$1.6 million spent at the Greenstone Gold Property and \$1.8 million at the Öksüt Project. Capitalized stripping in the fourth quarter of 2017 was \$31.9 million compared to \$58.3 million in the fourth quarter of 2016. In the fourth quarter of 2017, the mining fleet at Kumtor focused primarily on waste stripping from cut-back 18.
- All-in sustaining costs (on a by-product basis) per ounce sold<sup>NG</sup>, which excludes revenue-based tax and income tax, in the fourth quarter of 2017, decreased to \$571 compared to \$586 in the same period of 2016. The reduction reflects a 2% unit cost improvement at Kumtor in the fourth quarter of 2017, mainly as a result of lower capitalized stripping, partly offset by higher sustaining capital<sup>NG</sup>. The fourth quarter of 2017 includes the impact of the Thompson Creek acquisition and the full year inclusion of Mount Milligan as compared to the same period of 2016.

## Development Projects

### Öksüt Project:

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

### Subsequent to December 31, 2017

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

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

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

## **Gatsuurt Project:**

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

## **Greenstone Gold Property:**

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

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

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

## **Balance Sheet**

### ***Inventory***

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

### ***Property, Plant and Equipment***

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



### ***Asset Retirement Obligations***

The total future asset retirement obligations were estimated by management based on the estimated costs to reclaim the mine sites and facilities and the estimated timing of the costs to be incurred in future periods.

The Company has estimated the net present value of the total asset retirement obligations to be \$167.0 million as at December 31, 2017 (2016 - \$158.4 million). The increase in 2017 reflects changes from the regularly scheduled updates to the Company's closure costs estimates at its various properties. These payments are expected to commence over the next 1 to 20 years.

The Company's future undiscounted decommissioning and reclamation costs have been estimated to be \$232.8 million at December 31, 2017 before salvage value.

These liabilities are secured by a combination of reclamation bonds, cash on deposit and a reclamation trust fund as prescribed by the regulatory bodies in the jurisdictions where these mines operate and project agreements with relevant governments. For further details, refer to note 17 in the Company's 2017 Consolidated Financial Statements.

### ***Share capital and share options***

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

## **Contractual Obligations**

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

<b><i>\$ millions</i></b>	<b>Total</b>	<b>Due in Less than One Year</b>	<b>Due in 1 to 3 Years</b>	<b>Due in 4 to 5 Years</b>	<b>Due After 5 Years</b>
Kumtor					
Reclamation trust fund <sup>(1)</sup>	<b>\$42.6</b>	\$6.0	\$18.0	\$12.0	\$6.6
Capital equipment <sup>(2)</sup>	<b>1.2</b>	1.2	-	-	-
Operational supplies	<b>36.0</b>	36.0	-	-	-
Mount Milligan					
Operational supplies	<b>15.2</b>	15.2	-	-	-
B.C. Hydro liability	<b>6.9</b>	6.9	-	-	-
Equipment leases (principal + interest) <sup>(3)</sup>	<b>34.1</b>	34.1	-	-	-
Öksüt and Greenstone					
Project development	<b>48.9</b>	21.0	27.9	-	-
Operational supplies	<b>0.1</b>	0.1	-	-	-
Corporate and other					
Loan repayment (principal only)	<b>266.0</b>	50.0	100.0	116.0	-
Operational supplies	<b>1.4</b>	1.4	-	-	-
Lease of premises <sup>(4)</sup>	<b>3.2</b>	0.8	1.0	0.7	0.7
Derivative liability	<b>23.3</b>	16.0	7.3	-	-
<b>Total contractual obligations <sup>(5)</sup></b>	<b>\$478.9</b>	\$188.7	\$154.2	\$128.7	\$7.3

<sup>(1)</sup> Centerra's future decommissioning and reclamation costs for the Kumtor mine are estimated to be \$66.2 million to be incurred beyond 2026. The estimated future cost of closure, reclamation and decommissioning of the project are used as the basis for calculating the amount remaining to be deposited in the Reclamation Trust Fund (\$39.8 million). The settlement agreement with the Kyrgyz Republic Government requires this restricted cash to be funded at a rate of \$6 million per year until the Reclamation Trust Fund reaches a balance of \$69 million.

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

- (2) Agreements as at December 31, 2017 to purchase capital equipment.
- (3) In January 2017, this lease was renegotiated and converted into a financing with a one-year term.
- (4) Lease of the Toronto corporate office premises expiring in November 2021.
- (5) Excludes trade payables and accrued liabilities.

## Other Financial Information- Related Party Transactions

### Kyrgyzaltyn JSC

Revenues from the Kumtor gold mine are subject to a management fee of \$1.00 per ounce based on sales volumes, payable to Kyrgyzaltyn, a shareholder of the Company and a state-owned entity of the Kyrgyz Republic.

The table below summarizes the management fees paid and accrued by KGC to Kyrgyzaltyn and the amounts paid and accrued by Kyrgyzaltyn to KGC according to the terms of a Restated Gold and Silver Sale Agreement (“Sales Agreement”) between KGC, Kyrgyzaltyn and the Government of the Kyrgyz Republic dated June 6, 2009.

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

### Related party balances

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

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

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

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

### **Transactions with directors and key management**

The Company transacts with key individuals from management and with its directors who have authority and responsibility to plan, direct and control the activities of the Company. The nature of these dealings were in the form of payments for services rendered in their capacity as director (director fees, including share-based payments) and as employees of the Company (salaries, benefits and share-based payments).

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

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

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

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

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

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

## Other Corporate Developments

The following is a summary of corporate developments with respect to matters affecting the Company and its subsidiaries. Readers are cautioned that there are a number of legal and regulatory matters that are currently affecting the Company and that the following is only a brief summary of such matters. For a more complete discussion of these matters, see the Company's news releases and its 2016 Annual Information Form and specifically the section entitled "Risks that can affect our business" therein available on SEDAR at [www.sedar.com](http://www.sedar.com). The following summary also contains forward-looking statements and readers are referred to "Caution Regarding Forward-looking Information".

## Kyrgyz Republic

### Strategic Agreement

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

- (i) full and final reciprocal releases and resolution of all existing arbitral and environmental claims, disputes, proceedings and court orders, and releases of the Company and its Kyrgyz subsidiaries from future claims covering the same subject matter as the existing environmental claims arising from approved mine activities;
- (ii) the agreement of KGC to:
  - a. make a one-time lump sum payment totaling \$57 million to a new, government-administered Nature Development Fund (\$50 million) and to a new, government administered Cancer Care Support Fund (\$7 million);
  - b. within 12 months of closing make a further one-time payment of \$3 million to the new, government administered Cancer Care Support Fund;
  - c. make annual payments of \$2.7 million to the Nature Development Fund, conditional on the Government continuing to comply with its obligations under the Strategic Agreement; and
  - d. accelerate its annual payments to Kumtor's Reclamation Trust Fund in the amount of \$6 million a year until the total amount contributed by KGC reaches the total estimated reclamation cost for the Kumtor Project (representing the independent assessment of

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

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

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

#### Kyrgyz Republic Claims

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

#### SAEPF Claims

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

On September 4, 2017, the Bishkek Inter-District Court also terminated the claim made by SAEPP which had alleged that Kumtor owes additional environmental pollution fees in the amount of approximately \$220 million. The court also lifted the interim court order which prohibited KGC from taking any actions relating to certain financial transactions including, transferring property or assets, declaring or paying dividends, pledging assets or making loans. As a result, KGC transferred cash balances over and above its ordinary working capital requirements to Centerra on September 15, 2017, when the lifting of the interim court order became effective.

#### SIETS Claims

As previously disclosed, on May 25, 2016, the Bishkek Inter-District Court in the Kyrgyz Republic ruled against Kumtor Operating Company ("KOC"), Centerra's wholly-owned subsidiary, on two claims made by the State Inspectorate Office for Environmental and Technical Safety of the Kyrgyz Republic ("SIETS")

in relation to the placement of waste rock at the Kumtor waste dumps and unrecorded wastes from Kumtor's effluent and sewage treatment plants. The Inter-District Court awarded damages of 6,698,878,290 Kyrgyz soms (approximately \$94.4 million at current exchange rates) and 663,839 Kyrgyz soms (approximately \$9,300 at current exchange rates), respectively. On June 1, 2016, the Inter-District Court ruled against KOC on two other claims made by SIETS in relation to alleged land damage and failure to pay for water use. The Inter-District Court awarded damages of 161,840,109 Kyrgyz soms (approximately \$2.3 million) and 188,533,730 Kyrgyz soms (approximately \$2.7 million), respectively. Centerra, KOC and KGC strongly dispute the SIETS claims and have appealed the decisions to the Bishkek City Court and will, if necessary, appeal to the Kyrgyz Republic Supreme Court. Such claims are expected to be terminated upon completion of the Strategic Agreement.

#### *Kyrgyz Republic General Prosecutor's Office Proceedings*

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

#### *Criminal Proceedings Against Unnamed KGC Managers*

On May 30, 2016, a criminal case was opened by the Kyrgyz Republic General Prosecutor's Office ("GPO") against unnamed KGC managers alleging that such managers engaged in transactions that deprived KGC of its assets or otherwise abused their authority, causing damage to the Kyrgyz Republic. Specifically, the case appears to be focused on the reasonableness of certain of KGC's commercial transactions and in particular, the purchase of goods and supplies in the normal course of its business operations and the expenses relating to the relocation of the Kumtor Project's camp in 2014 and 2015. Further to such investigation, the GPO has carried out searches of KGC's offices and seized documents and records.

#### *2013 KGC Dividend Civil and Criminal Proceeding*

On June 3, 2016, the Inter-District Court renewed a claim previously commenced by the GPO seeking to unwind the \$200 million dividend paid by KGC to Centerra in December 2013 (the "2013 Dividend"). On September 14, 2017, the Bishkek Inter-District Court determined to leave the claim without review and, accordingly, the claim has been terminated.

The Company understands that the GPO has also initiated a criminal investigation of executives of the Company and KGC in respect of the 2013 Dividend but that investigation is currently suspended.

#### *Land Use Claim*

As previously noted, KGC had challenged the purported 2012 cancellation of its land use (surface) rights over the Kumtor concession areas in the Kyrgyz Republic courts as well as in its arbitration claim (described above). On August 28, 2017, the Bishkek Inter-District Court terminated the proceeding commenced by the GPO in respect of Kumtor's land use rights over the Kumtor concession area.

#### *KGC Employee Movement Restrictions*

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

## *GPO Review of Kumtor Project Agreements*

On June 14, 2016, according to reports in the Kyrgyz Republic, the Kyrgyz Republic President instructed the GPO to investigate the legality of the agreements relating to the Kumtor Project which were entered into in 2003, 2004 and 2009. The 2009 Restated Investment Agreement governing the Kumtor Project which was entered into in 2009 superseded entirely the 2003 and 2004 agreements. The 2009 Restated Investment Agreement was negotiated with the Kyrgyz Republic Government, Kyrgyzaltyn and their international advisers, and approved by all relevant Kyrgyz Republic state authorities, including the Kyrgyz Republic Parliament and any disputes under the 2009 Restated Investment Agreement are subject to resolution by international arbitration. The Company understands that this investigation has been closed with respect to certain individuals.

