The Uganda Chamber of

MINES & PETROLEUM

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MERGERS

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- iocs step up a gear

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Chairman's note

Small steps in the right direction

Dear readers, yet again it's with great pleasure that we present to you yet another enriching magazine. The Uganda Chamber of Mines and Petroleum continues to grow in leaps and bounds – a dynamic that is also reflected amongst its members. Because not only is the Chamber consolidating its association with similar bodies across the world, the members too are innovatively engaging in partnerships that can only make them stronger businesses.

This particular journal examines how some subcontractors in the Oil & Gas industry continue to better themselves as they seek to compete favourably in the sector that has since returned to full scale operations across the board. The Chamber applauds them.

The mining sector too continues to make several inroads with the latest being a formation of the Business Licensing Reform Committee (BLRC), under the Ministry of Finance that will be expected to recommend various changes in the mining laws that should make it even easier for investors to apply for mining licenses in Uganda. This is great news for the mining sector that continues to soldier on in the right direction.

We can only hope that the upcoming Mineral Wealth Conference 2012 slated for October 1st and 2nd, 2012 will consolidate such gains and therefore attract more investors that can utilize the vast mineral resources for social and economic transformation of the country. The inaugural two-day conference is projected to become the premier mining event of the year going forward and we encourage every one of you to attend and participate.

Closer to home, the Chamber continues to expand its membership which stood at 99 members by the end of June 2012, from 75 members in June 2011 – a growth rate of 24%. We encourage more organisations and individuals to join us in this noble cause. I would also like to take this opportunity to thank the many organisations like foreign embassies and missions, hotels, the Parliament of Uganda, various ministries plus similar Chambers around the world which all officially recognise us now. This can only make us stronger.

I thank you,

Elly Karuhanga

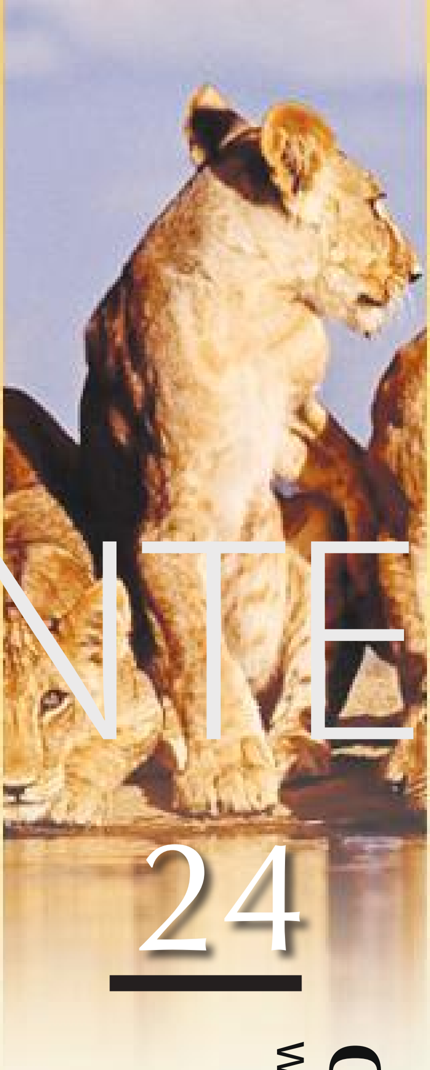
Chairman, UCMP

THE REPUBLIC OF UGANDA
MINISTRY OF ENERGY & MINERAL DEVELOPMENT

MINERAL WEALTH CONFERENCE 2012

SHOWCASING
Uganda's Mining Potential

1st –2nd October 2012
Kampala Serena Hotel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Tullow's Heavey pledges commitment to Uganda

on June 8, ***Aidan Heavey Tullow Oil Plc's Chief Executive Officer*** met President Museveni and a host of government officials to discuss the way forward for Uganda's oil industry. Later in the evening, Heavey attended a t ullow oil-sponsored cocktail for the Uganda chamber of Mines and Petroleum (UCMP), where he made his first public speech in Uganda, and took photos with the guests. On the sidelines of the cocktail, Heavey sat down for an interview for the Chamber magazine. Below are the excerpts.

Aidan Heavey Tullow Oil Chief Executive Officer

What brings you to Uganda?

We are now at the stage of getting ready for the development plan for the oil. And it was just a courtesy visit to meet the President plus members of government to talk about the plans going forward. We also discussed putting together a seamless working relationship so as to ensure the partnership (with Total and CNOOC) and government are all working under the same agenda so that we can move this project forward as quickly as possible.

Were there any concrete conclusions from your discussion with the President?

Basically, the government's wishes and ours are pretty much the same, and that is to get the oil moving as quickly as possible. There are a lot of issues in the world currently, mainly financial issues. And a key part of all developments is getting financing in the right queues. We discussed world affairs and a lot of other things.

Anything about East African affairs maybe?

East Africa is the hottest place around currently for the energy business. There is a huge amount of excitement here with everybody currently interested in investing here because of the huge successes we have had in Uganda and Kenya. We believe there is oil throughout the entire Rift Valley. And then there is offshore Mozambique and Tanzania, where huge gas discoveries are being made. So it is a very exciting time, and that is going to create a huge amount of investment in the whole region. People look at the oil industry and they look at selling oil and gas, and the profit from that. But actually the single biggest input in the country is the investment in the infrastructure and the services that support the oil industry. A great example of that is Ghana. We found oil in Ghana in 2007, and started producing oil last year. Last year, Ghana had the fastest growing economy in the whole world. But that growth had nothing to do with the revenues from oil and gas; it was to do with the investment and the services, and all the auxiliary activities that were put in place long before the oil came on stream. And the same will happen here. The big investment is in the early stages. That is when companies build their businesses; that is where there is employment, and civil contracting work; that is where all the big investment is. There is going to be billions of dollars spent here. If you look at the countries that have found oil and gas in the past, the big boom to the economy was in the development stage.

How is your investment strategy when you compare Uganda to Kenya?

We are an African business and we are expanding all over Africa. We are in new countries every day. We have no debt. We have only used banking facilities of \$4.5bn. We have free cash flow of \$2bn a year rising every year. So we can afford to do all the

projects. It is not a priority between Uganda and Kenya. We are 100% committed to getting Ugandan oil on stream as quickly, as cheaply, and as efficiently as possible. So are our partners, Total and CNOOC.
I think we have proved that over the last few years. We are not going anywhere. We love the place, we found the oil, and we want to develop it. Uganda has a great opportunity. It is first in the queue for a lot of oil developers in East Africa. And the whole of Uganda needs to get behind the oil project and stop being very critical of the same. To say that oil is a curse really means that Uganda can't handle its oil. Uganda is very well able to handle its oil. Everybody should be supportive of the industry. That is how we are going to get more companies in the oil industry. We need more oil companies here. We should be welcoming them to co-venture with Ugandan companies. That is where growth is going to come from. We found oil here in 2006. We found oil in Ghana in 2007. Oil was flowing in Ghana in 2010. But the whole country [Ghana] was behind the industry because they realized that once the oil was flowing it would be a shot in the arm for the whole country. That is what is needed here.
Unfortunately, the whole oil industry has a bad name. That name was quite right 20 years ago. Everybody for instance points at Nigeria to see what a bad name it had. But you can't look back 20 years ago and say that is what the oil industry is. That day is long gone. The companies are responsible today, there is transparency. There might not be transparency in some of the countries, but there is transparency in the companies because they are obliged by the stock exchange rules. Our books are open.

How committed is Tullow to developing Uganda's local content

Local content is key to any business. Unless wealth is created through whole generation of people, unless the middle class builds up around the oil industry, all companies should ensure that local content is the number one priority, helping companies with standards.

While government has set its terms on having a refinery, the oil companies still feel there is a need for a pipeline. Why is this so?

You can have both. But you cannot have an oil industry without a pipeline. It just doesn't work. The refinery is down to the government's decision and that is what the government wants. If the government wants a refinery, then that is something that we the operators have to help government achieve. But there has to be a pipeline. The pipeline is key for Uganda to be number one in the queue for finance.
If you are developing oil fields like the ones in the Lake Albert region, it is going to cost the oil companies about $12-14bn to develop the region. It might take 20 years to get that money back. This is a huge investment for a long period of time. If there is no market for the oil, they can't finance it. If you have a pipeline, you can take the oil to the shore, put it on the ships and sell it so that you get your money back. But if you only have a refinery, you have to say how much oil can we sell to the refinery? Are we guaranteed that we are going to get it every day for the next 25 years? Who is going to guarantee it? Is government going to guarantee it? So you can't finance an oil development on a refinery.
A refinery is only an offshoot of a major development plan, which is the pipeline.
What is important for Uganda is how quickly you can produce that oil.
The reason as to why countries want to develop oil quickly is because technology is changing quickly. There is a possibility that in five or six years' time somebody can invent some gadget where someone doesn't need fuel in the car. If that happens, the oil loses value. What you need to do is to get the oil out of the ground as quickly as possible and invest it in infrastructure, industry, and other things that are long term which will sustain generations to come for a long period of time because technology will change.

While making his presentation earlier at the UCMP forum, Paul McDade, Tullow Oil Plc's COO said something about the need for stability. Could you expound on that?

The thing is that every country looks at its own space; this is my country, these are my assets. But today, everyone is in a giant world. Investment can move anywhere, and there is limited amount of investment in the world. It is not endless. For example, Tullow has been voted by its peers as the number one explorer in the world over the last three years. We have probably 400 exploration prospects in our portfolio. And we have only drilled the top 10 percent. So we are very selective. A limited amount of money goes after the best investment opportunities. What we have been trying to say is that you need to create the best investment climate. If you have the best investment climate, you get the money in. If you get the money in, you get jobs, services, employment, industry, and the whole standard of living rises.
That is the key part. Money flows around the world. We are great believers in Africa. We started off in Africa. We are the biggest investor in Africa by miles. There is no body to match us anywhere around. We have invested in more countries than anybody else. And we stay for the long term. So it is in our interest to make sure that every country that we are involved in is a good place to invest and has a proper investment climate. So our interest and the interests of the government should be the same.

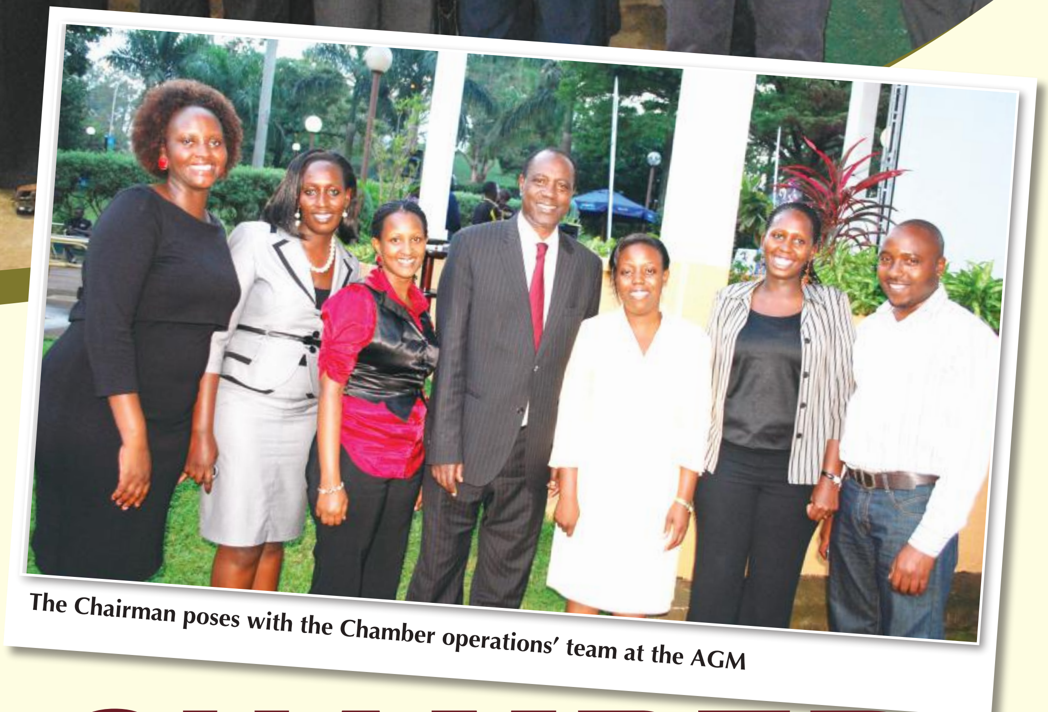
What drew you to Africa in the first place?

It was an accident. A friend of mine told me that there were a lot of oil and gas projects in Africa that were left there by big oil companies; that they were too small and unprofitable for big oil companies. I rang a friend in the World Bank who said that they had a project in Senegal, which was sitting there for years, and nobody would touch it. I got the details of the project and went down to Senegal, and loved the country. If you work in an island where the climate is terrible, it rains all the time and it is cold, and suddenly you get to a beautiful country, with beautiful beaches and sunshine…it was like working in a holiday resort. So to set up a business there was just a dream.
So the Senegalese said that if you can find the money and the experts, then we will give you the license. It was a great project. The culture that we developed back then is a key part of Tullow today. We worked very closely with all the communities, and the villages around. Even though we were not making any money, we were still working. When we left, in the last year, we gave all the profits back to the communities to build hospitals, schools, and we gave the equipment back to the government. It was great project. It was great fun.

Do you feel Africa owes Tullow?

When I started Tullow, I was an accountant. I knew nothing about oil and gas. And the Senegalese allowed us to help them develop some small gas fields that were left behind by the majors. So we owe the Senegalese for allowing us to build the business in the first place. So it is not a case of Africa owing Tullow. It is completely the opposite. That is why for us we are an African business. We are not anything else. The areas around the world that we have our operations are not our core business. Africa is our core business.

Some of the committee members pose for a group photo



The Chairman poses with the Chamber operations' team at the AGM

CHAMBER Forms new committees

The Uganda Chamber of Mines and Petroleum held its annual general meeting in July, where 10 different committees were formed to drive the chamber's agenda both within the public and government sphere.

The committees will be responsible in helping potential investors eying Uganda's oil and mining industry to settle in the country, publicizing the sector in different media, promoting local content, just to mention a few.

The committees include: Human Resource and Immigration, Oil and Gas exploration and development, Public Relations Events and Corporate Social Responsibility, Local Content and Skills Development, Tax finance and Investment, Logistics, Health Safety and Environment, Legal Advisory, Insurance, and Mining.

Elly Karuhanga, the chairman of the chamber, said the chamber has achieved a lot this year. He said that part of this achievement was that the "number of recommendations [the chamber gave to government to consider while debating the different petroleum bills] have been largely taken care of." He added that more than $100,000 was spent to fly in experts to review the petroleum bills and also educate the members of Parliament on which areas required special attention.

Karuhanga said the chamber plans to hold a mineral wealth conference in the first week of October to unveil the region's mineral potential. He said that East Africa should take pride in such conferences just as South Africa does with its huge Indaba conference. "We have come of age. We now have a chamber. We need to showcase the region's power in mining," he said.

The chamber has 99 members as at June 2012, up from 75 members in June 2011, representing an increase of 24%.

Karuhanga applauded the chamber magazine, which has been distributed to a couple of government institutions, hotels, embassies, and other Ugandan foreign missions.

The members were encouraged to visit the chamber's website, which has a new look and important information about the sector.
Also, delegates at the AGM were told that the Uganda Chamber of Mines & Petroleum has made initial contact with chambers from Namibia, Botswana, South Africa, Zambia, Australia, Ghana, Zimbabwe, Tanzania, Australia, Ghana, East Kootenay, Philippines and Eastern British Colombia and "the response has been very encouraging."

The National Insurance Corporation team

The UCMP council members

Comedian Herbert Ssegujja mimics President Museveni to everyone's delight

Chamber members listen attentively at the AGM

MUGERWA brings continental outlook to Tullow

Jimmy Mugerwa's appointment as the new head of Tullow Oil Uganda's operations could not have come at a better time. With Tullow's completion of the sale of two third of its assets in the Albertine graben to France's Total and China's CNOOC – a process that was delayed by a capital tax impasse and negotiations over a stabilization clause – the next round of questions are gradually shifting towards how Ugandans will benefit from this natural resource.

Uganda is at the stage of developing its oil industry with massive investments expected to breach the $10bn mark. The oil companies have already submitted their plans on how they intend to get Uganda to the production stage, somewhere around 2017. And getting Ugandans at the forefront of this massive investment push had become an important issue.

Hence, Mugerwa's appointment is regarded as a significant step in Tullow's strategy to relinquish top management to locals. Already, Tullow's operations in Kenya are headed by a native, in Martin Mbogo.

Uganda has always maintained the call for local content with Section 123 of the Petroleum Bill, currently before Parliament, stating that: "The licensee shall, within twelve months after the grant of a licence, and on each subsequent anniversary of that grant, submit to the Authority for approval, a detailed programme for recruitment and training of Ugandans."

"His appointment is an indication of Tullow oil's commitment and promise towards increased local participation under local content development requirements," notes Ambrose Atipo, the founder and chairman of Uganda Oil Club, a networking and interaction forum for players and actors in the Uganda energy and Oil & Gas sectors.

At a time when there are so many questions being asked about Uganda's ability to offer the kind of workforce that can meet the high expectations of the oil industry, Atipo notes that Mugerwa's selection will go a long way in showing that Ugandans are not devoid of skill and expertise needed by the industry.

"Tullow is playing a pivotal role in reversing the brain drain by bringing some of our professionals back home," says Atipo.

Tough task

Mugerwa's task though won't be an easy one.

> "Mugerwa's selection will go a long way in showing that Ugandans are not devoid of skill and expertise needed by the industry

Commenting on his appointment, Martyn Morris, Tullow Oil's Regional Business Manager South and East Africa, said: "I am very pleased to welcome Jimmy Mugerwa to Tullow Oil at a time when Uganda and the partners within the Lake Albert Basin are about to embark on a major oil development which will see Uganda enter the league of oil producing nations."

