



**CENTERRA GOLD INC.**



**A GROWING PLATFORM**





- > **\$108 MILLION NET EARNINGS,  
\$217 MILLION CASH GENERATED  
FROM OPERATIONS**
- > **CENTERRA GOLD EXCEEDED  
2018 CONSOLIDATED PRODUCTION  
AND COST GUIDANCE**

#### CORPORATE HIGHLIGHTS

- > Internationally Diversified Gold Producer
- > 2018 Gold Production 730,000 ounces, Copper Production 47.1 million pounds at AISC<sup>1</sup> of \$754 per ounce
- > Portfolio optimization:
  - > Sold royalty assets for \$155 million
  - > Sold silver stream on Kemess Project for \$45 million
  - > Sold Mongolian business unit for \$35 million
- > January 2018, Completed Acquisition of AuRico Metals Inc. adding the Kemess Project to the Company's pipeline of projects
- > Commenced Öksüt Mine construction in March 2018, first gold pour expected Q1, 2020
- > Significant Operational Cash Flow Profile; Cash generated from operations totalled \$217.5 million for the year (including \$291.0 million from Kumtor and \$37.4 million from Mount Milligan)
- > Cash balance of \$152 million and total liquidity of \$641 million, at December 31, 2018
- > Positive Retained Earnings of \$1.17 billion at year-end
- > Mount Milligan received approvals in February 2019 for additional water access over a three-year period which will allow processing operations to return to full capacity so Mount Milligan can realize its full potential

<sup>1)</sup> All-in sustaining costs on a by-product basis per ounce sold excluding taxes (AISC) is a non-GAAP measure discussed under "Non-GAAP Measures" in the Company's Management's Discussion and Analysis accompanying this Annual Report.

#### Corporate Profile

Centerra Gold ("Centerra") is a Canadian-based gold mining company engaged in operating, developing, acquiring and exploring gold properties in North America, Asia and other markets worldwide and is one of the largest Western-based gold producer in Central Asia.

The Company operates two flagship assets, the Mount Milligan Mine in British Columbia, Canada and

the Kumtor Mine in the Kyrgyz Republic and is building its next gold mine, the Öksüt Gold Mine in Turkey.

In 2018, Centerra produced 729,556 ounces of gold and 47.1 million pounds of copper from its two operations.

Centerra's objectives are to build shareholder value by maximizing the potential of its current properties, deliver profitable growth through the development of its late-stage

properties such as Öksüt, Kemess Underground, Kemess East and Greenstone, add additional exploration properties and exploration joint ventures and continue to increase its reserves and resources.

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

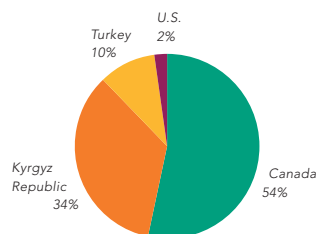
#### Cautionary Note Regarding Forward-looking Statements

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, see page 56. For a detailed discussion of such risks and other factors, see the

Management's Discussion and Analysis (MD&A) included in this Annual Report and the Company's most recent Annual Information Form which is available on SEDAR.

All dollar amounts are expressed in U.S. dollars in this report, except as otherwise indicated.

Information is given as of December 31, 2018 unless otherwise specified.



Consensus Broker  
Net Asset Value  
Breakdown



# A GROWING PLATFORM

## Operations

### KUMTOR / MOUNT MILLIGAN

- > MEANINGFUL CASH FLOW GENERATED FROM OPERATIONS TOTALLED \$217 MILLION

## Under Construction

### ÖKSÜT GOLD PROJECT

- > INVESTING IN OUR GROWTH PIPELINE OF PROJECTS TO DELIVER GROWTH AND DIVERSIFY RISK

## Development

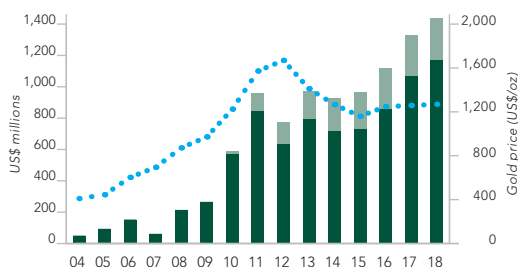
### KEMESS / GREENSTONE

- > Two flagship operating mines, **Kumtor Mine** and **Mount Milligan Mine**, produced solid cash flows and earnings, with low costs and high margins
- > Production exceeded 2018 guidance as well as costs beat the low-end of cost guidance
- > Three-year water approvals received at Mount Milligan in February 2019
- > Strategic Agreement with the Government of the Kyrgyz Republic expected to close by May 31, 2019

## Öksüt Gold Project

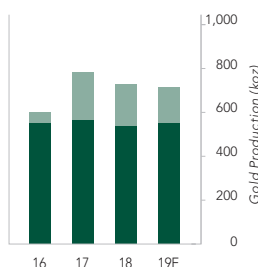
- > Located in Turkey
- > Expected first gold pour in the first quarter of 2020
- > In construction and 38% complete at 2018 year-end
- > Outstanding Safety record: +1 million hours of no lost-time injuries
- > \$150 million low-cost financing in-place

- > A growth pipeline of development properties to deliver additional diversified growth. Promising exploration properties and joint ventures in Canada, Finland, Mexico, Sweden and Turkey
- Kemess Project**
- > C\$1 billion of infrastructure in place
- > Brownfields opportunity reduces risk
- Greenstone Gold Property**
- > Partnership received EA approval by the Canadian Environmental Assessment Agency for the Hardrock Project
- > Signed Long-term Relationship Agreements with Long Lake #58 First Nation and the Metis Nation of Ontario



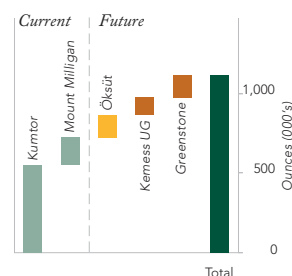
## Retained Earnings Profile

● Retained earnings ● Cumulative Dividends ● Gold Price



## Gold Production

● Kumtor ● Mount Milligan



## Profitably Growing Gold Production

● Construction ● Development



#### KUMTOR SB ZONE DELIVERS AGAIN

Kumtor produced 228,096 ounces of gold in the fourth quarter of 2018 as higher grades from the SB Zone resulted in the highest quarterly production since the fourth quarter of 2014.



#### MOUNT MILLIGAN KEEPS MILLING

Mount Milligan produced 60,271 ounces of gold and 11.8 million pounds of copper in the fourth quarter of 2018. Three-year water access approved for Mount Milligan will return mill processing to full capacity.

#### CEO'S MESSAGE

**2018** was another busy year for Centerra Gold. We completed the friendly acquisition and integration of AuRico Metals Inc. which added the Kemess Project, a de-risked late-stage brownfield project in British Columbia, to our growth pipeline, we restructured our debt into a new four-year \$500 million corporate credit facility, we commenced construction of the Öksüt Project in Turkey, sold the Company's gold royalty portfolio for \$155 million, sold a silver stream on the Kemess Project for \$45 million, divested our Mongolian business unit for \$35 million, received the construction permit for the Kemess Project, and at our Greenstone Partnership, two long-term relationship agreements were signed and the project received its federal environmental assessment approval. We achieved good overall safety and environmental performance in 2018 and our Öksüt construction project achieved a significant milestone in November attaining over 1,000,000 employee hours lost-time injury free.

During 2018, Centerra exceeded its overall 2018 production and cost guidance, producing 729,556 ounces of gold at all-in sustaining costs on a by-product basis of \$754 per ounce sold<sup>1</sup>. Kumtor had another strong year exceeding its revised gold production guidance and beating its cost guidance, delivering 534,563 ounces of gold production at all-in-sustaining cost on a by-product

basis of \$694 per ounce sold<sup>1</sup>. At Mount Milligan, the mine achieved the upper end of both its gold and copper production guidance in 2018, producing 194,993 ounces of gold and 47.1 million pounds of copper, and beat its all-in sustaining cost guidance on a by-product basis at \$764 per ounce sold<sup>1</sup>. In February 2019, Mount Milligan received approvals to access additional sources of surface water and groundwater over a three-year period which will allow its processing operations to return to full capacity and pave the way for the mine to realize its full potential.

Financially in 2018, Centerra reported net earnings of \$107.5 million or \$0.37 per share (basic) and generated \$336.6 million of cash from operations before changes in working capital<sup>1</sup> for the year. In terms of cash flow after working capital on a Company-wide basis, we generated approximately \$217.5 million or \$0.75 per share. At the actual operating asset level, the Kumtor mine generated \$128 million of free cash flow<sup>1</sup> and Mount Milligan generated \$2.5 million, reflecting the reduced throughput levels experienced during the year at Mount Milligan. This enabled the Company to aggressively pay down its debt in the fourth quarter of 2018 by approximately \$139 million (\$105 million over the full year), ending the year with net debt of \$46.0 million (excluding restricted cash of \$27.5 million). At the end of the year, the Company

<sup>1</sup> Non-GAAP measure, see discussion under "Non-GAAP Measures".

### ÖKSÜT GOLD PROJECT – ON BUDGET – ON SCHEDULE

38% complete at 2018 year-end with over 1,000,000 hours lost-time injury free, the project is on time and on budget and the Company continues to expect that the first gold pour from the Öksüt Project will occur in the first quarter of 2020.



reported \$152 million of cash, cash equivalents and short-term investments.

Looking forward in 2019, our main focus will be on the construction of the Öksüt Project and to deliver this project on time and on budget, with anticipated first gold production in the first quarter of 2020. This will represent our third operating asset and a third source of profitable production.

At Kumtor we will continue to work with the Government of the Kyrgyz Republic to pursue completion of the Strategic Agreement by May 31, 2019, after making significant progress in January 2019 in satisfying the remaining conditions precedent to completion of the Strategic Agreement, including the re-issuance of Kumtor's land use certificates and the resolution of a tax claim affecting Kumtor.

At Mount Milligan, having received approvals for access to additional sources of water, we have begun upgrading the water pumping infrastructure at Philip Lake, Rainbow and Meadows Creeks to be in a position to pump water from such sources in the upcoming spring melt which is expected in April 2019. We expect the additional water captured during the spring melt should be sufficient to allow Mount Milligan to return to full mill processing capacity.

At Kemess we will focus on advancing the construction of a water treatment plant and water

discharge system, continue to maintain the site, progress detailed engineering and complete optimization studies on the project.

At the Greenstone Gold Property, our 50-50 joint venture with Premier Gold, the 2019 program will focus on optimizing the economics of the Hardrock Project and continuing to de-risk the project through detailed engineering on the higher-risk areas to confirm and optimize the capex and operating costs. Also, the project will continue to advance and finalize long-term relationship agreements with the local indigenous groups and work on permit applications as we wait for the provincial approval of the project's environmental assessment.

We will continue our commitment to global exploration, with an exploration budget of \$30 million in 2019. The majority of the spending, \$20 million, will be for brownfields exploration at Kumtor, Mount Milligan, Öksüt and Kemess to add to the resource base and convert resources into reserves. Exploration and business development activities will focus on our existing properties and joint ventures in Canada, Finland, Mexico, Sweden, Turkey, and expand into new regions to meet the long-term growth targets of Centerra.

For 2019 we are estimating Company-wide gold production to be in the range of 690,000 to 740,000 ounces. Additionally, we are expecting

## KEMESS ADDS TO OUR PIPELINE OF GROWTH

C\$1 billion of infrastructure in place, and Kemess Underground and Kemess East will further grow our pipeline of projects. Advantageous location due to its proximity to Mount Milligan.



## GREENSTONE

### ONE OF CANADA'S LARGEST UNDEVELOPED OPEN PIT GOLD MINES

The 2019 program includes detailed engineering on higher risk areas to confirm and optimize the capex, operating costs and mine plan updates, infill drilling to further improve accuracy of resource model, and advance long-term relationships with indigenous groups, environmental and community relations support.

65 million to 75 million pounds of payable copper production from Mount Milligan for the year. The Company's guidance assumes reduced mill throughput in the first quarter of 2019 at Mount Milligan to properly manage its water balance until the spring melt runoff. In the second half of 2019, we expect Mount Milligan to achieve an average daily mill throughput of approximately 55,000 tonnes per calendar day. At Kumtor, we are expecting gold production to be evenly weighted for the first three quarters of 2019, with the fourth quarter representing approximately 28 percent of Kumtor's full year gold production forecast.

Company-wide, our all-in sustaining costs on a by-product basis<sup>1</sup> for 2019 are expected to be in the range of \$723 to \$775 per ounce sold. "All-in sustaining costs" is a non-GAAP measure and includes our sustaining capital and corporate costs on a consolidated basis, but excludes growth capital and taxes. It is more fully described in "Non-GAAP Measures" in the accompanying Management's Discussion and Analysis.

We will continue to invest in our properties in 2019. Total capital expenditures excluding capitalized stripping are estimated to be \$275 million, which includes \$91 million of sustaining capital and \$184 million of growth capital. The majority of the growth capital, approximately \$123 million, will be spent at the Öksüt Project in Turkey as we complete the construction of our

next gold mine, with an expected first gold pour to be in the first quarter of 2020. Also, approximately \$26 million of growth capital is planned at the Kemess Project and \$21 million at the Greenstone Gold Property for pre-construction activities. Total capitalized stripping costs related to the development of the open pit at Kumtor in 2019 are estimated to be \$108 million, of which \$88 million is the cash component.

With our corporate credit facility, existing cash reserves and our expectation for continued profitable production, we believe that our business plan and future growth can all be funded internally.

We congratulate our employees for their continued commitment to maintaining the highest safety, health and environmental standards at our mines and for achieving the production goals of the Company. We look forward to another strong year of profitable production at Kumtor and Mount Milligan, constructing the Öksüt Project in Turkey, advancing the Kemess Underground Project in British Columbia, continuing to de-risk the Greenstone Gold Project, and, lastly, expanding our exploration program into new regions.

Scott G. Perry  
President and  
Chief Executive Officer





SELECTED ANNUAL INFORMATION (\$ millions except as noted)	2018	2017	2016 <sup>2</sup>
Revenue	\$ 1,129	\$ 1,199	\$ 758
Earnings from mine operations	\$ 343	\$ 499	\$ 331
Revenue-based taxes	\$ 93	\$ 97	\$ 96
Exploration and business development	\$ 22	\$ 11	\$ 13
Thompson Creek Metals Inc. acquisition and integration expenses	\$ –	\$ 2	\$ 12
AuRico Metals Inc. acquisition and integration expenses	\$ 5	\$ 2	–
Corporate administration	\$ 30	\$ 38	\$ 28
Reclamation expense	\$ 40	–	–
Kyrgyz Republic settlement	\$ –	\$ 60	–
Earnings from operations	\$ 99	\$ 259	\$ 167
Net earnings from continuing operations <sup>(2)</sup>	\$ 113	\$ 252	\$ –
Net loss from discontinued operations <sup>(2)</sup>	\$ (6)	\$ (42)	\$ –
Net earnings	\$ 108	\$ 210	\$ 152
Earnings per share – \$ per share (basic)	\$ 0.37	\$ 0.72	\$ 0.60
Cash provided by operations	\$ 217	\$ 501	\$ 371
Cash flow per share – \$ per share	\$ 0.75	\$ 1.72	\$ 1.48
Cash, cash equivalents and short-term investments (including restricted cash)	\$ 179	\$ 417	\$ 409
Total assets	\$ 2,827	\$ 2,772	\$ 2,655
Gold produced – ounces	729,556	785,316	598,677
Gold sold – ounces	709,330	792,466	580,496
Copper produced – 000's payable pounds	47,091	53,596	10,399
Copper sales – 000's payable pounds	44,370	59,719	9,467
Adjusted operating costs – \$ per oz sold <sup>(1)</sup>	\$ 440	\$ 331	\$ 346
All-in sustaining costs on a by-product basis – \$ per oz sold <sup>(1)</sup>	\$ 754	\$ 687	\$ 682
All-in sustaining costs on a by-product basis including taxes – \$ per oz sold <sup>(1)</sup>	\$ 889	\$ 815	\$ 849
Average realized gold price (consolidated) – \$ per oz sold <sup>(1)</sup>	\$ 1,175	\$ 1,171	\$ 1,228

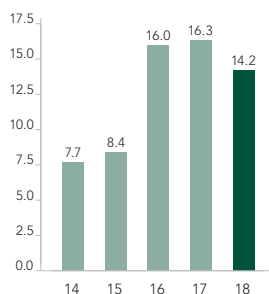
<sup>(1)</sup> Adjusted operating costs per ounce sold, all-in sustaining costs on a by-product basis per ounce sold, all-in costs on a by-product basis including taxes per ounce sold and average realized gold price (consolidated) per ounce sold, are non-GAAP measures and are discussed under "Non-GAAP Measures" in the Management's Discussion and Analysis accompanying this Annual Report.

<sup>(2)</sup> 2016 results include results from Thompson Creek Metals operations (Mount Milligan and the Molybdenum group) from the date of acquisition (October 20, 2016) to December 31, 2016, and are not adjusted for the discontinued operations presentation of the Mongolian Business Unit.

<sup>(3)</sup> For further information regarding gold mineral reserves, grades and quantities, see the Company's news release dated February 22, 2019.

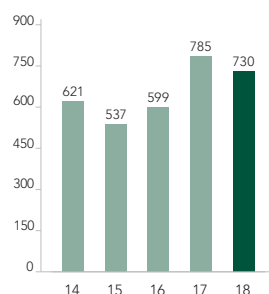
#### GOLD MINERAL RESERVES<sup>(3)</sup>

(as at December 31)  
(Millions of contained ounces of gold)



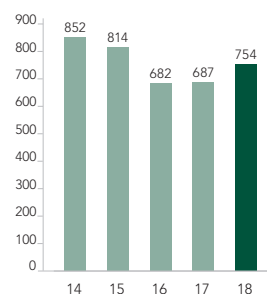
#### GOLD PRODUCTION

(Thousands of ounces)



#### ALL-IN SUSTAINING COSTS<sup>(1)</sup>

(\$ per ounce sold)





**Centerra Gold Inc.**  
**Management's Discussion and Analysis ("MD&A")**  
**For the Period Ended December 31, 2018**

This Management Discussion and Analysis ("MD&A") has been prepared as of February 22, 2019, 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, 2018 in comparison with the corresponding periods ended December 31, 2017. This discussion should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended December 31, 2018 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. The Company is currently constructing its next gold mine, the Öksüt Project in Turkey and has two promising development properties in Canada as well as exploration joint ventures or properties in Canada, Finland, Mexico, Sweden, Turkey and the United States.

Centerra's common shares are listed for trading on the Toronto Stock Exchange under the symbol CG. As of February 22, 2019, there are 292,123,716 common shares issued and outstanding and options to acquire 4,981,701 common shares outstanding under its stock option plan.

As of December 31, 2018, Centerra's significant subsidiaries are as follows:

Entity	Property - Location	Current Status	Property Ownership	
			2018	2017
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%
Öksüt Madencilik A.S. ("OMAS")	Öksüt Project - Turkey	Development	100%	100%
AuRico Metals Inc	Kemess Project - Canada	Pre-development	100%	0%
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%

As at December 31, 2018, the Company has also entered into agreements to earn an interest in joint venture exploration properties located in Canada, Mexico and Finland. In addition, the Company has exploration properties in Canada, Turkey and the United States and has strategic alliance agreements with partners to evaluate potential gold opportunities in West Africa and Sweden.

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, the Kemess Project and the Greenstone Gold Property, 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.

The Company’s 2018 production costs<sup>NG</sup> at its two operating mines totaled \$598 million compared to \$592 million in 2017. Production costs at Kumtor were 2.2% higher than 2017 (\$368 million in 2018 compared to \$360 million in 2017). The increase reflects the impact of higher mining costs, especially for diesel fuel (higher input prices and consumption). At Mount Milligan, production costs in 2018 were \$230 million, similar to 2017, reflecting higher labour and environmental consulting costs, offset by lower drill and blast costs.

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 from the revenues generated over the life of the mine. 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.

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

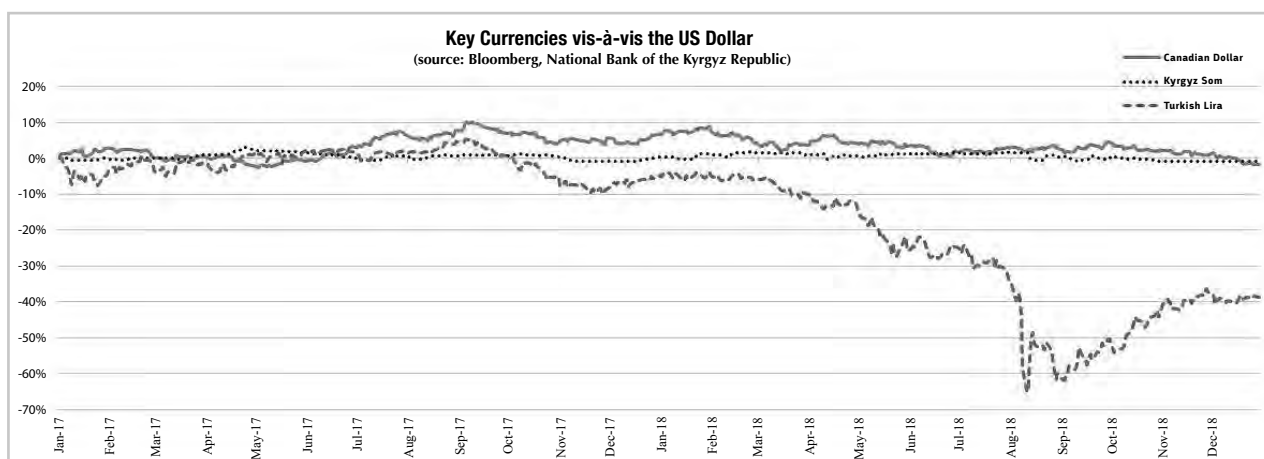
The average quarterly gold spot price of \$1,229 in the fourth quarter of 2018 was slightly above the quarterly average low point of \$1,213 reached in the third quarter of 2018. The average gold spot price for 2018 was \$1,269 per ounce, an increase of 1% over the average in 2017.

### Copper Price

The average quarterly copper spot price dropped in the fourth quarter of 2018 to \$2.80 per pound, a 11% decrease compared to the high of \$3.16 per pound reached in the first quarter of the year. The average copper spot price for 2018 was \$2.96 per pound, an increase of 6% over the average in 2017.

## Currency

**Figure A**



### Canadian Dollar

The Canadian Dollar (C\$) exhibited a sustained downward trend in 2018, depreciating 8.5% relative to the U.S. Dollar and reaching C\$1.36 per U.S. Dollar in December 2018 (December 31, 2017 C\$1.26 per U.S. Dollar).

### Kyrgyz Som

The Kyrgyz Som to U.S. Dollar exchange rate depreciated 1% over 2018. The Som value is driven by the economic growth and inflation expectations in the Kyrgyz Republic and influenced by the currencies of its main trading partners, mainly Russia and Kazakhstan.



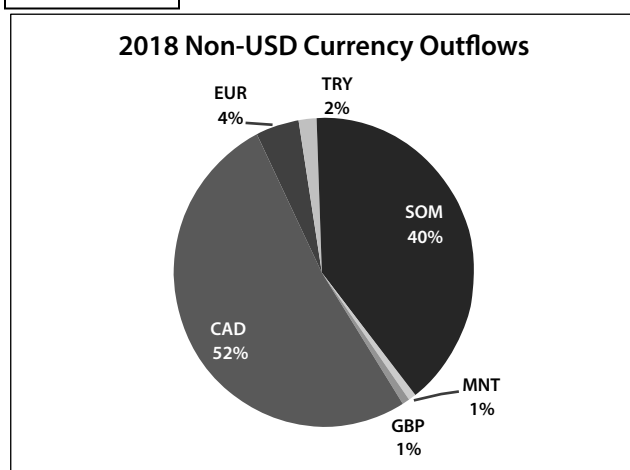
## ***Turkish Lira***

The Turkish Lira (“TRY”) depreciated markedly in 2018, closing on December 31, 2018 at 5.29 per U.S. Dollar from 3.8 at December 31, 2017 (a depreciation of 39%). Following the United States’ announcement of doubling tariffs on Turkish steel and aluminum, the USD-TRY rate increased to 7.24 on August 13, 2018, the highest level in the last 30 years, and subsequently decreased prior to the end of the year.

## **Foreign Exchange Transactions**

The Company generates its revenues through the sale of gold, copper and molybdenum in U.S. Dollars. The Company has significant operations in Canada (including its corporate head office), the Kyrgyz Republic, Turkey and the United States. During 2018, the Company incurred combined expenditures (including capital) of approximately \$1,768 million. Approximately \$624 million of this (35%) was in currencies other than the U.S. dollar. The percentage of Centerra’s non-U.S. Dollar costs by currency was as follows:

**Figure B**



In 2018, Centerra’s non-U.S. dollar costs consisted of 52% Canadian Dollars, 40% Kyrgyz Soms, 4% Euros, 1% Mongolian Tugrik, 1% British Pound, and 2% Turkish Lira. The net impact of the currency movements in the year ended December 31, 2018, after factoring in the balances in non-USD currencies held at the beginning of the year, was to decrease annual costs by \$14.5 million (increase of \$9.1 million in the year ended December 31, 2017), inclusive of the currency hedging cost of \$0.3 million (\$1.2 million gain for the year ended December 31, 2017).

## ***Diesel Fuel Prices***

One of the more significant movements in commodity prices in 2018 was the decline in the West Texas Intermediate (“WTI”) and Brent crude oil prices in the last quarter of the year.

According to the U.S. Energy Information Administration, Brent crude oil prices averaged \$71/bbl in 2018, ending the year at \$54/bbl (a decrease of \$13/bbl from the end of 2017). WTI crude oil prices averaged \$65/bbl in 2018, ending the year at \$45/bbl (a decrease of \$15/bbl from December 31, 2017).

Fuel costs represent a significant cost component for Centerra’s mining operations. Prices for Kumtor diesel fuel in 2018 generally reflected the price movements of Brent crude oil. The purchase price for diesel fuel for Kumtor in 2018 increased 26% when compared to 2017, averaging \$0.53/l for the year. Kumtor sources its fuel from Russia either directly or through Kyrgyz distributors. Kumtor’s diesel prices include additional costs such as seasonal premiums for winterizing the diesel fuel and transportation costs from the Russian refineries. The increase in price was partially offset by the Company’s diesel hedging program, which offset costs with a \$2.2 million gain in 2018.

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 and advance the Company's pre-development and development projects. 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 \$217.5 million in cash from operations in 2018 and has a balance of cash, cash equivalents and short-term investments of \$151.7 million as at December 31, 2018.

As at December 31, 2018, the Corporate Facility (defined below), had an outstanding balance of \$111 million at December 31, 2018, after net repayments of \$79 million in 2018 (outstanding balance as at December 31, 2017 - \$190 million). At December 31, 2018, the unutilized balance available to the Company under the Corporate Facility was \$389 million.

In the second quarter of 2018, after satisfying all of the required conditions precedent, the Company began drawing on the \$150 million OMAS Facility (defined below) relating to the Öksüt Project. As at December 31, 2018, the Company had drawn \$49.7 million under the facility, leaving \$100.3 million unutilized and available (see Credit Facilities – OMAS Facility).

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 2019. See "Risks affecting our Business" and "Caution Regarding Forward-Looking Information".

## **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, while satisfying debt repayment requirements and other obligations.

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 credit facilities at December 31, 2018 and throughout 2018.

### Centerra Revolving Term Corporate Facility

In the first quarter of 2018, the Company entered into a new \$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 an amendment and restatement of a credit facility entered into by Centerra B.C. Holdings Inc. (the "Centerra B.C. Facility"), which had been entered in connection with the acquisition of Thompson Creek in October 2016, and also replaced the AuRico acquisition and EBRD facilities. The Corporate Facility is for general corporate purposes, including working capital, investments, acquisitions and capital expenditures. Funds drawn under the Corporate Facility are available to be re-drawn on a quarterly basis, at the Company's discretion, and repayment of the loaned funds may be extended until February 2022.

As at December 31, 2018, the Corporate Facility had a drawn balance of \$111 million.

### OMAS Facility

In the second quarter of 2018, OMAS, a wholly-owned subsidiary of the Company that owns the Öksüt Project, satisfied all conditions precedent required under the \$150 million five-year credit facility (the "OMAS Facility") it has entered with European Bank for Reconstruction and Development and UniCredit Bank AG. The purpose of the OMAS Facility is to assist in financing the construction of the Company's Öksüt Project. As a condition of the OMAS Facility, the Company placed \$25 million in restricted accounts with the lenders, including \$15 million which is restricted until the Öksüt Project mining lease has been extended and \$10 million which is restricted during the construction phase.

As part of an amendment to the OMAS Facility in 2018, OMAS agreed to apply all of its excess cash flow towards debt prepayment under the OMAS Facility until the Öksüt Project's mining license is extended beyond its current expiry date of January 16, 2023. OMAS intends to apply for an extension of its mining license as soon as permitted under Turkish legislation, which is two years prior to expiry of the mining license. In addition, Centerra will provide a limited guarantee of a portion of OMAS' obligations under the OMAS Facility and will agree to comply with certain covenants which are consistent with the covenants under the Corporate Facility. The lenders under the OMAS Facility may call on Centerra's guarantee if the Öksüt mining license is not extended beyond January 16, 2023.

The OMAS Facility expires on March 31, 2024 and as at December 31, 2018, had a drawn balance of \$49.7 million. As at December 31, 2018, \$6.2 million (December 31, 2017 - \$4.8 million) of deferred financing fees are being amortized over the term of the OMAS Facility.

### Caterpillar Financial Services Limited Promissory Note ("CAT Note")

In 2016, as part of the Thompson Creek Metals Company Inc. ("TCM") acquisition, the Company assumed TCM's capital equipment lease obligations owed to Caterpillar Financial Services Limited ("Caterpillar"). The Company re-financed the leases in 2017, whereby the Company purchased the assets held under the finance leases through a loan payable to Caterpillar.

Interest on the CAT Note is at three-month LIBOR + 4.93% paid quarterly in arrears. The CAT Note is secured by assets previously held under the finance leases and contain certain non-financial covenants.

In 2018, an amendment was signed extending the CAT Note until March 25, 2020 with an initial principal repayment of \$5 million, which was paid on January 25, 2019, at which time the interest rate reset to LIBOR + 3.50%.

As at December 31, 2018 the principle amount outstanding under the CAT Note is \$32 million.

### Other Facilities

On January 8, 2018, the Company entered into a \$125 million acquisition facility (“AuRico Acquisition Facility”) with the Bank of Nova Scotia, as administrative agent, lead arranger and lender, in connection with the acquisition of AuRico Metals Inc. The AuRico Acquisition Facility was repaid and cancelled after the Company entered into the Corporate Facility.

In early 2018, the Company repaid the \$76 million outstanding balance of its revolving credit facility with the European Bank for Reconstruction and Development and subsequently cancelled the facility.

## **Mineral Reserves and Mineral Resources**

On February 22, 2019, 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 Öksüt Project, the Kemess Property and the Hardrock deposit, all as of December 31, 2018. For additional details, please see the news release “*Centerra Gold 2018 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 22, 2019.

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

- At December 31, 2018, Centerra’s proven and probable gold mineral reserves total an estimated 14.2 million contained ounces (706.3 Mt at 0.6 g/t gold), compared to 16.3 million contained ounces (746.8 Mt at 0.7 g/t gold) the prior year. During 2018, proven and probable gold mineral reserves decreased by 2.1 million contained ounces, after processing of 977,000 contained ounces and a net deletion of 1.1 million contained ounces. The decrease in gold mineral reserve contained ounces is primarily due to the Company’s sale of the Mongolian business unit (Gatsuurt Project) that represented 1.3 million contained ounces of mineral reserves. Excluding the impact of the sale of the Company’s Mongolian business unit gold mineral reserves decreased by 782,000 contained ounces in 2018. The 2018 year-end gold mineral reserves have been verified and estimated using a gold price of \$1,250 per ounce.

#### Gold Mineral Resources

- Centerra’s measured and indicated gold mineral resources, exclusive of gold mineral reserves, increased by 2.1 million ounces of contained gold, excluding the impact of the sale of the Company’s Mongolian business unit (993,000 ounces of contained gold), to 11.3 million ounces of contained gold (758.8 Mt at 0.5 g/t gold), compared to the December 31, 2017. The increase is a result of exploration success at Kumtor and Mount Milligan and changes in the metal price assumptions at the Kemess Project.



- Centerra's inferred gold mineral resource estimate totals 6.2 million contained ounces of gold (151 Mt at 1.3 g/t gold), a decrease of 629,000 contained ounces from December 31, 2017. The decrease is primarily a result of the reduction of 511,000 of contained ounces of gold as a result of the divestiture of the Mongolian assets in 2018. In addition, at Kemess East inferred mineral resources decreased by 357,000 contained ounces of gold from additional drilling that converted a portion of the inferred ounces to the indicated category. At Kumtor inferred mineral resources increased by 8,000 contained ounces because of exploration drilling and the generation of a new constraining economic pit shell. At Öksüt additional in-fill drilling in the Keltepe open pit converted 58,000 contained ounces to the measured and indicated categories. These decreases were offset by the addition of 252,000 contained ounces at the Kemess Underground project due to the change in resource metal prices assumptions.

