

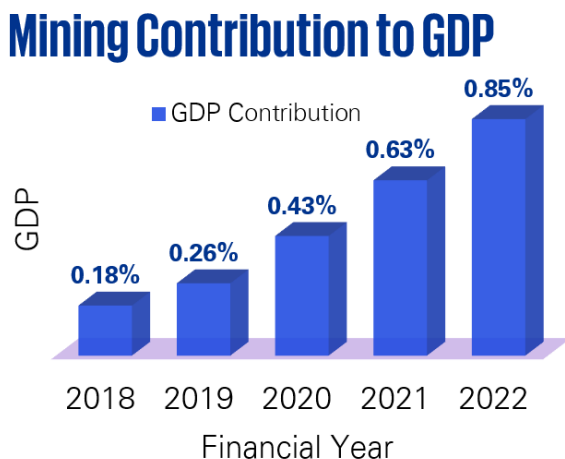
Nigerian Mining Sector Watch

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Introduction

Nigeria currently boasts of over forty-four (44) priced solid minerals in the mining space, with huge deposits scattered over different parts of the country. However, the contribution of this sector (with such huge potentials) to the gross domestic product (GDP) of the country remains surprisingly abysmal.

Nigeria's GDP grew by 3.52%¹ (year-on-year) in the fourth quarter of 2022. The Nigerian Mining Sector ("the Sector") also witnessed growth in its contribution to the Nation's GDP, having contributed 0.85% in 2022 (2021: 0.63%), representing a 32% year on year growth over 2021². Interestingly, the Sector has witnessed sustained growth to the GDP over the last five (5) years, as depicted in the chart below:



Evidently, the policies and strategies being employed by the current administration have been effective in reviving the Sector over the period. However, more efforts are required to set the Sector on a faster growth trajectory, to compete with that of the oil and gas sector, as the

main revenue earner for the country and facilitate our diversification agenda.

This newsletter highlights some of the notable recent developments in the Sector and our views on their overall impact on the economy.

FG Launches the National Geodata Centre

In fulfilment of the FG's promise made in 2021³, the Minister of Mines and Steel Development recently unveiled the National Geodata Center (NGC), located at the Nigerian Geological Survey Agency (NGSA) with an arm at the National Steel Raw Material Exploration Agency (NSRMEA). The electronic data facility is expected to enhance the ease of online access to appropriate (reliable and up to date) geological reports and data about mineral reserves and / or deposits in the country. The facility, which can be viewed as an "electronic geodata bank" is aimed at boosting investment decisions, research, and the overall ease of doing mining business in the country.

This initiative is highly laudable, given that reliable geological data is the foundation of any mining investment. We commend the Ministry on achieving this feat. The NGC will no doubt increase the attractiveness of the Sector to both foreign and local investors, act as a driver for economic diversification, and assist in creating a globally competitive sector.

We advise that the Ministry of Mines & Steel Development (MMSD) should embark on an enlightenment campaign to create awareness about the features and benefits of the NGC to potential investors within and outside Nigeria.

¹<https://nigerianstat.gov.ng/elibrary/read/1241288>

²<https://nigerianstat.gov.ng/resource/Q4%20GDP%202022%20Fn.xlsx>

³<https://punchng.com/fg-to-establish-nigeria-geo-data-centre/>

Update on the Concessioning of the Ajaokuta Steel Company (ASC)

The bid review and eventual selection of the concessionaire for the ASC was planned to be completed by March 2023. However, a Kogi State High Court sitting in Lokoja (the state capital), recently ordered the FG to desist from proceeding with the concession of the ASC and the National Iron Ore Mining Company (NIOMCO) at Itakpe. The case, which was instituted by the Attorney General (AG) of the State, sought for enrolment order of the court stopping the government from continuing with the concession process.

