



Nigerian Mining Sector Brief

Third Edition, February 2017
KPMG in Nigeria

kpmg.com/ng



CONTENTS

NIGERIAN MINING SECTOR BRIEF 2017

Section	Page
1 Overview of the Nigerian Mining Sector	05
2 Mineral Endowment	08
2.1 Coal	08
2.2 Bitumen	09
2.3 Limestone	09
2.4 Iron-Ore	09
2.5 Barites	09
2.6 Lead-Zinc	11
2.7 Gold	11
3 Legal and Regulatory Framework	12
3.1 Mines Inspectorate Department	13
3.2 Mines Environmental and Compliance Department	13
3.3 Mining Cadastre Office	13
3.4 Artisanal and Small Scale Mining Department	13
4 Types of Mineral Titles and Licences	14
4.1 Reconnaissance Permit	14
4.2 Exploration Licence	15
4.3 Small Scale Mining Lease	15
4.4 Mining Lease	15
4.5 Quarry Lease	15
4.6 Water Use Permit	15
4.7 Transfer of Mineral Titles	15
5 Fiscal Considerations	16
5.1 Taxes, Royalties and Fees	16
5.2 Fiscal Incentives	18
5.3 Summary of capital allowances	20
5.4 Summary of Tax Considerations	20

CONTENTS

NIGERIAN MINING SECTOR BRIEF 2017

Section	Page
6 Investment Considerations	22
6.1 Choice of investment vehicle	22
6.2 Security of mineral title and investments	22
6.3 Investment in reconnaissance and exploration activities	23
6.4 Provision of relevant infrastructure	23
6.5 General Security and host community engagement	23
6.6 Proactively seek expert guidance	23
7 The roadmap for growth and development of the sector	24
Appendices	26
Appendix 1- Types of licences held per state, and the minerals licenced	
Appendix 2- Published reserve estimates for priority minerals	
Appendix 3- Available geographical map of Nigeria showing mineral occurrences	
Appendix 4- List of other relevant regulatory agencies	
Appendix 5- Key action items and timelines for executing the mining sector roadmap	
Appendix 6- Application requirements for mining titles	
Contact us	32



1. Overview

Nigeria is endowed with vast reserves of solid minerals, including, but not limited to, precious and base minerals, industrial minerals, energy minerals and metals. The country was a major exporter of tin, columbite and coal in the 1960s to early 1970s. However, activities in this sector began to nose-dive considerably by the mid-1970s due to a number of political and economic factors, especially the significant focus on crude oil production as a major source of foreign exchange for the country.

Successive Governments at the Federal level have demonstrated commitment to revamp the sector. For example, in 1999, a new national focus and strategy on mining evolved and this culminated in the enactment of the Nigerian Minerals and Mining Act (the Act) in 2007, amongst other policy efforts. However, these efforts have only led to a minuscule growth in the sector; with the sector's contributions to the Nation's Gross Domestic Product (GDP) remaining at less than 1% as at 2015¹. By the first half of 2016, Nigeria entered into a period of economic recession, which continued in the third quarter of the year². The recession was primarily due to dwindling

Government revenues; caused by the twin problems of severely impaired local crude-oil production, and low global oil prices. As part of the economic recovery plan, the Government prioritized the diversification of the country's revenue base as paramount, and identified agriculture and mining as the pivotal sectors.

To demonstrate Government's commitment to the diversification plan, the Ministry of Mines and Steel Development (MMSD or the Ministry) issued a revised sector growth and development roadmap, with the objective of addressing the key challenges identified in the sector and outlining strategies for rapid development and utilization of key minerals and metals. One of the targets of the roadmap is the growth of the sectors' total contribution (direct and indirect) to Nigeria's GDP to about 10% by 2026. The Government has launched a N30 billion intervention fund to open up the sector to multinational companies. The fund will be used to promote exploration and research.

Government is also open to negotiation with respect to the

¹ Based on the Nigerian Gross Domestic Product Report for Q4 2015, published by the National Bureau of Statistics, the total contribution of the Mining sector (i.e., coal mining, metal ores and quarrying and other minerals) to the 2015 GDP is about 0.15%.

² Based on information released by the National Bureau of Statistics, Nigeria's GDP at constant basic prices, contracted by 2.24 per cent in the third quarter of 2016 (Q3'16), after shrinking by 2.06% in the second quarter.

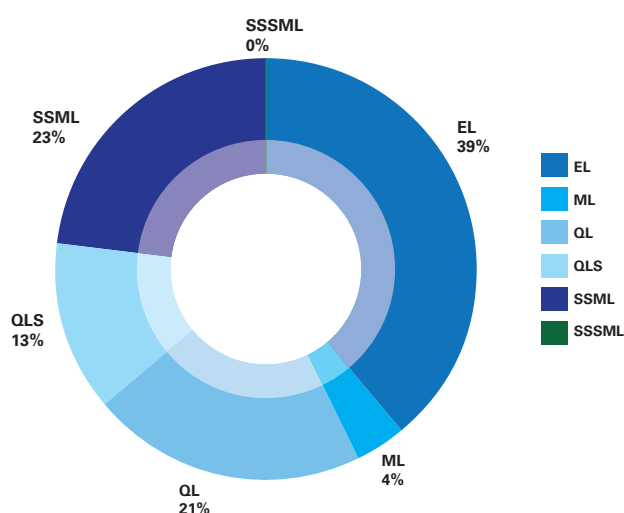
concession of the country's railway infrastructure to boost evacuation.

Nigeria's mining sector can be categorized according to the key activities in the sector as follows: exploration and mining (upstream), processing and beneficiation (mid-stream), and marketing and transportation (downstream).

Only the upstream and downstream subsectors are currently active. The Government plans to implement some initiatives to enliven the mid-stream subsector. For example, there are plans to bolster production and beneficiation of industrial and ferrous minerals by initiating policies that stipulate minimum local content threshold for the utilization of these minerals by various industries/sectors.

Whilst the downstream subsector is dominated by individuals and indigenous companies, the upstream subsector is dominated by small scale/artisanal miners, and local integrated manufacturing companies (for example, cement manufacturers that extract limestone for use). Also, a few junior mining companies have executed joint venture arrangements with indigenous companies for mining operations.

As at December 2016, a total of 2,395 companies and individuals were licenced to operate in the upstream subsector. The distribution of the entities approved, based on the type of licence held, is shown in the diagram below. Further analysis of the types of licences held per state, and the minerals licenced are shown in **Appendix 1³**.



The Nigerian Minerals and Mining Act is the principal legislation that regulates the sector. The Act vests the control, regulation and ownership of all mineral resources in the Federal Government of Nigeria (FGN). The Minerals and Mining Regulations and the National Minerals and Metals Policy also govern the sector.

The Ministry of Mines and Steel Development ("MMSD" or "the Ministry") oversees the mining sector in Nigeria, and administers the provisions of the Nigerian Minerals and Mining Act.

The Ministry is supported in performing its functions by the following statutory departments⁴:

1. Mines Inspectorate Department
2. Mines Environment and Compliance
3. Mining Cadastre Office
4. Artisanal and Small-scale Mining Department.

The functions of each department are discussed in section 3 below. However, the Ministry plans to set-up a super regulatory agency that would combine the key functions of the above departments, which will be independent and self-funding.

In executing its mandate, some of the key challenges facing the Ministry and the sector include, but not limited to the following:

- *Limited geoscience data and information:*

Most of the available geological / geoscience data are dated. This affects the credibility of the resource information, and has impacts the bankability of mining projects.

To address this challenge, the Nigerian Geological Survey Agency (NGSA) has conducted a high resolution airborne geophysical survey of the country, and is collating information on the location and quantity of available minerals for easy accessibility.

- *Infrastructure development:*

A major challenge to the development of the sector is the infrastructural imbalance within Nigeria, particularly adequate electricity supply, and access roads to sites of mineral deposits.

³ Some companies hold multiple licences, for example, a Company may hold a mining lease and quarry lease with respect to different minerals.

⁴ There are a number of other departments created under the Ministry to aid the performance of its function, for example, the Metallurgical Inspectorate and Raw Material Development.

However, the privatization of the national utility and reform of the power sector are stimuli for private investment in the sector. As capacity increases with new investments in the generation, transmission and distribution of electricity, the shortages currently being experienced will be overcome. Pending the resolution of the power problem on a national scale, mining investors can meet their power needs by engaging independent power producers for captive generation and supply of energy to the mines.

Furthermore, access roads will ultimately improve with the ongoing investments by the Federal and State Governments in road infrastructure. The ongoing rehabilitation of the rail lines will also facilitate product evacuation across the country for export.

