# FINANCIAL, PHYSICAL AND PROCESS AUDIT:

AN INDEPENDENT REPORT ASSESSING AND RECONCILING PHYSICAL AND FINANCIAL FLOWS WITHIN NIGERIA'S SOLID MINERALS SECTOR 2017

Prepared by

AMEDU ONEKPE & CO.

This Report has been produced at the request of the National Stake Holder Working Group (NSWG) charged with the implementation of the Extractive Industries Transparency Initiative in Nigeria. The views expressed in the report are those of the independent reconcilers and in no way reflect the official opinion of the NSWG. This report has been prepared exclusively for use by NSWG. members and must not be used by other parties, nor for any purposes other than those for which it is intended.

AMEDU ONEKPE & CO.
RC. 2002237
CHARTERED ACCOUNTANTS

**27th September, 2019**

The Executive Secretary,
Nigeria Extractive Industries Transparency Initiate (NEITI),
No. 60, Nelson Mandela Street,
Asokoro, Abuja.

**REPORT ON THE 2017 EITI SOILD MINERALS RECONCILIATION FOR NIGERIA**

We have performed the procedures agreed with you, in accordance with our engagement letter dated 1st November, 2018.

The work was commissioned for the purpose of the Nigeria Extractive Industries Transparency Initative in compliance with EITI Standards for implementing countries. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures performed were those set out in the Terms of Reference appended to this Report, except where stated otherwise.

We report our findings in the accompanying report, including its appendices. Because the procedures were not designed to constitute an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the transactions. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose of informing the National Stakeholders Working Group on the matters set out in the terms of reference and is not addressed to any other party or to be used for any other purpose. This report relates only to the subject matter specifically set out herein and does not extend to any financial statement of any entity taken as a whole.

Yours Faithfully,

**Sunny Onekpe**
Managing Partner

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**List of Acronyms**

| | |
|---|---|
| ANAN | Association of National Accountants of Nigeria |
| ANFO | Ammonium Nitrate Fuel Oil |
| ASC | Ajaokuta Steel Company |
| ASM | Artisanal and Small-Scale Mining |
| ASMD | Artisanal and Small-Scale Mining Department |
| AFS | Audited Financial Statements |
| BOF | Budget Office of the Federation |
| BPE | Bureau of Public Enterprises |
| C of O | Certificate of Occupancy |
| CAC | Corporate Affairs Commission |
| CAMA | Companies and Allied Matters Act |
| CBN | Central Bank of Nigeria |
| CDA | Community Development Agreement |
| CGT | Capital Gain Tax |
| CIT | Company Income Tax |
| CITA | Company Income Tax Act |
| COMEG | Council of Nigeria Mining Engineers and Geoscientists |
| CSR | Corporate Social Responsibility |
| CU | Cadastre Unit |
| DFI | Development Finance Institution |
| DSC | Delta Steel Company |
| EDT | Education Tax |
| EIA | Environmental Impact Assessment |
| EITI | Extractive Industry Transparency Initiative |
| FCT | Federal Capital Territory |
| FEPA | Federal Environmental Protection Agency Act |
| FGN | Federal Government of Nigeria |
| FIRS | Federal Inland Revenue Service |
| FME | Federal Ministry of Environment |
| FMITI | Federal Ministry of Industry, Trade and Investment |
| FMO | Federal Mines Officer |
| FmoF | Federal Ministry of Finance |
| FOB | Free on Board |
| GDP | Gross Domestic Product |
| IA | Independent Administrator |
| ICAN | Institute of Chartered Accountants of Nigeria |
| ICT | Information and Communication Technology |
| IFAC | International Federation of Accountants |
| IFRS | International Financial Reporting Standards |
| IPSAS | International Public Sector Accounting Standards |
| ISA | International Standards on Auditing |
| ISRE | International Standards on Review Engagements |
| ISRS | International Standards on Related Services |

| | |
|---|---|
| LASEMA | Lagos State Emergency Management Agency |
| LGA | Local Government Area |
| MCO | Mining Cadastre Office |
| MDAs | Ministries, Departments, and Agencies |
| MECD | Mines Environmental Compliance Department |
| MID | Mines Inspectorate Department |
| MIREMCO | Mineral Resources and Environmental Management Committee |
| ML | Mining Lease |
| MMA | Minerals and Mining Act |
| MMSD | Ministry of Mines and Steel Development |
| MTEF | Medium Term Expenditure Framework |
| MTSS | Medium-Term Sector Strategy |
| NASS | National Assembly |
| NBS | National Bureau of Statistics |
| NC | Not Communicated |
| NCP | National Council on Privatisation |
| NCS | Nigeria Customs Service |
| NEITI | Nigeria Extractive Industries Transparency Initiative |
| NESREA | National Environmental Standards and Regulations Enforcement Agency |
| NESS | Nigerian Exports Supervision Scheme |
| NGSA | Nigeria Geological Survey Agency |
| NIOMCO | Nigeria Iron Ore and Mining Company |
| NIPC | Nigerian Investment Promotion Commission |
| NIWA | National Inland Waterways Authority |
| NMC | Nigerian Mining Company |
| NSE | Nigeria Stock Exchange |
| NSDA | National Steel Development Authority |
| NSWG | National Stakeholders Working Group |
| OAGF | Office of the Accountant General of the Federation |
| OAuGF | Office of the Auditor-General for the Federation |
| PAYE | Pay As You Earn |
| PIS | Project Implementation Schedule |
| QCT | Quality Control Team |
| QL | Quarry Lease |
| RFP | Request for Proposal |
| RMAFC | Revenue Mobilization, Allocation and Fiscal Commission |
| RT | Reporting Template |
| SBIR | State Board of Internal Revenue |
| SMA | Solid Minerals Audit |
| SMDF | Solid Minerals Development Fund |
| SMMRP | Sustainable Management of Mineral Resources Project |
| SOE | State-Owned Enterprises |
| SSML | Small Scale Mining Lease |
| TIN | Tax Identification Number |

| | |
|---|---|
| ToR | Terms of Reference |
| VAT | Value Added Tax |
| WHT | Withholding Tax |

## 1.0 Introduction

This report sets out the results of reconciliation of the financial flow from activities in the solid minerals sector in Nigeria for the 2017 fiscal year. The report was commissioned as part of the implementation of the NEITI Act 2007 and the 2016 EITI Standard.

### 1.1 EITI Implementation

The EITI is a global initiative committed to the promotion of transparency and accountability in the global extractive industry. It is a product of the first EITI conference held in 2003 at which the principles were agreed to for adoption. The current implementation of EITI is guided by the revised 2019 EITI Standard issued in June 2019. However, this report was prepared in compliance with the 2016 EITI Standard. https://eiti.org/document/eiti-standard-requirements-2016#download

Nigeria signed up to the EITI in 2003, and this was immediately followed by the inauguration of a Multi-Stakeholder Group the NSWG in 2004 consisting of representatives from the government, extractive companies and civil society to implement the EITI. In 2007, Nigeria enacted the NEITI Act. For more information see the links below:
https://neiti.gov.ng/index.php/aboutus/brief-history-of-neiti
http://www.neiti.gov.ng/index.php/resources/internal-resources/publications

Nigeria, since inception, has published seven (7) SMA reports, in line with the EITI requirements, covering the years 2007 to 2016. For more information, visit
http://www.neiti.gov.ng/index.php/neiti-audits/solid-minerals.

The NEITI NSWG appointed Messrs Amedu Onekpe & Co., as Independent Administrator, to carry out the 2017 Financial, Physical and Process Audit of the Nigerian Solid Minerals Industry that is compliant with the 2016 EITI Standard.

### 1.2 Objectives of the Assignment

The overall objective of the assignment is to produce a Solid Minerals Industry EITI Report for 2017 in accordance with the EITI Standard. The report is titled "Financial, Physical and Process Audit: An Independent Report Assessing and Reconciling Physical and Financial Flows within Nigeria's Solid Minerals Industry – 2017" and referred to as "The Report" in this document.

The specific objectives, among others, are to:

i. report on the quantities of minerals produced, utilized and exported in a manner which is insightful, and of such integrity, as to be reasonably relied upon by NSWG;
ii. report on the revenue flows amongst the Covered Entities and any investment by the Federal Government in the solid minerals sector, with transactions made by participants (both public and private) in the sector;
iii. undertake special verification work on certain transactions;
iv. report on balances payable/receivable at the end of the audit period for certain financial flows;
v. reconcile the physical/financial transactions reported by payers and recipients as appropriate; and
vi. make observations and recommendations that will aid policy-making. This includes considering recommendations from past reports.

### 1.3 Reconciliation Approach and Methodology

a. The preliminary data obtained were analysed to determine the following:
   i. Companies operating in the solid minerals sector during the year under review
   ii. Appropriateness of the materiality threshold approved by NSWG
   iii. Extractive companies within the materiality threshold

b. The approved templates for data collection were dispatched by the IA to the covered extractive companies.
c. The payments made and disclosed by the mining companies and the disclosure made by the government agencies as receipts were compared.
d. The data submitted by the covered entities were validated. This was done by matching the data against the source documents with a view to confirming the completeness, accuracy and validity of the informations provided.
e. A tripartite meeting was held to reconcile all identified differences noted during the verification phase, and further analysis of the differences was carried out.
f. Findings and recommendations from previous audits were reviewed with a view to ascertaining the level of implementation of the recommendations made. The information, therefore, formed part of the findings in this report.
g. Recommendations that would enhance industry-wide reporting, sector analysis and transparency in the mining extractive industry were provided.

### 1.4 Materiality

The NSWG in its materiality document – *Determination of Materiality for Solid Minerals 2017* (See **APPENDIX 1**) identified 53 financial flows in the solid minerals industry accruable to the Federal Government and sub-national units.

However, to determine materiality, two factors were considered by the NSWG:
a) the significance of each revenue stream; and
b) the percentage contribution of each stream to the total revenue.

Furthermore, the revenue streams were considered based on their overall positions in the absence of a robust sector-specific fiscal framework. The only material flow that can be tied to the production activity in the sector is royalty payments. Hence, the NSWG approved royalty flow as the basis for determining materiality. Based on the considerations above, the NSWG approved ₦3million royalty payments as the materiality threshold.

All companies operating under a mining or quarrying license which made royalty payments of ₦3 million and above were covered by the audit for reconciliation.

#### 1.4.1 Our Assessment of Materiality Threshold

Following the approval by the NSWG of ₦3million royalty payment as materiality threshold, we carried out further analysis to determine the appropriateness of the threshold and also determine the number of extractive companies to be covered by the audit. The table below shows the sensitivity analysis of materiality threshold:

**Table 1: Materiality Threshold Sensitivity Analysis**

| Threshold | S/N | Description | Companies | | Royalty Paid | |
|---|---|---|---|---|---|---|
| | | | Number | % | ₦ | % |
| ₦1,500,000 | 1 | Within Threshold | 105 | 9.8 | 1,507,771,132.25 | 91.8 |
| | 2 | Below Threshold | 572 | 53.4 | 134,826,424.60 | 8.2 |
| | 3 | Zero Royalty | 395 | 36.8 | - | 0 |
| | | **Total** | **1,072** | **100** | **1,642,597,556.85** | **100** |
| | | | | | | |
| ₦2,000,000 | 1 | Within Threshold | 81 | 7.6 | 1,465,410,630.23 | 89.2 |
| | 2 | Below Threshold | 596 | 55.6 | 177,186,926.62 | 10.8 |
| | 3 | Zero Royalty | 395 | 36.8 | - | 0 |
| | | **Total** | **1,072** | **100** | **1,642,597,556.85** | **100** |
| | | | | | | |
| ₦3,000,000 | 1 | Within Threshold | 59 | 5.5 | 1,412,082,176.23 | 86 |
| | 2 | Below Threshold | 618 | 57.6 | 230,515,380.62 | 14 |
| | 3 | Zero Royalty | 395 | 36.8 | - | 0 |
| | | **Total** | **1,072** | **100** | **1,642,597,556.85** | **100** |

From the analysis above, we agree that the ₦3million royalty-based threshold representing 86% of the entire population set by the NSWG reflects a reasonable representation of payments made by the players in the Solid Minerals Industry for verification and reconciliation exercise.

We affirm that the result of the audit would reflect the true and fair position of the activities of the sector for the period under review. We will, however, aggregate the royalty paid by the entities outside the threshold as unilateral disclosures to determine the total royalty paid or payable.

### 1.5 Data Collection

Financial and Production data for the 2017 SMA were obtained from the following sources:

i. Covered extractive companies
ii. Mines Inspectorate Department
iii. Mining Cadastral Office
iv. Federal Inland Revenue Service
v. Central Bank of Nigeria
vi. Nigeria Customs Service
vii. Bureau for Public Enterprises
viii. Federation Account Allocation Committee Report

### 1.6 Data Quality and Assurance

#### 1.6.1 Legal and Institutional Requirements

The data collected were carefully reviewed to ensure completeness, accuracy and validity as well as conformity with the legal framework as stated below.

**a. Companies**

The extant law regulating companies in Nigeria is the Companies and Allied Matters Act (CAMA) 1990. Part XI of the Act states that every registered company operating in Nigeria keeps proper books of accounts, prepares and publishes annual Audited Financial

Statements (AFS) at most six months after the financial year-end which must be mandatorily certified by an external auditor.

Part XII of the Act makes it mandatory for all registered companies to file annual returns and reports with the CAC and the SEC if the company is quoted on the Nigerian Capital Market, i.e. companies with the public interest.

Again, it also requires that every company operating in the country must prepare their annual audited financial statement in line with the IFRS.

**b. Government**

The laws regulating the operations of the public accounts of the Federation, Ministries, Departments and Agencies (MDAs) are the 1999 Constitution of the Federal Republic of Nigeria, Fiscal Responsibility Act, and Financial Regulations.

Section 85 sub-sections 1 - 6 of the 1999 Constitution provides that public accounts and reports of MDAs shall be audited by the Auditor General for the Federation and the ultimate submission of the report to the National Assembly. Also, Sections 48 and 49 of the Fiscal Responsibility Act and Federal Government Financial Regulations stipulate that the MDAs must prepare financial statements on an accrual basis in compliance with the new financial framework – International Public Sector Accounting Standards (IPSA) or IFRS if the institution is not solely owned by the Federal Government of Nigeria.

### 1.6.2 Data Quality Assurance Procedures

The procedures adopted by the IA to ensure compliance with EITI Requirement 4.9, and satisfy ourselves about the credibility of the data submitted for the audit exercise are the following:

a. The IA visited the covered entities to validate the data submitted. This was done by matching the data submitted against the source documents.
b. The AFS from the covered entities and relevant government agencies were obtained and reviewed to ensure conformity with IFRS and IPSAS.
c. obtained attestation letters from the covered entities affirming that the data provided are complete, accurate and valid.
d. Held reconciliation meeting with both the covered entities and relevant government agencies. Agreement to the reconciled position was confirmed by the signatures of senior officers of the companies and government agencies.

Generally, the audit exercise was carried out in compliance with ISRSs 4400 *Engagements to perform agreed-upon procedures regarding financial information.*

In our opinion, the procedures followed above provide a comprehensive and reliable information concerning each covered entity.

### 1.6.3 Assessment of Data Quality Assurance

Based on the data quality assurance procedures adopted in 1.6.2 above, the following information was obtained:

i. Twenty-seven (27) companies representing 46% of the 59 extractive companies submitted their AFS. Notwitstanding the low AFS submission of 46%, the correctness and reliability of the data provided was guaranteed by the signatures of senior officers of the entities and/or external auditor’s opinion (where AFS is available).
ii. Two out of the three key government entities selected for reconciliation had their AFS.

iii. The data provided by 54 companies representing 91.5% were validated, and attestation letters certifying the integrity of data were obtained accordingly.
iv. The reconciled position between companies payments and government receipts was confirmed by the signatures of representatives of the companies and government agencies.
v. Five (5) companies representing 8.5% did not provide data for verification. The total financial flows from these companies as reported by the relevant government entities is ₦25,713,736, representing 0.05% of the total reconciled financial flows, which is considered immaterial.

The IA considers the information provided by the reporting entities to be comprehensive and reliable.

### 1.6.4 Limitation of the assessment

Out of the fifty-nine (59) companies that fell within the materiality threshold, only five (5) companies did not provide data. The total financial flows of ₦25,713,736 from these five (5) companies represent 0.05% of the total reconciled financial flows, which, in our view, is insignificant.

### 1.6.5 Recommendations

From the preceding, we recommend the following:

a. Companies should be compelled to provide AFS to the IA and failure to do so should attract sanctions.
b. NEITI should enforce the relevant sections of the NEITI Act, 2007 to compel all entities that fall within the materiality threshold to make themselves available for the audit.

### 1.7 Aggregate Financial Flows

The sum of ₦52.7 billion was realized from the sector during the year. Financial flows from the Federal Inland Revenue Service (FIRS) accounted for over 90% of the total revenue realized from the sector. The table below presents highlights of the financial flows from the sector.

**Table 2: Aggregate Financial Flows**

| Entity | ₦'million | % |
|---|---|---|
| Federal Inland Revenue Service (FIRS) | 49,162.01 | 93.19 |
| Mines Inspectorate Department (MID) | 1,327.19 | 2.52 |
| Mining Cadastre Office (MCO) | 304.99 | 0.58 |
| **Sub-Total (a)** | **50,794.20** | **96.28** |
| **Unilateral Disclosure** | | |
| MID (Royalty & fees below Threshold) | 259.21 | 0.49 |
| MCO (Annual Service fees & Renewals) | 1,703.77 | 3.23 |
| **Sub-Total (b)** | **1,962.98** | **3.72** |
| **Grand Total (a+b)** | **52,757.18** | **100** |

## 1.8 Solid Minerals Revenue Trend

The table below presents a five year summary of the financial flows from the sector.