<b>Gold (000s attributable ozs contained) <sup>(1)(4)</sup></b>	<b>2018</b>	<b>2017</b>
Total proven and probable mineral reserves	<b>14,223</b>	16,321
Total measured and indicated mineral resources <sup>(2)</sup>	<b>11,338</b>	10,204
Total inferred mineral resources <sup>(2)(3)(4)</sup>	<b>6,191</b>	6,819

<sup>(1)</sup> Centerra's equity interests are as follows: Mount Milligan 100%, Kumtor 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.

### Copper Mineral Reserves

- Centerra's proven and probable copper mineral reserves total an estimated 2,465 million pounds of contained copper (555 Mt at 0.202% copper). The copper mineral reserves have been estimated based on a copper price of \$3.00 per pound for the Mount Milligan Mine and the Kemess Underground Project.
- At the Mount Milligan Mine, proven and probable copper mineral reserves total an estimated 1,836 million pounds of contained copper (448 Mt at 0.186% copper) at the end of December 2018, compared to 1,938 million contain pounds of copper (468 Mt 0.188% copper) as of December 31, 2017. Proven and probable copper mineral reserves decreased by 103 million contained pounds of copper, after processing 61 million contained pounds of copper in 2018. During 2018, mineral reserves decreased primarily due to mining depletion, but was also affected by geological model changes, modifications to the copper recovery curve and an increase in concentrate transportation costs.
- At the Kemess Property, proven and probable copper mineral reserves are unchanged at the Kemess Underground Project and are estimated to be 630 million pounds of contained copper (107 Mt at 0.266% copper) at the end of December 2018.

### Copper Mineral Resources

- Centerra's measured and indicated copper mineral resources, exclusive of mineral reserves, total an estimated 5,836 million pounds of contained copper (1,090 Mt at 0.243% 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 increased by 365 million pounds of contained copper to an estimated 1,028 million pounds of contained copper (342 Mt at 0.136% copper) at the end of December 2018 as a result of successful exploration drilling activities in 2018 and have been estimated based on a copper price of \$3.50 per pound.
- Measured and indicated resources that are exclusive of reserves increased by an estimated 588 million contained copper pounds at the Kemess Project. This increase in copper pounds is attributable to an increase of 132 million pounds of contained copper at Kemess Underground that was due to a change to the metal price assumptions (changed to standardize them across our sites) and an increase of 456 million pounds of contained copper at Kemess East because of the standardization of corporate metal prices and to the results of 9 exploration drill holes that converted some inferred material to the indicated category. The Kemess Underground measured and indicated resources are 174 Mt at 0.182% copper or an estimated 697 million pounds of contained copper and Kemess East measured and indicated resources of 177.5 Mt at 0.360% copper or an estimated 1,410 million pounds of contained copper.
- Centerra's inferred copper mineral resource estimate totals 607 million pounds of contained copper (132.0 Mt at 0.209% copper). This includes at Mount Milligan an estimated 115 million pounds of contained copper (41 Mt at 0.127% copper) that represents a year-over-year increase of 4 million pounds of contained copper that is attributable to additional in-pit drilling completed in 2018. At Kemess Underground this includes 210 million pounds of contained copper (47.7 Mt at 0.20% copper) and at Kemess East 203 million pounds of contained copper (29.3 Mt at 0.31%).

<b>Copper (million pounds contained) <sup>(1)(4)</sup></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Total proven and probable mineral reserves <sup>(2)</sup>	<b>2,465</b>	2,568
Total measured and indicated mineral resources <sup>(2)</sup>	<b>5,836</b>	5,541
Total inferred mineral resources <sup>(2)(3)(4)</sup>	<b>607</b>	1,427

<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.

### Molybdenum Mineral Resources

- Centerra's measured and indicated molybdenum mineral resources, exclusive of mineral reserves, total an estimated 636 million pounds of contained molybdenum (683 Mt at 0.042% 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 50 million pounds of contained molybdenum (62 Mt at 0.036% molybdenum).

<b>Molybdenum (million pounds contained) <sup>(1)(3)(4)</sup></b>	<b>2018</b>	<b>2017</b>
Total measured and indicated mineral resources <sup>(2)</sup>	<b>636</b>	758
Total inferred mineral resources <sup>(3)</sup>	<b>50</b>	150

<sup>(1)</sup> Centerra's equity interests are 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, Thompson Creek and Endako were estimated using a molybdenum price of \$14.00 per pound. The exchange rate used at Berg and Endako was 1USD:1.25CAD.

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

	<b>2018</b>	<b>2017</b>
<b><u>Gold price</u></b>		
Gold mineral reserves (\$/oz)	<b>\$1,250</b>	\$1,250
Gold mineral resources (\$/oz) <sup>(1)</sup>	<b>\$1,450</b>	\$1,450
<b><u>Copper price</u></b>		
Copper mineral reserves (\$/lb)	<b>\$3.00</b>	\$3.00
Copper mineral resources (\$/lb)	<b>\$3.50</b>	\$3.50
<b><u>Foreign exchange rates</u></b>		
1 USD : Cdn\$ <sup>(2)</sup>	<b>1.25</b>	1.25
1 USD : Kyrgyz som	<b>65</b>	65
1 USD : Turkish Lira	<b>3.50</b>	3.50

<sup>(1)</sup> Mineral resources at the Hardrock Project were estimated at C\$1,625, while resource estimation at Brookbank and Kailey properties used \$1,455.

<sup>(2)</sup> Cdn\$ exchange rate used for the Hardrock Project was 1USD:1.30CAD and at Brookbank and Kailey properties a rate of 1USD:1.18CAD was used.

## Consolidated Financial and Operational Highlights

<i>Unaudited (\$ millions, except as noted)</i>	Three months ended December 31,			Year ended December 31,		
<b>Financial Highlights</b>	2018	2017	% Change	2018	2017	% Change
Revenue	\$ 391.5	\$ 358.2	9%	\$ 1,129.3	\$ 1,199.0	(6%)
Cost of sales	232.2	180.8	28%	761.4	682.1	12%
Standby costs	-	-	0%	10.8	-	100%
Earnings from mine operations	155.3	171.7	(10%)	343.4	498.7	(31%)
Net earnings from continuing operations	48.9	132.5	(63%)	113.5	251.8	(55%)
Net earnings (loss) from discontinued operations	0.1	(2.5)	(104%)	(5.9)	(42.3)	(86%)
<b>Net earnings</b>	\$ 49.0	\$ 130.0	(62%)	\$ 107.5	\$ 209.5	(49%)
<b>Adjusted earnings</b> <sup>(3)</sup>	\$ 49.0	\$ 108.7	(55%)	\$ 77.8	\$ 281.0	(72%)
Cash provided by operations <sup>(4)</sup>	151.6	170.4	(11%)	217.5	500.9	(57%)
Cash provided by operations before changes in working capital <sup>(3) (4)</sup>	156.8	159.9	(2%)	336.6	512.6	(34%)
Capital expenditures (sustaining) <sup>(3)</sup>	23.6	29.0	(19%)	88.5	91.8	(4%)
Capital expenditures (growth and development projects) <sup>(3)</sup>	3.1	10.5	(70%)	70.7	32.0	121%
Capital expenditures (stripping)	36.0	31.9	13%	138.8	200.2	(31%)
Total assets	\$ 2,826.7	\$ 2,772.2	2%	\$ 2,826.7	\$ 2,772.2	2%
Long-term debt and lease obligation	183.5	211.6	(13%)	183.5	211.6	(13%)
Cash, cash equivalents and restricted cash	179.2	416.6	(57%)	179.2	416.6	(57%)
<b>Per Share Data</b>						
Net earnings from continuing operations per common share - \$ basic <sup>(1)</sup>	\$ 0.17	\$ 0.45	62%	\$ 0.39	\$ 0.86	(55%)
Net earnings from continuing operations per common share - \$ diluted <sup>(1)</sup>	\$ 0.16	\$ 0.44	63%	\$ 0.38	\$ 0.86	(56%)
Net earnings per common share - \$ basic <sup>(1)</sup>	\$ 0.17	\$ 0.45	(62%)	\$ 0.37	\$ 0.72	(49%)
Net earnings per common share - \$ diluted <sup>(1)</sup>	\$ 0.17	\$ 0.44	(62%)	\$ 0.36	\$ 0.72	(50%)
Adjusted earnings per common share - \$ basic <sup>(1)(3)</sup>	\$ 0.17	\$ 0.37	(55%)	\$ 0.27	\$ 0.96	(72%)
Adjusted earnings per common share - \$ diluted <sup>(1)(3)</sup>	\$ 0.17	\$ 0.36	(54%)	\$ 0.26	\$ 0.96	(73%)
<b>Per Ounce Data (except as noted)</b>						
Average gold spot price - \$/oz <sup>(2)</sup>	1,228	1,275	(4%)	1,269	1,258	1%
Average copper spot price - \$/lbs <sup>(2)</sup>	3.12	2.57	21%	3.14	2.61	20%
Average realized gold price (Kumtor) - \$/oz <sup>(3)</sup>	1,214	1,262	(4%)	1,244	1,245	(0%)
Average realized gold price (Mount Milligan - combined) - \$/oz <sup>(3) (5)</sup>	984	978	1%	971	1,003	(3%)
Average realized gold price (consolidated) - \$/oz <sup>(3)</sup>	1,157	1,190	(3%)	1,175	1,171	0%
Average realized copper price (consolidated) - \$/lbs <sup>(3)</sup>	1.76	2.23	(21%)	2.02	2.11	(4%)
<b>Operating Highlights</b>						
Gold produced – ounces	288,367	216,752	33%	729,556	785,316	(7%)
Gold sold – ounces	269,754	242,228	11%	709,330	792,466	(10%)
Payable Copper Produced (000's lbs)	11,796	12,261	(4%)	47,091	53,596	(12%)
Copper Sales (000's payable lbs)	13,591	13,105	4%	44,370	59,719	(26%)
Operating costs (on a sales basis) <sup>(3) (6)</sup>	168.4	132.0	28%	564.5	487.1	16%
<b>Unit Costs</b>						
Adjusted operating costs on a by-product basis - \$/oz sold <sup>(3)(6)</sup>	\$ 372	\$ 320	16%	\$ 440	\$ 331	33%
Gold - All-in sustaining costs on a by-product basis – \$/oz sold <sup>(3)(6)</sup>	\$ 576	\$ 571	1%	\$ 754	\$ 687	10%
Gold - All-in sustaining costs on a by-product basis (including taxes) – \$/oz sold <sup>(3) (6)</sup>	\$ 709	\$ 708	0%	\$ 889	\$ 815	9%
Gold - All-in sustaining costs on a co-product basis (before taxes) – \$/oz sold <sup>(3)(6)</sup>	\$ 573	\$ 593	(3%)	\$ 750	\$ 737	2%
Copper - All-in sustaining costs on a co-product basis (before taxes) – \$/pound	\$ 1.53	\$ 1.70	(10%)	\$ 1.77	\$ 1.47	20%



- (1) As at December 31, 2018, the Company had 291,999,949 common shares issued and outstanding (292,123,716 common shares as of February 22, 2019). As of February 22, 2019, Centerra had 4,981,701 share options outstanding under its share option plan with exercise prices ranging from US\$2.83 per share to Cdn\$22.28 per share, with expiry dates between 2019 and 2026.
- (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) Non-GAAP measure. See discussion under “Non-GAAP Measures”.
- (4) Excludes Molybdenum business.
- (5) Combines streamed and unstreamed amounts.
- (6) Excludes Molybdenum business.

## Overview of Consolidated Results

### Year ended December 31, 2018 compared to 2017

The Company recorded net earnings of \$107.5 million in 2018, compared to \$209.5 million in 2017. The earnings in 2018 were negatively impacted by lower volumes at Mount Milligan, resulting from a temporary shutdown in the first quarter of 2018 as well as reduced capacity in the first and fourth quarters of 2018 due to water shortages. The fourth quarter 2018 was also negatively impacted by a charge for reclamation expense of \$41.8 million, mainly for additional water treatment costs at Thompson Creek Mine. Gold production at Kumtor in 2018 was also lower than the prior year due to lower grades processed. Results in 2018 included a gain of \$28.0 million on the sale of the royalty portfolio, \$9.4 million gain on the sale of the ATO property, partially offset by an asset impairment of \$8.4 million related to the sale of the Mongolian business unit and \$4.4 million of costs incurred as part of the acquisition of AuRico Metals Inc. in January 2018. 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 2018 and 2017 were \$77.8 million and \$281.0 million respectively.

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

Gold production for 2018 totalled 729,556 ounces compared to 785,316 ounces for 2017. Gold production at Kumtor was 534,563 ounces in 2018, 5% lower than the 562,749 ounces produced in 2017. The decrease in ounces poured at Kumtor is a result of milling lower grade ore from stockpiles (3.29 g/t compared to 3.58 g/t) compared to 2017. During the year ended December 31, 2018, Mount Milligan produced 194,993 ounces of gold and 47.1 million pounds of copper, 12% lower than in 2017 for both metals.

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

Centerra had twenty-three reportable injuries in 2018, including nine lost time injuries, ten medical aid injuries and four restricted work injuries.

There were no reportable releases to the environment in 2018.

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

Revenue decreased to \$1,129.3 million in 2018 from \$1,199.0 million in 2017, as a result of 10% fewer gold ounces sold (709,330 ounces compared to 792,466 ounces), 26% less copper pounds sold (44.4 million pounds compared to 59.7 million pounds) and lower average prices for both metals, partially offset by 42% higher molybdenum sales as compared to 2017.

Cost of sales increased in 2018 to \$761.4 million compared to \$682.1 million in 2017, mainly resulting from higher mining costs especially for diesel fuel at Kumtor, higher volumes in the molybdenum business, partially offset by lower sales volumes at Mount Milligan. Depreciation, depletion and amortization associated with production was \$196.9 million in 2018 as compared to \$195.0 million in 2017.

Standby costs of \$10.8 million were recorded in the first quarter of 2018 representing overhead costs at Mount Milligan during the temporary mill shutdown and subsequent ramp-up period that were unrelated to normal processing volumes.

An increase in reclamation expenses of \$41.8 million was recorded in the fourth quarter of 2018, mainly from a requirement for additional processing to treat water at Thompson Creek Mine.

In the second quarter of 2018, the Company recorded a pre-tax gain of \$28.0 million as a result of the sale of the royalty portfolio and a gain of \$9.4 million to recognize the final installments to be paid on the ATO sale.

The Company completed the sale of its Mongolian business unit on October 11, 2018 for net cash proceeds of \$35 million. Given that the Mongolian business unit was a separate component of the Company, the net Mongolian activity in 2018 and in the comparative periods of 2017 have been classified as discontinued operations in the Company's Statement of Earnings. As a result, the Company recorded a net loss of \$5.9 million and \$42.3 million from discontinued operations in 2018 and 2017 respectively. An impairment charge of \$8.4 million was recorded in discontinued operations in 2018 to impair the carrying value of the Mongolian business unit to reflect its fair value (impairment of \$39.7 million, net of tax, recorded in 2017).

Exploration expenditures in the year ended December 31, 2018 totalled \$20.9 million compared to \$11.3 million in 2017, reflecting the resumption of exploration activities at Kumtor (\$6.1 million) in 2018 and increased spending on advanced projects, mainly at Öksüt, as compared to the prior year.

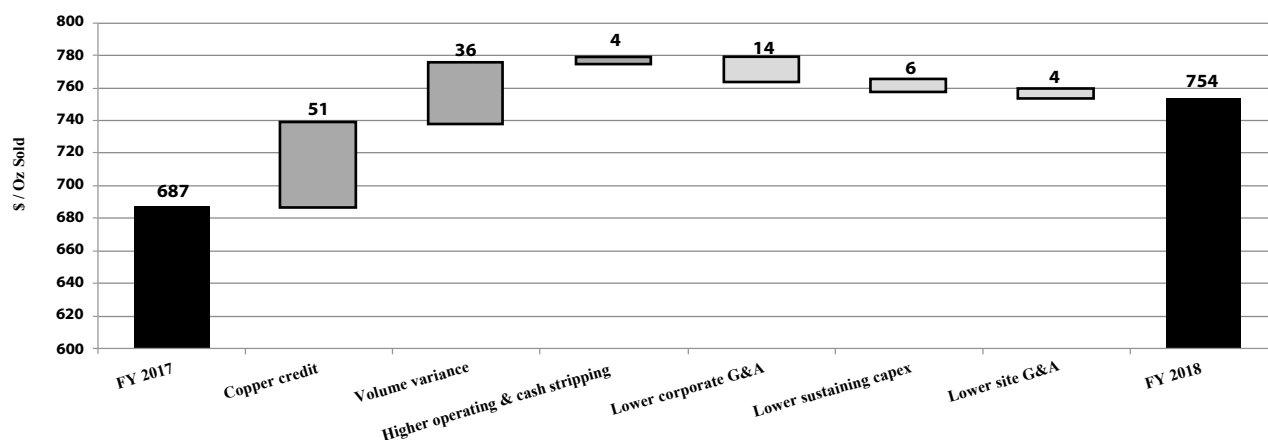
Corporate administration costs were \$29.6 million in 2018, a decrease of \$8 million compared to the same period of 2017, mainly due to a decrease in share-based compensation of \$3.3 million resulting from a decline in the Company's share price, lower costs for legal and consulting and lower employee costs, partially offset by additional administration costs associated with the acquisition of AuRico Metals Inc.

### ***Operating Costs:***

Operating costs (on a sales basis)<sup>NG</sup> increased to \$564.5 million in 2018 compared to \$487.1 million in 2017, which includes an increase in operating costs of \$61.5 million in the molybdenum business, mainly as a result of increased volumes and prices.

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 \$754 in 2018 from \$687 in the comparative period mainly as a result of lower copper credits from lower Mount Milligan sales, higher mining costs at Kumtor and lower gold ounces sold, partially offset by lower capitalized stripping costs at Kumtor, lower sustaining capital<sup>NG</sup> and lower administration costs in 2018 as compared to 2017.

### Consolidated All-in Sustaining Costs on a by-product basis (per ounce sold)



### Cash generation and capital management:

#### Cashflow

Unaudited (\$ millions, except as noted)	Year ended December 31,		
	2018	2017	% Change
<b>Cash provided by operations before changes in working capital<sup>NG</sup></b>	<b>336.6</b>	<b>512.6</b>	<b>(34%)</b>
- Changes in working capital	(119.1)	(11.7)	918%
<b>Cash provided by operating activities<sup>(1)</sup></b>	<b>217.5</b>	<b>500.9</b>	<b>(57%)</b>
Cash used in investing activities:			
- Capital additions (cash)	(285.9)	(278.0)	3%
- Acquisition of AuRico Metals Inc., net of cash acquired	(226.8)	-	(100%)
- Proceeds from sale of Mongolian segment	35.0	-	(100%)
- Proceeds from sale of ATO Project	-	9.8	(100%)
- Proceeds from sale of royalty assets	155.5	-	(100%)
- (Increase) decrease in restricted cash	(26.8)	248.0	(111%)
- Other investing items	(3.0)	9.6	(132%)
<b>Cash used in investing activities</b>	<b>(352.1)</b>	<b>(10.6)</b>	<b>3210%</b>
Cash received from (used in) financing activities:			
- Net drawdown (repayment) of debt	(105.3)	(208.4)	49%
- Proceeds from equity issuances (net)	1.0	2.2	(54%)
- Payment of interest and borrowing costs	(25.2)	(28.3)	(11%)
<b>Cash used in financing activities</b>	<b>(129.6)</b>	<b>(234.5)</b>	<b>45%</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(264.2)</b>	<b>255.8</b>	<b>(203%)</b>

<sup>(1)</sup> 2018 includes \$4.2 million of cash used by discontinued operations (\$9.5 million cash used in 2017)

**Cash provided by operations** decreased to \$217.5 million in 2018, compared to \$500.9 million in the comparative period, as a result of lower operating earnings and higher working capital levels in the current year. Comparing 2018 with 2017, Kumtor generated \$291.0 million compared to \$416.1 million, while Mount Milligan generated \$37.4 million compared to \$150.6 million, decreases mainly related to lower production at both operations. Working capital movements in 2018 reflect increased levels at all operating sites, especially for product inventory (increase in 2018 of \$27.5 million at Kumtor, \$19.0 million at Mount Milligan and \$23.7 million in the Molybdenum business) due mainly to the timing of shipments and the purchase of feed material.

**Cash used in investing activities** totalled \$352.1 million in 2018 as compared to \$10.6 million in 2017. Included in 2018 is \$226.8 million to acquire AuRico Metals Inc. and a total of \$190.5 million net proceeds received from the sale of royalty assets and the sale of the Mongolian business unit. The comparative year of 2017 includes the release of Kumtor's restricted cash of \$248.0 million and net proceeds of \$9.8 million from the sale of the ATO project.

**Cash used in financing activities** of \$129.6 million in 2018 represents the net repayment of \$155.0 million under the Corporate Facility, a drawdown of \$49.7 million under the OMAS Facility to fund the Öksüt construction project, and payment of interest and borrowing costs of \$25.2 million. The Company repaid \$208.4 million on its debt and paid interest and borrowing costs of \$28.3 million in 2017.

Cash, cash equivalents, restricted cash and short-term investments at December 31, 2018 totalled \$179.2 million, as compared to \$416.6 million at December 31, 2017.

## Capital Expenditures

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

\$ millions	Year ended December 31,		
	2018	2017	Change
<b>Consolidated:</b>			
Sustaining capital <sup>NG</sup>	88.5	92.0	(4%)
Capitalized stripping <sup>(1)</sup>	138.8	200.2	(31%)
Growth capital <sup>NG</sup>	16.7	18.1	(8%)
Öksüt Project development	45.2	9.0	405%
Greenstone Gold Property capital <sup>(2)</sup>	10.0	5.0	100%
Kemess Underground Project development	30.9	-	n/a
Gatsuurt Project development	-	1.8	(100%)
<b>Total <sup>(3)</sup></b>	<b>330.1</b>	<b>326.1</b>	<b>1%</b>

<sup>(1)</sup>Includes cash component of \$103.9 million in the year ended December 31, 2018 (\$149.4 million in 2017).

<sup>(2)</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.

<sup>(3)</sup>Excludes capitalized equipment leases.

Capital expenditures in 2018 totalled \$330.1 million compared to \$326.1 million in 2017, resulting mainly from reduced spending on capitalized stripping at Kumtor (\$61.4 million) and lower sustaining capital<sup>NG</sup> for equipment rebuilds and overhauls (\$3.5 million), partially offset by higher spending on the Company's development projects (mainly at Öksüt (\$36.2 million), Kemess (\$30.9 million) and Greenstone (\$5.0 million)).

## 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:*

The Company has 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 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 London Metal Exchange (“LME”) copper warrants to Royal Gold at the time of 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:*

In 2017, the Company entered in a gold and copper hedge program as a condition precedent to draw on a credit facility.

As part of the amendment of the Corporate Facility in the first quarter of 2018, the hedging program is no longer required. In April 2018, the Company unwound a selection of hedges that were scheduled to settle in the second quarter of 2018. The Company realized a savings of \$0.3 million when comparing the unwind cost to the amount that would have been due to counterparties had the unwound hedges settled in the normal course. In the third quarter, the Company unwound an additional 26.7 million pounds of copper zero-cost collars that were scheduled to settle through June 2019.

The hedge positions for each of these programs as at December 31, 2018 are summarized as follows:

						As at December 31, 2018
Program	Instrument	Unit	Average strike price	Type	Settlement 2019	Fair value gain (loss) ('000')
Fuel Hedges	Crude oil options <sup>(1)</sup>	Barrels	\$63	Fixed	72,000	\$76
Fuel Hedges	Zero-cost collars <sup>(2)</sup>	Barrels	\$46/\$59	Fixed	23,000	\$26
<b>Centerra B.C. Facility Hedging Program (Strategic Hedges):</b>						
Copper Hedges	Zero-cost collars <sup>(2)</sup>	Pounds	\$2.50/\$3.28	Fixed	12.6 million	(\$26)
Gold Hedges	Zero-cost collars <sup>(2)</sup>	Ounces	\$1,250/\$1,368	Fixed	36,799	\$49
<b>Gold/Copper Hedges (Royal Gold deliverables):</b>						
Gold Derivative Contracts	Forward contracts <sup>(3)</sup>	Ounces	(4)	Float	30,360	\$559
Copper Derivative Contracts	Forward contracts <sup>(3)</sup>	Pounds	(4)	Float	2.5 million	\$296

(1) Under crude oil options, the Company can buy fuel contracts 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.

(3) Under the Royal Gold forward contracts, the Company must sell specified quantities of gold or copper, at a specified contract price at a future date.

(4) Royal Gold hedging program with a market price determined on closing of the contract.

The remaining strategic hedging program settling in 2019 consists of 36,799 gold ounces of zero-cost collars at an average strike price range of \$1,250 to \$1,368 per ounce and 12.6 million pounds of zero-cost collars at an average strike price range of \$2.50 to \$3.28 per pound.

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 12.1 million ounces of gold to December 31, 2018.

### **Developments in 2018**

- Kumtor produced 534,563 ounces of gold, exceeding the upper end of its favourably revised 2018 production guidance, at an all-in sustaining costs on a by-product basis per ounce sold<sup>NG</sup> of \$694, excluding revenue-based tax, lower than its cost guidance.
- The Company continued to work with the Government of the Kyrgyz Republic to satisfy the conditions precedent to completion of the comprehensive settlement agreement entered into with the Government on September 11, 2017. The longstop date for satisfaction of all such conditions was extended a number of times by agreement of all parties and is now May 31, 2019. See “Other Corporate Developments – Kyrgyz Republic”.

## Kumtor Operating Results

(\$ millions, except as noted)	Three months ended December 31,			Year ended December 31,		
	2018	2017	% Change	2018	2017	% Change
<b>Financial Highlights:</b>						
Revenue - \$ millions	246.9	228.1	8%	660.1	685.2	(4%)
Cost of sales (cash)	57.7	44.9	28%	195.3	146.0	34%
Cost of sales (non-cash)	51.3	39.7	29%	154.6	145.7	6%
Cost of sales (total)	109.0	84.7	29%	349.9	291.7	20%
Cost of sales - \$/oz sold <sup>(1)</sup>	536	468	14%	660	530	24%
Cash provided by operations	149.6	151.0	(1%)	291.0	416.1	(30%)
Cash provided by operations before changes in working capital <sup>(1)</sup>	144.1	145.0	(1%)	345.0	424.3	(19%)
<b>Operating Highlights:</b>						
Tonnes mined - 000s	47,965	50,770	(6%)	180,331	181,878	(1%)
Tonnes ore mined - 000s	2,235	2,607	(14%)	7,356	5,084	45%
Average mining grade - g/t	3.94	2.30	71%	3.26	2.12	54%
Tonnes milled - 000s	1,445	1,668	(13%)	6,325	6,246	1%
Average mill head grade - g/t	5.49	3.76	46%	3.29	3.58	(8%)
Mill Recovery - %	87.5%	80.4%	9%	79.3%	79.1%	0%
Mining costs - total (\$/t mined material)	1.12	1.08	4%	1.17	1.10	6%
Milling costs (\$/t milled material)	12.70	9.16	39%	10.65	10.69	(0%)
Gold produced - ounces	228,096	158,165	44%	534,563	562,749	(5%)
Gold sold - ounces	203,388	180,703	13%	530,448	550,134	(4%)
Average realized gold price <sup>(1)</sup> - \$/oz sold	\$ 1,214	\$ 1,262	(4%)	\$ 1,244	\$ 1,245	(0%)
Capital Expenditures (sustaining) <sup>(1)</sup> - cash	11.8	16.5	(28%)	43.7	60.6	(28%)
Capital Expenditures (growth) <sup>(1)</sup> - cash	2.9	7.1	(59%)	16.7	18.1	(8%)
Capital Expenditures (stripping) - cash	26.3	24.4	8%	103.9	149.4	(30%)
Capital Expenditures (stripping) - non-cash	9.7	7.5	30%	34.9	50.9	(31%)
Capital expenditures (total)	50.8	55.5	(8%)	199.2	279.0	(29%)
Operating Costs (on a sales basis) <sup>(2)</sup>	57.7	44.9	28%	195.3	146.0	34%
All-in sustaining costs (including taxes) <sup>(1)</sup>	138.0	127.4	8%	461.1	480.6	(4%)
Adjusted operating costs <sup>(1)</sup> - \$/oz sold	\$ 319	\$ 298	7%	\$ 413	\$ 313	32%
Operating Costs (on a sales basis) - \$/oz sold <sup>(1)</sup>	\$ 286	\$ 247	16%	\$ 370	\$ 263	40%
Gold - All-in sustaining costs on a by-product basis - \$/oz sold <sup>(1)</sup>	\$ 508	\$ 526	(3%)	\$ 694	\$ 698	(1%)
Gold - All-in sustaining costs on a by-product basis (including taxes) - \$/oz sold <sup>(1)</sup>	\$ 679	\$ 705	(4%)	\$ 869	\$ 874	(1%)

(1) Non-GAAP measure. See discussion under “Non-GAAP Measures”

(2) Operating costs (on a sales basis) is a non-GAAP measure and 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 2018, Kumtor focused on developing the Central Pit, through mining cut-backs 18 and 19, and unloading of ice. Mining of cut-back 18 was completed on November 12, 2018, ahead of schedule. Additionally, Kumtor carried out advanced work on cut-back 20 for pre-strip activities starting in September 2018.

Total waste and ore mined in 2018 was 180.3 million tonnes compared to 181.9 million tonnes in 2017, representing a slight decrease of 1%.

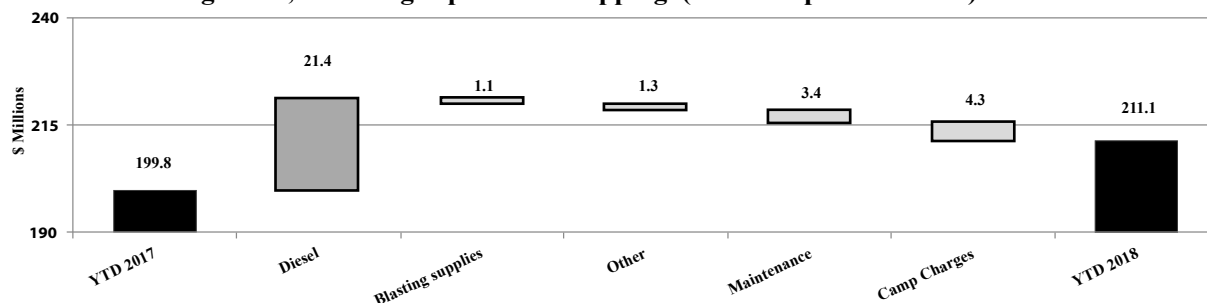
In 2018, the Company processed through the mill lower grade stockpiled ore remaining from cut-back 17 and stockpiled ore from the Sarytor Pit until August 2018, when it reached the Central Pit main ore body in cut-back 18, and started feeding the mill with high-grade ore. Kumtor produced 534,563 ounces of gold in 2018 compared to 562,749 ounces of gold in 2017. The decrease in ounces poured is as a result of blending hard ore from stockpiles with high preg-robbing Sarytor ore prior to reaching cut-back 18 high

grade ore, compared to processing higher grade stockpiled ore from cut-back 17 in the comparative period of 2017. During 2018, Kumtor's average mill head grade was 3.29 g/t with a recovery of 79.3% compared to 3.58 g/t and a recovery of 79.1% in 2017.

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

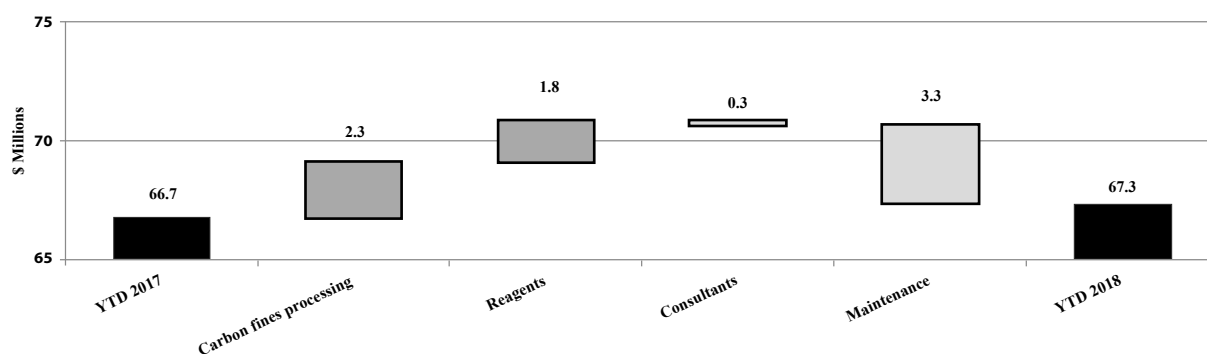
Operating costs (on a sales basis)<sup>NG</sup>, including capitalized stripping, increased in 2018 by \$3.8 million to \$299.2 million compared to \$295.4 million in 2017. The movements in the major components of operating costs (mining, milling and site support), including capitalized stripping but before changes in inventory, is explained below:

#### **Kumtor Mining Costs, including capitalized stripping (2018 compared to 2017):**



Mining costs, including capitalized stripping, totalled \$211.1 million in 2018 compared to \$199.8 million in 2017. Increased costs in 2018 include higher diesel fuel costs (\$21.4 million), which was due to higher fuel prices and higher consumption resulting from increased haulage distances. This was partially offset by lower maintenance cost on the haul trucks and the Liebherr shovels in 2018 as compared to 2017, lower camp catering costs and benefits from continuous improvement initiatives.