- *Security:*

A number of the mineral rich communities in the Northern region of Nigeria have now been liberated from the occupation of the terrorist group – Boko Haram. However, a number of communal and religious conflicts occur intermittently in the mid-belt region of Nigeria, which is known to be rich in minerals and metals.

The security agencies are equipped to respond appropriately to social conflicts as and when they arise. Also, the Ministry is strengthening the operations of the Mines Surveillance Task Team to tackle the challenges of illegal mining.

Security concerns are, therefore, not of the magnitude that should discourage investors in the Nigerian mining sector.

- *Illegal mining and community challenges:*

There are pockets of illegal mining activities in some of the regions, with attendant risks and community challenges. However, with the enactment of the Mining Act, foreign investors with the necessary permits and licences are guaranteed unfettered operation of their legitimate business in the country.

Furthermore, the Ministry is putting in place a framework for a single point of engagement with host communities, involving the respective state governments. The Ministry is also working with State Governors to revive the Mineral Resources and Environment Management Committee (MIREMCO),

a statutory body provided for in the Nigerian Minerals and Mining Act, to enhance governance of the sector.

- *Project funding:*

Due to the long period of inactivity and the slow implementation of the Federal Government's reform agenda in the sector, multinational corporations have been reluctant to fund major mining projects in the country.

However, as stated earlier, the Ministry has been able to obtain a N30 billion intervention fund from the Natural Resources Development Fund (NRDF), and additional funding from International Development Partners through the World Bank. While the funds from the NRDF will be utilized for exploration and research, geosciences data generation, improved mines field security, etc.; the funds from the International Development Partners will be used to promote the development of select mineral exploration projects as part of the Nigeria Mineral Sector Support for Economic Diversification Project.

The above steps, and the progress made in the regulatory reform, so far, are expected to stimulate activities by new investors in the sector.

- *Lack of robust fiscal framework:*

The existing fiscal framework for investors in the mining sector is not friendly enough and does not consider the peculiar nature of the sector, particularly, its long gestation period. Therefore, Nigeria will need to revisit the entire fiscal framework for the taxation of mining operation, in order to attract mining majors and foreign investors.

In 2016, KPMG published the 5th Edition of its 'Investment in Nigeria' guide. This guide provides readers with detailed information on doing business in Nigeria, including; the requirements for incorporating a business, statutory filing requirements, regulatory agencies, etc. This report can be accessed online using the link in the footnote below⁶.

⁶ <http://www.blog.kpmgafrica.com/wp-content/uploads/2016/08/Investment-in-Nigeria-5th-edition.pdf>



2. Mineral Endowment

Over 40 different types of minerals have been identified across the country, including gold, barite, bentonite, limestone, coal, bitumen, iron ore, tantalite/columbite, lead/zinc, barites, gemstones, granite, marble, gypsum, talc, iron ore, lead, lithium, and silver. However, based on available data, the MMSD has identified seven priority minerals for focused development, due to the

through industrial linkages. The priority minerals are: Coal, Bitumen, Limestone, Iron Ore, Barites, Gold and Lead/Zinc. The published reserve estimate for each priority mineral are contained in **Appendix 2**.

Information on each of the priority minerals is as follows⁷:

2.1 Coal

Nigerian coal has been found suitable for boiler fuel, production of high caloric gas, domestic heating, briquettes, formed coke and the manufacture of a wide range of chemicals including waxes, resins, adhesives and dyes.

Coal can be found in the central, middle-east and south east regions of the country (Anambra, Kogi, Benue and Enugu States). A reasonable estimate is put at 639million metric tonnes, while the unproven reserves are estimated to be in the region of 1.134 billion metric tonnes.

The government has recognized the need to



commerciality of the estimated deposits and their capacity to accelerate overall economic development

⁷ The information presented on each mineral in this report was obtained from the minerals information pamphlets issued by the Ministry of Mines and Steel Development in 2012.

revive the country's coal mining subsector, which could provide fuel for power generation and domestic use.

Consequently, coal resources were marked out into ten prospective blocks and placed for bid by companies with proven financial and technical competence. Nine of the blocks were put up for a bid round out of which four have been sold to successful bidders. The remaining five (5) blocks have been earmarked by government for the proposed coal to power project.

Although the government's plan for the development of these mines remains uncertain, there is a likelihood that the mines may again be put up for bids, or the government may engage private partners in the development of the blocks for power generation.

2.2 Bitumen

In Nigeria, bitumen typically occurs both on the surface and sub-surface. The estimated probable reserves of bitumen in Ondo State (south-west region of Nigeria) is 1.6 billion barrels, while that of tarsands and heavy oil is estimated at 4.2 billion barrels. The probable reserves of bitumen and heavy oil in the entire tarsand belt is estimated to double the reserves in Ondo State. The bitumen belt has been marked out into six (6) blocks with an average of 600sq km each, four of which have been sold to investors. The remaining two blocks are to be placed for bidding in future.

Currently, the bitumen used in Nigeria is processed from imported heavy crudes, in addition to bitumen imported to supplement local consumption. Heavy and extra heavy crude can be extracted from Nigerian tarsands, and sulphur and phenol can be derived from these crude grades. They are also suitable for production of lubricants for plain and roller bearings.

Three potential project types are envisaged for the tarsand resources:

- Small scale project: Asphalt Concrete (strip mining techniques)
- Medium size project: Synthetic crude production (in-situ mining)
- Large size project: Mega mining project (open mining technique)

2.3 Limestone

The largest and purest deposits of limestone are found in the south-west and middle belt regions of the country. Limestone in the south west region of Nigeria has been estimated at 31 million metric tonnes. Limestone is mainly used for cement production.

2.4 Iron Ore

Iron ore deposits have been found in various locations in Nigeria, but mainly in the north-central, north-east and south-east regions. Iron ore deposits in Nigeria typically occur in the following forms: hematite, magnetite, metasedimentary, bands of ferruginous quartzites, sedimentary ores, limonite, maghemite, goethite and siderite.

The key locations and related estimated reserves of iron ore are shown in the schedule below:

S/N	Deposit Area	Estimated Reserves (million metric tonnes)
1	Itakpe	310
2	Ajabanoko	60
3	Agbado-okudu	60
4	Tajimi	20
5	Anomaly K-3	30
6	Anomaly K-2	20
7	Ochokochoko	12
8	Agbaja	370.5

Rich ore constitutes more than 4.5% of the total reserves with medium grades estimated at 85.4% and lean ore at 13.1%.

2.5 Barites

In a survey carried out by the Nigerian Geological Survey Agency, proven reserves for Benue and Nassarawa States (central region of Nigeria) have been estimated at 111,000 tonnes while the estimated probable (unproven) reserves across the country, where mining is considered viable, is estimated at 15 million metric tonnes. Barites is suitable for glass, paint, and paper making. Also, it is used in the upstream oil and gas sector for well drilling.



2.6 Lead-Zinc

Lead-Zinc ores are usually found together. They are often associated with copper and silver. Lead-Zinc is found along the northeast and southwest trending belt. They occur in commercial quantities in the northeast and central region of Nigeria. The estimated reserves of lead zinc is about 5 million metric tonnes.

Lead-zinc ores are used in the production of batteries, electrical cables, solders glass and even protective coatings for other metals.

2.7 Gold

Gold is associated with the northwest, central and southwest regions of Nigeria, although there are smaller occurrences beyond these major areas.

The preliminary exploration and identification of deposits which is still ongoing, has confirmed ten sites to be holding reserves of over 600,000 ounces of high quality gold.

Till date, over 30 licences have been issued to co-operative societies and companies for mining of gold in the country. Most of the concessions are still at the exploration stage.

The recognition of the above minerals as priority is not a definite indication of the non-commerciality of other minerals. Other non-priority minerals have been discovered in commercial quantities across Nigeria. For example, a unique and high grade deposit of Nickel (native nickel appearing in sizes of up to 5 mm, at about 90% pure nickel) was discovered in Kaduna State, one of the states in the northern region of Nigeria, by Comet Minerals - a private Australian mining company. The total deposit / reserves at this site is estimated to be over 40 million metric tonnes.

The geographical map of the country, showing the mineral occurrence across the regions is attached as **Appendix 3**.



3. Legal and Regulatory Framework

The Nigerian Minerals and Metals Act, 2007 is the principal legislation that regulates the mining sector. In addition to vesting the ownership of all minerals resources in the Federal Government, the Act prescribes the procedures for acquiring the rights to explore and produce minerals, and specifies the rights, obligations and duties of all types of licence holders. The Minerals and Mining Regulations specifies the royalties, fees and compensation payable by holders of mining rights.