**Table 3: Five-Year Financial Flows Summary**

| Entity | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| | ₦'million | ₦'million | ₦'million | ₦'million | ₦'million |
| **Reconciled Financial Flows** | | | | | |
| Federal Inland Revenue Service | 28,953.49 | 47,847.74 | 62,593.75 | 40,381.31 | 49,162.01 |
| Mines Inspectorate Department | 1,244.10 | 1,230.28 | 1,111.78 | 1,690.21 | 1,327.19 |
| Mining Cadastre Office | 54.99 | 94.42 | 125.65 | 1,150.86 | 304.99 |
| **Sub-total (a)** | **30,252.58** | **49,172.44** | **63,831.18** | **43,222.38** | **50,794.19** |
| **Unilateral Disclosures** | | | | | |
| MID (Royalty & fees below Threshold) | 1,342.57 | 122.01 | 203.22 | 252.42 | 259.21 |
| MCO (Annual Service fees & Renewals) | 703.7 | 308.2 | 429.23 | 994.84 | 1,703.77 |
| **Total Unilateral Disclosures (b)** | **2,046.26** | **430.2** | **632.45** | **1,247.26** | **1,962.98** |
| **Grand Total (a+b)** | **32,298.84** | **49,602.64** | **64,463.63** | **44,469.64** | **52,757.17** |
| **% Change** | - | 53.57 | 29.96 | -31.02 | 18.64 |

A trend analysis of the revenue flows shows very remarkable increase in revenue accruing to the Federation from the solid minerals sector from 2013 to 2017, though 2016 witnessed a decrease of 31.02% compared to 2015.

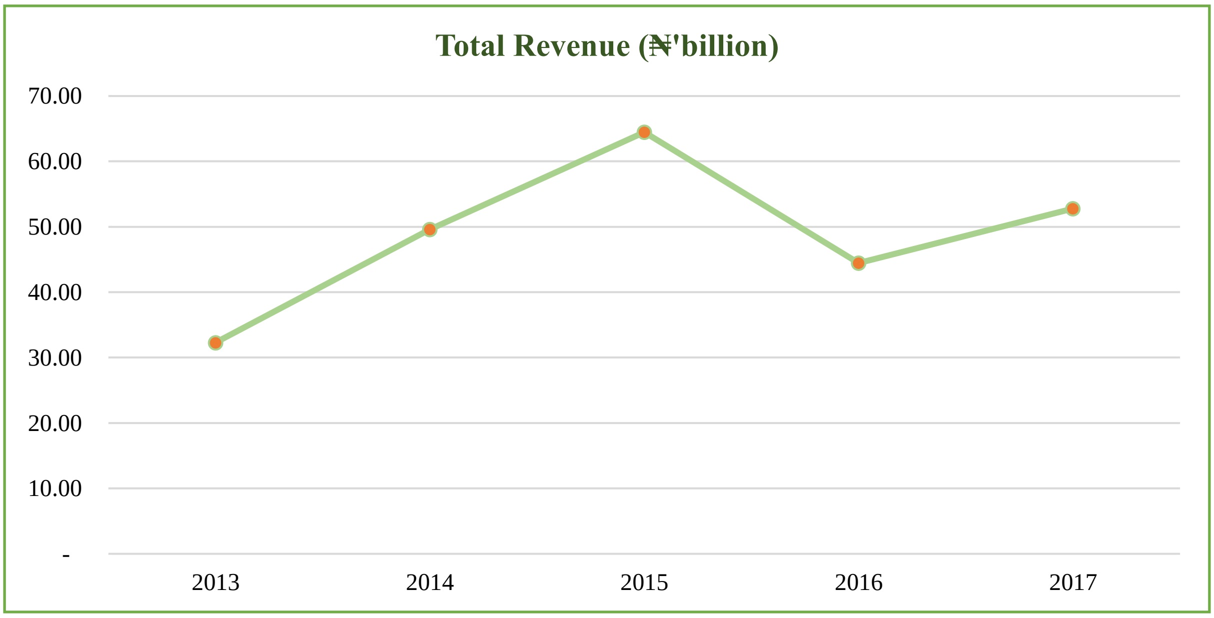



**Figure 1: Revenue Trend Analysis 2013 to 2017**

## 2.0 Legal and Institutional Framework

### 2.1 Legal Framework

The 1999 Constitution of the Federal Republic of Nigeria as amended provides the basis for the legal and institutional framework of Nigeria's Solid Minerals industry. According to Section 44(3) of the 1999 Constitution of the Federal Republic of Nigeria as amended, "the entire property in and control of all minerals, mineral oils and natural gas in under or upon any land in Nigeria or, in under or the territorial waters and exclusive economic zone of Nigeria shall vest in the Government of the Federation and shall be managed in such a manner as may be prescribed by the National Assembly.

The administration of all the natural resources is classified in the Exclusive List under the 1999 Constitution of the Federal Republic of Nigeria as amended. The granting and issuance of licenses, collection of royalty, taxes and bonus are reserved as the exclusive responsibility of the Federal Government. See
www.nigeria-law.org/ConstitutionOfTheFederalRepublicOfNigeria.htm.

This section provides information on the applicable laws and regulations governing Nigeria's solid minerals industry.

#### 2.1.1 Nigerian Minerals and Mining Act (NMMA) 2007

This is primary legislation that regulates the Nigeria mining sector. It was enacted in 2007 to address the shortcomings of the Minerals and Mining Act, No. 34 of 1999. The Act vests in the Federal Government of Nigeria the control, regulation and ownership of all mineral resources therein.

It is responsible for all aspects of solid minerals exploration and exploitation in Nigeria. The key provisions of the Act include:

a. Establishment of specialized departments in the MMSD, charged with the responsibility of general supervision of activities in the sector to ensure compliance with the Act.
b. Establishment of the MCO for the administration of mineral titles and maintenance of records.
c. Provision for the mechanism of dispute resolution.
d. Provision of incentives for investment in the solid mineral sector.

For more information, kindly visit the following link: http://www.minesandsteel.gov.ng/wp content/uploads/2016/04/Nigerian_Minerals_and_Mining_Act_2007.pdf

#### 2.1.2 Land Use Act of 2004

The Land Use Act vests all land in the territory of each state solely in the Governor of the State (with exception of land that has been vested in the Federal Government or its agencies) who hold such land in trust for the people and administers same for the use and common benefits of all Nigerians in accordance with the provisions of the Act. The Governor is responsible for allocation of land in all urban areas to individuals residing in the State and to organisations for residential, agriculture, commercial and other purposes while similar powers with respect to non-urban areas are conferred on Local Governments. Visit http://www.nigeria-law.org/Land%20Use%20Act.htm for more information.

### 2.1.3 Environmental Impact Assessment (EIA) Act Cap E12, LFN, 2004

The Act makes it mandatory for all entities (except if exempted pursuant to this Act) whether public or private to apply in writing to the Agency before embarking on any proposed project (including mining) so that an EIA can be conducted. See the link below for more details:
http://www.lawnigeria.com/FEDERATIONLAWS-Environment.php

### 2.1.4 Companies and Allied Matters Act (CAMA) 2004

CAMA 2004 is the extant legislation that regulates company formation and operation in Nigeria. It provides that no foreign company may carry on business in Nigeria unless it incorporates a local subsidiary in the country. The Nigerian Minerals and Mining Act 2007 incorporates this by providing that no person shall be qualified for the grant of any mining title unless the person is a body corporate duly incorporated under CAMA 2004 (as amended).

Section 331(2) of the Act requires all registered companies in Nigeria to keep accounting records in a manner sufficient to show and explain the transactions of the company and as such disclose with reasonable accuracy at any time, the financial position of the company. The Act further requires that the annual audited financial statements of companies operating in Nigeria must be prepared in compliance with the International Financial Reporting Standards (IFRS).

Part XII requires all companies to file their annual returns which shall comprise the audited financial statements (AFS) with the Corporate Affairs Commission (CAC) and the Securities and Exchange Commission (SEC) for publicly quoted companies. See the link below for more information:
http://www.lawnigeria.com/LFN/C/Companies-and-Allied-Matters-Act.php

### 2.1.5 Nigeria Extractive Industries Transparency Initiative (NEITI) Act 2007

The NEITI Act was enacted in 2007 to support the implementation of the EITI in Nigeria with legislation. The Act provided for the establishment of NEITI with the following objectives:

a. Ensure due process and transparency in the payments made by all extractive industry companies to the FGN and statutory recipients;
b. Monitor and ensure accountability in the revenue receipts of the FGN from extractive industry companies;
c. Eliminate all forms of corrupt practices in the determination, payments, receipts and posting of revenue accruing to the FGN from extractive industry companies;
d. Ensure transparency and accountability in the application of resources from payments received from extractive industry companies
e. Ensure conformity with the principles of the EITI

Visit http://www.neiti.gov.ng/index.php/resources/internalresources/publications?download=104:neiti-act-2007

### 2.1.6 Nigeria Investment Promotion Commission (NIPC) Act 2004

This Act was established to promote, coordinate, encourage and monitor all investments in Nigeria. The Act allows a non-Nigeria to invest and participate in the operations of any enterprise in Nigeria. However, such an enterprise with foreign participation cannot commence business except it is incorporated or registered under the CAMA and with the NIPC.

The provisions of the NIPC Act 2004 with regards to Section 29 (2) of the Minerals and Mining Act 2007 shall apply to foreign investors who make investments in any mineral title. For details visit: http://www.nigeria law.org/Nigerian%20Investment%20Promotion%20Commission%20Act.htm

#### 2.1.7 The National Minerals and Metals Policy 2008

The National Minerals and Metals Policy is a product of the Minerals and Mining Act 2007 designed by the Government to offer new methods of developing the mining sector. This enactment is to improve on the existing guidelines. However, some of the core objectives of this policy are to:

a. Provide a long-term export policy that would guarantee stability with a view to providing an incentive for investment in large scale commercial mining activity
b. Ensure that the producer earns and the consumer pays the true value of the minerals produced and consumed
c. Ensure adherence to environmental best practices and encourage a transparent mining title and permit system
d. Promote a good relationship with the national economy through the enforcement of the use of domestic metal products for the development of the nation’s infrastructure.

Kindly visit the link below for more information:
http://www.minesandsteel.gov.ng/wpcontent/uploads/2016/04/National_Minerals_and_Metals_Policy.pdf

#### 2.1.8 Nigerian Minerals and Mining Regulations 2011

These regulations were issued by the Minister in line with Section 21 of the Minerals and Mining Act, 2007 to give full effect to the Act. The purpose of the regulations includes setting out the rules, procedures and processes for the acquisition of mineral titles thereby bringing an end to discretionary granting of such titles.

In line with Section 21 of the Nigeria Minerals and Mining Regulations 2011, applications may be made for the grant of the following mineral titles:

a. Reconnaissance Permit
b. Exploration License
c. Mining Lease
d. Quarry Lease
e. Small Scale Mining Lease
f. Water Use Permit

Such applications shall be made by a qualified applicant under the Act in accordance with the regulations set out in this part and upon filing and submission of an irrevocable consent form by the landowner(s) or occupier(s).
http://www.minesandsteel.gov.ng/wp-content/uploads/2016/04/Nigerian_Minerals_and_Mining_Regulations_2011.pdf

#### 2.1.9 Other Legislation

Other important legislations that affect the mining industry in Nigeria include; the Explosives Act 2004, the Nuclear Safety and Radiation Protection Act 2004, and the National Environmental Standards and Regulations Enforcement Agency (Establishment) Act 2007.

## 2.2 Institutional Framework

Regulatory government agencies include:

### 2.2.1 Ministry of Mines and Steel Development (MMSD)

The Ministry of Mines and Steels Development (MMSD) was established to stimulate the growth of Nigeria's Solid Minerals Sector. Its establishment was a deliberate attempt by the government to unlock the economic potentials of the sector.

The MMSD is saddled with the responsibility for:

i. Formulating policy regarding minerals prospecting, quarrying and mining
ii. Providing information and knowledge to enhance investment in the sector
iii. Regulating operations in the solid minerals sector
iv. Generating appropriate revenue for the government through royalties collection and other fees

The MMSD is designed to function as a market-facing department of the Government. It is structured to facilitate the provision of baseline geoscience information as well as providing leadership and function as a regulator in the mining sector. The following are some key departments under the Ministry.

#### 2.2.1.1 Mines Inspectorate Department (MID)

The Mines Inspectorate Department (MID) is a department in the MMSD established under Section 16 of the Nigerian Minerals and Mining Act, 2007. The MID supports the Minister to carry out his functions under the Act.

The MID prescribes minimum annual work obligations for mineral title holders. Holders of Mineral title are required to submit to the MID for approval details of work to be carried out under the supervision of personnel from the Council of Nigerian Mining Engineers and Geoscientists (COMEG). In addition, Mineral titleholders are required to submit reports and obtain approval from MID when needed on the quantity and means of production.

#### 2.2.1.2 Artisanal and Small Scale Mining (ASM) Department

The Artisanal and Small Scale Mining (ASM) department in the MMSD is saddled with the responsibility of providing support for the formalisation of the operations of artisanal and small scale miners and provide extension services to them, given that Nigeria's mining sector is largely dominated by artisanal and small scale miners.

#### 2.2.1.3 Mines Environmental Compliance Department (MECD)

The Nigerian Minerals and Mining Act, 2007 provided for the establishment of the Mines Environmental Compliance Department within the MMSD. The functions of the department, as stated in Section 18 of the Nigerian Minerals and Mining Act, 2007 are:

a. Review all plans, studies and reports required to be prepared by Holders of Mineral title in respect to their environmental obligations under this Act.
b. Monitor and enforce compliance by holders of mineral title with all environmental requirements and obligations established pursuant to this Act, its regulations and by any other law in force.
c. Periodically audit the environmental requirements and obligations established pursuant to this Act, its regulations and by any other law in force and make recommendations thereon to the Minister.

d. Liaise with relevant agencies of Government with respect to the social and environmental issues involved in mining operations, Mines closure and reclamation of land.

For more details about the MMSD, visit https://www.minesandsteel.gov.ng/about/

### 2.2.2 Mining Cadastre Office (MCO)

The MCO is an autonomous parastatal under the MMSD and is responsible for the management and administration of mineral titles as provided for by Section 5(1) of the Nigeria Minerals and Mining Act, (2007),

The MCO, in accordance with the provisions of the Nigeria Minerals and Mining Act, 2007, is saddled with the following responsibilities:

a. Receive, and approve applications for mineral titles and permits as well as transfer, renewal, amendment, and renunciation of mineral titles or extension of areas
b. Award, issue, suspend and revoke mineral titles after due approval of the Minister
c. Keep a record, in a chronological order, of all applications for mineral titles in a Priority Register and General Register
d. Adequate maintenance of the cadastral registers
e. Creation and maintenance of all applications and mineral titles database of the agency
f. Create and maintain a cartographic database of all mineral titles and applications in both paper and electronic formats.

In processing mineral titles, the MCO is governed by the principles of priority, objectivity, non-discretionary and transparency. Visit http://www.miningcadastre.com.ng/ for more information.

### 2.2.3 Federal Inland Revenue Service (FIRS)

The Federal Inland Revenue Service (FIRS) is a federal tax authority and was created by the Companies Income Tax Act (CITA) of 1979 and now under the FIRS Establishment Act 2007. The administration of taxation on the profits of incorporated companies is vested in the FIRS whose management Board is known as the Federal Inland Revenue Service Board (FIRSB) (Sections 1-3 FIRS Establishment Act, 2007). Kindly visit www.firs.gov.ng for more information on the FIRS.

### 2.2.4 Revenue Mobilization Allocation and Fiscal Commission

The Commission is vested with powers and responsibilities to monitor the accruals into and disbursement of revenue from the Federation Account. It is also saddled with the responsibility of reviewing revenue allocation formulae to federating units in conforming to current realities. For more information, visit: http://www.rmafc.gov.ng/

## 2.3 Fiscal Regime

### 2.3.1 Taxes

The extant laws governing the taxation of companies involved in mining activities is the Companies Income Tax Act Cap C21 LFN 2004, as amended. However, individuals and partnerships operating in the sector are assessed to tax under the Personal Income Tax Act P8 LFN 2004 as amended.

All incorporated companies in the mining sector pay taxes as follows:

a. Companies Income Tax at the rate of 30% of taxable profit

b. Education Tax at the rate of 2% of assessable profit
c. Value Added Tax at the rate of 5% on minerals sold locally (except, otherwise exempted or zero-rated under the ACT)
d. Withholding tax of between 5 – 10% depending on the nature of the transaction
e. Capital Gains Tax at the rate of 10% on gains accruing on the disposal of chargeable assets irrespective of whether or not the asset is situated in Nigeria.
f. Stamp Duties at the rate of 1% on dutiable transactions

In summary, the relevant legislation that affects entities operating in Nigeria's mining sector includes the following:

a. Companies Income Tax Act, Cap. C21, LFN 2004
b. Personal Income Tax Act, Cap. P8, LFN 2004
c. Tertiary Education Trust Fund Act 2011
d. Value Added Tax, Cap. V1, LFN 2004
e. Capital Gains Tax Act, Cap. C1, LFN 2004
f. Stamp Duties Act, Cap. S8, LFN 2004
g. Transfer Pricing (TP) Regulations 2018

For more details, visit https://www.firs.gov.ng/TaxResources/TaxLaws

### 2.3.2 Royalties

Companies involved in mining activities with a mineral title other than reconnaissance permit are required by Section 99(1) of the Minerals and Mining Regulations 2011, to pay royalty at a rate of 3 – 5% on ad valorem basis depending on the type of mineral. Subject to the approval of the Federal Executive Council (FEC) a mineral titleholder may be granted concession by the Minister for deferment of royalty payment on any mineral for a specified period. See **APPENDIX 2** on applicable royalty rates.

### 2.3.3 Fees and other applicable payments

The Minerals and Mining Regulations 2011, stipulates other applicable fees and payments be made by operators in the mining sector.

