

**IN THE MATTER OF AN ARBITRATION BEFORE A TRIBUNAL
CONSTITUTED IN ACCORDANCE WITH THE INVESTMENT
AGREEMENT OF DECEMBER 31, 2003**

- and -

**LAW NO. 66 “ON INVESTMENTS IN THE KYRGYZ REPUBLIC” OF
MARCH 27, 2003**

- and -

THE UNCITRAL ARBITRATION RULES 1976

- between -

**1. CENTERRA GOLD INC. (CANADA)
2. KUMTOR GOLD COMPANY (KYRGYZ REPUBLIC)
“Claimants”**

- and -

**THE KYRGYZ REPUBLIC
“Respondent”**

Procedural Order No. 1

Date: July 7, 2008

By the Arbitrator

Prof. Albert Jan van den Berg

A Preparatory Conference was held on Monday, June 23, 2008 at the IDRC in London.

Present at the Preparatory Conference were:

Arbitrator: Professor Albert Jan van den Berg

For the Claimants: Mr. James H. Carter, Mr. Frank H. Herbert, Mr. Andrew Sazanov

For the Respondent: Mr. Stephen Jagusch, Mr. Anthony Sinclair, Mr. Matthew Hodgson, Mr. Nurbek Omorov, Mr. Igor Barakhtyanskiy

Permanent Court of Arbitration: Mr. Brooks Daly

Taking into account the discussions and agreements reached at the Preparatory Conference, the Arbitrator issues the following Order:

1. The Parties to the Arbitration

The Claimants

Centerra Gold Inc.

Kumtor Gold Company

Counsel for the Claimants

Mr. James H. Carter
Mr. Bradley P. Smith
Ms. Natalie N. Kuehler
Sullivan & Cromwell
125 Broad Street
New York, NY 10004-2498
USA
Tel.: +1 212 558 4000
Fax: +1 212 558 3588
E-mail: carterj@sullcrom.com
smithbr@sullcrom.com
kuehlern@sullcrom.com

The Respondent

The Kyrgyz Republic

Counsel for the Respondent

Mr. Stephen Jagusch
Mr. Anthony Sinclair
Mr. Matthew Hodgson
Mr. Richard Farnhill
Ms. Sophie Minoprio
Allen & Overy LLP
One Bishops Square
London E1 6AD
United Kingdom
Tel: +44 20 3088 0000
ext. 3882 Mr. Jagusch
ext. 3957 Mr. Sinclair
ext. 3893 Mr. Hodgson
ext. 3671 Mr. Farnhill
ext. 3994 Ms. Minoprio
Fax: +44 20 3088 0088
E-mail:
stephen.jagusch@allenoverly.com
anthony.sinclair@allenoverly.com
matthew.hodgson@allenoverly.com
richard.farnhill@allenoverly.com
sophie.minoprio@allenoverly.com

2. The Dispute and the Commencement of Arbitration

- 2.1 A dispute has arisen between the Parties under the Investment Agreement of December 31, 2003 (the “Agreement”) and Law No. 66 “On Investments in the Kyrgyz Republic” of March 27, 2003 (“Law No. 66”).
- 2.2 Section 12.3(a) of the Agreement and Article 18(2)(b) of Law No. 66 provide that disputes may be submitted to an arbitrator appointed according to the Arbitration Rules of the United Nations Commission on International Trade Law (the “UNCITRAL Rules”).
- 2.3 On March 8, 2006, the Claimants served a Notice of Arbitration on the Respondent. On March 27, 2008, the Claimants supplemented their Notice of Arbitration. On June 13, 2008, the Claimants further supplemented their Notice of Arbitration.
- 2.4 On June 23, 2008, the Claimants filed an Application for Interim Relief.

3. Arbitration Rules

The UNCITRAL Rules shall govern the proceeding pursuant to Section 12.3(b) of the Agreement and Article 18(2)(b) of Law No. 66.

4. Appointment of the Arbitrator

4.1 On March 27, 2007, the Claimants requested that the Secretary-General of the Permanent Court of Arbitration (“PCA”) designate an appointing authority for the appointment of an arbitrator.