#### **Kumtor Milling Costs (2018 compared to 2017):**



Milling costs amounted to \$67.3 million in 2018 compared to \$66.7 million in 2017 due to higher carbon fines processing costs (\$2.3 million), which activities only commenced in 2018, and, higher mill reagents (carbon and cyanide) costs (\$1.8 million) resulting from a higher consumption rate and higher grinding balls costs due to higher mill throughput. These were partially offset by lower maintenance costs (\$3.3 million) resulting from decreased activities in 2018.



**Site support Costs (2018 compared to 2017):**

Site support costs in 2018 totalled \$51.7 million compared to \$45.1 million in the comparative year. This increase is attributable to camp charges which ceased to be allocated to mining and milling activities starting in 2018, partially offset by lower insurance premiums.

**Other Cost movements:**

Depreciation, depletion and amortization (“DD&A”) associated with sales increased to \$154.6 million in 2018 from \$145.7 million in the comparative period, mainly due to higher amortization of capitalized stripping associated with the early release of high grade ore from cut-back 18.

All-in sustaining costs on a by-product basis per ounce sold<sup>NG</sup>, which excludes revenue-based tax, was \$694 in 2018 compared to \$698 in 2017. The decrease was mainly due to lower capitalized stripping costs and decreased sustaining capital expenditures, partially offset by fewer ounces sold.

Including revenue-based taxes, all-in sustaining costs on a by-product basis per ounce sold<sup>NG</sup> was \$869 in 2018 compared to \$874 in the comparative year. The decrease was mainly due to lower all-in sustaining costs<sup>NG</sup> (explained above) and lower revenue based taxes resulted from decreases sales revenue in 2018.

**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.

**Developments in 2018**

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. Mill processing operations resumed at partial capacity in February 2018 utilizing one ball mill to manage water requirements. The mill’s second ball circuit resumed operation in March 2018 after a build-up of sufficient water in the tailings storage facility (“TSF”) although the mill continued to operate at reduced capacity until the spring melt. Following the spring melt, Mount Milligan steadily improved mill throughput as additional water became available and improvements were made to the milling and maintenance processes.

**Water Update**

As noted earlier, starting in the fourth quarter of 2018, Mount Milligan reduced its milling throughput to properly manage its water balance during the winter season. The Company expects that the mill will return to a more normalized throughput following the onset of the 2019 spring melt in the second quarter.

In late 2018, the Company initiated a groundwater exploration drilling program at Mount Milligan. In December 2018, a five-hole (567 metres) Phase-1 scout drilling program was conducted east and north of the Tailing Storage Facility. This program followed-up results from Nuclear Magnetic Resonance (NMR) and Transient Electromagnetic (TEM) geophysical surveys completed between August and November 2018 that were designed to support water well targeting efforts for mill operations. Three of the five drill holes

in two target areas (Alpine Lake and Lower Rainbow) produced low flow water, indicating good potential as areas for water well development.

Mount Milligan continues to seek approvals to access more sources of water in the medium and long-term. The Company has already obtained approvals to (i) pump from groundwater wells within Mount Milligan's TSF, as well as from a single groundwater well outside of the TSF, for the entire life-of-mine, and (ii) pump up to 15% of the base flow from Philip Lake until April 30, 2019.

In addition, the Company expects to receive significant volumes of additional water from a number of sources (Philip Lake, Rainbow Creek, Meadows Creek and additional ground water sources within a radius of approximately 6 kilometres of the TSF). To that end, the Company has made applications to further amend its environmental assessment certificate as well as water license applications to enable drawing of water from such sources at rates that are protective of the environment. The Company continues its discussions with regulators, First Nations and other affected stakeholders regarding these applications and is seeking to have the amendments remain valid through September 2021. The approvals would enable the Company to benefit from spring melt flows for three seasons while a long-term updated water supply plan is developed.

With respect to the updated long-term water supply plan, the Company has retained a consultant to develop a methodology to assess water sources that are best able to supply water to the mill for life-of-mine while meeting environmental and other parameters. Formal applications and government review of that methodology is expected to commence shortly, and will be the subject of discussion with regulators, First Nations and other interested parties. The Company's expectation is that its updated long-term water source (or sources) will be available from and after 2021 for the entire life-of-mine. See "Caution Regarding Forward-Looking Information".

## Mount Milligan Operating Results

(\$ millions, except as noted)	Three months ended December 31,			Year ended December 31,		
	2018	2017	% Change	2018	2017	% Change
<b>Financial Highlights:</b>						
Gold sales	65.2	61.7	6%	173.5	242.9	(29%)
Copper sales	23.9	29.2	(18%)	89.5	125.9	(29%)
<b>Total Revenues</b>	<b>89.1</b>	<b>90.8</b>	<b>(2%)</b>	<b>263.0</b>	<b>368.9</b>	<b>(29%)</b>
Cost of sales (cash)	57.0	51.6	10%	176.4	209.7	(16%)
Cost of sales (non-cash)	11.3	8.9	28%	37.2	43.9	(15%)
<b>Cost of sales (total)</b>	<b>68.3</b>	<b>60.5</b>	<b>13%</b>	<b>213.7</b>	<b>253.6</b>	<b>(16%)</b>
Cash provided by (used in) operations	39.3	29.2	35%	37.4	150.6	(75%)
Cash provided by operations before changes in working capital <sup>(1)</sup>	28.5	30.3	(6%)	63.1	138.6	(54%)
<b>Operating Highlights:</b>						
Tonnes mined - 000s	8,431	9,792	(14%)	33,225	41,966	(21%)
Tonnes ore mined - 000s	3,678	4,776	(23%)	13,461	21,501	(37%)
Tonnes milled - 000s	3,753	3,840	(2%)	13,556	17,743	(24%)
Mill Head Grade Copper (%)	0.18%	0.19%	(6%)	0.20%	0.18%	12%
Mill Head Grade Gold (g/t)	0.76	0.75	1%	0.71	0.64	11%
Copper Recovery - %	82.0%	78.4%	5%	81.4%	79.0%	3%
Gold Recovery - %	67.0%	64.3%	4%	64.5%	62.4%	3%
Mining costs - total (\$/t mined material)	\$ 2.22	\$ 2.12	5%	\$ 2.22	\$ 1.86	20%
Milling costs - total (\$/t milled material)	\$ 5.81	\$ 5.70	2%	\$ 6.26	\$ 5.41	16%
Concentrate Produced (dmt)	26,861	28,158	(5%)	105,998	121,502	(13%)
Payable Copper Produced (000's lbs) <sup>(4)</sup>	11,796	12,261	(4%)	47,091	53,596	(12%)
Payable Gold Produced (oz) <sup>(4)</sup>	60,271	58,587	3%	194,993	222,567	(12%)
Gold Sales (payable oz) <sup>(4)</sup>	66,366	61,524	8%	178,882	242,331	(26%)
Copper Sales (000's payable lbs) <sup>(4)</sup>	13,591	13,105	4%	44,370	59,719	(26%)
Average Realized Price - Gold (combined) - \$/oz <sup>(1)(3)</sup>	\$ 984	\$ 978	1%	\$ 971	\$ 1,003	(3%)
Average Realized Price - Copper (combined) - \$/lb <sup>(1)(3)</sup>	\$ 1.76	\$ 2.23	(21%)	\$ 2.02	\$ 2.11	(4%)
Capital Expenditures (sustaining) <sup>(1)</sup> - cash	10.3	11.9	(14%)	42.7	30.0	42%
<b>Capital expenditures (total)</b>	<b>10.3</b>	<b>11.9</b>	<b>(14%)</b>	<b>42.7</b>	<b>30.0</b>	<b>42%</b>
<b>Operating Costs (on a sales basis) ('000s)<sup>(2)</sup></b>	<b>57.0</b>	<b>51.6</b>	<b>10%</b>	<b>176.4</b>	<b>209.7</b>	<b>(16%)</b>
<b>Adjusted Operating costs- \$/oz sold<sup>(1)</sup></b>	<b>533</b>	<b>385</b>	<b>38%</b>	<b>519</b>	<b>370</b>	<b>40%</b>
<b>Gold - All in Sustaining costs on a by-product basis - \$/oz sold<sup>(1)</sup></b>	<b>689</b>	<b>594</b>	<b>16%</b>	<b>764</b>	<b>505</b>	<b>51%</b>
<b>Gold - All in Sustaining costs on a by-product basis (including taxes) - \$/oz sold<sup>(1)</sup></b>	<b>707</b>	<b>612</b>	<b>16%</b>	<b>779</b>	<b>525</b>	<b>48%</b>
<b>Gold - All in Sustaining costs on a co-product basis - \$/oz sold<sup>(1)</sup></b>	<b>676</b>	<b>706</b>	<b>(4%)</b>	<b>751</b>	<b>663</b>	<b>13%</b>
<b>Copper - All in Sustaining costs on a co-product basis - \$/pound sold<sup>(1)</sup></b>	<b>1.53</b>	<b>1.70</b>	<b>(10%)</b>	<b>1.77</b>	<b>1.47</b>	<b>20%</b>

(1) Non-GAAP measure. See discussion under "Non-GAAP Measures"

(2) 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.

(3) 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.

(4) 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 2018, revenues totalled \$ 263.0 million compared to \$ 368.9 million, mainly as a result of lower sales volumes for gold and copper and a lower realized gold price (\$971/oz compared to \$1,003/oz). Total revenue from gold was \$173.5 million in 2018 (178,882 oz sold) compared to \$242.9 million (242,331 oz sold) in 2017. Total revenue from copper was \$89.5 million (44.4 million lbs sold) in 2018, compared to \$125.9 million (59.7 million lbs) in 2017. There were ten shipments in 2018 compared to thirteen shipments in 2017, mainly due to the reduced mill operating levels in the first quarter 2018.

**Production:**

During 2018, mining activities focused on continued development of phases 3 and 4 in the open pit, with the majority of ore mined from phase 3 and an increasing percentage of ore from phase 4 throughout the year. The majority of waste mined through the year was from phase 4. Overburden stripping in phase 8 continued to expose the first mining benches for development with drilling and blasting of rock initiated in the fourth quarter of 2018. Total waste and ore mined in 2018 was 33.2 million tonnes and total tonnes moved was 35.8 million, compared to 42.0 million tonnes and 44.5 million respectively in 2017. Mine production for 2018 was lower than the comparative year primarily due to overall lower mill throughput through the year.

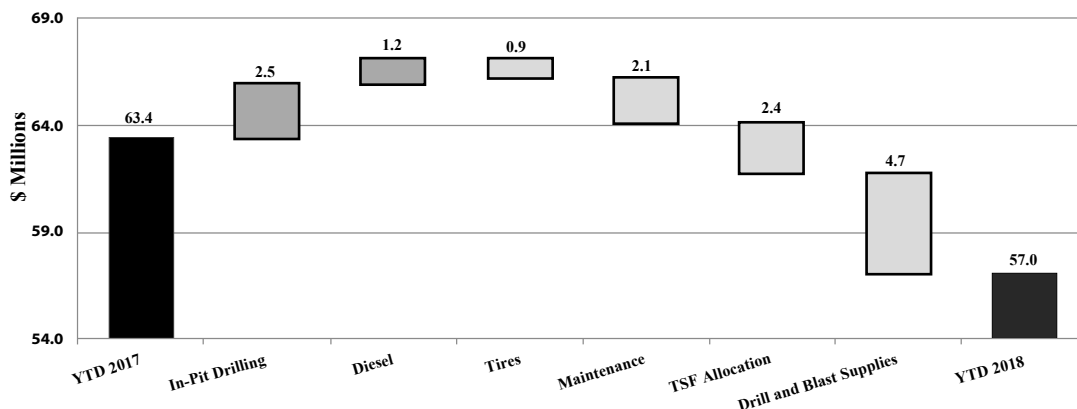
Total mill throughput was 13.6 million tonnes in 2018 compared to 17.7 million tonnes in 2017. During 2018, mill throughput averaged roughly 37,000 tonnes per calendar day (47,000 tonnes per operating day), compared to 49,000 tonnes per calendar day (54,000 tonnes per operating day) in 2017, reflecting the temporary mill shutdown in January 2018, processing with only one ball mill from early February 2018 to March 2018, the gradual ramp up during the spring melt, unplanned downtimes in July and September, and operating at a reduced throughput level from October 2018 to December 2018 to properly manage the water balance during the winter season.

During 2018, total payable gold and copper production was 194,993 ounces and 47.1 million pounds, respectively, compared to 222,567 ounces of gold and 53.6 million pounds of copper in the same period of 2017.

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

Operating costs (on a sales basis)<sup>NG</sup>, including standby costs, in the 2018 was \$176.4 million compared to \$209.7 million in 2017. Operating costs in the fourth quarter of 2018 were lower than the same quarter of 2017 mainly due to lower sales volumes.

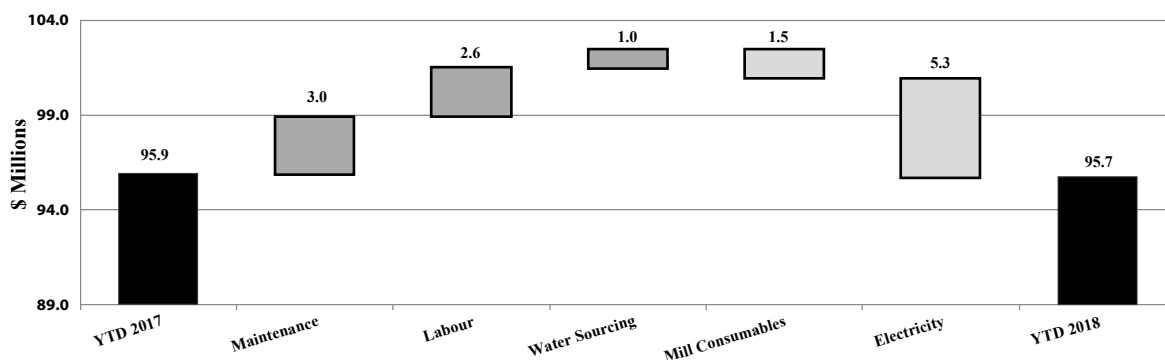
The movements in the major components of operating costs (mining, milling and site support), before changes in inventory, is explained below:

**Mount Milligan Mining Costs (2018 compared to 2017):**

Mining costs totalled 57.1 million in 2018, which was \$6.4 million lower than 2017. The decrease in costs for 2018 includes lower drill and blast supplies cost (\$4.7 million) due to the impact of a reduced powder factor, higher capital allocation to the tailings facility (\$2.4 million) due to higher mining costs per tonne, lower maintenance costs (\$2.1 million) resulting from timing in mining fleet rebuilds and the termination

of a long-term maintenance management agreement, lower tire costs (\$0.9 million) resulting from extended tire life due to improved road conditions. This was partially offset by higher in-pit drilling services costs (\$2.5 million) associated with long-term mine planning process improvements and higher diesel costs (\$1.2 million) due to higher prices.

#### Mount Milligan Milling Costs, including standby costs (2018 compared to 2107)



Milling costs (including standby costs of \$10.8 million) totalled \$95.6 million in 2018 compared to \$95.9 million in 2017. The slight decrease in operating costs was due to lower electricity costs (\$5.3 million) resulting from lower mill throughput and lower milling consumable costs (\$1.5 million) due to lower production. This was partially offset by higher maintenance cost (\$3.0 million) associated with primary and pebble crusher repairs, higher labour costs (\$2.6 million) due to an increase in manpower with the addition of a maintenance night shift crew and higher water sourcing costs (\$0.5 million) attributed to additional water supply.

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

Site support costs in 2018 totalled \$44.1 million compared to \$41.2 million in 2017. The increase in site support costs includes higher labour costs (\$2.4 million) due to increased manpower, higher consultants costs (\$2.2 million) associated with water permitting. This was partially offset by lower cost of royalties (\$2.9 million) resulting from lower product sales.

DD&A was \$37.2 million in 2018 compared to \$43.9 million in the comparative 2017, reflecting decreased production and sales levels.

All-in sustaining costs before tax on a by-product basis per ounce sold<sup>NG</sup> was \$764 for 2018 compared to \$505 in 2017. The unit cost increase results mainly from lower sales where ten concentrate shipments were recorded for the year of 2018 (due to the reduced mill production) compared to thirteen concentrate shipments in the same period of 2017 (178,882 gold ounces sold versus 242,331 gold ounces sold).

Including income taxes, all-in sustaining costs on a by-product basis per ounce sold<sup>NG</sup> was \$779 for 2018 compared to \$525 in 2017.

## 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, and the 75%-owned Endako Mine (mine, mill and roaster) in British Columbia. The molybdenum business also includes the Langeloth metallurgical roasting facility (the "Langeloth Facility") in Pennsylvania. TC Mine operates a molybdenum beneficiation circuit to treat molybdenum concentrates to supplement the concentrate feed sourced directly for the Langeloth Facility. This beneficiation process allows the Company to process high copper content molybdenum concentrate purchased from third parties, which is then transported from TC Mine to the Langeloth Facility for further processing.

The molybdenum business provides tolling treatment 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,		
	2018	2017	% Change	2018	2017	% Change
<b>Financial Highlights:</b>						
Molybdenum (Mo) Sales - \$ millions	52.8	36.9	43%	197.1	136.8	44%
Tolling, Calcining and Other	2.7	2.4	12%	9.2	8.2	11%
<b>Total Revenues and Other Income</b>	<b>55.5</b>	<b>39.3</b>	<b>41%</b>	<b>206.3</b>	<b>145.0</b>	<b>42%</b>
Cost of sales - cash	53.7	35.5	51%	192.7	131.2	47%
Cost of sales - non-cash	1.1	0.1	1041%	5.1	5.3	(5%)
<b>Cost of Sales - Total</b>	<b>54.9</b>	<b>35.6</b>	<b>54%</b>	<b>197.8</b>	<b>136.5</b>	<b>45%</b>
Reclamation expense	41.8	-	100%	40.4	-	100%
Care & Maintenance costs - Molybdenum mines	3.4	3.3	5%	12.3	13.2	(7%)
Total capital expenditure	1.8	0.4	336%	2.5	0.9	172%
Cash used in operations	(10.6)	(0.1)	7062%	(24.9)	(8.3)	201%
Cash (used in) provided by operations, before changes in working capital <sup>(1)</sup>	(2.8)	0.6	(589%)	(1.0)	1.0	(197%)
<b>Production Highlights (000's lbs):</b>						
Mo oxide purchased	4,809	3,516	37%	16,735	15,513	8%
Mo oxide roasted	4,612	4,825	(4%)	16,883	18,555	(9%)
Mo sold	4,251	3,831	11%	15,726	14,946	5%
Toll roasted and upgraded Mo	1,569	1,145	37%	5,586	4,736	18%

<sup>(1)</sup> Cash (used in) provided by operations before changes in working capital, is a non-GAAP measure and is discussed under "Non-GAAP Measures".

## 2018 Year compared to 2017 Year

In 2018, 16.9 million pounds of molybdenum oxide was roasted, 9% lower than in 2017, due in part to the timing of concentrate purchases which were more significant at the end of 2018 and resulted in a 15% increase in unroasted concentrates at year end. Toll roasted and upgraded molybdenum was 18% higher in 2018 than 2017, due to increased demand for upgraded molybdenum oxide.

A total of 15.7 million pounds of molybdenum were sold and 5.6 million pounds were tolled during 2018 resulting in sales revenue of \$206.3 million. The Company's average molybdenum sale price for 2018 was \$12.85 per pound compared to \$9.43 per pound in 2017. This increase largely accounts for the 44% increase in molybdenum sales revenue in 2018 versus 2017. Also contributing was a 5% increase in unit sales volume versus 2017, reflecting increased purchased volume of molybdenum in concentrates during the year.

An increase in reclamation expenses of \$51 million was recorded in the fourth quarter of 2018, mainly from a requirement for additional processing to treat water at Thompson Creek Mine. The underlying water treatment reclamation provision at Thompson Creek Mine is over a 100-year period with the initial water treatment plant capital expenditure of \$6.0 million anticipated to be incurred in year 44, with average operating expenditures between \$0.3 million and \$1.0 million per year.

In 2018, the molybdenum business consumed \$1.0 million of cash from the operations before changes in working capital<sup>NG</sup>, net of \$10.1 million in care and maintenance expenses at the two molybdenum mines and capital spending of \$2.3 million.

## **Consolidated Fourth Quarter Results - 2018 compared to 2017**

Net earnings in the fourth quarter of 2018 were \$49.0 million (\$0.17 per common share - basic), including a charge of \$41.8 million for additional water treatment at the Thompson Creek Mine, compared to \$130.0 million in the same period of 2017. 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). The following provides an overview of the major items impacting the fourth quarter of 2018 as compared to 2017:

- Gold production for the fourth quarter of 2018 increased 33% to 288,367 ounces poured, including 228,096 ounces from Kumtor and 60,271 ounces from Mount Milligan. The 44% increase in ounces poured at Kumtor is primarily due to processing higher grade and recovery ore from cut-back 18 stockpiles, compared to the remaining lower grade stockpiled ore from cut-back 17 and the Sarytor Pit processed in the same quarter of 2017. During the fourth quarter of 2018, Kumtor's average mill head grade was 5.49 g/t with a recovery of 87.5%, compared to 3.76 g/t and a recovery of 80.4% in the fourth quarter of 2017.
- In the fourth quarter of 2018, Mount Milligan produced 26,861 dry metric tonnes (dmt) of concentrate, containing 11.8 million pounds of copper and 60,271 ounces of gold, compared to 28,158 dmt containing 12.3 million pounds of copper and 58,587 ounces of gold in the fourth quarter of 2017. Lower mining rate in the fourth quarter of 2018 was primarily due to lower processing levels resulting from the water inventory management strategy.
- Revenues in the fourth quarter of 2018 increased 9% to \$391.5 million, reflecting higher sales volumes at Kumtor and at Mount Milligan for both gold and copper and significantly higher sales from the Molybdenum business due to higher molybdenum prices, partially offset by lower average realized gold and copper prices<sup>NG</sup> as compared to the fourth quarter of 2017.
- Cost of sales for the fourth quarter of 2018 increased 28% to \$232.2 million compared to the same quarter of 2017. The increase reflects higher sales volumes for gold, copper and molybdenum as compared to the fourth quarter of 2017.
- Regional administration costs decreased to \$4.1 million in the fourth quarter of 2018 (from \$5.8 million in the comparative quarter), as a result of lower employee costs due to a restructuring of the management team at the end of 2017.

- Corporate administration costs decreased by \$1.4 million as compared to the same period of 2017, as a result of lower legal, consulting and employee costs.
- In the fourth quarter of 2018, an increase in reclamation expenses of \$41.8 million was recorded, mainly for additional water treatment requirements at the Thompson Creek Mine.
- Exploration expenditures in the fourth quarter of 2018 totalled \$6.5 million compared to \$4.7 million in the comparative period of 2017, reflecting increased drilling activities in the current quarter.
- The Company accrued a \$21.3 million tax benefit in the fourth quarter of 2017 due to the enactment of the U.S. Tax Cuts and Jobs Act, which reduced the applicable U.S. corporate tax rate from 35% to 21% and repealed the Alternative Minimum Tax. See “Overview of Consolidated Results”.
- Cash provided by operations was \$151.6 million in the fourth quarter of 2018 compared to \$170.4 million in the same period of 2017.
- Cash used in investing activities in the fourth quarter of 2018 totalling \$51.8 million represents mainly spending on capital additions less proceeds from the sale of the Mongolian segment. This compares to \$64.9 million of cash used in investing activities in the same quarter of 2017, mainly for capital additions.
- Capital expenditures (spent and accrued) in the fourth quarter of 2018 were \$94.3 million as compared to \$71.8 million in the same period of 2017. Sustaining capital<sup>NG</sup> in the fourth quarter of 2018 of \$23.6 million compares to \$29.4 million in the same period of 2017 and reflects lower spending on capital repairs of approximately \$6 million, at both Kumtor and Mount Milligan. Growth capital<sup>NG</sup> in the fourth quarter of 2018 of \$2.9 million compares to \$7.1 million that was spent in the fourth quarter of 2017, all spent entirely at Kumtor. Development project spending totalled \$31.4 million in the current period, with \$2.4 million spent at the Greenstone Gold Property, \$15.2 million at the Öksüt Project and \$13.8 million at the Kemess Project, which was acquired in 2018. Capitalized stripping in the fourth quarter of 2018 was \$36.0 million compared to \$31.9 million in the fourth quarter of 2017. In the fourth quarter of 2018, the mining fleet at Kumtor focused primarily on waste stripping from cut-backs 19 and 20.
- 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 2018, increased to \$576 compared to \$571 in the same period of 2017. The increase reflects a 16% unit cost increase at Mount Milligan in the fourth quarter of 2018, mainly due to lower copper credits and higher operating costs, partially offset by greater gold ounces sold. This was partially offset by a 3% decrease in unit costs at Kumtor, resulting from higher ounces sold, and 22% lower sustaining capital<sup>NG</sup> in the fourth quarter of 2018.

## **Construction and Development Projects**

### **Öksüt Construction Project:**

The Öksüt Project is a gold deposit situated in Turkey approximately 300 kilometres southeast of Ankara and 48 kilometres south of Kayseri, the provincial capital. The nearest administrative centre is at Develi (population 64,000) located approximately 10 kilometres north of the Project. Öksüt Madencilik Sanayi ve Ticaret Anonim Sirketi (OMAS), a wholly-owned subsidiary of the Company, owns the rights to mine and explore the Öksüt Project.



## **2018 Developments:**

- In January 2018, OMAS received a pastureland permit for the Öksüt Project, which was the last remaining permit needed to begin project construction.
- In February 2018, the Öksüt Project received Board approval for the construction and development of the property.
- Also in February 2018, OMAS received an Investment Incentive Certificate (“IIC”) from the Turkish Ministry of Economy.
- In late March 2018, construction activities commenced with a contractor mobilizing equipment and breaking ground on main road access construction.
- On November 23, 2018, OMAS achieved a key safety milestone operating lost time incident-free for 1,000,000 man/hours on the project.

## **Construction Highlights – 2018 Year:**

As at December 31, 2018 the Öksüt Project construction is approximately 38% complete. The following summarizes construction activities up to December 31, 2018:

- Work on the main access roads began in April 2018, with the sub-base level now completed.
- Topsoil stripping has been completed within the plant construction area, with topsoil stripping continuing in the waste rock dump area, and at the powder magazine locations.
- Power sub-station construction as of December 31 is approximately 73% completed.
- ADR (absorption, desorption, and refining) plant civil work is completed, while the steel erection on the ADR and workshop is ongoing. Progress to date on the ADR plant area is approximately 52% completed. All major equipment for the ADR plant is onsite, as well as all the ADR pumps.
- Crusher area civil work is completed in all areas from the truck dump to the ore stockpile. The primary (Jaw) crusher and the secondary crushers (Cone) have been placed onto their perspective foundations. The stacker conveyor has been assembled, but not yet installed. The gabion basket retaining wall has been completed. As of December 31, 2018, the crusher area construction overall is approximately 28% completed.
- Heap leach area phase 1A, 1B and 1C earthworks are completed with some the pipework installed. The three-process pond main excavations have been completed
- Construction of the boundary fence around the property is substantially completed.
- Water infrastructure work is ongoing with the 10.4 km, 200mm steel pipeline from well number 1 to the raw water tank completed, tested and buried.
- Cyanide and reagent storage excavation and shed foundations have been completed.
- Construction of administration area buildings are ongoing with the laboratory and gatehouse buildings erected and currently in the fit-out stage of construction. Foundations for all other buildings have been completed.
- Waste rock dump construction phase 1 and 2 earthworks, and drainage have been completed. The northside water storage pond excavation is completed.
- Approximately 2.5 km (of a total of 7 km) of the haul roads have been completed to top of sub-base level.

The project is on time and on budget and the Company continues to expect that the first gold pour from the Öksüt Project will occur in the first quarter of 2020.

During the year, the Company spent \$43.9 million, mainly on development activities and associated fees as explained above.

In the comparative periods of 2017, the Company spent \$8.9 million on development activities to progress access and site preparation and detailed engineering plans.

### **Kemess Underground Project:**

On January 8, 2018, the Company completed the acquisition of AuRico, which has a 100% interest in the Kemess Project located in north-central British Columbia, Canada, approximately 250 kilometres north of Smithers, 430 kilometres northwest of Prince George and 209 kilometres from the Mount Milligan mine. The Kemess Project site (or “Kemess”) includes infrastructure from the past producing Kemess South mine. There are currently no mining activities at the Kemess site and on-site activities consist of care and maintenance work and surface preparation work for future construction activities and initial development activities until such time when a decision is made to proceed with the development and construction of the proposed Kemess Underground Project.

In 2018, the Company spent \$14.5 million on care and maintenance, \$30.9 million on capital expenditures at Kemess, including access corridor construction which will provide access between the existing Kemess South facilities and the Kemess Underground mine, and \$2.6 million on pre-development activities to advance engineering and various studies. Capital expenditures included access corridor construction, trenching, earthworks and piping required for the water discharge system, materials required to start the fabrication of the water treatment plant and mobile equipment purchases.

On July 6, 2018, the Company received its amended Mines Act Permit approving the Kemess underground mine plan and reclamation program for the Kemess Underground Project. This permit allows the Company to commence construction activities associated with a water treatment and water discharge system, and would allow the Company to proceed with other construction activities. On September 21, 2018, the Company received its effluent discharge permit which allows discharging treated water from the site. As noted above, the Board has not made any decision on the development and construction of the proposed Kemess Underground Project.

### **Greenstone Gold Property:**

The Greenstone Gold property is located in northern Ontario, Canada approximately 275 kilometres northeast of Thunder Bay, Ontario.

In 2018, the Greenstone Partnership signed Long-term Relationship Agreements with Long Lake #58 First Nation in June 2018 and the Metis Nation of Ontario in December 2018 that provide for environmental, employment, training, business and contracting opportunities, along with a framework for regulatory permitting. The Greenstone Partnership received approval from the Canadian Environmental Assessment Agency (“CEAA”) on December 10, 2018 for its Environmental Impact Study and Environmental Assessment (“EIS/EA”) and is anticipating approval from the Ontario Ministry of Environment, Conservation and Parks (“MECP”) in the first quarter 2019.

During the year ended December 31, 2018, the Company spent \$10.0 million, mainly on advancing engineering on certain key infrastructure programs, consultation with local Indigenous communities on draft environmental condition reports and permitting activities, and negotiations of long-term relationship agreements with local Indigenous groups.

In the comparative period of 2017, the Company spent \$9.8 million on development activities to progress access and site preparation and detailed engineering plans.

As at December 31, 2018, Centerra’s funding towards its C\$185 million commitment in the Greenstone Partnership totalled C\$92.8 million (\$71.3 million).

## **Balance Sheet**

### ***Inventory***

Total inventory at December 31, 2018 was \$598.7 million (2017 - \$507.9 million) including product inventory of \$389.3 million (2017 - \$298.9 million) and supplies inventory of \$209.4 million (2017 - \$209.0 million). The consolidated increase year over year of \$90.7 million is all attributable to product inventories and reflects increases at Kumtor of \$42.8 million, \$23.8 million at Mount Milligan, both due to the timing of shipments and \$23.6 million 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, 2018 was \$1.9 billion, which compares to \$1.7 billion at the end of 2017. The increase in 2018 of \$211.6 million is mainly due to the acquisition of AuRico, including the Kemess Project which added \$206 million, the further spending in 2018 at Öksüt of \$46.3 million and the removal of the Mongolian assets which reduced capitalized assets by roughly \$40 million.

### ***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 \$212.4 million as at December 31, 2018 (2017 - \$167.0 million). The significant increase in 2018 reflects changes in reclamation costs, mainly for water treatment at the Thompson Creek Mine, as a result of the Company's decision in 2018 not to pursue the final development phase of the mine given the current molybdenum price environment. The increase also includes the recognition of additional closure costs at the Kemess Project acquired in January 2018, the removal of the Mongolian provision as a result of the sale of the business unit and impacts from regularly scheduled updates to the Company's closure costs estimates at its various other properties. Payment of these obligations is expected to commence over the next 1 to 20 years.

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 16 in the Company's 2018 Consolidated Financial Statements.

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

As of February 22, 2019, Centerra had 292,123,716 common shares outstanding and options to acquire 4,981,701 common shares outstanding under its stock option plan with exercise prices ranging between US\$2.83 and Cdn\$22.28 per share, with expiry dates ranging between 2019 and 2026.

