

MARKET INTELLIGENCE REPORT

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WHY IS NIGERIA ON THE MINING BUSINESS MAP?

Despite signs of recession and low global commodity prices, the Nigerian mining industry has certainly witnessed some phenomenal developments within the past 10 months, but a lot of progress still needs to be made to develop the sector, and bring about the required grass roots impact for a country in dire need of alternative sources of foreign income.

This is expected to be achieved in the medium to longer term within the Nigerian mining sector.

On another note, in August 2016, the mining road map was approved by the President and a bill proposing the creation of a regulator will be the next step for the development of the industry.

The new legislation includes incentives such as allowing full foreign ownership of mining projects in order to attract investments and economic growth.

Source 1

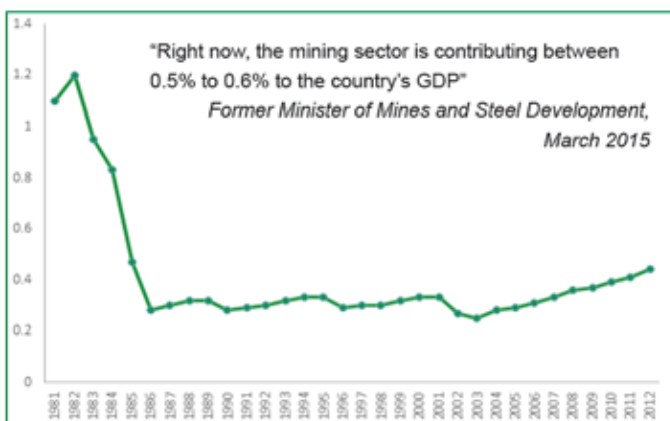
The key mining operators in Nigeria include:



Dangote Cement Plc	Minerals Limited	Segilola Nig. Ltd
Eta-Zuma Group Limited	Mineral Services Ltd	Symbol Base Metals
KCM Mining Ltd	Nasaman	Tongyi Allied
Kogi	Palladium Mining	West African Polaris Investment Ltd
LOC Metals and	SBOG Nigeria Ltd	



Did you know?



- Nigeria is looking for investments of \$7 billion in mining and steel over the next decade as it seeks to develop gold and iron ore extraction industries to diversify its oil-dependent economy.
- Nigeria aims to increase mining's contribution to gross domestic product from 0.3 percent in 2015 to 7 percent within a decade: from \$1.44 billion to \$33.67 billion.
- The government has created a local minerals investment fund with a \$500 million injection for the sector.
- Federal Executive Council approved a N30bn fund for mining exploration in October 2016.

Source 3

KEY MACROECONOMIC FACTORS INFLUENCING THE SECTOR

Political



Nigeria has an elected leadership. This is sending a strong message to local and international players if the government commits to develop the best out of the sector. The Ministry of Mines and Steel Development updated its “Roadmap for the growth and development of the Nigerian mining industry” in 2016 in order to provide transparency, highlighting the use of its mining assets to drive domestic industrialisation and then migrate to winning in global markets”.

Economic



Nigeria is ranked as one of the largest economies in Africa and predicted to be in the top 20 world economies by 2020. The challenges encountered with the collapse of the Naira against the USD have impacted the local market. Nevertheless, the Securities and Exchange Commission has acted to protect investors and making the capital market more attractive with a \$500 million Investors Protection Fund with the Central Bank of Nigeria. The goal is to provide effective systems for settlement of transactions and licences.

Sociological



The uncertainties around security and illegal mining practices could potentially raise concerns for potential investors to invest in Nigeria's mining sector. Mining houses and key stakeholders are aware of the need to cover the questions around security on site, crime, kidnapping and general terrorism.

Technological



Nigeria's mining sector is currently facing a severe lack of power and infrastructure holding back mining activities, however, foreign and local companies are pooling expertise and technology to mitigate productivity losses. A cooperation agreement was recently signed between South Africa and Nigeria to provide technical expertise in order to support the industrialisation of the sector

Legal



Extensive work needs to be done regarding customs regulations and getting goods in and out of Nigeria, as well as getting rights to mining territories. During the revision of the mining roadmap it was highlighted that the Nigerian government would focus on the reinforcement of existing laws such as the Mining Police, skills and capacity constraints, coordination with key Ministries, clarity in governing laws, and insuring a fiscal framework (tax regulation).

