



2008 Minerals Yearbook

KOSOVO

THE MINERAL INDUSTRY OF KOSOVO

By Mark Brininstool

On February 17, 2008, the Serbian Province of Kosovo declared its independence. Since the end of the 78-day-long NATO bombing campaign in 1999, which was aimed at ending fighting between ethnic Albanian guerilla groups and Serbian security forces in Kosovo, the Province had been under the administration of the United Nation's Interim Administration Mission in Kosovo (UNMIK). The U.S. Government recognized the Republic of Kosovo's independence on February 18, 2008, and, as a result, Kosovo is treated for the first time as a sovereign country in this report. Kosovo has deposits of aggregates and construction minerals, bauxite, chromium, lead and zinc, lignite, magnesite, nickel, and silver. Almost all industry activities stopped in the late 1990s as fighting in Kosovo intensified. In 2008, the mineral industry was still recovering, and production was limited (Independent Commission for Mines and Minerals, 2005).

Minerals in the National Economy

In 2008, real gross domestic product (GDP) growth was estimated to be 5.4% compared with 3.9% in 2007. Unemployment was about 40%, but because a large amount of economic activity in Kosovo takes place in the informal sector, this number probably overestimates the actual unemployment rate. Since 2001, when industrial and mineral production were practically nonexistent, the mineral industry had gradually increased production levels, but in 2005, 2006, and 2007, mining and quarrying (not including metal processing) accounted for only 0.6%, 0.6%, and 0.7% of the GDP, respectively. No data on the percentage of the GDP that was accounted for by metal processing activities were available, but based on trade data, it can be assumed that this category was a significant contributor to the composition of the GDP (Central Bank of the Republic of Kosovo, 2009a, p. 20, 22; Statistical Office of Kosovo, 2009, p. 13).

According to trade data from the Central Bank of Kosovo, no exports in the category of base metals and articles of base metals or mineral products were reported in 2001; in 2002, exports of base metals and articles of base metals were reportedly valued at about \$9.7 million¹ (23.9% of the total value of exports). Exports of mineral products were valued at \$440,000 (1.09% of the total value of exports). By 2008, exports of base metals and articles of base metals, which were valued at \$180 million (62.9% of total exports), were the leading exports in terms of value and exports of mineral products, which were valued at \$28 million (9.4% of total exports), were the second most important export category in terms of value. The leading import category in terms of value from 2004 to 2008 was mineral products, largely because this category includes mineral fuels. In 2008, imports of mineral products were valued at \$557 million

(19.6% of total imports), and of this value, mineral fuels accounted for about \$505 million (17.8% of total imports) (Central Bank of the Republic of Kosovo, 2009b; Republic of Kosovo Ministry of Trade and Industry, 2009, p. 15).

Production

As the mineral industry in Kosovo continued to develop, significant changes in production took place for all minerals produced in 2008 compared with production in 2007. Estimated production of ferronickel and nickel content of ferronickel increased by about 781% and 788%, respectively, and nickel ore production, by about 406%; production of lead-zinc ore and estimated production of lead content of ore and zinc content of ore each increased by about 100%. Cement production was estimated to have increased by about 26%; bentonite production, by 28%; marl, by about 24%; and sand and gravel, by about 9%. Production of lignite increased by about 17%.

Structure of the Mineral Industry

Table 2 is a list of major mineral industry facilities.

Commodity Review

Metals

Lead and Zinc.—Kosovo's lead and zinc industry was based on five mines, two concentration plants, and two smelters that made up the Trepca Complex. At the time that the Trepca Complex was fully operational, the Stan Terg Mine was producing about 600,000 metric tons per year (t/yr) of lead-zinc ore, the Artana Mine's designed capacity was about 250,000 t/yr, the Hajvalija Mine was producing about 100,000 t/yr, the combined capacity of the Belo Brdo and the Crnac Mines was about 100,000 t/yr, and the production capacities of the lead smelter at Zvecan and the zinc smelter at Mitrovica were each about 80,000 t/yr. Production capacities in 2008 were unknown but were significantly lower than the figures listed above mainly owing to damage sustained during fighting in 1999 and a lack of investment (Nelles, 2003, p. 8-9; Palairret, 2003, p. 6).

Nickel.—Ferronikeli, which was Kosovo's ferronickel plant at Illogovac, was one of the most important components of Kosovo's mineral industry in terms of the current and potential value of production and employment. In 2006, the plant and Kosovo's three nickel mines were sold together and became the first important privatization in Kosovo's mineral industry. In 2005, the Kosovo Trust Agency (KTA) named the United Kingdom-based company Alferon Management Ltd. the winner of the auction for Ferronikeli with a bid of \$49 million. The deal also required that the company invest a minimum of \$29 million on capital improvements within the first 3 years of the sale and employ a minimum of 1,000 workers by the end of

¹Where necessary, values have been converted from European Union euros (€) to U.S. dollars (US\$) at the rate of €0.68=US\$1.00.

the first year and for a minimum of 2 years thereafter. The sale drew some criticism because Albania-based Adi Nickel, which submitted a bid of \$73 million, was not chosen as the winner. Explaining the decision, the KTA stated that Adi Nickel was not a valid consortium. Alferon Management Ltd. was connected with Eurasian Natural Resources Corp. (ENRC) of Kazakhstan. Ownership of Ferronikeli was transferred to Cunico Resources N.V., which was registered in Amsterdam and was the holding company for a joint venture by International Mineral Resources BV (IMR) (IMR is owned by the three founding shareholders of ENRC) and BSG Resources Ltd., which had its head office in Guernsey, Channel Islands [United Kingdom]. Ferronikeli restarted production in September 2007, but the company reduced production significantly at the end of 2008 because of the low market price of ferronickel; the company expected to halve production in 2009 (Kosovar Report, 2005; Kosovo Trust Agency, 2005, p. 5, 20; Mining Journal, 2007; Eurasian Natural Resources Corp., 2008, p. 6, 106; Cunico Resources N.V., 2009; SeeNews, 2009).

