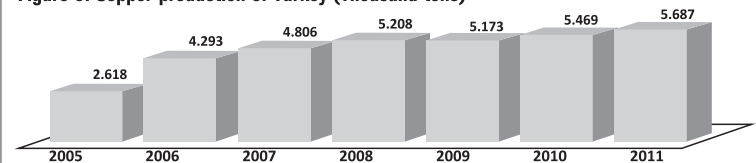


## COPPER

The recognized reserves of Turkey are about 3.7 million tons of metal copper.

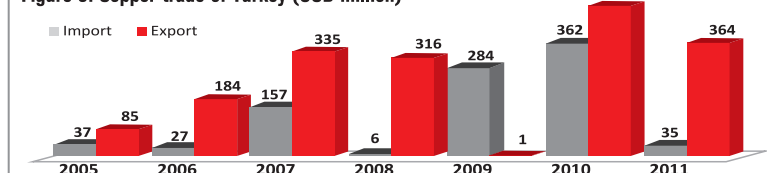
Figure 8: Copper production of Turkey (Thousand tons)



Source: General Directorate of Mining Affairs

Turkey has three important copper reserves: the Eastern Black Sea, Southeastern Anatolia and Thrace. Rods, profiles and cables are the most important export products in the sector.

Figure 9: Copper trade of Turkey (USD million)

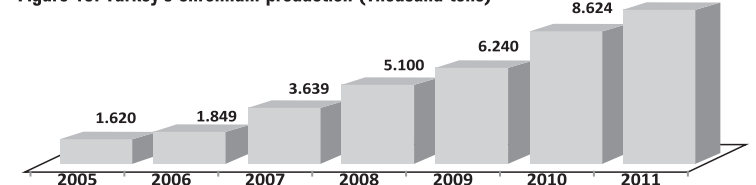


Source: General Directorate of Mining Affairs

Turkey's copper ore exports were USD 364,8 million in 2011. The main buyers were China, India, Sweden and Finland.

## CHROMIUM

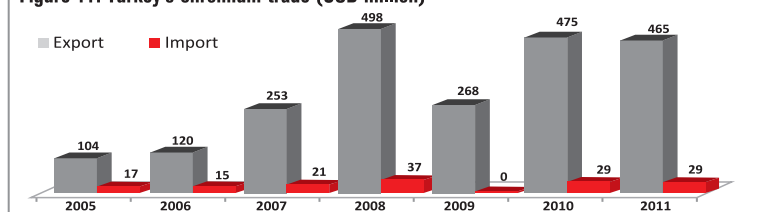
Figure 10: Turkey's chromium production (Thousand tons)



Source: General Directorate of Mining Affairs

Turkey accounts for 6% of global production and possesses 25 million tons of reserves.

Figure 11: Turkey's chromium trade (USD million)



Source: General Directorate of Mining Affairs

Turkey's total export of chromium was USD 465,3 million with a 3,4% decrease in 2011. Major markets were China (%82), Russia (%5), Sweden (%2) and India (%2). Turkey was the world's 3rd chromium exporter with 12,8%. The most important ferrochromium markets for Turkey were the Netherlands, Italy and Belgium.

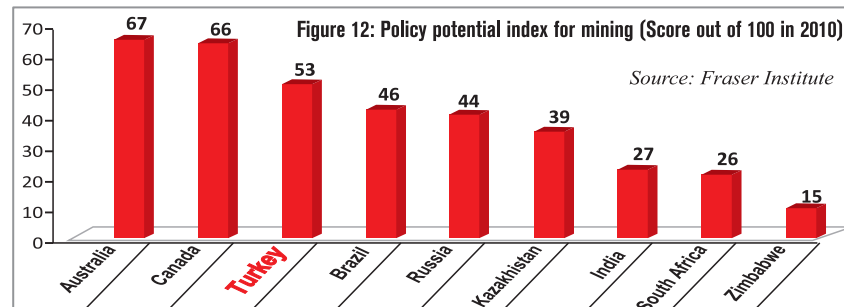
## Investment Environment

Turkey is an investment friendly destination for mining companies

Over the past decade, Turkey has embarked on a comprehensive structural reform program in order to improve its investment climate. The reform process has yielded results, making Turkey the second biggest reformer of its restrictions on FDI among the OECD countries. In this context, Turkey has recently amended its mining regulations in order to attract more domestic and foreign private investors to the industry. **The exploration period is currently 7 years**, and after this, the mining activities can begin following the issuance of an operational permit. **The process to obtain an operation license and permit is fairly structured and can take from 3 months to a year** (depending on the type of the land and specific localization).