## Contractual Obligations

The following table summarizes Centerra's contractual obligations as of December 31, 2018, including payments due over the next five years and thereafter:

<i>\$ millions</i>	<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>
<b>Kumtor</b>					
Reclamation trust fund <sup>(1)</sup>	<b>\$38.2</b>	\$6.0	\$18.0	\$12.0	\$2.2
Capital equipment <sup>(2)</sup>	<b>0.7</b>	0.7	-	-	-
Operational supplies	<b>53.9</b>	53.9	-	-	-
Lease of premises	<b>0.4</b>	0.2	0.2	-	-
<b>Mount Milligan</b>					
Operational supplies	<b>13.7</b>	13.7	-	-	-
Promissory note (equipment)	<b>32.0</b>	5.0	27.0	-	-
Lease of premises	<b>1.1</b>	0.1	0.2	0.2	0.6
Equipment lease	<b>2.5</b>	0.9	1.4	0.2	-
<b>Öksüt</b>					
Project development	<b>80.6</b>	70.0	10.6	-	-
Loan repayment (principal only)	<b>49.7</b>	-	-	-	49.7
Equipment lease	<b>0.3</b>	0.3	-	-	-
Lease of premises	<b>0.1</b>	0.1	-	-	-
<b>Kemess Project</b>					
Project development	<b>8.2</b>	8.2	-	-	-
Equipment lease	<b>2.8</b>	2.8	-	-	-
<b>Greenstone Project</b>					
Project development	<b>0.1</b>	0.1	-	-	-
<b>Corporate and other</b>					
Loan repayment (principal only)	<b>111.0</b>	-	-	111.0	-
Lease of premises <sup>(3)</sup>	<b>2.0</b>	0.4	0.6	0.7	0.3
Derivative liability	<b>0.1</b>	0.1	-	-	-
<b>Total contractual obligations <sup>(4)</sup></b>	<b>\$397.4</b>	\$162.5	\$58.0	\$124.1	\$52.8

<sup>(1)</sup> Centerra's future estimated decommissioning and reclamation costs for the Kumtor mine are present-valued at \$51.5 million to be incurred beyond 2026. 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 the total estimated reclamation cost for the Kumtor Project (no less than \$69 million). 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 (\$38.2 million). On December 31, 2018 the balance in the Reclamation Trust Fund was \$30.8 million (2017 - \$26.4 million), with the remaining \$38.2 million to be funded over the life of the mine.

<sup>(2)</sup> Agreements as at December 31, 2018 to purchase capital equipment.

<sup>(3)</sup> Lease of the Toronto corporate office premises expiring in November 2024.

<sup>(4)</sup> 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.

(\$ millions)	2018	2017
<b>Sales:</b>		
Gross gold and silver sales to Kyrgyzaltyn	\$ 669.0	\$ 695.3
Deduct: refinery and financing charges	(4.8)	(4.4)
Net sales revenue received from Kyrgyzaltyn	\$ 664.2	\$ 690.9
<b>Expenses:</b>		
Contracting services provided by Kyrgyzaltyn	\$ 1.4	\$ 1.3
Management fees payable to Kyrgyzaltyn	0.5	0.6
Expenses paid to Kyrgyzaltyn	\$ 1.9	\$ 1.8

### Related party balances

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

(\$ millions)	2018	2017
Amounts receivable (a)	\$ 0.2	\$ -
Amount payable	\$ 1.2	\$ 1.2

(a) Subsequent to December 31, 2018, 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 in 2018 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 2018, key management personnel are defined as the executive officers of the Company including the President and Chief Executive Officer, the Vice President and Chief Financial Officer, the Vice President and Chief Operating Officer, the Vice President and General Counsel and the Vice President, Business Development & Exploration.

In the year ended December 31, 2018, compensation of directors was \$2.2 million, including share-based compensation expense of \$0.9 million (December 31, 2017 - \$2.2 million, including share-based compensation credit of \$1.1 million). Compensation of key management personnel in 2018 was \$5.5 million, including share-based compensation of \$1.3 million, (December 31, 2017 - \$8.1 million, including share-based compensation of \$2.6 million).

Disclosure regarding related party transactions is included in Note 25 of the Company's December 31, 2018 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 2016, except for diesel fuel prices which increased in over 2017 and 2018. Over the same periods, gold prices progressively increased over the 2017 year, stabilizing into the first half of 2018 and declining in the third and fourth quarters. In 2017, the Euro, Canadian dollar and Kyrgyz som appreciated against the U.S. dollar thereby putting pressure on operating costs spent in these currencies. In 2018, the Canadian dollar, Euro and Kyrgyz som depreciated against the U.S. dollar benefiting operating costs spent in these currencies. The Company reduced its carrying value of its Mongolian assets by \$41.3 million (pre-tax) in the second quarter of 2017 and recorded a provision of \$60 million in connection with the Strategic Agreement with the Kyrgyz Government in the third quarter of 2017. An after-tax gain of \$21.3 million on the sale of the Company's royalty portfolio and an after-tax gain of \$9.4 million on the final instalments of the ATO property sale (gain of \$6.9 million on the initial instalment booked in the third quarter of 2017) were recorded in the second quarter of 2018. The third quarter of 2018 includes a charge to impair the carrying value of the Company's Mongolian business unit of \$8.4 million (included in loss from discontinued operations), in relation to the Company's sale of its Mongolian business unit. An increase in reclamation expenses of \$41.8 million was recorded in the fourth quarter of 2018 mainly to record an increase in water treatment costs at Thompson Creek Mine. The quarterly production profile at Kumtor for 2017 was more consistent across each quarter, while in 2018 it was more concentrated in the last half of the year, impacting mostly the fourth quarter. 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 quarterly financial results for the last eight quarters are shown below:

\$ million, except per share data Quarterly data unaudited	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	392	259	243	235	358	276	279	285
Net earnings (loss)	49	6	44	9	130	(1)	23	57
Basic earnings (loss) per share	0.17	0.02	0.15	0.03	0.45	-	0.08	0.20
Diluted earnings (loss) per share	0.17	0.01	0.15	0.03	0.43	-	0.08	0.20

## 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 2017 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 "Kyrgyz 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) following closing and to a new, government administered Cancer Care Support Fund (\$7 million); the \$7 million to the Cancer Care Support Fund was paid in 2017;
  - 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 outstanding payments are subject to a range of initial conditions precedent designed to protect Centerra, KGC and KOC, including (i) the approval by the Kyrgyz 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 Kyrgyz Government with its obligations under the project agreements entered into by the Government, KOC and KGC in 2009 (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 Kyrgyz 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 Kyrgyz Government approvals noted in (i) above have all been obtained and most of the civil and criminal proceedings (other than the SIETS environmental claims discussed below) have been terminated.

The Company is continuing to work closely with the Kyrgyz Government to expeditiously satisfy the remaining conditions precedent to the Strategic Agreement, including the termination of certain legal proceedings. The initial longstop date for the satisfaction of all of the conditions precedent to completion of the Strategic Agreement has been extended by agreement of all the parties a number of times, most recently to May 31, 2019.

In connection with the Strategic Agreement, the arbitration previously commenced by Centerra, KGC and KOC against the Government of the Kyrgyz Republic and Kyrgyzaltyn has been suspended until May 31, 2019. 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

#### 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 \$96.6 million at current exchange rates) and 663,839 Kyrgyz soms (approximately \$9,600 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.

On March 27, 2018, upon the application of SIETS, the Bishkek City Court terminated each of the SIETS claims noted above. However, in April 2018, SIETS successfully appealed the decisions to terminate these claims and the claims have been returned to the court of first instance for further consideration. Despite this development, the Company expects these claims to be resolved in connection with the Strategic Agreement.

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

The Company is and was 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.

#### *Criminal Investigation into Environmental Matters*

KGC is also aware of an outstanding criminal investigation in the Kyrgyz Republic which concerns the same subject matter as the SIETS claims described above. The Company expects that this investigation will be terminated in connection with the Strategic Agreement.



### *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. The Company received new land use certificates on January 24, 2019.

### *Kyrgyz State Tax Orders*

In August 2018, KGC commenced a claim in the Kyrgyz courts (refiled on September 26, 2018) seeking to invalidate orders of the Kyrgyz Republic State Tax Service which reassessed taxes (including sanctions and penalties) owing from KGC for the period from 2016 to 2017 in the amount of 1,377,709,739.44 Kyrgyz Soms (approximately \$20 million), primarily in relation to the alleged failure to pay taxes on high altitude premiums paid to employees at the Kumtor mine site. The Kyrgyz court held a hearing in December 2018 and satisfied KGC's claim to invalidate the orders. This court decision came into effect on January 10, 2019 after the customary appeal period expired.

### *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.

### 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 claims and the Kyrgyz State tax orders, 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.

## **Other**

In 2018, the Company initiated a review of its long-term water treatment options at the Endako Mine, as a result of ongoing discussions concerning mine reclamation obligations among regulatory and industry bodies in British Columbia. These discussions are ongoing but may result in amended regulations in 2019. As a result, the Company expects to update its technical studies and environmental studies for the Endako mine in 2019, the result of which may require an increase to Endako's asset retirement obligation.

The Company operates in multiple countries around the world and accordingly is subject to, and pays, taxes under the various regimes in those jurisdictions in which it operates. These tax regimes are determined under general corporate income tax and other laws of the respective jurisdiction. The Company has historically filed, and continues to file, all required tax returns and to pay the taxes reasonably determined to be due. The tax rules and regulations in many countries are complex and subject to interpretation. From time to time the Company's tax filings are subject to review and in connection with such reviews disputes can arise with the taxing authorities over the Company's interpretation of the country's tax laws. The Company records provisions for future disbursements considered probable. As at December 31, 2018, the Company did not have any material provision for claims or taxation assessments.

## **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, 2018 financial statements.

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

Note 5 in the consolidated financial statements for the year ended December 31, 2018 describes the new policy adopted on January 1, 2018 for IFRS 15, *Revenue from Contracts with Customers*, and presents a list of recently issued accounting standards not yet adopted by the Company, providing 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 16, *Leases* and IFRIC 23, *Uncertainty over Income Tax Treatments*.

The Company concluded that there were no material changes to amount and timing of revenue recognized as a result of adopting IFRS 15. The Company has assessed the impact of adopting IFRS 16 and estimates it will recognize additional lease liabilities and corresponding assets of approximately \$21.0 million on January 1, 2019. It is expected that the adoption of IFRIC 23 on January 1, 2019 will not have a material impact on the Company's 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 2018.

### **2019 Outlook**

Production, cost and capital forecasts for 2019 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.

## 2019 Gold Production

Centerra's 2019 gold production is expected to be between 690,000 to 740,000 ounces. Kumtor's gold production forecast is expected to be in the range of 535,000 ounces to 565,000 ounces with approximately 28% of the production expected to be in the fourth quarter of 2019. At Mount Milligan, mill throughput is expected to be reduced during the remainder of the winter season to properly manage the water balance until the water flow increases in the spring, after which, mill throughput levels are expected to return to full capacity once the spring melt has commenced, typically in April. In the second half of 2019, the Company expects to achieve an average daily throughput of approximately 55,000 tonnes per calendar day. For the full year, the Company expects Mount Milligan's total (streamed and unstreamed) payable gold production to be in the range of 155,000 to 175,000 ounces.

## 2019 Copper Production

Centerra expects total (streamed and unstreamed) payable copper production from the Mount Milligan Mine to be in the range of 65 million pounds to 75 million pounds.

Centerra's 2019 production is forecast as follows:

2019 Production Guidance	Units	Kumtor	Mount Milligan <sup>(1)</sup>	Centerra
<b>Gold<sup>(2)</sup></b>				
Unstreamed Gold Payable Production	(Koz)	535 – 565	101 – 114	636 – 679
Streamed Gold Payable Production <sup>(1)</sup>	(Koz)	–	54 – 61	54 – 61
<b>Total Gold Payable Production<sup>(2)</sup></b>	<b>(Koz)</b>	<b>535 – 565</b>	<b>155 – 175</b>	<b>690 – 740</b>
<b>Copper<sup>(3)</sup></b>				
Unstreamed Copper Payable Production	(Mlb)	–	53 – 61	53 – 61
Streamed Copper Payable Production <sup>(1)</sup>	(Mlb)	–	12 – 14	12 – 14
<b>Total Copper Payable Production<sup>(3)</sup></b>	<b>(Mlb)</b>	<b>–</b>	<b>65 – 75</b>	<b>65 – 75</b>
<b>Concentrate production in dry tonnes</b>	<b>(Kt)</b>			

1. Royal Gold streaming agreement entitles Royal Gold to 35% and 18.75% of gold and copper sales, respectively, from the Mount Milligan mine. Under the stream arrangement, 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 81.6% recovery at Kumtor and 60.0% recovery at Mount Milligan.
3. Copper production assumes 81.8% recovery for copper at Mount Milligan.

## 2019 All-in Sustaining Unit Costs<sup>NG</sup>

Centerra's 2019 all-in sustaining costs per ounce sold<sup>NG</sup> are calculated on a by-product basis and are forecast as follows:

<b>2019 All-in Sustaining Unit Costs</b> <sup>NG (4)</sup>	<b>Kumtor</b>	<b>Mount Milligan</b> <sup>(2)</sup>	<b>Centerra</b> <sup>(2)</sup>
<b>Ounces sold forecast</b>	<b>535,000 – 565,000</b>	<b>155,000 – 175,000</b>	<b>690,000-740,000</b>
<b>All-in sustaining costs on a by-product basis</b> <sup>(1), (2)</sup>	<b>\$666 - \$703</b>	<b>\$727 - \$821</b>	<b>\$723 – \$775</b>
Revenue-based tax <sup>(3)</sup> and taxes <sup>(3)</sup>	171 – 180	21 - 24	135 – 145
<b>All-in sustaining costs on a by-product basis, including taxes</b> <sup>(1), (2), (3)</sup>	<b>\$837 – \$883</b>	<b>\$748 – \$845</b>	<b>\$858 – \$920</b>
<b>Gold - All-in sustaining costs on a co-product basis (\$/ounce)</b> <sup>(1),(2)</sup>	<b>\$666 - \$703</b>	<b>\$803 - \$906</b>	<b>\$741 - \$795</b>
<b>Copper - All-in sustaining costs on a co-product basis (\$/pound)</b> <sup>(1),(2)</sup>	–	<b>\$1.93 - \$2.23</b>	<b>\$1.93 – \$2.23</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 \$2.80 per pound sold for Centerra’s 81.25% share of copper production and the remaining 18.75% of copper revenue at \$0.42 per pound (15% of spot price, assuming spot at \$2.80 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 \$1,200 per ounce sold.
- 4) Results in chart may not add due to rounding.

## 2019 Exploration Expenditures

Planned exploration expenditures for 2019 are expected to be \$30 million, including approximately \$20 million for brownfields exploration (Kumtor - \$11 million, Mount Milligan - \$3 million, Öksüt - \$2.5 million and Kemess - \$2 million) and the balance for generative and other exploration programs.

## 2019 Capital Expenditures

Centerra’s projected capital expenditures for 2019, excluding capitalized stripping, are estimated to be \$275 million, including \$91 million of sustaining capital<sup>NG</sup> and \$184 million of growth capital<sup>NG</sup>.

Projected capital expenditures (excluding capitalized stripping) include:

<b>Projects</b>	<b>2019 Sustaining Capital<sup>(1)</sup></b> (\$ millions)	<b>2019 Growth Capital<sup>(1)</sup></b> (\$ millions)
Kumtor Mine	45	14
Mount Milligan Mine	37	-
Öksüt Project	-	123
Kemess Underground Project	-	26
Greenstone Gold Property	-	21
Other (Thompson Creek Mine, Endako Mine (75%), Langeloth facility and Corporate)	9	-
<b>Consolidated Total</b>	<b>\$91</b>	<b>\$184</b>

(1) Sustaining capital and growth are non-GAAP measures and are discussed under “Non-GAAP Measures”.

### ***Kumtor***

At Kumtor, 2019 total capital expenditures, excluding capitalized stripping, are forecast to be \$59 million. Spending on sustaining capital<sup>NG</sup> of \$45 million relates primarily to major overhauls and replacements of the heavy-duty mine equipment (\$39 million).

Growth capital<sup>NG</sup> investment at Kumtor for 2019 is forecast at \$14 million which includes capital expenditures for tailings dam construction (\$6 million), pit dewatering projects (\$2 million) and other projects (\$6 million).

The cash component of capitalized stripping costs related to the development of the open pit is expected to be \$88 million of the \$108 million total capitalized stripping estimated in 2019.

### ***Mount Milligan***

At Mount Milligan, 2019 sustaining capital expenditures are forecast to be \$37 million and relates primarily to tailing dam construction (\$23 million), mine equipment rebuilds and replacements (\$8 million) and water supply improvement projects (\$3 million) and other projects (\$3 million).

### ***Öksüt Project***

At Öksüt, 2019 planned capital spending is expected to be approximately \$123 million. 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. At December 31, 2018 construction activities at the Öksüt site are approximately 38% complete as noted above. In 2019, stripping is expected to commence in June and ore stockpiling in July.

### ***Kemess Underground Project***

In 2019, total spending at the Kemess Underground Project (KUG) is estimated at \$40 million including \$14 million for care and maintenance and \$26 million on capitalized pre-construction activities. Most of the pre-construction costs are related to the construction of a water treatment plant and water discharge system. The Company has substantially all permits and approvals in place after receiving the amended Mines Act Permit and effluent discharge permit in 2018. In 2019, the Company plans to advance the water treatment plant and water discharge system construction, continue to maintain the Kemess site, progress detailed engineering and complete optimization studies on the project.

### ***Greenstone Gold Property***

Centerra’s guidance for 2019 expenditures relating to the Greenstone Gold Property (50-50 joint venture with Premier Gold) including the Hardrock Project is approximately \$41.6 million (Cdn\$54 million), on a 100% basis, with objective to optimize the economics of the Hardrock Project and to continue to de-risk the project. The 2019 program includes detailed engineering (\$13 million) on higher risk areas to confirm and optimize the capex, operating costs, mine plan updates and infill drilling to further improve accuracy

of the resource model. The program will also advance and finalize long-term relationship agreements with local indigenous groups including community relations (\$8.3 million), environmental and permitting activities to complete the EA/EIA approvals (\$2.2 million) and project support, property acquisitions and administration (\$15.5 million).

The forecast spending for 2019 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.

### 2019 Corporate Administration

Corporate and administration expense for 2019 is forecast to be \$31 million (including \$6 million of stock-based compensation expense).

### 2019 Depreciation, Depletion and Amortization

Consolidated depreciation, depletion and amortization (DD&A) expense included in costs of sales expense for 2019 is forecasted to be in the range of \$220 million to \$240 million including Kumtor's DD&A expense of \$170 million to \$180 million, Mount Milligan's DD&A expense of \$38 million to \$45 million, and Langeloth and other properties' DD&A expense range of \$12 million to \$15 million.

### 2019 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 2019 is forecast to be nil, while British Columbia mineral tax is forecast to be between \$3.2 million and \$4.2 million.

### Sensitivities

Centerra's revenues, earnings and cash flows for 2019 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>	5.4 – 6.0	32.5 – 34.5	26.7 – 28.7	26.7 – 28.7	2 – 2
Copper price <sup>(1)</sup>	<b>10%</b>	4.5 – 5.5	18.0 – 20.0	13.0 – 14.5	13.0 – 14.5	16 – 19
Diesel fuel	<b>10%</b>	8.9 – 10.4	-	8.9 – 10.4	8.9 – 10.4	12 – 14
Kyrgyz som <sup>(2)</sup>	<b>1 som</b>	1.2 – 1.7	-	1.2 – 1.7	1.2 – 1.7	2 – 2
Turkish Lira <sup>(2)</sup>	<b>1 lira</b>	12.5 – 14.0	-	12.5 – 14.0	-	-

<sup>(1)</sup> Gold and copper price sensitivities include the impact of the hedging program set up 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> Non-GAAP measure. See discussion under "Non-GAAP Measures".

## Material Assumptions and Risks

Material assumptions or factors used to forecast production and costs for 2019 include the following:

- a gold price of \$1,200 per ounce,
- a copper price of \$2.80 per pound,
- a molybdenum price of \$12 per pound,
- exchange rates:
  - \$1USD:\$1.30 Canadian dollar,
  - \$1USD:69.0 Kyrgyz som,
  - \$1USD:5.00 Turkish lira,
  - \$1USD:0.79 Euro,
- diesel fuel price assumption:
  - \$0.54/litre at Kumtor,
  - \$0.87/litre (CAD\$1.13/litre) at Mount Milligan.

The assumed diesel price of \$0.54/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 \$60 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 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 2019. These material assumptions include the following:

- 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 of annual average precipitation, reduction in water losses/deferrals to the sands and gravels, that we continue to successfully draw water from existing permitted water wells, identify and access new water wells available for permitting and capture permissible water sources from within the existing operations. Guidance assumes that Mount Milligan will pump water from nearby Philip Lake, Rainbow Creek and Meadows Creek after receiving approvals of amendments to the Mount Milligan's Environmental Assessment Certificate and related permits.
- The Company and the Kyrgyz Republic Government ("Government") continue to work constructively to complete the Kumtor Strategic Agreement, 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 the Kyrgyz proceedings 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 2019 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.
- Any political issues in Turkey do not have a negative effect on the Öksüt 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 designed.
- The Company can 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 reconcile as expected against production.
- Grades and recoveries at Kumtor and Mount Milligan remain consistent with the 2019 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.
- There are 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.
- Third party logistic providers can meet Centerra's logistics needs.
- The Company and its applicable subsidiaries throughout the year continue to meet the terms of their respective credit facilities to maintain current borrowings and compliance with applicable financial covenants.

The Company cannot give any assurances with respect to the above noted factors.

Production, cost and capital forecasts for 2019 are forward-looking information and are based on key assumptions and subject to material risk factors that could cause actual results to differ materially and which are discussed herein under the headings "Material Assumptions & Risks" and "Caution Regarding Forward-Looking Information" in this document and under the heading "Risks That Can Affect Our Business" 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 quotational pricing period for copper and gold sold from Mount Milligan. For the twelve months ended December 31, 2018, 422 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 2018, growth projects include Öksüt, Kemess 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>	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Cost of sales excluding molybdenum segment, as reported	177.3	145.2	109.0	84.7	68.3	60.5	563.6	545.4	349.9	291.7	213.7	253.6
Less: Non-cash component	62.6	48.6	51.3	39.7	11.3	8.9	191.8	189.6	154.6	145.7	37.2	43.9
Cost of sales, cash component	114.7	96.6	57.7	45.0	57.0	51.6	371.8	355.8	195.3	146.0	176.5	209.7
Adjust for:												
Regional office administration	4.1	5.8	4.1	5.8	-	-	13.8	18.2	13.8	18.2	-	-
Selling and marketing	1.9	0.9	-	-	1.9	0.9	5.0	4.7	-	-	5.0	4.7
Refining fees	2.0	1.9	1.7	1.6	0.3	0.3	5.7	5.5	4.8	4.4	0.9	1.1
By-product credits - copper	(23.9)	(29.2)	-	-	(23.9)	(29.2)	(89.5)	(125.9)	-	-	(89.5)	(125.9)
Community costs related to current operations	1.4	1.4	1.4	1.4	-	-	5.3	3.7	5.3	3.7	-	-
Adjusted Operating Costs	100.2	77.5	64.8	53.8	35.4	23.6	312.0	262.0	219.2	172.3	92.9	89.6
Corporate general administrative and other costs	6.3	7.1	-	0.1	0.2	0.8	30.1	39.9	0.1	0.3	1.1	2.2
Accretion expense	0.4	0.5	0.3	0.3	0.1	0.2	1.9	1.9	1.3	1.3	0.6	0.6
Capitalized stripping and ice unload	26.3	24.4	26.3	24.4	-	-	103.9	149.4	103.9	149.4	-	-
Capital expenditures (sustaining)	22.2	28.9	11.8	16.5	10.1	11.9	86.8	91.2	43.7	60.6	42.2	30.0
All-in Sustaining Costs on a by-product basis	155.4	138.3	103.3	95.2	45.7	36.5	534.7	544.3	368.1	383.9	136.8	122.4
Revenue-based taxes	34.7	32.2	34.7	32.2	-	-	93.0	96.7	93.0	96.7	-	-
Income and mining taxes	1.2	1.1	-	-	1.2	1.1	2.7	4.7	-	-	2.7	4.7
All-in Sustaining Costs on a by-product basis (including taxes)	191.4	171.5	138.0	127.4	47.0	37.6	630.3	645.7	461.1	480.6	139.4	127.1
Ounces sold (000)	269.8	242.2	203.4	180.7	66.4	61.5	709.3	792.5	530.4	550.1	178.9	242.3
Adjusted Operating Costs - \$ /oz sold	372	320	319	298	533	385	440	331	413	313	519	370
Gold - All-in Sustaining Costs on a by-product basis - \$ /oz sold	576	571	508	526	689	594	754	687	694	698	764	505
Gold - All-in Sustaining Costs on a by-product basis (including taxes) - \$ /oz sold	709	708	679	705	707	612	889	815	869	874	779	525
Gold - All-in Sustaining Costs on a co-product basis (before taxes) - \$ /oz sold	573	593	508	526	676	706	750	737	694	698	751	663
Copper - All-in Sustaining Costs on a co-product basis (before taxes) - \$ /pound sold	1.53	1.70	n/a	n/a	1.53	1.70	1.77	1.47	n/a	n/a	1.77	1.47

<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,	
	2018	2017	2018	2017
<b>Net earnings (loss)</b>	<b>\$ 49.0</b>	<b>\$ 130.0</b>	<b>\$ 107.5</b>	<b>\$ 209.5</b>
Adjust for non-recurring items:				
Kyrgyz Republic settlement		-	-	60.0
Asset Impairment- Mongolia (net of tax)	-	-	8.4	39.7
AuRico Metals Inc. acquisition and integration expenses	-	-	4.4	-
Gain on sale of royalty portfolio	-	-	(28.0)	-
Proceeds from sale of ATO (net of tax)	-	-	(9.4)	(6.9)
Income tax benefit from US tax reform	-	(21.3)	-	(21.3)
Tax adjustment	-	-	(5.2)	-
<b>Adjusted net earnings</b>	<b>\$ 49.0</b>	<b>\$ 108.7</b>	<b>\$ 77.8</b>	<b>\$ 281.0</b>
<b>Net earnings (loss) per share - basic</b>	<b>\$ 0.17</b>	<b>\$ 0.45</b>	<b>\$ 0.37</b>	<b>\$ 0.72</b>
<b>Net earnings (loss) per share - diluted</b>	<b>\$ 0.17</b>	<b>\$ 0.44</b>	<b>\$ 0.36</b>	<b>\$ 0.72</b>
<b>Adjusted net earnings per share - basic</b>	<b>\$ 0.17</b>	<b>\$ 0.37</b>	<b>\$ 0.27</b>	<b>\$ 0.96</b>
<b>Adjusted net earnings per share - diluted</b>	<b>\$ 0.17</b>	<b>\$ 0.36</b>	<b>\$ 0.26</b>	<b>\$ 0.96</b>

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

(\$ millions, except as noted)	Three months ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
<b>Cash provided by operations <sup>(1)</sup></b>	<b>\$ 151.6</b>	<b>\$ 170.4</b>	<b>\$ 217.5</b>	<b>\$ 500.9</b>
<b>Adjust for:</b>				
Additions to property, plant and equipment <sup>(1)</sup>	(86.1)	(64.4)	(285.9)	(278.0)
<b>Free cash flow (deficit)</b>	<b>\$ 65.5</b>	<b>\$ 106.0</b>	<b>\$ (68.4)</b>	<b>\$ 222.9</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	All other	Consolidated
(\$ millions) <i>(Unaudited)</i>					
<b>2018</b>					
Capitalized stripping –cash	26.3	-	-	-	26.3
Sustaining capital - cash	11.9	10.1	-	-	22.0
Growth capital - cash	2.9	-	-	-	2.9
Greenstone Gold Property pre-development capital cash	-	-	-	2.4	2.4
Kemess Property pre-development capital cash	-	-	-	13.7	13.7
Öksüt project development capital - cash	-	-	15.2	-	15.2
Molybdenum business capital - cash	-	-	-	1.5	1.5
Prepayment for capital	1.0	0.1	2.2	-	3.3
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	0.1	(2.2)	(0.3)	0.3	(2.1)
Greenstone Gold Property translation adjustment	-	-	-	1.0	1.0
<b>Total - Additions to PP&amp;E <sup>(1)</sup></b>	<b>42.2</b>	<b>8.0</b>	<b>17.1</b>	<b>18.8</b>	<b>86.1</b>
<b>2017</b>					
(\$ millions) <i>(Unaudited)</i>					
Capitalized stripping –cash	24.4	-	-	-	24.4
Sustaining capital - cash	16.4	11.9	-	-	28.3
Growth capital - cash	7.1	-	-	-	7.1
Öksüt project development capital - cash	-	-	1.8	-	1.8
Prepayment for capital	(0.8)	1.3	0.8	-	1.3
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	-	-	-	1.6	1.6
<b>Total - Additions to PP&amp;E <sup>(1)</sup></b>	<b>47.1</b>	<b>13.2</b>	<b>2.6</b>	<b>1.6</b>	<b>64.4</b>

Year ended December 31,	Kumtor	Mount Milligan	Turkey	All other	Consolidated
(\$ millions) <i>(Unaudited)</i>					
<b>2018</b>					
Capitalized stripping –cash	103.9	-	-	-	103.9
Sustaining capital - cash	43.7	42.2	-	-	85.9
Growth capital - cash	16.7	-	-	-	16.7
Greenstone Gold Property pre-development capital cash	-	-	-	10.0	10.0
Kemess Property pre-development capital cash	-	-	-	30.7	30.7
Öksüt project development capital - cash	-	-	43.9	-	43.9
Molybdenum business capital - cash	-	-	-	2.3	2.3
Prepayment for capital	3.0	1.7	9.4	-	14.1
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	(3.9)	(9.0)	(9.5)	0.3	(22.1)
Greenstone Gold Property translation adjustment	-	-	-	0.6	0.6
<b>Total - Additions to PP&amp;E <sup>(1)</sup></b>	<b>163.4</b>	<b>34.9</b>	<b>43.8</b>	<b>43.8</b>	<b>285.9</b>
<b>2017</b>					
(\$ millions) <i>(Unaudited)</i>					
Capitalized stripping –cash	149.4	-	-	-	149.4
Sustaining capital - cash	59.0	27.2	-	0.1	86.3
Growth capital - cash	18.0	-	-	-	18.0
Gatsuurt project development capital cash	-	-	-	2.4	2.4
Greenstone Gold Property pre-development capital cash	-	-	-	3.8	3.8
Öksüt project development capital - cash	-	-	6.6	-	6.6
Molybdenum business capital - cash	-	-	-	0.5	0.5
Prepayment for capital	2.4	6.1	2.1	-	10.6
Adjustment for changes in accruals and other non-cash items included in additions to PP&E	(1.6)	0.8	-	1.3	0.5
<b>Total - Additions to PP&amp;E <sup>(1)</sup></b>	<b>227.2</b>	<b>34.1</b>	<b>8.7</b>	<b>8.1</b>	<b>278.0</b>

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

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

(\$ millions)	Three months ended December 31, 2018				
	Kumtor	Mount Milligan	Molybdenum	Other	Consolidated
Cash provided by (used in) operations	149.6	39.3	(10.6)	(26.6)	151.6
Add back (deduct):					
Change in operating working capital	(5.4)	(10.8)	7.8	13.6	5.2
<b>Net cash provided by (used in) operations before changes in working capital</b>	<b>144.1</b>	<b>28.5</b>	<b>(2.8)</b>	<b>(13.0)</b>	<b>156.8</b>

	Three months ended December 31, 2017				
	Kumtor	Mount Milligan	Molybdenum	Other	Consolidated
Cash provided by (used in) operations	151.0	29.2	(0.1)	(9.6)	170.4
Add back (deduct):					
Change in operating working capital	(5.9)	1.1	0.7	(6.4)	(10.5)
<b>Net cash provided by (used in) operations before changes in working capital</b>	<b>145.0</b>	<b>30.3</b>	<b>0.6</b>	<b>(16.0)</b>	<b>159.9</b>

	Year ended December 31, 2018				
	Kumtor	Mount Milligan	Molybdenum	Other	Consolidated
Cash provided by (used in) operations	291.0	37.4	(24.9)	(86.0)	217.5
Add back (deduct):					
Change in operating working capital	54.0	25.7	23.9	15.5	119.1
<b>Net cash provided by (used in) operations before changes in working capital</b>	<b>345.0</b>	<b>63.1</b>	<b>(1.0)</b>	<b>(70.5)</b>	<b>336.6</b>

	Year ended December 31, 2017				
	Kumtor	Mount Milligan	Molybdenum	Other	Consolidated
Cash provided by (used in) operations	416.1	150.6	(8.3)	(57.5)	500.9
Add back (deduct):					
Change in operating working capital	8.2	(12.0)	9.3	6.1	11.7
<b>Net cash provided by (used in) operations before changes in working capital</b>	<b>424.3</b>	<b>138.6</b>	<b>1.0</b>	<b>(51.3)</b>	<b>512.6</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,	
	2018	2017	2018	2017
<b>Gold sales reconciliation (\$ millions)</b>				
Gold sales - Kumtor	246.9	228.1	660.1	685.2
<b><u>Gold sales - Mt. Milligan</u></b>				
Gold sales related to cash portion of Royal Gold stream	10.0	9.3	27.1	37.0
Mark-to-market adjustments on sales to Royal Gold	(2.5)	(1.1)	(1.8)	(1.4)
Final adjustments on sales to Royal Gold	(0.7)	(0.2)	(1.2)	(0.2)
Total gold sales under Royal Gold stream	6.8	8.0	24.1	35.4
Gold sales to third party customers	53.3	48.7	149.3	200.0
Mark-to-market adjustments	2.8	4.0	3.6	2.6
Final pricing adjustments	1.7	(0.2)	(3.0)	4.6
Final metal adjustments	1.0	1.5	0.4	1.4
Total gold sales to third party customers	58.8	52.5	150.3	208.6
Gold sales, net of adjustments	65.6	60.5	174.4	244.0
Refining and treatment costs	(0.3)	(0.3)	(0.9)	(1.1)
Total gold sales	65.3	60.2	173.5	242.9
<b>Total gold revenue - Consolidated</b>	<b>312.2</b>	<b>288.3</b>	<b>833.6</b>	<b>928.1</b>
<b>Ounces of gold sold</b>				
Gold ounces sold - Kumtor	203,388	180,703	530,448	550,134
Ounces sold to Royal Gold - Mt. Milligan	22,970	21,266.0	62,261	77,503
Ounces sold to third party customers - Mt. Milligan	43,396	40,258.2	116,621	164,828
<b>Total ounces sold - Consolidated</b>	<b>269,754</b>	<b>242,228</b>	<b>709,330</b>	<b>792,466</b>
<b>Average realized sales price for gold on a per ounce basis</b>				
Average realized sales price - Kumtor	1,214	1,262	1,244	1,245
Average realized gold price - Royal Gold	435	435	435	435
Average realized gold price - Mark-to-market adjustments	(109)	(52)	(29)	(18)
Average realized gold price - Final pricing adjustments	(30)	(9)	(19)	(3)
<b>Average realized gold price - Mt. Milligan - Royal Gold</b>	<b>296</b>	<b>374</b>	<b>387</b>	<b>414</b>
Average realized gold price - Third party	1,228	1,210	1,280	1,213
Average realized gold price - Mark-to-market adjustments	65	99	31	16
Average realized gold price - Final pricing adjustments	39	(5)	(26)	28
Average realized gold price - Final metal adjustments	23	37	3	8
<b>Average realized gold price - Mt. Milligan - Third party</b>	<b>1,332</b>	<b>1,304</b>	<b>1,289</b>	<b>1,266</b>
<b>Average realized gold price - Mt. Milligan - Combined</b>	<b>984</b>	<b>978</b>	<b>971</b>	<b>1,003</b>
<b>Average realized sales price for gold - Consolidated</b>	<b>1,157</b>	<b>1,190</b>	<b>1,175</b>	<b>1,171</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,	
	2018	2017	2018	2017
<b>Copper sales reconciliation (\$ millions)</b>				
Copper sales related to cash portion of Royal Gold stream	1.0	1.3	3.5	5.0
Mark-to-market adjustments on Royal Gold stream	(0.3)	0.2	0.3	(0.5)
Final adjustments on sales to Royal Gold	(0.4)	0.3	(0.1)	0.7
Total copper sales under Royal Gold stream	0.3	1.8	3.6	5.2
Copper sales to third party customers	31.6	31.2	108.2	133.9
Mark-to-market adjustments	(4.1)	(2.0)	(3.3)	(1.5)
Final pricing adjustments	0.3	2.3	(5.6)	5.9
Final metal adjustments	(0.6)	(0.2)	(1.3)	(0.3)
Total copper sales to third party customers	27.3	31.3	98.1	138.1
Copper sales, net of adjustments	27.6	33.1	101.6	143.3
Refining and treatment costs	(3.7)	(3.9)	(12.2)	(17.4)
<b>Copper sales</b>	<b>23.9</b>	<b>29.2</b>	<b>89.5</b>	<b>125.9</b>
<b>Pounds of copper sold (000's lbs)</b>				
Pounds sold to Royal Gold	2,626	2,506	8,311	11,232
Pounds sold to third party customers	10,965	10,599	36,058	48,487
<b>Total pounds sold</b>	<b>13,591</b>	<b>13,105</b>	<b>44,370</b>	<b>59,719</b>
<b>Average realized sales price for copper on a per pound basis</b>				
Copper sales related to cash portion of Royal Gold stream	0.38	0.53	0.42	0.45
Mark-to-market adjustments on Royal Gold stream	(0.11)	0.08	0.03	(0.05)
Final pricing adjustments on Royal Gold stream	(0.14)	0.10	(0.02)	0.06
<b>Average realized copper price - Royal Gold</b>	<b>0.13</b>	<b>0.71</b>	<b>0.43</b>	<b>0.46</b>
Average realized copper price - Third party	2.88	2.94	3.00	2.76
Average realized copper price - Mark-to-market adjustments	(0.38)	(0.19)	(0.09)	(0.03)
Average realized copper price - Final pricing adjustments	0.03	0.22	(0.15)	0.12
Average realized copper price - Metal pricing adjustments		(0.02)	(0.01)	(0.01)
<b>Average realized copper price - Third party</b>	<b>2.49</b>	<b>2.97</b>	<b>2.72</b>	<b>2.84</b>
<b>Average realized copper price - Combined</b>	<b>1.76</b>	<b>2.23</b>	<b>2.02</b>	<b>2.11</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 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 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.

