

Location of Kosovo within Europe



Welcome to Kosovo

Located in the centre of the Balkans, Kosovo is being consolidated as an independent and sovereign state. Since it has declared its independence, Kosovo has been recognized from many states and it has been activated in many international institutions.

The country has embarked on the road to market economy. Inevitably, though, the transition from a centrally planned economy to a market economy is accompanied by economic difficulties and setbacks, however it is in a good road to overcome difficulties.

As part of a countrywide restructuring and privatisation process, Kosovo is thus encouraging international investment and it is very encouraged the interest of investors.

Today, mining products account for about half of the total export revenues of Kosovo. We hope to increase this share even more in the future based on the fact that we have a lot of mineral resources and tradition of mining activities.

Kosovo's excellent geological potential offers attractive investment opportunities in the mining industry. This brochure was prepared with the intention of bringing the mineral resources of Kosovo to the attention of foreign investors. The international mining community is invited to participate in the exploration and development of the country's mineral wealth.



Besim Beqaj
- Minister of Economic Development -

Welcome to Kosovo

The ICMM is a regulatory body regarding the geological and mining issues in Kosovo.

It is the beneficiary of the EU-funded project "Support to ICMM to develop the Geochemical Survey". The ICMM is not only in charge of Kosovo's geological database, but also it is responsible for exploration, mining licenses and supervision of mining activities.

Other than the assessment of the geochemistry of Kosovo by the completion of a geochemical sampling program, EU highly promotes also activities of exploration and exploitation of natural resources.

On this regard, the project is supporting an International Mining Investors Conference, which is taking place in Pristina on September, 2011.

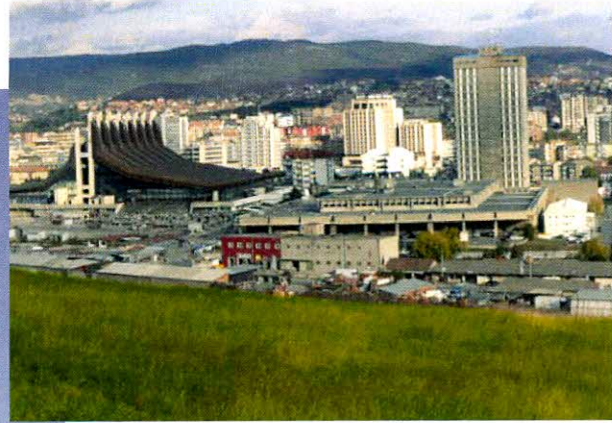
We highly appreciate the EU support given to ICMM in restructuring the organization, extending our geochemical database and promoting our natural resources to international investors.



Ahmet Tmava
- Chairman of the ICMM Board-

The Beauty of Kosovo





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ICMM - The Independent Commission for Mines and Minerals

Open Doors to Foreign Investment

The mission of the Independent Commission for Mines and Minerals (ICMM) is the efficient, safe and sustainable development of Kosovo's resources. The ICMM issues and administers all mining-related permits and licenses and implements legal, safety and health regulations at the working sites. Furthermore, the ICMM is responsible for the technical supervision of mining and plant installations.

In order to advise investors, the ICMM carries out resource estimations and provides service-orientated information on projects that could be of interest to the mining world.

In co-operation with other institutions, the ICMM also coordinates all administrative issues to the advantage of investors, thus facilitating the optimal development of the country's resources.

To provide for immediate and global information flows, the ICMM has established a powerful and user-friendly website mak-

ing the best possible information available to investors. In addition to geoscientific maps and data, resource definitions and legal information, the website comprises a geographic information system (GIS) providing immediate world-wide information and thus enabling on-the-spot decision making.

Many of the more than 50 employees of the ICMM speak English and are prepared to provide further information.

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The Kosovo Museum, Pristina

Kosovo

At a Glance



Kosovo has an area of 10,887 km² (4,203 square miles). Located in the centre of the Balkans, it is landlocked by Albania, Macedonia, Serbia and Montenegro.

In February 2008, Kosovo declared itself a sovereign and independent state. Since then, over 60 countries have recognized Kosovo. It has joined the International Monetary Fund and the World Bank.