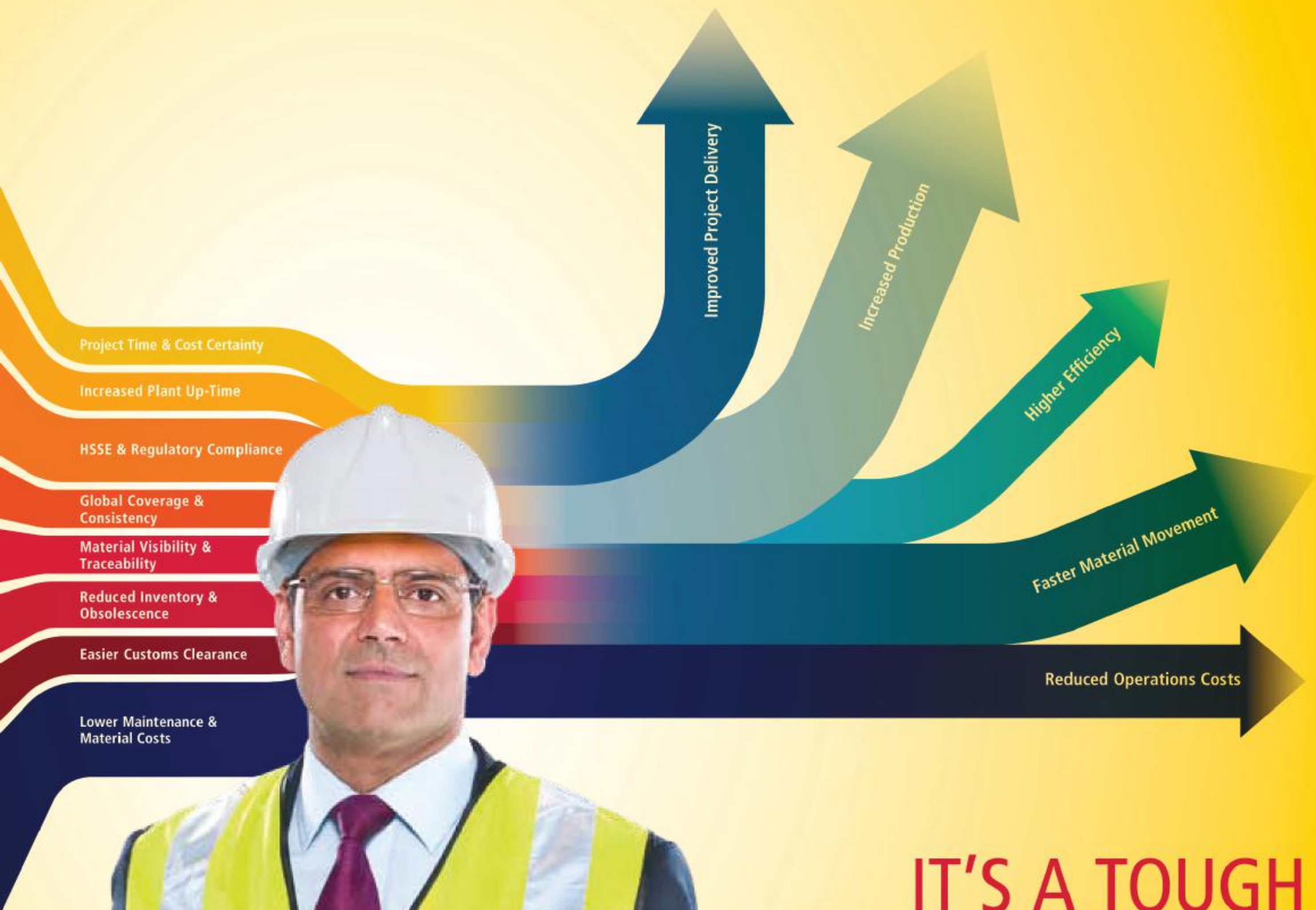
A company statement noted Mugerwa would be accountable for the delivery of Tullow's work programme and the forthcoming Lake Albert Basin Development Plan together with the Government of Uganda and Tullow's partners, CNOOC and Total.

One of his main tasks will be bringing up to speed an early production scheme, where some crude oil will be supplied to local power companies. In March, Tullow submitted revised field development plans for the Nzizi and Mputa fields, where the gas and crude oil to be supplied to the power companies is found. Tullow has also lined up several wells such as Kigogole, Nsoga, Ngege, and Ngara for appraisal this year besides further exploration.

One of Mugerwa's high points is having a continental outlook of oil and gas industry, albeit at downstream level. He joins Tullow from Shell Kenya, where he was General Manager of Sales and Operations, and the company's chairman. Before that Mugerwa had worked at Shell Ghana, South Africa, Uganda and in the Netherlands.

Mugerwa garnered a Bachelor of Science in Agriculture at Makerere University, before attaining a Masters in Science in agriculture from the University of Wales, Aberystwyth. He also attended an executive business leadership programme in Lausanne, Switzerland.

While more Ugandans are calling on all the other oil companies to "follow Tullow's example", the reality is that such demands are only unfair. For Tullow's partners – CNOOC and Total – have just set foot in the country after completing the farm-down earlier this year and as such, understanding the market and designing a solid investment strategy remains their highest priority for now.



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mEal leads the joint venture call

By its very nature, the Oil and Gas sector is highly resource intensive. As such, every firm interested in the same has to talk big otherwise it's left behind. And many local companies have indeed lost hope of participating in the sector solely because they just don't have the funds to invest in internationally accepted machinery and human resource that is demanded by the industry. Others though are refusing to get frustrated and are partnering in joint ventures to adequately compete for the lucrative jobs. Multilines East Africa Ltd (MEAL) is one such Joint Venture Company that has come up following a coming together of various logistics firms. The ***MEAL directors Mr Gerald Mukyenga and Mr Andrew Agaba together with representatives Mr Solomon Onyango and Mr Attila Jonathan*** share their – so far – successful story with the Chamber Magazine:

What is MEAL all about?

Multilines East Africa Ltd is a Ugandan Cargo Logistics Freight Forwarding Company whose founding organization is Multilines International Ltd, incorporated in 2002. Multilines East Africa is an amalgamation of several companies which have legally joined together to provide synergy and comprehensive Oil and Gas freight forwarding solutions both on the local and international fronts.

By covering all the major elements of freight logistics, Multilines East Africa Ltd offers a one stop location for all and any kind of logistics services, and is also affiliated with a variety of international and national freight forwarding networks, giving it access to virtually every section of the globe via its partners.

The company was formed by a unique arrangement involving several individual companies as shareholders including Multilines International Limited, Integrated Logistics Services Limited, Transeast (U) Limited, and Freight Forwarders, each with its area of specialty covering all aspects of logistics such as air/sea/road freight, clearance, marine and engineering services, craneage services, port services, warehousing, oil and drilling support, forwarding, heavy commercial haulage, road transport and out of gauge transport logistics.

How unique is this set up?

Our JVC is unique because not only does it fulfil the legal JV requirements, it also establishes the partners as member shareholders of the Joint Venture Company. The JV and shareholding requirement was compounded by the IOCs' need to have local strategic partnerships.

So, we own shares in each other's assets. Whether its human resource, capital or equipment, it's at the exposure of the other partners unlike in the average JV where one would first consider the projects they've signed before bringing in other partners. Here, every partner's facilities and resources

are availed to the rest as they each have a much larger stake in each other, over and above the legal stake outlined in the JV, described by their shareholding in Multilines East Africa Ltd. This unique interrelation creates value in terms of branding, expertise, management systems amongst others. The JV and partnerships are the way out for local firms that want to participate in the oil and gas sector in order to meet the demand from the IOCs and also help local firms come to terms with the International standards and requirements governing the oil and gas sector.

What informed this merger?
This is more of a synergy really. Having different specialities in the cargo handling logistics value chain, merging was a logical consequence of our desire to provide excellent services through a single entity to the customer. Each of us had our key strengths and coincidentally we had worked together before. Why should we re-invent the wheel when we could team up with others to offer a full package? We therefore felt that a synergy amongst ourselves was the most ideal move.

What does each of you bring to the table in this merger?

Multilines International brings in expertise in customs clearance and any incidental services in customs clearance. Transeast takes care of the commercial haulage while Freight Forwarders is in charge of all the sea port related logistics. Integrated Logistics on the other hand overlooks any material handling equipment providing cranes and forklifts, dredging and engineering services plus repairs and support to the drilling process. Going forward, MEAL will acquire its own assets to supplement those of its partner firms. For now, the JVC has already procured a fleet of brand new trucks which are already on the road. Also, MEAL has just completed the ISO 901:2008 Quality Management System audits and has been recommended for certification by September 2012. This will be in addition to the individual partners being certified in standards that are relevant to their operations such as ISO 14001:2004 and OHAS 18001:2007.

Furthermore, we must emphasise that we are not only local and regional, but enjoy international repute. We pick cargo from any part of the world and move it to wherever the client wants it. We have international strategic partnerships with major global companies and networks with strong capabilities in oil and gas logistics management.

vDo you feel the IOCs are unfair in their demands or it's understandable seeing that they insist that only beating tight deadlines will ensure they earn a profit on time?

Beating tight deadlines efficiently and effectively while adhering to international standards can only help Ugandan firms be at par with the other international players hence we have no problem with the IOCs' demands. You have to understand that cargo logistics per se changed a little bit when the oil and energy sector came into play. Many things were never emphasised in the past. Trucks as old as 10 years would carry cargo from Mombasa without any queries; all the client needed to know is whether the truck could move. But now even the truck driver has to be known to the client. His health and driving skills have to be of the highest standard because he is operating in a highly intensive industry. In the end it helps us really since international certification from the likes of Lloyds and American Petroleum Institute can take one places. Remember once you are internationally certified, you can work anywhere across the globe.

Do the IOCs support JVs amongst local firms; for instance do they advise you on how a successful JV can be handled?

Yes they do. For example in February 2011 during the Tullow Oil organized supply chain logistics' forum, various discussion groups and presenters recommended strategic joint ventures, which were not only supported by the participants but the organizers as well. Besides, the in subsequent meetings we have had with them, the IOCs have shown that they are in full support of strategic mergers that can save them time and money, as well as maintain high standards. The recent entrants CNOOC and Total are aware of our arrangement and have prequalified and also welcomed bids from MEAL for some of their projects.

If they believe that as a J.V you are now qualified to do their work, have they given you priority over foreign firms (as in, in the spirit of promoting local content)?

Whereas our JV has considerably grown to increase our chances of favourably competing for the IOCs' contracts, we believe that priority has been given on account of our conformity to cost, quality and safety standards – which to a greater extent is to the expectation of the IOCs.**Do you feel the IOCs are supporting local firms? Someone hinted at a recent oil conference that they were not despite his firm meeting all their requirements.**

Yes they are. The IOCs have demonstrated the will by, for instance, organizing logistic services provider

forums, seminars and workshops on safety and other standards, an open door policy, open lines of communication, local content advisory departments with dedicated national content advisors available to local firms for consultations and regular media updates on their activities.

What do you think the IOCs and government can do to support JVs. Would, say, a JVC policy help?

Yes government should support this as a way of building capacities and confidence in the local Ugandans institutions. This is a new industry which needs all the support it can get. There is no firm (local or foreign) that could guarantee an end to end logistics' service before our merger. Everyone was into subcontracting. Now with the positive feedback we are getting daily, we think it's important that a binding policy to support JVs of this nature is enacted. This can help strategic uninterrupted growth of the sector. Remember this is a highly sensitive sector that can lose billions in dollars with any interruptions.

What lessons can you share with other local firms (that feel incapacitated) as far as a J.V is concerned?

For one, a JV offers the member partners several distinct advantages such as freeing up capital since each partner brings with them assets already in their possession and specifically suited to their particular specialization. A JV also promotes efficiency as each partner concentrates on their own specialized area of the supply chain, which when combined with a central coordinating centre translates into enormous gains therefore saving time. In our case, all the JV partners are under the same roof which not only offers seamless coordination but also helps in building the confidence of our customers in our ability to perform as a JVC. The exposure of the JV partners to each other's' expertise provides the entire group enormous human capital – the value of which would be beyond the capability of most individual companies to acquire. Today's client prefers hassle free service provision. In supply chain logistics, a client would therefore seek a complete end to end solution. A JV with partners specialized on different sections of the chain allows one to deliver exactly this. Finally, it is often said that a 50/50 share of a big cake is better than a 100% share of a small one. A JV allows the partners to access and make use of opportunities that were previously beyond their individual reaches.

Apart from J.Vs, can a local firm individually perform in the lucrative Oil & Gas sector? And what kind of boosting would it need to adequately compete for jobs in the sector?

Yes they can, but not with excellence and not to the full expectations of the IOCs. This is because the IOCs' requirements are so high that no local company can manage on its own. Presently, we do not see any enhancement that would enable a local company to compete on the level required by the IOCs, and therefore a JVC is the only way out.

Is Multilines East Africa solely dependent on the oil sector?

Whereas MEAL was formed in response to the demand for logistics solutions in the Oil and Gas Sector, our slogan is "Partners in Project Cargo Logistics" and therefore MEAL handles any form of cargo logistics projects, including but not limited to UN Mission projects, Hydro Energy and mining projects, humanitarian and other turnkey projects. The JVC as a legal entity in its own right will proceed irrespective of developments in the oil and gas sector.

Columbia advises Uganda on oil

A May 2012 report from the Columbia University, ***Oil: Uganda's opportunity for Prosperity,*** has made key recommendations on how Uganda can manage its oil industry better.

With less than half of Uganda's potential areas for oil explored so far, the report makes a strong recommendation on how the licensing regime should be governed, especially now that other oil majors are waiting in line to bid for a couple of blocks in the country.

Discussing the country's legal framework, the report points out that government recognizes the complexity within the current PSAs as a result of gaps within the law. "A preferable solution is to introduce rigorous and transparent pre-qualification criteria in the licensing process, so that only companies with the suitable financial and operational record are invited to participate. Currently, there appears to be a pre-qualification process, but the details are neither contained in existing law nor regulations," notes the report co-authored by Professor Jenik Radon ***(pictured)*** of Columbia University.

And when it comes to negotiating the contracts, the report – under its section of economic recommendation – advises the decision makers to "develop a competitive auctioning process to help strike a balance between getting responsible foreign investment into Uganda and ensuring that it comes in on the best possible terms for the Ugandan people."

The report urges the country to "discontinue its practice of negotiating individual PSAs and adopt a competitive auctioning process for future block licensing, something which will require the design of a standard model contract that leaves fiscal terms blank to be completed by the bidders."

On the issue of governance, the Columbia University teams also advises that government should design a solid code of conduct that deals with conflict of interest as there are some worries that the national agenda of distributing the oil wealth could turn into a family affair.

"In order to avoid conflict of interests between regulation of the industry and revenue maximization, the functions of licensing, monitoring and enforcement should be structurally separated," the report points out. It adds: "Indeed, the entity that grants a license is naturally biased towards ensuring its continuance, as to revoke the license at a later stage implies error in the initial grant. These pressures are more acute when a national oil company is involved as that company will lose public image or acceptance in such an event."

The report also wants government to seek Parliamentary approval of candidates slated for such high profile institutions like the National Oil Company.

Local companies demand favour

The Association for Uganda Oil and Gas Service Providers, a newly-formed private sector interest group, wants the Petroleum Bills tabled before Parliament to create opportunities for local firms in the nascent industry.

Appearing before the Natural Resources Committee which has been gathering views from the public about the proposed oil laws, the lobby group called for more clarity to ensure that local firms benefit from 'local content' opportunities set aside for them.

"There has been lack of enabling laws on the provision of goods and services. Government needs to be clear what a Ugandan company is," Mr Bob Kabonero, the chairperson of the association, said.

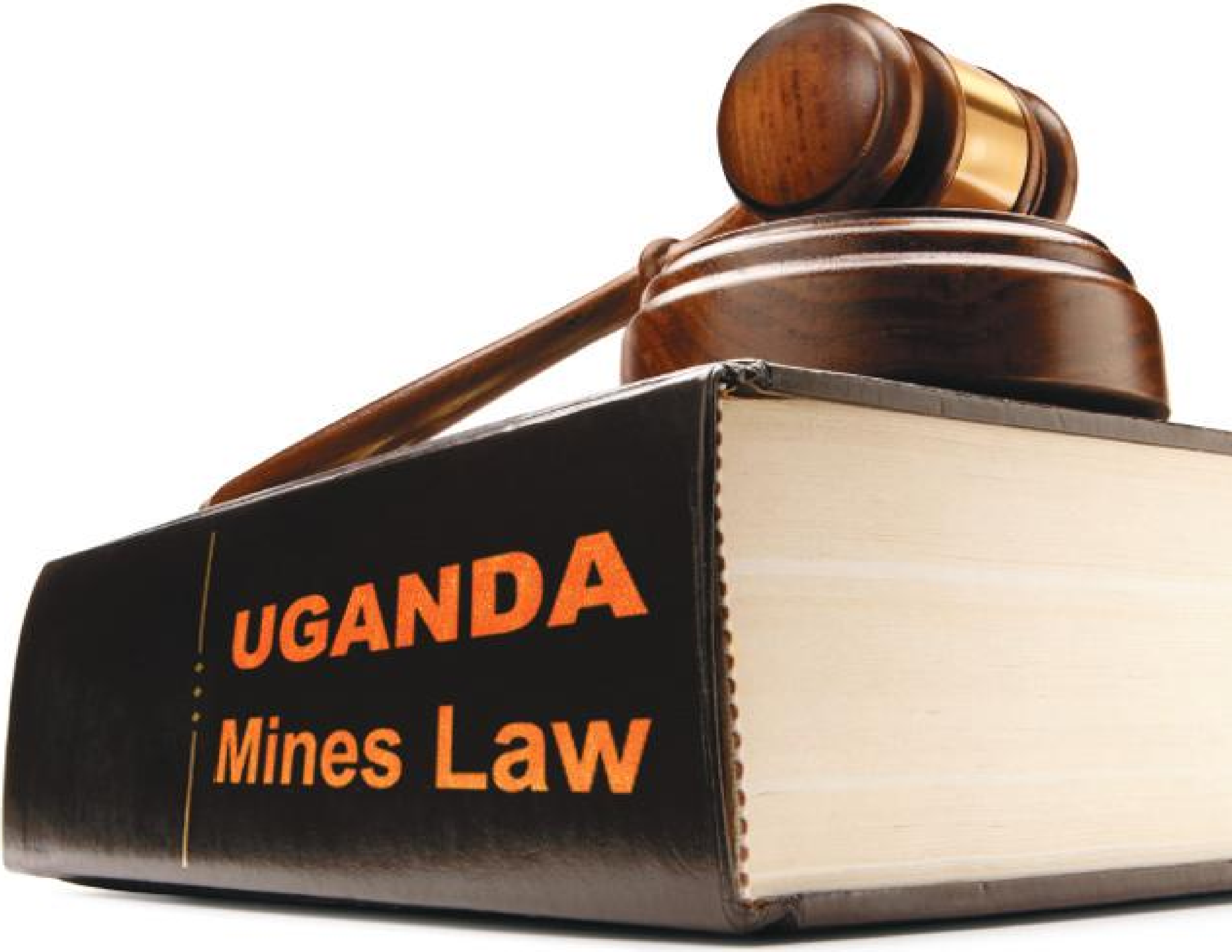
"Is it one registered in Uganda or one owned entirely by indigenous Ugandans?" he asked.

