

Bel/Com/205/1/15

August 18, 2015

Subject: Investment Potentials in the Serbian Mining Industry

Dear Mr. Sardeshmukh,

1. Mining is one of the key segments of economy in Serbia and a foundation of the domestic industry. Serbia has rich coal mines which provide resources for 65% of Serbia's electric power needs. Apart from coal, Serbia is rich in industrial minerals such as borates and phosphates as well as metals such as copper, gold and silver. The Serbian Ministry of Mining and Energy is in the process of preparing a new law on mining and exploration that is expected to stimulate foreign direct investment in the sector. Serbian Government expects the mining industry to attract close to USD 5 billion of investment and grow from the current 2% to 5% of GDP by 2020.
2. One of the major mining areas for copper and precious metals (gold and silver) is the Timok region (Bor and Majdanpek) in Eastern Serbia. In the sixties and seventies, government had invested substantial funds in the development of the Mining and Smelting Complex (RTB) Bor copper/gold mines. In 2015, RTB Bor finished construction of a new smelter and sulfuric acid factory worth USD 250 million which has increased its production capacities to 80,000 tons of cathode copper.
3. Recently US mining company "Freeport McMoRan" and its Canadian partner "Reservoir Minerals" have found large gold deposits during their exploration of the Bor area in the Cukar Pek location of eastern Serbia. **According to statements issued by the two companies, in the Bor area, 65 million tons of ore were discovered with average copper content of 2.6 % and 1.5 grams of gold per ton. Two exceptional deposits, one at a depth of 179 meters containing 10.75 % of copper content and 10.86 grams of gold per ton and another containing 15.85 % of copper and 16.77 grams of gold per ton, were also found. According to estimates, copper reserves in the Bor area stand at one billion tons. Another Canadian company "Avala Resources" which has advanced in its exploration on the Black peak mountain in the vicinity of Bor, claims to have discovered reserves of about 70 tons of gold. Currently a dozen foreign mining companies are exploring copper and gold ore in the Timok region of Serbia.**
4. With the discovery of a rare mineral Jadarite which contains a high concentration of lithium, a new segment of industrial mineral exploration has started developing. Global companies such as Rio Tinto and LithiumLi are investing into exploration of Jadar area (western Serbia) which has the potential of supplying around 20% of global lithium demand. Other

borates such as boron ore is already being mined in the area. According to media reports, Canadian company Balkan Gold has found rich deposits of borates close to the city of Kraljevo. According to preliminary results, the exploration of site has revealed 7.5 million tons of minerals with a high content of boron oxide.

5. We would appreciate if information about the recent activities and investment potentials in the Serbian mining industry could be suitably disseminated among leading mining companies in India. We also strongly recommend involvement of Indian mining companies in this prospective sector of Serbia.

With best wishes,

Yours sincerely

(Narinder Chauhan)

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