



NEWSLETTER

# NIGERIA MINING OUTLOOK: WRAP-UP OF RECENT DEVELOPMENTS AND UPDATES

AUGUST 2023

## Introduction

In view of the increasingly decisive role that the global mining industry plays in the realization of a carbon-free future and Nigeria's status as the largest economy on the African continent, it is impossible to ignore the Nigerian mining sector. Based on reports from the Federal Ministry of Mines and Steel Development, Nigeria is abundantly endowed with 44 different types of minerals available in commercial quantities across more than 500 locations in the 36 states of the Federation, including the Federal Capital Territory. Although the Nigerian Mining Sector (the "Sector") has encountered various challenges in the past, the Sector has demonstrated a gradual but steady growth trajectory. Several indicators contribute to this progress, which to date, include technological advancement, intensified efforts aimed at combating

illegal mining activities, increased global recognition, revenue generation and accountability among other factors. These positive developments highlight the Sector's potential to attract foreign investment which will, in turn, help the country diversify its economy towards a non-oil revenue source for increased economic sustainability.

It is therefore no gainsaying that whilst the Sector's performance is improving, more effort is required to set the Sector on a steady growth path and to earn Nigeria a prominent place on the global mining map.

This newsletter provides an overview of key recent developments within the Sector and their overall impact on the Nigerian economy.

## **Discovery of High-Grade Lithium Deposits in Nigeria – A Potential to Boost the Nigerian Economy**

According to a market research report by Fortune Business Insights<sup>1</sup>, the global lithium market size was valued at \$37.8 billion in 2022 and is projected to grow from \$22.2 billion in 2023 to \$89.9 billion in 2030. Rapid developments in rechargeable batteries for use in electric vehicles, laptops, mobile devices, and digital cameras, have led to the exponential growth of the lithium-ion battery market. Global efforts to mitigate carbon emissions and transition to clean energy and a greener planet have driven up the sales of zero-carbon emitting electric vehicles (EVs), consequently resulting in a surging demand for lithium to meet the heightened demand for EVs.

Projections from the World Bank equally suggest that the production of minerals such as graphite, lithium and cobalt could increase by nearly 500% by the year 2050<sup>2</sup>. Following this high demand for lithium, the cost of one metric ton of lithium experienced a significant surge, rising from approximately \$6,000 in 2020 to over \$78,000 in 2022.

Sometime in June 2022, significant deposits of high-grade lithium were discovered in various parts of Nigeria, establishing the country as one of the nations rich in lithium resources worldwide. To date, the mineral has been found in Kogi, Nasarawa, Kwara, Oyo, Ekiti, Cross River and Plateau. In view of the growing value of the global lithium market, the discovery of high-grade lithium in Nigeria promises to be a major contributor towards the achievement of a flourishing green economy. Sometime in 2022, Nigeria's high-grade lithium was the subject of Tesla Inc.'s interest when its

CEO, Elon Musk, made an offer to the Federal Government of Nigeria to form a trade partnership for the mining of lithium deposits. The erstwhile Minister of Mines and Steel Development, Olamilekan Adegbite, however, declined the offer because Tesla's proposal to mine and purchase raw lithium did not agree with Nigeria's recent mining policies. According to Mr. Adegbite, a partnership would only be considered if Tesla made a commitment to value addition by establishing a battery manufacturing plant in Nigeria. A special assistant to Mr. Adegbite, Ayodeji Adeyemi, further

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<sup>1</sup> <https://www.fortunebusinessinsights.com/lithium-market-104052>

<sup>2</sup> <https://pubdocs.worldbank.org/en/961711588875536384/Minerals-for-Climate-Action-The-Mineral-Intensity-of-the-Clean-Energy-Transition.pdf>

explained that the Nigerian mining policy requires value to be added to the raw lithium ores before export can be permitted. The above position reflects the intention of the Federal Government to develop the domestic value chain and underscores Nigeria's industrial policy, as delineated in the Nigeria Mineral Value Chain Regulations, 2021 ("the Regulation") introduced by the Federal Government in July 2021.

The Regulation is essentially formulated to protect the mining sector and boost the country's revenue drive through the development of raw materials into refined products before export.

Several months after the rejection of Tesla's proposal, China's Ming Xin Mineral Separation Nig Ltd., (MXMS) was selected by the Kaduna Investment Promotion Agency (KIPA) to build Nigeria's first lithium processing plant for the manufacturing of batteries for EVs. Construction activities appear to be underway, as information relating to the review of the plant's construction by the leadership of KIPA was tweeted in January 2023. It is expected that this development if effectively implemented, would be a significant step towards achieving Nigeria's ambition of establishing a thriving EV manufacturing industry.