The group's lead counsel, Mr Emmanuel Baluyi, said laws should give preference to indigenous contractors, encourage joint ventures between indigenous companies and foreign companies and ensure uniform financial and legal accounting standards for all international oil companies that operate in Uganda.

The Petroleum Exploration, Development and Production Bill 2012 directs oil companies and their agents to give preference to goods and services produced or available in Uganda unless they are more expensive or of inferior quantity and quality to those that can be imported.

Mr Baluyi said provision could be interpreted to the disadvantage of local firms.

"Who determines whether the services by local firms do not meet the international specifications?" he asked, "There should be an independent body to scrutinise whether dealers meet the required standards."



UGANDA

looks to tweak mining laws to lure investors

As a number of African governments look to take up shares in mining companies, in a wave of nationalization, Uganda's government is looking at amending some of its laws to make it comfortable for investors.

A committee from different private sector players inaugurated by the Ministry of Finance recommended a raft of measures that make it easier for investors to apply for licenses, and also receive a longer period. The committee is chaired by former Finance Minister Gerald Sendaula.

The Business Licensing Reform Committee (BLRC), in March this year, produced a report that called for a review of broad range of licenses like the Mining Act of 2003. "The Prospecting License should be streamlined to increase the license period," notes the report. According to the Mining Act, 2003, a prospecting license carries only one year. Currently, a prospecting licence costs Shs150,000 ($60).

The BLRC, which is spearheading the licencing reforms, also believes the Retention license requires changes. Interested investors are required to apply to the Commissioner to be granted the Retention license. The license, which carries a maximum

of two years, is issued out if one has identified a significant mineral deposit that cannot be developed immediately possibly as a result of tough economic situation beyond his or her control.

However, the BLRC recommends that Uganda's Mining Regulations of 2004 be amended to "stipulate the same license application procedure as in the case of an application for a Prospecting License and provide for a lighter application process for this application in view of the fact that the applicant is a known entity to the licensing authority."

The retention licence is renewable once for two years. The preparation fees for this license are Shs400,000 registration of the instrument of grant is Shs50,000 and mineral rent is Shs10,000 per km2 per annum.

Recommendations to revise the country's mining laws are seen as a strategic move to lure investors. Uganda is blessed with a rich mineral potential, with valuable minerals such as gold, marble, limestone, REEs, etc., among others, ready to be explored. But the sector has not received much government support, according to some players in the industry, and the discovery of oil appears to have attracted much of everyone's attention.

To tweak its mining laws, Uganda is looking to revive its industry to match its peers like Tanzania, where the gold reserves have contributed significantly to that country's economic growth, or the Democratic Republic of Congo that has a hyper mining industry.

The BLRC also wants the Mining Regulations of 2004 to be amended to make it easier for investors to acquire the Location License, which usually targets small scale mining. A Location License, under Ugandan laws, is a licence for prospecting and mining operations by methods which do not involve substantial expenditure and the use of specialized technology.

Individuals who apply for this licence have a working capital of less than Shs10 million. This licence is only issued to a Ugandan national or to a company where Ugandans enjoy majority shareholding. Every investor is required by law to hold this or a Mining licence before embarking on any mining work.

However, the BLRC feels strongly that "the Location License should be streamlined by amending the Mining Regulations 2004 to stipulate the same license application procedure as in the case of an application for a Prospecting License."

An interested investor applies to the Commissioner for a Prospecting License, with a fee as may be set by authorities. Also, a holder of a Prospecting License shall notify the Chief Administration Officer of the district in which he or she intends to operate.

This is a stark difference, and an easier way, compared to how one applies for the Location Licence. According to the Mining Regulations of 2004, before acquiring a location licence, one is required to lodge five copies with the Chief Administration Officer of the district concerned within thirty days of the erection of a location beacon for forwarding to the Commissioner. Then again, "the application shall be accompanied by a map on scale 1: 50,000 (in five copies) signed by the applicant from available Government map showing the position of the location licence area in such a manner as will enable it to be identified by the Commissioner, and a sketch map (in five copies), giving the dimensions of the area." This process is seen as tedious to the investor.

As regards the Goldsmith licence – the licence that allows one to manufacture a product from a precious mineral – the BLRC wants government "to make the regulatory considerations of this License more apparent. Otherwise this license stands the risk of being eliminated for serving no regulatory purpose."

There are also other provisions of the Mining Act that have been rendered practically redundant by the advent of new technology devices like high resolution GPSs, globally accepted and applied coordinate systems, GISs and an abundance of commercially available raw and processed remote sensing data; that do not need someone, for example, to carry out actual prospecting on the ground before deciding on the area of choice to base one's exploration efforts in. Given the frequency of land disputes in the country today, locating beacons before submitting an application for an Exploration License can easily be mistaken for land grabbing and lead to serious security risks for the personnel concerned; yet GPS coordinates within a given coordinate system are really good enough for the purpose. Though there are over 500 mining licenses, only a handful are fully operational currently.

Government spends about Shs3.3bn in terms of the administrative burden of the mining sector, which is one of its lowest budgets.

SPEDAG INTERFREIGHT merger delivers the answers

Dilip Bhandari

In East Africa there are only a handful of logistics providers with their own infrastructure who are able to cover the entire region.

Until recently, the two companies Interfreight East Africa and Spedag East Africa belonged to this group. As both companies naturally knew each other, and out of respect for their mutual expertise, a friendship gradually developed between their respective managing directors. What began as an exchange of views between friends turned into long discussions – sounding out possibilities, designing and discarding scenarios. In the spring of 2011, the decision was made: we are joining forces! A new company was formed: Spedag Interfreight.

The new company is not simply a merger of two companies with similar interests, the two companies complement each other perfectly: the company formerly Interfreight can take advantage of its own terminals in the two ports of Mombasa and Dear es Salaam, as well as its extensive expertise in exports, soft commodities, communication and oil and gas. Spedag on the other hand, brings its strength in the project field into the new company – above all in the field of roads, large-scale projects in the energy sector and in the distribution of relief goods.

With Uganda's oil and gas industry moving fast from exploration to development and production phase after confirmation of profitable amounts of oil and gas deposits in Lake Albert basin, and Kenya's Oil discovery in the Turkana region, Spedag Interfreight looks to strengthen its position as it seeks to become a one-stop shop for Freight Forwarding, Customs Clearance, Airfreight, Warehousing, Supply Chain Management in the East African Region.

By Dilip Bhandari, Regional Manager, Oil & Gas, Spedag Interfreight Uganda Ltd

LIBERTY OIL CITY

Liberty Oil City is located adjacent the Kampala Industrial Business Park (KIBP) opposite to Coca Cola factory along Jinja Road and only 8km from Kampala City Centre. (www.ugandainvest.go.ug/kibp)

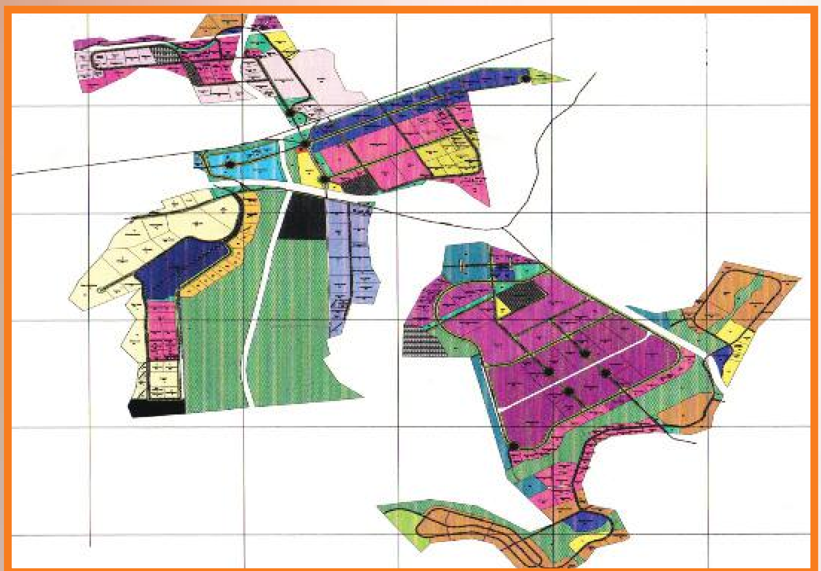
Become a part of Liberty Oil City for a comprehensive, fully integrated facility to meet all your needs in ONE CENTRALIZED LOCATION, for cost-effective, good time management, efficiency and profitable returns. Facilities also designed to your specifications for Rent / Lease. Be part of this long term development which will specialize in servicing the needs of companies in the Petroleum, Gas and Mineral Industries.

This business park (KIBP) is the largest in Sub Saharan Africa. Liberty Oil City also has a similar location an integrated development outside Hoima town (where the oil is discovered) which will be connected to the one in Kampala.

We therefore welcome investors to become part of this Long Term Development Liberty Oil City as it will be very cost effective, centralized and service oriented.

it will have the following facilities on 400 acres of development.

1. the largest icd to clear all your imports and re-exports
2. railway siding 1.1 km.
3. warehousing facilities
4. Offices to meet your standards
5. banking centre's
6. it centre's
7. Helicopter Pad to facility business activities
8. air strip for small aircraft
9. large space for parking trucks
10. fuel storage facility
11. fire station
12. fuel stations
13. very close to the northern bypass for easy access
14. shopping centre
15. Hotel
16. conference facilities
17. accommodation both in apartment and cottages in a forest
18. restaurants
19. Markets for fruits and vegetables
20. golf course (9 hole)
21. Health centre
22. spectacular views
23. forests and green space



for more info contact:
libertyoilcity@gmail.com or remaxenergy8@gmail.com

Oil drilling, wildlife show signs of harmony

There are few signs that ongoing drilling of oil wells in the Murchison Falls National Park has disrupted the wildlife there. Giraffes, elephants, waterbucks, and many other animals, continue to roam around oil wells – in some instances getting as close as the fence – at this time when Uganda is witnessing its highest drilling activities since oil was discovered six years ago.

Laurence McCollum, Tullow Oil's drilling supervisor, says that many animals are seen around even while drilling is on-going. "We see some of them coming to the fence," said McCollum while supervising drilling at the Ngege 7 appraisal well recently. "Animals do come around. After about a week, they get used, and they don't seem afraid," he added.

At Total's Jobi 3, giraffes were seen at a distance of about 200 – 400 metres, even as drilling was ongoing. At Jobi-1, where the well-head remains covered as the site awaits further development, it is almost difficult for one to tell whether the area was once a cordoned-off well site. The Jobi-1 was the first discovery made inside the Murchison Falls national park, and it is a giant well, which means it holds at least 500 million barrels of oil.

The Murchison Falls National Park is Uganda's biggest national park. It has lions, elephants, leopards, buffalos, among others. The discovery of oil in the park has placed tourist and environmental activities on high alert.

The companies – especially Total and Tullow, which operate in Block 1 and 2 respectively – have committed themselves to have as less impact on the environment as possible.

One of the crucial elements is how the oil companies will manage the waste. At the moment, the National Environment Management Authority (NEMA) has licensed two companies that will bid for jobs to manage waste. "This is not enough. We need over 10 companies to apply for licenses," said Dozith Abeinomugisha, a senior geologist at the Petroleum Exploration and Production Department.
Government has declared that an independent company manages the waste.

A lot of time – and money (in recoverable costs) – is being lost as the oil companies manage the waste on their own waste.

Total which is using Tangi in Nwoya and Bugungu as its temporary waste management sites is confident that its experience working in wildlife sensitive areas like Gabon will be important as it seeks to effectively operate in Uganda's equally ecologically delicate region.

One of Tullow's waste dumping area is found in Ngara – an area, the company says, was chosen because of its hidden location. "This place is hidden from the public's view," said Dan Mainza, the environment advisor at Tullow, "This means the visual impact [of waste management activities] is

minimized."

Besides, Mainza adds, Ngara, is located in the middle of a number of the company's oil wells. Waste from more than 15 wells belonging to Tullow is temporarily stored at the Ngara disposal area. The area is cordoned off, to lock out any animals that might want to break in "for a drink" seeing that the waste disposal areas tend to look like water wells.

The waste pits at Ngara have a plastic bag placed underneath the concrete to trap any waste seepage. Iron sheets are laid on top to avoid any overflow in case it rained heavily. There are about 470 cubic metres of waste temporarily stored at Ngara at the moment.

Usually containing toxic metals, extra care is taken in the transportation of the oil waste to prevent any spillage. Some wells are located more than 50 kilometres away from the disposal area. Mainza says that the transportation trucks are well-covered to contain any waste spillage with the drivers not allowed to drive beyond 40km per hour.

For now, monitoring teams from UWA and NEMA continue to do the rounds around the ecological areas to see that there is as less damage as possible to the wildlife. The visits are usually abrupt spot checks, and happen on a weekly basis. During these spot checks, the monitors are given full access to any areas they might want to visit.

Two officials are permanently based in areas where oil spills could heavily impact on the environment, says Naome Karekaho, NEMA's spokesperson.

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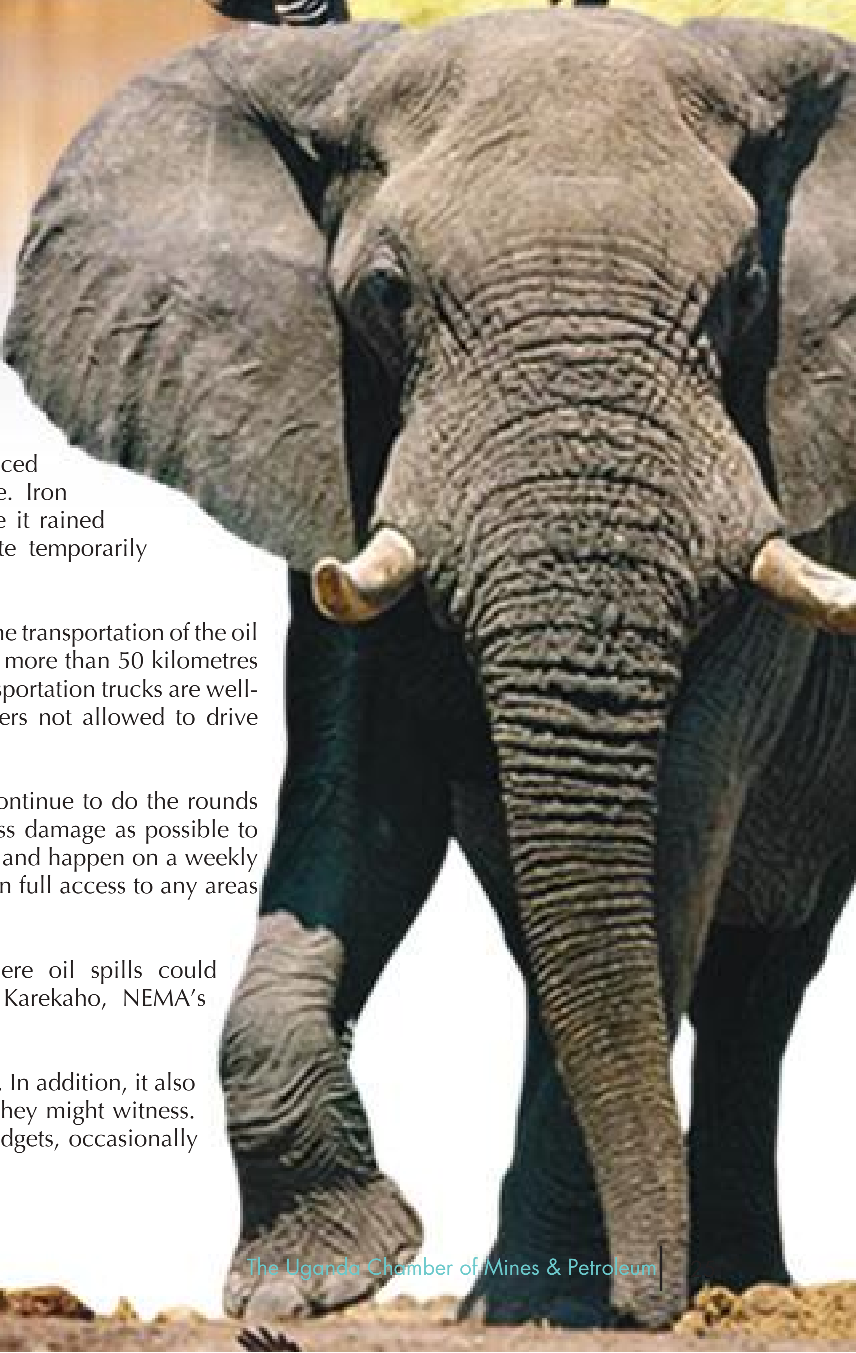
UWA has more staff, and more sources of information. In addition, it also has rangers on standby to report any disruption that they might witness. Tourists too, with cameras and other sophisticated gadgets, occasionally sound alarms if they notice anything suspicious.