Kosovo has a democratically elected government with 120 members of parliament who are elected for a four-year term. Currently, power is shared by a coalition between Kosovo's Democratic Party (PDK) and the New Kosovo Alliance (AKR). The president is Atifete Jahjaga, in office since 2011; the Prime Minister is Hashim Thaçi.

The climate of Kosovo is mainly influenced by continental air masses causing relatively cold winters with heavy snowfall and hot, dry summers and autumns. Average temperatures range between +30°C in July / August and -10°C in December / January. Mediterranean and alpine influences create regional variation. Maximum rainfall occurs between October and December.

Average precipitation varies between 600 mm in the northern and western parts of the country whereas 1,100 mm are recorded in the mountainous areas.

Kosovo's terrain is dominated by a flat fluvial basin with an elevation of 400 to 700 m above sea level that is surrounded by several high mountain ranges with elevations of 2,000 to 2,500 m.

Kosovo is a multi-ethnic state with a population of approximately 2.2 million (500,000 living abroad), of which 92 % are Albanians and 6 % are Serbs. Two thirds of the inhabitants live in major cities such as Pristina and Prizren. Over 50 % of the population is younger than 25 years.

Official languages are Albanian and Serbian. Many people speak English or German fairly well. The literacy rate stands at 97.7 % for male and 89.8 % for female citizens.

Most Albanians are Sunni Muslims whereas the religious orientation of the Serbs is generally Serbian Orthodox.

Geology

A Brief Outline

Kosovo is a very important knot in the Balkan geology. In its territory are developed various sedimentary, magmatic and metamorphic formations. Most remarkable are the Vardari and Gjakove-Rahovec ophiolite formations representing the remnants of two branches of the Tethys oceanic basin. Kosovo is distinguished also by the large development of the Oligocene-Miocene magmatism spread at the eastern part of the country and its particular metallogenic potential.



The area of Kosovo is characterised by a variety of geological formations. These include rocks ranging from old crystalline Proterozoic to Quaternary age comprising sedimentary and magmatic types as well as less frequent metamorphic rocks.



In Kosovo are explored important mineral and energetic resources composing a strong support for the actual and perspective development.

The eastern Vardari Zone is economically important as it hosts the Trepca lead-zinc-silver deposits, varying from carbonate-hosted skarn and karst fillings to vein deposits.

Ultrabasic units host chromium. Serpentinisation due to tropical weathering led to the formation of bauxite and accumulations of nickel laterite.



The country is wealthy with underground waters, thermal and thermo mineral water sources. In its territory, the plain surfaces are covered by fertile soils.

Legislation

Incentives for Foreign Investors

The Constitution of Kosovo

“The constitutional order of the Republic of Kosovo is based on the principles of freedom, peace, democracy, equality, respect for human rights and freedoms and the rule of law, non-discrimination, the right to property, the protection of environment, social justice, pluralism, separation of state powers, and a market economy.”

(Chapter I, Article 7)

Pursuant to a United Nations Security Council Resolution adopted in 1999, the territory of Kosovo was placed under the authority of the UNMIK (United Nations Interim Administration Mission in Kosovo).

Following the 2008 Kosovo declaration of independence, the Republic of Kosovo,

established by this declaration, adopted its own constitution that came into effect on 15 June 2008.

Law on foreign Investment

“The principal purpose of the present law is to promote and encourage foreign investment in Kosovo by providing foreign investors with a set of fundamental and enforceable legal rights and guarantees that will ensure that they and their investments will be protected and treated with fairness and respect in strict accordance with the rule of law and widely accepted international standards and practice.”

(Chapter I, Article 1.1)



Mining Legislation

The Legal Framework for Mining Investment

The Mining Law of Kosovo

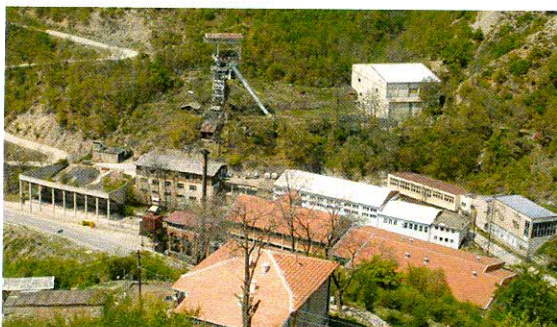
The purpose of the Mining Law is to regulate the activities of individuals, companies and other entities wishing to engage in the mineral sector.

