

The Uganda

# MINES & PETROLEUM

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## BRIDGETTE RADEBE

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Must Benefit Host  
Communities

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MINING IN THE  
ECONOMY –  
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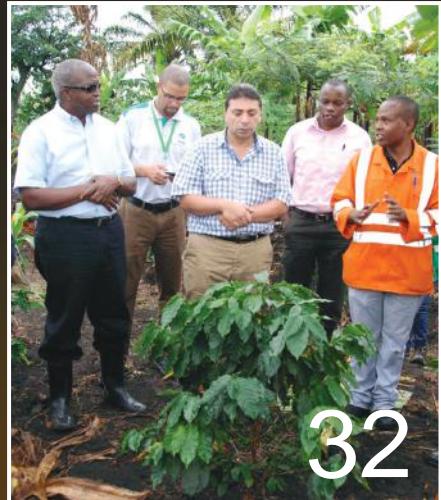
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## Mining set to take off

As we had hoped, the 2nd annual Mineral Wealth Conference came and went without a glitch; but most importantly it left us with a lot of stimulating insights to ponder on. With a nascent mining sector that is only reawakening after a long slumber, Uganda is always grateful to have its brothers and sisters from more advanced mining jurisdictions showing us the way.

And that is what the MWC2013 gave us – a rich array of speakers who offered us a comparative analysis of how their countries had shaped their mining industries; what had worked and what had not. This will only serve to inspire us as we embark on reforming our own policies and laws.

The highlights were many but the rousing keynote speech by our South African sister; Madam Bridgette Radebe will always stay with us. Her ideas on how mining can serve as a vehicle to change the fortunes of the many who were left disadvantaged by the apartheid regime in her country – a paradigm shift, she calls it – provides us with tangible lessons on how every Ugandan can benefit from our own mineral wealth.

The goodwill continued on Day II of the conference with the address from His Excellency, President Yoweri Museveni, who was making his first appearance at the forum. Interestingly, he echoed Madam Radebe's call to have the mining sector integrated in the country's economy. Very importantly, he shared our discomfort with some of the taxation policies and land laws that continue to hold mining back in Uganda – promising to immediately tackle them. His Excellency's generosity did not stop there, for he followed up his lecture with his own invitation to us to deliberate more on the issues undermining the sector and how they can best be addressed.

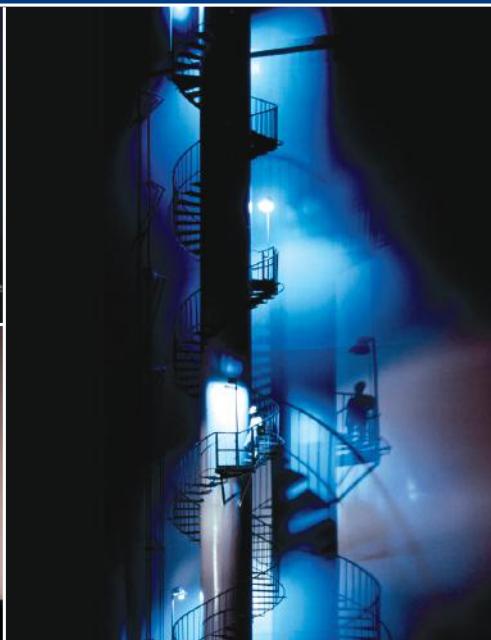
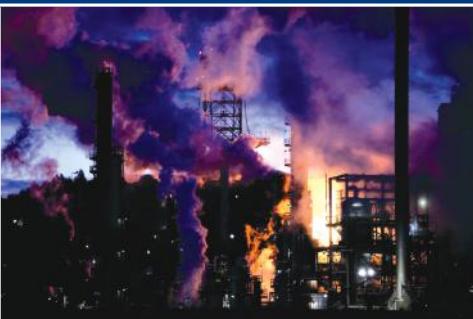
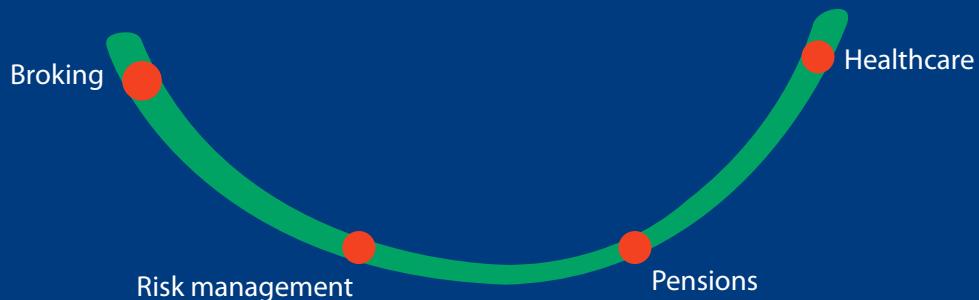
And as the second part of this 2-in-1 magazine will show, the 'Presidential Retreat' went very well too, with lots of thought-provoking ideas shared on how to best add value to Uganda's minerals from within the country's borders. With it set to become an annual forum too, no one can fault us to assume that finally mining in Uganda is set to truly take off.

Have a great read.

Elly Karuhanga

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# Bridgette Radebe

## Mineral wealth must benefit local communities

There is no way we can be liberated as Africans unless we have a political and economic involvement (or ownership) in what truly belongs to us, says, leading South African miner Bridgette Radebe.

Radebe made the remarks in a keynote address at the second annual Mineral Wealth Conference, in Kampala Uganda in October, 2013. Delivering her presentation titled, '*The New Paradigm Shift in Mining Investment in Africa*', the Executive Chairperson, Mmakau Mining and President of South African Mining Development Association (the Junior Mining Chamber) noted that it was important experiences are shared across the continent in a bid to create an African mining economy that is going to be the economy of the future. "South Africa has experienced a paradigm shift in its mining industry over the last 20 years where a lot of the Historically Disadvantaged South Africans (HDSA) are now benefiting from the sector," she said.

For Radebe, the most important factor is always having the right piece of legislation in place; a legislation that is all inclusive. That is why, following the end of Apartheid in her country in 1994, the first thing that was done was to amend the discriminative legislation that had kept black South Africans out of the industry.

"The Mineral Petroleum Resources Development Act has been used to redress the historic socio-economic and political imbalances in the mining sector in South Africa," she says.

This meant doing away with the exploitative culture that historically had characterized mining investments in Africa in general. For instance, black ownership of mines was unheard of with the only jobs available for the majority race being menial ones. No blacks or women would be trained as geologists or serve in office jobs on any mine. Legally, blacks too would never advance as certificated miners or apprentices. A monopolistic industry with only four companies controlling 83% of the mineral wealth prevailed. As such there were often no royalty payments made to rural communities where mines were found and ghost towns were prevalent.

This economic exclusion of the majority however was a recipe for instability with unionisation and major labour uprising a daily practice in the 1980s and early 1990s. The junior mining sector too was stifled. Without the state as a custodian of the mineral rights, even foreign investments in the sector were subdued.

### Favourable laws

Post 1994 however saw the new laws granting state ownership of the mineral privileges among other favourable decrees. Hence, FDIs flowed in, HDSA too joined the industry, fair labour laws prevailed and rural communities started benefiting from their mineral wealth.

The new laws also called for not less than 26% equity participation by HDSAs in 10 years' time, 40% black managers within 5 years, 10% women participation within 5 years, 100% literacy within 5 years, Black Economic Empowerment (BEE) procurement was encouraged and so too beneficiation. The other fruits of the paradigm shift were the development of a junior mining sector, mushrooming of exploration companies, rural community equity

**Bridgette Radebe**, Executive Chairperson, Mmakau Mining

participation and payment of royalties to rural communities, a creation of Integrated Development Plans and eradication of ghost towns.

In fact, since 1994, local procurement has been sighted as the leading force behind enterprise development and is hailed as an engine for economic growth because it has developed BEE mining-support-industries.

2006 statistics for instance showed that at least \$600 million of the \$6 billion procurement budget was spent on HDSAs. 33 mining houses from 15 venues and 6 provincial governments plus 41,000 suppliers were involved. And in 2008 the numbers grew to \$950 million going to HDSAs from a total procurement budget of \$8.5 billion. The mining houses had doubled here to 66 with suppliers shooting to 65,000.

"When a mining firm procures everything from within the rural community that it operates in, a secondary industry emerges and many more people benefit," says Radebe, "We need an African economy that doesn't symbolize ghost towns or the deprivation of rural communities but one that embodies the ownership of the true wealth to the majority of the people."

Drawn to mining by a defiant father who refused to bend to the discriminative rules that barred black participation, Radebe grew Mmakau through procurement too.

"I entered the mining industry as a builder of mine shafts. Through various tenders, I got the opportunity to build a business and beyond that became a mine owner. So local procurement does help stimulate local participation," she notes.

### Beneficiation

Beyond procurement, beneficiation was sighted as the major catalyst of widespread growth in the country. The term is loosely defined as adding value on extracted ore within the country of the ore's origin. The idea is to maximize local economic gains.

In 2010, South Africa as a resource economy was estimated to possess approximately \$2.5 trillion in non-energy in situ mineral wealth, making it one of the wealthiest mining jurisdictions in the world.

***we should not be apologetic when  
making sure that the strategic  
minerals that belong to us are going  
to be utilized for the benefit of the  
country and its people***

"There was a need for South Africa to transform its mining industry culture from exporters of mineral ores or semi-processed minerals to high value intermediate and finished products," says Radebe.

In all this 11 minerals were identified as strategic and pivotal for the country's developmental needs and therefore needed to be protected. These included coal, gold and diamonds, iron ore, manganese, platinum group metals – PGM, chrome and vanadium. Others were titanium, nickel and uranium. SAMDA later added phosphates and limestone.

Noting, "From our South African perspective, we saw the need to stop exporting the raw ore to examining ways of having the finished product done within our country. This is the South Africa First approach."

She noted that big states were into the practice already anyway. For instance, in 2010 the Canadian government blocked BHP Billiton's \$39 billion bid for Potash Corp, the world's biggest producer of a key crop nutrient, halting what had been the world's biggest takeover. Commenting on the action, then Industry Minister Tony Clement said "In Canada, our natural resources are an important economic driver...I have come to the conclusion that BHP Billiton does not present a likely net benefit

to Canada."

As such, a "Country First" strategy should result in a net benefit for its people and its economy, says Radebe.

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"Africa is always told by the developed states to desist from protecting its own interests. But we should not be apologetic when making sure that the strategic minerals that belong to us are going to be utilized for the benefit of the country and its people," she noted.

To encourage beneficiation, South Africa has enacted laws which see every mining company obliged to encourage local production of some products. This has come with incentives like industrial development zones (IDZs) and special economic zones (SEZ), which are geographical regions with economic and other laws that are more free-market-oriented than the country's typical laws. For instance tax breaks are prevalent which has encouraged establishment of beneficiation plants in these zones.

In 2011 the direct and indirect contribution of mining to South Africa's GDP stood at \$49bn or 19%; employing 1.35 million people (16% of total population). Its multiplier effects are felt in infrastructure and its strong presence on the stock exchange where it controls about 29% of the JSE's market value.

### Success Stories

As a result of the law changes, success stories like the Royal Bafokeng Holdings have emerged. The group representing 300,000 people has a market capitalization of R40 billion – with its growth directly related to mining in rural areas. In the past 10 years it has invested over R5 billion in clinics, education, public utilities.

"This demonstrates that mining can be a catalyst for rural development," says Radebe.

Her own Mmakau Mining, with very strong investments in coal, platinum and gold amongst other minerals demonstrates the raise of the woman miner in South Africa, she notes.

The African Rainbow Minerals (ARM), a diversified mining company with interests in platinum, coal, gold, iron ore, manganese and chrome is a successful BEE product. With a market capitalization of R41.7 billion in 2013, ARM has spent R300 million in 3 years on local economic development and social and labour plans. Another R85 million has been spent on uplifting projects which serve rural communities, women, youth, church and trade union.

"ARM demonstrates what local people can do when given chance. Uganda

should also start creating local entrepreneurs and stop depending on the Rio Tintos of this world," she says.

By reinvesting not only in mines but also rural development projects, ARM is demonstrating compassionate capitalism, which should be encouraged across the continent, she notes.

"We should desist from making a lot of money, banking it in Switzerland and thereafter look pretty. We will not be able to let Africa survive on its own, unless we ourselves as Africans reinvest not only within ourselves but even within our people and our country. What is success, when you take your money and put it in a foreign account in Switzerland but you do not create a meaningful investment within your environment?" says Radebe.

For her therefore, just like Nelson Mandela noted, in his memoir, *Long Walk to Freedom*, there is still a long way to go before declaring that "economic freedom" has been achieved; for much more still needs to be done before everyone in a historically disadvantaged South Africa or a once colonized Africa feels economically liberated.

## ADB's legal arm offers hope on bad contracts

Poorly negotiated contracts lead to inefficient management of extractive industries resources and prevent countries from enjoying full benefits of its resources, says Stephen Karangizi, a Director at the African Legal Support Facility (ALSF). Other fallouts from bad contracts include entrenched poverty and conflicts, loss of public revenue, degradation and depletion of natural resources and loss of access to resources for local communities.

As such, he adds, it is vital that African governments – which have for long bared the brunt of poorly crafted contracts – get adequate legal representation during negotiations with western nationals and multinationals.

Hosted by the African Development Bank, the ALSF has been supporting African governments in the negotiation of complex commercial transactions since 2010.

The Facility was established to support African governments in their dealings with deep-pocketed international investors who often took the upper hand in negotiations. The ALSF is an organization dedicated solely to providing legal advice and technical assistance to African countries on vulture fund litigation, complex commercial negotiations and related sovereign transactions.

The facility was established in response to a call by African Ministers of Finance for assistance in three key areas, namely, commercial creditor litigation, the negotiation of complex commercial transactions, and capacity building.

According to Karangizi, the challenges that face African countries during negotiations include a lack of technical expertise and relevant fiscal and legal tools, pressure from external donors and companies to conclude negotiations



**Stephen Karangizi, Director,  
African Legal Support Facility**

and weak governance and institutions.

The ALSF was originally established to assist African countries in vulture fund litigation after African Ministers of Finance recognized that one of the underlying reasons for vulture fund litigation was poorly negotiated and drafted contracts and concessions. The reason for the poor contracts was related to improper legal representation and a lack of local capacity.

# We are awakening UGANDANS *to participate in mining sector – Kaijuka*

**Hon Richard Kaijuka believes the Uganda Chamber of Mines and Petroleum is so far diligently achieving its mandate as a Think Tank of sorts for the mining and petroleum sector. The Vice Chairman of the Chamber, who is also a former Minister of Energy and Mineral Development discusses the role the budding association has played so far – and continues to play – in Uganda's potentially history-changing sectors.**

**What else is the Chamber doing to move ahead of merely organizing conferences, like the Mineral Wealth Conference; to bring forth tangible results for Uganda's mining industry?**

I think we are progressing pretty well. In only our second Mineral Wealth Conference, we have been able to convince the President of Uganda that it is worthwhile to sit down and have a serious debate on focused value added mining. This for me is a very great achievement for the Uganda Chamber of Mines and Petroleum.

Not only were we able to attract so many players from so many countries (having over 400 guests from across the world is no mean achievement) we are now in a position to refocus all organs of government to see how best Uganda can re-position itself and move in a focused manner. In other words, we are not going to reinvent the wheel but 5 to 10 years down the road, there should be a big difference between Uganda and many countries. It means we will avoid haphazard kind of approach; we will focus on some minerals that will transform this economy a decade from today, which would have been practically impossible without this kind of coordinated effort.

So not only are we talking about the Chamber dealing with government, we are talking about addressing investors' concerns – yesterday, today and tomorrow – in a very targeted, focused manner, that should make a difference.

**Would you then wish that these deliberations with the government and the President are more regularized?**

As far as am concerned, not only are we going to have the Mineral Wealth Conference as an annual event, I hope we are able to convince the President to have regular Special Focused Meetings akin to the Presidential Investors' Round Table; with ours targeted on the mining sector.

**As the EAC deliberations continue apace, are there efforts to look at a regional mining country like Tanzania as a benchmark as Uganda seeks to shape its industry too?**

Yes indeed. The purpose of the retreat with the President, whatever else we are recommending – at the core of our discussions – we benchmark with what is happening in other countries. We ask ourselves, what experiences

have these countries had, what are the best practices, what problems have they faced and how have they been able to solve them.

Having said that, we are not looking at Tanzania alone, though we are selfishly focusing on the African region seeing that the situation is more or less similar as Uganda's. Across the entire African region, you have countries which have heard a thriving mining sector like South Africa but there too are those which are emerging – some moving fast and others not so fast. A lot is happening in Mozambique, Botswana and Namibia and in West African countries like Ghana, Ivory Coast, Guinea and Sierra Leone. We are focusing on all these as we zero down our approach. These are interesting times.

**The issue of land accessibility (Surface Rights) is still very much a stumbling block to the growth of the sector. How best can the locals negotiate with mining firms for tangible returns so that a project progresses smoothly?**

I am reluctant to talk in terms of tangible demands for communities when the country is still at exploration stage. In many situations,

we don't know whether we have economically viable resources to warrant setting up mines.

If we started off by making it even difficult to explore – by talking about tangible community demands – it would kill the industry even before it set off.

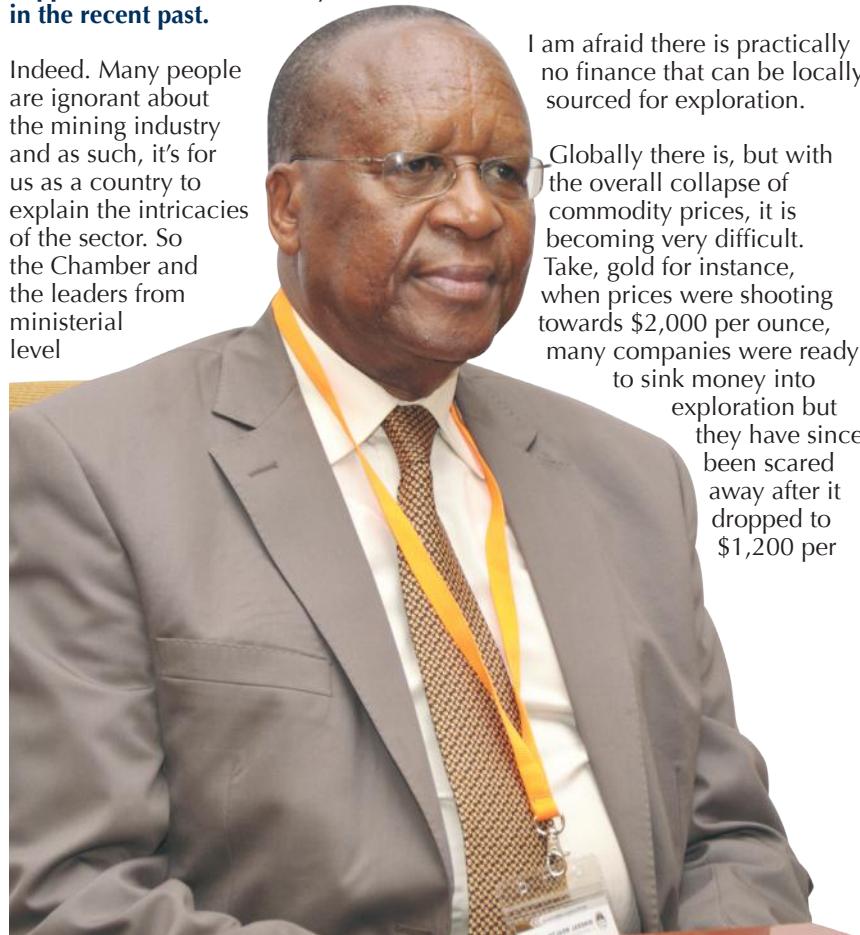
In my view, there should be free access to land for exploration. After all, exploration doesn't mean putting up any mine; one is just trying to find out once there is a resource once exploiting or not.

It is only after a meaningful resource has been discovered, which can warrant setting up of a mine that adequate compensation may be considered.

**But the larger percentage of Ugandans do not understand the mining process; with many assuming that mere exploration is actual mining.**

**Their demands therefore come in from day one; and can derail many an exploration project as has happened across the country in the recent past.**

Indeed. Many people are ignorant about the mining industry and as such, it's for us as a country to explain the intricacies of the sector. So the Chamber and the leaders from ministerial level



**Richard Kaijuka, Vice Chairman, the Uganda Chamber of Mines and Petroleum**

down to the local councils need to reassure the communities so that these stumbling blocks are done away with.

#### **How can the infrastructure hurdles be adequately addressed as the mining sector seeks to set off?**

Even though we are still at exploration stage, there is no doubt that we have no choice but to address medium term bottlenecks that actually centre on infrastructure now. Take the bulky vermiculite for one; there is no way it can be adequately transported without addressing rail transport. For iron ore to integrate it into the country's industrial future, we must address issues of electricity and cheap transport. We are not there yet but these are bottlenecks that may stand in our way if we don't address them now. Therefore, once we have identified a good exploitable resource, the infrastructure is in place or we are in position to put that infrastructure in place.

#### **How does one get cheap financing too which is very vital to kick-start mining activities but very hard to access?**

I am afraid there is practically no finance that can be locally sourced for exploration.

Globally there is, but with the overall collapse of commodity prices, it is becoming very difficult. Take, gold for instance, when prices were shooting towards \$2,000 per ounce, many companies were ready to sink money into exploration but they have since been scared away after it dropped to \$1,200 per

ounce within a year. So many big players are avoiding exploration; only holding on to the little they have.

I hope that after the retreat with the President, we can emerge with innovative financing solutions. I think one way of looking at it is for say in David Kyagulanyi's alumnus clays; does the country sit down and look on because a local miner has no money to put in, or is there a new mechanism we can decide so that we can explore this new resource and find out exactly what it is? Those are the questions.

#### **How do we develop the skills set of Ugandans to adequately participate in the mining industry?**

Some minerals are more difficult than others to exploit. For minerals like gold though, we have over a million locals participating at an artisanal level. This is encouraging. But beyond that, as we add value by having mines set up and industries, we must have a framework that will have locals participating at various levels.

These are the medium and long term human resource targets that have to be met because without having Ugandans sufficiently participating in their own mining industry would be akin to digging our own grave.

#### **In light of what was discussed, the participants present among others, how would you rate the MWC2013 generally?**

I should think we are on the right path. If you recall, the President didn't mince his words when castigating his bureaucrats for taxing exploration works. He was upfront after getting the message; and that's why he called them simple things. For me that was a good meeting but it does not mean the end, hence the retreat to State House to further deliberate on many other issues. Issues like how to do we attract serious players to invest in exploration and two, how does the country provide an enabling environment that can ease this process – say on issues of taxation, licensing, land accessibility etc

The outside world is beginning to look at Uganda's mineral wealth, and it's important that we are ready for them.

## Mineral Wealth Conference 2013 Speakers



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Gwamaka Tuntufye



# LAND, TAXATION ISSUES

## Holding Back Mining Sector

Without doubt, Uganda has got the geological potential similar to that of our neighbors. As such, we are certain that were we able to put our strengths together and remedy the challenges that face the mining sector; to open at least one mine we shall achieve a geological pull that should convince anyone that actually all the geological prospects of Uganda are as good as any country's or even better.