WOMEN MINERS PLAY A BIG ROLE TOO – SABINE

Sabine Anderson is joined by Sam Nujoma, the President of Namibia at the time during the opening of the Tantalite Valley mine in 2001. The mine is not currently operating

South African national Sabine Anderson is one tough lady; after all its not every day that you find a woman dedicating her career to mining. But Anderson has not only done this, but also taken on the powerful South African mining industry to force it to change some policies to ease the ground for the fairer sex to join in. And all this is amidst the other not-too-small-task of keeping a motherly eye on her two young children. "Juggling family and work life is always a challenge, just as I think it is for most families. Fortunately, I have an understanding husband, which makes all the difference," says Anderson. She shares her story with the Chamber magazine:

What influenced you to become a miner seeing that society regards the sector as a male domain; especially with a lot of rigorous physical work involved therein?

I decided to study mining at the age of 16. At school, it is a mixed environment, and as a teenage with thick skin, I probably wasn't very worried about mining being a male dominated area.

My parents ran a private mining company, so my first underground visits started when I was still at school.

With respect to the physical aspect, clearly I would never make a good drill operator, however there are many suitable positions for women, especially as mining has become more mechanised, notably with larger operations. I don't think that the physical aspect should deter any woman from wanting to get into mining. There are areas of work where women have strengths. A good example is women truck drivers increasing productivity rates in this area of work.

Sure, I love a challenge. It makes life far more interesting and enables change where change is needed.

Briefly, how has your mining experience been so far?

My first experience that "there was no place for a woman in mining" was when applying for a bursary with the big South African mining houses. Some companies politely turned me away; some weren't quite as polite. I managed to get on a leaner official scheme with Rand Mines (now Randgold). I spent a few months on platinum and gold mines and went on to Wits University. I spent all my holidays on the mines. It was a challenge to get the law amended to make it legal for me to work underground. A milestone for me was getting a blasting certificate; this felt like a type of acceptance by my peers. I transferred to the Royal School of Mines in London and graduated with a MEng in Mining. I have since worked for BHP Coal, worked on the sale on numerous mineral assets, started up a small scale tantalite project, and worked with SRK Consulting (a renowned mining consulting firm). I set up Severin Mining, interested in focusing on East Africa, as a still under-explored part of the world.

How have you effected policy formation in South Africa – especially towards helping women miners and what lessons herein can you share with Uganda?

When I started off in the industry in 1990, it was illegal for women and children to work underground, following the British law passed to protect women and children. My mother being a prominent figure in the mining industry in 1990 was well placed to help me change the law. This took perhaps a year or two, and finally the law was amended, still with restrictions, which were later lifted. I was in a lucky situation, coming from a mining family, and made the most of this. I then left South Africa due to the high levels of crime. Today, I understand that there are more young women than men on the mining course at Wits. I don't think that I had much of a role in this; however I hope that it has helped to have precedents.

Change requires patience and perseverance. I have not researched the Ugandan laws and hence am not aware that women are prevented from working underground. Nor am I aware of any current underground operations – I am still have a lot to learn about Uganda as you can see.

How can Ugandan female miners especially those starting out gain respect in this male-dominated field?

I think that in any situation in life, one has strengths and weaknesses. Mostly we can be in charge of these. Important to decide is what you can do, what you want to do and then persevere till you get to where you are going.

The resistance or reserve that a woman faces when first working in a male environment will more often than not diminish, if not disappear, when peers get to know you and you just become just another person. This has been my experience. I think much has to do with the attitude of the women. Think of yourself as an equal and you stand a very good chance of being treated like one.

How can more women be attracted to the lucrative mining profession?

Statistics show that over the last decade, progress has been made, slowly, and the road ahead is still long. With respect to Uganda, I think that a number of changes need to take place. Firstly greater awareness to women in general of the opportunities that exist for them in the sector; normalising the fact that women have a place in the sector; showing what strengths women can bring; having role models, mentors, a support structure are a few main points.

The Ugandan mining industry in general is small in terms of number and size of mining operations. Mineral exploration is on the increase, so we are likely to see a growth in the industry. I think that women should also hence focus on careers in geology.

What are your impressions of the sector in Uganda for instance? How can the mining sector (which is rich in minerals but low on funding) be improved to reach the levels of South Africa for one?

Aspects that we consider as a company when looking to invest in a new country are stable politics, steady strengthening of national policies, low level of corruption, the country's interest in steady and healthy growth in the sector, an understanding of the international standards expected of exploration companies, and reasonable expectations of exploration companies.

The mining code is important. There are many balls for us to juggle. We are wary of laws that change or new laws that come into force with little warning. We need to keep abreast of ever changing environments. We also look at for example royalty levels, taxes and government free carry. Cumulatively these can be crippling to mining projects as international mining costs increase and grades are seen decreasing in many cases. We are keen to partner with Ugandans, and at the same time need to ensure that the projects we pursue retain a healthy economic outlook. We respect that mineral resources belong to a country and its people, and that exploitation of mineral wealth must enrich local and national communities, whilst minimising the environmental impact.

We are still in the early stages of work in Uganda. So far our experiences have been mostly and on the whole positive. We very much hope that this continues.

You mention that Uganda is rich in minerals. Our company, Severin Mining, certainly believes that there is potential for this, however extensive exploration work and technical studies are still required to demonstrate project feasibility and economic viability of identified mineral occurrences. We need to distinguish between mineral occurrences and potential mines. There is a large gap between the two. This means that Uganda has a long way to go in developing its mining industry. South Africa, in contrast, has one of the largest and well established mining sectors in the world.

For countries like Uganda, how can a balance be struck in promoting both equally lucrative sectors of mining and petroleum without ignoring another? Is it possible to strike this balance anyway?

I must stress that my knowledge of the oil and gas sector is limited. However, I believe that if handled sensibly, there should be no reason why both sectors cannot co-exist. I think that this comes down to an understanding of both sectors at high levels in government; and the sectors being managed independently, as they differ greatly. I do hear much negative talk about the oil affairs of Uganda and I think that this is a great shame, as this is a resource that could positively change the country more than any other sector.

But I hope that we can grow the mining and exploration sector so that we have an independent Chamber of Mines again because if you keep focusing on Petroleum, the smaller but encouraging mining sector could be harmed and forgotten. There are a good number of exploration companies in Uganda and I think it would be nice for them to meet a bit more and share more information; not only technical information but also legal and social. Because it's a young country in terms of mining, all sorts of issues are going to crop up so the mining sector needs to have a voice – the Chamber of Mines needs to be their voice. But it should be taken one step at a time.

Agility Pushes Forward in Difficult African Trade Environment Identified in WEF Trade Report

Baseball equipment Agility moved on behalf of the Kuwait Little League to their counterparts in Uganda.

agility established its office in Uganda a little over two years ago. as the only top 10 logistics provider with roots in an emerging market, agility brings a longstanding history of enterprise, flexibility and personal service to the delivery of logistics solutions for their customers in africa.

despite the difficult african trade environment identified in the global enabling trade report 2012 (www.weforum.org/getr) published May 23, 2012, by the world economic forum (wef), agility is pushing forward in proactively growing its operations in east africa.

“sub-saharan african countries enable trade to different degrees, and the trade liberalization effects of recent decades have not been sufficient to significantly improve the trade performance of the region as a whole,” the report says.

“Many african countries have liberalized trade and now enjoy important preferences in target markets, but major improvements in trade facilitation have not yet been achieved. as a result, it is still considerably more expensive to trade with africa than with other regions, and, in many cases, the cost of trading is a more important obstacle to trade development than trade policies.”

“agility sees opportunity in building its business in east africa and has long been a successful logistics operator in africa through both our own offices and our network of agents,” says deanne de vries, agility’s vice President, africa. “we have more than 35 offices in 12 african countries and a strong policy of local capacity building. we have 1,100 employees in africa and more than 95% are african nationals.

“we recognize the significant challenges faced by the region, but agility remains committed to doing business here,” added de vries. “africa’s large supply of natural resources continues to benefit the region, with strong demand from asia and the Middle east. it’s clear that the asia-africa trade lane has enormous potential in the coming years.”

agility is operating in some of the most difficult countries as identified by the report – in particular Kenya (ranked 103 from 132), Uganda (98) and tanzania (94) – boosting the company’s growth profile through this african focus. they believe that their mission to “facilitate trade through innovative supply chain solutions” helps countries grow their economies and reduce risk by facilitating trade.

the wef report also highlights that by boosting trade in emerging markets, economies are being helped to grow and therefore playing a part in driving down poverty levels. you can read the global enabling trade report 2012 at www.weforum.org/getr.

Agility transported a 50 MT transformer from Mumbai, India via Mombasa, Kenya to Kampala, Uganda.

One of the 8 power transformers Agility moved to Kenya.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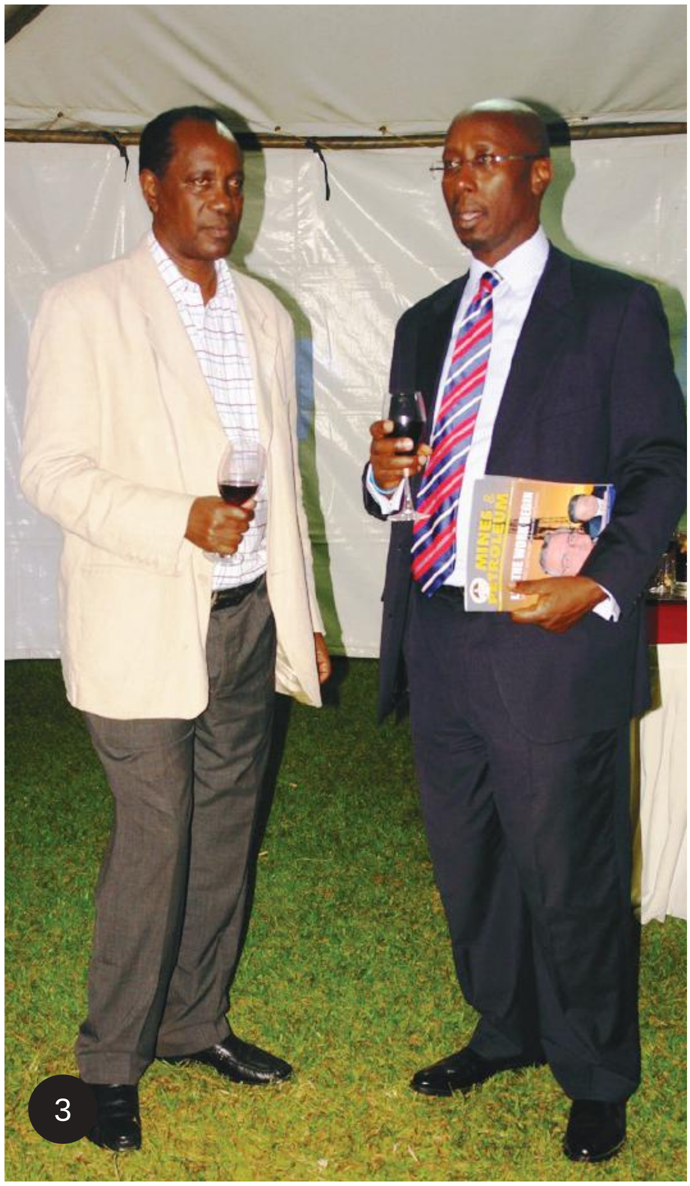
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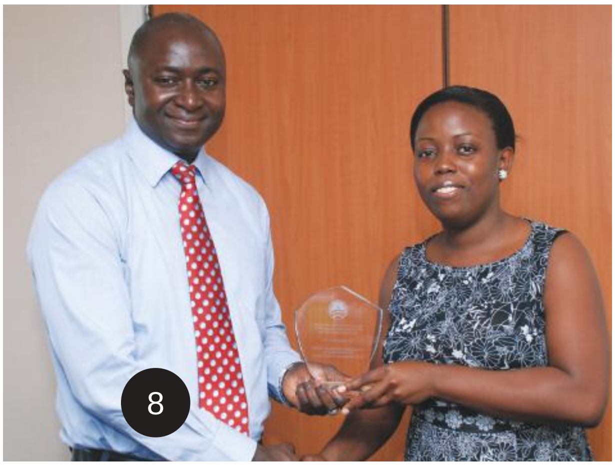
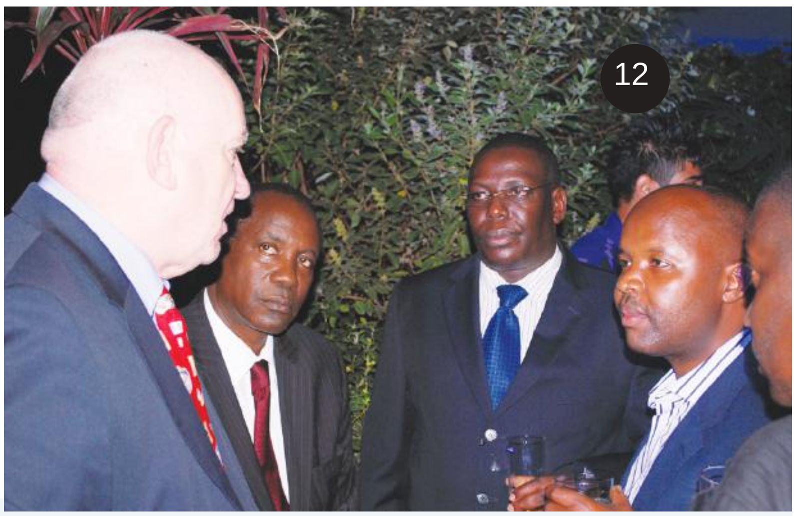




1. dfcu's wilbrod owor chats with Pwc's francis Kamulegeya
2. Pensive: Karuhanga, Heavey and eoin Mekie
3. stanbic Md, Philip odera chats with Karuhanga
4. High Commissioner of the Republic of Trinidad and Tobago in Uganda H.E Patrick Edwards follows proceedings
5. Harriet Kiwanuka, dfcu (r) chats with Kevin Hughes, Md Petroleum skills Uganda
6. Stanbic spokesperson Daniel Nsibambi (3 R) and other officials chat with a DGSM executive
7. dfcu's Peter Madeley (r) chats with guests at the bank's cocktail
8. UcMP ceo irene nakalyango hands over an appreciation plaque to former standard chartered bank Md, lamin Manjang in recognition of his support towards the chamber
9. ben Mugasha and Jeff baitwa engage t ullow oil ceo aidan Heavey
10. Heavey poses with guests after making his first appearance at a Kampala cocktail
11. edward Kato (2nd l) engages chamber members
12. chamber members chat with representatives from PePd

Mining seeks to reinvent self

The minerals outside oil barely make headlines in Uganda. To have metals such as tantalite share some prime space within different media, government is to embark on an aggressive strategy on establishing information systems to track mineral developments in order to attract investors.

The Ministry of Energy notes that it has airborne geophysical survey data acquired through a recent nearly-countrywide aerial survey. "These are available to exploration companies. This is in addition to available reading materials packaged and exhibited as promotional brochures / flyers," the 2012/2013 National Budget Framework Paper (NBFP) states.

Geological mapping and mineral assessment in Southern Uganda has been completed, it adds. The report lists Kafunzo as an area that could have Nickel-Copper-Cobalt in Ntungamo, while iron ores are being tested in Mayuge. There are signs that there could be nickel-copper-platinum-chromium and REEs in Iganga-Bugiri and gold and base metals in the Kamwenge area. The report further notes that the well-known Nyanzian Archaean greenstone belt extends into Uganda beyond Busia and Bugiri into Kaliro-Kamuli. The Nyanzian greenstone belt hosts many world-class gold mines in Tanzania and Kenya.

An almost similar survey for the northern region is near completion. A few of the results are that there are signs of gold in the West Nile area of Zombo District, diatomite in Pakwach, potential for gold in Aloi-Aboke, marble and gold in Moroto-Karamoja, limestone in Kitgum and graphite in Nebbi.

"Mineral potential is not yet touched. There is a need to explore the country if we are to benefit from any minerals that might be out there," says Joshua Tuhumwire, the Chief Executive Officer, at Gondwana Geoscience Consulting Ltd.

Tuhumwire, a former Commissioner of the Department of Geological Survey and Mines, says that the reason why mining activity in neighbouring DR Congo has been hyper is partly due to the extensive mining Belgium, the former colonialist, carried out there.

A January 2012 mining report by GTK Consortium cites the huge gold potential in neighbouring DR Congo as a feature that Uganda probably shares. "It has been postulated that the Kilo-Moto gold fields in the DRC could extend to Uganda, since similar Archaean greenstone formations have been observed in the Arua area," notes the report.

It has become important for government to generate as much revenue as possible to meet the growing economic needs, such as better infrastructure. Mining offers a good avenue to bolster the Government's revenue base.

The government earned Shs3.6bn in non-tax revenue from mining in 2010, according to the latest figures available. Royalties contributed more than half to this amount, bringing in Shs2.7bn. The rest of the money came from the sale of mineral licenses, publications and geophysical data.

