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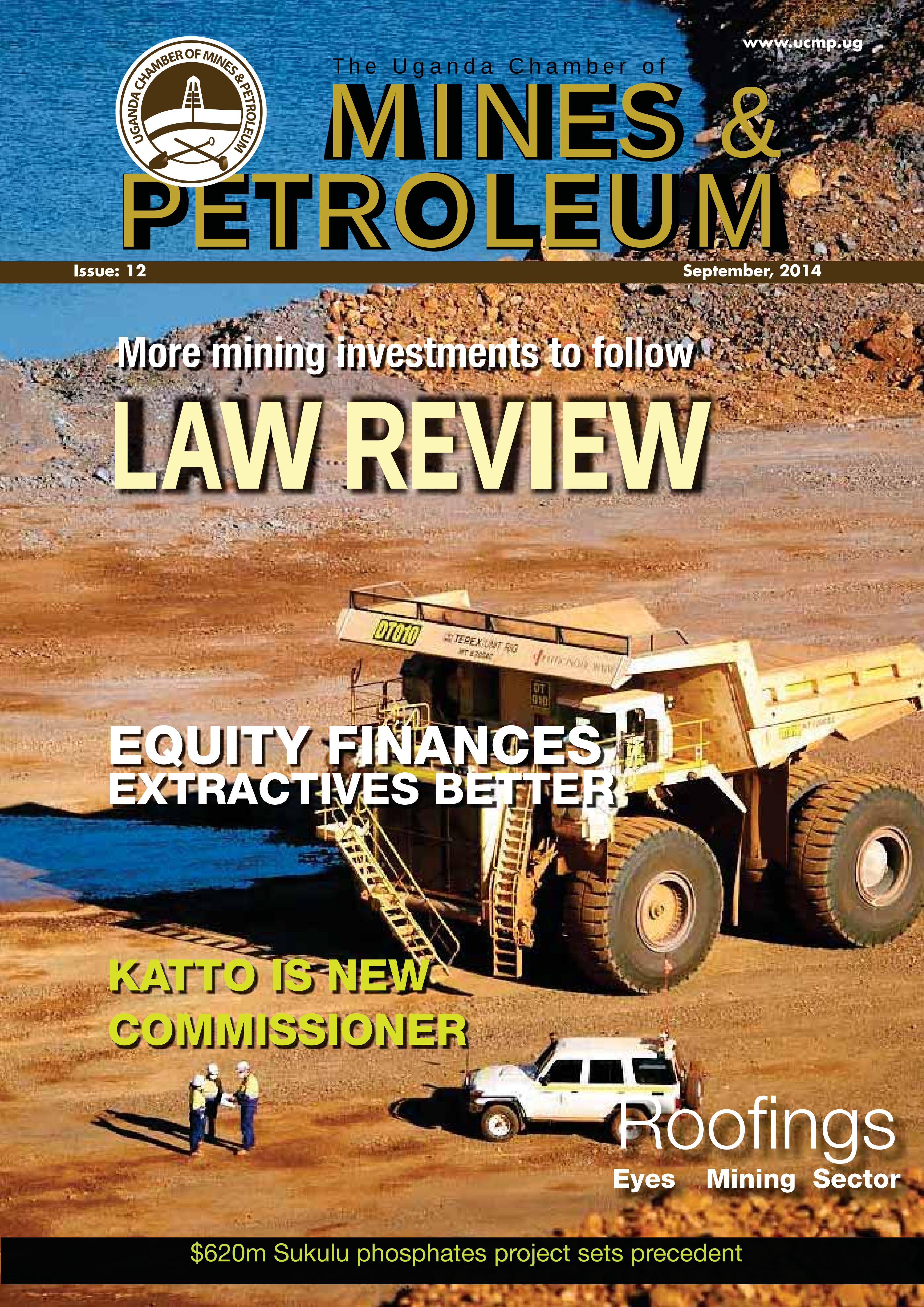
The Uganda Chamber of

MINES & PETROLEUM

Issue: 12 September, 2014



More mining investments to follow

LAW REVIEW

EQUITY FINANCES EXTRACTIVES BETTER

KATTO IS NEW COMMISSIONER

Roofings Eyes Mining Sector

$620m Sukulu phosphates project sets precedent

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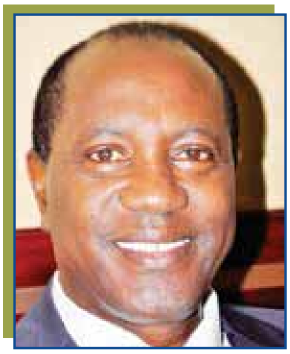

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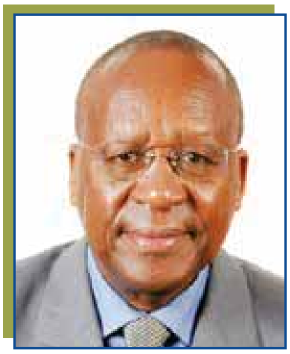

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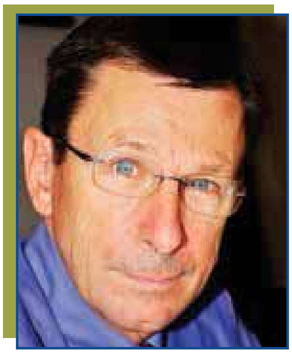

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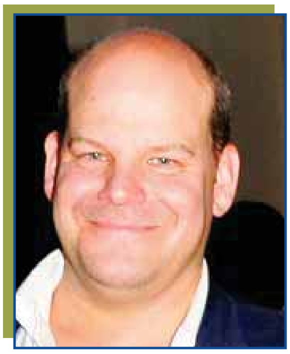

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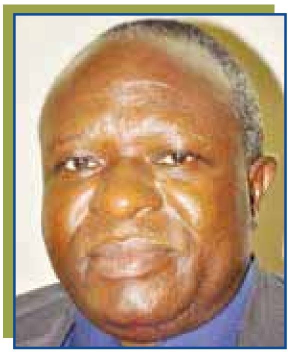

Gordon Setimba
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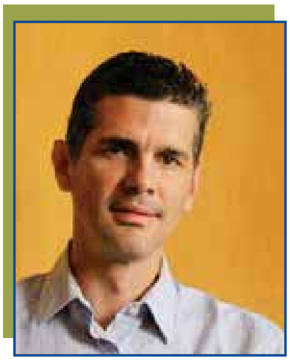
Astor Finance Plc

Joshua Tuhumwire
ADVISOR

Mining consultant, Gondwana Geoscience Consulting Ltd. Also former Commissioner of the Uganda Department of Geological Survey & Mines



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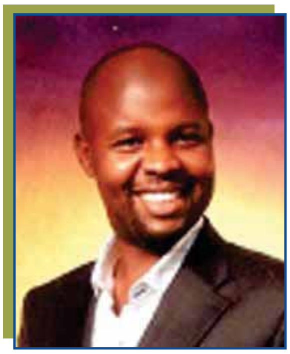

Gerald Mukyenga
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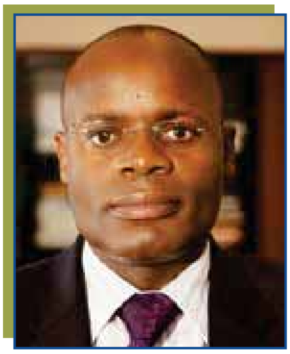

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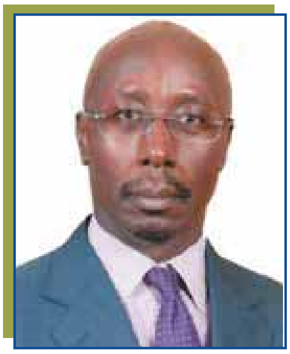

Sam Odera
ADVISOR

Uganda Bankers' Association

Chairman's Note

Pulling in the right direction

It gives me great pleasure once again to welcome you to the third Mineral Wealth Conference (MWC).
Following a successful MWC2013, addressed by H.E President Yoweri Museveni and South African mining magnet, Bridget Radebe, we have since taken giant steps in the right direction.
The first ever Mining Retreat was held at State House, Entebbe in December, where – for an entire day – H.E the President and delegations from the Ministries of Energy and Mineral Development, Lands and Finance engaged UCMP members in powerful discussions that sought to pave the way for the integration of the mining industry into the Ugandan economy.

Subsequently, the Chamber has held progressive engagements with the relevant Government offices through the Office of the Prime Minister to ensure the realization of some of the resolutions that were agreed upon at the State House workshop.

In the same vein, the Chamber was invited by the Ministry and the World Bank to participate in a review of the legal and fiscal framework. This law review is long overdue and should as such ease investment in the mineral sector. We hope that the process is concluded by December 2014 as projected.

Our continued participation in these government related programs demonstrates the coming of age of the Chamber. This cordial relationship with the state can only be a good thing for our growth in extractives sectors.
Allow me, to congratulate Mr. Edwards Katto, for finally becoming the substantive Commissioner, Department of Geological Survey & Mines. Mr Katto has always accorded the Chamber unwavering support and we are certain of his continued backing.

Furthermore, the government deserves praise for fast tracking the bidding process for the role of lead investor in the oil refinery. This coupled with recent developments in the copper and phosphates mining areas, can only point to good times ahead for Ugandans in general and Chamber members in particular – seeing that we will soon have significant business to engage us all. A just reward for our steadfast patience!

I, thank you

.

Hon. Dr. Elly Karuhanga


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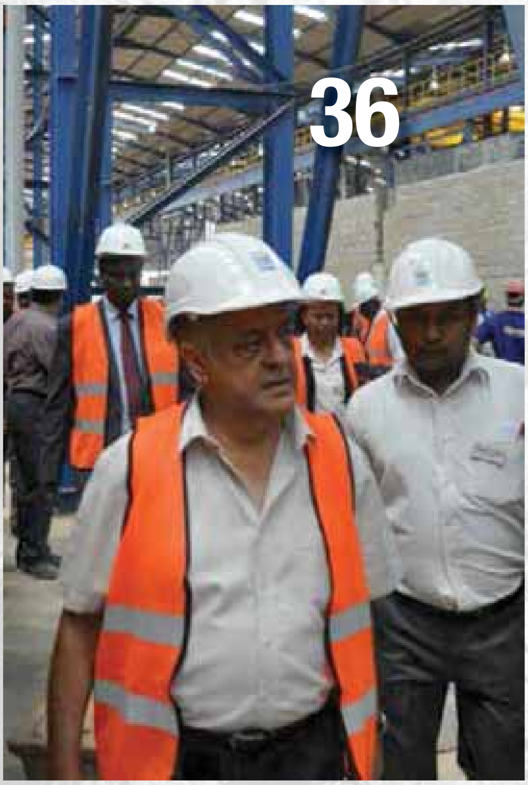

UGANDA CHAMBER OF MINES & PETROLEUM

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to the editorial team assisted by Richard Kaijuka.

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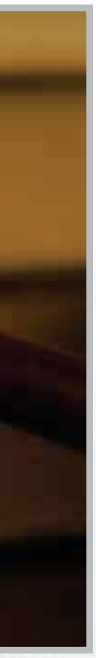

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“How does mining integrate itself in the national economy? Traditionally, in the pre-colonial times, these minerals were used in an integrated way. Iron ore for instance would be smelted and spears and other household items molded out of it. So we had a vertically integrated industry in the pre-colonial times. But up to now, we have still not succeeded in building an integrated steel industry in Uganda. To me, this is the challenge,”

President Yoweri Museveni, at the Mineral Wealth Conference, 2013.

KEY NOTE SPEAKER
MINERAL WEALTH
CONFERENCE 2014

UGANDA CHAMBER OF MINES & PETROLEUM

THE REPUBLIC OF UGANDA
MINISTRY OF ENERGY & MINERAL DEVELOPMENT

MINERAL WEALTH CONFERENCE 2014

THE REPUBLIC OF UGANDA
MINISTRY OF ENERGY & MINERAL DEVELOPMENT

PRINCE OTSILE MATLOU

Otsile, a director and head of the mining department at ENSafrica, is not new to Ugandan audiences, having made a presentation at the MWC2013 and at the Mineral Sector Retreat at State House, Entebbe in December.

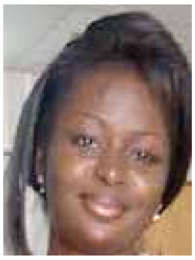
He acts for a wide range of mining companies in all mineral commodity sectors, including the base and precious metals, coal, rare earths, sand, as well as diamonds sectors. He acts for listed as well as unlisted mining and exploration companies. He also acts for financial institutions in regard to resource finance projects.

Otsile's experience includes all aspects of regulatory work in the mining and petroleum (upstream) industries, as well as aspects of acquisitions and corporate restructuring, as well as black economic empowerment transactions. He also advises concerning royalties in the mining sector. He has experience ranging from start-up exploration projects to well established mining projects.

He co-authored the 2005-2009 Mining Law chapters of the Annual Survey of South African Law as well as numerous articles in the field of mining law for various leading publications. He authored the 2012 and 2013 South Africa chapters of The Mining Law Review (a Law Business Research Ltd publication). He regularly presents papers at conferences and seminars in the field of mining law. He is an instructor at the Black Lawyers Association and is a member of the Section on Energy, Environment, Natural Resources, and Infrastructure Law of the International Bar Association. He is also a former advocate of the High Court of South Africa as well as member of the Johannesburg Bar.

Otsile is a member of the Presidential Mining Roundtable (Uganda) and is an instructor at the Institute of Legal Institute – African Centre for Legal Excellence where he recently trained various senior government negotiators and regulators from various African countries in regard to mining contracts, concessions and disputes.

Otsile is recognized as a leading mining practitioner by such reputable rating agencies and their publications like the Chambers & Partners Global Guide to the World's Leading Lawyers 2014, 2013, 2012 – Energy & Natural Resources: Mining (South Africa), the International Who's Who of Mining Lawyers 2014 - Mining (South Africa) and the Legal 500's Guide to Outstanding Lawyers 2014, 2013, 2012 – Mining (South Africa).



DIAMANTE KAFUTI

Randgold-Kibali Project DRC

Diamante is a senior exploration project geologist who graduated from the University of Kinshasa (Democratic Republic of Congo) in 2004.

She has worked in gold, diamond and base metal fields with De Beers, Afrimines Resources (as consultant) and Randgold Resources. She joined Randgold Resources in February 2012 where she has mainly focused on the Kibali Project.


Pro Ride
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SAURABH NAGPAL

Nagpal is the co-founder of 1618 Capital. Called to the bar in both in ia and Canada, Mr. Nagpal has extensive experience in transactions across different industries, deal-making, and strategic implementation. He has an in-depth understanding of laws affecting corporate business plans. Being well-versed in the laws of two major jurisdictions, Mr. Nagpal has provided corporate advice to various clients in India and North America. His experience is vast, including creating solutions for structuring mergers and acquisitions, negotiating joint ventures, and creating investment vehicles and opportunities.

ANTHONY NDEGWA

Speaking for at his second consecutive MWC, Tony Ndegwa is an investment banker at the Standard Bank of South Africa's Mining Finance division which provides leverage, acquisition and project finance solutions to Africa's mining sector. He also provides investment banking (mining sector coverage) for the bank in East Africa. His deal experience includes base metals, precious metals, bulk and industrial metals. He has been involved in financings in excess of US$4bn for large-cap, mid-cap and juniors in the mining sector.

Prior to joining Standard Bank, Tony worked at First Africa Group, a boutique investment bank (acquired by Standard Chartered Bank in 2006), as well as at Merrill Lynch International.

Tony holds an MBA from The Wharton School and a Bachelor of Commerce degree from the University of Nairobi.

LYNDA DALEY

MD SIPA EXPLORATION

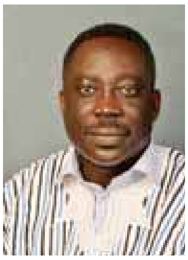
Lynda has recently been appointed Managing Director for Sipa Resources Pty Ltd & Sipa Exploration Uganda Ltd. She has over 25 years' experience in the mineral exploration industry, including most recently as Director – Exploration Australia for Newmont Asia Pacific and Acting Director Asia Pacific Generative Exploration.

During her nine year tenure with Newmont, Lynda was responsible for the strategic planning management and oversight of all Newmont's generative exploration projects, as well as business development, in the Asia Pacific region.

Lynda is also on the Board of the Centre of Exploration Targeting (CET) at the University of Western Australia.

Before Newmont, Lynda has worked for a number of mining and exploration companies including directorship of Summit Resources Ltd and for Newcrest at the Telfer Gold Mine and Worsely Alumina at the Boddington gold mine at its commencement.

Lynda holds a Bachelor of Science with Honours in Geology from the University of Queensland Australia; is a graduate member of the AICD and member of the AUSIMM and the SEG.



KWASI AMPONSAH BOATENG

Kwasi is currently a Social Performance Manager, at Tullow Oil, Uganda. With experience working in private, public and community sectors, he has developed design and project management skills over twenty-five years. His work in the construction and extractive industries has involved improving companies' performance internally and for project impacted communities internationally.

Kwasi is also an environment and social responsibility (ESR) practitioner and a communicator.

He is a mentor for trainers in Development Practice with a focus on Good Governance and Ethics Advocacy in Extractive Industries.

Kwasi has served on the Fitness to Practice Panel of the General Medical Council (8yrs), UK Government Advisory Boards in Architecture and the Built Environment (4yrs).

ALEX KWATAMPORA Z. BINEGO

Alex Kwatampora Z. Binego, the Project Manager – Tibet Hima Mining Co. Ltd, is an accomplished mining and engineering geologist. Born on December 26, 1970 at Kilembe Mines Hospital, Kwatampora had his childhood education at Bulembia Primary School, just adjacent to the company offices, where he now seats.

He was drawn to mining by his father who worked as a foreman in the Diamond Drill Department at Kilembe in the 1960s & '70s. Kwatampora undertook a trainee's course and qualified as a Geological Technical Assistant Class I in 1992 after his secondary education. Further training in seismology at the Department of Geological Surveys and Mines, Entebbe saw him become the first seismic station operators under Uganda National Seismological Network. He worked at DGSM intermittently until 2011.

Kwatampora also served as a geological and geotechnical engineer, on the Bujagali Hydropower Project, under Salini Costruttori in 2007.

He has a Diploma in Engineering Geology and Seismology from Pretoria University, in South Africa and a Bsc (Hons) Degree specializing in Mining and Engineering Geology from Middleham University.

Kwatampora has also attended the National Research Institute of Astronomy and Geophysics in Egypt and the Institute of Seismology at Helsinki University-Finland (where he also studied Nuclear Radiation and Detection). In 2011, he completed a modern postgraduate course from South Korean Institute of Geosciences' and Mineral Resource - KIGAM and specialized in Mineral Resources Exploration, GIS and Remote Sensing.

Kwatampora has worked in over 14 Countries including Rwanda, D. R. Congo, Burundi, Kenya, Tanzania, South Africa, Lesotho, Sultanate of Oman, Egypt, Sudan, Finland, Austria, Germany over the last 20 years.

STEVE OSEI-MENSAH

ERNST & YOUNG

Steve is the Financial Services and Private Sector Consulting and Advisory services leader in Ernst & Young for East and Central Africa. He re-joined EY at the start of 2014 in the Financial Service Organisation office in London. Prior to this Steve was a partner for 8 years with PwC with an international portfolio of clients in the Private sector, Insurance, and Banking sectors. He has over 26 years of business and consulting experience including 14 years as a senior manager and then a director in Banking and Insurance companies.

Steve is a Chartered Banker and Associate of the iFS. He holds a certificate of company direction and is a member of the IoD (Institute of Directors). He graduated (BA Hons) from UCL London.

Steve has worked in a number of geographies across Europe, US, Asia and the Middle East. He has focussed in the last 3-4 years on helping clients with complex regulatory and operational issues in emerging markets. Recent assignments have included leading risk analysis and design work for a number of multi-national companies, focussing on operational risk management, compliance, and identification and management of emerging market risks.

With a Sales and Marketing background in the FS industry, Steve is excited at the real growth opportunities in financial services market here in Kenya and more widely in East Africa.

