

Balkan Mining Summary Overview

Tendencies & Projects from throughout the Region

Intro

The Energy, Infrastructure & Mining regional practice group at Karanović & Nikolić has prepared the following overview with the intention to briefly inform you of the latest opportunities in mining in the Balkan region.

The purpose of this document is to summarize hot topics and the most important novelties in the mining sector, to provide an overview of some of the largest mining projects and a general overview of some regulatory indicators which might be of interest for potential investors and their advisors. The document does not represent any form of legal advice and the provided summary information could be subject to change.

We at Karanović & Nikolić would be happy to provide you with further information or analysis related to any matter of interest related to the mining projects and legislation in all jurisdictions where we have established our legal practice, including Serbia, Montenegro, Macedonia, Bosnia & Herzegovina, Slovenia and Croatia.

01 SERBIA

Current Tendencies

The adoption of the new Law on Mining and Geological Exploration (“Mining Law”) is expected by the end of this year and it is expected to attract fresh new investments. The discovery of large deposits of gold and copper is adding to the positive tendencies and expectations.

The new law is expected to present more “investor friendly” solutions and provide for:

- Shortened and simplified procedures for issuance of all types of licenses;
- A new, separate law on mining royalties is planned to be adopted in the near future

- Certain fees that were previously paid at once, can now be paid in installments;
- To enable a general improved climate for project development, significant proposals of mining industry to be featured

Serbia currently has 250 active mining fields and over 100 investigation fields. Some of the international mining leaders such as Freeport McMoran and Rio Tinto have projects in different phases. According to certain reports, annual investments in geological research in Serbia go up to \$100m. At this very moment, massive explorations are conducted while dozens of large projects are in the pipeline.

Projects

	Timok project (JV)	Timok project
Investor:	Freeport McMoRan (JV with Reservoir Minerals)	Reservoir Minerals
Minerals:	Gold, copper, molybdenum	Gold, copper, molybdenum
Location:	Čukaru Peki, Bor, Eastern Serbia	Timok river, Eastern Serbia
Local company:	Rakita Exploration d.o.o. Bor	Tilva d.o.o.
Project phase:	Detailed geological research	Geological mapping, geochemical sampling and geophysics surveys.
Permits:	4 exploration permits for separate locations.	4 exploration permits for separate locations.
Reported value of excavation:	\$ 18 billion ¹	Information not available
	Jadar project	Timok Gold Project & Tulare Copper-Gold Porphyry Project
Investor:	Rio Tinto Minerals	Avala Resources
Minerals:	Lithium and borate	Gold and copper
Location:	Loznica, Western Serbia	270 km south-east from Belgrade, Eastern Serbia and Lece Volcanic Complex, Southern Serbia
Local company:	Rio Sava Exploration d.o.o. Beograd	Avala Resources d.o.o.
Project phase:	Detailed geological research	Extensive review of geological, geochemical and geophysical datasets
Permits:	1 exploration permit for Loznica	Exploration permits.
Reported value of excavation:	more than \$ 50 million ² invested	Avala has invested over \$ 160 million in the "Timok Gold Project" ³
	Mundoro	KMC Project
Investor:	Mundoro Capital	Euromax Resources
Minerals:	Copper-gold, silver and other	Gold-copper skarns, gold skarns, zinc-lead-copper-gold skarns and volcanic hosted gold mineralised silica breccias
Location:	North-eastern Serbia	200 kilometres from the capital Belgrade, Southwest Serbia
Local company:	Stara Planina Resources d.o.o.	Euromax Resources Serbia d.o.o.
Project phase:	Early stage	early stage
Permits:	Exploration permits	exploration permit
Reported value of excavation:	Exploration permits	N/A

1 According to publicly available information on <http://serbia-energy.eu/serbia-mining-freeport-mcmoran-reservoir-minerals-hit-golden-line-in-eastern-serbia-mining-project/>