New Turkish legislation was passed to enable professional mining; it links the licence acquisition with actual mining activity within a certain time frame. License traders with no real investment plans should, therefore, be eliminated from the market.

As a result of economic and legislative reforms, and increasing investor interest in 2012, public and private ventures drilled 1.5 million meters -- 15 times that in 2002.



Source: Fraser Institute

PPI of Fraser Institute is a composite index for mining that measures the effects of government policies on the investment attractiveness.

Thanks to recent reforms, Turkey has outscored many other well-known investment destinations.

## INCENTIVES

Effective as of January 1, 2012, a new investment incentives program was launched by the Turkish government.

The new program offers four schemes for investors, including (1) General Investment Incentives, (2) Regional Investment Incentives, (3) Large-scale Investment Incentives, and (4) Strategic Investment Incentives, with the following instruments:

	General	Regional	Large-scale	Strategic
VAT Exemption	✓	✓	✓	✓
Customs Duty Exemption	✓	✓	✓	✓
Tax Reduction		✓	✓	✓
Social Security Premium Support*		✓	✓	✓
Income Tax Withholding Support		✓	✓	✓
Social Security Premium Support**		✓	✓	✓
Interest Payment Support		✓		✓
Land Allocation		✓	✓	✓
VAT Refund				✓

\* Employer's Share \*\* Employee's Share

The total amount of support the investor will receive is calculated based on the predetermined support rates corresponding to each of the four incentives schemes.

"General Incentives" are provided to most new investments regardless of the investment's location. The rates of instruments in other three incentives schemes are determined in a descending rate in 6 regions of the country scaled from the most developed to the least developed regions in terms of economy.

Investments in the mining sector can benefit from any of the 4 schemes.

Moreover, they are granted "specific priority investments" status under the regional incentives. Therefore, investments in the mining sector can enjoy special privileges, and as such, they will be supported by the more attractive instruments of Region V (the second most attractive region in terms of support rates) regardless of their location.

## Strategic Incentives

Furthermore, mining investments can also benefit from stronger supports than regional and large-scale incentives under the "Strategic Incentives" scheme, regardless of the region, provided that they meet the below criteria:

- to be made for the production of intermediate and finished goods with high import dependency and of these goods more than 50% are supplied by imports
- to have a minimum investment amount of TRY 50 million (equivalent of USD 28 million as of March 2013)
- to create a minimum added-value of 40%
- to possess an import value of at least USD 50 million during the past one year, for goods to be produced (this condition is not applicable to goods with no domestic production)

# TURKISH MINING SECTOR OVERVIEW



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# Opportunities in the Turkish Mining Sector

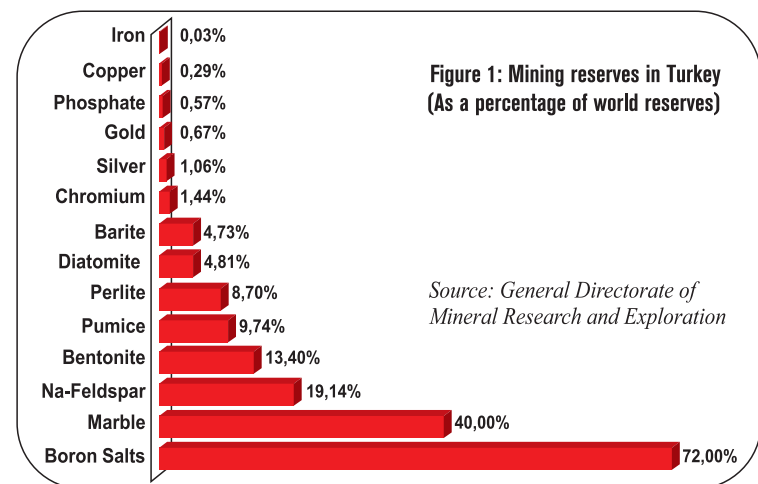
Turkey holds 2.5% of the industrial raw material reserves and 0.6% of the metallic mineral reserves in the world.