## 2.4 Licence Allocation and Contracts

### 2.4.1 Licence Allocation

In line with Section 21 of the Nigerian Minerals and Mining Regulations 2011, applications may be made for the grant of the following mineral titles:

a. Reconnaissance Permit
b. Exploration License
c. Mining Lease
d. Quarry Lease
e. Small Scale Mining Lease
f. Water Use Permit

The guidelines for application for these mineral titles can be found on:
http://www.minesandsteel.gov.ng/wp-content/uploads/2016/10/Guidelines-for-Mineral-Title-Applications.pdf?ecbaimohlnglfkng

The total number of licenses issued during the year under review is 1,580. The breakdown of these licenses is provided in Table 4 below.

**Table 4: Summary of Licences issued in 2017**

| S/N | Type of Licence | Number Issued |
|---|---|---|
| 1 | Reconnaissance Permit | 163 |
| 2 | Exploration License | 568 |
| 3 | Mining Lease | 33 |
| 4 | Quarry Lease | 229 |
| 5 | Small Scale Mining Lease | 587 |
| 6 | Water Use Permit | 0 |
| | **Total** | **1,580** |

The guidelines for the consolidation, transfer and revocation of licenses are provided in sections 89, 91-92 and 97 respectively of the Nigerian Minerals and Mining Regulations, 2011.
During the year under review, a total of five (5) licenses were consolidated, twenty-six (26) transferred, and nine hundred and ninety-five (995) licenses revoked during the year under review.

The consolidation, transfer and revocation of licenses during the year were made in compliance with the Nigerian Minerals and Mining Act, 2007 and the Nigerian Minerals and Mining Regulations, 2011. Our review confirmed substantial adherence to the guidelines on the licences issued, consolidated or transferred during the period under review.

The comprehensive details of licenses issued, consolidated, transferred and revoked during the year is provided in **APPENDIX 3.**

Section 94 of the Nigerian Minerals and Mining Act 2007, makes it mandatory for any entity or individual who wishes to purchase minerals to have a license to purchase minerals. In addition, Section 95 of the Act, states that the proceeds recovered under a Small Scale Mining Lease shall be sold to a Minerals Buying Center.

The requirement to possess and purchase minerals is provided in section 133 of of the Nigerian Minerals and Mining Regulation 2011.

### 2.4.2 Register of Licences

The MCO maintains a register of licenses for all solid mineral titles in the country In compliance with Section 5(1) of the Mineral and Mining Acts 2007. The register contains the following information:

a. Titleholder
b. License type
c. Cadastre unit
d. Mineral type
e. Location
f. Date of award
g. Date of expiration

Information on the date of application for all licenses is available in the register which is accessible to the public in the MCO. The MCO is presently upgrading the electronic register of licenses. The 2017 signed licenses can be accessed via the link below:
https://www.miningcadastre.gov.ng/wp-content/uploads/signed_licences/licence_signed_as_at_20th_december_2017.pdf

The comprehensive information on valid licenses can be accessed on the MMSD Web portal. Furthermore, the register of licensed minerals buying centers can be accessed via: https://portal.minesandsteel.gov.ng/MarketPlace/BuyingCentre

### 2.4.3 Contracts Disclosure

Presently, there are no contracts relating to the exploitation of solid minerals in the country following FGN privatization policy that led to divestments in the following agencies:

- Nigeria Mining Corporation (NMC)
- Nigeria Coal Corporation (NCC)
- Nigeria Iron Ore Mining Company (NIOMCO)

Government involvement in the sector is that of administrator/regulator.

## 2.5 Beneficial Ownership

The 2016 EITI Standard defines a beneficial owner in respect of a company as the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity. The EITI requires implementing countries to publish by 1st January 2017 a roadmap for disclosing beneficial ownership information and ensure full disclosure by 1st January 2020.

Given the above, Nigeria launched her beneficial ownership roadmap in January 2017. Furthermore, to meet up with the deadline for full disclosure, the NEITI has been actively working with the MCO to develop a robust beneficial ownership register. This will enable the MCO effectively obtain all relevant information regarding beneficial ownership. The threshold for beneficial ownership disclosure was set at 5% and above shareholding.

Presently, the MCO is actively carrying out data gathering on beneficial ownership. The MCO recently upgraded her database and effective from 8th July 2019, a duly completed beneficial ownership form issued by the MCO is a requirement for all new mineral titles application and renewals. The details relating to this requirement can be accessed via the following link.

Thirty-six (36) out of the fifty-nine (59) covered entities (61%) completed the beneficial ownership tempalte. See **APPENDIX 4.**

## 2.6 State Participation

State participation in Nigeria's solid minerals sector is non-existent as a result of the FGN privatization policy that led to divestments in the following agencies (See **APPENDIX 5 for BPE Letter**).

- Nigeria Mining Corporation (NMC)
- Nigeria Coal Corporation (NCC)
- Nigeria Iron Ore Mining Company (NIOMCO)

Specifically, the core assets of the following subsidiaries of NMC were sold to investors in 2017:

- Naraguta Bricks and Clay Company Ltd
- Maiduguri Bricks and Clay Products Ltd
- Kujama Quarry
- Gano Quarry
- Terrazzo Company Ltd

For NCC and NIOMCO, there were no reported activities during the 2017 fiscal year. It is against this backdrop that we wish to state that there was no active government participation in Nigeria's solid minerals sector. Government involvement in the sector is limited to administrator-regulator.

**2.7 Reforms and Developments in the Sector**

This section highlights some of the key reforms and developments in the solid minerals sector as documented in the report "Nigeria Beyond Oil – 3 Years Account of Stewardship in the Minerals and Metal Sector". See:

http://www.minesandsteel.gov.ng/2019/01/22/nigeria-beyond-oil-3yrs-account-of-stewardship-in-the-minerals-and-metal-sector/

**2.7.1 Budget and Funding**

The sector has seen an appreciable increase in funding from various sources. The annual budget of the MMSD has increased from ₦1 billion in 2015 to about ₦7 billion in 2017. Furthermore, the government has approved the sum of ₦30 billion ($100 million) as intervention fund to facilitate exploration projects towards the much-needed geosciences data as well as other necessary regulatory frameworks. Similarly, the MMSD, in collaboration with the Bank of Industry (BOI), has launched a ₦5billion Artisanal and Small-Scale Miners Financing Support Fund to provide funds at a concessionary rate of 5%.

**2.7.2 Mineral Sector Support for Economic Diversification Project (MinDiver)**

A $150 million loan has been secured from the World Bank for the Mineral Sector Support for Economic Diversification Project (MinDiver). The project which became operational in 2017 was conceived to drive the implementation of the minerals sector roadmap for a sustainable mining industry. The IA was informed that the project focused on the following key areas:

- strengthening mining governance and institutions
- enhancing opportunities for value addition and developing the mineral value chains
- formalizing the activities of artisanal and small-scale miners
- providing technical assistance and improving access to financing to artisanal, small and medium size mines
- geological exploration and mineral asset identification leading to 'proof of concept' investments
- building regional linkages for sector development

Key results from the operations of the MinDiver Project include:

- Development of strategic mining information management systems such as geological database and Environmental Information Management System (EIMS)
- Enhancement of geological knowledge through a publicly accessible geological database
- Increased economic linkages from industrial minerals to the services and manufacturing sectors (manufacturers sourcing mining materials locally)
- Increased percentage of ASM operators in target areas inventoried, formalized and supported through technical assistance

- Increased percentage of mining exportation and production projects subject to formal environmental and safety inspections following good international practices set under the project
- Increased production data collected from artisanal, small and medium size mining operations

**2.7.3 Solid Minerals Development Fund**

The Solid Minerals Development Fund (SMDF) as established by Section 34 of the Nigerian Minerals and Mining Act, 2007 is being repositioned as a more independent body with a variety of funding sources for mining projects onward financing. The fund will provide financing to Artisanal and Small-scale Miners (ASMs) through micro-finance and leasing institutions. The IA noted that SMDF has concluded negotiations with Spring Fountain Infrastructures Limited to commence an equipment leasing and hire-purchase scheme for ASMs by the second quarter of 2019. It is therefore hoped that this initiative by the SMDF would help in revamping previously abandoned mining projects like tin ore, iron ore, coal, gold and lead-zinc.

**2.7.4 Implementation of Mineral Export Guidelines**

Government has continued the implementation of the mineral export guidelines, which aims to counter false declarations and undervaluation of commodities for export. The guidelines ensure comprehensive inspection of all mineral exports by government-appointed pre-shipment agents who provide quality control services as well as price monitoring. These help to ensure that the true market value of minerals is charged and appropriate taxes paid on them. The IA notes that such efforts would work towards increasing the sector's contribution to the GDP.

**2.7.5 Developing Nigeria's Gold Value Chain**

The MMSD is embarking on the revitalization of the gold sub-sector through the development of a national gold policy to facilitate formal gold production, trade and export to ensure regular payment of royalties and taxes. This is in addition to the National Gold Purchase Scheme aimed at promoting the production and refining of gold for purchase by the Central Bank of Nigeria under the Federal Gold Reserve Treasury Scheme. The scheme will be funded through a presidential artisanal gold mining development initiative.

**2.7.6 Coal prospects**

In furtherance of governments desire to increase the contribution of coal power plants to 30% of the nation's electricity by 2020, a Project Delivery Team (PDT) has been inaugurated to invigorate the coal sub-sector and concession coal blocks of the Nigerian Coal Corporation as part of MMSD's contribution to the energy policy.

**2.7.7 Phosphate prospects**

Phosphate exploration has been carried out in Sokoto State by the NGSA in support of the government's food security program and phosphate-rich areas to support the establishment of fertilizer plants where they have been discovered. Test drilling has been carried out at the mineralized corridors and some newly discovered areas in Kebbi State just as negotiations were initiated with OCP of Morocco (world's largest phosphate producer) for cross beneficiation tests for NGSA.

**2.7.8 Discovery of limestone reserves**

The IA noted some discoveries that led to an appreciation in Nigeria's limestone resource base from 2.3 billion tonnes to 10.6 billion tonnes with occurrences in 14 states comprising Sokoto, Gombe, Benue, Kogi, Edo, Oyo, Ogun, Cross River, Ondo, Plateau, Bauchi, Akwa-Ibom, Enugu and Ebonyi States. This makes Nigeria self-sufficient in cement production. An estimated 4.8 billion tonnes of Marble was also found to occur in the FCT, Nasarawa, Ondo, Edo, Oyo, Kogi, Kwara, Niger and Kebbi States.

**2.7.9 Acquiring critical Geosciences Data**

Availability of accurate geoscience data is critical to the growth and development of the sector. In this regard, the MMSD has engaged M/S Fugro to carry out aeromagnetic survey covering various mineral deposits across the country. The Nigeria Geological Survey Agency (NGSA) has used this data in exploring strategic minerals, and discoveries have been made confirming the existence of base metals around Ebonyi State, gold in Osun and Kaduna States in addition to previously known areas of mineralization.

**2.7.10 Integrated exploration program**

The MMSD awarded contracts for the exploration of priority minerals such as gold, lead, zinc, iron ore and rare earth metals. This is aimed at establishing the presence of such minerals in commercial quantities, thereby attracting investors. To ensure optimum utilization, delineated areas from such exploration will be reserved and granted only to reputable investors with strong financial and technical competence.

**2.7.11 Drilling equipment**

MMSD has acquired diamond core drilling rigs and assaying equipment for the National Steel Raw Materials Exploration Agency and the Nigeria Geological Survey Agency (NGSA). The IA notes that this would aid gathering of more credible geosciences data.

**2.7.12 Stock count of carbonate rock resources**

To identify and characterize all carbonate rock resources (limestone, marble, magnesite and dolomite) in terms of chemistry, size, location suitability for cement production, the NGSA in collaboration with the Cement Technology Institute of Nigeria (CTI) conducted an assessment of all carbonate rock resources in the country.

**2.7.13 Technical cooperation agreements**

In furtherance of governmnet's effort at facilitating rapid development of the mining sector, the NGSA recently operationalized an MoU with China Geological Survey on nation-wide regional geochemical mapping to identify new mineral deposits. This, the IA notes is Government's concrete effort towards identifying new mineral deposits in the country.

**2.7.14 Upgrading the Mining Cadastre Office:**

MCO has been decentralized and upgraded with the establishment of six zonal offices and introduction of online mineral title administration to ensure transparency and improved turn-around time in mineral title processing from 45 days to 15 days.

The IA notes that MCO continues with the strict implementation of the "use it or lose it" provision of the minerals and mining act, 2007 which allows for the revocation of non-performing or defaulting mineral titles. This will help curtail the activities of speculators and give room for genuine and capable investors in the sector.

**2.7.15 Facilitating Investment**

The MMSD has improved its capacity to handle investment promotions and minerals trade by upgrading the unit in charge of these matters to a department with the mandate of promoting investments in the sector and supervising minerals trade.

**2.7.16 Addressing Mines Environmental and Health Issues**

The Mineral Resources and Environmental Management Committees (MIREMCO) across the states are being revived for effective operations. The MMSD also continues with nation-wide monitoring and enforcement of environmental compliance to reduce mining operational hazards.

The IA notes MMSD's efforts in consolidating and promoting safer mining practices. In 2018, an international conference on lead poisoning associated with artisanal and small-scale gold mining was held with resolutions culminating in the establishment of a Centre for Training on Lead Poisoning in Shakira, Niger State.

**2.7.17 Cooperation between Federal and State Governments.**

The MMSD continues in its drive to encourage state governments' participation in the sector and promote partnerships with the Federal Government. This is aimed at placing the government in a better position to serve as the regulator, providing a conducive business environment for mining entities to drive the much-needed development in the sector.

In this regard, the MMSD successfully constituted the National Council of Mining and Mineral Resources as the highest policy-making body in the extractive industry. The council shall serve as an avenue to bring stakeholders together to shape policies and programs being executed by the MMSD. This serves as an effective administrative mechanism to douse tension between federal and state authorities on issues of natural resource governance.

## 3.0 Exploration and Production

### 3.1 Exploration

Nigeria is richly endowed with various mineral resources in commercial quantity spread across the entire country. Some of the key mineral resources include gold, coal, bitumen, iron ore, tantalite/columbite, sphalerite, galena, barytes, cassiterite, gemstones, talc, feldspar and marble. Figure 1 below shows the mineral map of Nigeria.

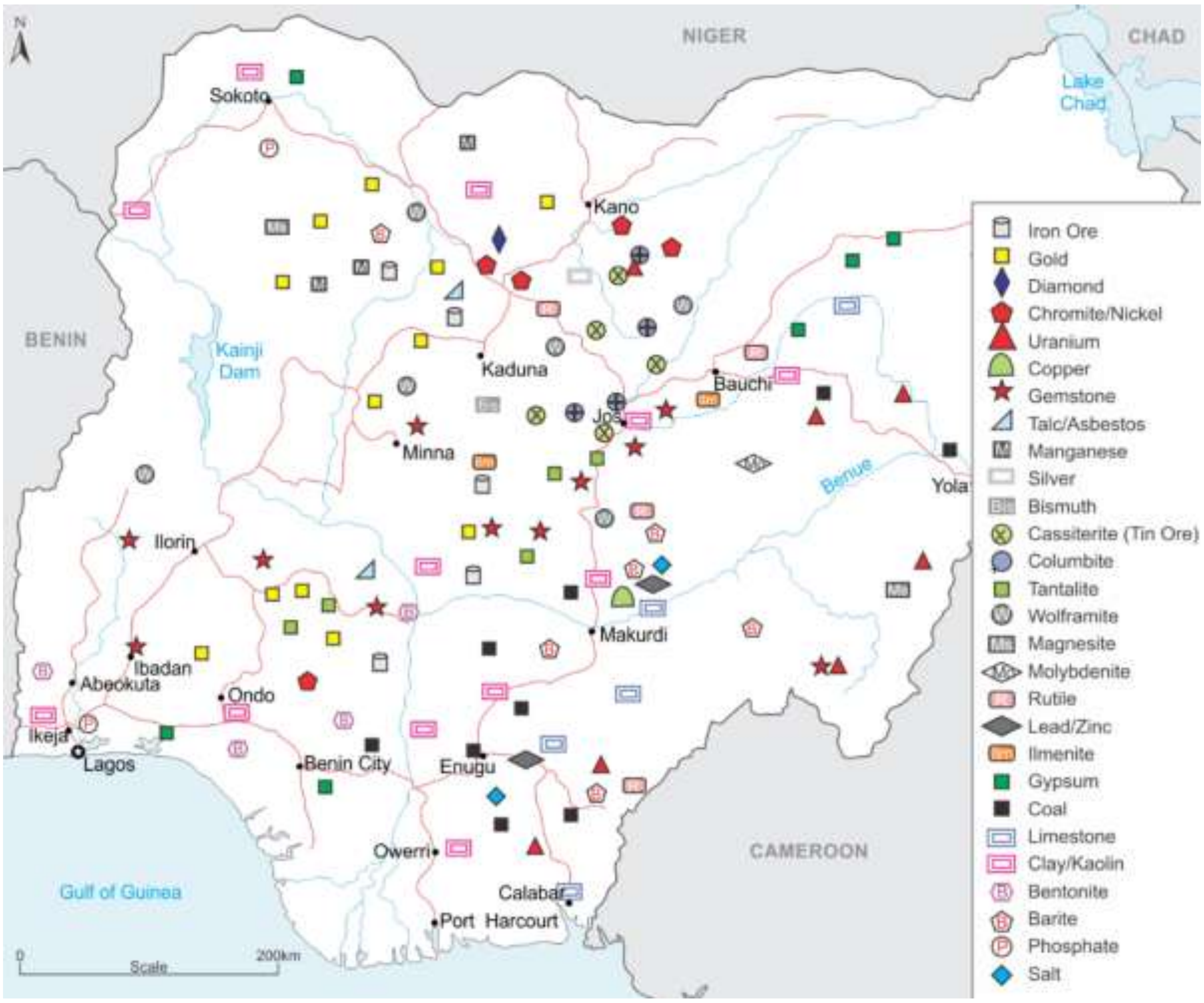



**Figure 2: Minerals Map of Nigeria**
Source: MMSD

Currently, Nigeria's solid minerals sector is still under-developed, with a contribution of less than 1% to GDP. As part of the government's economic diversification strategy, it became very necessary to harness the nation's solid minerals resources. Following this, the FGN in 2016 launched the solid minerals sector roadmap with the overall aim of revamping the sector. To drive the implementation of the initiatives set out in the roadmap, the FGN secured a $150 million loan from the World Bank to fund the Mindiver Project. The project became operational in 2017 and focused on strengthening, formalizing the activities of artisanal and small-scale miners (ASM), providing technical assistance and improving access to finance for ASM,and providing geological information among others.

