

FEDERAL GOVERNMENT ANNOUNCES NEW LICENCE APPLICATION RATES IN THE NIGERIAN MINING SECTOR

As part of the ongoing reforms in the Nigerian mining sector, the Ministry of Solid Minerals Development ("**MSMD**"), on behalf of the Federal Government of Nigeria, has announced new rates for the mining sector in a press release on 4 July 2024. The objective behind this development, as stated by the Minister, is to improve the ease of doing business, consolidate ongoing reforms, and emphasize the government's commitment to increasing revenue from solid minerals. The new rate regimes, which can be found on the MSMD website, apply to licence applications, applications for the establishment of gold refineries and mineral processing plants, registration fees for various activities, and royalty rates applicable to various types of minerals, including gold, coal, and lithium ore, among others. The new rates can be found [here](#).

MINERAL TITLES AND THE NEW APPLICATION RATES

Section 13 of the Nigerian Minerals and Mining Act, 2007 ("the Mining Act") gives the Minister the power to determine licence application fees by regulation. Although the Mining Regulations are yet to be amended by official gazette, the revised licence fees, which range from approximately US\$200 to US\$2000 are expected to take effect immediately. The new fee schedule for licence applications are as follows:

S/N	Mineral Title	Application Fees (₦)	Application fees (US\$)*
1.	Mining Lease	3,000,000	2000
2.	Small Scale Mining Lease	300,000 for the first two cadastral units	200 for the first two cadastral units
3.	Exploration Licence	600,000 for the first 100 cadastral units	400
4.	Quarry Lease	300,000	200
5.	Reconnaissance Permit	300,000	200

ROYALTIES PAYABLE FOR MINERALS IN NIGERIA

Section 33 of the Mining Act provides for the payment of royalties for the sale of minerals obtained in the course of exploration or mining activities.



Following the recent publication of the new rates, the advalorem rate for lithium ore has been reduced to 3%. When compared to the 5% royalty rate, which had been in effect since 1st May 2022 (as published by the then Ministry of Mines and Steel Development), it is expected that the reduction will incentivize market participants to invest in Nigeria's lithium market.

The hope is that this will help Nigeria compete with other prominent African countries such as Zimbabwe, Democratic Republic of Congo, Namibia and Ghana, all of which have active mines and significant deposits of lithium minerals. Zimbabwe, a leading African player in the global lithium market, has established robust mining laws that set a 7% royalty rate for lithium with options for partial payment in minerals. In Namibia, lithium minerals are

categorised under the industrial minerals group, subject to a royalty rate of 2% based on their market value. With the Ghanaian government's enactment of the Minerals and Mining (Amendment) Act 2015, mining companies typically pay royalties of 5% to the State, though a recent lithium mining lease in 2023 between the Ghanaian government and Barari DV Ltd featured an increased royalty rate of 10%. When compared with these countries, the proposed revised rates at 3% appear to be relatively competitive and maintain Nigeria's appeal as a potentially favourable destination for foreign investment in lithium mining.

The review of rates also applies to the services provided by the Mining Cadastral Office (MCO) and the Nigeria Geological Survey Agency (NGSA). It is anticipated that the new rates are to take immediate effect from the date of the press release. The MSMD has stated in its press release that there will be changes across all sectors of the mining industry. We will closely monitor these reforms and will provide an update in the subsequent update on further developments.

This update is for general information purposes only and does not constitute legal or mining advice. UUBO has an active mining team and is available to provide any assistance or clarification that you may require on how this update could apply to you or your business or on any matter. Any questions on this or other enquiries can be directed to your usual UUBO contact or to MiningTeam@uubo.org