**Denis Kusaasira**, UCMP Advisor

What area these challenges:

### Land

One of the major challenges affecting the mining sector is access to the land surface for mineral development. Mineral rights are worthless without access to land. Minerals as well cannot be developed and remain worthless if they cannot

be taken out of the ground. As a predominantly agricultural country, mining in Uganda is just struggling to displace other land uses to which the communities are acclimatized. As such, we struggle to convince people that mining can be of great value.

Because of that stigma, there is need to have clear rules and guidelines that enable access to land to enable

mining development. What we have now is a Mining Act that doesn't define how exactly fair and adequate compensation can be agreed upon between a miner and a land owner or occupier.

Failure to access land surface has hindered the development of several

mines to full capacity in Uganda, for example the Busitema Gold Mine and the vermiculate mine in Namekala – of which I am well versed – hasn't realized its full potential because the amounts of money that the indigenous people are demanding in compensation are out of this world. Were their demands to be met, this mine would never be profitable.

Besides, we believe, dispute resolution between mining companies and land occupiers cannot be left to the courts seeing that they are never the best forum to deal with these issues because they take forever and often times do not understand the intricacies of mineral development.

It's upon this, Your Excellence, that we request you to use your wisdom – as you used to put together a wonderful mining law – to ameliorate the challenges surrounding accessibility to land by putting in place rules and regulations for determining fair and adequate compensation between mining companies and land owners and also forming a Dispute Resolution Forum that is charged with resolving whatever issues that may arise between the two parties.

#### Taxation

The UCMP isn't encouraging its members not to pay tax. All the Chamber is saying is that we have a wonderful regime for the mining companies but a harsh regime for exploration companies. There is a huge difference between exploration and mining. Currently we are at the exploration stage, where we need access to land to be able to determine the economic viability of the ore, so that it can be mined.

Right now, I can single out two types of taxes that really hurt the exploration sector. I have personally

been witness to two or three contracts that have failed between exploration companies and service providers simply because the taxes make the latter's services very expensive.

i) **VAT on Imported Services:** An exploration company is asked to pay VAT on hired services from a foreign contractor, with the authorities fully aware that Uganda lacks local service providers in this sector. The exploration company cannot reclaim this VAT like any other investor though it is allowed to recover it whenever it begins production. However, the chances of finding a profitable deposit in mineral business is less than 1%; for every 1000 holes that you drill, less than one will turn out to be a profitable ore deposit. And therefore the chances of failing to find a profitable ore deposit so that we can recover this money are very high. And if we keep our exploration costs very high, yet we are competing against the entire world, investors are likely to go out and find much cheaper areas to do their exploration business. As such, what we request Your Excellence is to sacrifice small short-term gains for big long-term rewards that come out of the mineral sector – just like a farmer can sacrifice a kilo of beans for sowing in anticipation of harvesting a sackful.

i) **Withholding Tax on Foreign Service Providers:** Again, we don't have service providers in this sector that are locally based and withholding tax of 15% on exploration companies simply makes exploration costs high. In essence, for every \$100, you have to cross out 33% in tax; this

makes exploration very expensive. It's on this count, Your Excellence, that we request you to suspend VAT on imported services and Withholding Tax on Foreign Service Providers during the exploration period. It is only after we have made discoveries that the taxes can kick in.

#### Mortgaging license for funding

The last one, Your Excellence, is the lack of a clear provision in the Mining Act, on whether a Mineral Right can be pledged or mortgaged to raise finance. It is common knowledge that mineral development cannot take place without Debt Capital. Debt Capital though requires security. A security package not only comprises of documents that include sales contracts but also the documents that touch the ore body. Currently, there is no provision for this in Uganda's Mining Act, which means that if one was to make a discovery, they cannot develop it simply because they cannot raise finance.

It's on this count, Your Excellence that we request you to spearhead the amendment of the Mining Act and make provisions for pledging of a Mineral Right to raise finance just like it has been done under the Petroleum Exploration and Production Act where an Oil License can be used in a bank to raise finance.

There are very many challenges, Your Excellence, but we cannot list all of them here. We believe if you agree to form a Think Tank where we can interact, we can be able to point out more.

*Denis Kusaasira, a UCMP advisor, made these remarks on behalf of the Chamber. He is a mining and oil & gas legal expert. He is the Managing Partner at ABMAK Associates. Email: dk@abmak.org*

# How does mining integrate itself in the national economy?



**President Museveni wants to see a vertical integration of the mining industry in the economy**

*By President Yoweri Museveni*

By the time the British Colonialists left Uganda in 1962, there existed a small modern economy which they had tried to build. It was small because it was confined to the towns with a shallow penetration of the countryside through a few cash crops.

For instance, if you take the only tarmac roads at the time of Independence, there was an 80 miles one from Kampala to Masaka and another from Kampala to Tororo I think. Maybe another went to Mbale - and that was all. There were only three or so advanced level secondary schools by 1961.

Hence there was a small modern sector surrounded by a sea of underdevelopment – until Idi Amin came in in 1971 and destroyed that too.

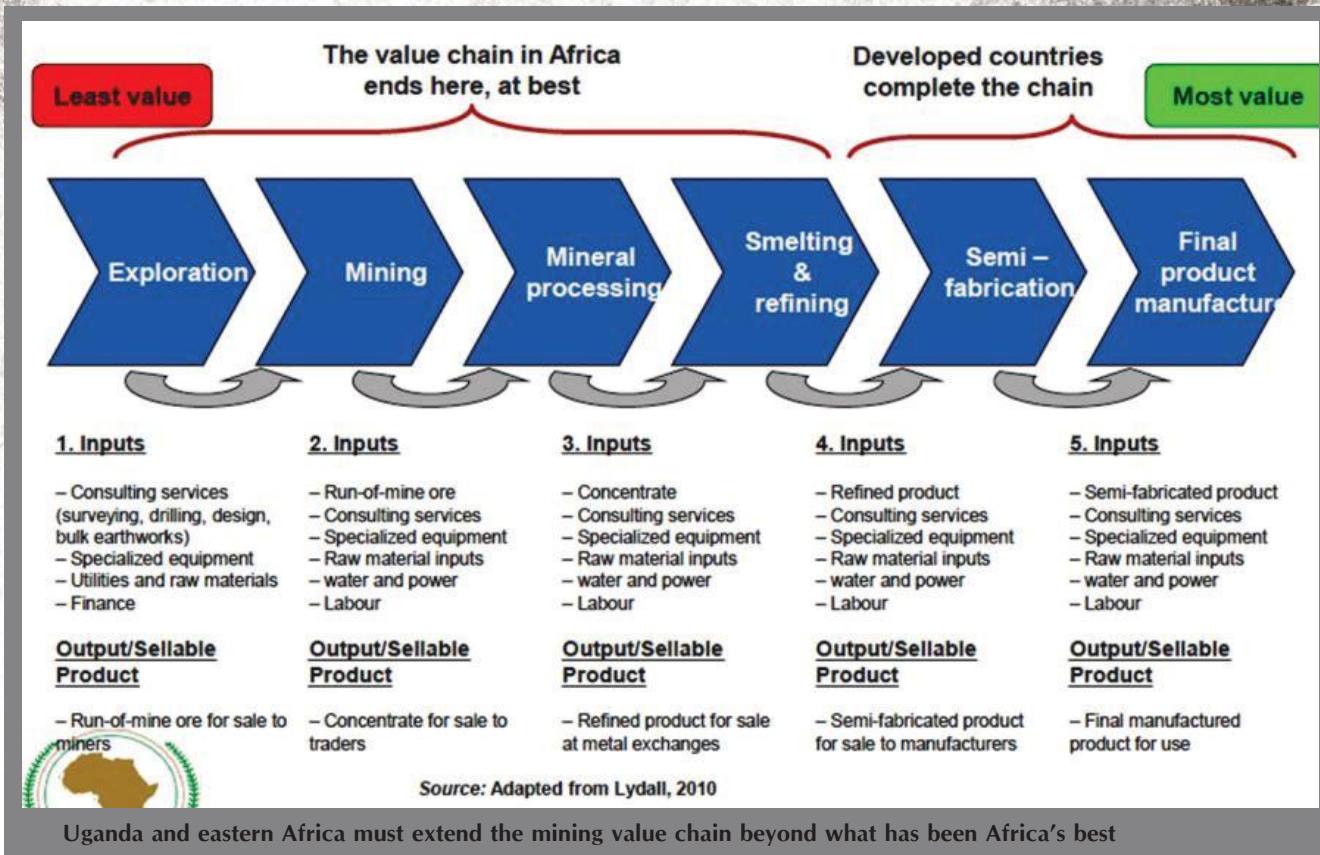
As such, in the last 27 years, we have been rebuilding and developing the modern economy afresh. It hasn't been easy because we never had government money at the beginning; depending on foreign moneys from the World Bank and other friends. While that money helped quite a bit, the problem was that it was small in magnitude and erratic - sometimes available and other times unavailable. Fortunately, the economy has since expanded and the government revenue

collection has also expanded meaning we are now able to fund not only the current costs but also the big percentage of the development or capital expenditure costs - building roads, electricity infrastructure and so on.

When we were busy addressing those basic challenges, we didn't have time to concentrate on these others issues you have raised here – like the Mining Policies. Hence, I am happy to come here and hear your views about the stimuli that can attract people to the mining sector and retain them there. I have listened to them like the VAT and Withholding Tax issues – and I think there is no point in taxing someone who hasn't generated income.

Certainly nobody has ever come to me and said, "Mr Museveni, what do you think about taxing somebody who has not generated money?" In fact, even in the case of those who have started generating money, I don't think taxation is the main interest for the state. Maybe with minerals, seeing that they are extractive, the situation could be different. Ordinarily, I am more interested in job creation, production of goods and services - and then maybe getting taxes off these indirectly. Certainly not by taxing the agents who are helping bring change.

In fact we have since abolished many taxes; for instance



Uganda and eastern Africa must extend the mining value chain beyond what has been Africa's best

the export tax on coffee. Most of our taxes are now mainly consumption levies. There are no taxes on imported machinery, tractors, raw materials, pharmaceutical goods and scholastic materials amongst others. So tax isn't our orientation; this must be some confusion from somewhere else - it's not the NRM position. Why tax somebody who hasn't made money? What for? Tax, him for what?

My quarrel with the technocrats has mainly centred on bringing in bogus investors. They keep giving mining licenses to cattle keepers who know nothing about mining. Give a license to someone with a credible mining record; and then give them benchmarks so that they don't hoard or hawk them to the highest bidder.

To me, the most important are those two: i) Do you have the capacity to explore? ii) You must do the work in a particular time period. If you don't do it you relinquish the license because we don't want you to hoard it.

About mortgaging the Mineral Rights, that needs to be studied further, seeing that these privileges are national and not private rights. So how would they be mortgaged really, I don't think it is clear to me. One would assume a potential mining investor should have money before they come in. I have enough supply of poor people in Uganda; I don't want additional supply of poor people from outside - coming in as investors.

Land access, will be addressed, seeing that the Constitution clearly says that all minerals whether on the surface or underground belong to the state. The peasants interrupting the mining are always on the surface hence there should not be any reason why they should be a problem; especially in situations where a mining firm just needs a small opening to go underground to carry out its activities. Of course once in a while, blasting and the like can prove a nuisance, but a

solution for this can be gotten. In situations where large scale open-cast mining is necessary, the people could have to be moved.

As regards compensation, I think we were a bit liberal while drafting the Constitution where we stated people must get adequate and prompt compensation; without even specifying what exactly was adequate and whom between the state and the miner, would be charged with reimbursing the locals. As such, we have suffered because of this vague legislation. Take the Tororo phosphates project, for instance, for long, it had stalled because all the interested parties did not have the Shs40 billion (about \$20m) required to compensate the locals and the state too, had other urgent priorities. It's only recently that the Chinese - who have good money nowadays - have come in and not only compensated the peasants but also committed to developing the mines too. So, going forward, the issue of compensation in general, will have to be studied and resolved.

These though are not very big issues which should worry us going forward.

#### Value Addition

The more important issues are the whole concept of value addition and how minerals should develop countries.

Of course, you all know there has been mining in Africa for a very long time. But you also know very well that some of these countries which have been mining for a long time are also very poor. So the question is where has the money been going then? Of course South Africa is alright and maybe Ghana is coming up too; but the other countries in Africa are very poor. Even in South America, a few mining countries there have struggled. So the issue of mining not benefiting the producing countries is evident across the globe.

The bigger issue is, '*How does mining integrate itself in the national economy?*' After all, these minerals have value where they are being taken.

Traditionally, in the pre-colonial times, these minerals were used in an integrated way. Iron ore for instance would be melted and spears and other household items moulded out of it. As such, there existed 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.

#### Why?

Because if you are going to use imported steel to build the dams here, you would maybe spend 30% more money than you would if you were using local steel. High transportation costs spent on shipping steel from China, for instance, would be avoided. Uganda's iron ore needs to be integrated in our economy - in our construction industry and other industries. This is the bigger issue.

We may not produce the space ships, but we can produce the sheets used in their building by producing alloyed steel (with the alloys also coming from here). This is what I am more interested in.

I don't even know whether you have examined the value added to our economy once you have refined gold. When you refine gold, how much value do you add? Is it profitable to refine gold or it's not necessary? I am told there are only two gold refineries in this part of the world – one in South Africa and the other in Dubai.

This is the same argument we have been having with the oil companies. Initially, some of the oil companies were saying there was no need for refining; saying its best we export crude and import refined products. We said 'No!' – spending a bit of time on that.

Initially, I didn't know what to do so I went to Iran and asked the President whether it was wise to build a refinery; he said they had nine refineries and they planned to build another seven. Here though we are being discouraged to build one.

In the same way, say for vermiculite, I am going to tell the Bagisu locals to make way for its exploitation. But having done that, will we export it as mere 'soil' or what? Can we process it and make say brake pads out of it from here in Uganda? If we did, how much value would we add to our economy both in terms of development and revenue? I thought this conference should address such issues. When we meet next time, I will ask you those questions.

For the copper in Kilembe, the old miners there used to export Blister Copper (only 94% pure); which could not be

used to make say electric wires here. We had to import the wires after it had been further refined in outside countries. However, for the new owners, Tibet-Hima, from China, we have insisted that they refine it to say 99% so that it can be used to make the same electricity wires and the like here. It doesn't make sense that as copper producers, we continue living in darkness in our homes because we lack copper wires. That is not good planning.

But how do we develop these minerals? Do we develop them as enclaves for foreign industries or as integral parts of our own economy? This is where the issue is. This is why I came to ask the very powerful people here these questions.

Uganda's minerals are quite extensively distributed; seeing that our geology here is the same as Katanga's in DR Congo – hence most likely, the minerals which are there are also here.

Our iron ore is of very high quality at 98% pure; there are the alumina clays in Makuutu; the gold, the wolfram, tin, phosphates, coltan etc

We are now dealing with infrastructure – because you need electricity and roads to exploit these minerals. Security is good; and later on, other issues too will be addressed.

But my main interest is the issue of vertical integration within the economy; inter-sector linkages between the mining sector and the industrial sector of Uganda. We don't want a situation where airstrips are built through which our minerals are taken out and that's the end of the story. We need linkages between these minerals and our economy because when this happens we all benefit.

For instance, many of these houses are built with Hima Cement, the sponsors of this event – so that is already an input. I am told, were we to import this cement, it would cost us an extra 50%.

We must develop our country here first and foremost. Uganda is hungry for all these inputs – the cement, steel bars, electric wires etc.

The reason I came here is to discuss this integration. For the problems you identified, they are all easy to address. The only one I have no answer for, is the mortgaging of the Mining Rights to seek funding – this though I will consult widely about it.

I am ready for the retreat with you. But please, in that retreat, come with the figures. When we refine gold here, how much value do you add? When you use our own minerals to alloy our steel, to produce alloyed steel sheet, how much value do you add?

It should be a serious retreat.

I thank you very much.

# Best Informed Insurers 2013



The image shows a person's arm and hand in a dark suit sleeve holding a silver platter. On the platter sits a small, yellow model excavator. The background is a soft-focus blue.

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The Uganda Chamber of Mines & Petroleum



# An iron industry is very promising in Uganda



**Ag Assistant Commissioner ,  
Baguma Zachary Mosimoson Atwoki**

With already a rich history of traditional smelting of iron ore, where such implements like arrows, knives, chisels, sickles and spears were easily crafted by the country's fore-fathers, there is no reason why a modern iron and steel industry should not be set up in Uganda, reasons Baguma Zachary Mosimoson Atwoki, Ag Assistant Commissioner, Geology at the Department of Geological Survey and Mines.

In a presentation titled, "Development of Iron and Steel Industry in Uganda", at the second Mineral Wealth Conference in October, 2013, Baguma noted that J.A. Almond (1964) and Kagule-Magambo (Magambo, 1983) had

suggested that for an iron industry to be set up, at least a target of 50 million tons mineable iron ore had to be proved. This target has since been surpassed however, with Great Lakes Iron & Steel Company, Kigezi Steel Company, Uganda International Mining Company, Sino Minerals Investment Company and other mining firms proving iron reserves of 200 million tons and 500 million resources. Importantly, none of these companies has exhaustively carried out exploration on their licenses and with a large area still unlicensed, reserves could exceed a billion tons.

Iron ore in the country, occurs in two areas: the easy to process hematite ore of Muko in south western Uganda (mainly in Kabale and Kisoro) and the magnetite

bearing ore at Sukulu and Bukusu in Tororo district (and extends in other neighboring eastern Uganda districts). Baguma's presentation focused on the Muko deposits which have a high grade of 98% Fe<sub>2</sub>O<sub>3</sub> with less 0.05% TiO<sub>2</sub> and negligible phosphorus. As such, they are way above the global averages of 80% Fe<sub>2</sub>O<sub>3</sub>, 6% SiO<sub>2</sub>, 4% Al<sub>2</sub>O<sub>3</sub>, 0.035% P<sub>2</sub>O<sub>5</sub>, less than 0.2% TiO<sub>2</sub>.

The biggest stumbling block is finding a well-priced reduction agent to use in the processing.

"In 1989, UNIDO carried out a study for establishing of a pilot demonstration sponge iron plant based on a direct reduction of Muko iron ore using charcoal. However, this is not environmentally friendly because it would involve destroying all of Uganda's forest cover," says Baguma.

A later study by Kigezi Steel and Great Lakes Iron and Steel, established that to process 92,000 tons of iron ore, 70,000 tons of coal will be required (a ratio of 1:0.7). Their research sought to establish the possibility of setting up a sponge iron processing plant using hematite as the main raw material and coal from Tanzania as a reducing agent or source of power.

To Baguma, it is important that a Centralized Processing Smelting Plant is established somewhere in Kabale with all the iron ore within the south western region transported to it for processing via a newly developed railway network. This plant would need its own electricity supply so that it does not suffer from the power outages that are inevitable on the national grid.

He thinks the huge methane gas resources that have been discovered in Lake Kivu, Rwanda can act as an alternative reducing agent and source of power seeing that they are only about 150km from Kabale and in the East African Community spirit, Rwanda could be willing to export any amount of gas to Uganda.

"The private companies and government must be encouraged to carry out feasibility studies using methane gas to process Uganda's raw iron ore into finished products since to date, no studies have been carried out," he says.

The gas deposits too in the Albertine Graben, also present another likely source of affordable energy if they prove to be significant enough. If this would be the case, a 400km pipeline linking the Graben to Kabale would be needed. And subsequently a thermal plant to generate power at least 1000MW using this gas would be set up.

For the flux, again studies are needed to establish where Uganda's limestone deposits offer a suitable option. During the smelting process, flux is used to purge the metal of chemical impurities like phosphorus.

To achieve these developments, Private Public Partnerships would be the way to go, believes Baguma.

In late 2012, President Yoweri Museveni's banned the exportation of iron ore; propagating for the addition of value within the country. Baguma believes this is the way to go.

"Once we have this processing smelting plant in place, then whoever wants to export iron ore can petition the President to export any surplus. We shouldn't be giving people chance to export without any processing done here to meet local demand," he says, noting that after all, the same has been done with petroleum, where companies will only be allowed to export crude oil after they have satisfied the local refinery.

## Uganda's history with iron

In 1800s Uganda's forefathers processed iron from amphibolite, laterite and iron ore. The hard implements they made out of pure steel included arrows, knives, chisels, sickles, spears. They recovered less than 30% of iron as the slag was magnetic (still contained iron). These slags are scattered in all districts of Uganda. The coming of missionaries and explorers saw the locals abandoning their own crafts for foreign ones – with glittering finishes – that were usually donated to chiefs as gifts. By Uganda's independence in 1962, the traditional art had nearly disappeared with the coming of steel rolling mills.

From the 1940s, iron ore was reported in Kashenyi and Butare, Kabale district; Kyanyamuzinda and Kamena in Kisoro district, in south western Uganda and subsequent exploration works in these areas – which is still ongoing – have revealed more and more deposits.

Since 1962 to 1980 several steel rolling mills were set up to smelt scraps to manufacture various iron and steel building products like massive rounded and hollow iron bars, massive cubic and hollow bars, massive twisted iron bars and iron/steel plates. The destruction of the Uganda economy and industrial development in the 1970s through to most of the 1980s meant the country relied on imported goods through Kenya. The locals resorted to the old methods of smelting iron ore to get good durable farming and hunting implements. In 1978, Jinja Steeling Rolling Mills started blending iron ore from Muko with scrap.

From 1986, stability was restored and this was the rebirth of steel rolling mills. By 2013, more than twenty (20) steel rolling mills are processing scrap and imported ingots to manufacture various steel products. Once again some steel rolling mills are trying to blend scraps with iron ore from Kabale and Kisoro. The 2012 ban on exportation of iron ore is intended to develop an iron and steel industry in Uganda that should set forth an industrial revolution.

# Uganda minerals need more aggressive promotion – Expert

*Dr. Luisa Moreno of Euro Pacific Capital (Canada) is one of the most respected Research and Mining Analysts in North America. A holder of a Bachelor's and Master's in physics engineering as well as a Ph.D. in Materials and Mechanics from Imperial College, London, she is a frequent speaker at international conferences on commodities, rare earth elements and other strategic metals. She spoke with the Uganda Chamber of Mines and Petroleum magazine, on the sidelines of the Mineral Wealth Conference, 2013 about Uganda's mining prospects:*

## What is your impression of Uganda's mining sector?

There is a great deal of interests from Ugandans to develop the mineral resources in the right way. That is by learning from others and paying attention to different aspects – what it takes or what it would take – for Uganda to develop the mineral sector in a sustainable way. One point has for instance been to ensure the country's mining policies protect the rights of both the investors and the local communities – so that both parties benefit. That's how the conference started and I thought it was important it started that way – by tackling these sensitive subjects. A little light was also thrown on a few of the on-going projects. And the sense that I have, is that as this conference continues to grow and move forward and more companies start exploring, we will see more presentations from them. There have been a lot of discussions about the future and the right way of approaching that so my sense is that there is a seriousness to develop these resources well – especially in light of the view that the President is also attending the conference.