4.2 On April 10, 2007, the PCA Secretary-General designated Jan Paulsson as the Appointing Authority in this matter. Mr. Paulsson’s contact details are as follows:

Mr. Jan Paulsson
Freshfields Bruckhaus Deringer LLP
2, rue Paul Cézanne
Paris 75008
France
Tel.: +33 1 44 56 44 56
Fax: +33 1 44 56 44 00

4.3 On April 16, 2007, the PCA, on behalf of the Appointing Authority, sent a list of three prospective arbitrators to the Parties in accordance with the list procedure foreseen under Article 6(3) of the UNCITRAL Rules. The Claimants submitted their comments on the list on April 26, 2008. The Respondent did not submit a list before or after the time limit provided for under Article 6(3)(b) of the UNCITRAL Rules.

4.4 On May 14, 2007, the Appointing Authority appointed Professor Albert Jan van den Berg as Arbitrator. Professor van den Berg’s contact details are as follows:

Professor Albert Jan van den Berg
Hanotiau & van den Berg
IT Tower, 9th Floor
480 Avenue Louise, B.9
1050 Brussels
Belgium
Tel.: +32 2 290 3913
Fax: +32 2 290 3942
E-mail: ajvandenberg@hvdb.com

4.5 The Arbitrator notes that he has been validly appointed in accordance with the Agreement, Law No. 66, and the UNCITRAL Rules.

4.6 The Arbitrator is and shall remain impartial and independent of the Parties.

4.7 The Arbitrator further notes that he is not aware of any circumstances that would provide grounds of conflict of interest and/or lack of independence or impartiality in respect of matters known to him at the date of this Order.

5. Language of Proceedings / Translation

5.1 Pursuant to Section 12.3(g) of the Agreement, the arbitration proceedings shall be conducted in the English language.

5.2 Informal English translations of any documents in other languages may be submitted unless contested, in which case sworn translations shall be submitted.

5.3 Any Party that intends to present oral evidence in a language other than English shall be responsible for providing interpretation of such evidence into English. Only the English language interpretation will be recorded by the court reporter.

5.4 Costs of any translation or interpretation are to be advanced by the Party providing it.

6. Place of arbitration

6.1 Pursuant to Section 12.3(f) of the Agreement, the place of arbitration shall be Stockholm, Sweden.

6.2 The Arbitrator may, after consultation with the Parties, conduct hearings and meetings at any location he considers appropriate.

6.3 The Parties are invited to inform the Arbitrator by **July 14, 2008**, if they reach an agreement on a change of the place of arbitration.

7. Deposits in respect of costs

7.1 Pursuant to the Arbitrator's letter of May 15, 2007, the Parties were requested to establish an initial deposit of €100,000 (€50,000 from each side). Claimants have made their portion of the deposit, and it is understood that Respondent will shortly make its portion of the deposit. Deposits shall be placed with the PCA by wire transfer to the following account:

ING Bank N.V., The Hague, The Netherlands
Account number: 68.55.45.369
IBAN: NL71 INGB 0685 5453 69

BIC: INGBNL2A
Account name: Permanent Court of Arbitration
Reference: PCA Case No. AA278

- 7.2 The Arbitrator will review the adequacy of the deposit from time to time and may request that the Parties make supplementary deposits in accordance with Article 41(2) of the UNCITRAL Arbitration Rules.
- 7.3 The unused balance held on deposit at the end of the arbitration shall be returned to the Parties as directed by the Arbitrator.

8. Arbitrator's Fees and Expenses

- 8.1 The Arbitrator shall be remunerated at the rate of € 550 per hour for all work carried out in connection with the arbitration.
- 8.2 The Arbitrator shall be reimbursed in respect of all disbursements and charges reasonably incurred in connection with the arbitration (including but not limited to travel expenses, telephone, fax, delivery, and copying).
- 8.3 The Arbitrator may submit invoices for reimbursement of disbursements as and when they are incurred, and may submit periodic invoices in respect of fees.
- 8.4 All payments to the Arbitrator shall be made from the deposits referred to in Section 7 of this Order.