Mineral Fuels

Lignite.—Kosovo was a significant regional producer of lignite and as of 2005 (according to Kosovo's Independent Commission for Mines and Minerals) had about 14.7 billion metric tons of proven lignite reserves. The Kosovo Energy Corp. J.S.C. (KEK) produced all Kosovo's lignite at the Bardh and the Mirash open pit mines for use at Kosovo's two thermal powerplants (TPP): Kosovo A and Kosovo B. KEK expected the Bardh and the Mirash Mines to be depleted in 2011 and was therefore working to develop the Sibovc and the Sitnica coalfields. These new fields were expected to supply adequate amounts of coal to Kosovo's two existing TPPs until 2024, when the operating life of both mines was projected to end (Independent Commission for Mines and Minerals, 2005; Kosovo Energy Corp. J.S.C., 2009a, b).

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TABLE 1
KOSOVO: ESTIMATED PRODUCTION OF MINERAL COMMODITIES^{1,2}

(Metric tons unless otherwise specified)

Commodity ³	2004	2005	2006	2007	2008
METALS					
Ferroalloys, ferronickel (38% Ni), gross weight	--	--	--	2,100	18,500
Lead-zinc:					
Ore, gross weight ⁴	--	12,200	63,517	69,953	139,670
Lead content of ore	--	800	3,900	4,300	8,700
Zinc content of ore	--	700	3,800	4,200	8,400
Nickel:					
Ore, wet ⁴	--	--	--	145,882	738,478
Ni content of FeNi	--	--	--	800	7,100
INDUSTRIAL MINERALS					
Cement	450	450	450	470	590
thousand metric tons					
Clay, bentonite ⁵	--	--	--	16,200	20,800
Marl	202,094	264,814	254,386	260,707	322,007
cubic meters					
Sand and gravel, excluding glass sand ⁴	15,046	14,894	34,268	41,621	45,463
do.					
MINERAL FUELS AND RELATED MATERIALS					
Lignite	5,658	6,391	6,532	6,715	7,842
thousand metric tons					

do. Ditto. -- Zero.

¹Estimated data are rounded to no more than three significant digits; may not add to totals shown.

²Table includes data available through January 22, 2010.

³In addition to commodities listed, dimension stone and limestone also are believed to have been produced, but available information is inadequate to make reliable estimates of output.

⁴Reported figure.

⁵Estimate based on reported production in cubic meters: 2007—of 27,614; 2008—35,382.

TABLE 2
KOSOVO: STRUCTURE OF THE MINERAL INDUSTRY IN 2008

(Thousand metric tons)

Commodity	Major operating companies and major equity owners.	Location of main facilities	Annual capacity
Bauxite	Bauxite Mine Volljak (Government owned)	Grebnik Mine, about 50 kilometers east of Pristina and 17 kilometers north of Orahovac	NA
Cement	Sharr Beteiligungs GmbH (Holcim Group)	Hani Elezit, on border with Macedonia	720
Coal, lignite	Kosovo Energy Corp. J.S.C. (Government owned)	Bardh and Mirash Mines, just west of Pristina	NA
Kaolin	Kaolini LLC	Karacevo, Gjilan municipality	NA
Lead and zinc:			
Ore	Trepca Complex (Government owned)	Artana Mine at Novo Brdo	NA
Do.	do.	Stan Terg Mine	NA
Do.	do.	Belo Brdo Mine, northern Kosovo	NA
Do.	do.	Hajvalia Mine, about 8 kilometers southeast of Pristina	NA
Do.	do.	Crnac Mine, northern Kosovo	NA
Concentrate	do.	Concentrator at Tuneli i Pare near Mitrovica	NA
Do.	do.	Concentrator at Leposavic in northern Kosovo	NA
Do.	do.	Concentrator at Kizhnica, about 8 kilometers southeast of Pristina	NA
Metal:			
Lead	do.	Lead smelter at Zvecan	NA
Zinc	do.	Zinc smelter at Mitrovica	NA
Magnesite	XIM Strezoc Magnesite Mine LLC ("Iminggrup mgo" Sh.p.k.)	Mine and processing plant in Strezovce, Kamenica municipality	NA
Do.	Mine and Industry of Magnesite Goleshi LLC ("Iminggrup mgo" Sh.p.k.)	Magure, Lipljan municipality	NA
Nickel:			
Ore	Ferronikeli (Cunico Resources NV)	Mines at Chikatovo (Dushkaja and Suke Mines) and Glavitca	NA
Metal ¹	do.	Ferronickel plant at Gillogovac, about 20 kilometers west of Pristina	12

Do., do. Ditto. NA Not available.

¹Nickel in ferronickel.