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.

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

There are a number of 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.

A detailed discussion of risk factors is included under the heading "Risks that Can Affect our Business" in our most recent Annual Information Form (2017) available on SEDAR at [www.sedar.com](http://www.sedar.com), which is incorporated herein by reference. The Risks listed in the 2017 AIF remain relevant except as provided below:

- With the purchase on January 8, 2018 of AuRico Metals Inc. relevant risk factors apply to the Kemess Project.
- The risks related to Mongolia and the Boroo Mine and Gatsuurt Project are no longer applicable to the Company given the October 12, 2018 sale of the Mongolian business unit, including the Boroo Gold Mine and processing facility and the Gatsuurt Gold Project to OZD ASIA PTE Ltd. ("OZD").
- In addition to the reported risk of seismic activity, the Company's operations are subject to adverse events brought on by both natural and man-made disasters including but not limited to severe weather conditions, forest fires and avalanche. These events could damage or destroy or adversely

affect the operations at our physical facilities and similar events could also affect the facilities of our suppliers. Any such damage or destruction could adversely affect our financial results, future cash flows and earnings because of the reduced availability of supplies, decreased production output or increased operating costs.

While the risks were taken into account when determining the design criteria for our operations, there can be no assurance that the Company's operations will not be adversely affected by this kind of activity. Although we believe we have reasonable insurance arrangements in place to cover certain of such incidents related to damage or destruction, there can be no assurance that these arrangements will be sufficient to fully protect us against such losses.

- As discussed elsewhere in this document, additional activities and permitting are in progress at the Mount Milligan mine site to mitigate risks related to "The Company's mining production depends on the availability of sufficient water supplies". See "Operating Mines and Facilities – Mount Milligan Mine – Water Update". The Company is actively managing its water management inventory strategy at Mount Milligan. While we have made, or are making the applications needed to access additional water from a number of sources, there are no assurances that the Company will receive the required permits and amendments to its environmental assessment certificates, or that they will be received in the time periods expected by management. Any failure to find medium and long-term solutions to the water sufficiency issues at Mount Milligan, or the re-occurrence of any water availability issues, may adversely impact the Company's future cash flows, earnings, result of operations and financial conditions.

It should be noted that 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.

## **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 Company's expectations regarding the timing of the Kumtor Settlement Agreement and the successful resolution of outstanding claims and proceedings impacting the Kumtor Project and its current and former employees; expectations regarding the positive receipt and timing of environmental assessment certificate amendments and permits to implement the Company's medium term water strategy, including the details of any such amendment and permit, and the Company's plans and timing for developing and submitting requests to implement a long term solution to the Mount Milligan water sufficiency issues, including consultations with Indigenous communities and regulators; expectations regarding the construction progress at the Öksüt project and first gold pour; the Company's cash at hand, working capital, future cash flows and existing credit facilities being sufficient to fund anticipated operating cash requirements and statements found under the heading "2019 Outlook", including forecast 2019 production figures and 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 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; 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; Indigenous claims and consultative issues relating to the Company's properties which are in proximity to Indigenous 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 risk of having sufficient water to continue operations at Mount Milligan and achieve expected mill 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; 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, 2019. Centerra assumes no obligation to update or revise forward looking information to reflect changes in assumptions, changes in circumstances or any other events affecting such forward-looking information, except as required by applicable law.*

**Centerra Gold Inc.**

**Consolidated Financial Statements**

**For the Years Ended December 31, 2018 and 2017**

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

## **Report of Management's Accountability**

The Consolidated Financial Statements have been prepared by the management of the Company. Management is responsible for the integrity, consistency and reliability of all such information presented. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The preparation of the Consolidated Financial Statements involves the use of estimates and assumptions based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience, current conditions and various other assumptions believed to be reasonable in the circumstances, with critical analysis of the significant accounting policies followed by the Company as described in Note 3 to the Consolidated Financial Statements. The preparation of the Consolidated Financial Statements includes information regarding the estimated impact of future events and transactions. Actual results in the future may differ materially from the present assessment of this information because future events and circumstances may not occur as expected.

In meeting its responsibility for the reliability of financial information, management maintains and relies on a comprehensive system of internal controls and checks to see if the controls are operating as designed. The system of internal controls includes a written corporate conduct policy; implementation of a risk management framework; effective segregation of duties and delegation of authorities; and sound and conservative accounting policies that are regularly reviewed. This structure is designed to provide reasonable assurance that assets are safeguarded and that reliable information is available on a timely basis. In addition internal controls on financial reporting and disclosure controls have been documented, evaluated and tested in a manner consistent with National Instrument 52-109.

The Consolidated Financial Statements have been audited by KPMG LLP, independent external auditors appointed by the Company's shareholders. The external auditors' responsibility is to express their opinion on whether the Consolidated Financial Statements are fairly presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. KPMG LLP's report outlines the scope of their examination and their opinion.

The Company's Board of Directors, through its Audit Committee, are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee met periodically with management, the internal auditors, and the external auditors to satisfy itself that each group had properly discharged its respective responsibility and to review the Consolidated Financial Statements before recommending approval by the Board of Directors. The external auditors had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of the financial reporting.

The Company's President and Chief Executive Officer and the Company's Vice President and Chief Financial Officer have evaluated the design and operating effectiveness of related disclosure controls and procedures and internal controls over financial reporting based on criteria established in "Internal Control-Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

*Original signed by:*

Scott G. Perry

*President and Chief Executive Officer*

February 22, 2019

*Original signed by:*

Darren J. Millman

*Vice President and Chief Financial Officer*



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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Centerra Gold Inc.

### **Opinion**

We have audited the consolidated financial statements of Centerra Gold Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of earnings and comprehensive income for the years ended December 31, 2018 and December 31, 2017
- the consolidated statements of shareholders' equity for the years ended December 31, 2018 and December 31, 2017
- the consolidated statements of cash flows for the years ended December 31, 2018 and December 31, 2017
- and notes to the consolidated financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at the end of December 31, 2018 and December 31, 2017, and its consolidated financial performance, and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

Management is responsible for the other information. Other information comprises:

- Information, other than the financial statements and the auditors' report thereon, included in the Management Discussion and Analysis document.
- Information, other than the financial statements and the auditors' report thereon, included in the Annual Information Form.
- Information, other than the financial statements and the auditors' report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.





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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Information, other than the financial statements and the auditors' report thereon, included in Centerra's document noted above as at the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are/is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Derek Peters.

Toronto, Canada

February 22, 2019

**Centerra Gold Inc.**  
**Consolidated Statements of Financial Position**

		December 31, 2018	December 31, 2017
<b>(Expressed in thousands of United States Dollars)</b>			
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 151,705	\$ 415,891
Amounts receivable	8	59,558	63,902
Inventories	9	596,911	506,208
Prepaid expenses and other current assets	10	24,734	23,970
Current portion of derivative assets	27	1,081	1,963
		<u>833,989</u>	<u>1,011,934</u>
Property, plant and equipment	11	1,886,046	1,674,444
Goodwill		16,070	16,070
Restricted cash	14	27,505	687
Reclamation deposits	16	30,841	26,525
Derivative assets	27	-	545
Other assets	12	32,260	41,970
		<u>1,992,722</u>	<u>1,760,241</u>
<b>Total assets</b>		<u>\$ 2,826,711</u>	<u>\$ 2,772,175</u>
<b>Liabilities and Shareholders' equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	13	\$ 173,783	\$ 181,829
Provision for Kyrgyz Republic settlement	21	53,000	53,000
Short-term debt	14	5,000	80,522
Current portion of lease obligations		797	-
Revenue-based taxes payable		954	15,953
Taxes payable		878	2,592
Current portion of provision for reclamation	16	197	832
Current portion of derivative liabilities	27	101	16,057
Other current liabilities	12	67	7,021
		<u>234,777</u>	<u>357,806</u>
Long-term debt	14	179,266	211,611
Provision for reclamation	16	212,248	166,174
Lease obligations		4,229	-
Deferred income tax liability	15	44,524	-
Derivative liabilities	27	-	7,273
Other liabilities	12	3,636	3,882
		<u>443,903</u>	<u>388,940</u>
<b>Shareholders' equity</b>			
Share capital	23	949,328	948,121
Contributed surplus		27,364	25,781
Accumulated other comprehensive loss		(2,088)	(14,371)
Retained earnings		1,173,427	1,065,898
		<u>2,148,031</u>	<u>2,025,429</u>
<b>Total liabilities and Shareholders' equity</b>		<u>\$ 2,826,711</u>	<u>\$ 2,772,175</u>

Commitments and contingencies (note 24)

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

Approved by the Board of Directors

Original signed by:

Stephen Lang

Richard Connor

**Centerra Gold Inc.**
**Consolidated Statements of Earnings and Comprehensive Income**
**For the years ended December 31,**
**2018**
**2017**
**(Expressed in thousands of United States Dollars)**
**(except per share amounts)**

	Notes			
Gold sales	17	\$	833,554	\$ 928,099
Copper sales	17		89,494	125,938
Molybdenum sales			197,117	136,760
Tolling, calcining and other			9,171	8,231
<b>Revenue</b>			<b>1,129,336</b>	<b>1,199,028</b>
Cost of sales	18		761,367	682,094
Standby costs	18		10,849	-
Regional office administration			13,766	18,212
<b>Earnings from mine operations</b>			<b>343,354</b>	<b>498,722</b>
Revenue-based taxes	15		92,988	96,729
Other operating expenses	20		13,127	12,852
Care and maintenance expense			29,344	13,024
Reclamation expense	16		40,355	176
Pre-development project costs			12,425	4,794
Exploration expenses and business development			22,351	10,707
Business combination acquisition and integration expenses	6		4,515	3,915
Corporate administration	19		29,636	37,612
Kyrgyz Republic settlement			-	60,000
<b>Earnings from operations</b>			<b>98,613</b>	<b>258,913</b>
Gain on sale of Royalty Portfolio	6		(27,993)	-
Other income, net			(2,449)	(3,135)
Finance costs	22		30,232	30,039
<b>Earnings before income tax</b>			<b>98,823</b>	<b>232,009</b>
Income tax recovery	15		(14,647)	(19,790)
<b>Net earnings from continuing operations</b>		\$	<b>113,470</b>	<b>\$ 251,799</b>
Net loss from discontinued operations	7		(5,941)	(42,266)
<b>Net earnings</b>		\$	<b>107,529</b>	<b>\$ 209,533</b>
<b>Other Comprehensive Income</b>				
<b>Items that may be subsequently reclassified to earnings:</b>				
Net (loss) gain on translation of foreign operation			(3,133)	2,405
Net unrealized gain (loss) on derivative instruments, net of tax	27		14,938	(14,143)
Post-retirement benefit, net of tax			478	(41)
<b>Other comprehensive income (loss)</b>			<b>12,283</b>	<b>(11,779)</b>
<b>Total comprehensive income</b>		\$	<b>119,812</b>	<b>\$ 197,754</b>
<b>Basic earnings per share - Continuing operations</b>	23	\$	<b>0.39</b>	<b>\$ 0.86</b>
<b>Diluted earnings per share - Continuing operations</b>	23	\$	<b>0.38</b>	<b>\$ 0.86</b>
<b>Basic earnings per share</b>	23	\$	<b>0.37</b>	<b>\$ 0.72</b>
<b>Diluted earnings per share</b>	23	\$	<b>0.36</b>	<b>\$ 0.72</b>

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

**Centerra Gold Inc.****Consolidated Statements of Cash Flows****For the years ended December 31,**

		<b>2018</b>	<b>2017</b>
<b>(Expressed in thousands of United States Dollars)</b>			
	<b>Notes</b>		
<b>Operating activities</b>			
Net earnings from continuing operations		\$ 113,470	\$ 251,799
Adjustments for the following items:			
Depreciation, depletion and amortization	11	200,802	198,615
Finance costs	22	30,232	30,039
Loss on disposal of equipment		2,652	954
Compensation expense on stock options		1,714	1,019
Other share based compensation expense		2,082	6,476
Gain on disposition of Royalty Portfolio	6	(27,993)	-
Income tax recovery		(14,647)	(19,790)
Reclamation expense	16	40,355	176
Kyrgyz Republic settlement	21	-	60,000
Other		3,794	266
		<u>352,461</u>	<u>529,554</u>
Change in operating working capital	29(a)	(120,173)	(13,492)
Purchase and settlement of derivatives		(5,650)	(4,135)
Income taxes paid		(5,371)	(3,124)
<b>Cash provided by continuing operations</b>		<u>221,267</u>	<u>508,803</u>
Cash used in discontinued operations	7	(3,775)	(7,907)
<b>Net cash provided by operations</b>		<u>217,492</u>	<u>500,896</u>
<b>Investing activities</b>			
Additions to property, plant and equipment	29(b)	(271,830)	(264,870)
Prepayment for property, plant and equipment		(14,043)	(10,589)
Lease payments - Capital equipment		(665)	-
Acquisition of AuRico Metals Inc., net of cash acquired	6	(226,800)	-
(Increase) decrease in restricted cash		(26,818)	247,981
(Increase) decrease in reclamation deposits and other assets		(4,177)	8,809
Proceeds from the sale of the Royalty Portfolio	6	155,450	-
Proceeds from the sale of the Mongolian segment	7	35,000	-
Proceeds from disposition of fixed assets		1,766	226
<b>Cash used in investing from continuing operations</b>		<u>(352,117)</u>	<u>(18,443)</u>
Cash provided by investing from discontinued operations		-	7,816
<b>Net cash used in investing</b>		<u>(352,117)</u>	<u>(10,627)</u>
<b>Financing activities</b>			
Debt drawdown	29(c)	395,737	-
Debt repayment	29(c)	(501,069)	(208,363)
Payment of interest and borrowing costs	29(c)	(25,230)	(28,303)
Proceeds from common shares issued		1,001	2,197
<b>Cash used in financing</b>		<u>(129,561)</u>	<u>(234,469)</u>
(Decrease) increase in cash during the year		(264,186)	255,800
Cash and cash equivalents at beginning of the year		415,891	160,091
<b>Cash and cash equivalents at end of the year</b>		<u>\$ 151,705</u>	<u>\$ 415,891</u>
<b>Cash and cash equivalents consist of:</b>			
Cash		\$ 151,705	\$ 372,753
Cash equivalents		-	43,138
		<u>\$ 151,705</u>	<u>\$ 415,891</u>

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

**Centerra Gold Inc.**  
**Consolidated Statements of Shareholders' Equity**

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

	Number of Common Shares	Share Capital Amount	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total
<b>Balance at January 1, 2017</b>	291,276,068	\$ 944,633	\$ 25,876	\$ (2,592)	\$ 856,365	\$ 1,824,282
Share-based compensation expense	-	-	1,020	-	-	1,020
Shares issued on exercise of stock options	480,008	3,313	(1,115)	-	-	2,198
Shares issued on redemption of restricted share units	26,770	175	-	-	-	175
Foreign currency translation	-	-	-	2,405	-	2,405
Net unrealized loss on derivative instruments, net of tax (note 27)	-	-	-	(14,143)	-	(14,143)
Post retirement benefits, net of tax	-	-	-	(41)	-	(41)
Net earnings for the year	-	-	-	-	209,533	209,533
<b>Balance at December 31, 2017</b>	291,782,846	\$ 948,121	\$ 25,781	\$ (14,371)	\$ 1,065,898	\$ 2,025,429
Share-based compensation expense	-	-	1,714	-	-	1,714
Shares issued on exercise of stock options	63,860	445	(131)	-	-	314
Shares issued under the employee share purchase plan	137,610	686	-	-	-	686
Shares issued on redemption of restricted share units	15,633	76	-	-	-	76
Foreign currency translation	-	-	-	(3,133)	-	(3,133)
Net unrealized gain on derivative instruments, net of tax (note 27)	-	-	-	14,938	-	14,938
Post retirement benefits, net of tax	-	-	-	478	-	478
Net earnings for the year	-	-	-	-	107,529	107,529
<b>Balance at December 31, 2018</b>	291,999,949	\$ 949,328	\$ 27,364	\$ (2,088)	\$ 1,173,427	\$ 2,148,031

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

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

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**1. Nature of operations**

Centerra Gold Inc. (“Centerra” or the “Company”) was incorporated under the *Canada Business Corporations Act* on November 7, 2002. Centerra’s common shares are listed on the Toronto Stock Exchange. The Company is domiciled in Canada and its registered office is located at 1 University Avenue, Suite 1500, Toronto, Ontario, M5J 2P1. The Company is primarily focused on operating, developing, exploring and acquiring gold and copper properties in North America, Asia and other markets worldwide.

**2. Basis of presentation**

The consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These financial statements were authorized for issuance by the Board of Directors of the Company on February 22, 2019.

These consolidated financial statements have been prepared under the historical cost basis, except for provisionally priced amounts receivable, derivative instruments, liabilities for cash settled share-based compensation and post-retirement benefit liability (measured at fair value) and inventories (measured at the lower of cost or net realizable value (“NRV”)).

These financial statements are presented in United States (“U.S.”) dollars with all amounts rounded to the nearest thousand, except for share and per share data, or as otherwise noted.

**3. Summary of significant accounting policies**

The significant accounting policies summarized below have been applied consistently to all periods presented in these consolidated financial statements.

***a. Consolidation principles***

These consolidated financial statements include the accounts of Centerra and its subsidiaries. Subsidiaries consist of entities from which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

Centerra’s significant subsidiaries and joint operations are as follows:

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

<u>Entity</u>	<u>Property - Location</u>	<u>Current status</u>	<u>Ownership</u>	
			<u>2018</u>	<u>2017</u>
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 ("Langeloth") Molybdenum Processing Facility	Langeloth - United States	Operation	100%	100%
Öksüt Madencilik A.S. ("OMAS")	Öksüt Project - Turkey	Development	100%	100%
Greenstone Gold Mines LP ("Greenstone Partnership")	Greenstone Gold Property - Canada	Pre-development	50%	50%
AuRico Metals Inc. (Note 6)	Kemess Project - Canada ("Kemess")	Pre-development	100%	0%
Thompson Creek Mining Company	Thompson Creek Mine - United States	Care and Maintenance	100%	100%
Thompson Creek Metals Company Inc.	Endako Mine - Canada	Care and Maintenance	75%	75%

As at December 31, 2018, the Company had also entered into agreements to earn interests in joint venture exploration properties located in Canada, Finland and Mexico. In addition, the Company has exploration properties in Canada, Turkey and the United States and has strategic alliance agreements with partners to evaluate potential gold opportunities in West Africa and Sweden.

Inter-company transactions between subsidiaries are eliminated on consolidation.

***b. Business combinations***

The Company uses the acquisition method of accounting for business combinations. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The excess of the consideration transferred over the fair value of the net assets acquired is recorded as goodwill.

Acquisition-related costs are expensed as incurred. Assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will not exceed one year from the acquisition date.

***c. Foreign currency***

The functional currency of the Company and its subsidiaries is the U.S. dollar ("USD"), which is



**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

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also the presentation currency of the consolidated financial statements. The functional and reporting currency of the Greenstone Partnership is the Canadian dollar (“Cdn\$”), which results in translation gains (losses) being recorded as part of Other Comprehensive Income in the Consolidated Statements of Earnings and Comprehensive Income (“Statements of Earnings”).

Foreign currency transactions are translated into an entity’s functional currency using the exchange rate prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statements of Earnings. Non-monetary assets and liabilities, arising from transactions denominated in foreign currencies, are translated at the historical exchange rates prevailing at each transaction date.

***d. Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and short-term investments with original maturities of 90 days or less. Cash and cash equivalents are classified as financial instruments carried at amortized cost.

***e. Short-term investments***

Short-term investments consist of marketable securities with original maturities of more than 90 days but no longer than 12 months, from the date of purchase. Short-term investments consist mostly of U.S. federal, Canadian federal and provincial government treasury bills and notes, agency notes, foreign sovereign issues, term deposits, bankers’ acceptances, bearer deposit notes, and highly-rated, highly-liquid corporate direct credit. Short-term investments are classified as financial instruments carried at fair value through profit or loss.

***f. Restricted cash and restricted short-term investments***

Cash and short-term investments which are subject to legal or contractual restrictions on their use are classified separately as restricted cash and restricted short-term investments.

***g. Inventories***

Inventories of stockpiled ore, in-circuit gold, gold and copper concentrate, gold doré and molybdenum inventory are valued at the lower of weighted average production cost and NRV. Finished gold and copper inventory valuation is based on payable ounces or pounds of the respective commodity. The production cost of inventories is determined on a weighted-average basis and includes direct materials, direct labour, transportation, shipping, freight and insurance costs, mine-site overhead expenses and depreciation, depletion and amortization of mining assets. Molybdenum inventory additionally includes amounts paid for molybdenum concentrate purchased from third parties, as well as costs associated with beneficiation and roasting.

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

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Stockpiled ore is ore that has been extracted from the mine and is available for further processing. Costs are added to the cost of stockpiles based on the current mining cost per unit mined and removed at the average cost per unit of the stockpiled ore. In-circuit inventories represent materials that are in the process of being converted to gold doré or concentrate. Variances between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to NRV are accounted for on a prospective basis.

When inventories are sold, the carrying amount is recognized as an expense in the period in which the related revenue is recognized. Any write-down of inventories to NRV or reversals of previous write-downs are recognized in the Statements of Earnings in the period that the write-down or reversal occurs. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs to sell.

Consumable supplies and spare parts are valued at the lower of weighted average cost and NRV, which approximates replacement cost. Replacement cost includes expenditures incurred to acquire the inventories and bring them to their existing location and condition. Any provision for obsolescence is determined by reference to specific stock items identified as obsolete. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss on their disposal. Consumable supplies for operations in the care and maintenance stage of the mine life cycle and which are not expected to be used in the next twelve months are classified as long-term.

***h. Property, plant and equipment******i. General***

Property, plant and equipment are recorded at cost less accumulated depreciation, depletion and impairment charges.

Major overhaul expenditures and the cost of replacement of a component of plant and mobile equipment are capitalized and depreciated over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of mobile equipment are charged to the cost of production when put into use.

Directly attributable costs, including capitalized borrowing costs, incurred for major capital projects and site preparation are capitalized until the asset is in a location and condition necessary for operation as intended by management. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

Management annually reviews the estimated useful lives, residual values and depreciation methods of the Company's property, plant and equipment and also when events and circumstances indicate that such a review should be undertaken. Changes to estimated useful lives, residual values or depreciation methods resulting from such reviews are

accounted for prospectively.

An item of property, plant and equipment is de-recognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between any proceeds received and the carrying amount of the asset) is included in the Statements of Earnings in the year the asset is de-recognized.

*ii. Exploration, evaluation and pre-development expenditure*

All exploration and evaluation expenditures of the Company within an area of interest are expensed until management and Board of Directors conclude that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and that future economic benefits are probable. In making this determination, the extent of exploration, as well as the degree of confidence in the mineral resource is considered. Once a project has been established as commercially viable and technically feasible, and approval is received from the Board of Directors, further expenditures are capitalized as development costs.

Exploration and evaluation assets acquired are initially recognized at cost as exploration rights within property, plant and equipment.

*iii. Development properties (underground and open pit)*

A property, either open pit or underground, is classified as a development property when a mine plan has been prepared and a decision is made to commercially develop the property.

All expenditures incurred from the time the development decision is made until the commencement of commercial levels of production from each development property are capitalized. In addition, capitalized costs are assessed for impairment when there is an indicator of impairment.

Development properties are not depleted until they are reclassified as mine property assets following the achievement of commercial levels of production.

*iv. Mine properties*

All direct costs related to the acquisition of mineral property interests are capitalized at the date of acquisition.

After a mine property has been brought into commercial production, costs of any additional mining, in-pit drilling and related work on that property are expensed as incurred. Mine development costs incurred to expand operating capacity, develop new ore bodies or develop mine areas in advance of current production, including the stripping of waste

material, are capitalized and then depleted on a unit-of-production basis.

*v. Deferred stripping costs*

Stripping costs incurred in the production phase of a mining operation are accounted for as production costs and are included in the costs of inventory produced. Stripping activity that improves access to ore in future periods is accounted for as an addition to or enhancement of an existing asset. The Company recognizes stripping activity assets when the following three criteria are met:

- it is probable that the future economic benefit associated with the stripping activity will flow to the Company;
- the Company can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component can be measured reliably by the Company.

Stripping activity assets are depleted on a unit-of-production basis in subsequent periods over the proven and probable reserves to which they relate.

*vi. Depreciation and depletion*

Buildings, plant and equipment used in production and mineral properties, with the exception of Langeloth, are depreciated or depleted using the unit-of-production method over proven and probable ore reserves, or if their estimated useful lives are shorter, on a straight-line basis over the useful lives of the particular assets. Under this process, depreciation commences when ore is extracted from the ground. The depreciation charge is allocated to inventory throughout the production process from the point at which ore is extracted from the pit until the ore is processed into its final form, gold doré or concentrate. Where a change in estimated recoverable gold ounces or copper pounds contained in proven and probable ore reserves is made, adjustments to depreciation are accounted for prospectively. Langeloth's property, plant and equipment are depreciated on a straight-line basis, based on estimated useful lives which range from five to twenty years.

Mobile equipment and other assets, such as offsite roads, buildings, office furniture and equipment are depreciated using the straight-line method based on estimated useful lives which range from two to twenty years, but do not exceed the related estimated mine life based on proven and probable ore reserves.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are depreciated separately but are grouped for disclosure purposes as property, plant and equipment.

**Centerra Gold Inc.**

**Notes to the Consolidated Financial Statements**

**For the years ended 2018 and 2017**

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

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***i. Goodwill***

Goodwill represents the difference between the cost of a business acquisition and the fair value of the identifiable net assets acquired. Subsequent to recording, goodwill is measured at cost less accumulated impairment losses and is not amortized.

Goodwill, upon acquisition, is allocated to the cash-generating units (“CGU”) expected to benefit from the related business combination. A CGU, in accordance with IAS 36, *Impairment of Assets*, is identified as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash flows from other assets.

The Company evaluates, on at least an annual basis, the carrying amount of a CGU to which goodwill is allocated, for potential impairment.

***j. Impairment***

Long term assets, including goodwill, are reviewed for impairment if an event occurs which leads to an indication that the carrying amount may be impaired. In addition, goodwill is tested for impairment annually on September 1.

To accomplish this impairment testing, the Company compares the recoverable amount (which is the greater of value-in-use and fair value less costs of disposal (“FVLCD”) of the CGU) to its carrying amount. If the carrying amount of a CGU exceeds its recoverable amount, the Company first applies the difference to reduce goodwill and then any further excess is applied to the CGU’s other long-lived assets. Assumptions, such as gold price, copper price, molybdenum price, exchange rates, discount rate, and expenditures underlying the estimate of recoverable value are subject to risks and uncertainties.

The best evidence of FVLCD is the value obtained from an active market or binding sale agreement. Where neither exists, FVLCD is based on the best information available to reflect the amount the Company could receive for the CGU in an arm’s length transaction, which the Company typically estimates using discounted cash flow methods based on detailed mine and/or production plans.

***k. Income taxes***

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in the Statements of Earnings except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

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Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company, at the end of the reporting period, intends to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

***l. Provisions***

Provisions are recorded when a legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the amount required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the present value of cash flows estimated to settle the present obligation, discounted using a pre-tax risk-free discount rate consistent with the time period of expected cash flows.

***m. Asset retirement and reclamation obligations***

Asset retirement and reclamation costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated asset retirement and reclamation costs are provided in the accounting period when the obligation arising

**Centerra Gold Inc.**

**Notes to the Consolidated Financial Statements**

**For the years ended 2018 and 2017**

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

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from the related disturbance occurs based on the net present value of estimated future costs.

Provision for asset retirement and reclamation costs recognized is estimated based on the risk-adjusted costs required to settle present obligations discounted using a pre-tax risk-free discount rate consistent with the time period of expected cash flows.

Asset retirement and reclamation obligations relating to operating mines and development projects are initially recorded with a corresponding increase to the carrying amounts of related mining properties. Changes to the obligations may arise as a result of the translation of obligations which are considered monetary assets or changes in discount rates and timing or amounts of the costs to be incurred. These changes are also accounted for as changes in the carrying amounts of related mining properties, except where a reduction in the obligation is greater than the amount capitalized, in which case the capitalized costs are reduced to nil and the remaining adjustment is included as a reduction in profit or loss in the Statements of Earnings.

If reclamation and restoration costs are incurred as a consequence of the production of inventory, the costs are recognized as a cost of that inventory. Asset retirement and reclamation obligations related to inactive and closed mines are included in profit or loss in the Statements of Earnings on initial recognition and subsequently when re-measured.