Dr Sebbowa who has served and continues to serve on several Boards of Directors of various corporate firms. As a Rotarian, Dr Sebbowa often takes on several charitable roles.

STEPHEN KARANGIZI

Stephen Karangizi is a lawyer with extensive experience in International Commercial and Trade Law. He was Deputy Secretary General (Programmes) of the Common Market for Eastern and Southern Africa (COMESA) from 2008 and General Counsel and Legal Advisor for COMESA from 1997 to 2008.

Over a 30 year career as a lawyer, he also served as a Legal Advisor for the Governments of Antigua and Barbuda (West Indies), Uganda and Zimbabwe after starting off in private legal practice. A Ugandan by nationality, Mr Karangizi is a holder of a Law Degree from Makerere University, Kampala, Uganda and a Masters in Laws Degree. He is a Legal Practitioner of the High Court of Zimbabwe and an Advocate of the High Court of Uganda.

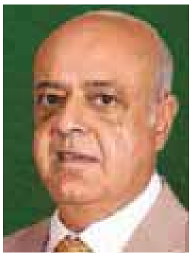
He has been the Director of the African Legal Support Facility (Facility) since October 2011.

The Facility was established to address the asymmetric negotiating capacity of African governments when dealing with deep-pocketed international investors. It is an organization dedicated solely to providing legal advice and technical assistance to African countries.

ISAIAH TUMWIKIRIZE

Department of Geological survey & Mines-Ministry of Energy & Mineral Development

'Earthquakes and Lightening in Africa: Is Infrastructure in Uganda adapted and mitigated?'



SIKANDER LALANI

Mr. Lalani, is Chairman and Managing Director of Roofings Uganda Ltd, the largest manufacturer of steel construction material in Uganda. He has over 30 years of experience in steel business and has been described as single handedly changing the landscape of the steel industry in Uganda.

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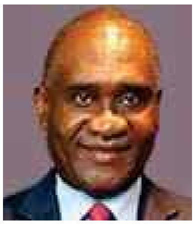

DR THEO CHIKE OSANAKPO

Dr T.C Osanakpo is a revered Senior Advocate of Nigeria and Entrepreneur whose legal education traverses three legal jurisdictions. He's been in active legal practice since 1st March 1985 focusing on commercial transaction law, corporate law practice, and civil litigation in commercial law transaction including arbitration. He also has a good working legal knowledge on law regulating economic freedoms in Economic

Community of West African States (ECOWAS), Public Private Partnership in the housing sector and a considerable interest in the law regulating electricity in Nigeria.

EMEKA OKWUOSA

Emeka is a seasoned engineer, administrator, entrepreneur and a visionary with over 32 years of experience in engineering in the following areas: maintenance and operations, teaching, wire-line logging and interpretation, seismic acquisition, processing and interpretation, pipeline engineering, procurement and construction (EPC), project management, drilling and drilling services. Some of these activities span Europe, North Africa, West Africa, Gulf of Guinea/Central Africa and Indonesia while he worked in Schlumberger Energy Services in different capacities such as; field Engineer, Base Manager, Equipment / Tool Test Coordinator and Technical Manager.

Emeka is the founder and Managing Director/CEO the following companies: Oilserv Ltd, Oilserv Uganda Ltd, Oilserv Kenya Ltd, Frazimex Ltd, Frazimex Energy Services Ltd, Frazimex Engineering Ltd, and Frazimex Sierra Leone Ltd, Frazpower Limited with offices in Port Harcourt, Lagos, Abuja, Houston and Toronto.

He graduated in 1982 from the University of IFE, ILE-IFE with honours in Electronics and Electrical

Engineering and has received several Awards in the course of practice of Oil and Gas EPC services from around the World.

MAUREEN JANGULO DLAMINI

CEO, CHAMBER OF MINES OF ZAMBIA

Maureen is a highly experienced, operations executive who has demonstrated the ability to lead diverse teams of professionals successfully in highly competitive, fast paced markets. With over 10 years in the financial services sector at Executive level, she has acquired vast technical and business experience in strategic planning, business unit development and product and project management. An excellent communicator, her work experience includes being Chief Executive Officer of Zambezi Airlines, Senior General Manager Investor Education at the Johannesburg Stock Exchange, and Executive Head of the Africa Board at the Johannesburg Stock Exchange, Executive Head of Corporate Affairs at Lion Of Africa Insurance Company in Johannesburg South Africa.

She sits on the Boards of Proflight Zambia and Nyiombo Invstments Limited and has recently been appointed Deputy Chair for the University of Zambia, School of Mines, Advisory Board.

FRED MICHUKI

HEAD OF CORPORATE FINANCE EAST AFRICA- STANDARD CHARTERED BANK

Fred has extensive experience at Standard Chartered, having joined the Financial Markets department in London in 2000. Prior to StandChart Bank, Fred worked for Citibank N.A. in Kenya as Head of Foreign Exchange Trading.

In 2002, Fred returned to StanChart Kenya as Head of Asset and Liability Management (ALM). During this time and under Fred's guidance, StanChart firmly established its reputation as the leading primary dealer in the Kenyan Bond market, a position that exists to date. As a segment head, Fred has managed the Public Sector portfolio, the Global Corporates, and the International Corporates businesses; becoming very instrumental in firmly positioning the Bank as a key player in the public sector space, and as financier and partner to the government and its related entities.

Fred now heads the East Africa Corporate Finance business across Kenya, Uganda, Tanzania and Ethiopia, focused on origination and leveraging Standard Chartered's product capabilities in Structured Finance, Project Finance, Leverage Finance, Structured Trade Finance and Advisory Services.

DR. ALBERT ZEUFACK

Dr. Zeufack is the Sector Manager for Poverty Reduction and Economic Management in the World Bank's Africa Region. His portfolio includes natural resources-rich countries in Central and East Africa. Prior to assuming this position in July 2012, Dr. Zeufack was, for four years, the Director of Research and Investment Strategy for Khazanah Nasional Berhad, a Malaysian sovereign wealth fund, based in Kuala Lumpur. Prior to joining Khazanah, he was the World Bank's acting Lead Economist and Head of the Poverty Reduction and Economic Management Cluster for South-East Asia based in Bangkok, Thailand.

He was Senior Country Economist for Malaysia for six years. Dr. Zeufack joined the World Bank through the Young Professional Program in 1997. He has worked in both Research and Operations on Africa, Asia, the Middle East, and Russia. Dr. Zeufack has worked extensively on micro-foundations of growth and competitiveness, the economics and governance of natural resources and is author of books and numerous articles. He holds a PhD in Economics from the University of Clermont-Ferrand in France.

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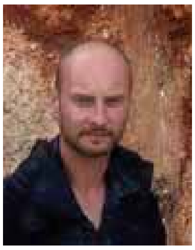
DR. JAN CEMPÍREK

CONSULTING GEOLOGIST

received his MSc. and Ph.D. at the Masaryk University in Brno, Czech Republic, one of the traditional centers of pegmatite research in Europe. His field of expertise is petrology, mineralogy and geochemistry of pegmatites and granitic systems in general, poly-phase evolution of magmatic and metamorphic systems, and metasomatic processes, while he also has substantial experience in hydrothermal gold systems (including gold-rich VMS deposits). Jan has extensive experience with rare-element pegmatites in Norway, Sweden, Finland, Central Europe, Italy, Spain, Portugal Brazil, Uganda, USA, Canada and has cooperated on research of pegmatite deposits around the World. His work has in published in 18 peer-reviewed papers in international journals as well as several book chapters.



DR. THOMAS CHUDY

CONSULTING GEOLOGIST

is a post-doctoral fellow at the University of British Columbia where he has investigated Nb-Ta mineralization since 2009. This includes the magmatic evolution and deposit morphology and structure of Ta-deposits in carbonatites and pegmatites. Over the last 5 years, extensive fieldwork and consulting in mineral processing allowed him to examine a variety of ore deposits and included significant work on Ta- and Li-concentrates from pegmatites. Given his deep understanding of the Ta- deposit mineralogy, he is frequently consulted by mining engineers on various projects. Thomas holds a University-Diploma in Geology/Paleontology from the Julius-Maximilians University of Würzburg (Germany) and a Ph.D. in Geological Sciences from the University of British Columbia.

HENRY MUKASA

JUNIOR EXPLORATION GEOLOGIST

received his BSc in Geology from Makerere University under the Government of Uganda merit sponsorship scheme. Among several scholarships awarded to attend projects across Africa, this has included Volkswagen Stiftung funded fieldwork in the tantalum mining area of Gatumba, Rwanda and participation in the AfricaArray Geophysics Field School at the University of Witwatersrand in Johannesburg, South Africa. With sponsorship from the Society of Exploration Geophysicists (SEG) and support from Anglo Platinum, he together with researchers from across Africa and America conducted geophysical surveys (seismics, resistivity, gravity, differential GPS, magnetics, EM, and GPR) and related analysis and modelling on the Eastern limb of the Bushveld complex, South Africa. A recipient of Geosoft's "always on the go" award, his fieldwork was published in their Earth Explorer magazine in 2014. He is currently a Junior Exploration geologist with BeTa Minerals Ltd, a subsidiary of Auranda Minerals, where his primary focus is exploration for tin, tantalum and tungsten deposits across Uganda.

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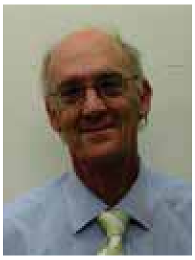

PIET BREDELL

Piet Bredell has a Bachelor's degree in chemical engineering and a Bachelor's degree in law. He has more than 45 years' experience in the nuclear fuel industry, including uranium extraction, uranium conversion, uranium enrichment, radioactive waste management and nuclear plant decommissioning.

At the beginning of his career, he worked in the uranium mining industry as a metallurgist. In 1970 he joined the South African Nuclear Energy Corporation (Necsa), where he held several senior management positions in the organization. These positions included General Manager: Uranium Conversion and Enrichment, and General Manager: Corporate Marketing. At Necsa, Piet Bredell was also responsible for the establishment of the Nuclear Liabilities Management Division, which he managed from 1998 to 2007, followed by the Nuclear Fuel Cycle Department from 2007 to 2009. Piet Bredell retired from Necsa at the end of 2009 and is presently working as an independent consultant for the nuclear fuel industry at both the local and international level.

Since 1994 he participated in a number of technical meetings and consultancies at the International Atomic Energy Agency in Vienna, including investigations into regional and multi-national approaches to spent fuel management, the development of national policy and strategy for radioactive waste management, as well as several technical missions to IAEA Member States. Since the beginning of 2012 he has been involved at the IAEA with the development of a nuclear security technical guidance document for the uranium industry.

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Anthony Ndegwa

"Stanbic can fund big mining projects"

Accessing quick, adequate and inexpensive finance to fund mineral exploration and mining projects is one of the toughest tasks to maneuver in the mining industry – be it here in Uganda or world over.

Set to speak about this very subject at the 3rd Mineral Wealth Conference in Kampala come October 1, 2014, Anthony Ndegwa, an investment banker at the Standard Bank of South Africa's Mining Finance division, points out some of the key areas that inform banking decisions when it comes to mining projects:

What is Stanbic Bank's experience with mining?

The Standard Bank Group, the parent company of Stanbic, Uganda, has a history spanning over 150 years during which it has had a strong participation in the resources sector. Indeed, the group's three core sectors include Mining & Metals, Oil & Gas, and Power & Infrastructure.

In these core sectors, the bank offers a full suite of financing, advisory and trading and hedging services. The group is regarded as the leading financier in Africa's Mining & Metals sector.

The bank has funded big mining names on the continent including Anglo American, BHP Billiton, Exxaro Resources, African Barrick Gold, African Rainbow Minerals, Assore Limited, Anglo Gold Ashanti, Impala Platinum, among others.

It is said that banks are averse to mining projects in their infant stages. Why is this so?

Being a resources-focused bank, we participate in the full lifecycle of mining projects.

Globally, banks, even resources-focused banks, do not finance mineral exploration activities. Explorations are a high-risk venture and many exploration projects do not end up as viable mining operations, and therefore, equity rather than debt funding is suited for exploration. Bank financing is premised on positive projected cash flows, at a high level of confidence, which a project at the exploration stage does not provide.

However, once the (equity funded) exploration activities prove-up viable mineral resources, at appropriately high levels of confidence, banks are able to provide project finance to develop a Greenfields project.

How would Stanbic address the risk that is prevalent in these sectors, while structuring loans?

The basis of any lending in the mineral sector is the certainty around the existence of the mineral resources

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The basis of any lending in the mineral sector is the certainty around the existence of the mineral resources (production quantity), costs of mining (both capital and operational costs), availability of a market for the mined commodity (s), and achievable commodity prices. These four pillars translate to cash flow projections which banks rely on for structuring loans but also, these four pillars carry specific risks which banks seek to address in partnership with the project sponsors.

For example, the risk around the existence of resources is addressed through professional certifications on the quality and findings of exploration by appropriately qualified professionals. We ascertain mining costs through due diligence on the mine development plans, which we undertake through independent engineering consultants and our in-house technical team comprising geologists and mining engineers. For markets, we usually require Greenfields projects to secure offtake contracts for a portion of production which guarantees a market at the production stage of the project. Banks also provide commodity hedging solutions to guarantee prices for an appropriate level of production.

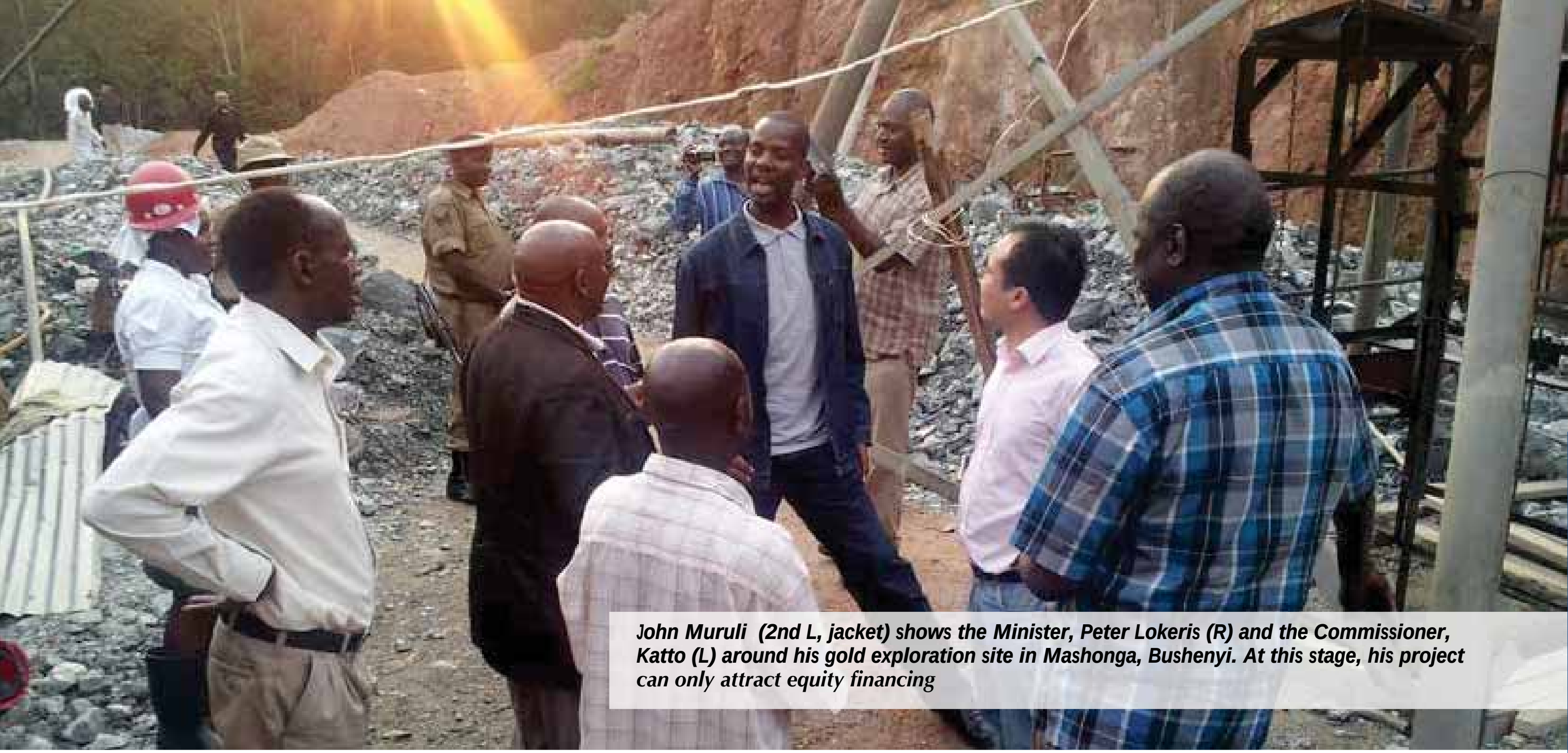
There have been cases in Uganda where viable deposits have been quantified by mining firms but banks are still hesitant to offer loans for say equipment and the like. Could this be a lack of expertise in the said banks' Risk Management Departments to clearly assess what mining entails? Do you have plans to bolster Stanbic, Uganda's expertise in understanding mining and therefore offer more informed support to the industry?

Without looking at specific cases, it is difficult to comment on why mining firms in Uganda have not been able to attract bank financing. Chances are that the risk elements discussed previously were not fully addressed, for example, banks would not lend if the minerals resources which the mining project relied on were not certified by qualified persons.

At this stage of the market and our business, we have the interesting challenge of addressing a continent whose different countries are at different stages of developing their resource sectors. To ensure that all our clients have the best of our sector expertise, irrespective of their location, we have centralised specialist teams working together with our local banking teams to originate and service local mining clients. Our specialist mining finance, advisory, markets, risk and technical expertise are based in Johannesburg and London, and these specialists work with our local and regional sector coordinating teams. For East Africa and indeed Uganda, we have sector-focused Mining & Metals and Oil & Gas teams.

What are banks looking for before financing a mining project?

We look for proven and expert-certified mineral resources, strong mine development plans



John Muruli (2nd L, jacket) shows the Minister, Peter Lokeris (R) and the Commissioner, Katto (L) around his gold exploration site in Mashonga, Bushenyi. At this stage, his project can only attract equity financing

appropriate for the resource, scale of production, quality of sponsors, quality of contractors/developers, and the market dynamics for the target commodity. We also assess the risks in each of these elements, and whether the sponsor and financiers can mitigate these risks in an economic but satisfactorily way. It is also important to us that all mining projects that we support result in positive outcomes for the communities and countries in which they are developed, and we need to see this addressed by the project sponsors in advance of our financing.

We consider all the above in our financing decisions.

How big a mining project can Stanbic support in Uganda? For instance no local institution has participated in the over $600m phosphates project in Tororo.

The Standard Bank Group has participated in large mining financings in Africa, alone or in banking syndicates, even in excess of $1bn for a single counterparty. The key to attracting funding is for a sponsor to have a bankable project that can achieve returns for all stakeholders.

If the funding requirement is large and requires multiple funders, we have strong experience in underwriting and leading arranging or syndicating efforts.

Are syndicated loans friendlier to banks as regards funding exploration and mining projects?

Syndications or club-deals are a good way of banks sharing risks and arranging efforts for large or complex project financings. It does not work for small projects where a single-lender is more suited. Syndication is well-developed in Uganda and has been executed in a number of financings but has yet to be applied in the country's mining projects.

There are other opportunities that emerge during mining like infrastructure and other services. How prepared is Stanbic for these opportunities along the value chain?

Indeed, one of the bank's three core sectors is Power & Infrastructure. We have strong appetite for Mining & Metals or Oil & Gas opportunities that are linked to infrastructure opportunities, and we view these as being part of an ecosystem. In our experience, large mining projects require and justify the development of infrastructure, to facilitate access to the mine sites as well as to the commodity markets.

As an example, large iron ore projects usually justify the development of rail and port infrastructure, on which iron ore is transported from the mine sites to the exporting port – we call these "pit to port" projects.

