

Solid Minerals

...mining our way to economic freedom.



Overview

The commercial value of Nigeria's solid minerals has been estimated to run into hundreds of trillions of dollars. It has also been estimated that Nigeria loses about \$40 billion annually in unexploited gold alone. The domestic mining industry is underdeveloped, currently accounting for only 0.5 percent of Nigeria's GDP, and leading to the importation of commodities that can be produced locally.

An audit report released by the Nigeria Extractive Industries Transparency Initiative (NEITI) on the solid minerals sector, showed that a single company, Dangote Group, generates more mineral resource revenue for the government than the rest of the nation put together.

With the global decline in oil prices, Nigeria is seeking to diversify its economy by building a stronger revenue base that would require a stronger performance of the solid minerals sector.

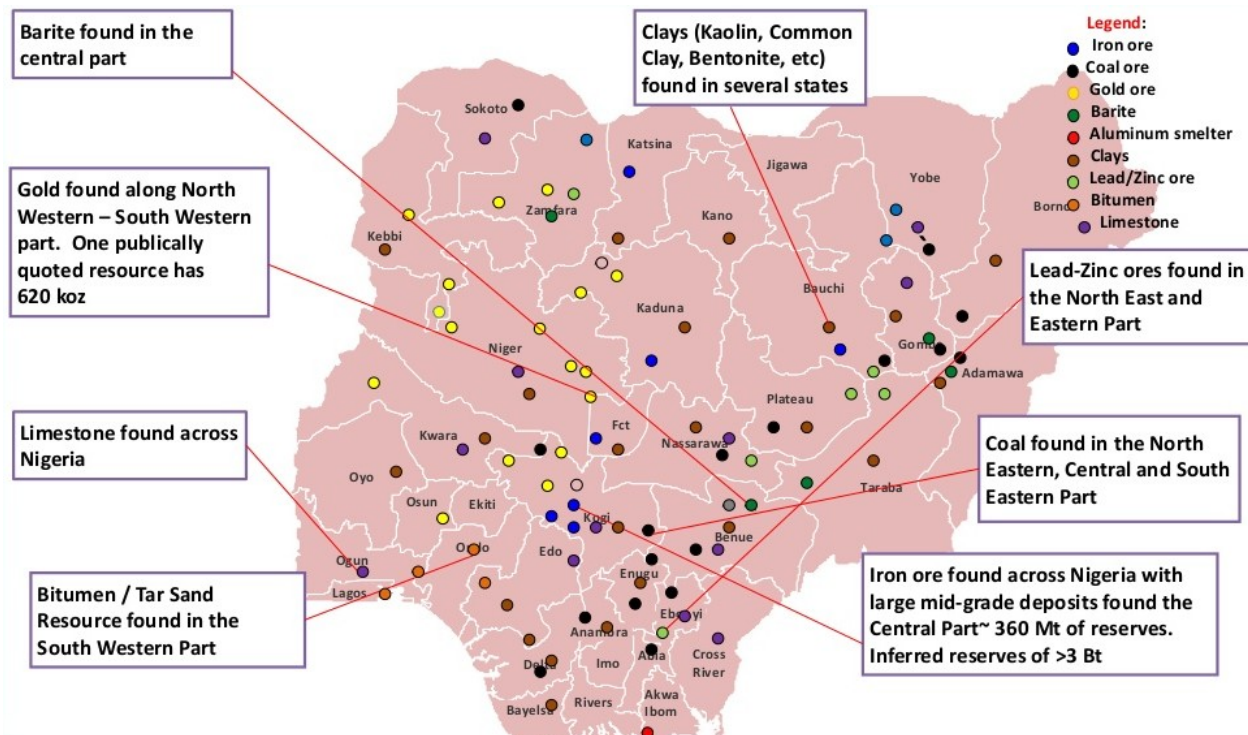
Solid Minerals in Nigeria

Solid mineral deposits are scattered all over Nigeria. They include:

- Lead-zinc Ores
- Tin
- Niobium
- Lead
- Gypsum
- Limestone
- Manganese
- Magnesite
- Coal
- Wolframite
- Silver
- Diatomite
- Ilmenite-rutile
- Kyanite
- Clay
- Columbite
- Ilmenite
- Mica
- Barytes
- Pyrite
- Galena
- Sodium chloride
- Sphalerite
- Silica sand
- Granites
- Tantalite
- Sphalerite
- Talc
- Quartz
- Marble
- Heliodor
- Gemstone (Tourmaline,
- Aquamarine and Sapphire)
- Chalcopyrite
- Topaz
- Tantalite
- Emerald
- Amethyst
- Cooking coal
- Iron ore
- Kaolin
- Calcite
- Copper ore
- Beryl
- Gold
- Garnet
- Bismuth
- Wolframite

Nasarawa State in the North has been described as Nigeria's home of solid minerals as it is endowed with a large number of solid mineral deposits

Map of Nigeria Showing Geographical Distribution of Some Solid Minerals



Source: Ministry of Solid Minerals Development (former Ministry of Mines and Steel Development)

Investment Opportunities

Mineral Prospecting and Mining

Although Nigeria is blessed with an abundant amount of diverse mineral resources, not all the minerals are available in commercial quantities. As part of the strategies to reform the sector, the Ministry of Solid Minerals Development (MSMD) has identified seven strategic minerals, namely: **Coal, Bitumen, Limestone, Iron Ore, Barites, Gold** and **Lead/Zinc** for priority development.