***n. Earnings per share***

Basic earnings per share is computed by dividing the net earnings by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is computed by dividing the net earnings applicable to common shares, after adjusting for the effect of performance share units as though they were accounted for as an equity instrument, by the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents such as stock options and restricted share units. Diluted earnings per share is calculated using the treasury method, where the exercise of stock options and restricted share units are assumed to be at the beginning of the period, the proceeds from the exercise of stock options and restricted share units and the amount of compensation expense measured but not yet recognized in profit or loss are assumed to be used to purchase common shares of the Company at the average market price during the period. The incremental number of common shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) is included in the denominator of the diluted earnings per share computation.

Equity instruments that could potentially be dilutive in the future, but do not currently have a dilutive effect are excluded from the calculation of diluted earnings per share.



**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

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***o. Revenue recognition***

The Company sells its products pursuant to sales contracts entered into with its customers. Revenue associated with the sale of gold, concentrates and molybdenum products is recognized when control is transferred to the customer. Typically, the transfer of control occurs when the customer has taken delivery and the consideration is received, or to be received. For concentrate sales, revenue is recognized when control is transferred, which is based on the terms of the sales contracts, generally upon the loading of the ocean vessel or based on negotiated terms which allows for the transfer of control to happen earlier in the sale process.

Revenues from the Company's concentrate sales are based on a provisional forward sales price, which is subject to adjustments for the final price. Revenues from concentrate sales are recorded net of treatment and refining charges and the impact of derivative contracts accounted for as hedges of the contained metal. Treatment and refining charges represent payments or price adjustments that are contractually negotiated, as are typical in the industry. Moreover, because a portion of the metals contained in concentrate is unrecoverable as a result of the smelting process, the Company's revenues from concentrate sales are also recorded net of allowances for the quantity and value of these unrecoverable metals. Gains and losses related to the Company's forward commodity contracts to economically hedge the Company's commodity price exposure under the Gold and Copper Stream Arrangement are recorded to revenue.

The provisional prices are finalized in a specified future month (generally one to four months from the date of title transfer) based on spot copper prices on the London Metal Exchange ("LME") or spot gold prices on the London Bullion Market Association ("LBMA"). The Company receives market prices based on prices in the specified future month, which results in mark-to-market price fluctuations on the related receivable. To the extent final prices are higher or lower than what was recorded on a provisional basis, an increase or decrease to revenues is recorded each reporting period reflecting the estimated forward prices at the date of final pricing. For changes in metal quantities upon receipt of final assay, the provisional sales quantities are adjusted as well. Any such adjustments generally are not material to the transaction price.

The Company's molybdenum sales contracts specify the point in the delivery process at which time control transfers to the customer (shipping point or destination). Shipping and handling fees are accounted for on a gross basis under the terms of the contracts. The Company recognizes tolling and calcining revenue under contractual arrangements as the services are performed on a per-unit basis.

***p. Share-based compensation***

The Company has five share-based compensation plans: the Stock Option plan, Performance Share Unit Plan, Deferred Share Unit Plan, Restricted Share Unit Plan and Employee Share Purchase Plan.



**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

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*i. Stock Option plan*

Stock options are equity-settled share-based compensation awards. The fair value of stock options at the grant date is estimated using the Black-Scholes option pricing model. Compensation expense is recognized over the stock option vesting period based on the number of units estimated to vest. This expense is recognized as share-based compensation expense with a corresponding increase in contributed surplus. When options are exercised, the proceeds received by the Company, together with the amount in contributed surplus, are credited to common shares.

*ii. Performance Share Unit Plan*

Under Centerra's Performance Share Unit Plan, performance share units can be granted to employees and officers of the Company. A performance share unit represents the right to receive the cash equivalent of a common share or, at the Company's option, a common share purchased on the open market. Performance share units are accounted for under the liability method using the Monte Carlo simulation option pricing model and vest 50% at the end of the year after grant and the remaining 50% the following year. Under this method, a portion of the fair value of the performance share units is recognized at each reporting period based on the pro-rated number of days the eligible employees are employed by the Company compared to the vesting period of each series granted. The cash paid to employees on exercise of these performance share units is recorded as a reduction of the accrued obligation. The Monte Carlo simulation option pricing model requires the use of subjective assumptions, including expected stock-price volatility, risk-free rate of return and forfeiture rate. Historical data is considered in setting the assumptions.

The number of units that vest is determined by multiplying the number of units granted to the participant by the adjustment factor, which ranges from 0 to 2.0. Therefore, the number of units that will vest and be paid out may be higher or lower than the number of units originally granted to a participant. The adjustment factor is based on Centerra's total return performance (based on the preceding sixty-one trading days volume weighted average share price) relative to the S&P/TSX Global Gold Index Total Return Index Value during the applicable period. The fair value of the fully vested units is determined using the sixty-one trading days volume weighted average share price. For performance share units granted in 2019 and subsequently, the total return performance and fair value will be calculated based on a five trading day volume weighted average share price.

*iii. Deferred Share Unit Plan*

Centerra has a Deferred Share Unit Plan for directors of the Company to receive all or a portion of their annual retainer as deferred share units. Deferred share units are settled in cash and are accounted for under the liability method. The deferred share units cannot be converted to shares by the unit holder or by the Company. The deferred share units vest immediately upon granting,

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

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and are automatically redeemed following departure from the board. A liability is recorded at grant date equal to the fair value of the deferred share units. The liability is adjusted to fair value at each reporting period and any resulting adjustment to the accrued obligation is recognized as an expense or, if negative, a recovery. The cash paid to eligible members of the Board of Directors on exercise of these deferred share units, being no later than December 31 of the calendar year immediately following the calendar year of termination of service, is recorded as a reduction of the accrued obligation.

*iv. Restricted Share Unit Plan*

Centerra has a Restricted Share Unit Plan for non-executive directors, certain executives and employees of the Company to receive all or a portion of their annual retainer or annual incentive payments as restricted share units. Restricted share units can be settled in cash or equity at the option of the holder. Effective in 2017, certain executives and other employees may elect to receive a portion of their annual incentive payments for that year as restricted share units. The election is to be made prior to the end of the first quarter of any fiscal year (or for U.S persons, prior to the commencement of the fiscal year). The Company will match 50% of the restricted share units granted to such individuals and all such restricted share units granted to executives and other employees vest over a two year period (“Executive RSUs”). Restricted share units which are not Executive RSUs vest immediately upon grant and are redeemed on a date chosen by the participant (subject to certain restrictions as set out in the plan). The restricted share units granted are accounted for under the liability method whereby a liability is recorded at grant date equal to the fair value of the restricted share unit. The liability is adjusted to fair value at each reporting period and any resulting adjustment to the accrued obligation is recognized as an expense or, if negative, a recovery. The cash paid or common shares issued on exercise of these restricted share units is recorded as a reduction of the accrued obligation.

*v. Employee Share Purchase Plan*

Centerra has an Employee Share Purchase Plan (“ESPP”) for employees of the Company, which was introduced in 2017. Under the ESPP, employees may elect to purchase the Company’s shares through a payroll deduction. Each year, employees may contribute up to 10% of their base salary and the Company will match 25% of the contribution. Such contributions are then used to acquire Centerra shares on a quarterly basis. Shares purchased have no vesting requirement and may be issued from treasury or acquired on the open market. The Company records an expense equal to the match provided.

When dividends are paid, participants under each of the Performance Share Unit Plan, Deferred Share Unit Plan, and Restricted Share Unit Plan are allocated additional units equal in value to the dividend paid per common share equal to the number of units held by the participant. For performance share units, the number of units issued is based on the sixty-one trading day volume

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weighted average share price (or for performance share units issued in 2019 and thereafter, a five trading day volume weighted average share price) on the date of the dividend.

***q. Financial instruments***

***Financial instruments***

Financial instruments are recognized initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are classified and measured as described below.

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

*i. Financial assets recorded at fair value through profit or loss*

Financial assets are classified at fair value if they are acquired for the purpose of selling them in the near term. Gains or losses on these items are recognized in the Statements of Earnings. The Company's provisionally-priced receivables are also classified as financial assets measured at fair value through profit or loss.

*ii. Financial assets carried at amortized cost*

Financial assets are recorded at amortized cost if both of the following criteria are met: 1) the objective of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent solely payments of principal and interest.

The Company's cash and cash equivalents, short-term investments, restricted short-term investments, amounts receivable (excluding provisionally-priced receivables), taxes receivable and long-term receivables are recorded at amortized cost as they meet the required criteria. An allowance is recorded when the estimated recoverable amount of the receivable is lower than the carrying amount. The carrying values of amounts receivable and long-term receivables approximate their fair values.

*iii. Financial liabilities carried at amortized cost*

Accounts payable and accrued liabilities, lease obligations, debt and revenue-based taxes payable are accounted for at amortized cost. The amortization of debt issuance costs is calculated using the effective interest method.

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The Company's post-retirement benefit liability are measured at fair value through other comprehensive income. Provisionally-priced payables to Royal Gold are measured at fair value through profit or loss.

*iv. Derivative financial instruments*

The Company may hold derivative financial instruments to manage its risk exposure to fluctuations of commodity prices, including the Company's products (for example, gold or copper) and consumables (for example, diesel fuel) and fluctuations in other currencies compared to the USD.

Hedges

The Company applies hedge accounting to derivative instruments which hedge a portion of the gold and copper components of its future concentrate sales at its Mount Milligan operation ("Strategic gold and copper contracts"). The Company also applies hedge accounting to derivative instruments which hedge a portion of its estimated future diesel fuel purchases at its Kumtor operations ("Fuel hedge contracts").

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking hedge transactions. This process includes linking all derivative hedging instruments to forecasted transactions. Hedge effectiveness is assessed based on the degree to which the cash flows from the derivative contracts are expected to offset the cash flows of the underlying transaction being hedged.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in fair value is recognized in other comprehensive income. The amounts accumulated in other comprehensive income are reclassified to revenue (Strategic gold and copper contracts) or to the cost of the purchased fuel (Fuel hedge contracts) in the Statements of Earnings when the underlying hedged transaction, identified at contract inception, is recognized in revenue or cost of fuel purchased.

Any ineffective portion of a hedge relationship is recognized immediately in the Statements of Earnings as other income, net. When derivative contracts designated as cash flow hedges are terminated, expired, settled or no longer qualify for hedge accounting, hedge accounting is discontinued prospectively. Any amounts recorded in other comprehensive income up until the time the contracts do not qualify for hedge accounting remain in other comprehensive income until the underlying hedged transaction is recognized in revenue at which time such amounts are reclassified to revenue (Strategic gold and copper contracts) or to the cost of the purchased fuel (Fuel hedge contracts). If the forecasted transaction is no longer expected to occur, then the amounts accumulated in other comprehensive income are reclassified to the Statements of Earnings as other income or expense immediately.

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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Gains or losses arising subsequent to the derivative contracts not qualifying for hedge accounting are recognized in the period in which they arise in the Statements of Earnings as other income, net.

**Non-hedges**

All derivative instruments not designated in a hedge relationship are classified as financial instruments at fair value through profit or loss.

Changes in fair value of non-hedge derivatives at each reporting date are included in the Statements of Earnings as non-hedge derivative gains or losses, with the exception of spot and forward contracts associated with the Royal Gold deliverables, which are included in revenue.

***r. Finance leases***

The assets and liabilities under these capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. Once ready for their intended use, the assets are depreciated over the lesser of their related lease terms or their estimated productive lives.

***s. Discontinued Operations***

A disposal group qualifies as a discontinued operation if it is a component of the Company that either has been disposed of, or is classified as held for sale, and: (i) represents a separate major line of business or geographical area of operations; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) is a subsidiary acquired exclusively with a view to resale. A component of the Company comprises an operation and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statements of Earnings.

**4. Critical accounting estimates and judgments**

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, 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. The key sources of estimation uncertainty and judgments used in the preparation of these 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 discussed below:

**i. Impairment**

Significant judgement is required in assessing indicators of impairment. For long-term assets, including development properties the Company completes an evaluation at each reporting period of potential impairment indicators. The Company considers both external and internal sources of information in assessing whether there are any indications that long-term assets may be impaired.

External sources of information that the Company considers include changes in the market, economic, political and legal environment in which the Company operates that are not within its control and could affect the recoverable amounts of long-term assets and goodwill. Internal sources of information that the Company considers include the manner in which long-term assets are being used or are expected to be used, analyses of economic performance of the assets and assessment of factors that may impact continuing progress toward development.

For CGU's where value cannot be obtained from an active market: expected gold, copper and molybdenum prices, and production levels, which comprise proven and probable reserves and an estimated recoverable amount of resources if deemed appropriate, are used to estimate expected future cash flows. Management also estimates future operating and capital costs based on the most recently approved life of mine plan. The discount rate applied is reviewed for each assessment. Changes in these estimates which decrease the estimated recoverable amount of the CGU could affect the carrying amounts of assets and result in an impairment charge.

While management believes that estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect the recoverable amount of the CGU.

**ii. Materials inventory**

Management makes estimates of recoverable quantities of gold and copper in stockpiled ore, ore in-process and molybdenum work-in-process to determine the average costs of finished goods sold during the period and the value of inventories in the Statements of Financial Position. NRV tests are performed at each reporting period based on the estimated future sales price of the gold doré, gold and copper concentrate, molybdenum and other products based on prevailing market prices, less estimated costs to complete production and bring the materials to selling condition.



The recoverable quantity of ore on stockpiles is estimated based on tonnage added and removed from the stockpiles, the amount of contained gold ounces and copper pounds based on assay data, and the estimated recovery percentage based on the historical recoveries obtained in the expected processing method. Stockpiled ore tonnage is verified by periodic surveys. Although the quantities of recoverable metal are reconciled by comparing the grades of ore to the quantities actually recovered, the nature of the process inherently limits the ability to precisely monitor recoverability levels. As a result, the metallurgical reconciliation process is constantly monitored and engineering estimates are refined based on actual results over time.

### **iii. Asset retirement obligations**

Amounts recorded for asset retirement obligations and the related accretion expense require the use of estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mine site, as well as the timing of the reclamation activities and estimated discount rate. The Company assesses and revises its asset retirement obligations on an annual basis or when new material information becomes available. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation costs based on environmental disturbances as at the reporting date.

A change in any or a combination of the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions. Changes to the estimated future reclamation costs for operating sites are recognized in the Statements of Financial Position by adjusting both the retirement asset and provision, and will impact earnings as these amounts are depleted and accreted over the life of the mine.

### **iv. Deferred income taxes**

The Company operates in a number of tax jurisdictions and is therefore required to estimate its income taxes in each of these tax jurisdictions in preparing its financial statements. In calculating the income taxes, the Company considers factors such as tax rates in the different jurisdictions, non-deductible expenses, changes in tax law and management's expectations of future results. The Company estimates deferred income taxes based on temporary differences between the income and losses reported in its financial statements and its taxable income and losses as determined under the applicable tax laws. The tax effects of these temporary differences are recorded as deferred tax assets or liabilities in the financial statements.

The Company does not recognize deferred tax assets where management does not expect such assets to be realized based upon current forecasts. In the event that actual results differ from these estimates, adjustments are made in subsequent periods.

**v. Depreciation, depletion and amortization of property plant and equipment**

All mining assets (except for mobile equipment) are depleted using the units-of-production method where the mine operating plan calls for production from well-defined ore reserves over proven and probable reserves. For mobile and other equipment, the straight-line method is applied over the estimated useful life of the asset which does not exceed the estimated mine life based on proven and probable ore reserves as the useful lives of these assets are considered to be limited to the life of the relevant mine.

The calculation of the units-of-production rate of property, plant and equipment to be depleted could be impacted to the extent that actual production in the future is different from current forecast production based on proven and probable ore reserves. This would generally arise when there are significant changes in any of the factors or assumptions used in estimating ore reserves.

Changes to these estimates, which can be significant, could be caused by a variety of factors, including future production differing from current forecasts, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and other factors impacting mineral reserves or the expected life of the mining operation.

**vi. Mineral reserve and resources estimation**

The Company estimates its mineral reserves and mineral resources based on information compiled by qualified persons as defined in accordance with the National Instrument 43-101, *Standards of Disclosure for Mineral Projects*. The estimation of mineral reserves requires judgment to interpret available geological data, select an appropriate mining method and establish an extraction schedule. It also requires assumptions about future commodity prices, exchange rates, production costs, recovery rates and discount rates and, in some instances, the renewal of mining licenses. There are numerous uncertainties inherent in estimating mineral reserves and assumptions that are valid at the time of estimation and may change significantly when new information becomes available. New geological data as well as changes in the above assumptions may change the economic status of mineral reserves and may, ultimately, result in the mineral reserves being revised.

Estimates of mineral reserves and mineral resources impact the following items in the financial statements:

- Useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of the mine.
- Depreciation and depletion of assets using the units-of-production method.
- Estimate of recoverable value of CGUs.
- Estimated timing of reclamation activities.
- Expected future economic benefit of expenditures, including stripping and development activities.



**vii. Derivative financial instruments**

Judgment is required to determine if an effective hedging relationship exists throughout the financial reporting period for derivative financial instruments classified as either a fair value or cash flow hedge.

Management assesses the relationships on an ongoing basis to determine if hedge accounting is appropriate. The Company monitors on a regular basis its hedge position for its risk exposure to fluctuations in commodity prices, including prices for gold, copper and fuel. For derivative contracts, valuations are based on forward rates considering the market price, rate of interest and volatility, and take into account the credit risk of the financial instrument. Refer to note 27 for a sensitivity analyses based on changes in commodity prices.

**viii. Litigation and contingency**

On an ongoing basis, the Company is subject to various claims and other legal disputes as described in notes 21 and 24, the outcomes of which cannot be assessed with a high degree of certainty. A provision is recognized where, based on the Company's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably.

By their nature, these provisions and contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such provisions and contingencies inherently involves the exercise of significant judgment of the potential outcome of future events. Disclosure of other contingent liabilities is made unless the possibility that a loss may occur is considered remote.

**5. Changes in accounting policies**

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

As of January 1, 2018, the Company adopted IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") that establishes principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Company reviewed its revenue streams and contracts with customers using the five-step analysis prescribed under IFRS 15 and concluded that there were no material changes to the amount or timing of revenue recognized.

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The Company adopted IFRS 15 using the modified retrospective approach and was not required to recognize any transition adjustments.

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

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, *Leases* (“IFRS 16”). IFRS 16 revises the definition of leases and requires companies to bring most leases on-balance sheet, recognizing new assets and liabilities. The objective of this change is to increase the transparency and comparability of a company’s financial statements. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The Company will apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

The Company will recognize lease assets and liabilities for leases that meet the definition of a lease under IFRS 16, primarily for leases of warehouse facilities and administrative buildings. Previously, the Company recognized lease expenses related to these leases on a straight-line basis over the term of the lease. Under IFRS 16, the Company will recognize a depreciation charge and interest expense for the lease assets and liabilities, respectively.

The Company estimates it will recognize additional lease liabilities and corresponding assets of approximately \$21 million on January 1, 2019 as a result of the adoption of IFRS 16. The Company does not expect the adoption of IFRS 16 to impact its ability to comply with the maximum leverage threshold loan covenant described in Note 14.

IFRIC 23, *Uncertainty over Income Tax Treatments*

In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* (“IFRIC 23”). IFRIC 23 clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 and requires an entity to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it uses or plans to use in its income tax filing. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019, and permits early adoption. It is expected that the adoption of IFRIC 23 will not have a material impact on the Company’s financial statements.

## **6. AuRico Metals Inc**

### **a. Acquisition**

On January 8, 2018, the Company completed the acquisition of 100% of the outstanding shares of AuRico Metals Inc. (“AuRico”) (“the AuRico Acquisition”). AuRico was a North American-based company with a wholly-owned interest in a feasibility stage underground gold-copper project in British Columbia, Canada, known as the Kemess Underground property, as well as the Kemess East property. At the time of the AuRico Acquisition, AuRico owned a royalty portfolio that included a 1.5% net smelter return (“NSR”) royalty on the operating Young-Davidson gold mine in Ontario and a 2.0% NSR royalty on the operating Fosterville mine in Australia (collectively “the Royalty Portfolio”).

The AuRico Acquisition was completed by way of a Plan of Arrangement under the Business Corporations Act (Ontario), whereby the Company acquired all of the issued and outstanding AuRico common shares for Cdn\$1.80 per share in cash consideration, representing an aggregate transaction value of approximately \$247 million (Cdn\$307 million).

The Company determined that the AuRico Acquisition was a business combination in accordance with the definition in IFRS 3, *Business Combinations*, and as such has accounted for it in accordance with this standard, with an acquisition date of January 8, 2018. The Company engaged an external third-party valuator to assist in the determination of the fair value of the acquired assets and liabilities.

The following table summarizes the preliminary fair value of the identified assets acquired and liabilities assumed from AuRico:

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

	<b>January 8, 2018</b>
<u>Total consideration</u>	
Cash paid to shareholders	<b>\$ 246,961</b>
<u>Assets acquired</u>	
Current assets	
Cash and cash equivalents	<b>\$ 20,161</b>
Marketable investments	<b>2,254</b>
Amounts receivable	<b>4,005</b>
Inventories	<b>3,000</b>
Prepaid expenses and other assets	<b>379</b>
	<b>\$ 29,799</b>
Non-current assets	
Property, plant and equipment	<b>\$ 171,264</b>
Intangible assets (Royalties)	<b>129,224</b>
Total assets	<b>\$ 330,287</b>
<u>Liabilities assumed</u>	
Accounts payable and accrued liabilities	<b>\$ 5,955</b>
Asset retirement obligations	<b>13,795</b>
Deferred tax liability	<b>63,576</b>
Total liabilities	<b>\$ 83,326</b>
Net assets acquired	<b>\$ 246,961</b>

The purchase price allocation was based on a preliminary assessment of fair values that were estimated at the acquisition date pending confirmation or completion of the valuation process. The valuation has been finalized, resulting in no adjustments to the preliminary purchase price allocation.

Transaction costs, due diligence costs and integration costs of the AuRico Acquisition were as follows:

	<b>2018</b>
Due diligence costs	<b>\$ 2,042</b>
Integration costs	<b>2,473</b>
	<b>\$ 4,515</b>

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**b. Disposition of Royalty Portfolio**

On June 27, 2018 the Company announced completion of the sale of its Royalty Portfolio and other royalties to Triple Flag Mining Finance Bermuda Ltd (“Triple Flag”) for an up-front cash payment of \$155.5 million with an effective date of April 1, 2018, subject to customary working capital adjustments. A pre-tax gain on disposal of approximately \$28 million was recognized in the Statements of Earnings for the year ended December 31, 2018.

The sale of the Royalty Portfolio and other royalties was part of a larger transaction between the Company and Triple Flag. The sale also included a stream on 100% of the silver production at the Kemess Underground and Kemess East properties in consideration for a series of payments totaling \$45 million to be received during construction of the mine. The first payment is due on the public announcement by the Company that its board of directors has approved a construction decision with respect to the Kemess Underground project.

**7. Discontinued operations**

On September 25, 2018, the Company entered into a definitive agreement to sell its Mongolian business unit, including Boroo Gold LLC and Centerra Gold Mongolia LLC (including the gold project at Gatsuurt). The sale closed on October 11, 2018 for net cash proceeds of \$35 million.

As the Mongolian business unit was a component of the Company, clearly distinguished operationally and for financial reporting purposes from the rest of the Company, the disposal group was considered a discontinued operation. Results of the discontinued operation have been presented in the Statements of Earnings, and comparative periods have been recast accordingly.

The following table summarizes the net assets disposed of:

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

	<b>October 11, 2018</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 1,279
Amounts receivable	9,697
Inventories	6,958
Prepaid expenses and other assets	2,592
	\$ 20,526
Non-current assets	
Property, plant and equipment	\$ 39,983
Assets disposed of	\$ 60,509
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 1,403
Asset retirement obligations	22,062
Other liabilities	2,044
Liabilities disposed of	\$ 25,509

**Loss from discontinued operations**

	<b>2018</b>	<b>2017</b>
Other operating expenses	\$ 14	\$ 16
Care and maintenance expense	4,777	7,294
Exploration expenses	315	735
Corporate administration	198	306
Asset impairment	10,022	41,983
Loss from operations	\$ 15,326	\$ 50,334
Finance costs	440	523
Gain on disposal of ATO Project	(9,919)	(9,795)
Other expense (income), net	94	(385)
Loss before income tax	\$ 5,941	\$ 40,677
Income tax expense	-	1,589
Net loss from discontinued operations	\$ 5,941	\$ 42,266

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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**8. Amounts receivable**

	<b>2018</b>	<b>2017</b>
Gold sales receivable from related party (note 25)	\$ <b>234</b>	\$ 20
Gold and copper concentrate sales receivable	<b>7,667</b>	13,650
Molybdenum sales receivable	<b>22,963</b>	22,999
Provisionally priced gold and copper concentrate sales receivable	<b>17,799</b>	20,890
Consumption tax receivable	<b>7,847</b>	3,817
Other receivables	<b>3,048</b>	2,526
Total amounts receivable	\$ <b>59,558</b>	\$ 63,902

The aging of amounts receivable at each reporting date was as follows:

	<b>2018</b>	<b>2017</b>
Less than one month	\$ <b>36,716</b>	\$ 33,113
One to three months	<b>15,666</b>	12,230
Three to six months	<b>7,133</b>	17,636
Over six months	<b>43</b>	923
Total amounts receivable	\$ <b>59,558</b>	\$ 63,902

As at December 31, 2018, provisionally priced amounts receivable from gold and copper concentrate sales of \$7.9 million, \$7.2 million and \$2.7 million were included within less than one month, one to three months and from three to six months, respectively (December 31, 2017 - \$11.4 million, \$5.5 million and \$4.0 million were included within less than one month, one to three months and from three to six months, respectively). These sales are provisionally priced and settle at prices determined at a future date pursuant to various off-take agreements.

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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**9. Inventories**

	<b>2018</b>	<b>2017</b>
Stockpiles of ore (a)	\$ 265,488	\$ 212,114
Gold in-circuit	20,136	23,595
Gold doré	16,524	15,023
Copper and gold concentrate	21,907	6,745
Molybdenum inventory	65,201	41,427
	<b>389,256</b>	298,904
Supplies (net of provision)	209,396	209,032
Total inventories (net of provisions)	\$ 598,652	\$ 507,936
Less: Long-term supplies inventory (note 12)	(1,741)	(1,728)
Total inventories - current portion	\$ 596,911	\$ 506,208

(a) As at December 31, 2018, the amount of ore not scheduled for processing within the next 12 months, but available on-demand, is \$181.3 million (December 31, 2017 – \$111.8 million).

The Company has recorded a provision for supplies obsolescence of \$21.4 million as at December 31, 2018 (December 31, 2017 - \$29.6 million).

Molybdenum inventory of \$65.2 million as at December 31, 2018 (December 31, 2017 - \$41.4 million) included work-in-process inventory of \$32.9 million (December 31, 2017 - \$21.4 million) and finished goods inventory of \$32.3 million (December 31, 2017 - \$20.0 million).

**10. Prepaid expenses and other current assets**

	<b>2018</b>	<b>2017</b>
Insurance	\$ 6,783	\$ 6,193
OMAS credit facility financing fees	-	4,770
Deposits for consumable supplies	13,470	5,330
Other	4,481	7,677
Total	\$ 24,734	\$ 23,970



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**11. Property, plant and equipment**

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

	<b>Buildings, Plant and Equipment</b>	<b>Mineral Properties</b>	<b>Capitalized Stripping Costs</b>	<b>Mobile Equipment</b>	<b>Construction In Progress</b>	<b>Total</b>
<b>Cost and impairment</b>						
January 1, 2017	\$ 1,083,911	\$ 517,249	\$ 181,724	\$ 537,938	\$ 82,966	\$ 2,403,788
Additions	386	12,645	200,223	1,596	119,296	334,146
Disposals	(868)	(2,003)	-	(7,271)	-	(10,142)
Impairment	(25,000)	(1,952)	-	-	(14,348)	(41,300)
Fully depreciated assets	(3,591)	-	(34,375)	(38,300)	-	(76,266)
Reclassification	24,107	2,350	-	55,890	(82,347)	-
<b>Balance December 31, 2017</b>	<b>\$ 1,078,945</b>	<b>\$ 528,289</b>	<b>\$ 347,572</b>	<b>\$ 549,853</b>	<b>\$ 105,567</b>	<b>\$ 2,610,226</b>
Acquisition of AuRico (note 6)	56,814	113,454	-	1,082	-	171,350
Additions	1,257	15,815	138,774	7,216	181,281	344,343
Disposal	(13,501)	-	-	(4,010)	-	(17,511)
Impairment	-	-	-	-	(8,385)	(8,385)
Disposal of Mongolian business unit (note 7)	(89,254)	(81,432)	-	(14,474)	(23,172)	(208,332)
Fully depreciated assets	(15,338)	-	-	(49,942)	-	(65,280)
Reclassification	49,958	1,544	-	69,439	(120,941)	-
<b>Balance December 31, 2018</b>	<b>\$ 1,068,881</b>	<b>\$ 577,670</b>	<b>\$ 486,346</b>	<b>\$ 559,164</b>	<b>\$ 134,350</b>	<b>\$ 2,826,411</b>
<b>Accumulated depreciation</b>						
January 1, 2017	\$ 288,809	\$ 159,015	\$ 26,597	\$ 364,476	\$ -	\$ 838,897
Charge for the period	52,524	12,409	46,489	70,692	-	182,114
Disposals	(1,386)	(1,882)	-	(5,695)	-	(8,963)
Fully depreciated assets	(3,591)	-	(34,375)	(38,300)	-	(76,266)
<b>Balance December 31, 2017</b>	<b>\$ 336,356</b>	<b>\$ 169,542</b>	<b>\$ 38,711</b>	<b>\$ 391,173</b>	<b>\$ -</b>	<b>\$ 935,782</b>
Charge for the period	61,390	13,951	104,904	71,030	-	251,275
Disposals	(9,280)	-	-	(3,783)	-	(13,063)
Disposal of Mongolian business unit (note 7)	(73,941)	(80,241)	-	(14,167)	-	(168,349)
Fully depreciated assets	(15,338)	-	-	(49,942)	-	(65,280)
Reclassification	(18,203)	8	-	18,195	-	-
<b>Balance December 31, 2018</b>	<b>\$ 280,984</b>	<b>\$ 103,260</b>	<b>\$ 143,615</b>	<b>\$ 412,506</b>	<b>\$ -</b>	<b>\$ 940,365</b>
<b>Net book value</b>						
Balance December 31, 2017	\$ 742,589	\$ 358,747	\$ 308,861	\$ 158,680	\$ 105,567	\$ 1,674,444
<b>Balance December 31, 2018</b>	<b>\$ 787,897</b>	<b>\$ 474,410</b>	<b>\$ 342,731</b>	<b>\$ 146,658</b>	<b>\$ 134,350</b>	<b>\$ 1,886,046</b>

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

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

	2018	2017
Amount recorded in cost of sales (note 18)	\$ 196,904	\$ 195,036
Amount recorded in corporate administration (note 19)	390	248
Amount recorded in care and maintenance expense	3,508	3,331
Total included in continuing operations	200,802	198,615
Amount recorded in discontinued operations (note 7)	1,067	2,087
Inventories movement (note 29(a))	14,302	(69,644)
Amount capitalized in PP&E (note 29(b))	35,104	51,056
Depreciation, depletion and amortization charge for the year	\$ 251,275	\$ 182,114

**12. Other assets and Other liabilities**

	2018	2017
Other assets:		
Alternative Minimum Tax receivable (a)	\$ 22,808	\$ 21,302
Long term deposits and receivables	-	2,649
Long term inventories (note 9)	1,741	1,728
Prepayments for property, plant and equipment (b)	7,549	16,088
Other assets	162	203
Total other assets	\$ 32,260	\$ 41,970

## Other liabilities:

Deferred vendor payables	\$ -	\$ 6,930
Post-retirement benefits	3,636	3,880
Other liabilities	67	93
Total other liabilities	3,703	10,903
Current portion of other liabilities	(67)	(7,021)
Non-current portion of other liabilities	\$ 3,636	\$ 3,882

- a) In 2017, the Company accrued a \$21.3 million tax benefit due to the enactment of the U.S. Tax Cuts and Jobs Act on December 22, 2017. Amongst the more impactful provisions to the Company, the Alternative Minimum Tax ("AMT") was repealed and the \$22.8 million of AMT paid in prior years (less a 6.6% sequestration rate) was expected to be refunded over the course of 2019 to 2022. As at December 21, 2018, the AMT receivable was increased to \$22.8 million as a result of the U.S. Office of Management and Budget ruling that the AMT credits are not subject to sequestration.

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

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- b) Prepayments for property, plant and equipment represents vendor advances of \$6.5 million (December 31, 2017 - \$4.5 million) and \$1.0 million (December 31, 2017 - \$2.4 million) for fixed asset purchases for the Öksüt Project and Kumtor Mine, respectively. In 2017, prepayments of \$9.2 million were for fixed asset purchases at the Mount Milligan Mine.

**13. Accounts payable and accrued liabilities**

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	<b>2018</b>	<b>2017</b>
Trade creditors and accruals	\$ 121,973	\$ 122,101
Amount due to Royal Gold (a)	42,885	50,650
Liability for share-based compensation (note 23)	8,925	9,078
Total	\$ 173,783	\$ 181,829

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- (a) Royal Gold holds a streaming interest in the production at the Mount Milligan Mine. As a result, when a trade receivable is recorded in relation to a third party customer gold and copper concentrate delivery, a corresponding liability to Royal Gold is recorded.