Much of this money was realized from just three companies: Tororo Cement Ltd, Hima Cement Ltd – the two large firms mining limestone - and Kasese Cobalt Company Ltd. However, low international cobalt prices continue to hurt Kasese Cobalt Company Limited.

To widen the scope beyond these three players, government listed key plans in its National Development Plan, to attract more players in the mining sector.

The NDP – a blueprint that seeks to guide the country to achieving middle income status in just under two decades – wants to widen the mining sector's contribution to the Gross Domestic Product from 0.3% as at 2008 to at least 5%. The same report expects the mining sector to grow by 9% in 2012/2013 before slowing down to 8.1 in 2013/2014.

At the Uganda Chamber of Mines and Petroleum annual general meeting recently, the Chairman, Elly Karuhanga, the stated that plans were underway to hold a mineral wealth conference in the first week of October. The conference will bring mining players from far and wide to drum up interest in the mining industry.

The aforementioned report by GTK Consortium lays out key recommendations on what government needs to look at to improve the numbers in the mining industry.

The report calls for the need for capacity building of human resources to handle geoscientific data, a good regulatory framework, and more geoscientific data acquisition of geology, geochemistry and geophysics.

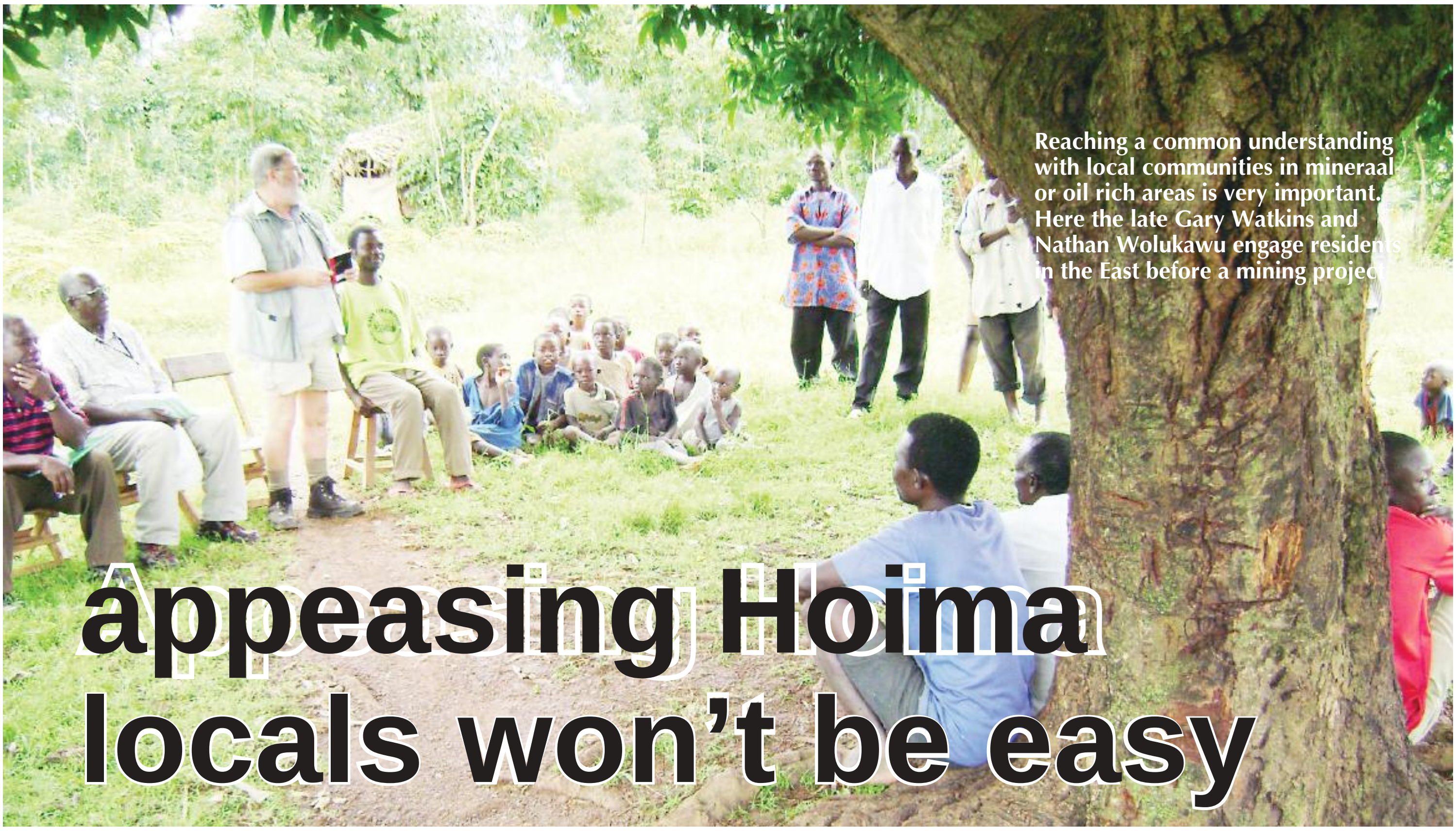
Some of the recommendations from the GTK report are similar to those in the NDP. For example, both reports are keen on better environment management in regards to mining. As a measure to protect the environment, government will strengthen the way it supervises companies in this regard. Government wants companies to take up corporate social responsibility activities in their investment plans, part of which should target the sustainable environment.

Government also plans to further empower artisanal miners through trainings so that they can add more value to the minerals industry. Artisanal miners are the small scale miners that carry out mining activities mainly to meet their home consumption needs i.e. subsistence miners, as Jennifer Hinton, a global expert on artisanal mining, calls them.

According to government's new plans, laws are to be formulated to protect artisanal miners. This will be partly executed by instituting "an effective border system to prevent illegal cross border trade in minerals." This training is expected to lure more artisanal miners towards formal trade, with many of them being registered.

An audit of World Bank funded projects in Uganda shows that energy and mining take the largest share, reinforcing the importance the donors attach to these sectors.

According to a summary of a financial report of the year ending June 2010, the energy and mining sector accounted for 27% of the World Bank funds. The closest is transport at 19%. Investment into Energy and Mining has the capacity to make great revenue returns that to contribute greatly to Uganda's GDP.



Reaching a common understanding with local communities in mineraal or oil rich areas is very important. Here the late Gary Watkins and Nathan Wolukawu engage residents in the East before a mining project

appeasing Hoima locals won't be easy

While some of the people prefer resettlement, others want money to buy land in areas of their choice

Resting under a jackfruit tree shade in his compound, Musa Odur, cuts a figure of a worried man. Odur, a resident of Kyapaloni, Kabaale parish, in Hoima district, stares at an uncertain future. "If not Kyapaloni, where next?" the father of five asks apprehensively.

As a substance farmer, Odur has been tilling land to eke a living. He grows mainly food crops and rears local chicken and some few goats. "You see, my entire life depends on this land," he explains, pointing to his cassava garden nearby.

However, Odur explains that he has since lost all hope in working on the land once he learnt that the Kabaale residents were likely to be evicted to pave way for an oil refinery.

Odur's land in Kyapaloni falls within the area that has been designated by government for the construction of an oil refinery and its attendant infrastructure — an airport, petrochemical industries and waste management facilities among others. The land was chosen because of its fairly flat terrain and its close proximity to the oil wells.

The designated 29 square kilometer piece of land covering 14 villages is located in Kabaale parish, Buseruka sub county Hoima district. The affected villages include; Kabakete, Nyamasoga, Kitegwa, Kyapaloni, Nyahaira, Bukona A and B, Kigaaga B, Katooke, Kayera and Nyakasenene.

Kabaale was recommended to host the refinery following a feasibility study conducted in 2010 by Foster Wheeler, a UK engineering and construction firm. According to the study, the proposed refinery will produce petroleum products for the country and its neighbours.

Irene Batebe, petroleum officer in charge of refining at the Petroleum Exploration and Production Department (PEPD), says the Foster Wheeler study recommended a phased approach construction of the refinery with a small capacity one producing 20,000 barrels per day which would later be upgraded to 60,000 barrels per day.
The refinery to be constructed in the next three to five years will be built under a public private partnership (PPP). So far, 2.5 billion barrels oil reserves have been discovered in the Albertine Graben.

Just like Odur, an estimated 20,000-30,000 people are scheduled for eviction from their land to pave way for the refinery project. Though some people welcome the news of hosting a refinery – believing it will guarantee some sort of employment – the majority are worried of what the future holds for them after eviction.

"Where is government going to relocate us? Am I going to be given the same big and fertile land like this?" Odur wonders.

Simon Irumba, also a resident of Kyapaloni, says he is yet to be told how much he will be compensated. "With oil discoveries, the value of land here has shot up. Will government take into account this increased value of my land?" Irumba asks.

As they struggle to come to terms with the news of their pending eviction, majority think compensation rates might be meager hence making their eventual resettlement a challenge.

Their fears are further compounded by the already low compensation rates for people who lost their land to pave way for the construction of the 92km Hoima-Kaiso-Tonya road. The road is to be upgraded to bitumen leading to the refinery site.

"Government's compensation rates are too low," James Isingoma, the chairperson LC I Kabaale notes.

While meeting the people to be affected by the refinery project recently, the PS at the Energy Ministry, Fred Kabagambe

Kalisa, reiterated government's commitment to adequately compensate the displaced people.

This though will not be possible if government does not revisit the compensation scheme, which is determined by the chief government valuer, to match the current market value, argues George Bagonza, the Hoima district chairman. For Tophace Kaahwa Byagira, the Hoima district woman MP government should design a mechanism to ensure that the rights of women and children are not violated in the resettlement and compensation process.

Compensation aside, Odur is not convinced by government pledges to appropriately resettle the affected people. "Government should tell us exactly where it plans to resettle us," Odur says.

According to Irumba, if they are to be moved, they should be resettled in an area that is as fertile as that of Kabaale, and is suitable for human settlement with good schools, health centers, roads and other social amenities. Some people are asking that on top of compensation and resettlement packages, government needs to consider a special scholarship fund for the affected school going children.

Godfrey Manyireki, the chairperson LC I Bukona B, says if they are to be resettled, their place of resettlement should not be out of Hoima district as they also still need to reap from the oil industry and also more importantly retain their social and cultural identities.

Aware of the complexities involved, government in May this year, contracted Strategic Friends International (SFI), a Ugandan firm to conduct the Resettlement Action Plan (RAP) for the affected people.

According to the PEPD, "The Resettlement Action Plan is aimed at establishing ownership and entitlements for the people affected by this project, institutional frameworks, mechanisms for consultation and grievance resolution, time schedules and a budget together with proposing a monitoring and evaluation system."

PEPD notes that RAP is expected, among others, "to consult all stakeholders especially the affected people about their concerns on the proposed land acquisition, prepare a social impact analysis, raise awareness about the project and its consequences, and measure current property and socio-economic status of the Project affected persons."

The RAP report will provide a detailed valuation of all affected land, properties and livelihoods affected by the project, which will provide the basis for compensation and/or resettlement.

The Ministry through the Uganda Land Commission has been cleared by the Hoima District Land Board to survey the proposed land to determine the boundaries, according to PEPD. SFI is said to be in the final stages of completing the study.

Petrodollars

won't stop state borrowing

Government will continue to borrow money and widen the country's tax base to supplement the expected revenues from oil, according to the new Oil and Gas Revenue Management Policy. And when government borrows, it will not use the future revenues of oil as a form of security, the document notes.

"Government will continue to focus on improving the non oil tax revenue efforts given that oil is a finite resource and the revenues volatile," the policy points out. It adds: "…Government will continue to solicit for grants and to borrow in accordance with National Debt Strategy. No debt will be securitized on the basis of future oil and gas revenues."

The move to tap into other sources of money in the face of the expected influx of petrodollars is meant to curb public excitement and management expectations in the oil industry.

With 2.5 billion barrels of oil discovered so far, there is a widespread belief that oil revenues will shoulder the biggest burden of driving Uganda's economy to the much coveted middle income status. A recent report by Columbia University estimates Uganda to have about $75bn in assets in the form of oil – almost five times more than the current Gross Domestic Product.

The money from the oil industry will be generated through profit oil, signature bonuses, royalties, income tax, dividends, premiums, in kind revenues, excise duty, and VAT.

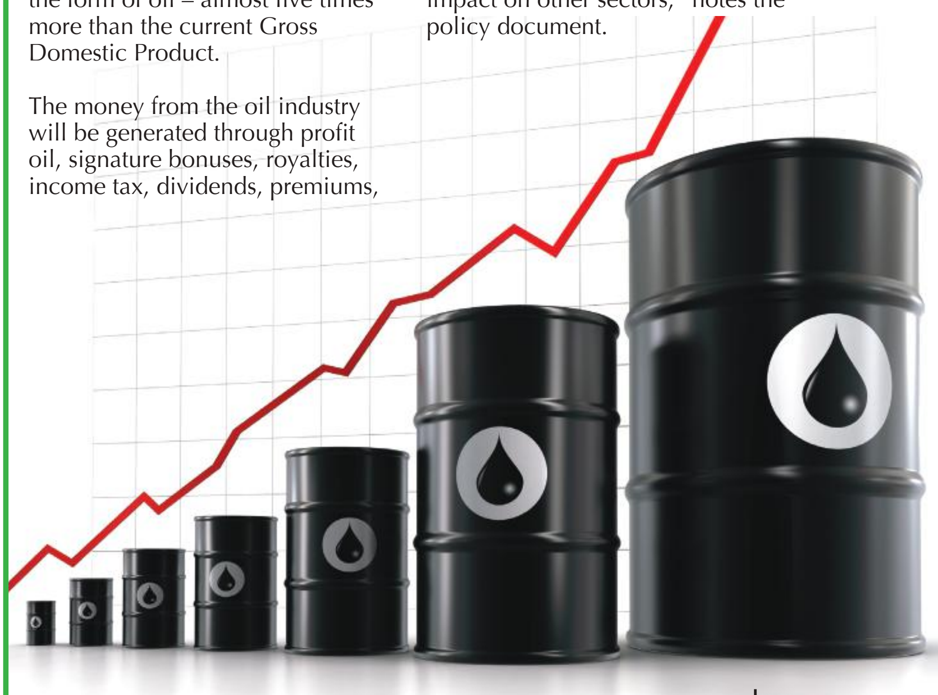
A substantial amount of this money will be kept in a Petroleum Fund at Bank of Uganda, while Uganda Revenue Authority will collect the taxes.

Government recognizes that "there are significant challenges associated with the management of substantial resource revenues. These challenges are mainly of a macroeconomic, budgetary and governance nature."

The ministry of finance has listed infrastructure investments such as transport, energy, ICT, as the key sectors that will benefit heavily from oil revenues. These sectors, it is believed, are key growth drivers.

However, government promises to safeguard against any disruptions that oil revenues could bring to the economy. Too much influx of dollars could strengthen the local currency, which hurts the country's other exports.

To shield the economy against such risks, government says that there will be a fiscal anchor to manage volatility in oil and gas revenues. "This fiscal anchor will be the non oil non grant budget deficit, consistent with the broader macroeconomic management objectives. The anchor sets out the level of oil and gas revenues to be integrated on annual basis within the overall fiscal framework in a manner that limits the impact on other sectors," notes the policy document.



Kilembe Mines Ltd collapsed a few years after it was nationalised under President Idd Amin Dada

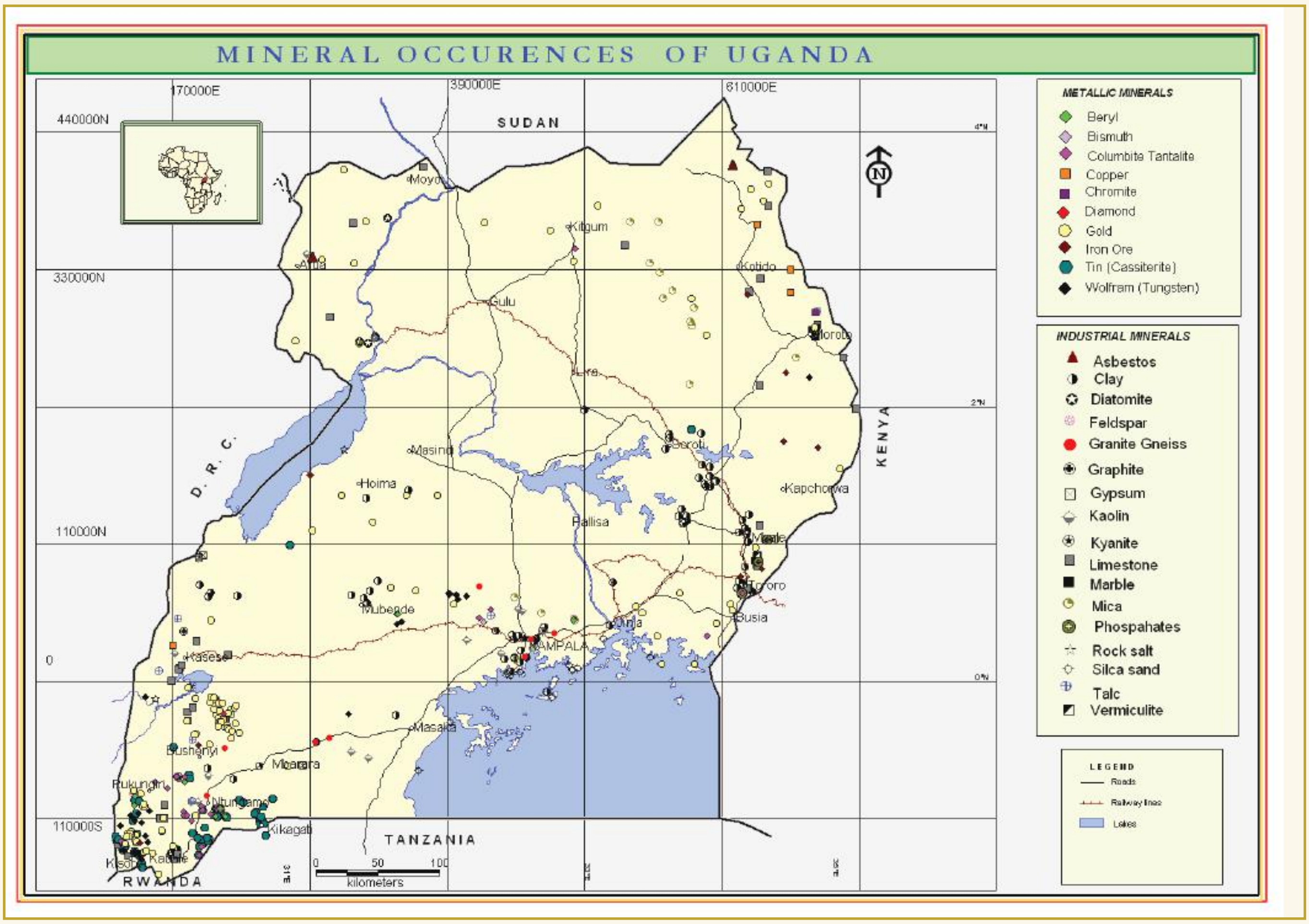
To nationalise or not to

Should Uganda copy other states that are seeking a higher share in mineral stakes?

