

Solid Minerals Industry Report 2020





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The report and all its appendices are intended for the use of the National Stakeholder Working Group (NSWG) of NEITI for the purpose of that initiative and any reliance placed upon this report and its appendices by third parties shall be in accordance with the NEITI Act of 2007.

SOLID MINERALS INDUSTRY
AUDIT REPORT 2020

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List of Abbreviations:

NAME	MEANING
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

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FOREWORD

The history of Nigeria's search for transparency and accountability in the governance of her abundant natural resources - oil, gas and solid minerals - is directly linked to 2003 when the country voluntarily signed up to the global Extractive Industries Transparency Initiative (EITI). Nigeria's signing up to the EITI led to the establishment of the Nigeria Extractive Industries Transparency Initiative (NEITI) in 2004 as part of the overall government economic and institutional reforms under the then National Economic Empowerment Development Strategy (NEEDS).

Over the years, the implementation of EITI principles and standards has not only been aligned with subsequent economic reform policies of successive administrations in Nigeria, it has also led to increasing public demands for reforms in the extractive industries with NEITI's annual reports that provide groundbreaking public disclosures, timely information and data on revenues earnings, management, physical and process issues or incentives as well as legal and remedial actions that require sanctions or policy interventions in the short, medium and long term.

The implementation of NEITI mandate in the extractive industries in our country is unique in content, context and comprehension with its multi-stakeholder's approach that builds and encourages dialogue, coalition, and consensus among representatives of government, companies and the civil society. The National Stakeholders Working Group (NSWG), which I currently head, represents the multi-stakeholder's framework that provided the required leadership and guidance in the production of this report.

The 2020 industry report on the solid minerals industry is the first report conducted under the leadership and guidance of the current NSWG, which was inaugurated by President Muhammadu Buhari in July 2021. The NSWG approved the competitive bidding process for the selection of independent administrators that produced the report. It also approved the Terms of Reference and the materiality threshold for the exercise. In keeping with the EITI standards and in compliance with the law particularly the NEITI Act 2007, this report is entirely the product of an independent assessment, with the NSWG providing timely oversight to the process. Therefore, we are quite proud of the independence of the assessments, its findings, and recommendations as well as the integrity of the report.

I am delighted that NEITI is releasing this report on financial, physical and process issues that underpinned major transactions in the solid minerals sector at such a time when the oil and gas industry is undergoing massive reforms under the new Petroleum Industry Act 2021, which itself is a direct product of NEITI reports' recommendations. The Petroleum Industry Act (PIA) sets out to deal conclusively with structural issues in the oil and gas sector. The passage of the PIA had been a longstanding agenda of Nigeria's EITI, and we are encouraged that our recurring recommendations for far-reaching structural reforms to be carried out in the sector were finally adopted in the law. NEITI is set to work with ministry of Mines and Steel Development and the development partners to achieve similar groundbreaking and improved legal framework in the solid minerals sector.

Let me use this opportunity to reaffirm the commitment of the NSWG to deepening the implementation of all emerging issues in the EITI. These will form key components of NEITI reports going forward. The Board is committed to ensuring that NEITI reports support government's efforts at revenues generation while leading advocacy for reforms to enthrone a fair, transparent, accountable, and competitive oil and gas sector that attracts inflow of foreign direct investments.

While thanking the Federal Government for supporting the independence of NEITI, I wish to commend the NEITI Secretariat, the indigenous firm that conducted their independent report, the companies and civil society for the hard work and valued contributions.

Finally, I invite all Nigerians and multi-stakeholders to avail themselves copies of this report, make use of the contents in information and data as an important tool to promote public debate, discussions and dialogue required to push the boundaries of on-going reforms in the industry and as tools to hold government and companies accountable.

Olusegun Adeyemi Adekunle, Esq
Chair, National Stakeholders Working Group (NSWG)
February, 2022

Statement by the Executive Secretary/CEO

Reforms in the extractive industry do not just happen. It is propelled. Neither government, companies nor the civil society alone can easily trigger or stimulate the needed reforms to happen. But working together with multi-stakeholders of government, companies, and the citizens represented by the civil society, implementation of reforms that allow transparency, accountability, and good governance to thrive in the sector is easier to attain. The Nigeria Extractive Industries Transparency Initiative (NEITI) represents this principle and more in the on-going efforts to reform and reposition the oil, gas, and mining sector to ensure that revenues from the industry support national development and poverty reduction.

The main objective of NEITI and its interventions in the sector through its annual independent audit of physical, process and fiscal reconciliation of revenues and issues in the sector is to provide crucial facts, information and data required by the citizens to promote or engage in constructive public debates, discussions, dialogue, and advocacy to push for the needed reforms in the sector. The independent audit of the solid minerals sector is in line with NEITI's mandates and in fulfilment of the principles and standards of the global Extractive Industries Transparency Initiative (EITI). The report is also in compliance with the law that sets up NEITI (NEITI ACT 2007) and the attendant national obligations.

I am therefore honoured to welcome you into the new world of information and data built on substance, material issues and events that shaped the Nigeria Solid Minerals Sector in the year 2020. This report is Nigeria's 11th EITI report on solid minerals industry. It carefully examined the quantities of solid minerals produced, utilized, and exported during the period under review. It also looked at the revenue flows within and among the Extractive Companies, and verified and reconciled the classes of transactions and the balances paid by companies as against receipt by relevant government agencies.

One of the striking features of the Report is its findings and recommendations: a total of 850 companies made royalty payments. Out of this number, 102 met the set materiality threshold and were responsible for 90.04% of the total royalty payment during the year under review. The report also disclosed that between 2007 to 2019, the solid minerals sector contributed ₦496.28 billion to the Federation Revenue. This excludes the 2020 earnings contained in this report.

These and other valuable information and data have been carefully highlighted in the different seven sections of the report, and with examples and tables to drive home the message. For instance, Section 3 of this report, which informed about exploration and production, disclosed that the total minerals production increased from 59.82 million metric tons valued at ₦2.502 billion in 2019 to 71.15 million metric tons valued at ₦397 billion in 2020. The production data was based on minerals either used or exported during the year under review. Similarly, Section 4 revealed that in 2020, the solid minerals sector's contribution to government revenue was ₦128.27 billion. This value, when compared with the ₦77.21 billion earned from the sector in 2019, showed that there has been an increase of about ₦51.06 billion, representing 66.13% in revenues to the federation from the sector

It is important to state that conducting this report was not without challenges. Prominent among them are the Covid-19 restrictions, the delay in getting information from the covered companies and government agencies, the non-responsive attitude of few companies, process issues in the management of the sector and the insecurity situation in key mining host communities in the country that continues to underline the need for deployment of technology to improve NEITI's audit management process. And this is a challenge the NEITI management and Board are set to tackle under the new NEITI 5- year Strategic Plan. NEITI is also set to introduce creative policy initiatives that will help to drive much more impactful and visible public value, improve government revenues, propel governance and institutional reforms that ensure the transformation of the solid minerals sector so it can be an alternative sources of revenue generation.

I, therefore, humbly convey our special thanks to President Muhammadu Buhari's administration for all the exceptional support it has so far extended to NEITI. Of utmost importance to us is the administration's policy of non-interference with our work. The National Stakeholders Working Group (the NSWG) deserves every commendation for its strong leadership, policy direction and oversight. We are also indebted to EITI International Board and EITI International Secretariat based in Oslo and our development partners for all their supports. I wish to acknowledge with thanks the immense roles played by the various stakeholders – government, companies, and civil society - in guiding the implementation of EITI in Nigeria over the years. I recognize the Ministry of Mines & Steel Development, Mining Cadastral Office (MCO), Federal Inland Revenue Service, Central Bank of Nigeria, Ministry of Finance and other Ministries, Departments and Agencies for their contributions. The Independent Administrator-Amedu Onekpe & Co (Chartered Accountants) is a fast-growing indigenous firm that we proudly appreciate for their competence and professionalism in conducting this assignment. I remain proud of our Technical and Communications Teams, the staff and management of NEITI Secretariat for the teamwork and collective responsibility during this project.

Finally, I present this work to the government, companies, and civil society. The information contained in this report should be used to hold government and companies accountable and enthrone good governance in Nigeria's solid minerals industry.

Orji Ogbonnaya Orji, PhD
Executive Secretary/CEO & National Coordinator, EITI, Nigeria.
NEITI Secretariat Abuja
February, 2022

Executive Summary

This report presents the results of the reconciled financial flows from activities in Nigeria’s solid minerals sector for the year 2020, as required by the EITI Standard of 2019 and NEITI Act 2007. This is the eleventh (11th) Solid Minerals audit report published by NEITI since its inception.

Approach and Methodology

A preliminary analysis of the data received from government agencies was carried out to determine the number of active companies in the solid minerals sector. The NSWG materiality document was reviewed to ascertain the adequacy of the ₦3 million set out as materiality threshold and determine both the entities to be covered and the financial flows to reconcile.

In addition to the above, the payments made by the selected companies were matched against the reported receipts by government agencies to determine discrepancies. All identified discrepancies were subjected to further investigation and reconciliation. Finally, the findings and recommendations of the previous year’s report were reviewed to ascertain the level to which they have or have not been addressed or implemented. Also, the findings and recommendations for the current (2020) audit were also presented.

Covered Entities

A total of 850 companies made payment of royalty, out of which 102 met the ₦3 million materiality threshold and were responsible for 90.04% of the total royalty payment for the year. In addition, three government entities (MMSD-MID, MCO and FIRS) were covered in the reconciliation exercise. See **Appendix 3** for a detailed list of covered entities.

Key Highlights of the 2020 Solid Minerals Audit Report

<i>Table A: The key highlights</i>	
Country	Nigeria
Fiscal Period Covered	2020
Sectors Covered	Solid Minerals Sector
Type of Audit	Financial, Physical and Process
Independent Administrator	Amedu Onekpe & Co. (Chartered Accountants)
Entities	Total number of entities - 1,180
	Entities with Royalty Payments 850
	Entities within the materiality threshold 102
Government revenues	Total government revenues (including non-reconciled)
	₦128,268,609,963.41
	(Section 4.2, Table 29)
	Final reconciled revenues (excl. unilateral disclosure):
₦114,879,050,283.37	
(Section 4.2, Table 29)	
Company Payments	Total company payments (including non-reconciled):
	₦126,179,167,264.47
	(Section 4.3, Table 30 & (Sec 4.3.3, Table 33)
	Final reconciled payments (excl. unilateral disclosure):

	<p>₦114,824,804,234.92 (Section 4.3, Table 30)</p>
Largest revenue stream (type and %)	Valued added tax (VAT), (₦67,519,604,585.85; 55%) of the 2020 total reconciled flows (Section 4.6.2, Table 41)
Coverage (Types of Financial flows)	Reconciled financial flows:
	FIRS – Taxes: (₦111,474,522,838.56; 97.04%); (Section 4.3.2, Table 32)
	MID – Royalty and Others: (₦2,733,404,807.31; 58%); (Section 4.3.2, Table 32)
	MCO – Annual Service Fee and Others: (₦671,122,637.50; 2.38%); (Section 4.3.2, Table 32)
Total discrepancies	Initial: ₦2,463,882,484.20 (2.16% of initial government revenue) (Appendix 13a)
	Final: ₦54,246,048.45 (Section 4.3, Table 30)
Production	Total Quantity Used/Sold (71,151,029.90 Tons); (Section 3.2.3, Table 16)
	Total Value (₦396,999,670,303.93); (Appendix 10)
	Total Royalty paid (₦3,016,582,236.07); (Section 3.2.3, Table 16)
	Top 5 Minerals Production States (Section 3.2.3, Table 16, Appendix 10):
	Ogun (17,019,930.98 Tons; ₦12,177,946,064.00 Value; ₦609,603,416.24 Royalty)
	Kogi (11,715,000 Tons; ₦8,027,328,729.97 Value; ₦367,188,065.08 Royalty)
	Edo (5,994,000 Tons; ₦5,965,447,572.60 Value; ₦229,154,286.74 Royalty)
	Ebonyi (2,532,000 Tons; ₦4,209,646,720.00 Value; ₦200,157,851.00 Royalty)
	Bayelsa (4,328,000 Tons; ₦3,552,039,976.00 Value; ₦173,117,854.35 Royalty)
Export	Export Minerals By Companies (Section 3.3, Table 19)
	Total Export Quantity 32,992.62 Tons
	Total Export Value \$42,458,000
GDP	GDP - ₦152.32 trillion (Section 6.3.1, Table 53)
	Contribution of Solid Minerals Sector to GDP (₦686.64billion; 0.45%); (Section 6.3.1, Table 53)
Exchange rate and source	₦379.50 CBN official exchange rate as at 31 st December, 2020

Financial Flow Summary

The total receipt by government (Federal and sub-national governments) from the sector in 2020 was ₦128. 27 billion as presented in table B below.

Table B: Summary of Total Receipts by Federal Government Agencies, States and LGAs

Details	Amount ₦	Total collection %
Reconciled		
MID	2,733,404,807.31	2.13
MCO	671,122,637.50	0.52
FIRS	111,474,522,838.56	86.91
Sub- total (a)	114,879,050,283.37	89.56
Government unilateral disclosure		
MID	303,707,428.74	0.24
MCO	1,731,489,221.75	1.35
Sub-total (b)	2,035,196,650.49	1.59
Total receipts from covered entities	116,914,246,933.86	91.15

Company unilateral disclosure - FGN Agencies		
MEC	400,000.00	0.00
NGSA	850,000.00	0.00
ASMD	480,000.00	0.00
MOE	5,799,000.00	0.00
NCS	2,553,668,506.00	1.99
Sub- total (b)	2,561,197,506.00	2.00
Total receipts by FGN Agencies	119,475,444,439.86	93.14
Unreconciled (Unilateral Disclosure) - States and LGAs		
States	8,670,898,265.55	6.76
Local Government	122,267,258.00	0.10
Sub- total (c)	8,793,165,523.55	6.86
Grand total (a+b+c)	128,268,609,963.41	100.00

Reconciliation of financial flows

The initial disclosure by covered entities showed a discrepancy of ₦2.45billion. However, after the verification, validation and reconciliation exercise, this difference was reduced to ₦54.25million (see table C below) as financial flows from 96 extractive companies were reconciled with sign-off obtained from representatives of the extractive companies, relevant government agencies and the IA.

Table C: Company and Government Agencies Reconciliation

Type of Payments/Receipts	Company ₦	Government ₦	Unreconciled ₦
Federal Inland Revenue Service (FIRS)	111,474,427,788.56	111,474,522,838.56	95,050.00
Mining Cadastre Office (MCO)	668,220,637.50	671,122,637.50	2,902,000.00
Mines Inspectorate Department (MID)	2,682,155,808.86	2,733,404,807.31	51,248,998.45
Total	114,824,804,234.92	114,879,050,283.37	54,246,048.45

The unreconciled ₦54.25million was traced to six (6) companies that did not provide any information for the reconciliation exercise. This amount represents 1.99% of the total reconciled revenue. The IA affirms that the non-participation of these companies did neither impact the data quality nor materially affect the revenue that went to the government during the period under review.

Process and Physical Flows

Mineral Production

The total production volume for 2020 was 71.1 million tons, with a total royalty value of ₦3 billion as presented in table D below. Granite, limestone, sand, and laterite were the highest contributors to minerals volume and royalty in 2020, accounting for 90% and 87% of total volume and royalty receipts respectively. Granite and limestone have continuously dominated output volume and royalty receipts in recent years.

Table D: Production by Mineral Type

S/N	Mineral	Quantity Tons'000		% Production volume		Royalty paid ₦'000		% Royalty value	
		Total	Cumulative	Total	Cumulative	Total	Cumulative	Total	Cumulative
1	Granite	14,302	14,302	20	20	1,061,790	1,061,790	35	35
2	Limestone	34,866	49,168	49	69	1,045,988	2,107,778	35	70
3	Sand	8,880	58,048	12	82	354,127	2,461,905	12	82
4	Laterite	5,647	63,695	8	90	161,497	2,623,403	5	87
5	Others	7,455	71,150	10	100	393,180	3,016,582	13	100
Total		71,150		100		3,016,582		100	

Also, as table E below can reveal, Ogun, Kogi, Cross River, Edo and Bayelsa States were the top solid minerals producing states in 2020. These states contributed 66% and 55% of total output and royalty receipts respectively. The major minerals produced in those states in 2020 were limestone and sand.

Table E: Production by State

S/N	State	Quantity Tons'000		% Quantity		Royalty N'000		% Royalty	
		Total	Cumulative	Total	Cumulative	Total	Cumulative	Total	Cumulative
1	Ogun	17,020	17,020	24	24	609,603	609,603	20	20
2	Kogi	11,715	28,735	16	40	367,188	976,791	12	32
3	Cross River	8,007	36,742	11	52	269,946	1,246,737	9	41
4	Edo	5,994	42,736	8	60	229,154	1,475,891	8	49
5	Bayelsa	4,328	47,064	6	66	173,118	1,649,009	6	55
6	Ebonyi	2,532	49,596	4	70	200,158	1,849,167	7	61
7	FCT	2,013	51,609	3	73	128,775	1,977,942	4	66
8	Sokoto	1,938	53,547	3	75	59,506	2,037,448	2	68
9	Kano	1,837	55,384	3	78	80,009	2,117,457	3	70
10	Oyo	1,746	57,130	2	80	116,507	2,233,964	4	74
11	Others	14,021	71,151	20	100	782,617	3,016,581	26	100
Total		71,151		100				100	

Mineral production occurred in all the six (6) geo-political zones of the country. South-West, South-South and North-Central accounted for 83% and 79% of the total production volume and royalty receipts respectively in 2020. The least contributor was North-East with 3% to production volume and 4% to royalty, as shown in table F below. This is followed by South East with 5% and 8% respectively.

Table F: Production by Region

S/N	Region	Quantity Tons'000		% Production		Royalty paid ₦'000		% Royalty contribution	
		Total	Cumulative	Total	Cumulative	Total	Cumulative	Total	Cumulative
		1	South-West	21,397	21,397	30	30	904,895	904,895
2	South-South	20,814	42,211	29	59	763,790	1,668,685	25	55
3	North-Central	16,979	59,190	24	83	706,936	2,375,621	23	79
4	North-West	6,000	65,190	8	92	264,355	2,639,976	9	88
5	South-East	3,763	68,953	5	97	255,856	2,895,831	8	96
6	North-East	2,198	71,151	3	100	120,751	3,016,582	4	100
Total		71,151		100		3,016,582		100	

Solid minerals production in 2020 was mainly done by four companies: Dangote Cement Plc., Lafarge Plc, BUA International Ltd. and Dantata and Sawoe Nigeria Limited. These four (4) companies accounted for 64% of the total mineral production volume and 49% of royalty receipts as presented below.

Table G: Production by Company

S/N	Companies	Quantity Tons'000		% Production		Royalty paid ₦'000		% Royalty contribution	
		Total	Cum.	Total	Cum.	Total	Cum.	Total	Cum.
1	Dangote Cement Plc.	22,731	22,731	32	32	740,849	740,849	25	25
2	Lafarge Plc	11,819	34,550	17	49	368,130	1,108,979	12	37
3	Bua International Ltd	6,361	40,911	9	58	183,314	1,292,294	6	43
4	Dantata & Sawoe Nigeria Limited	4,302	45,213	6	64	171,223	1,463,516	6	49
5	Other companies	25,938	71,151	36	100	1,553,066	3,016,582	51	100
	Total	71,151		100		3,016,582		100	

Mineral Export

Total mineral export in 2020 was 32,992 tons with a free-on-board (FOB) value of USD\$42.46 million as presented in table below. This indicates that in 2020, out of a total of 71,151,000 tons of mineral produced, 71,118,008 tons or 99.95% were used domestically. The major contributing minerals to export were zinc ore and concentrates, lead ores and concentrates, manganese ores and concentrates. They accounted for 65.44% and 58.81% of export volume and FOB value respectively.

Table H: Export by Mineral Type

S/N	Minerals	Net Weight (T'000)	Volume %		FOB Value \$'000	FOB %	
		Total	Total	Cumulative	Total	Total	Cumulative
1	Zinc ores and concentrates.	9.99	30	30	12,838	30	30
2	Lead ores and concentrates	8.78	27	57	8,688	20	51
3	Manganese ores and concentrates & ferruginous	2.82	9	65	3,444	8	59
4	Other minerals	11.41	35	100	17,489	41	100
	Total	32.99	100		42,459	100	

Source: Nigerian Customs Service 2020 data

The major destination of Nigeria's mineral export was China. The country accounted for 80% and 85% of the total export volume and value respectively during the year as shown in the table below.

Table I: Export by Destination

S/N	Destination	Net Weight (T)	FOB Value (\$'000)	FOB %	
				Total	Cumulative
1	China	26.55	36,116.36	85	85
2	Germany	2.99	957.91	2	87
3	Belgium	2.33	1,679.60	4	91
4	Other Countries	1.12	3,703.82	9	100
	Total	32.99	42,457.69	100	

Source: Nigerian Customs Service 2020 data

Out of the seventy-six (76) companies that exported mineral in 2020, five (5) of them accounted for 73% of the total FOB value (see table J below).

Table J: Export by Company

S/N	Exporter	Net Weight (T'000)	FOB Value \$'000	FOB %	
				Total	Cumulative
1	First Patriot Ltd	13.72	12,720	30	30
2	Abyem-Diva International Limited	2.06	8,959	21	51
3	Sino Minmetals Co. Limited	2.82	3,736	9	60
4	Malcomines Minor Metals Ltd	2.34	3,166	7	67
5	Synee Alumony Mining Limited	0.01	2,389	6	73
6	Other companies	12.05	11,488	27	100
Total		32.99	42,458	100	

Source: Nigerian Customs Service 2020 data

Social Expenditure

Social expenditure information was provided by 29 of the 102 extractive companies covered by the audit. The total social expenditure of these companies in 2020 was ₦3.87 billion as shown in table K below.

Table K: Social Expenditure Disclosed by Extractive Companies

S/N	Company	Mandatory ₦'000	Non-Mandatory ₦'000	Total	Contribution %
				₦'000	
1	Dangote Plc	10,000.00	2,172,302.33	2,182,302.33	56.36
2	Lafarge-Wapco	-	1,260,962.06	1,260,962.06	32.57
3	First Patriots	180,000.00	39,912.00	219,912.00	5.68
4	CCECC Nigeria Limited	49,248.51	-	49,248.51	1.27
5	Triacta Nigeria Ltd	18,675.00	16,835.00	35,510.00	0.92
6	Sizhe Global Investment Limited	19,000.00	-	19,000.00	0.49
7	SCC Nigeria Limited	17,838.60	-	17,838.60	0.46
8	China Harbour Engineering	16,000.00	-	16,000.00	0.41
9	Seaman Mining	15,640.00	-	15,640.00	0.4
10	Tongyi /Brass Engineering	9,850.00	-	9,850.00	0.25
11	Hi-tech construction limited	7,920.00	250	8,170.00	0.21
12	Inorganic Earth Resources	8,000.00	-	8,000.00	0.21
13	Mercury Mining Investment Limited	5,110.00	-	5,110.00	0.13
14	CCNC Nig. Ltd	4,500.00	-	4,500.00	0.12
15	Crushed Rock Industries (Nig) Ltd	3,300.00	-	3,300.00	0.09
16	Brothers Quarry Nig. Ltd	2,300.00	-	2,300.00	0.06
17	SJA West Africa Limited	-	2,000.00	2,000.00	0.05
18	Platinum Asphalt and Crushing Company	943.75	650	1,593.75	0.04
19	CNBM Mining & Investment Ltd.	750	800	1,550.00	0.04
20	Kopek Construction Company	300	1,230.00	1,530.00	0.04
21	Fu-hua Mining	1,260.00	-	1,260.00	0.03
22	Xin xin Mining Resources	1,260.00	-	1,260.00	0.03

23	Mark-sino	1,250.00	-	1,250.00	0.03
24	Saturn Mining Company Limited.	1,200.00	-	1,200.00	0.03
25	A&B Global Service Limited	500	600	1,100.00	0.03
26	XVE Gao (Nig.) Limited	610	-	610	0.02
27	Z & Y Investment Limited	600	-	600	0.02
28	NBHH HydroExport Limited	500	-	500	0.01
29	Homaset Limited	-	100	100	0
Total		376,555.86	3,495,641.39	3,872,197.26	100

Source: Solid Mineral Audit 2020 Data

Environmental Expenditure

Three (3) companies provided information on environmental expenditure. The total expenditure by these companies during the year under review was approximately ₦5.8 million.

Table L: Environmental Expenditure

S/N	Company	₦
1	Mothercat Nig Ltd.	1,300,000
2	Rock Bottom Mines and Power	4,209,000
3	Solid Unit Nig. Ltd	290,000
Total		5,799,000.00

Source: Ministry of Environment

Summary of Findings and Recommendations

Findings and Recommendations in the NEITI 2020 Solid Minerals Audit

S/N.	FINDINGS	RECOMMENDATION
A	FINANCIAL ISSUES	
1	In 2020, the total financial flow into the federation account was ₦114.88billion, representing an increase of ₦40.03 billion from the ₦74billion earned in 2019. The increase (53.40%) can be attributed to the government reforms in the industry and NEITI's sustained engagements in promoting transparency and accountability and overall reforms in the sector.	Government should continue with and deepen the ongoing reforms in the sector as well as oversee the full implementation of the road map to achieve the set goals.
2	₦128.28 billion was generated from the solid minerals sector in 2020 through the 58 revenue streams identified by NEITI.	Government and international development partners should support NEITI to develop and improve her technical capacity, working tools, facilities and equipment with a view to putting her in a better position to discharge her responsibilities.
3	Nigeria's total GDP in 2020 was ₦152.32 trillion and the solid minerals sector contributed ₦686.64 billion representing 0.45%. This contribution was higher than the	The target of government is to increase the contribution of the solid minerals sector to the GDP to 5%. This can be attained by refocusing on geological data acquisition, harnessing the potentials of ASMs, improving mineral

	0.26% reported in the previous year. However, the sector's contribution to export was 0.14% compared to 0.51% in 2019.	beneficiation, establishing lapidaries, gem stone cutting/polishing etc.
4	Since the last 14 years (2007-2020) NEITI has been conducting SM audits, the solid minerals sector has contributed a total of ₦651.55 billion or USD\$2,68 billion to government's revenues. Notably, there has been a progressive increase in revenue from the sector.	Government should invest more in the generation of geological data, access to funding and engagement with the relevant stakeholders in order to sustain investment and revenue growth in the sector.
5	Out of the 102 companies covered by the audit, 96 complied well by providing most of the requested information and data representing 94.12%. In contrast, 6 companies did not comply at all as they failed to provide any data. And the material revenue implication of their non-responsiveness was ₦54.25million or 1.99%	This shows significant compliance with the NEITI audit process; it is hereby recommended that government put in place strict sanctions against non-responsive companies. This will deter future occurrence and, most importantly, help to maintain the integrity of the NEITI audit process.
6	The audit identified a total sum of ₦2.76 billion as outstanding company liability to government within the period under review. The liability was as a result of the failure on the part of 2,119 companies to pay the annual service fees for their respective mineral titles. Annual service fee is a statutory payment by mineral title holders for each cadastral unit on mineral titles. See appendix 15 for the details of the defaulting companies.	<p>MCO should intensify effort and vigorously pursue the recovery of the outstanding liability into government coffers.</p> <p>MCO should invoke the relevant sections of the Nigerian Minerals and Mining Act 2007 and the regulations made pursuant thereto, and revoke mineral titles whose holders have defaulted in the payment of their annual service fee to the Federal Government of Nigeria.</p> <p>Similarly, after the revocation of such titles, the holders should be made to pay all outstanding liabilities prior to the revocation in accordance with the Act.</p>
7	The audit report noted that royalty receipts from some states (e.g., Nasarawa, Plateau and Enugu) was materially low notwithstanding that these states are known to have large minerals deposits including high-value minerals such as columbite, tin-ore, lead/zinc etc. The production of these high-value minerals is below expectation. See Appendix 10	Government should create an enabling environment to attract investors into the exploration and exploitation of minerals with higher value in these states.

8	<p>The audit observed that over the years, China has been the major export destination for Nigeria’s solid minerals. This makes the country over reliant on China for mineral export, putting the country at risk in the event of breakdown in business relationship and natural occurrences. For instance, export in 2020 significantly declined by 86% falling from ₦124.23 billion in 2019 to ₦17.53 billion in 2020 as a result of the covid-19 pandemic that affected economic activities and forced major minerals consumers or destinations such as China to reduce import drastically.</p>	<p>Government should mitigate the risk of over dependence on one country for her mineral exports by developing strong business relationship with other countries that may require our solid minerals.</p> <p>The government should also prioritize, embark on, and promote or support industrialization and other policies that encourage local industries and local use of the minerals. This will reduce over dependence on export for revenue or increased revenue from the sector.</p>
9	<p>The total tax revenue from CIT and VAT grew significantly. While CIT grew by 274% from ₦4.56 billion in 2019 to ₦17.04 billion in 2020, VAT grew by 61.11% from ₦41.91 billion in 2019 to ₦67.52 billion in 2020. This is as a result of the measures put in place by FIRS to reduce tax evasion as well as increase in tax audit and monitoring activities.</p>	<p>There is need to sustain the fiscal and other measures currently in place and where necessary review to ensure continuous revenue growth from the sector.</p>
10	<p>It was observed that there was consistent increase in the revenue from WHT between 2016 and 2019, but this dropped in 2020 from ₦17.20 billion in 2019 to ₦16.22 billion, representing 5.70% decrease. The effect of the Covid-19 pandemic may have led to the decline in revenue from WHT, as government and private sectors’ driven business during the year were generally slow due to lockdowns and movement restrictions which ultimately impacted on economic activities.</p>	<p>Government and private sector business operators should collaborate on developing and implementing digital and electronic business transaction platforms or models that are efficient and require less human interface.</p>
<p>B PHYSICAL ISSUES</p>		
11	<p>The report expressed concern that some of the minerals already identified by the federal government as strategic still remain unexplored/untapped and lacked investments.</p>	<p>Government should encourage the development and exploitation of the identified strategic minerals through the development of mineral corridors, clusters and partnering with competent investors and other stakeholders to explore and develop the mineral resources.</p>
12	<p>The report found that in August 2020, a private sector project, Segilola Gold project, began active gold exploration in Iperinodo, Osun State. The Plant began with an estimated production rate of 80,000oz per day.</p>	<p>NEITI welcomes this development and called for the expansion and sustenance of such laudable private sector led projects in the country.</p>
13	<p>From the report, the quantity of Lead produced in 2020 was 53,988.36 tons. Total</p>	<p>Government should encourage minerals beneficiation and ban export of raw ores. Also, government should start focusing on the</p>

	<p>export of mineral ores and concentrates was 8,776,199.50 tons during the period. Similarly, 58 exploration licenses were issued for Iron Ore while the total number of valid mineral titles across the country during the year was 187.</p>	<p>opportunities presented by the global shift towards renewables in the production of electric vehicles to utilize the abundance of copper, lead, lithium, cobalt and other Rare Earth Element (REE) minerals found in Nigeria, which are used in the manufacture of batteries and other components of electric vehicles.</p>
14	<p>Nigeria has huge deposits of barite cutting across various states (Nasarawa, Plateau, Taraba, Adamawa, Benue, Ebonyi and Cross River) in commercial quantities. However, it was observed that companies still import these minerals. 147 barite titles have been issued but production level during the year under review did not reflect this.</p>	<p>The FGN has banned the importation of barite by International Oil Companies (IOCs) with effect from 2022. In line with this policy, the Nigerian Content Development and Monitoring Board (NCDMB) issued a guideline for the utilization of locally produced barite and drilling in the Nigerian Oil and Gas industry. Specifically, four firms were given approval for the supply of barites for any drilling project or contract in the Nigerian oil and gas industry. To ensure compliance with NCDMB guidelines, a robust monitoring and surveillance mechanism should be developed and implemented by all critical stakeholders in the oil and gas industry.</p> <p>Government should strengthen its mechanism for ensuring the enforcement of the NCDMB initiatives in respect of Barite production in Nigeria in order to ensure sustainability and its application to other strategic minerals.</p>
15	<p>Dangote cement accounted for 31.95% of total production and 24.5% of total royalty payment in 2020. Lafarge Plc was second and accounted for 17% and 12% of total production volume and royalty receipts respectively.</p>	<p>Government should encourage these companies through fiscal and other measures to enable them make more investments in the solid minerals and attract more high-capacity investors into the sectors.</p>
16	<p>The Report disclosed that 38 different minerals were produced in Nigeria in 2020 (appendix 8). Granite, limestone, sand and laterite had a combined contribution of 90% and 87% of total production volume and royalty receipts respectively. The Implication is that Barite, Coal and other precious minerals such as gold, have remained very low in terms of investments.</p>	<p>Government should continue to encourage development of these minerals and perhaps introduce some incentives.</p>
C	PROCESS ISSUES	

17	<p>Activities in the solid minerals sector remain quite low. Out of the 850 companies that were in operation during the year, only 102 met the materiality threshold of ₦3million for the audit and accounted for 90% of total royalty payments.</p>	<p>To fully realize the potentials of the sector, there is the need for more personnel and logistics in most of the state mine offices for increased monitoring and surveillance. In addition, there is need for increased funding and deployment of appropriate technology to support monitoring and enforcement activities.</p> <p>In the long-term, the Government should constitute a technical committee of experts to develop a robust fiscal regime for the sector similar to that of the oil and gas industry with a view to bringing more extractive companies into the NEITI solid minerals audit net.</p>
18	<p>The reports also noted that during the period under review (2020) there was no active state-owned enterprise operating in the sector.</p>	<p>There is need to consider the establishment of a State- Owned Enterprise (SOE) that can serve as a leader and drive investment interest in the sector. Such SOE should be run with the model of the Nigerian Liquefied Natural Gas</p>
19	<p>The audit disclosed that in the last five years, 7,605 mining titles were issued in the solid minerals sector. However, as at 31st December 2020, only 6009 were valid. A breakdown shows that 2,795 exploration licenses, 123 mining leases, 1,082 small scale mining leases and 981 reconnaissance permits were issued. Out of the 7,605 mining titles issued in the sector in the last five years, 1,482 of them were issued in 2020.</p>	<p>This denotes a sustained interest in exploration. Government should monitor and encourage the development of ELs to MLs and QLs to ensure a sustained development in the sector; discourage speculators and activate the principle of ‘use it or lose it’.</p>
20	<p>During the period under review, there was no consolidation or revocation of licences. However, 26 licenses were transferred. Details are outlined in Appendix 7.</p>	<p>MCO should continue ensure that processes and procedures as stipulated in section 147(3&4) of the Nigerian mineral and mining Act 2007, required for licence and transfers are strictly adhered to.</p>
21	<p>The audit observed that signed Community Development Agreements (CDAs) are housed at MMSD – MECD, which is the repository of such documents. However, the documents are not publicly available.</p>	<p>For the purpose of transparency and accountability in the sector and to ensure healthy relationships between the operators and host communities, the MMSD should make all signed CDAs publicly available and accessible by hosting them on the ministry’s website. This is in line with Nigeria’s commitment to Open Government Partnership and EITI principles.</p>
22	<p>Generally, the revenue generated from the sector was below expectation; this may not be unconnected with the attitude of small-scale miners towards filling their monthly</p>	<p>There is need for government to strengthen the state mines offices by improving the manning level as well as invest in modern technology to drive monitoring production and revenue</p>

	production returns. In addition, there is weak monitoring of mining activities due to insufficient or lack of manpower at the states' mine offices, poor deployment of technology and security challenges.	collection.
23	The Report established that Nigeria has a huge Bitumen deposit of about 42.74 billion metric tons that spreads across Lagos, Ogun, and Ondo. The report also established that 71,151,029.89 tons of Bitumen valued at ₦3,106,582.236 was produced in 2020 in the country.	The government should conclude the bid round for the award of licence for the development of Bitumen deposits.
24	The Report disclosed that during the period under review, there were 1,273 ASM operators within the 6 geographical zones of the country. A breakdown shows that South-South has 146, South-East 170, South-West 182, North-East 184, North-West 236 and North-Central 355.	Government should continue the policy of formalization of ASMs, and introduce KPIs to evaluate annual progress.
25	The report noted that minerals export as per the records derived from the export permits issued by MID was 34, 634.71 tons of minerals while the record of NCS showed 32,992 tons. The report also noted that there were minerals exported for which there were no evidence of export permit.	There should be periodic reconciliation of export permit issued by the MMSD and actual export records of NCS. This will ensure that only minerals with valid permits are exported.

