The Uganda Chamber of

MINES & PETROLEUM

Issue: 2

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Chairmans's Note

Opportunities abound

Dear reader, welcome to the second issue of the Uganda Chamber of Mines and Petroleum Magazine. First, and foremost, I want to wish you a splendid 2011 and a peaceful election period.

The year 2010 was a great year for the Chamber, but also a sad one in which we lost one of our most hardworking and intelligent members, Gary Watkins. But we believe that all what Gary achieved – editing the first issue of this magazine being one of them – should not go to waste.

Indeed, the Chamber has achieved a lot. Last March, the Uganda Chamber of Mines and Petroleum, and its website, were historically commissioned by two African presidents: President Yoweri Museveni and his guest South Africa's Jacob Zuma.

We couldn't have asked for a better partnership; President Yoweri Museveni has successfully demonstrated his visionary leadership, while President Zuma heads a country with the oldest Chamber of Mines in the world.

We have held many training workshops and seminars and established our offices. The unity among members is also very healthy as distinctly demonstrated at Gary's send off.

Our membership has grown from the players directly involved in mining and petroleum to the service industry, which include banks, insurance firms, law firms, consultancies, construction companies, just to mention a few.

However, we refuse to sit on our laurels but strive to push the mines and petroleum industry to the glory the sector truly deserves. We continue to work tirelessly to engage Ugandans to take up the opportunities in the oil industry.

Every businessman that I come across asks me; "How am I going to benefit from oil…" My advice is always that whatever they are doing, they need to step it up to international standards. If it's a restaurant that you run, make sure it's a first class restaurant, if it's a school, make sure it can educate international students, if it's a hospital, make sure it can cater for emergencies, if it's a transport firm, make sure your trucks are inspected and you have a proper fleet management system in place; if its welding in Katwe, make sure you get ISO certification or something like that. I have every confidence that the Ugandan challenge to oil will be met head on. It's not going to be a trickle down, it's going to rain!

I hope you will enjoy the well researched stories about the opportunities that beckon in our oil and minerals industry.

Elly W. Karuhanga

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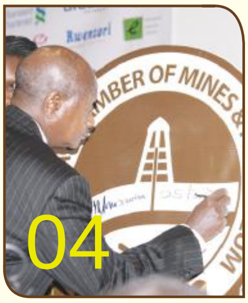


Inside this issue:

Acknowledgements to the editorial team assisted by the late Gary Watkins and Richard Kaijuka.
Layout: Moses.L. Katumba (mkatumba@gmail.com)

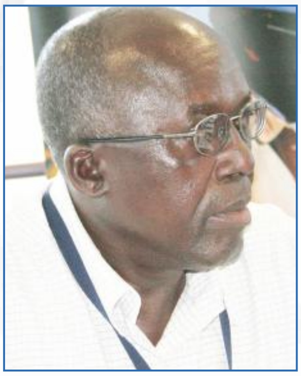
UCM&P Council Members

Hon. Elly Karuhanga
Chairman UCMP,

He is the President of Tullow, Uganda and is extensively involved in the mining of various minerals with various international companies like IBI Corporation of Canada

John Muruli Muyambi
Vice Chairman UCMP:

He has spent over 10 years in Exploration Geology work. Muyambi is the Managing Director of Gold Empire Ltd; Chairman/Managing Director of OLI. Gold Muruli Ltd and director, Aino Hope Empire Ltd. He has a wide experience in a number of commodities including Gold, Base metals, Iron and Mineral Sands.



Nathan Wolukawu Wanda
The General Secretary

The Managing Director of NPK Resources Ltd, one of Uganda's leading private consulting firms working in mining, exploration, development and appraisal of geological mineral resources including project management, environmental and social studies. Wolukawu is also the founder Chairman of the Uganda Chamber of Mines.

Kellen Kayonga,
Treasurer, UCMP

She is the Managing Director of Askar Security Services, a leading private security services provider

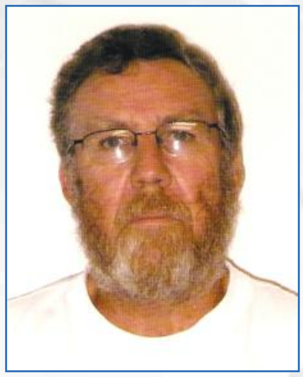
Paul Sherwen

Paul Sherwen, is President and COO of IBI's 30% owned affiliate company Grey Crown Resources Limited. He is also the Finance Director of Strategic Logistics Ltd

UCM&P Council Members

Marylin Hill

She is the Country Manager of Neptune Petroleum (Uganda) Ltd a subsidiary of Tower Resources a London-based independent oil and gas exploration company with a regional focus on sub-Saharan Africa.



Bruce Milne

He has extensive experience in Africa's minerals sector. In Uganda he was once Country Manager for Flemish Investments, African Mineralfields and is currently managing Oryx Minerals

Hon. Richard Henry Kaijuka

Chairman/Managing Director of Berkeley Reef Ltd, a fully-fledged Mining and Mineral Exploration Company and Alpha Oil. He is the former Minister of Energy and Mineral Development and has held various political portfolios and even worked with the World Bank

Catherine Niwamanya
Executive Secretary UCMP

President Museveni and President Zuma grace the UCMP launch

Museveni Praises UCMP

...as Zuma calls for joint business councils

President Yoweri Museveni applauded the Uganda Chamber of Mines and Petroleum (UCMP) for leading the drive to encourage companies to invest in Uganda's oil and mineral industry, promising full government support for such initiatives.

Speaking at the launch of the Chamber last March, the President lso pointed out that Uganda has some of the most competitive policies for investors, and that institutions are being set up to see to it that the revenue from the country's newly discovered oil fields will be managed prudently.

"I am, therefore, pleased that the Uganda Chamber of Mines and Petroleum has re-organized itself and is ready to mobilize the companies in the sector in order to compliment government efforts. In accordance with the Mineral Policy, government will give support to all associations including the Chamber in our effort to develop the sector," said Museveni.

The launch that was graced by President Jacob Zuma of South Africa accompanied by a large number of businesspeople from his country also attracted other high profile guests including His Excellency Fu Chengyu, the President of CNOOC and Mr Fung Zhi, the President of International Business. Also in attendance was Jacques Marraud Des Grottes, Total SA's President Exploration and Production and Mr. Paul McDade, Tullow Oil's Chief Operations Officer.

Other business people came from Canada, Nigeria, just to mention a few. CNOOC and Total are expected to enter Uganda's oil industry when Tullow finally gets government approval to complete its farm down of its assets in the Lake Albertine Grabben.

Museveni's pledge to support institutions such as the UCMP is part of a promise that the National Resistance Movement made when it came to power 25 years ago.

Then, in 1986, Museveni placed the revival of Uganda's mineral industry among his most crucial plans after the sector had collapsed during the years of political and economic upheaval. Part of that revival plan included sending more than 20 Ugandans to study

President Museveni autographs the UCMP placard

UCMP Chairman Mr Karuhanga and President Zuma

petroleum and geology at some of the best universities in Europe.

Building on those pledges made more than two decades aago, Museveni reiterated his promise that Uganda's oil revenue will not turn into a curse as some cynics predict. He said that the money will be channeled through institutions from where it will be invested effectively.

Museveni said that a plan for an efficient resource management system is being drafted, while a Petroleum Fund will also be created.

"The Petroleum Fund will house revenues accruing from the oil and gas sector and use of these funds to create durable wealth through investment in key infrastructure such as in renewable energy, some key roads, science education, scientific research and innovation and the railway system. The oil money will never be used for consumption," President Museveni emphasized.

In the meantime, Museveni asked the UCMP to learn from South Africa's Chamber of Mines, whose representatives had accompanied President Zuma.

"I am also informed that the South African Chamber of Mines is the oldest chamber of mines in the world, whose experiences our young Chamber needs to learn from," he said.

Elly Karuhanga, the Chairman of UCMP, said he and his team was ready to learn from South Africa's experience.

"We know that South Africa has been a world leader in mineral exploration and has utilized that resource to build fantastic infrastructure for the benefit of the people of South Africa. We are sure Uganda will emulate your excellent example," he pledged.

President Zuma said that trade relations between Uganda and South Africa have a huge potential for growth.

"Already trade relations are sound, and show a lot of potential for further growth. We already have vehicles that we can use to achieve these goals. Our two countries have concluded several bilateral agreements in the economic sphere."

A number of South African companies have invested heavily in Uganda's economy through telecom, financial services, among others. However the trade balance is heavily skewed in favour of South Africa. Uganda exports goods and services worth Shs25 billion annually to South Africa while its imports from South Africa are worth Shs338 billion, according to official figures.

Zuma said that the discovery of oil in Uganda presents another area of opportunity where South Africans can play a role. Uganda has about 2 billion barrels of oil with the full production stage still a few years away.

Zuma recommended that both Uganda and South Africa quickly form a joint trade committee. "We must move towards the full implementation of our trade agreement by establishing without delay, the agreed Joint Trade Committee," he said.

While the joint trade committee is expected to be at a government level, Zuma said there was a need to have a joint body to take care of the private sector's interests.

"At a private sector level, we must encourage businesses to look at a possibility of establishing a Joint Business Council as a platform to collaborate and promote further trade and investments."

CONSOLIDATING the gains

Last March, the Uganda Chamber of Mines and Petroleum (UCMP) was historically commissioned by two African presidents –President Yoweri Museveni and his guest South Africa's Jacob Zuma. Zuma was in the country with a delegation of over 100 South African businesspeople to identify trade opportunities in Uganda. In this interview, UCMP Chairman Mr Elly Karuhanga reflects on the gains made so far since the launch and the way forward:

What winning points were scored with the launch of the Chamber in the midst of President Museveni and South Africa's President Zuma?

Hosting both Presidents the Chamber's launch, was a singular honor to the members of our Chamber. It was a great recognition about the potential our members have to bring change to our country; and we have not failed to take advantage of that expectation. I am very pleased to inform the world that Uganda's mining and petroleum potential is now a matter of fact and is no longer speculation.

The important thing that came out of that launch is that we grew our membership tremendously. The chamber had been in existence for a while but immediately we grew our membership not only to the directly mining and petroleum sectors but our membership grew to all the service sectors; the banks, insurance, law firms, logistics, construction, consultancies, energy firms among others all joined in. Once the membership has grown, then it automatically follows that the Chamber will achieve its objectives.

Have there been any notable partnerships concluded with the South African mining sector or their very experienced Chamber of Mines?

We had one-on-one meetings with the South African delegation; we established human relations. I am in touch with the President of the Chamber of Mines in South Africa – Madam Radebe. We have got a number of mining companies calling in trying to get licenses. They would love to come to Uganda but there are some small issues still to be sorted out in our country.

Having met with MPs to discuss the Petroleum Bill and other issues pertaining to the delicate oil sector, can Ugandans rest assured that the legislature will shape the oil laws to the benefit of all or a lot more still needs to be done to ensure Uganda will not be yet another failed African oil state?

Uganda is incapable of being a failed oil state. Why? Because we have studied all the failed African states and other countries in the oil sector and we know where the pitfalls are so we can't repeat similar mistakes. A ditch in front of your house can be avoided if you walk around it even with your eyes closed. So we are not going to make mistakes which have been made elsewhere. That is why the legislation being

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proposed is of great significance.

Our only concern as a Chamber is whether our MPs are sufficiently informed about the oil industry as to be able to take correct decisions when it comes to passing laws that will govern the future of the oil industry for the next 30 – 50 years. That's why the Chamber has gone to great lengths to hire consultants from all over the world that have a high reputation about teaching, educating and understanding and analyzing oil bills.

Their message about how other oil producing countries have performed in creating the laws was very important education for our MPs.

We also realized that the political calendar in Uganda was at a sensitive stage of elections so we are prepared to do another seminar for the next group of MPs coming in so that by the time they take the decisions on the Petroleum Bill, they are very well informed.

It doesn't matter whether they opt to be very harsh, very liberal, accommodating or punitive to investors. What matters most is that they know what they are doing; and they take decisions knowing the consequences of their actions rather than just rushing it and in the long run hurting the industry.

How is the Chamber engaging with the local business community and the education institutions to achieve its objectives?

I have had good discussions with education institutions. I am very pleased to inform you that Mbarara University is starting an oil and gas degree course; Uganda Christian University (UCU) is doing a fantastic job in oil and gas law. Makerere is on the move in the right direction according to the VC and Dr Charles Kwesiga, Executive Director , Uganda Industrial Research Institute has a dynamic position at Kigumba Petroleum Institute.

Companies like Tullow and Neptune are very keen to contribute both financial and quality-content to these institutions. I think we are all realizing that local content and streamlining Ugandans to participate and ready themselves for the management of oil is vital.

And I am pleased to inform you that Tullow is fully determined to Ugandanise the local office as much and as fast as possible. The only way to do this is to get youthful Ugandans educated in the oil and gas sector and take on the challenge. So far very brilliant young Ugandans who have studied and worked abroad have joined the oil team at Tullow and the Chamber. I call them my Young Turks. They are extremely an impressive lot.
Every businessman that I come across asks me; "How am I going to benefit from oil…" My advice is always that whatever they are doing, they need to step it up to international standards. If it's a restaurant that you run, make sure it's a first class restaurant, if it's a school, make sure it can educate international students, if it's a hospital, make sure it can cater for emergencies, if it's a transport firm, make sure your trucks are inspected and you have a proper fleet management system in place; if its welding in Katwe, make sure you get ISO certification or something like that. I have every confidence that the Ugandan challenge to oil will be met head on.
It's not going to be a trickle down, it going to rain!

> **The amounts of minerals we have in Uganda are almost equal to the expected oil revenues and make us a mining country again. Remember mining used to constitute a third of our GDP now it's almost zero.**

Uganda is blessed with a wide array of rich minerals though their proper exploitation remains far off. How is the Chamber going to ensure the country's mining potential is fulfilled?

The challenges the minerals sector is facing aren't new in Africa. Some countries have succeeded yet others haven't.

The amounts of minerals we have in Uganda are almost equal to the expected oil revenues and can make us a mining country again. Remember mining used to constitute a third of our GDP now it's almost zero. But believe it or not, the state is very keen on getting these impediments out of the way. We are hoping the Ministry of Energy and Mineral Development will have enough energy to take on these challenges and clean the place. If there are any laws to be amended, let them be amended; if there are concerns from our members, let the ministry address them on time. This isn't happening as fast as we would like it to happen.

And as a result, the Chamber's job is to continue to press, to provoke, to push, to cajole, to enlighten, to inform and even to sweet talk, government officials to go down to the field and free these mineral rich areas for exploitation.

Even these artisanal miners who are operating illegally can be put together in a union – with the Chamber's help if need be – so that they can do whatever they are doing legally and profitably.
Currently, we are mining in a big way but everything keeps being smuggled out which benefits no one.
The country is losing, the artisanal minors are losing, the investors with land leases are losing and are therefore suing, the community is not benefiting and the environment is suffering. It's not a healthy position to be in.

I believe after the elections the authorities will address the challenges. I look at 2011 as a great year for Uganda in terms of petroleum and mining exploitation.

As a representative of the major players in the mining sector, has the Chamber gained the respect

NPK Resources Managing Director Nathan Wolukawu (L) receives a UCMP certificate

of the authorities yet to comfortably guide mining policy?

We still have a long way to go. Though government has accorded us office space at Amber House; our staff is still scanty. We need to strengthen it with at least ten new people to market the Chamber interests and take care of our members. We need to be fully engaged in meetings with government and Parliament; bringing in investors and making the whole place tick. What is of great pride is that the Chamber executive is very dynamic and very efficient and very able and is taking on the challenges head on.
The authorities have already noted that the Chamber is no longer what it used to be. They attend our meetings when we invite them and are very cooperative.

What more needs to be addressed to give the Chamber more leeway?

The financing of the oil and mining industry is still poor. Though several banks are members of the Chamber, mining firms are yet to find favour and understanding from financial institutions.
Government should also set up a fund to help Ugandans interested in participating in the oil sector access cheap loans. Furthermore, the laws on local content should be brought up to speed as soon as possible.

What have been the major challenges encountered by the Chamber so far as it begins the long journey to shape Uganda's mining sector and how can they be best addressed?

They are mainly teething problems that any new organisation encounters. How do we find the right players on board, get an office or a recreational centre for members to meet on a regular basis? How do we regularly participate in international meetings and join similar Chambers world over and therefore be part of the international community? How do we get the media on board to explain our objectives? Mining companies facing legal issues need the Chamber to aid them out, so we need to be empowered to ably advise legislators and government fittingly.

There is so much work to do, so many challenges but again so many opportunities! Our shirt sleeves are folded and we won't rest until our country becomes one of the key players in the mining sector in Africa.

Of the things the Chamber set out to accomplish at launch, what has been achieved so far?

Lots. We have held many training workshops and seminars and established our offices. The unity among members is also very healthy as distinctly demonstrated at the send off of our departed brother Gary Watkins.

The frustrations of course abound like our failure so far to help out Busitema Mining Cie as it seeks to carry out profitable mining amidst local opposition yet gold prices have hit $1,400 an ounce – the highest ever in the world. The company has already lost over $3m yet the squatters' issue is not that complicated.

The legal case hanging over Kilembe Mines too is a major disappointment especially now when copper prices are at the highest in the world. We are missing a lot of opportunities when we shouldn't. These though are the pains of being part of a developing country; but we shall overcome them. In sha Allah!

Grand infrastructure like the Hilton Hotel above should become commonplace once the petrodollars start coming in

Economy Eyes PETRODOLLAR BOOST

Bank of Uganda deputy governor, Louis Kasekende says the oil proceeds will likely drive Uganda's annual GDP growth rates into double digits

In a July 2010 report about the profound economic dynamism and transformation going on in African economies, McKinsey Global Institute (MGI), a reputable global economics and business research organization categorized Uganda among what it called Transition Economies.

These countries, according to MGI, are the third best group of economies after what it called "Diversified Economies"--which have the most sustainable growth rates--and the second category, "Oil Producers", which it says have the highest per capita GDP and growth prospects but have the least developed manufacturing and service sectors.

"Several transition economies are likely to increase their resource exports in the coming years, which could turbo-charge growth. Ghana and Uganda, for instance, will benefit from recent oil finds, generating additional revenue that, if invested wisely, could spur further diversification," MGI said.

Tullow Uganda, the leading oil explorer in the Lake Albert Rift Basin had since 2009 said it was aiming at commencing commercial production in the last quarter of 2011. But the company has recently signaled that that target was unlikely to be met and was instead eying the first quarter of 2012.

If the company's plans remain on track, 2011 could be foretaste of the scale of investments that the unfolding petroleum industry will bring to Uganda and the profound way in which the petrodollar bounty will transform the country's economy.

Bank of Uganda deputy governor, Louis Kasekende says the oil proceeds will likely drive Uganda's annual GDP growth rates into double digits.

According to analysts if the forecasts of MGI and BoU prove true, then Uganda is poised for a spectacular transformation that could see it leap past its regional neighbours like Kenya and Tanzania and become a middle income country by 2015.

2011 is being watched by analysts as a particularly crucial year with developments that could prove a critical turning point for the economy.

The Uganda government intends to develop a refinery as a public-private partnership project and real construction is expected to start in 2012. Much of the work, especially rooting for funders and procurement of contractors will be done this year, which could produce a powerful impetus to drive the economy.

Also if Tullow completes its plans to sell stakes to France's Total and China's Cnooc, the three could then embark on their plans to construct an export pipeline, a monumental infrastructural project that is expected to funnel colossal amounts of dollars into Ugandan economy starting this year.

At a function where Tullow was meeting its potential suppliers in January, 2011, the company General Manager, Brian Glover, gave a sneak preview of the oil-related investment boom that will kick off this year.

"We've been focusing on exploration and there are certain requirements for that phase and we've been working with a good number of local companies. But as we move to the production phase obviously that requires aspects of construction, building facilities, pipelines among others," he said.

Glover added: "We'll soon move into refining and all these aspects. So a wide range of companies will be required directly, construction companies, more technical companies as well. But it's also important to understand that a broader aspect of companies will be required as well: service industries, hotels, transportation companies and many others."

The Bunyoro region of Uganda will particularly start to witness a broad, profound change in its economic fortunes this year, with Hoima town acting as the nerve centre of this transformation.

The Minister of State for Energy, Simon D' Ujanga hinted at a government objective of turning Hoima into an "oil city."

Perhaps the most underdeveloped area in Uganda after the Northern region, Bunyoro is poised to witness a flurry of economic activity, ranging from frenetic road construction and other related transport infrastructure to establishment of first class schools, hospitals, hotels, warehouses and other logistics hubs.

This frenzied economic activity will generate lots of jobs.

In his 2011 New Year address, President Museveni said his government's central objective was to build local capacity in the petroleum sector via supply of critical manpower.

"This will be through the expansion of the Uganda Petroleum Institute at Kigumba. Graduates in the petroleum sciences and relevant disciplines will also be produced in courses which have begun at Makerere University."

This capacity building will enable Ugandans to take up the over 20,000 jobs that he said would be directly generated by the oil industry and an additional 100,000 jobs generated through secondary activity in the sector.