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 in these regions is put at a total of 396 million metric tons, while the unproven reserves are estimated to be in the region of 1,134 million tons.

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) are 16 billion barrels, while that of tar sands and heavy oil is estimated at 42 billion barrels. The probable reserve of bitumen and heavy oil in the entire tar sand belt is expected to double the reserves in Ondo State. The bitumen belt has been marked out into six blocks with an average of 600 sq 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 tar sands, and sulphur and phenol

can be derived from these crude grades. They are also suitable for production of lubricants for plain and roller bearings.

Limestone: The largest and purest deposits of lime stone 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 tones. Most limestone mining activities are mainly for cement production. Rich ore constitutes more than 4.5% of the total reserves with medium grades estimated at 85.4% and lean ore at 13.1%. Although Nigeria has about 52 mineral resources across the country, limestone is estimated to be responsible for about 52 percent of solid mineral production. This is as a result of the thriving cement manufacturing industry in Nigeria.

Barites: In a survey carried out by the Nigerian Geological Survey Agency, proven reserves for Benue and Nasarawa States (central region of Nigeria) have been estimated at 111,000 tons while the estimated probable (unproven) reserves across the country, where mining is considered viable, is estimated at 21,123,913 metric tons. Barite is suitable for glass, paint, and paper making. Also, it is used in petroleum well drilling.

Lead-Zinc: Lead-Zinc ores are usually found together. They are often associated with copper and silver. Lead-Zinc is found in the northeast and southwest. They occur in commercial quantities in the northeast and central region of Nigeria. The estimated reserve is well over 100,000 tons of lead and 80,000 tons of zinc. Lead-zinc ores are used in the production of batteries, electrical cables, solders glass and even protective coatings for other metals.

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 50,000 ounces of high quality gold. Till date, over 30 licenses 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.

Processing

There are a great number of investment opportunities in the processing of solid minerals in Nigeria. The lack of processing facilities in Nigeria is a situation that can be leveraged on by investors.

Equipment Sales and Rental

As the mining industry in Nigeria is a growth industry, there is going to be an increased demand for the requisite equipment. There are currently very few players in this space, and this presents an opportunity to investors.

Mineral Ore Sales

There is a ready local and international market for mineral ores. The international market is mostly controlled by China, and can yield high profits for an investor.

Consultancy

There are also opportunities for professionals that have acquired expertise in the mining industry. Services like geological survey, preparation of feasibility study, securing mining sites and license, equipment procurement, securing export contract, among others, can be rendered in the industry. There are also opportunities for business consulting or advisory services.

Guidelines on Mineral Titles Application

Types of Mineral Titles and Licenses

A mining title can be granted to an individual, a company or a co-operative. The grant of exploration license or mining lease could be by competitive bidding or on individual request. In competitive bidding, the government consolidates various mineral locations into blocks, and offer the blocks for sale to international and local 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 types of licenses and leases that could be granted are as follows

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.
2. Exploration License (EL) – The license 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 200 sq. km consisting of one contiguous polygonal area.
3. Small-Scale Mining Lease (SSML) – The license is awarded to individuals, incorporated companies, mining co-operatives and holder of exploration license 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. Mining Lease (ML) - The license 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.
5. Quarry Lease (QL)– The license 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 quarriable mineral specified in the lease. The quarry area is less than or equal to 5 sq. km.

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 license granted. An individual or a company can make an application to the MCO for a license to explore for a particular mineral of interest. The permit is issued only for mineral title purposes.

Applicable Incentives

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

1. Under the Mining Act

- Tax holiday for an initial period of 3 years from commencement of operations and renewable for additional 2 years.
- 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.
- 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.
- 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 the event of sale or liquidation of the business.
- 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.
- 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.
- 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.
- Accelerated Capital Allowance on mining expenditure (95% initial allowance and retention of 5% until asset is disposed.
- 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.
- 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 qualified person.

2. Under CITA

- A new company engaged in mining activities shall be exempted from tax for the first three years of its operation.
- The profits earned by a mining company after the initial tax holiday period may be exempted from income tax under the following circumstances:
 - a) 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.
 - b) 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.

- Potential exemption of interest on foreign loan from income tax, subject to the conditions stipulated under CITA.
- Where a mining company records a turnover below N1million within the first five years of commencement of business, it will be liable to tax at the rate of 20%.
- Grant of Investment Allowance of 10% on qualifying plant and machinery.
- 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.

Regulatory Bodies and Legislation

1. Ministry of Solid Minerals Development: The administration of the mining industry is vested in the Ministry of Solid Minerals (MSMD), operating through the following four departments:
 - a) Mines Inspectorate Department
 - b) Mines Environment and Compliance
 - c) Mining Cadastre Office
 - d) Artisanal and small-scale Mining Department
2. Geological Survey of Nigeria Agency
3. The Nigeria Extractive Industry Transparency Initiative
4. Nigerian Investment Promotion Commission (NIPC)
5. Nigerian Export Promotion Council (NEPC)
6. Corporate Affairs Commission (CAC)
7. The Federal Inland Revenue Service (FIRS)