## *Criminal Charges Regarding 2016 Casualty at Kumtor Mill*

On June 16, 2016, the Investigator of the Jety-Oguz District Department of Interior Affairs initiated criminal proceedings against two KGC managers in relation to the previously disclosed death of a KGC employee due to an industrial accident which occurred in January 2016. On July 11, 2017, the criminal proceedings were dismissed by the Kyrgyz courts but were later sent for new consideration by the courts upon the request of the deceased's family. This claim is not expected to be resolved in connection with the Strategic Agreement.

## Management Assessment of Outstanding Kumtor Matters

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

While the Strategic Agreement provides a pathway for the resolution of all outstanding matters affecting the Kumtor Project, there are no assurances that all of the conditions precedent to the completion of the settlement contained in the Strategic Agreement will be satisfied. If the settlement contained in the Strategic Agreement is not completed, there are no assurances that (i) the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Project or that any future discussions between the Kyrgyz Republic Government and Centerra will result in a mutually acceptable resolution; or (ii) the Kyrgyz Republic Government and/or Parliament will not take actions that are inconsistent with the Government's obligations under the Strategic Agreement or Kumtor Project Agreements, including adopting a law "denouncing" or purporting to cancel or invalidate the Kumtor Project Agreements or laws enacted in relation thereto which have the effect of nationalization of the Kumtor Project.

The inability to successfully resolve all such matters, whether through the Strategic Agreement or otherwise, could lead to suspension of operations of the Kumtor Project and would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

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

and/or Kyrgyzaltyn, there are no assurances that it will be recognized or enforced in the Kyrgyz Republic. Accordingly, the Company may be obligated to pay part of or the full amounts of, among others, the SIETS and SAEPF claims regardless of the action taken by the arbitrator. The Company does not have insurance or litigation reserves to cover these costs. If the Company were obligated to pay these amounts, it would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

#### Kyrgyzaltyn Purchaser Bank

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

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

#### **Mongolia**

##### *Gatsuurt – Illegal Mining*

CGM and Centerra continue to work with appropriate Mongolian federal and aimag (local) governments, relevant state bodies and police to clear the Gatsuurt site from artisanal miners and to restrict their access to the site. Centerra does not condone any violence or use of force by Mongolian authorities and has communicated to Mongolian authorities that matters are to be resolved in a peaceful manner.

##### *Claim Against the Mongolian Mineral Resources Authority to Annul Certain Administrative Decisions Related to Gatsuurt Mining Licenses.*

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

##### *Sale of ATO*



On January 31, 2017, Centerra Gold's Mongolian subsidiary, CGM entered into definitive agreements to sell the ATO Project, located in Eastern Mongolia, to Steppe Gold LLC and Steppe Gold Limited for gross proceed of \$20.0 million. CGM received \$0.8 million upon signing of the definitive agreements and \$9 million at closing, which occurred on September 15, 2017. CGM is to receive additional \$5 million cash payments on each of September 30, 2018 and September 30, 2019.

## **Accounting Estimates, Policies and Changes**

### **Accounting Estimates**

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of the Company's accounting policies, which are described in note 3 of the consolidated financial statements, the reported amounts of assets and liabilities and disclosure of commitments and contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results could differ from those estimates.

Management's estimates and underlying assumptions are reviewed on an ongoing basis. Any changes or revisions to estimates and underlying assumptions are recognized in the period in which the estimates are revised and in any future periods affected. Changes to these critical accounting estimates could have a material impact on the consolidated financial statements.

The key sources of estimation uncertainty and judgment used in the preparation of the consolidated financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and earnings within the next financial year are outlined in detail in note 4 of the December 31, 2017 financial statements.

### **Recently issued but not adopted accounting guidance**

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

The Company has assessed the impact of adopting IFRS 15 and determined that IFRS 15 does not have an impact on revenue recognized related to the sales of gold doré, gold and copper concentrate and molybdenum. The Company is in the process of determining the impact of IFRS 16 on its financial statements.

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

The Company's management, including the CEO and CFO, is responsible for the design of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"). Centerra adheres to the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) revised 2013 Internal Control Framework for the design of its ICFR.

The evaluation of DC&P and ICFR was carried out under the supervision of and with the participation of management, including Centerra's CEO and CFO. Based on these evaluations, the CEO and the CFO concluded that the design and operation of these DC&P and ICFR were effective throughout 2017.

## **2018 Outlook**

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

## **Mount Milligan Update**

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

## **2018 Gold Production**

Centerra's 2018 gold production is expected to be between 645,000 to 715,000 ounces. Kumtor's gold production forecast is expected to be in the range of 450,000 ounces to 500,000 ounces with about 45% of the production expected to be in the fourth quarter. At Mount Milligan, the Company expects payable gold production to be in the range of 195,000 to 215,000 ounces.

## **2018 Copper Production**

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

Centerra's 2018 production is forecast as follows:

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

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

## 2018 All-in Sustaining Unit Costs<sup>NG</sup>

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

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

- 1) All-in sustaining costs per ounce sold, all-in sustaining costs per ounce sold on a by-product basis, all-in sustaining costs on a by-product basis including taxes per ounce sold and all-in sustaining costs on a co-product basis (gold and copper) on a per unit basis are non-GAAP measures and are discussed under “Non-GAAP Measures”.
- 2) Mount Milligan payable production and ounces sold are on a 100% basis (the Mount Milligan Streaming Arrangement entitles Royal Gold to 35% and 18.75% of gold and copper sales, respectively). Unit costs and consolidated unit costs include a credit for forecasted copper sales treated as by-product for all-in sustaining costs and all-in sustaining costs plus taxes. The copper sales are based on a copper price assumption of \$2.90 per pound sold for Centerra's 81.25% share of copper production and the remaining 18.75% of copper revenue at \$0.435 per pound (15% of spot price, assuming spot at \$2.90 per pound), representing the Mount Milligan Streaming Arrangement. Payable production for copper and gold reflects estimated metallurgical losses resulting from handling of the concentrate and payable metal deductions, subject to metal content, levied by smelters.

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

Results in chart may not add due to rounding.

## 2018 Royalty Revenue

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

## 2018 Exploration Expenditures

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

## 2018 Capital Expenditures

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

Projected capital expenditures (excluding capitalized stripping) include:

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

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

### ***Kumtor***

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

Growth capital<sup>NG</sup> investment at Kumtor for 2018 is forecast at \$14 million primarily related to tailings dam construction (\$9 million).

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

## ***Mount Milligan***

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

## ***Öksüt Project***

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

## ***Kemess Underground Project***

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

## ***Greenstone Gold Property***

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

## **2018 Corporate Administration**

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

## **2018 Depreciation, Depletion and Amortization**

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

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

(1) Use of the Company's mining fleet for stripping activities results in a portion of the depreciation related to the mine fleet to be allocated to capitalized stripping costs. In 2017, \$51 million of depreciation costs was allocated to capitalized stripping costs.

## 2018 Taxes

Pursuant to the Restated Investment Agreement, Kumtor's operations are not subject to corporate income taxes. Instead, the Restated Investment Agreement imposes a tax of 13% on gross revenue (plus 1% for the Issyk-Kul Oblast Development Fund).

The Mount Milligan operations are subject to corporate income tax and British Columbia mineral tax. Corporate income tax for 2018 is forecast to be nil, while British Columbia mineral tax is forecast to be between \$3.5 million and \$4.2 million.

## Kumtor Settlement Agreement

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

## Sensitivities

Centerra's revenues, earnings and cash flows for 2018 are sensitive to changes in certain key inputs or currencies. The Company has estimated the impact of any such changes on revenues, net earnings and cash from operations.

	Change	Impact on (\$ millions)				Impact on (\$ per ounce sold)
		Costs	Revenues	Cash flows	Net Earnings (after tax)	AISC <sup>(3)</sup> on by-product basis
Gold price <sup>(1)</sup>	<b>\$50/oz</b>	3.2 – 3.7	22.0 – 25.2	18.8 – 21.5	18.8 – 21.5	0 - 1
Copper price <sup>(1)</sup>	<b>10%</b>	1.9 – 2.3	6.6 – 7.9	4.7 – 5.6	4.7 – 5.6	10 – 11
Diesel fuel	<b>10%</b>	4.5 - 5.0	-	6.0 - 7.0	4.5 - 5.0	9 – 10
Kyrgyz som <sup>(2)</sup>	<b>1 som</b>	1.0 - 2.0	-	1.0 - 2.0	1.0 - 2.0	1 - 2
Canadian dollar <sup>(2)</sup>	<b>10 cents</b>	30.0 - 32.0	-	30.0 - 32.0	25.0 - 27.0	35 – 40

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

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

<sup>(3)</sup> All-in sustaining costs per ounce sold ("AISC") on a by-product basis is a non-GAAP measure and is discussed under "Non-GAAP Measures".

## Material Assumptions and Risks

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

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

The assumed diesel price of \$0.45/litre at Kumtor assumes that no Russian export duty will be paid on the fuel exports from Russia to the Kyrgyz Republic. Diesel fuel for Kumtor is sourced from separate Russian suppliers. The diesel fuel price assumptions were made when the price of oil was approximately \$63 per barrel. Crude oil is a component of diesel fuel purchased by the Company, such that changes in the price of Brent crude oil generally impacts diesel fuel prices. The Company established a hedging strategy to manage changes in diesel fuel prices on the cost of operations at the Kumtor mine. The diesel fuel hedging program is a 24-month rolling program. The Company targets to hedge up to 50% of crude oil component of monthly diesel purchases exposure.

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

- The Company and its applicable subsidiaries throughout the year continue to meet the terms of their respective credit facilities in order to maintain current borrowings and compliance with the facilities financial covenants.
- That the positive relationship with the Kyrgyz Republic Government (“Government”) continue and that the parties continue to work constructively to complete the Kumtor Strategic Agreement, that the Government does not take any actions that are contrary to the Strategic Agreement and/or the Kumtor Project Agreement and which have a material adverse impact on the Kumtor operations, and that the outstanding Kyrgyz proceedings (some of which are currently postponed) are not reinstated or progressed contrary to the terms of the Strategic Agreement and/or the Kumtor Project Agreements.
- The mine plans, expertises and related permits and authorizations at Kumtor which have been received to date for 2018 are not withdrawn and that any further approvals are obtained in a timely manner from relevant governmental agencies in the Kyrgyz Republic.
- Any recurrence of political or civil unrest in the Kyrgyz Republic will not impact operations, including movement of people, supplies and gold shipments to and from the Kumtor mine and/or power to the mine site.
- Any sanctions imposed on Russian entities do not have a negative effect on the costs or availability of inputs or equipment to the Kumtor Project.
- The movement in the Central Valley Waste Dump at Kumtor, initially referred to in the Annual Information Form for the year ended December 31, 2013, and in the Lysii and Sarytor Waste Dumps, does not accelerate and will be managed to ensure continued safe operations, without impact to gold production.
- The buttress constructed at the bottom of the Davidov glacier continues to function as planned.
- The Company is able to manage the risks associated with the increased height of the pit walls at Kumtor.
- The dewatering program at Kumtor continues to produce the expected results and the water management system works as planned.
- The pit walls at Kumtor and Mount Milligan remain stable.
- The resource block model at Kumtor and Mount Milligan reconciles as expected against production.
- The Mount Milligan processing facility continues to have access to sufficient water supplies to operate year round at the intended capacity. This includes management’s expectations that we continue to successfully draw water from existing water wells, identify and access new water wells, capture water sources from within the existing operations, and that the spring freshet will produce the expected levels of run-off water which will be captured for our operations. The Company’s guidance reflects its expectation that the spring freshet will occur in April 2018. Guidance also assumes that Mount Milligan will pump water from nearby Philip Lake until October 2018, as currently permitted under an amendment to the Mount Milligan Environmental Assessment Certificate. Pursuant to the amendment issued in January 2018, the Company has until February 2019 to carry out the necessary studies and to consult with relevant First Nations groups in an effort to make permanent the amendment to the Environmental Assessment Certificate.
- Grades and recoveries at Kumtor and Mount Milligan remain consistent with the 2018 production plan to achieve the forecast gold and copper production.
- The Kumtor mill and the Mount Milligan mill continues to operate as expected, including that there are no unplanned suspension of operations due to (among other things), mechanical or technical performance issues.



