

**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” and together with Claimants, the “Parties”)

PCA Case No. AA278

Termination Order

29 June 2009

By the Arbitrator

Professor Albert Jan van den Berg

1. INTRODUCTION

- 1.1 The Parties to this dispute are Centerra Gold Inc. and Kumtor Gold Company (“Claimants”), and the Kyrgyz Republic (“Respondent”). The Claimants are represented by Messrs. James H. Carter, Bradley P. Smith, and Ms. Natalie N. Kuehler of Sullivan & Cromwell LLP, 125 Broad Street, New York, New York 10004-2498, U.S.A. The Respondent is represented by Messrs. Stephen Jagusch, Anthony Sinclair, Matthew Hodgson, Richard Farnhill, and Ms. Sophie Minoprio of Allen & Overy LLP, One Bishops Square, London E1 6AD, United Kingdom.
- 1.2 This dispute concerns the exploration and development of certain gold mining sites and related assets in the Kyrgyz Republic. The Claimants argued that the Respondent’s actions were in violation of protections and guarantees extended in a set of agreements and laws, including an Investment Agreement dated December 31, 2003 (“Investment Agreement”) and Law No. 66 “On Investments in the Kyrgyz Republic” of March 27, 2003 (“Law No. 66”).
- 1.3 Section 12.3(a) of the Investment 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 (“UNCITRAL Rules”). Section 12.3(b) provides that the Arbitrator shall conduct the proceedings in accordance with the UNCITRAL Rules.

2. PROCEDURAL HISTORY

- 2.1 On March 8, 2006, the Claimants served a Notice of Arbitration on the Respondent. On March 27 and June 13, 2008, the Claimants supplemented their Notice of Arbitration.
- 2.2 On April 10, 2007, the Secretary-General of the Permanent Court of Arbitration (“PCA”) designated Mr. Jan Paulsson as appointing authority in accordance with Article 6(2) of the UNCITRAL Rules. On May 14, 2007, Mr. Paulsson appointed Professor Albert Jan van den Berg as Arbitrator in accordance with Article 6(3) of the UNCITRAL Rules.
- 2.3 At the request of the Parties, on November 1, 2007, the Arbitrator suspended the arbitration to enable the Parties to attempt an amicable settlement of their dispute. On June 3, 2008, at the request of the Claimants, the Arbitrator lifted the suspension.
- 2.4 A Preparatory Conference was held on June 23, 2008 in London at which both Parties were represented. On the same date, the Claimants filed an Application for Interim Relief Ordering Maintenance of the Status Quo (“Application for Interim Relief”).
- 2.5 On July 7, 2008, the Arbitrator issued Procedural Order No. 1 which, among other things, set a schedule for submissions and a hearing date, and provided that the PCA would act as Registry in this matter.

- 2.6 On July 14, 2008, the Claimants filed their Statement of Claim, in which, among other things, they reiterated their Application for Interim Relief.
- 2.7 On July 21, 2008, the Respondent filed a response to the Claimants' Application for Interim Relief.
- 2.8 On July 23, 2008, the Parties informed the Arbitrator of their agreement that any awards, orders, and other decisions could be made public by either party and on the website of the PCA.
- 2.9 By letter dated July 25, 2008, the Claimants requested that the hearing originally scheduled for July 31 be adjourned until September 1, 2008. In later correspondence, the hearing was re-scheduled for September 29, 2008.
- 2.10 On September 23, 2008, the Respondent advised the Arbitrator of the Parties' agreement that the hearing and all subsequent steps in the arbitration be postponed indefinitely.
- 2.11 On October 9, 2008, the Arbitrator informed the Parties that the proceedings were formally suspended until further notice.
- 2.12 By a jointly signed letter dated June 11, 2009, the Parties advised the Arbitrator of the following:

On behalf of our respective clients, we are pleased to announce that the Parties have amicably settled the disputes that are the subject of the referenced arbitration. The Parties therefore formally withdraw their respective claims and counterclaims, and request that the proceedings in this arbitration be terminated. The Parties wish to point out that the settlement of this arbitration is made with prejudice, that is, no party is entitled to re-introduce at a later date any of the claims raised in the arbitration.

The Parties agree that each of them shall bear the costs, fees and expenses that it incurred in connection with the arbitration. Moreover, all costs, fees and expenses paid or payable to the Permanent Court of Arbitration and to the arbitrator in connection with the arbitration shall be borne equally by the Claimants on the one hand and the Respondent on the other.

3. COSTS OF THE ARBITRATION

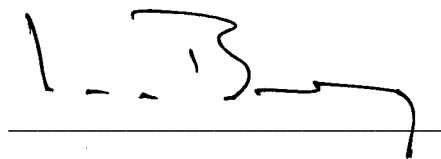
- 3.1 The total deposit in this case is €200,000.00 having been paid in equal shares of €100,000.00 by the Claimants on the one hand and the Respondent on the other.
- 3.2 Article 38 of the UNCITRAL Rules empowers the Arbitrator to fix the costs of the arbitration and provides that "costs" include, in relevant part to these proceedings only, the Arbitrator's fees and expenses, the costs of assistance to the Arbitrator, and the expenses of the PCA Secretary-General.

- 3.3 The costs of arbitration in these proceedings amount to €168,667.64 as per the following breakdown:
- 3.3.1 the fees of the Arbitrator total €112,970.00 and his expenses come to €1,398.16;
 - 3.3.2 the costs associated with hearing arrangements and facilities amount to €12,457.72;
 - 3.3.3 Registry fees and expenses equal €38,115.00 and €2,976.76 respectively; and,
 - 3.3.4 the administrative fee for an application to the PCA Secretary-General for the designation of an appointing authority is €750, and was paid entirely by the Claimants.
- 3.4 The unexpended balance of the deposit is €32,082.36.
- 3.5 In accordance with the Parties' letter dated June 11, 2009, Article 41(5) of the UNCITRAL Rules, and paragraph 7.3 of Procedural Order No. 1, the Arbitrator directs that the remaining deposit be reimbursed to the Claimants on the one hand and the Respondent on the other in equal shares. As the Claimants have already paid the €750 administrative fee referred to at paragraph 3.3.4 above, half of that amount shall be deducted from the Respondent's portion of the remaining deposit and reimbursed to the Claimants. Accordingly, the Claimants shall be reimbursed €16,416.18, and the Respondent shall be reimbursed €15,666.18.

4. ORDER

In accordance with Article 34(1) of the UNCITRAL Rules, the Arbitrator hereby orders the termination of these proceedings.

Place of arbitration: Stockholm, Sweden



Professor Albert Jan van den Berg

Arbitrator

29 June 2009