FULL REPORT

Chapter 1

BACKGROUND



1.1 Introduction

This is Nigeria's eleventh (11th) cycle of the Extractive Industries Transparency Initiative (EITI) report on the Solid Minerals Sector covering the period 1st January to 31st December 2020. It presents the results of the reconciled financial flows, the physical and process from activities in Nigeria's solid minerals sector as required by the NEITI Act 2007 and EITI Standard.

The reporting process was overseen by the National Stakeholders Working Group (NSWG) and compiled by an Independent Administrator (IA), Messrs. Amedu Onekpe & Co. in accordance with the stipulations of NEITI Act, 2007 and the EITI Standard.

The payments and revenues disclosed in this report include tax and non-tax payments and other payments mandated by relevant Nigerian laws.

1.2 EITI implementation

The EITI is a global standard or multi-stakeholder initiative launched in 2003 which aim to achieve or instill transparency and accountability in the extractive sectors of implementing member countries. While membership is voluntary, the global EITI comprises resource-rich countries, international and national extractive companies, civil society, investors, and supporting countries.



EITI implementing countries are required to publish reports for the most recent fiscal year(s) covering companies' payments and government revenues from the extractive sector, and prepared by an independent administrator in accordance with the EITI Standard. Presently, there are 56 EITI implementing countries. More information on the EITI can be found at www.eiti.org

1.3 EITI implementation in Nigeria

Nigeria Extractive Industry Transparency Initiative (NEITI) is Nigeria's sub-set of the global EITI. Nigeria signed up to EITI in 2003 and NEITI was established in 2004 and backed by law through the NEITI Act in 2007. The NEITI Act 2007 was also enacted to ensure Nigeria's conformity with the principles of the EITI Standard, particularly in its extractive sector. Nigeria was declared a "Compliant Country" by the EITI at its 5th Global Conference in Paris, France, in March 2011, after meeting the validation requirements. The country currently holds a "Satisfactory Progress" ranking status in EITI after its 2019 validation.

Implementation of the EITI in Nigeria is overseen by the NSWG as required by the EITI Standard. The current NSWG was inaugurated by the President of the Federal Republic of Nigeria on 22nd July 2021. It consists of 15 members comprising representatives from the government, extractive companies and civil society.

Nigeria's main objective in implementing EITI is to instill transparency and accountability in the management of her natural resources, generate public debate and promote deeper understanding of the sector. See www.neiti.gov.ng for more information.



2020 SOLID MINERALS REPORT



1.4 Annual Reporting

Nigeria has published ten (10) cycles of the solid minerals audit (SMA) report covering the period 1st January 2007 to 31st December 2019 since it signed up to the EITI. The sector, as shown in Table 1 below, has contributed ₦496.28 billion (USD2,347.12 million) to government’s receipts during this period.

Table 1: 13-Year Trend of Sector Contribution

SN	Year	No. of Companies	FGN Receipts billion ₦	Exchange rate as at 31st December	FGN Receipts million \$	Publication date	Independent Auditor
1	2007	78	7.59	116.3	65.26	12-Dec	Haruna Yahaya & Co
2	2008	78	10.57	130.75	80.82		
3	2009	78	19.15	147.6	129.73		
4	2010	78	17.1	148.67	115		
5	2011	67	27.01	156.2	172.91	13-Jan	Haruna Yahaya & Co
6	2012	65	25.57	155.27	164.67	15-Dec	Moore Stephens LLP
7	2013	65	30.25	155.2	194.93	16-Mar	Moore Stephens LLP
8	2014	39	49.17	167.5	293.57	16-Dec	Amedu Onekpe & Co
9	2015	42	64.46	196.5	328.06	17-Jul	Amedu Onekpe & Co
10	2016	56	43.22	304.5	141.94	18-Nov	Tajudeen Badejo & Co
11	2017	59	52.76	305.5	172.69	19-Oct	Amedu Onekpe & Co
12	2018	69	69.47	306.5	226.66	20-Mar	Tajudeen Badejo & Co
13	2019	74	79.96	306.5	260.88	20-Dec	Haruna Yahaya & Co
Total			496.28		2,347.12		

Source: NEITI Solid Minerals Audit Reports

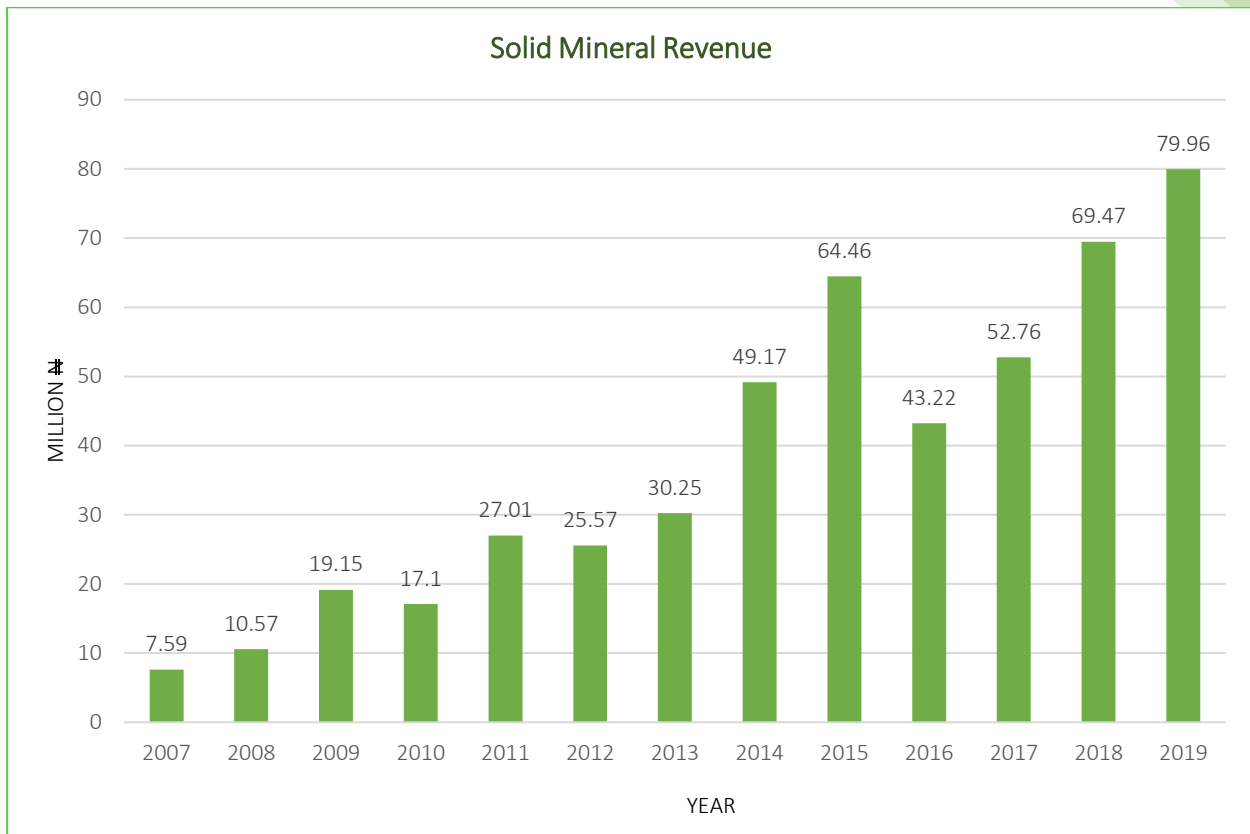


Figure 1: 13-Year Trend of Sector Contribution

The sharp increase in the revenue accruing to the sector in 2020 despite the coronavirus pandemic (Covid-19) may not be unconnected with the fiscal measures taken by the Federal Government to boost government revenue, including the increase in VAT rate that came into effect in 2020. In addition, company income tax (CIT) figure for 2020 was not impacted by Covid-19 because CIT is paid on year preceding basis.

1.5 Structure of the Report

The report consists of seven sections. Section 1 describes the background and objectives of the assignment. It also describes the approach and methodology as well as materiality threshold adopted for the assignment, data quality and assurance, the aggregate financial flows from the sector and limitations to the assignment. Details of the legal and institutional framework, including the allocation of contracts and licences in the sector are provided in Section 2. In Section 3, information on significant exploration activities, record of production and export are provided. Section 4 presents details of revenue collection and the financial flows to the government. The allocation of revenue including a description of the budgetary and audit processes are shown in Section 5. This is followed by information on social and economic spending in Section 6. Finally, findings and recommendations from the assignment are covered in Section 7.

1.6 Scope and Objectives of the Assignment

The objectives of the reconciliation exercise, among others, are to:



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;



Report Federal Government revenue inflow among covered entities in solid minerals sector



Undertake special verification work on certain transactions



Report Balances payable/receivable for financial inflow



Reconcile physical/financial transactions reported by years and recipients as appropriate



Make observations and recommendations to inform policy decision

See **Appendix 1 - Terms of Reference (ToR)** - for the detailed scope of work.

1.7 Approach and Methodology

The approach and methodology adopted for the assignment include the following steps:

- a. Analysis of primary data received from government agencies to determine the active companies in the sector in the year 2020.
- b. Assessment of materiality threshold set by the NSWG and determination of covered entities.
- c. Collection of payments data and other information from relevant government agencies and the covered extractive companies using NEITI's approved data collection templates.
- d. Matching payments made by companies against reported receipts by government agencies to determine variances (if any).
- e. Verification and validation of data submitted by covered entities by matching the data against source documents to confirm completeness, accuracy and validity of information.
- f. Facilitation of tripartite meeting with government agencies and covered companies where discrepancies are observed so as to reconcile all outstanding differences after the verification and validation exercise.
- g. Findings and recommendations from previous audits were reviewed with a view to ascertaining the level to which they have or have not been addressed or implemented.
- h. Preparation and presentation of reports (draft and final) – the findings and recommendations of the new audit - for approval by the NSWG.

1.8 Materiality

The NSWG approved royalty as the basis for setting materiality threshold for the 2020 solid minerals audit. A threshold of ~~₦~~3 Million was set for the exercise by the NSWG. The independent administrator (IA) evaluated and was satisfied and convinced that the basis and the adopted threshold for the audit were sufficient and provided reasonable coverage for the reconciliation exercise.



A total of 850 companies made payment of royalty out of which 102 met the set materiality threshold and were responsible for 90.04% of the total royalty payments for the year see table 2 for more information on materiality.

The IA evaluated and affirms that the basis for determining the materiality threshold is sufficient and provides reasonable coverage for the reconciliation report. More information is provided in **Appendix 2**.

Table 2: Materiality Threshold Sensitivity Analysis

MATERIALITY THRESHOLD SENSITIVITY ANALYSIS						
Minimum Threshold	S/N	Description	Companies		Royalty Paid	
			Number	%	N	%
₦10,000,000	1	Within Threshold	37	3	2,335,086,493	78
	2	Below Threshold	1128	97	659,890,843	22
	Total		1165	100	2,994,977,336	100
₦5,000,000	1	Within Threshold	72	6	2,580,371,847	86
	2	Below Threshold	1093	94	414,605,489	14
	Total		1165	100	2,994,977,336	100
₦4,500,000	1	Within Threshold	77	7	2,604,714,281	87
	2	Below Threshold	1088	93	390,263,055	13
	Total		1165	100	2,994,977,336	100
₦4,000,000	1	Within Threshold	80	7	2,617,468,876	87
	2	Below Threshold	1085	93	377,508,460	13
	Total		1165	100	2,994,977,336	100
₦3,500,000	1	Within Threshold	90	8	2,657,624,903	89
	2	Below Threshold	1075	92	337,352,432	11
	Total		1165	100	2,994,977,336	100
₦3,000,000	1	Within Threshold	102	9	2,696,597,310	90
	2	Below Threshold	1063	91	298,380,026	10
	Total		1165	100	2,994,977,336	100
₦2,500,000	1	Within Threshold	109	9	2,715,749,939	91
	2	Below Threshold	1056	91	279,227,397	9
	Total		1165	100	2,994,977,336	100

Source: National Stakeholders Working Group Materiality Document

1.9 Covered Entities

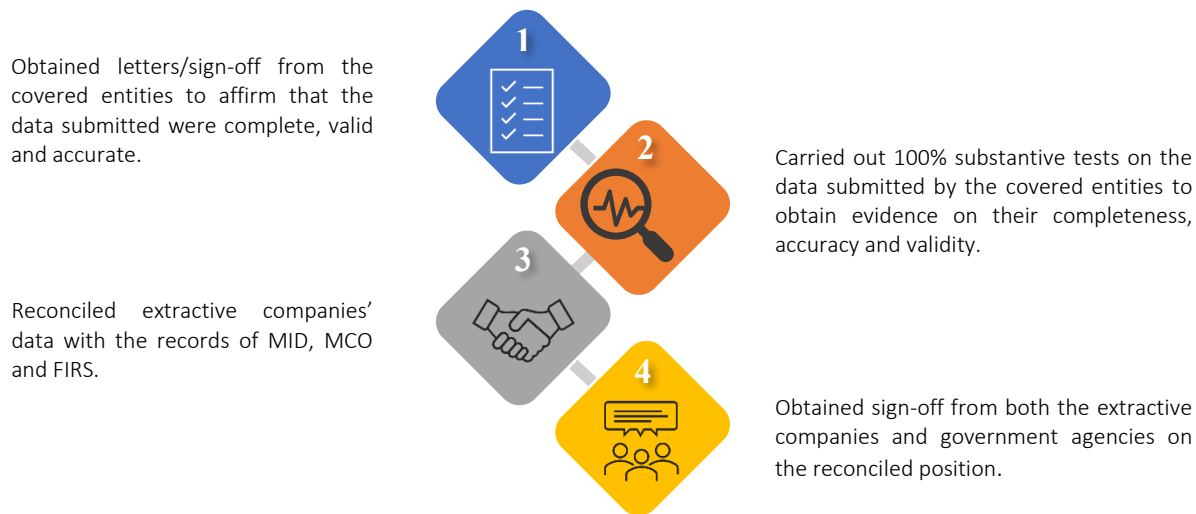
The entities covered in the reconciliation report were 3 government agencies (MMSD-MID, MCO and FIRS) and 102 extractive companies. See **Appendix 3** for a detailed list of covered entities.

1.10 Data Quality and Assurance

The legal and regulatory frameworks for data quality and assurance in Nigeria were evaluated by the IA and considered sufficient to meet Requirement 4.9 of the EITI Standard. Compliance with these frameworks was also evaluated by the IA. See **Appendix 4**.

In addition to the above, the IA used or triangulated other methods to assess and ascertain the reliability of the data obtained or used for the audit.

These methods include:



The outcomes of the above additional data quality and assurance measures adopted by the IA are summarized in Table 3 below.

Table 3: Outcome of Data Quality and Assurance Procedures

SN	Parameters	No. of Companies	Companies that Provided Data		Companies that Failed to Provide Data		Overall Reporting Companies %
1	Template populated/signed off by designated senior officer	102	96	94.12	6	5.88	94.12
2	Verification of receipts and all other relevant documents	102	96	94.12	6	5.88	94.12
3	Tripartite reconciliation signed off	102	96	94.12	6	5.88	94.12

Source: Solid Mineral Audit 2020 Template

Based on the above parameters, the IA is convinced that the data used for the exercise met the data quality and assurance requirements set out for this audit.

Table 4: Non-Responsive Extractive Companies

SN	Name	Mineral Type	Mining License Number	Total Payment million ₦
1	Hafsat Jewel Integrated services	Gold		12.77
2	Synee Alumony Mining Limited	Granite	QL27260	12.22
3	Rockwaters Integrated Services Nigeria Limited	Granite	QL24444	11.2
4	Prossy Investment Limited	Limestone	QL24390	6.95
5	IDB Mining & Mineral Resources Limited	Gold		6.1
6	Natural Oil Field Services	Sand		5.02
Total				54.26

Source: FIRS, MID and MCO Data

As table 3 above can also reveal, out of the 102 companies that received NEITI audit templates, six (6) did not provide any information for the reconciliation exercise, and they are classified as non-responsive. These companies are listed in table 4 above. As the table also reveals, the total payment made by these companies, based on the records of the relevant government entities, was ₦54.26 million. This amount represents 1.99% of the total reconciled revenue. The IA validated the above payment or revenue from these companies through the government agencies that received the payments. Based on the above analysis, and on the quality of data collected, the IA can affirm that the non-participation of these 6 companies in the process did not impact the quality of the data or materially affect the revenue that went to the government from the sector during the period under review.

1.11 Aggregate Financial Flows

The total revenue generated by government (Federal and sub-national governments) from the solid mineral sector in 2020 was ₦128.17 billion. However, the aggregate financial flows to the Federation Account from the covered government agencies (FIRS, MMSD-MID and MCO) was ₦116.82 billion. This shows an increase of ₦41.96 billion (56%) from the ₦74.85 billion revenue reported in 2019, continuing the trend from previous years. Table 5 below shows a five-year summary of the financial flows to the Federation Account from the above-mentioned entities.

Table 5: Aggregate Financial Flows to the Federation Account

Entity	Financial flows	Years				
		2016 million ₦	2017 million ₦	2018 million ₦	2019 million ₦	2020 million ₦
FIRS	VAT, WHT, SD, CIT, EDT, CGT	40,381	49,162	65,689	69,918	111,475
MID	Royalty and other fees	1,690	1,586	2,211	2,553	3,037
MCO	Annual service fees, application fees, etc.	1,151	2,009	1,571	2,380	2,303
Total		43,222	52,757	69,471	74,851	116,815

Source: NEITI Solid Minerals Audit Reports

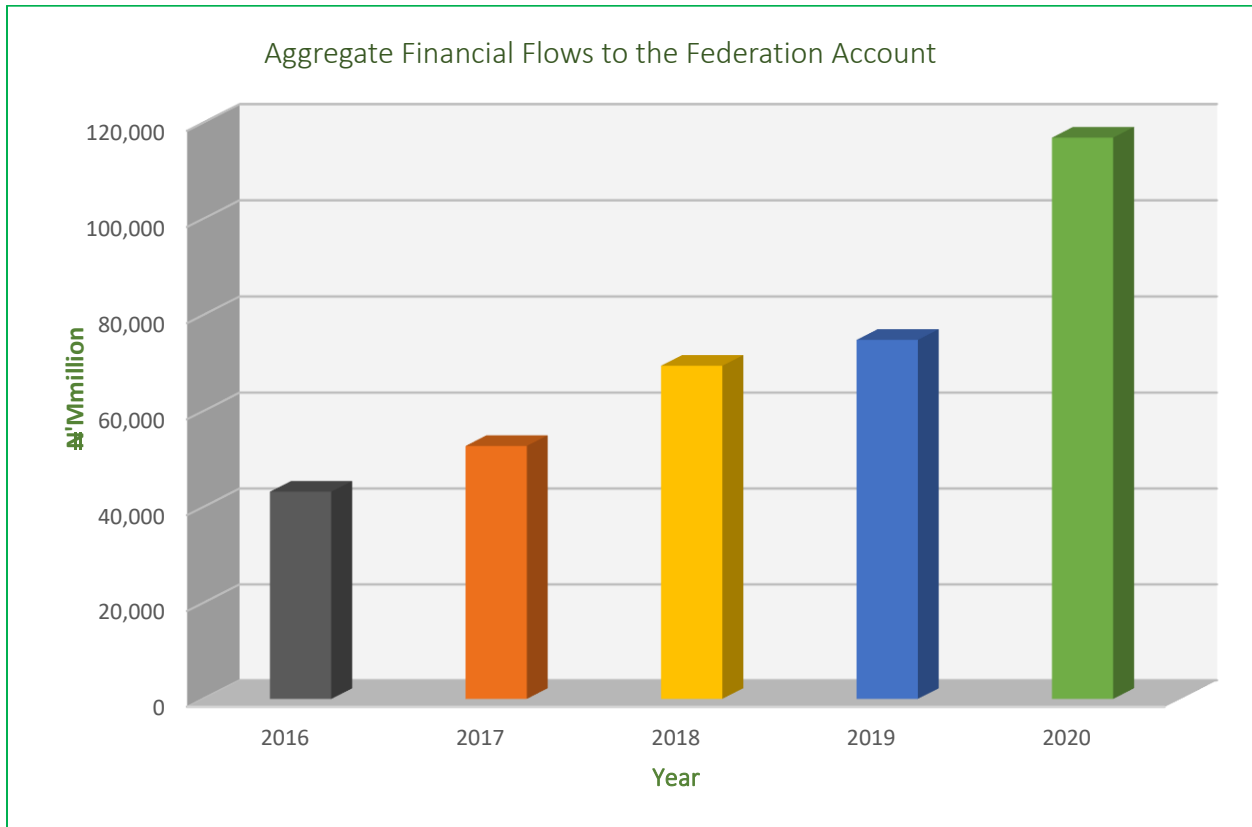


Figure 2: Aggregate financial flows to the Federation Account

1.12 Findings and Recommendations

FINDINGS	RECOMMENDATION
<p>Activities in the solid minerals sector remain quite low. Out of the 850 companies that were in operation during the year, only 102 met the materiality threshold of ₦3million for the audit and accounted for 90% of total royalty payments.</p>	<p>To fully realize the potentials of the sector, there is the need for more personnel and logistics in most of the state mine offices for increased monitoring and surveillance. In addition, there is need for increased funding and deployment of appropriate technology to support monitoring and enforcement activities.</p> <p>In the long-term, the Government should constitute a technical committee of experts to develop a robust fiscal regime for the sector similar to that of the oil and gas industry with a view to bringing more extractive companies into the NEITI solid minerals audit net.</p>
<p>Since the last 14 years (2007-2020) NEITI has been conducting SM audits, the solid minerals sector has contributed a total of ₦651.55 billion or USD\$2,68 billion to government’s revenues. Notably, there has</p>	<p>Government should invest more in the generation of geological data, access to funding and engagement with the relevant stakeholders in order to sustain investment and revenue</p>

<p>been a progressive increase in revenue from the sector.</p>	<p>growth in the sector.</p>
<p>In 2020, the total financial flow into the federation account was ₦114.88billion, representing an increase of ₦40.03 billion from the ₦74billion earned in 2019. The increase (53.40%) can be attributed to the government reforms in the industry and NEITI’s sustained engagements in promoting transparency and accountability and overall reforms in the sector.</p>	<p>Government should continue with and deepen the ongoing reforms in the sector as well as oversee the full implementation of the road map to achieve the set goals.</p>
<p>Out of the 102 companies covered by the audit, 96 complied well by providing most of the requested information and data representing 94.12%. In contrast, 6 companies did not comply at all as they failed to provide any data. And the material revenue implication of their non-responsiveness was ₦54.25million or 1.99%</p>	<p>This shows significant compliance with the NEITI audit process; it is hereby recommended that government put in place strict sanctions against non-responsive companies. This will deter future occurrence and, most importantly, help to maintain the integrity of the NEITI audit process.</p>

Chapter 2

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. In addition to the 1999 constitution, there are other laws and regulations enacted by the National Assembly and the supervising ministry to guide the activities in the solid minerals sector. See <http://www.nigeria-law.org/ConstitutionOfTheFederalRepublicOfNigeria.htm>. for more information.

The table below provides a summary of the applicable laws and regulations governing Nigeria’s solid minerals sector.

Table 6: Laws and Regulations Guiding Operations in Nigeria’s Solid Minerals Sector

S/N	Laws and Regulations	Key highlights
1	1999 Constitution of the Federal Republic of Nigeria	<p>Section 44(3) of the Constitution stipulates that, “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”.</p> <p>Item 39, Schedule II of the Constitution places the administration of all-natural resources under the exclusive legislative list. Thus, the granting and issuance of licenses, collection of royalty, taxes and bonus are reserved as the exclusive responsibility of the Federal Government.</p>
2	Nigerian Minerals and Mining Act (NMMA) 2007	<p>The Act was enacted in 2007 to address the shortcomings of the Minerals and Mining Act, No. 34 of 1999. The Act covers all aspects of solid minerals exploration and exploitation in Nigeria and sets up the governance structure in the sector. Its key provisions are:</p> <ul style="list-style-type: none"> 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 minerals sector. <p>See http://www.minesandsteel.gov.ng/wp-content/uploads/2016/04/Nigerian Minerals and Mining Act 2007.pdf for more information.</p>
3	Land Use Act of 2004	<p>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). The governor who holds such land in trust for the people, is also responsible for allocation of same in all urban areas to individuals residing in the state and to organizations for residential, agriculture, commercial and other purposes while similar powers with respect to non-urban areas are conferred on Local Governments. See http://www.nigeria-law.org/Land%20Use%20Act.htm for more information.</p>
4	Environmental Impact Assessment (EIA) Act Cap E12, LFN, 2004	<p>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 EIA Act.pdf (ead.gov.ng) for more information.</p>
5	Nigeria Investment Promotion Commission (NIPC) Act 2004	<p>This Act was established to promote, coordinate, encourage and monitor all investments in Nigeria. The Act allows a non-Nigerian to invest and participate in the operations of any enterprise in Nigeria. However, such an enterprise with</p>

		<p>foreign participation cannot commence business except it is incorporated or registered under the CAMA and with the NIPC.</p> <p>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. See NIPC-ACT.pdf for more information.</p>
6	National Environmental Standard Regulation and Enforcement Agency (NESREA) Act 2007	<p>The Act establishes NESREA as the body to enforce appropriate and adequate regulations and sanctions for the protection of the environment. NESREA has developed thirty-three (33) environmental regulations which have been published in the official Gazette of the Federal Government of Nigeria. See FEDERAL REPUBLIC OF NIGERIA OFFICIAL GAZETTE (nesrea.gov.ng) and NESREA Ammended Act 2018.pdf for more information.</p>
7	Companies and Allied Matters Act (CAMA) 2020	<p>CAMA 2020 is the 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 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.</p> <p>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).</p> <p>The Act 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 cac.gov.ng for more information.</p>
8	Nigerian Minerals and Mining Regulations 2011	<p>These regulations were issued by the Minister in line with Section 21 of the Nigerian 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. See http://www.minesandsteel.gov.ng/wp-content/uploads/2016/04/Nigerian Minerals and Mining Regulations 2011.pdf for more information.</p>
9	The National Minerals and Metals Policy 2008	<p>The National Minerals and Metals Policy is a product of the Nigerian Minerals and Mining Act 2007 designed by the Government to offer new methods of developing the mining sector. Some of the core objectives of this policy are to:</p> <ul style="list-style-type: none"> 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 Ensure that the producer earns, and the consumer pays the true value of the minerals produced and consumed Ensure adherence to environmental best practices and encourage a transparent mining title and permit system 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. <p>See http://www.minesandsteel.gov.ng/wp-content/uploads/2016/04/National Minerals and Metals Policy.pdf for more information.</p>

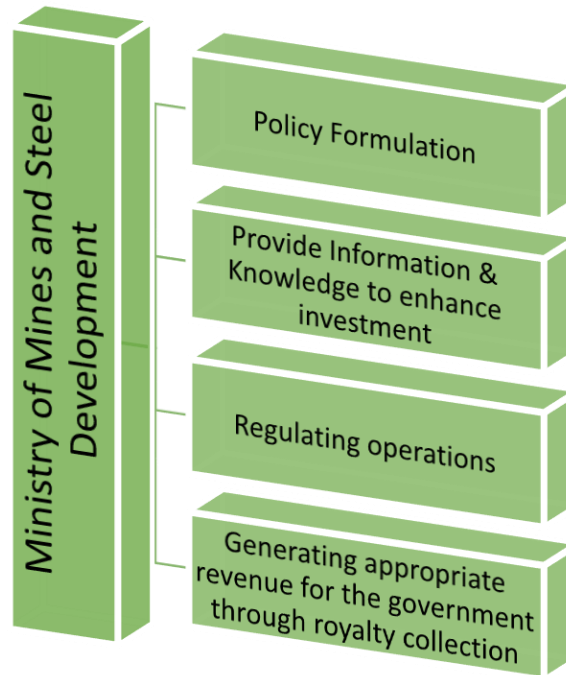
2.2 Institutional Framework

The Federal Government of Nigeria in 1995 established the Federal Ministry of Solid Minerals Development to facilitate the development of the mining sector in line with the policy of government. Therefore, by virtue of the Minerals and Mining Act, 2007, the right to manage the

sector including policy formulation and granting of mining titles is vested in the Minister. Other key institutions involve in the sector administration include:

2.2.1 Ministry of Mines and Steel Development (MMSD)

The MMSD is mainly responsible for:

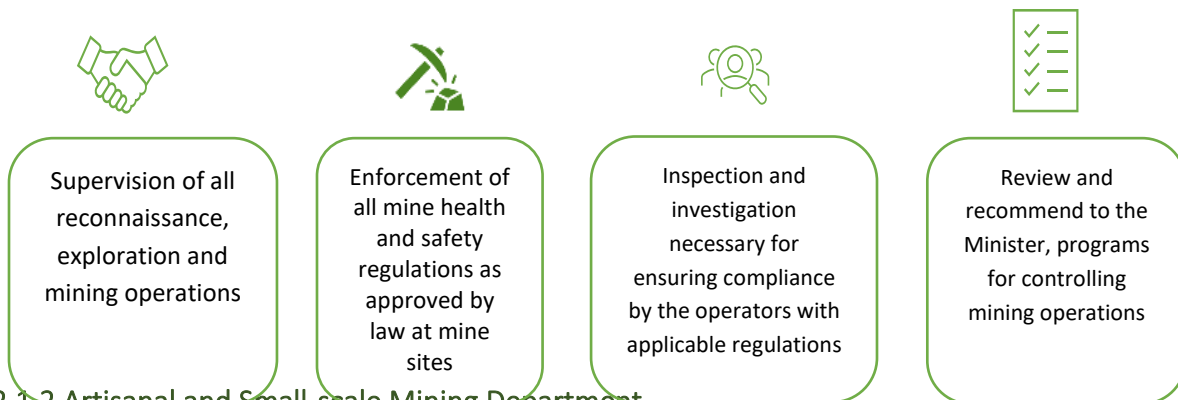


The MMSD carries out its mandate through several departments like Mines Inspectorate Department (MID); Mines Environmental Compliance Department (MECD); Artisanal and Small-scale Mining (ASM)

For further information, visit www.minesandsteel.gov.ng

2.2.1.1 Mines Inspectorate Department (MID)

The functions of the MID include the following among others:



2.2.1.2 Artisanal and Small-scale Mining Department

The artisanal and small-scale mining (ASM) department in the MMSD is responsible for:



Formalization of the operations of artisanal and small-scale miners. MMSD also supports them with extension services to improve capacity.