The Government also issued the National Minerals and Metals Policy in 2009. The main thrust of this policy is to promote a new legislative framework that encourages private sector led growth and development of the sector. Some of the policy strategies include:

- Investment in quality geological surveys in order to provide and disseminate information and accurate geological data on Nigeria's mineral resources;
- Transparency in the granting of mining titles and permits;
- Ensuring compliance with environmental best practices;
- The promotion of small-scale mining activities and the formalization of informal mining activities;
- Creating an enabling environment for states and local government authorities to maximize the positive role the mining sector can play in promoting rural economy.
- Promoting minerals development by applying the "use-it or lose it" principle.

The MSMD oversees the sector, supported by various departments. The roles and functions of each statutory department under the MSMD are discussed below:

3.1 Mines Inspectorate Department (MID)

The MID has overall responsibility for operations in exploration, evaluation, mine development and production. Some of its functions include:

- General supervision of mining, quarrying and explosives matters to ensure safe mining operation and enhance high production of minerals and revenue generation.
- The development of a database of all mining and quarrying operators.
- Ensuring preparation of mineral returns by operators as required by the government and as prescribed by regulations.
- Supervision and enforcement of compliance by mineral title holders with all work program and safety regulations prescribed under the Act and any other laws in force.
- Production of records of all mineral production nationwide.

3.2 Mines Environmental and Compliance Department (MEC)

The main function of the MEC is to ensure that companies adopt and maintain procedures that are environmentally friendly in their operations. It performs the following other functions:

- Establish environmental procedures and requirements applicable to mining operations.
- Review all plans, studies and reports required to be prepared by holders of mineral titles in respect of their environmental obligations under the Act.
- Monitor and enforce compliance by holders of mineral titles with all environmental requirements and obligations as required by law.
- Maintain regular environmental audits to ensure the adoption of environmentally sound practices in all mining operations.

3.3 Mining Cadastre Office (MCO)

The functions of the MCO include, but not limited to, the following:

- Consider applications for mining titles and permits.
- Issue, suspend and revoke mining titles, subject to government's rules and regulations.
- Receive and dispose applications for transfer, renewal, modification and relinquishment of mineral titles.
- Maintain a chronological record of all applications for mineral titles in a priority order.
- Maintain a register, and a general registry book.

3.4 Artisanal and Small-Scale Mining Department (ASM)

The ASM carries out the following functions, amongst others:

- Organize, support and assist small scale mining operations.
- Provide extension services to mining cooperatives on exploration, exploitation, mineral processing, entrepreneurial training, environmental management, etc.
- Improve sustainable livelihood in ASM communities.



4. Types of Mineral Titles and Licences

A mining title can be granted to an individual, a company or a co-operative. The grant of exploration licence or mining lease could be by competitive bidding or on individual request. In a competitive bid, the government consolidates various mineral locations into blocks, and offer the blocks for sale to all investors with sufficient financial and technical capabilities to carry on mining operations. The bidding procedure will normally include:

- An advertisement in both local and international media
- Data room due diligence process
- Receiving Expression of Interest (EOI)
- Selection of preferred investor
- Communication of selected investors to the National Assembly Committee on Solid Minerals.
- Offer of the mineral title.

The last bid round was conducted in 2006. The Government has hinted at plans to offer the remaining bitumen blocks for sale through a competitive bid. This is expected to happen before 2019.

The right to explore or produce minerals is authorized by a license granted under the Act. The types of licences and leases that could be granted are as follows:

4.1 Reconnaissance permits (RP)

This permit is awarded to individuals, incorporated companies and mining co-operatives. Its duration is for one year and is renewable annually. The permit confers on the holder the non-exclusive right to search for mineral resources and the area covered is not limited.

However, drilling and other subsurface activities are not permitted. A holder is allowed to obtain

and remove samples in small quantities only. This permit is not transferable.

4.2 Exploration Licence (EL)

The licence is awarded to incorporated companies, mining co-operatives and holders of RP in respect of a mining area. This has a duration of 3 years, renewable for 2 further periods of 2 years each (i.e., it shall not exceed 7 years). It confers on the holder the right to explore [discover, determine the characteristics and evaluate the economic value of mineral resources] on an exclusive basis for all mineral resources within the title area (established zone only). The mining activity is restricted to specified minerals.

The holder is allowed to remove, conduct bulk sampling and testing, export and sell mineral resources not exceeding established limits and the mining area is not more than 200sq km consisting of one contiguous polygonal area.

4.3 Small-Scale Mining Lease (SSML)

The licence is awarded to individuals, incorporated companies, mining co-operatives and holder of exploration licence in respect of a mining area. The holder of the lease has the exclusive right to carry out small-scale mining operations [mining operations involving low-level technology or methods not requiring substantial expenditure] within the title area. The mining area is greater than 5 acres but less than 3 Km.

4.4 Mining Lease (ML)

The licence is awarded to an incorporated company or any legal entity that has met the conditions for the issuance, in respect of a subject area of application, holders of EL and SSML. All mining leases are for 25 years, renewable for a maximum period of 20 years.

The holder has the exclusive right to carry out all mining operations within the mining lease area. The land area is determined in relation to the ore body defined in the feasibility study and additional area for working of materials.

The holder also has the right to market, sell, export or otherwise dispose mineral products from mining, and the right to use water, wood, etc found on land.

4.5 Quarry Lease (QL)

The licence is awarded to individuals, incorporated companies, mining cooperatives and construction companies that need to extract minerals for own use and holders of EL. Minerals usually quarried include gravel, asbestos and gypsum amongst others.

QL confers the exclusive right to carry out quarry operations within the lease area. The holder has the right to remove and dispose any quarried mineral specified in the lease. The quarry area is less than or equal to 5sq km.

4.6 Water Use Permit (WUP)

Exclusive right to obtain and convey water and/ or occupy land for the conveyance of water. The permit is usually granted to holders of EL, ML, QL and SSML. The WUP is for the duration of the original licence granted.

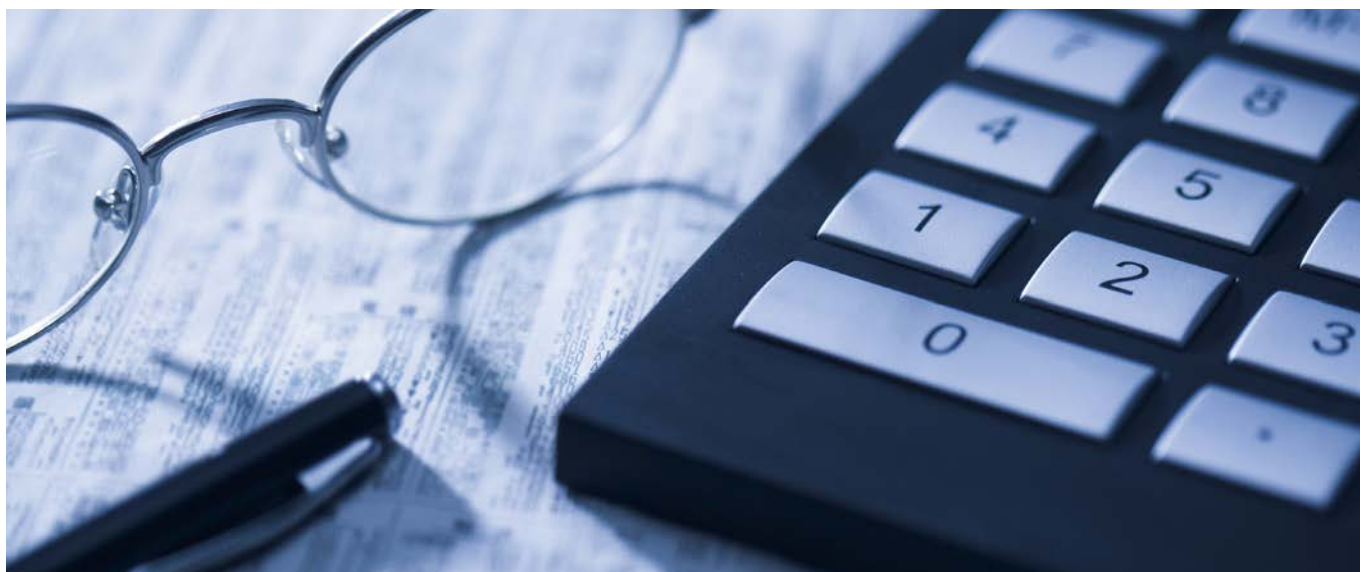
An individual or a company can make an application to the MCO for a licence to explore for a particular mineral of interest. The requirements for applying for a mineral title are summarized in the Appendix below.