## Potentially how big can Uganda's mining industry be?

It all depends definitely on the type of minerals that Uganda has as well as the future demand and price for these minerals. From talking to David Kyagulanyi and others, the sense that I have is that there are

very good resources here; so the question becomes how to go out and develop them in a way that benefits the country. And again the secret to success is going to be in this very simple aspect, which is – gathering the necessary information so that you can develop a mineral resource industry that benefits country.

## What is unavoidable if a country needs to develop a thriving mining industry?

I think the law is very important. Establishing laws around the compensation claims, environmental policies, name it – is very important. Without strong laws, you are going to be developing very shaky enterprises and you don't want that. You want whoever is going to invest in the mineral resources of Uganda to be well protected and you also want the people that are accepting the companies onto their land to feel comfortable that their rights are going to be respected and that they are going to see the benefits from the projects. So generally everyone involved should know what to expect, aided by well-defined policies in place.

The other important aspect is to continue with what is happening now – carry on informing the public of the kind of resources the country has and maintain exploration – exploration is very important. The government needs to be facilitating the exploration. I heard that some exploration companies pay taxes



**Dr. Luisa Moreno**

– that is unusual. Back home in Canada, most regions benefit from exploring – with every dollar put into exploration, the government gives you money back to continue the exploration – seeing that without exploring, you don't know what you really have. And that again ties into policies – policies that the government needs to pass to spur that development.

Attracting investments too is

important –with good policies and excellent tax systems, key to attracting these investments.

### **Have do Uganda's mining laws compare to those in leading mining countries?**

I haven't particularly looked at the laws but have only heard discussions about the same. It's all about the checks and balances - reinforce whatever laws and make sure that they compare with the best. The devil is always in the detail; and Uganda can learn from the others' mistakes and establish very strong policies.

### **Turning to matters technical, what's the big deal about the Orbite Alumnae technology?**

This is technology that is still being developed and hasn't been proven yet; so someone has to be cautious and continue watching its progress. The significance of this particular technology is that it is clean compared to the more conventional ones – like the more established one, the Bayer process. In the Bayer when they recover alumna from bauxite, from every one tonne of Alumnae, they produce twice as much in toxic waste. This very toxic waste has caused a lot of trouble around the world – serious health problems to locals and many people have died in some accidents. However, the Orbite process promises that you will able to produce alumina – which is used in the production of aluminum; an important industrial metal – in a clean way; without this toxic waste.

At the same time, they claim to be able to recover different bi-products which make it really economic; bi-products like Rare Earths.

### **And what is the big deal about rare earths?**

There is a great deal with rare earths. *Niobium* for instance is used in the production of one of the most powerful magnets – magnets used in cars; while europium is used in the making of efficient lights as opposed to the incandescent lights that we have always used. And they are also used in many other electronic applications like iPads and iPhones or wind turbines. Generally rare

earths are an integral part in clean, modern energy technologies.

### **So as a likely game-changer, how can the Makuutu clays' deposit – probably rich in rare earths – be exploited to benefit Uganda?**

Usually the first part is to understand the size of the resource. It's quite a lot of clay; but it's always good to know whether you have 100,000 tonnes or a billion of it. If you are to produce is it going to be for 5 years or for 20 years? This is important because when you start running economic models, you want to know how much of it is there and how long the mine-life will be. What Kweri has done with the clays at Makuutu is sending samples to labs – and gotten results showing distributions of various rare earths elements etc. So these are just estimates done on a small sample. It seems it's an economic project but we cannot be sure for now before we do more studies to increase the accuracy of their estimates.

With accurate studies, you can do the capital costs. What infrastructure – roads, electricity, smelting plant etc – does the region have? In Quebec, Canada, where the clay deposit is, there are a number of smelters – with Quebec, the third largest producer of the aluminum; so they need alumina. And they are now going all the way from Canada to Brazil or to the West Indies to buy alumina; but if they can produce it, the costs will fall significantly – hence the need to invest in the Orbite process – which however, we are not yet 100% sure of its viability. Once the technology's viability is proven though, it could be fairly easy – you would hope – to rise close to a \$1bn to build that plant. But it wouldn't be that much of a problem because that plant capacity is going to be 540,000 tonnes of alumina and Canada needs about 6 million tonnes. So even if they are successful and build the plant, the market in Quebec is so big they are only going to be able to supply a small percentage of all the needs of the country. So there is never going to be really that question of whether they have a market to sell it to or not.

As such, here in Uganda, if you

intend to build something like Orbite, you need to decide who you are going to sell to. I hear Mozambique has a smelter which is supplied by alumna from Australia. Uganda is closer than Australia but it has to find cheap means of getting there – which for now isn't available.

So these are the things which one needs to focus on when thinking of developing these Ugandan resources. Understanding the mineralogy, understanding how easy it is easy to process it, if you need acids, where are the acids going to come from? Where will the electricity come from? In Quebec for one, there is a lot of hydro power – developed years ago – which lowers the electricity costs.

So the Makuutu project has to be studied really well before deciding whether it makes economic sense to do it or not. It seems that everything is going according to plan. It's a sizeable deposit; hopefully the capital costs make economic sense.

### **Having gotten a glimpse of Uganda's minerals and mining sector for now, will you be encouraging any individuals or firms from mineral rich Canada to come over and invest here?**

Uganda remains an unknown destination for many people and sometimes this can keep away many who will wonder whether it is wise to invest in a place or not. So I think Uganda has a lot to do as far as promoting its resources is concerned. They can do this like many other countries do. In Toronto, Canada, we have this annual convention and trade show known as the PDAC; a product of the Prospectors & Developers Association of Canada, which was established in 1932 to represent the interests of the Canadian mineral exploration and development industry. At the PDAC, a lot of countries display their minerals in their booths and market their countries to visitors. I think when people get to know Uganda more and get to know the resources that you have, they will get interested. They could for instance discover that maybe it's cheaper to do it here, than say Australia; and if it is, here is where they will be.

# Mining Investors need KINDER POLICIES

**U**ganda has to review its tax policy structure if it is to attract more investors in its mining industry, a mineral law and policy expert has said.

Denis Kusasira (**right**), an advocate, says there is a huge burden that investors carry with Uganda's "front loaded taxes which increase exploration and development cost." Kusasira believes dealing with the country's tax policy could lure the huge investments that the country desires to grow its mining industry. He was speaking at the Mining Wealth Conference, which was organised by the Uganda Chamber of Mines and Petroleum in October 2013.

## Mineral Potential

At least each region in Uganda is blessed with a lucrative mineral. Gold is being explored in Kamalenge, Mubende district, in the mid western part of the country. In Karamoja, which is the north eastern part of the country, gold is also being explored. Plans to search for rare earths elements – with deposits suspected to be worth more than Uganda's oil potential – are ongoing in Eastern Uganda. While iron deposits are said to be huge in some parts of western Uganda.

With neighbouring Tanzania reaping huge rewards from its gold reserves, and other minerals, Uganda is looking to generate similar fortune and turn around its economy.

However, experts believe that the tax policy for the mining industry still scares investors. Kusasira looks at the withholding tax on contractors and interest on loans that need to be revised in order to attract investors. He also says that the import duty on exploration camps might not make much sense to investors.

## Investment Criteria

Kusasira said that investors use a certain criteria before making the decision to invest in a country's mining industry. The investors look at the geological potential of a country. This geological potential can be known by the country's geological surveys. The Ministry of Energy notes that it has airborne



geophysical survey data acquired through aerial survey. The ministry further notes that the surveys, in addition to available reading materials packaged and exhibited as promotional brochures and flyers, are available to exploration companies.

Kusasira, however, says Uganda has "not singled out a target mineral [to warrant a huge mining investor and the country has] not done enough marketing of the available data." He had earlier on said that "it is now eight years since the Mining Act of Uganda was enacted and we are yet to witness the opening of a large-scale mine; only remaining contented with the fact that more exploration licences are issued every year."

Investors look at the second criteria of profitability of potential of the operations. Investors look at the tax structure of the country, and see how costly it is to invest the money.

Businessmen also go through the country's security of tenure and permitting. The Business Licensing Reform Committee (BLRC), instituted by the Ministry of Finance, in March this year, produced a report that called for a review of broad range of licenses like the Mining Act of 2003.

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

entity to the licensing authority." Kusasira also noted that investors consider a country's security of tenure and permitting before committing any funds.

The Africa Mining Vision of 2009, a document that outlines how the continent can promote its mining industry, points out that, "Emphasis was put on security of tenure and strengthening of mineral rights. Comprehensive packages of incentives for the mining investor in terms of reduced taxes and royalties were also approved."

Countries, however, offer these packages to the large mining investors. The small artisanal miners, who form the majority in Uganda's mining industry, are locked out.

According to the Africa Mining Vision, "Most Artisanal Small-scale miners do not have security of tenure or access to high-quality and mineable resources. Because of this, they cannot generate adequate income or use their mineral rights as security for funding or to enter into joint ventures with other more capable partners. To this, one can add poor access to financial resources caused by the reluctance of banks and other financial agencies to provide loans and other financial assistance to an unregulated ASM (Artisanal Small-scale Miners) sub-sector."

Kusasira also noted that investors consider how easy it is to repatriate profits out of the country. Uganda has no conditions as to how much profit an investor can take out.

He said investors also look at the stability of exploration terms and conditions.

Investors can now sign stabilisation clauses with government when they are going to undertake large mineral investments.

Other elements that investors look at include: the ability to predetermine tax liability, the ability to predetermine environmental obligations, realistic foreign exchange controls [although Uganda has a floating exchange rate system], among others.

# Govts are biggest winners from MINING INVESTMENTS

As capital flows into markets where the costs of doing business are low and the returns are high, Joshua Tuhumwire (**pictured right**), a business consultant, says there is a need for a balance between company's goal to maximise profit and the government's desire to generate as much revenue as possible from a mining project.

Tuhumwire, an ex-Commissioner, Department of Geological Survey & Mines and director of Flemish Investments, Uganda, said unless there is a balance between the two, mining projects will be at the risk of being abandoned, and ultimately scare away investors.

"There must be an equitable distribution of benefits between the host government and the mining companies reflecting the risk and reward ratio or projects do not get built," he said, adding that "a successful mining project is a significant country scale marketing tool to attract additional investments: a clear signal that we are open for business."

Tuhumwire was making a presentation on behalf of J.C. Potvin, the President of Flemish Gold Corporation of Canada, at the Mineral Wealth Conference, organised by the Uganda Chamber of Mines and Petroleum in October.

Uganda's mining industry remains young, with no large investment in any mineral. The amount of revenue Uganda makes, compared to countries like Tanzania and Botswana, is still small.

Uganda government made Shs 3.6bn in non tax revenue from mining in 2010, according to the latest figures available. Royalties contributed more than half to this amount, bringing in Shs 2.7bn, according to the National Budget Framework Paper of 2012, while the rest of the money came from the sale of mineral licenses and publications and geophysical data.

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

Tuhumwire said that countries make the most amount of money when it comes to mining investments. On top of generating revenue, jobs are also created.

"In the end, only a small residual portion of the "inherent or face-value" of the mine finds its way to the original private shareholders/investors," he said.

He further explained that "The majority of the "inherent value" ends up in the national economy, either via the state treasury or through the private spending – translating into national wealth and jobs. The biggest beneficiaries of mining are suppliers to the industry, mining sector employees and the government."

Tuhumwire said that more jobs are created at the stage of the construction of the mine, and that a company will always look for suitable local labour. "Estimates show that the peak workforce required is during mine construction and will be approximately two or three times the number of employees needed for the actual mining operation. The construction phase typically takes some two to three years to complete," he said.

Uganda is trying to lure more investors, especially now that there is limited capital globally heading to mining investments. The country is looking at amending some of its laws to make it comfortable for investors.

Tuhumwire advises that "to attract major international capital investments into the local community, a country's mining act should be based on and reflect experiences of best industry practices to improve governance and transparency."

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

The Business Licensing Reform Committee (BLRC), in March this year, produced a report that called for a review of broad range of licenses like the Mining Act of 2003.



To Tuhumwire, any reform should have one element: "Mining is a quick source of new revenue for governments. Attempting to maximize revenue by increasing tax and royalty rates can have a negative effect and actually decreases the total net tax revenues. Capital is mobile and investment funds flow where returns are maximised."

He said that a country should avoid including clauses within its mining acts or policies that have the potential of being deal breakers. Some of the deal breakers, according to Tuhumwire, are: leaving too much to government's discretion, which inspires confusion and doubts; failure to include stability clauses, which allow a fair return and fix the fiscal regime; mining titles that are not area specific, among others.

Tuhumwire said the location of a country like Uganda calls for deeper structural improvements to attract investors. As a landlocked country, the distance to a port in Kenya or Tanzania is still far by most standards.

"Lack of or poor infrastructure is critical to the decision process in making mining investments, particularly for countries that are far from a coastal port – getting the mineral concentrates from the mine site to the ship is often simply uneconomical," Tuhumwire said.



# Understanding the RARE EARTHS STORY

## ...and what it could mean to Uganda

**David Kyagulanyi, Director, Kweri Ltd**

Rare Earth Elements or the lanthanides are the series of elements with atomic numbers 57 to 71, all of which, except promethium, occur in nature. Despite the name, these elements – defined as the 15 lanthanides plus scandium (Sc) and yttrium (Y) – are not as rare as one might think. They are found in combination in mineral deposits widespread throughout the world. Mineral deposits range from hard rock deposits, themselves of different geological compositions; to mineral sands to in-situ weathered clays to volcanic silts and clays to sedimentary clays and other formations.

The rare earth elements, being chemically similar to one another, invariably occur together in the minerals and behave as a single chemical entity. The problem of separating them from one another for scientific study or industrial use has been one of the most challenging tasks of rare earth technology – the difficulties in extracting the metal from the ore - and thus the term rare.

Rare earths are generally divided into Light Rare Earths (LREEs) and the Heavy Rare Earths (HREEs). Of recent this division has been upgraded by some to LREE (Lanthanum to Neodymium), SEGs (Samarium, Europium and Gadolinium) and HREEs (Terbium to Lutetium plus Yttrium or Y).

Of the 17 rare earth elements, only five of them – dysprosium, terbium, europium, neodymium and yttrium – are considered critical and are many times referred to as the Critical REEs. Critical REEs face the most supply risk while they are the most important to clean energy. A deficit of these materials would impact a number of key industries, including solar panels, fluorescent bulbs, electric car batteries and wind turbines.

The majority of the world's largest and highest grade rare earth rich deposits are composed of LREEs. The HREEs are generally rarer and more expensive than the LREEs. Of the LREEs, Neodymium is considered a Critical REE and together with Praseodymium, is widely used in the production of sintered NdFeB magnets which are permanent magnets made from an alloy of neodymium, iron and boron. Permanent magnets are used in many applications in modern products that require strong permanent magnets, such as motors in cordless tools, hard disk drives and magnetic fasteners. The global rare earth industry value was US \$7-10 billion in 2012.

### China's Dominance

Rare earth elements (REEs) are commonly used in consumer electronics such as televisions,

cameras, and mobile phones, as well as automobile catalytic converters and rechargeable batteries due to their unique optical and magnetic properties.

They are also being used in the making of hybrid electric cars, wind power generators, LEDs, hard disc drives, flat panel displays and portable electronics. They are also known as the "Green Elements" because they are essential to many green energy technologies.

China has contributed ~95% of global supply since the mid-1990s. China today produces 90-95% of all of the world's supply of SEGs, HREEs, and Y. Though the balance is produced outside its borders, it's almost entirely refined in China. A small proportion of the global production (perhaps 1-2%) of SEG, HREE, and Y bearing concentrates is separated and purified by Belgium's Solvay Corporation at its operation in France. It is the HREEs, Y, and the SEGs that are critical in so many technologies, and it is the sustained and reliable supply of these that is the key to a total rare earth supply chain, outside of China.

Because currently China accounts for 97% of world output, REEs have become a critical strategic resource. Recently, REEs have been the subject of major media attention resulting from potential trade restrictions; this had

become a particularly sensitive problem for defense organizations which rely heavily on these elements for much of their high-tech equipment; as well as the electronics and renewable-energy industries.

In 2010 China's Government cut domestic output and reduced export quotas by 40%, driving up prices and prompting the US, the EU and Japan, in March 2012, to file a formal complaint to the World Trade Organization, challenging the restrictions. The case included tungsten and molybdenum whose production China also dominates. Although it was yet to issue its findings, it did note that China's restrictions were in violation of WTO rules.

China has officially cited resource depletion and environmental concerns as the reasons for a nationwide crackdown on its rare earth mineral production sector. However, an article in *The Economist* said, "Slashing their exports of rare-earth metals...is all about moving Chinese manufacturers up the supply chain, so they can sell valuable finished goods to the world rather than lowly raw materials." One possible example is the division of General Motors which deals with miniaturized magnet research, which shut down its US office and moved its entire staff to China in 2006.

Roskill at its optimistic projections, mention that China would account for 61% of global REE supply by 2018. But even that has to be qualified: the impact of the rest of the world by 2018 will, they noted, be much greater in the LREE complex than the HREEs, which are the more desired ones and which are likely to be in deficit for some time ([investorintel.com](http://investorintel.com)). Still the fact that China has supplied 90%+ of RE is no longer relevant but the fact that they control 80/90% of the higher value supply chains. A company can produce the rare earths and get to final separation point but who are they going to sell it to, since China controls 80/90% of the higher value supply chains? This scenario has prompted Western Nations, and in Africa, South Africa of late, into ensuring that they start on having their own total rare earth supply chains (TRESCs) (comment

on [investorintel website](http://investorintel website)).

### **Uganda's REEs; Their Economic Significance**

In Uganda, Kweri recently discovered soft clays in an extensive area of Eastern Uganda which are enriched in the rare earths plus yttrium and scandium. These clays are also aluminous in the sense that they also have high amounts of alumina, the primary feedstock for the manufacture of aluminium metal; and also in addition have appreciable contents of gallium. The distribution of the most significant rare earths within these clays would put this geological resource among the top 15 rare earths

***"For Sukulu and Makuutu, the royalties to government alone from the mineral products could be upwards of US\$100 Million per year – 7,000% of current royalties; using current mineral products prices***

resources worldwide. Because of the potential for the extraction of a wide array of mineral products from the Makuutu clays, beyond the rare earths plus scandium, gallium, niobium and yttrium; and because the area of the Makuutu clays is very extensive, their in-ground value, at current prices, is close to US\$600 billion.

It has been known for a long time that certain rocks of Eastern and North-Eastern Uganda do also have rare earths and niobium. These rocks which form rather prominent hills are called carbonatites. The soils that have been derived from the more well known of these carbonatites (the Sukulu residual soils) may also be hosting – for rare earths alone and some rare metals like niobium – the most economically-dominant resource in Uganda (*and possibly in the whole world*). The soils

of Sukulu are unusually enriched in the most-rare, rare earths – specifically praseodymium, europium, terbium and dysprosium. They could also be enriched in scandium. The Sukulu soils could have an in-ground value, at current China-FOB prices (October 30th) of more than US\$600 billion.

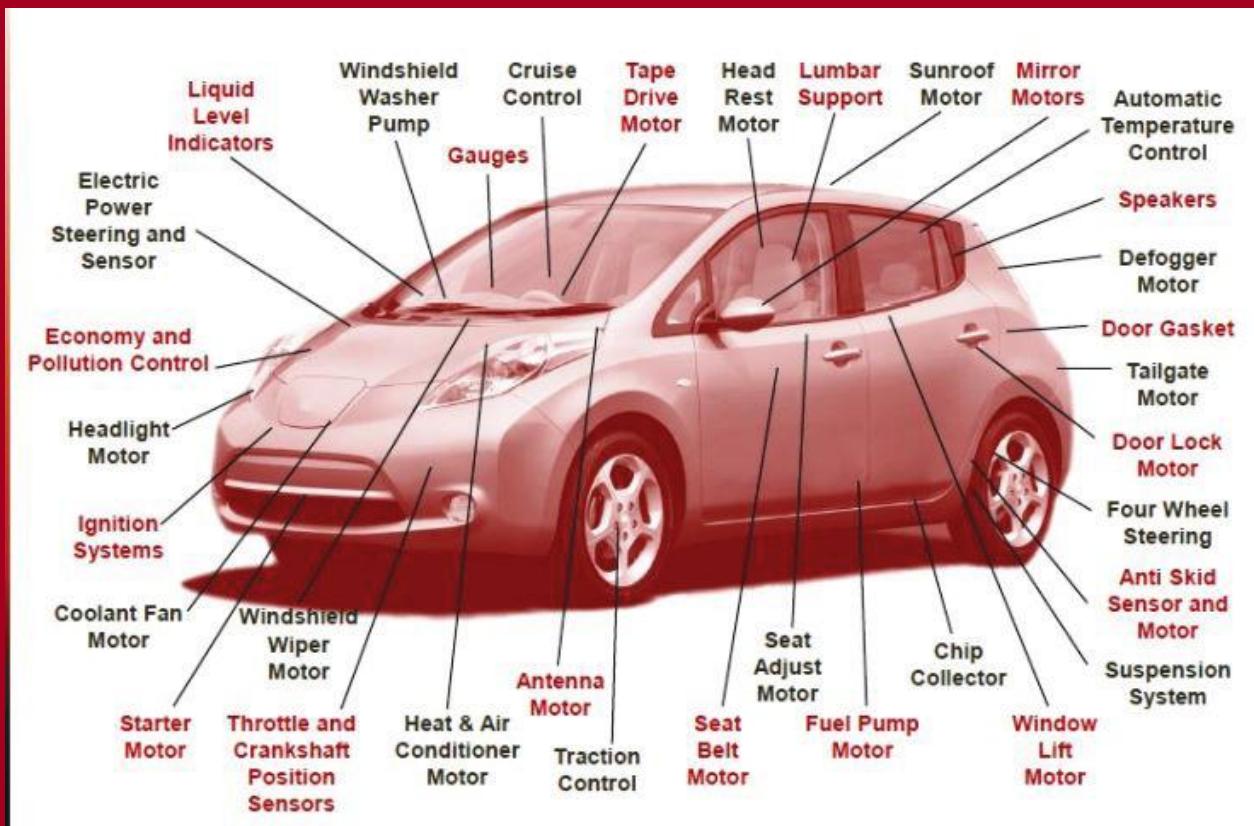
### **Makuutu &Sukulu's Economic Significance**

The greatest potential of the clays of the Makuutu area lies in more than rare earths. Basing on the expected commercial success of a delayed technological breakthrough, the clays of the Makuutu area would have a very wide array of industrial minerals extracted in addition to the rare earths, scandium, niobium and gallium. This could, as a result, turn Uganda into a producer of key industrialization mineral products (and metals) – the most dramatic of which would be alumina, scandium oxide, zirconium oxide and high purity silica (glass, aluminium, scandium, zircon and silicon metal).

From the Makuutu clays, and using the new technology which is expected to be commercially proven by the time the first pre-feasibility / preliminary economic assessment study is carried out on the Makuutu clays, Uganda could earn at least US\$500 Million per year per each of this-new-technology plants, from the mineral products sold, using current mineral products prices. For the oxides of the rare earths, scandium, gallium, niobium and zircon, this would be to the tune of US\$250 Million (at a very low extraction rate of 65% of these products from the clays).