- Turkey is ranked 28th in the world in terms of total mining production, and 10th in terms of the diversity of mines produced. Only 13 out of the 90 types of minerals traded throughout the world have not so far been explored in Turkey.
- Turkey has sufficient unexploited resources in terms of 27 types of minerals out of 90; therefore it is thirsty for the unearthing and processing of its own mineral reserves.

The mining industry is one of the leading sectors supplying raw materials to domestic industries driving growth and exports such as automotive and construction

- Turkey has exported USD 152 billion of goods in 2012, 38% of which went to EU countries. Turkish exports are mostly in industrial products which are manufactured with high volume of inputs from the mining industry.
- The automotive industry produces 1 million cars annually and exports 730,000 units, mainly to Europe. The FDI stock rose from USD 2.3 billion in 2002 to USD 9.2 billion in 2010. The production capacity doubled from 800,000 cars in 1997 to 1.6 million in 2011. **Ford, Toyota, Renault** and **Hyundai** are increasing their capacity with new models.
- The construction industry is also growing at a fast pace. The Turkish construction industry was valued at USD 35 billion in 2012, and 31 of the largest 225 construction companies are Turkish (Turkey is second only to China). The sector is being fuelled by a number of large public-private sector partnership projects targeted at improving Turkey's transport, healthcare and residential infrastructure. In particular, USD 400 billion of investment is to be injected into urban renewal projects over the next ten years.

Turkey possesses the largest resources of most minerals, and is one of the richest countries in minerals in the world.

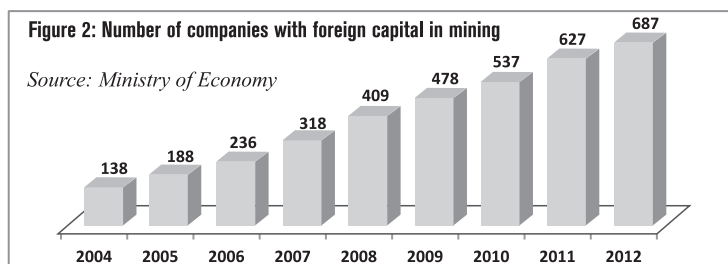


- Excluding petroleum and coal, there are 68 exploitable minerals and metals and 4,500 mineral deposits in Turkey.

- Turkey's geology is extremely complex and this complexity is reflected in the diversity of its mineral deposits. Best known for its industrial minerals, Turkey is a major producer of **boron minerals, feldspar, marble, baryte, celestite (strontium), emery, limestone, perlite** and **pumice**. A wide variety of primary metallic minerals are produced as well.
- **Copper** and **chromium** are the most significant minerals in the metals sector. Turkey is a major world producer of processed mineral commodities, including refined borates and related **chemicals, cement, ceramics** and **glass**.
- In recent years, as in the rest of the world, mining activities, the search and production of mainly **silver, gold, manganese, copper** and **chrome ore** have increased considerably in Turkey.

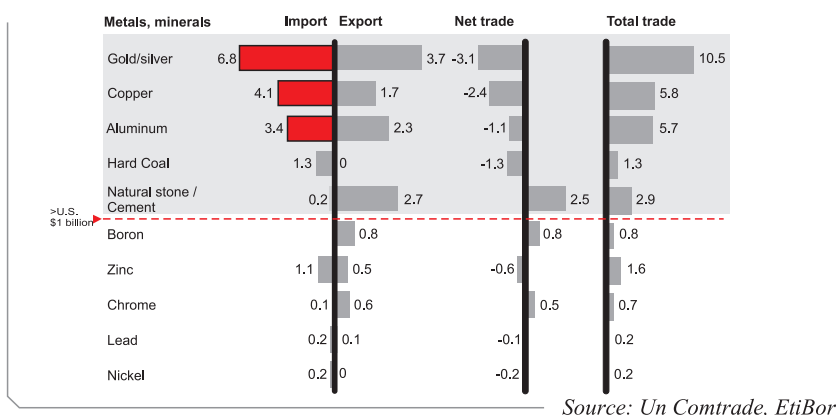
There are more than 650 foreign mining companies in Turkey, while that number was 138 in 2004.

- Global companies which have ongoing operations in Turkey include:  
**Teck Resources, Inmet Mining, Eldorado Gold, Alamos Gold, Alacer Gold, Centerra Gold...**



Turkey is strong in exports of gold jewelery, natural stones and cement. It imports high amounts of copper, coal and aluminum.