### **Mining Reforms: Federal Executive Council Approves New Mining Bill**

In April 2023, the Federal Executive Council ("FEC") approved a new bill - the Nigerian Minerals and Mining Bill 2023 ("the Bill"), to be sent to the National Assembly for debate and approval. The Bill is to replace the Nigerian Minerals & Mining Act 2007 ("the Act"), guiding

mining activities in Nigerian and is expected to address several key issues within the sector, ranging from overall governance to local content.<sup>3</sup>

Once enacted, it is expected that the Bill will showcase the Nigerian Government's unequivocal commitment to revitalizing the mining sector and establishing a legislative framework that actively encourages foreign investment in the country's mining industry.

### **Update on the Electronic Mining Cadastre System eMC+**

The Nigerian Mining Cadastre Office ("NMCO" or "the Office") introduced the Electronic Mining Cadastre System (eMC+) in the final quarter of 2022. This system is designed to simplify and expedite the online management of mineral titles. The eMC+ platform offers efficient and seamless processes for online preparation, processing, recording, monitoring and granting of mineral rights in Nigeria. The purpose of the platform is to strengthen transparency around licensing and regulation, and to simplify communication between government and industry players.

According to the Director-General of the NMCO, there has been a notable surge in applications for mineral titles since the implementation of the organization's eMC+ in November 2022. Around 40% of the received applications for mineral titles were submitted through the eMC+ platform. This success in attracting investors aligns with the original purpose of developing the online system.

The Director-General of the NMCO acknowledged the positive impact of the eMC+ system on curbing illegal mining in

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<sup>3</sup> A detailed review of the bill will be published subsequently.

the country. While the issue of illegal mining falls outside the agency's official mandate, the eMC+ system has significantly improved the efficiency and transparency in administering mineral titles. This, in turn, has acted as a deterrent to illegal mining activities, offering a more expedient and transparent process for acquiring legal mineral titles. Recognizing the remarkable progress made by the NMCO in digitization through the eMC+ system, the Nigerian Internet Registration Association (NIRA), a non-governmental body mandated to manage Nigeria's country code, presented the organization with the prestigious "Digital Innovation in the Federal Government" award for 2022. The award was bestowed on the top Federal Government portal that demonstrated outstanding user experience, fostered innovation, and contributed significantly to local content development using the .ng domain name.

### **AFC signs MoU with SMDF to finance Nigeria's Private Sector-led Mining Projects**

Africa Finance Corporation ("AFC") and Nigeria's Solid Minerals Development Fund ("SMDF") have established a significant partnership by signing a memorandum of understanding ("MoU")<sup>4</sup>. The primary objective of this collaboration is to provide project development funding and technical advisory support to expedite the commencement and operations of commercial scale mining projects in Nigeria. Under the terms of the MoU, AFC and SMDF will jointly develop mining projects, mitigating risks that might have

otherwise impeded financing, thereby rendering these projects more bankable.

This partnership comes after AFC's significant investment in the Segilola Gold Mine, the first commercial-scale gold mining project in Osun State, Nigeria.

SMDF has recently pointed out that despite Nigeria's vast potential in mining, only a fraction of the over \$700 billion worth of potential projects receives the required funding due to various financial and developmental challenges.

To address these challenges, AFC and SMDF plan to pool their funds and leverage innovative investment tools to reduce risks associated with exploration, drilling, deposit confirmation, and third-party development costs. This will involve technical and environmental studies, project structuring, and project contract negotiations. The overall goal is to make mining projects more attractive for financing and successful implementation. It must however be noted that only projects which have completed phases of pre-feasibility studies and secured all relevant government and regulatory permits, are eligible for financing consideration.

### **National Agencies to Collaborate with the Mining Sector to Tackle the Problem of Illegal Mining Activities and Underpayment of Royalties**

The activities of illegal miners throughout the country have become a serious concern, leading to significant economic sabotage for the nation. Recently, the erstwhile Minister of the Federal Ministry of Mines and Steel Development (the "Ministry"), Olamilekan Adegbite,

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<sup>4</sup> <https://www.africafc.org/news-and-insights/news/africa-finance-corporation-partners-with-the-solid-minerals-development-fund-on-catalyzing-private-sector-led-mining-projects-in-nigeria>

reaffirmed the Ministry's commitment to take decisive actions against unregistered miners and address other illegal activities in the mining sector.

