

centerra**GOLD**



NEWS RELEASE

Centerra Gold Reaches Comprehensive Settlement with the Government of the Kyrgyz Republic

Toronto, Canada, September 11, 2017: Centerra Gold Inc. (TSX: CG) announces today that the Company and its Kyrgyz subsidiaries (Kumtor Gold Company (“KGC”) and Kumtor Operating Company (“KOC”)) have entered into a comprehensive settlement agreement (the “Strategic Agreement”) with the Government of the Kyrgyz Republic (the “Government”) on behalf of the Kyrgyz Republic.

Highlights of the Strategic Agreement

- 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;
- The termination of the Kyrgyz Republic court order which, among other things, restricted KGC’s ability to transfer cash to Centerra. KGC is in the process of transferring the cash balance that is over and above its ordinary working capital requirements to Centerra and the Company expects that to occur by September 15, 2017;
- An acknowledgement that there will be no restrictions on the ability of KGC to distribute funds to Centerra in the future;
- All restrictions are lifted on the free movement of KGC’s employees;
- 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 existing 2009 agreements governing the Kumtor Project (the “Kumtor Project Agreements”) remain in full force and effect, including the tax and fiscal regime thereunder;
- No changes to current or planned operations at the Kumtor Project are required;
- KGC has agreed to make a one-time lump sum payment totaling US\$57 million to a new, government-administered Nature Development Fund (US\$50 million) and to a new, government-administered Cancer Care Support Fund (US\$7 million) and within 12 months of closing make a further one-time payment of US\$3 million to the Cancer Care Support Fund. These amounts are expected to be recorded as an expense and liability in the Company’s third quarter results;
- Annual payments of US\$2.7 million to the new Nature Development Fund, conditional on the Government continuing to comply with its obligations under the Strategic Agreement;
- KGC has agreed to accelerate its annual payments to Kumtor’s Reclamation Trust Fund in the amount of US\$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 US\$69 million (which is broadly in line with KGC’s current estimated reclamation cost for the Kumtor Project);
- KGC would consider, together with the Government, other potential investment opportunities in the Kyrgyz Republic and at the Kumtor Project; and

- The releases of liability and all payments are subject to a range of initial conditions precedent, discussed in further detail below and are expected to be completed in the fourth quarter of 2017.

Scott Perry, Centerra Gold's Chief Executive Officer commented, "First and foremost, this agreement is a comprehensive resolution to all of the outstanding matters affecting the Kumtor Project. Our arrangement provides for the lifting of all restrictions on the freedom of movement of KGC employees as well as the restrictions on the ability of Kumtor to distribute funds to Centerra. The agreement also provides business certainty for future mining operations at the Kumtor Project, as it preserves all rights of the Company, KGC and KOC under the Kumtor Project Agreements and, in order to receive full payment, requires continued compliance by the Government with a number of conditions precedent that are designed to protect Centerra, KGC and KOC. Lastly, this agreement represents a symbol of commitment from Centerra and the Kyrgyz Republic Government, a commitment not only to stability for foreign investment in the Kyrgyz Republic but a commitment to the environment, health and wellbeing of the citizens of Kyrgyzstan."

Sapar Isakov, Prime Minister of the Kyrgyz Republic commented, "We are pleased to have worked together with Kumtor and the Company to reach a solution regarding the Kumtor Project. It is encouraging to see the Company's commitment to the environment with the establishment and funding of a new Nature Development Fund. This new fund will help finance environmental conservation and nature preservation projects throughout Kyrgyzstan going forward. Additionally, the Company has strengthened its social responsibility by committing to fund a new Cancer Care Support Fund with contributions up to US\$10 million and to provide stronger annual contributions to the environment and to Kumtor's existing reclamation trust fund. With the resolution of all the outstanding matters regarding the Kumtor Project we have established a new beneficial relationship with our country's largest enterprise and can look forward to a climate of economic stability which will encourage further foreign investment to grow our economy."

Consideration by Centerra's Board of Directors

A Special Committee comprised of independent directors of Centerra has overseen the negotiation of, and entry into, the Strategic Agreement, and has recommended that Centerra's Board of Directors approve the Strategic Agreement and the transactions contemplated thereby. Upon taking into account the recommendation of the Special Committee and such other factors as it considered relevant, the Board of Directors of the Company unanimously approved the Strategic Agreement and the transactions contemplated thereby.