2 According to publicly available information on <http://vesti-online.com/print/509230/Vesti/Srbija/509230/Svetsko-nalaziste-litijuma-u-Jadru>

3 According to publicly available information on <http://serbia-energy.eu/sr/srbija-cetvrta-medunarodna-konferencija-mineralni-resursi-u-republici-srbiji/>

	Rudnik project	Farmakom - Multiple projects
Investor:	Contango Rudnik	Farmakom
Minerals:	lead, zinc and copper	Antimony, lead, zinc, copper, silver, gold
Location:	Mountain Rudnik, near Gornji Milanovac, Central Serbia	Locations across Serbia: Stara planina, Loznica, Mali Zvornik, Krupanji, Ljubovija, Brus
Local company:	N/A	N/A
Project phase:	Distressed mine, following privatization.	Multiple projects in distressed mines, following privatization.
Permits:	n/a	Exploration permit for Zajača
Reported value of excavation:	information not available	N/A

02 MACEDONIA

Current Tendencies

Among the latest developments in regulatory framework, officials have announced the process for adopting a new Law on Geological Research and a new Law on Mining. Along with these two legislative novelties, the competent authorities are also preparing a Strategy on Geological Research, Sustainable Utilisation and Exploitation of Minerals for a period of 20 years. The intention behind these activities is to create a better investment environment and to achieve greater exploration and exploitation of the potential in this sector.

One of the noticeable tendencies in the last several years is the increased interest for exploring mining potential. Starting from 2010, the Macedonian Ministry of Economy awarded more than 400 exploration concessions. Based on these exploration concessions companies may carry

out detailed research on surfaces of up to 30 km² for a maximum period of six years. After the concession period, the concessionaire can be granted with an exploitation concession without a competitive tender. The current list of companies that are engaged in exploring mineral resources include several international mining leaders such as: Reservoir Minerals Inc., the Solway Group, the COPIN (Copper Investments JSC) Group, Kaltun Madencilik, etc.

Currently, there are more than 150 active mines in Macedonia for exploiting mostly lead, zinc, copper, nickel and gold. The whole production of these minerals is fully export-oriented. The latest discovery of large deposits of gold (e.g. in Ilovica and in Konjsko) put great focus on building capacities for exploitation of this mineral resource.

Projects

	Ilovica	Konjsko
Investor:	Euromax Resources	Reservoir Minerals Inc.
Minerals:	Gold and copper	Gold, arsenic, antimony and thallium
Location:	Ilovica, Bosilovo, Southeast Macedonia	Konjsko, Gevgelija, Southeast Macedonia
Local company:	Euromax Resources DOO Skopje	Reservoir Minerals Macedonia DOOEL Skopje
Project phase:	Early stage	Carrying out detailed geological research
Permits:	Exploitation concession	Concession for detailed geological research
Reported value of excavation:	USD 502 million ⁵	No publicly available information

⁵ According to publicly available information on www.euromax-ilovitzka.mk/about-ilovitzka/?lang=en

Dvoriste**SASA**

Investor:	Reservoir Minerals Inc.	Solway Group
Minerals:	Copper and gold	Zinc and lead
Location:	Dvoriste, Berovo, Eastern Macedonia	Eastern Macedonia
Local company:	Reservoir Minerals DVB DOOEL Skopje	SASA DOO Makedonska Kamenitza
Project phase:	Reviewing and compiling historical exploration data	extraction and processing of lead and zinc concentrates
Permits:	Concession for detailed geological research	exploitation permits
Reported value of excavation:	No publicly available information	The total investment in the mine SASA is USD 24 million ⁶