- The permanent secondary crushing plant at Mount Milligan continues to perform as designed.
- No changes to any existing agreements and relationships with affected First Nations groups which would materially and adversely impact our operations.
- There are no unfavourable changes to concentrate sales arrangements at Mount Milligan and roasting arrangements at the Langeloth facility.
- There are no adverse regulatory changes affecting the Kumtor and Mount Milligan operations and the Company's molybdenum assets.
- Exchange rates, prices of key consumables, costs of power, water usage fees, and any other cost assumptions at all operations and projects of the Company are not significantly higher than prices assumed in planning.
- No unplanned delays in or interruption of scheduled production from our mines, including due to climate/weather conditions, political or civil unrest, natural phenomena, regulatory or political disputes, equipment breakdown or other developmental and operational risks.

The Company cannot give any assurances in this regard.

Production, cost and capital forecasts for 2018 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed herein under the headings "Risks That Can Affect Our Business", "Material Assumptions & Risks" and "Caution Regarding Forward-Looking Information" in this document and under the heading "Risks That Can Affect Our Business" in the Company's 2017 MD&A and in the Company's most recent Annual Information Form.

## Non-GAAP Measures

This document contains the following non-GAAP financial measures: all-in sustaining costs per ounce sold on a by-product basis, all-in sustaining costs per ounce sold on a by-product basis including taxes, and all-in sustaining costs per ounce sold on a co-product basis. In addition, non-GAAP financial measures include operating costs (on a sales basis), adjusted operating costs and adjusted operating costs per ounce sold, as well as capital expenditures (sustaining) and capital expenditures (growth) and cash provided by operations before changes in working capital. These financial measures do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers, even as compared to other issuers who may be applying the World Gold Council ("WGC") guidelines, which can be found at <http://www.gold.org>.

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

### *Definitions*

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

- *Production costs* represent operating costs associated with the mining, milling and site administration activities at the Company's operating sites, excluding costs unrelated to production such as mine standby and community costs related to current operations.
- *Operating costs (on a sales basis)* include mine operating costs such as mining, processing, site support, royalties and operating taxes (except at Kumtor where revenue-based taxes are excluded), but exclude depreciation, depletion and amortization (DD&A), reclamation costs, financing costs, capital development and exploration.
- *Adjusted operating costs per ounce sold* include operating costs (on a sales basis), regional office administration, mine standby costs, community costs related to current operations, refining fees and by-product credits.
- *All-in sustaining costs on a by-product basis per ounce sold* include adjusted operating costs, the cash component of capitalized stripping costs, corporate general and administrative expenses, accretion expenses, and sustaining capital, net of copper and silver credits. The measure incorporates costs related to sustaining production. Copper and silver credits represent the expected revenue from the sale of these metals.
- *All-in sustaining costs on a by-product basis per ounce sold including taxes*, include revenue-based tax at Kumtor and taxes (mining and income) at Mount Milligan.
- *All-in sustaining costs on a co-product basis per ounce of gold sold or per pound of copper sold*, operating costs are allocated between copper and gold based on production. To calculate the allocation of operating costs, copper production has been converted to ounces of gold equivalent using the copper production for the periods presented, as well as an average of the futures prices during the quotation pricing period for copper and gold sold from Mount Milligan. For the twelve months ended December 31, 2017, 449 pounds of copper was equivalent to one ounce of gold.
- *Adjusted earnings* is calculated by adjusting net earnings (loss) as recorded in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) for non-recurring items.
- *Capital expenditure (Sustaining)* is a capital expenditure necessary to maintain existing levels of production. The sustaining capital expenditures maintain the existing mine fleet, mill and other facilities so that they function at levels consistent from year to year.
- *Capital expenditure (Growth)* is capital expended to expand the business or operations by increasing productive capacity beyond current levels of performance.
- *Growth projects* are defined as projects that are beyond the exploration stage but are pre-operational. For 2017, growth projects include Öksüt, Gatsuurt and the Greenstone Gold Property.
- *Average realized gold price* is calculated by dividing revenue (including third party sales and the fixed amount received under the Mount Milligan Streaming Arrangement) derived from gold sales by the number of ounces sold.
- *Average realized copper price* is calculated by dividing revenue (including third party sales and the fixed amount received under the Mount Milligan Streaming Arrangement) derived from copper sales by the number of pounds sold.
- *Free cash flow (unlevered)* is calculated as cash provided by operations less additions to property, plant and equipment.
- *Cash provided by operations before changes in working capital* starts with cash provided by operations and removes the changes in working capital as presented in the Company's Statement of Cash Flows.

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

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

<sup>(1)</sup> Results may not add due to rounding

## Adjusted earnings can be reconciled as follows:

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

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

## Free cash flow (unlevered) is calculated as follows:

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

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

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

Three months ended December 31,	Kumtor	Mount Milligan	Turkey	Mongolia	All other	Consolidated
(\$ millions) <i>(Unaudited)</i>						
<b>2017</b>						
Capitalized stripping –cash	24.4	-	-	-	-	24.4
Sustaining capital - cash	16.5	11.9	-	-	0.5	28.9
Growth capital - cash	7.1	-	-	-	-	7.1
Gatsuurt project development capital cash	-	-	-	-	-	-
Greenstone Gold Property pre-development capital cash	-	-	-	-	1.2	1.2
Öksüt project development capital - cash	-	-	2.4	-	-	2.4
Molybdenum business capital - cash	-	-	-	-	0.4	0.4
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	3.2	(4.8)	0.3	-	(0.1)	(1.4)
Greenstone Gold Property translation adjustment	-	-	-	-	0.1	0.1
<b>Total - Additions to PP&amp;E <sup>(1)</sup></b>	<b>51.2</b>	<b>7.1</b>	<b>2.7</b>	<b>-</b>	<b>2.1</b>	<b>63.1</b>
<b>2016</b>						
(\$ millions) <i>(Unaudited)</i>						
Capitalized stripping –cash	42.9	-	-	-	-	42.9
Sustaining capital - cash	11.5	3.4	-	-	0.1	15.0
Growth capital - cash	1.4	3.1	-	-	-	4.5
Gatsuurt project development capital cash	-	-	-	-	2.4	2.4
Greenstone Gold Property pre-development capital cash	-	-	-	-	3.6	3.6
Öksüt project development capital - cash	-	-	2.1	-	-	2.1
Molybdenum business capital - cash	-	-	-	-	0.3	0.3
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	11.0	-	-	-	-	11.0
<b>Total - Additions to PP&amp;E <sup>(1)</sup></b>	<b>66.8</b>	<b>6.5</b>	<b>2.1</b>	<b>-</b>	<b>6.4</b>	<b>81.8</b>

Year ended December 31,	Kumtor	Mount Milligan	Turkey	Mongolia	All other	Consolidated
(\$ millions) <i>(Unaudited)</i>						
<b>2017</b>						
Capitalized stripping –cash	149.4	-	-	-	-	149.4
Sustaining capital - cash	60.6	30.0	-	-	0.7	91.3
Growth capital - cash	18.1	-	-	-	-	18.1
Gatsuurt project development capital cash	-	-	-	1.8	-	1.8
Greenstone Gold Property pre-development capital cash	-	-	-	-	5.0	5.0
Öksüt project development capital - cash	-	-	9.0	-	-	9.0
Molybdenum business capital - cash	-	-	-	-	0.9	0.9
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	-	(6.8)	(1.5)	(0.3)	(0.1)	(8.7)
Greenstone Gold Property translation adjustment	-	-	-	-	0.1	0.1
<b>Total - Additions to PP&amp;E <sup>(1)</sup></b>	<b>228.1</b>	<b>23.2</b>	<b>7.5</b>	<b>1.5</b>	<b>6.6</b>	<b>266.9</b>
<b>2016</b>						
(\$ millions) <i>(Unaudited)</i>						
Capitalized stripping –cash	100.5	-	-	-	-	100.5
Sustaining capital - cash	61.0	3.4	-	-	0.4	64.8
Growth capital - cash	14.8	3.1	-	-	-	17.9
Gatsuurt project development capital cash	-	-	-	-	7.2	7.2
Greenstone Gold Property pre-development capital cash	-	-	-	-	11.4	11.4
Öksüt project development capital - cash	-	-	12.0	-	-	12.0
Molybdenum business capital - cash	-	-	-	-	0.3	0.3
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	(1.3)	-	-	-	-	(1.3)
<b>Total - Additions to PP&amp;E <sup>(1)</sup></b>	<b>175.0</b>	<b>6.5</b>	<b>12.0</b>	<b>-</b>	<b>19.3</b>	<b>212.8</b>

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

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

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

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

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

## Average realized sales price for gold

The average realized gold price per ounce sold is calculated by dividing gold sales revenue, gross together with the final pricing adjustments and mark-to-market adjustments by the ounces sold, as shown in the table below:

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

## Average realized sales price for Copper - Mount Milligan

The average realized copper price per pound is calculated by dividing copper sales revenue, gross together with the final pricing adjustments and mark-to-market adjustments per pound, as shown in the table below:

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

## Qualified Person & QA/QC

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

The Kumtor deposit is described in Centerra’s most recently filed Annual Information Form and a technical report dated March 20, 2015 (with an effective date of December 31, 2014), which are both filed on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report is prepared in accordance with NI 43-101 and describes the exploration history, geology and style of gold mineralization at the Kumtor deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Kumtor site are described in the technical report.



The Mount Milligan deposit is described in Centerra's most recently filed Annual Information Form and a technical report dated March 22, 2017 (with an effective date of December 31, 2016) prepared in accordance with NI 43-101, both of which are available on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report describes the exploration history, geology and style of gold mineralization at the Mount Milligan deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the exploration drilling programs are done consistent with industry standards and independent certified assay labs.

The Boroo deposit is described in Centerra's most recently filed Annual Information Form and a technical report dated December 17, 2009 prepared in accordance with NI 43-101, both of which are available on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report describes the exploration history, geology and style of gold mineralization at the Boroo deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Boroo site are the same as, or similar to, those described in the technical report.