Figure 3: Foreign trade of major commodities (USD billion, 2011)



Turkey wants to see more companies investing in exploration and exploitation as well as in refining facilities.

- OECD predicts that the Turkish economy will grow with an average real GDP growth rate of 5.2 percent between 2013 and 2017. This will require further industrial and metallic raw materials including **copper, aluminum, and iron** for the industries driving growth.
- Turkey has more than 50 years of reserves in **gold, hard coal** and some other minerals while it needs further exploration and exploitation in **copper, iron, silver** etc. (Size of bubbles in Figure 4 gives global market size for each item).

Figure 4: Turkey's share in global production

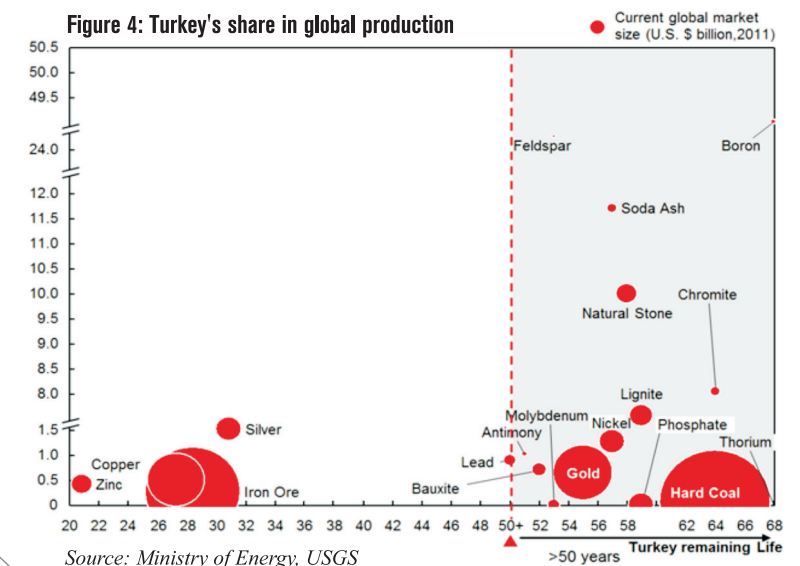
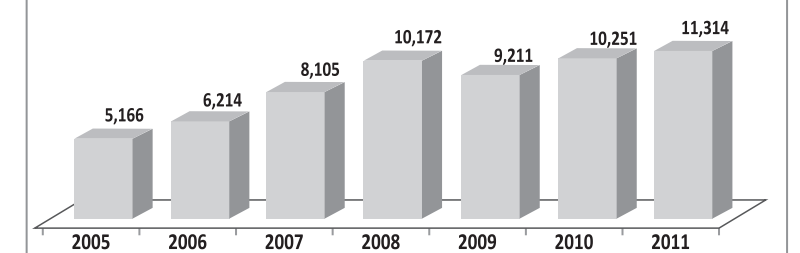


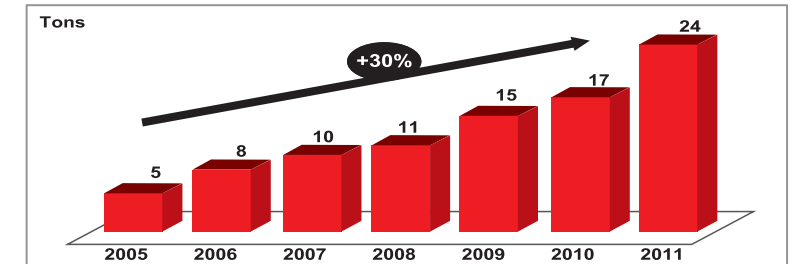
Figure 5: Turkey's mining revenues (USD million)



- The Turkish mining sector's total value of production stood at USD 11.3 billion in 2011, whereas it was USD 2.6 billion in 2003.
- Between 2008, the year of the economic downturn, and 2011, Turkey attracted around USD 144 million of FDI annually to its mining industry, while it saw USD 214 million of FDI in the same sector in 2012.

## GOLD

Figure 6: Gold production of Turkey



Turkish gold reserves are around 640 tons (MTA alone discovered 45 tons in 2009).

Figure 7: Gold trade of Turkey (Tons)