Bucim**“Zletovo”, “Toranitza” and “Dobrevo”**

Investor:	Solway Group	Indo Minerals and Metals International
Minerals:	Copper, gold and silver	Zinc and lead
Location:	Eastern Macedonia	Northeast Macedonia
Local company:	Bucim DOO Radovis	Indo Minerals and Metals DOOEL export-import Probistip
Project phase:	Producing flotation concentrate which contains copper, gold and silver	Extraction and processing of lead and zinc concentrates from all three mines
Permits:	Exploitation permits	Exploitation permit
Reported value of excavation:	No publicly available information	Approx. EUR 20 million ⁷

Kazandol

Investor:	COPIN (Copper Investments JSC) Group
Minerals:	Copper, silver and gold.
Location:	Eastern Macedonia
Local company:	SARDICH MC DOOEL export-import Skopje
Project phase:	Early stage
Permits:	Exploitation concession
Reported value of excavation:	EUR 250 million ⁸

6 According to publicly available information on <http://grid.mk/read/news/505363123/3720384/novo-koncesisko-pole-za-eksploatacija-na-ruda-vo-rudnikot-sasa>

7 According to publicly available information on www.imm.mk

8 According to publicly available information on <http://24vesti.mk/nov-rudnik-za-bakar-vo-kazandol-koncesioner-e-anglisko-ukrainska-kompanija>

Current Tendencies

The mining sector in Montenegro is governed by three well established laws: the Law on Geological Exploration, the Law on Mining and the Law on Concessions. Although Montenegro will have to amend its mining legislation at some point due to the ongoing negotiations with EU, the current legislative framework already provides some “investor friendly” solutions. For example, investors are allowed to obtain exploration and exploitation approval for a period up to 30 years with the possibility of prolongation up to 15 years, which is not a commonly accepted solution compared to other Balkan jurisdictions.

Montenegro has modest reserves of minerals and most of them are mainly used for the needs of domestic

industry. Within the existing mineral reserves, Montenegro has significant capacities of bauxite, coal, architectural-construction stone and technical-construction stone.

The specific tendencies in mining are described in the Plan on concessions for exploration and exploitation of minerals. This plan is annually adopted by the Government and contains a detailed description of all mining locations that are opened to fresh new investments. According to the latest update, Montenegro disposes with plenty deposits of architectural-construction stone and technical-construction stone which are currently available for detail exploration and exploitation.

Projects

	Monty Project	/
Investor:	Balkan Mining PTY, West Australia	Zakłady Gorniczo – Hutnicze “Boleslaw” S.A.
Minerals:	Zinc, lead and copper	Zinc and lead
Location:	Deposits “Brskovo”, “Žuta Prla” and “Višnjica” near town Mojkovac, north Montenegro	Deposits “Šuplja Stijena”, “Đurđeve Vode”, “Paljevine” and “Ribnik”, near town Pljevlja, north Montenegro
Local company:	North Mining d.o.o. Podgorica	Gradir Montenegro d.o.o. Nikšić
Project phase:	Detailed geological exploration	Exploitation
Permits:	Approval based on Concession Agreement for detailed geological exploration and exploitation concluded on 10 December 2010 between the Government of Montenegro and North Mining as Concessionaire for the period of 30 years with possibility of prolongation.	Approval based on Contract on Right to Exploitation of the Zinc and Lead Ore in Deposits »Šuplja Stijena«, »Đurđeve Vode«, »Paljevine« and »Ribnik« - Pljevlja concluded on 25 August 2006 and applied from 1 July 2007 between the Government of Montenegro and Gradir Montenegro for the period of 20 years with the possibility for prolongation.
Reported value of excavation:	Unknown	Unknown

Investor:	Onico SA	A2A S.P.A. and the Government
Minerals:	Red bauxite	Coal
Location:	Deposits "Zagrad", "Đurakov do II", "Štitovo II" and "Biočki stan", near Nikšić, north Montenegro	"Pljevlja coal deposit" near town Pljevlja, north Montenegro
Local company:	Unknown	Rudnik uglja Pljevlja a.d.
Project phase:	Exploitation	exploitation
Permits:	Concession is granted for a period of 28 and a half year.	Approval based on Contract on prolongation of coal exploitation dated 21 March 2006 for the period of 20 years.
Reported value of excavation:	Unknown	Unknown