The Gatsuurt deposit is described in Centerra's most recently filed Annual Information Form and a technical report dated December 22, 2017 (with an effective date of October 31, 2017) prepared in accordance with NI 43-101 both of which are available on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report describes the exploration history, geology and style of gold mineralization at the Gatsuurt deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Gatsuurt Project are the same as, or similar to, those described in the technical report.

The Öksüt deposit is described in Centerra's most recently filed Annual Information Form and in a technical report dated September 3, 2015 (with an effective date of June 30, 2015) prepared in accordance with NI 43-101 both of which are available on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report describes the exploration history, geology and style of gold mineralization at the Öksüt deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Öksüt Project are the same as, or similar to, those described in the technical report.

The Hardrock deposit is described in a technical report dated December 21, 2016 prepared in accordance with NI 43-101. The technical report has been filed on SEDAR at [www.sedar.com](http://www.sedar.com). The technical report describes the exploration history, geology and style of gold mineralization at the Hardrock deposit. Sample preparation, analytical techniques, laboratories used and quality assurance-quality control protocols used during the drilling programs at the Hardrock Project are the same as, or similar to, those described in the technical report.

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

## **Risks That Can Affect Our Business**

Below are the risk factors that Centerra believes can have a material effect on the profitability, future cash flows, earnings, results of operations, stated mineral reserves and mineral resources and financial condition of the Company. If any event arising from these risks occurs, the Company's business, prospects, financial

condition, results of operations or cash flows could be adversely affected, the trading price of Centerra's common shares could decline and all or part of any investment in Centerra may be lost. You should note that the following is not however a complete list of the potential risks we face. Additional risks and uncertainties not currently known to the Company, or that are currently deemed immaterial, may also materially and adversely affect the Company's business operations, prospects, financial condition, results of operations, or cash flows.

## **Strategic Risks**

### **Country, Political & Regulatory**

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

Centerra's mining operations and exploration activities are affected in varying degrees by the political stability and government regulations relating to investment, corporate activity, and the mining business in the countries in which it operates, explores and develops properties. Operations may also be affected in varying degrees by terrorism; military conflict or repression; crime; populism; activism; labour unrest; attempts to renegotiate or nullify existing concessions, licenses, permits and contracts; unstable or unreliable legal systems; changes in fiscal regimes including taxation, and other risks arising out of sovereignty issues.

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

A significant portion of the Company's gold production and its mineral reserves and mineral resources are derived from assets located in the Kyrgyz Republic and Turkey, countries that have experienced political difficulties in recent years. There continues to be a risk of future political instability in these jurisdictions.

The Company does not currently carry political risk insurance covering its investments in any of the countries where it operates. From time to time, it assesses the costs and benefits of obtaining and maintaining such insurance. There can be no assurance that, if the Company chose to obtain it, political risk insurance would be available to it, or that particular losses the Company may suffer with respect to its foreign investments will be covered by any insurance that we may obtain in the future. Any such losses could have an adverse impact on the Company's future business operations, prospects, financial condition, results of operations and cash flows.

#### **Resource nationalism could adversely impact Centerra's business**

Companies in the mining and metals sector continue to be targeted to raise government revenue, particularly as governments struggle with deficits and concerns over the effects of depressed economies. Many governments are continually assessing the fiscal terms of the economic rent for mining companies to exploit resources in their countries. Numerous countries, including the Kyrgyz Republic, Mongolia and Turkey have in the past introduced changes to their respective mining regimes that reflect increased government control or participation in the mining sector, including, but not limited to, changes of laws or governmental regulations affecting foreign ownership, mandatory government participation, taxation and royalties, labour mine safety, exchange rates, exchange controls, permitting and licensing of exploration, development and production, land use restrictions, annual fees to maintain mineral properties in good standing, price controls, export controls, export and import duties, restrictions on repatriation of income or return of capital, requirements for local processing of mineral products, environmental protection, as well as requirements for employment of local staff or contractors, and contributions to infrastructure and social support systems.

The Company's operations may be affected in varying degrees by such laws and government regulations.

There can be no assurance that industries deemed of national or strategic importance like mineral production will not be nationalized. Government policy may change to discourage foreign investment; renationalization of mining industries may occur; or other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that the Company's assets will not be subject to nationalization, expropriation or confiscation, whether legitimate or not, by any authority or body. While there are often provisions for compensation and reimbursement of losses to investors under such circumstances, there is no assurance that such provisions would effectively restore the value of the Company's original investment or that such restoration would occur within a reasonable timeframe. There also can be no assurance that the laws in these countries protecting foreign investments will not be amended or abolished or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks described above. Furthermore, there can be no assurance that the agreements the Company has with the governments of these countries will prove to be enforceable or provide adequate protection against any or all of the risks described above.

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

Centerra conducts substantially all of its operations through subsidiaries, some of which are incorporated outside North America. The Company has no direct operations and no significant assets other than the shares of its subsidiaries. Therefore, the Company is dependent on the cash flows of its subsidiaries to meet its obligations, including payment of dividends, principal and interest on any debt it incurs. The ability of Centerra's subsidiaries to provide the parent company with payments may be constrained by the following factors: (i) the cash flows generated by operations, investment activities and financing activities; (ii) the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which they operate and in Canada; and (iii) the introduction of exchange controls, repatriation restrictions (including those that may be ordered by courts) or the availability of hard currency to be repatriated.

**Changes in, or more aggressive enforcement of, laws, regulations and government practices could adversely impact Centerra's business.**

Mining operations, development activities, and exploration activities are subject to extensive laws and regulations, both in the countries where mining operations and exploration and development activities are conducted and in the mining company's home jurisdiction. Centerra's lenders may also impose similar requirements to Centerra's operations. These regulations relate to production, development, exploration, exports, imports, taxes and royalties, labour standards, suppliers and contractors, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response, social responsibilities and sustainability, and other matters.

Compliance with these laws, regulations and lender requirements increases the costs of exploring, drilling, developing, constructing, operating and closing mines and other facilities. It is possible that the costs, delays, access to land, water, and power, and other effects associated with these laws and regulations may impact the Company's decision as to whether to continue with operating its existing mines, ore processing and other facilities, or whether to proceed with exploration or development of properties. Since legal requirements change frequently, are subject to interpretation and may be enforced to varying degrees in practice, the Company is unable to predict the ultimate cost of compliance with these requirements or their effect on operations.

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

If the laws, regulations or lender requirements relating to the Company's operations were to change, or the enforcement of such requirements were to become more rigorous, the Company could be required to incur significant capital and operating expenditures to comply, which could have a material adverse effect on its financial position and its ability to achieve operating and development targets. Changes to laws and regulations may also impact the value of the Company's reserves.

**Community activism may influence laws and regulations, result in increased contributory demands, or in business interruption or delay**

Slow economic development in some of the countries in which the Company operates has resulted in an increase in community activism and expectations by local governments for resource companies to increase their contributions to local communities. For example, Kumtor has experienced a number of roadblocks in the past resulting from the discontent of various community groups. Similarly, in Mongolia, community groups and NGOs have vigorously campaigned against foreign mining companies. Heightened global concern for the environment and water in particular, as a result of both climate change impacts as well as following certain significant industrial accidents, has led to increased scrutiny of mining operations, review of laws aimed at environmental protection, and delays in the issuance of required permits and licenses for development and operation activities. There can be no assurance that the Company's operations will not be disrupted by civil action or be subject to restrictions or imposed demands that will impact future cash flows, earnings, results of operation, financial condition, and reputation.

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

The Company entered into the Strategic Agreement with the Government of the Kyrgyz Republic on September 11, 2017 which sets out the pathway for the resolution of substantially all the outstanding claims, disputes, court proceedings and court orders affecting the Kumtor Project. A fulsome discussion of the Strategic Agreement is found elsewhere in this document. Completion of the Strategic Agreement is subject to various conditions precedents which are expected to be completed by the deadline of April 20, 2018. While the Company has been working closely with the Government of the Kyrgyz Republic to expeditiously satisfy the remaining conditions precedents, there are no assurances that all of the conditions precedent to the completion of the settlement contained in the Strategic Agreement will be satisfied. If the settlement contained in the Strategic Agreement is not completed, there are no assurances that (i) the Company will be able to successfully resolve any or all of the outstanding matters affecting the Kumtor Mine or that any future discussions between us and the Kyrgyz Republic Government will result in a mutually acceptable resolution; or (ii) the Kyrgyz Republic Government and/or Parliament will not take actions that are inconsistent with the Government's obligations under the Strategic Agreement or Kumtor Project Agreements, including adopting a law "denouncing" or purporting to cancel or invalidate the Kumtor Project Agreements or laws enacted in relation thereto which have the effect of nationalization of the Kumtor Project. Furthermore, if all such claims are not resolved as provided for in the Strategic Agreement and despite the Company's view that all disputes related to the 2009 Restated Investment Agreement should be determined in arbitration, there are risks that the arbitrator may (i) reject the Company's claims; (ii) determine it does not have jurisdiction; and/or (iii) stay the arbitration pending determination of certain issues by the Kyrgyz Republic courts. Even if the Company receives an arbitral award in its favour against the Kyrgyz Republic and/or Kyrgyzaltyn, there are no assurances that it will be recognized or enforced in the Kyrgyz Republic. Accordingly, the Company may be obligated to pay part of or the full amounts of such claims regardless of the action taken by the arbitrator. The Company does not have insurance or litigation reserves to cover these costs. If the Company were obligated to pay these amounts, it would have a material adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

**The Company's planned activities are dependent upon receipt and/or renewal of numerous permits and licenses**

A number of approvals, licenses and permits are required for various aspects of exploration, mine development, and operations. This includes licenses and permits, which include or cover without limitation air quality, water quality, water rights, dam safety, emergency preparedness, hazardous materials (including the transportation thereof), waste rock management, solid waste disposal and tailings operations. Changes in a mine's design, production rates, quality of material mined, milling processes or circuits, and many other matters often require submission of the proposed changes for agency approval prior to implementation (including consultations with First Nations), and these may not be obtained. In addition, changes in operating conditions beyond our control, changes in agency policy and federal, provincial and state laws, litigation or community opposition could further affect the successful permitting of operations.

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

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

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

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

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

There can be no assurance that Centerra will be able to successfully negotiate with the Government of Mongolia a mutually acceptable investment agreement, deposit development agreement, and/or community development agreement, in all cases for the development and operation of the Gatsuurt project. The Company is in discussions with the Government of Mongolia regarding these potential agreements. Furthermore, even if these agreements are successfully concluded with the Government of Mongolia for the Gatsuurt project, there are no assurances that the Government will not later seek to re-negotiate its terms and conditions.

## **Aboriginal Claims and Consultation Issues**

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

Any failure to comply with applicable laws and regulations or licences and permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities.