A large portion of this labour pool is expected to be contributed by the Bunyoro region, principally on account of its proximity to the Albertine region. The incomes from these jobs, once they start flowing back into the region's economy, could ignite a spectacular economic revival.

As the petroleum industry inches towards production, Hoima town and the surrounding areas will be teeming with hungry workers, a trigger for a lucrative food market that is about to flourish in Bunyoro.

A booming food market is particularly good for the region which has large and virgin tracts of uncultivated land and boasts of a huge portion of its population that still lives on subsistence.

On a larger national scale, the expected onset of massive oil related investments could foment trouble for the local currency, the shilling.

Already since late last year the shilling has been under virtual siege from the US dollar as demand for the US currency skyrockets. Much of the surging demand has been stemming from the energy sector, particular the budding oil industry.

Nearly all the sophisticated equipment, technology and materials to be used in the development of the sector will have to be imported and hard currency will be required to execute these procurements.

2011 thus could spell trouble for the shilling which might inevitably superficially balloon Uganda's import bill and strain the current account deficit.

That risk, though, could be managed, with a prudent mix of macroeconomic tools by the Central Bank.

the evolution of Uganda's mining sector

A personal perspective from Joshua T. Tuhumwire

To shed some light on the background of the development of the mining sector in Uganda, an interview was conducted with Joshua T. Tuhumwire, a geologist and mineral exploration expert who has just retired from the civil service of Uganda after a 31 year career, which culminated in his most recent position as Commissioner of the Uganda Department of Geological Survey and Mines from 2001 to 2010.

Tuhumwire notes that in 1972 when then Uganda president Idi Amin Dada set in motion his economic war – in effect expelling the Asian community and other foreign nationals, who were key players in this country's economy, the mining sector suffered serious negative consequences and has been on a slow path of recovery ever since.

The Asian community was at the time a key cog in the machinery running the Uganda economy. When members of this community were expelled, they wound up entire companies and that affected the immediate fortunes of complete business and industrial sectors and the mining sector was not an exception.

To put that in perspective, according to Tuhumwire, the mining sector at that time contributed one-third of Uganda's foreign exchange earnings and the country had and still has a huge potential for various minerals that are lying idle unexploited.

When the recovery of the economy started after the ouster of Amin, some sectors made modest gains, but Uganda's overall economy remained on crutches throughout the 1980's and real recovery was not seen until the 1990s.

As sectors of the economy have recovered and others are actually booming, Tuhumwire says the mining sector remains down and is yet to recover from the Amin economic collapse.
Over the past few years, significant new activity has only taken place with oil but Uganda has significant reserves of other minerals – and that is where Tuhumwire has not seen serious action in terms of mineral exploration and mining.

Tuhumwire joined the Department of Geological Survey and Mines in the then Ministry of Natural Resources in April 1980 (later renamed Ministry of Energy and Mineral Development), a month after he qualified from Makerere University with an Honours Degree in Geology and Chemistry.
Talking about his early days, as a young geologist, Tuhumwire says the experience was mixed. "Initially, it was very exciting but as time went by, things got tough."

As a fresh graduate, Tuhumwire says his work was in the field. He notes that in 1981, 1982 through to 1984, he did a lot of work in the Southwest of the country in the tin fields in Ntungamo and Bushenyi districts and farther southwest on the Muko iron ore project in Kabale and Kisoro districts.

"I was carrying out geological mapping and mineral exploration," Tuhumwire says. Did he find any minerals? "Yes, beryl, cassiterite (tin), columbite-tantalite, lithium minerals, wolfram, bismuth, iron ore, gold and kaolin were discovered in this region way back in from the 1920s to 1950s; my work along with other recent geologists was to find extensions of these mineral prospects. Some of these minerals, for instance tin, wolfram and beryl have been exploited while the others are yet to be exploited." From September 1984 to October 1986, Tuhumwire went abroad to study for a Masters Degree in Mineral Exploration at the Vrije Universiteit Brussel.
On his return, just after the National Resistance Movement had taken power, Tuhumwire remained active in the field and largely

Geologist and mineral exploration expert, Joshua Tuhumwire carried out work in the industrial minerals area. "I did a lot of work evaluating clay deposits including Kajjansi, Namanve and other areas with the aim of providing building materials for construction," he says.

"So as a young geologist, that was very satisfying work," Tuhumwire notes. He says he was also very keen to continue to pursue his studies. Tuhumwire returned to a Uganda that was just getting out of the throes of a war. The fact that he chose to return to Uganda when he could have gone to places like Namibia, Botswana and Zimbabwe where geologists were in demand says a lot about his love for his motherland.

"When I completed my MSc degree in Belgium in 1986, as this was a difficult time in Uganda, I considered going to work in Southern Africa (Namibia, Botswana or Zimbabwe) where there were good opportunities to work," Tuhumwire says.

In 1987, he tried to look for sponsorships to do a PhD, "but I never succeeded in getting the money." He says it was a disappointment that he did not do his PhD but there are no regrets. "I stayed in the field, doing the ground work that I liked, which is very good and necessary background for a freshly trained and eager geologist," says Tuhumwire.

"In fact at times, when I look back, I wish I did not go into management that early because geologists really need to be in the field. Geology is more interesting in the bush while studying the rocks and seeing how they occur and reconstructing the earth's history; sitting in an office merely makes one a desk geologist and this was not my preference." In 1989, Tuhumwire was promoted to senior geologist, but he continued to do work in the field.

It was in 1992 when a United Nations Development Programme (UNDP) project on mineral investment promotion came into the department that he made the transition from the field to management and policy work. Tuhumwire was selected as national project director with the task of promoting mineral exploration and investment in Uganda.

"Basing our approach on the country's known geology and mineral potential, I was part of the team that went around the globe talking to investors at various mining investment conferences about the opportunities that abound in Uganda," Tuhumwire explained.

He said the UNDP project was initially a three-year project, but it eventually lasted five years. It was successful in opening the country's mineral sector to international mining interests after several years in the doldrums. During that time, he was promoted to Principal Geologist, then Assistant Commissioner for Geology. Tuhumwire was appointed Commissioner of the Department of Geological Survey and Mines in 2001.

As Commissioner over the last nine years of his civil service career, Tuhumwire's job has been to put into effect the provisions of the Uganda's Mining Act of 2003 and effectively regulating the sector. The Commissioner also advises government on all matters pertaining to mining and geoscience.

One of Tuhumwire's key successes was the contribution towards the amendment and enactment of the Mining Act, 2003 by Parliament – legislation into which he had a lot of input.
That law replaced the Mining Act of 1964, which had a lot of weaknesses and in a way held back the growth of the mining sector. The other success for which Tuhumwire is proud of is the transformation of the Geological Survey and Mines Department from a decadent institution into a vibrant and growing geoscience institution with highly trained and experienced geoscientists and engineers.

As he has exited, Tuhumwire says his advice to his successor is to strictly follow the law. "Be on the right side of the law always," he says. "The Mining Act gives a lot of powers to the Commissioner and he has to exercise those powers judiciously."

He went on, saying that should the Commissioner stray from the law, "you have problems because there are many speculators in this sector.
A lot of people in the sector want to cut corners and on many occasions I had runins with some of these speculators who will stop at nothing to damaging one's image as they go to high offices that a civil servant has no access to. In cases where political interference in public administration is rife, one is safer sticking to the law, come what may."

He says he had to put his foot down and was called all sorts of names. "They run to the highest office, they wrote letters to the President, the Minister and the Inspector General of Government accusing me of so many things but I walked away clean because everything I did was in black and white and in accordance with the law," says Tuhumwire.

Tuhumwire says he intends to stay active in the mining sector. "For now I have taken a break of six months till February next year," says Tuhumwire.

He says he intends to become a consultant in the mining sector through his firm Gondwana Geoscience Consulting Limited. He says he will also have a shot at real estate and other businesses. Currently, he is involved with Strategic Logistics Limited and its two other sister companies, as Board Chairman.

Who is Joshua Tuhumwire?

Joshua Tuhumwire was born in present day Kabale District in Rubanda County. His home is only seven kilometres from Bjordal wolfram mine where his father worked in 1946 to 1949. "It seems there is mining in my blood passed on by my late father and I was not surprised at all that I ended up studying rocks," he says.

Tuhumwire started off at Nyaruhanga Primary School, located five kilometres from his home, where he attended P1 and partly P2. He says he eventually moved to what he called a more upclass primary school called Kigezi High School Primary at Kabale where he completed his P.7. In 1971, he joined Kings College Buddo for his Ordinary Level. In 1975, he moved to Makerere College School where he did his Advanced Level, offering Physics, Chemistry and Mathematics (PCM).

How did he go to university to do geology? Was it part of the plan given that his home was near a wolfram mine? "It was an accident," he says. As a young man, Tuhumwire had wanted to emulate one of his nephews who was a dentist by going into the field of medicine. But all that changed when he was offered PCM instead of PCB (Physics, Chemistry and Biology) at Makerere College. At that point, he hankered for Civil Engineering as an alternative to Medicine.

"At university, I was not taken for engineering. Instead, I was offered Physics, Chemistry and Geology. That is how I came into the world of earth science," Tuhumwire reminisces. He says geology was a tough subject, "But I am also a tough cookie as most of my golfing friends know me. Having climbed the ladder to the rank of Commissioner for Geological Survey and Mines, I have no regrets for the fate or choice – it could not have worked out any better."

At the time, he said geology had one of the highest failure rates at the university and that a number of students were discontinued. "Others had to repeat but I was never in that category," he says. In his year, out of the 12 students who were admitted into geology, two dropped off. He said the only job openings for geologists in the private sector at the time he joined university were a possible career at the Kilembe copper mine in Kasese, southwestern Uganda.

The copper mine however closed operations in 1979 – a development that darkened the job prospects considering that the mine gave the greatest hope for geology graduates at the time.

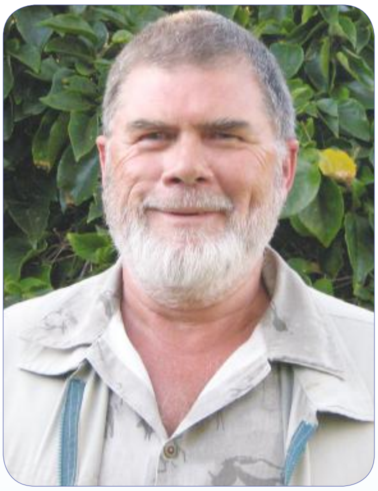
Geologists could also go to work for government at the Ministry of Natural Resources in the Department of Geological Survey and Mines.
They could also find job openings in the Uganda cement industry at the Hima cement plant in Kasese and the Tororo cement plant at Tororo. "I must say in general that the job opportunities for people like me were limited," he says.

How about today? "The job opportunities are still limited for geoscientists in Uganda because the mineral sector, which would be their largest employer is far from being developed to absorb a large number of them," says Tuhumwire. ¤However, with the current government efforts to provide modern geodata, a number of exploration or mining companies will be attracted to invest in the country.¤
Additionally, Tuhumwire says the emerging oil and gas industry will take up some geoscientists.

"Based on these recent developments, I would certainly encourage students to study geology and geosciences," Tuhumwire counsels.

CAN UGANDA FILL THE REE GAP?

China to Hold Back Supplies Despite Huge Global Demand for Rare Earth Elements



By Gary Watkins (RIP)

It's the bubble you've probably never heard of – 'The Rare Earth Bubble'. It's likely to pop in 2012, potentially devastating the industries of western nations that depend on these rare earth elements. Yes, according to informed sources it's likely, that China will shortly begin to hold back on its REE exports.

Bear in mind, that China supplies 97% of the world demand for these strategic elements!

What are these industries that could be crippled following such a move by China? The automobile industry consumes large amounts of REE's each year and advanced military technology depends on these elements too. Lots of 'Green Technologies' depend on them as well, including wind turbines, low-energy light bulbs and hybrid car batteries. In fact, much of western civilization depends on rare earth elements such as Terbium, Lanthanum and Neodymium. In the previous article, the comprehensive report on REE's, compiled by the United States Geological Survey, outlines the many present (let's not forget the work being done on 'magnetic refrigeration') and potential future applications for rare earth elements.

If China were to cut off the world's supply of rare earth elements, in order to reserve them for its own economic expansion, the western world would be crippled by lack of supply. Manufacturing of everything from computers and electronics, to farm machinery, would grind to a halt. Electronics would disappear from the shelves and prices for manufactured goods that depend of these REE's would skyrocket!

These 16 rare earth elements – all of which are metals – are Strategic Resources, upon which entire nations are being built. In many ways, they are similar to rubber – a resource so valuable and important to the world that many experts call it the 'fourth most important natural resource in the world', right after water, steel and oil. Without rubber, you couldn't drive your car to work or water your lawn. Many medical technologies would cease to work and virtually all commercial construction would grind to a halt!

Many of the strategic battles fought in World War 2 were fought in fact, over control of rubber, most of which now comes through Singapore and its surrounding regions (Malaysia and Indonesia).

An article in the British newspaper 'The Independent', quotes REE expert, Jack Lifton, as saying, "A real crunch is coming. In America, Britain and elsewhere, we have not yet woken up to the fact that there is an urgent need to secure the supply of rare earths, from sources outside of China."

In fact, it's imperative that reserves of rare earth elements are sourced elsewhere, in order to ensure worldwide technological survival!

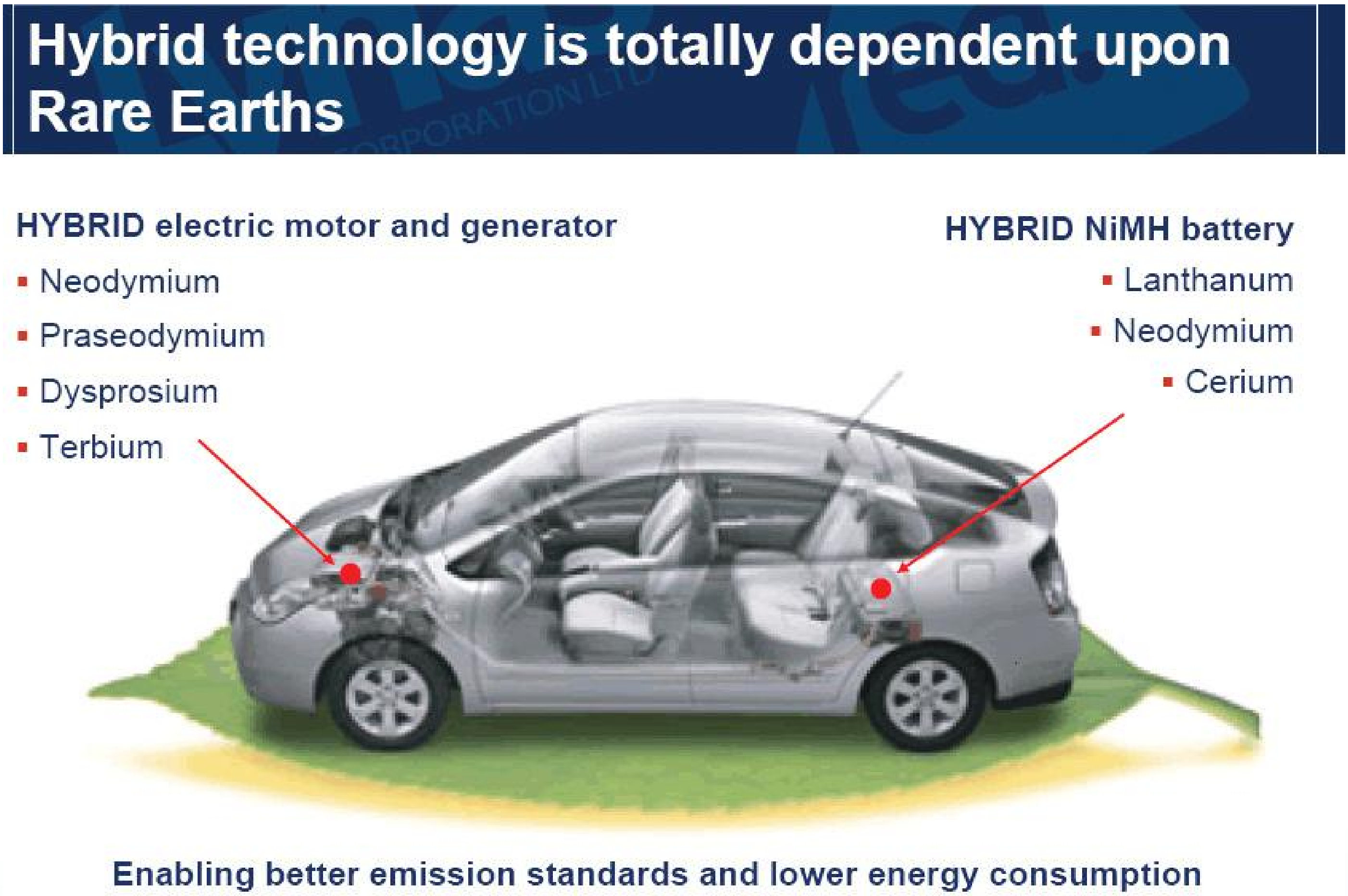
Consider this: without rare earth elements, we would have no iphones, no fibre optic cables, no X-ray machines, no car stereos and no high-tech missile guidance systems for the military and NO ELECTRIC MOTORS!

It is almost certain, that prices for rare earth elements will skyrocket over the next 2 – 5 years. This creates a huge investment opportunity for people willing to take a riskA and bet their money on rising prices of these metals.

CAN REEs BE EXLOITED IN UGANDA?

The answer to this is 'Yes' - Exploration continues and although promising levels of REE's are being recorded, to date, no large mineable resource has been located within the country.

See below, the pre- introduction of a report, which was compiled in 2000, published in Vol 35 of the Geochemical Journal (2001) and features the clay-rich sediments of the Kajjansi, Kitiko, Kitetika and Ntawo valleys. This comprehensive 15 page report (Mineralogical and chemical composition and distribution of rare earth elements in clay-rich sediments from central Uganda - George W. A. Nyakairu and Christian Koeberl), makes for very interesting reading and can be accessed via the internet.



"Clay-rich sediments from the Kajjansi, Kitiko, Kitetika, and Ntawo valleys in central Uganda were analyzed for mineralogical and chemical composition, including the rare earth element (REE) contents. The valleys are filled with Quaternary to Recent alluvial and lacustrine sands, silt, and gravels, which formed from the bed rock metasediments of the Buganda-Toro System and from granitoid rocks that include rocks of the basement. The sediments are dominated by kaolinite and quartz, and minor phases include smectite, chlorite, and illite/muscovite. Whole rock chemistry shows that sediment samples rich in SiO_2 have low Al, Fe, Sc and Cr contents. The high chemical index of alteration (CIA) values (87 to 96), chemical index of weathering (CIW) values around 98 and low contents of the alkali and alkali earth elements ofthe clay-rich sediments suggest a relatively more intense weathering source area. Barium, Rb, Ca, and Mg were probably flushed out by water during sedimentation. The chondrite-normalized REE patterns of the clay-rich sediments show LREE enrichments and a negative Eu anomaly. The high chondritenormalized La/Yb ratios, and GdIYb ratios lower than 2.0, indicate that the sediments are enriched in the LREEs and are similar to typical post-Archean shales, such as Post-Archean Australian Shale (PAAS). The mineralogical composition, REE contents, and elemental ratios in these sediments suggest a provenance from mainly felsic rocks, with only minor contributions from basic sources. The basic sediments were most likely derived from metasedimentary rocks, such as muscovite-biotite schists, which are characteristic of the Buganda-Toro System rocks, whereas the felsic sediments are derivatives of granitoid rocks of the basement. The most significant geochemical finding is that despite intense weathering, which has affected most elements, the REE, Th, and Se remain immobile".

Current Exploration Work On REEs

Rhino Exploration Services Ltd, are encountering promising levels of REEs on a number of its Ugandan exploration licenses, with emphasis on the Mbale and Bugiri Carbonatite Complexes. At Mbale, the REE potential has been proven, through core drilling on an outcropping sedimentary layer.

Further work is required and already planned, in respect of both core and RC drilling over the mineralized zones, but unfortunately, efforts are being hampered by a shortage of investor funding. To a degree, this shortage of funding has been attributed to the 'Global Economic Recession'. However, there are other areas of concern which are not helping the situation, including

- Sukulu Phosphate (Nilefos) – Land Issues.
- Tiira Gold Mine (Busitema Mining) – Illegal Artisanal Mining.

These issues are seriously impacting on the development of the mineral sector as a whole and require engagement/dialogue, between all stakeholders in order to be resolved. With proactive Government assistance/action. I am confident that investor confidence can be restored, with regard to Uganda being the 'Mining Destination of Choice'.

Gary Watkins (RIP) was COO for Rhino Exploration Services Ltd (Uganda) and a member of the Executive Council of the Uganda Chamber of Mines and Petroleum

NEPTUNE
changing the face of West Nile

Neptune has over the last three years of its operations in West Nile region in Uganda carried out several exploration geological and geophysical studies which included a 308 line km 2D seismic survey and geochemical and gravity surveys in 2008 and in 2009. These studies identified several drilling prospects and subsequently, the Iti-1 well was drilled in mid 2009 and Avivi-1 well in early 2010.