4.7 Transfer of Mineral Title

Mineral titles, with the exception of RP, are transferable under the Act, subject to the approval of the Minister and registration of the transfer with the MCO. Rights arising from a mineral title that are transferable under the Act can be wholly or partially assigned, sub-leased, pledged, mortgaged, charged, hypothecated or subject to any security interest.

The approval of the MCO shall not be required for an assignment to an affiliate, where the obligations of the affiliate are guaranteed by the assignor or by a parent company.

All mining titles are not universal in nature. A licence only grants approval to explore and produce the mineral stated thereon. If an additional mineral is discovered within the licence area, the licensee is expected to notify the MCO, and seek approval to explore and produce the additional mineral (except for designated security mineral).



5. Fiscal Considerations

5.1 Taxes, Royalties & Fees

Companies and co-operative societies involved in mining activities are assessed to tax under the Companies Income Tax Act (CITA), Laws of the Federation (LFN) 2004, as amended. However, individuals and partnerships engaged in mining activities are liable to tax under the Personal Income Tax Act (PITA), LFN 2004 as amended.

5.1.1 Corporate Income Tax (CIT)

The profit of a company engaged in mining activity is liable to CIT at the rate of 30%. The tax is applicable on the total profits of the company, after adjusting for non-tax-deductible items, unutilized losses from prior years and capital allowances (tax depreciation), if any. The CIT is payable to the Federal Inland Revenue Service (FIRS).

If a mining company's turnover is below N1million within the first five years of commencement of business, it will

be liable to tax at the rate of 20% on the taxable profits for the year (if any). However, this provision would not apply where such mining company is granted a pioneer status (see below).

5.1.2 Tertiary Education Tax (TET)

Nigerian companies engaged in mining activities are also liable to pay TET at the rate of 2% of their assessable profit. The TET is also payable to the FIRS.

5.1.3 Treatment of Losses

Under the Act, losses incurred in a year of assessment can be carried forward and set-off against the assessable profits of the subsequent tax years (if any), up to a maximum of four (4) tax years, after which the loss shall lapse. However, the 4-year restriction seems to apply only to losses incurred in the first year of commencement of business, based on the amendment to CITA in 2007.

Based on the CITA, the clear intent is to allow companies to carry forward losses made after the first year of commencement of operations indefinitely.

5.1.4 Minimum Tax Provision

CITA stipulates that minimum tax is payable by any company under any of the following conditions:

- where in any year of assessment the ascertainment of total assessable profits from all sources of a company results in a loss, or
- where the tax payable is less than the minimum tax,

The exceptions to this rule are:

1. where a company is in its first four years of commencement of business
2. where a company is engaged in agricultural trade or business, or
3. where 25% or more of the company's equity capital is imported, typically evidenced by a Certificate of Capital Importation (COCI).

Therefore, where a mining company meets the above conditions, it would be exempted from the payment of minimum tax.

5.1.5 Excess Dividend Tax

A mining company will be liable to excess dividend tax where the dividend is paid out as profit on which no tax is payable due to no total profits (i.e., taxable profits) or taxable profits which are less than the dividend paid. The sources of the dividend is irrelevant for this purpose. The excess dividend tax will be calculated as 30% of the difference between the amount of dividend paid in that year and the taxable profit for the year (if any).

5.1.6 Transfer Pricing

Transactions between a Mining company and other connected taxable persons are subject to transfer pricing review by the

Nigerian tax authority. Connected taxable persons includes persons, individuals, entities, companies, partnerships, and any entity that has any form of controlled transaction with the company.

The tax authority is empowered to adjust the rates/charges for any transaction between connected persons, if such rates/charges do not reflect arms-lengths dealings. Also, there are a number of compliance obligations imposed on companies under the transfer pricing regulations.

5.1.7 Personal Income Tax (PIT)

An individual or partnership carrying on mining activities is liable to PIT on any profit or gain from such activity, in line with the provisions of PITA. The average effective tax rate is about 17.5%. PIT is payable to the States' Board of Internal Revenue (SBIRs) where the individual or the partners are resident.

5.1.8 Valued Added Tax (VAT)

A mineral title holder is expected include VAT at the rate of 5% on all minerals sold locally (except such mineral is specifically exempted from VAT under the law). Minerals exported from Nigeria are, however, zero-rated based on the provision of the VAT Act.

5.1.9 Capital Gains Tax (CGT)

The Capital Gains Tax Act (CGTA), LFN 2004 regulates payment of CGT in Nigeria.

The rate of tax is currently 10% and is levied on capital gains accruing on disposal of chargeable assets, irrespective of whether the asset is situated in Nigeria or not⁷. Capital gains is the difference between the proceeds from sale of a chargeable asset and its historical cost (including the expenses incurred in effecting the sale).

Capital gains accruing outside Nigeria to a non-resident company or individual are only subject CGT in Nigeria if such gains are received or brought into Nigeria.

⁷ There are specific rules in the CGTA for determining the location of an asset, depending on the nature of the asset.

Further, certain types of asset qualify for roll-over relief, whereby the tax on any gain derived is deferred to a later date, if the seller uses the proceeds from disposal to acquire another asset in a similar class.

5.1.10 Stamp Duties

Stamp duties are payable on all dutiable documents and transactions. Stamp duties are applicable on the initial share capital of a company and on any subsequent increases in it. The current stamp duties rate on the authorised share capital of a company is 0.75%. This rate is, however, subject to periodic review by the Joint Tax Board (JTB). However, the National Assembly must enact such changes into law before they can become effective.

Stamp duties may also apply on agreements entered into in Nigeria depending on the nature of the agreement.

5.1.11 Withholding Tax (WHT)

Dividends, interest, rent, royalty and other qualifying payments to shareholders, vendors and lenders are liable to WHT deduction at the appropriate rate. The rates vary between 5% or 10%, depending on the nature of the transaction and whether the beneficiary of the payment is a natural person, partnership or a limited liability company.

The WHT rate on dividend, interest, rent and royalty, when the beneficiary is resident in a country with which Nigeria has a double tax treaty (DTT) is 7.5%, compared to 10% that is generally applicable on such payments.

Nigeria currently has DTTs with United Kingdom, Netherlands, Belgium, Pakistan, Romania, Philippines, Czech Republic, Canada, South Africa, Singapore, China, France, and Peoples Republic of Korea. The DTTs with Mauritius, South Korea, Spain, Kenya, Kuwait, Poland, Sweden and Russia are yet to be ratified.

5.1.12 Royalty

Royalty is payable by companies engaged in mining activities in Nigeria. It is calculated on ad valorem basis. The applicable royalty rates range from 3% to 5% depending on the type of mineral. The Minister may grant concession to a mineral title holder to defer payment of royalty on any mineral for a specific period, subject to the approval of the Federal Executive Council.

5.1.13 Annual Service Fee

Holders of a mineral title, other than the holder of an RP, is required to pay an annual service fee to the MCO equal to the number of Cadastre Units that comprise the title area multiplied by the fee per Cadastre Unit for that type of title. This fee is payable on the anniversary of the issuance of the mining title. The current rate is ₦25,000 per Cadastre.

5.1.14 Annual Surface Rent

Holders of a small-scale mining lease, mining lease, quarry lease, or water use permit is required to pay annual surface rent to the owner or occupier of the land. The rent to be paid is as agreed and documented in the Memorandum of Understanding between the owner of the land and the mining company.

5.1.15 Other Application and Licence Fees

Other fees/levies may be imposed by the MCO and relevant state or local government authorities.

5.2 Fiscal Incentives

The key incentives available to companies engaged in mining operations are summarized below:

5.2.1 Under the Mining Act

- i. Tax holiday for an initial period of 3 years from commencement of operations, and renewable for additional 2 years. Any dividend

recorded during the tax holiday period will not be subject to withholding tax upon distribution to shareholders.

