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FEDERAL GOVERNMENT OF NIGERIA ACHIEVES SIGNIFICANT MILESTONE IN COMMERCIAL MINING OF GOLD

The Federal Government of Nigeria (FGN) has announced the achievement of a significant milestone in its commitment to diversifying the economy and the nation's foreign reserves, through the purchase of local gold production by the Central Bank of Nigeria (CBN) under the Presidential Artisanal Gold Mining Development Initiative (Initiative).

In June 2020 and for the first time ever, Nigeria produced artisanally-mined gold that was processed and refined according to the London Bullion Market Association (LBMA) standards required for the use of gold as a reserve instrument by the CBN.

On 16 July 2020, more progress was made in this respect at the launch of the National Gold Purchase Program in Abuja where the FGN purchased the refined product into a new gold reserve and the CBN presented a cheque of N268 million for the country's first artisanally-mined and refined gold. With the commencement of the programme, the CBN will be purchasing gold that has been mined, processed, and refined under the Initiative for use as part of Nigeria's external reserves.

It is important to mention that the Initiative was launched in 2019 by the FGN to foster the integration of artisanal gold mining activities in the country's legal, economic, and institutional framework, with the aim of creating new and formalized mining jobs, fast-tracking economic diversification, reducing incidences of lead and mercury poisoning, encouraging safer mining practices, plugging economic leakages, tackling economic sabotage, and improving the country's foreign reserves.



This milestone is the culmination of 24 months of intense efforts by the Solid Minerals Development Fund, Kebbi and Osun States Government, Ministry of Mines and Steel Development, and the Ministry of Finance, Budget, and National Planning under a Steering Committee led by the office of the Chief of Staff to the President.

This is against the background that between 2012-2018, it is estimated that 97 tonnes of gold valued at over \$3 billion was illegally smuggled out of Nigeria. In addition to the economic sabotage, illegal artisanal mining fueled instability and mercury and lead poisoning incidents across gold mining communities. It also places a significant burden on fragile health systems, with over 7,000 incidences of lead poisoning and 700 deaths in Zamfara and Kebbi State between 2010 and 2016.

Now, using a centralized offtake and supply system supported by a decentralized aggregation and production network, the Initiative will buy all the gold produced by artisanal and small-scale miners and aggregated by licensed buying centers and aggregators, for supply to the CBN. Indeed, intervention at artisanal mining sites will take place in Kebbi, Kaduna, Zamfara, Niger and Osun States with Kebbi and Osun States as Pilot States. In addition to supporting licensed buying centers and aggregators with access to financing options, responsible sourcing mechanisms, management and technical expertise including improved testing and processing equipment, the Initiative will also be setting up gold aggregation centers across the key mining areas.

In terms of standards, the Initiative would ensure that the sourcing standards outlined in the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance¹, are adhered to, and the gold bars delivered to the CBN are responsibly-sourced, and LBMA Certified.

It is estimated that the FGN could realize an annual average of \$150 Million in taxes, \$25 Million in royalties, and \$500 Million accretion to foreign reserves from the integration of artisanal gold mining activities implemented by the Initiative.

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¹ OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas - Supplement on Gold (2012). Available at <https://www.oecd.org/daf/inv/mne/GoldSupplement.pdf> Accessed 22 July 2020.