A comprehensive basin-wide aero gravity and gradiometry survey was conducted in July 2010 and this will define the areas for the planned 2D seismic survey scheduled to start in December 2010. This survey is planned to be a more focused activity over the highly de-risked areas of the remaining licence acreage. The results of this seismic survey, together with the information from all the previous exploration activities including the two wells that have been drilled in EA5, will guide the selection of the third well location to be drilled in early 2011.

Neptune prides itself in having championed the promotion of local content in Uganda's infant upstream oil and gas industry. This is apparent in the company's employment policies which emphasize the hiring of competent Ugandans and encouraging local entrepreneurs to participate in oil exploration support services. Neptune's Uganda business unit employs 32 Ugandans and only two expatriates, with the rest of the operational technical input sourced from the London based Tower office and its specialist consultants.

In West Nile Neptune has employed over 700 local people on casual labour and short assignments on the various exploration projects that have been completed to date. Several local entrepreneurs have also benefitted from opportunities for supply of goods and services such as construction works, transportation and catering services. Most of these opportunities are communicated to the local people through routine community meetings, radio talks-shows and through the company's Information Centre located at the Arua Public Library in Arua town.


Neptune Country Manager, Marilyn Hill

"We have found the people of West Nile very inviting, honest and peaceful. This is why we have supported them whenever they seek help," says Marilyn Hill, Country Manager, Neptune, "Our support has been through social investment programs which have mainly focused on improving access to clean water, improving education and studying facilities and health and sanitation infrastructure."

Neptune recently commissioned two Ventilated Improved Pit latrine blocks that it constructed for two schools in Rhino Camp area in Arua District. These are now being used by the over 1100 pupils at the two schools. In August 2010 the company supported primary schools in Yumbe town council with schools desks to supplement those existing in the populated schools where some children were previously studying while seated on the ground.

"We tend to distribute the social support benefits to all the districts in West Nile and elsewhere in Uganda although Arua, Moyo and Yumbe have been the main beneficiaries, being the areas closest to our main exploration operations. Local content development is still in early stages but is expected to increase greatly when oil exploration activity in the region becomes more successful," notes Hill.

NEPTUNE PETROLEUM (UGANDA) LIMITED

URANIUM, THORIUM

Efficient, Cleaner Energy Sources

By David Kyagulanyi

Green power is energy, or power, derived from a green energy resource. Green energy resources are those energy sources that are renewable. Solar power, wind energy, geothermal energy, waste biomass and hydropower are all green energy sources. Nuclear power is a cleaner source of energy. And Uranium and Thorium are the fuels for nuclear power.

When fossil fuels such as coal or oil are burned to create energy, billions of tons of toxic emissions are released into the atmosphere. In contrast, a nuclear reactor emits no pollutants into the air and requires a fraction of the amount of its fuel, for example uranium, to produce the same amounts of energy from burning oil, natural gas or coal. For example, a typical pellet of uranium weighs approximately 7 grams and can generate as much energy as 3.5 barrels of oil, 17,000 cubic feet of natural gas, or 1,780 pounds of coal. 16% of the world's electricity is currently supplied by nuclear reactors and this number is expected to increase over the next few decades as more reactors come online. It is believed that this will put an upward pressure on the demand for uranium resources, a demand which can only be met in the long term through investment in exploration and new uranium mines.

According to *www.bayswateruranium.com,* there are currently 435 nuclear reactors in operation worldwide; however, because of the growing demand for energy, consumption is expected to double by 2030. There are approximately 160 more reactors either under construction or scheduled to be built. This equates to a possible 600 reactors worldwide by 2025. Currently the world's operating nuclear reactors require around 168 million pounds of U3O8 per year. Primary uranium production declined steadily between 1981 and 2003 and during the same period of time there was very little uranium exploration. This has led to a situation where only 61% of reactor requirements are coming from primary sources. The balance is coming from secondary sources which include non-government inventories, government inventories of weapons-grade highly enriched uranium (HEU) and plutonium, re-enriched tails and recycling of spent nuclear fuel.

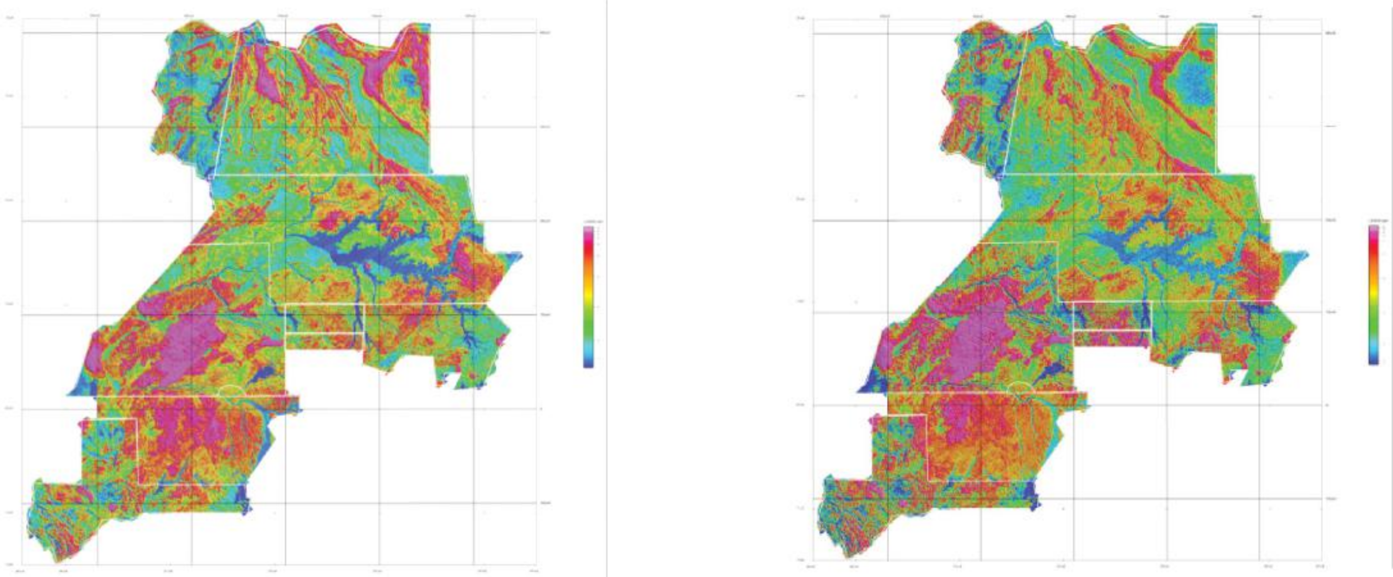
The big question is how long will secondary uranium supplies be able to fill the demand-supply gap? A study conducted by the World Nuclear Association in 2005 calculated the best case scenario of secondary uranium resources, using today's annual reactor requirements of 168 million pounds U3O8, and they determined that there is a maximum of 1,364 million pounds of secondary U3O8 remaining. As reactor requirements are expected to increase in the coming decades, and there is a finite supply of secondary sources, primary uranium production is going to need to increase to fill the gap. This will require investment in exploration and the development of new mines.

The China National Nuclear Corp, the nation's largest nuclear power plant builder, recently stated that its subsidiary China Uranium Corp has signed an agreement with China-Africa Development Fund external link to jointly develop uranium resources in Africa. In a statement posted on its website, CNNC said that both parties will set up a joint venture in Beijing to invest in and develop uranium resources in Africa. The Chinese are interested in a cooperation with Russia on uranium production in third world countries - generally African countries.

According to the Nuclear Energy Agency and the International Atomic Energy Agency (IAEA), worldwide uranium demand is rapidly increasing. This has prompted most major producing countries to recently increase activity and expenditures to identify and secure new economically-feasible uranium deposits and bring them into production. The rush is on because future uranium supplies may not be able to meet demand. Algeria, Angola, Botswana, Bourkina Faso, Cameroon, Burundi, CAR, Chad, DRC, Egypt, Gabon, Gambia, Ghana, Guinea, Libya, Madagascar, Malawi, Mali, Mauritania, Morocco, Mozambique, Namibia, Niger, Nigeria, Senegal, Sierra Leone, South Africa, Sudan and Tanzania are some of the African countries reported to be having uranium exploration, mine development and exploitation activities taking place.

A summarized understanding of the need for the harnessing of Uganda's cleaner energy resources and the status and extent of the current resources of Uganda with respect to Uranium, is well outlined in a paper presented to the Technical Meeting on Uranium from Unconventional Sources, in Vienna, Australia, on 4-6 November 2009; by Mr. Zachary Baguma of the Department of Geological Survey and Mines. The geology of Uganda encompasses all geological settings from which current Uranium extraction is being made globally. In a presentation made to the Ugandan Public and Private Sectors by Paterson, Grant & Watson Limited (PGW) and D. G. S. M and titled "Uranium Exploration in Uganda - Preliminary Evaluation and Interpretation, 67 anomalous targets suitable for Uranium exploration were identified. PGW concluded that there is much work to be done over the next few years by both the government and private companies in order to explore for and prioritize prospective regions for exploitation of uranium in Uganda.

Figure 1: Equivalent Thorium and Equivalent Uranium Coverage for Uganda (Fugro Airborne Surveys Ltd.)



Through the Uganda Chamber of Mines and Petroleum, the government, urgently needs to invest in exploration activities in this sector and treat it as one would treat an issue of national security. UCMP can play a central role, linking the state to the private firms in the exploration for and development of deposits.

Thorium and REEs

The US nuclear sector has set its eyes on a new fuel source: thorium. Thorium is not being toyed as an substitute to any REE but it is considered to be a strategic metal, and a likely alternate to uranium. With an abundance in the earth's crust of about 12 parts per million, thorium is several times more prevalent in the soil than its more popular cousin, uranium. Metal followers seem excited with the news because if thorium-based nuclear power units do take off, thorium consumption is bound to go up since a single gigawatt (GW) reactor is estimated to use a ton of thorium per year. This belies the fact that the fate of thorium supply is deeply tied to the greater rare earth element supply chain—one that has become increasingly dominated by the Chinese.

> *Drop quote: a typical pellet of uranium weighs approximately 7 grams and can generate as much energy as 3.5 barrels of oil, 17,000 cubic feet of natural gas, or 1,780 pounds of coal*

In his report *Thorium – Fuelling a Sustainable Future for Nuclear Power,* Conrad Windham, Chief Operations Officer of All Star Minerals Plc states that there is a growing consensus that thorium represents a crucial part of the future of civil nuclear power generation, for several key reasons. The first and most advocated reason for using thorium in the nuclear fuel cycle is the nonproliferation benefits that it offers. This means thorium has the potential to provide the world's energy requirements for several thousand years, with minimal radioactive waste that is unsuitable for producing weapons grade material. The fact that it is in three times greater abundance than uranium, and that all mined thorium is able to be used in a reactor, compared with 0.7% of natural uranium, means that thorium is likely to represent the future feedstock for nuclear power generation.

Processed, recently released airborne geophysical data indicates that there are slightly less Thorium anomalies than the 67 Uranium anomalies identified by PGW. These are over diverse geological environments and many of these are expected to be hosting Uranium and/or Thorium mineralization with REEs, gold and other minerals.

Take Action

The U.S. House of Representatives has passed the Rare Earths and Critical Metals Act of 2010, which offers some loan guarantees and funds some research efforts. In Uganda, the equivalent of such action would probably be a form of results based and well supervised support to exploration companies carrying out green field and brown field exploration programs in the green energy minerals and REEs metallic mineral sectors.
Uganda has to act in such a way that we become the solution to a waiting problem in the strategic, technological, green energy and green minerals sectors. With abundant cheap and clean energy, we not only have a more satisfied and productive, developing society, but we also have cheaper manufacturing.
An industrial society, let alone a green technological and productive society is not possible without the thinking such as that of Daniel Kish, Senior Vice President for policy at the Nonprofit Institute for Energy Research, who says: "If you control the minerals, you've got the cheap manufacturing."

Salini Confronts Poverty Through Sport

With the majority of Ugandans surviving on less than a dollar a day, it is unavoidable for a firm of Salini Costruttori's magnitude not to be confronted with many stories of indigence and hopelessness.

Incorporated in Italy since more than 70 years, Salini is a general contractor specialized in large civil engineering project with most of its current activities concentrated on the African continent. In Uganda, Salini is presently constructing the Bujagali Hydro Power Project in Jinja.

Says Tommaso Bianconi, Administration and Finance Manager at Salini: "On many occasions, we have built and donated school buildings, clinics, water wells and dirt roads among others to the communities surrounding our job sites."

Lately, just by chance, Salini discovered the importance and the power of the sports in uplifting communities.
The story goes back to last year, when Salini encountered, Prossy Mirembe ***(pictured above),*** a young girl living in Bujagali Village by the River Nile and close to the firm's site. Originally a simple waitress, Mirembe had recently taken to kayaking and before long, had mastered the sport.

However, having qualified to participate in the African Kayak Championship, in South Africa, her dreams of competing at the highest level looked doomed since she could not afford to meet her travel and participating expenses.

Luckily, her story reached Salini and before she knew it, the construction firm had become her full time sponsor - paying for her air ticket and all the necessary fees needed to take part in the event.

And Prossy did not disappoint coming first at the women competition and therefore becoming the Champion of Africa.

"After this amazing achievement at the very first time of asking, we introduced Prossy to the media and extensively promoted the kayaking sport notwithstanding the good natural resources," says Bianconi.

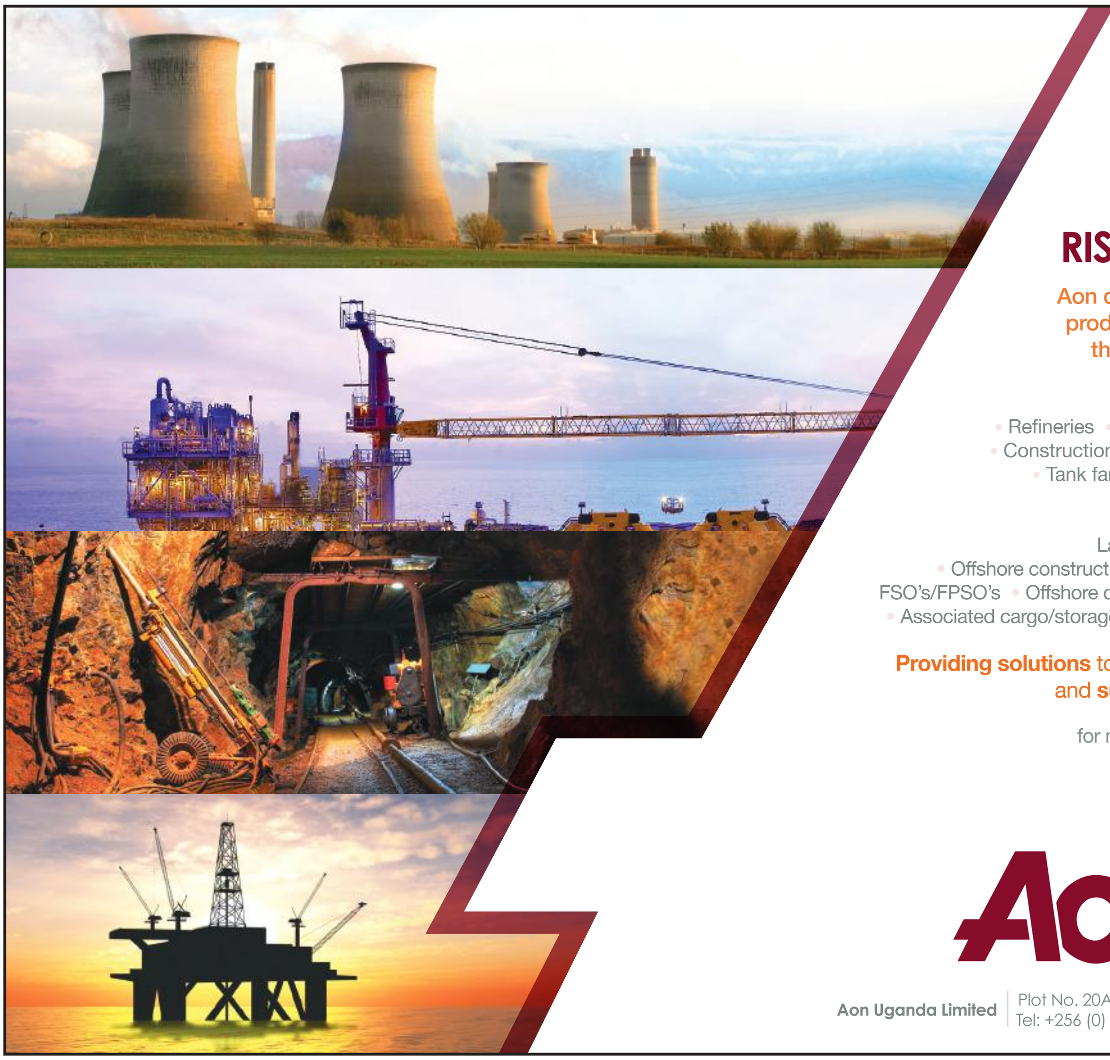
He adds: "Sports can transform an unknown person who later promotes his or her community and the country through international competitions. These empowered people also become trainers for their village mates and therefore start a chain of new resources and activities."

Mirembe has since opened a kayak school of her own near her village and here again; Salini has provided all the necessary tools and material needed to set up the training section on the Nile River.

Salini also donated a brand new red kayak to Mirembe to aid her preparations for the 2012 London Olympics.

"Prossy's dream is to participate at the highest level and hold aloft Uganda's flag. Whatever the result will be, Salini feels proud to be part of this dream. This is how a small spark can ignite a world event," notes Bianconi.

MULTILINES
INTERNATIONAL
Efficient & Reliable



Promoting Local Content Tullow's Way

As Uganda moves towards becoming an oil producing nation, the involvement of Ugandan people and local companies is paramount to its success. Jim Walsh *(pictured above),* Group Local Content Manager at Tullow Oil, talks about resourcing locally and the long term success of this new oil industry.

What does local content or local resourcing mean to Tullow?

A local workforce and a local competitive supplier base are essential to a sustainable and successful Oil & Gas Sector in Uganda. The Oil and Gas industry will be part of Uganda's economy for the next 20 to 30 years. Tullow is planning for the long term. The more local people who are involved in the industry or its ancillary services, especially in the area of operation, the stronger will be the feeling of inclusion, ownership and pride.

Why is local content so important to Tullow in Uganda?

Developing a truly local oil infrastructure and supply base will benefit the local businesses and communities and help to control and reduce costs and reliance on overseas providers

By delivering our local content strategy in Uganda we also hope to:

- Improve the capacity and capability of Ugandan people and companies allowing them to compete in our industry domestically and internationally.
- Provide a competitive alternative to using expatriate suppliers and employees
- Contribute to the growth of the Ugandan economy and to the development of local communities to achieve a mutually beneficial environment for carrying out our operations.
- Provide and support training initiatives for Ugandan people and companies so that they may obtain the necessary skills to achieve full participation in the industry.

It is essential that expectations around local content are realistic, when the oil and gas industry started in Britain; it took 15 years to develop local skills which allowed local British personnel to engage fully in the field of operations.

How does Tullow gain the knowledge it needs about the Ugandan supplier base?

In Tullow, the supply chain group has the highest exposure to business' activity and is responsible for local content throughout the tender process to award. Every supplier entering the tender process is monitored and measured on the quality of their service, EHS (Environment, Health and Safety) and also on their commitment to local employment, local goods and sustainability. It is important to us that both local and international suppliers fully respect the Tullow Local Content policy which is built upon government policy and direction and that they operate within the terms of the clearly defined clauses for the life of the contract.

What happens to the Ugandan suppliers who have been unsuccessful with their tenders? Are they excluded?

Local suppliers who have been unsuccessful in our tender processes are supported. We identify why they have been unsuccessful, where the improvement is required and in many cases we have introduced training and mentoring programs to empower them for future inclusion.

Why are international companies arriving and working in the Ugandan oil industry if Tullow is so committed to local content?

In the short to medium term, there are specialist tasks where international suppliers are the only alternative to meet the service requirements. Our international contracts contain detailed contractual terms of inclusion for sustainable local content. It is important that international suppliers leave a positive legacy from their presence in Uganda.

Will Uganda ever be in a position to supply 100% of the oil industry's requirements?

It is essential that expectations around local content are realistic, when the oil and gas industry started in Britain; it took 15 years to develop local skills which allowed local British personnel to engage fully in the field of operations. This is despite the region having essential skills like welding and heavy engineering well established following generations of shipbuilding. In Norway, another country operating in the North Sea for the last 40 years the local content percentage is in the region of 50% to 60%.

In addition, there are many examples of specialist manufacturing and fabrication activities that take place in the Far East by the well-established ship-building industry. These are the countries which have grown a specialist support infrastructure which makes it more commercially viable to use rather than creating new industries in other countries.

\How big will the opportunity be for Ugandans and what standard of education will be required?