## **Legal and Other**

### **Current and future litigation may impact the revenue and profits of the Company**

The Company is from time to time involved in or subject to legal proceedings related to its business. These claims can be based on allegations of breach of contract, negligence, breach of statutory duty, public nuisance or private nuisance or otherwise in connection with our operations or investigations relating thereto. Such legal proceedings can be complex, costly, and highly disruptive to business operations by diverting the attention and energies of management and other key personnel. The assessment of the outcome of legal proceedings, including its potential liability, if any, is a highly subjective process that requires judgments about future events that are not within our control. The outcome of litigation, arbitration or other legal proceedings, including amounts ultimately received or paid upon judgment or settlement, may differ materially from management's outlook or estimates, including any amounts accrued in the financial statements. Actual outcomes, including judgments, awards, settlements or orders, could have a material adverse effect on our business, financial condition, operating results, or cash flows.

### **Centerra's properties may be subject to defects in title**

Centerra has investigated its rights to explore and exploit all of its material properties, and, except as described below, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that such rights will not be revoked or significantly altered to its detriment. There can also be no assurance that the Company's rights will not be challenged or impugned by third parties, including local governments and Aboriginal groups. As a result, the Company may be constrained in its ability to operate its properties or unable to enforce its rights with respect to its properties. An impairment to, or defect in, title to its properties could have a material adverse effect on the Company's business, financial condition or results of operations.

On July 5, 2012, the Kyrgyz Government cancelled Government Decree #168, which provided Kumtor with land use (surface) rights over the Kumtor Concession Area for the duration of the Restated Concession Agreement. At the same time, the related land use certificate issued by the local land office was also cancelled. In addition, in November 2013, the Company received a claim from the Kyrgyz Republic

General Prosecutor's Office requesting the Inter-District Court of the Issyk-Kul Province to invalidate the Company's land use certificate and seize certain lands within the Kumtor concession area. Based on advice from Kyrgyz legal counsel, the Company believes that the purported cancellation of Kumtor's land use rights is invalid. The court proceedings commenced by the GPO were terminated by the GPO in August 2017 as part of the Strategic Agreement. The matter of Kumtor's land use certificate is expected to be resolved as part of the Strategic Agreement which is scheduled to close by April 20, 2018.

On December 6, 2006, Gatsuurt LLC commenced arbitration before the Mongolian National Arbitration Court (MNAC) alleging non-compliance by its subsidiary, CGM, with its obligation to complete a feasibility study on the Gatsuurt property by December 31, 2005 and seeking the return of the license. CGM believed that Gatsuurt LLC's position was without merit. CGM challenged the MNAC's jurisdiction and the independence and impartiality of the Gatsuurt LLC nominee to the arbitration panel. CGM later reached an agreement with Gatsuurt LLC to terminate arbitration proceedings. Further to that agreement CGM paid \$1.5 million to Gatsuurt LLC. On signing of a definitive agreement, but subject to CGM having entered into an investment agreement with the Government of Mongolia in respect of the development of the Gatsuurt project, CGM will make a further non-refundable payment to Gatsuurt LLC in the amount of \$1.5 million. Final settlement with Gatsuurt LLC is subject to the negotiation and signing of a definitive settlement agreement.

In the first quarter of 2016, a non-governmental organization called "Movement to Save Mt. Noyon" filed a claim against the Mongolian Mineral Resources Authority (MRAM) requesting that MRAM revoke the two principal mining licenses underlying the Gatsuurt Project. CGM, the holder of these two mining licenses, is involved in the claim as a third party. Centerra believes that such claims are without merit, however, such proceedings are ongoing.

Although the Company is not currently aware of any existing title uncertainties with respect to any of its properties except as discussed in the preceding paragraphs, there is no assurance that such uncertainties will not result in future losses or additional expenditures, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

#### **Centerra may be unable to enforce its legal rights in certain circumstances**

In the event of a dispute arising at its foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada or in arbitration. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

The dispute resolution provisions of the Restated Investment Agreement for the Kumtor project stipulate that any dispute between the parties thereto is to be submitted to international arbitration. However, there can be no assurance that a particular governmental entity or instrumentality will either comply with the provisions of these or any other agreements or voluntarily submit to arbitration. The Company's inability to enforce its rights could have an adverse effect on its future cash flows, earnings, results of operations and financial condition.

#### **Centerra's largest shareholder is a state-owned entity of the Kyrgyz Government**

Centerra's largest shareholder is Kyrgyzaltyn, which is a state-owned entity. Kyrgyzaltyn owns approximately 27% of the common shares of Centerra. Pursuant to the terms of the Restated Shareholders Agreement, to which Centerra and Kyrgyzaltyn are parties, Kyrgyzaltyn has two nominees on its board of directors. In addition, and in light of various considerations including the importance of the Kumtor project

to Centerra, Centerra included in its proposed nominees for election at the most recent annual general shareholders' meeting a third nominee of Kyrgyzaltyn who was elected to the Board.

There can be no assurance that the Kyrgyz Government, through its ownership and control of Kyrgyzaltyn, will not use its influence to materially change the direction of the Company. This concentration of ownership may have the effect of delaying or preventing a change in control of Centerra, which may deprive its shareholders of a control premium that might otherwise be offered in connection with such a change of control. The Company is aware that Kyrgyzaltyn has in the past received inquiries regarding the potential acquisition of some or all of its common shares in the Company and the sale by Kyrgyzaltyn of its shareholdings to a third party could result in a new purchasing shareholder obtaining a considerable interest in the Company. Should Kyrgyzaltyn sell some or all of its interest in Centerra, there can be no assurance that an offer would be made to the other shareholders of Centerra or that the interests of such a shareholder would be consistent with the plans of the Company or that such a sale would not decrease the value of the common shares.

### **Artisanal mining is occurring and may continue to occur illegally on the Gatsuurt property**

Artisanal mining is widespread in Mongolia and a significant number of artisanal miners have entered into the Gatsuurt property. The Company is unable to continuously monitor the full extent of the artisanal miners on the Gatsuurt property however it understands that the numbers have reached up to 200-400 artisanal miners at a single time. In addition to potential health and safety concerns for Centerra's employee and of the artisanal miners, the presence of artisanal miners could also lead to project delays and disputes regarding the development or operation of commercial gold deposits, including disputes with Mongolian governmental authorities regarding reporting of reserves and mine production. The illegal activities of these miners could also cause environmental damage (including environmental damage from the use of mercury by these miners) or other damage to the Company's property, equipment, personal injury or death, or conflict with local communities. The Company has advised appropriate Mongolian federal and aimag (local) governments, relevant state bodies and police of the issues relating to the activities of artisanal miners and have requested their assistance to clear the Gatsuurt site. Centerra does not support any violence or use of force in encounters between Mongolian authorities and artisanal miners and have made this explicitly clear to Mongolian authorities. Centerra will continue to work with relevant authorities in Mongolia, but to the extent that there are adverse consequences from the presence of these artisanal miners, the Company could potentially be held responsible and this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

### **Centerra's directors may have conflicts of interest**

Certain of Centerra's directors also serve as directors and/or officers of other companies involved in natural resource exploration, development and production and consequently there exists the possibility for such directors to be in a position of conflict.

### **Centerra is subject to Anti-Corruption Legislation**

Centerra is subject to anti-corruption and anti-bribery laws, including Canada's Corruption of Foreign Public Officials Act (the "Anti-Corruption Legislation"), which prohibits Centerra or any officer, director, employee or agent of Centerra or any shareholder of Centerra acting on its behalf from paying, offering to pay, or authorizing the payment of anything of value to any foreign government official, government staff member, political party, or political candidate in an attempt to obtain or retain business or to otherwise influence a person working in an official capacity. The Anti-Corruption Legislation also requires public companies to make and keep books and records that accurately and fairly reflect their transactions and to devise and maintain an adequate system of internal accounting controls. Centerra's international activities create the risk of unauthorized payments or offers of payments by Centerra's employees, consultants or



agents, even though they may not always be subject to Centerra's control. Centerra prohibits these practices and provides training and education to its employees and seeks confirmation of compliance from its consultants and agents. However, Centerra's existing safeguards may prove to be less than effective, and Centerra's employees, consultants and agents may engage in conduct for which Centerra might be held responsible. Any failure by us to adopt appropriate compliance procedures and ensure that Centerra's employees and agents comply with the Anti-Corruption Legislation and applicable laws and regulations in foreign jurisdictions could result in substantial penalties or restrictions on Centerra's ability to conduct business in certain foreign jurisdictions, which may have a material adverse impact on Centerra and its share price.

## Strategy and Planning

### **Centerra's future exploration and development activities may not be successful**

Exploration for and development of gold properties involve significant financial risks and may be subject to political risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an orebody may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. The economic feasibility of development projects is based upon many factors, including the accuracy of mineral reserve estimates; metallurgical recoveries; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, water consumption, importing and exporting, environmental protection; and gold prices, which are highly volatile. Development projects are also subject to the successful completion of socio-environmental impact assessments, feasibility studies, issuance of necessary governmental permits and availability of adequate financing.

The Company's ability to sustain or increase present levels of gold production is dependent on the successful acquisition or discovery and development of new orebodies and/or expansion of existing mining operations. The Company cannot ensure that its current exploration and development programs will result in profitable commercial mining operations or replacement of current production at existing mining operations with new mineral reserves. Also, substantial expenses may be incurred on exploration projects that are subsequently abandoned due to poor exploration results or the inability to define mineral reserves that can be mined economically.

It is not unusual for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated. These uncertainties could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

### **Centerra's mineral reserves may not be replaced**

Centerra has two projects that provide revenue – the Kumtor project located in the Kyrgyz Republic and the Mount Milligan project located in British Columbia, Canada. Current life-of-mine plans for Kumtor contemplate mining until 2023 and milling operations until 2026. Based on the current life-of-mine plan for Mount Milligan, there is approximately 20 years remaining (to 2038)

If the Company's existing mineral reserves are not replaced either by the development or discovery of additional reserves and/or extension of the life-of-mine at its operations or through the acquisition or development of an additional producing mine, this could have an adverse impact on its future cash flows, earnings, results of operations and financial condition, including as a result of requirements to expend funds for reclamation and decommissioning. Although the Company is actively engaged in programs to increase mineral reserves, there can be no assurance that these programs will be successful.

### **Centerra may experience difficulties with its partners**

As a result of having partners in the exploration, development and operation of the Company's projects (Endako, Greenstone, and exploration option arrangements), the Company is subject to the risks normally associated with any partnership/joint venture arrangements. These risks include disagreement with a partner on how to explore, develop, operate and finance a project, possible litigation between us and a partner regarding matters in the agreement, and failure by the Company's partners to abide by Centerra's policies and procedures. This may be particularly the case when the Company is not the operator on the property. These matters may have an adverse effect on the Company's ability to pursue the projects subject to the partner, which could affect its future cash flows, earnings, results of operations and financial condition.

### **Centerra's mineral reserve and resource estimates may be imprecise**

Mineral reserve and resource figures are estimates and no assurances can be given that the indicated levels of gold will be produced or economically extracted, or that we will receive the price assumed in determining its mineral reserves. These estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates and the assumptions such estimates rely on may significantly change when new information becomes available or conditions change. While the Company believes that the mineral reserve and resource estimates included are well established and reflect management's best estimates, by their nature mineral reserve and resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences that may ultimately prove unreliable.