- ii. Exporters of mineral products may be permitted to retain part of their foreign exchange earning in a domiciliary account for the purpose of acquiring spare parts and other mining inputs.
- iii. Exemption from customs and import duties in respect of plant, machinery equipment and accessories imported exclusively for mining operations. However, the plant and equipment can only be disposed of locally upon payment of the applicable customs and import duties.
- iv. Free transferability of foreign currency through the Central Bank of Nigeria (CBN) for the following:
 - Payment for servicing of certified foreign loan,
 - Remittance of foreign capital in event of sale or liquidation of the business.
- v. Grant of personal remittance quota for expatriate personnel free from any tax imposed by any enactment for the transfer of external currency out of Nigeria.
- vi. Accelerated Capital Allowance on mining expenditure (95% initial allowance and retention of 5% until asset is disposed).
- vii. Grant of Investment Allowance of 10% on qualifying plant and machinery.
- viii. All infrastructure cost provided by the mining company and approved by the MCO to be capitalized and capital allowance claimed at 95% in the first year of operation.
- ix. A company may also be entitled to

claim an additional rural investment allowance on its infrastructure cost, depending on the location of the company and the type of infrastructure provided

- x. Annual indexation of unutilized capital allowance carried forward by 5% for mines that commenced production within five (5) years from the date of enactment of the Act. Whilst the period for new companies to enjoy this incentive lapsed in 2012, new producers may apply to the Minister of Finance, through the Minister of Mines and Steel Development, to enjoy this incentive. Such application may be considered on a case by case basis.
- xi. The Minister may grant a concession for the royalty payable on any mineral to be deferred for a number of years, subject to the approval of the Federal Executive Council.
- xii. Actual amount incurred out of reserves made for environmental protection, mine rehabilitation, reclamation and mine closure cost shall be tax deductible, subject to certification by an independent

5.2.2 Under the CITA

- i. The profits earned by a mining company after the initial tax holiday period may continue to be exempted from income tax under the following circumstances⁸ :
 - If the minerals are exported from Nigeria, and the proceeds from such exports are repatriated to Nigeria and used exclusively for the purchase of raw materials, plants, equipment and spares.
 - If the minerals produced are exclusive inputs for the manufacture of products for exports, provided the exporter gives a certificate of purchase of input to the company.

⁸ However, the mining company may be subject to excess dividend tax where it pays dividend that is higher than the total profits post the pioneer period

- Potential full or partial exemption of interest on foreign loan from income tax, subject to the conditions stipulated under CITA.
- ii. Where a mining company records a turnover below ₦1million within the first five years of commencement of business, it will be liable to tax at the rate of 20% on any taxable profit recorded.
- iii. Any interest, rent, royalty, or dividend received by a Nigerian Company from abroad, and brought into the country through any of the approved Nigerian Banks, will be exempted from corporate income tax.
- iv. Interest and/or gains received from Bonds issued by any government or corporate body in Nigeria, as well as from short term securities issued by the Federal Government, are exempt from income tax. This exemption is only applicable until 2022 financial year (i.e., 2023 tax year). However, Bonds issued by the Federal Government of Nigeria shall continue to enjoy this exemption.
- v. The Company may be entitled to the following reliefs:
 - Employment tax relief: To qualify for this relief, the company must have a minimum net employment of 10 employees in an assessment year, out of which 60% must be individuals without prior work experience and have recently graduated from a school or vocation (not older than 3 years). The ETR claimable is limited to the lower of the gross emoluments paid to qualifying employees, or 5% of the assessable profits for the year.
 - Work Experience Acquisition Programme Relief: Any Company with a minimum net employment of five new employees in any year, and where the Company has retained the employees for a minimum of two years. This relief exempts from income tax, 5% of the assessable profits.
 - Infrastructure Tax Relief (ITR): This relief is granted to any company that provides infrastructure of a public

nature in any assessment year, including power (electricity) roads and bridges, water, health care facilities, educational and sporting facilities. Such company will be entitled to claim tax exemption of 30% of the cost of the public infrastructure provided.

The above reliefs are only available until 2017 financial year (i.e., 2018 tax year).

5.3 Summary of capital allowances for a mining company is provided below:

Description	Initial Allow %		Annual Allow %	
	Com	Indv	Com	Indv
Mining Expenditure	95	20	0	10
Furniture and Fitting	25	15	20	10
Motor Vehicle	50	25	25	20
Building and Leasehold (not industrial buildings)	15	5	10	10

5.4 Summary of Tax Considerations

The various taxes applicable to mining companies are summarized below:

Overall Tax Considerations	
Name of Tax	Tax Rate (%)
Corporate tax	20 or 30
Tertiary Education Tax	2
Value Added tax	5
Capital gains tax	10
Customs duties on plant and accessories	Waived
Customs duties on other products	Varies
WHT on dividend, interest, rent and royalty	10 or 7.5, depending on whether beneficiary is resident in a tax treaty country
WHT on qualifying vendor transactions	5 or 10, depending on the nature of the transaction
WHT on royalty paid to the government	0
Statutory Requirements	<ul style="list-style-type: none"> • Monthly filing of VAT and WHT returns • Annual filing of CIT and TP returns • Submission of reports periodically to the MID and MCO as prescribed in the Regulations.





6. Investment Considerations

6.1 Choice of investment vehicle

The Nigerian Minerals and Metals Act identifies the acceptable investment vehicles for mining operations, to include: partnerships / unincorporated joint ventures, limited liability companies, and cooperative associations.

Under section 54 of the Companies and Allied Matters Act (CAMA), the law that regulates company formation and operation in Nigeria, no foreign company may carry on business in Nigeria unless it incorporates a company in the country for this purpose. A foreign investors can own one hundred percent (100%) of the shares of the local subsidiary. After incorporation, the subsidiary would need to register with the Federal Inland Revenue Service for tax purposes, and with other regulatory agencies in **Appendix 4**.

A foreign investor may however choose to acquire an already existing mining business, or form a strategic joint venture/technical partnership with a Nigerian entity to carry-on mining operations. Under these circumstances, the foreign investor may not be required to incorporate a subsidiary for the purpose of its operations in the country.

Whichever investment vehicle is selected, there would be attendant tax and regulatory compliance requirement which the investor should be conversant with.

6.2 Security of mineral title and investments

Security of mineral rights is guaranteed under the relevant legislation. However, a licence may be withdrawn/revoked by the Government if the licensee fails to comply with the statutory obligations attached to the licence.

Section 25 of the Nigerian Investment Promotions (NIPC) Act guarantees foreign investments against expropriation by the Federal Government of Nigeria. The Act also guarantees unconditional repatriation/transferability of the following through an authorised dealer, in freely convertible currency:

- dividends or profits (net of taxes) attributable to the investment;
- payments in respect of loan servicing where a foreign loan has been obtained, and
- the remittance of proceeds (net of all taxes), and other obligations in the event of a sale or liquidation of the enterprise or any interest attributable to the investment.

6.3 Investment in reconnaissance and exploration activities

Due to the quality of available geoscience data, potential investors may be required to conduct further reconnaissance and /or exploration work to determine the correct value of reserves in the allocated cadastre/block.

6.4 Provision of relevant infrastructure

Nigerian has huge infrastructure deficit, especially in the areas of power (i.e., electricity) and transport infrastructure (e.g. road and rail transportation). Most of the developed infrastructure are concentrated in the urban cities. In rural and outer-city locations, the required infrastructure is either non-existent, or not up to the standard required for mining operations.

It is incontrovertible that Government would be unable to successfully close the infrastructure gap, in view of mounting economic challenges. Therefore, every potential investor should consider, as part of the investment plan, the provision of requisite infrastructure to facilitate mining operations “from pit to port”.

6.5 General Security and host community engagement

In addition to Government’s efforts at securing lives and property, most extractive industries make independent arrangements to secure their facility and personnel. This is typically due to the remoteness of their operating sites.

Further, investors are well advised to have a robust corporate social responsibility plan that will address the needs of their host communities. Investments in provision of key infrastructure in host communities should be a priority. Local management is also expected to be close to the mine location, and be fully aware of the daily operations of the mines.

6.6 Proactively seek expert guidance

The process of navigating the business environment in Nigerian can be somewhat challenging. Therefore, potential investors are encouraged to engage the services of competent and knowledgeable local business advisers, to advise on appropriate investment vehicles to adopt, available incentives and financing options, and provide guidance with respect to all necessary permits and licences to be obtained, both at the Federal and State Government levels.

The Federal Government is current working to improve the ease of doing business in Nigeria. One of the proposals of the Government is the establishment of a one-stop investor kiosk, to facilitate the obtainment of all necessary registrations and approvals by foreign investors.