What would be your advice to the country's managers on how to handle the expected windfall from a successful mining industry - without destabilizing the economy entirely (Dutch Disease)?

There are very good examples of governments that have managed their resource wealth in such a way that it has benefitted their current generations and will also be available for future generations. Norway and the Emirates are often-quoted examples. These governments offer their policy expertise to countries with nascent resource sectors and are good references for us. The multilateral agencies are also a strong and credible source of policy expertise.

How else can financial institutions like Stanbic help Uganda achieve its mining potential?

As a bank, we have a lot of mining experience and knowledge that mining entrepreneurs can tap into as they conduct exploration activities and develop new projects. We also have strong networks comprising financiers, technical mining experts, markets and commodity traders, engineering contractors, equipment suppliers, etc., all of which we can extend to mining entrepreneurs.

We like to encourage mining entrepreneurs to establish banking relationships as early as possible in their projects, long before they need development funding, and to use such relationships to guide their exploration and development activity. This would help them to develop projects along the lines that a bank or financier would evaluate such projects, which goes a long way to ensuring that they spend their exploration funding appropriately and end up with a bankable project.

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At Stanbic Bank Corporate and Investment Banking, we aim to be the leading corporate and investment banking business in, for and across Africa, specialising in businesses relating to natural resources.

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We are a respected partner providing robust and reliable services to financial institutions, including banks and non-bank financial institutions across the globe.

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Moving Forward™

Activity on the Uganda Securities Exchange

Keith Kalyegira

Raising funds for extractives through the capital markets

"In considering equity financing, it is critical that developers in these sectors take cognizance of the commodity price cycles and the impact these have on the valuations of companies"

Recently, there have increasingly been a lot of well-founded excitement about Uganda's oil & gas, and mining prospects and the positive impact this will have on our economy. Several international oil companies, and local and international auxiliary service providers have opened shop in Uganda and a lot of work is going on in the extractives areas. So one could comfortably say that Uganda's mining and petroleum industry is taking off well. The oil & gas policy, legal and regulatory framework; the national oil company; and associations like the Uganda Chamber of Mines and Petroleum, oil & gas suppliers association etc. are now in place. Some reforms are underway in the mining legal and regulatory framework.

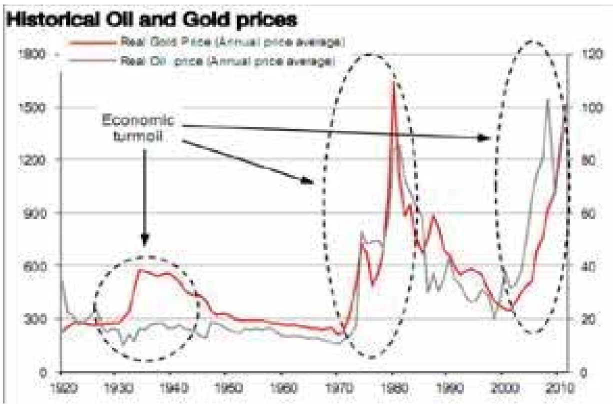
However, there is need to address the question on financing which is a key driver for this industry, especially now that the petroleum & mining industry has been earmarked as a potential catalyst for Uganda's early achievement of poverty eradication and one that will create lasting value to society as we strive towards middle income status.

There is no doubt that when minerals remain in the ground, they have zero value to owners, citizens, government, or anyone. The real value has to be added, hence the need for development. Mining businesses need heavy capital investment long before they can be profitable. Whereas many businesses turn to debt financing (from commercial banks), business owners in this industry need to be aware that local and international equity investors can provide much of this risk capital on the expectation that upswings in commodity prices could see them reap benefits. But this can only follow if the business story they're selling is attractive.

In the mining, and oil & gas sectors, the four stages involved (exploration, development, construction and production) all require the type of financing which banks – which are most suited to finance businesses with guaranteed cash flows – are not set up to meet. Mr. Admassu Tadesse, the President and CEO of PTA Bank noted during the Africa Investor panel discussions on the sidelines of the World Bank Spring meetings in April 2014 in Washington that, "Banks alone are not the answer to building robust businesses in Africa." Mining and oil & gas developments can take 10 – 15 years to reach the cash flow generation (production) stage. Therefore players in the extractives need to appreciate the alternative forms of financing available to be able to address this challenge. Most importantly they need to build sustainable businesses that will meet the growing demand for such products while at the same time allowing citizens to share into their success.

Research indicates that out of sixteen forms of financing available, its only public equity that can be used to finance all four stages of the extractives sector. Indeed equity financing is strongly recommended for the exploration and development phases of mining, and oil & gas project developments. Equity financing is comprised of public equity, private equity, sovereign wealth funds, strategic equity (usually private), farm-ins, standby equity and equity linked debt.

In considering equity financing, it is critical that developers in these sectors take cognizance of the commodity price cycles and the impact these have on the valuations of companies. If the price of Brent Crude oil fell to say USD 50/bbl (it was USD 12/bbl as recently as 1998) and gold fell to USD 600 per ounce (it was USD 250 per ounce as recently as 2001) over the next 5 years, this would have an adverse effect on the valuations of ongoing developments. It is therefore prudent for developers to consider selling a portion of their future production forward, at fixed prices, as a way of hedging against possible downswings in commodity prices.



In the case of Uganda, the capital markets industry, despite the slow uptake, has steadily grown to an annual turnover at the Uganda Securities Exchange (USE) of USD100 million per annum. Further, to date, the domestic market capitalization (for the eight domestic listed companies) stands at about USD 1.2 billion, which is about 6% of the country's GDP. However, market capitalization should move up to at least 20% of GDP – which is about USD 4.2 billion over the next five years.

In 2012, the Capital Markets Authority approved the Growth Enterprise Market Segment (GEMS), a segment of the USE similar to what the Nairobi Securities Exchange (Kenya) and the Dar es salaam Stock Exchange (Tanzania) have, but also the equivalent of the TSX Venture Exchange (TSXV) of Canada, where small to medium sized companies with strong growth potential, can raise patient financing through the capital markets. The requirements for listing on this segment are less stringent compared to those for listing on the Main Investment Market Segment (MIMS), where all the other listed companies in Uganda are listed. In Canada, for instance, the Toronto Stock Exchange TSX and TSXV have had a combined total of 133 Initial Public Offers (IPOs); Australia Securities Exchange (ASX), Hong Kong and London exchanges have had 123, 13 and 24 IPOs respectively between 2009 and 2012. These four exchanges listed above accounted for 90% of the mining IPOs globally. The TSX and ASX average USD 13-15 million per IPO. Recently, Swala Energy which is listed on the ASX, and holds substantial equity in assets in Tanzania, Kenya and Zambia and an active business development program in Sub-Saharan Africa, listed on the GEMS market in Tanzania, making it the first oil & gas company to list on the GEMS in East Africa, and the second overall to raise financing through this segment. The company set out to raise TZshs.6.8 billion (USD 4.1 million) and the offer was oversubscribed by 30%.

The capital markets could also provide an exit for Government's investments in the pipeline or refinery after they are fully operational (as it has done during the privatization of some state owned enterprises) thereby giving Ugandans and East Africans in general, an opportunity to own into these investments, while raising funds for other Government programs in the process.

Therefore, it's important to note that whereas equity financing may be dilutive in nature, it remains the most preferred source of funding for oil & gas, and mineral extraction industry because of the long lead times of production. Sector players need to weigh the advantages and disadvantages of equity and debt financing depending on the timing/stage. The time for mining and petroleum businesses to grow is now and they must not wait. There is a wide range of financing options to choose from but key to note is that "it's better to own 5% of a large number than 100% of a very small number".

	Exploration	Development	Construction	Production
1 Public Equity	■	■	■	■
2 Private Equity & SWF				■
3 Farm-ins	■			
4 Standby Equity	■			
5 Strategic Equity		■	■	■
6 Convertible Bonds		■	■	
7 Streaming			■	■
8 Royalties	■	■		
9 Offtake		■	■	
10 Development Finance	■	■	■	
11 Project Finance		■	■	■
12 Equipment Finance			■	
13 Pre-Export Finance			■	■
14 Fixed Income				■
15 Commercial loans				■
16 Refinancing				■

Public equity can be used to finance all four stages of the extractives sector

The author is the CEO, Capital Markets Authority - Uganda

Hon. Elly Karuhanga

"With law reviews, Uganda's mining industry is bright"

The drive to turn Uganda's mineral occurrences into major cash-cows for the country continues apace. One of the key areas that need urgent addressing in this drive is the legal regime. Elly Karuhanga, the Uganda Chamber of Mines and Petroleum (UCMP) Chairman, shares his thoughts on these developments:

You were involved in a recent Mining Law review session; can you share with us the major talking points?

Following a cry-out by the industry that some mining laws were impractical, Government decided to review the Mining Act, 2003 and related regulations. For example the small scale and artisanal miners are not catered for in any significant way yet they leave immense environmental damage everywhere they go.

The requirement is that the mining inspectors from Government visit these mining sites every month to enforce environmental and safety standards, deter mineral smuggling amongst others but this is not happening. There has not been enough money to fund this though over the years.

Secondly land rights are hard to come by for many a miner because the law does not protect you. The law says minerals belong to the State yet the land is owned by the people – this is tricky situation. Even in cases where land is accessed, the issue of compensation and royalty sharing is also not well addressed.

In other words there are many things in the law which deter potential mining *i*nvestors; hence the law review. The review however, will be done in such a way that Uganda and its citizens benefit most from their natural resources.

So what is the way forward?

The three-day legal review retreat sponsored by the World Bank and organized by the Ministry of Energy and Mineral Development where the Uganda Chamber of Mines and Petroleum members were invited to attend is a positive step forward. Over the three days, we just concentrated our energies into finding ways to turn Uganda into a competitive mining nation. After the retreat, a sector-wide think tank has been selected to draft a Bill which by the first quarter of 2015 should be on the floor of Parliament.

Some of these reviews were also discussed at State House in a meeting with the President of Uganda. What have been the deliverables?

After the meeting with President Yoweri Museveni last year, he directed that there should be monthly meetings between UCMP and all the relevant ministries to find working solutions to the many hurdles that abound in the mining sector and implement some of the recommendations from State House; and delightfully all these meetings have taken place. There were technical meetings, Permanent Secretary level meeting and then there were ministerial meetings that were chaired by the Prime Minister.

All of these are significant milestones that have coincided with enhanced government enthusiasm for the sector. His Excellency the President has led this drive; often talking about minerals in both local and international fora since the December 2013, retreat.

How will the taxes on exploration and infrastructure bottlenecks be addressed amidst these changes?

The tax collector will continue charging a tax on exploration activities until the policy changes. Luckily the President shares our view that some of these laws are unfair so they will also be addressed henceforth.

As for infrastructure shortcomings, we cannot downplay the immense investment opportunities this presents for Ugandans and their foreign counterparts.

Already the Hoima-Kaiso-Tonya road is nearing completion in the oil rich Albertine region besides the planned airport in the same area. The opportunity for us to explore iron ore in Muko, Kigezi opens up railway investments. Government has also committed the funds for investing in the 600MW Karuma and 180MW Isimba power projects.

These opportunities are amazing and just require a little change in attitude by Ugandans to exploit them.

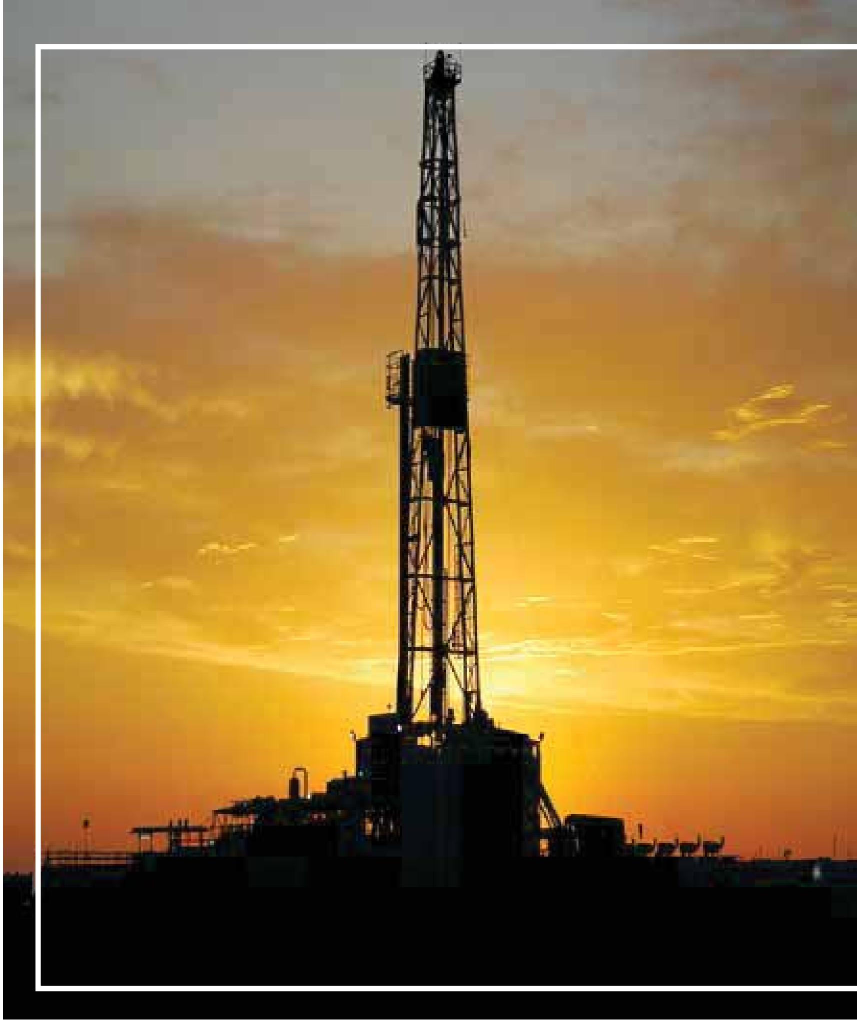
How do you attract mining investors to Uganda seeing that these capital intensive opportunities cannot be fully taken on locally?

Now this is the big challenge for a country like ours. Remember investors have so many investment opportunities that they are looking at. And because they have saved up their money and endured that pain, they will only take that money to where it has the highest chances to grow. Capital is a coward; it only goes where it grows.

So, yes, we may have many opportunities, but we must make these opportunities very attractive to the investors and make sure that once they have invested their capital, it is protected in the right environment with clear and enforceable laws. That way, the investor should be able to make a return on their investment and Government can collect revenue –win-win situation.

What is the MWC2014 conference going to add to this drive to make Uganda a preferred mining destination?

First of all we will be hosting top notch investors from around Africa and the world. These include leading players from top mining destinations like Australia, South Africa, Canada, Zambia, Ghana, Tanzania, Nigeria to mention but a few. And with President Museveni also attending as the Keynote Speaker, we will have concrete discussions on how to move Uganda forward.



Mineral Sector Policy & Law Review

what legal changes will improve uganda's attractiveness as a mining destination?

By Denis Kusaasira, LL.M Mineral Law & Policy, University of Dundee, UK.

In 2000, a formulated a new mining policy for Uganda. This was followed by enactment of the new Mining Act in 2003, and a new set of Mining Regulations in 2004. The major aim of the new policy and law was to stimulate private sector investment in the mineral sector, while government plays the role of regulator, and arbiter of disputes between private sector players. Shortly after formulation of the new policy and enactment of new laws, applications for exploration licences increased from220 to nearly 500 licenses by 2009. Investments in the mineral sector grew from US $ 5million in 2004 to US $ 70 million by 2009.

The marked increase in mineral sector investment created excitement and hope that Uganda was making strides in developing its mineral resources to emulate countries such as Tanzania which had also reformed their mining policy and laws in the late 1990s, and whose geological prospectivity is, to a greater extent, believed to be similar to that of Uganda. Unlike Tanzania, which saw an influx of big international players and the opening of six world-class gold mines, no major exploration projects have turned into serious mines since Uganda reformed its policy and law.

Investment decision making in the mining sector is not only determined by good mineral policy and good mining laws. Other factors such as presence of an attractive geological setting, a favorable tax regime at different project cycles, and access to land for mineral development are criteria for investment decision-making in the mineral sector. Geology is beyond control of Government. We either have attractive geology or we do not. On the other hand, policy and law are within Government control.

The Government of Uganda has now embarked on review of the current mineral policy and laws, which is likely to trigger change in policy and law, aimed at improving Uganda's attractiveness to mining investment. What changes can improve Uganda's attractiveness as a destination for mining investment?

Mineral Policy

As far as mineral policy is concerned, a shift from the pure first-come, first-served licensing policy, which potentially obliges the regulator to grant an exploration licence to the first applicant, may ameliorate the problem of granting licences to first applicants who have no financial and technical capacity to do exploration. A switch to the first-come, first-considered licensing policy, where the regulator's duty is to consider the first applicant without the obligation to grant the licence to the first applicant might provide a solution to eliminate passive speculators. Under this licensing policy, multiple marking out of prospective land is allowed to go on for a week or so, and the licence is granted to the applicant with better financial and technical competence. This allows some form of competition and allows government to grant the licence a person who is best suited to develop it, as opposed to merely the first applicant.

Tax Policy

As far as tax policy is concerned, elimination of frontloaded taxes may improve Uganda's attractiveness as a destination for mining investment. Currently, Uganda's tax policy does not favor mineral exploration investment. Front loaded taxes such as value added tax on imported goods and services make exploration operations expensive. An argument has been advanced by the Uganda Revenue Authority to counter this point. The argument is that VAT is recoverable once a company begins to make taxable supplies, and that it is the importer of goods and service providers, not the exploration company, that pays that withholding tax. This argument is tenuous in as much as it does not take into account the fact that the chances that an exploration company will make taxable supplies are as slim as the chances of discovering a mineable deposit. The chances that an exploration project will turn into a mine are less than 1%. It would be more prudent to exempt exploration companies from payment of VAT until when they have discovered mineable deposits, and when it is certain that they will commence production? A reduction of the rate of withholding tax on imported services from 15% to 6% is likely to make a difference, as it will reduce the exploration cost. The distinction in rates was intended to encourage use of local services providers. Since we do not have competent mineral services providers in Uganda, there is no justification for imposing a higher withholding tax on imported services.

Mining laws and access to land

Failed access to land has been one of the major impediments to mineral exploration and development in Uganda. Without access to land, a mineral right is a worthless piece of paper. Therefore, the review of the laws will to need to focus on enacting workable provisions for access to land for mineral development. The current provisions are vague and impracticable.

Under the Mining Act, a holder of an exploration licence or his or her representative is authorized to enter any land (private or public) to perform any activity necessary for conducting exploration operations (ss.31). The holder of an exploration licence has the exclusive right to apply for a Mining Lease (ss.34 (4) and 41). The applicant must show written proof that he or she has reached an agreement with the relevant landowners or lawful occupiers to use the area of land for conduct of mining operations. This, in mineral industry parlance, is what is called “surface rights”. Surface rights may be acquired by signing a land lease or agreement for rights to use the land on such terms as to duration and extent of the land. Surface rights agreement may grant exclusive or non-exclusive rights over the area to which they relate. Where the surface rights agreements do not grant exclusive rights, the landowner or occupier reserves that right to graze and cultivate on any land that is the subject of a mineral right, if such grazing or cultivation does not interfere with the proper working under the relevant mineral right or, pose a danger or hazard to

> *“Failed access to land has been one of the major impediments to mineral exploration and development in Uganda. Without access to land, a mineral right is a worthless piece of paper.”*

livestock or crops (ss.80). In such a case, the holder of the mineral right must pay compensation for any damage to crops, trees and building works damaged during the course of the operations of the mineral right holder (ss.82). Furthermore, the holder of a mineral right must pay fair and reasonable compensation for any disturbance of rights of the landowner or occupier; and for any damage done to the surface of the land by the operations under the mineral right. The basis upon which compensation is payable for damage to the surface of the land is the extent to which the market value of the land has been reduced by the damage occasioned by the operations under the mineral right (ss.82 (1)(i)). If the landowner or lawful occupier is dissatisfied with the compensation offered, the dispute shall be determined by arbitration (ss.82 (2)).