Once perceived as maintaining a timid outlook towards foreign intervention on the continent, many African governments are now standing up to western multinational companies, raising their stakes in mining operations in a wave of resource nationalization. From South Africa to Zimbabwe right up to Ghana, governments are considering new measures to generate more revenue from their resource wealth, either through widening their stakes in operations manned by multinational firms or imposing new taxes and fees.

An article in ***The Economist*** notes that an independent panel of experts, set up by the ruling African National Congress (ANC) to study the possibility of greater state intervention in the mining sector proposes, among other recommendations, that South Africa, home to the greatest mineral wealth in the world, estimated to be worth $2.5 trillion, imposes a severe 50% windfall tax on mining "super profits" and a 50% capital-gains tax on the sale of prospecting rights.

A map showing mineral occurences in Uganda



Ghana, Africa's second-biggest gold producer, recently announced a review and possible renegotiation of all mining contracts to ensure that mining profits are "maximised…[for] the good of the country". It plans to raise taxes on mining companies, from 25% to 35%, and a windfall tax of 10% on "super profits" in addition to existing royalties on output of 5%. Zambia, which is Africa's biggest copper producer, recently doubled its royalties on the metal, to 6%. Guinea, home to the world's largest bauxite reserves as well as one of the world's biggest iron-ore deposits, is helping itself to a 15% stake in all mining projects and an option to buy a further 20%. Namibia has decided to transfer all new mining and exploration to a state-owned company.

Heavy taxing on windfall profits in the sector, is supported by ***Prof Joseph Stiglitz , a Nobel Laureate in Economics***, who notes that after all, this will not cause the minerals to disappear but will allow countries whose major source of revenue is natural resources to use them to finance education, healthcare, development and redistribution.

"Botswana's renegotiations of such contracts laid the foundations of its remarkable growth for the last four decades. Moreover, it is not only developing countries, such as Bolivia and Venezuela, that renegotiate; developed countries such as Israel and Australia have done so as well. Even the United States has imposed a windfall-profits tax," says Prof Stiglitz (***See Pg 50)***

But for Joshua Tuhumwire, the former Commissioner at the Department of Geological Survey and Mines (DGSM), Uganda is far from taking such a step, and if it were to come to that, nationalizing the mining industry would be the wrong option. "I think Uganda is away from nationalization. It has nothing to nationalize at present with the mining sector in the abyss," Tuhumwire, says.

Uganda's mining industry remains largely pristine. The glory days of copper mining at Kilembe – which defined the image of the country's mining industry – are long gone, having collapsed under the dictatorial and economic sabotage of the Idi Amin years of the late seventies.

However, recent studies show a huge mineral potential in Uganda, with occurrences of stones like nickel-copper-platinum-chromium, REEs, gold, diatomite, marble, gold, nickel, limestone and graphite appearing far and wide across the country.
The country is also looking at revising some mining licenses to attract more investors, while the Uganda Chamber of Mines and Petroleum is planning on holding a big mining conference in October to rival such bigger events like South Africa's Indaba.

For now though, nationalization must be forgotten, at least that's the message

from Tuhumwire, also the CEO at Gondwana Geoscience Consulting Ltd. "Only countries with buoyant mining have attempted and the experiments in Africa ended up in disaster," he says, adding, "To nationalize mines is just stupid and is more of a political move to reward patronage of regime hangers-on. At the end of the day, [it leads to] the collapse of state enterprises."

David Kyagulanyi, an independent mining and metals professional, is also against nationalization but believes the state has a role to play in the country's mining industry. "I would advocate not for nationalization but for the state to be a responsible co-investor and think and act like one. We all need each other: Ugandans and the investor who bring in much needed technical expertise," he advises. Adding: "No one is going to take us fishing. And waiting to tax the revenues on the fish produced by others is outdated. We must learn to fish and do this together with investors; share the ups and downs of the mining business together."

To clarify, Kyagulanyi points to Canada, where the region of Quebec has an investment arm called Investissement Québec which not only provides potential investors with advice on choosing a location but also offers financial solutions tailored to their needs. This investment arm is both a financial institution and an economic development agency. Quebec does this on behalf of Canadians, and is involved in mineral related investments.

Kyagulanyi's advice for some state involvement has been fronted in different forums. Some people argue that state involvement not only gives an investor the confidence to undertake huge projects worrying less of the political risks, the state also feels the pain in cases where it institutes policies that might be disadvantageous to the business community.

"In Uganda's case, we must sit down, think properly and see how we best can do this, in the current context of Uganda's state of development," Kyagulanyi says, "For the Ugandan mining sector to develop and for Ugandans to benefit as much as possible from its proceeds, the Government must be willing to support those who seek to genuinely promote investment into the sector and not stop at talking alone, but co-invest with them."

State intervention would open up Uganda's mining industry, Kyagulanyi says. "Government financial support or co-investment at the much cheaper stages of derisking a potentially significant mineral prospect would be one of the ways in which Government can cheaply and quickly put its foot in the door to the room of lucrative and very profitable mining businesses."
He says countries like Tanzania, Namibia, SA, Zambia have government corporations involved in the mining industries.
Imposing royalties has been the easier way for governments that do not want to nationalize but need to increase their revenues. Tuhumwire says government with such a mentality need to tread carefully.

"In most jurisdictions, mineral wealth is vested in the state and to demand for a higher share of the resource in form of royalty is good for the citizens, but there has to be a balance because royalty is a production cost. Whether the company makes a profit or loss, royalty has to be paid," he says.

Kyagulanyi agrees with Tuhumwire: "It is much easier for states to impose royalties on production volumes. These can be reaped whether or not the company is profitable. The art is in striking the right balance. African governments must not wring so much out of their resources today that the mining companies fail to invest for the future."

Dr. Tom Okurut, the Executive Director at the National Environment Management Authority (NEMA) is apprehensive. For he had thought that his application for at least Shs4bn, to build the environment regulator's capacity to handle the inevitable oil waste, would receive the financiers' blessings. As it turns out, Okurut was not successful as the recently read FY 2012/2013 National Budget has shown. Although Water and Environment received an extra Shs84bn to go to Shs355bn, Maria Kiwanuka, the Finance Minister emphasized that all the new money would go towards 'providing water for production' through gravity flow schemes and small piped water systems among others. None whatsoever was earmarked for NEMA's oil waste management scheme.

Funding shortage hits NEMA plans

Environmental body needs more support to manage oil wastes

"Dealing with oil waste became inevitable the day we decided to become a petroleum producing country. It's therefore very important that NEMA is prepared enough to deal with the often dangerous waste in real time," says Okurut; justifying his application for the aforementioned funds. But with Uganda tightening its spending habits following an economic slowdown over the past year or so, NEMA like many other government bodies have had their budgetary plans politely snubbed by the Finance Ministry. This though doesn't bode well for a country that is set to embark on full-scale oil production. Failure to address its oil waste management beforehand can prove very damaging as countries like Nigeria can testify.

No wonder the Nyapea community in Buliisa (in the oil rich Albertine Graben) are increasingly agitated about the proposal to dump waste – albeit temporarily – in their vicinity.

"The Nyapea residents are not convinced that their health and that of their livestock won't be endangered with oil waste up-close. We wrote to NEMA expressing our misgivings but we never heard from them yet. So far we haven't had any waste dumped here yet though we continue to see waste-laden vehicles passing by now and then. We don't know what's going on," the LC 1 Chairman, Julius Bamuturaki noted. His fear is heightened by the limited communication about the same from the authorities.

Though Dr. Okurut appreciates Bamuturaki's fears, he is also aware that without adequate funding, the Authority can only do so much. For instance, he notes, had the Shs4bn been approved, it would go a long way in bringing in key tools and more trained human resource to handle the huge task at hand. Part of the moneys would be put to sensitizing the public, especially local communities, about oil waste management among others. A base in the oil-rich area – probably in Hoima – where NEMA will constantly keep an eye on the oil companies' activities as it seeks to prevent any environmental calamity, also needs to be set up, Okurut adds.

"We have already completed the Environmental Monitoring Plan, which comprehensively details how the Albertine Graben appears before any oil production sets off. It's this paper that all the environmental organisations led by NEMA will constantly refer to as we monitor any changes in the area going forward once key oil operations start gathering pace. This way it's easier to suggest interventions to save the ecosystem if need be," noted Okurut.

But all this remains on hold without adequate cash injection.

According to global human-rights NGO, Amnesty International, the oil industry in the Niger Delta of Nigeria has brought impoverishment, conflict, human rights abuses and despair to the majority of the people in the oil-producing areas. Oil pollution kills fish, their food sources and fish larvae, and damages the ability of fish to reproduce, causing both immediate damage and long-term harm to fish stocks, according to a 2009 report. Long-term effects include damage to soil fertility and agricultural productivity, which in some cases can last for decades. In Alberta, Canada, for instance, 80% of seismic lines for oil sands have failed to regenerate. For Uganda, even more is at risk seeing that at least 70% of all the country's protected areas comprise the most promising prospects for oil and gas development.

"All the requirements for environmental management must be in place and properly understood before petroleum production starts. The Albertine Graben is a very sensitive biodiversity area and the shared waters of the Nile system makes the environmental protection requirements that much more stringent," reasons Reuben Kashambuzi, the ex-Commissioner of the Petroleum Exploration and Production Department.

The Graben is home to the likes of Queen Elizabeth, Murchison Falls and Semliki National Parks, the Lakes – Albert, George and Edward plus the Kabwoya, Bugungu and the Toro Semuliki Wildlife Reserves amongst others.
Environmental experts regard the Albertine Rift as one of the most important eco-regions in Africa based on the number of animal species and endemism (the plants or animals can only live in this location). It hosts 14% of all African reptiles (175 species), 19% of all African amphibians (119 species), 35% of African butterflies (1300 species), 52% of all African birds (1061species) and 39% of all African mammals (402 species of mammals) according to studies by Andrew J. Plumptre (et al), the Director of the Albertine Rift Program at the Wildlife Conservation Society. Already, over 30 oil wells have been drilled in these protected areas according to Dr. Andrew Sseguya, the Executive Director Uganda Wildlife Authority (UWA); and more are to be dug there.

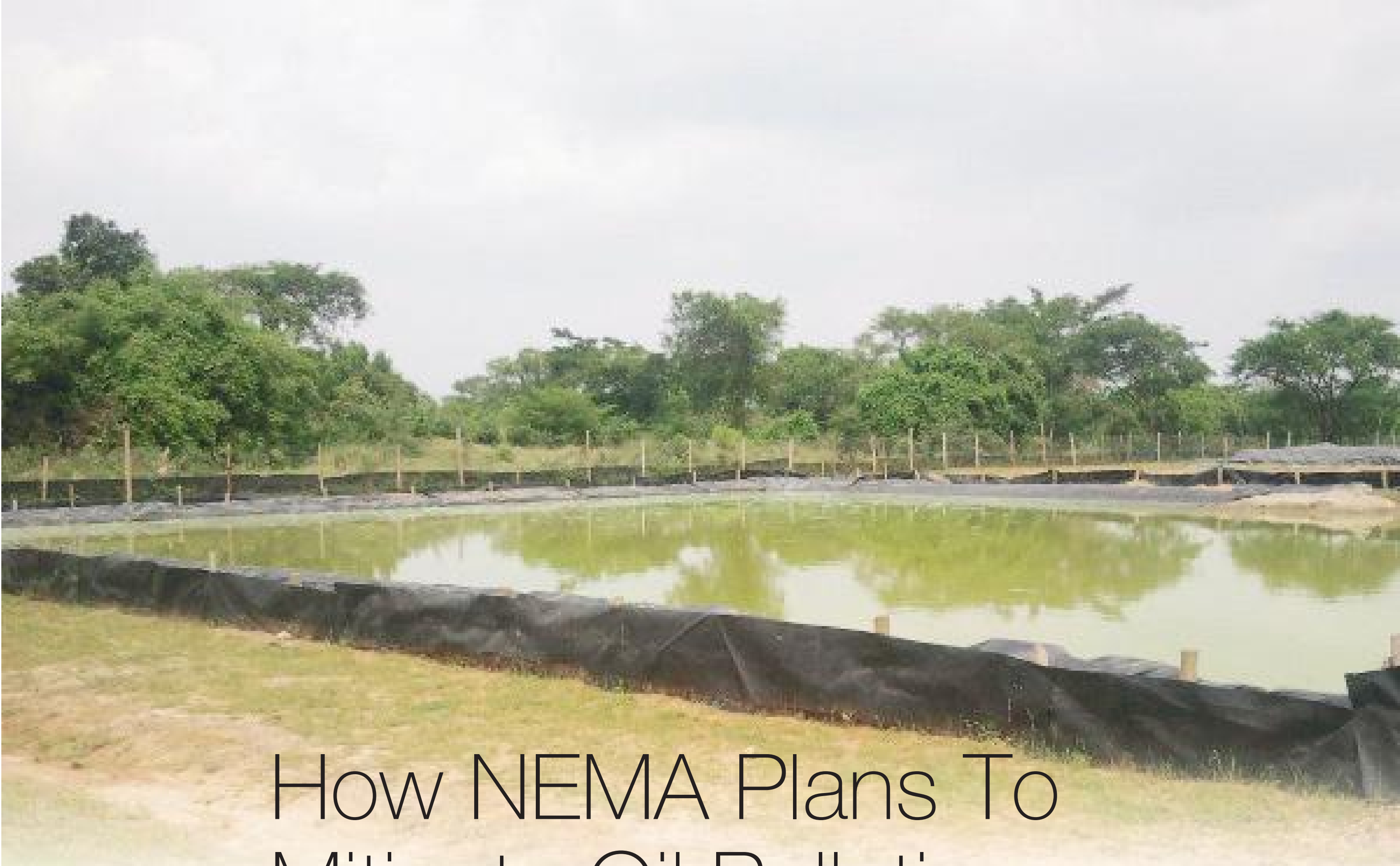
Scarce funds

Dr. Fred Muhumuza, the Finance Minister's resident economic advisor, says that though the ministry recognises the precariousness of the situation, the funding to address NEMA's needs is scarce.

"There is so much Uganda can do with its limited resources. The country's priorities are immense and oftentimes sacrifices have to be made here and there," he reasons.

But like environmentalists have argued, oil waste has been known to leave disastrous aftereffects on the environment wherever it has been inadequately handled; as such Uganda can ill afford to play the waiting game. So does a broke government, mean the situation is doomed? Not so, according to Dr. Muhumuza. For him, NEMA needs to be more creative and ensure that whatever it needs is attained using all possible means.

"For instance NEMA can petition Parliament – which is soon discussing the Petroleum Bills – to add clauses which call on say the oil companies to contribute funds to the oil waste management scheme. Because without a long term plan we will still have NEMA at our doorstep annually even if their current needs of Shs4bn were met," he says.



How NEMA Plans To Mitigate Oil Pollution

The discovery of commercially viable oil deposits in the Albertine graben presented the country with a new challenge — that of balancing oil exploration and development without destroying the fragile ecosystem especially in the region.

With its rich biodiversity, the 500km long and 45km wide graben is a key area for the tourism and wildlife industries hence the calls for its protection. While petroleum resources are finite, wildlife is renewable and if managed well can continue to support socio-economic development for a very long time.

As such the National Environment Management Authority (NEMA) together with other environmental bodies has put in place the comprehensive "Environmental Monitoring Plan for the Albertine Graben 2012-2017". Launched in May, 2012 the strategy is meant to regularly track, monitor and report the impacts of oil exploration and development in the region. It therefore expected to enable the regulators easily understand, predict, minimize, prevent and mitigate any negative impact on the ecosystem.

In 2010, government produced an environmental sensitivity atlas, which provides baseline information of the environmental situation in the Albertine Graben before the oil activities. The monitoring plan, has inbuilt parameters and indicators to be used in monitoring the activities of the oil mining companies for the enforcement of the agreed mitigation measures.

"An updated database on the performance of the environmental indicators will provide the first early warning signs and also a baseline for any remedial measures that may need to be undertaken," the scheme reads in part.
As such, it lists a number of environmental monitoring indicators that will be used to monitor a defined list of five major Valued Ecosystem Components, including: aquatic, terrestrial, physical, chemical and society.

Major potential drivers of change identified in the monitoring plan include noise and vibrations, waste disposal, seismic activities and an influx in traffic, people and subsequent urban expansions. The plan highlights possible effects of oil and gas activities on the ecosystem components such as fish, mammals, birds, reptiles, amphibians, wetlands, soil, water and plants.