The competent institutions for the mineral sector in Kosovo are:

- Ministry of Economic Development
- Independent Commission for Mines and Minerals (ICMM)

The responsibilities of the Ministry of Economic Development are:

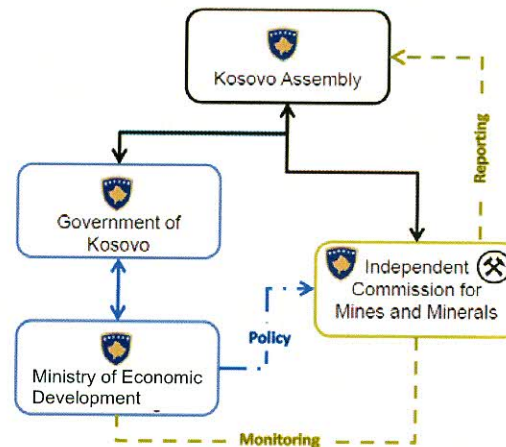
- Preparation of policies, strategies and legislative framework for mining and mineral sector development
- Promotion of mineral resources research and exploitation



As an independent body, the ICMM is in charge of:

- Issuance, transfer, suspension and revocation of exploration and exploitation licenses and permits
- Regulation and monitoring of the mining industry

The following organisation chart shows the institutional and regulatory setup of the competent institutions in the mining sector:



In August 2010, a new investor-friendly Mining Law was established, replacing the Mining Law that had been in force since 2005.

Generally, exploration and exploitation licenses are issued by the ICMM on a first come, first served basis. However, any exploration or mining license related to energy minerals or to minerals located within an area that is designated as an "Area of Special Interest" shall be awarded and issued only after the conduct of an open, transparent and competitive tender process.

Economy

Mining - a Perspective for Economic Growth

According to the EU Progress Report 2010, Kosovo's economy has been seriously weakened by Kosovo's unresolved international status, which has made it difficult to attract investment and loans.

However, in the past few years, Kosovo's economy has made significant progress in its transition to a market-based system and in the maintenance of macroeconomic stability.

Since 2002, the European Commission has compiled yearly progress reports on Kosovo, evaluating its political and economic situation. For 2008, the European Commission reported a GDP growth of 5.4 % - essentially due to public investment (194 % growth, compared to a 10.2 % decline in private investment). Nevertheless, the report also noted that the unsatisfactory state of the statistical system does not allow for a comprehensive assessment of the situation.



Because of its poor economic situation, Kosovo remains highly dependent on payments from the international community and the Kosovar diaspora. Donor-financed activities and international aid account for 7.5 % of the GDP; remittances from the diaspora (located mainly in Ger-

many and Switzerland) account for another 14 %.

A major objective of the donor agencies and the institutions of the Republic of Kosovo is the development of Kosovo's private sector economy. With this in mind, Kosovo has adopted a set of laws to ensure an investor-friendly environment including:

- regulations on foreign direct investment
- the repatriation of capital
- the purchase of real estate
- the registration of businesses and land as well as
- the establishment of 99-year leaseholds for land formerly owned by Socially Owned Enterprises (SOE).



Kosovo possesses a variety of very important metallic and non-metallic mineral resources. Special mention should be made here of the lead, zinc and nickel deposits. In addition, there are important deposits of construction materials. Lignite deposits are of extraordinary strategic importance since they actually enable Kosovo to cover the energy demand of the whole country.

Infrastructure, Power and Communications

Getting Connected

Kosovo is a landlocked country with a developed infrastructure that is still improving rapidly.

Transportation

The road network is fully developed and consists of 630 km of main roads. In general, the roads are in good condition. There are several main roads connecting the large towns of Kosovo and its territory with the neighbouring countries. A highway connecting Kosovo with Albania and Serbia is currently under construction.

The railway has a combined length of 330 km. It covers the entire territory, connecting both the South with the North and the East with the West.

Regular international air links are provided from across Europe to Pristina, the capital of Kosovo. With over one million passengers per year, Pristina International Airport is one of the most frequented airports in the region.