Registration of Mineral Buying Center



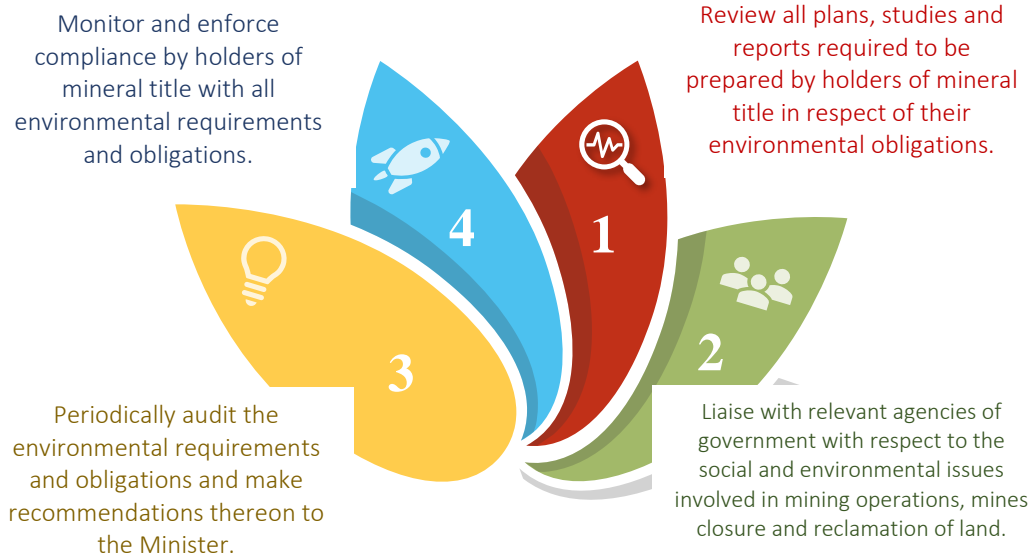
Renewal of Private Mineral Buying Centers



Small-scale mining operator registration

2.2.1.3 Mines Environmental Compliance Department (MECD).

The functions of the MECD, as stated in Section 18 of the Nigerian Minerals and Mining Act, 2007 are:



2.2.2 Mining Cadastre Office (MCO)

The MCO is an autonomous parastatal under the MMSD. It 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). For more information visit, <http://www.miningcadastre.gov.ng/>

2.2.3 Nigerian Geological Survey Agency (NGSA)

The NGSA is a parastatal under the MMSD, with the statutory responsibility of providing relevant and up-to-date geosciences information necessary for the development of the sector. This is accomplished through a systematic process of gathering, collating, assessment and dissemination of all information related to rocks, minerals and groundwater resources of the country. For more information visit, <https://ngsa.gov.ng/>

2.2.4 Nigerian Steel Raw Materials Exploration Agency (NSRMEA)

The NSRMEA is a geo-scientific information centre for investors and researchers in the solid minerals sector with particular emphasis on iron and steel industry. For more information visit, <https://nsrmea.gov.ng/>

2.2.5 Federal Inland Revenue Service (FIRS)

The Federal Inland Revenue Service (FIRS) is a Federal tax authority empowered to collect all types of taxes accruable to the Federal Government of Nigeria. It was created by the Companies Income Tax Act (CITA) of 1979 and now under the FIRS Establishment Act 2007. For more information visit, <http://www.firs.gov.ng/>

2.2.6 Nigerian Customs Service (NCS)

The NCS is an agency under the supervision of the Federal Ministry of Finance and National Planning with the core responsibility of collection of import and excise duties on behalf of the FGN. For more information visit, <https://customs.gov.ng/>

2.2.7 Revenue Mobilization Allocation and Fiscal Commission (RMAFC)

The Commission is a creation of the 1999 Constitution, 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 formulating and periodically reviewing revenue allocation formula to federating units. For more information visit, <http://www.rmafc.gov.ng/>

2.2.8 Corporate Affairs Commission (CAC)

The CAC is charged with the responsibilities of registering companies and enterprises in Nigeria. For more information visit <https://www.cac.gov.ng/about/>

2.3 Fiscal regime

There is no sector specific fiscal regime for solid minerals. However, the constitution and other extant laws govern the solid minerals sector. Also, there are sets of laws that prescribe various taxes collectible in the solid mineral sector. The fiscal regime of the Nigeria’s solid minerals sector is summarized as follows:



ROYALTY



FEES PAYABLE



TAXES

2.3.1 Royalty

Section 99(1) of the Minerals and Mining Regulations 2011 requires companies with mineral titles other than reconnaissance permit (RP) operating in the sector to pay royalty at a rate of 3 – 5% on *ad valorem* basis depending on the type of mineral. However, a mineral title holder may be granted waiver by the Minister subject to approval by the Federal Executive Council (FEC) for deferment of royalty payment on any mineral for a specified period. See **Appendix 5** on applicable royalty rates.

2.3.2 Fees Payable to the MCO

Mineral title holders other than holders of RP are required to pay annual service fees to the MCO at a fixed rate per cadastre unit as set out in Schedule 1 of the Nigerian Minerals and Mining Regulations 2011. Annual service fee is due on the anniversary of grant of the title.

In addition to the above, the Nigerian Minerals and Mining Regulations 2011, stipulates other applicable fees and payments to be made by operators in the mining sector. See [Guidelines on Mineral Titles App. \(WITH CURRENT FEES ON MINERAL TITLES FEES\).cdr \(miningcadastre.gov.ng\)](#)

2.3.3 Taxes

Taxation of companies operating in the solid minerals sector is governed by the Companies Income Tax Act (CITA) LFN 2004 as amended and administered by the Federal Inland Revenue Service (FIRS). However, individuals and partnerships operating in the sector are taxed under the Personal Income Tax Act (PITA) LFN 2004 as amended and administered by the relevant State Board of Internal Revenue Service (SBIRS).

Table 7 below shows a summary of the taxes paid by operators in the solid minerals sector:

Table 7: Taxes Paid by Companies in the Solid Mineral Sector

S/N	Tax type	Enabling law	Rate	Relevant tax authority
1	Company Income Tax (CIT)	Companies Income Tax Act, Cap. C21, LFN 2004, as amended. See Company-Income-Tax-Act.pdf (firs.gov.ng) for more information.	<ul style="list-style-type: none"> • 30% of taxable profit for companies with turnover above ₦100 million • 20% of taxable profit for companies with turnover between ₦25 and ₦100 million • 0% for companies with turnover less than ₦25 million 	FIRS

2	Education Tax (EDT)	Tertiary Education Trust Fund Act 2011. See TETFund-Act.pdf (mexygabriel.net) for more information.	<ul style="list-style-type: none"> • 2% of assessable profits of companies 	FIRS
3	Value Added Tax (VAT)	Value Added Tax Act Cap. V1, LFN 2004, as amended. See VAT.pdf (firs.gov.ng) for more information.	<ul style="list-style-type: none"> • 7.5% of minerals sold locally (except, otherwise exempted from VAT or zero rated under the ACT) • Minerals exported from Nigeria are zero rated under the Act. 	FIRS
4	Capital gains tax (CGT)	Capital Gains Tax Act, Cap. C1, LFN 2004, as amended. See Capital-Gains-Tax-Act.pdf (firs.gov.ng) for more information.	<ul style="list-style-type: none"> • 10% on gains accruing on the disposal of chargeable assets irrespective of whether or not the asset is situated in Nigeria. 	FIRS
5	Stamp duties	Stamp Duties Act, Cap. S8, LFN 2004, as amended. See STD.pdf (firs.gov.ng) for more information.	<ul style="list-style-type: none"> • 0.75% on authorized share capital of a company at incorporation or registration of new shares • Fixed rate or a percentage of the transaction/instrument value 	FIRS and SBIRS
6	Personal income tax (PIT)	Personal Income Tax Act, Cap P8 LFN 2004 as amended. See Personal-Income-Tax-Act.pdf (firs.gov.ng) for more information.	<ul style="list-style-type: none"> • 7% – 24% of taxable income of individuals and partnerships 	SBIRS

2.4 Fiscal Incentives

The applicable incentives for companies engaged in mining operations during the fiscal year 2020 are summarised as follows:

2.4.1 Incentives under the NMMA 2007

- a. A tax holiday for the first 3 years of operation, which may be extended for a further 2 years by the Minister of Mines and Steel Development. Any dividend recorded during the tax holiday period will not be subject to withholding tax upon distribution to shareholders.
- b. Deduction of losses as far as is possible from the assessable profits of the first year of assessment after the year in which the loss occurred.
- c. Capital allowance of 95% of qualifying capital expenditure incurred on exploration, development and processing expenditure and all infrastructure costs.
- d. A tax-deductible reserve for environmental protection, mine rehabilitation, reclamation and mine closure costs
- e. Tax free personal remittance quota for expatriate personnel for the transfer of currency out of Nigeria.
- f. Exemption from customs and import duties on approved plants and machinery, equipment and accessories imported specifically and exclusively for mining operations.
- g. A tax-deductible amount established in accordance with the applicable rate set out in the Pension Reform Act toward the payment of pensions to each employee.
- h. Free transferability through the Central Bank of Nigeria of dividends or profits payments in respect of servicing a foreign loan and foreign capital in the event of sale or liquidation of mining operations in any convertible currency.

- i. The Minister may defer payment of royalty on any minerals for a specific period on the approval of the Federal Executive Council.
- j. The minister may waive payment of royalty for any mineral exported solely for the purpose of analysis or experiment or as a scientific specimen.
- k. Exporters of mineral products may be permitted to retain part of their foreign exchange earning in a domiciliary account for the purpose of acquiring spare parts and other mining inputs.
- l. Grant of Investment Allowance of 10% on qualifying plant and machinery.
- m. A company may also be entitled to claim an additional rural investment allowance on its infrastructure cost, depending on the location of the company and the type of infrastructure provided.

2.4.2 Incentives under the CITA

- a. Any interest, rent, royalty, or dividend received by a Nigerian Company from abroad, and brought into the country through any of the approved Nigerian Banks, will be exempted from corporate income tax
- b. Interest or gains received from Bonds issued by any government or corporate body in Nigeria, as well as from short term securities issued by the Federal Government, are exempted from income tax. This exemption is only applicable until 2022 financial year (i.e., 2023 tax year). However, Bonds issued by the Federal Government of Nigeria shall continue to enjoy this exemption.
- c. The profits earned by a mining company after the initial tax holiday period may continue to be exempted from income tax under the following circumstances:
 - i. If the minerals are exported from Nigeria, and the proceeds from such exports are repatriated to Nigeria and used exclusively for the purchase of raw materials, plants, equipment and spares
 - ii. If the minerals produced are exclusive inputs for the manufacture of products for exports, provided the exporter gives a certificate of purchase of input to the company.
 - iii. Potential full or partial exemption of interest on foreign loan from income tax, subject to the conditions stipulated under CITA

2.4.3 Incentives under the NIPC Act

- a. Freedom from expropriation, nationalization or acquisition by any local or FGN in the country except such act is in the national interest or for a public purpose under a law that makes provision for fair and adequate compensation and a right of access to the courts for the determination of the investors' interest or right and the quantum of compensation to which he or she is entitled.

2.5 Contracts

Requirement 2.4 of the EITI standard 2019, encourages implementing countries to publicly disclose any contract and licences that provide the terms attached to the exploitation of oil, gas and minerals.

In Nigeria, the holder of a mineral title is required to negotiate a contract in the form of Community Development Agreement (CDA). The CDA ensures the transfer of social and economic benefits to the host community and should be subject to review every 5 years. Some of these benefits include; scholarship scheme, skill acquisition, infrastructure development, training, and employment for the host community where mining or quarrying activity is to be conducted.

The Nigeria solid minerals sector is principally private sector driven, with the government providing oversight function through policy direction and regulations. The sector operates a cadastre system whereby investors may acquire right over cadastre units (mineral title), either through a first-come - first-served basis or competitive bidding process openly and transparently. However, section 116 of the NMMA 2007 requires every mineral title holder to enter into a Community Development Agreement (CDA) with their host communities prior to commencement of operations.

The MMSD plays important role in the negotiation of CDAs and has developed Guidelines for designing CDAs in the Sector. The Copies of all the signed CDAs can be obtained from MMSD (MECD being the repository). During the year under review, five (5) CDAs were approved, and these are presented in table 8 below. Appendix 6 also contains details of active CDA’s obtained from some of the covered companies.

Table 8: CDAs signed in 2020

SN	Name of Company	Community	State	Type of Title	Title Number	Start	End
1	Datum Construction limited	Togache, Magashanu and Pamfura	Kaduna	Quarry Lease	1793	2020	2025
2	Hongyun Mining Industrial Company Ltd	Durumi	FCT	Quarry Lease	6819	2020	2025
3	Mark-Sino Stone Nigeria Ltd	Awi Community, Akampa LGA	Cross River	Quarry Lease	30245	2020	2025
4	OFL Marble & Granite Limited	Afo Community, Ose LGA	Ondo	Quarry Lease	24815	2020	2025
5	Triacta Nigeria limited	Ture Pandi	Gombe	Quarry Lease	7939	2020	2025

2.6 License Allocation

Mineral titles are acquired in accordance with the provisions of the NNMA 2007. Section 2(1) prohibits the exploration or exploitation of minerals without a mineral title granted under the Mining Act. The different types of mineral titles that can be granted under the Act and the number issued in the year 2020 including a five (5) year trend are presented in table 9 and 10 below.

Table 9: Mineral Titles Obtainable in Nigeria

S/N	Mineral title	Description	Duration	Number Issued in
				2020
1	Exploration Licence	To conduct exploration on the land within the area of the license.	<ul style="list-style-type: none"> Initial duration of 3 years Renewable for 2 further periods of 2 years each 	527
2	Mining Lease	This is exclusively to occupy and carry out mining exploitation within the lease area.	<ul style="list-style-type: none"> Initial period of 25 years Renewable every 24 years 	12
3	Quarry Lease	The lease enables the holder to perform quarrying activities within a land area not exceeding 5Km square.	<ul style="list-style-type: none"> Initial period of 5 years Renewable every 5 years 	199
5	Small- scale Mining Lease	This is an approval to carry out small-scale mining operations within a mining area greater than five acres but less than three-kilometer square	<ul style="list-style-type: none"> Initial period of 5 years Renewable for another 5 years 	632
4	Reconnaissance Permit	This permit enables the holder to carry out reconnaissance for minerals on a non-exclusive basis. The holder is not to engage in drilling, excavation or other sub-surface techniques	<ul style="list-style-type: none"> Initial period of 1 year Renewable annually 	171
6	Water Use Permit	This is granted to the holders of Exploration Licence, Quarry Lease, Small-scale Mining Lease and Mining Lease who require the use of water for their operations.		0
TOTAL				1,541

Source: Mining Cadastre Office Data

Table 10: Five-years trend of titles issued

SN		2016	2017	2018	2019	2020	Total
1	Exploration Licence (EL)	513	631	634	501	527	2,806
2	Mining Lease (ML)	15	37	35	24	12	123
3	Quarry Lease (QL)	288	228	212	169	199	1,096
4	Small Scale Mining Lease (SSML)	337	588	499	602	632	2,658

5	Reconnaissance Permit (RP)	510	163	137	0	171	981
Total		1,663	1,647	1,517	1,296	1,541	7,664

Source: Mining Cadastre Office

The mineral titles described above are granted by the MCO either on a first-come, first-served basis or through a competitive bidding process. The procedure for the award of mineral titles is depicted in Figures 3 and 4 below.

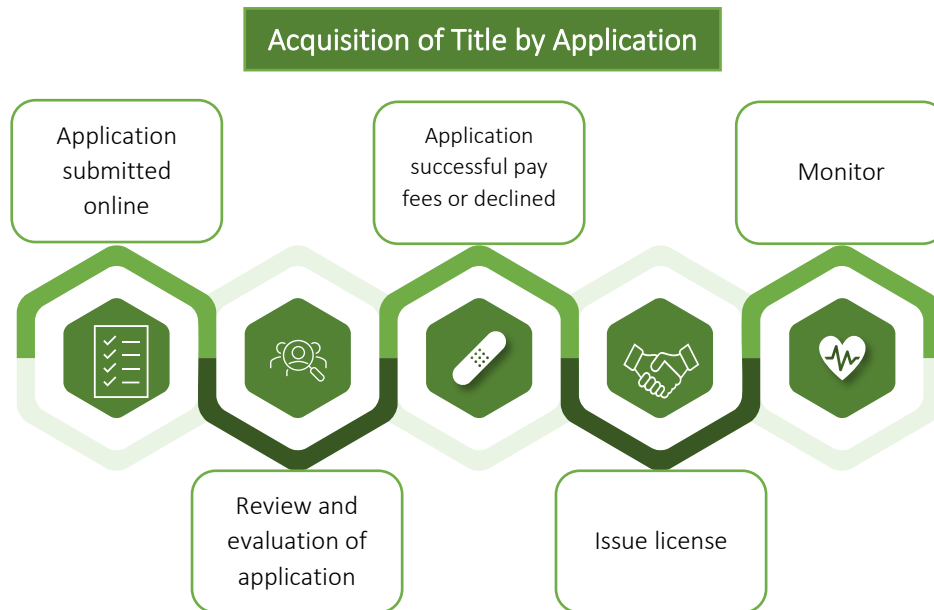


Figure 3: Acquisition of Title by Application



Figure 4: Acquisition of Title by Competitive Bidding

For detailed guidelines on application and issuance of mineral titles, visit:

<https://www.minesandsteel.gov.ng/wp-content/uploads/2016/10/Guidelines-for-Mineral-Title-Applications.pdf>

2.6.1 Consolidation, Transfer and Revocation of Licences

The guidelines for the consolidation, transfer and revocation of licenses are provided in sections 89, 91-92 and 97 of the Nigerian Minerals and Mining Regulations, 2011.

During the year 2020, there was neither consolidation nor revocation of licences; however, twenty-six (26) licences were transferred. The IA is satisfied that the transfer of these licenses was done in accordance with the provisions of the Nigerian Minerals and Mining Act, 2007 and the Nigerian Minerals and Mining Regulations, 2011.

See **Appendix 7** for MCO register of licences in 2020.

2.6.2 Register of Licences

A register of licences for all mineral titles is maintained by the MCO in compliance with Sections 5(1) and 7 of the NNMA 2007 and is accessible to the public at the MCO. The register contains the following information:

- a. Title holder
- b. Licence type
- c. Cadastre unit
- d. Mineral type
- e. Location
- f. Date of award
- g. Date of expiration

The total number of valid titles as at 31st December, 2020 is 6,010 as set out in Table 11.

SN	Mineral title	2020
1	Exploration Licence (EL)	2,053
2	Mining Lease (ML)	320
3	Quarry Lease (QL)	1,215
4	Small Scale Mining Lease (SSML)	2,422
Total		6,010

Source: Mining Cadastre Office Data

The details of all valid mineral titles as at 31st December 2020 is provided in **Appendix 7**.

2.7 Minerals Buying Centres

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 do so. Section 95 of the Act provides for the establishment of Minerals Buying Centres.



The buying centres create market access for artisanal and small-scale miners. They also ensure compliance by operators with payment of royalty, taxes and other relevant payments on minerals acquired or mined. As at December 31 2020, there were 446 registered private Minerals Buying Centres in Nigeria. See **Appendix 8** for details on Minerals Buying Centres.

Table 12: Summary of Private Minerals Buying Centres as at 31st December 2020

S/N	Mineral classification	Number
1	Metallic minerals	236
2	Precious Metals	117
3	Gemstones	62
4	Non-Metallic Minerals	31
Total		446

Source: Mining Cadastre Office Data

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

2.8 Beneficial Ownership

Beneficial owners of companies are natural persons who directly or indirectly own or control a corporate entity. While ownership entails the right to financial benefits from the company’s operations, control means the right to direct or influence the entity’s activities.

Requirement 2.5 of the EITI expects implementing countries to publish information on the beneficial owners of all companies applying for and holding an interest in a licence/lease or permit to explore for or extract oil, gas and mineral resources.

Section 119 and 120 of CAMA 2020, require every person who holds significant control in a company to inform the company about the details of such control. In addition to this, the company is also required to update its register of members to reflect the disclosure as well as notify the Corporate Affairs Commission (CAC) of this information, and the CAC shall in turn maintain a register of persons with significant control. Furthermore, the MCO has made the provision of BO information by companies a mandatory requirement for licence applications and renewal.

In line with Requirement 2.5 of the EITI Standard, NEITI has a portal on its website for the disclosure of BO information of companies in the solid minerals sector. This portal is periodically updated with the BO information obtained by IAs in the course of NEITI SM audit. As at the time of writing this report, there were 76 companies with BO information on NEITI’s BO portal. However, in the course of the audit the IA obtained some new updated BO information for upload on the NEITI BO portal <https://bo.neiti.gov.ng/>. See **Appendix 9**.

2.9 State Participation

The IA reviewed the conclusions of the NSWG as well as the activities in the Nigerian solid mineral sector and can affirm that there was no active state-owned enterprise in the sector during the year under review.

2.10 Reforms

Use of Barite in Nigeria

The Nigerian Content Development and Monitoring Board (NCDMB) has certified four companies to provide barites for any drilling project or contract in Nigeria's oil and gas industry. This is in line with the government's efforts to develop domestically produced barites that meet international standards.

There are currently some proposed bills at the National Assembly which aim at reforming the sector. Some of those bills are:

a). The Nigerian Minerals and Mining Bill, 2019 (HB. 87) which is titled “An Act to repeal the Nigeria Minerals and Mining Act 2007 and to establish the Nigeria Minerals and Mining Commission and for Related Matters”. For further information on the bill visit: <https://placBillstrack.org/view.php?getid=6390>

b). Solid Minerals Development Commission (Establishment Bill), 2019 (HB. 196) which is titled “A Bill for an Act to Establish the Solid Minerals Development Commission in the Federal Republic of Nigeria; and for Related Matters”. It seeks to establish the Solid Minerals Development Commission to address environmental devastation and other connected matters in Nigeria.

2.11 Findings and Recommendations

FINDINGS	RECOMMENDATIONS
During the period under review, there was no consolidation or revocation of licences. However, 26 licenses were transferred. Details are outlined in Appendix 7.	MCO should continue ensure that processes and procedures as stipulated in section 147(3&4) of the Nigerian mineral and mining Act 2007, required for licence and transfers are strictly adhered to.
The audit disclosed that in the last five years, 7,605 mining titles were issued in the solid minerals sector. However, as at 31 st December 2020, only 6009 were valid. A breakdown shows that 2,795 exploration	This denotes a sustained interest in exploration. Government should monitor and encourage the development of ELs to MLs and QLs to ensure a sustained development in the sector; discourage

licenses, 123 mining leases, 1,082 small scale mining leases and 981 reconnaissance permits were issued. Out of the 7,605 mining titles issued in the sector in

speculators and activate the principle of 'use it or lose it'.

Chapter 3

MINING OPERATIONS IN NIGERIA



3.0 Background

From the database of the Ministry of Mines and Steel Development, there are about 44 different mineral types in approximately 500 locations across the country. See [Nigeria Ministry of Solid Minerals - V13.cdr \(delvedatabase.org\)](#)

The solid mineral sector is dominated by activities of artisanal and small-scale miners who are mostly involved in exploitation of gemstones, and other precious metals. However, most of the production volume from the sector is driven by quarrying activities which is mostly dominated by manufacturing and construction companies. Currently, the solid minerals sector contributes about 0.5% to Nigeria’s Gross Domestic Product (GDP), and accounts for 0.3% of national employment and 0.02% of exports. This is certainly a negative trend or development when compared to the sector’s historic 5% contribution in the 1960s and 70s, when the economy was largely sustained by agriculture and solid minerals. For more information visit: www.nigerianstat.gov.ng

3.1 Exploration

The increase in exploration and mining activities across the country is driven by government’s deliberate policy to diversify the economy away from crude oil by prioritizing the mining sector amongst others. Exploration activities are targeted at meeting the country’s need for sustainable solid mineral value chain and the need to obtain a full understanding of the country’s minerals endowment. This was initiated by the Federal Government through Mineral Sector Support for Economic Diversification (MinDiver) and Nigeria Mineral Exploration Programme (NIMEP) to improve mineral data bank and to create job opportunities through industrialization.

Private enterprises, such as Segilola Mining Company for gold in Osun State and Cometstar Manufacturing Company for copper in Zamfara State, currently have updated strong mineral data banks through their vigorous exploration programs leading to reserve estimations.

As indicated in table 10 above, MCO issued 516 Exploration Licences (EL) for the exploration of 31 different minerals during the year under review (see also Table 13 and Figure 5). Currently, the government has launched an airborne geo-physical survey with funding from the World Bank. The survey is to enhance data collection and data capturing of reserves and mineral locations in Nigeria.

Table 13: Exploration licenses Issued for Different Types of Minerals in Year 2020

S/N	MINERALS	NUMBER OF EXPLORATION LICENCES
1	Gold	231
2	Lead/Zinc	59
3	Tin ore	29
4	Cassiterite	33
5	Iron ore	27
6	Copper	13

7	Limestone	15
8	Manganese	15
9	Lithium	9
10	Kaolin	7
11	Gypsum	9
12	Barite	6
13	Coal	5
14	Quartz	6
15	Tantalite	5
16	Tourmaline	9
17	Aquamarine	5
18	Feldspar	4
19	Clay	3
20	Fluorite	5
21	Niobium	3
22	Zircon	3
23	Amethyst	2
24	Beryllium	2
25	Bitumen	2
26	Columbite	3
27	Beryl	7
28	Chalcopyrite	2
29	Dolomite	1
30	Quartzite	1
31	Titanium	1
32	Marble	1
33	Wolframite	1
34	Diamond	1
35	Sapphire	2
Total		527
<i>Source: Mining Cadastre Office Data</i>		

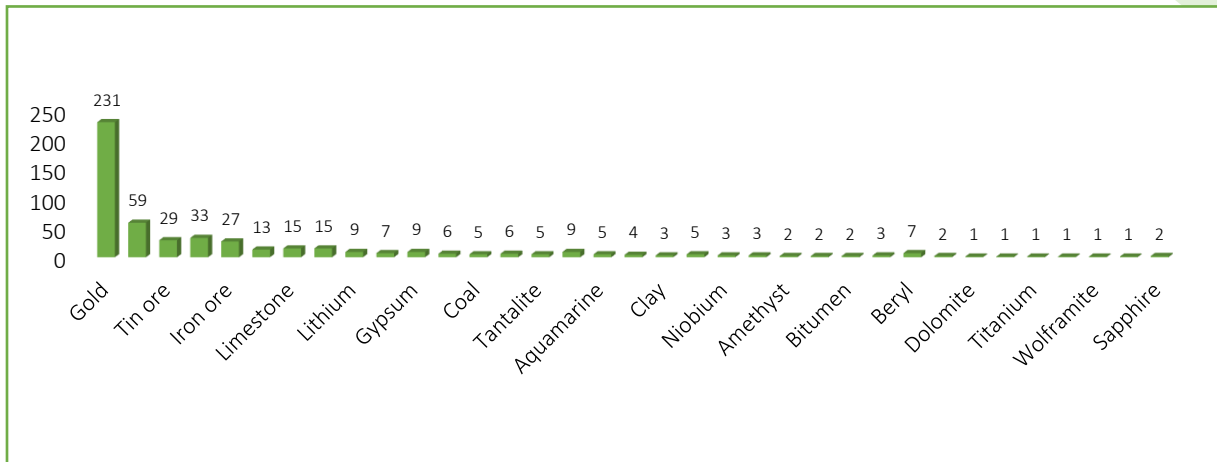


Figure 5: Exploration licenses Issued for Different Types of Minerals in Year 2020 (Source: Mining Cadastre Office Data)

3.1.1 Strategic Minerals

Mineral resources may be categorized based on their usages: industrial minerals (e.g., barite, kaolin, gypsum, feldspar, and limestone), energy minerals (e.g., coal, bitumen, lignite, and uranium), metallic minerals (e.g., gold, cassiterite, columbite, iron ore, lead-zinc, and copper), construction minerals (e.g., granite, gravel and laterite) and Gem stone (e.g., sapphire, tourmaline, emerald, topaz, amethyst, garnet, etc.).

In order to improve government revenue from the sector and generate employment opportunities, the Nigerian government in 2015, designated seven minerals as strategic. The strategic minerals are thought to have the potentials to lead the country's economic diversification plan and contribute significantly to its development. The seven strategic minerals are barite, gold, bitumen, iron ore, lead/zinc, coal, and limestone. These minerals can be found in a number of places across the country. The total and proven reserves of the strategic minerals are shown in Table 14 below.

Table 14: Total and Proven Reserves on Strategic Minerals

RESERVES	GOLD	LEAD/ZINC	IRON ORE	COAL	BARITES	LIMESTONE	BITUMEN
UNITS	OUNCE	METRIC TONNES					BARRELS
Total reserve	200.00	10.00	10,000.00	2,750.00	15.00	2,300,000.00	27,000.00
Proven reserve	1.00	5.00	3,000.00	639.00	0.10	568.00	1,100.00

Source: Nigeria Mining Roadmap

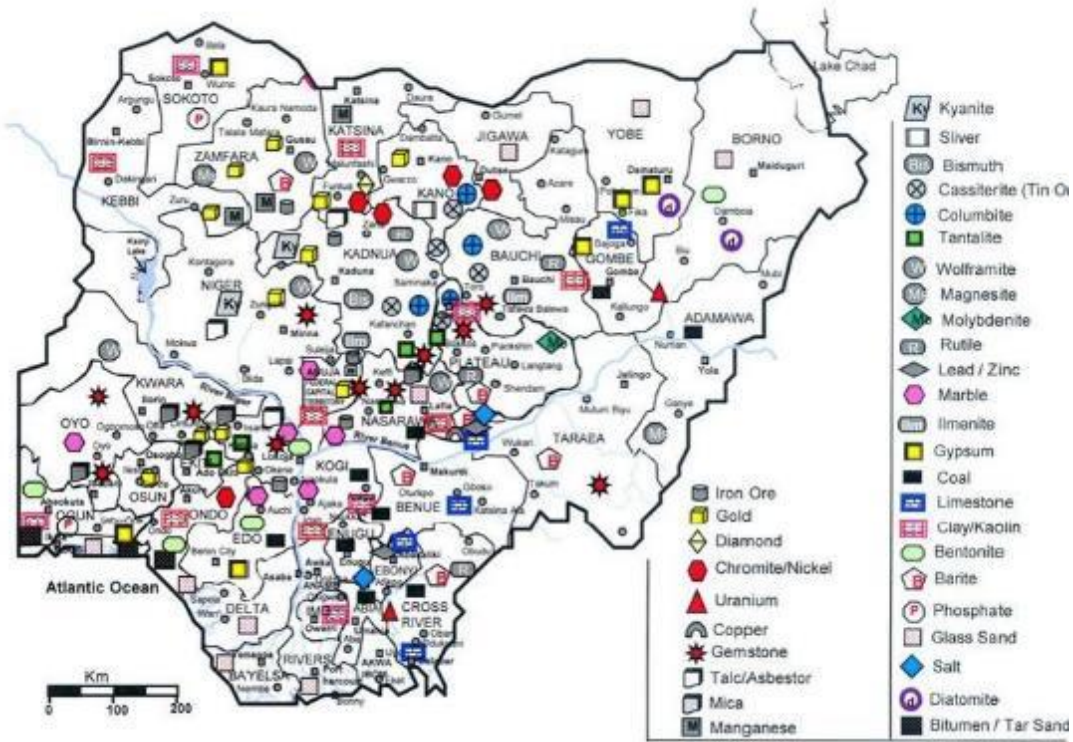


Figure 6: Nigeria Minerals Map illustrating the distribution of important and non-strategic minerals across the country (Source: A profile of Nigeria solid minerals - Falade & Adeyeye 2016)

Gold - Zamfara, Kaduna, Bauchi, Niger and Osun states have gold ore reserves. Other states with gold potential have been identified, including Kebbi, Kwara, and the Federal Capital Territory (FCT). In the year under review, 231 gold exploration licences were issued. There were 1,045 valid licences for gold exploration as at 31st December 2020; while a total of 0.40oz of gold was produced during the period under review.

MMSD is developing a national gold purchase policy to drive gold production as a strategic mineral and increase government revenue.

The CBN, through the Presidential Artisanal Gold Mining Development Initiative (PAGMDI), purchased its first locally sourced gold bar (weighing 12.5kg) for ₦268 million in July 2020. This signified the commencement of the FG’s National Gold Purchase Programme. The Gold purchased under this programme is meant to build Nigeria’s Gold reserve and to manage the perennial local foreign exchange volatility. However, since the last purchase, little or nothing has been heard about the scheme. There is need for the Federal Government to ensure sustenance of this scheme to achieve its set objectives.



Gold

Kian Smith Trade & Company Limited and Dukia Gold and Precious Metals Refining Company Limited are two gold refineries currently under construction in the country to boost the value of gold for the benefit of all stakeholders. The project's goal is to acquire gold locally for processing to international standards, allowing for fair pricing and value for Nigeria's precious metals.

With the entry of Segilola into gold exploration and production, Nigeria is poised to make an impact in gold production. With an indicated resource of 608,000 ounces grading at 4.7 g/t, an inferred resource of 68,000 ounces grading at 4.8 g/t, and a probable reserve of 518,000 ounces grading at 4.02 g/t, the Segilola Gold Project is Nigeria's most advanced gold project. It is one of West Africa's highest-grade open pit gold projects. Segilola Resource Operating Limited (SROL), the operator of Segilola Gold project, is a subsidiary of Thor Explorations Limited, based in Nigeria's Osun state. See <https://thorexpl.com/> for more information.

In August 2020, the Segilola gold project in Iperindo, Osun State, began active gold exploration and production with an initial mine life of five (5) years. The project is estimated to generate 80,000oz per year. The Segilola gold project's mine design, which includes open pit and underground workings, has been completed. In addition, work on handling gold run-of-mine (ROM) to final gold product and tailings has begun.



Figure 7: Drilling in Kaduna to obtain subsurface samples
 Source: <http://www.nsrmea.gov.ng/>



& *Exploration on Segilola Gold mine*
 Source: <https://thorexpl.com/>

Coal – Coal is used as fuel to generate the heat required to melt down basic ingredients. It can also be used as a reducing agent in the blast furnace and to generate steam for electricity. It presents a number of prospects, notably with the coal-to-power initiative, which intends to provide Nigerians with more sustainable energy sources.