When we move from exploring for oil into the development and eventual production phases, opportunities for qualified local people and local suppliers will increase. It is important to note that as Uganda has little experience in the oil industry and has an underdeveloped infrastructure it will need investment and effort to develop this opportunity to its full potential.

The number of people employed in the oil industry in Uganda will fluctuate until the development of the resources is complete, from 2015 onwards. Early estimates are for over 3000 people directly involved in the industry with more being involved in supporting services.

Tullow recognises the importance that training and education has in the development of a truly local oil industry. We have placed recruits in our Graduate Trainee Programme, in various engineering disciplines and also work based technical training and mentoring. We have developed partnerships with local and foreign universities to teach petroleum courses locally and have launched the Petroleum Scholarship fund in May 2010.

Tullow have been in Uganda now for three years what have they done so far for local content?

Over the past three years Tullow Oil Uganda has spent in excess of $50m with local suppliers for goods and services, this is a figure which has been spent in the early stages of the process which traditionally has a lower requirement for local resources and services. During this time Tullow has developed training programs which help the development of local suppliers. These courses include:

- ISO 9001-2000 Accreditation
- ISO 14001 – 2004 Accreditation
- Technical standards seminars
- Commercial Awareness
- Project Management
- EHS supplier forums

We often encourage local suppliers to pool their resources either as joint ventures, joint enterprises or new Limited Companies. This allows them to tender for opportunities which would otherwise not be possible due to financial restrictions, lack of experience or access to capital. It also gives them the ability to offer a more dynamic solution and increases opportunities for them to add value.

In some areas of field and lab work, we encourage partnerships between experienced international service providers and local businesses. This increases the capability and capacity of the local business without increasing its exposure to increased business risk.

In our modern office in Kampala, 78% of our staff is Ugandan; most of these are educated to degree level and benefit from our programme of continual development in education. In the field 80% of our contractors' staff is also Ugandan.

Regardless of the efforts, processes and policies put in place by Tullow, there are other parties who need to support the efforts to bring the local supplier base to the level which will be required to take the industry to the next stage and beyond.

The Ugandan Government will need to develop the country's transport infrastructure, education framework and health care to allow Ugandans to thrive in the oil sector.
There has been some development with the opening of the new facility of the Ugandan Petroleum Institute at the university in Kigumba. Even the upgrade of the road between Hoima and Kaiso Tonya has started. However, there is still more to be done.

NGOs will have a key role in inspiring, mentoring, supporting and promoting enterprise among the suppliers and potential suppliers both directly and indirectly relating to our industry.
Finally and most importantly the local suppliers themselves will need to invest in their businesses, only then will our desire to have a truly local and successful oil business in Uganda start to become a reality.

Are local firms up to the oil bonanza challenge?

The prospect of a flood of petrodollars sloshing through the Ugandan economy has come to dominate the country's economic discourse so much these days that little else appears to matter.

And yet concerns are festering among some development experts that while President Museveni and his NRM government has made a point of emphasizing how the oil bonanza will be spent on long term capital development and creating "lasting value" to catapult Uganda into middle income ranks, the country's private sector, so instrumental to attaining this critical goal, remains unprepared to effectively participate in the budding industry and integrate it in the greater domestic economy.

UK's Tullow Oil, the lead explorer in the Albertine Rift basin where Uganda struck commercial hydrocarbon deposits, says it intends to commence commercial extraction in the first quarter of next year. That plan though is now in limbo following a protracted tax dispute between the Ugandan government and Heritage Oil which sold its exploration assets in the country.

Petroleum experts have in the last three years served up incessant warnings about the well known pitfalls of petroleum economies in sub Saharan Africa but noted that Uganda, already credited with fairly sounda macroeconomic management, had a good chance to harness this resource prudently.

Now, as Uganda inches closer to the production phase, these experts are observing keenly to see if the nation's private sector will scoop up business opportunities spawned by the sector, particularly in the downstream operations.

Largely on account of a paucity of technological skills and resources, local businesses in sub-Saharan African oil producers have not participated in their downstream operations and this has unfortunately ensured that one of the most lucrative segments of petroleum chain has remained almost exclusively in the hands of foreign companies to the detriment of the local economies.

Dr. Maggie Kigozi, executive director of Uganda Investment Authority (UIA) says they have started facilitating business and engaging with key actors in the petroleum sector to indentify business prospects that will unfold as Uganda commences petroleum production.

"We have already held discussions with the various companies to try to get them into thinking about the sector and spotting early opportunities because we don't want to wait, the opportunities are many and all one needs is a good business sense," she said in an interview.

But while the opportunities in the sector are many, the question that unsettles many is whether there are many local companies that have a skills pool, financial resources and technological capacity large and deep enough to match the standards of the petroleum industry.

One of the most lucrative downstream spin-off sectors is the petrochemical industry. For Uganda's private sector to tap into this potential, however, it will require an existing advanced industrial infrastructure capacity for heavy manufacturing, which is currently non-existent.
Uganda's economy is still pretty small and poor, and much of what passes for corporate companies that are expected to take up these downstream opportunities are all the while struggling small and medium enterprises (SMEs) that can ill-afford to marshal colossal amounts of financial and technological resources needed to gain a foothold in the sector.

Hakim Muwonge, an oil and gas analyst at Fanaka kwa Wote, a Ugandan public policy think tank, says Ugandan contractors can overcome this disadvantage by creating partnerships with larger, more experienced and wealthier foreign companies.

"I think the weakest point for Uganda's companies and entrepreneurs is engineering and technical capacity where the sophistication is not matured yet to a level necessary to compete effectively

We have already held discussions with the various companies to try to get them into thinking about the sector and spotting early opportunities because we don't want to wait, the opportunities are many and all one needs is a good business sense - Dr. Maggie Kigozi

for business opportunities in the sector," he said.

In the proposed petroleum law due for tabling this year--The Petroleum (Exploration, Development, Production and Value Addition) Act 2010--the Ugandan government imposed conditions requiring petroleum companies to prioritize local suppliers, an affirmative action policy designed to expand the petroleum sector's local input.

Information access is crucial to deepening the capacity of local suppliers and organizations like the Uganda Chamber of Mines and Petroleum are performing a vital role in plugging this gap.

Even so, fully integrating the local private sector into the nation's budding petroleum sector won't be that easy.

"That law will be passed but I assure you no oil company will simply pick a local firm to supply this or that just for the sake of using local suppliers. That just won't happen," he said.

"A local company will still have to demonstrate that it's competitive, has the capacity to deliver what is needed and meets internationally desired quality and quantity standard. So the principle of merit will still apply."

And developing that capacity to be able to compete in the hallowed ranks of petroleum industry suppliers will be a toll order for most Ugandan companies operating on shallow, short capital, running uninsured assets and inexperienced in the rigours of long term planning.

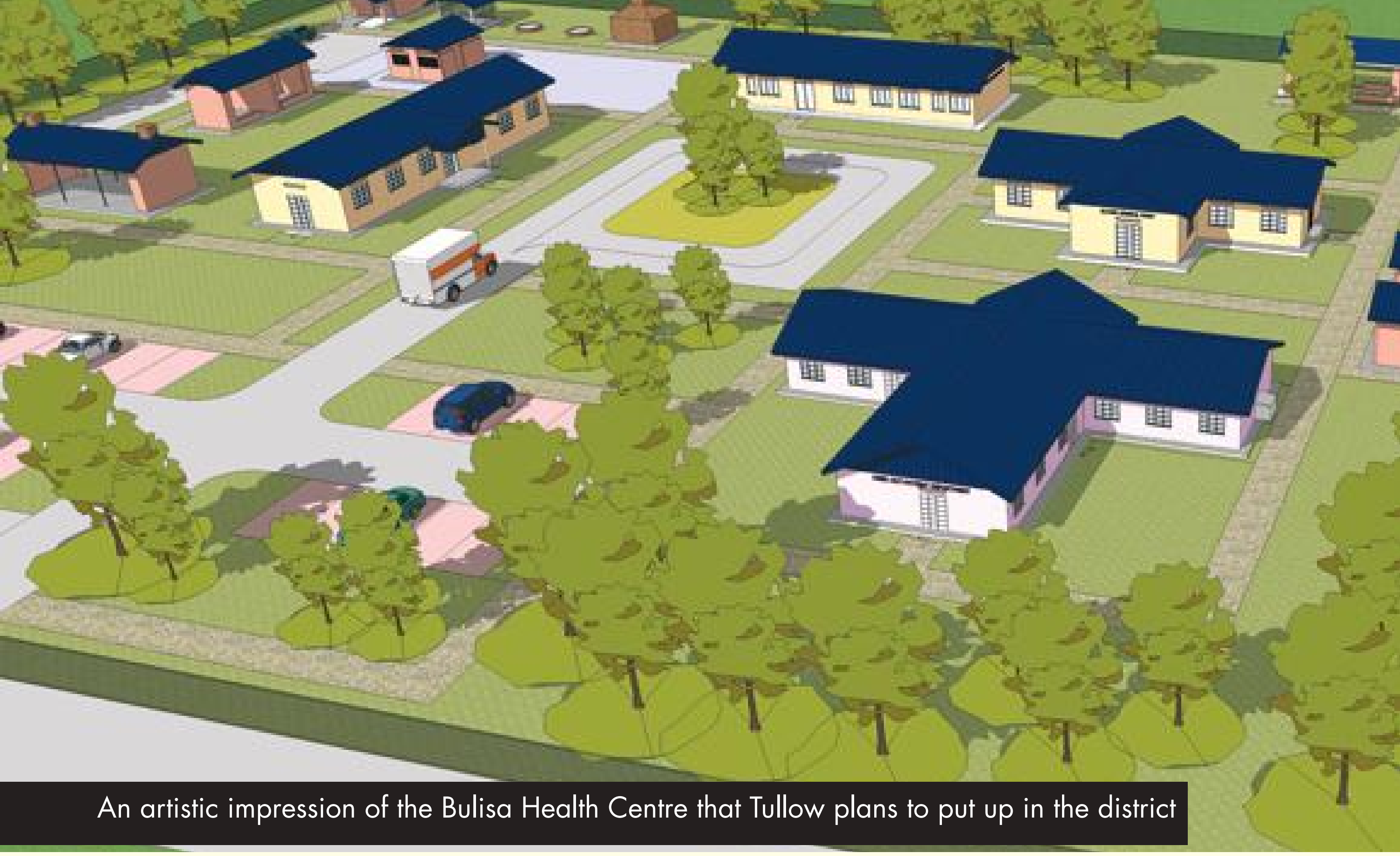
Paul Sherwen, managing director for Busitema Mining Company says some of the local companies have already started to build capacity ahead of the start of the production phase; a trend he said augured well for the future of Uganda's economy.

"I am aware some of the local businesses are already eyeing these opportunities. What is crucial though is that these companies will need to be nimble and clearly identify the areas that they can compete for and where they have a considerable advantage," he said.

UIA's Kigozi said that some investors in the hospitality industry have already started securing land and developing plans to establish deluxe hotels in Hoima--which is evolving into Uganda's Port Harcourt or Houston—that will be on instant demand when frenetic activity gets underway sometime around 2012. The upstream operations, too, will need a supply of high quality food for which Uganda seems ready.
Yet these are not the sort of activities that will help Ugandans extract full value from industry.

The Ugandan government and the private sector will need to vastly scale up investment in the country's engineering, research and development enterprises to develop requisite expertise to participate in high-end upstream and downstream operations that guarantee high returns. And while the Uganda Petroleum Institute at Kigumba, Masindi, is a step in the right direction, the government needs to quickly build on that and launch into advanced and specialized training for petroleum engineering professionals.

For now the good news is that at least every key policy driver - from the energy ministry technocrats to the country's investment virtuoso, Dr Maggie Kigozi - have already identified integration of local enterprise into the oil sector as a priority. That awareness is a good starting point and a critical building block in the country's pursuit of a "lasting value" objective that is the holy grail of sub-Saharan Africa's oil economics.



An artistic impression of the Bulisa Health Centre that Tullow plans to put up in the district

BUNYORO Eyes Oil Boom

Two years before Uganda struck oil in 2006, the mid-western region kingdom of Bunyoro-Kitara – on whose land nearly all of the oil deposits estimated to be worth 2 billion barrels have been discovered so far – designed and adopted a strategic plan for socio-economic development.

The strategic plan, whose theme is '*Facing the Development Challenges of Bunyoro-Kitara Kingdom*,' highlights the situation in the early 2000s in the kingdom that comprises the four districts of Hoima, Kibaale, Buliisa and Masindi, and has a total population of about 1.4 million people in a country with an estimated population of 33 million.

And it was not a pretty one. The plan showed that more than 92 percent of the population in the kingdom is poor, with earnings that are less than half of the national average and that there is a high illiteracy of about 47 percent of its population, which has caused low productivity of labour supply in the region.

It further showed that the kingdom suffers a high dependency rate, with a ratio of 1:6 per active person; a high HIV/AIDS prevalence among adolescents of 29.5 percent; very high levels of inequality between women and men; as well as limited land availability and use for agriculture, with only about 0.6 hectares of gross cropping land available per inhabitant.

According to the Prime Minister of Bunyoro-Kitara Kingdom, Eng. Yabezi Kiiza, the estimated average crop production per household in the kingdom is about 4 tonnes per annum in a country, which is not satisfactory for a region endowed with fertile soils containing adequate organic matter suitable for agricultural productivity and enjoys bi-modal rainfall.

Such conditions, he says, are conducive for growing a variety of crops like bananas, cassava, tobacco, coffee, maize, beans, tea, upland rice, vanilla, vegetables, millet, groundnuts, sweet and Irish potatoes, as well as soybeans.

"If appropriate methods of production were employed, the kingdom would be in position to export the surplus on top of being self-sufficient. However, due to the use of obsolete methods of production, negative attitudes towards agriculture and unskilled subsistence farmers, agriculture has not been a lucrative business in the kingdom. Cattle and other domestic animals' keeping isinappropriate," explains Eng. Kiiza in a document he prepared to market the kingdom's potential.

The Kingdom administration also plans to spend at least $4.2 million (about Ush8.82 billion) on community-based development initiatives for the displaced.

"Bunyoro Kitara Kingdom is blessed with vast oil deposits," notes Premier Kizza. "However, it is also aware of the implications of the activity on the social, cultural, and economic and environment. It is upon this knowledge therefore that the Kingdom seeks to mitigate and manage the negative effects of oil production. This will be through carrying out the Social Impact Assessment (SIA), Environmental Protection, Nutritional Education, Conflict Mitigation and Proper Sanitation Education."

Mr Mirima suggests that the government should use the available international yardsticks on how to compensate indigenous people from countries that have already set precedents and then enshrine the kingdom's share of the oil revenue in the Constitution.

This debate has attracted a lot of interest, with different groups like the Africa Institute for Energy Governance (AFIEGO) and its partners calling for the central government and the Bunyoro-Kitara to work towards an amicable solution.

Eng. Kiiza also bemoans the housing and transportation infrastructure in Bunyoro-Kitara. He says the road network throughout the kingdom is not in good condition while the housing facilities are not adequate, with 38 percent of the about 256,458 households dwelling in units constructed more than 30 years ago, 12 percent in huts, 22 percent in semi-permanent houses and 6 per cent in permanent houses.

"Maintenance and opening up of more roads is necessary in order to enable the increasing population to access social services such as education, health centres and markets," he notes, and then adds, "Many houses, especially in urban centres can be seen ill planned and constructed. Homesteads are widely scattered and housing is constructed using mud or wattle within grass thatched roofing.

Currently, only 1.12 percent of the population in Bunyoro-Kitara uses electricity – mostly for lighting – while the biggest proportion of the populations uses wood fuel for lighting and cooking. The discovery of oil deposits therefore presented the Bunyoro-Kitara Kingdom with an opportunity to gather the finances to realise their plans. The central government has made some strides in the effort to ensure that local communities in Bunyoro-Kitara get their share of the royalties from oil revenue.

The Petroleum Bill 2010 proposes that the central government takes a share of 85 percent while the regional and local governments share 15 percent.

The Press Secretary of Bunyoro-Kitara Kingdom, Henry Ford Mirima, says the kingdom is currently marketing a series of development projects that will cost them about $17 million (about Ush35.7 billion) to accomplish. The bulk of the funds would go to a food security project worth $3.5 million, a micro-finance project called Bunyoro Kitare Micro Finance Ltd ($2 million), a sanitation project locally called *Burungi bwe'ensi* ($1,315,790) to promote proper sanitary practices along the lake shores, the Omukama Iguru's Scholarship Scheme ($421,053) and the Kabalega Education Foundation ($394,737).

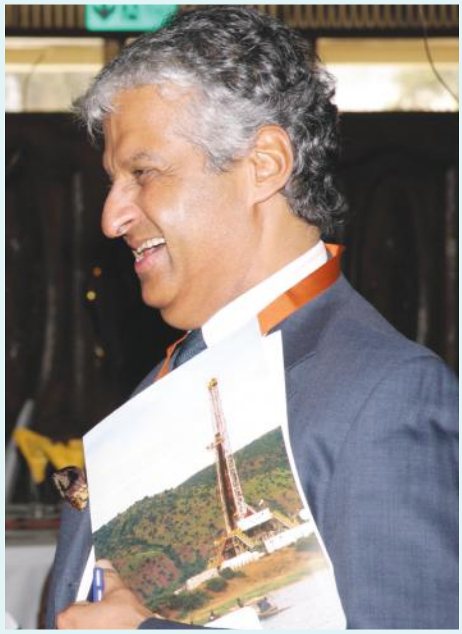
Other initiatives are the Omukama's Heifer Restocking Project valued at $526,316; a child protection project ($157,849), rehabilitation of kingdom cultural sites ($78,947) and development of cultural sites for preservation and tourism ($210,526), and an enterprise development project ($178,947) to enable the poorest families reduce poverty by increasing household incomes. It also includes an HIV/AIDS project ($263,158) to mitigate the rise in infections, goat farming and other domestic animal and poultry production initiatives ($263,158) as well as a forestation project ($473,684).

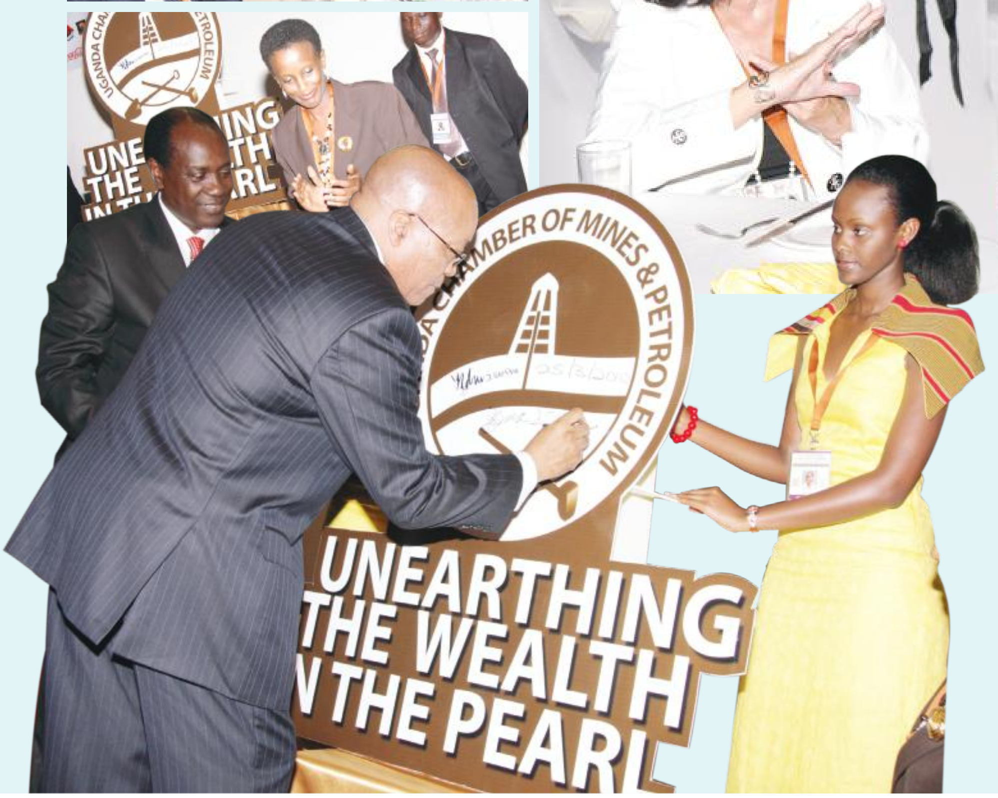
"The kingdom of Bunyoro wants a share of the royalty because by custom, all the land in the kingdom belongs to the king. On this issue, we recommend that the government and the kingdom should constructively and with honesty consult each other to reach a consensus. Both the central government and the kingdom need each other for the sustainable development of Uganda's natural resources including oil," said AFIEGO, a local civil society organisation, in their proposals to the Ministry of Energy and Mineral Development, which requested for them.

A legislator from the Bunyoro region, Stephen Mukitale Biraahwa, says the debate on the allocation of resources is not yet closed since the proposed legislation has not yet been tabled before parliament and kingdoms can in the meantime lobby for an improved share of the oil revenue.