While ss.82 of the Mining Act sets a benchmark for computation of compensation payable to the landowner or occupier, it does not provide a solution in cases where the landowner does not want to grant surface rights. Further, the section does not provide a real solution in a case where a landowner is not satisfied with the compensation offered by the mineral right holder. The section does not name the arbitrator or provide guidance on how the arbitrator is to be appointed, and the rules the arbitrator is to apply in resolving the dispute. Moreover, the section refers to compensation after exploration operation rather than compensation before explorations. To this extent, ss.82 of the Mining Act is not practicable.

The Mining Act provides for acquisition of exclusive use of the whole or part of the mining area (ss.81). This may be done by obtaining a land lease or such other rights to use the area, upon such terms as to duration or the extent of the land to which the lease relates, as may be agreed between the holder of a mining lease and the landowner or lawful occupier. The Act further provides that if the parties fail to agree, the terms of the agreement may be determined by arbitration. This section has three shortcomings, which make it impracticable. Firstly, the section only applies where a mining lease already exists, yet exclusive rights may be required before a mining lease is granted. Secondly, the section applies at the request of the landowner or lawful occupier, meaning that if the landowner or occupier has not made a request, no negotiations can commence. Thirdly, the section provides for arbitration in case of failure to reach an agreement, but it does not name, or provide guidance for naming the arbitrator, and also offers no solution where a party is not willing to agree to arbitration.

A solution can be found in introducing a surface rights tribunal, which is empowered to imposing mining easements where there is failure to reach an agreement between landowners and mining companies. Such a tribunal may be comprised of persons with expertise in mining, law, survey and valuation.

Conclusion

The viability of the mineral sector is cyclical and subject to global factors including commodity prices, market demand, and relative mineral potential. However, policy factors can also be a key determinant in attracting globally mobile mining investment. Unfavorable tax policies and lack of clear rules to regulate the interaction of mining and other land uses can deter mineral development.

The author is a mining and oil & gas legal expert with ABMAK Associates. Email: dk@abmak.org

***Edwards Katto** (pictured) was recently appointed the full-time Commissioner, at the Department of Geological Survey and Mines. He shares his thoughts on the tasks ahead in this interview*

Having spent two years in acting capacity, what does being finally appointed the full-time DGSM Commissioner mean to you?

Being appointed the full-time Commissioner is good news to me but this does not mean that I will perform my tasks differently from the way I was been performing while in acting capacity. In any case, I will maintain and concretize the responsibility of administration and management of the mineral sector that I have been undertaking while in acting capacity.

Will your priorities in terms of deliverables change now that you are a full-time Commissioner? Maybe start on other structural and policy plans that may have been difficult to put into action when in acting capacity?

Whether in acting position or as full-time Commissioner, any patriotic citizen should always put in maximum effort to produce deliverables that are beneficial for the entire population of the country. As such, any right-thinking person would agree with me that putting away any plans because I am not a full-time Commissioner, would have been total misjudgment on my part.

What will your priority areas as DGSM Commissioner be?

Even in acting capacity I had set out priority areas to follow up. As a Commissioner, I will maintain the rational development and utilization of mineral resources in a safe and sustainable environment for the socioeconomic enhancement of the people of Uganda. In brief, the journey of the transformation of the mineral sector for the country's economic growth which I committed myself even when I was in acting capacity is completely un-stoppable.

The Mining Act is being reviewed at the time you come into the new seat. With structural changes likely to happen, won't this affect the Department's operations?

Reviewing of the Mining Act is very good as it fits well in Government's vision for the mineral sector in a way of establishing an effective, transparent and inventor-friendly regulatory regime to govern the exploration and development of mining activity in the country consistent with international standards and best industry practice.

The most important point to note about the on-going changes is that the Department of Geological Survey and Mines is being re-structured into a Directorate and in that regard there will be need to streamline and spell out who will be responsible for carrying into effect the provisions of the Mining Act bearing in mind that these duties and functions of administration of the current Act are vested into the Commissioner of the Geological Survey and Mines Department. I am strongly optimistic that the current initiatives put in place to review the Act will address this matter and subsequently put in place mechanisms for continuous smooth administration and management of the mineral sector under the Directorate.

Mining is also getting a lot of government attention of late with President Museveni directing various ministries to fast track

New Commissioner, Katto, is fired up!

> *"Integration of the mineral industry into the country's economy is quite encouraging bearing in mind that when the mineral sector is developed, it will contribute significantly to sustainable national and social growth."*

the integration of the industry into the country's economy (through beneficiation). As Commissioner, how are you going to position DGSM to shape the country's mining future?

Integration of the mineral industry into the country's economy is quite encouraging bearing in mind that when the mineral sector is developed, it will contribute significantly to sustainable national and social growth.

The President is encouraging value addition on most minerals mined and strictly to avoid them being exported in raw form. Yes, this is agreeable to all of us because we realize that similar finished products from these minerals when imported are quite expensive. Value addition of these minerals within the country of course also helps in generating employment for Ugandans which I believe fits very well within the national strategy of poverty eradication as these citizens will improve on their livelihoods.

To facilitate this beneficiation drive, the DGSM will of course maintain the collection and dissemination of geoscience data to all stakeholders and continue monitoring operations. We will also endeavor to encourage industry professionals to stay in Uganda so that all of us can participate in the development of the mineral sector and have it support sustainable national growth while ensuring that there is equitable sharing of the benefits from the mineral resources amongst the people of Uganda.

Adequate remuneration of government professionals to boost moral amongst staff and modernizing the DGSM laboratories remain high priority areas for Uganda's mining industry. What other key areas in the industry require urgent attention for it to move to the next level?

The Ministry of Finance should continue according the mineral sector high priority by providing adequate financial support, so that our mining industry becomes an internationally competitive investment destination. This will definitely mean a strong, dynamic and profitable mining industry for the benefit of the people of Uganda. The revised Mining Act too will definitely tackle many challenges. For example, the proposed harmonization of the Mining Act with the Land Act should make it easy for investors in the sector to acquire land for mineral exploitation instead of dealing with individual land owners that in most cases becomes a bit too extortionate when it comes to compensation.

On the issue of salaries, improvement of laboratories and operational funds as I explained above will simply depend on Ministry of Finance providing adequate funding to the sector.

is to sensitize them on mining. We intend to mobilize the artisans or illegal miners to form cooperatives/associations so that what they recover is declared, valued and royalties paid to the Government.

Steel Titan, ROOFINGS Excited By Mining Prospects

Roofings' MD, Sikander Lalani leads UCMP members on a tour of the Namanve plant

Steel products manufacturing giant, Roofings, recently received two iron ore exploration licenses as it seeks to expand its outreach in the mining industry value chain. And according to **Oliver Lalani (R), an Executive Director** *and the son of founder and chairman, Skander Lalani, Roofings will not stop at the two licences gotten so far, but will continues pursuing additional ones since its anticipated investment will require large quantities of iron ore. For now, the company is in the process of carrying out geological surveys to determine the quantities and quality of the ore on each location, Oliver notes. In this interview, he expounds on Roofings' future plans as far as the mining industry is concerned besides sharing some of the qualities that have kept the company on top:*

What are Roofings (and Uganda's) chances of adding value to the iron ore in the country in the current times where electricity is limited and some raw materials like coal are still not available in the country?

Currently we are still doing the feasibility study for our investment. We do not have the technology on site yet but have engaged extensively with financers, machine suppliers, and of course the local authorities to see how soon, and in what capacity we will install the machines. We are fully aware that energy is the main determinant and this will be a critical part of our studies in the next few weeks/months.

How much scrap are you sourcing from outside Uganda currently?

Going forward, how much steel do you intend to refine out of local iron ore to feed your plant? Will you continue importing raw materials?

Currently Roofings is purchasing close to 20% of scrap from outside Uganda. And as I mentioned, we are still in the process of determining the exact capacity which we want to install. It will probably be in the

"To produce flat coils from iron ore is a huge investment of >$1bn, and requires adequate infrastructure like a deep sea port, close to 1000mw of electricity, coal in plentiful or natural gas, etc. It will be some time before East Africa can justify investment in such an operation, so in short, we will not be substituting all our raw materials imports into the country"

range of 350 metric tons per day, which translates into an annual production capacity of 64,000 tons. This plant will produce long steel, which means that we will be able to make wire rod, billet, re-enforcement bars (steel bars), angles, and some small sections of beams, columns etc. However, we also use flat steel inputs for the manufacture of Roofing sheets, tubes, plates, profiles, etc. To produce flat coils from iron ore is a huge investment of >$1bn, and requires adequate infrastructure like a deep sea port, close to 1000mw of electricity, coal in plentiful or natural gas, etc. It will be some time before East Africa can justify investment in such an operation, so in short, we will not be substituting all our raw materials imports into the country. Nevertheless, we can easily say that close to 20% of our imports will be substituted, without considering that other players in our sector will also find it beneficial to buy from us so that they can take advantage of proximity, freight, and our trademark quality products.

Having started distributing your products to a more restrictive Kenya market recently, your quality standards must be of high repute. How much emphasis does Roofings' put on quality? Why should every company emulate your quality standards?

Quality is a way of life at Roofings Group. At every stage of our decision making, quality comes first. Whether it is in the machineries we purchase, the partners we work with, the staff we train, the raw materials we use as inputs or the extensive tests we carry out before dispatching our products to the market, we ensure to do it to the best of our ability. We are working with a Japanese firm, which has been in the business for 75 years who also hold equity in our company. They are helping us with knowledge transfer, technical assistance and extensive training for our engineers and operators. The Japanese school of thought is to continuously improve your efficiencies, quality standards and employee belongingness to the company. We have learned a lot from them over the years and have implemented the same school of thought at Roofings throughout our 20 year history in Uganda. Through enhancing efficiencies and producing in large scales, we are able to enjoy economies of scale which reduces our unit cost. This makes our product affordable in the market, despite being of the highest quality.

Every manufacturer should ensure that they provide the right quality products to the Ugandan and East African population because we are directly responsible for the standard available on the market. However, Uganda is still quite a price sensitive market so some manufacturers find it easier to sell if they can cut corners and sell substandard products cheaply in the market. We strongly believe that this way of operating is not sustainable in the long run. Uganda and the region will continuously require higher qualities as the complexity and scale of infrastructural and commercial development rises. Additionally, with such a high population growth and rapid urbanization, the price of land is also shooting up which is resulting in large residential estates being constructed. Finally, as household incomes continue to grow, and the regional consumers become more sensitized about the effects of using poor quality products I am sure that the quality cautious segment of the market will also continue to grow. For all this, Roofings Group is fully prepared and able to meet the criteria of the consumer and projects developers alike.

How can government address Roofings' electricity needs (a 35MW dedicated line apparently) especially seeing that the entire electricity generated in the country is all still way below what Uganda needs?

Electricity, as I mentioned earlier is a main requirement for steel manufacturing. The electricity generating and distributing companies have gone a long way to provide us with continuous electricity for our production. However, the quality of the power which we are receiving is still not up to the international standard. The service provider is fully aware and committed to solve this concern. The commissioning of additional generation capacity will surely help us all in growing our manufacturing activities, which is already underway at several locations in Uganda.

Apart from electricity what are the other challenges Roofings would like to see ironed out?

We would like to see more emphasis on a level playing field within the steel sector. It has come to our attention that not all manufacturers are playing by the same rules, which really hits us bad in the competitiveness of our products. Furthermore, the continuous development of our infrastructure like roads, bridges and railway will help us access deeper markets across the region. Finally even though the skill sets are improving amongst graduates, the availability of local expertise should be improved across the country. Roofings Group is keen to help with this, and is already doing so. With more industries like Roofings Rolling Mills in Namanve coming up, surely we will see a wider set of technical skills available in the labor market.

There have been calls for more involvement by local Ugandan firms in Roofings' success story e.g. handling distribution of product. Why is it important for Roofings to handle its entire value chain?

Currently Roofings works with 150+ distributors and dealers in Uganda alone. We provide credit, transport, and in time delivery to all these customers and have helped their businesses grow along the years. We are very proud to say that some of these businesses have grown into major players in the steel and hardware distribution sector. We do subcontract some of our services also, such as food catering, transport, and other services so that we can focus on our core business of manufacturing. Having said that it helps greatly for Roofings to have some presence in the retail market also so that we are sure that all our customers are able to access our products when they want them. It has happened that our customers have purchased non-Roofings' products at certain stores across the country under the pretext that the product was ours. With combined sensitization and support in bringing highest quality products to the country, our legitimate dealers and us will have to ensure that our genuine products are clearly marketed, benefiting the construction sector in all places.

What is Roofings total output currently?

Currently Roofings is producing close to 200,000 tons of steel per annum, this figure will continue to increase as our new plants mature and enter higher levels of capacity utilization. Our capacity to produce is closer to 350,000 tons per annum.

It has been suggested that at least over 60% of the steel product market in Uganda is controlled by Roofings amidst at least 10 other steel plants. How have you become this dominant?

Currently the steel consumption per capita in Uganda is 12kg. With a population of roughly 37 million that means that the total market is around 440,000 tons. This means that we are at about 40% market share at the moment. I think our dominance can be attributed to our continuous investment in innovation, capacity, people, branding and systems which translates into efficiency, consistency, quality, value for money and superb customer service. Our investments in Uganda are for the long term and I think the reputation which Roofings has gained as a responsible steel manufacturer has helped us to stay ahead of the competition. We would like to thank our customers, the government and all stakeholders for the continuous confidence and trust bestowed on us.

Having said that, the prices of steel products like iron sheets has not gone down much in the last 5 years yet your industry is raking in huge profits (propped up by an ever growing construction industry)?

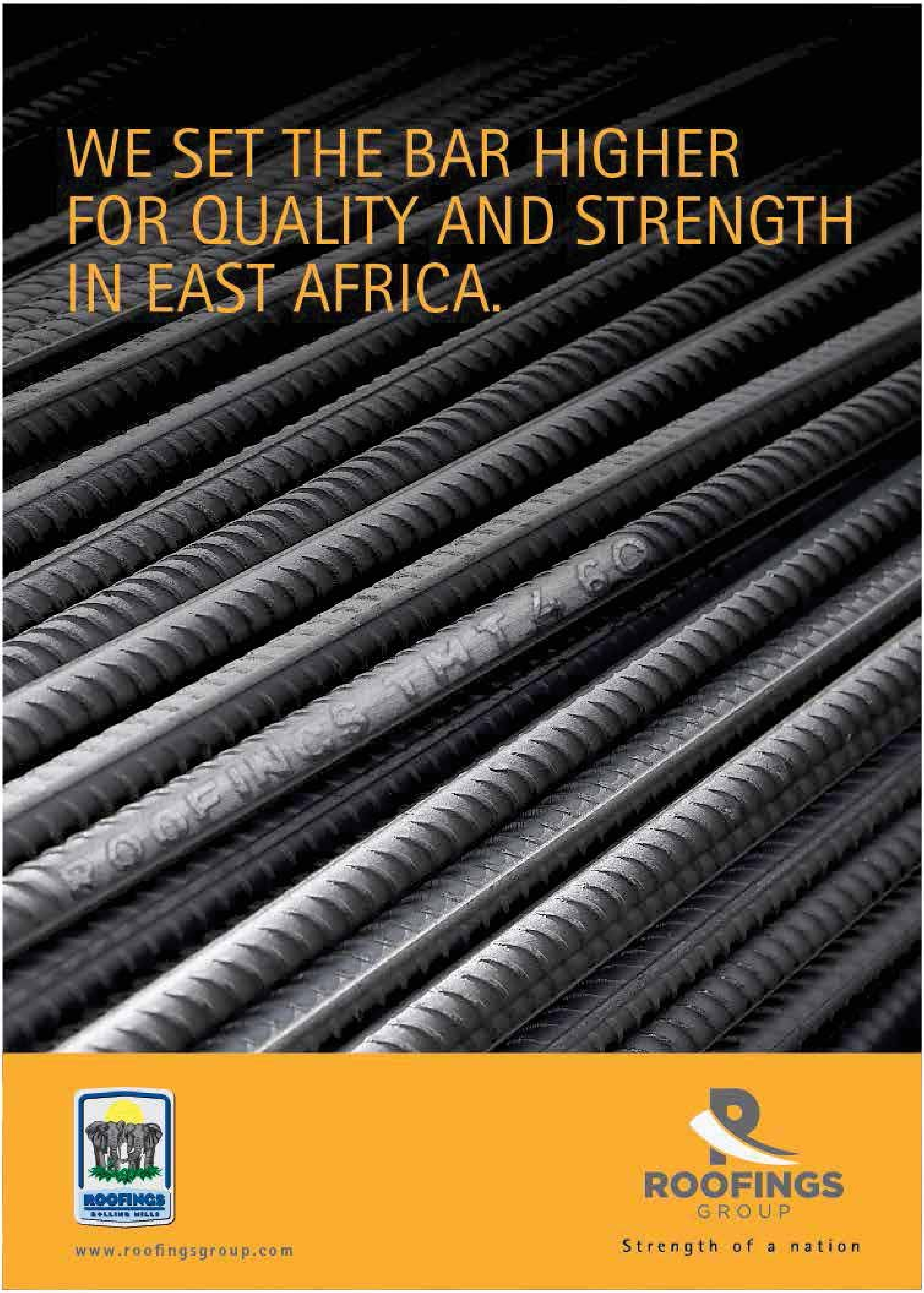
Since the completion of Roofings Rolling Mills Phase III, a cold rolling mill and coil coating complex, we are producing our own galvanized and color coated coils which are then made into roofing sheets. Before we started in September last year the price of one galvanized sheet was around UShs17,500, today we are selling the same sheet at UShs14,500 which translates into a 20% cost cut. Higher capacity and lower global steel prices are both creating this trend. Other products like tubes, plates, nails, etc have also followed the same trend.

As a company involved in value addition, what is your take on President Museveni's call for beneficiation in Uganda's minerals industry? And how best can Uganda go about this beneficiation drive?

I strongly feel His Excellency's call is in the best interest of the Ugandan economy. We are largely an import based economy and that is not so positive with regards to the balance of trade of the country. We have vast resources and by adding value to them we can substitute value added imports and get more value for our exports. The job creation, technology advancement and all the downstream business activity related to investing in mineral development through processing are all very much needed for the manufacturing sector in Uganda. The manufacturing sector will need a lot of support from the government in terms of the infrastructure available for such projects. Strong legislation and control is also required especially when it comes to mineral development, so that the revenues generated therefrom are re-invested appropriately to benefit the sector. Finally, as much as local productivity is crucial, further emphasis should be placed on regional development within the East African Community. Accessing the regional market and the ability to use regional resources as inputs will be of great importance going forward. I feel that the mineral sector is heading in the right direction and we are seeing more interest from the private sector as well as the government. As long as we can continue to engage in dialogue and understand each other better, act in the best interest of the country by managing the resources efficiently and responsibly, there is no limit to the benefits which Uganda's minerals could bring to the domestic, and regional economies alike.

Roofings' MD, Sikander Lalani makes a point as UCMP Chairman Elly Karuhanga and Vice Chairman Richard Kaijuka look on

Stuart Mwesigwa, Roofings Business Development Manager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Miners' fingers crossed, as Uganda builds power plants

Roadside traders sell their foodstuffs by a Karuma dam construction signpost

The spluttering sounds of running generators remain a permanent fixture at many of Uganda's mining sites, especially among those located in rural areas where there is no access to national-grid energy. With many firms yet to break even, the prospect of spending colossal sums of money on diesel to power their plants is something they dread.

A new report by Ernst and Young, titled, "Renewables in mining: futuristic or realistic?", advises mining firms to seriously consider dealing with their energy challenges or else face the prospect of spending more money that could eat into their returns.

"Mining is an energy-intensive industry and energy is an essential operational consideration. Energy access is becoming increasingly difficult and expensive in many regions of the world, with global energy prices leaping by 260% since 2000," the report, which was authored by Mike Elliot, Ernst and Young's Global Mining and Metal Leader, points out.