Coal mining has seen a lot of changes in recent years in terms of exploration and production. Surface and underground mining technologies are both used to extract coal. Nigeria's current coal exploration reveals a large coal potential, with inferred reserves of



Coal

2.75 billion metric tons and a proven reserve of 639 million tons. Coal exploration and extraction are currently taking place at Maiganga, Akko LGA, Gombe State, and Okobo, Ankpa, and Okaba, Kogi State. Zuma 828 Coal Mines Limited, with coal mines in Okaba and other parts of Nigeria, is currently the market leader in the industry. Okobo and Ankpa in Kogi State, has large deposit of coal, followed by Dangote coal mines also in Kogi State and Ashaka coal mines, Gombe State. In year 2020, 1,725,362.64 tons of coal were produced. Five (5) exploration licences were issued for coal exploration in 2020, bringing the total valid licences to 66 (Sixty-six) as at 31st December 2020. **Source:** *Nigerian Mining Roadmap*

Lead/Zinc – The lead-zinc deposits across the country occur in the main belt of lower Cretaceous formations in the Benue and Niger region which stretches from Abakiliki in the South-East. They constitute mineralized fracture fillings in folded and faulted strata.



The quantity of lead/zinc produced in the year under review was 53,988.36 tons. A total of fifty-eight (58) exploration licences were issued for exploration of the ore bringing the total number of valid titles to 187 for this mineral type across the country. A trend for the production of lead/zinc from previous years and the year under review is shown in figure 10 below.

A total of 8,776,199.50 tons of lead ore and concentrates was exported in the year under review.

Limestone - Gombe, Benue, Kogi, Sokoto, Edo, Oyo, Ebonyi, Anambra, Ogun, and Cross River States have huge and extensive limestone deposits. Smaller amounts can also be found in other states across the country.



Limestone

There were 14 (fourteen) licences issued for Limestone exploration in the year 2020.

It is mostly utilized in the manufacture of cement. Dangote Group of Companies, BUA Cement, and Lafarge African PLC are the three largest companies involved in the extraction and processing of limestone in the country. Other companies extract limestone for the manufacture of lime and quicklime. Limestone production in 2020 was 34,866,278.95tons which accounted for 49 percent of the total quantity of minerals produced in 2020.

Limestone is a crucial commodity to the Nigerian economy since it is a key component in cement manufacture, which is used to build roads, bridges, schools, and housing, among other things. A total of fifteen (15) exploration licences were issued in 2020 for limestone.

Iron Ore – Iron Ore is one of the critical minerals used in the production of steel. It is found in Kogi, Enugu, Niger, Zamfara and Kaduna state as well as other States in Nigeria. Twenty-seven (27) licences were issued for iron ore exploration in year 2020.

The National Steel Raw Materials Exploration Agency (NSRMEA) has commissioned and put its newly acquired HYDX-6 drilling rig to use at the Tajimi iron ore resource in Kogi State which has proven reserves of about 200 million metric tons of 36% Fe content. Similarly, a new iron ore company in Kaduna plans to produce and beneficiate 68 percent iron ore concentrate. This is expected to be an important iron and steel enterprise in Nigeria, with a focus on exploration, mining and processing as well as equipment and infrastructure investment. Iron ore production was 5,635.58 tons in 2020.



Iron Ore

In addition, the Ajaokuta steel plant is an integrated facility with capacity to produce structural steel rods, flat sheets for automobile manufacturing, and railway rails. The Aladja Steel facility was built to produce steel rods and other steel products using Direct Reduction Iron (DRI).

Barite - It occurs extensively in Nigeria as vein infilling materials associated with layers of lead-zinc and veins in both older underlying rocks and the younger rocks of the Lower and Middle Benue Valley. It is made up of Barium Sulphate ($BaSO_4$) and has a specific gravity of 4.5.



Barite

Nasarawa, Plateau, Taraba, Adamawa, Benue, Ebonyi, and Cross River States all have barite resources. Despite the fact that Nigeria has this mineral in abundance, companies still import. There were one hundred and forty-seven (147) barite titles, of which seven (7) exploration licences were issued in 2020. Barite production was 390 tons in 2020.

Bitumen - Bitumen was discovered in 1900, and exploration began in 1905. Nigeria has massive bitumen deposits, which total 42.74 billion metric tons and are spread across Lagos, Ogun, Ondo, Delta, Rivers, and Bayelsa States. This is more than twice the country's current crude oil reserves. These enormous resources are largely untapped. Therefore, the bitumen used in road construction in the country is imported. There were ten (10) titles and two (2) exploration licences issued in the year 2020.



Bitumen

3.2 Mineral Production

The production volumes presented in this section were based on the quantity of minerals used/sold during the year and this serves as the basis for the royalty calculations and subsequent payments made to the Mines Inspectorate Department (MID) in the year under review. The total production volume for the year under review was 71.1 million tons, with a total royalty value of ₦3 billion.

The sub-sections below present a summary of production volumes and values by mineral type, region, and company, as well as a five-year trend analysis of mineral production.

3.2.1 Production by Mineral Type

Analysis of production data by mineral type is presented in table 15 below.

Table 15: Production by Mineral Type

S/N	Mineral	Quantity Tons'000		% Production volume		Royalty paid ₦'000		% Royalty value	
		Total	Cumulative	Total	Cumulative	Total	Cumulative	Total	Cumulative
1	Granite	14,302	14,302	20	20	1,061,790	1,061,790	35	35
2	Limestone	34,866	49,168	49	69	1,045,988	2,107,778	35	70
3	Sand	8,880	58,048	12	82	354,127	2,461,905	12	82
4	Laterite	5,647	63,695	8	90	161,497	2,623,403	5	87
5	Others	7,455	71,150	10	100	393,180	3,016,582	13	100
Total		71,150		100		3,016,582		100	

Source: Mines Inspectorate Department Records and Validated Template

The biggest contributors to minerals volume and royalty are granite, limestone, sand and laterite. These four minerals accounted for 90% and 87% of total volume and royalty receipts respectively. Over the years, granite and limestone have continuously dominated output volume and royalty receipts. Of the top highest contributors to government revenue in 2020 limestone is the only mineral in the list of strategic minerals.

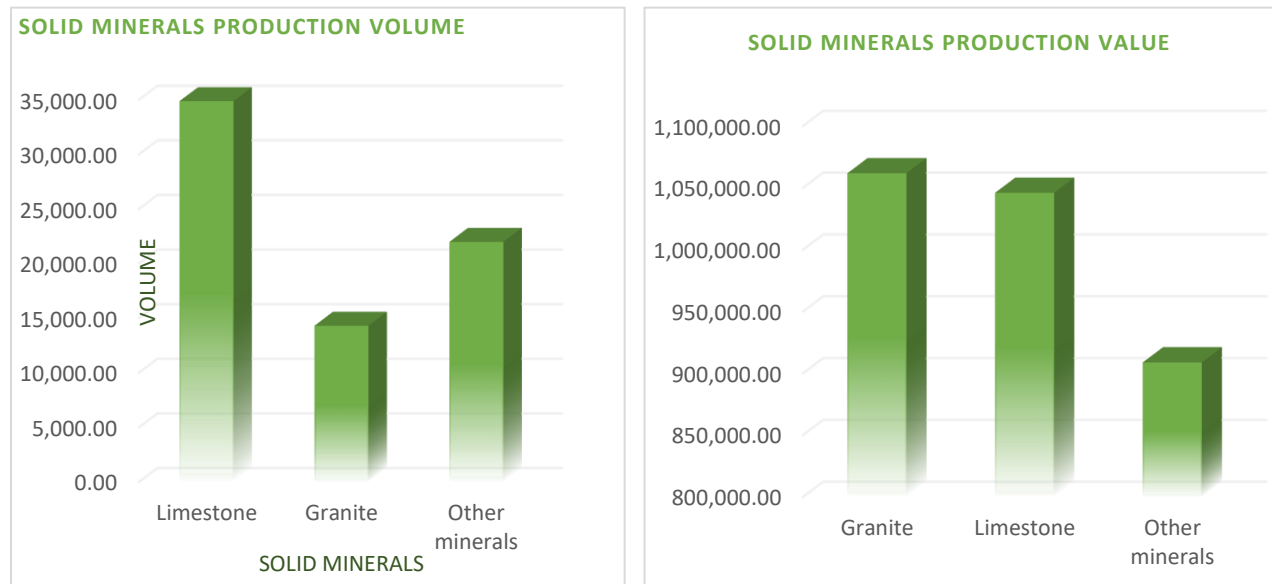


Figure 8: Solid Minerals Production Volume and Royalty Value

3.2.2 Production by Region

There was mineral production across all the regions in the Country. South-West, South-South and North-Central had the highest impact on total production and government revenue with

83% and 79% combined contribution to total production volume and royalty receipts respectively in 2020.

The North-East contributed the least with 3% contribution to production volume and 4% to royalty as shown in table 16 below.

Table 16: Production by Region

S/N	Region	Quantity		% Production		Royalty paid		% Royalty contribution	
		Tons'000		Total	Cumulative	₦'000		Total	Cumulative
		Total	Cumulative			Total	Cumulative		
1	South-West	21,397	21,397	30	30	904,895	904,895	30	30
2	South-South	20,814	42,211	29	59	763,790	1,668,685	25	55
3	North-Central	16,979	59,190	24	83	706,936	2,375,621	23	79
4	North-West	6,000	65,190	8	92	264,355	2,639,976	9	88
5	South-East	3,763	68,953	5	97	255,856	2,895,831	8	96
6	North-East	2,198	71,151	3	100	120,751	3,016,582	4	100
Total		71,151		100		3,016,582		100	

Source: Mines Inspectorate Department Data

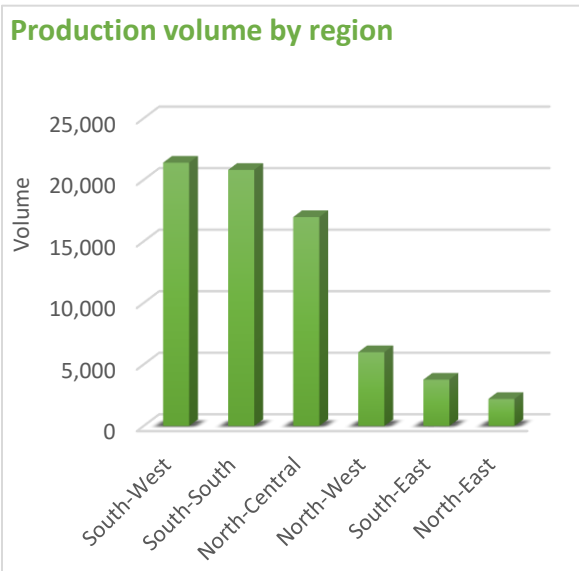


Figure 9: Production by Region

3.2.3 Production by State

Ogun, Kogi, Cross River, Edo and Bayelsa States were the top solid minerals producing States in 2020 with a total contribution of 66% and 55% to total production volume and royalty receipts respectively. The major minerals produced in these states are limestone and sand.

Table 17: Production by State

S/N	State	Quantity Tons'000		% Quantity		Royalty ₦'000		% Royalty	
		Total	Cumulative	Total	Cumulative	Total	Cumulative	Total	Cumulative
1	Ogun	17,020	17,020	23.92	23.92	609,603	609,603	20.21	20.21
2	Kogi	11,715	28,735	16.46	40.39	367,188	976,791	12.17	32.38
3	Cross River	8,007	36,742	11.25	51.64	269,946	1,246,737	8.95	41.33

4	Edo	5,994	42,736	8.42	60.06	229,154	1,475,891	7.60	48.93
5	Bayelsa	4,328	47,064	6.08	66.15	173,118	1,649,009	5.74	54.66
6	Ebonyi	2,532	49,596	3.56	69.71	200,158	1,849,167	6.64	61.30
7	FCT	2,013	51,609	2.83	72.53	128,775	1,977,942	4.27	65.57
8	Sokoto	1,938	53,547	2.72	75.26	59,506	2,037,448	1.97	67.54
9	Kano	1,837	55,384	2.58	77.84	80,009	2,117,457	2.65	70.19
10	Oyo	1,746	57,130	2.45	80.29	116,507	2,233,964	3.86	74.06
11	Rivers	1,408	58,538	1.98	82.27	56,931	2,290,895	1.89	75.94
12	Kaduna	1,374	59,912	1.93	84.20	76,560	2,367,455	2.54	78.48
13	Plateau	1,368	61,280	1.92	86.13	75,615	2,443,071	2.51	80.99
14	Ondo	1,248	62,527	1.75	87.88	91,261	2,534,332	3.03	84.01
15	Gombe	1,211	63,739	1.70	89.58	58,059	2,592,390	1.92	85.94
16	Lagos	1,080	64,818	1.52	91.10	43,185	2,635,576	1.43	87.37
17	Akwa Ibom	917	65,735	1.29	92.39	22,769	2,658,344	0.75	88.12
18	Nasarawa	743	66,478	1.04	93.43	56,190	2,714,534	1.86	89.99
19	Anambra	517	66,995	0.73	94.16	20,225	2,734,759	0.67	90.66
20	Benue	503	67,499	0.71	94.87	33,989	2,768,748	1.13	91.78
21	Katsina	420	67,918	0.59	95.46	25,091	2,793,839	0.83	92.62
22	Bauchi	398	68,316	0.56	96.02	27,632	2,821,471	0.92	93.53
23	Abia	372	68,689	0.52	96.54	22,100	2,843,572	0.73	94.26
24	Delta	334	69,023	0.47	97.01	11,872	2,855,444	0.39	94.66
25	Niger	315	69,338	0.44	97.45	34,250	2,889,694	1.14	95.79
26	Adamawa	301	69,639	0.42	97.88	14,747	2,904,441	0.49	96.28
27	Imo	261	69,900	0.37	98.24	10,428	2,914,870	0.35	96.63
28	Zamfara	205	70,105	0.29	98.53	11,513	2,926,383	0.38	97.01
29	Taraba	188	70,293	0.26	98.79	12,252	2,938,635	0.41	97.42
30	Ekiti	181	70,474	0.25	99.05	12,140	2,950,774	0.40	97.82
31	Kebbi	162	70,636	0.23	99.28	7,923	2,958,698	0.26	98.08
32	Kwara	148	70,783	0.21	99.48	10,929	2,969,626	0.36	98.44
33	Osun	122	70,906	0.17	99.66	32,199	3,001,825	1.07	99.51
34	Yobe	89	70,995	0.13	99.78	7,631	3,009,456	0.25	99.76
35	Enugu	81	71,076	0.11	99.89	2,944	3,012,400	0.10	99.86
36	Jigawa	64	71,140	0.09	99.98	3,752	3,016,152	0.12	99.99
37	Borno	11	71,151	0.02	100.00	430	3,016,582	0.01	100.00
Total		71,151		100		3,016,582	91,737,977	100.00	

Source: NEITI 2020 Solid Mineral Template

3.2.4 Production by Company

The major solid minerals production in 2020 was carried out by four companies: Dangote Cement Plc., Lafarge Plc, BUA International Ltd. and Dantata and Sawoe Nigeria Limited. These four (4) companies accounted for 64% of the total minerals production volume and 49% of royalty receipts as shown in table 18 below.

Table 18: Production by company

S/N	Companies	Quantity Tons'000		% Production		Royalty paid ₦'000		% Royalty contribution	
		Total	Cumulative	Total	Cumulative	Total	Cumulative	Total	Cumulative
1	Dangote Cement Plc.	22,731	22,731	32	32	740,849	740,849	25	25
2	Lafarge Plc	11,819	34,550	17	49	368,130	1,108,979	12	37

3	Bua International Ltd	6,361	40,911	9	58	183,314	1,292,294	6	43
4	Dantata & Sawoe Nigeria Limited	4,302	45,213	6	64	171,223	1,463,516	6	49
5	Other companies	25,938	71,151	36	100	1,553,066	3,016,582	51	100
Total		71,151		100		3,016,582		100	

Source: Mines Inspectorate Department Data

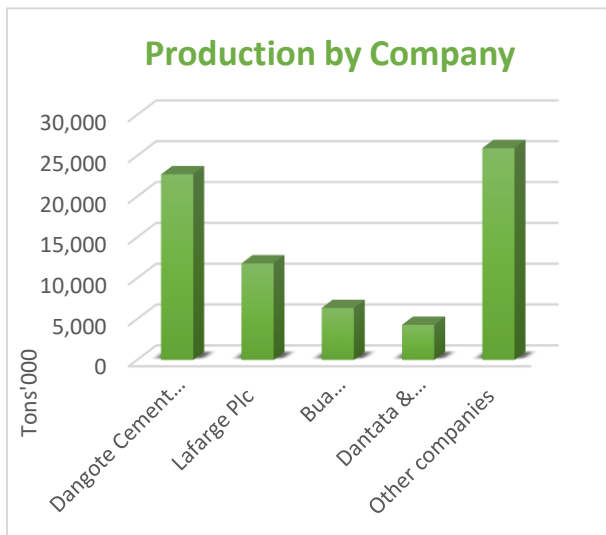


Figure 10: Mineral production by companies

3.2.5 Production Trend Analysis

The table 19 below shows mineral production trend from 2016 to 2020.

Table 19: Mineral Production Trend from 2016 to 2020

Year	2016	2017	2018	2019	2020
Quantity (Tons)	41,874,611	35,327,060	46,680,658	59,820,953	71,151,029.90
Royalty (₦)	1,641,018,938.21	1,547,930,000	2,147,215,779.55	2,502,229,013.21	3,016,582,236.06
% Change in quantity	-	-16	32	28	19
% Change in royalty	-	-6	39	17	21

Source: NEITI SMA reports, MID records and 2020 SMA validated templates

2020 recorded a 19% and 21% increase in volume and royalty receipts respectively over 2019. Even though there was a decrease in production in 2017, there has been a general increase over the past three (3) years as shown in the figure below.

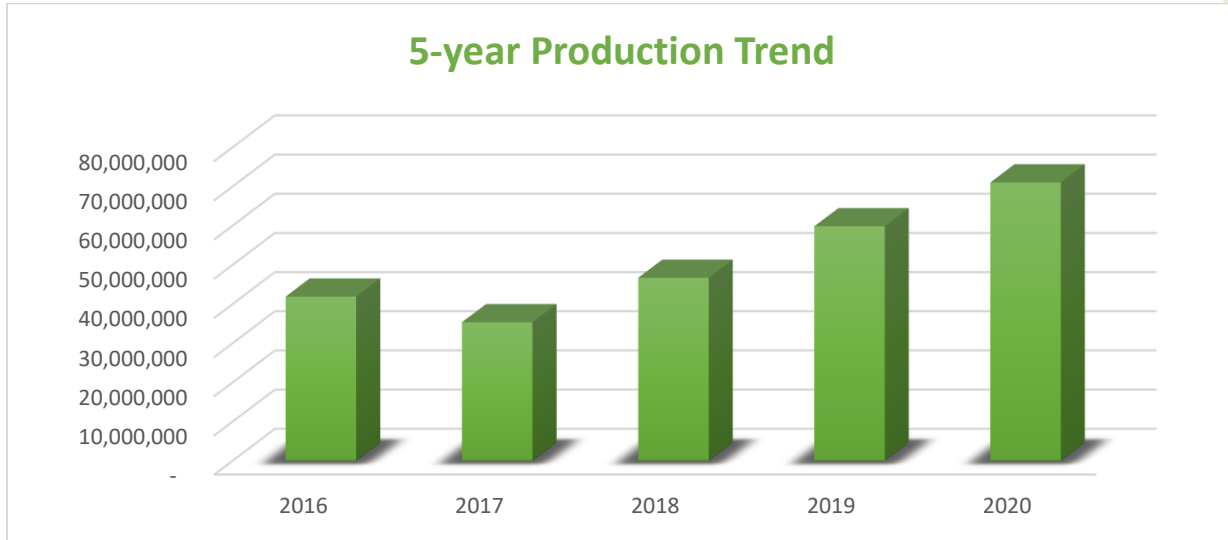


Figure 11: 5-year production trend by weight (Source: NEITI SMA reports)

See **Appendix 10** for the details of production and royalty.

3.3 Export

Total minerals export in 2020 as per records of the Nigerian Customs Service (NCS) was 32,992 tons with a free-on-board (FOB) value of USD42.46 million as presented in table 19 below. Mineral exports from Nigeria have been mostly in raw form. The revenue benefits from these minerals can be enhanced by value addition. To drive increased revenue from export, there is a proposed Nigeria Metallurgical Bill 2019 which aims to ensure that no mineral is exported from Nigeria without value addition. Furthermore, Government is reviewing mineral export guidelines that will promote and ease export of mineral commodities to other countries.

See **Appendix 11** for the comprehensive details of mineral exports in 2020.

Table 20: Export by Mineral Type

S/N	Minerals	Net Weight (T'000)	Volume %		FOB Value \$'000	FOB %	
		Total	Total	Cumulative	Total	Total	Cumulative
1	Zinc ores and concentrates.	9.99	30	30	12,838	30	30
2	Lead ores and concentrates	8.78	27	57	8,688	20	51
3	Manganese ores and concentrates & ferruginous	2.82	9	65	3,444	8	59
4	Other minerals	11.41	35	100	17,489	41	100
Total		32.99	100		42,459	100	

Source: Nigerian Customs Service 2020 data

There were about thirty (30) minerals type exported from Nigeria in 2020, of which 59% of the total FOB value was contributed by zinc ore and concentrates, lead ores and concentrates and manganese ores and concentrates, these mineral types were also the major contributors to total export volume with 21,590 tons, representing 65%.

China accounted for 80% and 85% of the total export volume and value respectively during the year.

Table 21: Export by Destination

S/N	Destination	Net Weight (T)	FOB Value (\$'000)	FOB %	
				Total	Cumulative
1	China	26.55	36,116.36	85	85
2	Germany	2.99	957.91	2	87
3	Belgium	2.33	1,679.60	4	91
4	Other Countries	1.12	3,703.82	9	100
Total		32.99	42,457.69	100	

Source: Nigerian Customs Service 2020 data

Notably, seventy-six (76) companies were involved in mineral exports in 2020, though five (5) of them contributed 73% of the total FOB value, as shown in table 22 below.

Table 22: Export by Company

S/N	Exporter	Net Weight (T)	FOB Value \$'000	FOB %	
				Total	Cumulative
1	First Patriot Ltd	13.72	12,720	30	30
2	Abyem-Diva International Limited	2.06	8,959	21	51
3	Sino Minmetals Co. Limited	2.82	3,736	9	60
4	Malcomines Minor Metals Ltd	2.34	3,166	7	67
5	Synee Alumony Mining Limited	0.01	2,389	6	73
6	Other companies	12.05	11,488	27	100
Total		32.99	42,458	100	

Source: Nigerian Customs Service 2020 data

From additional information made available to us by the MID through NEITI it was observed that minerals export as per the records derived from the export permits issued by MID was 34, 634.71 tons of minerals were exported in 2020 (see **Appendix 11**).

A comparative analysis of export by minerals as presented in both NCS and MID export records is presented in the table below.

Table 23: Comparative analysis of export data of NCS and MID

S/N	Minerals	NCS Tons	MID Tons	Variance Tons
1	Agglomerated Iron ores and concentrates	0.13	-	0.13
2	Amethyst	-	0.00	(0.00)
3	Aquamarine	-	0.00	(0.00)
4	Aquamarine	-	0.00	(0.00)
5	Beryllium, cadmium, chromium or their mixtures	835.50	-	835.50
6	Chromium ores and concentrates.	31.38	-	31.38
7	Citrine	-	0.00	(0.00)
8	Columbite Ore	-	164.00	(164.00)
9	Copper ores and concentrates.	3,054.24	-	3,054.24
10	Crude mica and mica rifted into sheets or splitting	123.19	-	123.19
11	Crude or roughly trimmed	0.59	-	0.59
12	Dolomite, not calcined or sintered	45.04	-	45.04
13	Emerald	-	0.00	(0.00)
14	Emery, natural corundum, natural garnet and other natural abrasives	0.10	-	0.10
15	Feldspar	79.21	-	79.21
16	Fluorite	-	5,383.50	(5,383.50)
17	Garnet	-	0.00	(0.00)
18	Gold ores and concentrates	0.30	1.30	(1.00)
19	Granite cut into blocks or slabs in rectangular/ square shape	1.13	-	1.13
20	Green Sapphire	-	0.61	(0.61)
21	Green Tourmaline	-	1.30	(1.30)
22	Gypsum	-	600.00	(600.00)
23	Hard zinc spelter	0.40	-	0.40
24	Industrial Spodumine	-	54.00	(54.00)
25	Lead ores and concentrates.	8,776.20	17,705.00	(8,928.80)
26	Limestone flux; limestone and stone of a kind	16.00	-	16.00
27	Manganese ores/concentrates	2,818.68	10,000.00	(7,181.32)
28	Mica powder	108.82	-	108.82
29	Mica waste	1.00	-	1.00
30	Morganite	-	0.00	(0.00)
31	Natural calcium phosphates, aluminium calcium phosphates	651.22	-	651.22
32	Natural sands of all kinds, excluding silica and quartz	32.00	-	32.00
33	Niobium, tantalum, vanadium or zirconium Other	836.95	-	836.95
34	Other clays	24.73	-	24.73
35	Other ores and concentrates.	2,055.30	-	2,055.30
36	Pink Tourmaline	-	0.00	(0.00)
37	Quartz	315.66	-	315.66
38	Ruby	-	0.00	(0.00)
39	Sapphire	-	0.00	(0.00)

40	Sapphire	-	0.00	(0.00)
41	Silica sands and quartz sands	2,715.14	-	2,715.14
42	Spinel	-	0.00	(0.00)
43	Tin ores and concentrates.	351.13	25.00	326.13
44	Titanium ores and concentrates.	0.22	-	0.22
45	Topaz	-	0.00	(0.00)
46	Tourmaline	-	0.00	(0.00)
47	Zinc ores and concentrates.	9,987.10	-	9,987.10
48	Zirconium ores and concentrates	131.25	700.00	(568.75)
Total		32,992.62	34,634.71	(1,642.10)

Source: NCS and MID Export Data

However, MID could not provide us with incontrovertible documentary evidence to show that all the permits issued were fully utilised during the year. Therefore, in the absence of any corroborative evidence, it would be reasonable to accept NCS export data since it is the officially recognized government agency on export matters.

3.3.1 Five-Year Export Trend

The total quantity of minerals exported over a period of 5 years (2016 – 2020) was 172.54 million tons, with FOB value of USD2.79 billion as shown in table 24 below.

Table 24: 5-Year Export Trend

Year	2016	2017	2018	2019	2020	Total
Quantity (tons)	24,398	16,344	124,748	7,019	32.99	172,542
FOB value (US\$'000)	40,924	29,901	144,379	2,531,911	42,458	2,789,573
% of quantity	14.14	9.47	72.30	4.07	0.02	100
% FOB value of	1.47	1.07	5.18	90.76	1.52	100

Source: NCS 2020 Data & NEITI SMA Reports

Mineral export declined year-on-year except for 2018 where export grew significantly by 663% in quantity and 382% in FOB value. In 2020, export declined significantly by 99.53% from 7,019 tons in 2019 to 32.99 tons in 2020 as a result of the global lockdown caused by Covid-19 pandemic.

3.4 Artisanal and Small- Scale Mining

Artisanal and small-scale mining (ASM) refers to formal or informal mining operations with little or no mechanization. Even though ASM is largely unorganized, its capacity to provide livelihood for millions of citizens is



Lead-Zinc mining site in Nahuta Community, Gombe State.

huge. In Nigeria, the solid minerals sector is dotted with significant activities of artisanal miners. A large number of Nigerians, especially in the rural areas, rely on informal mining activities for their livelihood. In recent times, the FGN has decided to focus on formalizing the activities of artisanal and small-scale miners in order to unlock the huge economic potentials of the subsector.

Over the last few years, the ASM group has evolved into a key group in the solid mineral sector capable of potentially supporting FGN’s rural development and revenue expansion strategy. Accordingly, the MMSD resolved to stimulate gold production through its Presidential Artisanal Gold Mining Initiative (PAGMI) that formalized, organized and equipped ASGMs across the country.

There were 1,273 ASM operators across the six (6) geo-political zones of the country during the year under review, as shown in the table 25 below:

Table 25: Record of Registered Artisanal and Small-Scale Miners in Nigeria

S/N	Zones	Number of Operators
1	South-South	146
2	South East	170
3	South West	182
4	North East	184
5	North West	236
6	North Central	355
	Total	1,273

Source: Ministry of Mines and Steel Development

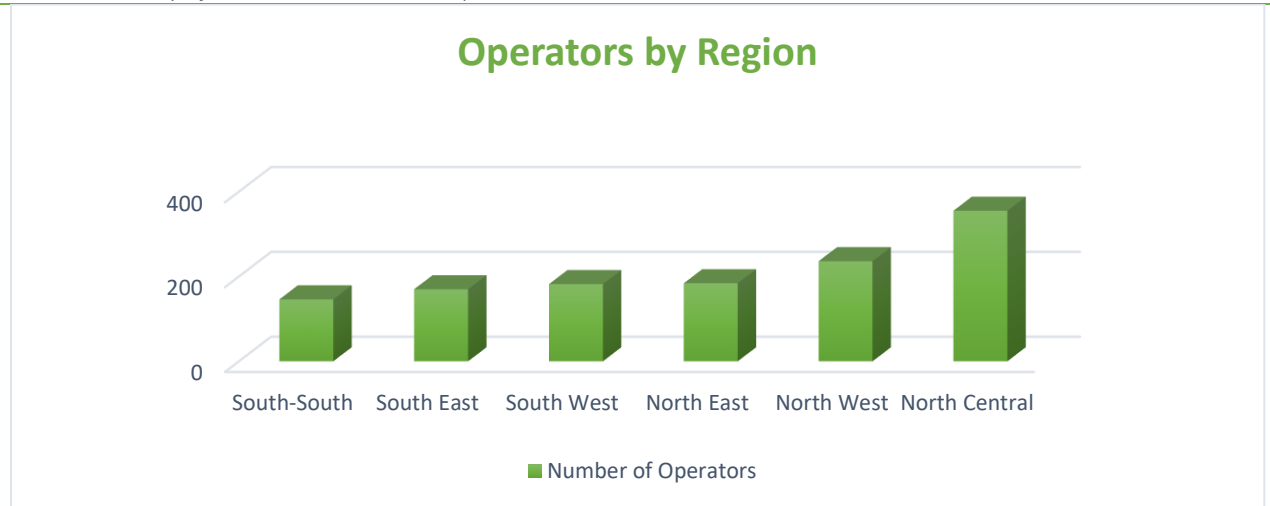


Figure 12: Artisanal and Small-Scale operators (Source: Ministry of Mines and Steel Development)

3.5 Activities of ASM Department

In the year under review, the ASM department aimed at developing and coordinating the activities of the artisanal miners undertook the following activities:

- a) Formalization of Artisanal Miners into Cooperatives – The formalisation of artisanal miners into mining cooperatives is ongoing.
- b) Delivery of Extension Service Programme to Formalized Mining Cooperatives – the service which is spread across the six (6) geo-political zones includes trainings on modern mining, mineral processing techniques and occupational health and safety.
- c) Projects for the improvement of the ASM sector under the mineral sector support for economic diversification project (MINDIVER) - as part of its intervention has engaged a consortium of consultants (Messrs. Sofreco/Beak) to carry out enabling activities to support the formalization of ASM through the use of Geographic Information System (GIS) and remote sensing monitoring system. Under the programme, an ASM Remote Sensing Centre has been established in the Ministry where staff of the ministry are being trained on field data capture and extrapolation with interpretation competences in remote sensing.
- d) Mineral Sector Support for Economic Diversification - the table below shows the development from the Mineral Sector Support for Economic Diversification (MinDiver) project.

Table 26: MINDIVER Initiatives Achievements

1 Strengthening critical institutions		
S/N	Actions	Current Status/Next Major milestone
1.1	Establishment and operationalization of regional MCO offices in the six geo-political zones.	Offices in the six geo-political zones have been refurbished, furnished and IT systems are operational.
1.2	Identifying revenue leakages in institutions, improving revenue assessment, and creating an action plan to prevent smuggling and increase revenue generation.	Stakeholder sessions and data collection are now complete. Recommendations are in the process of being implemented.
1.3	Provision of critical infrastructure equipment for key agencies such as NGSA, NIMG, NMDC and NSRMEA.	The contracting processes for laboratory equipment for NGSA, NIMG, NMDC and NSRMEA are concluded and supplies are ongoing.
1.4	Capacity building at the Department of Environmental Compliance, Mines Inspectorate, ASM, and other organizations has been extensive.	Local and foreign training are continuous.
2 Increasing Downstream Linkages		
2.1	Implementing steps to enhance value-addition to mineral products	The procurement of necessary equipment is currently ongoing.
2.2	To survey and analyse the current situation of the steel-making value chain in the country, a baseline study on the potential for the development of upstream operations and growth in the metals industry is being conducted.	Activity has been concluded by PwC.
2.3	Develop an action plan to enhance the growth and sustainability of steel industry.	In Lagos, a stakeholder workshop bringing together important industry experts was held.
3 Optimal Access to Geoscience Data		
3.1	Growing the nations geological data information by conducting airborne geophysical and topographical surveys of target mining areas.	The topographic surveys are still in progress. Airborne survey contracts have been awarded, security agency permits have been obtained, and community sensitization is underway. Data and reports will be gathered and disseminated.

3.2	Assessment of the Nigerian Geological Survey Agency (NGSA) was conducted and action plan prepared to improve capability and performance of the agency.	The NGSA has been provided with a detailed needs assessment report and suggestions, which are now being examined. These suggestions will be carried out.
3.3	Installation of IT infrastructure and data systems at the Nigerian Geological Survey Agency (NGSA/NSRMEA), as well as the establishment of a modern Geo-data Centre. This system is part of a bigger IT infrastructure (MMIS) that the MMSD is championing.	Needs assessment and IT infrastructure design for the geodata center have been completed.
3.4	Conversion of relevant geoscience datasets from analogue to digital format for efficient archiving and accessibility.	The procurement of ICT equipment for the proposed geodata Centre is on-going.
3.5	The return of Colonial Geological Data from the UK and properly stored in the Nigeria Geodata system is in progress.	
4	Fostering Domestic Investment	
4.1	Implementation of a remote sensing-based system to facilitate accurate, real-time data collection of artisanal mining sites in the country to aid their formalization into cooperatives and mineral enterprises	Capacity for remote sensing is being developed. The centre has been set up and is fully equipped with all of the essential IT and technical equipment. Training and fieldwork are now underway. The formalization of ASM operators is expected to begin soon.
5	Improving Environmental Impact	
5.1	Review of legal and regulatory frameworks for environmental management and the design of policy frameworks to address potential conflicts with ASM operators.	This activity's implementation is near completion.
5.2	Developed the framework for achieving full compliance with social and environmental safeguard regulations on all MINDIVER funded projects.	Expert SESA firm engaged; Environment and Social Assessment (SESA) study completed and draft report completed and submitted.

