

The Federal Government of Nigeria Announces New Rates for Mining Services

MINING CLIENT ALERT

INTRODUCTION

On 04 July 2024, as part of its ongoing concerted efforts at burgeoning interest within, and enhancing, the mining sector, the Ministry of Solid Minerals Development (the **Ministry**) on behalf of the Federal Government of Nigeria (the **FGN**) announced new rates and charges (the **New Rates**) for the services rendered by the Ministry's department and agencies within the sector.

The Honorable Minister of Solid Minerals Development, Dr. Dele Alake (the **Minister**), stated that the review was underscored by the FGN's commitment to increasing revenue from solid minerals, improving the ease of doing business and enhancing service delivery within the sector¹.

This new regime significantly ousts the decade old mining rates contained in the First Schedule of the Nigerian Minerals and Mining Regulations, 2011 (the **Mining Regulations**). Specifically, the New Rates apply to licence applications, registration fees for various activities, fees for services rendered by the Mining Cadastral Office (the **MCO**) and the Nigeria Geological Survey Agency, as well as royalty rates applicable to various types of minerals, including coal, gold, clay, iron ore, lithium ore, amongst others.

Although the comprehensive details on the New Rates is

yet to be published, we understand that two hundred and sixty-eight (268) items were reviewed, and the major highlights are discussed herein.

MINERAL TITLES APPLICATION

Section 13 of the Nigerian Minerals and Mining Act 2007 (the **Mining Act**) provides that fees payable for the processing of applications for mineral titles, and as service fees for the administrative and management services rendered by the MCO, is to be determined in regulations issued by the Minister.

In furtherance of the above, the Mining Regulations was issued in 2011, and the regulations set out a detailed fee schedule for the services rendered within the mining sector. The New Rates therefore represents a revision of this fee schedule, particularly with respect to the fees payable for the processing of applications for mineral titles.

Whilst the Mining Act stipulates that any determination of the fees payable for services rendered within the mining sector is to be undertaken by way of a regulation, the extant Mining Regulations are yet to be amended by official gazette. Nevertheless, the Minister has stated that the New Rates were to take immediate effect, and in the absence of any successful challenge, stakeholders within the mining sector are bound by the prescribed rates.

Major highlights of the New Rates with respect to license applications, annual service fees and the penalties for late renewal of mineral titles, in comparison to the previous rates are depicted in the tables below and can be accessed [here](#):

Application Processing Fee

S/N	Mineral Title	Application Fee (₦)	Previous Fee (₦)
1.	Mining Lease	3,000,000.00	50,000.00
2.	Small Scale Mining Lease	300,000.00	10,000.00
3.	Reconnaissance Permit	300,000.00	10,000.00
4.	Exploration License	600,000.00	20,000.00
5.	Quarry Lease	600,000.00	20,000.00
6.	Water User Permit	300,000.00	10,000.00



ROYALTY RATES

In accordance with Section 33 of the Mining Act, any mineral obtained in the course of exploration or mining operations are liable to the payment of royalty as prescribed in regulations issued pursuant to the act.

In May 2022, the Ministry issued the “Reviewed Royalty Rates for Minerals Produced in Nigeria” (the **2022 Royalty Rates**) which regulated the erstwhile royalty rates payable in connection with minerals explored or mined in Nigeria. However, the New Rates has made noticeable revisions to the 2022 Royalty Rates, including reductions in the ad-valorem rate payable with respect to certain minerals mined/explored in Nigeria.⁴

Furthermore, in the New Rates, lithium ore (lepidolite) at the current market value of ₦600,000.00 (six hundred thousand Naira) per tonne now attracts an ₦18,000.00 (eighteen thousand Naira) royalty per tonne, lithium ore (kunzite) with a current market value of ₦3,000,000.00 (three million Naira) per tonne, attracts a ₦90,000.00 (ninety thousand Naira) royalty per tonne, while lithium ore (spodumene) with a current market value of ₦316,667.00 (three hundred and sixteen thousand, six hundred and sixty-seven Naira) per tonne, attracts a ₦9,500.00 (nine thousand five hundred Naira) royalty per tonne. On the other hand, gold, with a market value of ₦1,081,200 per ounce now attracts a ₦36,436 (thirty six thousand, four hundred and thirty six naira) royalty per tonne.

The changes highlighted above are reflective of one of the key objectives of the New Rates, which, as announced by the Minister, is to maximise royalties from critical minerals such as lithium and gold, in order to boost Nigeria’s revenue base and increase the solid mineral sector’s contribution to economic development.

Annual Service Fee (Per Cadastral Unit)²

S/ N	Mineral Title	Service Fee (₦)	Previous Fee (₦)
1.	Mining Lease	1,250,000.00	25,000.00
2.	Small Scale Mining Lease	260,000.00	10,000.00
3.	Quarry Lease	500,000.00	20,000.00

Penalties for Late Renewal of Mineral Titles

S/ N	Mineral Title	Penalty Fee (₦)	Previous Fee (₦)
1.	Mining Lease	3,000,000.00	50,000.00
2.	Reconnaissance Permit	600,000.00	10,000.00
3.	Exploration License	1,500,000.00	20,000.00
4.	Quarry Lease	1,500,000.00	20,000.00

2. The Annual Service Fee is now ₦31,500 Per Cadastral Unit for the first time.

3. For instance, the ad-valorem rate for lithium ore has been reduced to 3% from 5%.

4. Accessed here: [FG REVIEWS MINING RATES TO BOOST SECTOR REFORMS – Ministry of Solid Minerals Development \(msmd.gov.ng\)](#).

CONCLUSION

The announcement of the New Rates has been met with a lukewarm reception from stakeholders in the mining sector. Notably, organizations such as the Nigerian Mining and Geosciences Society as well as the Miners Association of Nigeria (MAN) have publicly criticized the New Rates, primarily due to the absence of consultation with stakeholders prior to its introduction. Furthermore, MAN has raised concerns that the New Rates could potentially drive local miners out of business, particularly given the substantial concurrent charges being imposed by State Governments on mining operators.

However, it is pertinent to acknowledge that the fee schedule in the Mining Regulations was set over a decade ago. As of 2011, the macroeconomic conditions of the country were considerably different from the present economic climate. Consequently, it has long been anticipated that the Ministry would review and adjust the fee schedule to align with current economic realities. Furthermore, the New Rates are part of the Ministry's broader efforts to revitalize the mining sector, attract investment, and enhance participation, while ensuring value extraction for the FGN.

Nonetheless, it is imperative that the Ministry is transparent, and conducts comprehensive stakeholder consultations in relation to the proposed sector reforms to ensure the long-term sustainability of the sector.

We foresee further reforms across various segments of the mining sector and will keep you apprised of any significant developments.

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