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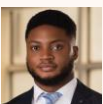
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TEMPLARS ThoughtLab

Policy, Processing & Profit: Nigeria's Emerging Mineral Processing Landscape - Part 1

*This publication, in two parts, will analyse different aspects: **Part 1** will focus on Policy and Regulation while **Part 2**, to be issued tomorrow, will consider the complexities involved in securing and structuring financing for mining projects and analyse viable financing pathways available to operators.*

Mineral beneficiation (also known as mineral processing), the process of refining raw ore into higher-value products, plays a pivotal role in maximizing the economic and strategic potential of mineral resources.

Nigeria's solid minerals sector, valued at an estimated US \$750 billion, is beginning to show tangible signs of growth. According to the National Bureau of Statistics, the sector's contribution to GDP rose to 1.8% in Q2 2025, representing a 4.61% year-on-year increase¹. In addition, the Nigerian Government revealed at a recent conference that Chinese companies have invested over US \$1.3 billion in Nigeria's lithium processing industry since September 2023², underscoring Nigeria's potential.

The governing framework for the sector is set out in the Nigerian Minerals and Mining Act, 2007 (the "**Act**") and the accompanying Nigerian Minerals and Mining Regulations, 2011 (the "**Regulations**"). These instruments collectively establish the legal, institutional, and procedural basis for the exploration, development, processing, and exportation of mineral resources in Nigeria.

¹ Nigeria's mining sector records 4.61% growth in Q2 2025 - [Businessday NG](#)

² Chinese firms invest \$1.3b in Nigeria's lithium sector — [Alake – The Guardian NG](#)
Section 164 of the Act

Legal and Regulatory Framework for Mineral Processing in Nigeria

The Act and Regulations create several agencies and departments responsible for various regulatory and administrative functions, including:

1. **Ministry of Solid Minerals Development:** The apex regulatory and policy body for the mining sector, responsible for formulating policy, granting mining titles, supervising sectoral development, and coordinating inter-agency functions.³
2. **Mining Cadastre Office (MCO):** the MCO manages the licensing regime by receiving, processing, granting, and maintaining up-to-date records of all mineral titles across the federation.
3. **Mines Inspectorate Department (MID):** Constituted under the Act to oversee technical operations, ensuring compliance with approved programmes, mine safety standards, and operational best practices.
4. **Mines Environmental Compliance Department (MECD):** they enforce environmental standards, monitor the ecological impact of mining operations, and oversee mine rehabilitation and reclamation.
5. **State Mineral Resources and Environmental Management Committee (MIREMCO):** MIREMCO facilitates cooperation between federal and state governments, advises on community relations, and assists in resolving local mining-related disputes.
6. **Artisanal and Small-Scale Mining Department (ASM Department):** this department promotes the formalisation of artisanal mining activities, provides technical support, and enhances traceability and sustainability across the value chain.

The Act also establishes a tiered licensing structure to regulate exploration, extraction, processing, and ancillary operations across the mining value chain:

1. **Reconnaissance Permit:** This permit grants non-exclusive rights to search for mineral resources over a wide area through preliminary surveys such as mapping and geochemical sampling. It does not permit drilling or subsurface excavation and is valid for one year, renewable annually.
2. **Exploration Licence:** This license confers exclusive rights to conduct detailed exploration, including drilling and other subsurface tests, within the licensed area. It is valid for three years, renewable twice for two years each.
3. **Small-Scale Mining Lease:** This is designed for Nigerian citizens, cooperatives, and small companies with limited capital. It allows mining within a relatively small area (not exceeding 3 km²) and is valid for an initial term of five years, renewable for successive five-year periods.

³ Section 3-5 of the Act

4. **Mining Lease:** It authorises large-scale commercial mining operations following the submission of a feasibility report, EIA, and mining plan. It covers up to 200 km² and is valid for 25 years, renewable for additional 24-year terms.
5. **Quarry Lease:** This permits the extraction of building and industrial minerals such as limestone, granite, and laterite. The lease area must not exceed 5 km², with an initial tenure of five years, renewable for further five-year periods.
6. **Water Use Permit:** This is granted to holders of exploration or mining titles to obtain and use water for their operations, provided it does not infringe on existing water rights.

