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#### **THE ROLE OF GOVERNMENT IN DRIVING THE GROWTH OF THE MINING INDUSTRY**

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*Vivian Nwobi*

#### **INTRODUCTION**

In the past, the mining sector did not contribute much to the growth of the Nation's Gross Domestic Product (GDP). The reason for the low production and low output of the

#### **LEGAL QUOTES**

The lawyer's truth is not Truth, but consistency or a consistent expediency.

- Henry David Thoreau (1817-1862)  
*American naturalist, poet and philosopher*

In a state where corruption abounds, laws must be very numerous.

- Publius Cornelius Tacitus (55-117) *Roman historian.*

mining sector was directly related to the numerous challenges which investors faced in their attempt to navigate the sector. These challenges include but are not limited to insufficient funding, lack of infrastructure development, increasing levels of insecurity, illegal mining and community challenges.

In 2016, the Federal Ministry of Mines and Steel Development (FMMSD) scripted the "Roadmap for the Growth and Development of the Nigerian Mining Sector" which was a product of wide consultation and engagement with industry players and stakeholders. The roadmap was approved by the Federal

Executive Council on August 31, 2016 which has laid the foundation for the implementation of various initiatives geared towards alleviating some of the challenges plaguing the sector.

## THE JOURNEY SO FAR

In a short period, the initiatives proffered by the Roadmap for the Growth and Development of the Nigerian Mining Sector, along with the determination displayed on the part of the FMMSD, have led to marked growth trends in the mining industry as the sector averaged a 7% growth rate in the third quarter of 2016.

The achievements recorded in the sector include the following:<sup>1</sup>

### 1. Addressing the issue of Insufficient Funding

The Ministry increased its 2016 Capital budget from N1bn in the previous year to N7.3bn and same was expended on strengthening the Mines Inspectorate, Geological data generation and IT infrastructure. The Ministry also sought for N30bn (approx. \$100m) intervention fund from the Federal Government, partly to focus on exploration, formalization of artisanal miners, and providing access to funding for genuine miners and same was approved through securing access to the revolving mining sector component of the Natural Resources Development Fund.

The development in the sector has the backing of the World Bank as the Ministry secured the sum of \$150mn for the Mineral Sector Support for Economic Diversification (MSSD or MinDiver) program, a critical component of which is to provide technical assistance for the restructuring and operationalization of the Mining Investment Fund, which would

make finance available to artisanal and small scale (ASM) operators through development finance, micro-finance and leasing institutions. The fund is also poised to help bring back on stream previously abandoned proven mining projects like tin ore, iron ore, coal, gold and lead-zinc.

The FMMSD commenced capacity building on Mining Finance within banks and financial institutions, in order to build their knowledge assets in the sector, for them to better evaluate and finance bankable feasibility studies and business plans by enterprising miners.

From a perspective of productivity, the Ministry improved the productivity of the sector by tripling the ministry's contribution to the federation account to about N2B in 2016, up from N700M in 2015.

### 2. Collating Geological Data

The Ministry is taking steps to retrieve old data obtained on the various mineral deposits across the country, as well as enter into joint ventures with private exploration companies to generate new data from its Greenfield explorations. These joint ventures are aimed at verifying speculations on the quality and quantity of the country's mineral deposits.

The Nigerian Geological Survey Agency (NGSA) has undertaken additional ground investigations nation-wide to upgrade the country's National Minerals Database and to further ascertain the assays of the Nigerian mineral assets to the level that can easily attract financial investments, and assure operators of the scope of operations required for further exploration and/or mining. The NGSA has also signed MoUs and Technical

<sup>1</sup>Ministry of Mines and Steel Development, "Roadmap for the Growth and Development of the Nigerian Mining Industry: On the Road to Shared Mining Prosperity", Available at

[http://www.minesandsteel.gov.ng/wp-content/uploads/2016/09/Nigeria\\_Mining\\_Growth\\_Roadmap\\_Final.pdf](http://www.minesandsteel.gov.ng/wp-content/uploads/2016/09/Nigeria_Mining_Growth_Roadmap_Final.pdf) Accessed on March 2, 2017

Cooperation Agreements with the China Geological Surveys, Shandong Mineral Exploration Agency and the National Office of Hydrocarbons and Mines 'ONHYM' of Morocco which are intended to leverage on the expertise and state-of-the-art technologies of these organizations in assisting Nigeria generate investor friendly geoscience data.

The Ministry has also initiated discussions with SGS, a world renowned materials testing company, to activate the NGSA Laboratory Facilities in Kaduna towards achieving ISO 17025 accreditation within the shortest possible period. The objective is to significantly reduce the thousands of mineral samples being shipped abroad for analysis thereby reducing the huge revenue loss and correspondingly incentivize the mining sector.

### **3. Ease of Doing Business and Perception Issues**

The FMMSD is working with the Federal Government to ensure the implementation of the statutorily guaranteed 3-year tax holiday for new investors in the mining sector, starting from the date the investor begins mining operations. The Federal Government is also extending the Export Expansion Grant Scheme to the Mining Sector.