Further Details of the Strategic Agreement

Under the Strategic Agreement, KGC has committed to making contributions to (i) a new, government-administered Nature Development Fund established for the purpose of financing environmental conservation projects and nature preservation in the Kyrgyz Republic, consisting of a one-time lump sum payment of US\$50 million and ongoing annual payments of US\$2.7 million, which annual payments are conditional on the Government continuing to comply with all conditions precedent under the Strategic Agreement, (ii) a new, government-administered Cancer Care Support Fund to be established for the purpose of funding cancer treatment, research, support and outreach in the Kyrgyz Republic, including a one-time lump sum payment of US\$7 million and within 12 months of closing a further one-time payment of US\$3 million, and (iii) the acceleration of payments to Kumtor's Reclamation Trust Fund in the amount of US\$6 million a year until the total amount contributed by KGC to the Reclamation Trust Fund (which currently holds approximately US\$26.3 million) reaches the total reclamation cost for the Kumtor Project determined in accordance with the existing Reclamation Trust Deed (subject to a minimum total reclamation cost of US\$69 million), which annual payments are conditional on continued operation of the Kumtor Mine by KGC and KOC with all necessary permits and no expropriation-related action being taken on the part of the Government.

The Parties will also negotiate in good faith to amend and restate the existing Reclamation Trust Deed to: (i) provide for the accelerated Reclamation Trust Fund payments described above, (ii) require that such funds be held in highly liquid, safe US dollar-denominated short-term securities (such as obligations of the United States government), provided that, subject to the agreement of the Parties, no less than 20% of the funds shall be invested in highly liquid securities backed by the full faith and credit of the Kyrgyz Republic; and (iii) to establish a supervisory board to oversee such investments.

KGC has also agreed to take certain specified actions in respect of the recommendations previously made by the Government's environmental consultant, Amec Foster Wheeler, most of which have already been fully implemented.

The releases of liability and all payments are subject to a range of initial conditions precedent designed to protect Centerra, KGC and KOC, including (i) the approval by the Government of various outstanding items, including the Kumtor life-of-mine (LOM) plan, official reserves report and the tailings dam expansion, (ii) compliance by the Government with its obligations under the Kumtor Project Agreements, (iii) continued operation of the Kumtor Mine by KGC and KOC with all necessary permits, (iv) no expropriatory action having been taken by the Government, and (v) termination of the environmental disputes and the civil and criminal proceedings instigated by the Kyrgyz General Prosecutor's Office on terms satisfactory to Centerra.

Centerra is continuing to work closely with the Government to expeditiously satisfy the conditions precedent to the Strategic Agreement, which are expected to be completed in the fourth quarter of 2017.

Caution Regarding Forward-Looking Information

Information contained in this news release which are not statements of historical facts, and the documents incorporated by reference herein, may be "forward-looking information" for the purposes of Canadian securities laws. Such forward-looking information involves risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking information. These forward-looking statements relate to, among other things the satisfaction of the conditions precedent to the implementation of the provisions of the Strategic Agreement and the anticipated benefits and consequences of implementing the provisions of the Strategic Agreement. 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: 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; a new claim by the Government, a state agency or the General Prosecutor's Office for alleged unknown environmental damage; and other political risks associated with the Company's operations in the

Kyrgyz Republic. See “Risk Factors” in the Company’s 2016 Annual Information Form available on SEDAR at www.sedar.com.

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 September 11, 2017. 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.

About Centerra

Centerra Gold Inc. is a Canadian-based gold mining company focused on operating, developing, exploring and acquiring gold properties in North America, Asia and other markets worldwide. Centerra operates two flagship assets, the Kumtor Mine in the Kyrgyz Republic and the Mount Milligan Mine in British Columbia, Canada and is the largest Western-based gold producer in Central Asia. Centerra’s shares trade on the Toronto Stock Exchange (TSX) under the symbol CG. The Company is based in Toronto, Ontario, Canada.

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Additional information on Centerra is available on the Company’s web site at www.centerragold.com and at SEDAR at www.sedar.com.

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