Furthermore, fluctuations in the market price of gold, copper and other commodities as well as increased capital or production costs or reduced recovery rates may render mineral reserves uneconomic and may ultimately result in a reduction of reserves. The extent to which mineral resources may ultimately be reclassified as proven or probable mineral reserves is dependent upon the demonstration of their profitable recovery. The evaluation of mineral reserves or resources is always influenced by economic and technical factors, which may change over time.

No assurances can be given that any mineral resource estimate will ultimately be reclassified as proven or probable mineral reserves. If the Company's mineral reserve or mineral resource figures are inaccurate or are reduced in the future, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

### **Centerra's production and cost estimates may be inaccurate**

Centerra prepares estimates of future production and future production costs for particular operations. No assurance can be given that production and cost estimates will be achieved. These production and cost estimates are based on historical costs and productivity experience. Despite this, actual production and costs may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the ore reserves, such as the need for sequential development of orebodies and the processing of new or different ore grades; encountering unusual or unexpected geological conditions; risks and hazards associated with mining; shortages of principal supplies needed for operations, including explosives, fuel, chemical reagents, water, equipment parts and lubricants; natural phenomena, such as inclement weather conditions, floods, earthquakes, ice or ground movements, pit wall failures and cave-ins; equipment failures; labour issues including unexpected labour shortages or strikes, and the inability to retain or attract the proper talent and civil action by employees; and insufficient modelling robustness. Costs of production may also be affected by a variety of factors, including: changing waste-to-ore ratios, ore grade metallurgy, labour costs, costs of supplies and services (such as, for example, fuel and power), general inflationary pressures and currency exchange rates. Failure to achieve production estimates or production cost estimates

could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

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

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

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

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

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

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

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

These factors may include, but are not limited to:

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

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

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

## Natural Phenomena

### **Centerra may experience further ground movements at the Kumtor project**

From time to time, Kumtor has experienced ground movement in various parts of the Central pit, which has, in some cases, led to an employee casualty, considerable short falls in the annual gold production, changes in mining sequences, increased expenditure on depressurization and dewatering programs, the movement of existing infrastructure and/or the redesign and construction of new infrastructure, reduced slope angles of the Central Pit, and changes in waste rock dump designs.

Although extensive efforts are employed by Centerra to prevent and anticipate further ground movement, there is no guarantee that sudden unexpected ground movements will not recur. A future ground movement could result in a significant interruption of operations. The Company may also experience a loss of mineral reserves or a material increase in costs, if it is necessary to redesign the open pit or waste rock dumps as a result of a ground movement. The consequences of a ground movement will depend upon the magnitude, location and timing of any such movement. If mining operations are interrupted to a significant magnitude or the mine experiences a significant loss of mineral reserves or materially higher costs of operation, this would have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

### **Centerra may experience unanticipated waste dump movements at the Kumtor project**

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

Extensive efforts are employed by Kumtor to confirm the stability of the waste dumps and to anticipate waste dump movement (some minimal movement is naturally expected to occur) including automated

system monitoring, third parties geotechnical reviews, and revision to the strategies for placing waste rock on the waste dumps. However, despite these effects, there are no assurances that sudden unexpected waste dump movements will not recur as they are many factors that are outside of our control that may impact the stability and movement of the waste dump, including weather conditions. Any unanticipated waste dump movement could result in interruption of operations. There is also a possibility that waste dump movement may reach the tailings dam facility, which could have significant effects on the environment (see risk entitled “Water management and the oversight of our tailings management facilities are subject to regulation and risks and could result in significant damages to persons and property.”) The consequences of a waste dump movement will depend upon the magnitude, location and timing of any such movement. If mining operations are interrupted to a significant magnitude or waste dump reaches the tailings dam facility, this would have an adverse impact on our future cash flows, earnings, results of operations and financial condition.

### **Centerra will experience further ice movement at the Kumtor Project**

Continued movement of ice from the South East Ice Wall into the Kumtor Central pit above the high grade SB Zone section requires the mining of ice and waste to maintain its planned production of ore.

During 2012, a substantial acceleration of ice movement, which was exacerbated by a 10-day illegal strike which occurred in early February 2012, required us to revise its mine plan to maintain safe access to the Kumtor Central pit. Under the new mine plan, mining of cut-back 12B, where ore for the second quarter of 2012 was to be released, was stopped to permit pre-stripping of ice and waste in the southwest portion of the pit (cut-back 14B) and unloading of ice and waste material from the High Movement Area to provide access to the southeast section of the Kumtor Central pit. The changes to the mine plan and the delayed release of ore from cut-back 12B resulted in a seven week shutdown of the Kumtor mill and required us to revise its 2012 production and cost guidance.

### **In February 2014, increased movement of the South arm of the Davidov glacier required the construction of a buttress to ensure continued safe mining in the open pit.**

Although the Company is employing extensive efforts to manage further waste and ice movements, there is no guarantee that such efforts will be successful or that further waste and ice movements will not adversely affect operations at the Kumtor project. Future movements could result in a significant interruption of operations, impede access to ore deposits, or require redeployment of mobile equipment away from mining of ore. The Company may also experience a loss of mineral reserves or a material increase in costs if it is necessary to redesign the open pit and surrounding infrastructure as a result of waste and ice movements. The consequences of further ice movement into the Kumtor Central pit will depend upon the extent, location and timing of any such movement. If mining operations are interrupted to a significant magnitude or the mine experiences a significant loss of mineral reserves or materially higher costs of operation, this would have an adverse impact on the Company’s future cash flows, earnings, results of operations and financial condition.

### **Centerra’s operations and projects are located in areas of seismic activity**

The areas surrounding the Company’s Kumtor, Boroo, Öksüt, Mount Milligan and Thompson Creek projects are seismically active. While the risks of seismic activity were taken into account when determining the design criteria for its operations, there can be no assurance that the Company’s operations will not be adversely affected by this kind of activity, all of which could have an adverse impact on the Company’s future cash flows, earnings, results of operations and financial condition.

## Competition

### **Centerra's future prospects may suffer due to increased competition for mineral acquisition opportunities**

Significant and increasing competition exists for mineral acquisition opportunities throughout the world, particularly for opportunities in jurisdictions considered politically safer. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, the Company may be unable to acquire rights to exploit additional attractive mining properties on terms we consider acceptable. Accordingly, there can be no assurance that the Company will acquire any interest in additional operations that would yield mineral reserves or result in commercial mining operations. The Company's inability to acquire such interests could have an adverse impact on its future cash flows, earnings, results of operations and financial condition. Even if the Company does acquire such interests, the resulting business arrangements may not ultimately prove beneficial to its business.

## **Financial Risks**

### Commodity Market

#### **Centerra's business is sensitive to the volatility of gold and copper prices**

The value of the Company's mineral resources and future operating profit and loss is largely dependent on the world market price of gold and copper, which are volatile and are affected by numerous factors beyond its control. A reduction in the price of gold or copper may prevent the Company's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low gold prices. The price of gold or copper may also have a significant influence on the market price of Centerra's common shares. The price of gold and copper are subject to many factors which are beyond the control of the Company, including global supply and demand; central bank lending, sales and purchases; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the U.S. dollar; market speculative activities; the availability and cost of substitute materials; and global or regional political and economic events, including the performance of Asia's economies.

If the market prices fall and remain below production costs of any of the Company's mining operations for an extended period, losses would be sustained, and, under certain circumstances, there may be a curtailment or suspension of some or all of the Company's mining, development and exploration activities. The Company would also have to assess the economic impact of any sustained lower metal prices on recoverability and, therefore, the cut-off grade and level of our mineral reserves and resources. These factors could have an adverse impact on the Company's future cash flows, earnings, results of operations, stated mineral reserves and financial condition.

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

At the Company's Mount Milligan operations, it enters into provisionally-priced sales contracts, whereby the contracts settle at prices to be determined at a future date. The future pricing mechanism of these agreements constitutes an embedded derivative, which is bifurcated and separately marked to estimated fair value at the end of each period. Changes to the fair value of embedded derivatives related to sales agreements are included in sales revenue in the determination of net income. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to sales, respectively, is recorded each reporting period until the date of final pricing. Accordingly, in times of falling commodities

prices, the Company's revenues and cash flow are negatively impacted by lower prices received for contracts priced at current market rates and also from a decrease related to the final pricing of provisionally-priced sales pursuant to contracts entered into in prior years; in times of rising commodities prices, the opposite occurs.

**The Company relies on a few key customers for its copper-gold concentrate from Mount Milligan Mine, and the loss of any one key customer could reduce its revenues.**

Centerra has entered into three multi-year concentrate sales agreements for the sale of copper-gold concentrate produced at Mount Milligan Mine. Pursuant to these agreements, the Company has agreed to sell an aggregate of approximately 140,000 tonnes in 2018, 80,000 tonnes in 2019; and 40,000 tonnes in 2020. A breach of the applicable sales agreement by us or the applicable customer, a significant dispute with one of these customers, a force majeure event affecting the parties' respective performances under the agreement, a bankruptcy event experienced by the customer, early termination of the agreement, or any other event significantly and negatively impacting the contractual relationship with one of these customers could harm the Company's financial condition. If, in such an event, the Company is unable to sell the affected concentrate volume to another customer, or the Company sells the affected concentrate to another customer on terms less advantageous to it, the Company's revenues could be negatively impacted.

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

In order to manage our cash flow exposure to copper and gold price volatility in selling production from Mount Milligan Mine, the Company enters into commodity derivatives from time to time for a portion of our expected production from Mount Milligan. Additionally, the Company receives cash provisional payments in selling production for Mount Milligan Mine, thus requiring that it purchases gold or copper in order to satisfy its obligation to pay Royal Gold in gold and copper (as the case may be). The Company enters into commodity derivatives from time to time in order to manage its gold and copper price risk that arises when physical purchase and concentrate sales pricing periods do not match. The Company currently have in place unsecured hedging lines with various banks and trading companies in order to manage these exposures.

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

The Company's commodity derivatives may expose it to significant market risk, which is the risk that the fair value of a commodity derivative might be adversely affected by a change in underlying commodity prices or a change in its expected production, which may result in a significant financial loss on the derivative. The Company mitigates the potential market risk by establishing trading agreements with counterparties under which the Company is not required to post any collateral or make any margin calls on our derivatives. The Company's commodity derivatives also expose it to credit risks that counterparties may be unable to satisfy their obligations to the Company.

The Company mitigates the potential credit risk by entering into derivatives with a number of counterparties, limiting the amount of exposure to any one counterparty, and monitoring the financial condition of the counterparties. If any of the Company's counterparties were to default on its obligations to

the Company under the derivative transaction or seek bankruptcy protection, it could result in a larger percentage of the Company's future production being subject to commodity price changes which may have a significant adverse effect on the Company's cash flow, earnings and financial condition. The risk of counterparty default is heightened in a poor economic environment.

### **Centerra's operations are sensitive to fuel price volatility**

The Company is also exposed to price volatility in respect of key inputs, the most significant of which is fuel. Increases in global fuel prices can materially increase operating costs, erode operating margins and project investment returns, and potentially reduce viable reserves. Conversely, a significant and sustained decline in world oil prices may offset other costs and improve returns. While the Company has entered into hedge arrangements to minimize its risk to fluctuating fuel prices, there are no assurances that such arrangements will be successful.