7. The Roadmap for growth and Development of the Sector

The Ministry of Mines and Steel Development (MMSD) released a road map for the development of the solid minerals and metals sector in August 2016. Whilst the aspiration of the Roadmap is build a world class minerals and mining ecosystem designed to serve a targeted domestic and export market for minerals and ores, its specific objectives can be summarised as follows:

- i. Improve the quality and availability of relevant geo-scientific data, for investment purposes.
- ii. Develop a strategy to boost the production and domestic utilization of industrial and energy minerals, as well as development of the steel subsector.
- iii. Improve the capabilities and governance structure of the regulatory institutions, and strengthening the regulatory framework for the industry.
- iv. Ensure stronger economic and political coordination of minerals and mining policy in Nigeria
- v. Attract junior exploration companies, and the majors into the sector by creating favourable business and operating environments.
- vi. Facilitate access to funds and extension services, to small scale and Artisanal miners.
- vii. Formalise the minerals market, and invest in minerals processing and certification.

- viii. Promote rapid infrastructure development to encourage the growth of the sector.
- ix. Rapid capacity building by Nigerians, to increase the level of their participation in the sector.

The roadmap identifies three key development phases for the achievement of the aspirations and objectives as follows:

- Phase 1 – Rebuild market confidence in the sector and win over domestic users of industrial minerals that are currently imported. The plan is to stimulate the domestic demand of these minerals and ores by deliberate import substitution strategies, and achieving strong economies of scale over time. This phase is projected to span two to three years.
- Phase 2 –Expand the domestic ore and mineral processing industries (i.e., the mid-stream subsector), through increased beneficiation. This phase will last about five to ten years.
- Phase 3 – Nigeria would return to global ore and mineral markets at a market competitive price point. This phase is expected to coincide with the next global commodity upswing.

Key provisions in the Roadmap include, but not limited to the following:

1. Communication Strategy

In order to facilitate the effective implementation of the Roadmap, the Ministry will ensure that all key stakeholders are carried along. In this regard, the roadmap recommends the following action steps:

- Formation of a centralized communication council to coordinate the creation and dissemination of all vital contents via right channels e.g. social media, website, newspapers etc. to stakeholders. The members of the Council would be drawn from the media personnel across the Mines and Steel Development MDAs to ensure that only appropriate personnel are selected.
- The Ministry would develop and disseminate a definitive source of data on the state of the industry which investors can rely on (a

single view of the Nigerian mining industry opportunities). Data can be drawn from its multiple agencies and departments. The single view should be updated periodically to reflect learnings from the field and other relevant information useful for both local and international investors.

- The Ministry and its team would place emphasis on providing messages aimed at providing succor to the needs of various stakeholders e.g. environmental protection, gender rights, regulatory stability etc.
- The MMSD would organize occasional town hall meetings to sensitize the mining communities on understanding the Roadmap and propagate the implications of its successful implementation to their communities.

2. The Mining Implementation and Strategy Team (MIST)

To ensure a sustained implementation of the plans detailed in the Roadmap, the Minister has created the Mining Implementation and Strategy Team (MIST), a programme management unit. The MIST will operate as the central coordinating team for the Roadmap and will be essentially responsible for leading its execution.

The MIST would not replace the Ministry and its departments, but would act as the delivery center for the Roadmap. The MIST will work alongside the Ministry to boost the participation of all stakeholders in owning, coordinating and implementing the Roadmap.

Membership of MIST will be drawn from different backgrounds in the sector, to ensure that it has strong expertise to navigate and coordinate the initiative. The MIST has a tenure of 10 years, to coincide with the duration of the Roadmap. This will ensure that the mission and objective of the document is not neglected when there is a change in leadership of the Ministry or in the Government of the day.

The timeline of key action items for executing the roadmap is attached as **Appendix 5**.

Appendix 1

STATES	REGION	TYPE AND NUMBER OF LICENCE						TYPE OF MINERALS LICENCED
		EL	ML	QL	QLS	SSML	SSSML	
Abia	South-East	8	0	19	19	6	0	Bentonite, Clay, Coal, Diorite, Dolomite, Granite, Gravel, Gypsum, Iron, Kaolin, Lead, Lignite, Limestone, Ore, River Sand, Sand, Shale, Uranium, Zinc
Adamawa	North-East	31	0	10	3	18	0	"Barite, Baryte, Basalt, Beryl, Carnalite, Coal, Cobalt, Columbite, Copper, Diamond, Gemstone, Gold, Granite, Graphite, Gypsum, Lead, Magnesite, Quartz, Sand, Sapphire, Shale, Silver, Tantalite, Tin, Topaz, Tourmaline, Zinc, Zircon
Anambra	South-East	7	0	11	15	28	0	Aquamarine, Cassiterite, Clay, Coal, Gold, kaolin, laterite, River sand, Sand, Sand Stone, Shale, stone, Talc
Akwa Ibom	South-south	1	0	3	1	0	0	Laterite, BSand
Bauchi	North-East	88	9	20	9	51	1	Amethyst, Beryl, Tourmaline, Aquamarine, Arsenic, Niobium, Cassiterite, Columbite, Baryte, Lead, Zinc, Bauxite, Copper, Beryllium, Sapphire, Garnet, Cassiterite, Granite, Chalcopyrite, Gold, Quartz, Tin, Wolframite, Topaz, Rutile, Basalt, Gemstone, Gypsum, Feldspar, Galena, Tantalite, Kaolin, Aggregates, Molybdenum, Iron, Iron Ore, Clay, Silver, Copper, Limestone, Leadore, Marble, Molybdenum, Rutile, Sand, Zircon, Tungsten, Mica
Benue	North-Central	47	5	4	2	40	0	Barite, Gemstone, Beryl, Baryte, Lead, zinc, Bentonite, Clay, Coal, Limestone, Laterite, shale, sandstone, copper, fluorite, granite, iron, Ilmenite, sand
Borno	North-East	7	1	3	1	1	0	Basalt, ash, pozzolana, cassiterite, columbite, feldspar, kaolinite, granite, iron ore
Crossriver	South-South	22	1	37	21	31	0	Lead, Zinc, Limestone, Baryte, Cassiterite, Columbite, Gold, Iron, Manganese, Tourmaline, Marble, Beryl, Quartz, Sapphire, Clay, Shales, Granite, Gravel, Sand, radioactive minerals, Mica, Feldspar, Amethyst, Kaolin, stone, Iron Ore, Bauxite, Copper, Beryl, Aquamarine, Topaz, Galena
Delta	South-South	2	1	7	9	16	0	Coal, Refractory, Clay, Sand, Laterite, Granite
Ebonyi	South-East	61	11	48	20	26	1	Iron, Gypsum, galena, Tin, Tantalite, Ore, Granite, stone, Dolomite, Limestone, Dolomite, Limestone, Beryl, Sand, Baryte, Shale, Zinc, Lead, Dolomite, Coal, Gypsum
Enugu	South-East	27	7	2	4	6	0	Coal, Limestone, Clay, Sand, Shale, Iron Ore, lignite, Tantalum, Zinc, Granite, Gravel, Tourmaline, Lead, Zinc, Silica Sand, Gypsum, Coal
Edo	South-South	41	9	90	39	45	0	Limestone, Tourmaline, Gold, Kaolin, Gypsum, Bentonite, Coal, Granite, Laterite, sand, Clay, Lignite, Marble, Dolomite, Beryl, Marble, Copper, Silver, Zinc, Laterite, Kaolin, Iron Ore, Feldspar, LIGNITE, Lead, Quartz, gold, Lead, Cassiterite, Sand, Talc, Wolframite, Tantalite, Precious Stone, Diorite, Gravel, Aquamarine
Ekiti	South-West	7	0	5	2	21	0	Lithium, Gemstones, Tantalite, Cassiterite, Tourmaline, Mica, Columbite, Gold, Quartz, Aquamarine, Granite, Gravel, Sand, Gemstone, Feldspar, Kaolin, Laterite, Clay, Beryl, Tourmaline
FCT	North-Central	7	3	62	37	8	0	Lead, Zinc, Coal, Gravel, Silver, Copper, Gold, Iron, Tin, Columbite, Marble, Granite, tantalum, Laterite, sand, Tourmaline
Gombe	North-East	17	6	8	7	16	0	Dolomite, Limestone, Coal, Gypsum, Feldspar, Iron Ore, Kaolin, Lead, Zinc, Manganese, Clay, Shale, Gypsum, Granite, Sand, Laterite, Bentonite, Copper, Kaolin, Bentonite, Sphalerite, Baryte, Beryl, Tourmaline
Imo	South-East	5	0	1	6	10	0	Clay, Kaoline, Coal, Lignite, Laterite, Sand, Gravel
Jigwa	North-West	13	0	17	5	2	0	Gold, Kaolin, Copper, Iron Ore, Tin, Columbite, Topaz, Silica Sand, Gold, Silver, Rutile, Baryte, Granite, Copper, Clay, Lead, Zinc, Gemstone