3.6 Findings and Recommendations

FINDINGS	RECOMMENDATION
The report also noted that during the period under review (2020) there was no active state-owned enterprise operating in the sector.	There is need to consider the establishment of a state-owned enterprise (SOE) that can serve as a leader and drive investment interest in the sector. Such SOE should be run with the model of the Nigerian Liquefied Natural Gas
The report expressed concern that some of the minerals already identified by the federal government as strategic still remain unexplored/untapped and lacked investments.	Government should encourage the development and exploitation of the identified strategic minerals through the development of mineral corridors, clusters and partnering with competent investors and other stakeholders to explore and develop the mineral resources.
The report found that in August 2020, a private sector project, Segilola Gold project, began active gold exploration in Iperinodo, Osun State. The Plant began with an estimated production rate of 80,000oz per day.	NEITI welcomes this development and called for the expansion and sustenance of such laudable private sector led projects in the country.

<p>From the report, the quantity of Lead produced in 2020 was 53,988.36 tons. Total export of mineral ores and concentrates was 8,776,199.50 tons during the period. Similarly, 58 exploration licenses were issued for Iron Ore while the total number of valid mineral titles across the country during the year was 187.</p>	<p>Government should encourage minerals beneficiation and ban export of raw ores. Also, government should start focusing on the opportunities presented by the global shift towards renewables in the production of electric vehicles to utilize the abundance of copper, lead, lithium, cobalt and other Rare Earth Element (REE) minerals found in Nigeria, which are used in the manufacture of batteries and other components of electric vehicles.</p>
<p>Nigeria has huge deposits of barite cutting across various states (Nasarawa, Plateau, Taraba, Adamawa, Benue, Ebonyi and Cross River) in commercial quantities. However, it was observed that companies still import these minerals. 147 barite titles have been issued but production level during the year under review did not reflect this.</p>	<p>The FGN has banned the importation of barite by International Oil Companies (IOCs) with effect from 2022. In line with this policy, the Nigerian Content Development and Monitoring Board (NCDMB) issued a guideline for the utilization of locally produced barite and drilling in the Nigerian Oil and Gas industry. Specifically, four firms were given approval for the supply of barites for any drilling project or contract in the Nigerian oil and gas industry. To ensure compliance with NCDMB guidelines, a robust monitoring and surveillance mechanism should be developed and implemented by all critical stakeholders in the oil and gas industry.</p> <p>Government should strengthen its mechanism for ensuring the enforcement of the NCDMB initiatives in respect of Barite production in Nigeria in order to ensure sustainability and its application to other strategic minerals.</p>
<p>The report established that Nigeria has a huge Bitumen deposit of about 42.74 billion metric tons that spreads across Lagos, Ogun, and Ondo. The report also established that 71,151,029.89 tons of Bitumen valued at ₦3,106,582.236 was produced in 2020 in the country.</p>	<p>The government should conclude the bid round for the award of licence for the development of Bitumen deposits.</p>
<p>The report disclosed that 38 different minerals were produced in Nigeria in 2020 (appendix 8). Granite, limestone, sand and laterite had a combined contribution of 90% and 87% of total production volume and royalty receipts respectively. The Implication is that Barite, Coal and other precious minerals such as gold, have remained very low in terms of investments.</p>	<p>Government should continue to encourage development of these minerals and perhaps introduce some incentives.</p>
<p>Dangote cement accounted for 31.95% of total production and 24.5% of total royalty payment in 2020. Lafarge Plc was second and accounted for 17% and 12% of total production volume and royalty</p>	<p>Government should encourage these companies through fiscal and other measures to enable them make more investments in the solid minerals and attract more high-capacity</p>

receipts respectively.	investors into the sectors.
<p>The report disclosed that during the period under review, there were 1,273 ASM operators within the 6 geographical zones of the country. A breakdown shows that South-South has 146, South-East 170, South-West 182, North-East 184, North-West 236 and North-Central 355.</p>	<p>Government should continue the policy of formalization of ASMs, and introduce KPIs to evaluate annual progress.</p>
<p>Generally, the revenue generated from the sector was below expectation; this may not be unconnected with the attitude of small-scale miners towards filling their monthly production returns. In addition, there is weak monitoring of mining activities due to insufficient or lack of manpower at the states' mine offices, poor deployment of technology and security challenges.</p>	<p>There is need for government to strengthen the state mines offices by improving the manning level as well as invest in modern technology to drive monitoring production and revenue collection.</p>
<p>The report noted that royalty receipts from some states (e.g., Nasarawa, Plateau and Enugu) was materially low notwithstanding that these states are known to have large minerals deposits including high-value minerals such as columbite, tin-ore, lead/zinc etc. The production of these high-value minerals is below expectation. See Appendix 10</p>	<p>Government should create an enabling environment to attract investors into the exploration and exploitation of minerals with higher value in these states.</p>
<p>The audit observed that over the years, China has been the major export destination for Nigeria's solid minerals. This makes the country over reliant on China for mineral export, putting the country at risk in the event of breakdown in business relationship and natural occurrences. For instance, export in 2020 significantly declined by 86% falling from ₦124.23 billion in 2019 to ₦17.53 billion in 2020 as a result of the covid-19 pandemic that affected economic activities and forced major minerals consumers or destinations such as China to reduce import drastically.</p>	<p>Government should mitigate the risk of over dependence on one country for her mineral exports by developing strong business relationship with other countries that may require our solid minerals.</p> <p>The government should also prioritize, embark on, and promote or support industrialization and other policies that encourage local industries and local use of the minerals. This will reduce over dependence on export for revenue or increased revenue from the sector.</p>
<p>The report noted that minerals export as per the records derived from the export permits issued by MID was 34, 634.71 tons of minerals while the record of NCS showed 32,992 tons. The report also noted that there were minerals exported for which there were no evidence of export permit.</p>	<p>There should be periodic reconciliation of export permit issued by the MMSD and actual export records of NCS. This will ensure that only minerals with valid permits are exported.</p>

Chapter 4

REVENUE COLLECTION



4.1 Background

This section detailed the total revenue generated from the solid minerals sector in 2020. It contains a comprehensive disclosure of financial flows which accrued to the three tiers of governments from the fifty-eight (58) revenue streams in the 2020 data gathering templates approved by the NSWG. Thirty-four (34) of the revenue streams were subjected to reconciliation, while twenty-four (24) were presented as unilateral disclosure, as shown in table 26 below.

Table 27: List of Validated and Reconciled Revenue Flows

S/N	Revenue Type	S/N	Revenue Type	S/N	Revenue Type
1	Value Added Tax (VAT)	13	Application for transfer/assignment mining titles fees	24	Permit to export minerals samples for analysis
2	Corporate Income Tax (CIT)	14	Application for surrender mining titles fees	25	Permit to possess and purchase minerals
3	Education Tax	15	Application for consolidation mining titles fees	26	Registration of accredited agents for movement of minerals
4	Withholding Tax for Ltd Companies	16	Fees for application to endorse additional mineral	27	Permit to import explosives
5	Capital Gain Tax	17	Fees for application for certified true copy of lost certificate of mining title	28	Blasting certificates
6	Stamp Duties	18	Fees for application for amendment of documents	29	Permit to Mix ANFO
7	Mining titles(s) application processing fee	19	Search fee/due diligence	30	Licence to manufacture explosives
8	Mining titles(s) annual service fees	20	Fees for cadastre map information, application for certified true copy of other documents other than title documents	31	Permit to erect a magazine
9	Mining title(s) fee for processing of renewal application titles (application)	21	Royalty	32	Licence to buy explosives
10	Penalty fees for late renewal of mining	22	Permit to deposit tailings	33	Licence to sell explosives
11	Fees for application for enlargement (processing) of mining titles	23	Permit to export minerals for commercial purposes	34	Explosive's magazine licence
12	Application for relinquishment of mining title fees				

Source: NSWG Materiality Document

Table 28: Unilateral Disclosure

S/N	Revenue Type	S/N	Revenue Type	S/N	Revenue Type
1	Dividend from Government Investment (Shares)	9	Mineral separation services	17	National Inland Water Ways Authority (NIWA)
2	Customs Duties	10	Map Collection/Interpretation fee	18	Pay As You Earn (PAYE)
3	Excise Duties	11	Mineral analysis	19	Business Premises
4	NESS Payment	12	Consultancy fees	20	Withholding Tax for Enterprises
5	Import Duties	13	Application for Artisanal and Small-Scale Mining	21	Stamp Duties for Enterprises
6	Pre-shipment/Destination Fees	14	Application for Registration of mineral buying Centre per mineral	22	Other (Specify)
7	Contribution to the environmental protection and Rehabilitation fund	15	Application for annual renewal of buying Centre license.	23	Property Rates (Tenement Rates)
8	Registration fees for environmental impact analysis	16	Annual surface rents (Grounds Rents)	24	Compensation

Source: NSWG Materiality Document

The sum of ₦128.17 billion was generated from the sector in 2020. This amount includes all receipts from extractive companies in the sector. The breakdown of revenue by the different tiers of government is shown in table 29 below.

Table 29: Total Revenue from the Solid Mineral Sector in 2020

S/N	Tier of Government	Amount ₦
1	Federal	119,376,568,197.61
2	State	8,670,898,265.55
3	Local Government	122,267,258.00
Total		128,169,733,721.16

Source: 2020 NEITI Solid Mineral Audit Templates Populated by Covered Entities

The total revenue from the sector increased by 60%, moving up from ₦79.96 billion in 2019 to ₦128.27 billion in 2020 representing a monetary increase of ₦48.31 billion. The detailed breakdown of revenue head is shown in table 30 below.

4.2 Disclosure of Total Revenues

The summary of total receipts by Federal Government agencies, States and LGAs is as presented in table 30 below. The collections from Federal Government agencies accounted for 93.14%. Also, see **Appendix 12** for breakdown of total receipts.

Table 30: Summary of Total Receipts by Federal Government Agencies, States and LGAs

Details	Amount ₦	Total collection %
Reconciled		
MID	2,733,404,807.31	2.13
MCO	671,122,637.50	0.52
FIRS	111,474,522,838.56	86.97
Sub- total (a)	114,879,050,283.37	89.63
Government unilateral disclosure		
MID	303,707,428.74	0.24
MCO	1,632,612,979.50	1.27
Sub-total (b)	1,936,320,408.24	1.51
Total receipts from covered entities	116,815,370,691.61	91.14
Company unilateral disclosure - FGN Agencies		
MEC	400,000.00	0.00
MGSA	850,000.00	0.00
A&S-SMD	480,000.00	0.00
MOE	5,799,000.00	0.00
NCS	2,553,668,506.00	1.99
Sub- total (b)	2,561,197,506.00	2.00
Total receipts by FGN Agencies	119,376,568,197.61	93.14
Unreconciled (Unilateral Disclosure) - States and LGAs		
States	8,670,898,265.55	6.77
Local Government	122,267,258.00	0.10
Sub- total (c)	8,793,165,523.55	6.86
Grand total (a+b+c)	128,169,733,721.16	100.00

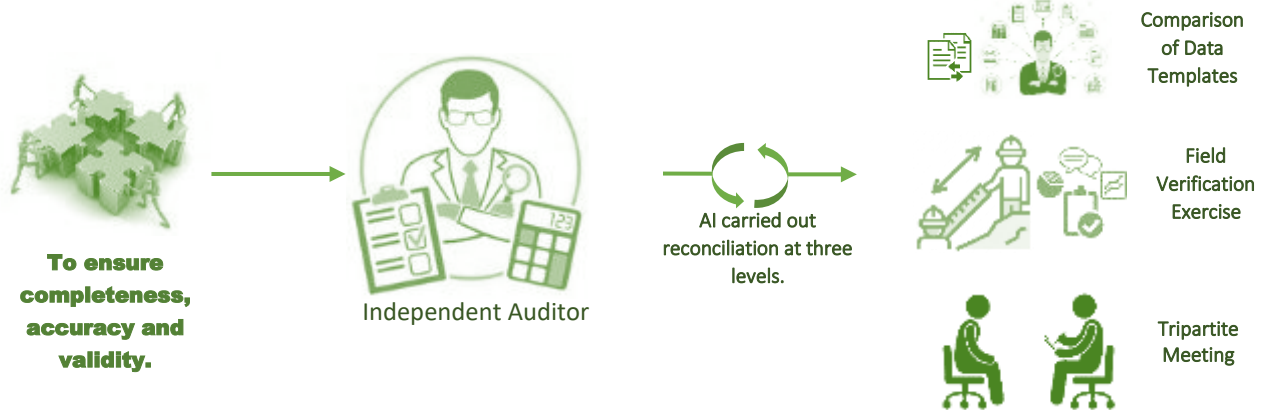
Source: 2020 NEITI Solid Mineral Audit Template

4.3 Reconciliation

To ensure completeness, accuracy, and validity of the information in this report, the IA carried out a three-level reconciliation exercise, as described below:

- 1) A comparison of data supplied by FIRS, MID and MCO against the data provided by the extractive companies using the approved NEITI templates and differences highlighted for further review.
- 2) Field visitation by IA for verification and validation of information provided by the extractive companies in order to reconcile identified differences. At this stage, additional information and clarifications were obtained from the covered entities.
- 3) Finally, a tripartite meeting was held to reconcile outstanding differences that the IA was not able to reconcile from the field verification and validation exercise. This tripartite

meeting had the IA, relevant government agencies, and the concerned extractive companies in attendance. NEITI was also present as an observer.



Financial flows from 96 extractive companies were successfully reconciled with a sign off by the representatives of the extractive companies, relevant Government agencies and the IA. At the conclusion of the exercise, the initial difference of ₦2.45billion was reduced to ₦54.25million as shown in table 31 below.

Table 31: Company and Government Agencies Reconciliation

Type of Payments/Receipts	Company ₦	Government ₦	Unreconciled ₦
Federal Inland Revenue Service (FIRS)	111,474,427,788.56	111,474,522,838.56	95,050.00
Mining Cadastre Office (MCO)	668,220,637.50	671,122,637.50	2,902,000.00
Mines Inspectorate Department (MID)	2,682,155,808.86	2,733,404,807.31	51,248,998.45
Total	114,824,804,234.92	114,879,050,283.37	54,246,048.45

Source: NEITI 2020 Solid Mineral Audit Template

The unreconciled difference of ₦54.25 million is traceable to the six (6) non-responsive extractive companies listed in table 32 below that did not respond or cooperate in the reconciliation exercise, as evidenced by the following:

- a) failure/refusal to complete and submit the approved data gathering templates
- b) Failure to allow the IA access to their premises; and
- c) failure to turn up for the tripartite reconciliation meeting.

The difference, caused through their nonresponsive actions, represents 0.05% of the total revenue generated in 2020. It is the opinion of the IA that this payment did not have impact on the credibility of the report.

Table 32: List of Covered Companies not Reconciled

S/N	Name	Mineral Type	Mining License Number	Total Payment ₦'million
1	Hafsat Jewel Integrated services	Gold		12.77
2	Synee Alumony Mining Limited	Granite	QL27260	12.22
3	Rockwaters Integrated Services Nigeria Limited	Granite	QL24444	11.20
4	Prossy Investment Limited	Limestone	QL24390	6.95

5	IDB Mining & Mineral Resources Limited	Gold	SSML34560	6.10
6	Natural oil Field Services	Sand		5.02
Total				54.25

Source: NEITI 2020 Solid Mineral Audit Template

4.3.1 Summary of Company and Government Agencies Reconciliation

The total revenue declared by Government agencies – their receipts from the companies - was ₦114.88 billion, as against ₦114.82 billion declared by companies. After reconciliation, there was an unreconciled difference of ₦54.25 million, while the unilateral from company and government agencies stood at ₦11.35 billion and ₦2.03 billion respectively. Table 31 above shows a summary of the outcome of the reconciliation. The comprehensive details of reconciliation are contained in **Appendices 13a – 13d**.

4.3.2 Revenue Reported by Government Agencies Both Reconciled and Unilateral disclosure

The table (33) below displays the total revenue earned by government agencies in 2020 - both reconciled and unilaterally disclosed revenues. FIRS revenue streams accounted for 95.35% of the total revenue collected by government agencies.

Table 33: Total Revenue Reported by Federal Government Agencies Both Reconciled and Unreconciled (Unilateral Disclosure)

Payment stream	Revenue Declared by Government ₦	Contribution (%)
Federal Inland Revenue Service (FIRS)	111,474,522,838.56	95.43
Mining Cadastre Office (MCO)	671,122,637.50	0.57
Mines Inspectorate Department (MID)	2,733,404,807.31	2.34
Sub-Total (A)	114,879,050,283.37	98.34
Unilateral disclosure by Government		
MID (Royalty & Fees Below Threshold)	303,707,428.74	0.26
MCO (Annual service fees and renewal)	1,632,612,979.50	1.40
Sub-Total (B)	1,936,320,408.24	1.66
Grand total(A+B)	116,815,370,691.61	100.00
Revenue Declared by Government	114,879,050,283.37	98.34
Unilateral disclosure by Government	1,936,320,408.24	1.66
Total Revenue by Federal Government	116,815,370,691.61	100.00

Source: NEITI 2020 Solid Mineral Audit Template

4.3.3 Unilateral Disclosures

Unilateral disclosures are financial flows reported by only one party, that is either government or companies. They are financial flows that do not fall within the EITI reconciliation scope in line with agreed materiality threshold. Tables 34 and 35 below show unilateral disclosures by

companies and government agencies. The comprehensive details of unilateral disclosures are presented in **Appendix 14**.

Table 34: Unilateral Disclosures by Companies

Payments Streams	Payment Declared by Companies ₦	Contribution (%)
State Board of Internal Revenue (SBIR)	8,670,898,265.55	76.37
Nigeria Customs Service (NCS)	2,553,668,506.00	22.49
Local Government Area (LGA)	122,267,258.00	1.08
Ministry of Environment (MOE)	5,799,000.00	0.05
Nigeria Geological Survey Agency (NGSA)	850,000.00	0.01
Artisanal and Small-scale Mining Department (ASM)	480,000.00	-
Mines Environmental Compliance Department (MECD)	400,000.00	-
Total	11,354,363,029.55	100

Source: 2020 Solid Mineral Audit Template

Apart from revenue paid to FIRS, MCO and MID, companies also unilaterally provided data on revenue paid to other agencies i.e., Nigeria Custom Service (NCS), Ministry of Environment (MOE), State Board of Internal Revenue (SBIR) and Local Government etc. Out of the total unilateral disclosures of ₦11.35billion by companies, State Board of Internal Revenue contributed ₦8.67 billion or 76.37% as shown in table 34 above.

Total federal government agencies unilateral disclosure was ₦2.04billion from 748 entities in respect of royalty and fees below materiality threshold as well as annual service fees and renewals paid to MID and MCO respectively as shown in table 35 below.

Table 35: Unilateral Disclosure by Federal Government Agencies

Unilateral Disclosure by Government	Revenue Declared by Government ₦	Contribution %
MID (Royalty & Fees Below Threshold)	303,707,428.74	15.68
MCO (Annual service fees and renewal)	1,632,612,979.50	84.32
Total	1,936,320,408.24	100.00

Source: 2020 Solid Mineral Audit Templates

4.4. Royalty and Other Levies from Ministry of Mines and Steel Development

Total reconciled revenue from MMSD was ₦3.4 billion out of which MID contributed ₦2.73billion through collection of royalty and other fees while ₦671million was collected by MCO in 2020.

Table 36: Total Revenue Streams from Ministry of Mines and Steel Development

S/N	Revenue Streams	Amount	N	Contribution
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			(%)
A	Mines Inspectorate Department (MID)		
1	Royalty	2,712,874,807.31	79.7
2	Permit to Deposit Tailing	20,000.00	-
3	Permit to export minerals for commercial purposes	90,000.00	-
4	Permit to export minerals samples for analysis	220,000.00	-
5	Permit to possess and purchase minerals	20,000.00	-
6	Registration of accredited agents for movement of minerals	-	-
7	Permit to import explosives	60,000.00	-
8	Blasting certificates	1,950,000.00	0.1
9	Permit to Mix ANFO	920,000.00	-
10	License to manufacture explosives	-	-
11	Permit to erect a magazine	370,000.00	-
12	License to buy explosives	2,470,000.00	0.1
13	License to sell explosives	60,000.00	-
14	Explosive's magazine license	13,960,000.00	0.4
15	Late Renewal of Mag. License	200,000.00	-
16	Others	190,000.00	-
Sub-total (a)		2,733,404,807.31	80.3
Mining Cadastre Office (MCO)			
1	Mining titles(s) application processing fee	14,436,000.00	0.4
2	Mining titles(s) annual service fees	635,575,472.50	18.7
3	Mining title(s) fee for processing of renewal application	10,451,165.00	0.3
4	Penalty fee for late renewal of mining titles (application)	3,920,000.00	0.1
5	Fees for Application for enlargement (processing of mining title)	300,000.00	-
6	Application for transfer mining titles fees	5,750,000.00	0.2
7	Application for relinquishment of mining title fees	50,000.00	-
8	Application for surrender mining titles fees	80,000.00	-
9	Application for consolidation of mining title fees	-	-
10	Fees for application for certified true copy of loss certificate	560,000.00	-
11	Reconnaissance permit	-	-
12	Others	-	-
Sub-total (b)		671,122,637.50	19.7
Grand total (c=a+b)		3,404,527,444.81	100

Source: 2020 Solid Mineral Audit Template

4.4.1 Royalty Disaggregation by States

Table 37 below shows disaggregation of royalty by states. Ogun State has the highest contribution to royalty with 20% as a result of limestone mining by Dangote Cement Plc and Lafarge Plc, while Borno State has the least contribution with 0.01% as a result of low mining activities in the state.

Table 37: Royalty Disaggregation by States

S/N	State	Production volume (Tons)	Royalty Total ₦	Royalty %
1	Ogun	17,019,930.98	609,603,416.24	20.21
2	Kogi	11,715,251.39	367,188,065.08	12.17
3	Cross river	8,006,667.01	269,945,648.50	8.95
4	Edo	5,994,466.23	229,154,286.74	7.60
5	Bayelsa	4,327,555.51	173,117,854.35	5.74

6	Ebonyi	2,532,090.80	200,157,851.00	6.64
7	FCT	2,013,282.87	128,774,880.12	4.27
8	Sokoto	1,938,174.06	59,506,123.16	1.97
9	Kano	1,836,788.12	80,009,242.14	2.65
10	Oyo	1,746,199.10	116,506,732.44	3.86
11	Rivers	1,408,199.65	56,931,268.11	1.89
12	Kaduna	1,373,686.06	76,560,109.40	2.54
13	Plateau	1,367,665.42	75,615,319.88	2.51
14	Ondo	1,247,826.88	91,261,106.29	3.03
15	Gombe	1,211,235.03	58,058,622.40	1.92
16	Lagos	1,079,630.27	43,185,210.89	1.43
17	Akwa Ibom	917,010.68	22,768,596.80	0.75
18	Nasarawa	743,091.46	56,190,151.26	1.86
19	Anambra	517,150.90	20,225,002.00	0.67
20	Benue	503,087.28	33,989,050.50	1.13
21	Katsina	419,524.90	25,090,901.68	0.83
22	Bauchi	398,192.55	27,632,135.12	0.92
23	Abia	372,440.55	22,100,329.87	0.73
24	Delta	334,363.24	11,872,082.00	0.39
25	Niger	314,817.56	34,250,378.72	1.14
26	Adamawa	301,457.50	14,747,155.50	0.49
27	Imo	260,712.31	10,428,492.00	0.35
28	Zamfara	205,336.01	11,512,808.25	0.38
29	Taraba	187,672.86	12,251,857.48	0.41
30	Ekiti	181,022.86	12,139,861.25	0.40
31	Kebbi	161,708.78	7,923,193.86	0.26
32	Kwara	147,593.84	10,928,523.15	0.36
33	Osun	122,356.27	32,198,773.48	1.07
34	Yobe	88,977.12	7,631,016.41	0.25
35	Enugu	80,765.00	2,944,000.00	0.10
36	Jigawa	64,348.85	3,752,190.00	0.12
37	Borno	10,750.00	430,000.00	0.01
TOTAL		71,151,029.90	3,016,582,236.06	100.00

Source: 2020 Solid Mineral Audit Template

The report noted that royalty receipts from Nasarawa, Plateau and Enugu were significantly low notwithstanding that these states are known to have large minerals deposits including high-value minerals such as columbite, tin-ore, lead/zinc etc. The production of these high-value minerals is below expectation.

Zamfara and Borno states contributed below 1% due to the insecurity in those areas. Zamfara state is of particular concern, as with its strategic mineral (gold) it ought to be one of the top 10 royalty contributors in the sector.

Bayelsa state which is not known for major solid mineral mining moved from bottom four in 2019 to top five in 2020. This is because of royalty payment from the construction of Bayelsa international airport by Dantata and Sawoe Nigeria Limited.

4.4.2 Royalty Disaggregation by Companies

The royalty collected from the 102 extractive companies in 2020 was ₦2.71 billion as captured in table 38 below. Fourteen (14) companies contributed ₦2.02 billion (74.48%) while the other 88 companies contributed ₦692.42 million (25.52%). Overall, Dangote Cement Plc made the highest royalty payment of ₦740.8 million (27.31%) followed by Lafarge Plc with ₦368.1 million (13.57%). BUA International Ltd occupied third position with ₦183.3million (6.76%). On the other hand, Akinchang Paul Ltd, A&B Global Service Limited and Builders Engineering Company Limited paid the lowest royalty of ₦9.11 million (0.11%) each.

As mentioned earlier, out of 850 companies operating in the sector during the year under review, only 102 met the materiality threshold of ₦3 million and above royalty payment. To ensure that all extractive companies are brought into the NEITI SMA net, it has become imperative for NSWG to consider approving a framework for selecting some companies that paid royalty below the materiality threshold annually on rotational basis for the audit reconciliation exercise with a view to checking on those that may attempt to manipulate royalty payment.

Table 38: Royalty Disaggregation by Company

S/N	Company	Production Tons	Value ₦	Cumulative Contribution Ton	Contribution to production %	Cumulative Contribution to Production %
1	Dangote Cement Plc.	22,731,151.95	740,849,253.78	22,731,151.95	31.95	31.95
2	Lafarge Plc	11,818,711.02	368,129,820.87	34,549,862.97	16.61	48.56
3	Bua International Ltd	6,360,910.00	183,314,432.50	40,910,772.97	8.94	57.50
4	Dantata & Sawoe Nigeria Limited	4,302,399.24	171,222,651.30	45,213,172.21	6.05	63.55
5	Julius Berger Plc	1,899,381.26	72,810,036.60	47,112,553.47	2.67	66.21
6	Zeberced Limited	1,561,769.34	106,812,159.75	48,674,322.81	2.20	68.41
7	Reynolds Construction Co. Nig. Ltd	1,517,077.90	84,882,320.85	50,191,400.71	2.13	70.54
8	Dredging International Services Ltd.	1,094,400.00	43,776,000.00	51,285,800.71	1.54	72.08
9	Setraco Nigeria Limited	875,946.29	59,741,385.85	52,161,747.00	1.23	73.31
10	CCECC Nigeria Limited	844,413.91	42,241,668.05	53,006,160.91	1.19	74.50
11	Triacta Nig. Ltd	694,306.77	40,129,036.00	53,700,467.68	0.98	75.47
12	C.G.C Nigeria LTD	471,181.72	16,759,075.12	54,171,649.40	0.66	76.14
13	China Harbour Eng. Company Ltd.	440,701.00	17,391,000.00	54,612,350.40	0.62	76.76
14	Mothercat Limited Nig. Ltd.	389,287.77	18,634,930.85	55,001,638.17	0.55	77.30
15	Woda Mountain Invest. Limited	382,864.46	28,715,084.25	55,384,502.63	0.54	77.84
16	First Patriot Limited	353,083.94	41,507,250.00	55,737,586.57	0.50	78.34
17	Georgio Rocks Ltd	322,156.03	24,444,642.66	56,059,742.60	0.45	78.79
18	Inorganic Earth Resources	263,816.53	10,601,197.11	56,323,559.13	0.37	79.16
19	Sinohydro Abuja Ltd	252,906.86	7,587,206.00	56,576,465.99	0.36	79.52
20	Arab Contractors Ltd	252,592.68	16,939,387.72	56,829,058.67	0.36	79.87
21	Z & Y Investment Company. Ltd.	242,388.60	18,179,281.00	57,071,447.27	0.34	80.21
22	Ratcon Construction Company Ltd.	233,846.08	17,538,459.46	57,305,293.35	0.33	80.54
23	E. B. H. Granite Ltd	218,675.00	16,400,944.43	57,523,968.35	0.31	80.85
24	Falcon Incorporation Limited	212,800.00	8,512,000.00	57,736,768.35	0.30	81.15
25	C.C.C. Construction Nig. Ltd	186,656.87	11,552,902.00	57,923,425.22	0.26	81.41
26	Zhong Tai Mining (Nig.) Limited	184,382.81	15,368,819.88	58,107,808.03	0.26	81.67

27	CNC Mining Company Limited	171,480.00	12,784,275.00	58,279,288.03	0.24	81.91
28	Lanzaang Continental Services Ltd	167,386.67	12,714,000.00	58,446,674.70	0.24	82.14
29	Tai Kanly (Nig.) Limited	166,666.66	5,000,000.00	58,613,341.36	0.23	82.38
30	Kopek Construction Limited	164,756.75	12,678,883.24	58,778,098.11	0.23	82.61
31	China Zhonghao Nig. Ltd	164,013.33	12,251,000.00	58,942,111.44	0.23	82.84
32	CLC Technical & Engineering	163,172.63	9,828,250.00	59,105,284.07	0.23	83.07
33	Eminent Quarry Limited	163,144.36	13,131,829.00	59,268,428.43	0.23	83.30
34	Rock Bottom Mines & Power	160,656.10	12,048,283.60	59,429,084.53	0.23	83.53
35	Rockston Dredging & Allied Works Nig. Ltd.	155,400.00	6,216,000.00	59,584,484.53	0.22	83.74
36	Rock Waters Integrated Services Nig. Limited	148,912.44	11,168,432.95	59,733,396.97	0.21	83.95
37	Master Rock Limited	147,262.57	11,044,692.87	59,880,659.54	0.21	84.16
38	Prossy Investment Limited	146,416.52	6,605,925.50	60,027,076.06	0.21	84.37
39	Jinziang Quarry Co. Ltd	134,918.67	10,119,400.00	60,161,994.73	0.19	84.56
40	Zhong Xing Mining Investment. Ltd	134,372.24	8,398,267.00	60,296,366.97	0.19	84.74
41	Mutual Commitment Company Ltd	125,797.65	9,434,823.88	60,422,164.62	0.18	84.92
42	Natural Oil field Services Limited	125,400.00	5,016,000.00	60,547,564.62	0.18	85.10
43	Mercury Mining Investment.	125,196.00	9,440,001.00	60,672,760.62	0.18	85.27
44	Gerawa Global Limited	123,253.32	3,994,000.00	60,796,013.94	0.17	85.45
45	Venus Mining Co. Ltd	117,390.00	6,713,022.96	60,913,403.94	0.16	85.61
46	Levant Const. Ltd	116,265.00	7,220,000.00	61,029,668.94	0.16	85.77
47	Gitto Construzioni Generau Nig. Ltd	112,800.66	3,460,019.68	61,142,469.60	0.16	85.93
48	China Oriental Mining Nig. Ltd	111,293.70	8,347,027.67	61,253,763.30	0.16	86.09
49	H&M Nig. Ltd	109,166.65	3,300,000.00	61,362,929.95	0.15	86.24
50	CCNC Nigeria Limited	106,534.73	7,990,125.00	61,469,464.68	0.15	86.39
51	Saturn Mining Company Ltd	105,621.00	7,921,575.00	61,575,085.68	0.15	86.54
52	Mark-Sino NIG. Ltd	102,980.00	8,304,250.00	61,678,065.68	0.14	86.69
53	Builders Eng. Co. Ltd	102,399.99	3,072,000.00	61,780,465.67	0.14	86.83
54	Moulds NIG. Ltd	99,192.15	7,439,411.25	61,879,657.82	0.14	86.97
55	Rock King Limited	95,874.94	6,099,985.00	61,975,532.76	0.13	87.10
56	Datum Construction Nig. Ltd	92,513.45	8,818,871.27	62,068,046.21	0.13	87.23