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

The Company's earnings and cash flow may also be affected by fluctuations in the exchange rate between the U.S. dollar and other currencies, such as the Kyrgyz som, Canadian dollar, Turkish Lira, Mongolian tugrik, and the Euro. The Company's consolidated financial statements are expressed in U.S. dollars. The Company's sales of gold are denominated in U.S. dollars, while production costs and corporate administration costs are, in part, denominated in Kyrgyz soms, Canadian dollars, Turkish Lira, Mongolian tugrik, Euros and other currencies. Fluctuations in exchange rates between the U.S. dollar and other currencies may give rise to foreign exchange currency exposures, both favourable and unfavourable, which may materially impact Centerra's future financial results.

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

## **Economy, Credit and Liquidity**

### **Global financial conditions**

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

### **Centerra may experience reduced liquidity and difficulty in obtaining future financing**

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



associated with development projects, which could have a material adverse effect on the Company's prospects, results of operations and financial condition.

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

Many of the Company's principal operations and development projects are located in under-developed areas that may have experienced past economic and political difficulties and may be perceived as unstable. This perceived increased country or political risk may make it more difficult for Centerra to obtain debt or equity financing. Failure to obtain additional financing on a timely basis may cause us to postpone development plans, forfeit rights in our properties or reduce or terminate our operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

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

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

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

Pursuant to Centerra's credit facilities, the Company must maintain certain financial ratios and satisfy other non-financial maintenance covenants. Centerra and its material subsidiaries are also subject to other restrictive and affirmative covenants in respect of the Company's respective operations. These covenants include, without limitation, restrictions on our ability to incur additional indebtedness; pay dividends or make other distributions; make loans or investments; sell, transfer or otherwise dispose of assets; and incur or permit to exist certain liens.

Compliance with these covenants and financial ratios may impair the Company's ability to finance its future operations or capital needs or to take advantage of other favourable business opportunities. The Company's ability to comply with these covenants and financial ratios, if left uncured, will depend on its future performance, which may be affected by events beyond its control. The Company's failure to comply with any of these covenants or financial ratios, if left uncured, will result in a default under applicable credit agreements and may result in the acceleration of the applicable indebtedness and other indebtedness to the extent there are cross-default provisions. In the event of a default and the Company is unable to repay any amounts then outstanding, the applicable lender(s), may be entitled to take possession of any collateral securing the credit facility to the extent required to repay those borrowings.

#### **Tax**

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

Centerra has operations and conducts business in a number of different jurisdictions and are accordingly subject to the taxation laws of each such jurisdiction, as well as tax reviews and assessments in the ordinary course. In some jurisdictions, such as Turkey, the Company is eligible for certain investment incentive

programs which provide tax benefits for companies making investments in the relevant country. Participation in such programs requires continued oversight and compliance with the applicable program, which can be time consuming and require the input from third parties including contractors engaged in the investment.

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

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

### Counterparty

#### **Short-term investment risks**

The Company may, from time to time, invest some excess cash balances in short-term instruments issued by highly rated global financial institutions. The failure of any such financial institutions could have a negative effect on the liquidity of the Company's investments.

### **Operational Risks**

**Centerra's business is subject to production and operational risks that could adversely affect its business and insurance may not cover these risks and hazards adequately or at all.**

Mining and metals processing involve significant production and operational risks, some of which are outside of our control, including but not limited to the following:

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

- interruption of energy supply;
- labour disputes;
- inability to obtain satisfactory insurance coverage;
- the availability of drilling and related equipment in the area where mining operations will be conducted; and
- the failure of equipment or processes to operate in accordance with specifications or expectations.

These risks could result in damage to, or destruction of, the Company's mines, mills and roasting facilities, resulting in partial or complete permanent shutdowns, sterilization of mineral reserves, personal injury or death, environmental or other damage to our properties or the properties of others, delays in mining, reduced production, monetary losses and potential legal liability. Milling operations are subject to hazards, such as equipment failure or failure of retaining dams around tailings disposal areas that may result in personal injury or death, environmental pollution and consequential liabilities.

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

## Health, Safety and Environment

### **Centerra is subject to environmental, health and safety risks**

Centerra expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, "laws") drawn from a number of different jurisdictions. The Company believes it is in material compliance with these laws. The historical trend that the Company observes is toward stricter laws, and the Company expects this trend to continue. The possibility of more stringent laws or more rigorous enforcement of existing laws exists in the areas of worker health and safety, the disposition of wastes, the decommissioning and reclamation of mining sites, restriction of areas where exploration, development and mining activities may take place, consumption and treatment of water, and other environmental matters, each of which could have a material adverse effect on the Company's exploration activities, operations and the cost or the viability of a particular project.

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

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

If collection or our management systems (including our physical tailings management facilities) were to fail, overflow or do not operate properly (including through matters beyond our control such as extreme weather, seismic event, or other incident), untreated water or other contaminants could spill onto nearby

properties or into nearby streams and rivers, causing damage to persons or property, injury to aquatic life and economic damages. Environmental and regulatory authorities in the applicable jurisdictions of operation conduct periodic or annual inspections of the relevant mine. As a result of these inspections, the Company is from time to time required to modify its water management program, complete additional monitoring work or take remedial actions with respect to the operations as it pertains to water management.

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

### **Centerra's workforce may be exposed to widespread pandemic**

Centerra's operations are located in areas relatively remote from local towns and villages and represent a concentration of personnel working and residing in close proximity to one another. Further, the sites receive frequent visitors from all over the world, and a number of employees travel frequently abroad. Should an employee or visitor become infected with a serious illness that has the potential to spread rapidly, this could place Centerra's workforce at risk. The 2014 outbreak of the Ebola virus in several African countries is one example of such an illness. The Company takes every precaution to strictly follow industrial hygiene and occupational health guidelines, and medical services are in place along with pandemic management protocols. There can be no assurance that this virus or another infectious illness will not impact Centerra personnel and ultimately its operations.

### **Centerra's operations use cyanide**

The Kumtor operations employ sodium cyanide, which is a hazardous material, to extract gold from ore. The Öksüt and Gatsuurt projects, if they proceed to production, will also use gold processing technology in which cyanide is used. There is inherent risk of unintended discharge of hazardous materials in the operation of leach pads.

If any spills or discharges of sodium cyanide were to occur (at site or during transport), the Company could become subject to liability for remediation costs, which could be significant and may not be insured against. In addition, production could be delayed or halted to allow for remediation, resulting in a reduction or loss of cash flow. Finally, increased sensitivity in respect to the use of cyanide and the potential and perceived environmental impacts of cyanide use in mining operations could exacerbate potential reputational damage to the Company in the event of a cyanide release. While the Company takes appropriate steps to prevent discharges and accidental releases of sodium cyanide and other hazardous materials into the ground water, surface water and the downstream environment, there is inherent risk in the operation of gold processing facilities and there can be no assurance that a release of hazardous materials will not occur.

### **The Company must remove and reduce impurities and toxic substances naturally occurring in copper, gold and molybdenum and comply with applicable law relating thereto, which could result in remedial action and other costs.**

Mineral ores and mineral products, including copper, gold and molybdenum ore and products, contain naturally occurring impurities and toxic substances. Although the Company has implemented procedures that are designed to identify, isolate and safely remove or reduce such impurities and substances, such procedures require strict adherence and no assurance can be given that employees, contractors or others will not be exposed to or be affected by such impurities and toxic substances, which may subject us to liability. Standard operating procedures may not identify, isolate and safely remove or reduce such substances.

Even with careful monitoring and effective control, there is still a risk that the presence of impurities or toxic substances in the Company's products may result in such products being rejected by the Company's customers, penalties being imposed due to such impurities or the products being barred from certain markets. Such incidents could require remedial action and could result in curtailment of operations. Legislation requiring manufacturers, importers and downstream users of chemical substances, including metals and minerals, to establish that the substances can be handled and used without negatively affecting health or the environment may impact the Company's operations and markets. These potential compliance costs, litigation expenses, regulatory delays, remediation expenses and operational costs could have an adverse impact on the Company's future cash flow, earnings, results of operations or financial condition.

#### **There is currently a capacity shortfall of the tailings management facility at Kumtor**

The Kumtor tailings dam design is currently approved by the Kyrgyz authorities to an elevation that is insufficient to store all of the 45 million cubic metres of tailings (68.6 million tonnes of ore) to be processed in the current life-of-mine plan. The Company received in March 2017 the necessary permits from the Kyrgyz Republic state authorities to commence a 3-year construction program to raise the tailings dam to provide adequate tailings storage capacity for Kumtor's mill tailings deposition from 2021 to 2024. Furthermore, the Company has also received in January 2018 approval to raise the tailings dam to its final elevation of 3,677.5 metres, subject to the approval of the final detailed design which is scheduled to be submitted in 2020. While the Company has received these approvals to date in order to raise the tailings dam, there are no assurances that such approvals will continue to apply in the future, or that the Company will receive the further approvals required to raise the tailings dam to its final height. If all necessary approvals are not maintained or obtained, delays in, or interruptions or cessation of the Company's production from the Kumtor project may occur, which may have an adverse impact on the Company's future cash flows, earnings, results of operations or financial condition.

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

The Company's operations require significant quantities of water for mining, ore processing and related support facilities. Continuous production at the Company's mines depends on its ability to maintain its water rights and claims. The failure to obtain needed water permits, the loss of some or all water rights for any of its mines, in whole or in part, or shortages of water to which the Company has rights due to weather, equipment issues or other factors could require the Company to curtail or close mining production and could prevent it from pursuing expansion opportunities.

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

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

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

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

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

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

**Centerra faces substantial decommissioning and reclamation costs**

The Company is required to establish at each of its mine sites and development projects a decommissioning and reclamation plan. Provision must be made for the cost of decommissioning and reclamation for operating sites. These costs can be significant and are subject to change. Kumtor has established a reclamation trust fund to pay for these costs (net of forecast salvage value of assets) from the revenues generated over the life of mine. As required by Canadian provincial and US federal and state laws, the Company has provided reclamation bonds for mine closure obligations for the Mount Milligan Mine, Endako Mine and the Thompson Creek Mine.

The Company cannot predict what level of decommissioning and reclamation may be required in the future by regulators. If the Company is required to comply with significant additional regulations or if the actual cost of future decommissioning and reclamation is significantly higher than current estimates, this could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

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

The capital expenditures and time required to develop new mines are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to build the project. Construction costs and timelines can be impacted by a wide variety of factors, many of which are beyond

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

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

### Asset Management

#### **Centerra may experience mechanical breakdowns**

The Company's mines (whether operating or currently on care and maintenance) use expensive, large mining and processing equipment that requires a long time to procure, build and install. Although the Company conducts extensive preventive maintenance programs, there can be no assurance that the Company will not experience mechanical breakdowns of mining and processing equipment. In the past, the Company has experienced such mechanical breakdowns, which have resulted in unplanned mill shutdowns and reduced mill capacity. In addition, obtaining replacement components for the equipment can take considerable time which may also impact production. Any extended breakdown in mining or processing equipment could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial conditions.

#### **Royalty interests may not be honored by operators**

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

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

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

temporary or permanent basis. At any time, any of the operators of the properties in which it holds a royalty interest or their successors may decide to suspend or discontinue operations.