Mr Mukitale, who represents the oil-rich Buliisa District in Parliament and is Chairperson of the Committee on National Economy, however says even if Bunyoro-Kitara Kingdom does not get a share of the oil revenue that it has asked for, its officials should concentrate their efforts on ensuring that the central government comes good on its promises and programmes to develop the oil-rich region. He said, "The provision of infrastructure like roads, energy, health facilities and other services is a much more fundamental thing than royalties which can be squandered by the local leaders."

UCMP Events In Pictures

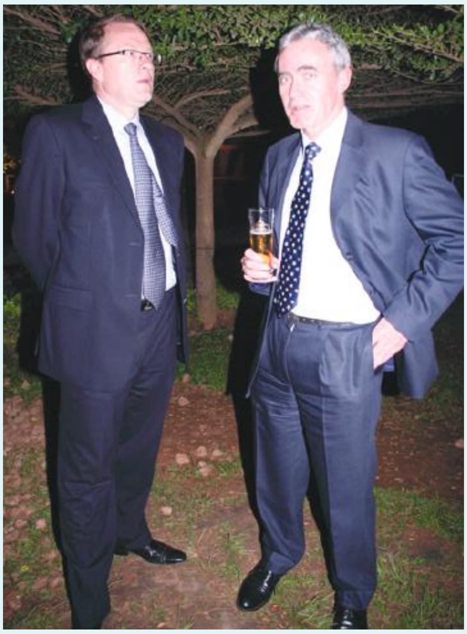




UCMP Events In Pictures





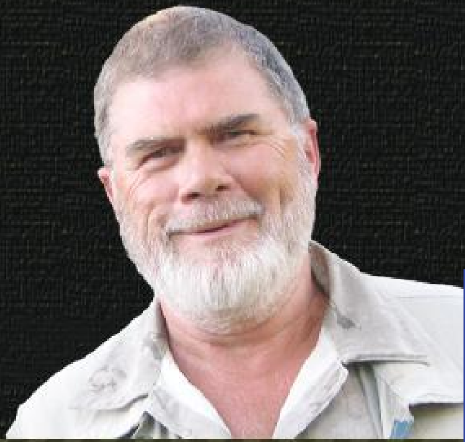












Gary WATKINS

A BEHEMOTH PASSES ON

On November 2, 2010 the amiable Gary Watkins breathed his last. A very active Uganda Chamber of Mines and Petroleum council member, Gary's sudden passing left everyone shell-shocked. Here below is his touching poem he penned for his wife Marilyn before he departed and glowing tributes from his family members

TRIBUTE FROM

GARY'S WIFE, MARILYN

I met my beloved husband, Gary, on my birthday, in Harare, Zimbabwe in 1971. I was 18 years old & he was 20. He & a friend had come to visit my eldest sister. His friend John, had brought his guitar along, & he & Gary sang some songs together. I was immediately captivated by Gary's beautiful voice & his dazzling smile. When they left the house later that night, Gary immediately turned to his friend and said: "That is the girl that I am going to marry!" So it was literally 'Love at first sight'! And as you all know, when Gary makes up his mind about something, he pursues that goal with 150% effort! So I didn't stand a chance & there was no turning back!

And so it was that we were married 19 months later. We were blessed with 3 beautiful and special children, who have brought so much joy, love & happiness to our lives. Our love is so deep & strong, that nothing can break that bond - not even death.

The past 2 years that Gary & I spent together in Uganda, have been both challenging & rewarding. These 2 years have brought us closer together & taught us how to be more patient, tolerant, understanding & loving towards one another. I have had time to re-discover the warm, soft & funny side of his personality.

Gary was one of the most loving, honest, caring & generous people that I know. He treated every person with respect, and helped, encouraged & assisted any person what that he was able to.

He always considered Uganda as his home & I think that the past 2 years here, have been the most rewarding to him. He was honoured to have been a council member of the Uganda Chamber of Mines & Petroleum and to be involved in the re-development of the mineral sector. So, even though we mourn the death of his passing, we shall continue to celebrate his life & remember him, for the amazing & special person that he was.

I trust that Gary's spirit is at peace with the Lord and that he is looking down on us now & smiling. May he rest in peace until we are re-united in heaven one day. God bless you Gary.

I love you.

Marilyn

A POEM TO MY WIFE MARILYN, FROM GARY

I Have Not Gone

You think I've gone, that I am dead and life has lost its will,
But look around, I'm right there, living with you still.
I watch your tears, I feel your pain, I see the things you do.
I weep as well, each time you cry; My soul, it lives with you.

It gives such joy to hear you laugh and do the things you do,
And when you smile o'er bygone days,
I smile along, right with you too.

For we're still one, just you and me - One mind, one soul, one being;
Walking forward into life, though only
you are seen.

And in the stillness of the night,
when pain it really starts,
Stretch out a little with your
mind and draw me to your
heart;
For I am always right in
there, always by your side;
For you have been, all life's
days, my love, my joy,
my pride.

Your everloving Gary

MESSAGE FROM

GARY'S DAUGHTER, SHELLEY

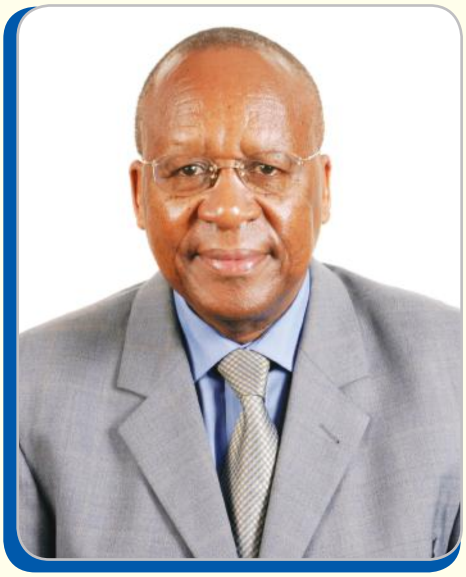
This is one of the hardest things I've ever had to do, because it makes me realise that my Dad is not coming back.

But it's easy to tell you all, what a wonderful person he was. A rare person, who was truly honest and good. He didn't have time for messing about - he told it exactly how it was and expected the same in return. He was exceptionally hardworking and believed in giving 110% to everything he did. And he had a wicked sense of humour as well, which we shall miss.

He was a wonderful father who always made us feel so special & loved. It took him a while to realise that girls really can do anything they want, but he did eventually, and I know that he was so proud of all his children and our accomplishments.

I always felt safe with my Dad. I knew that he would protect us from anything.

Dad and Grandpa, we love you more than words can say. Shelley, Jade and David



To call Richard Kaijuka a man of all seasons, is to put it mildly. For he has had to wear a number of high profile hats over the years that he can authoritatively give counsel on various issues without fear of contradiction. In cabinet, he has served as a Minister of Planning and Economic Development and that of Energy before working at the World Bank. As a private businessman he started Nile Bank after managing the Uganda Commercial Bank (now Stanbic).

Currently Mr Kaijuka's firm Berkeley Reef is involved in wolfram mining while the other Alpha Oil is the local partner for Dominion. He is also a director at Private Sector Foundation Uganda and a council member of the Chamber of Mines and Petroleum. This background he says challenges him to help locals participate in the industry. He shares his strong views on how Ugandans can best benefit from its petroleum and mineral riches, like they surely should:

'Ugandans must run the show'

What attracted you to oil and mining?

I have been a professional banker all my life! I run the first national bank, UCB when I was 35 and it was the most dominant bank and it was a bank everyone was proud of! Then I started Nile Bank from my briefcase which was later sold to Barclays.

Then I joined government. It can be frustrating if you are from a private sector to be in government. The bureaucracy; the inertia; the whole system is bogged down. So I was getting frustrated then I had a spell on the board at the World Bank. But one thing I enjoyed when I was in government was representing the people.

When I came back from Washington, I said why not do something different? I always want challenges and the mineral and oil industry was the most attractive. I am not bragging but I don't think there is any Ugandan who has the experience I have in the private sector combined with public service. So I understand challenges from both perspectives.

How do Ugandans avoid being onlookers as far as full blown oil production is concerned?

Firstly, as a nation, we will need to be strategic so that we know where we are coming from and where we are going. The minute we realise that the oil and gas sector particularly requires specialised skills it's important that we go out of our way to plan for the training and education of locals immediately. It's strategically important to know that unlike many other sectors, with oil you need experts from the very first level of exploration, then drilling and so on.

And by the time we get to the second stage of development and production (building a refinery) we will need very many specialised engineering skills hence we can't afford to let expatriates run everything.

Uganda has set up a petroleum institute in Kigumba. I haven't seen the syllabus but I would loathe hearing that it doesn't cater for the people with hands on skills to supplement those who have already acquired high level knowledge in the oil industry. Because it's evident that we seriously lack the specialists in drilling, well completion, casing, environmental and waste management services, fabrication, data acquisition, modelling and interpretation, processing, ICT, production facility maintenance, hotel and catering, procurement name it. Unfortunately everybody is lining up into logistics (transport) as if it's the only requirement.

Training in my view must be carried out under a Public-Private Partnership where all the big players in the oil and gas sector like Tullow, Cnooc and Total contribute funding and expertise together with the government. We need a crush-programme as time is running out. It doesn't matter whether one studied history, we shall teach you how to fabricate. Many people just don't appreciate what it takes!

The minute we realise that the oil and gas sector particularly requires specialised skills it's important that we go out of our way to plan for the training and education of locals immediately

The kind of infrastructure that is needed in the next 5-10 years as we build a refinery is unimaginable. To have an economy absorb in the region of \$15bn-\$20bn is mindboggling. But many Ugandans are just asleep.

As a Chamber, let us articulate this; help the government and the country so that Ugandans can benefit. This is the only way we can avoid the absurd situation in the Niger Delta in Nigeria.

And it's not just enough having refineries and pipelines only. What is more strategic is to plan for petrochemical industries. Many here don't appreciate that out of petrochemical industries, practically everything is produced. Things like plastics, tyres, car parts, health equipment name it. You talk about the way to industrialisation and modernisation, that is my way and that's what I would recommend. I want people to forget politics and we pull together as a nation that's where we will present a modern Uganda 10 – 20 years down the road.

Having been a minister, you know how slow government procedures can be. Do you think the government appreciates the urgent need of these skills and facilities?

They will have to appreciate that need! For instance in building a refinery of say 250,000 barrels a day; the infrastructure to bring such equipment has to be put in place today. It's up to whoever is in charge of this country after elections to know that that's where the priority should be before we are caught pants down.

I want to see leadership focusing on the oil and mining sectors. We have no choice but to do exactly that. In fact my disappointment is that we are going for elections without passing the relevant laws. Remember we haven't licensed any company since 2006/7; the whole world cannot be waiting for us. I am a firm believer in having a national trading company which has a stake in all these blocks. The sooner we do it the better. The Chamber will make sure that whoever is in charge of the country after the election does just that!

The focus seems to be more on oil than minerals yet Uganda is blessed with a variety of valuable minerals. What can be done to boost the mining sector?

We are the only country in this region without a serious minerals' laboratory. Tanzania and Rwanda have state of the art laboratories – yet Rwanda even lacks any mining history. I would like as a priority to have a modern lab in Uganda.

For instance, even though we have had an electro-magnetic survey done, we don't have widespread large scale drilling so that we ascertain what is where. It's true we know there are prospects of gold, tin, phosphates, wolfram, platinum and even uranium among others. But until we have drilled and ascertained what grade and in what quantities we will continue being onlookers!

Twenty years ago, who would talk about oil? Because there was no discovery there was no need to. Until you have made these explorations we cannot make any meaningful movement in the mineral sector. True it's expensive and risky but that's why government should get involved.

The old mentality is to wait for private firms to lead the way in exploration. Having visited China and seen what is happening, that's why my views may appear radical. The minute you are investing in drilling and testing – where you say here is gold and this is the quantity and quality – government won't need money for production; there are large companies that will come rushing in just like they did for oil.

But now we have a few Ugandans in artisanal mining – which is nothing to be proud of!

What transformation do you see happening in the country once everything is put in place?

With strategic planning, Uganda will have a refinery and even when we produce more crude, we can have a pipeline to export the surplus. We can even link up with a hopefully independent Southern Sudan to refine their crude from here. Secondly we could generate power with gas which can help the entire region. There is also the petrochemical industry. I am talking about Uganda becoming a middle income country in about 15 years. And it's possible if we are coordinated and focused with serious partners.

Where do you think the proceeds from oil should be reinvested?

I am in broad agreement with what the president has been saying. Infrastructure development should be our number one priority where first class roads, railway, schools hospitals and others are put in place. This is a self sustaining mechanism because even 50 years down the road when oil has run out we will have built a diversified economy.

Uganda's Draft Petroleum Bill *gets critical look*

Oil expert, David Johnston lectures MPs on petroleum laws as Karuhanga and Kaijuka look on

Some sections in Uganda's draft Petroleum Bill are a burden to investors, while there are glaring differences between the Bill and the National Oil Policy, an international oil and energy expert has said.

David Johnston, a partner at Daniel Johnston & Co. Inc., said that the draft Petroleum (Exploration, Development, Production and Value Addition) Act, 2010, has sections that could see oil companies incur increased costs compared to their counterparts in other countries.

Johnston, who was contracted by the Uganda Chamber of Mines and Petroleum (UCMP) to offer an independent review of the draft Bill, said that some sections could be viewed as a tax while others limit the time investors would require to operate their businesses.

Speaking during a workshop on oil for Members of Parliament organized by the UCMP, Johnston said that the time frame for the exploration and production licences in the draft Bill was short compared to other countries, which makes it difficult for investors to execute their projects comfortably.

Turning to the bodies that government intends to create to monitor the oil sector, Johnston said they were "many" and their mode of operation "sounds like asking for chaos."

Johnston's views will form part of the recommendations that the Chamber intends to present to the Ministry of Energy over some sections of the Bill that could hurt investor confidence.

The Bill is not expected to come up for debate in this Parliament, according to Honey Malinga of the Petroleum Exploration and Production Department at the Ministry of Energy as legislators are currently canvassing for votes in a bid to save their political lives.

Elly Karuhanga, the Chairman of the Chamber, said it is in the best interest of the country that debate of the Bill is further delayed until the next Parliament takes office, mid this year. The next Parliament, Karuhanga said, would have enough time to do some ground work on the Bill before rushing to pass it.

Nevertheless, the Bill has attracted a lot of attention even in its draft form. The Revenue Watch, an international body that promotes responsible management of oil, gas and mineral resources, earlier pointed out that: "While the Bill is generally well drafted, it presents important gaps and leaves many issues open for the Government to negotiate during the contracting phase."

But it is David Johnston's assessments that UCMP intends to bank on to push for a favourable law on petroleum. Key among these is to get the draft Bill to be as clear as the National Oil and Gas Policy. For example, the later is clear on the issue of where the final decision on issuing a license lies, and yet the draft Bill is vague on this particular point, according to the Revenue Watch Institute.

Johnston said that the duration for exploration and production is "fairly short by world standards." The new bill provides that a production license will be granted for up to 15 years, yet many other countries like Nigeria, Ghana and Egypt offer more than that. Instead, Johnston suggested that the time be stretched to 25 years.

He also said that the duration of the exploration license, set at just two years, is "restrictive" for a region like Uganda's. According to article 60 (a) of the draft Bill, which talks about the duration of an exploration licence, "subject to this Act, a petroleum exploration licence unless otherwise determined by surrender or cancellation under sections 90 and 91 shall remain in force for the period stipulated in the licence but not exceeding two years after the date of the grant of the licence." Johnston recommended the timeline to be stretched to about eight years.

Also, the time frame for the production licence is short, he noted. Article 72 of the draft Bill points out that "A petroleum production licence shall be granted for a period of up to 15 years and is renewable for a period not exceeding five years." Johnston points out that "this is barely enough time for large scale development," and therefore the time should be set at 25 years.

Johnston also takes issue with Article 68, which touches on the criteria for granting a production licence. The article notes a production licence will be granted on the basis of the "applicant's documented understanding of the relevant geology and the production plan in the area for which a licence is sought," which in effect points to government using the model of competitive bidding. Johnston says the issue of competitive bidding for licences is "very unusual" and many investors will find it uncomfortable.

The Bill also offers the minister powers to limit the approval of Field Development Plans to individual phases, and not the entire business line. Johnston said investors will view this option as addition risk, which he noted was "unusual and worrisome."

The minister also has the power to determine the well test conditions according to the draft Bill; something that Johnston believes is unusual. He also argues that option for the minister to stipulate the quantity of petroleum is a serious concern.

The international oil expert also pointed out that the bodies government intends to create to monitor the sector are too many. There are about seven institutions that government intends to create to manage the sector. Some of these bodies include the National Oil Company, the Petroleum Authority of Uganda, among others. He said that many countries have about two institutions to manage the sector.

Johnston said that the Bill is not clear on who bares the cost during the decommissioning of a plant. This process is the act of trying to restore an area back to its original state after quitting the project.

Johnston pointed out that under the draft Bill the state participation is unlimited, unlike in the older laws where it was set at slightly above 15%. Nevertheless, Johnston is not worried about state participation as long the provisions about the minister's powers are clearly spelt out, which in this particular one, are not.

SDV TRANSAMI

Working for Uganda

Originally established in 1968 in Kampala, SDV Transami Uganda is the leading provider of global logistics services in Uganda. The company is dedicated to meeting and exceeding the expectations of Uganda's import and export industries as well as the increasing number of international investors operating in Uganda.

The recent successful hydrocarbon exploration in the Lake Albert region offers a wealth of opportunities to Uganda, from production and commercial exploitation of crude oil, to refinery, pipeline and power-generation projects. Uganda's well-managed economy can only be enhanced by this new economic adventure.

SDV Transami Uganda is in a unique position to contribute to Uganda's oil economy. Our parent organisation, Bollore Africa Logistics is the leading transport investor in Sub-Saharan Africa, with 30,000 staff and 200 offices in 41 African Countries. Our expertise in Oil and Gas logistics is unsurpassed and the resources of this immense network supports SDV Transami and ensures that key professionals, infrastructure and resources are available for the different specialist logistics requirements of the future Ugandan oil industry.

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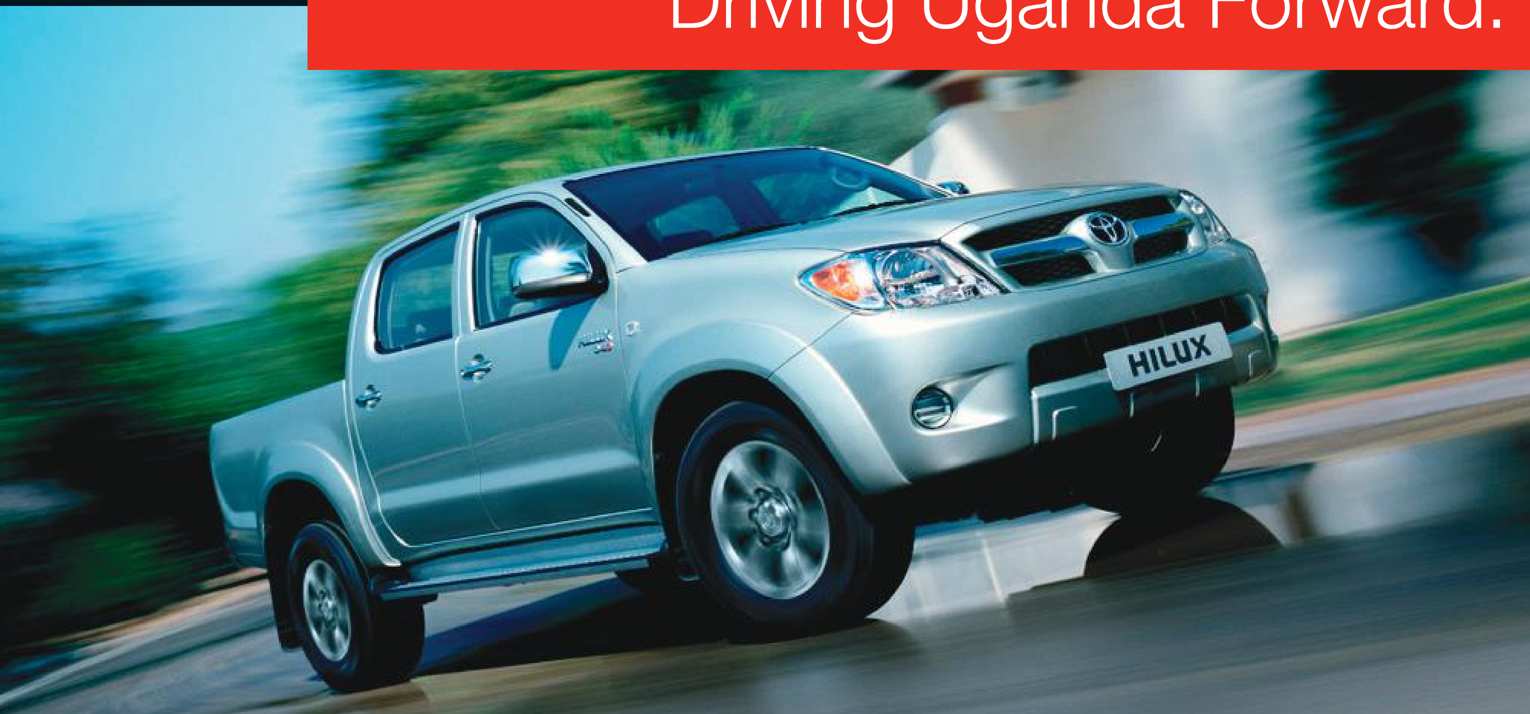

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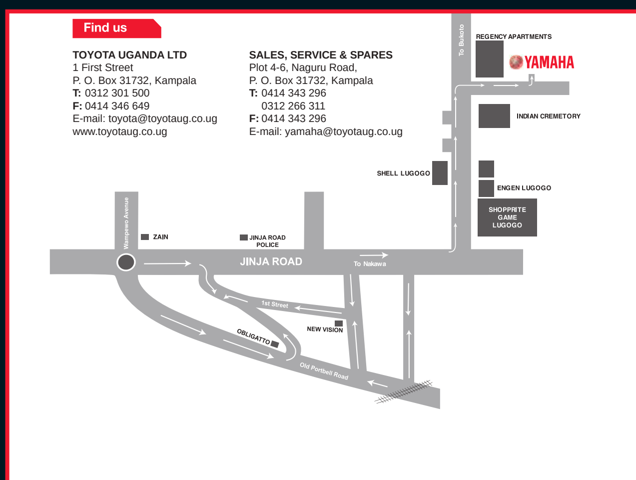

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NDP plans
big for mining sector

The government is to undertake a series of infrastructural, regulatory and policy changes in the oil and gas, and the mineral sub-sector, over the next five years in a bid to improve operations in the two economic activities that should become the country's leading foreign exchange earners. The plans are contained in the National Development Plan (NDP) for 2010/11-2014/15, whose implementation began at the start of the current financial year in July 2010.