9. Administrative Services

- 9.1 The PCA International Bureau shall act as Registry in this matter.
- 9.2 The Registry shall maintain an archive of filings and correspondence and handle Party deposits and disbursements. If needed, the Registry shall also make its hearing and meeting rooms in the Peace Palace available to the Parties and the Arbitrator at no charge; costs of catering, court reporter, or other technical support associated with hearings or meetings at the Peace Palace shall be borne by the Parties.
- 9.3 By letter of May 15, 2007, the Arbitrator appointed Brooks Daly of the International Bureau of the PCA as Tribunal Secretary. The Tribunal Secretary shall carry out administrative tasks on behalf of the Arbitrator and shall bill his time at €175 per hour.
- 9.4 Registry expenses (such as air courier costs and bank transfer fees) and the fees of the Tribunal Secretary shall be paid in the same manner as the Arbitrator's fees and expenses (Section 8 of this Order).

9.5 The contact details of the Registry are as follows:

Permanent Court of Arbitration
Attn: Brooks Daly
Peace Palace, Carnegieplein 2
2517 KJ The Hague
The Netherlands
Tel: +31 70 302 4165
Fax: +31 70 302 4167
E-mail: bdaly@pca-cpa.org; bureau@pca-cpa.org

10. Confidentiality

At the Preparatory Conference the Parties agreed that any disclosure regarding this arbitration required by law or stock exchange regulations would be permitted. The Parties are invited to inform the Arbitrator of any further agreement or outstanding issues with regard to confidentiality by **July 14, 2008**.

11. Communications

- 11.1 The Parties shall not engage in any oral or written communications with the Arbitrator *ex parte* in connection with the subject matter of the arbitration.
- 11.2 Written pleadings and other formal submissions, and written documentary and testimonial evidence delivered pursuant to any procedural order shall normally be sent to the Arbitrator, the opposing party, and the Registry simultaneously by e-mail in a searchable electronic format. Documentary and testimonial evidence too voluminous to be sent by e-mail shall be sent by courier on a flash drive. Correspondence between the Parties and the Arbitrator shall normally be sent by e-mail, with a copy to the Registry, without mailed or faxed confirming copies.
- 11.3 All written communication shall be deemed to have been validly made when they have been sent to the following e-mail addresses:
- Claimants: to the address of counsel as above.
Respondent: to the addresses of counsel as above.
Tribunal: to the address as above.
Registry: to the addresses as above.
- 11.4 The Parties shall send copies of correspondence between them to the Arbitrator only if it pertains to a matter in which the Arbitrator is required to take some action, or be apprised of some relevant event.
- 11.5 Any change of name, description, address, telephone number, telefax number, or e-mail address shall immediately be notified by the Party or

Arbitrator to all other addressees referred to in Sections 1, 4 and 9 of this Order. Failing such notification, communications sent in accordance with this paragraph shall be valid.

12. Sequence of the Proceedings/Provisional Timetable

12.1 The sequence and timing of the proceedings shall be the following:

N°	Date	Party	Description	Abbreviation
(a)	July 14, 2008	Claimant	Statement of Claim	SoC
(b)	July 21, 2008	Respondent	Response to the Claimants' request for Interim Relief	
(c)	July 31, 2008	Parties	Hearing on Interim Relief	
(d)	October 14, 2008	Respondent	Statement of Defence and Counterclaim (if any)	SoD
(e)	October 23, 2008 (afternoon)	Parties	Telephone Conference re: further conduct of proceedings	

12.2 Extensions of time shall be granted by the Arbitrator in his discretion, in exceptional cases only and provided that a request is submitted immediately after the event preventing a Party from complying with the deadline.

12.3 Questions relating to witnesses, hearing, use of experts, second round submissions, consolidated bundles, timing of any requests for production of evidence, bifurcation, and other outstanding matters will be discussed on the telephone conference on October 23, 2008.

13. Written submissions

13.1 The paragraphs of all written submissions shall be numbered consecutively and the submissions shall include a table of contents.

13.2 The following written submissions shall be filed:

13.2.1 Claimant shall file a Statement of Claim, including all factual and legal arguments in support thereof, supporting documents, and its preliminary summary of its position regarding quantification of damages, including the method of calculation and the amount, subject to further clarification, on or before the date mentioned in Section 12.1(a) above.

13.2.2 Respondent shall file a Statement of Defence, including all factual and legal arguments in support thereof, supporting

documents, and a summary of its position regarding quantification of damages, including alternatives to the method or methods of calculation put forth by Claimants in the SoC, subject to further clarification, and its counterclaims, if any, on or before the date mentioned in Section 12.1(d) above.