In the long term, as many as 5 plants could with time be put up (as the company which has this technology itself plans to set up 10 plants in the long term). This would see Uganda earning upwards of US\$2.5 billion per year from the Makuutu clays, using current mineral products prices and without any value-addition (for the oxides of the rare earths, scandium, gallium, niobium and zircon, this would be upwards of US\$1.2 billion per year without any value-addition).

From the Sukulu soils, at a modest rate



The ever expanding REE consumption range

of 10,000T per year of raw rare earth and rare metal products, Uganda could earn upwards of US\$1.5 billion per year from the mineral products from Sukulu alone, using current mineral products prices.

For Sukulu (modest production rate of 10,000TPY of rare earths, zircon and niobium oxide products alone) and Makuutu (1 plant only or processing of 2.5MTPY of clays) Uganda could earn US\$2 billion per year – and this without even the lowliest of value addition. For Sukulu and Makuutu, the royalties to government alone from the mineral products could be upwards of US\$100 million per year – 7,000% of current royalties; using current mineral products prices.

Primary value addition to these mineral products (production of glass, high purity mineral oxides and metal ingots) would lead to upwards of 300% appreciation in value-achievement – to at least US\$6 billion per year; basing on current mineral products and metal prices. For the long term, the economic multiplier effect with more downstream value addition beyond primary value addition (beyond production of glass, high purity mineral oxides and metal

ingots to production of alloys and subsequent semi-fabrication and fabrication of end products) would be more than 400% - an economic multiplier effect to the tune of more than US\$24 billion per year.

### Strategic Thinking

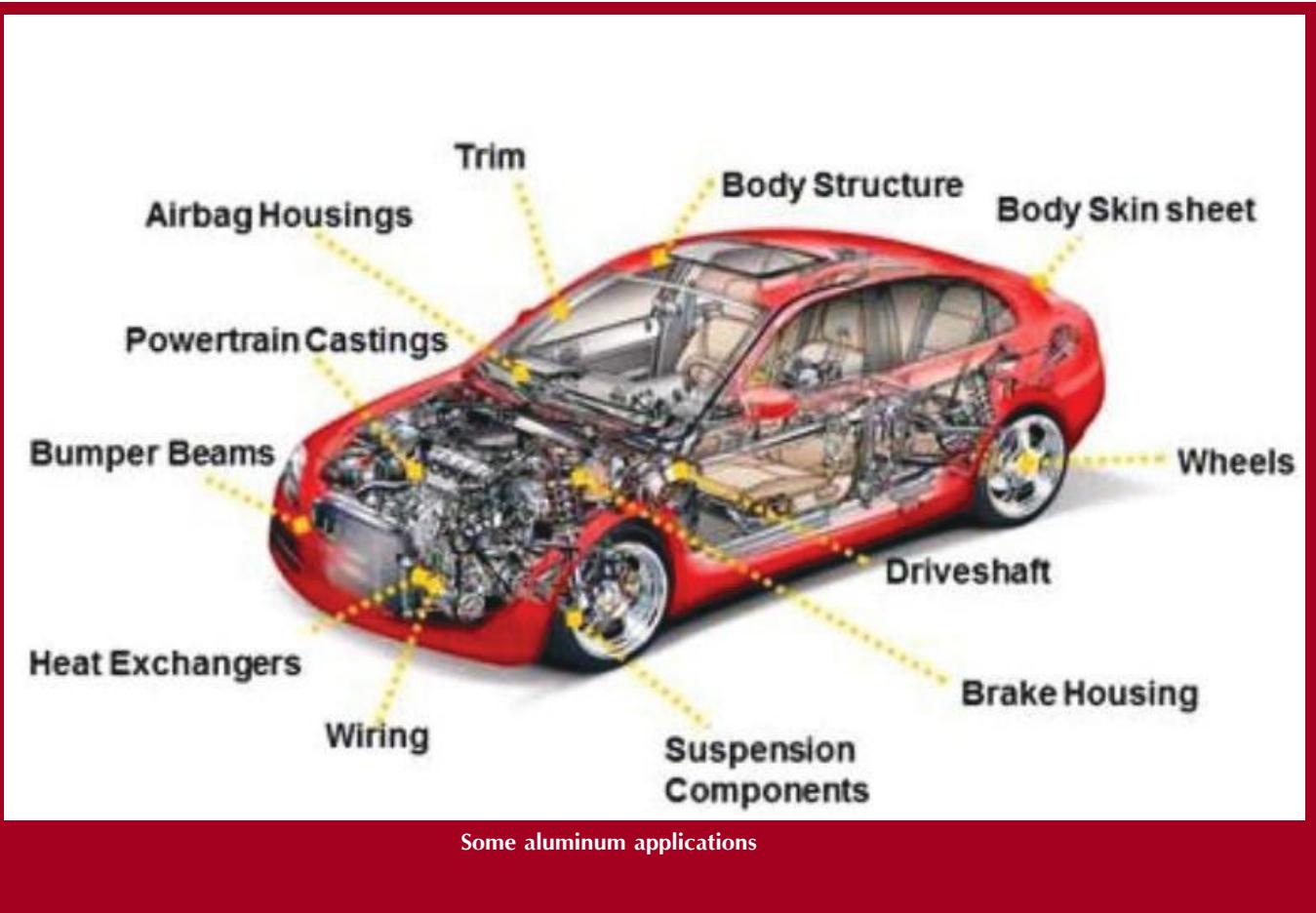
On September 10th, Russia announced its commitment to invest US\$1 billion to create an independent Russian based solution which will solve their dependency on China based exports for the rare earths. In mid-2012, Vietnam inaugurated its first centre for rare earth research and technology transfer in Hanoi, signed as part of a deal with Japan. The Centre is seen by Vietnam as giving the country entry not just into mining rare earths, but processing in the country and developing high-tech industries as a result. In their 2013/14 'Strategic Plan Briefing to the Select Committee on Economic Development of South Africa' of June 18, 2013, Mintek, South Africa's national mineral research organisation and one of the world's leading technology organisations specializing in mineral processing, extractive metallurgy and related areas, showed that they intend to spend R3.5 million (US\$ 350,000)

on a rare earths solvent extraction plant (<http://investorintel.com>). And the same story goes on and on in the USA, Europe, Brazil and Canada.

REEs are important materials for optical science and technology, but they are not the only ones. Lithium, gallium, indium, tantalum and niobium are just some examples of other rare metals that are absolutely critical to modern electronics, optics and computing. Their scarcity and technological importance, together with the REE story explored here, raise broader questions about the management of critical materials in this new technological society (optics and photonics website).

There is no doubt, therefore, that minerals are and will impact global geopolitics in this century.

Increasing demand for dwindling proven reserves of critical elements such as the rare earths, lithium, and others (wolfram or tungsten, tantalite, molybdenite, niobium, etc), will impact not only the future of high technology, green technology, and space exploration, but also the foreign policies of nations around the world in the 21st Century (e.g. the wars of the DRC).



These two and other mineral resources of Uganda need to be seen as strategic national mineral assets. Uganda needs to not only ensure that they are quantified and feasibility studies carried out them, as fast as possible; but above all, Uganda needs to ensure that as a country, it invests in doing this and therefore has an honestly acquired and substantial stake in them.

Using the Sukulu soils resource as a bargaining chip and working together in a win-win manner with the Chinese, Uganda could have the first commercial rare earths refinery in the whole world outside of China; and this could then turn Uganda into the rare earths hub of Africa (even ahead of South Africa which has similar plans).

In REEs, profits are not derived directly from mining ore, because the concentrates are heavily discounted by the market due to the current shortage of accessible separation capacity outside of mainland China (Dr. Jack Lifton). In order that we as Uganda gain the most from Sukulu for example, we must ensure that the mineral resource developer's model has in it

the setting up of a HREE refinery to produce separated oxides of HREEs at the highest purity levels that command the highest prices.

The development of these resources

***"Increasing demand for dwindling proven reserves of critical elements such as the rare earths will impact not only the future of high technology, green technology, and space exploration, but also the foreign policies of nations around the world in the 21st Century"***

should not be left to foreigners alone – whose interests in the short and long term maybe far removed from our interests as a people, a nation

and a region. As the stewards of these mineral resources for current and future generations of Ugandans and Eastern Africans, we should not underestimate the significance of these discoveries. We should treat these critical resources as true national treasures. As Dr. Jack Lifton concluded at a discussion on investorintel on rare earths; and where the author shared his findings on Sukulu and requested any other people to comment on his conclusions:-

"Until we are willing to face the fact that the West's loss of this industry was due to our own short sighted greed and Chinese willingness to build for the long term we will never turn this situation back to our own advantage. We need to learn from the Chinese success in this field that long term planning is not a capitalist strong point, but we cannot win in the future without doing it."

I believe this part above is worth quoting. We need someone to come and tell it to us, to our face here (in Uganda and Africa), that unless we think so, we shall be bleeding forever," says Kyagulanyi.



Coffee husks (background) at Hima Cement; which are to be used as sources of alternative fuels

# Hima cuts costly fossil FUEL USE BY 70 PERCENT

Hima Cement has cut use of costly fossil fuel use by 70% at its Hima production facilities in Kasese replacing it with cheaper and clean alternative fuels.

The alternatives that are taking the place of heavy fuel oil include coffee, rice, g-nut husks, baggase and palm kernels.

Daniel Pettersson, the Hima Cement General Manager said with the 70% substitution, Hima Cement is nearly implementing full use of alternative fuels – a development that is not only saving operation costs but also supporting local farmers.

"Cement production is a very energy consuming process. Buying the fuel, shipping it in then transporting it all the way from Mombasa to our plant is expensive," said Daniel Pettersson, the General Manager of Hima Cement.

Pettersson made the remarks at the Mineral Wealth Conference 2013 in a presentation titled "Mining, Communities and Sustainable Development" using Hima Cement as a case study. Hima was a platinum partner in the conference with a Shs50million (\$20,000) sponsorship.

Hima is bucking a global trend where manufacturers are turning to cheaper, cleaner alternative sources of energy. In Hima's case, the Lafarge subsidiary is supporting local farmers in the process.

Lafarge has a global target to use 50% of non-fossil fuels in its cement plants by 2020, including 30 percent biomass. Having met and surpassed the group target, Hima Cement is the leader within the Lafarge Group worldwide on the use of biomass.

"All Lafarge sites are aiming towards use of biomass which can



**Hima Cement General Manager**  
Daniel Pettersson



**(L-R) Hima director Dr John Simba, Patterson, Lafarge East Africa MD, Hussein Mansi and Steven Barikurungi the company's Industrial Ecology Coordinator inspect a matured coffee plant during a recent visit to farmers in Kasese. Hima Cement committed Shs2 billion to subsidize coffee seedlings for over 35,000 farmers in Kasese and Kamwenge, southwestern Uganda**

be locally sourced and so far Hima Cement is the leader as we have already surpassed the 50% target," Pettersson said.

Hima has been sourcing up to 70,000 tonnes of biomass annually from Uganda, Tanzania and the DR Congo. Pettersson said they are set to source more biomass from Uganda in line with the company's target to benefit the communities where it operates.

Before this energy substitution, Hima was using furnace oil to burn raw materials to form the clinker. With innovation at the plant, the cement maker started using coffee and rice husks as alternative fuels which are part of the carbon cycle unlike heavy fuel oil.

"We will help develop the communities in which we

operate through local economic development and job creation and respond to community social needs, thus improving our resiliency in a fast-changing world," Pettersson said.

In the Shs2billion (\$800,000) coffee project, Hima has partnered with Uganda Coffee Development Authority (UCDA), local farmer associations to subsidize over 35,000 farmers to grow over 7 million Robusta and Arabica coffee trees in Kasese and Kamwenge districts.

Estimates indicate that the coffee project will generate up to 15,000 tonnes of energy from the project annually while generating annual revenues of about Shs120billion (\$48m) for the coffee farmers when the coffee trees reach full maturity. Meanwhile, over 35,000 farmers

benefited from Phase 1 of the project.

The only multi -brand cement seller in Uganda has an 850,000 tonnes per annum production capacity. The enhanced capacity was achieved after commissioning of a third production line in 2010. This increased cement production from 300,000 tonnes per year to 850,000 tonnes per year, nearly tripling its energy needs.

In his remarks, Elly Karuhanga, the Uganda Chamber of Mines and Petroleum (UCMP) Chairman, had noted how Uganda's energy demand was set to grow by 900 per cent by 2018.

He urged the extractive industry players to make use of alternative sources besides the imported fuel that is also used to generate electricity.

The high temperature needed for cement manufacturing makes it an energy-intensive process.

Patterson said finding ways to reduce both energy needs and reliance on fossil fuels is a top priority for cement companies worldwide.

Today, many cement plants globally meet between 20-70 percent of their energy requirements with alternative fuels.

This he said is contributing to reduction in carbon emissions. Lafarge's target is to see 33 percent reduction in carbon emissions per ton of cement produced by 2020.

# Miners urged to respect HUMAN RIGHTS

The Karamoja region, where the search for gold prospects is taking place, will be the centre of a study on whether the extractive industry in Uganda adheres to international human rights standards.

The study, to be conducted by the African Commission on Human and People's Rights, will "examine the impacts of extractive industries on indigenous peoples' rights to land and natural resources."

The study is expected to be made public in April 2014. According to plans, it will undergo a stakeholders' validation exercise in June of the same year, before the African Commission ratifies it a few months later in October.

Making a presentation at the Mineral Wealth Conference, organised by the Uganda Chamber of Mines and Petroleum in October, 2013, **Dr. Christopher Kidd**, the consultant of the study, said the report will "evaluate the extent to which extractive industries are held accountable for the negative impacts generated by their activities, and adhere to the different international standards."

Kidd said that the study was commissioned to protect indigenous people, who he noted, are often times marginalised.

"Their culture and way of life differ considerably from the dominant society, to the extent that their culture is under threat of extinction. The survival of their particular way of life depends on access to lands and natural resources. They often live in inaccessible regions and are often geographically isolated," Kidd noted.

The study, which will also look at the mining sector in Botswana and Cameroon, will touch on a critical issue that many African countries face. Conflicts over land between mining firms and the communities are a common story on the African continent. In some instances, mining projects, such as the gold project in Busitema, Eastern Uganda have been hurt as a result of conflicts between the mining firm and the communities.



**Dr. Christopher Kidd**

While the mining firms have acquired licenses, and sank in substantial amounts of money, local communities still feel that the land belongs to them, and therefore should be allowed to use it as they see fit. This usually creates issues that bring about problems surrounding human rights.

Dr. Kidd said that the study will "make recommendations to state parties, extractive industries, the African Commission on Human and Peoples' Rights, Indigenous peoples' communities, international financial institutions and civil society organisations for the promotion of human rights."

In 2003, the International Council on Mining and Metals (ICMM) adopted the ICMM Sustainable Development Framework to assist members to improve their sustainable development performance. One of the elements of that framework is to "Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others" who are affected by mining activities.

The Africa Mining Vision of 2009, a document that sets out to promote sustainable mining on the continent, already calls for the elimination

of "human rights abuses and the possibility of natural resources of fuelling conflicts."

The vision advises that there is a need for countries to consider initiatives to decentralize revenue distribution and allocation; ensure broad-based, active and visible involvement of affected communities in the approval, planning, implementation, and monitoring of mining projects.

"Build platforms for consensus building on priorities and options for the development and management of mineral resources," the document reads in part.

Christopher Kidd discussed three models in which the indigenous people can benefit from the natural resources. The first **preferred option** is where the indigenous people take charge of the resource wealth in their area. However, this model cannot work because the indigenous people do not have the experience and financial muscle to extract the resource out of the ground.

This now calls for the second model, which he called the **undesirable model**. With this model, the extractive industry, with state backing, controls and profits from digging out the resource. This model locks out the indigenous people, and leaves them even poorer. Kidd said a number of industries are shifting away from this model.

This leads to the third model, which Kidd calls **compromise**. Under this model, resources are identified. And then the conditions under which the resource will be extracted are discussed. The states and the companies are then supposed to be respectful of the indigenous peoples' concerns.

One of the first steps for this model to work, however, is the need to consult and educate the indigenous people about any mining campaign. Information, which is easily understandable, should also be made accessible to the indigenous people. And it is advisable to seek consent from these natives.

Kidd, however, said there is a need for a framework to support this model.

# Transparency in mining is key to more investments

**T**here is huge benefit if Uganda signs up to the Extractive Industry Transparency Initiative, according to Godber Tumushabe (**right**), Executive Director at Advocates Coalition for Development and Environment (ACODE).

Making a case for the need to have Uganda sign up to the initiative, Tumushabe, says agreeing to the principles of good governance will increase investor confidence and lure capital into the mining sector.

"Uganda has multiple opportunities and mining should be seen as one of them. Making progress including in mining will be more a function of governance and leadership," he said, while delivering his paper, on Day 2 of the Mineral Wealth Conference.

"Participating in EITI is communicating a message of confidence in our government systems and governance. Sitting on the fence of whether to join or not or delaying the process works against us in an increasingly competitive market place," he added.

Investors continue to argue that there is limited capital to invest in huge and long term projects like mining. Capital now goes to areas where there are fewer risks, fewer costs of production, and where there is good governance.

"Creating a competitive minerals sector is our business as much as it is the business of government. Demand that government should expeditiously initiate and fast track the process of subscribing to EITI," Tumushabe advised a strong business audience drawn not only from mining but other service sectors.

Under the EITI arrangement, companies publicly disclose payments to government, and the government too publicly discloses the receipts outlining the payments from the companies. A multi stakeholder group also oversees such issues as the award of contracts and licenses, revenue distribution and management, regulation and monitoring operations, and how government

pursues sustainable development policies.

Access to the club of countries and companies that adhere to EITI is voluntary. The United Nations and the African Union look at the EITI to measure the level of transparency in a country. The Africa Peer Review Mechanism, an assessment of African countries on a wide range of issues, also rates the EITI highly.

Uganda is yet to discover a commercial mineral that can attract a large investor such as those in neighbouring Tanzania. Only junior exploration firms are exploring for minerals in Uganda today. However, Tumushabe believes signing up to the EITI will at least see Uganda attract some attention and confidence in its business environment. Failure to do that complicates matters, he said.

"Governance is the foundation for an enabling environment for the mining sector. Uganda's performance is low, and the current governance indicator has negative implications for the mining sector," he said.

Calls for Uganda to join the EITI have been around for some time. The purpose of EITI, according to Tumushabe, is to make it hard for a country like Uganda to abuse oil revenues.

The calls for Uganda to sign up to EITI have grown louder in the wake of the country's discovery of oil. Going by the current discoveries, oil receipts are expected to be anywhere north of \$50 billion – more than twice the current Gross Domestic Product - when the resource is finally depleted.

Tumushabe called on government to make up its mind on whether it intends to sign up to EITI.

"Save for declarations of commitment from government officials time and again, Uganda's commitment to subscribe to EITI is uncertain. This is consistent with recent trends where evidence shows that Uganda is reluctant to participate in governance initiatives," he said.



Only five African countries are said to be compliant. These are: Central African Republic, Ghana, Liberia, Niger and Nigeria.

The push to have countries adhere to good governance in the extractive industry has seen the introduction of such laws as Dodd Frank. Under the Dodd Frank law, companies that are listed on the New York Stock Exchange are obliged to report the money they pay in the different projects where they operate.

A similar law is being pushed in Europe, where extractive companies are also required to report the amount of money they pay in the countries they operate. Tumushabe said there are number of strategies a country must undertake when it signs up to the EITI. They include: Identify and document the different sources of revenue in oil and gas activities, ensure right collection of the right revenues due to government and take into consideration that these revenues include both tax and non-tax components, publish the revenues from oil regularly and utilise the oil revenues to support the other sectors of the economy.

"EITI and good governance are the choices countries that choose to succeed with their citizens take," Tumushabe concludes.



EA Gold exploration goes on, as a local resident (foreground) uses rudimentary means in his gold search

# ATTRACTING MINING investments in difficult times

**U**ganda needs to approach mining issues from the investor's point of view if the industry is to make significant headway going forward. Richard Kaijuka, the Chairman, East Africa Gold, a Ugandan gold exploration company currently engaged in Kaabong district, Karamoja says with economic uncertainty world over contributing to a scarcity of funding for exploration activities, it is important that mining investors are protected.

"We need to start taking the long view approach if we are to attract the "right kind" of investor," Kaijuka noted, in his presentation at the Mineral Wealth Conference 2013. His presentation was titled "*A look at the industry from an investment perspective and the practical challenges facing exploration companies in Uganda*".

Kaijuka, who is also the Uganda

Chamber of Mines and Petroleum Vice Chairman, noted that excellent infrastructure, a quality human resource, transparent processes and well considered laws were non-negotiable if a country like Uganda sought to attract credible investors.

"Large companies not only worry about the labour costs, the decreasing commodity prices and cost effectiveness, they also worry about external factors like nationalization and other limiting laws," he said.

For instance, mining investors have found taxes on exploration works in Uganda frustrating, and it's only recently that President Yoweri Museveni has promised to scrap them. Land laws too remain vague in many cases with inhabitants holding mining firms at ransom when it comes to, say compensation. Though no mines have been nationalized in Uganda in recent times, a few have been on the continent. Considering

how much money goes into exploration and mining projects, investors cannot be blamed for being wary.

And it is this money that has increasingly dried up that should be worrying for countries like Uganda whose mining industry remains relatively unknown in global terms.

"Mining stocks have had a hard time in recent times. In 2013, market capitalization fell for 37 of the top 40 companies – which lost over \$200 billion or 17% since the end of 2012," Kaijuka said, quoting a PricewaterhouseCoopers report. It was particularly tough for gold, with prices per ounce falling from \$1,800 to hover between \$1,200 and \$1,300. Future prices too remained uncertain, he noted.

This has meant raising capital for early stage production is extremely difficult for junior mining companies

– with many going bust as their share prices plummet. Buyers of early stage exploration projects are also difficult to come by in recent times with dwindling finances meaning few are willing to risk the uncertainties that abound there and instead preferring to buy a cheaper resource or come in at production.

As such, for Uganda which is still at an early stage – without any defined resource or renowned large producers like Barrick Gold, Anglo Gold-Ashanti – it is important that all the stakeholders work towards creating an enabling environment to attract these scarce finances – which are currently being channeled to countries with already well-established mineral industries like Ghana, Botswana and Tanzania.

The ‘Big Boys’ are looking for a project that can generate cash flow and therefore become self-sustaining as soon as possible with reduced dependence on external factors such as markets, investor sentiment and short term risk. A defined large resource that is of high grade and cheap to extract is also very attractive to the major mining firms, since they seek large margins to create safety and more predictable returns. The investor also wants to see progress for his project hence any milestones reached have to be linked to capital requirements. To ensure the above, the exploration methods and the data collected has to be of the highest standard, qualities EA Gold is emphasizing in Kaabong, according to Kajjuka.

The company is now moving to the next stage in a project that it believes in, both in terms of its technical merit and the people and region. The locals, Kajjuka emphasizes, have supported the venture all the way from the very start because the company took time to explain to them what it entailed to move from exploration to full scale production.

“Thank God we have been able to finalize our financing package in this difficult climate and before long we will be engaging in drilling and by the end of 2014, we should be able to know whether we have found a useful resource to establish a big mine or not,” he said.