57	Petra Quarries Ltd	92,333.39	5,927,000.00	62,160,379.60	0.13	87.36
58	Salini Nigeria Ltd	91,930.84	6,891,802.31	62,252,310.44	0.13	87.49
59	Kai di Investment Ltd	90,133.00	6,760,000.00	62,342,443.44	0.13	87.62
60	Hitech Const. Ltd	89,647.17	6,723,718.50	62,432,090.61	0.13	87.75
61	Seaman Mining & Construction Ltd	87,129.45	7,434,709.00	62,519,220.06	0.12	87.87
62	Luchi moore Enterprise	86,351.38	3,454,055.00	62,605,571.44	0.12	87.99
63	Gexpam Nigeria Limited	84,950.12	6,972,612.50	62,690,521.56	0.12	88.11
64	Platinum Asphalt & Crushing Co. Ltd	81,615.22	6,121,144.54	62,772,136.78	0.11	88.22
65	Hongyun Mining Industrial Co.	77,375.76	6,104,769.00	62,849,512.54	0.11	88.33
66	Skaff Construction Limited	75,214.29	5,641,071.43	62,924,726.83	0.11	88.44
67	Jigom Nig. Enterprise. Ltd	75,214.28	5,641,071.00	62,999,941.11	0.11	88.54
68	Brass Engineering Construction td	75,210.15	5,640,761.00	63,075,151.26	0.11	88.65
69	NBHH Nig Ltd	74,217.00	4,876,070.25	63,149,368.26	0.10	88.75
70	Raycon & Co Nig. Ltd	73,715.00	4,905,839.29	63,223,083.26	0.10	88.86
71	D.Radda Ventures Ltd	72,381.56	3,347,884.02	63,295,464.82	0.10	88.96
72	Monkey Rock Nig. Limited	71,333.31	5,350,000.00	63,366,798.13	0.10	89.06
73	AAY International Comp. Ltd	70,696.65	4,235,630.00	63,437,494.78	0.10	89.16
74	Ganan Construction Company	68,532.63	5,010,000.00	63,506,027.41	0.10	89.26
75	Balmore Trading Company Limited	68,142.11	5,110,659.64	63,574,169.52	0.10	89.35
76	S.C.C. Nigeria Ltd	67,678.57	9,119,732.29	63,641,848.09	0.10	89.45
77	CNBM Mining & Investment Ltd	63,967.27	3,908,157.14	63,705,815.36	0.09	89.54
78	Fu-Hua	62,986.00	4,723,930.50	63,768,801.36	0.09	89.62
79	Rockbridge Construction Ltd	59,091.94	4,431,896.01	63,827,893.30	0.08	89.71
80	XVE GAO (Nig.) Limited	54,666.62	4,250,000.00	63,882,559.92	0.08	89.78
81	Crushed Rock Industries Nig. Ltd	54,302.65	4,072,698.86	63,936,862.57	0.08	89.86
82	Xin Xin Mining Resources	53,916.00	3,951,454.75	63,990,778.57	0.08	89.94
83	Slavabogu NIG. Ltd.	53,342.00	3,509,585.00	64,044,120.57	0.07	90.01
84	Kaffto Business Venture	53,042.85	3,978,214.28	64,097,163.42	0.07	90.09
85	R C F Nigeria Limited	52,234.54	4,117,640.00	64,149,397.96	0.07	90.16
86	Wiz China Engineering Limited	48,283.14	3,621,235.68	64,197,681.10	0.07	90.23

87	Mufkad mines & Invest Ltd	47,201.25	3,282,100.00	64,244,882.35	0.07	90.29
88	Jakura Marble	46,357.00	7,183,026.38	64,291,239.35	0.07	90.36
89	SJA West Africa Limited	45,226.66	3,392,000.00	64,336,466.01	0.06	90.42
90	A&B Global Service Limited	43,773.33	3,036,000.00	64,380,239.34	0.06	90.48
91	Brothers Quarry Nig. Ltd	43,573.65	3,267,971.75	64,423,812.99	0.06	90.55
92	Sizhe Global Ltd	42,999.00	3,224,964.29	64,466,811.99	0.06	90.61
93	Homaset Limited	41,733.29	3,130,000.00	64,508,545.28	0.06	90.66
94	Akin chang Paul Ltd	40,068.00	3,005,385.00	64,548,613.28	0.06	90.72
95	Solid Unit Nig. Ltd	26,910.00	36,328,500.00	64,575,523.28	0.04	90.76
96	Sino Min Metals Company Limited	20,000.00	6,000,000.00	64,595,523.28	0.03	90.79
97	Synee Alumony Mining Ltd	9,000.00	12,150,000.00	64,604,523.28	0.01	90.80
98	Malcomines Minor metals Ltd.	2,012.50	6,825,000.00	64,606,535.78	0.00	90.80
99	OFL Marble & Granite Ltd	1,337.72	5,682,000.00	64,607,873.50	0.00	90.80
100	Kiansmith Trade & Co. Ltd.	0.12	9,734,580.00	64,607,873.62	0.00	90.80
101	Hafsat Jewell Integrated Services	0.07	12,698,640.00	64,607,873.69	0.00	0.00
102	IDB Mining & Mineral Resources Ltd	0.02	3,500,000.00	64,607,873.71	0.00	0.00
Within Threshold		64,607,873.71	2,712,874,807.31	6,087,449,569.82	90.80	100.00
Below Threshold		6,543,156.20	303,707,428.75	71,151,029.91	9.20	
Grand Total		71,151,029.91	3,016,582,236.06		100.00	

Source: NEITI SMA 2020 template

The information in table 38 above, is graphically represented in figure 13 below

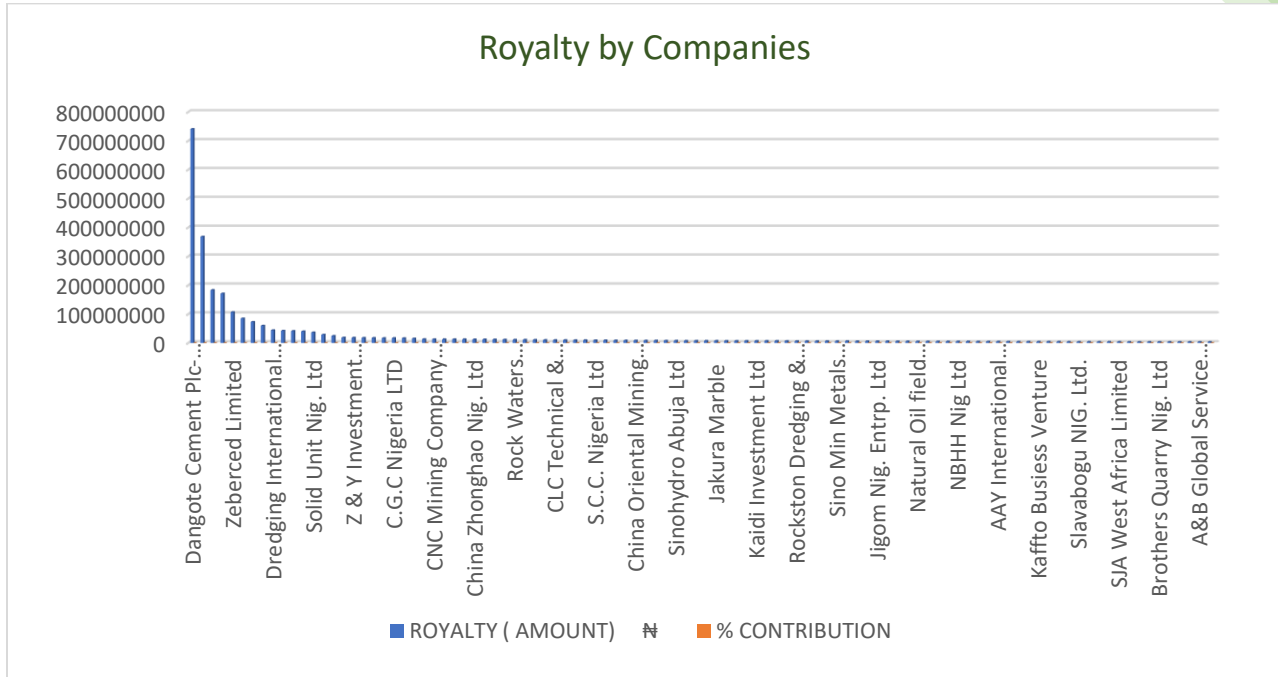


Figure 13: Royalty by Companies

4.4.3 Royalty Disaggregation by Mineral

The royalty collected from the 102 extractive companies in 2020 disaggregated by mineral type is as shown in table 39 below. Seven (7) mineral types contributed ₦2.62 billion (96.53%) while the other nine (9) minerals contributed ₦94.33 million (3.46%). Overall, limestone contributed the highest royalty with ₦1.11billion (40.99%), granite aggregates with ₦980.48 million (36.14%); and sand occupied the third position with ₦263.17million (9.70%). On the other hand, columbite contributed the lowest royalty of ₦1.76 million (0.06%).

Table 39: Royalty Disaggregation by Mineral.

S/N	Mineral	Royalty ₦	Contribution (%)
1	Limestone	1,111,972,664.92	40.99
2	Granite Aggregates	980,475,013.61	36.14
3	Sand	263,173,744.80	9.7
4	Laterite	118,959,788.80	4.39
5	Lead/Zinc ore	63,965,227.50	2.36
6	Coal	46,410,866.31	1.71
7	Clay	33,584,528.04	1.24
8	Gold Concentrate	26,020,353.24	0.96
9	Granite Dust	21,538,931.33	0.79
10	Shale	16,173,378.13	0.6
11	Marble	7,183,026.38	0.26
12	Gypsum	6,366,034.25	0.23
13	Tin ore	6,075,000.00	0.22
14	Manganese	6,000,000.00	0.22
15	Granite Blocks	3,219,000.00	0.12

16	Columbite	1,757,250.00	0.06
Total		2,712,874,807.31	100

Source: NEITI 2020 Solid Mineral Audit Template

The above information is presented graphically in figure 14 below.

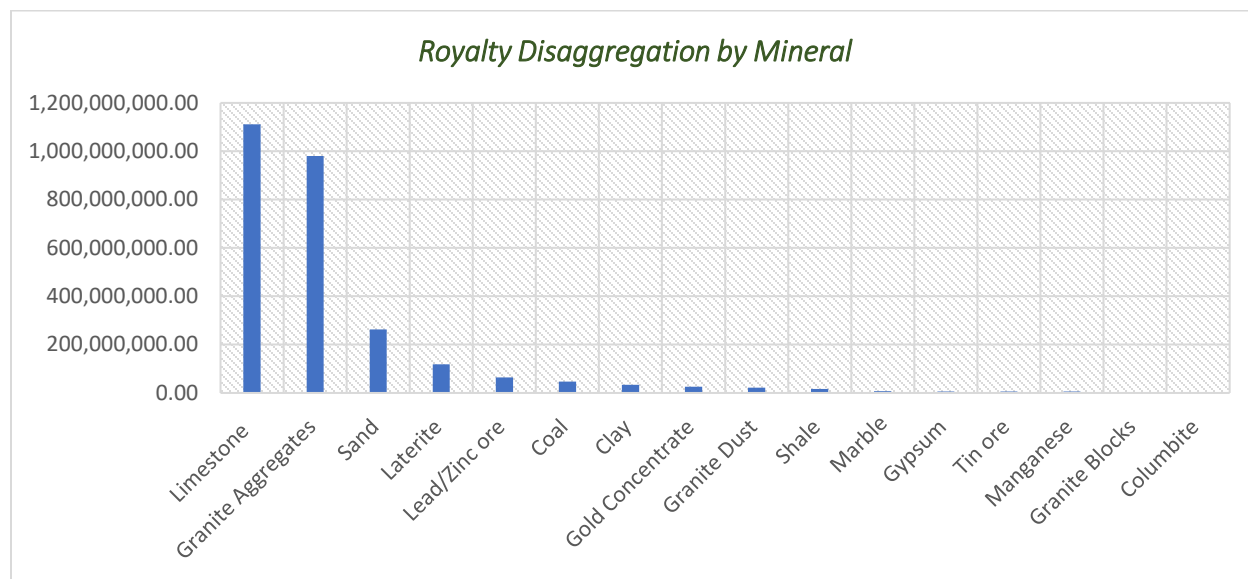


Figure 14: Royalty Disaggregation by Mineral

4.5 Annual Service Fee and Other Revenue

The annual service fee has contributed the most to MCO’s revenue collection over the years. In 2020, ASF was ₦2.40 billion (1.86%) of the total revenue received. While ₦635.56million of this amount was reconciled, ₦1.73 billion was unilaterally disclosed.

Table 40: Annual Service and Other Revenue

S/N	Revenue Stream	Government ₦	Contribution %
A	Reconciled revenue		
1	Mining titles(s) annual service fees	635,575,472.50	94.70
2	Other Revenue		
i	Mining titles(s) application processing fee	14,436,000.00	2.15
ii	Mining title(s) fee for processing of renewal application	10,451,165.00	1.56
iii	Penalty fee for late renewal of mining titles (application)	3,920,000.00	0.58
iv	Fees for Application for enlargement (processing of mining title)	300,000.00	0.04
v	Application for transfer mining titles fees	5,750,000.00	0.86
vi	Application for relinquishment of mining title fees	50,000.00	0.01
vii	Application for surrender of mining title fees	80,000.00	0.01
viii	Application for consolidation of mining title fees	-	0.00
ix	Fees for application for certified true copy of lost certificate	560,000.00	0.08
x	Reconnaissance permit	-	0.00

Sub-total		35,547,165.00	5.30
Sub-total (A)		671,122,637.50	100.00
B Unilateral disclosure			
1	Annual service fee and renewals	1,632,612,979.50	
Grand total (C = A+B)		2,303,735,617.00	100

Source: NEITI 2020 Solid Mineral Audit Template

The information in table 40 above is graphically represented in figure 15 below.

Annual Service and Other Revenue

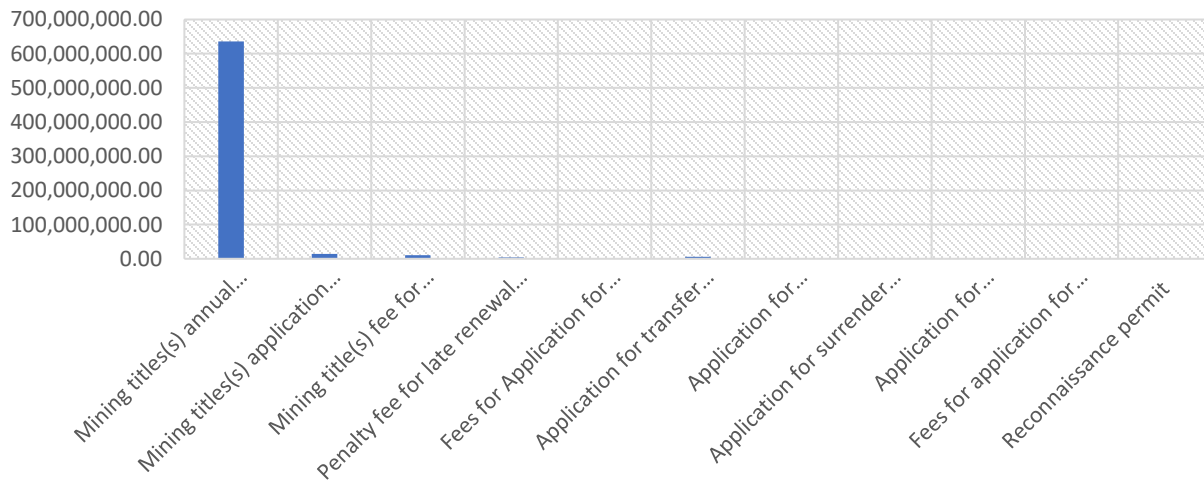


Figure 15: Annual Service and Other Revenue

The IA’s review of MCO record of entities with valid titles and payments as at 31st December 2020 revealed that 2,118 companies holding 3,628 titles did not pay annual service fee. The total amount payable by these companies is ₦2.35 billion. See **Appendix 15**

4.6 Five -Year Revenue Trend

4.6.1 Financial Flows

This sub section presents a revenue trend analysis for solid minerals sector from 2016 to 2020.

4.6.1.1 Revenue Accrued to Federation Account

The five-year revenue trend analysis of solid minerals sector shows a total revenue of ₦357.16 billion as shown in table 41 and figure 17 below. Specifically, there has been a consistent growth in revenue with a 56.03% increase between 2019 and 2020.

Table 41: Revenue Accrued to Federation Account 2016-2020

Description	2016 billion ₦	2017 billion ₦	2018 billion ₦	2019 billion ₦	2020 billion ₦	Total billion ₦
Revenue	43.22	52.78	69.47	74.87	116.82	357.16
Growth	-	9.56	16.69	5.4	41.95	
Annual percentage growth (%)		22.12	31.62	7.77	56.03	

Source: NEITI Reports and 2020 Solid Mineral Audit Report

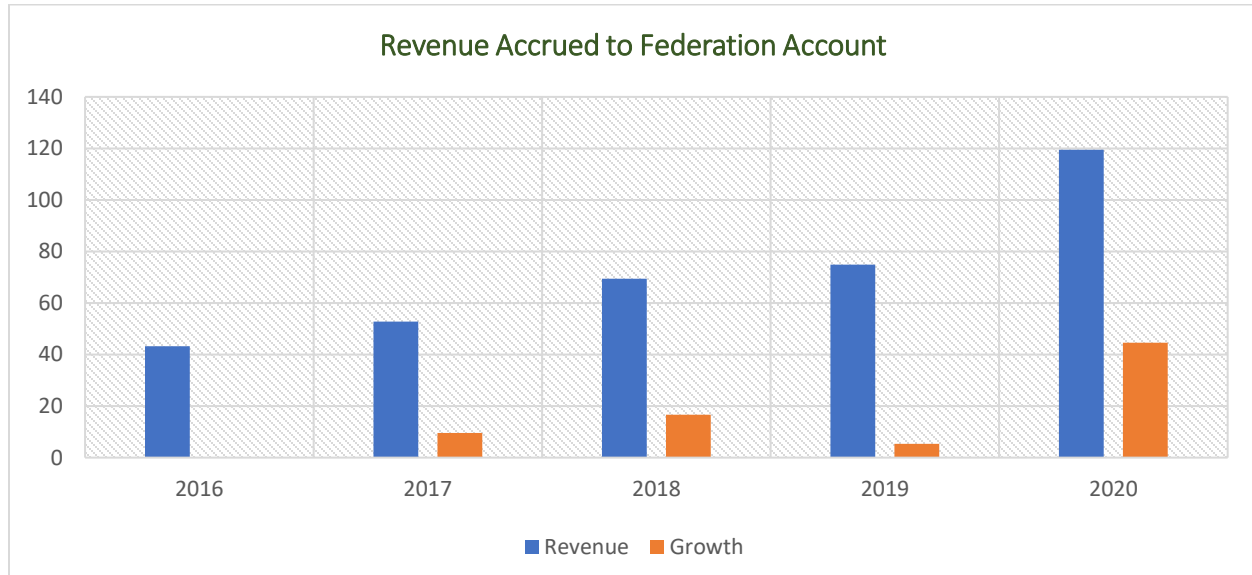


Figure 16: Revenue Accrued to Federation Account

4.6.2 Revenue Disaggregation

The details of revenue flow in the solid minerals sector from 2016 to 2020 is shown in table 42 below.

Table 42: Disaggregation by Revenue Collecting Agencies

S/N	Agency/Revenue Stream	2016 ₦	2017 ₦	2018 ₦	2019 ₦	2020 ₦
A	Federal Inland Revenue Service					
1	Value Added Tax (VAT)	20,244,510,690	34,024,831,429	39,578,311,277	41,913,013,072	67,519,674,635.85
2	Corporate Income Tax (CIT)	10,575,945,892	2,360,603,443	10,034,683,377	4,557,019,391	17,043,157,665.64
3	Education Tax	2,284,103,976	2,521,937,272	3,790,263,831	5,214,490,072	7,929,900,107.80
4	Withholding Tax for Ltd Companies	7,175,636,760	10,250,628,327	12,285,696,533	17,194,837,946	16,223,618,760.94
5	Capital Gain Tax	-	-	-	589,554,787	612,793,318.71
6	Others	-	4,007,857	-	-	1,596,648,043.36
7	Stamp Duties	-	-	-	449,512,295	548,730,306.26
	Sub-total (A)	40,280,197,318	49,162,008,328	65,688,955,018	69,918,427,563	111,474,522,838.6
B	Mining Cadastre Office					

1	Annual Service fees	840,107,100	275,978,000	1,186,423,290	1,756,578,500	1,786,663,867
2	Other Fees	310,757,000	1,732,788,950	384,675,975	622,941,815	517,071,750
Sub-total (B)		1,150,864,100	2,008,766,950	1,571,099,265	2,379,520,315	2,303,735,617
C	Mines Inspectorate Department					
1	Royalty	1,641,018,938	1,561,405,717	2,147,215,780	2,502,229,014	3,016,582,236
2	Permits & Others	49,193,280	24,996,754	63,552,225	50,570,652	20,529,999.99
Sub-total (C)		1,690,212,218	1,586,402,471	2,210,768,005	2,552,799,666	3,037,112,236
D	Other FGN Agencies/Departments					
1	Ministry of Environment	-	-	-	17,130,400	5,799,000.00
	Nigeria Geological Survey Agency	-	-	-	-	850,000.00
	Artisanal and Small-scale Mining Department	-	-	-	-	480,000.00
2	Mines Environmental Compliance Department	-	-	-	-	400,000.00
3	Nigeria Customs Service	-	-	-	-	2,553,668,506.00
Sub-total (D)		-	-	-	17,130,400	2,561,197,506
Sub-total {Federal Agencies (E=A+B+C+D)}		43,121,273,636	52,757,177,749	69,470,822,288	74,867,877,944	119,376,568,198
E	States and Local Government Authorities					
1	Annual Surface rents (Grounds Rent)-LGA	12,785,260	96,181,011	105,279,305	525,381,008	0
2	Pay As You Earn (PAYE)-State	3,969,874,652	2,446,949,420	10,090,735,434	4,549,836,609	8,670,898,266
3	Property Rates (Tenement Rates)-LGA	690,000	21,397,620	13,865,620	-	122,267,258
4	Withholding Tax Credit -State	94,672,593	284,580,290	464,716,808	-	-
5	Operation Fee -LGA	-	1,650,000	-	-	-
6	National Inland Water Ways Authority (NIWA) -State	-	5,341,320	-	-	-
7	Development Levy- State	-	2,317,000	-	-	-
8	Environmental Support -State	-	360,000	-	-	-
9	Unaffluent Discharge Fee-State	-	3,000,000	-	-	-
10	Fire Service- State	-	-	-	-	-
11	Fees- Ministry of Public Transportation	592,500	-	-	-	-
12	Business Premises	300,000	15,257,206	13,715,000	17,131,403	-
Sub-total (F)		4,078,915,005	2,877,033,867	10,688,312,167	5,092,349,020	8,743,508,534
Grand Total (G=E+F)		47,200,188,641	55,634,211,616	80,159,134,455	79,960,226,964	128,120,076,732
Growth		-	8,434,022,975	24,524,922,839	-198,907,491	48,159,849,768
Percentage Growth (%)			17.87	44.08	-0.25	60.23

Source: NEITI Solid Mineral Audit Reports 2016 – 2020

4.6.3 Royalty Payments

The total royalty revenue earned in 2020 was 2.71 billion. There was an increase of 8.3% in royalty receipts between 2019 and 2020.

Table 43: Royalty Payments

Description	2016 billion ₦	2017 billion ₦	2018 billion ₦	2019 billion ₦	2020 Billion ₦
Revenue	1.69	1.61	2.21	2.50	2.71
Growth	-	(0.08)	0.60	0.29	0.21
Annual percentage growth (%)	-	(4.73)	37.27	13.21	8.31

Source: NEITI Solid Mineral Audit Reports 2016 – 2020

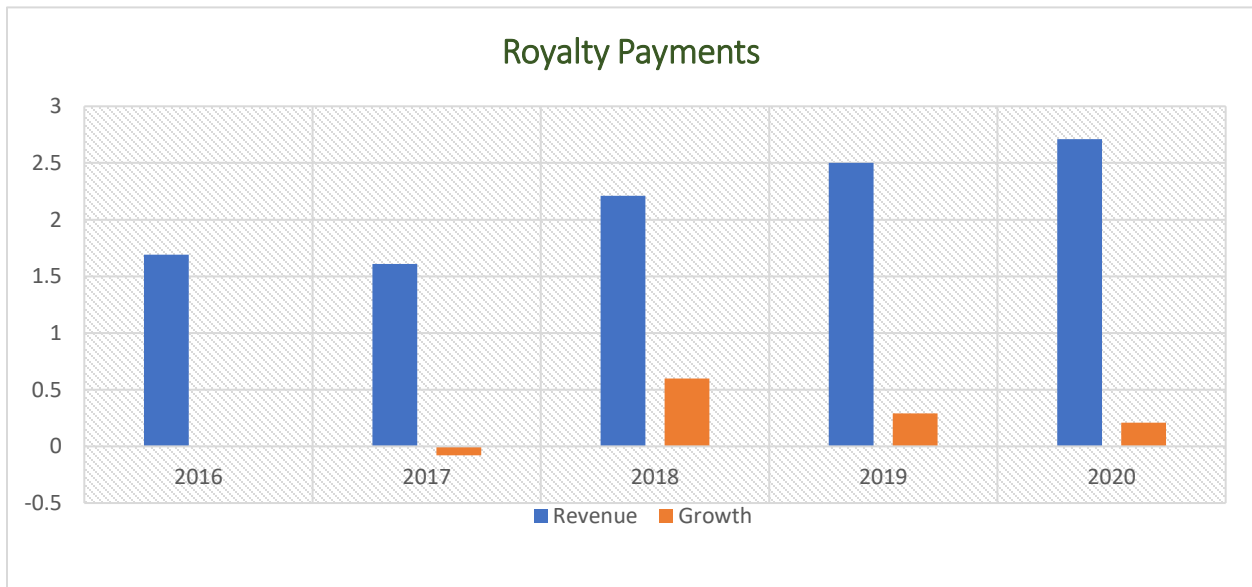


Figure 17: Royalty Payments

4.7 Company Income Tax

The total company income tax received in 2020 was ₦17.04 billion as against ₦4.56 billion received in 2019, representing a huge increase of 274% as shown in table 44 below. The increase in CIT is as a result of measures put in place by FIRS to reduce tax evasion as well as increase in tax audit and monitoring activities. Notably, the CIT paid by companies in 2020 was from the activities of the preceding year.

Table 44: Company Income Tax 2016-2020

Description	2016 billion ₦	2017 billion ₦	2018 billion ₦	2019 billion ₦	2020 billion ₦
Revenue	10,580,000.00	2,360,000.00	10,030,000.00	4,557,019.00	17,043,158.00
Growth	-	-8,220,000.00	7,670,000.00	-5,472,981.00	12,486,139.00
Annual percentage growth (%)	-	-77.69	325	-54.57	274

Source: 2020 Solid Mineral Audit Template

The CIT payments by extractive companies over the five-year period under consideration is represented in figure 19 below.

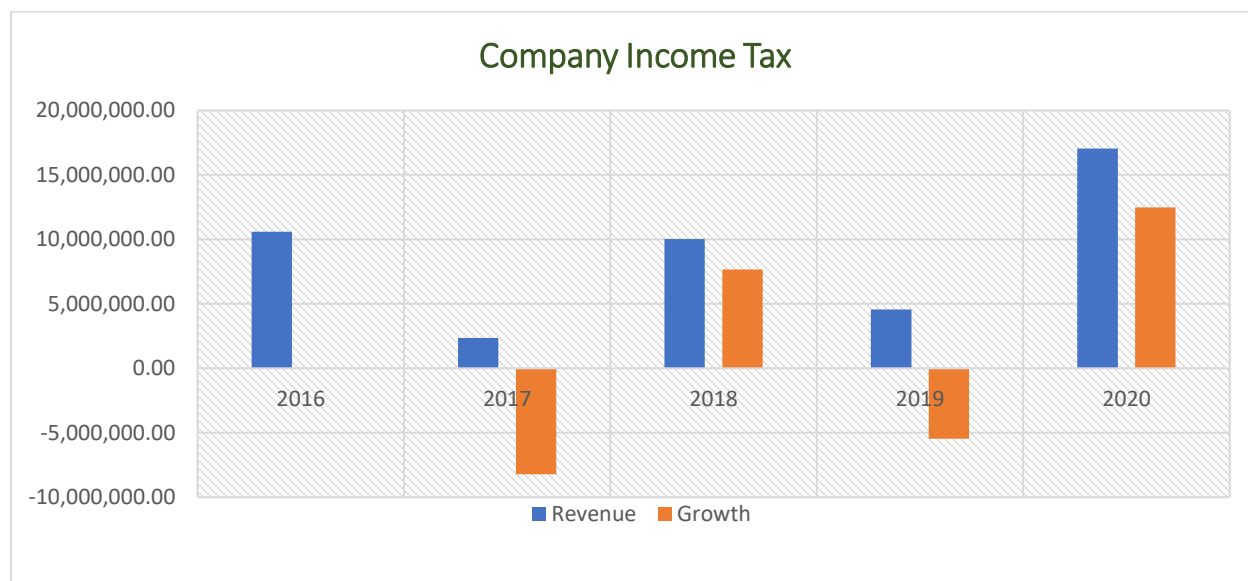


Figure 18: 5-Year Company Income Tax Trend

4.8 Value Added Tax

The VAT received in 2020 was ₦67.52 billion as against ₦41.91 billion received in 2019. This represents a significant increase of 61.11%. The increase in VAT is also attributed to the measures put in place by FIRS to reduce tax evasion as well as increase in tax audit and monitoring activities.

Table 45: Value Added Tax Five-Year Trend Analysis

Description	2016 billion ₦	2017 billion ₦	2018 billion ₦	2019 billion ₦	2020 billion ₦
Revenue	20.25	34.03	39.58	41.91	67.52
Growth	-	13.78	5.55	2.33	25.61
Annual percentage growth	-	68.05	16.31	5.89	61.11

Source: NEITI 2020 Solid Mineral Audit Template

The VAT payments by extractive companies over the five-year period under consideration is represented in figure 19 below.

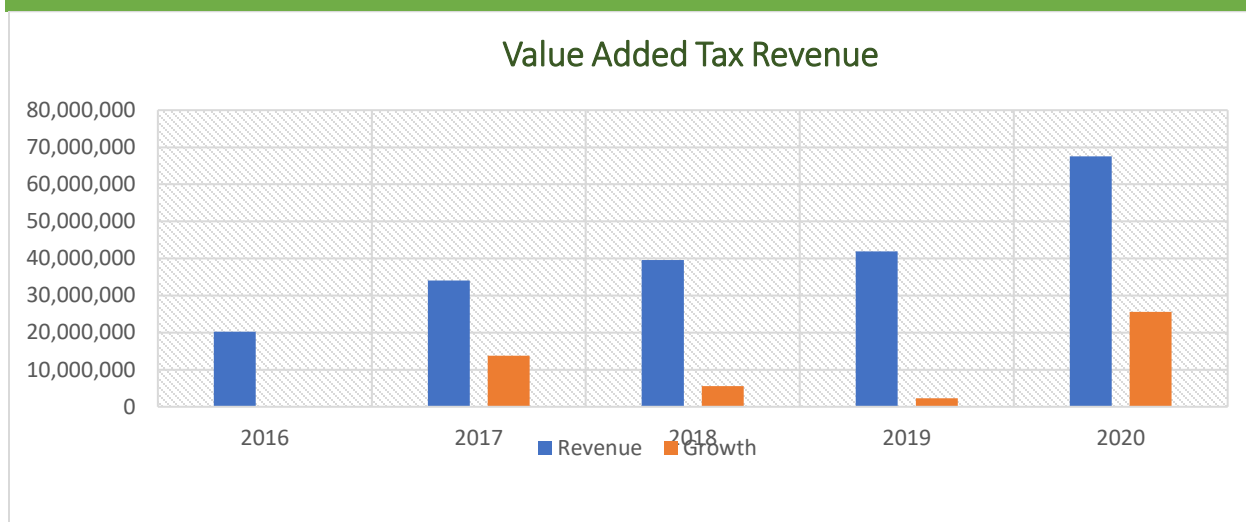


Figure 19: 5-Year Value Added Tax Trend

4.9 Withholding Tax

There was a consistent increase in withholding tax (WHT) received from the solid minerals sector from 2016 to 2019. However, in 2020 WHT decreased by 5.70%; from ₦17.20 billion in 2019 to ₦16.22 billion as shown in table 46 below. The effect of covid-19 may have led to the decline in WHT received as government and private sectors driven transactions during the year were generally low due to lockdowns and movement restrictions which ultimately impacted on business activities.

Table 46: Five-Year Trend Analysis of Withholding Tax

Description	2016 billion ₦	2017 billion ₦	2018 billion ₦	2019 billion ₦	2020 billion ₦
Revenue	7.18	10.25	12.29	17.20	16.22
Growth/(Decline)	-	3.07	2.04	4.91	(0.98)
Annual percentage growth		42.76	19.90	39.95	(5.70)

Source: NEITI 2020 Solid Mineral Audit Template

The WHT payments by extractive companies over the five-year period under consideration is also represented in figure 20 below.

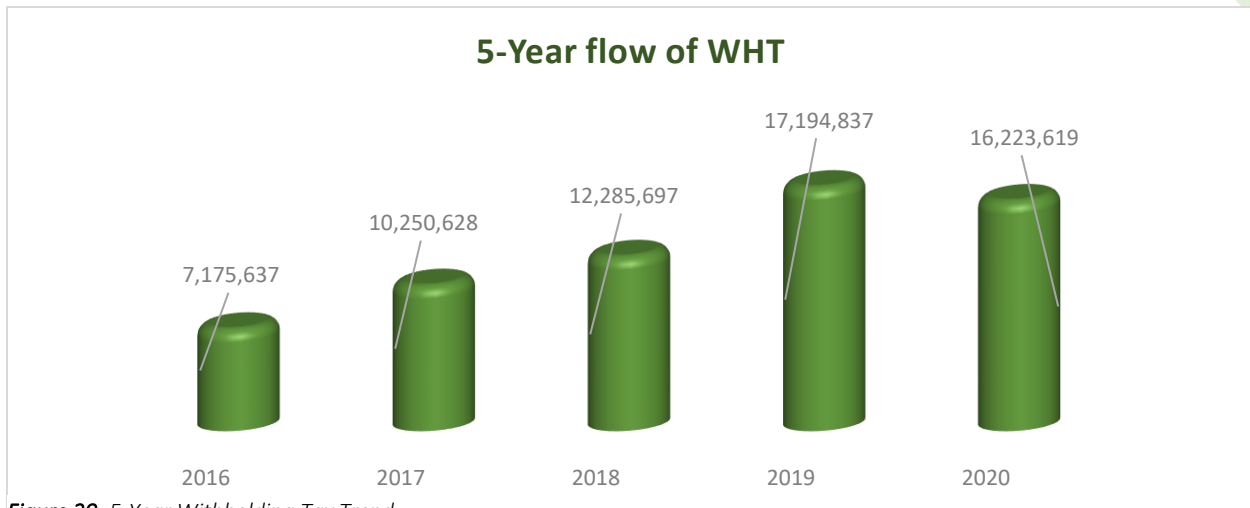


Figure 20: 5-Year Withholding Tax Trend

4.10 Education Tax

A five-year trend analysis of Education Tax (EDT) paid by the covered extractive companies from 2016 to 2020 is shown in table 47 below. Over the period, the highest EDT was received in 2020 as there was an increase by 52.07% from what was received in 2019.