Source 4

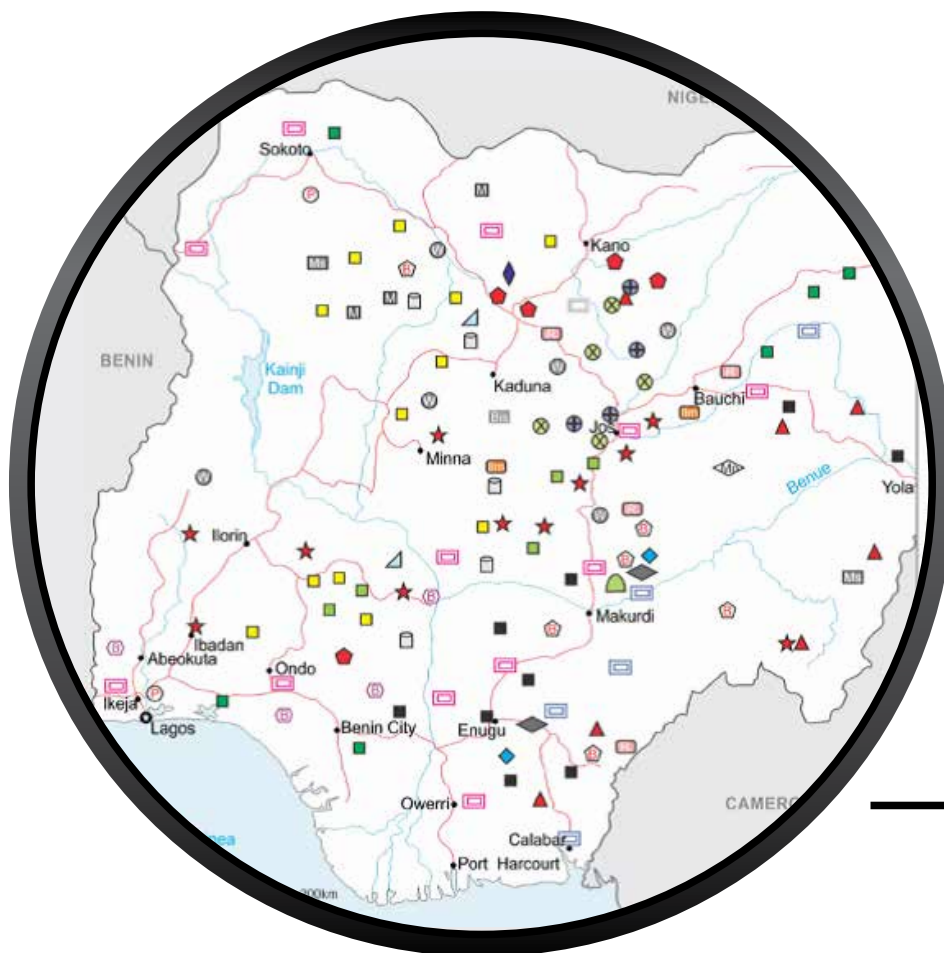
Ranking

Companies involved in mining activities are assessed for tax under the Companies Income Tax Act (CITA), Laws of the Federation (LFN) 2007

	Nigeria	Australia	Chile	South Africa	USA
Tax:	20 – 30%	30%	20%	28%	40%
Coal:	3 – 5%	2.75 – 15%	0 – 14%	0.5-7%	8 -12.5%
Gold:	3 – 5%	2.5 – 5%	0 – 14%	0.5-7%	4 -10%
Copper:	3 – 5%	2.5 – 5%	0 – 20%	0.5-7%	4 -10%
Iron Ore:	3 – 5%	6.35 – 7.5%	0 – 14%	0.5-7%	4 -10%

Source 9

Where are the resources located?



Main mineral resources in Nigeria

- Coal, lignite and coke
- Gold
- Columbite
- ⊙ Wolframite
- Tantalite
- Iron Ore
- ▲ Uranium

Source 3

Sources

1. Nigeria Solid Minerals Investment Brochure 2016
2. Nigerian Government Official Website (www.nigeria.gov.ng)
3. Federal Ministry of Mines & Steel Development (www.mmsd.gov.ng)
4. Nigerian Investment Promotion Commission (www.nipc.gov.ng)
5. Bureau of Public Enterprises (www.bpeng.org)
6. Corporate Affairs Commission (www.cac.gov.ng)
7. The World Bank, International Finance Corporation's Ease of Doing Business 2011 (www.doingbusiness.org/rankings)
8. Heritage Foundation Index of Economic Freedom (www.heritage.org/index/Ranking)
9. Ministry of Mines & Steel Development

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