With everyone pulling in the same direction, therefore, all stakeholders – from the country, to the company and to the community – would benefit immensely.

# Local youth should be trained in mining



**Prince Opoku Agyemang,**

Uganda needs a National Youth Employment Program (NYEP), especially targeted towards mining communities if the country is to fully benefit from its mineral wealth.

Prince Opoku Agyemang, the Operations Director at Blaze Metal Resources Ashanti Ltd, says youth in mining communities can add great value if inculcated in the entire mining process by companies operating there.

“Rather than ignore the youth to scurry around picking through soil for a precious metals, mining companies with 6 to 10 year exploration programmes can engage with community based mining groups within the license catchment area to implement training programs to help the youth,” he said.

It is after such training that mining firms can employ them or help them set up Small and Medium Enterprises related to mining.

“It is not until the youth of Uganda are empowered

through education, both formal and practical, from within the mining communities that they will attain the tools to become part of the sector development,” says Agyemang.

In, Ghana, where Agyemang comes from, NYEP was implemented in 2006 with a huge uptake in the program. By 2009 more than 110,000 youth had successfully graduated from the program. The World Bank is one of the sponsors of NYEP in Ghana, which targets youth between the ages of 18–35 years.

A Youth in Mining module would work well for Uganda, where over 60% of youth in the similar age group remain unemployed.

“Apart from employing the youth, such a program can also lower rural-urban migration and work as a tool to resolve conflicts in mining areas where locals usually feel left out by the big mining firms,” says Agyemang.

Blaze Metals is exploring for gold in Bugiri and Namayingo in eastern Uganda under a joint venture with Lynks Mineral Resources and Amor Mines hold.



World Bank

# MINING PRESENTS GREAT diversification options for Uganda

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*'Uganda needs to move beyond agriculture and seriously consider mining as it seeks to diversify its economy'*

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Together with the African Development Bank, the Nordic Development Fund and others, the World Bank funded the Sustainable Management of Mineral Resources Project (SMMRP); a project intended to help Uganda strengthen its capacity to develop a sound minerals sector based on private investments and improvements in selected artisanal and small scale mining areas. The scheme that ran from 2003 to 2012, covering the entire country bar a then volatile Karamoja region, is credited for increasing interest in Uganda's mining sector especially after the acquisition of extensive geoscientific information such as airborne geophysical survey data.



**Ahmadou Moustapha Ndiaye, World Bank's Country Manager**

Speaking on the sidelines of the Mineral Wealth Conference 2013, **Ahmadou Moustapha Ndiaye, World Bank's Country Manager** hailed the impact of the SMMRP and shared his views on why mining can be vital to Uganda's economy going forward:

**How would you rate the performance the SMMRP?**

The fact that we are here for a conference about Uganda's mineral wealth just tells you about the success of the SMMRP. What it has helped do is to unveil the mineral potential of at least 80% of the country. As a result of that, Uganda now has a data base of its mineral potential that it can now go out and market. As such, this conference is meant to attract private investors who can hopefully start sufficient exploitation of these resources.

**Was helping out with the SMMRP one way of the World Bank encouraging Uganda to diversify its economy beyond agriculture?**

Actually it's interesting that we are now talking about oil but when this project was started – in 2003 – it was way before oil was discovered. It is also interesting that despite the obvious potential

of minerals; emphasis still seems to be only on oil. From the World Bank perspective, we have been really pushing for the diversification of the economy even before oil came on stream. But what we are learning from this discussion (the Mineral Wealth Conference 2013) is that we should move beyond agriculture when we talk about diversification. So the mining sector presents a great opportunity for the diversification of the Uganda economy.

**Do you see the World Bank's involvement in Uganda's mining going beyond the SMMRP? For instance can we see dedicated programs for small scale and artisanal miners who form the bulk of the mining groups in the country?**

We currently don't have any ongoing programs in the mining sector. When the SMMRP project was closed last year, we had not contemplated follow-up operations. We have been discussing with the Ministry of Energy and Mineral Development but for the time being, we have not come up with any significant follow-up operation. Our current assistance strategy will end in 2015, maybe between now and then; we will have some further

discussion to see if there is need for additional World Bank support to the mining sector.

**In your view, what kind of critical support does the Uganda mining sector need to move forward? A lack of finances for one remains a sticking point – especially at exploration level.**

Given the amount of money that we are talking about, it is very difficult for the government to come in and exploit the resources; that's why you need the private sector. When we talk of the private sector, we have our sister organizations – the IFC and MIGA – could come and actually aid the development of the mining sector. The government too still has a role to play. The SMMRP only looked at 80% of the country with the Karamoja area not yet surveyed. The public sector has a role to play in the survey of Karamoja and the World Bank could potentially support the government. We have also heard that some of the regulatory framework needs further strengthening – so maybe this is another area where the World Bank can play a role. But it is a little bit premature to talk about it. I think there are many competing priorities so it will only be after discussions with our counterparts in government that we will be able to ascertain where we will allocate our resources.

**On the list of priorities for Uganda, where would you place mining?**

Looking at the level of resources and comparing the economic development potential of mining – even with the oil sector considered – because of the job potential and because of all the other services that revolve around mining, I think we should be paying more attention to it.

# Mutual understanding binds investors, government

Investors are never keen on having even a single dollar go to waste, hence their insistence on clarity whenever engaging in any mining venture. Legislation clarity is especially vital, says Tom Eldridge, a partner at Dentons.

Uganda's Mining Act 2003 repealed and replaced the Mining Act 1964, Cap. 248, with a new legislation on mining and mineral development, which conforms, and otherwise gives effect, to the relevant provisions of the Constitution; to vest the ownership and control of all minerals in Uganda in the Government. The Act also provides for the acquisition of mineral rights; and other related matters.

"Investors expect a law that is consistent with other laws, offers a title and tenure certainty and is sensitive to business needs," said Eldridge, who specialises in the energy, infrastructure, mining and metal sectors.

Uniformity as to benefits and responsibilities of all parties involved, transparency, a clear administrative path and clarity as to obligations and commitments are also important pillars in mining regulations. And in a global world, investors also usually appreciate a law that is comparable to that of other countries. Generally, the legal framework has to support investment. In the same vein, states expect investors



**Tom Eldridge**

to appreciate a country's national objectives, policies and aspirations, comply with global standards and best practice, accept and comply with, domestic fiscal programmes. Investing firms are also expected to respect the environment, health and safety standards of a country.

An investment too needs to have skills and technology transfer policy, have a clear plan to source goods and services locally (local content support), while also training, educating and redistribution of benefits.

The government also expects investors to engage in stakeholder approach to national development and promotion of national opportunities while forging partnerships base on respect and understanding and partnership.

Dentons which has a presence in over 70 locations worldwide, covering the US, Europe, Russia and Central Asia, the Middle East, Asia-Pacific and Africa is associated with Kampala Associated Advocates in Uganda.

Its mining experience has seen it advise Samsung C&T Corporation in a gold prepayment financing for Amara Mining Burkina Faso and Societe Generale's acquisition financing for a public/private transaction of mining assets in Africa and Australia. It has also aided the Government of Guinea create an investment framework transaction for the development of an iron ore mining project and related infrastructure and advised Investec Bank's equity and shareholder debt financing for the development and acquisition of coal mining assets in North America.

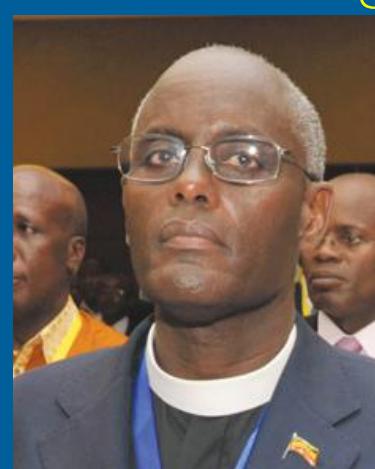
Anvil Mining has also consulted Dentons during a proposed project financing of a copper/cobalt project in the Democratic Republic of Congo, so to, the International Bank in a project development financing for diamonds mines in Sierra Leone.

## State House Investment Unit Backs Mining

The newly created investment unit within the President's Office has started off running as far the mineral exploration and mining sector is concerned. During the Mineral Wealth Conference in October 2013, the unit members diligently took notes, met individual mineral sector players to learn more from them and find out where they needed support and later played a very key role. The team, including Reverend Aaron Mwesigye and Ms Anne Babinaga, did not stop there but ensured that the President – despite his very busy and tiring schedule – attends and gets to formally know about the progress that has been made and the challenges that face the mining sector.

This unit which is placed to ensure that mineral sector players get the support they deserve from Government and semi-government institutions as well as identifying investment advisors for investors where possible, is led by people who have to come to realize and recognize that mining can play a very significant role in the economic development of Uganda.

The investment unit was also a key player in setting up the recently-ended mineral sector State House Retreat and what would now be a twice-yearly mineral sector review meeting with the President. Special thanks to Richard Tushemereirwe for lending a hand during the preparations for the retreat.



**Rev Aaron Mwesigye**



# MINERAL WEALTH CONFERENCE 2014



THE REPUBLIC OF UGANDA  
MINISTRY OF ENERGY & MINERAL DEVELOPMENT



The Mineral Wealth Conference (MWC) is one of East Africa's prevalent principal mining events. It plays a critical role in creating opportunities for Uganda's domestic and international mining interests. Launched in October 2012 following a partnership between the Uganda Chamber of Mines & Petroleum and the Ministry of Energy and Mineral Development, the MWC has become one of the most eagerly awaited events on Uganda and East Africa's mining calendar.

The objective is to provide an opportunity for major exploration companies to not only invest in Uganda's promising mining sector, but to also build joint venture partnerships with local players. MWC2013 plays a critical role in creating communication and investment opportunities for Uganda's domestic and international mining interests. It brings together key policy and decision makers, business leaders, bankers, academics and mining investors from all over the world.

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

3rd Floor Block A, Amber House Plot 29/33, Kampala Road, Tel: +256 312 516 695

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# BLAZE METALS GOLD project excites Busoga

**B**laze Metals Resources Ashanti Ltd, a Ghanaian gold mining company, has partnered with Dubai based Lynks FZC and Uganda's Amor Mines Limited, to explore for gold in the Busoga districts of Bugiri and Namayingo.

The joint venture exploration project on EL870 in these eastern Uganda districts will last 5 to 7 years on a license spanning 60 square kilometers. The area also holds other base metals including iron ore and coltan.

The companies met community leaders in December, 2013 to explain their exploration programme and their long term plans for the development of the project area.

"Exploration involves activities like blasting, trenching and excavations. These activities will create interruptions; affecting the daily lives of the people in the communities where we will work hence the need to sensitize the local leaders first," explained Prince Opoku Agyemang, the Operations Director, Blaze Metals.

It was important to engage with the local leaders and communities, he added, because the project requires compensating residents in the areas that they will have mapped out.

"We will compensate whoever owns the land but we will not be buying it. After our project, we will restore the land and give it back to the owners," Opoku said.

Bugiri and Namayingo have for long played host to unregistered small scale miners who have not only used environmentally unfriendly mining methods but have not paid a royalty off their gold sales, denying the communities much-needed revenues.

It is no wonder therefore, that Wilbur Waisswa, the LC 5 chairman Namayingo district says they have never benefited from illegal mining before. With legitimate license holders coming in however, he is optimistic that the fortunes of his community would change for the better.

"It means we will get local taxes and new jobs will be created and on the whole; the economies of our districts will be transformed the same way oil is transforming the Bunyoro region," Waisswa said.



**Blaze Metals officials and their partners pose with Bugiri and Namayingo districts' leaders**

According to Uganda's Mining Act, all minerals belong to the state, and royalties are shared out between the Central Government (80%), the District (10%), the Sub-county or Town Council (7%) and the land owner (3%) of a mining area.

## Local benefits

Agyemang says that Blaze Metals supports Uganda's Mining Vision of "Transparent, equitable and optimal exploitation for mineral resources to underpin broad-based sustainable growth and socio-economic development".

"As such, our mineral exploration will be conducted in such a way that it is socially sensitive, environmentally sound and aims at providing means of generating employment in the communities of the areas of work, which can lead to reduction of poverty in those areas," he says. The projects he adds will also fully comply with the (Organisation for Economic Co-operation and Development) OECD Due Diligence Guidance for Responsible Supply Chains.

"Blaze, together with its partners, will directly hire locals for physical labour, field assistance and support services; their rule being to hire staff and procure services, directly from those areas where they are actively exploring," says Agyemang.

As the projects progress, the company plans to employ and train young recent graduates from Ugandan universities and other institutions of learning in the procedures of field sampling surveys, data interpretation and presentation, budget handling and project management. They also plan on

hiring some Ugandan geologists to be involved in the project activities, from a capacity-enhancement perspective. A team consisting of a Senior Exploration Geologist, an Exploration Geologist or Senior Geological Assistant and Technical Assistants, a driver and up to 50 support staff (depending on the phase of work) will be in the area of work during the field exploration seasons. Many of these are expected to be people from the local area communities, says Agyemang.

Exploration camps will be established in the area and exploration staff will be accommodated locally within Namayingo, Mayuge, Busia and Bugiri Towns.

"We also intend to set up community small scale mining camps in the license area to reduce the illegal mining activities within the license area. This will create employment to over 1000 youth within Bugiri and Namayingo district," says Agyemang.

However, he warns, since it is only an exploration project, only a modest number of part time, seasonal, local employees may benefit financially for now.

"It is only after an economic deposit is discovered and mining proceeds, as is hoped in this case, that the local economy will be revolutionized," he adds.

Apart from Ghana and Uganda, Blaze Metals Resources Ashanti, also operates in Liberia and Sierra Leone. The Bugiri Exploration Project is its first operation in Uganda; which it intends to develop to a mining stage.

# UGANDA WARNED ON managing oil expectations

Tullow Oil Plc's first ever Country Report in Uganda says the company has invested \$2.8 billion in oil exploration and the acquisition of Heritage Oil's interests, since it set up shop here in 2004. In addition, it has spent a further \$200 million on goods and services provided by 550 local businesses since 2004. This, the report explains has helped the company manage its risk and costs better by creating a strong competitive supply base within the country.

As one of the first exploration companies here, Tullow has dug 79 wells, underpinning gross resources of around 1.7 billion barrels of oil. From these, it has found oil in 66 of them (representing an 84% exploration success rate since 2004) with gross resources of around 1.7 billion barrels of oil. In total, up to 3.5 billion barrels of oil have been discovered in Uganda so far, with about 1.2 billion of that said to be recoverable.

Government handed out their first production licence to CNOOC, one of Tullow's partners and subsequent licences are expected to be issued in 2014 to the remaining partners according to Robert Kasande, the assistant commissioner, Petroleum Exploration and Production Department (PEPD) in the ministry of energy and mineral development.

This progress is a significant leap towards realization of First Oil and the resultant economic benefits that come with it.

Jimmy Mugerwa, Tullow, Uganda's Country Manager, says the impact of the discovery of oil in Uganda has yet to be fully realized for now; but it has the potential to transform the country.

For instance, at the peak of the extraction of the resource and its eventual commercialization, the oil and gas resources are expected to generate up to 150,000 jobs (both direct and indirect) plus thousands of opportunities for the oil and gas industry suppliers. These opportunities will be in transport, hospitality, communications, banking, catering, waste management, IT services, construction, training, and emergence services, advertising and public relations.

While the numbers are compelling, it



**Jimmy Mugerwa**  
Tullow, Uganda Country Manager

remains to be seen whether Ugandan companies and individuals will meet the high qualification standards of oil.

Mugerwa noted that the average Ugandan welder may know how to fabricate a window or door frame for instance, but will need internationally

*We are working to build people's knowledge and the understanding that it takes years to develop and produce oil*

accepted training and certification to join the petroleum industry.

Elsewhere, the industry will need about 850,000 tonnes of material to be ferried to the oil fields. This, according to Mugerwa, will probably need 30,000 trucks but currently all local service providers combined have around 2000 trucks – with only 200 trucks up to standard.

As such, Mugerwa warned that the high expectations Ugandans have from the petroleum industry needed to be managed going forward.

"Being a nascent oil country, there is also the perception that oil will come tomorrow. We are working to build people's knowledge and the understanding that it takes years to develop and produce oil and that defined work programmes need to take place at each stage of the process. Nevertheless, it is important that we now work swiftly and resolutely to reach the development stage," he adds.

Government is expected to get around

80 percent of net revenues, after the exploration costs are recouped by the oil companies. Uganda's oil reserves discovered to date amount to \$100bn.

"Once production commences, the government's current potential share of oil resources is estimated to be \$50 billion, representing approximately 80% of oil revenues after explorations costs are recouped, based on approximate reserves of 1.7 billion barrels of oil," he said.

At least \$8 to \$12 billion will go to capital costs in the upstream development of the Lake Albert Rift Basin. The development phase will take approximately three years after the final investment decision.

After much haggling, the companies and the state have agreed that both an appropriately sized refinery and oil export pipeline are fundamental to realizing the full value of Uganda's oil.

As beginners, experts are advising Ugandans to build capacity – both human and infrastructural.

Mugerwa said that the country will need significant upgrades to the transport infrastructure to support volumes of construction traffic and equipment needed for the development phase.

Mugerwa believes that as Uganda advances to the development and production phases more direct employment and more jobs outside the boundary of the industry will be created. This will be through different value chain stages either directly or through interlinks.

"The exploration and appraisal phase of the project is done and potentially great opportunities lie ahead. While East Africa as a region is fast becoming a prominent potential player in the world's energy market, Uganda's stage of industry development is more mature than that of Kenya, Democratic Republic of the Congo and Tanzania," he says.

Uganda, as it were, currently enjoys first mover advantage to compete for the investment and technical expertise that will be required to develop the region. However, it will need to act decisively and efficiently in order to maintain that advantage.

# Total E&P Uganda is committed to

demonstrate that oil extraction and tourism are compatible activities

Concerns have been raised on the impact oil activities carried out beneath one of the nation's prime tourist attractions in the Murchison Falls National Park (MFNP) and surrounding areas may have, not only on the environment but also on the tourism sector.

It is true that about 40% of the discovered oil resources are located within the MFNP. It is also true that some of these oil fields are within the same area as the internationally recognized Murchison Falls – Albert Delta Ramsar site, designated for its migrant and resident bird populations, as well as its importance as a spawning ground that supports thousands of people's livelihoods through the Lake Albert fisheries.

At Total, we believe the Government of Uganda's decision to grant the exploration and appraisal of the Block 1 located within the MFNP to our company, was motivated by its willingness to set up high standards for the protection of the environment, ensure the smooth continuation of the tourism activities and as well by Total's internationally recognized know-how and expertise on operating in such sensitive areas.

We are mindful of how much the environment and the biodiversity of the MFNP constitute the foundation for boosting the tourism sector in Uganda and we have taken concrete steps and commitment to demonstrate that oil extraction and tourism are compatible activities.

Total E&P Uganda works in this recovering, sensitive and complex environment proactively endeavoring not only to operate with as less impact as possible but also to improve the conditions of the MFNP.

Specifically on wildlife, Total E&P Uganda has begun to address the lack of detailed baseline data on the biological diversity in MFNP by starting a series of biological surveys. A dedicated biodiversity team leads this work and future monitoring of animal and plant populations throughout the entire Murchison landscape. We are investing in research, planning and equipment to minimize any damaging impact during all stages of exploration, development and production. We consult national and international expertise to ensure the best possible standards of implementation.

In addition, Total has made a clear commitment to apply international good practices to the development of the oil resources as exemplified by the IFC Performance Standards, also known for being the most stringent standards on environment and biodiversity. Environmental

and Social Impact Assessments (ESIAs) are conducted prior to all activities and have to be approved by NEMA (National Environment Management Authority).

Compliance with the commitments made by the Company in the ESIAs as well as with any additional conditions imposed by NEMA are monitored externally, in particular by NEMA, UWA (Uganda Wildlife Authority) and the District Environment Officers.

Total E&P Uganda is also committed to consulting and engaging extensively with tourism stakeholders on an ongoing basis to ensure continuity of both activities in a sustainable manner. The company has recruited Tourism Liaison Officers (TLOs) based permanently at Murchison Falls National Park to address day-to-day concerns.

We believe we have established a trustful working relationship with tourism stakeholders by sharing regular information regarding Total E&P Uganda and its contractors operations and activities in a timely manner, by holding regular meetings and by agreeing with them on specific schedules for the oil operations during peaks of tourism activities. This measure goes together with other specific actions on traffic management, support to UWA to recruit and train additional ranger force dedicated to our activities and poaching control.

In each of our activities, we try to minimize any damaging impact on the environment and the fauna. This goes from the full restoration of all sites, to the monitoring of noise and vibration. Consequently Total launched for the first time, onshore in Africa, 3D cable-less technology used in operations which bears nominal impact on the environment and wildlife.

Also, on completion of any operation, a restoration plan outlines how the site should be restored. For example, when preparing a site for drilling, the topsoil is removed and stored. During restoration, this is replaced along with similar vegetation that was found on the site originally.

Therefore, the constant dialogue we have with tourism stakeholders, our strong commitment to doing our very best to protect the environment, the wildlife, the biodiversity and more broadly the Murchison Falls National Park, enables us to ensure that the influence of our operations has the least damaging impact possible on tourism. And we are proud to say that to-date the tourism stakeholders did not report any decrease in their activity or complaints from their clients due to our operations in the area.



Loïc Laurandel, General Manager, Total E&P Uganda

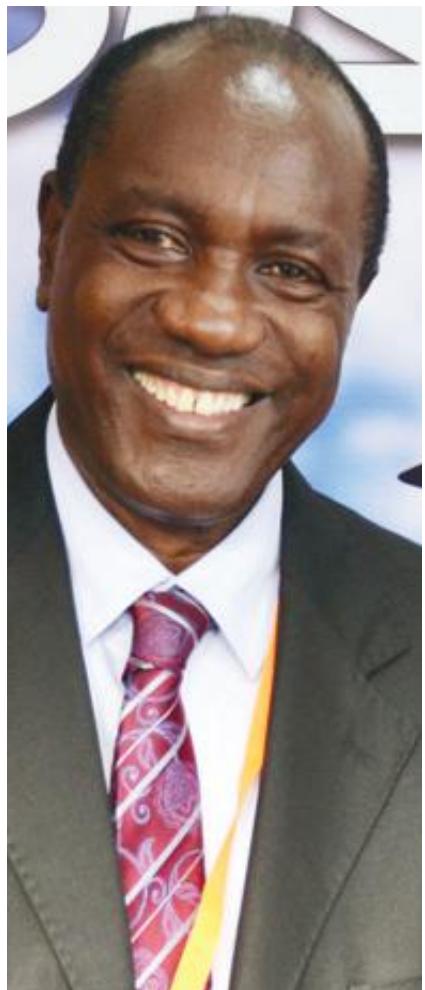
# Our commitment:

To operate while mindful of today  
and tomorrow's tourism

At Total E&P Uganda, we believe **oil extraction and tourism are compatible** and we take concrete measures to make this possible by:

- Applying international good practices such as IFC Performance Standards, known for being the most stringent on environment and biodiversity
- Ensuring constant engagement with tourism stakeholders to our Tourism Liaison Officers and stakeholders' engagement personnel
- Considering tourism peak hours as a priority while scheduling our operational activities
- Enforcing strict regulations set for our operations on a daily basis
- Investing in research, planning and equipment to avoid any damaging impact on the environment and the biodiversity during all stages of our operations

**TOTAL E&P UGANDA**



# KARUHANGA LEAVES TULLOW

Elly Karuhanga's (*right*) term as President of Tullow Oil Uganda came to an end on December 31, 2013.