The Appellant claimed that he has a prima facie case on a claim of right to the 5th and 6th defendants in the case (i.e., ASC and NIOMCO) and that except the court intervenes to prevent the defendants from proceeding with the concessioning of the companies, his right and interest will be extinguished completely⁴.

The court, having considered the representations made by the appellant, granted an order, restraining the defendants from proceeding with the concessioning of the ASC and NIOMCO and / or from doing anything whatsoever connected or incidental thereto, pending the hearing and determination of the Motion.

In a similar move, the Nigeria Union of Mines Workers (NUMW or “the Union”) urged the current administration to, as a matter of national interest, suspend the intended concession process of the ASC and NIOMCO on a Public Private Partnership (PPP) model, stressing the need for

adequate and comprehensive due diligence process by the relevant government agencies before proceeding with the concessioning. The Union advised the FG not to embark on a hasty concessioning process to avoid making similar mistakes as was with Global Steel Holdings Limited in 2005.

Another advocacy group, Kogi Heritage Protection Advocacy (KHPA or “the Group”), has also requested the Bureau of Public Enterprises (BPE), the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices Commission (ICPC), the Infrastructure Concession Regulatory Commission (ICRC), the leadership of the National Assembly and other concerned Civil Society Organizations to reign in to halt the concession plans by the Federal Government on both the ASC and NIOMCO, in the interest of the future of Nigerians. In the Group’s view, the concessioning process has not been subjected to thorough legislative procedures. In addition, the Group claimed that inputs from major stakeholders such as the Infrastructure Concession Regulatory Commission (ICRC), the Manufacturers of Association of Nigeria (MAN) and even the host communities, among others, were not sought.

Interestingly, the arguments of the AG of Kogi State, the Union and the advocacy group border on the FG not following due process before proceeding with the re-concessioning. Whether their arguments are valid or not, it is imperative for the FG to engage in further consultation with all key stakeholders to ensure that the former’s intentions are well understood, and that final decision reflect the most expedient and practical way forward for the ASC and NIOMCO.



⁴<https://guardian.ng/news/court-bars-fg-from-concessioning-ajaokuta-steel-itakpe-iron-ore-mining-coys/>

Federal Executive Council Approves New Bill to Replace Nigerian Minerals & Mining Act, 2007

The Federal Executive Council (FEC) on 5 April 2023, approved a draft amendment of the Nigerian Minerals & Mining Act ("the Act"), 2007 - the principal legislation regulating the mining of solid minerals in Nigeria. The new Bill i.e., the Nigerian Minerals & Mining Bill 2023 (the Bill); has been sent to the National Assembly for initial review and is intended to replace the old law when enacted.

Overtime, key stakeholders in the Sector have been clamoring for the amendment of the dated Act, which has been in effect for about 16 years. The Act is misaligned to current realities, and some of its provisions are potentially conflicting with those of the extant tax laws, thereby reducing the Sector's attractiveness to potential investors. Thus, the plan for a new law is a welcome development.

It is hopeful that the Bill would witness an accelerated review and enactment process to enable it to become law before the exit of the current administration on 29 May 2023, so that it does not become one of such bills presented to the National Assembly but abandoned mid-way through the legislative process.

We will express our views on the Bill via a special newsletter shortly.

FG Conducts Mineral Clinics

The FG, through the NGSA recently conducted mineral clinics across the country. The exercise was aimed at creating awareness, sensitization and dissemination of geoscientific data to investors, academia, students and all stakeholders about various solid mineral deposits in the country as well as responding to inquiries from the public.

The clinic provided an interactive avenue intended for identifying and addressing important problems inherent in the Nigerian minerals and metals industry, including security challenges, lack of geosciences data and expensive exploration efforts, among others.

Undoubtedly, the mineral clinic is a welcome development and should not be a one-off exercise. Such fora should be held frequently, as it affords stakeholders and the government to meet and deliberate on pertinent issues affecting the Sector, which are capable of impacting its growth or otherwise.