Other provisions of the Minerals and Mining Act 2007 are also beginning to see determined enforcement. In particular, the offer of 100% foreign ownership of mining projects to willing investors, and the elimination of import duties on mining equipment brought into the country. The Ministry also continues to work with relevant public institutions to ensure that

100% repatriation of mining investments or profits are guaranteed.

*(To be continued in the next edition)*

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## **INVESTING IN SOLID MINERALS**

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*Kenneth Jim*

### **INTRODUCTION**

The current economic situation in the country has forced the private and public sectors to source new ways of raising funds especially as the proceeds from crude oil sales have largely reduced. Nigeria's mining industry presents viable investment opportunities, as the sector is relatively underdeveloped even with the country's vast mineral deposits. The present administration has expressed desire to exploit Nigeria's vastly underexploited mineral resources, which includes about 44 varieties of minerals and precious metals in over 500 locations.<sup>2</sup> These solid minerals have huge economic values and if Nigeria is going to establish an edge over other countries, then this industry must be developed.

### **SOLID MINERALS IN NIGERIA**

Nigeria is endowed with abundant mineral resources - fossil fuels and solid minerals. Out of about 44 minerals that have been identified in Nigeria, it is only about 13 that are being actually mined and marketed in commercial quantities. These are coal, kaolin, baryte, limestone, dolomite, feldspar, glass sand, ganstones [haphazard], gold [in small quantities], iron ore, lead-zinc, tin and its associated minerals and recently gypsum. The remaining minerals, though of high economic value, are unexploited.<sup>3</sup> However, the

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<sup>2</sup> Relaunching Nigeria as a Great Mining Destination by Orient Energy Review – Published September 8, 2015. Available online at <http://www.orientenergyreview.com/relaunching->

[nigeria-as-a-great-mining-destination/](http://www.orientenergyreview.com/relaunching-nigeria-as-a-great-mining-destination/) Accessed on March 29, 2017

<sup>3</sup>Mining and Quarrying Statistics - Available online at <https://www.proshareng.com/news/Nigeria->

availability of these minerals opens up investment opportunities in exports and use in domestic industries for generation of internal revenue and foreign exchange.

### **Coal**

Coal production in Nigeria dates back to 1909 when it was first discovered in Enugu. Commercial production commenced in 1919 and reached its peak of about 583,425 tons in 1950, with reserves located in different parts of the country. With huge coal reserves in Nigeria, at about two billion metric tons, the country has the potential to address its chronic power challenge while also meeting the demand of neighbouring countries in the African region, and the significant demand from China. The commodity is valued at about \$43.50/ton, which would mean that Nigeria's estimated two billion metric tons will be valued at \$87bn.<sup>4</sup>

### **Columbite and Tantalite**

These minerals are found in Plateau, Kano, Kaduna, Bauchi, Kogi and Nassarawa states. They are major components used in the production of condensers and micro-electronic technology (chips and processors), cell phones and nuclear reactors. They are also used as an alloy of steel to form weldable high speed steel for radio transmitting valves and heat sensitive detective devices. A research carried out by Foramfera (Foramfera. 2012. "Tantalite ore export in Nigeria non-oil export opportunity in Nigeria") has shown that the return on investment (ROI) on columbite and tantalite ore is between 10 – 15% and China is a major market for tantalite, where it is being sold around \$122.40/kg.<sup>7</sup> If Nigeria could rally investment around the 14,233 tons of proven

reserves, columbite and tantalite mining could be worth \$1.74bn to the Nigerian economy.<sup>5</sup>

### **Tin Ore**

This mineral is in significant quantity in Plateau State and it is used to create bronze, a water-resistant metal alloy. The metal is receptive to polishing and used as a protective coat for other metals. Accordingly, it has huge economic value as it is used in the production of tin oxide resistors, paint, electric lead wires, paper and ink industries.<sup>6</sup>

Other than mining operations, an investor may take advantage of other opportunities in the industry - importation and local marketing of modern mining equipment, modern mineral testing and quality control technologies and reagents or engage in local sales and export of crude or processed solid minerals.<sup>7</sup>

### **Mining Lease**

A company that intends to go into the mining business in Nigeria has two available options:

1. Through the acquisition of an existing mining property from the original owner. Approval must be obtained from the Ministry of Solid Minerals Development for such a purchase.
2. By obtaining on application, either a Prospecting Right (PR), an Exclusive Prospecting Licence (EPL), or a Special Exclusive Prospecting Licence (SEPL).