The National Fisheries Resources Research Institute (NaFIRRI) and department of fisheries resources (DFR) will take the lead on the aquatic front assisted by the Directorate of Water Resources Management that will on a monthly basis be expected to ascertain water contamination if any.

To be effective, monitoring units are to be set up in the oil rich region. The Uganda Wildlife Authority alone needs more than Shs100 million ($40,000) to erect structures and train monitoring teams to oversee the three areas of Queen Elizabeth, Kabwoya, and Murchison Falls National Park according to Justine Namara, a top official at UWA.

Muloni in spotlight over Hima, Gold Sniffing case

Come August 20, 2012, stakeholders in the mining industry will most likely have their eyes and ears trained on the High Court as East Africa Gold Sniffing seeks to have court overturn Energy and Mineral Development Minister, Irene Muloni's decision to cancel its Exploration License No.0932 originally operated by Hima Cement. The ground-breaking case of David vs Goliath proportions is likely to leave a lasting mark on the mining industry. While the Lafarge owned Hima Cement contributes upwards of Shs45bn ($1m) in both not-tax and tax revenues besides bringing in about $80m in forex and spending another $1m on CSR projects annually, EA Gold Sniffing was incorporated in Uganda only in October, 2011 with a share capital of Shs10m ($4000).

Gold Sniffing was initially granted the exploration license in January this year following the lapse of Hima's 21 year mining lease. Not taking it laying down, Hima raised several issues that in its view showed that the Department of Geological Survey and Mines (DGSM) had granted the license to Gold Sniffing erroneously. Subsequently, following an administrative review applied for by Hima in April, the minister, though agreeing that indeed Hima had allowed its mining lease (SML 3480) to expire without reapplication, noted that Gold Sniffing's own exploration license was awarded in error.

The new firm that had signed a Letter of Intent with Canada listed Brandenburg Energy Corporation, an exploration company, dependant on delivering the contested license consequently sought judicial intervention to have the permit reverted. It maintains that the minister erred in withdrawing its "legally acquired' exploration license; which has since been granted to Hima according to a May 22, 2012 by DGSM Ag. Commissioner John Odida.

"EA Gold Sniffing applied for judicial review because it was aggrieved by the Minister's decision. The company was also aggrieved by the fact that after the grant was set aside, Hima Cement applied for an exploration license over this area before even the 45-day appeal period, following the Minister's decision, would elapse," notes the company's lawyer Denis Kusaasira of Kusasira and Co. Advocates.

But how did it all come to this? For Hima Cement, it was merely a case of mixed up dates; a situation it squarely blames on DGSM, the government body responsible for issuing mining licenses.

"Hima has a mining lease that clearly carries an expiry date of 31st December 2012... Hima Cement (1994) Ltd acquired the assets of the former Uganda Cement Industries around 1994 and as such could not have been privy to any other information suggesting

Gold Sniffing Lawyer:Denis Kusaasira

Energy Minister: Irene Muloni

Hima GM: David Njoroge

that the mining lease under contention could have had a shorter tenure than is stipulated in the SML itself," a statement from the company reads, adding, "In any case, Hima could never have doubted the representations of the government department reflected in the two documents above that their lease runs until the 31st December 2012. So it is not fair in the least for this confusion created by the DGSM to be visited on an innocent investor who received and relied on the same."

It is with this in mind that David Njoroge, Hima Cement's Country Manager, feels let down by DGSM.

"I sure do feel let down by DGSM. These are people that we work much more closely with than any other government department. We pay monthly royalties, and therefore if for some reason they had a licence that had a different expiry date from what we had, they should have checked with us first rather than rush to get somebody else in. That's just normal courtesy," he says.

As such, Njoroge adds, it would be prudent if DGSM put the interests of the country first while always watching on the lookout for "speculators" that are constantly lurking in the shadows waiting to pounce on any loopholes. In his view, Gold Sniffing is a mere speculator seeking to earn a profit through reselling licenses.

"People want to make a quick buck so it's important that DGSM always follows the law to the letter. For sure they know the type of investors that are making those applications. Hence they should have very good vetting procedures and thereafter issue licences only to investors that they are sure will make value of the licence. Speculators have to be treated as just that – mere speculators," he adds.

Kusaasira though vehemently dismisses this reference to Gold Sniffing as a speculator.

"It's not true that EA Gold Sniffing is a speculator. The company doesn't own any other licenses apart from the one that was withdrawn by the minister," says Kusasira.

His client was the sole applicant to the Commissioner DGSM, he adds, and the license was granted within the law as court will prove. Hima Cement he notes, for one reason or another, simply did not apply for renewal of its mining lease on time a view was shared by both the DGSM Commissioner and the Energy Minister. "The law under which the mining lease was granted states clearly that the period for which a mining lease will be granted shall not exceed 21 years. This particular one was granted on January 1, 1991 hence it was meant to expire on December 31, 2011. DGSM is under

The mutimillion dollar Hima plant that was only launched a couple of years ago

no obligation to remind a lease holder to renew. Just like any other licenses expire in this country, this one did," says Kusaasira adding that as a big investor, failing to renew its lease could insinuate that it had exhausted the limestone and hence wasn't interested in the area anymore.

And as for having no track record in mining or cement manufacturing, Kusaasira notes that all a mining company needs is to put together a team.

"A company can be registered today with two shareholders and tomorrow it has more than two. And before those have come in you cannot judge it. Remember even Rawal Group of Industries (the owners of Hima Cement (1994) Ltd) that later sold to Lafarge in 1999 had no track record when it bought out Uganda Cement Industries in 1994. But this didn't deter them from putting together a team," argues Kusaasira.

He also feels that the amount of share capital does not determine how much work a company can do as it can always capitalise through various ways after getting assets. Besides, he adds, the law does not prohibit a company from engaging in any business because the said company does not meet certain capital requirements, hence that argument against his client was baseless.

"Hima Cement (1994) Ltd's share capital itself was Shs1m when it was incorporated in 1994. Can we therefore say that it was wrong for government to deal with them on in a $20m transaction?"

And just like Hima Cement (1994) went ahead to sell out to Lafarge in 1994, Gold Sniffing intends to sell a significant number of its shares to Brandenburg Energy Corp. In the Letter of Intent signed in April Brandenburg stated its willingness to initially acquire 70% in EA Gold Sniffing through paying $3m to it and then investing $2m to explore for limestone. In addition, were Brandenburg to establish a minimum of 3 million tonnes of limestone reserves after its exploration works, it had the option of acquiring the remaining 30% shares from Gold Sniffing at a rate of $4 per tonnes of mineral resources established in accordance with international mineral estimation standards.

These plans though were put on hold once Muloni stepped in before a Definitive Agreement was signed. The Canadian firm though has not been deterred, asking Gold Sniffing to pursue the matter to the very end. Hence, Kusaasira says, the case will go as far as the Supreme Court in case the High Court ruling is not in favour of his client.

Whatever way it is decided though, it will go a long way in setting the pace for Uganda's undeveloped mining industry. For Kusaasira though, it's important that the country's mineral laws are not tampered with merely to protect a particular company as this would be detrimental in the long run.

orbitE signs moU with india's nalco

Sealed: Orbite and Nalco agreed a deal

Orbite Aluminae recently struck a tentative deal with India's Nalco that will see the gold and precious metals company test its technology on ore and red mud residue. Nalco, or National Aluminium Company Limited, was established in 1981 as a public sector enterprise of the government of India. It is Asia's largest integrated aluminium complex, encompassing bauxite mining, alumina refining as well as aluminium smelting, power generation and rail operations.

Montreal-based Orbite signed a memorandum of understanding to test its technology on Nalco's ores like: gibbsite, boehmite and also on Nalco's red mud residue left after refining bauxite to produce alumina.

Recent test results illustrated Orbite's process can isolate components found in red mud and remediate them as high-value commercial products like magnesium oxide, iron, Titanium and aluminum.

Orbite also said the deal may pave the way for Nalco to take part in its planned smelter grade alumina plant in Quebec and to a licensing opportunity to process Nalco's aluminous ores and red muds.

"This agreement is the first step in what we hope will be a mutually beneficial relationship between Orbite and Nalco," Orbite's chief executive Richard Boudreault said in a statement, "The potential synergies between the two companies are considerable."

Meanwhile, Orbite says it is the only company, to its knowledge, with an operational extraction technology for heavy rare earth oxides. An independent study by two European-based firms validated extraction rates for some rare earth and rare metal oxides at over 93 per cent.

Orbite's technology has excited the mining community worldwide, with Ugandan mining expert David Kyagulanyi hailing it as a landmark find that can boost the country's fortunes.

DGSM Burglary Case Puzzling

The Department of Geological Survey and Mines is reeling from a loss of documents and digital data lost in a robbery in July. Burglars are said to have broken into the minerals department office taking most of the computers with files where vital information on mining and minerals in Uganda was kept. The theft has left many questions unanswered, not least, who would benefit most from the act.

The department, an extension of the Ministry of Energy and Mineral Development has been in the spotlight of late with high profile cases involving Hima Cement (Dura and East Africa Gold Sniffing) keeping it in the news.

At one time, three officials in the department were suspended over accusations that they spearheaded the wrongful award of the contested licence to EA Gold Sniffing.
It remains to be seen what kind of state the theft will leave DGSM in. For now, police continues its investigations.

President Museveni meets oil companies over their operations in the Albertine Graben

Uganda's EITI wait continues...

As calls for openness in the extractives sectors intensify

Clare Short, Chairperson, EITI International Board

The reluctance by Uganda to sign on to the Extractive Industries Transparency Initiative (EITI) process, threatens to erode any possible gains from the lucrative oil sector, Clare Short, the standard's International Board chairperson, believes. Short who served as the UK Secretary of State for International Development between 1997 and 2003, was in Uganda in June, 2012 to among others ascertain the progress the country was making towards complying with EITI principles.

EITI is an independent, internationally-agreed upon, and voluntary standard that seeks to increase transparency in the oil, gas, and mining industries. Essentially, it encourages governments to publish information on the payments received from resource extraction companies as well as report the revenues collected from these companies to the public in an accessible and comprehensible manner. The EITI is implemented through a multi-stakeholder group, composed of government, extractive companies, and other civil society organisations. In Uganda, the Publish What You Pay-Uganda chapter (PWYP-U) has spearheaded the initiative to have EITI implemented in the country.

Following the discovery of commercial quantities of oil in the Albertine Graben in 2006, calls for Uganda to become part of the transparency seeking scheme have intensified despite EITI encompassing all extractives' activities like mining. Internationally, though oil grabs more headlines hence the augmented scrutiny of Uganda's transparency principles in recent times. Investments in Uganda's oil and gas sector is so far standing at over $1 billion and another $10bn-$14bn is set to be committed to the same cause as production of the 2.5 billion barrels sets off. In the 2008 Oil and Gas Policy, Uganda committed to implement the EITI but this has not come to pass.

"Uganda is committed to the EITI but there is a delay in implementing it; and that's a bit worrying. What does that say about the commitment to transparency? I wonder whether there is someone out there who doesn't want transparency," said Short, while highlighting how simple the whole joining process was.

Simple though is not how the Ministry of Energy spokesperson Yusuf Bukenya Matovu sees it. To him, there are several steps that have to be taken before actualising EITI in Uganda.

"Joining the EITI involves many things like Cabinet and Parliamentary reviews. These take time, but we will get there subsequently. Having said that, it's not mandatory to join especially seeing that our laws address some of the EITI principles," Bukenya-Matovu said.

The Petroleum (Exploration, Development and Production) Bill, 2012 calls for the establishment of the Petroleum Authority of Uganda which among other functions will be charged with ensuring "transparency in relation to the activities of the petroleum sector and the Authority". This, according to Bukenya-Matovu should be enough to address all the issues to do with transparency.

But like Godber Tumushabe, the Executive Director, Advocates Coalition for Development and Environment (ACODE) notes, it would not be advisable to leave everything to trust as far as the government of Uganda.

"Of late, we are increasingly seeing regressive and prohibitive laws enacted in Uganda. When you couple this with a deep mistrust of government by Ugandans and a mistrust of the oil companies and their countries of origin, you understand why signing on to the EITI is very important for us as a country," notes Tumushabe.

As an international project, he adds, the EITI will ultimately force Uganda to meet internationally accepted levels that it would otherwise have not met.

It's no wonder therefore that in their submission to Parliament about the recently tabled petroleum bills, Civil Society Organisations (CSOs) implore the legislators to ensure "…transparency through adopting and implementing the principles of EITI and joining other international bodies and adopting other international principles and standards that reflect best practices that promote transparency and accountability as they emerge."

According to Short, the advantages to all parties involved in the EITI, are enormous. Repressive governments, for instance, are suddenly regarded as accountable and other member countries get to compare with other states their earnings and can demand a fairer deal if they feel they are being short-changed. The often mistrusted international oil companies (IOCs) on the other hand can clearly demonstrate that they actually do make the payments in royalties and taxes as they are required to.

"We are not saying that the EITI will solve all the problems therein but it traps states and IOCs into being more transparent than they could have wished," she explains.

Suspicion

"Without information, people get suspicious. For instance we have been denied the findings in the refinery feasibility study and no doubt when it comes to compensating the owners of the land, many problems will arise. We need a compensation program first before the land is surveyed. Bad things have happened in Uganda before and we don't want them repeated here," says Robert Byaruhanga, the Bunyoro region field officer for Africa Institute for Energy Governance (AFIEGO), a CSO.

Last year, renowned Microsoft proprietor Bill Gates asked a G20 meeting to compel the Ugandan government to publicize all the agreements and the revenue got from oil; a notion supported by the Publish What You Pay global initiative. Mr Gates argued that while the oil money should be able to cater for the needs of poor Ugandans, they would find it difficult to protect their interests because they had no idea of what is contained in the oil agreements.

Also, many observers note that if recoverable costs for one are not clearly spelled out – mainly because the Production Sharing Agreements signed between the state and the oil companies remain secret – it will cause all sorts of anxieties.

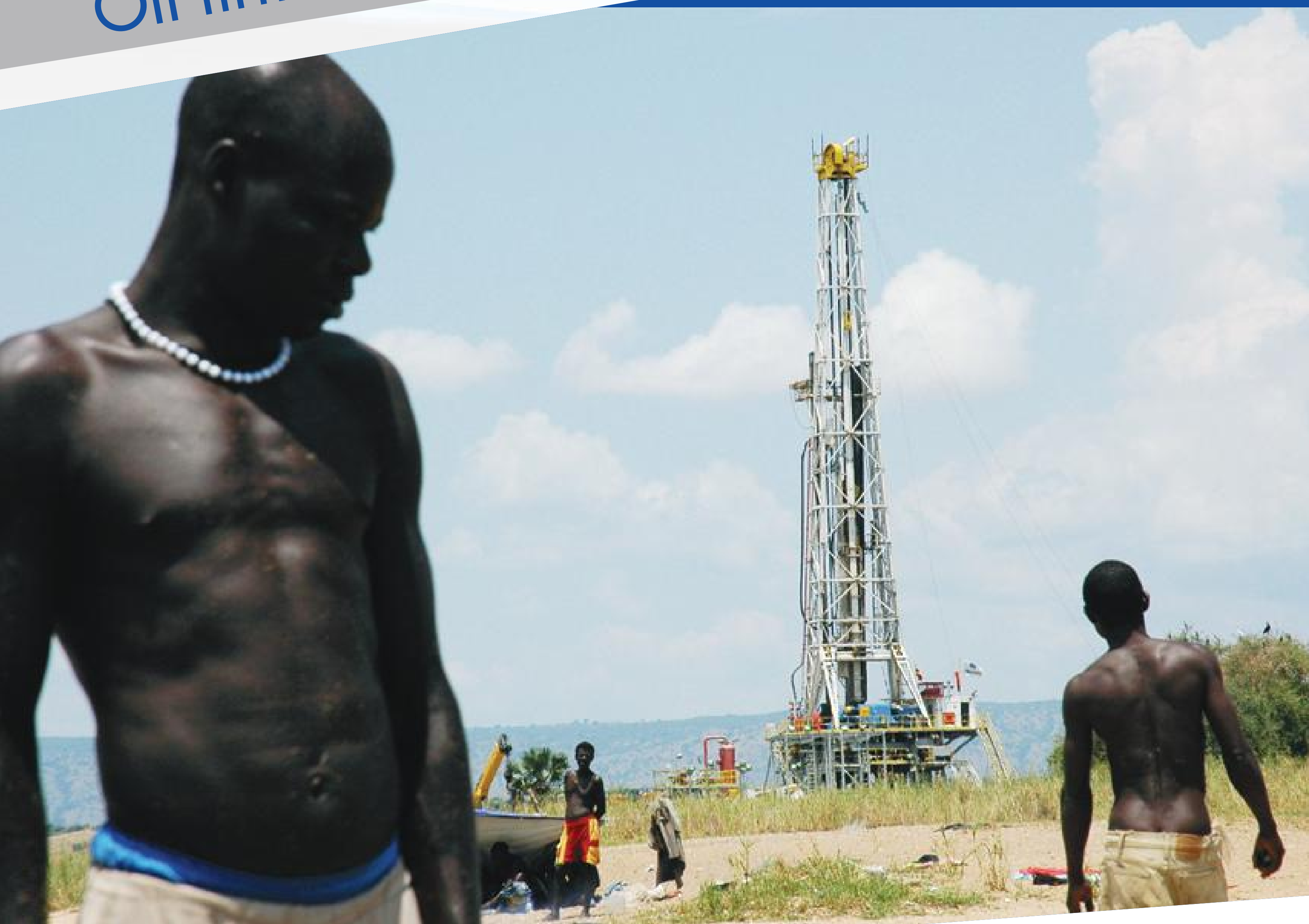
According to Angelo Izama, a journalist and director of Fanaka Kwawote, a human security think tank, there should be no two ways about transparency in the oil and gas sector seeing that openness or the lack of directly shapes a state's political future.