#### 3.1.1 Significant Exploration Activities

Mineral exploration involves activities undertaken to discover minerals deposits in commercially viable quantities. A total of 598 exploration licenses (EL) were issued in the year under review. Exploration Licenses for gold, lead/zinc, cassiterite, limestone, beryl, columbite, manganese, iron ore, clay and coal were the most issued in the year under review as shown in figure 3 below. The comprehensive details of the EL are presented in **APPENDIX 3**.

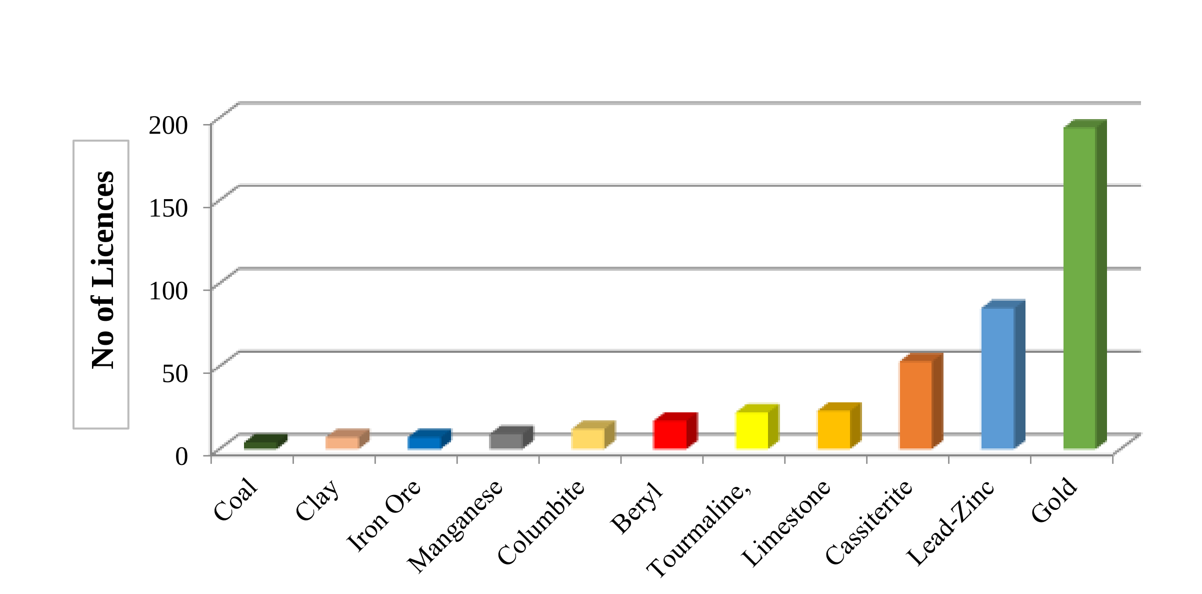



**Figure 3: Exploration Licenses Issued**

Successful exploration activities in the solid minerals sector is reflected by Mining Leases (ML) granted by the MCO during the year. A total of 33 MLs were issued during the year primarily covering cassiterite, gold, limestone, iron ore, columbite, tourmaline and coal. The MLs were granted as as result of the success achieved at the exploration stage.

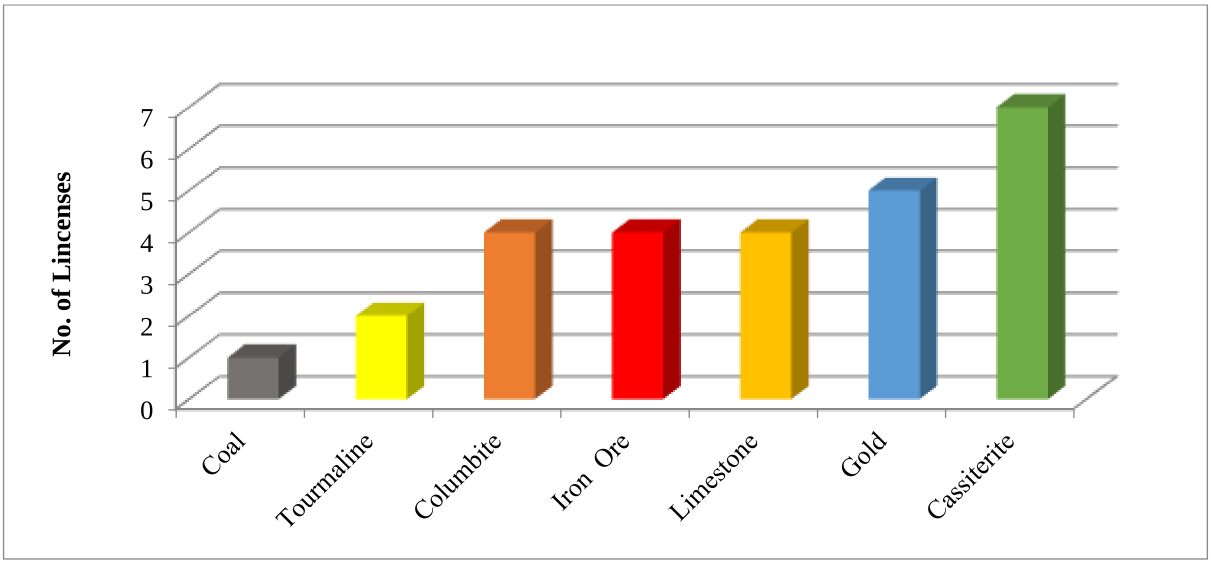



**Figure 4: Mining Leases Granted3.2 Production**

## 3.2 Production

Production data is based on minerals used or sold during the year. The total production volume used or sold is 35.33 million tons with a total market value of ₦32.78 billion. This section presents mineral production data by type, state and company. The comprehensive details of production is presented in **APPENDIX 6.**

### 3.2.1 Production by Mineral Type

The total production used or sold during the year, analysed by mineral type, volume and value are presented in table 5 below.

**Table 5: Production by Mineral Type**

| S/N | Minerals | Total Quantity Used (Tons'000) | Market Price per (Tons'000) | Market Value ₦'000 | Royalty Rate per Ton (₦) | Royalty Payable ₦'000 | % of Royalty |
|---|---|---|---|---|---|---|---|
| 1 | Limestone | 19,433.56 | 600 | 11,660,134.68 | 30 | 583,006.73 | 37.66 |
| 2 | Granite Aggregate | 8,147.53 | 1,500.00 | 12,221,290.22 | 75 | 611,064.51 | 39.48 |
| 3 | Laterite | 2,702.36 | 600 | 1,621,418.97 | 30 | 81,070.95 | 5.24 |
| 4 | Stone Dust | 1,810.74 | 750 | 1,358,055.61 | 37.5 | 67,902.78 | 4.39 |
| 5 | Clay | 1,237.38 | 400 | 494,950.20 | 20 | 24,747.51 | 1.6 |
| 6 | Shale | 849.87 | 500 | 424,934.06 | 25 | 21,246.70 | 1.37 |
| 7 | Coal | 638.06 | 2,500.00 | 1,595,154.13 | 75 | 47,854.62 | 3.09 |
| 8 | Marl | 227.51 | 400 | 91,003.01 | 20 | 4,550.15 | 0.29 |
| 9 | Sand | 205.73 | 800 | 164,586.40 | 40 | 8,229.32 | 0.53 |
| 10 | Manganese | 37.35 | 10,000.00 | 373,463.30 | 300 | 11,203.90 | 0.72 |
| 11 | Gypsum | 16.62 | 5,000.00 | 83,094.55 | 250 | 4,154.73 | 0.27 |
| 12 | Granite Block* | 7.63 | 12,448.13 | 94,950.00 | 622.41 | 4,747.50 | 0.31 |
| 13 | Lead/Zinc Ore | 6.39 | 45,000.00 | 287,550.00 | 1,350.00 | 8,626.50 | 0.56 |
| 14 | Tin Ore | 2.13 | 250,000.00 | 531,250.00 | 7,500.00 | 15,937.50 | 1.03 |
| 15 | Zircon Sand | 1.8 | 6,000.00 | 10,793.34 | 300 | 539.67 | 0.03 |
| 16 | Lead Concentrate | 1.47 | 90,000.00 | 132,300.00 | 2,700.00 | 3,969.00 | 0.26 |
| 17 | Columbite Concentrate | 0.51 | 2,055,000.00 | 1,044,166.05 | 61,650.00 | 31,324.98 | 2.02 |
| 18 | Columbite Ore | 0.37 | 400,000.00 | 146,000.00 | 12,000.00 | 4,380.00 | 0.28 |
| 19 | Coltan Ore | 0.05 | 40,000.00 | 2,000.00 | 1,200.00 | 60 | 0 |
| 20 | Gold* | 0 | 6,285,831,428.57 | 440,008.20 | 188,574,942.86 | 13,200.25 | 0.85 |
| 21 | Wolfromite* | 0 | 907,990.31 | 3,750.00 | 27,239.71 | 112.5 | 0.01 |
| | **Total** | **35,327.04** | | **32,780,852.71** | | **1,547,929.80** | **100** |

***Minerals were converted to tons**

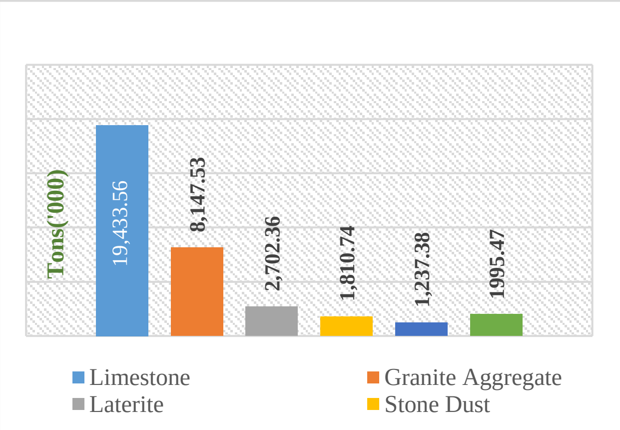



**Figure 5: Production in Quantity**

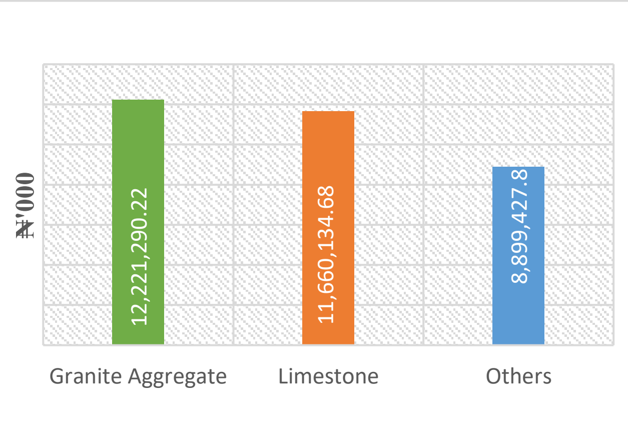



**Figure 6: Production in Value**

Limestone, Granite aggregate and Laterite accounted for 85.72% of the total minerals production with Limestone alone contributing about 55%. However, concerning the value of production, Granite aggregate and Limestone contributed 37.28% and 35.57% respectively, giving a combined total of 72.85% of the total production value.

### 3.2.2 Minerals Production by State

The total production by state, analysed by volume and value is presented in table 6 below.

**Table 6: Production by State**

| SN | State | Total Used/Sold (Tons) | Total Used/Sold (Ounces) | Production Value (₦'million) | Royalty (₦'million) | % of Royalty | Region |
|---|---|---|---|---|---|---|---|
| 1 | Ogun | 12,144,548.08 | | 7,543.70 | 377.18 | 24.37 | South-West |
| 2 | FCT | 4,779,336.89 | 2,444.49 | 6,722.22 | 325.81 | 21.05 | North-Central |
| 3 | Kogi | 8,702,252.30 | | 5,982.34 | 273.5 | 17.67 | |
| 4 | Oyo | 1,592,087.04 | | 1,857.14 | 92.86 | 6 | South-West |
| 5 | Cross River | 1,239,763.01 | | 1,229.23 | 61.46 | 3.97 | South-South |
| 6 | Edo | 1,176,401.05 | | 1,166.57 | 58.33 | 3.77 | |
| 7 | Ondo | 744,977.74 | | 1,107.28 | 55.36 | 3.58 | South-West |
| 8 | Plateau | 42,576.13 | | 1,587.20 | 48.53 | 3.14 | North-Central |
| 9 | Gombe | 1,002,538.50 | | 869.44 | 37.18 | 2.4 | North-East |
| 10 | Ebonyi | 535,254.26 | | 700.26 | 35.01 | 2.26 | South-East |
| 11 | Benue | 800,319.06 | | 690.84 | 34.54 | 2.23 | North-Central |
| 12 | Nasarawa | 41,462.72 | | 661.74 | 22.48 | 1.45 | |
| 13 | Sokoto | 708,581.01 | | 425.15 | 21.26 | 1.37 | North-West |
| 14 | Adamawa | 393,640.10 | | 325.5 | 16.28 | 1.05 | North-East |
| 15 | Abia | 211,618.17 | | 317.43 | 15.87 | 1.03 | South-East |
| 16 | Kebbi | 38,679.66 | | 375.46 | 11.3 | 0.73 | North-West |
| 17 | Kano | 164,641.28 | | 220.96 | 11.05 | 0.71 | |
| 18 | Bauchi | 150,540.31 | | 190.68 | 9.53 | 0.62 | North-East |
| 19 | Zamfara | 114,446.67 | | 153.18 | 7.66 | 0.49 | North-West |
| 20 | Akwa-Ibom | 252,314.00 | | 151.39 | 7.57 | 0.49 | |
| 21 | Jigawa | 108,340.36 | | 150.45 | 7.52 | 0.49 | South-South |
| 22 | Ekiti | 59,390.00 | | 89.09 | 4.45 | 0.29 | South-West |
| 23 | Katsina | 97,792.50 | | 87.03 | 4.35 | 0.28 | North-West |
| 24 | Anambra | 78,750.00 | | 63 | 3.15 | 0.2 | South-East |
| 25 | Lagos | 75,075.00 | | 60.06 | 3 | 0.19 | South-South |
| 26 | Niger | 29,796.00 | | 22.2 | 1.11 | 0.07 | North-Central |
| 27 | Kaduna | 15,585.00 | | 9.35 | 0.47 | 0.03 | North-West |
| 28 | Osun | 8,000.00 | | 9 | 0.45 | 0.03 | South-West |
| 29 | Rivers | 10,000.00 | | 8 | 0.4 | 0.03 | South-South |
| 30 | Kwara | 8,333.33 | | 5 | 0.25 | 0.02 | North-Central |
| **Total** | | **35,327,040.18** | **2,444.49** | **32,780.85** | **1,547.93** | **100** | |

***Data includes minerals converted to tons.**

Ogun State produced the highest quantity of minerals both in terms of volume and value. The state accounts for over one-third of total production quantity and 23% of the total minerals production value. Ogun and Kogi States account for over half the total production quantity with Limestone being the major minerals produced in the states. In terms of production value, Ogun, FCT and Kogi states account for 23%, 20% and 18% respectively of the total production value contributing a combined total of about 61% of the production value.