Telecommunication

The Post and Telecommunications of Kosovo (PTK) offer a comprehensive range of services. There are approximately 120 post offices throughout the country.

The fixed telephone network provided by PTK and the private telecommunications company IPKO covers most of the country. Telephone connections are installed at short notice.

The mobile networks are operated by PTK and IPKO and cover most of the country.

There are three licensed internet service providers ensuring a wide coverage. Approximately 35 % of the population have internet access.

Energy

The energy sector plays a key role in Kosovo. Electricity production is a monopoly of the "Kosovo Energy Company" (KEK). The main electric energy sources in Kosovo are the coal-fired power stations Kosovo A (5 units) and Kosovo B (2 units) and 2 small hydroelectric plants located in Zubin Potok and Decan municipalities.

The production capacity of the power plants is hampered by technical problems forcing Kosovo to import some electricity in order to make up for the deficit.

Water supply

Public utilities ensure drinking water supply of approximately 50 % of the population. Urban water supply coverage stands at 87 %. Only 8.4 % of the rural population has access to the water distribution system so that people mainly have to rely on village water supply systems, their own wells or springs and surface water sources.

Water quality in the lowland rivers is very poor owing to the lack of wastewater treatment and waste disposal, whereas the upstream rivers, flowing from the mountains, have relatively good water quality.

Mining

The Key Driver of the Economy

Kosovo's minerals sector was a key driver of the economy of the former Yugoslavia. The geology of Kosovo is varied and has resulted in a wide range of minerals that exist in mineable quantities.

Mineral resources include lignite, lead-zinc, silver, nickel, chromium, aluminium, magnesium and a wide variety of construction materials.



Mining and energy

Kosovo has an enviable endowment of natural resources. At 14.7 million tons, Kosovo possesses the world's fifth-largest proven reserves of lignite. This resource is of outstanding importance for the country as it represents in the long term one of the most crucial sources for the generation of power. Furthermore, at an exploitation cost of 1.1 €/GJ of energy, Kosovo's coal definitely represents the best value for money in the region.

On the basis of the high market demand for energy in the region, the government of Kosovo is currently developing major projects regarding new lignite exploitation and power generation facilities. These projects offer unique opportunities for companies

that are willing to engage in the energy or mining sector in the region.