**Centerra Gold Inc.**
**Notes to the Consolidated Financial Statements**
**For the years ended 2018 and 2017**

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

**14. Debt**

	<b>Centerra B.C.</b>			<b>AuRico</b>	<b>Corporate</b>		<b>CAT</b>	
	<b>Holdings</b>	<b>EBRD</b>		<b>Acquisition</b>	<b>Revolving</b>	<b>OMAS</b>	<b>Note</b>	<b>Total</b>
	<b>Revolving</b>	<b>Facility</b>		<b>Facility</b>	<b>Facility</b>	<b>Facility</b>		
	<b>Credit</b>							
<b>Principal</b>								
Balance December 31, 2017	\$ 190,000	\$ 76,000	\$ -	\$ -	\$ -	\$ -	\$ 31,986	\$ 297,986
Transfer	(190,000)	-	-	-	190,000	-	-	-
Drawdown	-	-	125,000	221,069	49,668	-	-	395,737
Settlement	-	(76,000)	(125,000)	(300,069)	-	-	-	(501,069)
<b>Balance December 31, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 111,000</b>	<b>\$ 49,668</b>	<b>\$ 31,986</b>	<b>\$</b>	<b>\$ 192,654</b>
<b>Deferred costs</b>								
Balance December 31, 2017	\$ (4,241)	\$ (1,612)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (5,853)
Additions	-	-	-	(2,785)	(7,295)	-	-	(10,080)
Amortization	4,241	1,612	-	638	1,054	-	-	7,545
<b>Balance December 31, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,147)</b>	<b>\$ (6,241)</b>	<b>\$ -</b>	<b>\$</b>	<b>\$ (8,388)</b>
<b>Net debt</b>								
Short-term debt	\$ 48,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,986	\$ 80,522
Long-term debt	137,223	74,388	-	-	-	-	-	211,611
Balance December 31, 2017	\$ 185,759	\$ 74,388	\$ -	\$ -	\$ -	\$ -	\$ 31,986	\$ 292,133
Short-term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Long-term debt	-	-	-	108,853	43,427	26,986	-	179,266
<b>Balance December 31, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 108,853</b>	<b>\$ 43,427</b>	<b>\$ 31,986</b>	<b>\$</b>	<b>\$ 184,266</b>

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

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

In 2016, as part of the Thompson Creek Metals Company Inc (“TCM”) acquisition (“TCM Acquisition”), 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.

On February 1, 2018, the Centerra B.C. Facility was replaced with a new Corporate Facility, as noted below. As a result, the Centerra B.C. Facility was deemed to be extinguished and all associated unamortized capitalized deferred financing fees totaling \$4.2 million were expensed.

**EBRD Revolving Credit Facility**

In 2016, the Company entered into a five-year \$150 million revolving credit facility with European Bank for Reconstruction and Development (the “EBRD Facility”).

On January 29, 2018, in connection with the establishment of the Corporate Facility, the EBRD Facility was repaid in full and subsequently cancelled. All associated unamortized capitalized deferred financing fees totaling \$1.6 million were expensed.

**AuRico Acquisition Facility**

The AuRico Acquisition (note 6) was funded, in part, by a \$125 million acquisition facility (“AuRico Acquisition Facility”) entered into on January 8, 2018. The AuRico Acquisition Facility was subsequently repaid and cancelled on February 1, 2018, when the Company entered into the Corporate Facility, as noted below. All associated financing fees were expensed and reflected in the Statements of Earnings.

**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. Finance fees for the Corporate Facility are deferred and amortized over the term of the facility.

Funds drawn under the Corporate Facility are available to be re-drawn on a quarterly basis, at the Company’s discretion, and repayment of the loaned funds may be extended until February 2022.

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

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The Corporate Facility is for general corporate purposes, including working capital, investments, acquisitions and capital expenditures. The Company's obligations under the Corporate Facility are guaranteed by its subsidiaries which own the Mount Milligan Mine, the Endako mine, the Langeloth metallurgical facility, the Kemess Underground property and the Kemess East property. In addition, the Company is expected to maintain compliance with specified covenants (including financial covenants). As of December 31, 2018, the Company was in compliance with its covenants.

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**December 31,  
2018**

**Corporate Facility**

Undrawn amount of the facility **\$389 million**

Interest rate - LIBOR plus (a) **2.25% - 3.75%**

(a) The interest rate margin applied is dependent on an indebtedness ratio calculation and is re-assessed quarterly. The interest rate margin ranges from 2.25% to 3.75%. Accrued interest is included in the Consolidated Statements of Financial Position as part of 'Accounts payable and accrued liabilities'.

**OMAS Facility**

In 2016, Öksüt Madencilik Sanayi ve Ticaret A.S. ("OMAS"), a wholly-owned subsidiary of the Company, entered into a \$150 million five-year project financing facility with UniCredit Bank AG and European Bank for Reconstruction and Development (the "OMAS Facility"). In April 2018, the OMAS Facility was amended ("April 2018 amendment"), extending the expiry of the facility from December 30, 2021 to March 31, 2024. The purpose of the OMAS Facility is to assist in financing the construction of the Company's Öksüt Project.

As part of an April 2018 amendment to the OMAS Facility, OMAS agreed to apply all excess cash flow towards debt prepayment until the Öksüt Project's mining license is extended beyond its current expiry date of January 16, 2023. In addition, the Company has provided a limited guarantee of a portion of OMAS' obligations under the OMAS Facility and has agreed to comply with certain covenants which are consistent with the covenants under the Corporate Facility. The guarantee will be callable if the Öksüt mining license is not extended beyond January 16, 2023. The guarantee provided by Centerra will be limited to the OMAS Facility balance outstanding as at January 16, 2023.

As a condition of the OMAS Facility, the Company has deposited \$25 million into a restricted account, including \$15 million which is restricted until the Öksüt Project mining lease is extended and \$10 million which is restricted during the construction phase.

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
<b><u>OMAS Facility</u></b>		
Undrawn amount of the facility	<b>\$100.3 million</b>	\$150 million
Interest rate - LIBOR plus (a)	<b>2.65% - 2.95%</b>	
(a) The interest rate margin applied is dependent on the timing of the completion of the Öksüt Project construction.		

**Caterpillar Promissory Note**

As part of the TCM acquisition, the Company assumed TCM's capital equipment lease obligations owed to Caterpillar Financial Services Limited ("Caterpillar"). The Company re-financed the leases in 2017, whereby the Company would purchase the assets held under finance leases through a loan repayable to Caterpillar (the "CAT Note").

Interest on the CAT Note is at three-month LIBOR + 4.93% paid quarterly in arrears. The CAT Note is secured by assets previously held under the finance leases and the Company has agreed to certain non-financial covenants.

In 2018, an amendment was signed extending the CAT Note until March 25, 2020 with an initial principal repayment of \$5 million which was paid on January 25, 2019 at which time the interest rate was reset to LIBOR + 3.50%.

The Company has reclassified the 2017 comparative amount to conform with the 2018 presentation.

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

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**15. Taxes****a. Revenue based taxes - Kumtor**

Kumtor pays taxes on revenue, at a rate of 13% of gross revenue, with an additional contribution of 1% of gross revenue payable to the Issyk-Kul Oblast Development Fund.

During the year ended December 31, 2018, the 13% revenue-based tax expense recorded by Kumtor was \$86.3 million (December 31, 2017 - \$89.8 million), while the Issyk-Kul Oblast Development Fund contribution of 1% of gross revenue totalled \$6.6 million (December 31, 2017 - \$6.9 million).

**b. Income tax (recovery) expense**

	2018	2017
Current tax	\$ 4,406	\$ (16,543)
Deferred tax	(19,053)	(1,658)
Total income tax recovery	\$ (14,647)	\$ (18,201)
Income tax recovery from continuing operations	\$ (14,647)	\$ (19,790)
Income tax expense from discontinued operations	-	1,589
Total income tax recovery	\$ (14,647)	\$ (18,201)

Income tax expense (recovery) differs from the amount that would arise from applying the Canadian federal and provincial statutory income tax rates to earnings before income tax as follows:



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

	<b>2018</b>	<b>2017</b>
Earnings before income tax from continuing operations	\$ 98,823	\$ 232,009
Loss before income tax from discontinued operations	(5,941)	(40,677)
Net earnings before income tax	\$ 92,882	\$ 191,332
Income tax expense calculated at the combined Canadian and provincial statutory income tax rate of 26.5%	24,614	50,703
Increase (decrease) due to:		
Difference between Canadian and foreign tax rates	(46,237)	(58,318)
Change in unrecognized deductible temporary differences	(1,792)	(639)
Impact of foreign currency movements	(384)	7,439
Non-deductible costs	6,144	(545)
British Columbia ("B.C.") mining tax	4,445	4,694
Impact of tax legislation/rate change	(1,505)	(21,302)
Other	68	(233)
	\$ (14,647)	\$ (18,201)
Income tax recovery from continuing operations	(14,647)	(19,790)
Income tax from discontinued operations	-	1,589
Total income tax recovery	\$ (14,647)	\$ (18,201)

**c. Deferred income tax**

The following are significant components of deferred income tax assets and liabilities:

	<b>2018</b>	<b>2017</b>
Deferred income tax assets:		
Provisions - asset retirement obligations and other	\$ 11,247	\$ -
Non-capital losses	11,575	6,966
Total deferred tax assets	\$ 22,822	\$ 6,966
Deferred income tax liabilities:		
Property, plant and equipment	\$ 67,346	\$ 6,966
Total deferred tax liabilities	\$ 67,346	\$ 6,966
Net deferred tax liabilities	\$ (44,524)	\$ -

The Company has not recognized deferred tax assets in respect to the following deductible temporary differences:

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

	<b>2018</b>	<b>2017</b>
Non-capital losses (expiring 2019 – 2038)	\$ 563,716	\$ 755,520
Net operating losses restricted due to changes in ownership	78,997	74,680
Property, plant and equipment	267,439	216,382
Capital losses	125,542	58,279
Asset retirement obligations and other provisions	113,670	77,003
Other	20,258	68,344
<b>Total</b>	<b>\$ 1,169,622</b>	<b>\$ 1,250,208</b>

The Company has also not recognized deferred tax assets with respect to British Columbia mining tax for deductible temporary differences of \$562.8 million (December 31, 2017 - \$679.4 million) or mining tax credits of \$18.1 million (December 31, 2017 - \$17.2 million).

**16. Provision for reclamation**

	<b>2018</b>	<b>2017</b>
Kumtor gold Mine	\$ 51,477	\$ 53,565
Boroo gold Mine (a)	-	21,644
Mount Milligan Mine	23,068	28,148
Thompson Creek Mine (b)	84,700	35,618
Endako Mine	20,925	26,714
Kemess Project	31,075	-
Other	1,200	1,317
<b>Total provision for reclamation</b>	<b>212,445</b>	<b>167,006</b>
<b>Less: current portion</b>	<b>(197)</b>	<b>(832)</b>
	<b>\$ 212,248</b>	<b>\$ 166,174</b>

- (a) The reclamation obligation associated with these operations in Mongolia were disposed of on October 11, 2018 (note 7)
- (b) During 2018 following an update to long-term plans for the molybdenum business and as a result of an independent assessment performed on the reclamation provision, the Company recognized an additional reclamation provision for future water treatment requirements at the Thompson Creek Mine. The underlying water treatment reclamation provision is over a 100-year period with the initial water treatment plant capital expenditure of \$6.2 million anticipated to be incurred in year 44, with average operating expenditures of between \$0.3 and \$1.4 million per year thereafter.

The carrying amount of the asset retirement obligations and the expected timing of payment of the cash flows are based on the life of mine plans with the following key assumptions:

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

	<b>Kumtor</b>	<b>Kemess</b>	<b>Mount Milligan</b>	<b>Endako</b>	<b>Thompson Creek</b>
Start date	2026	Ongoing	2038	2033	2033
Risk-free discount rate (2018)	2.74%	2.02%	2.17%	2.02%	2.83%
Risk-free discount rate (2017)	2.38%	n/a	2.23%	2.1%	2.5%

The Company completed its regularly scheduled update to its closure costs estimates at Mount Milligan, Endako, Kemess and Thompson Creek Mine in December 2018.

The following is a reconciliation of the provision for the reclamation liability amount:

	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ 167,006	\$ 158,416
Obligations assumed (note 6)	13,795	-
Obligations disposed of (note 7)	(22,062)	-
Liabilities paid	(1,338)	(432)
Change in estimates recognized as asset (a)	10,805	5,153
Change in estimates recognized in continuing operations (a)	40,355	176
Accretion expense from continuing operations (note 22)	3,444	3,170
Accretion expense from discontinued operations (note 7)	440	523
Total provision for reclamation	212,445	167,006
Less: current portion	(197)	(832)
Balance at December 31	\$ 212,248	\$ 166,174

(a) In the year ended December 31, 2018, the discounted change in estimates includes: increases in Thompson Creek Mine, Kemess and other properties of \$48.2 million, \$18.7 million and \$1.2 million, respectively, and decreases in Kumtor, Mount Milligan Mine and Endako Mine of \$3.4 million, \$5.7 million and \$6.3 million, respectively.

In 1998, a Reclamation Trust Fund was established to cover the future costs of reclamation, net of salvage values, at the Kumtor gold mine. On December 31, 2018, this fund had a balance of \$30.8 million (December 31, 2017 - \$26.4 million).

The Company is required by U.S. federal and state laws and Canadian provincial laws to provide financial assurance sufficient to allow a third party to implement approved closure and reclamation plans at Mount Milligan, Endako and Thompson Creek Mine if the Company is unable to do so. These laws are complex and vary from jurisdiction to jurisdiction. The laws govern the determination of the scope, cost of the closure, reclamation obligation and the amount and forms of financial assurance. As of December 31, 2018, the Company has provided the appropriate regulatory authorities in the U.S. and Canada with \$105.0 million (December 31, 2017 - \$81.0

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

million) in reclamation bonds for mine closure obligations. The Company expects to increase the amount of the reclamation bond required for the Thompson Creek Mine in 2019.

<b>Reclamation bonds (a)</b>	<b>Total</b>	<b>Mount Milligan</b>	<b>Endako</b>	<b>Kemess</b>	<b>Langeloth</b>	<b>Thompson Creek</b>
December 31, 2018	<b>\$105.0</b>	<b>\$31.8</b>	<b>\$8.4</b>	<b>\$28.7</b>	<b>\$0.1</b>	<b>\$36.0</b>
December 31, 2017	\$81.0	\$28.5	\$9.2	\$0	\$0	\$43.3

(a) Reclamation bonds provided as cash collateral for the year ended December 31, 2018 were Nil (2017: Nil)

The following is a reconciliation of the reclamation deposits asset amount:

	<b>2018</b>	<b>2017</b>
Kumtor reclamation trust fund	\$ <b>30,758</b>	\$ 26,436
Other	<b>83</b>	89
Total	\$ <b>30,841</b>	\$ 26,525

**17. Gold and Copper sales**

For the year ended December 31, 2018, the Company's gold concentrate sales included pricing and quantity adjustment losses of \$2.0 million (2017: \$7.1 million gain) and the Company's copper concentrate sales included pricing and quantity adjustment losses of \$10.0 million (2017: \$4.4 million gain).

**18. Cost of sales**

	<b>2018</b>	<b>2017</b>
Operating costs:		
Salaries and benefits	\$ <b>121,028</b>	\$ 113,086
Consumables and maintenance charges	<b>272,922</b>	218,989
Third-party services	<b>29,083</b>	29,915
Other operating costs	<b>35,730</b>	42,036
Royalties, levies and production taxes	<b>11,098</b>	13,251
By-product sales (a)	<b>(21,147)</b>	(19,042)
Changes in inventories	<b>109,794</b>	85,675
	<b>558,508</b>	483,910
Supplies inventory obsolescence charge	<b>5,955</b>	3,148
Depreciation, depletion and amortization (note 11)	<b>196,904</b>	195,036
	\$ <b>761,367</b>	\$ 682,094

(a) By-product sales includes silver, rhenium and sulfuric acid sales.

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As a result of the temporary suspension of mill processing operations at the Mount Milligan Mine, \$10.9 million of operating costs incurred in the year ended December 31, 2018 were classified as standby costs.

**19. Corporate administration**

		<b>2018</b>		<b>2017</b>
Administration and office costs	\$	<b>3,290</b>	\$	5,617
Professional fees		<b>6,957</b>		9,324
Salaries and benefits		<b>15,514</b>		15,612
Share-based compensation		<b>3,485</b>		6,811
Depreciation and amortization		<b>390</b>		248
	\$	<b>29,636</b>	\$	37,612

**20. Other operating expenses**

		<b>2018</b>		<b>2017</b>
Social development contributions	\$	<b>2,603</b>	\$	1,036
Selling and marketing (a)		<b>7,279</b>		6,901
Nature Development Fund contributions (note 21)		<b>2,700</b>		2,700
Mill optimization studies - Mount Milligan Mine		<b>545</b>		2,215
	\$	<b>13,127</b>	\$	12,852

(a) Selling and marketing costs primarily comprise of freight charges associated with the Mount Milligan Mine and Langeloth processing facility.

**21. Kyrgyz Republic Settlement**

On September 11, 2017, the Company reached a comprehensive settlement agreement (“Strategic Agreement”) with the Government of the Kyrgyz Republic to resolve all of the outstanding matters affecting the Kumtor Project. The Company’s financial obligations as a result of signing the Strategic Agreement are as follows:

- a \$50 million lump sum payment to a new Kyrgyz Republic government-administered Nature Development Fund established for the purpose of financing environmental conservation projects and nature preservation in the Kyrgyz Republic and lump sum payments in the aggregate amount of \$10 million (\$7 million prior to closing plus \$3 million within 12 months of closing) to a new, Kyrgyz Republic government-administered Cancer Care Fund established for the purpose of funding cancer treatment, research, support and outreach in the Kyrgyz Republic (the “Lump Sum Payments”).
- \$2.7 million on-going annual payments to the Nature Development Fund.

**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

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- a minimum of \$6 million in annual contributions to Kumtor's reclamation trust fund (note 16) until the fund reaches \$69 million.

On October 18, 2017, the Company paid \$7 million in relation to the Lump Sum Payments and as at December 31, 2018, the provision remaining was \$53 million.

The closing of the Strategic Agreement is subject to the satisfaction of certain conditions precedent and the deadline for closing has been extended by mutual agreement of the parties to May 31, 2019.

**Kyrgyz Republic Legal Proceedings**

The Strategic Agreement provided a pathway to the resolution of substantially all outstanding matters affecting the Kumtor Project. Among other things, the Strategic Agreement will settle matters relating to decisions of the Bishkek Inter-District Court in the Kyrgyz Republic which ruled against Kumtor Operating Company, Centerra's wholly-owned subsidiary, on claims made by the State Inspectorate Office for Environmental and Technical Safety of the Kyrgyz Republic. Such court decisions were appealed by the Company and proceedings have been postponed pending the closing of the Strategic Agreement. The court decisions awarded damages in relation to claims which were still outstanding as at December 31, 2018 for:

- i. The placement of waste rock at the Kumtor waste dumps (6,698,878,290 Kyrgyz soms or approximately \$96.2 million);
- ii. Unrecorded wastes from Kumtor's effluent and sewage treatment plants (663,839 Kyrgyz soms or approximately \$9,500);
- iii. Alleged land damage (161,840,109 Kyrgyz soms or approximately \$2.3 million);
- iv. Failure to pay for water use (188,533,730 Kyrgyz soms or approximately \$2.7 million).

In connection with the Strategic Agreement, the arbitration previously commenced by the Company against the Government of the Kyrgyz Republic and Kyrgyzaltyn has been suspended until May 31, 2019. Upon closing of the Strategic Agreement provides that the above noted Kyrgyz Republic proceedings and the arbitration proceeding will be terminated and the parties will release each other from further liability in respect such claims.

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**22. Finance costs**

	<b>2018</b>	<b>2017</b>
Interest expense	\$ 15,750	\$ 22,415
Deferred financing costs amortized	6,525	4,274
Commitment fees	1,441	180
Accretion of provision for reclamation	3,444	3,170
Other financing fees	3,072	-
	\$ 30,232	\$ 30,039

**23. Shareholders' equity****a. Share capital**

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

	<b><u>Number of common shares</u></b>	<b><u>Amount</u></b>
<b>Balance at January 1, 2017</b>	291,276,068	\$ 944,633
Shares issued on exercise of stock options	480,008	3,313
Shares issued on redemption of restricted share units	26,770	175
<b>Balance at December 31, 2017</b>	<b>291,782,846</b>	<b>\$ 948,121</b>
Shares issued on exercise of stock options	63,860	445
Shares issued on redemption of restricted share units	15,633	76
Shares issued under the employee share purchase plan	137,610	686
<b>Balance at December 31, 2018</b>	<b>291,999,949</b>	<b>\$ 949,328</b>

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**b. Earnings per share**

Basic and diluted earnings per share computation:

		<b>2018</b>	<b>2017</b>
Net earnings - continuing operations	\$	<b>113,470</b>	\$ 251,799
Net loss - discontinued operations (note 7)		<b>(5,941)</b>	(42,266)
Net earnings	\$	<b>107,529</b>	\$ 209,533
Basic earnings per common share - continuing operations	\$	<b>0.39</b>	\$ 0.86
Basic loss per common share - discontinued operations		<b>(0.02)</b>	(0.15)
Basic earnings per common share	\$	<b>0.37</b>	\$ 0.72
Diluted earnings per common share - continuing operations	\$	<b>0.38</b>	\$ 0.86
Diluted loss per common share - discontinued operations		<b>(0.02)</b>	(0.14)
Diluted earnings per common share	\$	<b>0.36</b>	\$ 0.72
(Thousands of common shares)			
Basic weighted average number of common shares outstanding		<b>291,895</b>	291,409
Effect of potentially dilutive securities:			
Stock options		<b>174</b>	638
Restricted share units		<b>608</b>	175
Diluted weighted average number of common shares outstanding		<b>292,677</b>	292,222

For the years ended December 31, 2018 and 2017, certain potentially anti-dilutive securities, including stock options were excluded from the calculation of diluted earnings per share due to the exercise prices being greater than the average market price of the Company's common shares for the period.

Anti-dilutive securities, excluded from the calculation, are summarized below:

(Thousands of units)	<b>2018</b>	<b>2017</b>
Stock options	<b>4,002</b>	1,030



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**c. Share-based compensation**

The impact of share-based compensation as of and for the years ended December 31, 2018 and 2017 is summarized as follows:

	Number outstanding Dec 31, 2018	(Millions of U.S. dollars except as indicated)			
		Expense (Reversal)		Liability	
		2018	2017	Dec 31, 2018	Dec 31, 2017
(i) Stock options	6,090,810	\$ 1.7	\$ 1.0	\$ -	-
(ii) Performance share units	2,008,200	2.0	4.8	4.8	6.2
Deferred share units	225,861	-	0.3	0.9	1.3
(iii) Restricted share units	753,599	(0.3)	1.0	3.2	1.6
		\$ 3.4	\$ 7.1	\$ 8.9	\$ 9.1

**(i) Stock options**

Under the Company's Stock Option plan, options to purchase common shares of the Company may be granted to officers and employees. The exercise price of options granted under this plan is not less than the weighted average common share price for the five trading days prior to the date of grant. Options granted vest over three years and expire after eight years from the date granted.

Centerra's stock options transactions during the year ended December 31, 2018 and 2017 were as follows:

	2018		2017	
	Number of Options	Weighted Average Exercise Price (Cdn\$)	Number of Options	Weighted Average Exercise Price (Cdn\$)
Balance, January 1	4,817,452	\$ 7.81	5,363,755	\$ 8.03
Granted	1,429,773	6.77	77,374	7.56
Forfeited	(11,534)	(9.33)	(143,669)	(23.18)
Exercised (a)	(144,881)	(6.36)	(480,008)	(5.67)
Balance, December 31	6,090,810	\$ 7.56	4,817,452	\$ 7.81

(a) The weighted average market price of shares issued for options exercised in the year ended December 31, 2018 was Cdn\$7.48 (year ended December 31, 2017 - Cdn\$9.01).

The Black-Scholes model was used to estimate the fair value of stock options granted. The following assumptions were used for the options granted in the years ended December 31 2018, and 2017:

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<b>Grant date</b>	<b>Number of options</b>	<b>Grant price (Cdn\$)</b>	<b>Expected life</b>	<b>Share price volatility <sup>(a)</sup></b>	<b>Dividend yield</b>	<b>Risk free rate</b>	<b>Fair value price (Cdn\$)</b>
March 6, 2018	1,419,856	6.77	3.3 years	52.54%	0.00%	1.90%	2.62
March 6, 2018	9,917	6.75	3.3 years	52.27%	0.00%	1.95%	2.43

<b>Grant date</b>	<b>Number of options</b>	<b>Grant price (Cdn\$)</b>	<b>Expected life</b>	<b>Share price volatility <sup>(a)</sup></b>	<b>Dividend yield</b>	<b>Risk free rate</b>	<b>Fair value price (Cdn\$)</b>
November 16, 2017	77,374	7.56	3.3 years	54.91%	0.00%	1.56%	2.95

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

As at December 31, 2018, there were 6,090,810 options outstanding to acquire common shares with exercise prices ranging from Cdn\$3.82 to Cdn\$22.28 per share, and expiry dates ranging between 2019 and 2026. There were 4,329,194 options vested as at December 31, 2018.

**(ii) Performance Share Unit plan**

Centerra's Performance Share Unit plan transactions during the year ended December 31, 2018 and 2017 were as follows:

<b>Number of units</b>	<b>2018</b>	<b>2017</b>
Balance, January 1	2,222,380	1,652,792
Granted	730,436	1,562,859
Exercised	(831,384)	(820,794)
Cancelled	(113,232)	(172,477)
Balance, December 31	2,008,200	2,222,380

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

	<b>2018</b>	<b>2017</b>
Share price (Canadian dollars)	\$ 5.82	\$ 6.44
S&P/TSX Global Gold Index	\$ 185.25	\$ 227.16
Expected life (years)	1.07	1.41
Expected volatility- Centerra's share price	39.9 %	42.0 %
Expected volatility- S&P/TSX Global Gold Index	25.4 %	31.0 %
Risk-free rate of return	2.30 %	1.93 %
Forfeiture rate	4.40 %	4.16 %
Weighted adjustment factor	0.63	0.72

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The vested number of units outstanding as at December 31, 2018 are 785,128 (December 31, 2017 – 765,299). The December 31, 2018 Performance Share Unit liability balance of \$4.8 million includes \$1.9 million attributable to vested units (December 31, 2017 – liability of \$6.2 million, of which \$3.6 million was vested).

**(iii) Restricted Share Unit plan**

Centerra's Restricted Share Unit plan transactions during the period were as follows:

<b>Number of units</b>	<b>2018</b>	<b>2017</b>
Balance, January 1	<b>289,648</b>	147,064
Granted	<b>575,686</b>	288,530
Redeemed	<b>(111,735)</b>	(145,946)
Balance, December 31	<b>753,599</b>	289,648

At December 31, 2018, the number of units outstanding had a related liability of \$3.2 million (December 31, 2017 - \$1.6 million). Compensation recovery for the plan was \$0.3 million for the year ended December 31, 2018 (2017 - \$1.0 million expense).

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

As at December 31, 2018, the Company had entered into contracts to purchase capital equipment and operational supplies totalling \$157.3 million (Öksüt Project \$80.6 million, Kumtor - \$54.6 million, Mount Milligan - \$13.8 million, Greenstone Gold Property - \$0.1 million and Kemess - \$8.2 million). Öksüt Project commitments include \$10.6 million of contracts that will be settled over the next two to three years, while a majority of all other contracts are expected to be settled over the next twelve months.

**(b) Greenstone Partnership**

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

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December 31, 2018, the Company has funded a total of Cdn\$92.8 million (\$71.3 million) of its commitment since the inception of the partnership.

**(c) Molybdenum purchases**

In the normal course of operations, the Company enters into agreements for the purchase of molybdenum. As of December 31, 2018, the Company had commitments to purchase approximately 17.5 million pounds of molybdenum as unroasted molybdenum concentrate from 2019 to 2020 primarily priced at the time of purchase at a set discount to the market price for roasted molybdenum concentrate.

**(d) Leases**

The Company enters into operating leases in the ordinary course of business, primarily for its various offices and facilities around the world. Payments under these leases represent contractual obligations as scheduled in each agreement. The significant operating lease payments, including operating costs, are for its corporate offices and warehouse facilities in North America, which amounted to \$3.2 million in the year ended December 31, 2018, (year ended December 31, 2017 - \$2.5 million). The future aggregate minimum lease payments for the non-cancellable operating lease are as follows:

	<b>2018</b>	<b>2017</b>
2018	-	788
2019	<b>761</b>	531
2020	<b>596</b>	506
2021	<b>417</b>	-
2022 to 2028	<b>1,797</b>	1,428
	<b>\$ 3,571</b>	<b>\$ 3,253</b>

**Contingencies**

Various legal, tax and environmental matters are outstanding from time to time due to the nature of the Company's operations. While the final outcome with respect to actions outstanding or pending at December 31, 2018 cannot be predicted with certainty, it is management's opinion that it is not, except as noted below, more likely than not that these actions will result in the outflow of resources to settle the obligation; therefore no amounts have been accrued.

**Endako Mine**

In 2018, the Company initiated a review of its long-term water treatment options at the Endako Mine, as a result of ongoing discussions concerning mine reclamation obligations among regulatory and industry bodies in British Columbia. These discussions are ongoing but may result

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in amended regulations in 2019. As a result, the Company expects to update its technical studies and environmental studies for the Endako Mine in 2019, the result of which may require an increase to Endako's asset retirement obligation.

**25. Related party transactions****a. Kyrgyzaltyn**

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

The table below summarizes the management fees paid and accrued by KGC 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.

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

	2018	2017
<b><i>Sales:</i></b>		
Gross gold and silver sales to Kyrgyzaltyn	\$ 669,012	\$ 695,288
Deduct: refinery and financing charges	(4,809)	(4,364)
Net sales revenue received from Kyrgyzaltyn	\$ 664,203	\$ 690,924
<b><i>Expenses:</i></b>		
Contracting services provided by Kyrgyzaltyn	\$ 1,352	\$ 1,250
Management fees payable to Kyrgyzaltyn	530	550
Expenses paid to Kyrgyzaltyn	\$ 1,882	\$ 1,800

***Related party balances***

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

	2018	2017
Amounts receivable (a)	\$ 234	\$ 20
Amount payable	\$ 1,199	\$ 1,160

(a) Subsequent to December 31, 2018, 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 Sales Agreement. Amounts receivable from

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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.

**b. 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 directors (director fees, including share-based payments) and as employees of the Company (salaries, benefits and share-based payments).

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

During the years ended December 31, 2018 and 2017, remuneration to directors and key management personnel were as follows:

**Compensation of directors**

		<b>2018</b>		<b>2017</b>
Fees earned and other compensation	\$	<b>1,246</b>	\$	1,047
Share-based compensation		<b>945</b>		1,138
Total expense	\$	<b>2,191</b>	\$	2,185

*Fees earned and other compensation*

Represent fees earned by the non-executive chairman and the non-executive directors during the financial year.

*Share-based compensation*

A portion of the directors' compensation is in the form of participation in the Company's share-based payment plans (Deferred Share Unit plan and Restricted Share Unit plan) according to the election of each of the directors.

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**Compensation of key management personnel**

Compensation of key management personnel includes:

		<b>2018</b>		<b>2017</b>
Salaries and benefits	\$	<b>4,191</b>	\$	5,460
Share-based compensation		<b>1,278</b>		2,599
Total expense	\$	<b>5,469</b>	\$	8,059

*Salaries and benefits*

Represent salary, supplementary executive retirement plan contributions, and benefits earned during the year, plus cash bonuses awarded for the year.

*Share-based compensation*

A portion of the senior management's compensation is in the form of participation in the Company's share-based payment plans (Stock Option plan, Restricted Share Unit plan and Performance Share Unit plan).

**26. 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 and satisfy debt repayment requirements and other obligations.

The Company manages its capital structure and makes adjustments in light of changes in its economic and operating environment and the risk characteristics of the Company's assets. For effective capital management, the Company implemented a planning, budgeting and forecasting processes to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there is access to sufficient funds to meet its short-term business, operating and financing requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents and short term investments.

At December 31, 2018, the Company expects its capital resources and projected future cash flows from operations to support its normal operating requirements on an ongoing basis.

The Company's capital structure consists of short-term and long-term debt (net of cash and cash equivalents, restricted cash and restricted short-term investments), lease obligations, and

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shareholders' equity, comprising issued common shares, contributed surplus, accumulated other comprehensive income ("AOCI"), and retained earnings as shown below:

	<b>2018</b>	<b>2017</b>
Shareholders' equity	\$ 2,148,031	\$ 2,025,429
Long-term debt	179,266	211,611
Short-term debt	5,000	80,522
Lease obligations	4,229	-
	<b>2,336,526</b>	<b>2,317,562</b>
Less:		
Restricted cash and restricted short-term investments	(27,505)	(687)
Cash and cash equivalents	(151,705)	(415,891)
Total invested capital	\$ 2,157,316	\$ 1,900,984

**27. Financial Instruments**

The Company's financial instruments include cash and cash equivalents, short-term investments, restricted cash and short-term investments, amounts receivable (including embedded derivatives), derivative instruments, long-term receivables, tax receivables, accounts payable and accrued liabilities (including amounts due to Royal Gold), debt, and revenue-based taxes payable.