To combat this issue effectively, the Ministry has formed partnerships with various governmental agencies, including the Nigeria Customs Service, Nigeria Immigration Service, Economic and Financial Crimes Commission (EFCC), and the Nigeria Security and Civil Defence Corps (NSCDC). These collaborative efforts are aimed towards curbing the menace of illegal mining.

Thanks to the combined efforts of these agencies, a substantial number of illegal miners and licensed miners who have evaded royalty payments have been apprehended. This concerted action demonstrates the government's determination to address the problem of illegal mining and ensure the proper regulation and management of the mining sector for the benefit of the country's economy and resources.

### **Nigeria generates 14.59billion naira in 5 years from mining licences.**

During the initial quarter of the year, the Director-General of the NMCO revealed that the NMCO had generated ₦14.59 billion between 2018 and 2022 by issuing mining licences to title holders. This figure reaffirms Nigeria's goal as a highly sought-after resource worldwide. The revenue generated reflects an 86% increase compared to 2001. Notably, this revenue primarily consists of application fees, processing fees, and annual service fees.

<sup>5</sup> Johnbosco Agbakwuru, "Nigeria generates 14.59bn in 5 years from mining licences – Cadastre DG" assessed from <https://www.vanguardngr.com/2023/01/nigeria-generates-14-59bn-in-5-years-from-mining-licences-cadastre-dg/>

In the years 2018, 2019, and 2020, the agency recorded revenue of ₦1.55 billion, ₦2.38 billion, and ₦2.57 billion, respectively. There was, however, a decline in revenue in 2021 and 2022, from ₦4.3 billion to ₦3.79 billion generated, respectively. The director-general of the NMCO attributed this decrease in revenue to internal changes in the agency's operating system, which temporarily impacted the inflow of funds.<sup>5</sup>

In the allocation of mining licences in Nigeria, it is important to note that priority is typically given on a "first come, first served" basis, while revocation follows a "use it or lose it" principle. The Director-General of NMCO recently announced the revocation of 3,400 titles within the past year. This revocation was primarily due to the failure to utilize the mining rights/licences and the non-payment of mandatory annual service fees.<sup>6</sup>

### **Federal Government Commissions Gold Souk in Kano State**

In 2023, the Federal Government of Nigeria, in its efforts to regulate gold production in Nigeria, commissioned the Kano Gold Souk<sup>7</sup>. The souk will enable artisanal and small-scale miners (ASMs) to bring their gold to market and create added value by connecting them with jewellers and other artisans.

The souk project is one of the six (6) minerals clusters announced by the government, with each designed to focus on a particular area of mining production. The other five (5) clusters are located in various parts of Nigeria as follows: kaolin

<sup>6</sup> Lawrence Olaoye, "Mining Licences: Nigeria generated 14.59bn in 5 years – NMCO's DG" assessed from <https://newtelegraphng.com/mining-licences-nigeria-generated-14-59bn-in-5-years-nmcos-dg/>  
<sup>7</sup> <https://guardian.ng/news/govt-unveils-gold-souk-to-revamp-revenue-generation-in-kano/>

in Bauchi, gold processing in Kogi, lead and zinc in Ebonyi, barite in Cross River, and a gemstone market in Oyo.

This is a significant initiative, as the gold processing market is a sustainable project that would fortify the downstream value-chain of specific solid minerals in Nigeria.

The establishment of the gold souk is a major step towards the legitimization of gold trading transactions in Kano State, which will have the consequent effect of attracting reputable international inflow with many ancillary businesses that will boost the Nigerian economy.

## Conclusion

It is evident that there is a revitalized interest in the mining sector, and this holds immense potential for driving the overall development and industrialization of the economy. Notably, the sector has experienced a consistent increase in its contribution to the nation's GDP, rising from 0.2% in 2021 to 0.3% in 2022. This upward trend underscores the sector's potential to make a meaningful impact on the country's economic growth.

Hence, it is of utmost importance for the Federal Government to leverage these small victories and foster enhanced collaboration among industry players and stakeholders in key areas such as policy development, capacity building, security, funding, and reform initiatives. To maximize the advantages derived from the mining sector, a cooperative approach by all stakeholders is critical. By working together, various stakeholders can harness the opportunities that arise and drive positive changes, leading to more significant and sustainable benefits for the country's economy and overall development.

*Should you require assistance or legal advice on this score, our Mining Team is available to advise on the appropriate steps.*

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