The report further points out that "Falling grades require more energy to extract each tonne of mineral. Miners are grappling with these increasing costs while commodity prices tighten, resulting in ever-narrowing operating margins."

Uganda's energy dilemma is well-documented. The country produces less than 1000MW of power. Roughly 15 per cent of the country's 36 million people is connected to the national power grid. Demand for power is growing at 10 per cent annually, according to government figures. The power plants coming on stream cannot match this demand.

The report notes that, "In emerging and frontier countries, the need for alternative energy sources is further amplified as mining and metal companies have to compete with both governments and communities for these scarce resources."

It adds: "Rarely does the economic value created with energy use come into allocation decisions. This has a direct impact on the industry's all-too-important social license to operate."

RoofingsGroup, the biggest steel products manufacture, which is soon embarking on iron ore mining, offers a clear example of the pressures mining firms face when they compete with the public for the limited energy resources. Roofings needs at least 45MW of power daily to run its steel plant in Namanve. That amount of power is more than enough to power an entire town.

"Electricity, is a major requirement in steel manufacturing. The electricity companies have gone a long way to provide us with continuous electricity for our production. However, the quality of the power we are receiving is still not up to international standards. The service provider is fully aware and committed to solve this concern. The commissioning of additional generation capacity will surely help us all in growing our manufacturing activities, which is already underway at several locations in Uganda," says Oliver Lalani, an Executive Director at Roofings.

Work on two huge energy plants – the 600MW Karuma hydropower dam and the 180MW Isimba hydropower dam – which Lalani alludes to above, is already ongoing. However, none of these plants is expected to come on stream by 2017 at the earliest.

The Ernst and Young report details the troubles mining firms go through to power their plants.

"Despite having extensive energy requirements, many mines are located in remote locations far from the power grid. Therefore, miners often deal with transporting diesel fuel over extremely long distances to feed on-site generators. The more remote the mine, the more likely alternative power solutions are required," the report noted.

Uganda has a plan to deepen its rural electrification programme. The country says it needs about $1 billion for its rural electrification programme in order to increase the access to power to a quarter of the population by 2022.

A number of energy plants have applied for licenses to produce electricity using the country's gas reserves – in the oil-rich Albertine Graben. Uganda has about 500 billion cubic feet of non-associated gas (independent gas), which translates to about 90 million barrels of oil equivalent, according to official figures.

The mining industry will hope that these energy plans do not stay on paper.

The report argues that "The role that renewables will play is not as remote or futuristic as you may think. The arguments for large investments in renewable energy go beyond sustainability and social responsibility, and have now become a solid economic reason for miners."

Companies like Hima Cement, the largest firm mining limestone in Uganda, produces some percentage of its own power using coffee husks. Kilembe Mines, which deals in copper, also has its own hydropower generation plant.

According to the report, many other mining companies globally are paying closer attention to power prices.

"Many of the world's largest mining companies are evaluating greater use of renewable energy plants — a trend set to intensify rapidly. This is part of a broader strategy to lock in long-term fixed electricity prices and availability while minimizing exposure to regulatory changes, market pricing and rising residential demand," it notes.

The solutions to mining firms dealing with their energy shortages are available, with new innovations taking the lead. The report points out that "The big turning point will be improving battery technology in both scale and cost, so renewable energy from solar power and wind consistently power mining's 24-hour operation."

It concludes by asserting that "What will really make an impact are the things that bring down the costs and improve the reliability — and they are the things that are more likely to be delivered in the next two to three years."

Weidong and President Yoweri Museveni commission the Sukulu phosphates project. The scheme will produce phosphate fertilisers, steel products, sulphuric acid, and rare earth minerals

Sukulu phosphates shake industry

The commissioning of the Sukulu Phosphate Comprehensive Industrial Development Project, on August 18, 2014 was a landmark event in Uganda.

Earmarked as one of the four flagship projects aimed at developing Uganda's mineral resources, it was important that the over $620m project kicks off sooner rather than later, as the country readies itself to develop its rich mineral potential.

Mr. Lv Weidong, the president of the Chinese firm Guangzhou Dongsong Energy Group, the holders of the mineral rights, noted how it is only a matter of time before Uganda sees its first phosphate fertilizer plant.

With a strong agricultural potential, the addition of a fertilizer plant should come as a great boost to Uganda's farming community.

Weidong notes that 5 months of extensive exploration work starting in September 2013, on the 26.5sqkm Exploration License of the Sukulu Phosphate Deposit, by Yunnan Geological Survey Bureau had revealed several exciting numbers.

"We found out that the first-phase exploration area covering 12.27 square kilometers contains 217 million tons of iron and phosphate minerals, which includes 62.45 million apatite, 429.8 thousand tons of niobium pentoxide and 890.6 thousand tons of Rare Earth Elements, mainly distributed in West Valley, North Valley and South Valley," said Weidong.

The exploration work of the rest 14.23 square kilometers will be completed in 2015 as the second-phase exploration area.

"In order to mitigate the displacement of the project, and in order not to free potential mineral prospective areas in the Exploration Licence, we requested for 600 acres of land from Government, where the factory complex will be located. We are glad, and appreciate the support Government has provided by granting us the 600 acres of land," Weidong added.

Guangzhou Dongsong, he notes, plans to establish a mine and a beneficiation plant with annual capacity of 2 million tons, a phosphate fertilizer plant of annual production of 300,000 tons, a sulfuric acid plant of annual production of 400,000, a 12MW waste heat-based power generation plant and a steel mill of annual production of 300,000 tons.

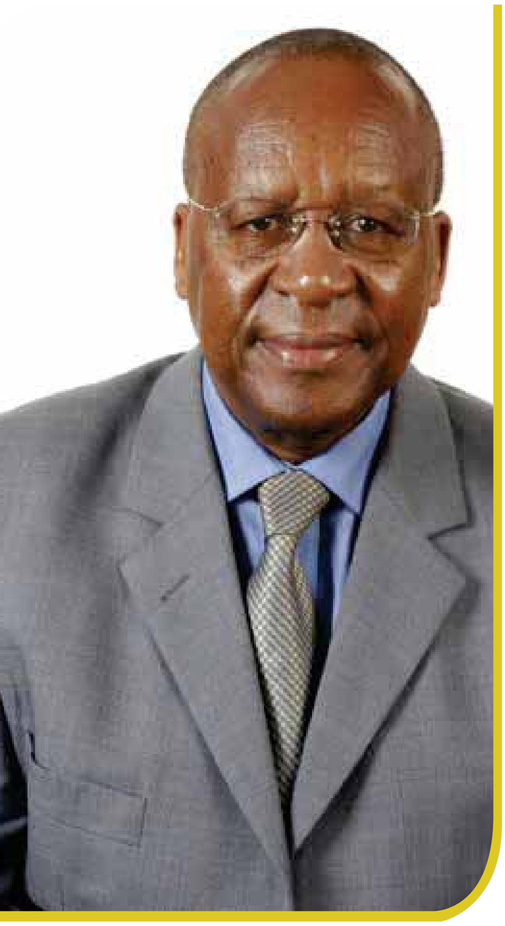
"This project will maximize the value of resources from Sukulu Phosphate Deposit. And local beneficiation and value addition will take us a step further in converting resources advantages into economic advantages, and demonstrating that it is possible for African countries to maximize benefits from their mineral resources, as President Museveni has relentlessly emphasized," he added.

Needing about 50 MW for the phosphate plant and about 200MW for the steel plant, Sukulu presents yet other energy worries for an industrializing Uganda.

"We shall need to purchase sulfur and coking coal, which will provide market for some of the products from the Oil Refinery," Weidong said.

To attract big investments

government must make the minerals industry a priority



Hon. Richard H. Kaijuka

Though it has demonstrated great promise, Uganda's mineral sector on the whole, remains largely uncharted. Essentially the country's mineral occurrences have only been identified through aeromagnetic surveys and other simple means with thorough quantification through exploration still way off.

As it is, exploration money is high risk. Just the other day, Neptune (Tower Resources) spent over US$50m in petroleum exploration in northern Uganda while Dominion spent $25m in the west, but both unfortunately encountered dry wells. These risks are real, as such, very few individuals and firms are willing to bet their savings on exploration.

Having mineral potential is one thing, but until significant money is spent on mineral exploration to define what resources are in the ground, there is still a long way to go before the big players are attracted and mines are established like is now the case with the phosphates project in Tororo.

I am positive, that in the long run, earnings from the Uganda's mining sector could even exceed those from oil and gas, once thorough minerals exploration is done and we move to the production stage.

There is indeed evidence to support what I am saying. Two mining companies; one from China and the other India, that are engaged in exploring for iron ore in Kigezi have so far discovered over 200 million tonnes.

Judging by the limited exploration that has been carried out so far, we think Uganda has well over a billion tonnes of iron ore deposits if you consider the occurrences – both in the west and east of the country. We may never exhaust this resource, but as a country, we need to move to establish an integrated iron and steel industry into the economy that will without a doubt move Uganda's manufacturing sector to another level.

Refining Uganda's iron ore would of course require coking coal as a fuel and a reducing agent (which coal we would have to import). However, we may have another option in the recently discovered gas reserves that are estimated at 500 billion cubic feet.

Besides, Canadian firm Murchison Minerals (locally operating as Pearl Mining) and Sipa Resources are also in the process of quantifying significant reserves of nickel, copper and platinum group metals near the Murchison Falls. Moving such discoveries to production will too require further investment to explore it further.

The iron ore and nickel discoveries, the investment in Kilembe by Hima Tibet, the US$600m Sukulu phosphates project by Guangzhou Dongsong Energy Group of China are significant in Uganda's quest to breathe new life into the mining sector as well as attracting new investors. Another example are the Mukutu aluminous clays in the east of the country. Initial studies show that these clays which contain alumina and rare earth elements [REEs] are estimated to be worth $500 billion.

But to successfully attract exploration and mining investments off countries like Zambia, Namibia, Mozambique, DR Congo, Mali and Ivory Coast – the leading countries in Africa in terms of drawing Foreign Direct Investment in the mining sector currently – Uganda may have to think outside the box and have government supplement private sector efforts in exploration to determine what lies underground.

Once such mineral resources are defined and quantified, and this information is made available to the investment community, financing or indeed attracting the big mining players cannot fail. In the meantime, international symposiums like the Uganda Chamber of Mines and Petroleum's (UCMP) Mineral Wealth Conference held every October, can continue generating great debates on how to move the minerals industry forward.

It is true that we, at the UCMP have always emphasized the need to increase the funding to the Department of Geological Survey and Mines (DGSM), but I understand there are conflicting priorities in Government.

To put it bluntly though, I am of the view that the minerals sector deserves as much support as that granted to the oil and gas industry. And this backing should not stop at only exploration financing but should also include giving the DGSM incentives; essentially the mining department should be put at the same level as the oil and gas department so that there is enthusiasm and vibrancy from the workforce.

The writer is the Vice President of the Uganda Chamber of Mines and Petroleum and a former Energy Minister

President Museveni speaks at the MWC2013

insuring against project delays

By Munyaradzi Daka

Investment into the highly lucrative mining or oil and gas sector is a highly risky business considering the many parameters that often are associated with such ventures and projects. There are often a myriad of challenges and hurdles that the investor has to endure before the project even kicks off.

Most of these challenges come with addressing of the national laws that govern the exploration of the resources and in markets where the exploration is its infancy or just commencing this often results in project delays.

These delays whether perceived or real present income loss scenarios to the investing entities as plans are shelved and start up dates are shifted or postponed. The investor having already set up camp and invested in capital expenditure and recruited personnel take a financial hit when these delays occurs.

Insurance plays a role by mitigating some of these risks associated with delays in start-up and related challenges.

It is advisable to take up customized insurance solutions for each peculiar project and these can be in the form of structured political and trade insurance policies. Depending on the extent of economic and political exposure as perceived by the investor they will require specific or one-off protection linked to a particular context, period and market. The coverage sought would be for any of the following , changing legislation, contract breaches, expropriation, nationalization, armed conflict, labour unrest, acts of terrorism, or simply bureaucratic delays. Contract Frustration Insurance is one form of this protection that can be purchase among the various options of political risks insurance and covers the eligible losses resulting from political and commercial risks.

Unfortunately the risks for the investors do not stop only with these scenarios as highlighted but continue into the project phase. When the project is being funded through project financing usually there is collateralisation of loans with project assets and their repayment purely on the basis of project earnings. Therefore the revenue generation capability becomes a critical financing factor and usually strict terms and conditions regarding delays in scheduled project completion will be factored into the resultant contract between financiers and principal(the investor in this case). There are many scenarios which can affect the timely completion of a project. Delays in completion of the project can result from any of the following

> *"It is advisable to take up customized insurance solutions for each peculiar project"*

- Delay due to the new build facilities being lost or damaged
- Physical blockage and/or obstruction at ports of material or equipment critical to the project.
- Damage to Contractor's property and equipment
- Delay as a result of illness, death or injury to key person or persons.
- Cancellation, withdrawal or non-issuance of certification by the Project certifying authority

To avoid further income losses and anticipated future losses it is advisable to take out Advance Loss of profits policies or Delay in Start Up Insurance. Delay in Start Up (DSU) insurance is intended to compensate the Insured (the investor) for loss of gross projected profit and expenses suffered due to the postponement of the start-up date or delay in completion of the project as scheduled.

Delay in Start UP insurance is thus designed to secure the portion of revenue which the principal requires to service debt and realise anticipated profit. It provides fairly broad protection against

delays arising from physical damage caused by any type of the insured losses.

The losses arising under the Delay in Start Up insurance will be become payable according to the trigger date contained in the policy. It is the agreed date the project was anticipated to be complete and the company's commercial operations were to commence and such date may be linked to a contractually defined term.

Lastly, normally a Contractors All Risks policy is recommended to cover the losses to the actual build or facility and the compensation will be for rebuilding such. The Contractor policy covers the period that the project is being zconstructed and normally the relevant maintenance period after completion of the physical infrastructure.

The author is an Insurance Consultant, who until recently was a technical expert at the African Management Services Company (AMSCO) in Nigeria. Email: munyah2001@yahoo.co.uk

MultilinesEA trucks whose purchase targeted the oil sector

Achelis excited by East African prospects

With headquarters in Germany and subsidiaries all over East Africa, Achelis Group of Companies represents a number of well-known equipment manufacturers across the world. Popular brands like Hyster, Utilev, Bomag, New Holland Construction, Karcher and Manitou are all associated with the firm – a factor that is likely to have contributed to its dominating of the East African regional market for at least 50 years.

Now the company is looking at consolidating its top position in the next half century as the region readies itself to fully exploit its rich extractives' potential.

"Achelis is well established and best suited to provide the nascent East African oil & gas and mining industries with quality equipment and technical services," says Hans-Georg Hinterberger, Managing Director, Achelis, Uganda.

Adding: "For the mining industry, Achelis has a product range best suited to solve many of the industry's most serious challenges. High quality, durable in rough environment and suited for extraction and processing of primary resources."

In the oil and gas industry segment, Achelis has already demonstrated global prominence in both the non-core services as well as providing equipment for the extraction and processing of crude oil and gas.

"As the local partner and representative of manufacturers who have been working for decades with the oil & gas multinational companies we can provide solutions for all stages of the exploration and production process," Hinterberger notes.

Bornemann Multi-Phase Pumps

He notes that Bornemann Pumps GmbH produces a range of pumps which are most suited for pumping the quality of crude oil found in the East African region. "Because of the high viscosity and high content of paraffin in the crude oil coming out of the regional soils, special solutions are required," says Hinterberger.

As such Bornemann has developed pumps which can handle the oil in Uganda without the requirement of heating, he contends. A specialty of Bornemann's, adds Hinterberger, are their multi-phase pumps which allow oil & gas to be processed without the environmental harmful flaring of the gas.

Drilling Fluids

As distribution partner of Kareva from Germany, Achelis provides drilling fluids of high quality to the exploration activities of the oil industry.

"In geotechnical engineering, drilling fluid is used to aid the drilling of boreholes into the earth. Often used while drilling oil and natural gas wells and on exploration drilling rigs, these fluids are also applied in much simpler boreholes, such as water wells," Hinterberger explains.

Bornemann pumps at Shell Nigeria (L) and at ENI AGIP site in Tunisia

A location map of the Murchison Project

Murchison area shows good signs of **Base & Platinum** Group metals

Whereas it has caught the eye because of its petroleum deposits, the Murchison area in north western Uganda is showing promise on the minerals front.

A Canadian exploration company, Murchison Minerals Limited, through its Uganda subsidiary of Pearl Mining (U) Limited is actively exploring for base metals, precious metals and platinum group metals, in the Murchison region where it controls Exploration Licences over an area of approximately 1,200 km2.

The company, Murchison Minerals Limited, was created as a result of a recent reverse takeover transaction between Manicouagan Minerals Inc. and Flemish Gold Corp.

The Murchison property covers most of what is interpreted by Flemish from airborne magnetic data as a new major mafic-ultramafic intrusive complex.

Flemish's deposit model is targeting magma conduits that are the feeders to major mafic-ultramafic intrusions. Some of the world's largest Ni-Cu-PGE deposits are hosted in magma conduits e.g. Norilsk-Talnakh, Voisey's Bay and Jinchuan.

The exploration work completed over the past 4 years has confirmed the prospective nature of Murchison's land package which hosts both ultramafic and sedimentary rock formations. Analysis of the data generated by a government regional airborne magnetic survey identified over 25 magnetic bodies within the licence package. One of these bodies, the Karuma body, is postulated to be large folded ultramafic rock bodies which have the potential to host massive sulphide deposits.

Exploration completed to-date by Murchison Minerals has mostly focused on the 12 km-long Karuma body, being the largest of these ultramafic targets.

Work completed on the Karuma body includes detailed interpretation of the airborne data, plus the historical regional gravity data, regional and detailed soil geochemical sampling, ground magnetics, gravity geophysical surveys, moving loop and fixed loop EM surveys and detailed mapping.

The ground EM surveys over the Karuma have identified some 15 conductors spatially related to high gravity signatures. Soil geochemistry has confirmed the presence of anomalous values of nickel, copper, chrome, cobalt, platinum, palladium and gold in distinct anomalies also spatially related to the EM conductors. In addition to the above, several extensive zones enriched in scandium (up to 118 ppm) have been identified. The mapping has shown disseminated sulphides have also been observed in country rocks straddling the Karuma target area.

The results of a recent of the 1,013 metre diamond drilling program completed in July 2014 on the Karuma area: three of the four widely spaced drill holes drill holes intersected potentially economic grades of near surface, as well as deeper seated nickel mineralization. All four holes intersected sulphide mineralization.

The results confirm the potential to define both Ni-sulphide type deposits as well as Nioxide type deposits at Karuma and support the notion that a large tonnage shallow, low grade/low strip ratio, nickel deposit(s) may be identified. Furthermore, there are five deep seated EM conductors located within the 500 ppm Ni contour of the soil anomalies that have yet to be explained by drilling. Only visibly mineralized sections have been assayed to-date in these four holes.

Given the shallow nature of the nickel mineralization intersected in the initial diamond drilling program, the company proposes to drill additional shallow reverse circulation ("RC") holes (subject to financing) (each approximately 40m) to test the continuity and lateral extent of the mineralization located by the diamond drill holes as well as the two other nearby nickel soil anomalies.

"Down-the-hole" EM surveys are also planned for some of the drilled in order to locate and better define specific moving loop and fixed loop conductors.

In the addition to the above and subject to financing, Murchison also proposes to drill 3 lines of shallow RAB (Rotary Air Blast) holes totaling at least 800 m to test the Katulikire gold anomaly which occurs in soils overlying metasediments to southeast of the Karuma body. Here values of up to 0.76 g/t Au were recorded in soil sampling, associated with up to 192 ppm As, 418 ppm Cr and 3,440 ppm Ba. The gold anomaly covers an area of approximately 2 km by 3 km.

"There is available infrastructure in the area to support its operations. Building of a 600MW power plant at Karuma is already underway, while oil activities nearby have also helped in opening up other infrastructure like roads," says Mr. J.C. Potivin, the CEO/President of Murchison Minerals Limited.