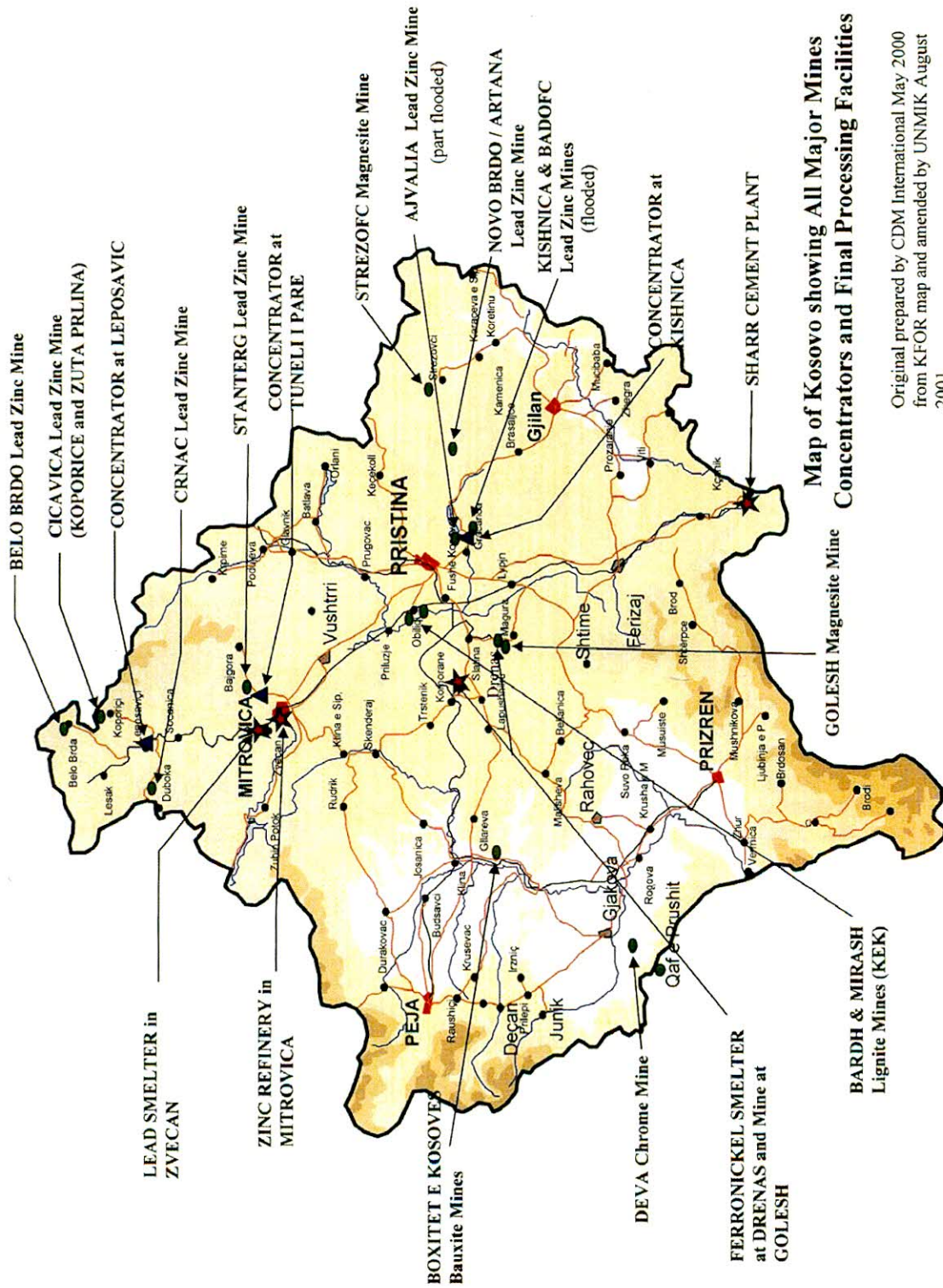
Apart from lignite, base-metal mining has been a mainstay of Kosovo's economy since pre-Roman times. Modern mining in this field began in the 1930s, when the Trepča Complex (a mining company in the north of Kosovo) was revamped by the British Company "Selection Trust". Along Trepča's Mineral Belt, zinc, lead, silver, gold, cadmium and bismuth have been exploited since then.

The lead and zinc reserves of Kosovo are estimated at around 59 million tons, those of nickel at 13.2 million tons and bauxite reserves amount to 2.65 million tons.



There are different mines that can either be acquired through the ongoing privatisation process or can be restructured by entering joint ventures with private owners. For further details regarding the specific mining possibilities in the course of the privatisation process, please feel free to contact the ICMM.

Mining and Industry Map



Map of Kosovo showing All Major Mines Concentrators and Final Processing Facilities

Original prepared by CDM International May 2000
 from KFOR map and amended by UNMIK August 2001

Taxation

Investment Incentives

Tax policy in Kosovo is oriented towards simple regulations that ensure a broad tax basis and prevent tax evasion.

After the first state duties were introduced in 1999 by the implementation of a customs regulation, further taxes, such as municipal taxes have been implemented. As yet, however, an integrated fiscal code governing all tax aspects has not been introduced. Instead, several regulations have been issued to cover the main taxes applicable in Kosovo.

The regulations that are generally consistent with European standards aim to strengthen economic development. In January 2009, the government of Kosovo approved a package of tax cuts.

Taxes differ according to the type of business and the annual turnover. The tax administration applies three main tax regimens:

Value Added Tax (VAT)

The main tax in Kosovo is the value added tax (VAT), which is paid on goods and services. The fixed rate of this tax is 16 % for all goods regardless of their origin. Goods dedicated for export are exempted from VAT. Businesses with an annual turnover of over 50,000 € must register for VAT. VAT on imports has to be paid within a period of 6 months and is collected at the administrative borders of Kosovo.

Corporate Income Tax

This tax depends on the annual turnover of a company and has to be paid every

three months. The corporate tax rate for an annual turnover over 50,000 € is 10 %.