Kaduna	North-West	97	9	111	82	141	0	Granite, Gold, Lead, Tin, Silver, Tourmaline, Copper, Cassiterite, Manganese, Iron, Graphite, Tantalite, Gemstone, Wolframite, Sand, Gold, Beryl, Columbite, Tin, Beirut Quartz, Tantalum, Silver, Nickel, Vanadium, Cobalt, Gemstone, Lead, Amethyst, Cassiterite, Columbite, Aquamarine, Gold, Beryllium, Limestone, Lead-Zinc, Iron, Laterite, Rutile, Beryllium, Tungsten, Sapphire
Kano	North-West	23	2	56	21	47	0	Wolframite, Niobium, Tin, Amethyst, Garnet, Gold, Chromite, Gold, Beryl, Tourmaline, Aquamarine, Copper, Manganese, Cassiterite, Columbite, Lead, Iron Lead, Zinc, Silica Sand, Granite Blocks, Clay, coal, Laterite, Marble
Kastina	North-West	37	0	10	9	13	0	Titanium Oxide, Gold, Diamond, Tourmaline, Copper, Feldspar, Beryl, Chromium, Koline, Iron Ore, Tin, Columbite, Tantalite, Iron Ore, Manganese, Nickel, Barite, Gemstone, Wolframite, Beryl, Gold, Lead, Zinc, Talc, Tantalum, Cassiterite, Rutile, Silver, Clay, Sand, Granite, sand, Tourmaline, Laterite, Silver, Quartz
Kebbi	North-West	44	3	4	0	19	0	Gold, Copper, Iron, Manganese, Limestone, Columbite, Lead, Bentonite, Silver, Platinum, Kaoline, Refractory, Clay, Granite, Rutile, Tin, Marble
Kogi	North-Central	163	25	35	17	40	0	Clay, Feldspar, Gold, Kaolin, Iron Ore, Coal, Beryl, Tin, Columbite, Tourmaline, Lead, Quartz, Zinc, Limestone, Precious stones, Tantalum, Marble, Precious stones, Gold, Tantalite, Shale, Wolframite, Granite, iron, Claysand, Gypsum, Dolomite, Magnetite, Kaolin, Cassiterite, Tantalum, Lignite, Clay, Barium, Bauxite, Coal, Manganese, granite, Laterite
Kwara	North-Central	54	1	19	18	22	0	Columbite, Beryl, Kaolin, Marble, Gold, Iron, Tourmaline, Zinc Ore, Tin, Niobium, Tantalum, Cassiterite, Copper, Tin, Wolframite, Gemstone, Talc, Feldspar, Limestone, Marble, Quartz, Talc, Aquamarine, Emeralds, Dolomite, Gold, Iron Ore, Kaoline, Niobium, Granite, clay, sand, Quartz, Mica, Tantalite, Ruby
Lagos	South-West	0	0	33	78	8	0	Sand, limestone, Granite, Laterite, Clay, Gelena
Nasarawa	North-Central	124	10	81	33	87	0	Lead-Zinc, Barite, Columbite, Tin, Antimony, Baryte, Copper, Lead, Gold, Wolframite, Marble, Iron, Shale, Clay, Coal, Tantalite, Cassiterite, Beryl, Tourmaline, Gemstone, Lithium, Feldspar, Quartz, Iron, Marble, Beryllium, gold, Zinc Silver, Platinum, Chalcopryite, Galena, Graphite, Bentonite, Kaoline, Emerald, Limestone, Gypsum, Aquamarine, Wolframite, Zircon, Niobium, Gemstone, Limestone, Metallic Minerals, Non-metallic Minerals, Rubidium, Tantalum, Sand, Talc, Sapphire, Fourmaline, Baryte, Chalcopryite, Molybdenum, Niobium Ruby, Emerald, Amethyst, Smoky
Niger	North-Central	221	3	36	18	67	0	Gold, Copper, Silver, Cassiterite, Tin, Columbite, Tourmaline, Ilmenite, Manganese, Lead, Wolframite, Beryllium, Tantalum, Tungsten, Tantalite, Gemstone, Lead, Zinc, Kaoline, Diamond, Beryl, Topaz, Iron, Platinum, Aquamarine, Granite, Manganese, Shiro, Iron-Ore, Manganese, Talc, Quartz, Tourmaline, Tungsten, Sand, Wolframite, Emeralds, Bauxite, Kaolin, Feldspar, Sand, Sapphire, Mica, Topaz, Beryl, Cassiterite, Lithium
Ogun	South-West	40	14	93	52	38	0	Bitumen, Tar sand, Limestone, Quartz, Gypsum, Clay, Sand, Laterite, Phosphate, Limestone, Gold, Shale, Granite, Kaolin, Feldspar, Gemstones, Tourmaline, Aquamarine, Paladium, Platinum, coal, Red shall, Red Alluvial, Gravel, Kaoline, Phosphate, Quartz, Basalt, Gold
Ondo	South-West	12	0	50	13	22	0	Bitumen, Tar, sand, Amethyst, Beryl, Feldspar, Mica, Tourmaline, Zircon, Granite, Limestone, Gypsum, Iron Ore, Corundum, laterite, Manganese, Sand, Gemstone, Gold, tourmaline, Iron Ore, Zinc, Kaoline, Gravel, Feldspar, Monazite, Ruby, Amethyst, Aquamarine

Osun	South-West	51	6	24	8	23	0	Gold, Cassiterite, Tourmaline, Beryl, Granite, Feldspar, Lithium, Mica, Aquamarine, Sapphire, Niobium, Wolframite, Columbite, Copper, Tin, Gold, Iron ore, Beryl, Granite, Sand, Gravel, Talc, Gemstone
Oyo	South-West	72	4	51	22	93	0	Gemstones, Tourmaline, Sappire, Gold, Tantalite, Cassiterite, Galena, Tourmaline, Beryl, Amethyst, Iron Ore, Niobium, Tin, Columbite, Aquamarine, Sappire, Gold, Aquamarine, Topaz, Tantalite, Tin, Columbite, Cassiterite, Niobium, Lithium, emerald, koaline, laterite, Tantalum, Gold, Copper, Chromite, Niobium, Feldspar, Talc, Marble, Niobium, All Minerals, Sand, Quatz, Beryllium, Mica
Plateu	North-Central	157	57	9	2	41	0	Kaolin, Tin, Sand, Galena, Zinc, Copper, Lead, Columbite, Silver, Gold, Tourmaline, Magnitite, Topaz, Amethyst, Beryllium, Zinc, Cassiterite, Lead-Zinc, Iron Ore, Gypsum, Kaolin, Galena, Shalreite, Feldpar, Baryte, Basalt, Bauxite, manganes, Zinc, Bentonite, Wolframite, Clay, Tin, Illeminite, Zircon, Monazite, Gemstones, Topaz, Quartz, Amethyst, Beruth
Rivers	South-South	0	0	2	3	1	0	sand
Sokoto	North-West	32	8	0	1	4	0	Gold, Copper, Iron, Limestone, Gypsum, Phosphate, lead, zinc, baryte, Sand, Granite
Taraba	North-East	52	4	9	2	24	0	Lead, Zinc, Baryte Sapphire, Gold, Tin, Columbite, Bentonite, Barite, Aquamarine, Topaz, Graphite, Tourmaline
Yobe	North-East	21	2	3	1	5	0	Gypsum, Iron Ore, Gold, Limestone, Granite, Laterite, Manganese
Zamafara	North-West	196	10	13	4	32	0	Gold, Iron, Copper, Mangane, Baryte, Bismuth, Lead, Zinc, Cassiterite, Tourmaline, Precious Stone, Wolframite, Lead, Chromium, Columbite, Nickel, Quartz, Copper, Tin, Tantalum, Beryl, Silver, Platinum, Gemstone, Manganese, Ilmenite, Iron Ore