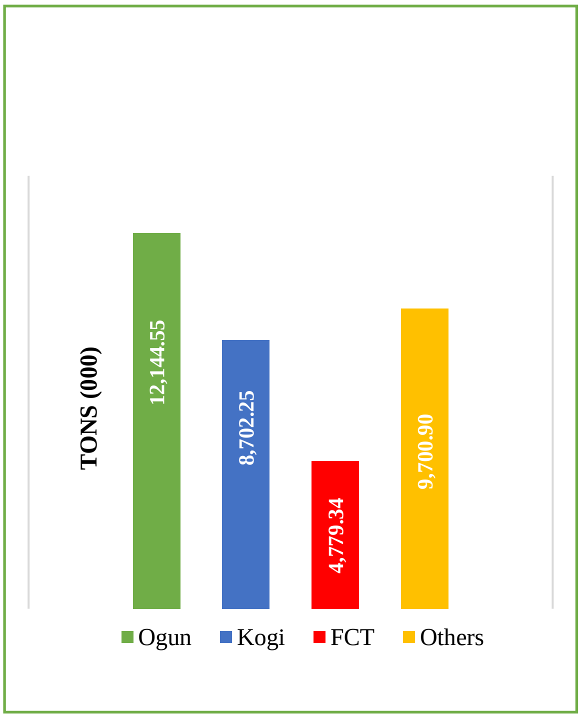



Figure 7: State Production In Quantity

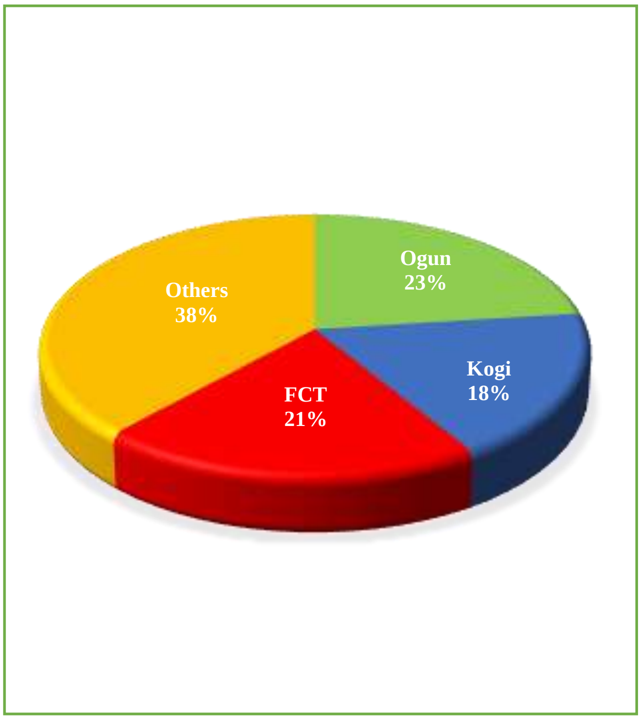



Figure 8: State Production In Value

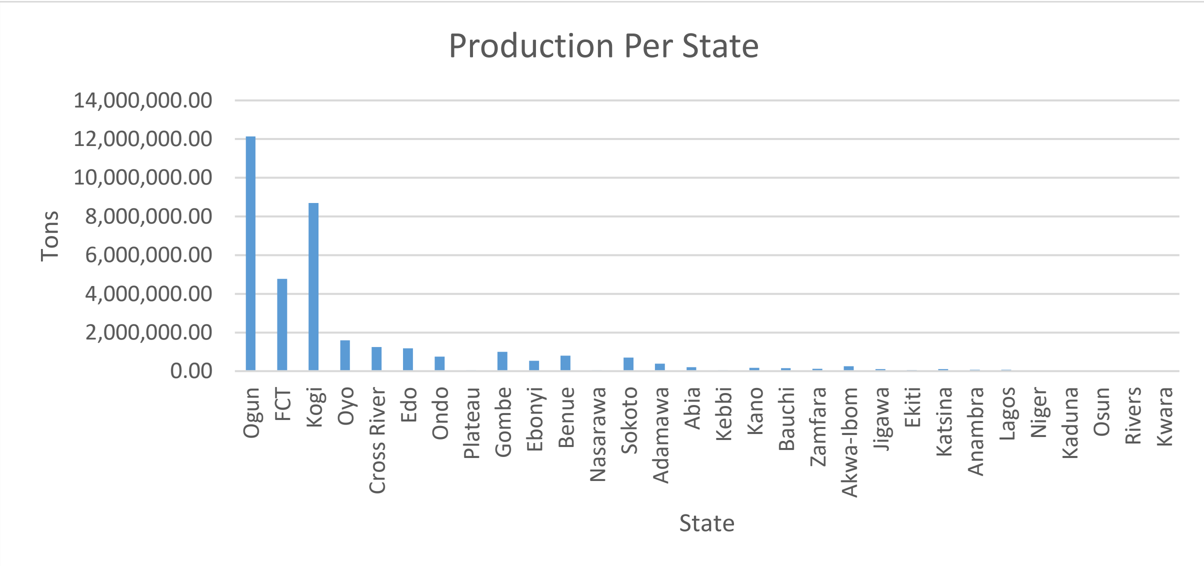



Figure 9: Production Per State

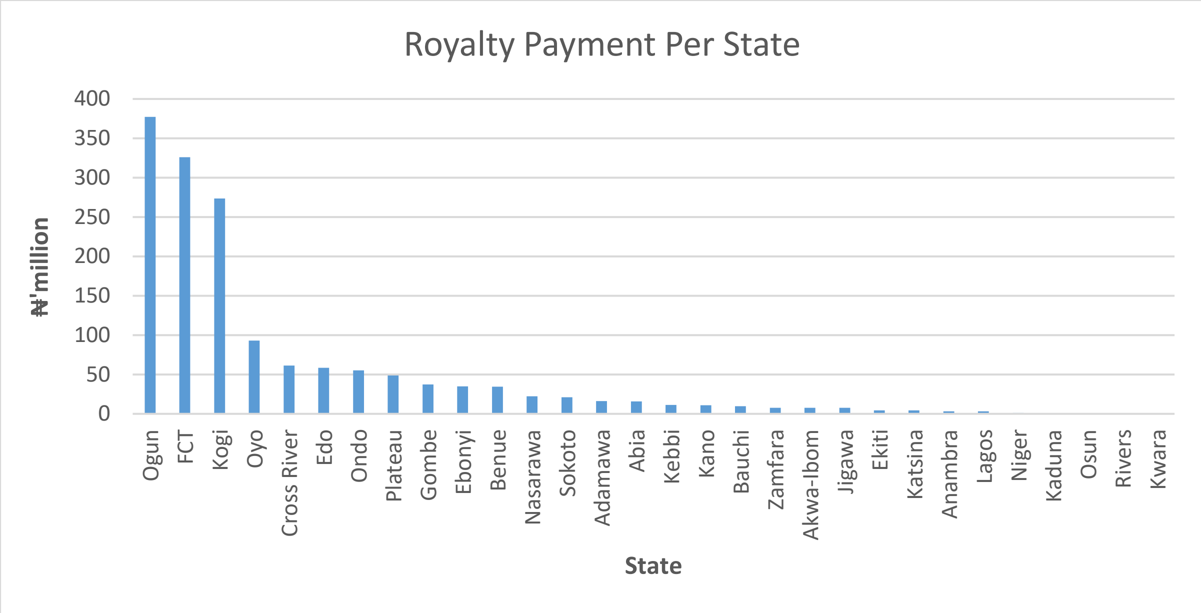



**Figure 10: Royalty Payment per State**

### 3.2.3 Minerals Production by Companies

The major player concerning minerals production is Dangote Cement Plc. The company accounted for about 46% of the total minerals production in quantity. Furthermore, three other companies - Lafarge Cement Plc., CGC Nigeria Limited and Julius Berger Plc. accounted for over 30% of the total minerals production. The major mineral produced by these companies is Limestone.

Overall, four companies – Dangote Cement Plc, Lafarge Cement Plc, CGC Nigeria Limited and Julius Berger Plc. produced a combined total of over 27 million tons, representing 77.31% of the total minerals production quantity. The production value of these companies accounted for over 60% of the total value of production.

Dangote Cement Plc. accounted for about one-third (29%) of the total value of minerals production with CGC Nigeria Limited following with 16.78%. In absolute terms, these four companies produced a combined total of over ₦20 billion.

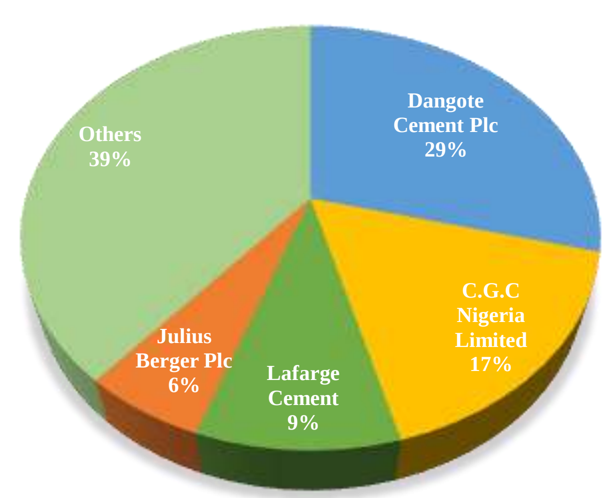



Figure 11: Companies Production in Value

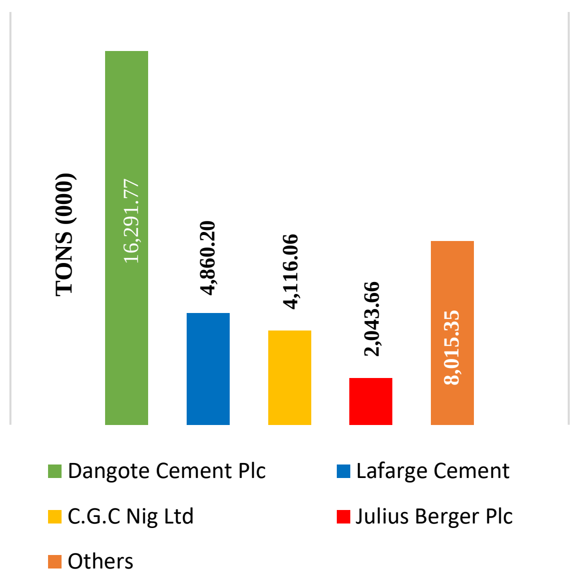



Figure 12: Companies Production in Quantity

### 3.2.4 Comparison of Minerals Production Data

A review of minerals production by states shows that except the Federal Capital Territory, there was a material decline in states production both in terms of quantity and value.

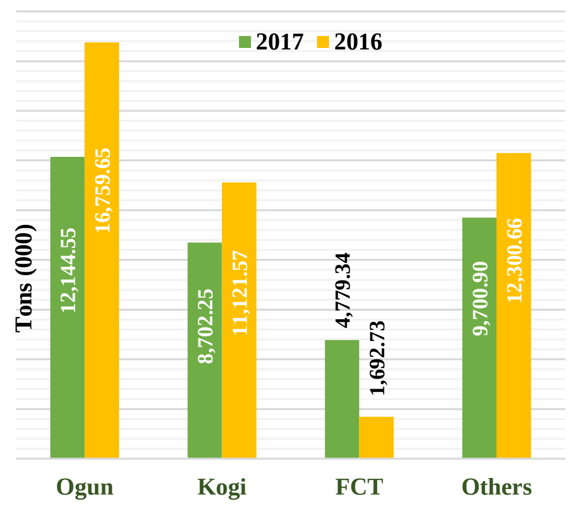



Figure 13: Comparison of State Production Volume

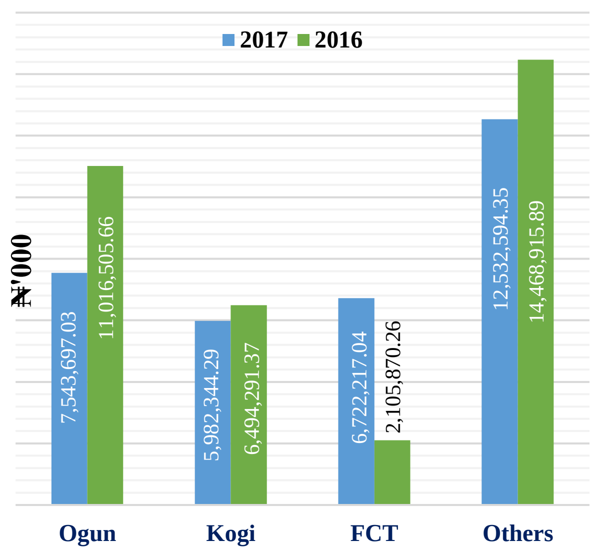



Figure 14: Comparison of State Production Value

Total production quantity decreased by 15.64% in 2017, resulting in a decrease of about 3.83% of production value. Comparison of mineral production between 2016 and 2017, including the corresponding value of production is presented in table 7 below.

**Table 7: Comparison of Production Data**

| S/N | Minerals | Tons (000) | | % Change | Value (₦'000) | | % Change |
|---|---|---|---|---|---|---|---|
| | | 2017 | 2016 | | 2017 | 2016 | |
| 1 | Limestone | 19,433.56 | 26,996.57 | (28.01) | 11,660,134.68 | 16,197,941.25 | -28.01 |
| 2 | Granite | 8,147.53 | 7,458.24 | 9.24 | 12,221,290.22 | 9,368,526.96 | 30.45 |
| 3 | Laterite | 2,702.36 | 2,074.01 | 30.30 | 1,621,418.97 | 1,244,407.98 | 30.30 |
| 4 | Clay | 1,237.38 | 1,646.01 | (24.83) | 494,950.20 | 658,404.69 | -24.83 |
| 5 | Shale | 849.87 | 1,882.68 | (54.86) | 424,934.06 | 941,337.78 | -54.86 |
| 6 | Coal | 638.06 | 104.42 | 511.02 | 1,595,154.13 | 261,062.16 | 511.02 |
| 7 | Sand | 205.73 | 1,508.71 | (86.36) | 164,586.40 | 1,206,964.23 | -86.36 |
| 8 | Manganese | 37.35 | 70.11 | (46.72) | 373,463.30 | 701,066.67 | -46.73 |
| 9 | Others | 2,075.20 | 133.87 | 1,450.16 | 4,224,920.75 | 3505871.46 | 20.51 |
| | **Total** | **35,327.04** | **41,874.61** | **(15.64)** | **32,780,852.71** | **34,085,583.17** | **(3.83)** |

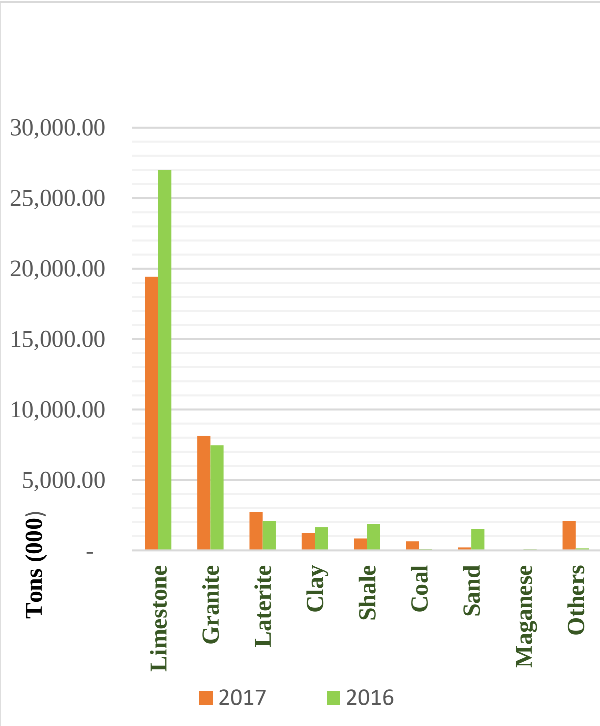



Figure 15: Comparison of Production Quantities

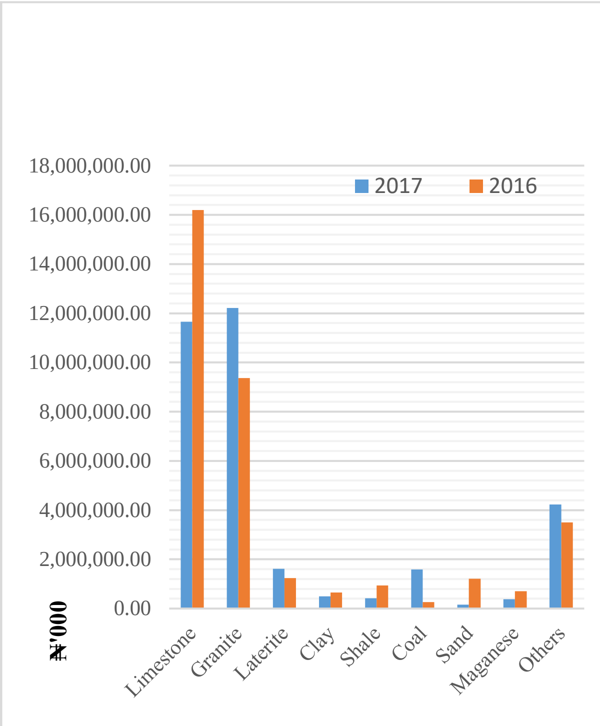



Figure 16: Comparison of Production Values

## 3.3 Export

Export is stated at the FOB value and is based on a submission from the Nigeria Customs Service (NCS). Minerals export was $29,901,420 during the year under review, as presented in table 8 below. The summary of export by commodity, volume and value are set out below.

**Table 8: Minerals Export by Commodity**

| S/N | Mineral | Net Mass (MT) | FOB ($) | % of FOB |
|---|---|---|---|---|
| 1 | Zinc ores and concentrates | 8,224,954.87 | 7,823,285 | 26.16 |
| 2 | Lead ores and concentrates | 2,671,243.98 | 7,584,783 | 25.37 |
| 3 | Silica sands and quartz sands | 6,204.56 | 6,661,338 | 22.28 |
| 4 | Tin ores and concentrates | 147,389.00 | 2,169,549 | 7.26 |
| 5 | Cobalt ores and concentrates | 340,420.59 | 1,588,025 | 5.31 |
| 6 | Niobium, tantalum, vanadium and zirconium | 43,712.86 | 1,475,601 | 4.93 |
| 7 | Manganese ores/concentrates | 430,387.80 | 759,712 | 2.54 |

| | | | | |
|---|---|---|---|---|
| 8 | Zirconium ores and concentrates | 4,172.72 | 531,191 | 1.78 |
| 9 | Pebbles and gravel | 50,033.00 | 255,372 | 0.85 |
| 10 | Granite cut into blocks or slabs | 2,440.00 | 168,000 | 0.56 |
| 11 | Emery, natural corundum and natural garnet | 350,965.00 | 150,932 | 0.50 |
| 12 | Natural sands | 51,024.00 | 127,845 | 0.43 |
| 13 | Bentonite | 300.00 | 108,969 | 0.36 |
| 14 | Mica sheet | 100,140.60 | 97,968 | 0.33 |
| 15 | Copper ores and concentrates | 1,635,342.00 | 72,777 | 0.24 |
| 16 | Ecaussine and other calcareous monumental | 128,440.00 | 66,719 | 0.22 |
| 17 | Kaolin and other kaolinic clays | 570.50 | 63,703 | 0.21 |
| 18 | Quartzite | 252.00 | 42,450 | 0.14 |
| 19 | Gypsum; anhydrite | 2,000,000.00 | 40,000 | 0.13 |
| 20 | Agglomerated Iron ores and concentrates | 25,000.00 | 32,400 | 0.11 |
| 21 | Tungsten ores and concentrates | 66,000.00 | 23,100 | 0.08 |
| 22 | Other ores and concentrates | 15.00 | 19,500 | 0.07 |
| 23 | Nickel ores and concentrates | 15,000.00 | 15,000 | 0.05 |
| 24 | Granules, chippings and powder of marble | 30.00 | 13,200 | 0.04 |
| 25 | Titanium ores and concentrates | 50,000.00 | 10,000 | 0.03 |
| 26 | Aluminium ores and concentrates | 75.00 | 1 | 0.00 |
| **Total** | | **16,344,113.48** | **29,901,420** | **100.00** |

**Source:** NCS 2017

Three commodities - Zinc ores and concentrates, Lead ores and concentrates, and Silica Sands and Quartz accounted for the largest share of the total export at 73.81% with a total combined volume of 10,902,403.41MT.