Personal Income Tax

This tax is applied on incomes from wages, business, rent, interest, real estate, etc. Tax rates for personal income from wages are based on the level of earned salary and are among the lower rates in the region and the EU. Tax rates range from 0 % for a taxable income of up to 960 €/year to 10 % for a taxable income of over 5,400 €/year.

Tariff Duties

A general rate of 10 % of customs duties is imposed on imports. Exemptions exist for imports of raw materials as well as a range of capital and intermediary goods. There is an excise tax on fuel, tobacco alcohol and luxury goods. There are no duties and taxes on exports.

Free trade

Kosovo is a signatory of the Central European Free Trade Agreement (CEFTA) and enjoys customs-free access to the EU market, as stipulated by the EU Autonomous Trade Preference (ATP) Regime as well as a preferential treatment of exported goods in the US market.

Royalties

Mining of metallic minerals entails a 4.5 - 5.0 % royalty charged on the amount of the metal in ore extracted from the mine and sold or processed by the company. The selling price is to be taken from London Metal Exchange (LME) fixings.

Services of the ICMM

Services Provided by the Independent Commission for Mines and Minerals

The ICMM is an independent regulatory body responsible for regulating and monitoring the mining industry in Kosovo.

To ensure that Kosovo's mineral potential is adequately promoted and developed, the IMCC has collected essential data and has processed them in the following ways:

- Geoscientific maps
- Geochemical survey
- Airborne geophysical survey
- Geographical information system



As part of its commitment to increasing foreign investment, the ICMM provides numerous services. The Commission's geodatabase for example, makes available extensive information in the following fields:

- Administrative issues in the filed of mining including the handling of exploration and exploitation licenses
- Document handling, templates
- Mineral-related information on deposits and occurrences
- Management and factual geoscientific data related to boreholes, samples, geochemical analyses and geophysical issues
- Geoscientific maps, mineral maps, soil maps.

Apart from the data already available in the database, the ICMM also provides yet unpublished reports, maps, hydrogeological data, geotechnical data as well as technical and economic studies.

The ICMM offers you comprehensive advice and support of professionals who combine their local knowledge with an understanding of international business. To enable a fast start-up of your project, the ICMM assists you in obtaining all necessary approvals from national and municipal authorities in Kosovo. The ICMM provides you with an efficient and professional service and a timely response to your questions while respecting your need for confidentiality.

Top 10 Reasons to Invest in Kosovo

The Investment Promotion Agency of Kosovo (IPAK) established by the Ministry of Trade and Industry states the following top 10 reasons to invest in Kosovo:

1 Youngest Population in Europe

With an average age of 25 years, Kosovo has the youngest population in Europe. Albanian and Serbian are the official languages; English and German are widely used. With two public and numerous private universities (over 40,000 students), a highly educated society is emerging from the young and dynamic population. Many Kosovars who lived and studied abroad may act as a bridge to Western culture and guarantee business success for foreign operations in Kosovo.

2 High Availability of Skilled and Cost Effective Labor

The average monthly labour cost in Kosovo is slightly over 250 €. As opposed to other countries in the region, wages in Kosovo are unburdened by costly social contributions. With approximately 300,000 existing job seekers and approximately 20,000 (8,000 graduates) new job seekers entering the labour market every year, a sufficient supply of labour with a variety of different qualifications is guaranteed. Any foreigner visiting Kosovo will confirm the exceptional dynamic and entrepreneurial spirit of the Kosovars.

3 EURO as the Official Currency

The Euro is the official currency of Kosovo, eliminating thus currency and exchange rate risks. The Euro gives Kosovo a considerable advantage over its competitors in the region by making it more attrac-

tive to foreign investment and by ensuring financial and macroeconomic stability. It also enables Kosovo to offer the lowest transaction costs in the region.



4 Free Access to Markets of EU, US and CEFTA

Kosovo derives three major benefits from trade liberalisation, namely improved export possibilities, a better investment environment and stable relations with its neighbours. Exporters enjoy free access to a market of over 500 million consumers. Kosovo is a member of CEFTA and it benefits from non-reciprocal, customs-free access to the EU market based on the EU Autonomous Trade Preference (ATP) Regime. Kosovo goods also enjoy preferential treatment in the US market.