Appendix 2

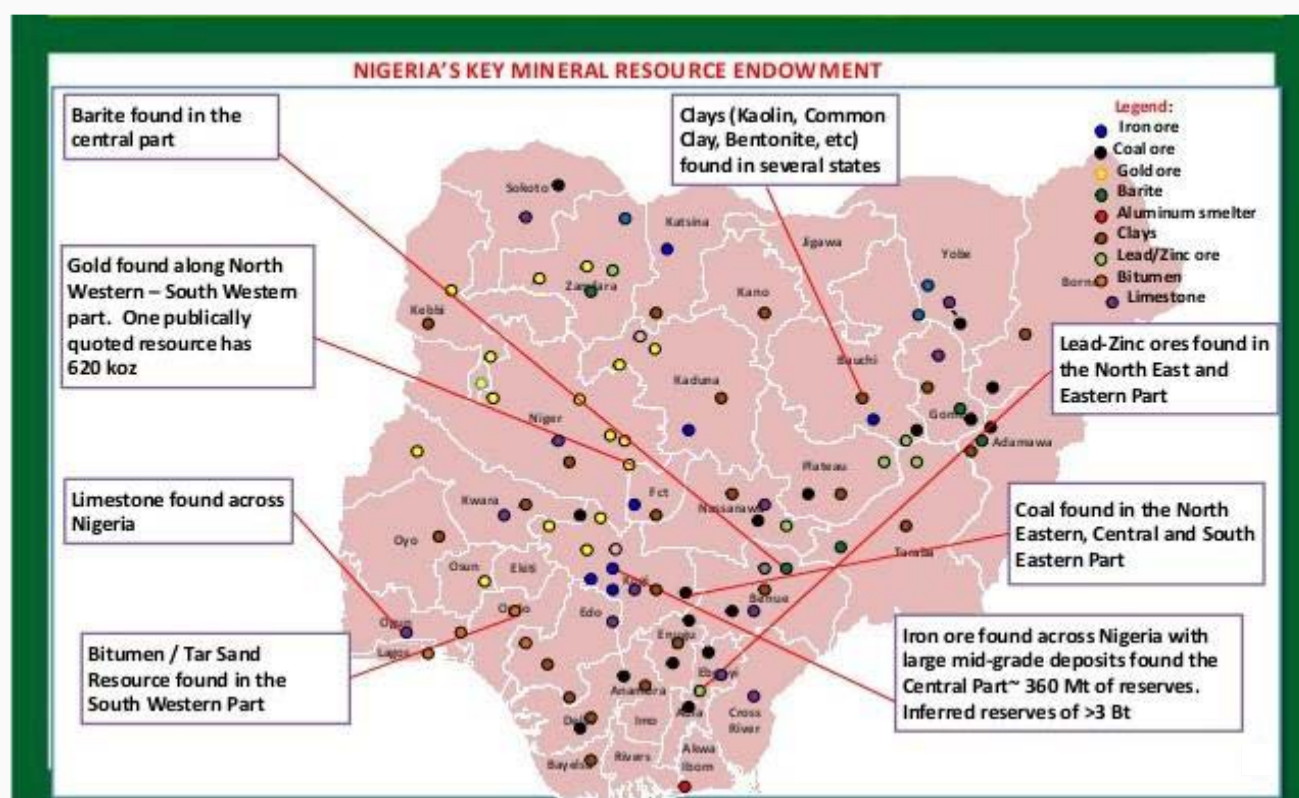
Priority Minerals/Metals

Mineral	Type	Use	Unit	Estimated Production	Reserve	
					1P	2P
Coal/Lignite	Energy	Power Generation	MT	40K	639M	1.1B to 2.7B
Lead/Zinc	Base/Rare	Industrial	MT	600K	5M	10M
IronOre	Ferrous	Industrial	MT	70K	3B	10B
Gold	Precious	Various	Ounce	140K	600k	1M to 200M
Bitumen	Energy	Industrial	Barrels	0	1.1B	27B
Baryte	Industrial	Industrial	MT	20k	111K	15M
Limestone	Industrial	Industrial	MT	11M	568M	2.3T

Source: Ministry of Mines and Steel

MT	Metric Tonnes
K	Thousand
M	Million
B	Billion
T	Trillion

Appendix 3



Source: The Ministry of Mines and Steels Development (MMSD)

Appendix 4

List of other Regulatory Agencies

S/N	Name
1	Nigerian Investment Promotion Commission (if foreign shareholders are involved)
2	Federal Ministry of Interior/Nigerian Immigration Service (for business permits and expatriate quota approvals, if required)

Appendix 5

Timeline of key action items for executing the roadmap

Immediate	Short-term	Medium-term	Long-term	Ongoing
0-6 months	6 months-2 years	2-5 years	5-10 years	To refresh regularly
<ul style="list-style-type: none"> Launch roadmap and begin communication campaign to generate industry buy-in Set up Mining Implementation and Strategy Team (MST) to drive execution of the road map Design/establish process for strategic planning for long-term development Begin active communication and promotion of road map with stakeholders Finalize review of key industrial assets and prepare them for strategic turnarounds Identify gaps in existing training programs and suggest changes. 	<ul style="list-style-type: none"> Develop strategies to utilize priority minerals domestically and substitute exports Restructure and reorganize the MSMD for more efficient operations Create new "super Regulatory Agency" Improve regulatory clarity on powers and duties of MDAs in mining and establishing clear fiscal frame work for state participation Incentivize financial participation of communities in mining Actively drive the formalization of ASMs Expand coverage resolution of, and access to geosciences data in Nigeria Strengthen the financial and business climate 	<ul style="list-style-type: none"> Work with National and State Legislatures and governments to address gaps and conflicts in governing legislation Deepen engagement of communities in mining Develop and harmonize (financial) incentives for attracting mining majors and juniors to Nigeria Encourage forward integration of mining and exploration companies into downstream operations Build local technical/ managerial skills and capabilities required in the industry Promote gender equality and female participation in the sector Catalyse investment in infrastructure 	<ul style="list-style-type: none"> Drive the development and expansion of supporting infrastructure for mining (e.g. power generation, transportation) Invest in educations of citizens of mining communities Drive the growth of export of value-added mining products Encourage the formation of private minerals and metals exchanges to increase trading liquidity Entrench gender equity and eliminate the exploitation of child labour Deepen financial services expertise and access to funds to drive sector growth 	<ul style="list-style-type: none"> Invest in tools and trainings required to effectively service delivery by the MSMD and its agencies Enforce established laws and regulations governing the mining sector Work with other MDAs involved in the sector to coordinate policies, regulations and their implementations Work with state governments to build and maintain an enabling environment for the mining sector Provide trainings and extensions services for ASMs to improve their productivity Reinforce geoscience technical and research capabilities to drive investments

Source: Roadmap for the growth and development of the Nigerian Mining Industry (2016)

Appendix 6

Requirements for Application for Mineral Titles

Mining Lease (ML)

Pre-grant conditions:

- Duly completed application forms
- Pre-Feasibility Report (with COMEG seal and signature)
- Prospective plan / reserve estimation
- Extant exploration licence
- Evidence of financial capability
- Evidence of technical competence
- Irrevocable consent from land owner(s) / land occupiers(s)
- Attestation of non-conviction of criminal offences under the Act
- Evidence of payment of processing fee
- Certified true copy of certificate of incorporation
- Mineral(s) to be exploited
- Area specified to be surveyed in accordance with provisions of Survey Co-ordination Act
- Notice to land owner(s) with a response on rate to be paid

Post-grant Conditions

- Environmental Impact assessment
- Community Development Agreement. A copy to be submitted to the MCO and all relevant departments in the Ministry
- Compensation
- Mine closure / rehabilitation plan
- Reports from state bodies

Quarry Lease / Small scale mining lease (QL / SSML)

Pre-grant conditions

The same conditions as ML will apply with the exception of the two below:

- Prospecting plan / reserve estimation
- Extant exploration licence

Post-grant conditions

See conditions under ML

Exploration Licence

Pre-grant conditions

In addition to the mining pre-grant conditions, there is a requirement to submit a detailed work program (with COMEG stamp signature)

Reconnaissance Permit

Pre-grant conditions

- Duly completed application forms
- Description of the work area and activities to be carried out
- Attestation of non-conviction of criminal offences
- Receipt of payment of processing fee
- Evidence of technical competence
- Evidence of financial capability

Contact us

For information on any aspect of the Nigerian mining sector, please contact any of the following:

Adewale Ajayi

Partner

Tax Regulatory & People Services

T: +1 713 319 2802

M: +234 803 402 1014

E: adewale.ajayi@ng.kpmg.com

Ayo Luqman Salami

Partner

Tax Regulatory & People Services

T: +234 1 271 8940

M: +234 803 402 1015

E: : ayo.salami@ng.kpmg.com

Olufemi Babem

Senior Manager

Tax Regulatory & People Services

T: +234 1 271 8944

M: +234 803 975 4131

E: olufemi.babem@ng.kpmg.com

Nike Oyewolu

Senior Manager

Markets

T: +234 1 271 8953

M: +234 803 402 1034

E: nike.oyewolu@ng.kpmg.com

kpmg.com/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2017 KPMG Advisory Services, a partnership registered in Nigeria and a member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Designed In Nigeria.

Publication name: Nigerian Mining Sector Brief