Karuhanga had been Tullow's President for the last seven years having joined the company from Hardman Resources, where he had served in similar capacity. Tullow bought Hardman Resources in 2006. A statement from the company noted that Karuhanga would not be replaced as president. However, Jimmy Mugerwa, the company's general manager, "will assume Karuhanga's responsibilities." In the statement, Karuhanga, who is also the Chairman of the Uganda Chamber of Mines and Petroleum praised Tullow, and thanked the company for having granted him the opportunity to serve it.

"It has been an honour to have worked for Tullow during the pioneering phase of its work in Uganda. I will always be grateful to Tullow for giving me the opportunity to learn about and to serve in Uganda's nascent oil sector," he said.

Aidan Heavey, Tullow Oil Plc's chief executive officer, commended Karuhanga for his role in the company. "He has been a vital figure within Tullow Uganda as we successfully explored the Lake Albert rift basin and completed our firm-down to Total and CNOOC. I have benefited greatly from his wise counsel and carefully considered advice and he will remain a firm friend to Tullow in Uganda. As Tullow Uganda moves into the development phase, Jimmy Mugerwa and his team take the lead in working with government and the people of Uganda as we seek to implement our ambitious plans for Uganda's oil and gas resources," Heavy said.

Tullow Oil, which is listed on the London Stock Exchange, is currently awaiting government approval for its field development plans. The company has already put in a request for production licenses on some of its wells. It operates in Exploration Area 2 in the Lake Albert basin.



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# Ogas acquires PSU

## *...to further advance HR training in oil industry*



**DONE DEAL: Kevin Hughes and Patrick Danaux, shake on it**

A realisation that many Gabonese nationals were struggling to achieve their aspirations in the Gabonese oil & gas industry due to a lack of training facilities, convinced Kevin Hughes to set up a training facility to address similar impediments to employee growth once he relocated to Uganda.

The idea was to deliver international standard courses in Uganda by local trainers where possible; with the standards meeting the accreditation bodies' requirements. Furthermore, this would ensure that as the oil & gas industry grew Ugandans could be part of that success through increased employment opportunities - achieving the government's National Content aspirations in the process.

As such, Petroleum Skills Uganda (PSU) was set up as a regional training organisation providing international standard safety consulting and short duration courses in Health & Safety, Environment, Operational and Leadership to businesses and their staff in the oil industry and other sectors with branches spanning East Africa.

Registered in March 2011, Hughes' PSU was contracted by Weatherford in July, the same year, to train its employees. PSU's quick growth was to later

*In Uganda, an aligned effort is required across the oil & gas industry and government to ensure the industry can provide substantial employment for its citizens*

attract the attention of the more established OGAS Solutions Uganda, which has since acquired the former.

**Hughes and Patrick Danaux, the Managing Director at OGAS,** discuss what OGAS has in store for Uganda:

### **Why did OGAS choose to acquire PSU instead of going it alone?**

OGAS has several operating units around the globe that provide training services together with technical assistance and wanted to deliver the same service in Uganda. As PSU was already established in this area, it was a good business decision to merge with PSU to achieve the training service provision more quickly.

In early 2013, PSU began to expand their course portfolio and was working on the concept of building a training centre in Bunyoro. When OGAS approached PSU with a proposal for a strategic synergy, both parties agreed it was advantageous to grow one business together rather than competing in the same sector. Thus, the merger discussions began. After much discussion and analysis of the different working scenarios it was decided that the two firms would formally merge.

### **How will OGAS improve what PSU has to offer?**

OGAS is a global company created 12 years ago and incorporated in Uganda in 2012. We specialise in HR support services for the oil & gas industry and our team brings a wealth of experience in this field. We have many operating units also providing a wide range of training to complement what PSU has achieved.

Our key strengths are: Training, Recruitment, Technical support using local and expatriate consultants and Human Resource management solutions.

How has the industry responded to your services?



We have conducted a mixture of theory and practical trainings courses to companies and their staff in Defensive Driving, Emergency First Aid with CPR, Fire Training, Risk Assessment, Hydrogen Sulphide, Water Safety Awareness, Manual Handling, Secure Loading and Rigging & Lifting Awareness to mention but a few. Initially providing training to the Oil and Gas Industries, though the demand for our services has seen us broaden our client base to other sectors. Our clientele include Baker Hughes, Bollore Africa Logistics, Eagle Logistics, International Organisation for Migration, GCC services, Lake Victoria Serena Resort, On Course Consultancy, Oxfam, Total E&P Uganda, AWE Engineers and Weatherford.

#### **How do you ensure your training and services meet the needs of your clients?**

Continuous improvement of service delivery has been our forte. We regularly carry out Client Surveys and always insist that participants complete evaluation forms at the end of every training session; where we have consistently received 95% satisfaction with the training.

#### **Are your services for new starts or you also offer support training/refresher courses for people already working in the sector?**

Both. We supply initial safety training followed by refresher courses and the necessary trainings for personnel to build competencies and move forward with their careers.

We are in the latter stages of developing a Safety Pass for new starts into the industry. This will provide the necessary minimum training required by personnel to work safely in the oil & gas industry.

To complement this minimum training are courses to improve competencies in particular fields. As personnel further their careers, more training in different areas will be required to ensure competencies are achieved. Refresher courses and assessments will ensure competencies are maintained.

#### **Do you offer individual training or you only work with institutions?**

Normally an organisation will approach us to deliver a particular training or ask us to recommend a training programme to fit their needs.

#### **Are the trainers subcontracted or they are in-house staff?**

Whenever possible, we use our own staff but for specialist services presently unavailable in Uganda we bring instructors from overseas.

#### **How do you correlate your course costs to a small economy like Uganda where the majority may struggle to afford high-end training?**

Our courses will enable individuals to increase their human capital so increasing their salary potential while allowing them to advance in their careers. We must charge a competitive rate but we also have costs incurred from our accreditation bodies that need to be met.

Organisations will fund the training of their staff for 3 main reasons:

- It is a legal requirement. Employers have a legal duty of
- care to ensure we cause no harm,
- It makes good business sense (economic) - not just to reduce loss, but to maximise gain. History has shown us time and time again, that safe companies are successful companies.
- Most importantly; we have a moral duty to protect people and the planet from harm.

#### **What skills gap is OGAS seeking to fill in Uganda's nascent petroleum?**

For emerging sectors like the oil & gas industry, the situation is more challenging; yet having citizens managing their own natural resources can only be the right thing. The path is long with stakeholder alignment required for success. For example, in the early days of the oil & gas industry in the UK there were many non-British workers recruited. They brought their expertise to the workplace and passed on knowledge to the domestic workforce. The transition to adopting the new technical skills was reasonably straightforward for the UK workforce as a solid educational infrastructure was in place and a long history of engineering, shipbuilding, mining etc. had been established over generations. In Uganda, an aligned effort is required across the oil & gas industry and stakeholders to ensure the industry can provide substantial employment for its citizens. As the oil & gas industry requires such a high level of technical expertise, the time is now to address the issues and reform the education system where necessary. This will be a long and challenging journey but one which will be necessary and beneficial to all stakeholders.



**There are universities and vocational training institutions already offering training in Oil & Gas. Do you intend to work hand in hand with them to boost their curriculum? Do you feel they are on the right track?**

We offer training that complements vocational and professional training. For example, qualified and experienced mechanics still require training in areas not covered by the vocational establishments that are specific to the industry they will enter. For example, knowledge of hazards and risks while having the ability to assess risk then identifying and implementing control measures is a starting point for improved health and safety performance.

**How will OGAS ensure Ugandans are the main beneficiaries of its training and as such have their courses benefit the entire country?**

As a Ugandan company, we are uniquely positioned. We understand what is required to assist our nascent onshore oil and gas industry, especially concerning the national content struggles at these early stages. We can assist by ensuring we offer the necessary training and services to raise the standards that Ugandan firms can operate at. We intend to be the catalyst that allows firms to leapfrog from operating below oil & gas industry standards to being able to tender for contracts along with many non-Ugandan firms.

**How competitive is your training? Can your graduates, for instance, find employment outside Uganda; given that the petroleum industry is a global one?**

Our training is given to accepted international standards and our courses would be accepted in most countries. We are members of and can deliver training for the British Safety Council (BSC) and Institution of Fire Engineers (IFE). These courses are accepted across the globe. We are also members of the International Well Control Forum (IWCF) and are ISO 9001 certified.

The ISO 9001 certification demonstrates our commitment to the continuous improvement of our training and service delivery.

**There has been an extended lull in the petroleum industry in Uganda due to various reasons at the very top. How has this affected service providers? Are you here to stay or the wait is frustrating you into relocating to Kenya, for instance?**

This lull gives us and other service providers committed to the employment of Ugandans an opportunity to build capacity in preparation for the execution phase. The merger of PSU and OGAS demonstrates that we believe Uganda is a promising market.

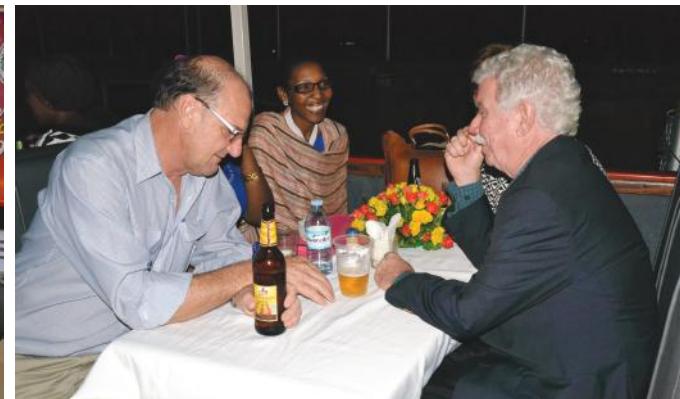
The oil and gas industry will require around 10,000 direct employees and we need to begin the training now. This should be seen as an opportunity to train the workforce and achieve the standards required by our industry. We are also looking at East Africa as a market but intend to have Uganda as the hub.

**What advice would you offer Uganda as far as 'skilling' locals is concerned – not only in the petroleum industry but other lacking sectors?**

The vast majority of the jobs will be spread across low & high skilled and non-professional sectors. This figure could be as high as 7,500 of the direct employees in the industry. This is where we can concentrate our efforts to ensure maximisation of employment for Ugandans. We view the oil and gas industry expansion in Uganda as a catalyst for improving Occupational Health & Safety standards across all industries in Uganda. It will also attract the necessary funding to improve the standard of vocational training delivery. My advice to any young person would be to achieve the highest level you can within your present discipline and you will flourish. Not everyone can be or should want to be a petroleum engineer!!



# MWC 2013 Pictorial

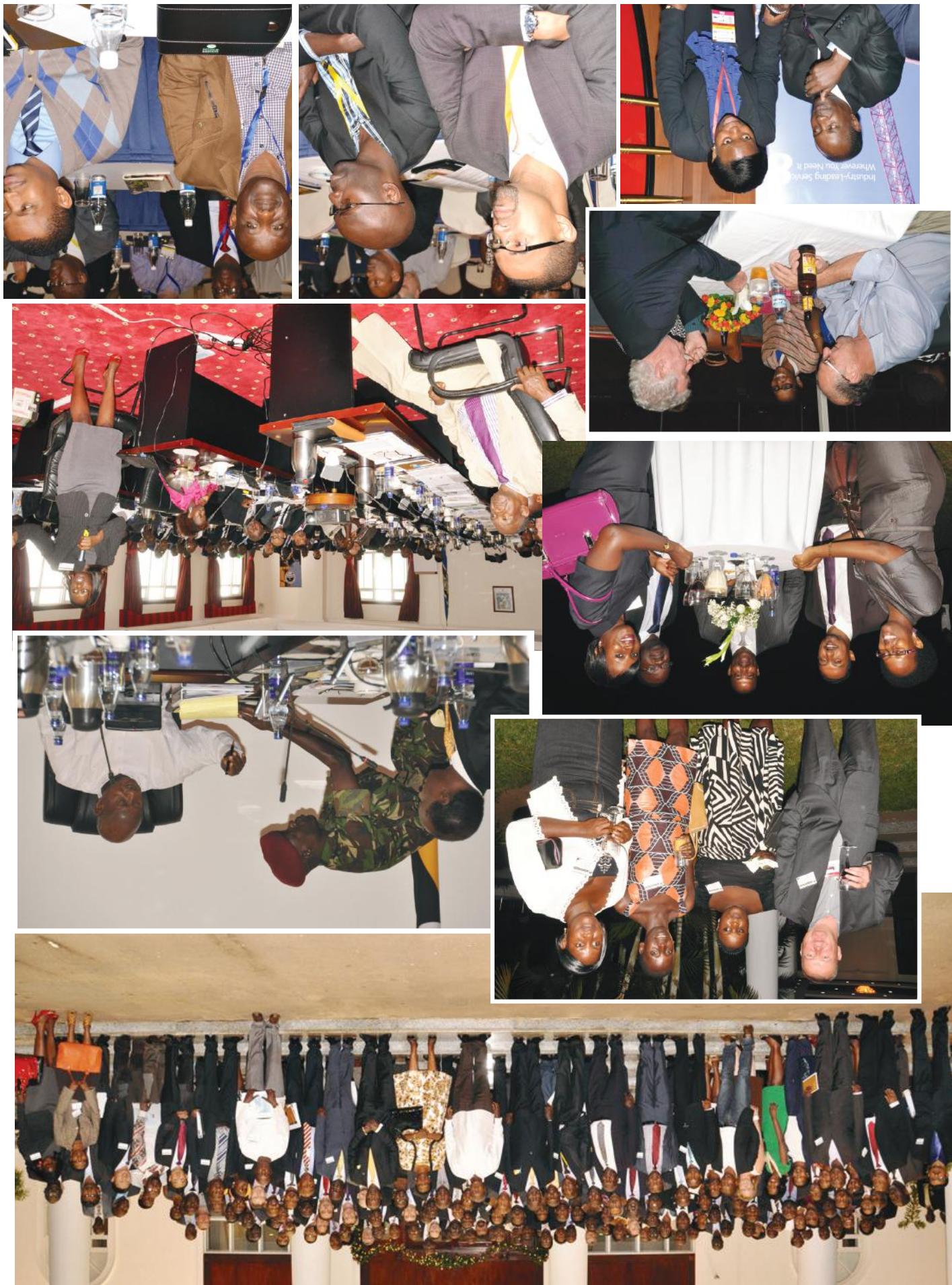


# MWC 2013 Pictorial





## Chamber Pictorial



## Chamber Picture



## Chamber Pictorial

| Name                       | Specialty                        |
|----------------------------|----------------------------------|
| 104. Mr. BB Sihha          | Consultant- Environmental Health |
| 105. Mr. Brian Kaggwa      | Lawyer                           |
| 106. Mr. David Kyagulanyi  | Mineral Consultant               |
| 107. Mr. Joshua Tuhumwire  | Mining Consultant                |
| 108. Mr. Malik Singh Saini | Construction                     |
| 109. Mr. Minaz Karimali    | Businessman                      |
| 110. Mr. Rajesh Dewani     | Construction                     |
| 111. Mr. Sam Thakkar       | Accounting                       |
| 112. Mr. Gerard Grant      | Transportation                   |
| 113. Ms. Lydia Babinaaga   | Procurement and Consultancy      |

## Chamber Individual Members

| COMPANY                                 | CONTACT PERSON        | SECTOR  |
|---|-----------------------|---|
| 97. Ashanti Mineral Marketing Com-pany  | Prince Opolu Agyemang | Mining  |
| 98. Sipa Exploration Uganda Ltd         | Ms. Natasha Venus     | Mining  |
| 99. Sheraton Kampala Hotel              | Mr. Basil F. Hamadeh  | Hospitality   |
| 100. Beta Projects Ltd                  | Mr. Nelson Mugenyi    | Procurement & Consulting  |
| 101. ADT Africa Exploration             | Mr. Ben Vethnicks     | Exploration Drilling Services   |
| 102. Aerophoto Systems Engi-neering Co. | Mr. Nalukoola Muwanga | Airborne Geospatial Data Acquisition, Arial Photography, Surveying, Mapping |
| 103. Megha Minerals                     | Mr. Skander Meghani   | Mineral Exploration   |

| COMPANY                            | CONTACT PERSON          | SECTOR                               |
|------------------------------------|-------------------------|--------------------------------------|
| 37. East African Chains U Ltd      | Mr. David Mayanja       | Dealers in Mechanical Tools          |
| 38. East African Cranes            | Ms. Paul Shewen         | Lifting Services                     |
| 39. Epsilon U Ltd                  | Ms. Hellen Nambo        | Waste Management                     |
| 40. Ernst & Young                  | Mr. Muhammed Ssempejja  | Auditors                             |
| 41. Farm Engineering Industries    | Mr. T. S Padhawai       | Equipment Supply                     |
| 42. Femish Inv. Ltd                | Mr. Bruce Milne         | Mineral Exploration                  |
| 43. GCC Services (U) Ltd           | Mr. Rabih Riad Jaber    | Catering Services                    |
| 44. Gold Empire Ltd                | Mr. John Muruli         | Gold Exploration                     |
| 45. Goodlife (U) Ltd               | Mr. Shem Nnaggenda      | Training Solutions                   |
| 46. Gulf Resources Uganda          | Mr. Henson Mambbo       | Mining                               |
| 47. Habib Oil Ltd                  | Mr. Osman Ahmed Noor    |                                      |
| 48. Halliburton International Inc. | Mr. Robert Salmon       | Oil & Gas Services                   |
| 49. Inspecta International         | Mr. William Pike        | Inspection Services                  |
| 50. Integrated Logistics           | Mr. Attila Jonathan     | Onshore & Offshore Logistics Support |
| 51. Kampala Associated Advocates   | Mr. David Mpanga        | Law Firm                             |
| 52. Krone (U) Ltd                  | Mrs. Rose Rugazora      | Mineral Exploration/Wolfram          |
| 53. ABMAK Associates               | Mr. Denis Kusasira      | Law Firm                             |
| 54. Lloyds British Testing         | Mr. Andrew Davies       | Inspection, Training and Assessment  |
| 55. Marsh Uganda Ltd               | Mr. Paul Mulira         | Insurance & Risk Management          |
| 56. Askar Investments Ltd          | Mr. Kellen Kayonga      | Mineral Exploration/Tanallite        |
| 57. Multilines International U Ltd | Mr. Gerald Mukyenga     | Cleaning and Forwarding              |
| 58. NFT Consult Ltd                | Mr. Badru Ntege         | HR Outsourcing                       |
| 59. NPK resources ltd              | Mr. Nathan Wandwa       | Mineral Consultancy                  |
| 60. Oil Gold Muriuki Ltd           | Mr. John Muruli         | Gold Exploration                     |
| 61. Oryx Minerals Ltd              | Mr. Garvin Conway       | Mineral Exploration                  |
| 62. Ogas Solutions                 | Mr. Patrick Danaux      | Recruitment and Training             |
| 63. Pricewaterhouse Coopers        | Mr. Francis Kamulegeya  | Auditing, Tax and Advisory Services  |
| 64. Richfield Lift Services        | Mr. Richard Magazi      | Lift Services                        |
| 65. SAIPEM                         | Mr. Henry Magoba        | Oil and Gas Services                 |
| 66. Salini Costituzioni SPA        | Mr. Sergio Pelosi       | Construction                         |
| 67. Bolllore Africa Logistics      | Ms. Monica Kisubi       | Logistics Services Provider          |
| 68. Seafast Holdings U Ltd         | Mr. Michael Majeed      | Logistics Services Provider          |
| 69. Semiliki Rift Railding Co      | Mr. Patrick Van Pee     | Lift Services & Ferries              |
| 70. Sino Minerals Investments Co.  | Ms. Sarah Namara        | Mineral Exploration                  |
| 71. Specialized Welding Services   | Mr. Vick Robin          | Welding Services                     |
| 72. Spedag Interfreight U Ltd      | Mr. Phillip Bhandari    | Logistics Service Provider           |
| 73. Strategic Logistics            | Mr. Paul Shewen         | Logistics                            |
| 74. Tamoli East Africa Ltd         | Mr. Gamal Bouargob      | Market & Sale of Crude Oil Products  |
| 75. Threeways Shipping             | Mr. Jeff Baitywa        | Logistics Service Provider           |
| 76. Toyota U Ltd                   | Mr. Dino Romano Bianchi | Car Dealers                          |
| 77. Transeast (U) Ltd              | Ms. Sheila H. Grraig    | Transporting                         |
| 78. Uganda Insurers Association    | Mr. Faith Ekudu         | Insurance                            |
| 79. Union Logistics                | Mr. Hitesh Shan         | Cleaning and Forwarding              |

## Chamber Members

| COMPANY                           | CONTACT PERSON         | SECTOR                                  |
|-----------------------------------|------------------------|---|
| 25. Agility Logistics Ltd         | Mr. Lakshmi Narasimha  | Logistics                               |
| 26. AON Risk Services             | Ms. Caroline Athiyo    | Insurance & Risk Management             |
| 27. Askar Security                | Ms. Kellien Kayonga    | Security                                |
| 28. AUC Mining Ltd                | Mr. Moses Masagazi     | Gold mining                             |
| 29. Bemuga Forwarders             | Mr. Ben Mugasha        | Clearing and Forwarding                 |
| 30. BTS Clearing & Forwarding     | Ms. Merian Sebunywa    | Clearing and Forwarding                 |
| 31. Greenstone Resources Ltd      | Mr. Nitin Patel        | Gold mining                             |
| 32. AIG Uganda Limited            | Mr. Edward Hire        | Insurance                               |
| 33. Citibank U Ltd                | Ms. Magdalene Weyya    | Banking                                 |
| 34. Civicon Limited               | Mr. Jason Horsey       | Mechanical & Civil Engineering Works    |
| 35. Deloitte U Ltd                | Mr. Tallarovic Mattheu | Auditors                                |
| 36. Eagle Logistics Solutions Ltd | Mr. David Walabyek     | Customs Clearance, Heavy Equipment Hire |

### Chamber Silver Members

| COMPANY                            | CONTACT PERSON         | SECTOR                               |
|------------------------------------|------------------------|--------------------------------------|
| 24. AERSUD Uganda Ltd              | Mr. William Mutowo     | Mineral Trading & Mining             |
| 23. KPMG                           | Mr. Benson Ndungu      | Audit, Tax and Advisory              |
| 22. Centenary Bank                 | Mr. Beatrice Lugalambi | Banking                              |
| 21. Roofnings Group                | Mr. Stuart Mwesigwa    | Steel Manufacturing                  |
| 20. Barclays Bank                  | Mr. Gibson Nangono     | Banking                              |
| 19. United Bank for Africa (U) Ltd | Mr. Wilbord Owo        | Banking                              |
| 18. Lion Assurance Co. Ltd         | Mr. Newton Jazire      | Insurance                            |
| 17. Standard Chartered Bank        | Ms. Cynthia Mpanga     | Banking                              |
| 16. Stanbic Bank                   | Mr. James Karama       | Banking                              |
| 15. Hima Cement Ltd                | Mr. Daniel Pettersson  | Cement manufacturers                 |
| 14. Orient Bank                    | Mr. Ben Lewis          | Banking                              |
| 13. Orwell International Ltd       | Mr. Fred Umuna         | Drilling Tools and Well Services     |
| 12. Tower Resources Plc            | Mr. Rashid Mugabbe     | Oil & Gas Exploration and Production |
| 11. Kilembe Mines                  | Mr. Fred Kyakonye      | Copper Mining                        |
| 10. DFCU Bank                      | Mr. James Mugabi       | Banking                              |
| 9. Bank of Uganda                  | Mzee Juma Biinehe      | Bank of Uganda                       |
| 8. Astor Finance Plc Ltd           | Mr. Gordon Ssentiba    | Micro-Leasing and Financial Services |

### Chamber Gold Members

| COMPANY                  | CONTACT PERSON        | SECTOR                                 |
|--------------------------|-----------------------|--|
| 7. Housing Finance Bank  | Ms. Judith Owembabazi | Banking                                |
| 6. Bank of Africa        | Ms. Sarah Muhiase     | Banking                                |
| 5. East African Gold     | Hon. Richard Kajjuka  | Mineral Exploration                    |
| 4. Schiumberger Oilfield | Mr. Denis Bonifay     | Oil & gas services                     |
| 3. Total E&P             | Mr. Ahlem Friga-Noy   | Oil and gas exploration & production   |
| 2. CNOOC                 | Ms. Chai Wei          | Oil and gas exploration and production |
| 1. Tullow Oil Ltd        | Mr. Conrad Nkutu      | Oil and gas exploration and production |

### Chamber Diamond Members

## Chamber Members

**Hon Muloni, the Minister of Energy and Mineral Development, made these remarks after the conclusion of the deliberations between the UCMF and President Museveni**

It's been a very beneficial retreat. You're move from here, and I am certain that as Excellency, and I am grateful. We are going to steadily and surely focus on the areas that we have looked at so that we can make this sector contribute to an early transformation of this country.