To the west of the Murchison project area is also a top tourist area, the Murchison Falls National Park, the biggest in Uganda. Animals such as elephants, crocodiles, giraffes, among others are in the National Park.

New Renault Trucks Boost Productivity

With this new range, Renault Trucks makes the truck a tool for customer productivity. Renault Trucks has made this tool as efficient as possible to enable hauliers to carry out their assignment. This is because the manufacturer believes that the truck is a profit centre which should never let its customer down, should make its drivers feel proud and should protect the customer's business.

Renault Trucks offers a complete range of Euro 3 vehicles dedicated to Long Haul with the Renault Trucks C road, to Construction with the Renault Trucks C and K and to Distribution activities with the Renault Trucks D Wide and D Cab 2.1 m.

Designed and developed in co-operation with its international customers, the vehicles in the new range have undergone the most stringent testing in the history of Renault Trucks.

In terms of vehicle design, this is reflected in the core specifications of this new range. Each component has been designed to respond to a functional requirement, to be efficient on the road and at the same time, to make its owner or the person driving it feel proud. The design of the new vehicles and their equipment guarantees their driver maximum safety and comfort.

Renault Trucks offers a wide range of engines and cabs suited to the needs and activity of the customer. The manufacturer also provides a range of services; Optifuel Solutions, to help customers reduce their fuel consumption on a daily basis.

For a truck to become a true profit centre, from vehicle design stage, Renault Trucks has put vehicle robustness at the centre of its focus. Renault Trucks has adopted the most efficient tools and methods to guarantee its customers enduring reliability. And in times of need, Renault Trucks also provides its customers fast and effective support. Thanks in particular to its network of 1600 sales and service points worldwide, Renault Trucks ensures a quick response with minimum vehicle downtime.

The design of the new vehicles and their equipment guarantees their driver maximum safety and comfort. Continuous improvement to on-board living and working conditions is a major concern for Renault Trucks.

Characterised by their robustness, efficiency and comfort, the new Renault Trucks Euro 3 range of vehicles is available now at Victoria Motors.

Boys working at a copper mine in south-east DR Congo. Campaigners stress that rebel militias are being funded through corrupt metals trading (Net Photo)

Mineral Certification

What Uganda Ought to Know and Consider

By Stephen Turyahikayo

Uganda is a member state of the International Conference of the Great Lakes Region (ICGLR). In 2006, it was one of the signatories to the ICGLR protocol on illegal exploitation of natural resources that set in motion the process for mineral certification. On 15th December 2010, the Lusaka Declaration of the ICGLR Special Summit to fight illegal exploitation of natural resources in the Great Lakes Region was signed by the ICGLR member states, Uganda inclusive. In particular, this declaration endorsed the six tools developed to curb the illegal exploitation of natural resources in the great lakes region. The six tools include; a) Regional Certification Mechanism; b) Harmonization of National Legislation; c) Regional Database on Mineral Flows; d) Formalization of the Artisanal Mining Sector; e) Promotion of the Extractive Industry Transparency Initiative (EITI); f) Whistle Blowing Mechanism.

The ICGLR Lusaka Declaration further acknowledges some of these six tools is still work in progress that needs further reflection and refinement but calls on the relevant institutions in the member states to implement the regional certification mechanism that was developed for monitoring and control of the exploitation and trade of natural resources in the Great Lakes Region. The implementation of the regional certification mechanism in all the member states is based on and guided by the Regional Certification Manual and Standards. Mineral certification focuses on Tin, Tantalum, Tungsten and Gold that are Designated Minerals for certification and considered to be at the center of illegal mineral exploitation in the Great Lakes region. These are the same minerals targeted under the United States Dodd Frank Act, section 1502 on conflict minerals and this also enacted into law in 2010.

The mineral certification process, requirements and compliance standards are all defined in the ICGLR certification manual and standards in addition to the different roles of the stakeholders in the process. In summary, mineral certification consists of: a) Legislation; b) Mine Site Inspection; c) Chain of Custody Tracking; d) Third Party Audits and Database of Mineral Flows e) ICGLR Certificate and Export Procedure f) Independent Mineral Chain Auditor.

Legislation

Member states are responsible for putting in place an appropriate legal framework for implementation of certification process in their respective countries. Mineral certification is not provided for in the Mining Act, 2003 and Mining Regulations 2004. This creates a huge challenge in as far compliance is concerned in Uganda. In addition, it is necessary for the respective protocols to be domesticated to pave the way for integration of mineral certification into the relevant mining laws and regulations. As a way forward, the relevant institutions in Uganda (i.e. Ministry of Justice and Constitutional Affairs and Ministry of Foreign Affairs etc) are encouraged to consider domestication of the relevant ICGLR protocols as the first step towards compliance. Thereafter, existing mining laws and regulations should be revised to accommodate mineral certification. The regional certification manual and standards defines all that needs to be done in as far certification is concerned and therefore the mining legislation review process should seek to incorporate these into the Ugandan Mining Act and Regulations.

Mine Site Inspection

This is intended to classify mine sites into distinct categories i.e. either GREEN or YELLOW or RED depending on their compliance with the defined standards in the certification manual. GREEN classified mine sites are compliant with the standards i.e. there is neither any forms of armed conflicts nor human rights abuses associated activities at this mine site. This mine site is certified and can produce for export. YELLOW classified mine sites are partially compliant having failed on one of the defined standards. However, mine site is neither associated with armed conflicts nor human rights abuses. This mine site can still produce for export and has a six months grace period to correct the identified non compliant areas. Another inspection has to be conducted after the six months to determine if this has been corrected. If corrected, mine site gains GREEN status and becomes certified to produce for export. If not corrected, mine site becomes RED flagged and cannot produce for export until highlighted issues are corrected. RED classified mine site is either associated with armed conflicts or gross human rights abuses. Such mine site is totally non compliant and cannot produce for export until highlighted issues are corrected. RED classified mine site is either associated with armed conflicts or gross human rights abuses. Such mine site is totally non compliant and cannot produce for export.

Who are the recognized entities to carry out these mine site inspection?

Government mine site inspectors are the sole recognized entities to undertake these inspections in the respective member states. Uganda has able and competent mine site inspectors for this in the Geological Survey and Mines under the Ministry of Energy and Mineral Development. In the absence of competent government mine inspectors, ICGLR accredited inspectors are the other recognized entities that can perform such mine site inspections.

What is required of the member states after these inspections?

A member state is required to share the inspection reports with the ICGLR secretariat within thirty (30) days after completion of this inspection.

Chain of Custody Tracking

Member states are required to have chain of custody systems at mine sites to track all mineral produce at certified mine sites and along the mineral supply chain to ensure they are neither associated with armed conflicts nor gross human rights abuses. The member states have either option to develop their own traceability systems or consider private sector players (e.g. Geotraceability, iTSCi etc) for this service. The mineral certification manual and standards allows member states to have as many chain of custody systems i.e. can either be for each designated mineral or geographical region etc. Member states are required to enter binding agreements with traceability service providers specifying all collected chain of custody data by their systems remains the property of the member state and must be transmitted to the member state for sharing with the ICGLR secretariat all times without any hindrance. Therefore, mineral traceability service is a MUST at all tin, tantalum, tungsten and gold mine sites under the mineral certification mechanism.

Third Party Audits and Database of Mineral Flows

Third party audits are undertaken by independent auditors to ensure that all processes at certified mine sites are compliant with the ICGLR standards. These audits under ICGLR certification mechanism are intended for compliance with the OECD due diligence guidance

"Mine sites intended to export are required to submit their paper work to the relevant agency prior to export and at this point the database of exporters is consulted for information on the status of the mine site intending to export"

for responsible mineral sourcing from conflict affected and high risk areas. ICGLR accredited third party auditors are already in place and the recognized entities to perform such audits.

A public regional database to track all mineral flows and exports in the regions is in place. The purpose of this database is to help track and balance the production, purchases and exports of designated minerals in the region. Member states are obligated to provide their collected chain of custody data to the ICGLR secretariat for inclusion in this regional database with exception of pricing information which can remain confidential.

ICGLR Certificate and Export Procedure

The regional certification mechanism specified a two year phase in period for the member states before ICGLR certificates become mandatory for all designated minerals (i.e. tin, tantalum, tungsten and gold) from the Great Lakes region. During this phase in period, member states were expected to develop their ICGLR certificates and implement measures for certification of their designated minerals. On 15th December 2012, exactly two years after the Lusaka Declaration, ICGLR certificates became mandatory for designated mineral flows in the region. An ICGLR Certificate for Uganda is not in place as yet and this complicates export of designated minerals originating from Uganda.

Nevertheless, a provision exists for member states whose certificates are not ready by this time to request for a one year extension of the phase in period but indicating their reasons to the ICGLR secretariat. If the secretariat is convinced, then it may grant this request and minerals flows from the affected country can continue using the existing export documents i.e. export permit in the case of Uganda. There is neither an ICGLR certificate in place for Uganda nor has it requested for an extension of the phase in period. Serious consideration of these shall reduce pressure hanging on producers of designated minerals in Uganda.

Under ICGLR certification mechanism, member states are required to put in place an export procedure for designated minerals produced in their respective borders. Mine sites intended to export are required to submit their paper work to the relevant agency prior to export and at this point the database of exporters is consulted for information on the status of the mine site intending to export. In addition, the information regarding the export is shared with the ICGLR secretariat. If the mine site is either GREEN or YELLOW, then exporting progressing can continue. If the mine site is RED flagged, then export processing stops and material is impounded. In addition, the member state is supposed to put in place a set of two officials to handle the export procedure. Exports that meet all the requirements are issued an ICGLR certificate that remains valid for 90 days. The two government officials are both required to sign on issued ICGLR certificates.

Independent Mineral Chain Auditor

The ICGLR Independent Mineral Chain Auditor is appointed by the ICGLR secretariat and responsible for assessing and qualification of all the above certification steps across the member states to ensure compliance with the specified certification standards.

Mineral certification in Uganda can be achieved. In spite of all the above steps, it is a simple process. The Ministry of Energy and Mineral Development is already welcoming chain of custody tracking service providers into the country. This is a commendable step but more is yet to be done. Care must be exercised not to mistake chain of custody tracking with certification. The former is just one of the components of the latter. Therefore, creation of an enabling legal framework through domestication of ICGLR protocols is a crucial starting point for successful certification in addition to integrating the certification manual and standards into the Mining Act and Regulations. Complying fully with ICGLR certification mechanism is adequate for Ugandan minerals to access international markets.

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GeoTraceability continues fight against conflict minerals

Apple's iPhone 6; its latest product. The company has moved against the sourcing of minerals like tantalum – used in capacitors and resistors in its devices – from conflict areas

On December 13, 2013, Geotraceability Limited (a subsidiary of PriceWaterhouseCoopers, UK) received formal approval from the Government of Uganda to engage with the country's producers and exporters of tin, tantalum, tungsten and gold, with a view to provide mineral chain of custody services supporting compliance with the International Conference of the Great Lakes Region (ICGLR) Regional Certification Mechanism (RCM).

Uganda is a member state of the ICGLR and the process of national implementation of the RCM framework is ongoing. Therefore exporting these minerals requires the implementation of a mineral chain of custody system along their supply chain, to demonstrate their origin and conflict-free nature. In addition, designated mineral producers are expected to periodically make their chain of custody data available to the ICGLR regional database of mineral flows.

To ensure full compliance with international conflict-free requirements for all its customers, GeoTraceability has also partnered with the Better Sourcing Program (BSP) to offer the Ugandan mineral sector a full and comprehensive mineral chain of custody and due diligence compliance package. This will enable producers and exporters of tin, tantalum and tungsten ore, as well as gold, to gain access to international markets and meet their obligations under the ICGLR RCM. BSP is supported by the Conflict Free Sourcing Initiative (CFSI) a group of downstream companies and industry associations operating the Conflict-Free Smelter Program, a key component of current due diligence efforts by manufacturers and end-users to ensure their supply chains do not contribute to the funding of armed conflicts in the Democratic Republic of Congo (DRC). BSP and GeoTraceability are already active in other ICGLR member states such as the Republic of Congo where they are supporting conflict-free tantalum exports to international conflict-free smelters.

GeoTraceability's services for Uganda and the Great Lakes Region aim to efficiently support operators towards meeting their compliance requirements while accompanying their operational development. BSP also offers a degree of flexibility which is necessary to accommodate the specific circumstances of each producer, operator and supply chain, with a view to stimulate on-going improvement of upstream supply chain conditions, improve communication and attract further investment into the sector.

For more information on the Better Sourcing Program or to see an on-line demo of the GeoT platform, please email contact@bsp-assurance.com.
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Mexico In New Mine Spill

This pool of water with sulphuric acid is used to extract copper stones inside the "Buena Vista" copper mine, a subsidiary of Grupo Mexico.

In September, the Mexican authorities issued a new alert about a toxic spill into a river from a copper mine run by the mining giant Grupo Mexico.

Officials in the northern state of Sonora asked people not to use water from the Bacanuchi river after an orange stain appeared in it.

On 7 August gallons of sulphuric acid poured into the river. At the time local officials accused the company of trying to conceal the accident and of lax supervision. The chemical, which is used to dissolve copper from ore, turned a 60km (40-mile) stretch of the Sonora River orange, causing the authorities to shut down the municipal water supply to 20,000 people in seven towns.

Following the reports of a new spillage, the mining company said a storm overflow after heavy rains had caused a new leak.

Grupo Mexico said in a statement the company had contained it with pumps and suction. The Sonora state civil protection agency said it was ending its relationship ith the mining company because it was continuing to discharge toxic substances into the river.

The company has denied the accusations and has set up a $150m trust to pay damages. It says it has also been conducting a major clean-up operation.

More than a quarter of Mexico's mining activity is located in the north-western region, making it the country's top producer of gold, copper and graphite.

Ministry of Energy official, Gabriel Data (L) consults a local leader at the Kanan mining camp in Utut village, Muruita in Nakapiripirit, Karamoja

Karamoja to be mapped

Finally, it will be possible to have a better picture of how huge Karamoja's mineral potential is.

Government has set aside Shs37 billion to finance airborne geophysical surveys for the region, which is known to be rich in some of the most precious metals such as gold. The money will be spent this financial year, 2014/2015.

A number of mining companies are already operating in Karamoja. However, the region has not been exploited to its full potential partly because of the limited geophysical data.

"Although, Karamoja region was not mapped, the region continues to register mineral investment ventures due to its mineral potential and favourable geological setting," according to a project status brief from the ministry of Energy, which was released in May this year.

The surveys, when complete, will turn around Karamoja's outlook, according to the ministry.

"A vibrant mineral business in Karamoja will bring greater economic benefits to enhance opportunities for employment, improvement of household income and revenue to enable Karamoja local governments to earn revenue to improve social services, security and infrastructure in the region," the brief points out.

Government officials have conducted sensitization sessions around the Karamoja region to educate the people there about the benefits of mining. Among the issues they discussed were: project activities, mining laws, environment, health and safety of miners, among others.

It was important that the ministry of Energy undertook such sensitization sessions because there tends to be conflict between local residents and the miners over land encroachment and employment opportunities. Some mining projects in Uganda have stalled as a result of such tensions.

Zambian mines' chamber appeals for VAT refund

The Chamber of Mines of Zambia recently appealed to the government to refund withheld value-added tax (VAT) so that the mining industry could continue to contribute optimally to the country's economy.

"Our sincere appeal is that VAT's rule 18 be looked at urgently and resolved," said the chamber, which added that exporting mining companies had been meeting all the claim requirements, bar the stipulation of proof of arrival in receiving countries, for which it was impossible to obtain customs documentation, owing to the potential for commodities to change hands several times before reaching their final point of consumption.

The chamber emphasized that while mining had the potential to continue to be the engine of the Zambian economy for a long time to come, it needed to be nurtured to generate the revenues needed for the economic diversification of the country, which, according to mining research consultancy Wood Mackenzie, already imposes a relatively high overall effective tax rate of 45% on mining companies.

The Extractive Industries Transparency Initiative reports that Zambia's mining revenue nearly doubled to Kwacha 7.7-billion in 2011, a year in which the mining industry contributed 44% of the total tax take, up from only 5% from 1997 to 2006.

In a media statement released to Mining Weekly Online, the chamber appealed for an urgent resolution to rule 18 and outlined how failure to pay withheld VAT refunds would force the cash-constrained industry to cut back on capital projects, lower production, make suppliers wait longer for their money, interrupt certain corporate social investment projects and diminish the collection of revenue by the Zambia Revenue Authority.

Conversely, a refund would place Zambia's mining industry in a position to return to its customary winning ways of increasing mining investment, boosting manufacturing production and sustaining and creating jobs.

When the Zambian mining industry was in private hands for more than 40 years from the late 1920s, consistent investment led to copper production reaching 750,000 t/y and 64 000 direct jobs were created, but when it was placed in State hands for 24 years from 1972, copper production fell to 250 000 t/y and employment came down to 22 000 jobs.

When privatized again from 1997 to 2000, investment rose to $10-billion and mining expanded beyond the traditional Copperbelt into the North Western province, which resulted in copper production rising beyond 760 000 t in 2013 and direct jobs increasing to 90 000 in the same year. (miningweekly.com)

earthbeat trains miners in mercury usage

By Stephen Turyahikayo

"Every gold miner and distributor and whoever enjoys jewellery will understand the necessity of harmonization of the value and prosperity of all players across the gold supply and value addition chain."

Earthbeat Solutions Foundation is a Swiss not for profit non government organization at the forefront of supporting artisanal and small scale gold miners around the world to improve their mining situation for a better livelihood and socio-economic transformation across these gold mining communities.

At Earthbeat Solutions Foundation, we share a positive vision of our world in which extraction of natural resources for the jewelry industry is in harmony with nature and humanity, mine workers get appreciation for their work, governments obtain their taxes and above all miners and their communities enjoy lasting prosperity. The global future of the gold extractive industry is that every mine which extracts gold, every business which distributes it and everyone who enjoys jewelry will understand the necessity of harmonization of the value and prosperity of all players across the gold supply and value addition chain. This sense of responsibility is to become the standard and not the exception.

Available statistics suggests that more than 200,000 women and men directly depend on artisanal and small scale mining and more than 800,000 indirectly depend on ASM for their economic livelihood. Approximately 10% of these women and men miners are directly engaged in artisanal and small scale gold mining. Nevertheless, significant challenges still exist in areas of formalization, working conditions, mining and mineral processing methods, fair market access, environment management, value addition, organizational and business management skills etc.

Through Heartbeat Uganda Project, Earthbeat Solutions Foundation is engaging artisanal and small gold mining communities in Uganda towards happy and responsible mining. In February 2014, women and men gold miners in Busia District became the first beneficiaries under our initiatives in Uganda and these received a donation of safety and health equipment as part of awareness campaign to appreciate the importance of their personal safety and health during the gold mining process.

In addition, the miners were taken through an introductory course and demonstration training on possible value addition methods using their locally produced gold. This process guided the miners to produce a gold band using their local gold.

Uncontrolled use of toxic mercury during gold processing is a serious environment and health concern among artisanal and small scale gold mining communities. As an interim measure, Earthbeat Solutions Foundation through Heartbeat Uganda Project has donated Mercury Retorts to the beneficiary gold mining communities for safe use of mercury during their gold processing stage. The future focuses on identifying and extending appropriate mercury free best practice technologies relevant to the context and scope of these gold miners. We appreciate our Environment is our future and together let us conserve it for the present and future generations. We encourage this for all miners, humanity and related activities.

Earthbeat Solutions Foundation continues to build a critical mass and awareness to drive improvements in artisanal and small scale gold mining towards happy and responsible gold mining. Therefore, national governments, international agencies, like minded non government organizations, public and private sector players, women and men artisanal and small scale gold miners are appreciated as crucial stakeholders and success partners. All stakeholders are welcome and shall be engaged for their contribution.