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[Economy/Mining-and-Quarrying-Statistics/14351](#) accessed on March 31, 2017

<sup>4</sup> The Nigerian Mining Industry - The Untapped Goldmine – Published February 8, 2016. Available online at <https://www.proshareng.com/news/Commodities/The-Nigerian-Mining-Industry---The-Untapped-Goldmine/30024>

<sup>5</sup> Ibid

<sup>6</sup> Ibid

<sup>7</sup> Nigerian Mining Industry: Opportunities for Foreign Investors by BLACKFRIARS LLP – Available online at <https://www.hg.org/article.asp?id=21401> accessed on March 27, 2017

## NEWS UPDATE

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### Incentives

In order to encourage foreign investment in the mining industry government has put in place incentives such as grant of a three-year tax holiday to new mining companies which may be extended for one further period of two years. Mining operators are granted exemption from payment of customs and import duties in respect of plant, machinery, equipment and accessories imported specifically and exclusively for mining operations.

In addition, every holder of a mineral title is guaranteed free transferability of funds through the Central Bank of Nigeria and also permission to retain a portion of their foreign exchange in a foreign exchange domiciliary account for use in acquiring spare parts and other inputs required for the mining operation which would otherwise not be readily available without the use of such earning.<sup>8</sup>

### CONCLUSION

If Nigeria's enormous mineral resources deposit is properly harnessed, it can lead to an exponential industrial development. Investors (public and private sectors) should take advantage of the vast potentials in this underdeveloped industry as an alternative source of generating revenue.

### JOKES



### Court orders EFCC to defreeze Ozekhome's account

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The Federal High Court in Lagos on Monday, April 3, 2017, de-froze the account of activist-lawyer Chief Mike Ozekhome (SAN). The Economic and Financial Crimes Commission (EFCC) froze the account based on an interim order by Justice Abdulazeez Anka. The agency said Ekiti State Governor Ayo Fayose made a part-payment of N75million to the lawyer from an alleged N1.2billion the governor allegedly received from the Office of National Security Adviser (ONSA).

The commission said it froze Ozekhome's GTBank account because the N75million Fayose paid him was suspected to be proceeds of crime. Ruling on Ozekhome's application to defreeze the account, Justice Anka held that Fayose paid the money from an unencumbered account.

Read more at: <http://thenationonlineng.net/court-orders-efcc-defreeze-ozekhomes-account/>

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### Anxiety as withdrawal, deposit charges begin

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There are concerns over the fate of the nation's financial inclusion project as the first phase of planned full implementation of the accompanying cash-less projects take full course on Monday, April 3, 2017. Although slated for April 1, 2017 which falls on the weekend, the full take off of the policy will begin April 3, 2017 as financial institutions,

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<sup>8</sup> Ibid

markets and all corporate activities resume weekly operations.

As the new phase in the nation's payments system begins, it is either the stakeholders have understood the rules and play by it or react negatively due to perception, with attendant effects on the overall goal of deepening financial inclusion.

According to the schedule of the cash-less policy drive, Lagos, Ogun, Abia, Kano, Anambra, Rivers states and the Federal Capital Territory have taken off. In these States, individuals can only withdraw or deposit money to the tune of N500,000 in a single bank account per day without charges. This means that any withdrawal above N500,000 to N1 million will attract two per cent charge; between N1 million and N5 million, three per cent; and above N5 million will get 7.5 per cent charge. On the other, deposits above N500,000 will attract 1.5 per cent charge; between N1 million and N5 million, two per cent; and above N5 million, three per cent. For corporate organisations, only withdrawal and deposit of N3 million will be without charges.

Read More at: <http://guardian.ng/business-services/money/anxiety-as-withdrawal-deposit-charges-begin/>

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### **Ecuador socialist wins presidency, rival alleges fraud**

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Socialist Lenin Moreno was set to extend a decade of leftist rule in Ecuador on Monday, April 3, 2017 after official results showed him winning the presidential election, as his conservative rival cried foul.

Both candidates claimed victory on the basis of conflicting exit polls from Sunday April, 2,

2017 runoff, but with 96.94 percent of districts reporting the National Electoral Council said that Moreno — the designated heir to President Rafael Correa's "21st-century socialism" — won 51.12 percent of the vote against 48.88 percent for ex-banker Guillermo Lasso. The election was closely watched as a barometer of the political climate in Latin America, where more than a decade of leftist dominance has been waning.

It may also decide the fate of WikiLeaks founder Julian Assange, who has been holed up in Ecuador's London embassy since 2012. Lasso however alleged fraud, claiming that his campaign had evidence of an attempt to rig the results.

Read more at: <http://guardian.ng/news/ecuador-socialist-wins-presidency-rival-alleges-fraud/>

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### **I can't reverse Ndume's suspension, Says Saraki**

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The Senate President, Bukola Saraki, on Monday, April 3, 2017, said that he had no power to reverse the suspension of Senator Ali Ndume from the Senate. Ndume was recently suspended for six months by the upper legislative chamber of the National Assembly. Speaking with State House correspondents at the end of closed door meeting with President Muhammadu Buhari, Saraki said that the issue of Ndume's suspension was beyond him.

Read more at: <http://thenationonlineng.net/cant-reverse-ndumes-suspension-says-saraki/>

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