On my part and the Ministry, we are committed to working with the Chamber under Your Excellency's guidance to add value and maximize the benefits of the minerals and

review some of the areas so that we can find a solution to some of those bottlenecks that were identified.

Much as we have the legal, regulatory and institutional frameworks in place, we recognize that there is need to

bottlenecks that have been identified in the sector. Together so that we can overcome the challenges so that we can continue working need for us to really indicate the issues that we have

I would like to also take the opportunity to thank the UCMF for

can prepare for the future generations because this can only mean that we can maximize the benefits for Uganda – is the best way to go.

Uganda is endowed with rich natural resources including minerals, and therefore harnessing them in the best

way possible – adding value so that we can maximize the benefits for

that we lay a very strong foundation on which all the industrialization and minerals, because it's important roads, railways, electricity, petroleum issue of infrastructure, which includes giving priority and attention to the

I want to especially thank you for your guidance, wise counsel and visionary leadership for this country.

Your Excellency, I want to thank you for your guidance, wise counsel and vision to especially thank you for the benefit of our country.

We can maximize the benefits and overcome all these bottlenecks so that with a view of streamlining and the issues in the mining sector,

the Uganda Chamber of Mines and Petroleum to deliberate on an entire day to be with us and thank Your Excellency for sparing

want to take this opportunity to

**By Hon Irene Muloni**

## Togetherness will transform Uganda the Ministry and Chamber

**Hon Irene Muloni, the Minister of Energy and Mineral Development**



Now the miner is only awaiting an official memo from the President's Office to finally honor his contract. Uganda has substantial iron ore deposits which could scale 1 billion tons. Confirmed deposits currently stand at over 250 million tons. The possibility of establishing an iron and steel industry was one of the major discussions at the retreat. In fact, the President who is resolute on iron ore beneficiation denied International Mining, a similiar reprise since it had no running exploration contracts when the ban came in.

The Indian company seeks to export the surplus on the 692,120 tons of iron ore they intend to mine annually once they have satisfied local iron and steel industries (which currently consumes just over 100,000 tons). Instead, Musveni advised the company to Uganada and add value to the iron ore its homeland in India to join them in encouraging steel industry players from here.

"You should fulfill your contract and you should be the last. After all you did it before there was a clear position," President Museveni interjected, to the only supplied 1,000 tons. Up to now good money - \$500,000 - but we had they are still hunting for me."

Mineral Development as he repetitively  
fumiture at the Ministry of Energy and  
Kamuntu almost became part of the  
momentarily lifted ensued. A frantic  
Kamuntu almost became part of the  
Ministry of Minerals to urgent look  
sounded out  
ministry officials  
to avail.  
lt took the  
President on  
December 16,  
2013, organized  
by the Uganda  
Chamber of  
Mines and  
Petroleum, to  
ironically discuss  
Kamuntu to get the reprieve he sought.  
My name is Kamuntu Moses, I come  
from Muko. I am the one who was  
arrested exporting iron ore to Kenya.  
Unfortunately, Your Excellency, we had  
signed a two supply contracts with  
two companies in Kenya — one in  
Kericho and another at Athi River,”  
Kamuntu explained when he got his  
chance on the microphone.

The ban hit Kamuntu hard, seeing that he had committed to supplying Kitim Holdings/Athi Stores, a Kenyan iron smelting plant with iron ore worth \$7.2 million over a lengthy period. The deal, signed in February 2012, would see Kamuntu supply 10,000 tons of iron ore per month at \$30 per ton. But this was not to be, with trucks carrying the ore intercepted at the port. Kamuntu momentarilly arrested by Uganda-Kenya border after the veto, and Kamuntu overzealous officials.

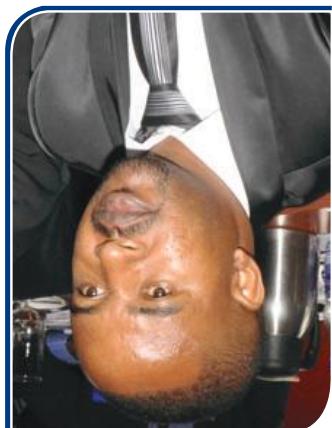
And since he had received part-payout on the order, the Kenyan firm

The President of Uganda, Yoweri Museveni, cleared the moon after President Museveni cleared his company to continue exporting iron ore until the full terms of his contract are met. Kamuntu, the proprietor of Kamuntu Investments suffered a setback in late 2012 when the President ordered for the ending of iron ore exportation.

The Presidential Directive, which took immediate effect, is intended to encourage the emergence of an iron and steel industry in Uganda to meet the country's infrastructural deficiencies. An iron and steel industry



Kamuntu, got a reprieve and can now export iron ore



# Iron ore exporter gets presidential reprieve

Last year, Chinese firm Guangzhou Dongsong Energy Group registered here as Uganda Hui Ning Mining Ltd. There are 100 million tonnes of phosphate reserves in the Shukulu area, which will be extracted and exported to China.

Further survey conducted under SMRP, showed that the carbonatite complex where the phosphosphate deposit is found also contains high concentrations of REEs at Sukulu. SMRP identified the Bukusu complex as potential for ilmenite, P, Fe, Ti, vermiculite, REE.

With a total deposit estimated in excess of 230 million tons, at peak production of 1 million tons per year, the phosphate rock resources will last the country over 200 years.

If Uganda was to increase its food production by 50 percent, Njirwamany said such an increase would significantly improve the economy.

East Africa's main agricultural imports in 2000-2009 consisted of wheat, palm oil, maize, refined sugar, and milled rice. Main exports were coffee, fresh vegetables, tobacco and wheat flour.

Research has shown that it is not uncommon to get yield increases in excess of 50 percent if adequate amounts of phosphorus are applied.

**Prospects** East Africa's arable land is estimated at 24.2 million hectares and 5 million hectares are under permanent crops. Total agricultural crops. Total agricultural amounts to 81 million hectares — almost 48 % of the region's land area of which arable land is estimated at 24.2 million hectares (29.8 %) with 5 million hectares (6.2 %) under permanent crops. This acreage has the potential to go up if fertiliser was applied.

of the Busumbu Mine  
was never more than  
6,000 tons per year with  
a total of 62,000 tons ou-  
phosphate concentrate  
were produced during  
the lifetime of the mine.

World over, approximately 90 percent of phosphate rock is used in production of fertilizers. The 10 percent of phosphate rock is used before being exported to neighboring Kenya for the manufacture of critic- soluble soda phosphate fertilizer.

Until 1956 the hard phosphate rock was excavated, crushed and screened from 1944 to 1963, annual production

Categorised as soft rock and hard rock, phosphatic rocks from Busumbu were mined between 1944 and 1963 from small open pits along Busumbu ridge. A typical phosphate fertiliser and di-ammonium phosphates (DAP) mono-ammonium phosphates (MAP) apply to the soil to help the plants grow better.

The Bokusu soils consist of phoscorites (apatite-vermiculite-magnelite rocks) underlyng Busumbu-Namakera ridge, the richest section being near Busumbu estimated at 50 million tonnes.

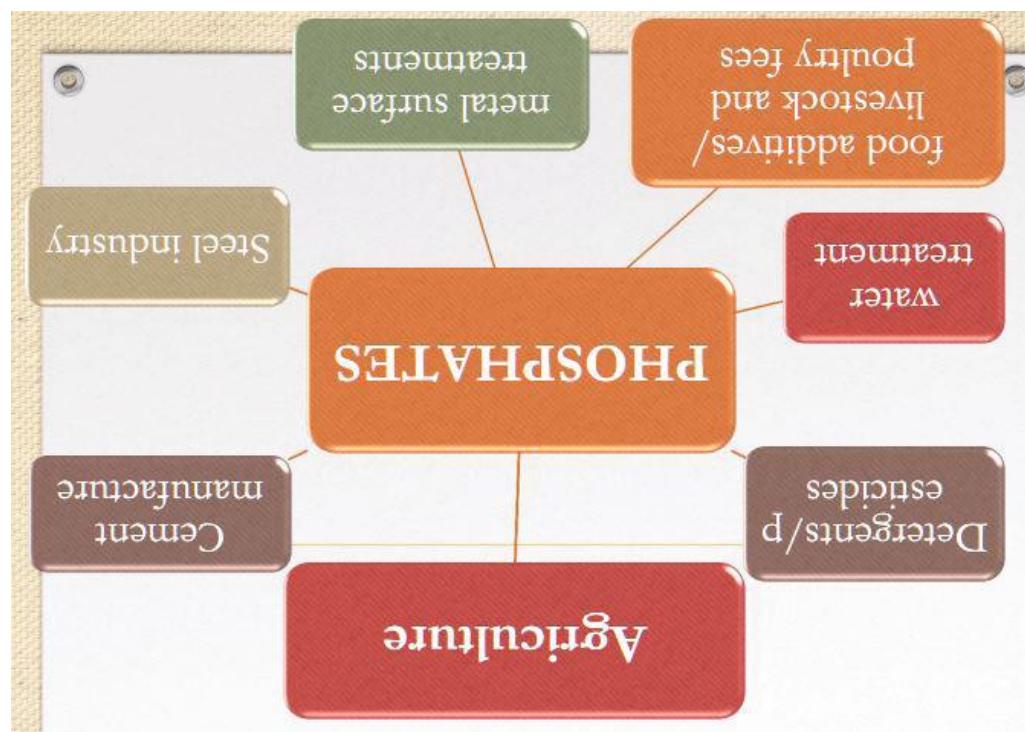
concentration. Concentration from 2.16 million tons of ore (1964 to 1978).

The upgrading process usually involves superphosphate. TICAF produced with sulphuric acid to single The upgrading process usually involves superphosphate. TICAF produced with sulphuric acid to single The upgrading process usually involves superphosphate. TICAF produced with sulphuric acid to single

grade of 13%. The deposit was discovered in 1939 during a geological survey of the country and was mined between 1944 and 1978 at both surface treatments. The Sukulu soils consist of, in order of abundance, magnetite, apatite, goethite, crandallite, quartz, pyrochlore and zircon. The soils of north valley were worked by Totoro Industrial Chemical Fertilizer (TICAF) Ltd between 1962 and 1978 by grinding, magnetic separation and floatation to produce apatite concentrate.

Niwamanya said fertilizer manufacturer P2O5 grade of about 28% or more usually requires phosphatic rocks with but because most phosphate deposits have a grade below that level, the ore extracted from the deposits has

#### Phosphate rock applications in different sectors



#### Fertilizer consumption in East Africa

Source: Authors' computation based on FAO Statistical Yearbook (2010)



The phosphate resource in Sukulu and Bukusu carbonates has an average

According to the State of EA report 2012, Kenya consumed the largest amount of fertilizer per hectare in the region in 2008.

Nearly 40 percent of the fertilizers consumed in sub Sahara Africa is used on maize, followed by other cereals (wheat, barley, sorghum and millet). Fruits, vegetables and sugar cane account for 15 percent, and coffee, tobacco, cotton and traditional tubers (cassava, yams) account for 2-3 percent each.

- Countries like Rwanda, Tanzania, Zambia, Ghana, Nigeria, Senegal and Burkina Faso introduced fertilizers and subsidies already to encourage fertilizer use. With over 10 percent of the global population, sub-Saharan Africa accounts for less than 1 percent of global fertilizer consumption.
- Zimbabwé, Sudan and Kenya account for 60-70 percent of sub Sahara Africa's fertilizer consumption.

The big advantage for Uganda is that the phosphate rock deposit is well located near the border with Kenya.

She noted that it is vital the Ministry of Agriculture gets involved in the exploitation of the phosphate rock source in Bokusu and Sukulu, Toro district in efforts to improve food security.

Beşinci ekimci oturumi, 16. Ekim 2010 tarihinde, Enerji ve Tabii Kaynaklar Bakanlığı'nda gerçekleştirildi. Toplantıda, enerji sektöründeki gelişmelerin değerlendirilmesi, enerji politikalarının güncellenmesi ve gelecekteki projelerin konuşulmasına yer verildi.

"The importance of agriculture in any economy is blatant and so the use of fertilizers is a key requirement to increase crop yields, food security and poverty eradication," Catherine Niyamanya Wabomba (left), a

Phosphates deposit can feed regional fertilizer plant

Additional exploration work by Gulf Industries has indicated that the Vermiculite resource is one of the largest reported high grade vermiculite resources in the world. The Vermiculite deposit extends from Namakara to a depth of between 45m and 55m and is excavated using pit operation. Equipment in a standard shallow open off the shelf mechanical excavating equipment in a standard shallow open pit operation.

The project is located in eastern Uganda near the towns of Mbale and Tororo close to the Kenyan border and on the main logistics route to the port of Mombasa. The discovery having been made in the 1950s, prior to this, very limited production from Rio Tinto, moved the Namakara Vermiculite Project into production, after having taken over the project in 2010 Gulf Industries of Australia, in 2010

#### Outlook

Vermiculite, Mambo says, government formal structures like the National Agricultural Advisory Services (NAADS) can play the role of sensitizing the agriculture community. The state too has got to support research, too has got to support research, to add value to Vermiculite through development and documentation in public universities, colleges and research institutes.

Namakara processing plant was extensively redesigned, re-engineered and customer trials were carried out.

Before production resumed, the tax breaks are also important especially at the start. Local market established, incentives to grow the value-addition business. Growing a national market must be to support the value-addition business. Costs and quality deterioration while end users to prevent high logistics exfoliators need to be located close with many exfoliators serving the

exfoliators that going forward He advises that going forward gradually cultivated and grown. As the market is small and needs to be supported by SME approach businesses suited to an SME approach other developing and especially African importants to point out that lessons from adding value to Vermiculite. It is also to supporting those with an interest in competitiveness in house so we are open company can have all the requisite key addition, "Mambo said. "No single difference economic sectors and therefore there needs to be a multi-sectoral,

"Vermiculite has many applications in different areas to value added products such as insulation blocks & shapes, insulation - High & Low Temperature insulation - High & Low Temperature insulation blocks & shapes, insulation materials, dry areas can farm too in sandy, dry areas can find great use for it as it helps in water conservation. In the meantime, its each company can have all the requisite key addition, "Mambo said. "No single

To be able to add value to Uganda's the major producers of vermiculite therefore are inexhaustible.

Global, South Africa and China are keeps going up in the USA and Asia, in leaps and bounds as consumption in tons and it will continue to grow estimated between 650, 000 to 800, The annual demand as of 2012 was

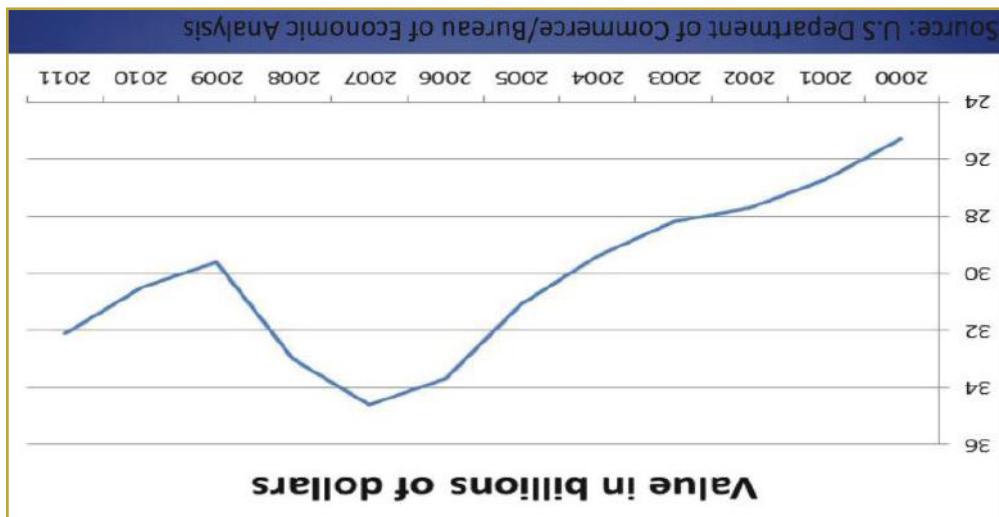
people demanding potted plants. addition to the increased affluence following the global ban on asbestos in especially, its demand has also gone up is a must in more advanced economies mandatorily fire buildings are unavoidable and legal - where weather conditions means interventions driving Vermiculite use globally as Mambo identified the factors that are driving Vermiculite use globally as

and in well drilling. More still, it can be applied as a high temperature insulation, as hot toppling to prevent loss of heat, as a plant to improve flame resistance and in well drilling.

For instance, its ease in bonding with other materials means Vermiculite can be applied in friction linings. As an absorbent, it makes it suitable for packing of hazardous chemicals and packaging of hazardous chemicals and its weight makes it suitable for its high value pottery packaging. Its packaging of irregularly shaped items and high value pottery packaging.

## Vermiculite has widespread applications which continue to grow

|   |  |   |
|---|--|---|
| <b>Construction</b>   | <b>Agriculture</b>   | <b>Horticulture</b>   |
|  <ul style="list-style-type: none"> <li>» Acoustic Finishes</li> <li>» Ar Staging Board</li> <li>» Construction Board</li> <li>» Passive Fire Protection</li> <li>» Floor &amp; Roof Screeds</li> <li>» Insulating and Light-Weight Concrete</li> <li>» Gypsum Plasterboard</li> <li>» Loosening Lath Insulation</li> <li>» Sound Deadening Compounds</li> <li>» Sealants</li> <li>» Perfume Absorbent</li> <li>» Paints</li> <li>» Nuclear Waste Disposal</li> <li>» Molded Metal Insulation</li> <li>» Insulation - High &amp; Low Temperature</li> <li>» Insulation Blocks &amp; Shapes</li> <li>» Fins</li> <li>» Drilling Muds</li> <li>» Desiccations</li> <li>» Castables</li> <li>» Brake Pads &amp; Brake Shoes</li> <li>» Absorbent Packaging for Hazardous Goods</li> </ul> |  <ul style="list-style-type: none"> <li>» Animal Feed</li> <li>» Anti-Caking Material</li> <li>» Building Aggr.</li> <li>» Fertilizer Carrier</li> <li>» Pastide Camer</li> <li>» Soil Conditioner</li> <li>» Seed Encapsulant</li> <li>» Soil Conditioner</li> <li>» Potting Mixes</li> <li>» Micro-Propagation</li> <li>» Blowing Mixes</li> <li>» Blasting Mixes</li> <li>» Filteration</li> <li>» Drying Muds</li> <li>» Desiccations</li> <li>» Castables</li> <li>» Brake Pads &amp; Brake Shoes</li> <li>» Absorbent Packaging for Hazardous Goods</li> </ul> |  <ul style="list-style-type: none"> <li>» Animal Feed</li> <li>» Anti-Caking Material</li> <li>» Building Aggr.</li> <li>» Fertilizer Carrier</li> <li>» Pastide Camer</li> <li>» Soil Conditioner</li> <li>» Seed Encapsulant</li> <li>» Soil Conditioner</li> <li>» Potting Mixes</li> <li>» Micro-Propagation</li> <li>» Blowing Mixes</li> <li>» Blasting Mixes</li> <li>» Filteration</li> <li>» Drying Muds</li> <li>» Desiccations</li> <li>» Castables</li> <li>» Brake Pads &amp; Brake Shoes</li> <li>» Absorbent Packaging for Hazardous Goods</li> </ul> |



On the other hand, during construction, the insulation and lightweight properties of vermiculite allow for application of vermiculite insulation in masonry construction and attics, loose fill in hollow cavities to reduce noise transmission and as a highweight aggregate for fire insulation concrete and chimneys. From its passive fire protection products can also be manufactured and so too fire resistant building boards.

The mineral has multiple uses, with its many qualities making it a useful addition in agriculture, horticulture, crafts and vegetable gardens and the furniture sector, which exports cut flowers to Europe. Vermiculite, which is mined at Namaekra in Totoro, is a lightweight, inorganic, compressible, highly absorbent and non-reactive mineral that is also used in applications including construction and industrial products.

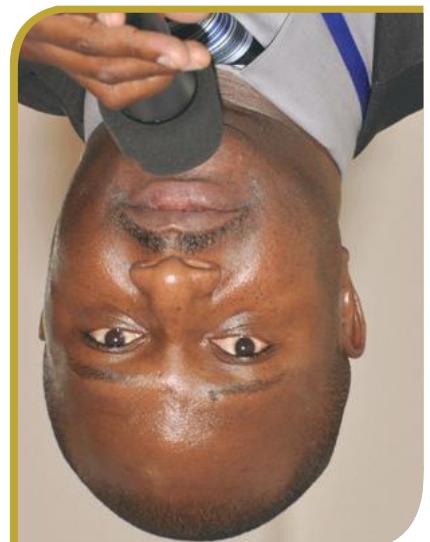
**Many uses**

Uganda's vermiculite could transform various sectors

According to Mambo, Gulf Resources intends to market the product to the agriculture sector which grows high value agricultural exports including

Currently, the company is heavily reliant on exports to Europe and North America where it faces increasing competition from China and Brazil. In addition to increased global supply, the financial turmoil in Europe has resulted in greater unpredictability and low prices on the world market. So, Gulf Industries (operating as Gulf Resources in Uganda) aims to diversify its customer base, although the traditional markets in Europe and North America will remain critical to the company and the global demand.