One of the beneficiary miners (R) receives the donated mercury retorts and safety gloves from the author

Artisanal miners in Karamoja. Artisanal miners usually show no respect for the environment

MITIGATING THE RISKS

Investment and Sustainable Development in the Mining Sector

By Ahamya Sam Butsya

Mining as an economic activity has been described by various commentators as "the extraction and exploitation of natural resources," the word mining is frequently used to describe the whole process and any stage within the process from the actual extraction to the finished product. However with in the mining sector mining is mainly used to specify just the mine production with other stages taking different names.

Minerals are classified in various classes being, Energy Minerals, Metallic Minerals and non-metallic metals that are mainly construction and industrial. However this article shall not focus on the energy metals as they are treated separate and their exploitation is normally regulated by specific laws and typically have extensive government involvement in their extraction and sale.

Mining is a risky venture because of the associated risk in respect to the accuracy of the geological data, size of the deposits, and quality of the ore/reserves, whether they are of commercial viability to warrant further exploitation and final development of the mine. The monies spent during the initial process are sunk costs and cannot be recovered if the discovery is unviable, hence project financing of the exploration of any mine or mineral deposit is rarely heard of and most exploration is done using equity of the shareholders and promoters.

The investment decision to develop a mine or venture into a mining jurisdiction is based on several factors both internal relating to the investor/company position and external factors relating to the host country and global economic situation. The investor would require the host government to meet some conditions or offer guarantees before the investment decision is made in respect to reliability and accuracy of the geology and data in respect to the mineral deposit, political stability and security, protection of investment from nationalisation, security of land tenure and access to land, progressive fiscal, legal and regulatory policies and laws, mineral and mining rights, reliability and security of power supply as well as reasonable infrastructure (roads, railways, ports).

It is equally important to consider the host countries perspective and expectations from the investor which normally include, the guarantee of a fair share of the revenues from the exploited resource, actual development of the mine, application of modern technologies that are environmentally friendly, use of best practices and procedures in the extraction process, waste management and mining closure, respect and compliance to the domestic and municipal laws/ regulations, technology transfer and human resource development, local content emphasis in the procurement and supply chain and well as beneficiation and value addition of the minerals mined.

It is important that as the investor and government look at how best to position themselves in respect to the benefits accruing to either party, they should consider the needs of the current and future generation in relation to the finite exploited resource, because that will define and determine how the state/current generation exploited the resources to address their needs and whether or not they did consider those of the future generation. This concept of thinking and approach towards the exploitation and development of natural resources was coined out from the Brundtland Report, "*Our Common Future*", published by the World Commission on Environment and Development in 1987 and later emphasised during the United Nations Conference on Environment and Development at the Rio de Janeiro summit in Brazil in 1992.

The Brundtland Report gave the "classic" definition of Sustainable Development as: "development that meets the needs of the present without compromising the ability of the future generation to meet their own needs". Although looked at initially from the environmental aspect following the growing international concerns of global warming and climate change, sustainable development has evolved to encompass a broader scope than climate change and environmental issues. The pillars of sustainable development originally centred on environmental, social and economic issues, however it was later realised that minus the political support from the home governments, very little progress would be achieved without the recognition and inclusion of the political support from the home governments to achieve sustainable development in the natural resource mining industry.

Sustainable development is not an end point but a continuous process involving the above four mentioned pillars interfacing and working

The pillars of sustainable development originally centred on environmental, social and economic issues, however it was later realised that minus the political support from the home governments, very little progress would be achieved

concurrently to try and ensure maximum benefit from the resource for the current and future generation. In trying to reach the balance between investment and sustainable development in the mining sector there often are clashes between the investor's needs, host government expectations, the local community and civil society in respect to the land use and access, environmental issues, social and local community concerns as well as the economic considerations.

The International Council of Minerals and Metals (ICMM) has encouraged the mining companies, governments, communities, private investors and other stake holders to clearly address the country's position and the broad implications of issues that are likely to arise through; Engagement and Discussion, Community Involvement, Environmental Considerations, Economy and its Performance, Institutional Arrangements and Governance Structures, Synthesize and Continuous Learning to Improve Capacity this is meant to ensure responsible mining is carried out and limit the negative externalities of any project and try to ensure realisation of sustainable development and investment in the mining sector.

In bid to realise reasonable levels or progression towards sustainable development, there is need to ensure and develop inter-sectorial linkages between the mining industry and the other sectors of the society and economy like the service sector, agriculture, trade and industry, human development and social infrastructure improvement to ensure that once the resource is/has been exploited and or depleted, the present generation has been able to plan and put in place systems, structures and mechanisms that would address their needs as well ensure that the future generation would still benefit from the investment and development of the resource.

Countries that have tried with varying success to exploit their natural resources and plan for the future, those that have almost succeeded are Norway, Saudi Arabia, Chile and Botswana these countries have tried and set up sovereign wealth funds where most of the revenue collected from the royalties and taxation is saved to cater for the future generation.

Controlled consumption and expenditure as well as wise investment, planning and savings of the current earnings coupled by sober political leadership and constant review of the laws and policies will crate and attractive environment to further attract and retain investment into the host countries economy and mining sector as well as ensure that the country can greatly benefit from the exploited resource to be able to set a firm foundation for the future generation to build upon and address their own needs.

The author is an advocate, LLM Petroleum Taxation and Finance (Dundee),

LLM Mineral Law and Policy (Dundee) and Managing Partner

Petroleum Energy and Mining Consult Limited (PEMCO)

Uganda's Mining Sector Needs Careful Trade-Offs

By Jeff Mbanga

For the first time in recent memory, the significance of Uganda's mining industry was one of the key points that the country's finance minister, Maria Kiwanuka, made when she read the national budget speech in June. It did not go without notice that mining, a sector that has been neglected for decades, was now a key factor in Uganda's ambitions to become a middle income country by 2040.

When Kiwanuka read some of the figures around Uganda's mineral wealth, they were mindboggling. She said iron ore discoveries, estimated at over 200 million tones, in some parts of western Uganda, had a gross value of $15 billion, more than half the country's current Gross Domestic Product of $22 billion. Vermiculite reserves at Namekhara in Eastern Uganda, she added, were valued at $11.5 billion. Gold reserves totaling 7.8 million ounces had a total gross value of $10.9 billion.

If you add up these numbers, without looking at other mineral deposits such as rare earths elements, the mining industry alone is far bigger than Uganda's current economy.

These numbers should get the government thinking about supporting the sector. Infrastructure investments that the government is making in energy and roads should target some of these areas where mineral exploration is taking place.

Without government support, it is difficult to attract investors to the country. Uganda's mineral sector is still considered high-risk. There have not been substantial discoveries to attract mining heavyweights such as African Barrick Gold or Anglo Gold Ashanti to the country.

Road construction works on the Kampala-Masaka highway. The new road was commissioned early this year .

This means that most of the mining firms operating in Uganda today are junior companies, with capital investments of not more than $5 million.

As it is, there is just too much burden on these firms. Commercial banks are not ready to finance such high-risk operations, while the capital markets and private pension bodies, which could offer another avenue of finance, are still in their infancy.

At least government has remained steadfast in improving the country's energy supply and road network. The mineral industry will need more than that, however. A railway network remains key to the mining industry. Government has signed a new Memorandum of Understanding with a Chinese firm to build a standard railway gauge between Tororo and Pakwach, a line that could play an important role in supporting the mineral industry.

The Karuma power plant and the Isimba power project, both of which are being partly financed by the Exim Bank of China and the Uganda government, should be able to bring close to 800MW of power on the grid by 2018 at the earliest.

To finance these infrastructure projects, government will have to find the money from somewhere, most probably through tax. With all the monetary wealth of Uganda's minerals, the industry looks like an easy target. It is not.

Government faces a delicate act balance of taxing the mining industry and attracting investments there. If government is to offer incentives to the industry in order to attract investors, how far and deep should the trade-off be?

For an industry as young as Uganda's mining, there might be some tax incentives that government will have to put on the table for mining companies. However, government has to put in place measures to ensure that these incentives are not abused as has been the case in other sectors.

Mining firms should know that these tax perks are not free. Government needs to be strict on implementing performance benchmarks for mining firms if these incentives are to make any meaning. The habit of holding onto mining licenses without any substantial investment to follow that, as is rampant today, needs to be dealt with.

There should also be stronger screening for the investors coming into the sector. Companies need to demonstrate their capability in financing the project, and sourcing the expertise to carry out the job, before being awarded a license. Short of that, Uganda could be a magnet for companies moving illicit funds around without any substantial investments on the ground.

Government policy on sensitive areas like land needs to be made stronger too. Some mining firms are already battling artisanal miners, which has slowed down projects.

There is a need to sensitize indigenous communities about the benefits of mineral projects in their areas. The local people need to feel they are part of the project.

Mining firms can do this by ensuring that the local youth are the first to benefit from the available employment opportunities.

Mining firms should also deepen their corporate social responsibility activities. There is no reason as to why indigenous people living around mining areas should struggle to access such basic amenities like clean water and medical services. Only then can all the mineral wealth that Uganda boast of make an impact on ordinary citizens.

The author is a partner at Deep Earth International, a company that covers the oil, gas, mineral and energy sectors in East Africa.

Optimism as government makes progress on oil pipelines

As two consortia—Russia's RT Global Resources and South Korea's SK Group—vie for the contract to construct Uganda's refinery, the country is also in the final stages of attracting investors to develop a network of pipelines that will transport both crude oil and refined products.

A 205 kilometre long pipeline is planned from Hoima to Kampala as part of the refinery project, two feasibility studies are currently on-going for two other pipelines, the Eldoret-Kampala (Buloba) pipeline, which will be 325km long and the Kampala-Kigali pipeline.

According to the Petroleum Exploration and Production Department (PEPD), the selection of lead consultant to carry out a feasibility study and Preliminary Engineering Design of the Hoima-Lokichar-Lamu crude oil pipeline is also on-going.

Already Australian consulting giant WorleyParsons is set to complete establishing a strategy for the Transportation and Storage facilities of products this year.

Progress in the development of the pipeline boosts the sector with optimism because the infrastructure is needed to transport crude especially as Uganda nears the production phase estimated to start by 2018.

Government and the three oil companies, Tullow, CNOOC and Total agreed to have a pipeline and a refinery of 60,000 barrels per day starting with a phase of 30,000 b/d by 2018.

In its financial report issued earlier in April this year, Tullow Oil Plc noted that both Kenya and Uganda agreed to build the pipeline.

In this arrangement, Kenya is to construct the pipeline from Lokichar and Uganda from the Lake Albert rift basin to link up with the Kenyan pipeline. South Sudan and Rwanda are also expected to connect to these pipelines.

The pipeline on the Ugandan side will also have an offshoot line to Jinja and construction of a user depot at the pipeline terminal in Kampala.

The study for the development of pipelines and storage facilities of petroleum commodities (crude oil and gas) from the fields to the refinery was undertaken by Fichtner MEI Oil and Gas from Germany and concluded during March 2012.

Planning for the transportation of crude oil from the oil fields to the refinery and for export has commenced.

A study covering the distribution and storage facilities of petroleum products from the refinery to markets was undertaken by CPCS Transcom from Canada and concluded during November 2012.

Uganda has recently revised upwards, its oil reserves from 3.5 to 6.5 billion barrels.

The governments of Kenya, Uganda and South Sudan agreed to procure one lead consultant to carry out preliminary designs for the construction of an oil pipeline to transport the crude.

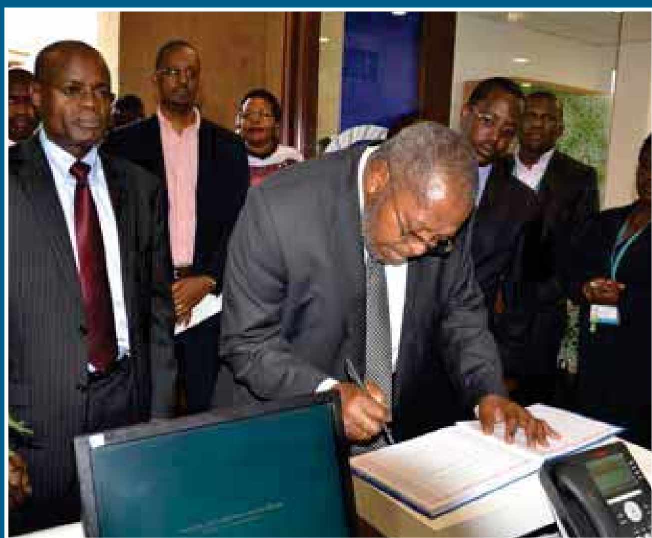
A Memorandum of Understanding for the development of the pipeline was signed early this year and a Request For Proposal (RFP) for the joint procurement of a lead consultant developed.

The governments of Kenya and Uganda together hold a 49% (24.5% each) share in the pipeline project, while private investors will have a 51% stake.

A Project Steering Committee comprising of Permanent and Principal Secretaries of the responsible line Ministries from the participating member states is also in place.

Meanwhile, on the Kenyan side, the Kenya Pipeline Company (KPC) signed a contract with Lebanese construction firm Zakhem International to construct a pipeline linking Mombasa and Nairobi noting that the old pipelines were too old and vulnerable.

Chamber Pictorial



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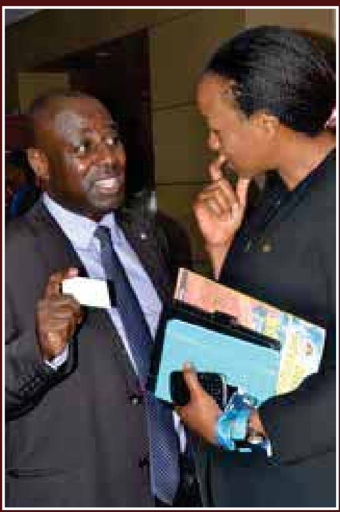

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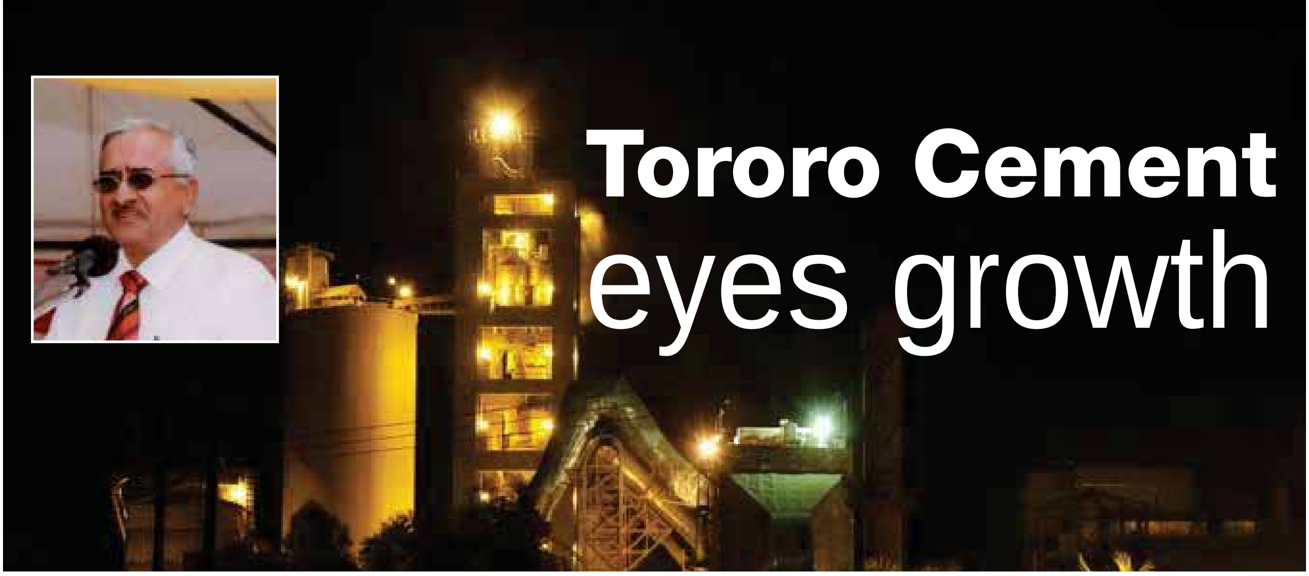


Tororo Cement eyes growth

Tororo Cement Limited (TCL) has become the latest company to join the Uganda Chamber of Mines and Petroleum. The Eastern Uganda based firm will bring considerable clout to the budding UCMP seeing that it is one of the mainstays in the country's recent mining history.

The largest manufacturer of cement in Uganda – for long producing 1.4 million tons annually – Tororo Cement has since expanded its capacity to 1.8 million tons after adding ultramodern technology, a cement grinding mill, rotary packers and storage silos.

"We have strived to stay at the very top in Uganda's mining sector; operating in the districts of Tororo, Kapchorwa, Moroto. And we do all this within the country's mining and environmental regulations. As such, Tororo Cement contributes about Shs1.5 billion ($0.6m) annually to the exchequer," says B.M. Gagrani, the Managing Director.

Expansion

Tororo Cement Ltd's owners gave the company its present name after acquiring it in 1995 from the Government of Uganda. A carefully executed staff recruitment drive coupled with well tested operational strategies has seen the company emerge as the leading and largest manufacturer of cement in Uganda over the years.

TCL has not limited itself to producing only cement – albeit various types – it also manufactures and distributes various construction materiels like corrugated iron sheets, nails, chain link and barbed wire under the reputable brand Nyumba.

The high quality of its products, which has since attracted UNBS and ISO certification, has seen the company build a huge customer base across the East African landscape in addition to the Democratic Republic of the Congo and South Sudan markets.

These expansion and upgrading projects have happened in phases. Since 1995, TCL has invested more than $150m to upgrade the clinkerzation plant and to expand (with updated technology) the cement-grinding, storage and electronic packing system.

TCL also undertook a major expansion and diversification campaign in the steel section with the goal of adding stylish and innovatively colored iron sheets to the market.

"Tororo Cement's policy is to continuously satisfy its customers through supply of consistently superior products under effective quality management system, in time delivery and efficient after sales services. We also ensure that staffers and all the stakeholders in the company are committed to the quality management system objectives through regular training and education," Gagrani says.

Social Economy

Tororo Cement directly employs 900 people while providing approximately 16,000 indirect jobs in the Tororo district area. This is notwithstanding its mining operations in Kapchorwa and Moroto districts where clinker and marble are procured respectively.

Besides that, TCL also boasts being a top seven revenue contributor to the Uganda Revenue Authority.

Amidst all this, the company has continued to directly contribute financial assistance and building materials to various district and national projects.

These include constructing a school in Kapchorwa near its mining lease plus bridges, culverts, roads, school and dispensary in Karamoja. Need students in Karamoja have also benefited from school fees and scholarships from TCL. In Tororo, building renovations (Osukuru School) and road repairs have been carried out by the company while it has also offered food stuffs to internally displaced people at the district. Primary school children around the factory have also had their meals taken care of by TCL with the company mainly feeding them off its 200 acres of banana plantation.

Others include a UWESO donation for HIV project assistance and another to Busiro North Development Foundation. Clean water natural springs at six places in Tororo district have also been set up while a Public Health Clinic has been constructed for the local community. In Karamoja, a fully equipped Mobile Health dispensary is run by the company.

TCL is also a proud sponsor of the UCMP organized Mineral Wealth Conference, slated for October 1st and 2nd, 2014.

Challenges

Tororo Cement has had its fair share of challenges. Foremost being the high foreign exchange conversion costs paid on the many imports needed in the running of the company. "Uganda being landlocked, there is a high importation of major inputs like fuel, minerals, spares among others," notes Gagrani.

Reliable electric power is also a rarity which means the cost of fuel is another concern. Besides, there is too a noticeable lack of a sizeable pool of skilled manpower and other support infrastructure.

"Conversely there are positive steps by the state to improve the road network, skilled labour, banking and telecommunication plus rapid industrialization. These developments will play a very positive role our industry once they come to fruition," he adds.

By joining UCMP – an association charged with encouraging, protecting and fostering responsible exploration and participation in the mining and petroleum sectors – Tororo Cement Ltd will now have counterparts with similar concerns; which should make pleading its case to the state easier.