Table 47: Five-Year Trend Analysis of Education Tax

Description	2016 billion ₦	2017 billion ₦	2018 billion ₦	2019 billion ₦	2020 billion ₦
Revenue	2.28	2.52	3.79	5.21	7.93
Growth	-	0.24	1.27	1.42	2.72
Annual percentage growth		10.53	50.40	37.47	52.21

Source: NEITI 2020 Solid Mineral Audit Template

The EDT payments by extractive companies over the five-year period under consideration is also represented in figure 21 below.

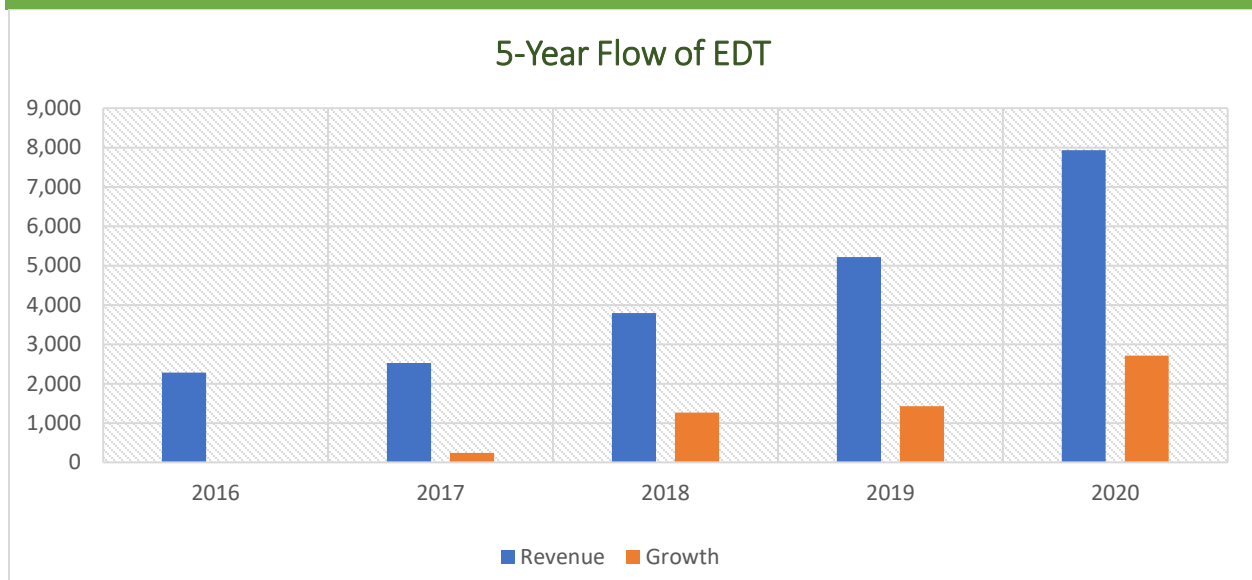


Figure 21: 5-Year Education Tax Trend

4.11 Subnational Payments

All payments to states and Local Government Authorities (LGAs) are classified as subnational payments. These payments have been disclosed under unilateral disclosures. The total payments received by states and LGAs was ₦8.79billion as presented in table 48 below (also see Appendix 16 for detailed payments received by states and LGAs).

Table 48: Breakdown of Subnational Payments

S/N	Agency/Revenue Stream	2020 billion ₦
1	Pay As You Earn (PAYE)- State Government	8.67
2	Property Rates (Tenement Rates)- Local Government Authority	0.12
Total		8.79

Source: NEITI 2020 Solid Mineral Audit Template

4.11.1 Infrastructure and Barter Arrangements

In line with Requirement 4.3 of the EITI standard 2019 *Infrastructure Provisions and Barter Arrangements*, the IA reviewed the NSWG position as contained in the materiality document. The IA further interacted with stakeholders in the sector and can affirm that there was no infrastructure and/or barter arrangement in the solid minerals sector in 2020.



4.11.2 Transportation Revenue

In line with Requirement 4.4 of the EITI standard 2019 *Transportation Revenues*, the IA reviewed the NSWG position as contained in the materiality document. The IA also interacted with stakeholders in the sector and can affirm that the



federation did not earn any revenue from the transportation of solid minerals in 2020.

4.11.3 Transactions with State-Owned Enterprises

In line with Requirement 4.5 of the EITI standard 2019 on transactions relating to state-owned enterprises, the IA reviewed the NSWG position as contained in the materiality document. The IA interacted with stakeholders in the sector and can affirm that there were no state-owned enterprises related transactions as there was no state participation in the Nigerian solid minerals sector in 2020.



4.11.4 Sale of State’s Share of Production or Revenue Collected In-Kind.

In line with Requirement 4.2 of the EITI standard 2019, non-financial transactions are regarded as in-kind payments. This arises when companies use minerals produced to offset financial obligations such as taxes, royalty, levies, and other liabilities. In 2020, the IA reviewed the NSWG position as contained in the materiality document. The IA interacted with stakeholders in the sector and can affirm that there was neither sale of the state’s share of production nor revenue collected in-kind.



4.12 Findings and Recommendations

FINDINGS	RECOMMENDATION
<p>₦128.28 billion was generated from the solid minerals sector in 2020 through the 58 revenue streams identified by NEITI.</p>	<p>Government and international development partners should support NEITI to develop and improve her technical capacity, working tools, facilities and equipment with a view to putting her in a better position to discharge her responsibilities.</p>
<p>The total tax revenue from CIT and VAT grew significantly. While CIT grew by 274% from ₦4.56 billion in 2019 to ₦17.04 billion in 2020, VAT grew by 61.11% from ₦41.91 billion in 2019 to ₦67.52 billion in 2020. This is as a result of the measures put in place by FIRS to reduce tax evasion as well as increase in tax audit and monitoring activities.</p>	<p>There is need to sustain the fiscal and other measures currently in place and where necessary review to ensure continuous revenue growth from the sector.</p>
<p>It was observed that there was consistent increase in the revenue from WHT between 2016 and 2019, but this dropped in 2020 from ₦17.20 billion in 2019 to ₦16.22 billion, representing 5.70% decrease. The effect of the Covid-19 pandemic may have led to the decline in revenue from WHT, as government and private sectors’ driven business during the year were generally slow due to lockdowns and movement</p>	<p>Government and private sector business operators should collaborate on developing and implementing digital and electronic business transaction platforms or models that are efficient and require less human interface.</p>

<p>restrictions which ultimately impacted on economic activities.</p>	
<p>The audit identified a total sum of ₦2.76 billion as outstanding company liability to government within the period under review. The liability was as a result of the failure on the part of 2,119 companies to pay the annual service fees for their respective mineral titles. Annual service fee is a statutory payment by mineral title holders for each cadastral unit on mineral titles. See appendix 15 for the details of the defaulting companies.</p>	<p>MCO should intensify effort and vigorously pursue the recovery of the outstanding liability into government coffers.</p> <p>MCO should invoke the relevant sections of the Nigerian Minerals and Mining Act 2007 and the regulations made pursuant thereto, and revoke mineral titles whose holders have defaulted in the payment of their annual service fee to the Federal Government of Nigeria.</p> <p>Similarly, after the revocation of such titles, the holders should be made to pay all outstanding liabilities prior to the revocation in accordance with the Act.</p>

Chapter 5

REVENUE ALLOCATION



5.0 Revenue Allocation

Section 162 of the 1999 Constitution of the Federal Republic of Nigeria established the Federation Account. This is a pool of accounts where all revenues accruing to the Federation are received and disbursed to the three tiers of government (Federal, State and Local Government) in accordance with extant revenue sharing formula. The revenue sharing formula is determined by the Revenue Mobilization Allocation and Fiscal Commission (RMAFC).



(see table 49 for current sharing arrangement).

This chapter of the report addresses Nigeria's budgetary procedure, subnational transfers, and how revenue from the solid minerals sector is distributed. It also analyzes the sector's revenue and expenditure management, with a focus on the solid minerals development fund.

5.1 Revenue Management and Expenditure

The Medium-Term Revenue Strategy (MTRS), the Medium-Term Sector Strategies (MTSS), and the Medium-Term Expenditure Framework (MTEF) are basic policy instruments put in place to manage the Nation's budget process as an economic instrument to manage revenue and expenditure by the Nigerian Government.

The MTSS is a method for tying MDA policy, budgets, monitoring, and evaluation together as well as a tool for enhancing development outcome. The MTSS report is a policy piece that is used to evaluate MDA budget proposals and revenue disbursed for projects. MDAs use the framework to outline their goals against the backdrop of the government's medium and long-term growth goals. The MDAs classify and record major activities and programmes that they intend to perform over the next three years, assigning a cost to each project and programme and linking it to projected outcome. This is critical to solve the issue of MDAs launching numerous initiatives with insufficient resources, making them impossible to execute.

5.1.1 Overview of Nigeria's Budgetary Process

In Nigeria, the budget preparation is a shared responsibility between the executive and the legislative arms of government. The National budget is prepared in line with the National Chart of Accounts (NCOA) and in compliance with the International Public Sector Accounting Standards (IPSAS).

Nigeria's budget processes are in four (4) stages:

- Budget formulation,
- Approval,
- Execution, and
- Control.

The first two stages are said to be ‘ex-ante’ (before the President’s assent) while the last two are called ‘ex-post’ (after the President’s assent). This process revolves around the executive and legislative structures.

The executive's primary responsibility is to draft the annual budget and present it to the legislature, which then reviews, debates and in some cases, amends the executive's spending plan before approving it. The approved bill is signed into law by the President, while other relevant agencies oversee its implementation. Section 81 of the constitution gives the President the liberty to lay the Appropriation Bill before the National Assembly at any time before the commencement of the next financial year. Figure 35 below shows the different stages of budget preparation in Nigeria.



Figure 22: Budget Process

5.1.2 Medium Term Expenditure Framework

The Medium-Term Expenditure Framework (MTEF) is a macroeconomic model that forecasts income and expenditures while indicating fiscal targets. The MTEF's goal is to improve inter- and intra-sectoral resource allocation by prioritizing all expected current and medium-term expenditures and allocating available resources exclusively to the most critical sectors.

The MTEF is legally backed by the Fiscal Responsibility Act (FRA) 2007 to facilitate greater macroeconomic balance, fiscal discipline, and more efficient use of public funds. The Medium-Term Expenditure Framework (MTEF) for the next three years is to be laid before the National Assembly for consideration not later than four months before the commencement of the next financial year. See <https://fiscalresponsibility.ng/> for more information.

The MTEF core parameters for 2021-2023, as well as other macroeconomic estimates driving the medium-term revenue and spending framework, was altered in light of the COVID-19 pandemic in 2020.

The Executive articulates its vision and plans for the economy through the Federal Ministry of Finance (MoF) and the Budget office of the Federation (BOF) to be captured in the budget based on the MTEF. The plan gives details on government agenda on how to boost growth through infrastructure improvement, poverty reduction, effective and efficient utilization of resources amongst others. See link below for more information:

[2021-2023-mtef-fsp \(budgetoffice.gov.ng\)](https://budgetoffice.gov.ng/2021-2023-mtef-fsp)

5.1.3 Federal Government of Nigeria Audit Process

The Office of the Auditor-General for the Federation plays a vital role in enforcing transparency, accountability and judicious utilization of public funds within the framework of the Nigerian Constitution and International Financial Reporting Standard (IFRS). The essence is to build public confidence, ensure good governance and reasonable assurance that those entrusted with public funds are complying with established rules and regulations. For further information, see <https://www.oaugf.ng/>

5.2 Solid Minerals Development Fund

The mandate of the Fund is to act as a catalyst to spur development of Nigeria's mining sector by undertaking targeted sustainable, profit-oriented investments and interventions in key areas, in close coordination with stakeholders in the sector.

Components of the fund (SMDF)

- i. Any sum appropriated for solid minerals development under the revenue act or any other Federal law;
- ii. Any sum appropriated for solid minerals development under the Small and Medium Industries Equity Investment Scheme (SMIEIS);
- iii. Any funds received as grants, donations, foreign loans, bonds and long-term swaps and
- iv. Any sum appropriated to it by the Federal Government budgetary allocation.

For further information visit, (<https://smdf.gov.ng/>)

5.3 Distribution of Revenue

The 1999 constitution established that all revenues collected by the Federal Government 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).

The transfer from Federation Account to the three tiers of government, is made based on two schedules:

a. Non-mineral revenue

Section 193 of the 1999 Constitution stipulates that all centrally collected revenues that accrue to the Federation Account should be distributed to Federal, State, and Local Governments based on a revenue sharing formula, the current sharing formula is shown in the table below.

Table 49: Revenue Allocation Formula

S/N	Tier of Government	Applicable Rate %
1	Federal Government	52.68
2	State Government	26.72
3	Local Government	20.60
	Total	100.00

Source: Federation Account Allocation Committee Report, 2020

b. Mineral revenue

Section 162 (2) of the constitution provides for the distribution of an amount not less than 13% of revenue accruing to the Federation Account directly from any natural resources extracted on the principle of derivation.

Table 50: Minerals Revenue Distribution Formula

S/N	Beneficiary	Applicable Rate %
1	Federal Government	45.83
2	State Government	23.25
3	Local Government	17.92
4	13% Distribution	13
	Total	100.00

Source: Federation Account Allocation Committee Report, 2020

5.4 Federal Transfers

The revenue accruing from the solid minerals sector is paid to the Federation Account from which distribution is made to the three tiers of government based on the sharing parameters as given by RMAFC. The table below shows the distribution of solid minerals revenue in 2020.

Table 51: Solid Minerals Revenue Distribution 2020

S/N	Beneficiary	Solid Mineral ₦	Applicable Rate %
1	Federal Government	4,073,104,413.54	45.83
2	State Government	2,065,932,990.31	23.25
3	Local Government	1,592,747,739.54	17.92
4	13% Derivation share	1,155,324,216.83	13.00
	Total	8,887,109,360.22	100.00

Source: Federation Account Allocation Committee Report, 2020

5.5 Solid Minerals Revenue Account

The opening balance of the account as at 1st January 2020, was ₦8.89billion. This amount was distributed by FAAC among the three federating units in April 2020. The amount accrued to the account from 1st January to 31st December, 2020, was ₦5.48 billion as shown in table 52 below.

Table 52: Solid Minerals Revenue Account as at 31st December 2020

Description	Revenue Accrued ₦	Closing Balance ₦
Opening Balance as at 1 st January, 2020	8,887,109,360.22	8,887,109,360.22
January	401,574,249.46	9,288,683,609.68
February	588,388,848.21	9,877,072,457.89
March	469,035,437.83	10,346,107,895.72
April	200,587,353.30	10,546,695,249.02
Distribution in the Month of April 2020	-8,887,109,360.22	1,659,585,888.80
May	348,767,947.15	2,008,353,835.95
June	244,873,659.77	2,253,227,495.72
July	664,418,863.81	2,917,646,359.53
August	520,892,651.30	3,438,539,010.83
September	509,525,055.31	3,948,064,066.14
October	532,203,473.91	4,480,267,540.05
November	468,205,785.93	4,948,473,325.98
December	534,505,648.03	5,482,978,974.01
Closing Balance as at 31st December, 2020	5,482,978,974.01	5,482,978,974.01

Source: Ministry of Mines and Steel Development Data

5.6 States' Share of the Solid Minerals Revenue

A total sum of ₦2,065,932,990.31 was distributed among the 36 states of the federation and the Federal Capital Territory (FCT) during the period under review. In addition, the ₦1,155,324,216.83 13% derivation amount, as stated in table 51, was equally shared to the 36 states and FCT on the basis of their contributions to solid minerals revenue. Find below in table 53 the distribution of solid minerals revenue.

Table 53: Distribution of Solid Mineral Revenue in 2020

A	B	C	D	E	f	G	h = (d+e+f+g)	i	j = (h*i)	k=(g-j)
S/N	State	No. of LGA	Federal	State	LG	Actual 13% derivation	Total	RMFAC indices	Computed 13% derivation	difference
			₦	₦	₦	₦	₦	₦	₦	₦
1	Abia	17	-	51,014,776	33,059,341	9,165,715	93,239,832	0.008	9,165,715	-
2	Adamawa	21	-	54,270,949	41,699,614	6,719,839	102,690,402	0.006	6,719,839	-
3	Akwa Ibom	31	-	54,775,284	55,541,436	2,705,159	113,021,880	0.002	2,705,159	-
4	Anambra	21	-	54,169,279	41,924,964	5,207,403	101,301,646	0.005	5,207,403	-
5	Bauchi	20	-	65,167,457	47,593,130	33,783,017	146,543,604	0.029	33,783,017	-
6	Bayelsa	8	-	48,205,395	19,372,146	1,746,621	69,324,163	0.002	1,746,621	-
7	Benue	23	-	61,098,704	51,788,691	30,555,023	143,442,418	0.026	30,555,023	-
8	Borno	27	-	67,688,607	56,226,999	3,566,322	127,481,928	0.003	3,566,322	-
9	Cross River	18	-	54,784,626	36,247,775	59,490,760	150,523,162	0.051	59,490,760	-
10	Delta	25	-	55,317,186	46,446,325	5,742,094	107,505,605	0.005	5,742,094	-
11	Ebonyi	13	-	48,740,624	26,813,768	39,722,763	115,277,154	0.034	39,722,763	-
12	Edo	18	-	50,941,764	35,537,726	43,189,423	129,668,912	0.037	43,189,423	-
13	Ekiti	16	-	48,713,120	28,218,243	6,142,648	83,074,011	0.005	6,142,648	-
14	Enugu	17	-	54,789,354	36,106,857	4,065,729	94,961,941	0.004	4,065,729	-
15	Gombe	11	-	51,316,247	24,740,444	27,154,164	103,210,856	0.024	27,154,164	-
16	Imo	27	-	56,644,126	48,391,221	2,406,078	107,441,424	0.002	2,406,078	-
17	Jigawa	27	-	60,926,012	50,839,534	3,284,475	115,050,021	0.003	3,284,475	-
18	Kaduna	23	-	71,381,909	57,173,870	30,796,159	159,351,938	0.027	30,796,159	-
19	Kano	44	-	86,415,748	91,025,701	15,544,864	192,986,313	0.013	15,544,864	-
20	Katsina	34	-	66,969,745	69,299,415	6,171,763	142,440,923	0.005	6,171,763	-
21	Kebbi	21	-	57,527,345	43,735,370	14,790,196	116,052,911	0.013	14,790,196	-
22	Kogi	21	-	60,213,763	45,203,708	179,336,006	284,753,477	0.155	179,336,006	-
23	Kwara	16	-	48,495,938	31,986,358	13,768,282	94,250,578	0.012	13,768,282	-
24	Lagos	20	-	72,983,705	54,488,639	25,969,278	153,441,623	0.022	25,969,278	-
25	Nassarawa	13	-	50,241,896	28,537,345	29,695,282	108,474,522	0.026	29,695,282	-
26	Niger	25	-	64,533,478	52,820,424	27,927,150	145,281,052	0.024	27,927,150	-
27	Ogun	20	-	50,615,042	37,681,899	251,237,586	339,534,528	0.217	251,237,586	-
28	Ondo	18	-	50,715,317	35,988,597	39,357,945	126,061,859	0.034	39,357,945	-
29	Osun	30	-	49,687,168	48,747,465	20,564,792	118,999,425	0.018	20,564,792	-
30	Oyo	33	-	61,105,454	61,491,123	45,503,922	168,100,500	0.039	45,503,922	-
31	Plateau	17	-	56,891,192	38,546,695	33,486,282	128,924,169	0.029	33,486,282	-
32	River	23	-	58,755,139	47,780,766	4,468,872	111,004,777	0.004	4,468,872	-
33	Sokoto	23	-	60,042,418	48,122,627	13,904,884	122,069,929	0.012	13,904,884	-
34	Taraba	16	-	52,479,582	36,068,070	7,652,456	96,200,108	0.007	7,652,456	-
35	Yobe	17	-	54,099,712	36,263,283	3,956,266	94,319,262	0.003	3,956,266	-

36	Zamfara	14	-	54,214,929	32,766,300	40,247,616	127,228,846	0.035	40,247,616	-
37	FCT-Abuja	6	-	0	14,471,868	66,297,381	80,769,250	0.057	66,297,381	-
	Sub-total	774	4,073,104,413.54	2,065,932,990	1,592,747,740	1,155,324,217	4,814,004,946	1.000	1,155,324,217	-
Federal Government		48.50%	-	-	-	-	3,749,915,795	-	-	-
1.46% derivation & ecology FGNFCT – Abuja		1%	-	-	-	-	77,317,851	-	-	-
1.46% Derivative & Ecology FGN Share FCT		1%	-	-	-	-	77,317,851	-	-	-
0.72% Stabilization account		0.50%	-	-	-	-	38,658,926	-	-	-
3.0% Development of natural resources		1.68%	-	-	-	-	129,893,990	-	-	-
Subtotal		52.68%	-	-	-	-	4,073,104,414	-	-	-
TOTAL			4,073,104,414	2,065,932,990	1,592,747,740	1,155,324,217	8,887,109,360	1	1,155,324,217	-

Source: FAAC Report, 2020

Chapter 6

SOCIAL AND ECONOMIC EXPENDITURE



BUA Cement donates 6 transformers, 2 patrol vans to host community. Okpella, Edo State.



Dangote Refinery awards Scholarship to students in Host Communities. – Lagos State.



Dangote Cement to train, support Cooperative Societies Members in Kogi State.

6.0 Background

The EITI requirements on social payments, environment, quasi fiscal expenditures, the contribution of extractive sector to the economy and environmental impact of the extractive activities as part of the content of the report. Validation is a process in the EITI that requires all implementing countries to adhere to the same set of standards as clearly outlined in the EITI standard 2019. <http://www.eiti.org/>

EITI emphasises reporting of company and government policies on public disclosure of policy actions and operations in the areas outlined below:

1. Social payments are 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.
2. Environmental expenditures are payments by companies to the government related to the environment.
3. Quasi fiscal expenditures- if the state-owned enterprise participates in the sector its revenues/expenditures need to be disclosed.
4. The contribution of extractive sector to the economy- information about the size of the GDP, total government exports, employment, and key regions of production in absolute terms and as a percentage of its totals.
5. Environmental impact of the extractive activities- information on the management and monitoring of the environmental impact of the extractive industries.

6.1 Social Expenditure

Extractive firms' social expenditures relate to efforts, payments, contribution or programmes aimed at improving the well-being of their host communities and promoting development. These expenses are both required and optional. The mandatory social expenditures are those that are required by Section 116 of the Mining Act, which requires extractive companies to enter into a community development agreement (CDA) with their host communities before beginning operations, whereas the non-mandatory social expenditures are essentially optional.

6.1.1 Social Expenditures by Extractive Companies

The social expenditure in 2020, based on data received from 29 companies, was ₦3.87 billion (see table 54), representing an increase of 49% compared to the 2019 figure. There is still much to be done by regulatory agencies to ensure all companies in the industry abide by the social expenditure commitments they signed in the CDAs before commencing operations. (See **Appendix 17** for details)

Table 54: Social Expenditure Disclosed by Extractive Companies

S/N	Company	Mandatory ₦'000	Non-Mandatory ₦'000	Total ₦'000	Contribution %
1	Dangote Plc	10,000.00	2,172,302.33	2,182,302.33	56.36
2	Lafarge-Wapco	-	1,260,962.06	1,260,962.06	32.57
3	First Patriots	180,000.00	39,912.00	219,912.00	5.68
4	CCECC Nigeria Limited	49,248.51	-	49,248.51	1.27
5	Triacta Nigeria Ltd	18,675.00	16,835.00	35,510.00	0.92
6	Sizhe Global Investment Limited	19,000.00	-	19,000.00	0.49
7	SCC Nigeria Limited	17,838.60	-	17,838.60	0.46
8	China Harbour Engineering	16,000.00	-	16,000.00	0.41
9	Seaman Mining	15,640.00	-	15,640.00	0.40
10	Tongyi /Brass Engineering	9,850.00	-	9,850.00	0.25
11	Hi-tech construction limited	7,920.00	250.00	8,170.00	0.21
12	Inorganic Earth Resources	8,000.00	-	8,000.00	0.21
13	Mercury Mining Investment Limited	5,110.00	-	5,110.00	0.13
14	CCNC Nig Ltd	4,500.00	-	4,500.00	0.12
15	Crushed Rock Industries (Nig) Ltd	3,300.00	-	3,300.00	0.09
16	Brothers Quarry Nig. Ltd	2,300.00	-	2,300.00	0.06
17	SJA West Africa Limited	-	2,000.00	2,000.00	0.05
18	Platinum Asphalt and Crushing Company	943.75	650.00	1,593.75	0.04
19	CNBM Mining & Investment Ltd.	750.00	800.00	1,550.00	0.04
20	Kopek Construction Company	300.00	1,230.00	1,530.00	0.04
21	Fu-hua Mining	1,260.00	-	1,260.00	0.03
22	Xin xin Mining Resources	1,260.00	-	1,260.00	0.03
23	Mark-sino	1,250.00	-	1,250.00	0.03
24	Saturn Mining Company Limited.	1,200.00	-	1,200.00	0.03
25	A&B Global Service Limited	500.00	600.00	1,100.00	0.03
26	XVE Gao (Nig.) Limited	610.00	-	610.00	0.02
27	Z & Y Investment Limited	600.00	-	600.00	0.02
28	NBHH HydroExport Limited	500.00	-	500.00	0.01
29	Homaset Limited	-	100.00	100.00	0.00
Total		376,555.86	3,495,641.39	3,872,197.26	100.00

Source: Solid Mineral Audit 2020 Data

6.2 Quasi-Fiscal Expenditure

The IA reviewed the NSWG position on quasi-fiscal expenditure and confirmed that there was no quasi-fiscal expenditure in the solid minerals sector in 2020.

6.3 Contribution to the Economy

During the period under review, the solid minerals sector has made contribution to the economy in the following areas; gross domestic product, government revenue, export and employment.

6.3.1 Contribution to Gross Domestic Product (GDP)

Nigeria's total GDP in 2020 was ₦152.32 trillion, with the solid minerals sector contributing ₦686.64 billion (0.45%). This was higher than the 0.26% contribution of 2019 (National Bureau of Statistics). Although, the sector's contribution grew by 86.08% in 2020, this is still far from the 5% expected contribution to GDP by 2025 set by the Solid Mineral Development Roadmap.

The contributions of the respective sub-sectors of the solid mineral sector are presented in the table below:

Table 54: Contribution of Solid Minerals to the National GDP

Description	2020 billion ₦
National GDP	152,320.00
Sector Contribution	686.64
Percentage Contribution (%)	0.45%

Source: www.nigerianstat.gov.ng

The contribution of mining and quarrying activities to the economy in 2020 is shown in table 55 below.

Table 55: Sectoral Contribution to GDP

Mining and Quarrying	2020 billion ₦	Contribution %	Contribution to national GDP %
Quarrying and other Minerals	656.18	95.56	0.43
Coal	15.23	2.22	0.01
Metal Ores	15.23	2.22	0.01
Total Sector Contribution	686.64	100	0.45

Source: <https://www.nigerianstat.gov.ng/>

6.3.1.1 Five-Year Trend of Solid Minerals Contribution to GDP

The total contribution of the solid minerals sector to GDP in the last five years was ₦1.49trillion. Although, there is still much to be done to improve the sector's contribution to GDP, it is however encouraging to see a steady year-on-year increase in the last five years. Table 56 below shows the sector's contribution from 2016 to 2020.

Table 56: Five-Year Trend of Solid Minerals Contribution to GDP

Description	2016 billion ₦	2017 billion ₦	2018 billion ₦	2019 billion ₦	2020 billion ₦	Total billion ₦
National GDP	67,980.00	113,719.05	127,762.55	144,210.49	152,320.00	605,992.09
Sector Contribution	87.61	126.03	224.79	368.998	686.64	1,494.07
Percentage Contribution	0.13%	0.11%	0.18%	0.26%	0.45%	0.24%

Source: NEITI Solid Mineral Audit Reports

6.3.2 Contribution of Solid Minerals Industry to Government Revenue

The total revenue generated by the Federal Government and remitted to the Federation Account was ₦3.42 trillion, with the solid minerals sector contributing ₦116.80 billion. The table below shows the solid minerals sector's contribution to government revenue in 2020, with bulk of the total revenue being contributed from taxes.

Table 57: Solid Mineral Contribution to Federal Government Revenue

Description	Contribution billion ₦	Contribution (%)
Federal Revenue	3,420.00	100
Solid Minerals Sector Contribution		
MID – Royalty	3.03	2.59
MCO - Annual Service Fee	2.30	1.97
Sub-total MMSD	5.33	4.56
FIRS – VAT	67.519	57.81
FIRS – CIT	17.043	14.59
FIRS – EDT	7.929	6.79
FIRS – WHT	16.223	13.89
FIRS – CGT	0.612	0.52
FIRS – SD	0.548	0.47
FIRS – others	1.596	1.37
Sub-total FIRS	111.47	95.44
Total Sector Contribution	116.80	100

Source: 2020 Solid Mineral Audit Reconciled Templates

6.3.2.1 Five-Year Trend Analysis of Contribution to Government Revenue

Table 58: Five-Year-Trend Analysis of Contribution to Government Revenue

Description	2016	2017	2018	2019	2020	Total
	billion ₦	billion ₦	billion ₦	billion ₦	billion ₦	billion ₦
Federal Government Revenue	5,679.03	7,350.00	9,444.49	10,215.05	3,420.00	36,108.57
Solid Mineral Sector Contribution	41.98	52.76	69.47	75.02	116.80	356.03
%Contribution	0.74	0.72	0.74	0.73	3.42	0.99

Source: NEITI Reports

The sharp increase in the revenue accruing to the sector in 2020 despite the Covid-19 pandemic may not be unconnected with the fiscal measures taken by the Federal Government in respect of tax collection in Nigeria.

The trend analysis of solid minerals contribution to government revenue over the five-year period under consideration is also represented in figure 23 below:

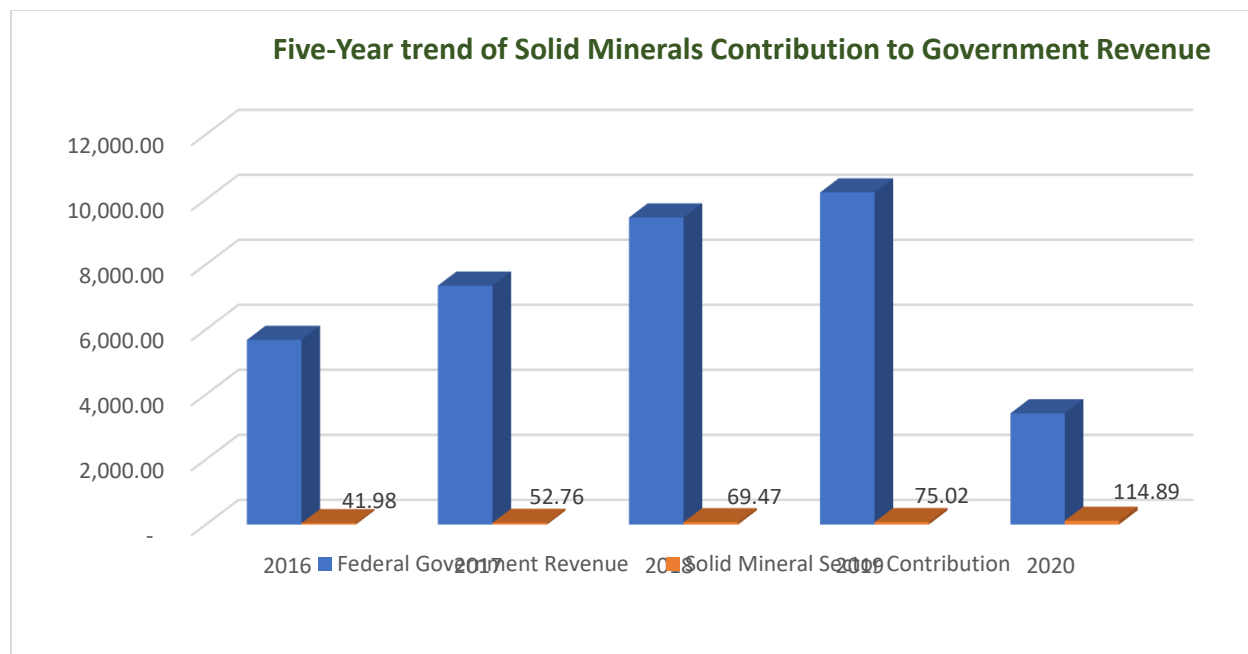


Figure 23: Five-Year Trend of Solid Mineral Contribution to Government Revenue

6.3.3 Contribution to Export

Total solid minerals export value as per NBS data was ₦13.34billion in 2020, which was 0.11% of the total export value for the country. The analysis of export is provided in table 59 below while table 60 shows the trend analysis of export figures from 2016 to 2020. See Appendix 20 for details.