Consolidation, Conversion, and Revocation of Licences

The Act recognises the commercial need for flexibility in mineral title management, particularly as projects evolve from exploration to production. To this end, the Act permits the consolidation and conversion of mineral titles to streamline operations and optimise resource development. Holders of contiguous titles may, with ministerial approval, consolidate multiple leases or licences into a single title where such consolidation enhances operational efficiency and better reflects the integrated nature of modern mining projects.

Similarly, conversion is permitted. An exploration licence may be upgraded to a mining lease once the holder demonstrates discovery of commercially viable deposits and meets the technical, environmental, and financial requirements prescribed under the Act.⁴

However, these privileges come with heightened compliance expectations. The “use it or lose it” principle is grounded in the Act’s revocation provisions. Under the Act,⁵ the Minister may revoke a mineral title for several reasons, including failure to pay prescribed fees or royalties, breach of environmental or safety standards, non-performance of work obligations, or misrepresentation in applications. Importantly, revocation is not arbitrary: the holder must first be served a notice of default and given a reasonable opportunity to remedy the breach.

This balance between flexibility and accountability is critical for investor confidence. It ensures that active, compliant operators retain tenure security, while speculative holders and non-performers are systematically weeded out, thereby creating a more transparent and investable mining landscape that encourages genuine processing and value creation within Nigeria.

Incentives for Mining Operators in Nigeria

At the heart of Nigeria’s mining reform agenda lies a conscious attempt to create a predictable, competitive and investor-centric fiscal regime.

Holders of mineral titles are granted exemption from customs and import duties in respect of plant, machinery, equipment, and accessories imported solely for mining operations.⁶ This provision recognises that processing and beneficiation infrastructure such as crushers, concentrators, smelters, and refining plants represent the largest capital outlays in a mining project.

⁴ Sections 90-91 of the Act

⁵ Section 151

⁶ Section 25(a)

Beyond import relief, the Act also provides for full capital allowances on qualifying mining expenditure, allowing investors to fully deduct capital costs incurred in exploration, development, and processing.⁷ This aggressive depreciation regime shortens project payback periods and enhances internal rate of return and this a critical determinant for financiers evaluating project bankability.

In practical terms, it places Nigeria in the same incentive bracket as established mining jurisdictions such as Ghana and South Africa.

Recognising the cyclical nature of mining cash flows, investors are allowed to carry forward operational losses for up to four years, enabling them to offset early-stage losses against future profits.⁸ This ensures fiscal stability during the exploration and ramp-up phases, where significant capital is sunk long before commercial output is achieved.

Environmental responsibility is also hard-wired into the incentive framework⁹ as all expenditure incurred on environmental protection, mine rehabilitation, and reclamation is treated as deductible. This is a progressive alignment with modern ESG standards, incentivising operators to embed sustainability measures rather than view them as regulatory burdens.

In addition, the Act provides assurances for free transferability of capital and profits, integrating with the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, and safeguarding investors against arbitrary capital controls.

Perhaps the most under-appreciated element of Part III is its implicit stability commitment: by codifying these incentives in statute rather than mere policy, the Act provides legal predictability that outlives changes in administration. For investors considering large-scale processing plants or integrated mining-to-metals projects, such predictability is invaluable. It signals that Nigeria is not content to be a supplier of raw ore, but is deliberately positioning itself as a hub for beneficiation, refining, and mineral-based industrialisation.

Furthermore, on the legislative front, there is a Nigerian Minerals and Mining Bill, which is currently undergoing legislative review¹⁰, that aim to provide improved incentives to attract foreign capital and improve regulatory oversight and transparency in the sector.

Once enacted, this new law will repeal the existing Act and establish the Nigerian Minerals and Mining Commission, with the responsibility for ensuring fair practices and competition in the mining and mineral industry.

The Nigerian Government is also proactive with the establishment of the Nigeria Solid Minerals Company (NSMC)¹¹ with the mandate of being a government-backed institution to drive the growth, sustainability, and global competitiveness of Nigeria's solid minerals sector.

⁷ Section 25(b)

⁸ Section 26

⁹ Section 30

¹⁰As at the date of this publication, the draft bill has completed its committee assignment at the House of Representatives and is currently awaiting the committee's report. In essence, it has passed the first and second readings and will proceed to the third reading once the report is submitted. The bill has not yet advanced to the Senate.

¹¹ Nigeria Solid Minerals Company <https://nsmc.com.ng/>

The NSMC is working with the Ministry of Finance Incorporated and consulting firms to conclude the final phase of its launch¹², as it prepares to be at the forefront of the exploration and commercialization of Nigeria's mineral wealth through innovation, collaboration, and responsible resource management.