By Benon Herbert Oluka

According to the inaugural NDP, which is the first of six development master plans that the government says will turn Uganda from a subsistence to middle income economy within the next 30 years, the regime has outlined five objectives in the oil and gas sub-sector and seven in the mineral sub-sector that it says need to be achieved over the next five years for Uganda to take the first steps to transform the two activities.

Alongside each of the objectives in the NDP, the government outlines the strategies that it expects to use to guide the decisions it intends to make in the effort to achieve the plans. It also provides a description of the interventions that it will use to realise each of its strategies.

In its own analysis of the two sub-sectors, the government places them among the most important for Uganda's economic transformation due not only their ability to earn foreign exchange but to also provide employment to ordinary Ugandans.

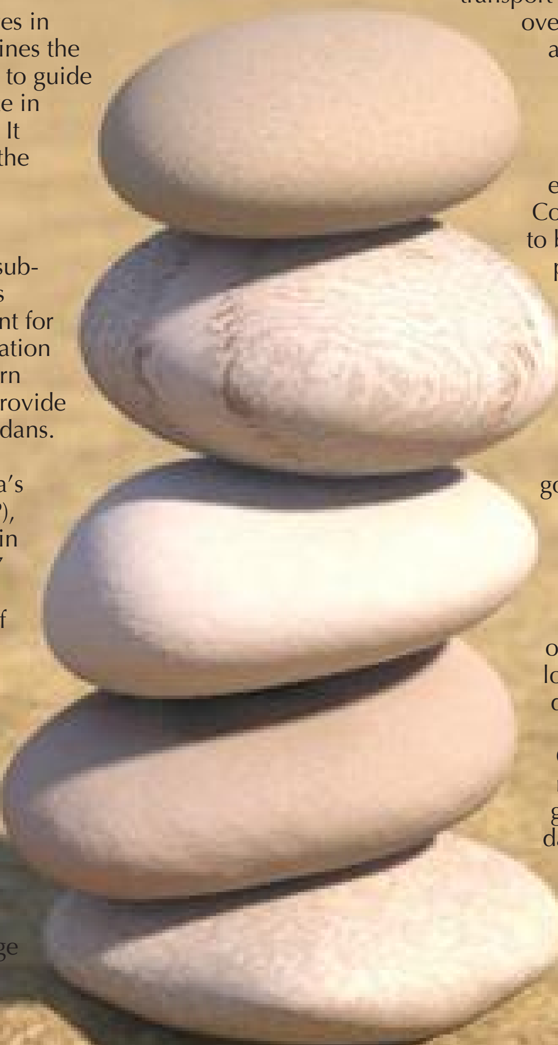
The share of mining in Uganda's Gross Domestic Product (GDP), for instance, was 0.1 per cent in 1988 and 0.6 per cent in 1997 but declined to 0.3 per cent in 2008. GDP is the total share of goods and services produced within a country's borders.

However, basing on the trend over the last 20 years, the sub-sector is expected to continue to grow. Between 1988 and 1997, mining grew at 34.6% per annum on average and 8 between 1998 and 2002. From 2004 to 2008, the sub-sector on average grew by 13% per annum.

Such growth would open up more employment opportunities in the mining sub-sector, where the share of the labour force it employs remained almost constant from 2002/03 to 2005/06 – increasing from 0.93% to 1.0% respectively.

Uganda's oil and gas sub-sector, on the other hand, is still in its infancy. However, with oil reserves currently estimated at two billion barrels of oil, the sub-sector could help to solve Uganda's pressing energy needs, earn much needed foreign exchange and spur more development. Currently, Uganda imports over 847,000 cubic metres of petroleum at an estimated cost of $320 million per annum. This constitutes about 8% of total national imports and represents slightly above 20 per cent of total export earnings.

In its analysis of the mineral sub-sector, the government says there are five leading constraints to its performance. They include inadequate infrastructure, especially transport and power. "The scattered nature of minerals all over the country poses challenges to power supply and provision of transport infrastructure," says the analysis, which is also in the NDP.



The second constraint is the land encumbrance in mineral prospective areas. The government explains in its analysis that while Uganda's Constitution is clear that any parcel of land found to be harbouring mineral resources becomes property of the government (upon compensation of the registered owner), the same law vests ownership of land to the people. This delays exploitation of mineral deposits in privately owned parcels of land.

Limited access to appropriate technologies is the third constraint. According to the government, most mining activities in the country, especially those carried out by local investors and artisans, use inappropriate technologies. "This is largely due to low availability and high cost of mining plants and equipment on the local market," explains the government, "Use of inappropriate technologies is responsible for low productivity of the sector and environmental degradation as evidenced in sand mining."

Other constraints are the inadequate human resources, especially of skilled personnel like geoscientists, and inadequate basic geological data for mineral exploitation and land use planning.

To overcome these constraints, the government has outlined five objectives that it intends to achieve in the next five years. These include promoting and empowering artisanal and small scale miners, providing basic geo-scientific information for development of the mining and subsidiary sectors, as well as enhancing human resource capacities within the mining industry.

Other objectives are promoting environmental and social responsibility in mining and developing geothermal energy to complement hydro and other sources of power.

Small scale miners

To promote and empower artisanal and small scale miners, the government has mapped out seven strategies. The first is to develop and implement laws and regulations to protect and benefit miners, communities and the environment, whose two interventions include instituting an effective border security system to prevent illegal cross-border trade in minerals and promoting actions aimed at legalising businesses of artisanal small scale miners.

The second strategy is enhancing institutional collaboration and partnership in the mining sub-sector, which the government hopes to achieve through establishing public-private partnerships for developing the sub-sector.

Strategy three is premised on promoting the use of new proven technologies for improved mineral recovery and production. Here, the two interventions are establishing pilot model schemes for new proven technologies within mining communities and facilitating the linkages between high technology mining companies and mining communities

With regard to achieving strategy four, which involves promoting transparency in mining, the government hopes to intervene by establishing a modern mining cadastre which is adaptable, sustainable, affordable, efficient and secure. For strategy five, which is about providing credit access to artisanal and small scale miners, the two interventions are providing access to formal regulated sources of money such as grants to artisanal and small scale miners and encouraging miners to make productive investments through demonstrations on site for effective technologies.

The sixth strategy is developing infrastructure for mining activities and the interventions that the government will undertake is extending and improving physical infrastructure into potential and existing mining areas through construction of roads, power grid lines and substations, and piped water systems.

Finally, the seventh strategy, which involves ensuring market awareness within artisanal and small scale miners' communities, will be implemented through collecting and disseminating market information through workshops and seminars.

Geo-scientific information

As part of the effort to provide basic geo-scientific information for development of the mining and subsidiary sectors, the government has laid out two strategies. First, it will undertake geological, geochemical, geophysical and remote sensing surveys and mineral resource surveys. This will be done through carrying out multi-disciplinary studies to discover mineral deposits which can be extracted economically.
Secondly, the government will employ the strategy of disseminating mining information through publications, workshops, conference presentations and any other media, as well as through establishing geological and mineral information systems.

Human resource capacity

In order to achieve the objective of enhancing human resource capacities within the mining industry, the government says it will use three strategies. These include building human resource capacity in geo-scientific research using four approaches; recruit, train and retain geo-scientists; train geologists, miners, mineral processors, geo-information managers and analytical chemists through government direct sponsorship; promote bilateral cooperation through exchange and fellowship programmes; and provide incentives to mining industries to employ, train and retain local manpower.

The second strategy is to produce general interest publications about mining through documenting self-help field manuals about mining and mineral occurrences. The third is to offer extension services by constructing new and refurbished old zonal offices for bringing government assistance closer to mining communities.

Environmental and social responsibility

The government has also set the objective of promote environmental and social responsibility in mining over the next five years. This will be done through strengthening the monitoring of mining corporations for compliance to their stated CSR and environmental management plans by incorporating corporate social responsibility in investment licensing compliance monitoring, and promoting safe practices and technologies in the sector by ensuring adherence to mining practices, standards, methods, regulations and international best practice.

The third strategies involves ensuring the institution and enforcement of OHS policies and respect of human rights in all mining operations through strengthening the capacity of labour inspection division to monitor labour standards and practices in mining operations and strengthening linkages and cooperation with civil society organisations to enhance monitoring of child labour and other HR abuses in mining operations.

Finally, the government will carry out awareness campaigns for mining communities through training communities on social issues like social conflict, justice, human rights, gender issues, health and safety, and child labour.

Mining is a major source of employment, with the number of people employed in the sub-sector having increased substantially over the years. In the 1970s, according to the figures provided by the government, the minerals sector provided employment for 8,000 people. To date, more than 130,000 Ugandans work as artisans and small scale miners and at least 700,000 more people indirectly benefit from artisanal and small scale mining.

"Some of these are indirectly employed in transport, marketing, food vending and equipment supply," says the report on the sub-sector. "More than 100,000 of these miners are working in 'industrial minerals' production including salt, clay, sand, aggregates, limestone, and slates. Almost 50 per cent of these miners are women."

The government says that over the past six years, it has implemented a Comprehensive Mineral Sector Reform Programme with a primary goal of harmonising the legal, policy and institutional framework within the mining sector and enhancing the contribution of mining to GDP, foreign exchange and employment. The reform programme reportedly contributed to the increase in the number of investors licensed in the sub-sector from 91 in 2003 to 517 in 2008, as well as a rise in production volumes and exports.

With the new initiatives in the NDP set to compliment the achievements registered since the implementation of the reform programme, the government expects to more than double the employment opportunities in the mineral sub-sector over the next five years.

"Mining has become the principal livelihood for many Ugandans with a bigger number dependant on these miners for their living," says the government in the NDP, "After the Sustainable Management of Mineral Resource Project, the number of artisanal and small scale miners is likely to grow to 300,000 by 2014/15."

NDP Overview: Oil & Gas sub-sector

By Benon Herbert Oluka

Having taken shape starting 2006 when the first commercial oil reserves were discovered, Uganda's oil and gas sub-sector is still in its infant stage. However, the expectations surrounding the oil and gas industry have marked it out as possibly the one on whom the hopes of many Ugandans are riding on as the government embarks on a plan to turn the country from a peasant to middle income economy within the next 30 years.

While launching the National Development Plan (NDP) for 2010/11 – 2014/15, which is the first of six national development master plans expected to be developed to shape Uganda's development agenda until 2038, President Museveni noted that while the NDP would be financed largely by domestic tax revenue in the short term it would eventually be funded mainly by earnings from oil.

"As prospects of oil development and production become real by the day, we anticipate that oil revenue will go a long way in meeting the fiscal deficits for NDP implementation in the near future," he said.

Uganda's oil reserves are currently estimated at 2.5 billion Barrels of Oil Equivalent (BOE) as of September 2010, with most of it concentrated in the Albertine Graben region in an area of about 23,000 kilometres. However, oil reserves are likely to increase since exploration is still on-going.

In its effort to capitalise on the discovery of oil, government has made a series of improvements in many sectors that will help in the development of the resource, including upgrading of roads connecting to exploration sites and undertaking various assessments to ensure compliance with international best practices in the exploration process. There have also been improvements in the institutional and policy framework for effective production and management of oil reserves, especially with the approval of the National Oil and Gas Policy 2008.

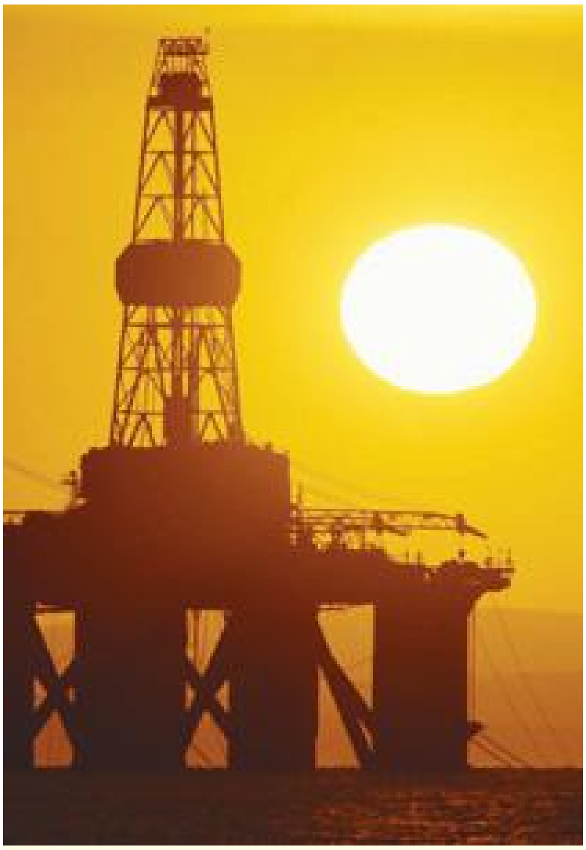
In spite of these improvements, however, there are still several constraints to the performance of the oil and gas sub-sector. According to the NDP, these include inadequate human resource capacity in terms of numbers and skills; this is exacerbated by the absence of adequate specialised training institutions within the country, and the duration it takes to develop expertise, high staff turnover in the sector rendering it weak and ineffective in its functions, limited bulk transportation means due to the dilapidated rail system, and over reliance on a single transport route and insufficient legal, policy and institutional framework.

As a result, the government set out five objectives that it says it intends to achieve within the next five years in order to improve the development of Uganda's oil and gas resources. Alongside each of the objectives, which are outlined in the NDP, are strategies for achieving them and a description of specific interventions to be undertaken under each strategy.

The first objective, which is aimed for upstream operations, is to scale up oil and gas exploration with a view to increasing the potential capacity of reserves up from 2.5 billion barrels of oil equivalent. This will be done through continued exploration in the Albertine and other basins outside the graben, with the two specific interventions for achieving this being to carry out continuous geological and geophysical mapping and licence complement oil companies for exploration and development.

For mid-stream and downstream operations, the government has set four objectives.
First, the government will carry out carry out commercial production of oil and gas and build subsequent infrastructure for distribution, operations and management. The first strategy for achieving this is to develop an appropriate and modern legal and regulatory framework for midstream petroleum segment, including attendant regulations to regulate midstream activities, facilities and infrastructure.

The second strategy is to develop an appropriate institutional framework to monitor, regulate and promote the development of midstream infrastructure/facilities. Third, the government will develop a refinery.



Other strategies include ensuring that the oil and gas resources in the country provide maximum optimal benefits to the country and the region by, among others, developing the petroleum utilisation plan; building appropriate and the necessary human resource capacity necessary to oversee, regulate and promote the sector; and fostering regional cooperation in the development of refineries and other midstream infrastructure to achieve regional security of energy supply.

The second objective is to build human resource capacity for oil and gas exploration, production, processing and marketing at all levels including artisans, technicians and professionals. Under this, the government intends to develop and retain a pool of national expertise for oil and gas sector by strengthening the Uganda Petroleum Institute at Kigumba. to provide training up to international standards; training professional in petroleum fields at Masters level for upstream, midstream and downstream operations; training staff in petroleum standards, chemistry, engineering and management; as well as facilitating and equipping the petroleum downstream department.

Objective three is to ensure sufficient stock of petroleum products on the market all the time by restocking strategic reserves like the Jinja reserve, as well as completing the construction of the Nakasongola and Gulu reserves and restocking each of them.

The final objective is to provide sufficient legal, policy and institutional framework to support private sector participation in the sector. The strategy for achieving this is to strengthen the policy, regulatory and institutional framework by implementing the current oil and gas policy, and expediting the formulation of the national Public-Private Partnership (PPP) policy to allow more private investment in the sector.

Uganda to benefit from DHL's Global Expertise

Petroleum and mining firms in Uganda are assured of excellent logistical support after the world's largest integrated logistics service provider DHL pledged its commitment to the local industry's growth. According to Eivind Larsen, DHL's Business Development Manager for Uganda, the company will bring its world renowned expertise in the oil and energy industry to the local market as the country seeks to become a leading producer of petroleum products on the continent.

"DHL customers in the oil and energy sector include major service companies like Halliburton, Weatherford, Schlumberger, Baker Hughes and the major oil companies including Shell, ExxonMobil, Chevron, Texaco and BP. This proves that indeed we are ready to handle any oil related logistics business in Uganda," Larsen noted.

Capital Projects

As a well known partner for the world's key oil companies, DHL offers Capital Projects services cross four main areas – Front End Logistics Planning, Inbound Supply Chain, Delivery Management and On-Site Logistics. All services are underpinned by a platform focusing on Health, Safety, Environment, Quality and Visibility.

The Sakhalin 2 Pipeline and Sakhalin Onshore Processing Facility is one of the largest integrated oil and gas developments in the world. Located on Sakhalin Island, in the far east of Russia, construction of the project was completed in freezing temperatures and over many seismic fault lines. DHL managed transportation of more than 325,000 tonnes of materials and 10 staging areas. Hazards encountered during the project included crossing and working on ice and ice bridges, very unstable landslide areas, swamp areas, pipe string instability on poor ground conditions and particularly on slopes, encounters with bears and no-go areas where unexploded ordnance had not yet been cleared.

Near Port Harcourt, Nigeria, the 650MW highly efficient Afam VI combined cycle power plant project is the largest of its kind in the country, having increased Nigeria's electricity generating capacity by 15-20%. DHL managed air and seafreight to Port Harcourt and Onne, customs clearance, freight of out-of-gauge pieces, and transport to final destination by trailers. The largest piece moved was 55x4x5 meter, and DHL was provided with a letter of Exemplary HSSE performance by Shell, one of the operating partners.

Operations Support

For on-going Operations Support in the early stages of Exploration and Production, DHL's services fall into two main categories – Inbound To Manufacturing and Rig Moves.

A key offering is Maintenance, Repair and Operations (MRO) supply, which includes 'non-core' items that support internal operations that are consumed in the production and repair processes but which do not either become part of the end product or are not central to the firm's output.

DHL is running an MRO partnership with Saudi Aramco, managing a throughput of $1bn of products annually from 4,000 suppliers. Such a grand scale solution has never previously been operational in Saudi Arabia. The service is based on an LLP (Lead Logistics Provider) control tower and state of the art consolidation facility, coupled with provision and operation of a track and trace system. Key benefits include increased availability of products, reduced stockholding and emergency transport, raised HSEQ standards to oil industry standards, and significant local development with 85%+ Saudisation and investment in 'Careers not jobs'scheme.