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

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

Human Resources

**Certain of the Company's projects are unionized and may be subject to labour disturbances**

Production at the Company's operations depends on the efforts of its employees. The Company has unionized environments at our Kumtor project, Boroo project, and Langeloth Facility, and therefore employees are subject to collective agreements which require frequent renegotiations.

Non-management employees at Kumtor and Boroo (including those in head office) are unionized and subject to collective agreements. At Kumtor, a 2-year collective bargaining agreement was approved and ratified in January 2017. At Boroo, which has been placed in care and maintenance, the current collective bargaining agreement is in effect until June 30, 2018.

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

There can be no assurance that, when such agreements expire, there will not be any delays in the renewal process, that negotiations will not prove difficult or that Centerra will be able to renegotiate the collective agreement on satisfactory terms, or at all. The renewal of the collective agreement could result in higher on-going labor costs, which could have a material adverse impact on Centerra's future cash flows, earnings, results of operations and financial condition. Centerra could be subject to labour unrest or other labour disturbances including strikes as a result of any failure of negotiations which could, while ongoing, have a material adverse impact on Centerra, including the achievement of any annual production guidelines and costs estimates. Existing collective agreements may not prevent a strike or work stoppage, and any such work stoppage could have a material adverse impact on the Company.

There is also a possibility that the Company's employees at its other projects, including Mount Milligan Mine, could organize and certify a union in the future.

**Centerra's success depends on its ability to attract and retain qualified personnel**

Recruiting and retaining qualified personnel is critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, it will require additional key financial, administrative and mining personnel as well as additional operations staff. Certain jurisdictions in which the Company operates may limit the number of foreign nationals that can be employed at the mining site. For example, the Restated Concession Agreement relating to the Kumtor operations also requires two thirds of all administrative or technical personnel to be citizens of the Kyrgyz Republic. However, it has been



necessary to engage expatriate workers for the Company's operations in the Kyrgyz Republic because of the shortage locally of trained personnel. Although the Company believes that it will be successful in attracting, training and retaining qualified personnel, there can be no assurance of such success. If the Company is not successful in attracting and training qualified personnel, the efficiency of the Company's operations could be affected, which could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

### Supply Chain

#### **Centerra's properties are located in remote locations and require a long lead time for equipment and supplies**

Some of the Company's properties are in remote locations and depend on an uninterrupted flow of materials, supplies and services to those locations. Any interruptions to the procurement of equipment, or the flow of materials, supplies and services to the Company's properties could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

#### **Centerra's operations may be impacted by supply chain disruptions**

The Company's operations depend on uninterrupted supply of key consumables, equipment and components. The Company's Kyrgyz operations are limited with respect to alternative suppliers of fuel, and any disruption at supplier facilities could result in curtailment or suspension of operations. In addition, major equipment and components and certain key consumables are imported. Recent and potential future economic sanctions imposed on Russia by the U.S. and European Union in 2014 and 2016, may impact delivery of goods and services to the Kumtor operation. The accession of the Kyrgyz Republic to the Eurasian Economic Union may also impact Kumtor supply chains. Any disruption in the transportation of or restriction in the flow of these goods or the imposition of customs clearance requirements may result in production delays.

### Information Technology Systems

#### **Centerra's critical operating systems may be compromised**

Cyber threats have evolved in severity, frequency and sophistication in recent years, and target entities are no longer primarily from the financial or retail sectors. Individuals engaging in cybercrime may target corruption of systems or data, or theft of sensitive data. Centerra is dependent on information technology systems in the conduct of its operations. The Company's mines and mills are automated and networked such that Centerra could be adversely affected by network disruptions from a variety of sources, including, without limitation, computer viruses, security breaches, cyber-attacks, natural disasters and defects in design. Centerra's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment information technology systems and software, as well as pre-emptive expenses to mitigate the risk of failure.

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

## Insurance

### **Centerra may not be adequately insured for certain risks**

Although the Company maintains insurance to cover some of the operational risks and hazards in amounts it believes to be reasonable, insurance may not provide adequate coverage or may not be available in all circumstances. No assurance can be given that insurance will continue to be available at economically feasible premiums or that it will provide sufficient coverage for losses related to these or other risks and hazards.

The Company may also be subject to liability or sustain losses in relation to certain risks and hazards against which the Company cannot insure or for which it may elect not to insure. The occurrence of operational risks and/or a shortfall or lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

### **Caution Regarding Forward-Looking Information**

*Information contained in this document which are not statements of historical facts, and the documents incorporated by reference herein, may be "forward-looking information" for the purposes of Canadian securities laws. Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward looking information. The words "believe", "expect", "anticipate", "contemplate", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule", "understand" and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things: the development activities at the Öksüt Project and the Kemess Project; further amendments of Mount Milligan's Environmental Assessment Certificate; currency movements and hedging transactions; operational plans at Kumtor and Mount Milligan in 2018, including as to the expected restart of the Mount Milligan mill, the timing and outcomes of projects initiated at the Mount Milligan mine aimed at improving metal recovery and other opportunities, the availability of water and consultations with regulatory and First Nations groups; discussions between GGM and First Nations groups regarding impact benefit agreements; the closing of the Strategic Agreement entered into with the Kyrgyz Republic Government and the related resolution of various civil and criminal cases in the Kyrgyz Republic which affect the Kumtor Project; the Company's cash on hand, working capital, future cash flows and existing credit facilities being sufficient to fund anticipated operating cash requirements; AMT refund; the resumption of negotiations with the Mongolian Government related to the Gatsuurt Project; the timing for receipt of proceeds from the sale of the ATO licenses; and statements found under the heading, "2018 Outlook", including forecast 2018 production costs, capital and exploration expenditures and taxes .*

*Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Centerra, are inherently subject to significant political, business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward looking information. Factors that could cause actual results or events to differ materially from current expectations include, among other things: (A) strategic, legal, planning and other risks, including: political risks associated with the Company's operations in the Kyrgyz Republic and Canada; risks that any of the conditions precedent to the Strategic Agreement will not be satisfied in a timely manner or at all, particularly as the Government may not bind the General Prosecutor's Office or the Parliament of the Kyrgyz Republic; a decision by the General Prosecutor's Office, or its successor the Anti-Corruption Service of the State Committee for National Security, to re-open at any time civil or criminal proceedings against Centerra, its subsidiaries or other stakeholders; the failure of the Government to comply with its continuing obligations under the Strategic Agreement, including the requirement that it comply at all times with its obligations under the Kumtor Project Agreements, allow for the continued operation of the Kumtor Mine by KGC and KOC and not take any expropriatory action; actions by the Government or any state agency or the General Prosecutor's Office that serve to restrict or otherwise interfere with the payment of funds by KGC and KOC to Centerra; resource nationalism including the management of external stakeholder expectations; the impact of changes in, or to the more aggressive enforcement of, laws, regulations and government practices, including with respect to the environment, in the jurisdictions in which the Company operates including any delays or refusals to grant required permits and licenses,*

unjustified civil or criminal action against the Company, its affiliates or its current or former employees; risks that community activism may result in increased contributory demands or business interruptions; the impact of any actions taken by the Kyrgyz Republic Government and Parliament relating to the Kumtor Project Agreements which are inconsistent with the rights of Centerra and KGC under the Kumtor Project Agreements; any impact on the purported cancellation of Kumtor's land use rights at the Kumtor Project; the risks related to other outstanding litigation affecting the Company's operations in the Kyrgyz Republic and elsewhere; the impact of the delay by relevant government agencies to provide required approvals, expertises and permits; potential impact on the Kumtor Project of investigations by Kyrgyz Republic instrumentalities; the terms pursuant to which the Mongolian Government will participate in, or to take a special royalty rate in, the Gatsuurt Project; the impact of constitutional changes in Turkey; the impact of any sanctions imposed by Canada, the United States or other jurisdictions against various Russian individuals and entities; the ability of the Company to successfully negotiate agreements for the development of the Gatsuurt Project; potential defects of title in the Company's properties that are not known as of the date hereof; the inability of the Company and its subsidiaries to enforce their legal rights in certain circumstances; the presence of a significant shareholder that is a state-owned company of the Kyrgyz Republic; risks related to anti-corruption legislation; risks related to the concentration of assets in Central Asia; Centerra's future exploration and development activities not being successful; Centerra not being able to replace mineral reserves; Aboriginal claims and consultative issues relating to the Company's properties which are in proximity to Aboriginal communities; and potential risks related to kidnapping or acts of terrorism; (B) risks relating to financial matters, including: sensitivity of the Company's business to the volatility of gold, copper and other mineral prices, the use of provisionally-priced sales contracts for production at Mount Milligan, reliance on a few key customers for the gold-copper concentrate at Mount Milligan, use of commodity derivatives, the imprecision of the Company's mineral reserves and resources estimates and the assumptions they rely on, the accuracy of the Company's production and cost estimates, the impact of restrictive covenants in the Company's credit facilities which may, among other things, restrict the Company from pursuing certain business activities or making distributions from its subsidiaries, the Company's ability to obtain future financing, the impact of global financial conditions, the impact of currency fluctuations, the effect of market conditions on the Company's short-term investments, the Company's ability to make payments including any payments of principal and interest on the Company's debt facilities depends on the cash flow of its subsidiaries; and (C) risks related to operational matters and geotechnical issues and the Company's continued ability to successfully manage such matters, including the movement of the Davidov Glacier, waste and ice movement and continued performance of the buttress at the Kumtor Project; the occurrence of further ground movements at the Kumtor Project and mechanical availability; the ability of the Company to successfully re-start full mill processing operation at Mount Milligan and achieve expected throughput; the success of the Company's future exploration and development activities, including the financial and political risks inherent in carrying out exploration activities; inherent risks associated with the use of sodium cyanide in the mining operations; the adequacy of the Company's insurance to mitigate operational risks; mechanical breakdowns; the Company's ability to replace its mineral reserves; the occurrence of any labour unrest or disturbance and the ability of the Company to successfully re-negotiate collective agreements when required; the risk that Centerra's workforce may be exposed to widespread epidemic; seismic activity in the vicinity of the Company's properties; long lead times required for equipment and supplies given the remote location of some of the Company's operating properties; reliance on a limited number of suppliers for certain consumables, equipment and components; illegal mining on the Company's Mongolian properties; the Company's ability to accurately predict decommissioning and reclamation costs; the Company's ability to attract and retain qualified personnel; competition for mineral acquisition opportunities; and risks associated with the conduct of joint ventures/partnerships; the Company's ability to manage its projects effectively and to mitigate the potential lack of availability of contractors, budget and timing overruns and project resources. See section titled "Risks that can affect our business" in the Company's most recently filed Annual Information Form available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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

*There can be no assurances that forward-looking information and statements will prove to be accurate, as many factors and future events, both known and unknown could cause actual results, performance or achievements to vary or differ materially, from the results, performance or achievements that are or may be expressed or implied by such forward-looking statements contained herein or incorporated by reference. Accordingly, all such factors should be considered carefully when making decisions with respect to Centerra, and prospective investors should not place undue reliance on forward looking information. Forward-looking information is as of February 22, 2018. Centerra assumes no obligation to update or revise forward looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law..*