The New Tax Regime

Effective January 1, 2026, the new Nigerian Tax Act (NTA) will reshape the fiscal landscape of the mining sector by replacing the long-standing Pioneer Status Incentive with the Economic Development Incentive (EDI), a framework that aligns tax benefits with demonstrable contributions such as infrastructure delivery and community impact. This transition marks a clear policy shift from broad-based tax holidays to performance-driven incentives, eliminating the automatic multi-year exemptions that once underpinned early-stage investments. In addition, the Act raises royalty rates across key minerals - notably from 3% to 15% for gold underscoring the government's intent to extract greater national value from mineral resources.

Requirements Before Commencing Mining Operations

After obtaining a mining lease, a company must satisfy several pre-operation conditions before commencing activities. These obligations require engagement with regulators beyond the Mining Cadastre Office, including the Federal Ministry of Environment and the State Mineral Resources and Environmental Management Committee (MIREMCO). This inter-agency coordination ensures that mining projects meet environmental, social, and regulatory standards from the outset, reinforcing accountability and sustainable operational readiness.

1. Community Development Agreements

Every mining leaseholder in Nigeria is required to enter into a Community Development Agreement (CDA) with its host community before commencing operations. The CDA ensures that mining activities translate into tangible social and economic benefits for the community and is reviewed every five years.¹³

2. Community Development Action Plan

In addition to the Community Development Agreement, every mining leaseholder must submit a Community Development Action Plan (CDAP) to the Mines Environmental Compliance Department.¹⁴ The CDAP outlines how the company intends to implement the social commitments identified in its Environmental Impact Assessment (EIA) and the obligations contained in its Community Development Agreement (CDA).

3. Environmental Impact Assessment Statement

Before commencing mining operations, every mineral titleholder must submit an Environmental Impact Assessment (EIA) Statement approved by the Federal Ministry of Environment.

4. Environmental Protection and Rehabilitation Plan

Alongside the Environmental Impact Assessment, every mining leaseholder is required to submit an Environmental Protection and Rehabilitation Plan (EPRP). The EPRP outlines strategies for restoring and managing the environment during and

¹² Tribune Online, "Nigeria Establishes Solid Minerals Company to Attract Foreign Direct Investment". Available at <https://tribuneonline.ng.com/nigeria-establishes-solid-minerals-company-to-attract-foreign-direct-investment/>. Accessed 7 September 2025.

¹³ Section 116 of the Act; Regulation 193 of the Regulations

¹⁴ Regulation 193(3) of the Regulations

after mining operations. Its purpose is to ensure that resource development is balanced with environmental stewardship, reinforcing the principle of sustainable mining embedded in Nigeria's legal framework.

5. Notice of Commencement of Mining Operations

A mineral title holder is required to inform the Mines Inspectorate Department in written form of commencement within 30 (thirty) days from the start of mineral production.

Export of Minerals

Only licensed operators are permitted to export minerals under the Act. A mineral titleholder, other than one holding only a reconnaissance permit or exploration licence, may apply to the Nigerian Export Promotion Council (NEPC) for an export permit. Before export, the holder must declare the state of origin of the minerals on the relevant customs documentation and provide any additional information requested by the authorities. This framework ensures traceability, regulatory oversight, and compliance with Nigeria's mineral export regime.

We note that the Senate and the House of Representatives have now passed the 30% Value Addition Bill. The Bill seeks to mandate that at least 30% of Nigeria's raw mineral resources undergo local value addition (through processing, beneficiation, or refining) prior to export¹⁵.

The rationale is to drive industrialisation by developing downstream industries, creating jobs across refining and manufacturing value chains, boosting government revenue through higher-value exports, and strengthening Nigeria's competitiveness in the global critical minerals market.

Conclusion

Nigeria's mining sector stands at a pivotal turning point, one defined not just by resource endowment but by the country's resolve to capture greater value from its minerals. The path forward lies in deepening downstream integration and promoting mineral beneficiation. If effectively implemented, Nigeria's mineral processing drive could unlock a new era of industrialisation which will position the country as a competitive hub for critical minerals in the global energy transition.

If you require any further clarification, do not hesitate to contact us.

¹⁵ Reps pass Bill to ensure 30% local value creation before export