"Transparency guarantees our national security today and in the future by reducing suspicion and the erosion of confidence in institutions of state. It diminishes the effects of corruption and wastage therefore guaranteeing a stronger and more civil social compact. Investing therefore in transparent processes is the most important down payment for stability that the government of the day can make. Similarly open government being safer guarantees the companies the security for their investments," notes Izama.

Fortunately, the state is not entirely aloof as demonstrated in a two-day meeting at Munyonyo in June where the Ministry of Energy with support from the Norwegian government, sought to enhance MPs' appreciation of the oil sector and equip them for the forthcoming debate about the oil bills.

STEPPING UP THE GEAR:

Oil firms in intense drilling



now that the flip-flopping that defined Uganda's oil industry for the last two years is fading from the memory, the country is experiencing its most intense drilling campaign since commercial oil was discovered six years ago.

the high points of rigs are dotted in both block 1 and 2, the areas operated by France's Total and the Irish firm Tullow. Up to five rigs are expected to be in the country this year, the highest number in a year ever.

from its half year report of 2012, t ullow Plc notes that appraisal drilling and testing activities in the Kigogole, nsoga, Ngege, Ngara area commenced in 2012.

t ullow says the ngege-3, 4, 5 and 6 wells are all now complete and the ngege-7 appraisal well is expected to be completed shortly. Tullow has also learnt some lessons along the way, and made significant progress. "The successful Ngege-6 well was the first slant well drilled in Uganda and provided valuable experience for future production drilling. The Ngege appraisal wells have all encountered hydrocarbons and enabled improved delineation of this field which covers an area of approximately 50 sq km," the company notes.

t ullow is also eying early production by selling some crude oil from its well testing campaigns at the Mputa and nzizi well sites to power companies. The company intends to sell this by 2013.

t ullow has already submitted its plans to government over how it intends to embark on this project. Hima Cement, one of the largest producers of cement in Uganda, has already shown interest, and is on the sidelines waiting to purchase some of this crude.

in block one, operated by t otal, already three wells have already been drilled on the Jobi-rii field, the flow testing of Ngiri-2 at rates up to 1,200 barrels of oil per day and the drilling of the first of five wells on the Ngiri field. Waiting to be drilled are more than 20 appraisal wells, extensive well-testing and 3d seismic acquisition on the Mpyo, gunya, and the Jobi-east discoveries over the course of 2012 and 2013.

t otal also intends to drill the omuka and raa prospects which will be the first wells drilled to the west of the Nile.

cnooc also drilled a well in the Kanywataba prospect in May, although the well was water bearing, which loosely translated is called a dry well with no oil.
the license to the Kanywataba prospect is up for expiry in August, although the Chinese oil major still holds the production license for the giant Kingfisher well.

the massive assembling of oil rigs – where drilling a well will usually costs an oil company an average of $60,000 – is a clear indication of how fast the companies want to drive the country to the oil production status as soon as possible.

robert Kasande, the manager in charge of the refinery at the Petroleum Exploration and Production department, says that government is now committed to working with the oil companies to get the country to the oil production stage. Oil product is expected in three years' time at the earliest.

Oil companies are expected to spend almost $12bn to get Uganda's oil industry to the production stage. This money will be spent in laying out the infrastructure to transport the oil from the wells to the refinery through pipelines, drilling and testing the wells, just to mention a few.

according to t ullow's balance sheet, the company is in a healthy position to embark on this massive expenditure program. The company has operating cash flow of $875 million, by most measures a solid figure.

t ullow also spent $926 million in capital expenditure in the first half of this year, with more than half of this money invested in its Uganda and Ghana operations – the firm's key African operations.

the chinese oil major cnooc is one big cash cow. While the firm is the smallest of China's three largest oil companies, it still holds cash reserves that beat many oil firms worldwide. According to figures, CNOOC's sales to customers went up to $27.7 billion at the end of 2010 from $11.3 billion at the end of 2006.

t otal, on the other hand, is no stranger to Uganda. According to the company statement, t otal holds 20% of the petroleum market share in Uganda. The company's fuel stations number more than 100, that number having gone up after acquiring Caltex fuel stations three years ago.

Africa's natural resources

can be a blessing, not an economic curse

People in countries rich in natural resources, can benefit if given the right political and economic support

New discoveries of natural resources in several African countries – including Ghana, Uganda, Tanzania and Mozambique – raise an important question: will these windfalls be a blessing that brings prosperity and hope, or a political and economic curse, as has been the case in so many countries?

On average, resource-rich countries have done even more poorly than countries without resources. They have grown more slowly, and with greater inequality – just the opposite of what one would expect. After all, taxing natural resources at high rates will not cause them to disappear, which means that countries whose major source of revenue is natural resources can use them to finance education, healthcare, development and redistribution.

"Companies will tell Ghana, Uganda, Tanzania, and Mozambique to act quickly, but there is good reason for them to move more deliberately. The resources will not disappear, and commodity prices have been rising"

A large literature in economics and political science has developed to explain this "resource curse", and civil-society groups (such as Revenue Watch and the Extractive Industries Transparency Initiative) have been established to try to counter it. Three of the curse's economic ingredients are well-known:

• Resource-rich countries tend to have strong currencies, which impede other exports
• Because resource extraction often entails little job creation, unemployment rises
• Volatile resource prices cause growth to be unstable, aided by international banks that rush in when commodity prices are high and rush out in the downturns (reflecting the time-honoured principle that bankers lend only to those who do not need their money)

Moreover, resource-rich countries often do not pursue sustainable growth strategies. They fail to recognise that if they do not reinvest their resource wealth into productive investments above ground, they are actually becoming poorer. Political dysfunction exacerbates the problem, as conflict over access to resource rents gives rise to corrupt and undemocratic governments.

There are well-known antidotes to each of these problems: a low exchange rate, a stabilisation fund, careful investment of resource revenues (including in the country's people), a ban on borrowing, and transparency (so citizens can at least see the money coming in and going out). But there is a growing consensus that these measures, while necessary, are insufficient. Newly enriched countries need to take several more steps in order to increase the likelihood of a "resource blessing".

First, these countries must do more to ensure that their citizens get the full value of the resources. There is an unavoidable conflict of interest between (usually foreign) natural-resource companies and host countries: the former want to minimise what they pay, while the latter need to maximise it. Well-designed, competitive, transparent auctions can generate much more revenue than sweetheart deals. Contracts, too, should be transparent, and should ensure that if prices soar – as they have repeatedly – the windfall gain does not go only to the company.

Unfortunately, many countries have already signed bad contracts that give a disproportionate share of the resources' value to private foreign companies. But there is a simple answer: renegotiate; if that is impossible, impose a windfall-profit tax.

All over the world, countries have been doing this. Of course, natural-resource companies will push back, emphasise the sanctity of contracts, and threaten to leave. But the outcome is typically otherwise. A fair renegotiation can be the basis of a better long-term relationship.

Botswana's renegotiations of such contracts laid the foundations of its remarkable growth for the last four decades. Moreover, it is not only developing countries, such as Bolivia and Venezuela, that renegotiate; developed countries such as Israel and Australia have done so as well. Even the United States has imposed a windfall-profits tax.

Equally important, the money gained through natural resources must be used to promote development. The old colonial powers regarded Africa simply as a place from which to extract resources. Some of the new purchasers have a similar attitude.

Infrastructure (roads, railroads, and ports) has been built with one goal in mind: getting the resources out of the country at as low a price as possible, with no effort to process the resources in the country, let alone to develop local industries based on them.

Real development requires exploring all possible linkages: training local workers, developing small- and medium-size enterprises to provide inputs for mining operations and oil and gas companies, domestic processing, and integrating the natural resources into the country's economic structure. Of course, today, these countries may not have a comparative advantage in many of these activities, and some will argue that countries should stick to their strengths. From this perspective, these countries' comparative advantage is having other countries exploit their resources.

That is wrong. What matters is dynamic comparative advantage, or comparative advantage in the long run, which can be shaped. Forty years ago, South Korea had a comparative advantage in growing rice. Had it stuck to that strength, it would not be the industrial giant that it is today. It might be the world's most efficient rice grower, but it would still be poor.

Companies will tell Ghana, Uganda, Tanzania, and Mozambique to act quickly, but there is good reason for them to move more deliberately. The resources will not disappear, and commodity prices have been rising. In the meantime, these countries can put in place the institutions, policies, and laws needed to ensure that the resources benefit all of their citizens.

Resources should be a blessing, not a curse. They can be, but it will not happen on its own. And it will not happen easily.

Prof Joseph Stiglitz is a Nobel Laureate in Economics based at Columbia University. He delivered the keynote speech at the 20th Joseph Mubiru Memorial Lecture in July, 2012

Gold mining in Karamoja

ARTISANAL MINERS MUST BEW SUPPORTED

Mining Engineer Dr Jennifer Hinton

"Uganda's artisanal mining sector was the third largest source of foreign exchange, making up 7% of the nation's GDP and putting $330m a year into local economies"

Children stand in muddy rivers panning for gold. Adults hammer at cliff-faces and dig underground tunnels by hand to depths of 100 metres. Miners of all ages and genders use mercury, cyanide and other toxic chemicals to process their mineral outputs despite the negative effects they have on their health and environment. These scenes should belong in mining's distant past but in fact continue to play out in many countries around the world.

Outside the heavily mechanized and modern mining industry where mine life-cycles, world metal prices and corporate profitability rule, there is a parallel mining world where every miner is an entrepreneur and the stakes are nothing less than survival. Although these artisanal miners work in the same sector as their larger industrial counterparts, there are significant differences in terms of processes, labour standards and scale. The critical difference, however, is usually in how governments and local communities view the miners.

"Generally, [artisanal mining] is informal and unlicensed subsistence mining, with people living day-to-day using hammers, picks and shovels…really basic technologies," says Uganda-based mining engineer Jennifer Hinton. "But because they don't necessarily have security of tenure when working without a license; feasibly they can easily be kicked off [the land]."

Small step-up improvements in methods, such as a simple sluice box, used can increase incomes significantly with little investment. The next step would be a water pump and improved sluice.

For more than a decade, Hinton has worked with artisanal and small-scale miners to improve their productivity, working conditions and livelihood security. Over the course of her career she has worked in nearly 15 countries, but for the past few years her work has allowed her to stay mainly in East Africa, near her home base of Entebbe, Uganda.

"The Ugandan government was supportive of looking at artisanal mining and social and development issues," says Hinton, "and it was a country where next to nothing had been done on artisanal mining, unlike neighbouring Tanzania where there had been people working on these issues for 20 years."

Throughout her career, Hinton's goal has been to show national governments the value of artisanal miners to local economies. She strongly feels that their livelihoods ought to be recognized and afforded the same attention and support (in terms of protection, training and market access) as other occupations. "There are upwards of 30 million artisanal miners in the world and in a lot of countries they are the main producers of minerals," she says.

Several years ago, Hinton put together an economic model for Uganda's artisanal mining sector and discovered that it was the third largest source of foreign exchange, making up 7% of the nation's GDP and putting $330m a year into local economies. Yet despite figures such as these, artisanal miners rarely get the same respect as members of other professions. They're marginalized people, undervalued by society. Hinton goes so far as to suggest that they often feel like peasants. But she sees them differently. As a result, she usually receives a warm welcome whenever she visits a mining community.

"Anything that increases attention and can potentially bring some sort of technical or social services support is well-received," says Hinton. "Most artisanal miners that I work with are thrilled that someone recognizes their work as being a livelihood."

Hinton doesn't just recognize the potential of small-scale mining; her resolve is so great that she recently purchased her own gold-lead-silver mine in Western Uganda on the edge of the Rift Valley. Her purpose is to show the local community, government and private sector that small-scale mining can be profitable and relatively safe when done properly.

Because most artisanal miners live day-to-day on the proceeds of their manual labour, their short-term priority of earning enough to provide food and shelter for themselves and their families usually trumps any concern about the long-term consequences of their actions. Many of the health, safety and environmental issues associated with their activities are largely a result of miners not having the training, resources or support to mine safely or responsibly.

"You have major issues with accidents, injuries, fatalities because people don't necessarily have the skills or resources to mine in a proper way," Hinton says. "People dig in a haphazard way and have pit walls or mine tunnels collapse on them."

To make matters worse, poverty leads children to work alongside their parents at the mines. It's well accepted that many of these mines are dangerous and unhealthy to work in but the health and safety risks facing children are even more serious due to their size and level of development. "When there's a strong culture of mining, there's not much priority given for kids to go to school," Hinton says. "This lack of priority for education has longer term repercussions for whole communities, not just the individuals."

She also notes that because of the questionable legality of many mine sites, waste management is often a low priority, while alluvial mining – panning in rivers – often leads to significant siltation and erosion problems. If more governments would provide training on the correct way to carry out these tasks while also developing miner-friendly policies, they would help mitigate many of these risks.

Despite all of these challenges, Hinton still firmly believes artisanal and small-scale mining can be an environmentally and socially responsible alternative that can be an important supplement to other livelihoods, like farming.

"You see these major sites with maybe 1000 people, 5000 people, where you have extensive environmental degradation across an area. But a large proportion of [other] people are working at a very small scale," she says. "So you'll have a mother, father and children out digging small pits and panning. If we look at the capacity of the environment to respond to those environmental impacts, just as an issue of scale, it's much smaller."

Hinton's mine is semi-mechanized and employs 25 people – 90 per cent of whom come from the local community – so it isn't artisanal, though the scale is still very small. The workers mine 40 tons a day, which stands in stark comparison to the 100-200,000 tons or more of an average large-scale mine.

According to Hinton, in some countries she has worked in – she gives Mongolia as an example – public awareness of environmental protection issues is already high and individual miners are very supportive of using more environmentally responsible processes. In fact, one of the great hopes in artisanal mining is in the work engineers and social scientists are carrying out in the area of intermediate appropriate technologies. These are simple, inexpensive and practical modifications – often made of basic materials such as wood or pieces of aluminum – of some of the technologies used in larger operations. These technologies help miners work more safely, responsibly and productively and allow them to recover more of their minerals, leading to higher incomes.

Lucky find

"It's usually one or two people that catch on to things and push things forward and show other people what's possible," says Hinton.

She tells a story about a former Ugandan child soldier who became an artisanal miner in the early 1990s at the age of 22. The Yoweri Museveni government came into power in 1986 and five years later they changed the country's laws related to mining. He was only the second person to get a gold mine license and, starting with only 50 dollars, a basin and a shovel, he began investing in his mine. Ten or fifteen years later, he had the second largest gold mine in the country. Though it gradually became semi-mechanized, it remained relatively small-scale for a gold mine.

"He's an excellent example of how you can progressively improve activities, sheerly on initiative and by reaching out to people," she says.

These things alone are not always enough, however, as many miners remain at a disadvantage due to their lack of market access. Without access to the larger market, they are unable to get a fair price for their products. In order to change this, governments, the private sector and consumers need to come together and start putting more value on the contributions of these small-scale mineral producers.

To this end, Hinton is currently working on two pilot projects to set up a fair trade gold certification system for Uganda. As the country's informal market works right now, miners are essentially at the mercy of intermediary buyers who cycle or drive around mine sites all day and negotiate prices with miners. A fair trade system would provide miners with a direct link to national or international markets, allowing them to sell for a higher price. Not only would miners benefit from such a regulatory system, but national governments would too. In Uganda's current market, significant price variations between countries and porous borders mean minerals are smuggled out and government taxes and royalties are not paid. Support is growing for greater market access for producers in the hopes that this situation will change.

Adopted from Trek magazine, a University of British Columbia (UBC) Alumni Association journal

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81. Transeast (U) Ltd	Ms. Sheila H. Graig	Transporting
82. Uganda Insurers Association	Mr. David Tumuhaise	Insurance
83. Union Logistics	Mr. Hitesh Shan	Clearing and forwarding
84. Victoria Equipment Ltd	Mr. Kyazze S Raymond	General Machinery
85. Victoria Motors Limited	Mr. Sam J Kibuuka	Car dealers
86. Warid Telecom	Mr. George Waigumbulizi	Communication
87. Woodmore Energy Consultancy Ltd	Mr. David Kayemba	Oil & Gas Downstream
88. British High Commission	Ms. Margaret Magera	Diplomatic Mission
89. Mining, Minerals & Metals Ltd.	Mr. Nari Patel	Mining

Chamber Individual Members

Name	Specialty
90. Mr. BB Sinha	**Consultant- Environmental health**
91. Mr. Brian Kaggwa	Lawyer
92. Mr. David Kyagulanyi	Mineral consultant
93. Mr. Joshua Tuhumwire	Mining
94. Mr. Malkit Singh Saini	Construction
95. Mr. Minaz Karmali	Businessman
96. Mr. Rajesh Dewani	Construction
97. Mr. Sam Thakkar	Accountant
98. Ms. Anne Babinaga	Business Consultant
99. Ms. Annebritt Aslund	Audit/finance consultant
100. Ms. Lydia Babinaga	Procurement and consultancy

CREATING SHARED PROSPERITY

Investing in Uganda

Tullow has invested over $1billion in exploration, seismic and drilling activities which has enabled the discovery of over 1 billion barrels of recoverable resources, with an estimated 1.5 billion barrels yet to be found. This level of resource could place Uganda in the top 50 oil producers in the world.

Investing in communities

Success for us is inseparable from the development and prosperity of the communities in which we operate. That is why our Social Enterprise programme focus areas are health, education, environment and enterprise development.

Investing in our people

People are our greatest asset and we believe in developing capacity for Tullow and for sustainable development and management of Uganda's Oil and Gas Industry. We therefore invest extensively in capacity building for all our staff, of whom 85% are Ugandans.

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