Nigeria Set to have First Investor Built Lithium Processing Plant

Following the discovery of high-grade lithium deposits in Nigeria, several investors and mining companies have expressed interest in mining the mineral, with the most notable investor being Tesla. However, Tesla's bid to purchase raw lithium from the parties was rejected by the FG, as it appeared that both parties' goals were misaligned. While Tesla, we understand, was interested in off-taking the raw mineral, the FG's preference was for any interested investor to set up processing plants in the country, in other for Nigeria to benefit from the entire mining value chain, end-to-end⁵.

The FG's position is consistent with the provisions of the "Nigeria Mineral Value Chain Regulations, 2021 ("the Regulation")" introduced by the FG in July 2021. The Regulation is primarily aimed at boosting the country's revenue through the local development (processing and refining) of raw materials into refined products before export. This is to encourage value addition within the local economy and to demand better pricing of the output by foreign off-takers.

However, subsequent to the aborted deal with Tesla, China's Ming Xin Mineral Separation Nig Ltd. (MXMS) has been selected to build the country's first lithium-processing plant in Kaduna State, with a plan to manufacture batteries for electric vehicles (EVs) in country. Kaduna and seven other states in the country are currently blessed with lithium deposits in commercial quantities.

Future minerals like lithium (and tantalite) present the Sector with a novel and unique opportunity to evolve and for Nigeria to achieve its diversification objectives, especially as the world shifts to cleaner energy options. Nigeria should also, as a matter of urgency, enact laws and implement policies to control exploration, production and exportation of lithium in the country, including but not limited to, policies aimed at mitigating the harmful effects of mining the mineral to the environment. Furthermore, it is high time Nigeria firmed up its local content laws for the benefits of indigenous players in the Sector.

⁵<https://thenationonline.ng/why-nigeria-rejected-telsas-bid-to-mine-raw-lithium/>



AFC Partners with SMDF on Nigeria's \$700b Mining Sector

Following the successful flagship investment of Africa Finance Corporation (AFC) in the first commercial scale gold mining project in Nigeria, the AFC, the Nigerian Mining Sovereign Wealth fund and the Solid Minerals Development Fund (SMDF) recently entered into an alliance with the sole aim of expediting commercial-scale, private sector-led mining projects by providing the necessary funding and technical advisory.

We understand that the AFC and SMDF has signed a memorandum of understanding (MOU) under which

both parties will co-develop mining projects to mitigate risks that would otherwise have hindered financing, to drive viability. It is understood that the alliance will focus on precious metals and minerals critical to the global energy transition. However, only projects that have completed their pre-feasibility studies and secured relevant government and regulatory permits are eligible for funding consideration.

We believe that the partnership amongst these three known and respected organizations to jump-start the development of mining projects in the country is a welcome development. Hopefully, this should provide the necessary impetus for investors to leverage, to overcome their funding and technical needs.

Conclusion

We commend the current administration and the leadership of the MMSD for implementing policies that have seen the growth of the Sector, year on year, notwithstanding the inherent challenges faced by the operators. The Sector still embeds great potential to boost economic development, diversification and industrialization. However, the realization of these goals hinge on the FG's continued political will to revamp the Sector and avail it with the requisite machinery to function effectively.

The FG's commitment to sustainable growth in the Sector can be further demonstrated through the provision of accessible and affordable funding, expediting the amendment to mining laws, regulations and policies, access to reliable geodata, provision of tax incentives and / or rebates, and enhancement of security measures to safeguard mining operations.

Given the imminent change in administration by 29 May 2023, it is unlikely that much can still be accomplished by the current administration, except the pending Bill is given an accelerated hearing by the National Assembly and passed into law before the hand-over date. Consequently, the incoming administration would have to build on the foundation laid by the current administration and the gains already realized to ensure that the established growth trajectory in the Sector is sustained.

With steady and concerted efforts, the Sector stands a chance of becoming the engine that will drive the Nigerian economy to prosperity in the near future.



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