13.2.3 At the Preparatory Conference, the Parties agreed that the Statement of Claim and Statement of Defence need not be accompanied by witness statements or expert reports and that a further exchange of a Statement of Reply and a Statement of Rejoinder and, possibly, a Statement of Rejoinder in the Counterclaim (if any) will take place. Particulars regarding the submissions of those statements, reports, and written pleadings will be discussed on the Telephone Conference referred to in Section 12.1(e) above.

14. Evidence

14.1 The IBA Rules on the Taking of Evidence in International Commercial Arbitration 1999 Edition will be used as guidelines in these proceedings.

14.2 The written submissions shall be accompanied by, to as large an extent as possible, the documentary evidence relied upon by the Parties, including the legal authorities relied upon by them.

14.3 The documents shall be submitted in the following form:

14.3.1 should any paper filings be requested, exhibits shall be contained in separate binders, each exhibit having a divider bearing on the tab the exhibit's identification number;

14.3.2 exhibits shall be numbered consecutively throughout these proceedings;

14.3.3 the number of each exhibit submitted by Claimants shall be labeled according to the sequence C-001, C-002, etc. The number of each exhibit submitted by Respondent shall be labeled according to the sequence R-001, R-002, etc.;

14.3.4 a Party shall be permitted to produce within one exhibit several documents relating to the same subject matter, provided that each page within such exhibit is numbered separately and consecutively;

14.3.5 each submission of exhibits shall contain a list of exhibits, setting forth for each one:

- 14.3.5.1 the exhibit number;
- 14.3.5.2 its date; and
- 14.3.5.3 a brief description of the exhibit;

14.3.6 Voluminous or technical documentary evidence may be submitted in the form of a summary of documents, containing lists and/or categories of documents, without prejudice to the right of a Party or the Arbitrator to request the production of any document so listed or categorized. The underlying documentary evidence shall be part of the record.

14.3.7 Each Party shall submit, with each written pleading, a list of all exhibits produced by it in the course of these proceedings to date, numbered in the manner indicated in Section 14.3.3 of this Order. Such lists shall be submitted to the Arbitrator also in electronic version (Word for Windows).

14.4 All documentary evidence submitted to the Arbitrator shall be deemed authentic and complete, including evidence submitted in the form of copies, unless a Party disputes its authenticity or completeness.

14.5 The Arbitrator may, at all times, on its own initiative, or upon a specific and precise motion made by a Party, instruct the Parties to file any documentary evidence in their possession or under their control, which the Arbitrator will deem relevant. Any such motion shall identify the document(s) with a reasonable degree of specificity and shall establish the relevance and materiality of the document(s) for the outcome of the dispute. In case a Party fails to proceed with the filing as instructed, the Arbitrator shall be authorized to draw the inferences he shall deem appropriate, taking into consideration all prevailing circumstances.

14.6 If documentary evidence which a Party is directed by the Arbitrator to file contains proprietary information or trade secrets, that Party shall so indicate to the Arbitrator and to the other Party, the appropriate measures to be implemented in order to respect the proprietary nature of the information while, to the extent possible, allowing the production of such evidence for the purpose of the arbitral proceedings.

14.7 At the Preparatory Conference, the Parties agreed that all known documents they relied upon would be submitted with their written submissions and that they would not withhold impeachment documents for introduction at hearings.

15. Inspection

The Arbitrator is empowered to decide on whether he requires a site inspection to determine the issues at hand, and the Parties undertake to enable access of the Arbitrator to the site.

16. Status of Orders

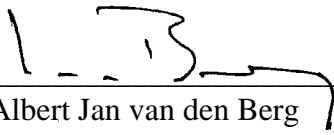
Any Order of the Arbitrator may, at the request of a Party or at the Arbitrator's own initiative, be varied if the circumstances so require.

17. Arbitrator's Immunity from Suit

17.1 The Parties shall not seek to make the Arbitrator liable in respect of any act or omission in connection with any matter related to the arbitration, save in relation to the consequences of bad faith on the part of the Arbitrator.

17.2 The Parties shall not require the Arbitrator to be a party or witness in any judicial or other proceedings arising out of the arbitration.

Signed this 7th day of July 2008:



Albert Jan van den Berg
Arbitrator