**Derivative Instruments**

The Company uses derivative instruments as part of its risk management program to mitigate exposures to various market risks including commodity prices, currency exchange rates and the cost of fuel.

The Company designates the Strategic gold and copper contracts and Fuel hedge contracts as cash flow hedging instruments. The effective portion of changes in the fair value of these derivatives is recognized in other comprehensive income and accumulated in other comprehensive income ("OCI"). Any ineffective portion of changes in the fair value of these derivatives is recognized immediately in the Statements of Earnings. Amounts previously recognized in other comprehensive income and accumulated in OCI are reclassified to the Statements of Earnings in the periods when the hedged item is recognized in earnings. These amounts are included within the same line of the Statements of Earnings as the hedged item.

The Company also uses a selection of derivative instruments that are effective in achieving its risk management objectives, but are not designated under the hedge accounting criteria ("Royal Gold deliverables") and ("FX contracts"). Changes in fair value of these derivatives are recognized immediately in the Statements of Earnings.



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As of December 31, 2018, the Company had eight counterparties (December 31, 2017 – nine) to its derivative positions. On an ongoing basis, the Company monitors its exposures and ensures that the counterparties with which it holds outstanding contracts continue to meet the credit rating requirements of the Company's financial risk management policy.

**Strategic gold, copper and fuel hedge contracts**

The Company's hedging strategy for which hedge accounting is applied consists of the following:

*Strategic gold and copper contracts*

The Company established a hedging strategy to manage cash flow streams by protecting against declining copper or gold prices.

*Fuel hedge contracts*

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 Company hedges its exposure with crude oil futures contracts, as the price of diesel fuel closely correlates to the price of crude oil.

The Strategic gold and copper contract positions and Fuel hedge contract positions outstanding as at December 31, 2018 are summarized as follows:

					<b>As at December 31, 2018</b>
<b>Contract</b>	<b>Instrument</b>	<b>Unit</b>	<b>Average strike price</b>	<b>Type</b>	<b>Total position(a)</b>
<i>Strategic gold and copper and Fuel hedge contracts</i>					
Fuel	Crude oil options	Barrels	\$63.00	Fixed	72,000
Fuel	Zero-cost collars	Barrels	\$46/\$59	Fixed	23,000
Copper	Zero-cost collars	Pounds	\$2.50/\$3.28	Fixed	12.6 million
Gold	Zero-cost collars	Ounces	\$1,250/\$1,368	Fixed	36,799

(a) Positions to be settled in 2019

The following table is an analysis of the Strategic gold and copper contracts and Fuel hedge contracts recorded in the Statements of Earnings:

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	<b>2018</b>	<b>2017</b>
<b><u>Strategic gold, copper and fuel hedge contracts</u></b>		
Cash flow hedges - effective portion of changes in fair value	\$ 24,558	\$ (25,356)
Cash flow hedges - reclassified to Statements of Earnings	(9,620)	11,213
Net unrealized gain (loss) included in AOCI, net of tax (a)	\$ 14,938	\$ (14,143)
Cash flow hedges - reclassified from AOCI	\$ 9,620	(11,213)
Gain (loss) recognized on derivatives (b)	(3,817)	(2,120)
Total gain (loss) included in Statements of Earnings	\$ 5,803	\$ (13,333)

(a) Includes tax for the year ended December 31, 2018 and 2017 of nil.

(b) Represents the change in fair value of certain gold and copper derivative instruments which were early settled or reclassified to the Statements of Earnings since they no longer qualify for hedge accounting.

**Royal Gold deliverables**

The Company must satisfy its obligation under the streaming arrangement with Royal Gold by delivering gold and copper to Royal Gold after receiving payment from third-party customers, including offtakers and traders, which purchase concentrate from the Mount Milligan Mine ("MTM Customers"). The Company delivers physical gold and copper warrants to Royal Gold based on a percentage of the gold ounces and copper pounds included in each final sale of concentrate to MTM Customers within two days of receiving a final payment. If the final payment from a MTM Customer is not received within five months of the provisional payment date, then the Company will deliver an estimated amount of gold ounces and copper warrants based on information that is available from the MTM Customer at that time.

The Company receives payment from MTM Customers in cash, thus requiring the purchase of physical gold and copper warrants in order to satisfy the obligation to pay Royal Gold. In order to hedge its gold and copper 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 purchase and sales contracts pursuant to which it purchases gold and copper at an average price during a quotational period and sells gold and copper at a spot price. These contracts are treated as derivatives not designated as hedging instruments. The Company records its forward commodity contracts at fair value using a market approach based on observable quoted market prices.

**FX contracts**

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

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The Royal Gold deliverables and FX contracts outstanding as at December 31, 2018 are summarized as follows:

					As at December 31, 2018
Contract	Instrument	Unit	Average strike price	Type	Total position (b)
<i>Royal Gold deliverables</i>					
Gold	Forward contracts	Ounces	(a)	Float	30,360
Copper	Forward contracts	Pounds	(a)	Float	2.5 million

(a) Royal Gold hedging program with a market price determined on closing of the contract

(b) Positions to be settled in 2019

The following table is an analysis of the Royal Gold deliverables and FX contracts recorded in the Statements of Earnings:

	2018	2017
<b><u>Royal Gold deliverables and FX contracts</u></b>		
Total (loss) gain on gold and copper derivatives included in revenue	\$ (1,522)	\$ 4,063
Total (loss) gain on FX contracts included in other income, net	\$ (2,122)	\$ 1,562

*Provisionally-priced contracts*

Certain copper-gold concentrate sales contracts provide for provisional pricing. These sales contain an embedded derivative related to the provisional pricing mechanism and are marked to market at the end of each reporting period. As at December 31, 2018, the Company's trade receivables with embedded derivatives had a fair value of \$21.5 million (December 31, 2017 - \$20.9 million), representing 23.3 million pounds of copper and 77,032 ounces of gold (December 31, 2017 - 17.6 million pounds of copper and 78,578 ounces of gold).

The following table is a sensitivity analysis of the impact on the Statements of Earnings of an increase or a decrease of 10% of the price of the derivative instrument:

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**Sensitivity table**

	<b><u>Fair value as at</u></b> <b><u>December 31, 2018</u></b>	<b><u>Increase of</u></b> <b><u>10%</u></b>	<b><u>Decrease of</u></b> <b><u>10%</u></b>
Fuel contracts	\$ 102	\$ 192	\$ (129)
Gold (Strategic)	49	(1,554)	3,552
Copper (Strategic)	296	-	817
Gold and Copper (Royal Gold Deliverables)	532	5,113	(4,048)

*Fair value measurement*

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

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

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

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

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

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**December 31, 2018**

	<b>Amortized cost</b>	<b>At fair value through earnings</b>	<b>At fair value through OCI</b>
<b><u>Financial assets</u></b>			
Cash and cash equivalents	\$ 151,705	\$ -	\$ -
Restricted cash	27,505	-	-
Amounts receivable	41,759	-	-
Provisionally-priced receivables - Level 2	-	17,799	-
Taxes receivable	21,302	-	-
Derivative assets - Level 2	-	1,081	-
	<b>\$ 242,271</b>	<b>\$ 18,880</b>	<b>\$ -</b>

**Financial liabilities**

Trade creditors and accruals	\$ 121,973	\$ -	\$ -
Lease obligations	5,026	-	-
Debt	184,266	-	-
Derivative liabilities - Level 2	-	101	-
	<b>\$ 311,265</b>	<b>\$ 101</b>	<b>\$ -</b>

**December 31, 2017**

	<b>Amortized cost</b>	<b>At fair value through earnings</b>	<b>At fair value through OCI</b>
<b><u>Financial assets</u></b>			
Cash and cash equivalents	\$ 415,891	\$ -	\$ -
Restricted cash	687	-	-
Amounts receivable	43,012	-	-
Provisionally-priced receivables - Level 2	-	20,890	-
Taxes receivable	21,302	-	-
Long-term receivables	2,649	-	-
Derivative assets - Level 2	-	1,055	1,453
	<b>\$ 483,541</b>	<b>\$ 21,945</b>	<b>\$ 1,453</b>

**Financial liabilities**

Trade creditors and accruals	\$ 122,101	\$ -	\$ -
Amount due to Royal Gold - Level 2	-	50,650	-
Lease obligations	31,986	-	-
Debt	260,147	-	-
Revenue-based taxes payable	15,953	-	-
Derivative liabilities - Level 2	-	187	23,143
	<b>\$ 430,187</b>	<b>\$ 50,837</b>	<b>\$ 23,143</b>

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The recorded value of restricted short-term investments, amounts receivable, taxes receivable, long-term receivables, accounts payable and accrued liabilities, lease obligation, debt and revenue-based taxes payable approximate their relative fair values.

The fair value of gold, copper, diesel and currency derivative instruments, classified within Level 2, is determined using derivative pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. The fair value of the Company's derivative contracts includes an adjustment for credit risk.

Forward commodity contracts and provisionally priced contracts, are classified within Level 2 because they are valued using a market-based-approach, other than observable quoted prices included within Level 1, other inputs from published market prices and contracted prices and terms.

**28. Financial risk exposure and risk management**

The Company is exposed in varying degrees to certain financial risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The Board of Directors has a responsibility to ensure that an adequate financial risk management policy is established. Financial risk management is carried out by the Company's treasury department in accordance with the Board of Directors' approved policy. The treasury department identifies and evaluates financial risks, establishes controls and procedures to ensure financial risks are mitigated in accordance with the approved policy and programs, and that risk management activities comply thereto.

The Company's Audit Committee oversees management's compliance with the Company's financial risk management policy, approves financial risk management programs, and receives and reviews reports on management compliance with the policy and programs. The internal audit department assists in undertaking its oversight of financial risk management controls and procedures, the results of which are reported to the Audit Committee.

The Company is exposed to the following types of risk and manages them as follows:

**a. Currency risk**

The Company's operations are located in various geographic locations, exposing the Company to potential foreign exchange risk in its financial position and cash flows. As the Company operates in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the U.S. dollar. The operating results and financial position of the Company are reported in U.S. dollars in the Company's consolidated financial

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statements. The fluctuation of the U.S. dollar in relation to other currencies will consequently have an impact upon the profitability of the Company and may also affect the value of the Company's assets.

To mitigate this risk, the Company makes purchases in foreign currencies at the prevailing spot price to fund corporate activities or enters into short-term forward contracts or zero-cost collar contracts to purchase foreign currencies. During the year ended December 31, 2018, total Canadian dollars and Euros purchased were Cdn\$541 million and €19 million, respectively, (year ended December 31, 2017 - Cdn\$521.0 million and €23.9 million), including executed forward contracts of nil (year ended December 31, 2017 - Cdn\$56.6 million) and exercised zero-cost collar contracts of Cdn\$67 million (year ended December 31, 2017 - Cdn\$14.0).

The exposure of the Company's monetary assets and liabilities to currency risk is as follows:

**December 31, 2018**

	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	European Euro	Turkish Lira	Other
<b>Financial Assets</b>						
Cash and cash equivalents	\$ 1,650	\$ -	\$ 7,381	\$ 306	\$ 603	14
Restricted cash	-	-	383	-	1,920	-
Amounts receivable	260	-	2,143	1	5,944	25
Other assets	-	-	(41)	-	49	-
	<b>\$ 1,910</b>	<b>\$ -</b>	<b>\$ 9,866</b>	<b>\$ 307</b>	<b>\$ 8,516</b>	<b>39</b>
<b>Financial Liabilities</b>						
Accounts payable and accrued liabilities	\$ 7,943	\$ -	\$ 61,227	\$ 1,204	\$ 578	132
Taxes payable	4	-	890	-	(23)	8
Other liabilities	47	-	11	-	-	-
	<b>\$ 7,994</b>	<b>\$ -</b>	<b>\$ 62,128</b>	<b>\$ 1,204</b>	<b>\$ 555</b>	<b>140</b>

**December 31, 2017**

	Kyrgyz Som	Mongolian Tugrik	Canadian Dollar	European Euro	Turkish Lira	Other
<b>Financial Assets</b>						
Cash and cash equivalents	\$ 295	\$ 204	\$ 155,734	\$ 1,289	\$ 63	22
Restricted cash	-	-	301	-	-	-
Amounts receivable	152	288	2,355	2	2,080	33
Other assets	-	-	73	-	16	-
	<b>\$ 447</b>	<b>\$ 492</b>	<b>\$ 158,463</b>	<b>\$ 1,291</b>	<b>\$ 2,159</b>	<b>55</b>
<b>Financial Liabilities</b>						
Accounts payable and accrued liabilities	\$ 12,426	\$ 421	\$ 47,846	\$ 1,298	\$ 330	657
Taxes payable	6	72	1,376	1,050	79	9
Other liabilities	91	-	6,932	-	-	-
	<b>\$ 12,523</b>	<b>\$ 493</b>	<b>\$ 56,154</b>	<b>\$ 2,348</b>	<b>\$ 409</b>	<b>666</b>

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Based on the above net exposures at December 31, 2018, a 10% devaluation or appreciation of the above currencies against the U.S. dollar, with all other variables held constant would have led to additional income or loss before tax of 5.1 million (December 31, 2017 - \$9.0 million).

**b. Interest rate risk**

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to risk of changes in cash flows. The Company's cash and cash equivalents include highly liquid investments that earn interest at market rates. As at December 31, 2018, the majority of the \$179.2 million in cash and cash equivalents and current and non-current restricted cash and short-term investments (December 31, 2017 - \$416.6 million) were comprised of interest-bearing assets. Based on amounts as at December 31, 2018, a 100 basis point change in interest rates would result in a \$1.8 million adjustment to interest income (December 31, 2017 - \$4.2 million).

Additionally, the interest rates on \$188.5 million of debt and lease obligations include a variable rate component referenced to LIBOR (December 31, 2017 - \$292.1 million). Based on the amount drawn as at December 31, 2018, a 100 basis point change in LIBOR would result in a \$2.0 million adjustment to interest expenses (December 31, 2017 - \$3.0 million).

The Company's policy limits the investment of excess funds to liquid term deposits, treasury bills, banker's acceptances, bearer's deposit notes and corporate direct credit having a single "A" rating or greater.

**c. Credit risk**

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises principally from the Company's receivables from customers and on cash and cash equivalents and short-term investments and restricted cash and short-term investments.

The Company's exposure to credit risk, in respect of gold sales, is influenced mainly by the individual characteristics of each customer. Kyrgyzaltyn is the sole customer of gold doré from the Kumtor Mine and is a shareholder of Centerra. Gold and copper concentrate from Mount Milligan are sold to four multi-national off-takers with limited credit risk.

To partially mitigate exposure to potential credit risk related to Kumtor sales, the Company has an agreement in place whereby Kyrgyzaltyn has pledged 2,850,000 Centerra common shares it owns as security against unsettled gold shipments, in the event of default on payment (note 25).

Based on movements in Centerra's share price and the value of individual or unsettled gold



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shipments over the course of 2018, the maximum exposure during the year, reflecting the shortfall in the value of the security as compared to the value of any unsettled shipments, was approximately \$109.7 million (year ended December 31, 2017 - \$86.6 million).

Mount Milligan and Langeloth manage their credit risk from accounts receivable through their collection activities. Mount Milligan's collection risk is further reduced by the nature of the concentrate sales contracts, as they are structured for the Company to collect 90% of the provisional sales price upon shipment. As of December 31, 2018, Mount Milligan's trade receivables included three multi-national customers with a combined balance owing of \$25.5 million, representing 100% of the mine's trade receivables (December 31, 2017 - two multi-national customer with a balance owing of \$25.0 million representing 73% of the mine's trade receivables). In accordance with IFRS 9, Langeloth's receivables are provided for based on lifetime expected credit losses, which are established by considering historical credit loss experience with each customer.

The Company manages counterparty credit risk, in respect of 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 issues that can be promptly liquidated. As at December 31, 2018, the Company's short-term investments are maintained with Canadian Schedule I banks with a minimum of an A1/P1 rating.

**d. Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company finances its operations through a combination of operating cash flows, short and long-term debt and, from to time, through the issuance of equity. The Company primarily uses funds generated from operating activities to fund operational expenses, sustaining and development capital spending, and interest and principal payments on its loans and borrowings. The Company continuously monitors and reviews its actual and forecasted cash flows and manages liquidity risk by maintaining adequate cash and cash equivalents, by utilizing debt and by monitoring developments in the capital markets.

As at December 31, 2018, cash and cash equivalents were \$151.7 million compared to \$415.9 million at December 31, 2017. In addition, the Company has \$489.3 million in undrawn borrowing facilities available at December 31, 2018.

The Company believes its cash on hand, available cash from the Company's existing credit facilities, and cash flow from the Company's operations will be sufficient to fund its anticipated operating cash requirements and development expenditures through to the end of 2019.

A maturity analysis of the Company's financial liabilities, contractual obligations, other fixed operating and capital commitments, excluding asset retirement obligations, is set out below:

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**Year ended December 31, 2018**

(Millions of U.S. Dollars)	Total	Due In Less Than One Year	Due In One to Three Years	Due In Four to Five Years	Due After Five Years
Accounts payable and accrued liabilities	\$ 173.8	\$ 173.8	\$ -	\$ -	-
Debt	192.7	5.0	27.0	111.0	49.7
Reclamation trust fund	38.2	6.0	18.0	12.0	2.2
Capital equipment	0.7	0.7	-	-	-
Operational supplies	67.6	67.6	-	-	-
Project development	88.9	78.3	10.6	-	-
Equipment leases (principal and interest)	5.6	3.9	1.5	0.2	-
Lease of premises	3.6	0.8	1.0	0.9	0.9
Derivative liability	0.1	0.1	-	-	-
<b>Total contractual obligations</b>	<b>\$ 571.2</b>	<b>\$ 336.2</b>	<b>\$ 58.1</b>	<b>\$ 124.1</b>	<b>\$ 52.8</b>

**Year ended December 31, 2017**

(Millions of U.S. Dollars)	Total	Due In Less Than One Year	Due In One to Three Years	Due In Four to Five Years	Due After Five Years
Accounts payable and accrued liabilities	\$ 181.8	\$ 181.8	\$ -	\$ -	-
Debt	266.0	50.0	100.0	116.0	-
Reclamation trust fund	42.6	6.0	18.0	12.0	6.6
Capital equipment	4.4	4.4	-	-	-
Operational supplies	48.4	48.4	-	-	-
Project development	49.9	22.0	27.9	-	-
Deferred vendor payables	6.9	6.9	-	-	-
Equipment Promissory Note (principal and interest)	34.1	34.1	-	-	-
Lease of premises	3.2	0.8	1.0	0.7	0.7
Derivative liability	23.3	16.0	7.3	-	-
<b>Total contractual obligations</b>	<b>\$ 660.6</b>	<b>\$ 370.4</b>	<b>\$ 154.2</b>	<b>\$ 128.7</b>	<b>\$ 7.3</b>

**e. Commodity price risk**

The profitability of the Company's operations and mineral resource properties relates primarily to the market price and outlook of gold and copper. Adverse changes in the price of certain raw materials can also significantly affect the Company's cash flows.

Gold and copper prices historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial, residential and retail demand, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand due to speculative or hedging activities, macro-economic variables, geopolitical events and certain other factors related specifically to gold (including central bank reserves management).

Provisional pricing mechanisms embedded within the Company's Mount Milligan sales contracts have the character of a commodity derivative and are carried at fair value as part of accounts receivable. As at December 31, 2018, the Company's trade receivable balance included six provisionally priced shipments with a combined carrying value of \$17.8 million (December 31, 2017 – four provisionally priced shipments with a combined carrying value of \$20.9 million). A 10% change in the forward copper and gold prices used to fair value this receivable would have a \$5.7 million impact on the receivable and related revenue recorded at December 31, 2018 (December 31, 2017 - \$14.8 million). Additionally, as a result of the Royal Gold stream, when a gold and copper concentrate receivable is recorded, a corresponding provisionally priced liability to Royal Gold is generated. As at December 31, 2018, \$42.9 million is owed to Royal Gold (December 31, 2017 - \$50.7 million). A 10% change in the forward copper and gold prices used to fair value this liability would have a \$6.0 million impact on the payable and related revenue recorded at December 31, 2018 (December 31, 2017 - \$6.9 million).

To the extent that the price of gold and copper increase over time, the fair value of the Company's mineral assets increases and cash flows will improve; conversely, declines in the price of gold will reduce the fair value of mineral assets and cash flows. A protracted period of depressed prices could impair the Company's operations and development opportunities, and significantly erode shareholder value. To the extent there are adverse changes to the price of certain raw materials (e.g. diesel fuel), the Company's profitability and cash flows may be impacted.

The Company enters into hedging arrangements to mitigate commodity price risk (see note 27).

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**29. Supplemental disclosure****a. Changes in operating working capital**

	<b>2018</b>	<b>2017</b>
Decrease (increase) in amounts receivable	\$ 5,882	\$ (14,600)
(Increase) decrease in inventory - ore and metals	(90,353)	39,504
Increase in inventory - supplies	(5,607)	(7,078)
Increase in prepaid expenses	(9,326)	(2,451)
(Decrease) increase in trade creditors and accruals	(15,814)	45,266
Decrease in revenue-based tax payable	(14,999)	(3,249)
Increase (decrease) in depreciation and amortization included in inventory (note 11)	14,302	(69,644)
Increase in accruals included in additions to PP&E	(3,503)	(340)
Decrease in other taxes payable	(755)	(900)
<b>Change in operating working capital of continuing operations</b>	<b>\$ (120,173)</b>	<b>\$ (13,492)</b>
Change in operating working capital of discontinued operations	1,076	1,604
<b>Net changes in operating working capital of continuing operations</b>	<b>\$ (119,097)</b>	<b>\$ (11,888)</b>

**b. Investment in PP&E**

	<b>2018</b>	<b>2017</b>
Additions to PP&E during the period (note 11)	\$ (344,343)	\$ (334,146)
Greenstone Gold Property translation adjustment	(3,140)	2,530
Capitalized parts	18,616	6,769
Impact of revisions to asset retirement obligation included in PP&E	10,805	5,153
Depreciation and amortization included in additions to PP&E (note 11)	35,104	51,056
Capitalization of OMAS financing costs	1,958	1,444
Leased assets	5,690	-
Increase in accruals related to additions to PP&E	3,480	340
Additions to PP&E recognized as discontinued operations	-	1,984
	<b>\$ (271,830)</b>	<b>\$ (264,870)</b>

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**c) Changes in liabilities arising from financing activities**

	<b>Debt<sup>(a)</sup></b>	<b>Interest payable<sup>(b)</sup></b>
<b>Balance at January 1, 2018</b>	<b>292,133</b>	<b>1,551</b>
Changes due to:		
Debt repayments and interest payments	(501,069)	(20,756)
Debt drawdowns	395,737	-
Financing costs incurred	(4,474)	-
Financing costs reclassified from prepaid expense	(5,640)	-
Amortization of deferred financing costs	6,525	-
Interest expense	-	15,750
Capitalized financing costs and other (c)	1,054	4,048
<b>Balance at December 31, 2018</b>	<b>184,266</b>	<b>593</b>
<b>Balance at January 1, 2017</b>	<b>497,118</b>	<b>4,783</b>
Changes due to:		
Debt repayments and interest payments	(208,363)	(27,407)
Financing costs deferred	(896)	-
Amortization of deferred financing costs	4,274	-
Interest expense	-	22,415
Capitalized financing costs and other (c)	-	1,760
<b>Balance at December 31, 2017</b>	<b>292,133</b>	<b>1,551</b>

(a) Includes short term debt (\$5,000) and long term debt (\$179,266). Refer to note 14.

(b) Included within "Accounts payable and accrued liabilities".

(c) Includes costs associated with the OMAS Facility which have been capitalized and other financing costs recognized in the Statements of Earnings.

**30. Segmented Information**

In accordance with IFRS 8, *Operating Segments*, the Company's operations are segmented on a regional basis and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The Chief Executive Officer has authority for resource allocation and assessment of the Company's performance and is therefore the CODM. Information presented in the table below is shown at the level at which it is reviewed by the CODM in his decision making process.

The Company manages its reportable operating segments by a combination of geographic location and products. The Kyrgyz Republic segment includes the operations of the Kumtor Gold Project. The Turkish segment represents the development of the Öksüt Project. The North America Gold-

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Copper segment represents the operations of the Mount Milligan Mine. The North America Molybdenum segment includes the operations of the Langeloth processing facility and care and maintenance activities of the Endako and Thompson Creek Mines. The Corporate and other segment include the head office located in Toronto, the corporate office located in Denver, Colorado, the Greenstone Gold Property, the Kemess Project and other international exploration projects. The segments' accounting policies are consistent with those described in note 3.

**Segment Revenues and Results**

The following table reconciles segment operating profit to the consolidated operating profit in the Statements of Earnings:

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**Year ended December 31, 2018**

(Millions of U.S. Dollars)	Kyrgyz Republic	Turkey	North America		Corporate and other	Total
			Gold-Copper	Molybdenum		
Gold sales	\$ 660.1	-	173.4	-	-	833.5
Copper sales	-	-	89.5	-	-	89.5
Molybdenum sales	-	-	-	197.1	-	197.1
Tolling, calcining and other	-	-	-	9.2	-	9.2
<b>Revenue</b>	<b>660.1</b>	<b>-</b>	<b>262.9</b>	<b>206.3</b>	<b>-</b>	<b>1,129.3</b>
Cost of sales	350.8	-	213.7	196.9	-	761.4
Standby costs	-	-	10.8	-	-	10.8
Regional office administration	13.8	-	-	-	-	13.8
<b>Earnings from mine operations</b>	<b>295.5</b>	<b>-</b>	<b>38.4</b>	<b>9.4</b>	<b>-</b>	<b>343.3</b>
Revenue-based taxes	93.0	-	-	-	-	93.0
Other operating expenses	5.3	-	5.5	2.2	0.1	13.1
Care and maintenance	-	-	14.5	14.6	0.2	29.3
Reclamation expense	-	-	-	40.4	-	40.4
Pre-development project costs	-	-	2.6	-	-	2.6
Exploration expenses and business development	6.1	-	3.5	-	-	9.6
Business combination acquisition and integration	-	-	-	-	-	-
Corporate administration	0.1	0.1	-	-	29.4	29.6
<b>Earnings (loss) from operations</b>	<b>191.0</b>	<b>(0.1)</b>	<b>12.3</b>	<b>(47.8)</b>	<b>(56.8)</b>	<b>98.6</b>
Gain on sale of royalty assets	-	-	-	-	-	(28.0)
Other income, net	-	-	-	-	-	(2.4)
Finance costs	-	-	-	-	-	30.2
<b>Earnings before income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98.8</b>
Income tax expense	-	-	-	-	-	(14.6)
<b>Net earnings from continuing operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113.4</b>
Net (loss) from discontinued operations	-	-	-	-	-	(5.9)
<b>Net earnings</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107.5</b>
<b>Capital expenditures for the period</b>	<b>\$ 195.8</b>	<b>47.2</b>	<b>39.5</b>	<b>2.3</b>	<b>59.5</b>	<b>344.3</b>
<b>Goodwill</b>	<b>\$ -</b>	<b>-</b>	<b>16.1</b>	<b>-</b>	<b>-</b>	<b>16.1</b>
<b>Total assets (excluding goodwill)</b>	<b>\$ 1,077.9</b>	<b>192.4</b>	<b>1,136.1</b>	<b>247.0</b>	<b>157.2</b>	<b>2,810.6</b>
<b>Total liabilities</b>	<b>\$ 162.3</b>	<b>48.6</b>	<b>246.7</b>	<b>116.9</b>	<b>104.2</b>	<b>678.7</b>

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Year ended December 31, 2017	North America				
	Kyrgyz Republic	Turkey	Gold-Copper	Molybdenum	Corporate and other
(Millions of U.S. Dollars)					Total
Gold sales	685.2	-	242.9 \$	-	- 928.1
Copper sales	-	-	125.9	-	- 125.9
Molybdenum sales	-	-	-	136.8	- 136.8
Tolling, calcining and other	-	-	-	8.2	- 8.2
<b>Revenue</b>	685.2	-	368.8	145.0	- 1,199.0
Cost of sales	291.7	-	253.6	136.8	- 682.1
Regional office administration	18.2	-	-	-	- 18.2
<b>Earnings from mine operations</b>	375.3	-	115.2	8.2	- 498.7
Revenue-based taxes	96.7	-	-	-	- 96.7
Other operating expenses	3.7	-	6.9	2.3	- 12.9
Care and maintenance	-	-	-	13.1	- 13.1
Reclamation expense	-	-	-	0.1	- 0.1
Pre-development project costs	-	-	-	-	- 4.8
Exploration expenses and business development	-	-	0.3	-	- 10.4
Acquisition and integration expenses	-	-	-	-	- 3.9
Corporate administration	0.3	0.2	-	-	37.1 37.6
Kyrgyz Republic settlement	60.0	-	-	-	- 60.0
<b>Earnings (loss) from operations</b>	214.6	(0.2)	108.0	(7.3)	(56.2) 258.9
Other income, net	-	-	-	-	(3.1)
Finance costs	-	-	-	-	30.0
<b>Earnings before income tax</b>	-	-	-	-	232.0
Income tax expense	-	-	-	-	(19.8)
<b>Net earnings from continuing operations</b>	-	-	-	-	251.8
Net (loss) from discontinued operations	-	-	-	-	(42.3)
<b>Net earnings</b>	-	-	-	-	209.5
<b>Capital expenditure for the year</b>	279.7	9.0	33.2 \$	4.0	8.2 334.1
<b>Goodwill</b>	-	-	16.1 \$	-	- 16.1
<b>Total assets (excluding goodwill)</b>	1,106.4	47.5	933.7 \$	227.7	440.8 2,756.1
<b>Total liabilities</b>	187.0	0.6	171.6 \$	76.3	311.2 746.7



**Centerra Gold Inc.****Notes to the Consolidated Financial Statements****For the years ended 2018 and 2017**

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

**Geographical Information**

The following table details the Company's revenue by the location of the customers and information about the Company's non-current assets by location of the assets.

	Revenue		Non-current assets	
	Year ended December 31,		As at December 31,	
(Millions of U.S. Dollars)	2018	2017	2018	2017
Kyrgyz Republic	\$ 660.1	\$ 685.2	\$ 616.3	\$ 621.9
South Korea	166.0	284.8	-	-
United States	179.0	123.9	107.9	112.1
Japan	59.8	59.3	-	-
China	45.3	32.1	-	-
Canada	3.6	3.6	1,136.8	937.9
Netherlands	14.7	-	-	-
Turkey	-	-	92.5	31.8
Other	0.8	10.1	39.2	56.5
Total	\$ 1,129.3	\$ 1,199.0	\$ 1,992.7	\$ 1,760.2

**Customer information**

The following table presents sales to individual customers exceeding 10% of annual sales for the years ended December 31, 2018 and 2017. The following three customers represent 75% (2017 – 77%) of the Company's sales revenue:

(Millions of U.S. Dollars)			
Customer Reporting segment		2018	2017
1	Kyrgyz Republic	\$ 660.1	\$ 685.2
2	Asia - Gold-Copper	77.3	118.3
3	Asia - Gold-Copper	109.6	115.5
Total sales to customers exceeding 10% of annual sales		\$ 847.0	\$ 919.0

**DIRECTORS**

Stephen A. Lang  
*Chair*

Bruce V. Walter  
*Vice-Chair*

Sheryl K. Pressler  
*Independent Lead Director*

Richard W. Connor

Eduard D. Kubatov

Askar Oskombaev

Michael S. Parrett

Jacques Perron

Scott G. Perry

Bektur Sagynov

Susan L. Yurkovich

**OFFICERS AND MANAGEMENT**

Scott G. Perry  
*President and  
Chief Executive Officer*

Darren J. Millman  
*Vice President and  
Chief Financial Officer*

Gordon D. Reid  
*Vice President and  
Chief Operating Officer*

Dennis C. Kwong  
*Vice President,  
Business Development  
and Exploration*

Yousef Rehman  
*Vice President, General Counsel  
and Corporate Secretary*

**MANAGEMENT**

Picklu Datta  
*Vice President, Finance & Treasurer*

Cam Duquette  
*Vice President, Health and Safety*

John Fitzgerald  
*Vice President, Capital Projects  
& Technical Services*

John W. Pearson  
*Vice President, Investor Relations*

Claude Plourde  
*Vice President, Controller*

Geoff Ramey  
*Vice President, Human Resources  
and HR Systems*

Kevin D'Souza  
*Vice President, Security,  
Sustainability and Environment*

Mark A. Wilson  
*President,  
Base Metals Division*

Daniel R. Desjardins  
*President,  
Kumtor Gold Company*

Greg Herbert  
*Site Manager,  
Endako Mine*

Jim Kopp  
*Site Manager,  
Thompson Creek Mine*

Joe Marks  
*Acting General Manager,  
Mount Milligan Mine*

Sean Masse  
*Project Manager,  
Kemess Mine*

Tom Ondrejko  
*General Manager,  
Langeloth Metallurgical Company*

Alper Sezener  
*General Manager,  
Öksüt Madencilik A.S.*



#### TRANSFER AGENT

For information on common share holdings, lost share certificates and address changes, contact:

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#### STOCK EXCHANGE LISTING

##### **Toronto Stock Exchange**

Symbol: CG

#### INVESTOR RELATIONS CONTACT

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