**Table 9: Minerals Export by Destination**

| S/N | Destination | Net Mass(MT) | FOB Value ($) | FOB % |
|---|---|---|---|---|
| 1 | China | 11,577,150.39 | 20,357,083 | 68.08 |
| 2 | Malaysia | 146,841.00 | 1,967,546 | 6.58 |
| 3 | Vietnam | 16,185.00 | 1,330,528 | 4.45 |
| 4 | India | 1,054.29 | 1,027,483 | 3.44 |
| 5 | Hong Kong | 139,140.40 | 777,750 | 2.60 |
| 6 | USA | 712.90 | 756,785 | 2.53 |
| 7 | United Kingdom | 25,595.00 | 721,498 | 2.41 |
| 8 | Spain | 292,982.50 | 648,552 | 2.17 |
| 9 | United Arab Emirates | 725.00 | 595,000 | 1.99 |
| 10 | Korea | 351,335.00 | 590,967 | 1.98 |
| 11 | Australia | 250.00 | 325,000 | 1.09 |
| 13 | Poland | 2,220.00 | 217,505.00 | 0.73 |
| 14 | Saudi Arabia | 275.00 | 114,562 | 0.38 |
| 15 | Congo | 300.00 | 108,969 | 0.36 |
| 16 | Sudan | 400.00 | 57,625 | 0.19 |
| 17 | Japan | 75.00 | 50,000 | 0.17 |
| 18 | Gabon | 5,473.00 | 49,703 | 0.17 |
| 19 | Thailand | 50,077.00 | 45,100 | 0.15 |

| | | | | |
|---|---|---|---|---|
| 21 | Chad | 2,000,000.00 | 40,000 | 0.13 |
| 23 | Pakistan | 73,500.00 | 34,425 | 0.12 |
| 24 | South Africa | 66,000.00 | 23,100 | 0.08 |
| 25 | Netherlands | 41.00 | 13,250 | 0.04 |
| 27 | Cote d'Ivoire | 100.00 | 12,500 | 0.04 |
| 28 | Cameroon | 100.00 | 11,000 | 0.04 |
| 29 | Greece | 100.00 | 10,000 | 0.03 |
| 31 | Kenya | 50,000.00 | 8,910 | 0.03 |
| 33 | Germany | 1,291,406.00 | 5,570.00 | 0.02 |
| 34 | Czech Republic | 15.00 | 1,000 | 0.00 |
| 35 | Belgium | 252,000.00 | 7 | 0.00 |
| 36 | Algeria | 60.00 | 2 | 0.00 |
| **Total** | | **16,344,113.48** | **29,901,420.00** | **100.00** |

**Source: NCS 2017**

The major destination of Nigeria's export during the year under review is China. The country accounted for 68% of the total export value during the year. The FOB value of export decreased by 26.95% in comparison with 2016.

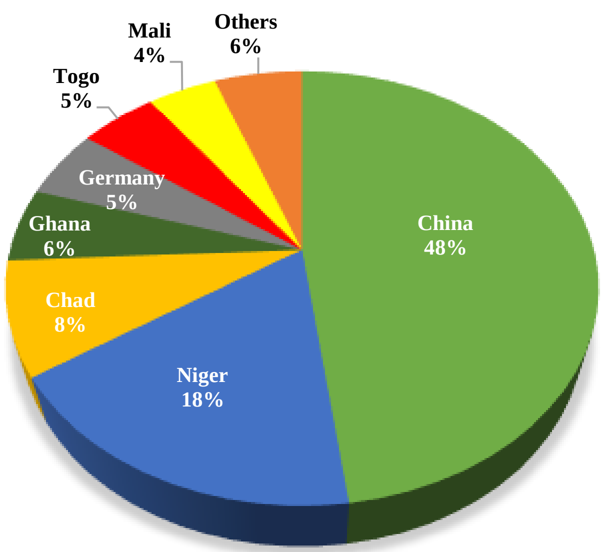



**Figure 17: Minerals Export in Quantity**

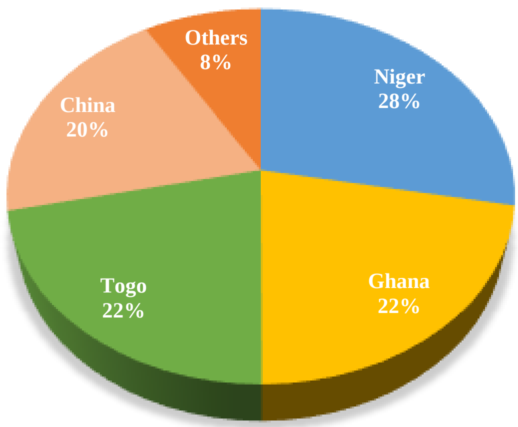



**Figure 18: Minerals Export in Value**

The comprehensive details of export analysed by product type, destination, volume and value are presented in **APPENDIX 7.**

## 4.0 Revenue Collection

Companies operating in the solid minerals industry make various payments to the government. The report identified 53 financial flows as established by the NSWG (see **APPENDIX 1**). For reconciliation, only financial flows from the FIRS, MCO and MID were considered. Revenue from these streams as represented by payments from the covered entities account for over 90% of the total revenue generated from the sector. This section sets out disclosure of receipts and payments by government and companies as well as the outcome of the reconciliation exercise.

### 4.1 Initial Disclosure of Revenue

The table below shows the initial disclosure of receipts by relevant government agencies and payments by extractive companies.

**Table 10: Summary of Initial Disclosure of Receipts and Payments**

| Financial Flows | Entity | | Variance (₦'000) | % of Difference |
|---|---|---|---|---|
| | Government (₦'000) | Company (₦'000) | | |
| FIRS | 48,921,497.50 | 36,613,143.33 | 12,308,354.17 | 25.16 |
| MID | 1,347,332.67 | 1,081,500.98 | 265,831.68 | 19.73 |
| MCO | 309,268.00 | 252,105.50 | 57,162.50 | 18.48 |
| **Sub-Total** | **50,578,098.16** | **37,946,749.81** | **12,631,348.35** | **24.97** |
| Unilateral Disclosures | 1,962,981.41 | 4,901,753.58 | - | |
| **Grand Total** | **52,541,079.57** | **42,848,503.39** | **12,631,348.35** | **24.97** |

The total receipts and payments reconciled were ₦50.58 billion and ₦37.95 billion, respectively. This resulted in an initial difference of ₦12.63 billion (24.97%). This difference does not include unilateral disclosures which are not subjected to reconciliation;unilateral disclosures are financial flows reported by only one party, that is, either government or company. Also, all payments from companies below the threshold are classified as unilateral disclosures. See **APPENDIX 8** for details of unilateral disclosures.

### 4.2 Reconciliation of Receipts and Payments

The IA carried out verification of the data on the initial templates submitted by the extractive companies and Government agencies and identified the differences. A large proportion of the initial differences were reconciled during the tripartite reconciliation meeting. The table below is the outcome of the reconciliation of receipts and payments carried out for all the companies that met the threshold.

**Table 11: Summary of Reconciled Receipts and Payments**

| Financial Flows | Entity | | Unreconciled Difference (₦'000) | % of Difference |
|---|---|---|---|---|
| | Government (₦'000) | Company (₦'000) | | |
| FIRS | 49,162,008.33 | 49,206,801.45 | (44,793.12) | -0.091 |
| MID | 1,327,194.51 | 1,291,886.63 | 35,307.88 | 2.660 |
| MCO | 304,993.50 | 295,879.50 | 9,114.00 | 2.988 |
| **Total Reconciled Receipts/Payments (a)** | **50,794,196.34** | **50,794,567.59** | **(371.24)** | **-0.001** |
| Total Unilateral Disclosure | 1,962,981.41 | 4,901,753.58 | - | |
| **Grand Total (a) + (b)** | **52,757,177.75** | **55,696,321.17** | **(371.24)** | **-0.001** |

Following the verification and reconciliation exercise, the final unreconciled difference amounted to (₦371,240), representing (0.001%). The unreconciled difference analysis by revenue streams shows that the biggest differences between the revenue declared by government and payments made by companies were from FIRS taxes – (0.091%).

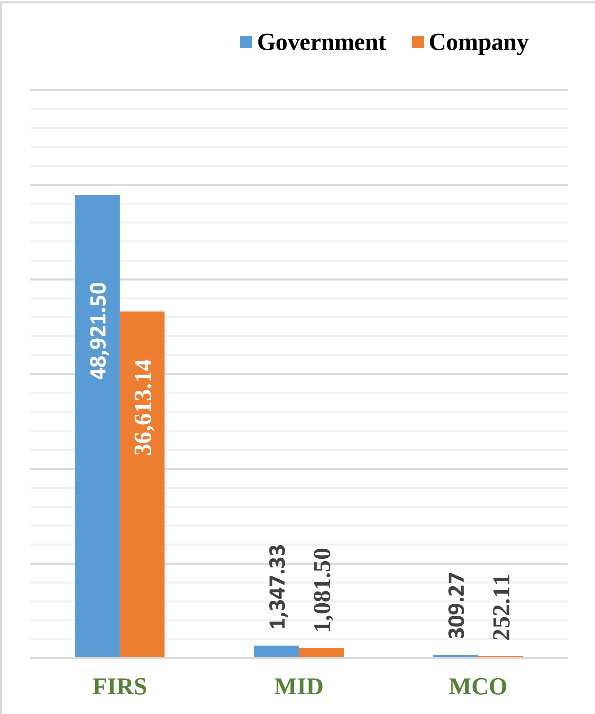



**Figure 19: Initial Disclosure of Revenue**

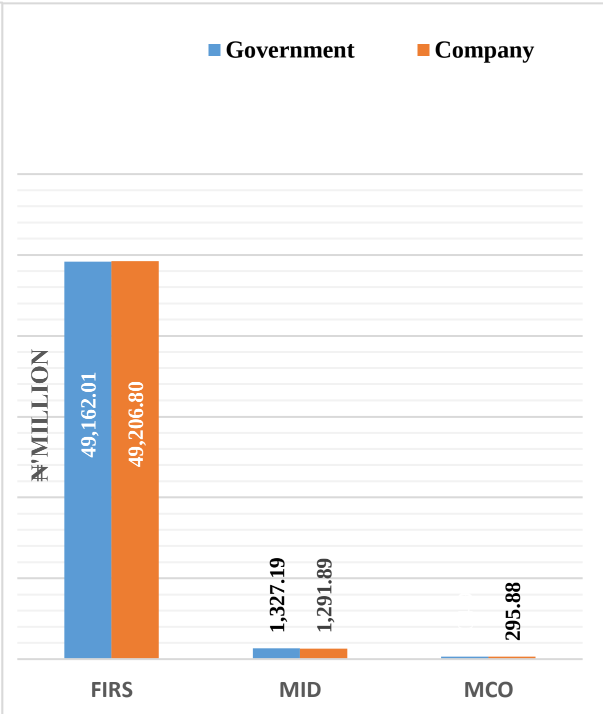



**Figure 20: Outcome of Reconciliation**

The detailed outcome of the workstreams carried out on reconciliation including company level reporting is presented in **APPENDIX 9.**

### 4.3 Financial flows to the Federation

Below is the summary of reconciled revenue collected by the relevant government agencies, including unilateral disclosures.

**Table 12: Summary of Government Financial Flows**

| **Reconciled Financial Flows:** | **₦'000** | **%** |
|---|---|---|
| FIRS | 49,162,008.33 | 93.19 |
| MID | 1,327,194.51 | 2.52 |
| MCO | 304,993.50 | 0.58 |
| **Sub-Total (a)** | **50,794,196.34** | **96.28** |
| **Unilateral Disclosures:** | | |
| MID (Royalty & fees below Threshold) | 259,207.96 | 0.49 |
| MCO (Annual Service fees & Renewals) | 1,703,773.45 | 3.23 |
| **Sub-Total (b)** | **1,962,981.41** | **3.72** |
| **Total Revenue (a+b)** | **52,757,177.75** | **100.00** |

The total revenue disclosed by the government after reconciliation was ₦52.76 billion inclusive of unilateral disclosures as presented in table 12 above.

In comparison with 2016, the government disclosed revenue in 2017 was higher by ₦9.53 billion representing 22.06% (See table 13).

**Table 13: Comparison of Government Disclosed Revenue**

| Entity | 2017 | 2016 | Change | % Change |
|---|---|---|---|---|
| | ₦'000 | ₦'000 | ₦'000 | |
| FIRS | 49,162,008.33 | 40,381,311.99 | 8,780,696.34 | 21.74 |
| MID | 1,327,194.51 | 1,437,791.15 | (110,596.64) | (7.69) |
| MCO | 304,993.50 | 156,025.80 | 148,967.70 | 95.48 |
| Unilateral Disclosure | 1,962,981.41 | 1,247,259.37 | 715,722.04 | 57.38 |
| **Total Revenue** | **52,757,177.75** | **43,222,388.31** | **9,534,789.44** | **22.06** |

Except for revenue from MID, there was significant increase in revenue from all other streams.

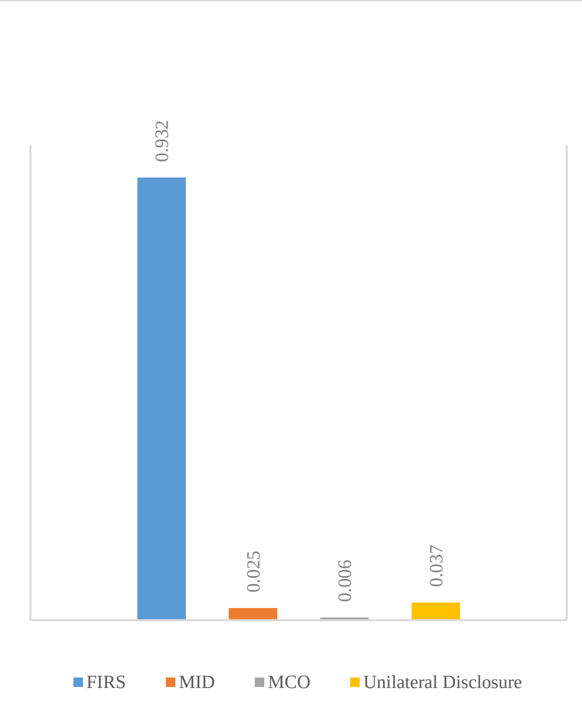



**Figure 21: Financial Flows Contribution**

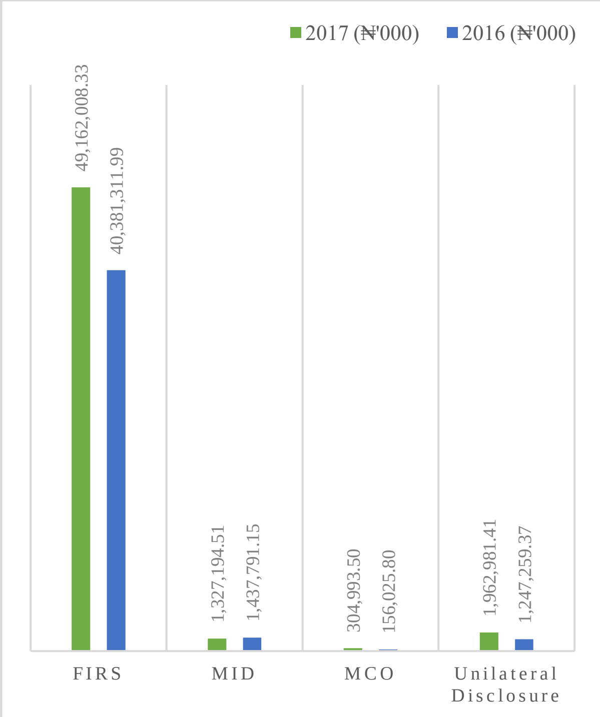



**Figure 22: Revenue Comparison Between 2016 and 2017**

### 4.4 Sale of the State Share of Production or Other Revenue Collected in Kind

There was no sale of the state share of production or other revenues collected in kind during the year as there was no state participation in the sector.

### 4.5 Infrastructure Provision and Barter Arrangements

The NSWG and the IA through reviews and consultation with relevant stakeholders, confirm that there were no arrangements in respect of infrastructure provision and barter arrangements in the solid minerals sector in Nigeria during the year under review.

### 4.6 Transportation Revenues

There were no transportation arrangements during the year under review given that state participation is non-existent in Nigeria's solid minerals industry and as such no revenue from the transportation of solid minerals accrued to the government.

### 4.7 Transaction Related to State-owned Enterprises

There were no transactions related to state-owned enterprises as state participation is non-existent in Nigeria's solid minerals industry.

### 4.8 Sub-national Payments

Sub-national payments are direct payments to a sub-national government as a result of national laws, contractual obligations or local regulations. A sub-national government agency is an agency whose scope of operation is at the sub-national level. In Nigeria, direct sub-national payments exist and are backed by national laws. These payments are, annual surface rent, NIWA, PAYE among others as detailed in table 14 below. All sub-national payments were disclosed under unilateral disclosures by extractive companies. The total payment was ₦2.877 billion representing about 5.45% of total government revenue from the sector. The table below shows sub-national payments during the year.