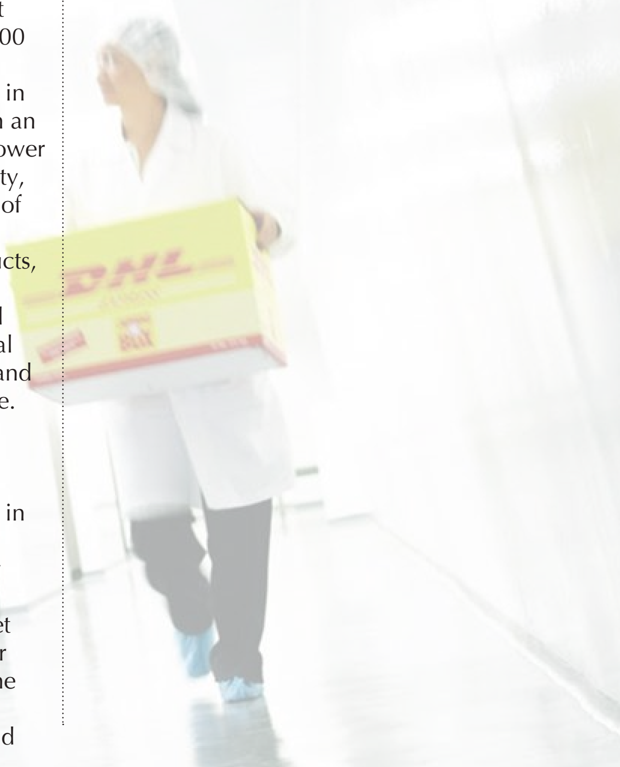
In 2007, Petroleum Development Oman (PDO) commissioned DHL to manage its country-wide supply chain in support of oil exploration, drilling and pumping operations. PDO particularly required a partner to manage and improve established operations to meet drilling aspirations, improve contractor compliance to HSE standards across the supply chain operation, and provide detailed visibility of rig move status and materials in the supply chain.

DHL responded by structuring one of the world's largest fourth-party logistics operations, developing and delivering a bespoke IT system to manage rig moving operations with detailed operational visibility to the Well Engineering Department, implemented through a Control Tower at the PDO's premises. This was augmented by stringent People and Process HSE procedures.

Through the partnership with PDO, DHL manages close to 500 rig moves annually, with rigs travelling a distance of over 1,000,000 km. PDO was able to reap an additional 14 drilling months annually and significantly reduce LTIs and fatalities in the transport related operations.

DHL in Uganda

DHL is represented in Uganda by 3 business units - DHL Supply Chain, DHL Global Forwarding and DHL Express. For further information on how DHL can assist you, whether it is in transportation of a single drill head, a full rig, or anything in between, please contact your nearest DHL office in Kampala.



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KILEMBE MINES
growth potential remains high

The transaction advisors behind Kilembe Mines Limited divesture are putting finishing touches to some of the final paperwork needed for the sale of the entity, a strong indication that a bidding war for Uganda's only copper mines could soon take centre stage.

T.J Boyd and Pass Limited, the transaction advisers preparing the documents for Kilembe's divesture, recently completed responding to comments by Government on the Divesture Options Analysis – a report that identifies possible divesture options and recommends the optimal basing on clearly given reasons. The transaction advisors have already submitted both the Inception report, which gave the methodology of the divesture, and the Due Diligence report that states what KML owns or what is to be divested.

When government finally approves the Options Analysis report, implementation of divestiture shall ensue.

There had been complaints that government was not doing enough to divest Kilembe. "That's not true", says Fred Kyakonye, the General Manager of Kilembe Mines Limited (KML). "Government insists on following set procedures and the law, and KML is one of the entities listed in the PERD Act for divestiture. As there were many such enterprises - over 600 I believe -, the divestiture could definitely not occur at once! I can assure you that over 40 companies have expressed interest in working with KML even before the government officially calls for willing partners," says Kyakonye.

Foreign companies are eying Kilembe in the wake of a rebound of copper prices on the world market. Forecasts point to the price of copper shattering the $10,000 a tonne barrier within the next two to three years. As of December 30, 2010 a tone was going for $9,500.

"At some point copper was the second biggest export for Uganda," said Alex Kalimugogo, who is in charge of Kilembe's divesture at the Privatisation Unit, "There is a huge demand for minerals in the world today, and Kilembe offers that to investors."
There hasn't been any production of copper at Kilembe for almost three decades. This was purely due to a slump in copper prices and the political upheaval at the time. As such, the company has been operating on a care and maintenance basis.

However, with improved security in almost all parts of the country, and a bull run of copper prices, many investors now have Kilembe on their radars. Kilembe has more than 4.5 million tones of measured unexploited copper ore at 1% cutoff, and an enormous potential for unexplored resource, according to satellite imagery.

There is however a court case that threatens divesture of the entity before the commercial court. Uganda Gold Mining Limited, the company that signed an agreement with Kilembe in 2004 to amongst others verify the proven reserves, carry out a feasibility study for restarting mining and undertake further exploration to add unto the known reserves portfolio, sued government for unfair termination of the agreement, demanding more than $10

> *"Foreign companies are eying Kilembe in the wake of a rebound of copper prices on the world market. Forecasts point to the price of copper shattering the $10,000 a tonne barrier within the next two to three years*

million in compensation.

While KML remains saddled with debt, officials at the company point to the copper ore at the site as an asset that investors cannot choose to ignore. Herbert Tayebwa, the Chief Accountant of Kilembe Mines Limited, says the balance sheet should not be of any worry to investors. “Kilembe has assets. For example if you look at the copper stocks, the value can offset all the liabilities on the balance sheet,” he said.

The Auditor General has come up with figures of Kilembe’s deficits – the latest ending March 2010. KML assets were last valued in 1997, and a revaluation exercise is in process to give the assets an up to date book value.

The company now has a new board headed by Engineer Paul Mubiru, a Director of Energy and Mineral Development in the Ministry of Energy and Mineral Development. Mubiru is a member of the board of directors for Uganda Electricity Transmission Company Limited as well.
Considering that KML did not have a substantive board for some time, a lot of attention will be put on Mubiru’s team, and the nature of plans they have for the company.

Also watching keenly on the sidelines is Kasese Cobalt Company Limited (KCCL), the firm in which KML holds a 25% stake. KCCL has reduced the production of cobalt due to the decline of the price of the mineral on the international market, according to company officials. A pound of cobalt is going for about $19 on the international market – a price KCCL officials say might not be substantial to offset their production costs.

KML acquired the 25% stake in KCCL in early 2001 for $8.8 million, using a loan from the European Investment Bank. However, KML is yet to receive any dividend from KCCL, according to Kilembe top officials.

KCCL operates a bioleaching plant, which has received international applause. The bioleach plant was a clean-up project for the hazardous stockpiles of pyrites that arose from Kilembe’s copper mines operations. Maintaining this bioleach plant will be an imminent task should a new investor take over KML.

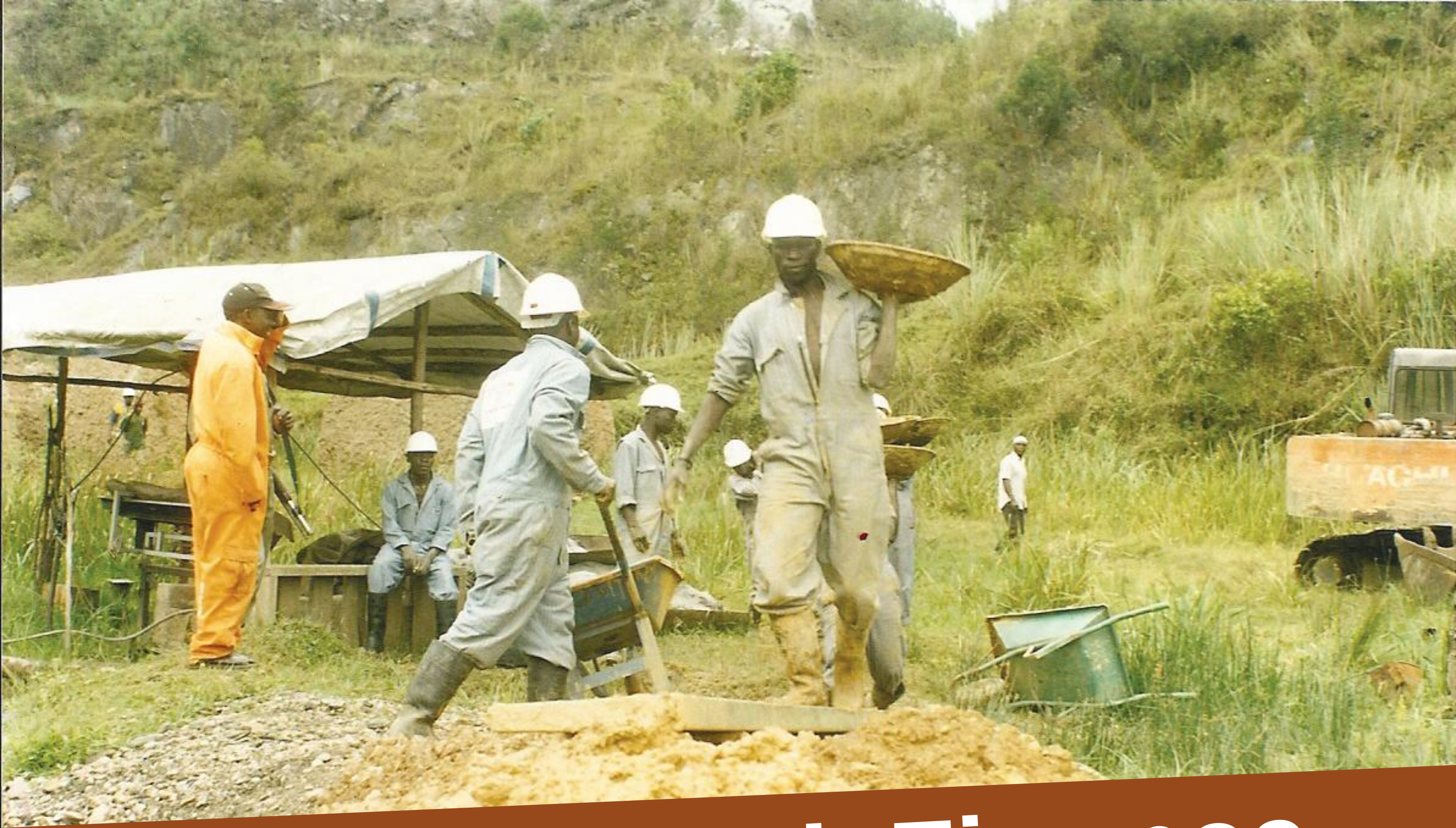
In the meantime, Dr. Maggie Kigozi, the Executive Director of the Uganda Investment Authority, has called on government to make sure that investors do not encounter impending barriers when they finally take over Kilembe. “It should be up to government to make sure that Kilembe is cleaned up before investors buy into the company. Government has to make sure that pensions of the workers are paid especially arrears and gratuity,” she said.

That is something that might not be of a big problem considering government may have to take up a stake in the event that a new investor buys KML. Government is considering entering a joint venture with a private company to reopen KML. Any investor wishing to take over the company has to buy more than 51% of the shares in the company, according to one of the requirements, while the option of the investor taking up full ownership of the company at a future date remains a strong possibility.

“Shareholding percentage will be determined by level of investment, but in no case less than 51% on the first stage of take over,” according to the Uganda Investment Authority.

UIA further points out that “Divestiture of the government shares to the investor will be gradual and linked to successful execution of the phased activities. Interested investors may, however, partner with other firms for purposes of execution of the joint venture.”

While it is not clear how much capital Kilembe needs in its early stages, the PU says it is not working under a particular timetable for the divesture.



Access To **Land, Finance** Hamper Mining

Uganda is blessed with one of the oldest rocks on earth in the north and north east. With old geology like that, the potential for mineral resources is huge

"Fluids come in from very deep in the earth and once you have old geology, it offers a long period for mineral rising events," Joshua Tuhumwire, a veteran geologist who served in Uganda's Geological Survey and Mines department for 31 years said in an interview.

Tuhumwire says Uganda as a mining destination is still virgin territory and his assertions have been confirmed by new geological and airborne geophysical data.
A report released in January 2009 indicated that the south- western region has the highest potential in the country. According to the report, which came after the completion of an airborne survey southwestern Uganda it said is endowed with gold and diamond in Kigezi and in the Buhweju hills in Bushenyi district.

There is tin, wolfram and nickel in Kikagati. There is copper and cobalt in Kasese. The West Nile region, the survey also discovered potentials of gold.

Results also indicated that the southeast region, covering the districts of Jinja, Busia, Iganga, Kamuli, Tororo and Bugiri has gold, lead, zinc and copper.
The Acholi region also possesses gold while the Karamoja region was not covered for security reasons, but the region has potential for gold as well as platinum.

"I think Uganda is still way down in the development of its mineral resources, Uganda is virgin territory," Tuhumwire went on. "What people need to know is that a lot of these resources have not been exploited, and that is the potential the sector holds for Uganda."

The data above is the results over the last five years of a programme in the Ministry of Energy and Mineral Development to update the geological, geophysical and geochemical information on Uganda has been implemented to update information on Uganda's mining sector.

According to Tuhumwire, geological mapping is also ongoing and will be completed soon – a development that is expected to shed more light on Uganda's mineral potential.

According to Tuhumwire, the new information has aroused international interest in Uganda as a mining destination.
The information, which has been brought to the attention of the world, has already resulted into the issuance of about 500 exploration licences to both local and international companies down from about 100 licenses before these surveys five years ago.

"What we need to see now is those holding licenses spending money in exploration because it's good to have a license but it is also important to go on the ground and get going," he said. "You cannot discover minerals unless you go in the ground."

At the same time, government has done a lot of training of people in the department of Geological Survey and Mines in various fields to be able to manage the mining industry, which is expected to take off once again.

Tuhumwire said there have been improvements of facilities like laboratories at the Geological Survey and Mines department including ancillary services.
A new mining law, which came into force in 2003 to replace the 1964 Mining Act, is also aimed at propping up the mining sector.
The old law according to Tuhumwire was not good as it was not internationally competitive. "We had to revise it and bring in place a new law that encouraged both local and international investments," Tuhumwire said.

And in what ways was the old mining law a hindrance to the development of the sector, one may ask. According to Tuhumwire, who was very much at the centre of its creation, it gave the ministers a lot of discretionary powers over the activities in the mining sector.

Under the new law, all those powers have been transferred from the minister, a political leader to the Commissioner, the technical person, who essentially administers the law.
The new law resolved the problems that were associated with the duration of a mining license – something that was always a problem when the old law was still operational.

"The 1964 Act provided for one year for an exclusive prospecting license (renewable)," Tuhumwire said. "So if the minister or anybody didn't like you, when your license expired you did not have a chance to renew yet you have spent money."

Tuhumwire said that was done away with as the exclusive prospecting license was replaced by an exploration license, which has an initial duration of three years, is renewable for two years and a further two years after that.
But renewal of a license is subject to an investor's performance as per their work programme as approved by government.

"If you have done well, that gives you seven years, which I think is quite generous," said Tuhumwire.
The new law also provides for a maximum of 500 square kilometres for an exploration license.
"The old law did not prescribe for the area and therefore someone could have half the country as his license area, which would preclude other investors," Tuhumwire said.

Under the new dispensation, an investor uses the first three years of a license to explore but at every renewal they have to relinquish 50 percent of the license area. "So that is good for the explorer but also good for the country because it frees ground for others to come in," he said.

Despite all the efforts that government has made to revive a sector whose potential is not yet fully exploited, there are hindrances or things that are still holding back its progress and some are deep-seated.
According to Tuhumwire, access to land is the biggest problem holding back Uganda's mining sector.

"This problem is rooted in the 1995 Constitution and the Land Act," Tuhumwire said. "You have to compensate people before you can build a road, a powerline, a new oil pipeline and costs of this nature run into billions of shillings."

Tuhumwire talked of the US$450m Sukulu phosphates project in Tororo in eastern Uganda as a victim of access to land as a hindrance.
He said the project has had problems for the last three years because of issues of land access. The land in question was encroached upon by locals when a phosphates plant was closed in 1978.

"There are thousands of occupants on this land today but government cannot chase them away because it could get political," Tuhumwire said. "I was involved in meetings to try and resolve those issues but even as I speak today, those issues are not yet resolved."

Another mine (Tiera gold mine) south of Tororo at Busitema, which was developed in the 1930s is embroiled in land wrangles.

"The company mining gold in that place cannot expand the mine because they have not reached agreement on compensation issues," he said. "The company would like to pay these people to leave but the amounts of money they are demanding are outrageous, all that cannot be resolved."

Tuhumwire wishes that land law changed yesterday for the mining sector to breathe better. "Unless it changes, I think there are still going to be insurmountable problems," he said.

Just like a lot of sectors in Uganda, the mining sector also suffers from access to finance especially for Ugandans who hold mining licenses and are interested in investing in the sector.

"It's not easy to go to the bank and say this is my mining lease, can I put it down as collateral," Tuhumwire explained. "Hardly any bank in this country will look at you and that is a big constraint the government needs to help address, so that we can encourage Ugandans to invest in mining."

The other major hindrance to mining in Uganda is lack of local personnel and it will become even more acute when the sector gets fully on its feet unless the deficiency is diagnosed.

"If tomorrow three big companies came in to start doing exploration and mining, we would have a problem of local personnel," Tuhumwire said. "It is already a challenge even with small operators here for example with blue collar jobs."

According to Tuhumwire, while we have a few geologists, we do not have mining technicians as well as mining engineers and any of these skills would have to come from outside the country and indeed those jobs would be lost to Ugandans.

Makerere University, Uganda's oldest and biggest institution of higher learning does not train mining engineers. The good news though is that over the last few years, a few Ugandans have been admitted to do Mining Engineering at the University of Dar es Salaam. The quick solution to a lack of local human resource capacity he said is to have people train locally.

"Probably before a Mining Engineering Faculty is set up at Makerere, government needs to see how many mining engineers we will need in the next 10 years," he said. These then would be sent to University of Dar es Salaam or other universities to train in those skills.

"Apparently nobody seems to be thinking like that and there is no coordination between the Ministry of Energy and the Ministry of Education to address an area like this when scholarships are given," he said.

For those that government has already trained, Tuhumwire said they need to be paid more money as a way of preventing them from running away to the private sector.

Already, Tuhumwire said the department of Geological Survey and Mines has lost valuable human resource as staff members have refused to return after their studies in places like Canada, Australia and United Kingdom.

"Those who return work for two years and they run away to the private sector but you cannot stop them because government is paying them peanuts," he said.

Uganda signed the best OIL DEALS

Uganda got a good deal when it signed the production sharing agreements with the oil companies, an international expert on oil has said. David Johnston, a partner at Daniel Johnston and Company, a petroleum consultancy firm, says that government's profit when the oil industry gets to the production stage will be 80%, which is 10% above the world average.

"You are in a better shape than anybody I have ever seen. You have protected yourselves very well," said Johnston, who has carried out consultancy services in oil producing countries like Nigeria, Bolivia, just to mention a few. Johnston was speaking during a forum, organised by the Uganda Chamber of Mines and Petroleum, for Members of Parliament on the implications of the draft Petroleum Bill.

Government profit is comprised of four elements: bonuses, taxes and profit splits, royalties and government participation. Johnston said that the revenue government will get from the oil industry is huge. He estimated the amount of revenue at $130 billion over the next 20 years, which is about $6.5 billion per year. That amount is slightly more than 30% of Uganda's Gross Domestic Product.

Johnston's views will likely calm sceptics who for long have argued that Uganda might have gotten a raw deal from the oil agreements it signed. Organisations like PLATFORM, which has done wide research on Uganda's oil industry, have tried to assess the implications of the deals that government signed, arguing that oil is more likely going to be a curse than a blessing. But Johnston said that research from organisations like PLATFORM have either used wrong formula or depended on limited data to come up with wild assumptions.

Johnston's assessments correlate with what government has previously said about the country's economic prospects when the oil industry goes commercial. In June last year, Hilary Onek, the Minister of Energy, told Parliament that Uganda's share of the oil profit will rise to 80% "when production levels are high."

Onek also said that the amount of training fees that oil companies are expected to pay will increase as the oil moves from the ground to the point of production. He said that the training fee has risen from $50,000 to $150,000 during the exploration period and from $150,000 to $300,000 during production. The fees will be paid on an annual basis.

The draft Petroleum Bill, which is yet to be tabled in Parliament, points out that oil companies must put up programmes in which knowledge will be transferred to the local population. Such programmes, which will be submitted to the Minister for approval, can include scholarships in education, among others. The training should include all areas on petroleum operations, notes the Bill.

Onek said that considering that these agreements were negotiated at a time when Uganda was not producing oil, shows the shrewdness of government.

Onek also told Parliament that Uganda's decision to sign Production Sharing Agreements with the oil companies was a far better choice than the other forms of contracts. Under the Production Sharing Agreements, according to Onek, "the government does not transfer title of resource rights to contractor but retains the petroleum rights." He also said that the agreements provide for the sharing of profits remaining after cost oil, and taxation of the company's profit oil.

Hon. Banyezaki makes a point as his colleague Hon. Oketcho looks on at the Petroleum Bill review workshop

Onek further explained that PSAs were the preferred type of petroleum contracts partly because "the country does not carry exploration or development risks. If no oil is found, the oil company or investor loses." Other forms of contracts that Uganda would have signed include Concession Contracts, Service Contracts, or Joint Venture Agreements.

Johnston said that government's participation of 20% in the petroleum activities is still substantial enough although it is below the world average of 30%. Government is to create a national oil company, among other entities, which will oversee the interests of the state. The Uganda government participation is at least higher than such countries like Gabon and Azerbaijan, which have huge oil resources.

