



GOLD RUSH IN NIGERIA?

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HISTORY

The mining of minerals in Nigeria accounts for only 0.3% of its gross domestic product. Organised mining began in 1903 when the British colonial government created the Mineral Survey of the Northern Protectorates. Then, a year later, the Mineral Survey of the Southern Protectorates was founded.

By the 1940s, Nigeria was a major producer of tin, columbite and coal. However, the discovery of oil in 1956 led to the decline in mineral extraction industries, as both the Federal government and private sector shifted their focus to this new commodity. The Nigerian Civil War in the late 1960s further exacerbated this decline as many expatriate mining experts left the country.

Various geological surveys have identified over 40 different minerals spread across the country. These include gold, barite, bentonite, limestone, coal, bitumen, iron

ore, tantalite/columbite, lead/zinc, gemstones, granite, marble, gypsum, talc, lead, lithium, silver and many others.

INTRODUCTION

Despite its history, it is very unusual to imagine Nigeria having a gold rush, given that the country relies heavily on its oil reserves and had all but abandoned the mineral sector decades ago. Under the surface, however, there has been a growth in the mining industry as companies now realise Nigeria was blessed with oil and commercial quantities of solid minerals. Also, the diversification and over-reliance on a heavily saturated oil sector have led many entrepreneurs to move into the mining sector.

All conversations about the mining industry must begin with the current flagship gold mine Segilola, which is run and owned by Thor Explorations, a company listed on the Toronto Stock Exchange in Canada and the AIM stock

exchange in the UK. This project has an indicated resource of 556,000 ounces grading at 4.2g/t, an inferred resource of 306,000 ounces grading at 4.7g/t and a probable reserve of 448,000 ounces at 4.2 g/t. They started commercial production in October 2021. Thor Explorations are the first movers in the mining industry to pave the way for other junior mining companies.

A few junior mining companies, like Allied African International Mining Company and Polyguard Investment Nigeria, are on a similar trajectory to Thor, although a few steps behind. There has also been the

development of two gold refineries, one by the Kian Smith Trading Company and the Dukia Gold refinery.

The industry has attracted several services companies. One of these is MSALABS, an internationally accredited laboratory, which had confidence enough in the Nigerian mining industry to open and expand its laboratory in Abuja. SGS inspection services have extended its range of mineral services available locally. Some companies also provide exploration services with a full suite of geophysical exploration equipment, e.g. Minutor.



GOVERNMENT ROLE

The government has played a significant role in the industry, and Minister Olamilekan Adegbite has been instrumental in accelerating the sector's development. For example, he has pushed the National Integrated Mineral

Exploration Programme Project, a government initiative to showcase to the world the mineral potential that Nigeria as a country holds, including gold, base metals, and light elements.

MINING LAW AND INCENTIVES

The most intriguing aspect of this sector is the laws that govern it. Fortunately, these laws make it easier for foreign clients or locals to do business in Nigeria. It has never been easier to register a company in the country. The process has been moved online, and most forms have been eliminated. This makes it easier for the applicant and the Corporate Affairs Commission to complete the paperwork.

The mining industry is one of 27 industries that enjoy pioneer status, a tax holiday granted to qualifying enterprises anywhere in Nigeria. A five-year tax holiday is given to companies operating in eligible industries, increasing to a seven-year tax holiday for those suitable industries in disadvantaged local government areas. Based on the geographical locations of the minerals, many mining companies would be eligible to receive the whole seven-year tax

holiday; these applications are made to the Nigeria Investment Promotion Commission. Likewise, there are exemptions for payment of customs and import duties for mining companies regarding the plant, machinery, equipment, and accessories imported specifically and exclusively for mining operations.

Several easily accessible licenses are needed to engage in mining activities, such as a Mineral Buying Centre license for those who choose to process minerals locally and a Mineral Export Permit for companies seeking to export minerals out of Nigeria. This Mineral Export Permit must be obtained every time resources are shipped out of the country. Additionally, there is a possessor purchase license for companies looking to deal in mineral resources. The Federal Government also established the Mines Police to curb illegal mining, as an estimated \$9 billion is lost annually to this practice.



Future

The mining industry's biggest challenge is security because many minerals are located in conflict-ridden areas. As a result, some mining operations are forced to spend significant resources on security.

Nonetheless, the progress made in the last five years alone has shown increased interest and investment in the sector. Segilola has demonstrated the viability of such a large-scale mining project, and the activities of the illegal miners have offered a glimpse of the sector's potential.

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