Table 59: Breakdown of Nigeria's Export

Description	billion ₦	Contribution %
Oil and Gas	9,444.66	75.42
Solid Minerals	13.34	0.11
Others	3,064.68	24.47
Total Export	12,522.68	100.00

Source: National Bureau of Statistics/ Foreign Trade in Goods Statistics (Q4 2020) Page 81

Table 60: Trend Analysis of Solid Minerals Export from 2016-2020

Description	2016 billion ₦	2017 billion ₦	2018 billion ₦	2019 billion ₦	2020 billion ₦
Total Export	8,527.43	13,598.28	19,099.55	24,274.69	12,522.68
Solid Mineral Sector Contribution	11.16	77.24	64.41	124.23	13.34
Percentage Contribution	0.13%	0.57%	0.34%	0.51%	0.11%

Source: NEITI Solid Mineral Audit Reports 2016 – 2020

There was an 89% decline in exports from ₦124.23 billion in 2019 to ₦13.34 billion in 2020 as a result of the impact of the covid-19 pandemic. The trend analysis of solid minerals over the five-year period under consideration is also represented in figure 24 below.

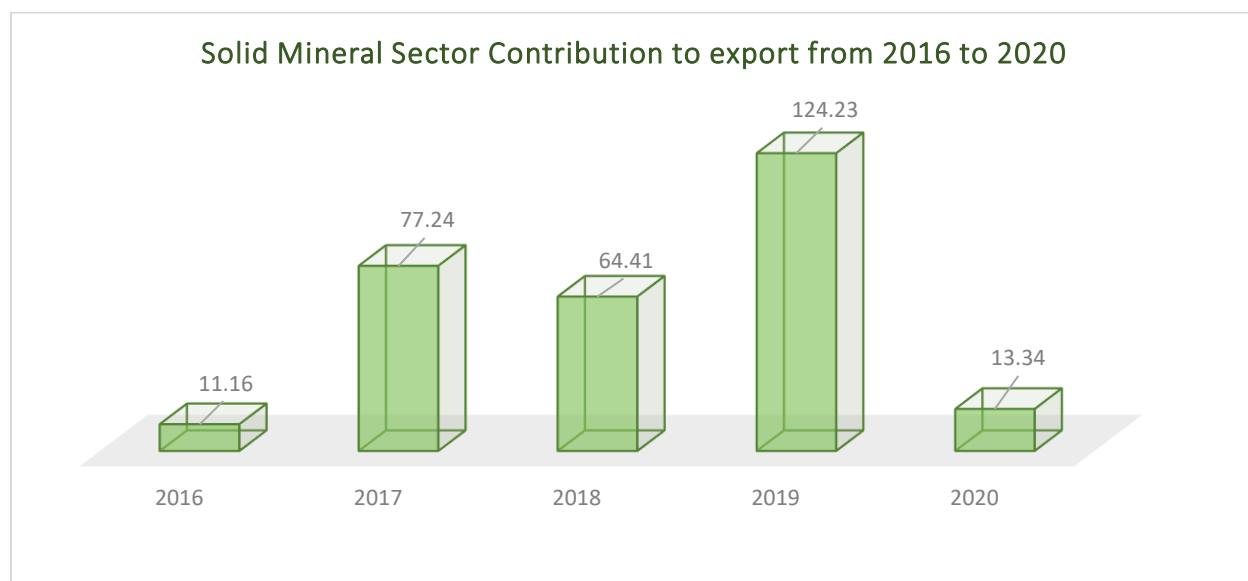


Figure 24: Solid Minerals Sector Contribution to Export from 2016 - 2020

6.3.4 Contribution to Employment

The last employment information from National Bureau of Statistics (NBS) on mining and quarrying was in 2017. Specifically, 129,705 persons were employed in the sector representing 0.5% of the total employment in the Country as shown in the table below.

Table 61: Employment Statistics

Category	Work Hours	Number	%
Unemployed	1 - 19	18,014	0.2
Underemployed	20 - 39	25,616	0.1
Full-Time Employed	40	86,076	0.2
Total		129,705	0.5

Source: NBS Labor Force Statistics Vol. 2: Employment by sector Report (Q3 2017)

6.4 Employment Data for Covered Entities

Using the NSWG approved materiality threshold, employment data were requested from 102 companies that fell within the threshold, however, only 29 companies provided employment data. Out of the 5,820 employees reported in 2020, about 86% were male and 14% were female.

Table 62: Employment Data of Covered Companies

Category	Non-physically Challenged	Physically Challenged	Total	%
Male	5017	5	5022	86.31
Female	796	2	798	13.69
Total	5813	7	5820	100.00

Source: NEITI 2020 Solid Mineral Audit Employment Data

The employment data for covered companies in the year 2020 is represented in figure 25 below.

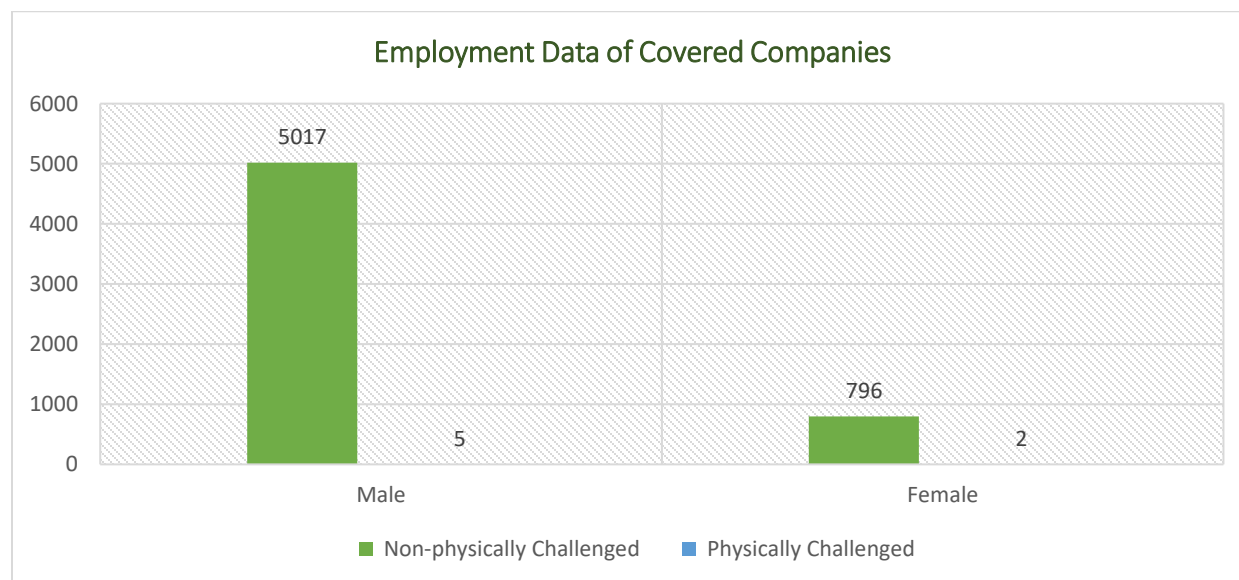


Figure 25: Employment Data of Covered Companies

6.5.1 Institutional Regulation of the Environment

By the provision of section 20 of the Nigerian Constitution, the State has a mandate to protect and improve the environment and keep it safe. Specific legal provisions governing environmental management in Nigeria are contained in the various Acts listed in the table below.

Table 63: Institutional Regulation of the Environment

S/N	Act	Description
1	Environmental Impact Assessment (EIA) Act 2004	This law sets out the general principles, procedures and methods of environmental impact assessment in respect of public and private projects. An Environmental Impact Assessment (EIA) is an assessment of the potential impacts whether positive or negative, of a proposed project on the natural environment.
2	Harmful Waste (Special Criminal Provisions etc.) Act 2004	The Act prohibits, without lawful authority, the carrying, dumping or depositing of harmful waste

		in the air, land or waters of Nigeria and provides for a punishment of life imprisonment for offenders as well as the forfeiture of land or anything used to commit the offence.
3	Nigerian Minerals and Mining Act (NMMA), 2007	The Act vests control of all properties and minerals in Nigeria in the State and prohibits unauthorized exploration or exploitation of minerals.

In the Nigerian solid minerals sector, strong environmental protection compliance measures are in place. Extractive entities are required to conduct and submit an environmental impact assessment (EIA) in accordance with the applicable Act. To mitigate against the potential impact of their mining activities on the mining sites and their environs, license holders must put in place measures to ensure environmental protection and adherence to rehabilitation programmes and the CDAs signed with host communities.

Table 64: Other Institutional Regulators in relation to Environmental protection

S/N	Ministry	Key Function
1	Federal Ministry of Environment (FMoE)	The Federal Ministry of Environment works to ensure environmental protection, natural resources conservation and sustainable development.
2	Ministry of Mines and Steel Development (MMSD)	MMSD is tasked with the responsibility of maximizing the economic potential of Nigeria's solid minerals sector. It is in charge of identifying the country's solid minerals, advising the government on the formulation and implementation of laws and regulations governing the various stages of prospecting, quarrying, and mining, and handling the sale and consumption of solid minerals in the country through the issuance of permits, licenses, leases, and rents, fees, and royalties.
3	National Environmental Standard Regulation and Enforcement Agency (NESREA)	The Agency is responsible for protecting Nigeria's environment by enforcing all environmental laws, regulations, guidelines and standards. This includes enforcing environmental conventions, treaties and protocols to which Nigeria is a signatory.
4	Federal Ministry of Water Resources	Her mission is to provide Nigerians with sustainable access to clean and sufficient water to meet their cultural and socioeconomic needs in a way that improves public health, food security, and poverty reduction while preserving the nation's fresh water ecosystem. It is in charge of developing and implementing water resource programs.

In reality, the EIA Act holds any person or business body that violates the Act accountable to a fine or imprisonment of up to five years. Nigeria's National Environmental Standards and Regulations Enforcement Agency (NESREA), monitors environmental compliance. The Act gives the agency the authority to enforce all environmental laws, rules, recommendations, standards, as well as to safeguard the Nigerian environment in general.

Environmental monitoring activities are also supported at the State level, especially with the launching of Mineral Resources and Environmental Management Committee (MIRENCO). Individual states also have other environmental protection bodies authorized by law to enforce all environmental laws and regulations.

The IA identified poor compliance with environmental standards while conducting the 2020 NEITI SM audit. Only 44 of the 102 organizations examined produced evidence of compliance by displaying their current NESREA environmental audit certificate. The remaining 58 businesses were unable to demonstrate that they were compliant with environmental regulations. As a result, there is a pressing need to untangle the web of environmental compliance so that industry actors take environmental protection more seriously. NESREA may need to improve its monitoring capabilities, which may necessitate additional financing (Include in findings). See **Appendix 18** for the questionnaires.

6.5.2 Environmental Protection and Rehabilitation Fund

The Nigerian Minerals and Mining Act, 2007 under section 121(2) empowers the Minister to establish the Environmental Protection and Rehabilitation Fund (EPRF) to provide an acceptable structure and reporting format for EPRP and to guide in the preparation of an environmental protection and rehabilitation programmes.

The contribution to the Fund will be computed based on each mineral title holder's performance as well as 5% of the project's overall cost. This contribution must be deposited with the Fund for a period of five years, beginning with the first year of operation for new operators or the filing of an approved environmental impact assessment (EIA) for existing mines.

The IA noted the steps taken so far by MMSD as follows:

- Constitution of a 10-man ministerial committee on the establishment of Environmental Protection and Rehabilitation Fund
- A guideline for the production of environmental protection and rehabilitation programme
- Operational manual for the establishment of Environmental and Protection Rehabilitation Fund (EPRF) by the committee
- Opening of a dedicated Fund account domiciled at the Central Bank of Nigeria.

The nomination of the Fund manager was the next step in the authorized implementation framework. The Nigerian Minerals and Mining Act, 2007, gives the Minister the authority to select a respected institution as a Trustee or Fund Manager to operate the Environmental Protection and Rehabilitation Fund. In line with this, the committee proposed five renowned institutions that should be considered and requested to submit profiles as potential EPRF Trustees/Fund Managers, for due process evaluation, final approval and appointment by the Minister.

6.5.3 Environmental Expenditure

The table below presents the environmental expenditure by the covered entities.

Table 65: Environmental Expenditure

S/N	Company	₦
1	Mothercat Nig Ltd.	1,300,000
2	Rock Bottom Mines and Power	4,209,000
3	Solid Unit Nig. Ltd	290,000
Total		5,799,000.00

Source: Ministry of Environment

6.6 Impact of Covid-19 Pandemic on the Nigerian Solid Minerals Sector

The year 2020 is known as "the year of COVID-19 effect." As the pandemic's health effects spread, so did its devastating influence on the global economy. Nigeria's economy was also affected as there was a down turn in most social-economic activities. The country's GDP shrank by 1.8 percent as a result of the 'shut-down and movement restrictions, exacerbated by low oil prices and falling foreign remittances. COVID-19's economic crisis resulted in rising unemployment and high level of insecurity in the country.

The IA undertook a dedicated study, with questionnaires administered to selected stakeholders in the industry, including extractive companies, to gain better understanding of the impact of the pandemic on the Nigerian solid minerals sector in the year 2020.

It should be noted that to keep the level of employment stable during the 'COVID-19 lockdown' in 2020, Government allowed mining activities to continue. Nonetheless, some companies suspended operations for economic reasons attributable to low patronage due to restrictions on inter-state movements. For detailed analysis of the survey, see **Appendix 19**.

6.7 Findings and Recommendations

FINDINGS	RECOMMENDATION
Nigeria's total GDP in 2020 was ₦152.32 trillion and the solid minerals sector contributed ₦686.64 billion representing 0.45%. This contribution was higher than the 0.26% reported in the previous year. However, the sector's contribution to export was 0.14% compared to 0.51% in 2019.	The target of government is to increase the contribution of the solid minerals sector to the GDP to 5%. This can be attained by refocusing on geological data acquisition, harnessing the potentials of ASMs, improving mineral beneficiation, establishing lapidaries, gem stone cutting/polishing etc.
The audit observed that signed Community Development Agreements (CDAs) are housed at MMSD – MECD, which is the repository of such documents. However, the documents are not publicly available.	For the purpose of transparency and accountability in the sector and to ensure healthy relationships between the operators and host communities, the MMSD should make all signed CDAs publicly available and accessible by

Chapter 7

OUTCOMES AND IMPACTS



Buhari inaugurates BUA's new cement plant in Sokoto State.

7.1 Findings and Recommendations

Table 66: Findings and Recommendations in the NEITI 2020 Solid Minerals Audit

S/N.	FINDINGS	RECOMMENDATION
A	FINANCIAL ISSUES	
1	In 2020, the total financial flow into the federation account was ₦114.88billion, representing an increase of ₦40.03 billion from the ₦74billion earned in 2019. The increase (53.40%) can be attributed to the government reforms in the industry and NEITI’s sustained engagements in promoting transparency and accountability and overall reforms in the sector.	Government should continue with and deepen the ongoing reforms in the sector as well as oversee the full implementation of the road map to achieve the set goals.
2	₦128.28 billion was generated from the solid minerals sector in 2020 through the 58 revenue streams identified by NEITI.	Government and international development partners should support NEITI to develop and improve her technical capacity, working tools, facilities and equipment with a view to putting her in a better position to discharge her responsibilities.
3	Nigeria’s total GDP in 2020 was ₦152.32 trillion and the solid minerals sector contributed ₦686.64 billion representing 0.45%. This contribution was higher than the 0.26% reported in the previous year. However, the sector’s contribution to export was 0.14% compared to 0.51% in 2019.	The target of government is to increase the contribution of the solid minerals sector to the GDP to 5%. This can be attained by refocusing on geological data acquisition, harnessing the potentials of ASMs, improving mineral beneficiation, establishing lapidaries, gem stone cutting/polishing etc.
4	Since the last 14 years (2007-2020) NEITI has been conducting SM audits, the solid minerals sector has contributed a total of ₦651.55 billion or USD\$2,68 billion to government’s revenues. Notably, there has been a progressive increase in revenue from the sector.	Government should invest more in the generation of geological data, access to funding and engagement with the relevant stakeholders in order to sustain investment and revenue growth in the sector.
5	Out of the 102 companies covered by the audit, 96 complied well by providing most of the requested information and data representing 94.12%. In contrast, 6 companies did not comply at all as they failed to provide any data. And the material revenue implication of their non-responsiveness was ₦54.25million or 1.99%	This shows significant compliance with the NEITI audit process; it is hereby recommended that government put in place strict sanctions against non-responsive companies. This will deter future occurrence and, most importantly, help to maintain the integrity of the NEITI audit process.
6	The audit identified a total sum of ₦2.76 billion as outstanding company liability to government within the period under review. The liability was	MCO should intensify effort and vigorously pursue the recovery of the outstanding liability into government coffers.

	<p>as a result of the failure on the part of 2,119 companies to pay the annual service fees for their respective mineral titles. Annual service fee is a statutory payment by mineral title holders for each cadastral unit on mineral titles. See appendix 15 for the details of the defaulting companies.</p>	<p>MCO should invoke the relevant sections of the Nigerian Minerals and Mining Act 2007 and the regulations made pursuant thereto, and revoke mineral titles whose holders have defaulted in the payment of their annual service fee to the Federal Government of Nigeria.</p> <p>Similarly, after the revocation of such titles, the holders should be made to pay all outstanding liabilities prior to the revocation in accordance with the Act.</p>
<p>7</p>	<p>The audit report noted that royalty receipts from some states (e.g., Nasarawa, Plateau and Enugu) was materially low notwithstanding that these states are known to have large minerals deposits including high-value minerals such as columbite, tin-ore, lead/zinc etc. The production of these high-value minerals is below expectation. See Appendix 10</p>	<p>Government should create an enabling environment to attract investors into the exploration and exploitation of minerals with higher value in these states.</p>
<p>8</p>	<p>The audit observed that over the years, China has been the major export destination for Nigeria’s solid minerals. This makes the country over reliant on China for mineral export, putting the country at risk in the event of breakdown in business relationship and natural occurrences. For instance, export in 2020 significantly declined by 86% falling from ₦124.23 billion in 2019 to ₦17.53 billion in 2020 as a result of the covid-19 pandemic that affected economic activities and forced major minerals consumers or destinations such as China to reduce import drastically.</p>	<p>Government should mitigate the risk of over dependence on one country for her mineral exports by developing strong business relationship with other countries that may require our solid minerals.</p> <p>The government should also prioritize, embark on, and promote or support industrialization and other policies that encourage local industries and local use of the minerals. This will reduce over dependence on export for revenue or increased revenue from the sector.</p>
<p>9</p>	<p>The total tax revenue from CIT and VAT grew significantly. While CIT grew by 274% from ₦4.56 billion in 2019 to ₦17.04 billion in 2020, VAT grew by 61.11% from ₦41.91 billion in 2019 to ₦67.52 billion in 2020. This is as a result of the measures put in place by FIRS to reduce tax evasion as well as increase in tax audit and monitoring activities.</p>	<p>There is need to sustain the fiscal and other measures currently in place and where necessary review to ensure continuous revenue growth from the sector.</p>

10	<p>It was observed that there was consistent increase in the revenue from WHT between 2016 and 2019, but this dropped in 2020 from ₦17.20 billion in 2019 to ₦16.22 billion, representing 5.70% decrease. The effect of the Covid-19 pandemic may have led to the decline in revenue from WHT, as government and private sectors’ driven business during the year were generally slow due to lockdowns and movement restrictions which ultimately impacted on economic activities.</p>	<p>Government and private sector business operators should collaborate on developing and implementing digital and electronic business transaction platforms or models that are efficient and require less human interface.</p>
B	PHYSICAL ISSUES	
11	<p>The report expressed concern that some of the minerals already identified by the federal government as strategic still remain unexplored/untapped and lacked investments.</p>	<p>Government should encourage the development and exploitation of the identified strategic minerals through the development of mineral corridors, clusters and partnering with competent investors and other stakeholders to explore and develop the mineral resources.</p>
12	<p>The report found that in August 2020, a private sector project, Segilola Gold project, began active gold exploration in Iperinodo, Osun State. The Plant began with an estimated production rate of 80,000oz per day.</p>	<p>NEITI welcomes this development and called for the expansion and sustenance of such laudable private sector led projects in the country.</p>
13	<p>From the report, the quantity of Lead produced in 2020 was 53,988.36 tons. Total export of mineral ores and concentrates was 8,776,199.50 tons during the period. Similarly, 58 exploration licenses were issued for Iron Ore while the total number of valid mineral titles across the country during the year was 187.</p>	<p>Government should encourage minerals beneficiation and ban export of raw ores. Also, government should start focusing on the opportunities presented by the global shift towards renewables in the production of electric vehicles to utilize the abundance of copper, lead, lithium, cobalt and other Rare Earth Element (REE) minerals found in Nigeria, which are used in the manufacture of batteries and other components of electric vehicles.</p>

14	<p>Nigeria has huge deposits of barite cutting across various states (Nasarawa, Plateau, Taraba, Adamawa, Benue, Ebonyi and Cross River) in commercial quantities. However, it was observed that companies still import these minerals. 147 barite titles have been issued but production level during the year under review did not reflect this.</p>	<p>The FGN has banned the importation of barite by International Oil Companies (IOCs) with effect from 2022. In line with this policy, the Nigerian Content Development and Monitoring Board (NCDMB) issued a guideline for the utilization of locally produced barite and drilling in the Nigerian Oil and Gas industry. Specifically, four firms were given approval for the supply of barites for any drilling project or contract in the Nigerian oil and gas industry. To ensure compliance with NCDMB guidelines, a robust monitoring and surveillance mechanism should be developed and implemented by all critical stakeholders in the oil and gas industry.</p> <p>Government should strengthen its mechanism for ensuring the enforcement of the NCDMB initiatives in respect of Barite production in Nigeria in order to ensure sustainability and its application to other strategic minerals.</p>
15	<p>Dangote cement accounted for 31.95% of total production and 24.5% of total royalty payment in 2020. Lafarge Plc was second and accounted for 17% and 12% of total production volume and royalty receipts respectively.</p>	<p>Government should encourage these companies through fiscal and other measures to enable them make more investments in the solid minerals and attract more high-capacity investors into the sectors.</p>
16	<p>The Report disclosed that 38 different minerals were produced in Nigeria in 2020 (appendix 8). Granite, limestone, sand and laterite had a combined contribution of 90% and 87% of total production volume and royalty receipts respectively. The Implication is that Barite, Coal and other precious minerals such as gold, have remained very low in terms of investments.</p>	<p>Government should continue to encourage development of these minerals and perhaps introduce some incentives.</p>
C	PROCESS ISSUES	
17	<p>Activities in the solid minerals sector remain quite low. Out of the 850 companies that were in operation during the year, only 102 met the materiality threshold of ₦3million for the audit and accounted for 90% of total royalty payments.</p>	<p>To fully realize the potentials of the sector, there is the need for more personnel and logistics in most of the state mine offices for increased monitoring and surveillance. In addition, there is need for increased funding and deployment of appropriate technology to support monitoring and enforcement activities.</p>

		In the long-term, the Government should constitute a technical committee of experts to develop a robust fiscal regime for the sector similar to that of the oil and gas industry with a view to bringing more extractive companies into the NEITI solid minerals audit net.
18	The reports also noted that during the period under review (2020) there was no active state-owned enterprise operating in the sector.	There is need to consider the establishment of a state-owned enterprise (SOE) that can serve as a leader and drive investment interest in the sector. Such SOE should be run with the model of the Nigerian Liquefied Natural Gas
19	The audit disclosed that in the last five years, 7,605 mining titles were issued in the solid minerals sector. However, as at 31 st December 2020, only 6009 were valid. A breakdown shows that 2,795 exploration licenses, 123 mining leases, 1,082 small scale mining leases and 981 reconnaissance permits were issued. Out of the 7,605 mining titles issued in the sector in the last five years, 1,482 of them were issued in 2020.	This denotes a sustained interest in exploration. Government should monitor and encourage the development of ELs to MLs and QLs to ensure a sustained development in the sector; discourage speculators and activate the principle of ‘use it or lose it’.
20	During the period under review, there was no consolidation or revocation of licences. However, 26 licenses were transferred. Details are outlined in Appendix 7.	MCO should continue ensure that processes and procedures as stipulated in section 147(3&4) of the Nigerian mineral and mining Act 2007, required for licence and transfers are strictly adhered to.
21	The audit observed that signed Community Development Agreements (CDAs) are housed at MMSD – MECD, which is the repository of such documents. However, the documents are not publicly available.	For the purpose of transparency and accountability in the sector and to ensure healthy relationships between the operators and host communities, the MMSD should make all signed CDAs publicly available and accessible by hosting them on the ministry’s website. This is in line with Nigeria’s commitment to Open Government Partnership and EITI principles.
22	Generally, the revenue generated from the sector was below expectation; this may not be unconnected with the attitude of small-scale miners towards filling their monthly production returns. In addition, there is weak monitoring of mining activities due to insufficient or lack of	There is need for government to strengthen the state mines offices by improving the manning level as well as invest in modern technology to drive monitoring production and revenue collection.

manpower at the states' mine offices, poor deployment of technology and security challenges.
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Table 67: Review of Findings and Recommendations of Previous Reports

S/N	Issues	Findings	Recommendation	Update
Royalty				
23		The Report established that Nigeria has a huge Bitumen deposit of about 42.74 billion metric tons that spreads across Lagos, Ogun, and Ondo. The report also established that 71,151,029.89 tons of Bitumen valued at ₦3,106,582.236 was produced in 2020 in the country.	The government should conclude the bid round for the award of licence for the development of Bitumen deposits.	
24		The Report disclosed that during the period under review, there were 1,273 ASM operators within the 6 geographical zones of the country. A breakdown shows that South-South has 146, South-East 170, South-West 182, North-East 184, North-West 236 and North-Central 355.	Government should continue the policy of formalization of ASMs, and introduce KPIs to evaluate annual progress.	
25		The report noted that minerals export as per the records derived from the export permits issued by MID was 34, 634.71 tons of minerals while the record of NCS showed 32,992 tons. The report also noted that there were minerals exported for which there were no evidence of export permit.	There should be periodic reconciliation of export permit issued by the MMSD and actual export records of NCS. This will ensure that only minerals with valid permits are exported.	

7.2 Review of Findings and Recommendations of Previous Reports

This section presents an update on findings and recommendations in NEITI's report as consolidated in the last 2019 report. The recommendations as outlined below have been subject of NEITI's remediation engagements with the relevant agencies.

1	Underpayment of royalty	Twenty-five (25) enterprises that exported minerals in 2019 had no record of royalty payments. These companies owe a total of ₦482,005,247.55 in overdue royalty.	<p>The MMSD should ensure that the 25 companies' outstanding royalty payments are recovered.</p> <p>MMSD should automate the online verification of all filed export permits and royalty payments. Tax evasion and royalty non-payment will be reduced as a result of this.</p> <p>Inter-agency collaboration should be increased, most especially between NCS and MMSD, to mitigate this loss.</p> <p>The MMSD should consider stationing representatives at export terminals and borders to verify that exporters have shown valid export clearance permits and that the necessary royalty has been paid.</p>	<p>It was observed that the 25 companies in question did not fall within the materiality threshold of ₦3 million. Accordingly, it is doubtful if the conclusion reached could be correct given that they were neither asked to complete the NSWG data gathering templates nor invited to the tripartite meeting to present any document to substantiate the claim.</p> <p>The Automation of processes of the Ministry is ongoing through the Ministry's portal.</p> <p>There has been increased collaboration between the Ministry, NCS and EFCC to ensure that royalty and fees are paid on all minerals to be exported.</p> <p>The Ministry is making efforts to guarantee that personnel from the Ministry are present at the exit ports. However, it should be highlighted that the Ministry's technical personnel is severely understaffed.</p>
Taxes and other related matters				
2	Non-payment of taxes	<p>The companies listed below did not pay VAT, EDT and CIT:</p> <ol style="list-style-type: none"> 1. A.A.Y International Mining Company Ltd. 2. Afdin Const. Co. 3. Al'Sa'ab Quarry Multipurpose Cooperative Society 4. First Patriot Limited 5. Prossy Investment Limited 6. Kunlun Nigeria Limited 	<p>FIRS should conduct a thorough tax audit to recover any unpaid taxes owed by these companies.</p>	<p>No update at the time of completion of this report</p>

		Rock Waters Integrated Services Nigeria Limited		
3	Companies with multiple tax Identification numbers (TIN)	<p>The IA uncovered 6 companies which had multiple TINs. This resulted in different tax clearances and various related payments in each TIN for these companies;</p> <p>1. Arab Contractors:3 2. CCECC NigeriaLtd:3 3. China Zhonghao:2 4. CLC Tech Limited:4 CGC Nig. Limited:2</p>	<p>To acquire a single TIN for each company, the tax offices should conduct a full tax audit on these businesses.</p> <p>The MMSD and FIRS need to work closely to achieve synergy in tax payments from the sector.</p>	No update at the time of completion of this report
Licence and Documentation				
4	Non-regularization of transfer of mineral title.	<p>The audit revealed that Inorganic Earth Resources Limited, the holder of title No. QLs 8630 was acquired by Tigon Investment Limited in 2016. However, the company failed to regularize the transfer title with MCO and MMSD</p>	<p>The company should accelerate the process of regularizing the transfer with MCO and MMSD</p> <p>The Company should also be made to pay the applicable transfer fees with penalty.</p> <p>The MCO and MMSD should ensure the immediate regularization of the transfer.</p> <p>The company should pay the applicable transfer fee and the possible penalty for non-payment, as stated in the guidelines for the transfer of titles.</p>	The concerned entity has made appropriate payment(s) on the title. Also, the regularization of the transferred title has been carried out.
Control and Policy Issues				
5	Monitoring and supervision are ineffective.	<p>The audit came across incidences of illegal mining activities; some of the observed locations include: Ribi village, Azara, Ugya in Toto LGA, Obo LGA in Nasarawa state and Kutulku in Wushishi LGA, Igade/Kati in Mashebu LGA of Niger state.</p>	<p>MMSD should look into the actions of Minerals Buying Centres and artisanal miners in order to ensure that</p>	<p>There has been increase in surveillance and monitoring of Mineral Buying Centers (MBCs) and minefields by the Zonal/Federal Mines Offices and the Special Mines Surveillance</p>

		<p>Minerals involved in these activities are barites, gold, lead/zinc, magnesium and gemstones. The IA also discovered an open market named Strabag Precious Stone International Market in Ojoor Ibadan where gold and gemstones are traded.</p>	<p>government policies are followed to the letter.</p> <p>To reduce artisanal mining smuggling, the government should make Minerals Buying Centres more effective in purchasing items from artisanal miners.</p>	<p>Taskforce to curb illegal mining and smuggling of minerals.</p> <p>The Government has commenced the development of ASM mining clusters with one pilot project per geo-political zone in order to enhance local content along mineral value chain.</p> <p>The Ministry's ASM Department is also monitoring and assuring the effectiveness of all Minerals Buying Centres.</p> <p>The department is also formalizing operations to ensure that they secure mineral titles in accordance with the Nigerian Minerals and Mining Act of 2007 and the Auxiliary Regulations of 2011.</p>
6	Access to funds in the sector	<p>Due to stringent conditions attached to credit facilities provided by the government to the industry, such as collateral and other requirements, the IA observed that credit facilities provided by the government to the industry were difficult to access. This makes it difficult for most of the players in the sector to access funds.</p>	<p>Government should make access to credit facilities easier to accelerate the sector's development rate.</p> <p>The government might also authorize the use of mineral title certificates as a guarantee for loans, and a solid minerals development bank should be established, similar to the agricultural industry.</p> <p>To be able to fund the sector, the government should effectively support and strengthen the SMDF.</p>	<p>The SMDF has recently been strengthened by the government in order to increase efficiency.</p>

7	Non-implementation of the Environmental Protection and Rehabilitation Fund (EPRH).	According to section 121(4) of the Mineral and Mining Act (2007) and Section 184 of the Mining Regulations, the environmental protection and restoration fund has yet to begin operations (2011).	MMSD should kick-start the process of sensitizing stakeholders; appoint the Board of Trustees for the Fund to enable them select the fund manager.	No update at the time of completion of this report
8	Non-Standardization of Mineral Classification	Due to the Customs' misclassification of solid minerals, the audit discovered discrepancies in the records of the Nigeria Customs Service, the Central Bank of Nigeria, and the Ministry of Mines and Steel Development. Lead oxide, aluminum ingots, lead ingots, limestone flux, and other goods are among them.	<p>This difference reveals a lack of coordination between MMSD and NSC. Similarly, it indicates that some of the exporting companies do not obtain a permit from MMSD.</p> <p>There is the potential of revenue loss, as companies declare different records for different purposes.</p> <p>This could lead to bloating of export volume. It could also lead to concealment of contraband minerals.</p>	<p>The Ministry (MMSD), Nigeria Customs Services (NCS), and the Economic and Financial Crimes Commission (EFCC) have increased their synergy and coordination.</p> <p>To avoid revenue loss, the Ministry, EFCC, and NCS share all mineral export records.</p>
9	Development of Strategic Minerals	<p>Limestone and granite aggregates formed the bulk of minerals produced, with about 42.3 million tons produced, however, with a combined royalty payment of N1.73billion, this represents 68.17% of production and 23.0% of total revenue from the sector.</p> <p>However, lead/zinc and columbite with a combined production of 25,546t contributed the most revenue in the sector with 36.05% and 25.93%, respectively.</p> <p>The development of metallic minerals and the seven strategic minerals has progressed slowly. They have yet to garner such attention, with the exception of gold, which has received a lot of government attention; considering their industrial growth input.</p>	The government should encourage investment in strategic and metallic minerals through the MMSD. Beneficiation of lead/zinc, columbite, and other key minerals should also be prioritized because, due to their global pricing, they are expected to generate more cash for the government.	<p>The Ministry has facilitated the mining and processing of strategic minerals like gold, iron ore, tin etc. through;</p> <ol style="list-style-type: none"> 1. Facilitating the commencement of mining activities at Thor Exploration Limited's Segilola Gold mine, with an initial production capacity of 80,000 ounces of gold annually at Osun State. This represents the first large scale gold mine in Nigeria. 2. Facilitating the establishment of African Natural Resources and Mines Limited's integrated iron ore mining and processing plant in Kaduna. With an initial production capacity of 4.704 million tons of iron ore per

				<p>year, it is the first of its sort in Nigeria.</p> <p>3. Licensing gold and tin processing and smelting refineries will encourage investment in the resource sector and create jobs.</p>
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