NOC, Oil Authority Takes Shape

A few years ahead of oil production, President Yoweri Museveni has appointed managers for the two critical oil bodies — the national oil company (NOC) and the petroleum authority of Uganda.

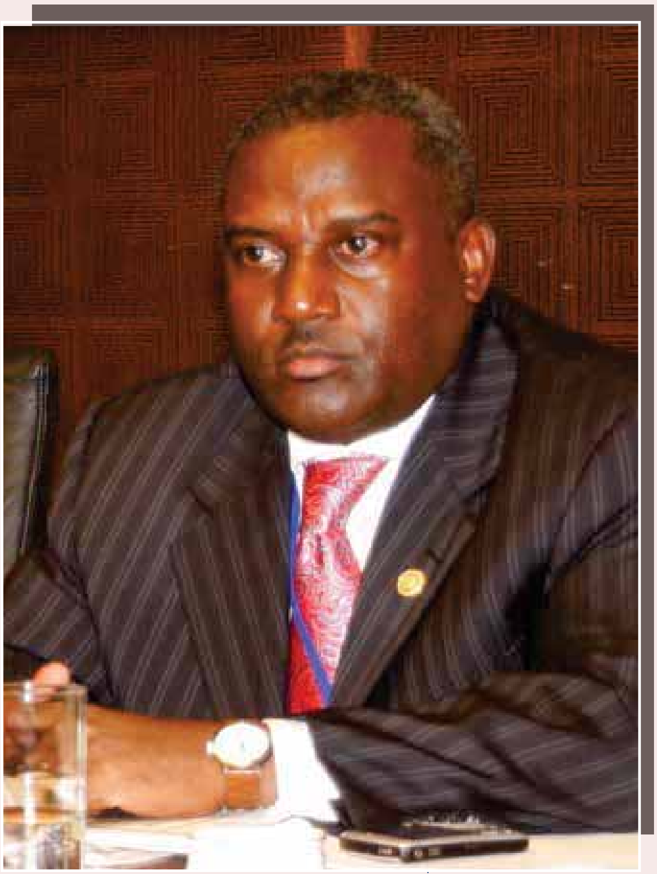
The NOC, which will be 100 per cent state owned, will be mandated with managing the country's commercial aspects of petroleum activities and the authority with monitoring and regulating exploration, development and production of petroleum, according to the Petroleum (Exploration, Development and Production) Act, 2013.

The Petroleum Exploration and Production Department (PEPD) notes that the Production Sharing Agreements (PSAs) provide for state participation of between 15 to 20 percent during production and it is the National Oil Company (NOC) that will take care of the state participation.

After President Museveni forwarded his appointees for the boards of the two bodies, the NOC and oil authority are expected to become operational once parliament fully approves them.

Here are the president's appointees;

National Oil Company Board



Emmanuel Katongole

Katongole, 52, is the current Executive Chairman, Board of Directors, Quality Chemicals Ltd, he is also the founder company chairman and shareholder of Vero Food Industries (Uganda) and also the shareholder and director of Tinosoft Ltd, which is a local Uganda IT company.

Katongole won the Africa Business Leadership Award 2012 hosted by the Africa Development Bank, the 2012 Africa Entrepreneurship Award hosted by the Africa Leadership Network and was a finalist for the East Africa Ernst and Young Entrepreneur of the Year 2011 Awards

He holds a Master of Arts Degree in Economic Policy and Planning (MA-EPP) and a Bachelor of Statistics degree both from Makerere

University.

Godfrey Andama

Currently an operations manager DRACO (U) LTD, Andama worked previously as geologist and principal geologist, project manager in Sino Minerals Investment Company Ltd, STRATAGEM Ltd, COWI Consult-Consulting Engineers & Partners NORPLAN (U) Ltd and Ministry of Natural Resources.

He has in the past served as a site geologist for Uganda Electricity Board and Geoplan (U) Limited and the Principal Geologist- Transaction Advisor for the Divestiture Kilembe Mines Ltd under Serefaco Consultants Limited in Association with JT BOYD of USA.

Between 1993 and 1995, he secured a Master of Geo-Science at Norwegian University of Science and Technology (NTNU), 1992 – 1993, a post graduate diploma in Petroleum Exploration and Production, at Norwegian University of Science and Technology. He got his BSc. (Hons) Geology/ Chemistry, at Makerere University.

Francis Twinamatsiko

Twinamatsiko currently heads the Oil and Gas Taxation Division, Tax Policy Department Ministry of Finance, Planning and Economic Development.

He has worked in the ministry since May 2000 when he left the Uganda Bureau of Statistics as a Project Economist. His role includes providing input on petroleum fiscal regime, tax administration and the energy policy. He also represents the Ministry on Oil and gas matters such as Task force on petroleum institutional development, Inter ministerial committee on the development of Lake Albertine resources, refinery development, advisory Committee meetings, taxation of petroleum, petroleum revenue policy, petroleum fund management and negotiations.

Twinamatsiko holds MSC in Energy Studies Specialising in Energy Finance from Dundee University, Scotland, MA in Economic Policy and Planning and BSC degree with a specialization in Economics from

Irene Paulene Bateebe

Since 2009, Bateebe has been a chemical engineer, midstream Petroleum unit, Ministry of Energy and Mineral Development and she was a chemical engineer, Energy for Rural Transformation project between 2007-2009.

In 2010, she was part of a study team that was attached to the Foster Wheeler Energy Ltd (FWEL) project team as chemical engineer in Reading, UK

She got an MSc with Distinction, in Refinery design and operation (Advanced Chemical Process Design) from The University of Manchester

In 2010, she also got an MSc Mechanical Eng - Sustainable Energy Engineering at Kungligatekniskahögskolan, Sweden (Royal Institute of Technology).

Bateebe got her BSc, Chemical and Process Engineering from University of Dar es Salaam in 2005.

Tubwita Grace

Is pursuing a masters in urban Governance and Management from UMI, where she also attained a post graduate diploma in Urban Governance and Management -2007 to 2009 , has a certificate in Urban Land Management from Kungliga Tekniska högskolan, Sweden and holds a Bachelors in Urban Planning from Makerere University.

Francis Nagimesi

Nagimesi has a BSc.(Hons) degree in Zoology from the University of East Africa(Makerere), has served as the Sironko LC Chairman and is a member on the Busitema University Council.

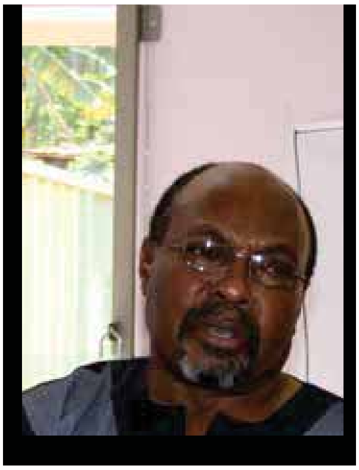
In 2000, he was the General Manager/CEO Produce Marketing Board and Board Chairman Uganda Coffee Development Authority and previously, the CEO Coffee Marketing Board and Director Uganda Coffee Trade Federation, among others.

Biwaga Stella Marie

Biwaga is currently the program manager and member of Federation of Women Lawyers (FIDA) and has worked as legal officer, Ethiopia Women Lawyers Association (2008) and Mbale project on "Eradicating poverty through Human Rights Awareness".

She is pursuing a post graduate Diploma in Monitoring and Evaluation at Uganda Management Institute, has a Post Graduate Diploma in Governance and Natural resource (MSTCD) Management MS Training Centre for Development Cooperation, Tanzania, and one in legal practice form Law Development Centre and Bachelors of Law from Makerere University.

National Petroleum Authority



Reuben Kashambuzi,

Kashambuzi, 65, was between 2010 and 2012, a Ministry of Energy Chief Technical Advisor for the National Oil and Gas sector, National Oil Company, Petroleum Directorate and National Petroleum Authority.

From 1990-2009, he led a team of geophysicists and technicians in extensive and detailed gravity and magnetic ground follow up in the graben collecting crucial data that resulted into promotion of the country's oil potential, worked with World Bank for the IDA Credit, was Assistant expert and full UN expert for the UNDP between 19 79 to 1983. Kashambuzi also served as geophysicist in Tanzania's water department and a geologist at the UN Volunteer Organisation for the development of heavy clay industry in Lesotho in 1976 to 1978.

Kashambuzi secured his Bachelors of Science in Geophysics and Geological science in 1975 at the University of Vancouver, Canada, an MSc. Petroleum Geology (Geophysics option) imperial College of Science andTechnology, London University (1987) and a Diploma, Management of Petroleum operations, international programme for petroleum management and Administration (PETRAD), Stavanger, Norway.

He received the Konrad Gerber Award for contributing to the African Oil Industry for the first edition of his book, The Story of Petroleum in Uganda Exploration in Uganda1984 – 2005; a Matter of Faith.

Immaculate Ssemanda Nakimera

Currently, Nakimera, 60, represents Africa on the Past Global Changes (PAGES) Steering Committee, a body that focuses on paleo-climate research at the international level. She is has served as Senior Lecturer, Department of Geology and Petroleum Studies, Makerere University and also chaired the second Biennial Conference of the Association of African Women Geoscientists.

Between 1979-2004, Nakimera was a geologist at the department of Geological Surveys and Mines, Entebbe. She has a PhD in Panology from Makerere University and an Msc.LaMaitrise Des Sciences de la Terre from the Universite de Droit, d'Economicet des science, Aix-Marseille III, France.

Prof. Sandy Stevens Tickodri – Togboa

Tickodri, 65, is a former Acting Deputy Vice Chancellor (Finance and Administration), Makerere University; founding University secretary of Gulu University, member of Muni University Council and Victoria University council.

Tickodri has served as deputy chairman Uganda electricity Board, inaugural chairman of Uganda Electricity Generation Company Ltd,(UEGCL) after UEB was unbundled and is to date, the Executive director and principal investigator –KIIRA EU project, currently KIIRA Motors Corporation.

Tickodri also served as a Dean Undergraduate Affairs, Makerere University, Asst. professor and head of Engineering mathematics, Faculty of Technology Makerere University-2004-2009, Senior lecturer and head of English Mathematics, Makerere University.

Kiryowa Kiwanuka

Kiwanuka, 41, is a former Legal Associate with Mulira and Co. Advocates, Partner, Kiryowa Kiwanuka & Co. Advocates and currently, a Partner, Kiwanuka and Karugire Advocates.

He has advised on the procurement for the contractor for the Bujagali power project and Karuma Hydro-Electricity Power Project. Kiwanuka also represented Alexander Forbes in the case involving the sinking of a Ugandan Vessel on L.Victoria; handled the case for termination of benefits commenced against the now defunct Alliance Air and its former employees and handled transactions for the purchase of air craft by Cessna Finance Corporation, Texas and advised on taxation, importation and regulation of aircraft.

The Attorney General of Uganda has since 2001 retained Kiryowa to provide litigation and advisory services on constitutional matters and in 2013, Kiwanuka represented Kampala City Council Authority (KCCA) on the 2013 KCCA Tribunal.

Doreen Kabasindi Wandera

Kabasindi, 50, is the Executive Director, Uganda Water and Sanitation NGO Network (UWASNET). She is a lead conservationist with specialty in agriculture enterprise, over ten years of experience in quality assurance , 22 years working with local governments (Masindi, Nakasongola), central government and international bodies like USAID, Water AID, World Bank, DANIDA and EU. She trained in cleaner production technology for sustainable development and environment management, Sirim Berhad, Selongo, Malaysia

She holds a Masters of public Health Leadership, Ugandan Christian University, an MSc. in Agriculture and a Bachelors in Zoology and Botany, Makerere university. She also holds a Post Graduate diploma in Management, Uganda Management Institute (UMI).

Peter Lominit

Lominit, currently a finance manager AECOM International, Juba, has worked in several organizations in South Sudan, Kenya and Uganda's Ministry of Finance Planning And Economic Development and also an acting senior finance officer in the Inland revenue Department. He holds a Bachelors of commerce, majoring in accountancy and finance from Makerere University (1978-1981), MBA (2011 to 2013, Association of Certified Public Accountants, UK-2001-2004 and institute of Public Accountants of Uganda (2010-2011).

Naomi Lumutenga

Between 2006-2011, Lumutenga was an advisor to the UN Observer, at the UN Secretariat, New York, Higher Education Manager at Maidstone Grammar School between 1991-2013 and a lay representative for Canterbury Diocese on the General Synod and member of the board of education and board on social responsibility in the Church of England.

Lumutenga has also served as a senior accounts officer at National Water and Sewerage Corporation (NSWC) and teacher of Economics, Geography and Accounts at Nabisunsa Girls School from 1981 to 1983.

Advisor for the National Oil and Gas sector, National Oil Company, Petroleum Directorate and National Petroleum Authority.

SMEs OPPORTUNITIES ABOUND IN THE PETROLEUM INDUSTRY

By Michael Akatwijuka

According to the 2013, Industrial Baseline Survey (IBS) carried out by Tullow Oil, Total E&P and CNOOC, out of the total manpower required for the Oil and Gas Industry in Uganda, only 15% are engineers and managers, 60% being technicians and craftsmen, with the unskilled workers anticipated to account for about 25%.

Further revelations from the survey are that, during Field Development as well as Pipeline and Refinery construction, about 2,500 technicians will be required at peak, whilst the demand for craftsmen is estimated to peak at 5,500 workers. Most of these technicians and craftsmen are highly employable in other construction related sectors, in the event that their services become surplus to requirements in the oil industry.

As the selection process for a contractor to build Uganda's first petroleum refinery nears completion (with only two bidders left in the pool of selection), it would be prudent for Ugandans to positions themselves to partake in the opportunities that this survey highlights – seeing that the commencement of the long awaited production phase is nigh.

Local Content Aspirations

Local content is about building a domestic workforce that is skilled whilst building an equally competitive homegrown supplier base. Section 4 of the Uganda National Oil and Gas Policy 2008 – "…National participation through shareholding in licenses and provision of goods and services by the country's entrepreneurs shall be some of the key avenues to achieve the desired value creation in the country from these investments…" – shows the government's desire to see local SMEs take part in the petroleum sector. The world over, it has become pivotal in this day and age, for every country to ensure that it captures the commanding heights of its economy, and thus assist to confine its wealth within its borders, in addition to providing jobs to the ever increasing population.

Going by the Industrial Baseline Survey, an entrepreneur should consider the provision of technical and craftsmen services to the petroleum industry as one of the most lucrative and participatory areas to engage in, during Field Development as well as Pipeline and Refinery construction.

While the requisite capital to invest skilling Ugandan youth may be raised locally, the technical know-how is lacking.

Certified welding services

There can never be a pipeline or refinery construction project, which is devoid of voluminous welding operations. In a country like Uganda, where levels of industrialization are still very low, welding is a profession that gets frowned at, probably because of its current informal nature. Mere ability to hold a welding gun and produce sparks does not necessarily make one a welder. There are international bodies like the American Welding Society (AWS) and Lloyds Register that certify welders for key operations. There are two broad categories of welding i.e. structural welding and pipeline welding with each requiring different levels and forms of training and certification.

For the business minded Ugandans, provision of certification services to welders could be an area to consider, since there is always continuous training and testing. It is possible that there are excellent welders in Uganda and all they lack is to be tested by a recognized body for certification. This in essence means that, establishment of welding inspection units in Uganda that have professional authorization to certify on behalf of globally recognized bodies, will be a lucrative area to consider. This can be done by partnerships with already existing companies in other parts of the world.

Pipe cleaning & corrosion detection

This is another micro service associated with pipeline operations. It requires the usage of equipment called "Pigs" that is designed to clean accumulated sludge and debris off the inside walls of a pipe, or to monitor the pipe for corrosion and leakages. On the entrepreneurship side, importation and supply of pigs can be one of the opportunities to go for, whereas on the intending technical employee's side, doing certification trainings in pigging and related areas could give one an edge.

Field power generation

It should also be noted that welding requires high voltage electricity and since the pipeline will obviously traverse areas where the national grid cannot be expected, the use of high voltage field generators cannot be avoided. This means that certified electrical technicians e.g with world class vocational certifications like the International Vocational Qualifications (IVQ) of City and Guilds of UK, will be required. The supply of electrical equipment like High Voltage generators and their maintenance services, High voltage capacitors for power factor regulation and others will automatically be required. All these and others, are avenues for investment and training for the benefit of entrepreneurs and anticipating direct workers.

Waste management

During pipeline and refineries construction projects, large volumes of waste in terms of steel particles from grinding activities, pieces of used welding rods for the case of arch welding and many others that can be potentially harmful to the environment, inevitably pile up.This implies that services of professional waste management firms will be on demand and thus an avenue for investment. The Health, Safety, Security Environment (HSSE) professionals will definitely be required too. Professional trainings such as emergency first aid, risk assessments, defensive driving, environmental awareness and many others will also be on demand. For such HSSE trainings to be acceptable, the training firms ought to not only be professional, but be certified to offer them as well.In fact for those interested in building a career as certified Health, Safety and Environment (HSE) practioners, could take advantage of HSE, Production Safety and Emergency Responses courses well in advance.

In addition, since the pipeline will go through bushy and relatively unsafe areas, the need for the security of the thousands of workers will arise and as such security firms in the country have to match the upcoming opportunities in terms of quality service delivery.

SCADA

There are lots of other micro services, especially during the operation phase of the refineries and pipelines, for instance Supervisory Control and Data Acquisition (SCADA) Systems, which require technicians, who can help regulate pressure and flow, by monitoring and controlling pump operations and the positions of valves. This is a computerized system that can be taught. For those intending to work as such technicians, there are relatively short trainings that can be taken advantage of in preparation for the upcoming refinery and pipeline projects. For instance, related training can be done at international training centers zand consultancies like, “Atmos International Limited” that provides leak and theft detection as well as simulation technology to the oil and gas sector and others.

Conclusion

In conclusion therefore, the only way to be a part of the upcoming refinery and pipeline projects is to fully understand the associated micro operations, so as to know which specific area to train in, for the case of intending job seekers, and which area to invest in for the case of business minded Ugandans. There are so many other micro activities during such developments, the most pivotal thing being, knowing them and how best to be a part of them, and in so doing, local content will be converted into local contentment.

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ABOUT UCMP

Uganda Chamber of Mines and Petroleum (the Chamber) is a not-for-profit, non-governmental umbrella body representing all aspects of the mining and petroleum sectors in Uganda. It was officially launched by H.E The President of the Republic of Uganda **Yoweri Kaguta Museveni** together with the South African President **H.E Jacob Zuma** on **25 March, 2010.**

The Mission of the Chamber is, to promote, through the collective action of its members, the growth and development of Uganda's mining and petroleum industries, for the benefit of all Ugandans and investors.

The primary function of the Chamber is to efficiently promote, encourage, protect and foster responsible exploration in the growing mining and petroleum sectors of Uganda to benefit the country and all stakeholders. **Other functions include among others;**

- Representation of crucial mining and petroleum industry issues to the Government and other relevant bodies on behalf of members.
- Dissemination of information about the mining and petroleum industry developments through the Chamber quarterly magazine.
- Promoting networking of members.

The Chamber acts as a coordinating and facilitating centre for information and administrative support to prospective and current investors interested in exploiting the exciting opportunities in the mining and petroleum sectors of Uganda.

For more information please contact: Uganda Chamber of Mines and Petroleum

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APPLICATION FORM FOR MEMBERSHIP

To: The Executive Secretary,
Uganda Chamber of Mines and Petroleum
P.O. Box 71797 Kampala
E-mail: **info@ucmp.ug**

I hereby apply for membership of the Uganda Chamber of Mines and Petroleum

Company/Organization………………………………………………………………..

Address:……………………………………………………………………………….

……………………………………………………………………………………….

Telephone……………………………………………………………………………...

Contact person: ……………………………………………………………………….

Position……………………………………………..Telephone……………………………

E-mail: …………………………………………………………………………...

Please provide a brief description of your company/investment, its size and its activities.

Description..

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Signature of Applicant: ………………………….……… Date: ………………………

Your application will be considered by the Governing Council as soon as possible.

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