**Table 14: Sub-national payments**

| S/N | Revenue Flows | Responsible Government Entity | Disclosure Responsibility: Extractive Companies (₦) | Disclosure Responsibility: Government Entities |
|---|---|---|---|---|
| 1 | Annual surface rents (Grounds Rents) | State Board of Internal Revenue | 96,181,011 | NA |
| 2 | National Inland Water Ways Authority (NIWA) | | 5,341,320 | |
| 3 | Pay As You Earn (PAYE) | | 2,446,949,419.84 | |
| 4 | Business Premises | | 15,257,206 | |
| 5 | Withholding Tax | | 284,580,289.62 | |
| 6 | Development Levy | | 2,317,000.00 | |
| 7 | Environment Support | | 360,000.00 | |
| 8 | Ind. Affluent Discharge Fee | | 240,000.00 | |
| 9 | Fire Service | | 3,000,000.00 | |
| 10 | Tenement Rate | Local Government Council | 21,397,620.00 | |
| 11 | Operation Fee | | 1,650,000 | |

## 5.0 Revenue Allocation

### 5.1 Revenue Distribution

The revenue that accrues to the government is distributed based on agreed allocation principles and formula. Section 162 of the 1999 Constitution of the Federal Republic of Nigeria established the Federation Account. The revenues that accrue to this account are disbursed by the Federation Account Allocation Committee (FAAC) every month to the federal, state and local governments in line with the approved sharing formula as formulated by the Revenue Mobilisation, Allocation and Fiscal Commission (RMAFC).

The estimated revenues from the solid minerals sector are recorded in the national budget, which is prepared in line with the National Chart of Accounts (NCOA) and in compliance with the International Public Sector Accounting Standards (IPSAS). This helps in achieving a purposefully driven budget with the platform for monitoring, evaluation and performance analysis, in line with international benchmarks for budgeting.

### 5.2 Sub-National Transfers

Nigeria operates a federal system of government with three federating units comprising the Federal, State and Local Governments. All revenues collected by the Government of the Federation are paid into the Federation Account except for proceeds from PAYE of the personnel of the Armed Forces of the Federation, the Nigeria Police Force, Foreign Service Officers and Residents of the Federal Capital Territory, Abuja which are paid into the Consolidated Revenue Fund (CRF). However, effective from January 2018, the PAYE of residents of the Federal Capital Territory is paid to the Federal Capital Territory Internal Revenue Service (FCT-IRS) following its establishment in 2015.

The Federation Account is a distributable pool account from which allocations are made to the Federal, State and Local Governments. The current revenue allocation formula for non-mineral revenue is as follows:

| | | |
|---|---|---|
| a. | Federal Government | 52.68% |
| b. | State Governments | 26.72% |
| c. | Local Governments | 20.60% |

Furthermore, 13% of the revenue accruing to the Federation Account directly from any natural resources is deducted as a first line charge and distributed to the minerals producing states on the principle of derivation. The mineral revenue sharing formula is as follows:

| | | |
|---|---|---|
| a. | Federal Government | 45.83% |
| b. | State Government | 23.25% |
| c. | Local Government | 17.92% |
| d. | 13% Derivation | 13.00% |

The last distribution of solid minerals revenue occurred in July 2016, when the sum of ₦9.92 billion was distributed by FAAC among the federating units. This information was presented in the 2016 Solid Minerals Audit Report. The amount distributed was the accumulated revenue in the account for the period 2007 – 2014.

The accumulated balance in the account as at December 31, 2017, was ₦8.54 billion. However, as of April 30, 2019, the accumulated balance in the account increased by 66.4% to ₦14.21 billion (**See Table 15 below**).

**Table 15: FAAC Report on Solid Minerals Revenue**

| Inflows | 2017 | 2018 | 2019 |
|---|---|---|---|
| | ₦ | ₦ | ₦ |
| January | 220,251,844.80 | 669,597,889.49 | 346,049,105.83 |
| February | 365,538,947.65 | 145,588,039.57 | 351,408,486.69 |
| March | 282,355,098.71 | 422,207,797.23 | 503,938,341.12 |
| April | 263,422,160.67 | 242,553,440.32 | 423,472,370.30 |
| May | 291,871,400.60 | 304,190,144.01 | |
| June | 456,894,833.84 | 228,031,977.28 | |
| July | 262,466,195.59 | 410,206,475.03 | |
| August | 252,228,128.03 | 367,402,125.09 | |
| September | 269,265,240.45 | 321,197,315.34 | |
| October | 423,708,804.81 | 241,001,975.81 | |
| November | 210,137,470.18 | 335,578,152.53 | |
| December | 187,713,326.31 | 361,544,710.16 | |
| **Total Inflows (A)** | **3,485,853,451.64** | **4,049,100,041.86** | **1,624,868,303.94** |
| | | | |
| Opening Balance (B) | 5,052,476,998.55 | 8,538,330,450.19 | 12,587,430,492.05 |
| | | | |
| **Closing Balance (A+B)** | **8,538,330,450.19** | **12,587,430,492.05** | **14,212,298,795.99** |

Source: FAAC Reports

### 5.3 Revenue Management and Expenditure

The Federal Government of Nigeria incorporated the Medium-Term Expenditure Framework (MTEF) and the Medium-Term Sector Strategies (MTSS) into the budgeting process of the nation to strengthen revenue and expenditure management and also ensure the sustainability of the nation's economy.

Section 11 of the Fiscal Responsibility Act, 2007 provides legal backing for the MTEF and spells out the elements among which are:

a. Macroeconomic Framework and Fiscal Strategy Paper; and
b. Expenditure and Revenue Framework.

The MTEF is a process that aims at improving the budget decision-making process to link government policies, priorities and requirements with limited resources. It is both a top-down and a bottom-up process: a top-down process of determining the 'resource envelope' for each sector and a bottom-up process of estimating the actual requirements for implementing policies, programmes and projects in each sector by Ministries, Departments and Agencies (MDAs). See link below for more information:
https://budgetoffice.gov.ng/index.php/resources/internal-resources/policy-documents/mtef?task=document.viewdoc&id=276

#### 5.3.1 The Solid Minerals Development Fund

The Solid Minerals Development Fund (SMDF) was established by Section 34 of the Minerals and Mining Act, 2007 with the primary objective of addressing the funding challenges facing the sector. The Fund is managed by the Solid Minerals Development Board.

In 2017, the Federal Government of Nigeria, approved the sum of ₦30 billion ($100 million) as intervention fund to facilitate exploration projects towards the much-needed geosciences data as well as other necessary regulatory frameworks. Similarly, a $150 million loan was secured from the World Bank for the Mineral Sector Support for Economic Diversification (Mindiver) Program which will substantially be utilized to provide technical assistance for the restructuring and operationalization of the Solid Minerals Development Fund (SMDF). This would, in turn, provide financing to Artisanal and Small-scale Miners (ASMs) through micro-finance and leasing institutions.

The SMDF will also help in revamping previously abandoned mining projects like tin ore, iron ore, coal, gold and lead-zinc.

### 5.3.2 The Budget Preparation Process

The budget preparation process is a shared responsibility between the Executive and the Legislature. The President is required by law to forward the budget proposal for the given year to the National Assembly (NASS). Upon approval by the NASS, it is returned to the President for assent after which it becomes the Appropriation Act. The budget process comprises of four critical stages:

a. Drafting
b. Legislative approval
c. Implementation
d. Monitoring and evaluation

The Executive articulates its vision and plans for the economy to the Federal Ministry of Finance (MoF) and the Budget Office of the Federation (BOF) to be captured in the budget. The plans give details on government agenda on how to boost growth through infrastructure improvement, poverty reduction, among others.

The Budget, under the law, is based on the MTEF, which shows how the government plans its revenue, expenditure, borrowing and fiscal balance for the next three years. Before the budget is submitted, a series of meetings between the Executive and the NASS with regards to the size and contents of the budget are discussed. This procedure guarantees that the budget reflects concerns of the public and that the goals of the government are properly captured in the budget.

### 5.3.3 Budget Implementation

The implementation of the budget is carried out by the various Ministries, Departments and Agencies of the Federal Government. Funds for capital projects are released every quarter to the relevant Ministries, Departments and Agencies in line with the budget allocation.

### 5.3.4 Monitoring and Evaluation of the Federal Budget

The oversight of budget implementation is the final stage of the budget process. The monitoring is carried out by the Federal Ministry of Finance, the National Planning Commission, the National Assembly, the National Economic Intelligence Agency, the Presidential Monitoring Committee, the Office of the Auditor-General for the Federation and the Accountant General of the Federation. See the links below:
http://www.nationalplanning.gov.ng; www.nigerianstat.gov.ng and www.oagf.gov.ng

## 6.0 Social and Economic Spending

Social Expenditures refers to those payments or contributions by extractive companies to promote the development and foster better partnerships with host communities. "These payments can be mandatory (mandated by law or contractual obligations), or non-mandatory (i.e. discretionary) and can be made either in cash or in-kind".

The mandatory social expenditures are payments mandated by law which do not accrue to the federation but to respective agencies that receive the payments. However, no government agencies directly receive these payments from operators in the sector under the current cadastre system.

All expenditure incurred concerning Community Development Agreement (CDA) in line with Section 116 of the Mining Act which requires extractive companies to enter into a CDA with their host communities before commencing operations shall be treated as mandatory social expenditure.

### 6.1 Social Expenditures by Extractive Companies

Information regarding social expenditure was disclosed by only 16 extractive companies. The table below presents the social expenditure disclosed by extractive companies. The comprehensive details of social expenditure is presented in **APPENDIX 10**.

**Table 16: Social Expenditure Disclosed by Extractive Companies**

| S/N | Company | Contribution | | | | |
|---|---|---|---|---|---|---|
| | | Mandatory | | Non-mandatory | | |
| | | Cash (₦'000) | Kind (₦'000) | Cash (₦'000) | Kind (₦'000) | Total (₦'000) |
| 1 | A & B Global Service | | 3,000.00 | - | 500.00 | 3,500.00 |
| 2 | Ashpalt Unity | 99,635.10 | - | - | - | 99,635.10 |
| 3 | Cement Company of Northern Nigeria | - | - | 17,350.00 | - | 17,350.00 |
| 4 | CNC Engineering Limited | 1,340.00 | - | 505.00 | - | 1,845.00 |
| 5 | CNC Mining Company Limited | 1,100.00 | - | 160.00 | - | 1,260.00 |
| 6 | Dangote Plc | 163,022.90 | - | 123,235.45 | - | 286,258.35 |
| 7 | Kopek Construction Nigeria Limited | - | - | 1,960.00 | - | 1,960.00 |
| 8 | Lafarge Plc | 5,000.00 | 269,379.01 | - | 53,185.34 | 327,564.35 |
| 9 | Levant Construction Limited | 9,145.70 | - | 440.00 | - | 9,585.70 |
| 10 | Mark Sino Stone Nigeria Limited | 3,000.00 | - | - | - | 3,000.00 |
| 11 | Mother Cat Nigeria Limited | - | 350.00 | 10,000.00 | - | 10,350.00 |
| 12 | OFL Marble & Granite Limited | - | 6,293.50 | 3,000.00 | - | 9,293.50 |
| 13 | Petra Quarries Limited | - | - | 3,540.00 | - | 3,540.00 |
| 14 | Pioneer Sinochino Investment Venture Limited | 15,300.00 | - | - | - | 15,300.00 |
| 15 | Sino Minmetals Company Limited | 3,600.00 | 28,398.50 | - | 1,634.00 | 33,632.50 |
| 16 | Triacta Nigeria Limited | 8,630.00 | 25,930.00 | 2,000.00 | - | 36,560.00 |
| | **Total** | **309,773.70** | **333,351.01** | **162,190.45** | **55,319.34** | **860,634.50** |

### 6.2 Quasi Fiscal Expenditures

There was no quasi-fiscal expenditure in the year under review given that there are no state-owned enterprises. Government involvement in the sector is that of an administrator-regulator.

### 6.3 Contribution of the Solid Minerals Industry to Government Revenue

The solid minerals industry holds great prospects to contribute significantly to the non-oil segment of government revenue. Such revenue is derived from various sources such as taxes to relevant tax authorities, royalties and other payments to government agencies such as the MID and MCO.

Nigeria's gross revenue accrued to the federation account from both oil and non-oil sources for the year was ₦7.35 trillion (Central Bank of Nigeria, 2017). However, revenue from the solid minerals industry represented only about 0.05% of total revenue. Particularly, a significant portion of the revenue from the solid minerals sector is in the form of tax payments to the Federal Inland Revenue Service (FIRS) in respect of company income tax, personal income tax, withholding tax etc.

However,the absence of an industry-specific fiscal regime has made it difficult to tie revenue flows from taxes to the solid minerals industry. Only revenue flows from royalties and other fee payments to MID and MCO can be specifically tied to mining and quarrying activities. This has contributed to the low revenue reporting from the sector. Hence, the need for a robust solid minerals sector-specific fiscal regime to effectively and accurately capture revenue from the sector.

### 6.4 Contribution to Gross Domestic Product

Nigeria's total GDP at Current Basic Price was ₦113.72 trillion. The solid minerals sector contributed ₦126.03 billion (0.11%).

**Table 17: Gross Domestic Product**

| Description | ₦'million | Contribution % |
|---|---|---|
| Solid Minerals | 126,026.37 | 0.11 |
| Other Sectors | 113,593,021.86 | 99.89 |
| **Total Gross Domestic Product** | **113,719,048.23** | **100.00** |
| **Breakdown of Solid Minerals Contribution** | | |
| Coal | 9,435.23 | 7.49 |
| Metal Ore | 7,933.20 | 6.29 |
| Other Minerals | 108,657.94 | 86.22 |
| **Total** | **126,026.37** | **100.00** |

***Source: National Bureau of Statistics 2017***

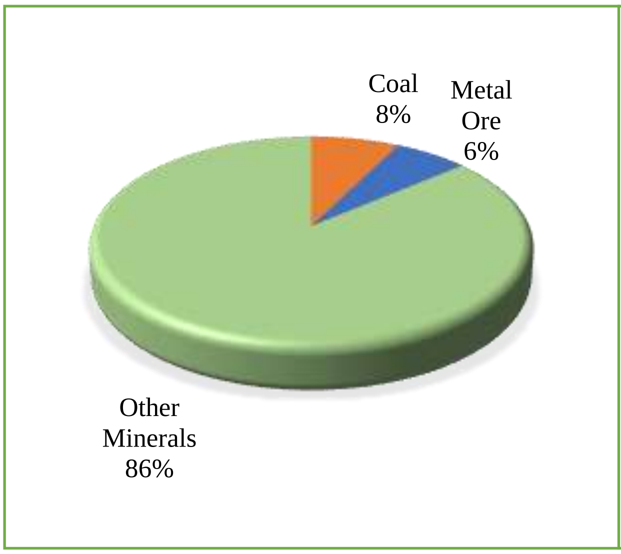



**Figure 23: Breakdown of Solid Minerals contribution to GDP**

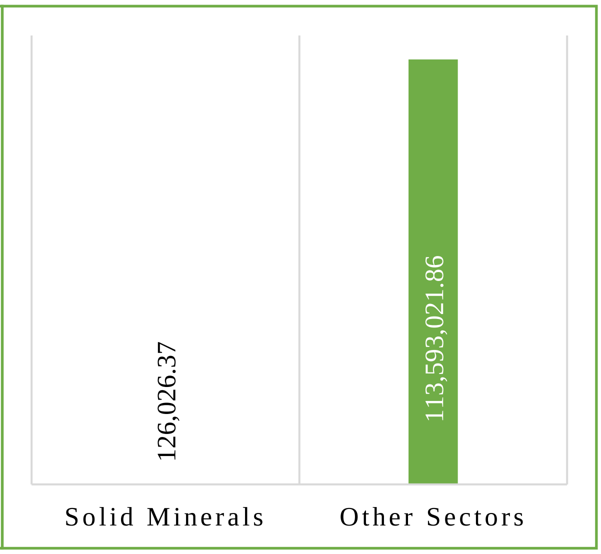



**Figure 24: Gross Domestic Product**

### 6.5 Contribution to Export

Nigeria's total export was about ₦13.60trillion with solid minerals contributing N77.23billion or about 0.57% of total export in 2017. The analysis of export is provided in the table 18a below while table 18b is a trend analysis of export figures from 2015 to 2017.

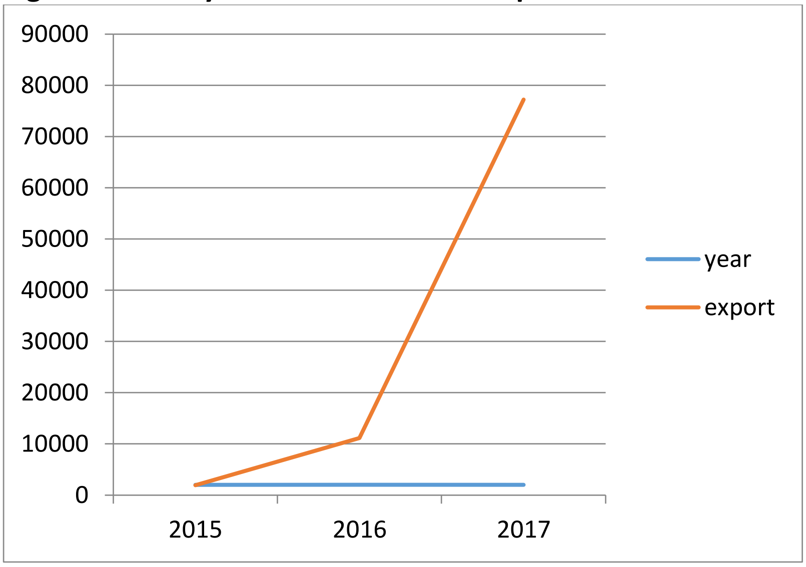
**Table 18 A: Breakdown of Nigeria's Export**

| Description | ₦'billion | % Contribution |
|---|---|---|
| Oil and Gas | 7,000.00 | 51.48 |
| Solid Minerals | 77.23 | 0.57 |
| Others | 6,520.97 | 47.95 |
| **Total Export** | **13,598.20** | **100.00** |

**Table18 B:Analysis of solid minerals export 2015-2017**

| Sn | Year | Export Value Of Solid Minerals N,Billion |
|---|---|---|
| 1 | 2015 | 1.94 |
| 2 | 2016 | 11.16 |
| 3 | 2017 | 77.23 |

**Figure 25: Analysis of solid minerals export 2015-2017**




The trend analysis in Table 18b and illustrated in Figure above shows that in 2015,solid minerals export was N1.94 billion.This witnessed a geometric leap to N11.16 billion in 2016 and an equally impressive figure of N77.23 billion in 2017.The IA notes that the solid minerals sector is steadily contributing to the Federation's export earnings but requires greater government attention.