04 SLOVENIA

Current Tendencies

Slovenia adopted a new Mining Act in 2010, which was, due to implementation of the EU Directive 2013/30/EU and rather stricter rules on research prerequisites as well as rehabilitation of the mines in closing, amended in 2014. Although the National Mining Strategy should already be adopted, the process has been delayed and the National Programme of Mineral Raw Materials is still being used. Its main goal is to preserve the availability of natural raw materials for future generations in accordance with the principle of sustainable development. Due to lack of profitability and interest, Slovenia has no major mining sites and is therefore import oriented country.

Even though Slovenia has some reported potential mining sites for antimony, copper, lead, zinc, mercury, iron and bauxite, they could only be found in traces.

There were no new research sites registered from 2007. Non-metalliferous mineral raw materials, especially quartz sand, chalk, calcite, tuff, dolomite, limestone, bentonite and andesite are on the other hand greatly exploited, however, due to their low economical value, are used for domestic needs.

Greater investments are potentially related to the Trbovlje-Hrastnik Mine which is in the last stages of closing. Due to rehabilitation requirements and ecological measures that need to be taken before the mine is actually closed, projects of approximately 30 million EUR are expected in the period between 2016 and 2018. The company is also selling its equipment through public tenders which will continue until 2015 and 2016.

Projects

Closure of the Trbovlje-Hrastnik Mine

Investor:	Republic of Slovenia
Minerals:	Coal
Location:	Trbovlje, approximately 62 kilometers east of Ljubljana
Local company:	Rudnik Trbovlje-Hrastnik d.o.o.
Project phase:	Environmental and spatial rehabilitation of the mining area
Permits:	N/A
Reported value of excavation:	EUR 30 million

05 SHORT SUMMARY OF MINING REGULATORY REGIMES IN THE REGION

Exploration licenses

	TERM	PUBLIC TENDER	EXTENSION	TRANSFERABILITY
BIH* (RS only)	Up to 2 years	Yes	Yes, additional 2 years	Yes
CRO	Up to 3 years	Yes	No	No
MKD	Up to 6 years	Yes	Only up to initial 6 years	No (but results can be transferred)
MNE	Up 30 years	Yes	Up to additional 15 years	Yes
SER	Up to 3 years	No	Up to additional 2 + 2 years	Yes
SLO	Up to 5 years	Yes	No	No

Exploration licenses

	TERM	PUBLIC TENDER	EXTENSION	TRANSFERABILITY
BIH* (RS only)	Up to 50 years (one concession for exploitation and exploration)	Yes	Up to additional 50 years (one concession for exploitation and exploration)	Yes
CRO	Up to 40 years	Yes	No	No
MKD	Up 30 years	Yes	Up to additional 30 years	Yes
MNE	Up 30 years	Yes	Up to additional 15 years	Yes
SER	Not determined but in practice 25 years	No	No, but new license can be requested	Yes
SLO	Up to 50 years	Yes	No	No

Royalties

	METAL	NON-METAL
BIH* (RS only)	3.6% of the total annual revenue from the use of concession	3.6% of the total annual revenue from the use of concession
CRO	Generally, at least 5% of market value + 100-150 EUR/ha	Generally, at least 5% of market value + 100-150 EUR/ha
MKD	2% of the market value of the produced/sold ton	Generally, between EUR 0.15 and EUR 14.63 per ton (regarding precious and semiprecious stones 5% of the value)
MNE	Complicated formula based on type of minerals, amount of reserves, quality, market price, location, etc.	
SER	5% of net ironworks' income	5% of income for non-metallic raw materials
SLO	Two types of payment: for exploitation area and mineral reserves. Complicated formula based on type of minerals, amount of reserves, impact on the ground, area size, etc.	



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