Johnston, however, warned that it is crucial that government manages expectations quite well. He was cautious as to when he expects Uganda's oil production to start, saying it could be five years before a barrel of oil is produced.

Uganda is trying to put up a huge infrastructure network before exporting of oil can start. The government, using advice from Foster Wheeler, an international consultancy firm, has decided to build a refinery capable of refining at least 100,000 barrels of oil per day.

Building a refinery involves a lot of money with some experts placing the figure as high as $1 billion. Uganda will also need to build a pipeline to transport the oil to the port of Mombasa, where it will be exported. Building such a pipeline to connect to the Kenyan section of Eldoret also requires huge amounts of money, at least half a billion dollars.

Johnston used the example of Nigeria to show how long a country can take to get to the production stage. He said Nigeria spent 15 years after signing the agreements with the oil companies before production finally started.

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Borrower	Value US$ m	Country	Year
Project Boheme	3,000	West Africa	2010
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Jubilee Oilfields - MLA	2,000	Ghana	2009
Jubilee Finance - FA/MLA	900	Ghana	2009
NGL II Financing - FA/MLA	265	Nigeria	2009
Uganda Fields - FA/MLA	250	Uganda	2009
Bunmi Armada Oyo FPSO - MLA	250	Nigeria	2009
Corporate Hybrid Structuring/MLA	550	Nigeria	2009
Maurel Prom	225	Gabon	2009
Shell Fields FA/MLA	188	Nigeria	2009

Source: Dealogic
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Tullow CSR gets recognition

Workers at the Kyehoro Maternity Centre thats aided by Tullow

Tullow Oil is committed to operating as a responsible company and contributing to social economic development in the communities in which it operates. The company therefore has a comprehensive Social Enterprise (SE) programme that has made a tangible difference in the communities through various projects.

These SE projects (aka Corporate Social Responsibility programmes) have been internationally and regionally recognised as the most scalable community investments in the region. In May 2010, Tullow Uganda received the East African CSR awards, emerged runner up CSR programme at the Africa CSR Awards in London in June 2010 and Best CSR programme in Uganda at the PR Awards of Excellence in August 2010.

Tullow's SE focus areas include health, education, environment and enterprise development. The company works directly with the communities adjacent to its operations, addressing their most pressing needs to improve quality of life as well as enabling longer-term social empowerment. Tullow also partners with several development organisations to ensure that all programmes supported have a high quality output, impact and sustainability.

The SE programmes are designed to support smooth business operations and complement development initiatives in the area and have already brought substantial benefits to the communities in Hoima and Buliisa districts.

In the area of health, Tullow has worked closely with the communities, local authorities and health partners in establishing the Kyehoro Health Centre. The Health Centre supports the communities with various health services including HIV/AIDS prevention and treatment, immunisation, malaria treatment, family planning and antenatal services. To complement these efforts, Tullow plans to establish two sister health centres in Buliisa and Hoima to further address the health needs in the area.

In supporting education, Tullow's SE programmes invest in building capacity of teachers, school management committees and government officials to progressively take greater roles in improving the quality of primary education. The company supported a "train the trainers" programme to support improvements in teaching, provided thousands of text books to local schools and supported construction and refurbishment of school classroom blocks.

Under the enterprise development programme, Tullow aims to develop and support local entrepreneurs in order to build a semi-skilled workforce in the community that will create and sustain employment, separate yet complimentary to the oil industry. The company has worked with communities and partners in Buliisa and Hoima to develop sustainable livelihood projects in agro-enterprise, trained farmers in leadership skills and promoted savings and credit schemes.

Tullow is committed to environmental conservation and therefore promotes environmental initiatives through its SE program. The company has planted over 100,600 trees in Hoima and Buliisa and further supported the Chimpanzee Sanctuary tree planting campaign in Hoima. In addition, resource efficiency activities like the construction of energy saving stoves and briquettes have been promoted in the area.

The highlighted programmes have been implemented as Tullow is in its exploration phase and will scale up the activities as the business goes into the production phase of development.

Looking ahead, Tullow's main CSR theme will focus on 'developing entrepreneurs'. Though health, education and environment programmes will remain prerequisites for creating an environment in which entrepreneurs can flourish.

Tullow Uganda will also work to create a skilled workforce and diversified local economy by supporting agro-enterprises and other small and medium enterprises (SMEs) that enable people in the communities to create or obtain employment. As well as the community projects, Tullow Uganda will also help to build capacity for the oil and gas industry and support local content initiatives in Uganda.

MINING FIRMS FORCED TO CHANGE TACTICS

Deloitte report unveils ten of the top trends and challenges mining companies will face in 2011

As global mining executives are well aware, smart phones are not the only products dealing with international demand outstripping supply.

As emerging economies around the globe continue their rapid industrialization, demand for commodities is skyrocketing. Yet at the same time, numerous countries are taking steps to safeguard their own supply by curbing the export of natural resources and shutting down some traditional supply markets. According to a new report released by Deloitte, this is doing more than affecting commodity prices. It is changing the way mining companies do business.

"With the combination of surging commodity prices, labour shortages, and more demand than supply, one can almost imagine that we are back in the heyday of the mining boom," says Bill Page, Deloitte's leader for the Energy & Resources industries in the East Africa region. "But today's demand drivers are significantly different than they were in the past and mining companies need to change the way they pursue growth if they hope to keep pace."

As demand grows from emerging economies, the flow of commodities is increasingly moving to non-Organization for Economic Co-operation and Development (OECD) nations. The report explains, however, that although the developing economies' strong appetite for commodities is sending demand signals to the mining industry, these are being muffled by the difficulties of obtaining permits for new mines and finding skilled labour.

While a number of industry fundamentals have remained unchanged, the relative ranking and focus of key trends presented by Deloitte in 2010 have shifted. For instance, last year companies were most concerned with securing supply, managing commodity price volatility, and ramping back up in response to rising demand. This year, top priorities are attracting financing, finding new supply markets, and engaging local stakeholders in an effort to secure a license to operate.
The report also highlights that government intervention around the world has increased in the past year and is currently on the rise in the form of new taxes and royalties, more stringent anti-corruption legislation, and rising expectations related to environmental protection.

The top 10 issues mining companies will face
To help organizations take a forward-looking approach to their business planning in the face of these new market realities, the Deloitte member firm network of mining professionals have identified ten of the top issues they believe will influence the global mining sector most in the coming year, presented in order of priority:

1. The fickle face of financing: International investment fuels the sector
2. When supply can't match demand: Volatility is the new normal
3. Securing a social license: Engaging stakeholders takes centre stage
4. New taxes, new regulations and new governments: Political agendas take centre stage
5. How to invest more strategically: Hint, you'll need a long-term plan
6. The lost generation: The war for talent rages on
7. At the end of the rainbow: Maintaining the search for that elusive pot of gold
8. A tough environment: Climate change disclosure and adaptation are getting harder
9. Working with no backbone: Inadequate infrastructure hampers growth
10. Rethinking industry fundamentals: Exploring new revenue opportunities

Please feel free to contact Bill Page; bpage@deloitte.co.ug should you require any further information.

Lloyds Register official, Warren Chetty examines a welding trainee's work at SWS

Specialised Welding Leading the way

In 2009, a Ugandan company airlifted welders from South Africa to do a job that would have been done locally for less than three times the price. Another firm flew in people from Scotland just to undo a nut and bolt – a 3 minute job – all because the welders here lacked the formal international certification to touch such machinery.

"The industry is paranoid. To work with international companies one has to have international certification. They need to know that you have all the right paperwork and necessary support because they need insurance backup among others," says Steve Perkins, who has successfully trained a number of welders to globally accepted standards at Specialized Welding Services Ltd (SWS).

Registered in Uganda in 2009, SWS offers an international standard, bespoke workshop facility in Muyenga, Kampala for MMA, Tig and Mig fabrication and welding with an emphasis on pipe work fabrication and installation.

The workshop that is co-owned by Paul Sherwen, a Uganda Chamber of Mines and Petroleum council member, is the only one of its kind in Uganda and is also rated among the best in the East African region. With Uganda having to face up to the challenge of nurturing a nascent oil and gas sector, the demand for specialised artisans has never been this high.

Says Perkins: "There is a big gap between what is available and what is needed. SWS are just one of those companies trying to build a bridge to fill this gap. We have the resource but we don't have the structure to fully exploit it. It's a golden opportunity to do a lot for the country – which SWS is trying to exploit."

And apart from welders, all sorts of artisans to fulfil the industry's future requirements in addition to chemical and mining engineers and ICT experts are in demand.

"A mining engineer would require a 5 year course to be useful to the economy but we need these people now. We may not be able to create those immediately but we can quickly create electricians, welders, mechanics and carpenters among others. That's where other vocational institutions should come in," notes Perkins.

SWS started as a Danida-funded project set up specifically to train Ugandan welders to an international standard of stainless steel fabrication, under the name of Karise Kleinsmedie Uganda (KKU). After the KKU project ended, SWS purchased the company's assets and took on the apprentice staff as the core of its workforce.
The company works to ASME IX welding standards, meets API standards and both company and staff operate to Lloyd's Register Certification. Its work ethics are compliant with ISO 9001-2008 and ISO 14000 Quality Management systems, with additional priorities that include meeting OGP standards of health, safety and codes of practice within our industry.

Warren Chetty, a surveyor from Lloyds Register in Durban, South Africa under the energy division which focuses on the petrochemical industry is full of praise for SWS. "The level of quality of the workforce here is really high and it can only get better. And it's important that more of the local population is trained to do the same," he noted recently, when on an inspection visit at SWS.

Perkins is highly supportive of the SWS directors' insistence on training a purely local workforce as this not only means that every Ugandan employed by the oil industry will automatically keep their earnings here and therefore support the growth of the country but it would also mean cheaper services to companies seeking these services. The SWS workshop seeks to train anywhere between 100 and 200 welders but in future, a fully-fledged oil and gas sector will need more than 10 times that number.

"It will start with 100s, then it will snowball into 1000s and it will be a great shame if those 1000s all came from outside Uganda," says Perkins, who boasts a 43 year welding career.

Describing Uganda's welding industry as being predominantly a backwater since an industrial philosophy has been lacking here, Perkins is however optimistic that with the advent of the mining industry and in particular the oil find, the country will be catapulted to the frontline. Welding and several other hand skills, he empathises are not rocket science and can quickly be learned.

"The easy way of doing this would be to pull skilled personnel from abroad but I totally disagree with this approach as it's not sustainable in the long term. It's very frustrating to hear often times that it's impossible to do it here in East Africa but like SWS has demonstrated, it's possible. There is no reason why we cannot support the mining and oil industry effectively. But since we have no experience in dealing with new industries, we have to gear up very quickly otherwise this place will be full of expatriates and it will not generate sufficient revenue in terms of wages, employment and all the other things that come with having a Ugandan company doing this work," argues Perkins.

Building a local work force though does not come cheap. Already, SWS has poured a cool $1m or so in the workshop; cash that has not only been spent on bringing in the costly equipment and raw material but also on training. For instance around $5000 is spent training one to attain a 6G certification - the highest welding qualification anywhere in the world.
This is though is value for money considering the kind of machinery they have to operate and the risks involved.

Says Sherwen: "Some equipment is too expensive to fiddle with. No wonder big multinational firms like Coca Cola were flying in welders from South Africa, Dubai or India to perform simple procedures at their plants. Over the last 2 or 3 years though we have embarked on bringing Ugandans up to international standards and in 2010 we handled at least 3 jobs which previously would have gone to foreign welders. Under our company philosophy, we feel it's important not only for Uganda but also the entire region which is critically lacking certified welders. While everybody is talking about training university students they are forgetting the need for skilled labour."
The company has only recently been contracted to provide welders to work on a brewery in Burundi; a job that was exclusively meant for South Africans before.

The SWS workforce consists of Lloyd's Register certified "coded" welders, rigorously tested to the highest, international 6G level by Lloyd's of London in a variety disciplines, metallurgy types and skills.
"Our fully qualified, 100% local workforce co-operate closely with our young apprentice welders to ensure that on-going and sustainable skills transfer is assured appropriate qualifications, experience and skills," says Samantha Moray, the General Manager.

She notes that with time, more affordable certified welders like those at SWS are going to be in high demand as they guarantee less production risk and therefore lower production costs.

Moray adds that in August this year, four of the trained welders will be qualified as trainers too after undergoing more thorough training by Perkins who will be returning to Kenya where he has been based for the last 25 years. Plastic welding will also be introduced at SWS this year as well as certification to serve as Aviation Repair Specialists.

A lot of opportunities abound for specialised welders across the whole manufacturing industry; be it hospitals, hotels, breweries, milk industry, food and processing factories name it.
"Uganda at the moment is still importing a lot of its products. But with the oil revenue, the infrastructure in Uganda should develop accordingly and therefore the whole dependence on importation should reduce because it is building up its own manufacturing sector," says Perkins.
This therefore calls for more government involvement ASAP since the private sector cannot meet the extensive demand.

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20. East African Chains U Ltd	David Mayanja	+256-752 796380	Dealers In Mech-Tools
21. Engen (U) Ltd	David Kayemba	+256-752 754 404	Gas And Oil
22. Epsilon U Ltd	Sarah Ntabazi	+256-772 353 981	Waste Management
23. Ernst & Young	Muhammed Ssempija	+256-752 240 012	Tax, Audit, Financial Advisory Services
24. Flemish Inv. Ltd			Mineral Exploration
25. Freight Forwarders Kenya Ltd	Samson Kavoi	+256-752 755 451	Clearing And Forwarding
26. Gold Empire Ltd	John Muruli	+256-772 428 332	Gold Exploration In Buhweju
27. Habib Oil Ltd	Umar	+256-704 444 438	
28. Hima Cement Ltd	Ken Lubega	+256-772 744 064	Cement Manufacturers
29. Integrated Logistics	Attila Jonathan	+256-777 541 274	Onshore & Offshore Logistics Support
30. Kakira Sugar Ltd	Mayur Madhvani	+256-414 259390	
31. Kamu Kamu Drilling Experts	Gilbert Mujogya	+256-414 236 124	Mineral Exploration And Water Wells Drilling
32. Kilembe Mines	Fred Kyakonye	+256-772 445 642	Copper Mining
33. Krone (U) Ltd	Alfred Bitamazire	+256-702 310 274	Mineral Exploration/ Wolfram
34. Makugem U Ltd	Farouk Makubuya	+256-792 786 789	Mineral Exploration
35. Marubeg Co. Ltd	Kellen Kayonga	+256-772 415 138	Mineral Exploration/Tantalite
36. Mr. Bb Sinha		+256-712 990 217	Consultant- Env'tal Health
37. Mr. David Kyagulanyi		+256-772-445 962 +256-392-969 683	Mineral Consultant
38. Mr. Gordon Sentiba		+256-712 660 064	
39. Mtn U Ltd	Rukhshana Namuyimba		Communication
40. Multilines International U Ltd	Gerald Mukyenga	+256-772 200 031	Clearing And Forwarding
41. Neptune Petroleum Ltd	Marilyn Hill	+256-772 772 407	Oil & Gas Exploration & Production
42. Npk Resources Ltd	Nathan Wanda	+256-772 417 801	Mineral Consultancy
43. Oli Gold Muruli Ltd	John Muruli	+256-772 428 332	Gold Exploration

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44. Orwell International U Ltd	Irene Nakalyango	+256-782 334 992	Drilling Tools And Well Services
45. Oryx Minerals Ltd	Gavin Conway	gpconway@gmail.com	Mineral Exploration
46. Rhino Exploration			Mineral Exploration
47. Richflo Lift Services	Richard Magezi		Lift Services
48. Salini Costuttori Spa	Thomas Bianconi	+256-755 199 964	Construction
49. Sdv Transami	Harriet Wandira	+256-752 660 853	Logistics Service Provider
50. Seafast Holdings U Ltd	W Smith	+256-712 600 226	Logistics Service Provider
51. Semliki Rift Trading Co	Patrick Van Pee	+256-752 770 530	Lift Services& Ferries
52. Spedag U Ltd	Lynda Kazairwe	+256-414 562 000	Logistics Service Provider
53. Stanbic Bank	Nsibambi, Daniel K	+256-312 224 317	Banking
54. Standard Chartered Bank	Mundua Godfrey	+256-712 760 124	Banking
55. Strategic Logistics	Paul Sherwen	+256-772 223 002	Logistics
56. Sumitomo Corporation	John Musisi	+256-712404031	
57. Tamoil East Africa Ltd	Gamal Bouargob	+256-751 788 791	Crude Oil Marketing
58. Threeways Shipping	Jeff Baitwa	+256-772 408 974	Logistics Service Provider
59. Total U Ltd	Mamadou Ngom	+256-752 793 030	Oil & Gas
60. Toyota U Ltd	Timothy Akiiki Nyamayarwo	+256-772 642 646	Car Dealers
61. Transeast (U) Ltd	Sheila H. Graig	+256-776 700 881	Transporting
62. Tullow Oil Ltd	Kristina Kasibayo Jimmy Kiberu	+256-776 221 039 +256-776 221 213	Oil And Gas Exp. & Production
63. Union Logistics	Hitesh Shan	+256-782 901 010	Clearing And Forwarding
64. Victoria Motors Limited	Sam J Kibuuka	+256-712 828 028	Car Dealers
65. Warid Telecom	George Waigumbulizi		Communication
66. Wood Group	Monica Corredor	+256-755 068 122	Energy Services


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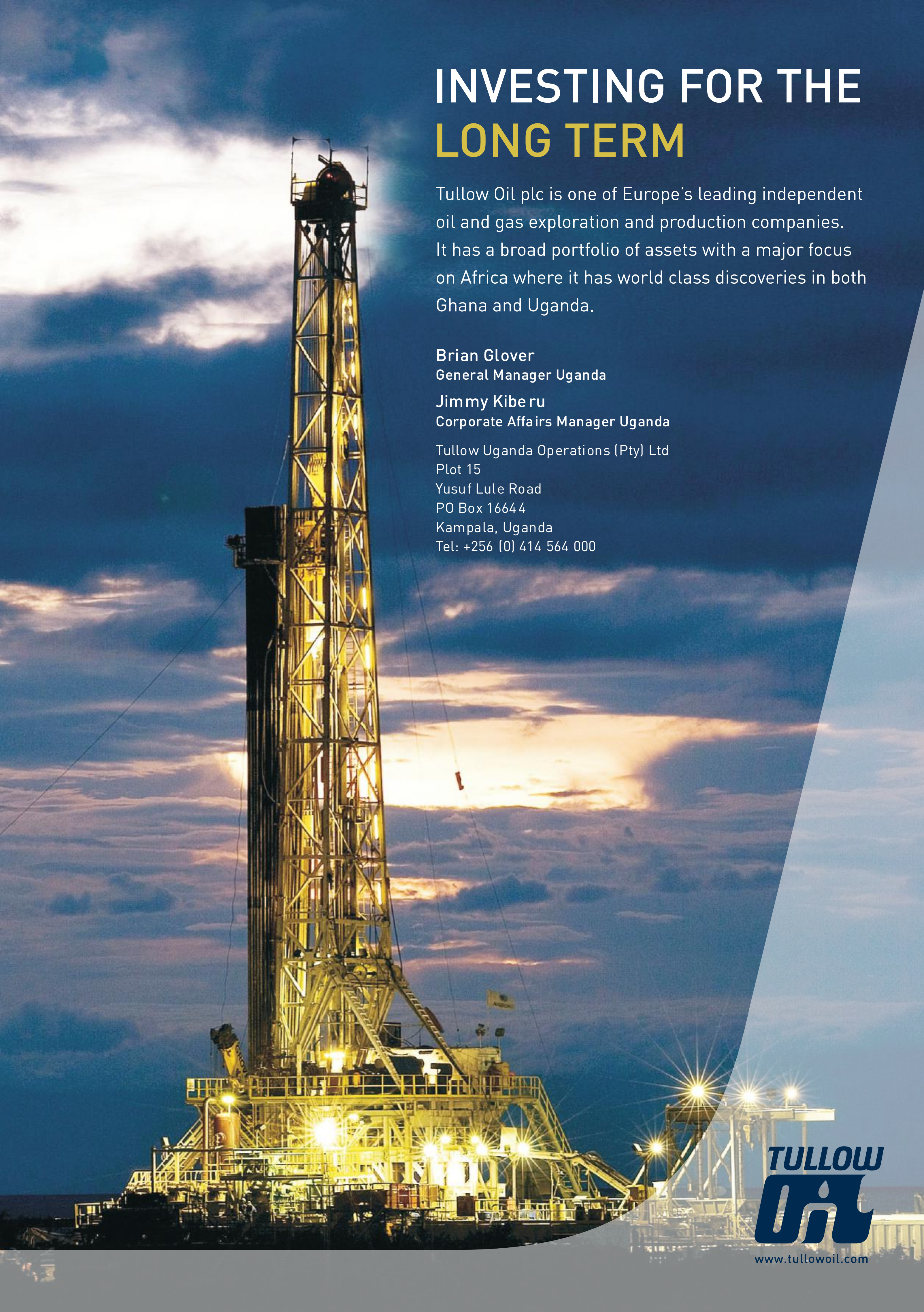
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