### 6.6 Contribution to Employment

Employment in the sector accounts for about 0.3% of Nigeria's total employment (Nigeria's Mining and Metal Sector Investment Promotion Brochure, October 2017). The sector is currently dominated by artisanal small scale miners. Organised mining activities are restricted to a few operators in the sector.

The employment statistics in respect of the covered entities and the comparative figures for 2016 are presented below.

**Table 19: Employment Data of Covered Entities**

| Classification | 2017 | 2016 | % Change |
|---|---|---|---|
| Local | 4,975 | 3,895 | 0.28 |
| National | 7,728 | 6,666 | 0.16 |
| Expatriate | 185 | 347 | (0.47) |
| **Total** | **12,888** | **10,908** | **18.15** |

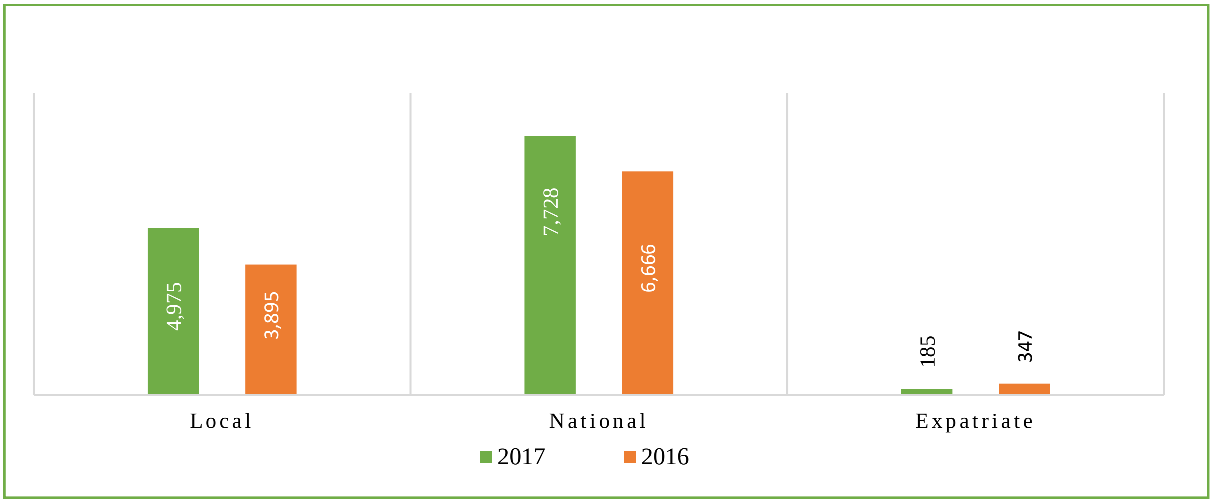



**Figure 26: Employment Data of Covered Entities**

The detailed information in respect of employment data of the covered entities is presented in **APPENDIX 11.**

### 7.0 Outcomes and Impact

Since its inception, NEITI has continued to strive towards the achievement of its mission to institutionalize accountability mechanisms and processes aimed at instilling a culture of transparency in Nigeria's extractive sector for the benefit of all. Among its numerous strategies, the annual audit reports on activities in the oil and gas as well as the solid minerals sectors have led to significant improvement in transparency and accountability in the extractive industry. These have become a reliable source of information, especially on revenue flows for all relevant stakeholders.

Over the years, improvement in access to information through EITI implementation has provided a basis for the citizenry to hold successive governments accountable for revenues accruable from the extractive industry. Furthermore, the EITI framework has provided an opportunity for more inquisitive review of operations of the sector operators with potential increase in revenue collection, enhancement of legal frameworks, more active engagement by civil societies and an overall improvement in efficiency and effectiveness of the industry. Several successes have already been achieved in these areas just as greater synergy is achieved among relevant MDAs in the industry.

Ultimately, these developments will result in the realization of NEITIs vision of a Nigeria whose extractive sector is transparent, accountable and beneficial to all Nigerians.

Activities in the extractive industry for prior years, especially bothering on financial flows have been documented in respective Annual NEITI-EITI reports accessible on NEITI website https://neiti.gov.ng/index.php/resources/internal-resources/annual-neiti-eiti-reports. Such reports contain crucial recommendations to be implemented for effective management of the extractive sector in Nigeria.

## 8.0 Summary of Findings and Recommendations

**Table 20: Update on the recommendations of the 2016 EITI Report**

| S/N | Finding | Recommendation | Status of Implementation |
|---|---|---|---|
| 1 | The total royalty payment declared by UNICEM was ₦71,635,522.11 in 2016 as per MMSD records. The company denied the audit team access to its documents during the validation visit. However, at the tripartite reconciliation meeting which the company attended the IA discovered an irregular issuance of a receipt for the sum of ₦28,813,021.20. While the receipt with number Z009454299 was issued on 24th May 2016; three other receipts Nos: Z009449771-3 were issued for the same amount on August 11th, 2016. | IA recommends that MMSD undertakes further investigation of this observed irregularity and take appropriate action, including checking the records of other covered entities. | IA confirmed that there is a tremendous improvement in record-keeping but cannot confirm if MMSD had taken any action on the finding as representatives of MMSD could not confirm the position of the investigation. |
| 2 | The IA discovered a difference between the FOB value of the number of minerals exported by Tongyi Allied Mining Ltd. and export records submitted by NCS. Based on NCS records, the company exported 5,521 tons {5,521,520 Net Mass (kg)} of Lead/Zinc Concentrate and/or Lead Ore in 2016. However, Tongyi declared 3,100 tons and paid the sum of ₦7,425,000 as royalty as against ₦12,847,455.75; thus leaving a difference of ₦5,422,455.75 which represents payment for the undeclared 2,421 tons. | Government (MMSD) should follow up with the company to recover the sum of ₦5,422,455.75. | No action carried out. |
| 3 | IA discovered a case of underpayment of royalty where withholding tax (10%) was wrongly deducted on the royalty payable but not remitted to the government. Specifically, Dangote Cement Plc underpaid royalty at its Obajana Plant by such deductions to the tune of ₦40,023,670.56. | The company paid back the sum of ₦40,023,670.56 on 24th August 2018 vides RemitaRetrieval Reference no. 2402-4050-0287. This is commendable. However, based on this case, a sector-wide audit to detect similar occurrences in all extractive companies for prompt remedial action is imperative. | In the course of carrying out 2017 SMA, the IA did not come across such a scenario. All royalties were paid gross on minerals won or sold. |

| | | | |
|---|---|---|---|
| 4 | Multiple business activities of some operators limit the extent to which some statutory payments (e.g. taxes) in respect of their extractive activities can be identified and reconciled; This practice is mostly found among the companies in the construction and cement manufacturing sectors. | All companies with multiple lines of business activities should be mandated to: Maintain separate books of account for their extractive activities; Prepare separate audited financial statements where all relevant statutory payments accruing to Government from extractive activities are easily identified, and Adopt and implement segmented reporting in line with IFRS 8. | IA confirmed that the observation is fundamental and yet to be addressed or complied. It is imperative that NEITI should work closely with relevant government departments in ensuring that construction and cement manufacturing companies report their quarrying operational activities separately from their core businesses. The full implementation of IFRS 8 should be strictly enforced. |
| 5 | Three companies denied the audit team access to their records during data validation and failed to attend reconciliation meeting. The companies are BUA International Limited (Okpella Site, Edo State), Hajaig Construction Company. Limited and Pioneer Sinochino Investment Ventures Limited. The revenue contributed by these companies was ₦44million as per government declared revenue or 0.1% of the reconciled figure; hence not material to affect the outcome of the report. | NEITI should collaborate with relevant Government agencies to enforce appropriate sanctions in line with extant laws against these companies. | This practice is still prevalent among the representatives of covered entities. Though, BUA initially resisted the IA's field officers but eventually allowed them to have access to their premises though with restricted access to books of account. Venus Mining Co failed to allow field officers to their premises despite repeated notifications. |
| 6 | In line with the Nigerian Minerals and Mining Act 2007, royalty is calculated based on the quantity of minerals obtained in the course of exploration or mining; this is in line with best practice. However, the Nigerian Minerals and Mining Regulation 2011 seem to contradict this position as it supports the determination of royalty based on quantity sold or used. Some companies calculated royalty based on quantities won/produced while others based their calculations on the quantities sold or used – there is a need for uniformity. | MMSD should harmonize provisions of the Nigerian Minerals and Mining Regulation 2011 with the Nigerian Minerals and Mining Act 2007 to ensure that all extractive companies calculate royalty on the number of minerals produced or won. Harmonization will ensure removal of opacity and strengthen transparency in the sector. | IA confirmed that all extractive companies visited except Zeberced Ltd paid a royalty on minerals won or sold. However, the divergent opinion expressed by Nigerian Minerals and Mining Acts 2007 and Regulation 2011 should be looked into and communicated to all stakeholders for accountability and transparency. |

| | | | |
|---|---|---|---|
| 7 | The IA observed that some companies did not fulfil their Community Development Agreements. | Government (MMSD) should sanction companies who renege on Community Development Agreements with their hosts. Companies should also report impediments in the course of implementing the CDAs promptly to the government for appropriate resolution, to ensure peaceful coexistence and foster development in mining communities. | The IA could not confirm the full implementation of Community Development Agreements (CDAs) but evidence of the projects carried out were gotten from the companies. However, some of the companies complained that some of the communities most especially the youths were hostile thus preventing them from carrying out their legitimate business activities. |
| 8 | Field visits by the IA revealed the prevalence of illegal mining activities in the sector. However, there are isolated cases of registered Cooperative Societies who are operating in accordance with the law. | Government (ASMD) should improve its mechanism of integrating these informal miners into the mainstream with specific timelines and milestones. | The observation is still prevalent in extractive companies. Though these categories of operators have been categorized as Artisanal and Small-Scale Miners, but their operational activities have not been streamlined for adequate monitoring and payment of relevant fees. |
| 9 | The IA observed that of the 651 operators that paid royalty, 312 (48%) companies were not reported in the MCO record of valid titles, register of revoked licenses or register of transferred titles for the year. | The MCO should liaise with MID to ascertain the validity of the titles of the 312 companies that paid royalty but not captured in the MCO register. | The MCO is currently upgrading her database |
| 10 | The IA observed that some titleholders enter into MOUs with other companies without duly informing the relevant government agencies. This implies royalty accountability and other statutory obligations. Specifically, Inorganic Earth Resources Limited (legitimate holder of title No: QLS 8630) engaged in quarrying in 2016 through Tigong Investment Limited by an MOU between the two companies that were not regularized. | Investigation of the activity of all operators with similar arrangement should be carried out by MMSD to ensure conformity with statutory laws. Also, FIRS should investigate the possibility of tax evasion or underpayment of taxes by the two companies and others with a similar arrangement. | No action taken by the concerned authority. |

| | | | |
|---|---|---|---|
| 11 | The IA observed that some granite aggregate quarry operators did not comply with the provisions of Sections 201–204 of the Mining Regulations 2011 as it relates to dumping operations, though dust suppression through water sprinkling was noticed in some quarries. | The Mines Environmental Compliance Department (MEC) should ensure that operators comply with the relevant sections of the law as it relates to environmental pollution and applies sanctions where necessary. | No Company was sanctioned on the grounds of environmental issues. The licenses revoked during the year were in respect of inactivity by companies and default in payment of fees. |
| 12 | None of the operators visited provided the audit team with records of accidents, dangerous occurrences and diseases as required by Section 140 of the Mining Regulations 2011. | The Mines Inspectorate Department (MID) should compel operators to comply with the provisions of the law. | No Action |
| 13 | We noticed that none of the extractive entities showed any evidence of contributions to the Environmental Protection and Rehabilitation Fund in accordance with Section 121(4) of the Minerals and Mining Act, 2007. | The Government (MMSD) should facilitate the establishment of the Environmental Protection and Rehabilitation Fund so that mineral title holders meet their environmental obligations. | No visible action came to our notice |

## 8.1 Recommendations

Below are our findings and observed weaknesses during the audit. The findings have been discussed under specific headings and, appropriate recommendations made accordingly.

**Table 21: 2017 Audit Findings and Recommendations**

| S/N | Issues | Findings | Implications | Recommendations |
|---|---|---|---|---|
| 1 | **Export** | ▪ The export data received from the Nigerian Customs Service (NCS) includes minerals that were not captured in the production data provided by the MID.<br><br>▪ It was observed in the data received from the NCS that there is inconsistency in FOB value of minerals. For instance, Copper Ore with Net Mass (MT) of 36,000 has FOB value of 1, while that of 100 has FOB value of 18,000. (See appendix 7). | There is no record of payment of royalty on these exported minerals. Some of these minerals include:<br>▪ Copper Ores and Concentrate (1,635,342 MT)<br>▪ Aluminum Ore and Concentrate (75 MT)<br>▪ Nickel ores and concentrates (15,000) | Export of solid minerals should be based on export permit issued by the MID. This permit should be transmitted automatically to the NCS upon approval and should be the basis for data entry.<br><br>There should be more robust synergy between the NCS and the Mines Inspectorate Department (MID). |
| 2 | **Community Development Agreement (CDA)** | It was observed that only thirteen (13) representing twenty-two percent (22%) out of the fifty-nine (59) of the covered entities provided information on mandatory social expenditure (i.e. expenditure related to Community Development Agreement. (see table 15 on page 43 of this report)<br><br>The total expenditure as per the table under reference was ₦643,125,000.<br><br>This implies that the extractive companies are reluctant to provide these information | It is doubtful if the extractive companies have either signed nor are they implementing the CDA with their host communities in accordance with the content and spirit of the provisions of Section 116 of the Mining Act without the support of Government by way of enforcement. | There is urgent need to review the data gathering templates relating to CDA to include the following matters among others:<br>i. Name of host community<br>ii. Date of signing the CDA<br>iii. Names and designation including contact details of persons that signed the CDA on behalf of the host community<br>iv. Specific agreement in respect of the following:<br>a. Infrastructure development |

<table>
<tr><td></td><td></td><td></td><td></td><td>b. Employment for the host community into managerial and non-managerial positions<br>c. Scholarship scheme<br>d. Skill acquisition<br><br>Government should develop administrative mechanism for monitoring and penalising extractive companies that fail to sign and/or implement CDA in line with the Nigerian Minerals and Mining Act of 2007. Furthermore, the Government in each state of the Federation should work closely with the MMSD to resuscitate and strengthen MIREMCO to function optimally.</td></tr>
<tr><td>3</td><td>Payments by Companies not in MCO License Register</td><td>It was observed that the following companies paid royalties to MID in 2017.
<table>
<tr><th>S/N</th><th>Companies</th><th>₦</th></tr>
<tr><td>1</td><td>Washington Farms Limited</td><td>13,200,219</td></tr>
<tr><td>2</td><td>CLC Technical Nig. Ltd.</td><td>3,532,000</td></tr>
<tr><td colspan="2">Total</td><td>16,732,219</td></tr>
</table>
<br>However, we could not trace information relating to them in MCO license register and database of Minerals Buying Centers.</td><td>It is doubtful If these companies have mining license or duly registered as Mineral Buying Center. This is an indication that the synergy between MID and MCO is not robust.</td><td>The MID and MCO should put in place a Know Your Customer (KYC) mechanism to enable them keep proper check on operators in the sector.</td></tr>
<tr><td>4</td><td>Production Data</td><td>It was observed that the production data made available by the extractive companies was largely in respect of industrial minerals such as limestone and</td><td>There may be potential loss of substantial revenue arising from unreported production.</td><td>Government should deploy a robust inter-agency task-team to monitor all mining activities with a view to ensuring</td></tr>
</table>

| | | | | |
|---|---|---|---|---|
| | | granite leaving the metallic, precious metals and gemstones largely unreported. | Furthermore, where production data on metallic, precious metals and gemstones are not tracked and reported, it has the potential of creating unregulated 'economic empires' capable of creating and fueling security challenges. | that all revenues accruable to the government are collected as well as prevent the creation of security challenges. |
| 5 | **De-risking of the Solid Minerals Sector** | The royalties paid by fifty-nine (59) entities in 2017 was ₦1.3billion as against the ₦1.4billion paid by fifty-six (56) companies in 2016 resulting in a decrease of about 7.7% in revenue.<br><br>The decline in royalty payments is an indication of a lower investment and mining activities during the period under review which may not be unconnected with the challenges relating to access to capital among other risk factors. | If deliberate effort is not made by Government to de-risk and incentivize the solid minerals sector, the chances of maximizing the potentials in the sector in terms of revenue generation and employment creation among others may remain a wishful thinking. | Government should establish a Special Purpose Vehicle (SPV) charged with the responsibility of de-risking the solid minerals sector value chain with a view to facilitating the flow of capital to the sector and promoting massive investment by private individuals and companies. |