Gulf Resources County Manager,  
Hudson Woods



“Certrainity of regulation is valued by investors,” says Scherbold. “Enough.”

important to recognize the delicate balance between economic growth and sustainable development when discussing the environment, health and safety.

Keeping an eye on the environment, health

Kayizzi-Mugerwa warmed against the Dutch Disease and the tendency to squander the massive revenues that usually come with minerals. "Why did Botswana prosper and Nigeria did not?" he asked, while warning on the conflict that usually afflicts mining states that feel the benefits of the resources especially when host communities do not feel the Niger Delta.

It was important to manage the resources with the future generations in mind as such revenues realized from creating infinite opportunities. Boosting local content, strong legislation and be top of the priority list, he says.

The African Legal Support Facility, the banks' legal arm, would be on hand to help in all this, he pledged.

Alex Rwabizambaga, also with the bank, presented on behalf of an absent AADB.

This paper titled, "Building the Mineral Sector as an Integral Part of the Ugandan Economy" drew examples from Zambia, Botswana, Angola, Liberia, Sierra Leone, DR(C) (Katanga), Timor Leste, Nigeria, DR Congo, Norway, Canada and Zimbabwe as he sought to explain various scenarios Uganda may find itself in as the mineral sector grows.

**ADB calls for benchmarking**

Uganda has been advised to seek direction from more advanced mining destinations as it embarks on a journey to integrate its own industry in the economy. The African Development Bank's Steve Kayizzi-Mugerwa, a director in the Development Research Department noted that there were lots of examples across the African continent and the rest of the world for Uganda to learn from and ensure it maximizes the unprecedeted global interest in its own and Africa's mineral wealth.

While all minerals belong to the state, the land rights are in the hands of individual Ugandans. This means mining company's right to mine must be undeniable. The rights of the mining companies, says Kibanda, a licensed geologist, those of the land owners must be defensible and enforceable.

ENS Africa's Alexander Kibanda



# LAND ACCESS

## Mining needs easy



"Much has been said about whether the manufacture of seccior will survive the proposed changes in that the price of beneficiated minerals will increase dramatically and impact on

are being addressed.

South Africa's Department of Mineral Resources (DMR) is currently introducing the implementation stage of its strategy to further grow beneficiation domestically. The Beneficiation Strategy for the South African Minerals Industry was published in 2011. More still, the Mineral and Petroleum Resources Development Act, was amended in June 2013 and with effect from 7 June 2013 and inserted within the Mineral Resources Act, was more clarity shown on which specific activities are impacted by the beneficiation provisions. More amendments on the same are still being debated.

and smelting complex in the world. In the Platinum sector, processing of platinum group metals into platinum group metals and other products is dominated by Amplats, BHP Billiton and Impala Platinum. Here, the beneficiation does not generally extend past processing through a plan for a platinum focused special economic zone is being pursued. In the coal segment, almost all coal extracted is crushed, screened and washed in the country. For diamonds, state intervention (specifically the Diamond Export Levy Act, 2007) had drastic implications on the processing through the issues

out beneath its own coppery tracking  
place. Rand Refineries established in  
1920 is today the largest integrated  
single-site precious metals refining

In comparison, South Africa, the leading mining destination on the continent has a moderate amount

### Examples

The challenges to this are many, with the fact that most of the mining is currently being done by artisanal and small scale miners standing out. Facilities to produce pure elements from mineral ores are also lacking –

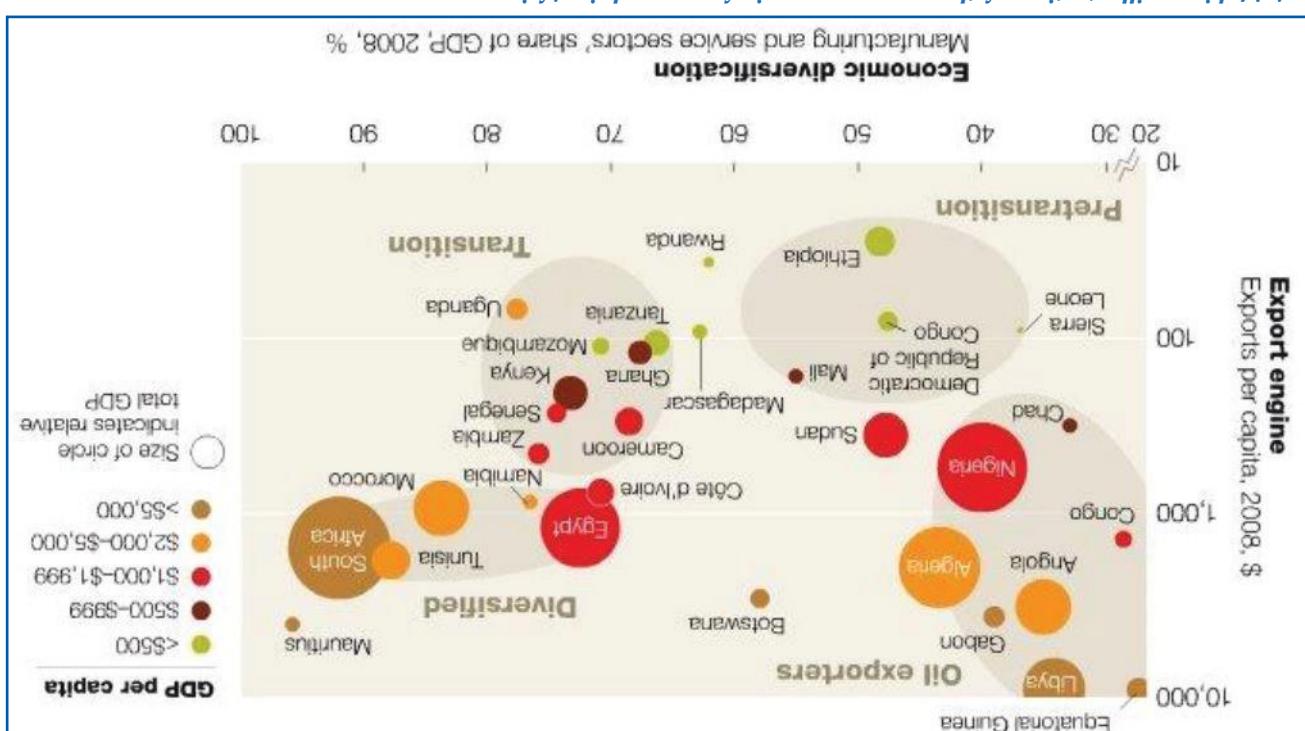
## Challenges

The development plans above and Uganda's mining policy both point to a government objective.

Uganda too had the highest FDI in the East African region due to oil discoveries which its FDI in the highest of landlocked African developing countries and the fifth highest in the world. The GDP growth that averaged 7% in the 1990s and 2000s dropped to 3.4% in 2012 and grew by 5.2% in 2013. The economic growth is projected to average about 6.7% by 2017 due to increased FDI in extractive industries and increased regional trade. A per capita income of US\$508 places Uganda among the poor countries. Hence the emergence of National Development Plan and series of economic plans intended to transform Uganda into a modern and prosperous country over a 30 year period. Launched in April 2013, Vision 2040 plans to secure a gross GDP per capita of US\$9500, within

DRC, and oil exporters, like Angola, but is less diversified than countries like South Africa.

A McKinsey illustration of the macroeconomic framework in Africa



# BENEFICIATION



## How Uganda can add value to its minerals

# BENEFICATION

Museveni's ban on iron ore exports in late 2012. Furthermore, most of the new investors in the mining industry in Uganda have been directed to add value to the ore, like Tiber-Hima, which recently gained a concession from Kilembe copper mines and the Chinese Dongsong Energy Group that acquired the mining rights to the Skukulu phosphate deposits. However, Malton warns that effective regulation of the national macroeconomic framework that is effective requires a careful underdevelopment, access to concrete rural realities of development, markets, job creation and sustainable development, says the South African based lawyer.

Uganda is a transition economy that is moderately diversified and that is growing at an impressive rate according to a McKinsey and Company, the United Nations Conference on Trade and Development (UNCTAD) Report 2013. Development is structural, Uganda's economy is better diversified than pre-transition countries, like the economy, Uganda is better diversified and the World Bank. As a transition and Development (UNCTAD) Report 2013 notes.

Malton situation of the economy, Malton appreciating the macroeconomic formulation on the importance of provides insights for current policy of 10,000 skilled mine workers in the 1970s, which is associated with the collapse of the sector in the 1950s and 1960s) than it does now (less than 1%).

"The sector contributed a lot more to the country's GDP (over 30% in the 1950s and 1960s) than it does now which recently gained a concession to run Kilembe copper mines and the Chinese Dongsong Energy Group that acquired the mining rights to the Skukulu phosphate deposits. However, Malton warns that effective regulation of the national macroeconomic framework that is effective requires a careful underdevelopment, access to concrete rural realities of development, markets, job creation and sustainable development, says the South African based lawyer.

As such, understanding the key macroeconomic outlook

In mining, the value-addition process – beneficiation – prefers to be built on itself on the recognition that while mining destinations can be built on extraction and export of raw minerals, greater benefits can flow from a mining sector where minerals are processed locally. In a paper titled, “Driving benefit from Uganda’s mineral wealth: Policy and legal choices facing Uganda in 2013”, Otsile Matlou, a director at ENSAfrica and a mining law attorney noted that Uganda can indeed gain extra such benefits like skills development, job creation, and national revenue growth when it adds value to its minerals which would not be the case by merely exporting ore like has always been the case.

Uganda is seeking to use its substantial but largely underexplored geological profile to build a global mining destination specifically by adding value to its mineral ores. The determination to achieve this was best demonstrated by President Yoweri Museveni during his State of the Union address in January 2013.

- 1,000,000 metric tons - currently known to total 3Ts
- \$0.8m - royalty earnings per month once production at 900 \$100b+ - potential export earnings
- 50,000 people - to formally employed across 100 mining areas in primary mining roles
- \$200m - in export earnings by 2021 after doubling production to get 100 mining \$250m - leases scaled up to semi-mechanized areas
- n Numbers

While ICGLR is working on the regional certification mechanism (RCM), it has signed a MoU with ITRI (International Tin Research Institute) to certify the minerals used in the manufacture of smelters.

Thirdly, the specific criteria for implementation are all in place and the process is in advanced stages for most member states.

Already, under the International Conference of the Great Lakes Region (ICLRR), member states from the region are implementing a regional mineral recycling and certification mechanism aimed at facilitating conflict free mineral trade and ending associations with illegal mines.

Microsoft says already, several initiatives in Germany, including Germany, the US and Canada are underway, the US and Canada are on hand to provide funding for ITSCIs implementation but this can only be secured when Uganda signs an MoU with ITRI to implement ITSCIs.

To implement ITSCI, no monetary commitment is necessarily required from the Ugandan government but just its approval and support in ensuring implementation

To achieve these numbers however, Canada's 3Ts will have to adhere to the  
raciability system.

100,000 - 2500 metric tons of ore suitable for regional production - Rwanda, Burundi, DR Congo and Tanzania. The smelter is imperative if more export earnings and royalty payments to be realized. Just 8 - 12 MW of electricity would be needed to power the plant per annum, however further detailed feasibility studies would need to be completed to fully understand its viability in the region's Huckstep.

such circumstances, exports of refined ore can amount to about 24,000 metric tons per annum bringing in up to \$528 million per annum over the same period.

At least \$5-\$8m would be required to set up a small scale smelter handling waste addition

- Huckstep said that given its 3Ts' services, Uganda has the potential to realize over \$100 billion of foreign exchange earnings through exports with a loyalty of \$800,000 per month double and reach an export value of \$200 million. Investment of up to \$250 million would be required to get 100 mining leases scaled up to semi-mechanized and mechanized production.

In the region, Rwanda exports 600 tons per month across the 3Ts, which translates into ca. US\$500,000 in royalty payments into ITCI since Rwanda signed onto ITCI's traceability programme, thus highlighting the benefits of ITCI to a Great Lakes Nation.

Given the size of the deposits and the fact that global demand is rising while supply continues to fall, serious investment and expansion of Uganda's mining of the 3Ts as the potential to catalyze exponential growth throughout the mining sector with significant opportunities for value creation, reasons Hucksstep.

Based on known historical data from some mining leases, total country resources are likely to scale 1,000,000 metric tons. This number is likely going to be dwarfed after certification is implemented and the industry is opened up, and further exploration completed.

mining companies will be attracted to mining areas in to transform the many potential mining areas into medium to large scale mechanised mining operations.

Today, almost all production of the three metals is achieved using artisanal methods, but with certification the global

industry.

However, to ascertain resources and deposits.

In addition to the existing 88 leases, there is vast potential for significantly more land-based commercial development.

He said the geology in south-west Ankole where the huge deposits are found is the same as that in parts of Rwanda, Burundi, Congo and Tanzania where the

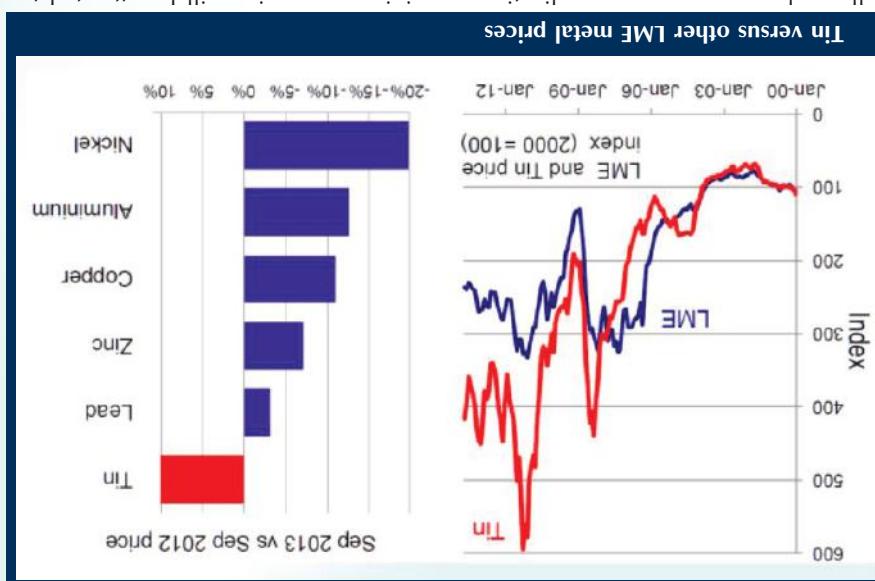
"There are currently 88 licenses in Uganda dedicated to the TS, with significantly more deposits incorporated in licences coupled with gold and base metals," Hukkstede said.

China currently controls most of the world's tungsten output, which sees it ranked as one of the metals most prone to supply disruptions, historically driving price up as demand continues to grow.

idealistum and tungsten have been identified as of critical strategic importance in the manufacture of military weapons and equipment with countries like the US driving demand.

Tungsten's hardness and high density give it military applications in penetratin  
g projectiles. Tungsten compounds are also often used as industrial catalysts.

most notably in microdescent tubes built from 'filaments', x-ray tubes (as both the filament and target) and super alloys.



At present, there is excess demand and growth in price for tin, tantalum and tungsten. Huckstep says the TSs are currently booming in the global market with London Metal Exchange (LME) prices consistently increasing as demand continues to outstrip supply. This recent demand is largely driven by its use in the electronics industry, including computers and mobile phones. It is primarily used as a solder in the form of an alloy lead.

China and Indonesia have accounted for some 70 percent of global mine output. Tungsten's (also known as wolfram) many

“This will also ensure that Uganda is a leading party or miner of the three minerals in the Great Lakes region,” Huckestein said.

Currently, as Uganda material is un-certified there are several negative effects including; the fact that embargo resulting into a smaller market for Uganda’s 3Ts; which sees at least 20% less paid for the mining companies are willing to invest in Uganda.

Nonetheless, because they occur mainly in south Western Uganda, near a conflict-ridden eastern DR Congo, their marketability has encountered major hurdles on the international market since Uganda's mineral ore is not certified as non-conflict. Once Uganda's tungsten, tin and tantalum are fully traceable by ITSCI, ("TRI Tin Supply Chain Initiative") which provides an internationally accepted and accredited traceability system — the local mining sector will see greater investment in the TSs and therefore command a greater price on the global market, drive revenues,

Uganda Chamber of Mines and Petroleum titled "The 3Ts: What every body's talking about, and what it means for Uganda", Paul Hucksstep, the Operations Manager First Mining Company, said the biggest challenge for growth in the country's TS segment was the lack of an international accredited traceability scheme.

The decree – also known as the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law by US President Barack Obama on July 21, 2010. It requires companies to declare whether they could file bankruptcy without causing undue hardship to their customers in any product originated in the DRC or any adjoining country and, if so, to repeat on the chain of custody and further details of the products are provided not DR Congo free. Other countries considered similar measures.

**A**nyone mining the tin, tungsten and tantalum (the 3Ts), has got to comply with the US's Dodd Frank Act — a requirement that ensures traceability of the minerals buy the international mining community.

# Mineral certification delays hurt Uganda's STS mining

Paul Huksestep, from First Mining Company makes a case for mineral certification



in DDP Kampala price of one ton iron steel ex Turkey USD 840

Transportation cost one metric ton from Kapiri Mposhi in Zambia to Dar es Salaam is USD 127.

Cost of coke ex Zimbabwe is USD 330 per ton

USD 140-180 per ton

Cost of coking coal ex Zimbabwe is USD 126

Mombasa is USD 50 per ton

Ultratransportation cost bulk cargo Kampala to Mombasa by road less ancillary charges USD 80-90 per ton.

International price for iron ore fines USD 128 per ton FOB, CIF USD 148

### Pricing/Cost overview

Uganda has major iron ore deposits of natural gas discovered.

Uganda has major iron ore deposits (219 million tons) and coal Ludewa district. Muchchuma Liganaga twin projects.

Uganda has major iron ore deposits (219 billion) tons per annum.

Currently the country has 258 iron steel product manufacturers and exports over 122,000 metric tons per annum.

To establish an integrated iron steel industry in Kenya Vision 2030 framework sets out the goal

Kenya has confirmed iron ore deposits in Tharaka district eastern province (78 million tons confirmed), limestone and coal also confirmed.

Kenya has discovered 78 million tons of iron ore in Sisulu.

### Regional Developments

Highly developed infrastructure and technology is being followed by Zimbabwe and Mozambique.

Largest iron steel supplier to the East African region is South Africa.

Africa followed by Zimbabwe and Mozambique.

Largest coal reserves in Africa are in South Africa is the 7th largest iron ore producer in the world (55 million tons per annum) and 4th largest exporter

China imports 2/3 of global exports and produces 60% of the global pig iron production.

Total world iron ore production 2.4 billion tons (2012)

### Global

## Iron Ore Quick Facts

"We cannot compete internationally because of sheer costs as the Ugandan transport costs from China or India would make us uncompetitive."

President Museveni promised to consider having the Ugandan army's factories manufacture explosives here to make it cheaper for the exploration to continue having the iron steel plant would make the iron steel an EAC concerted effort.

"When we look at the factor viable in the short term. With a deficit of about \$100 million in cement imports, Pito said the additional revenue from cement out of the limestone plant could subsidize the income from the iron steel treatment plant is additional revenue that could come from the cement industry," Pito said.

Pito made a competitive and comparative advantage regionally in light of the fact that both Kenya and Tanzania also have iron ore deposits of their own and have access to the sea.

Pito considered the possibility of building other iron steel plants in the region.

Using up a plant to manufacture plant to treat limestone and install a new plant to the project site, from Kisumu to the lake transport coal to refine the ore.

There is also need for import of

"When we look at the factor they have access to the sea and conditions, we all have iron ore, we are landlocked," Pito said.

"We have access to the sea and they have access to the rest of the East Africa region.

Sino Minerals has recommended iron steel for the rest of Uganda to complement its own iron ore deposits of their own and have access to the sea.

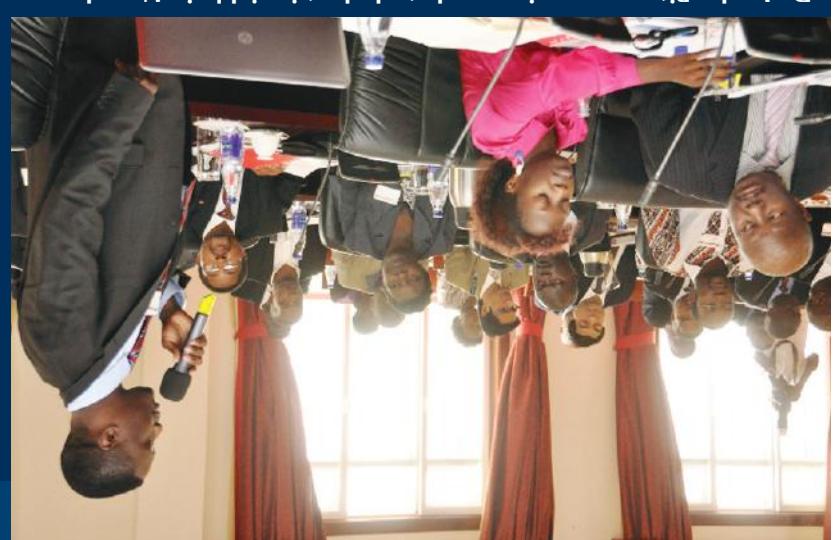
Pito made a competitive and comparative advantage regionally in light of the fact that both Kenya and Tanzania also have iron ore deposits of their own and have access to the sea.

Pito said there is need to set up a dedicated 70 mega watt power plant for the iron steel factory.

Kenya has discovered 78 million tons of iron ore in Tharaka district and have included an integrated steel refinery in the development agenda while developing a 600MW power plant building tons in Sogea and are million tons in Tanzania has discovered 219 million tons in Sogea and are building a 600MW power plant to treat limestone and setting up a plant to manufacture plant to treat limestone and install a new plant to the project site, from Kisumu to the lake transport coal to refine the ore.

Inbound and outbound logistical costs that are the major bottleneck and cost driver in the industry.

Dr Jemba Pito, says an iron and steel plant is viable in Uganda



Sino Minerals has called for a coordinated national infrastructure plan for the railway network rolling stock to service mining and industrial areas in order to reduce

Others are the limited capacity of rail system and marine transport for raw materials and finished products, high fuel and transport costs in logistics operations and limited availability of human resource with training in metallurgy.

Pinto said there are however serious operational challenges to the planned iron steel refinery including availability and the cost of grid power to run the plant, access to and the cost of coking coal, availability of limestone that is low in silicon and the high local cost of industrial explosives required for mining.

Sino Minerals and its partner Simida have done environmental impact assessment studies covering the proposed iron ore mining project in Kabaale and Kisoro districts as well as for the proposed iron processing plant.

area 40-48 million tons of iron ore in  
exploration area EL 0827 in Kabale  
and 5-8 million tons in exploration  
area EL 0770 in Kisoro.

The confirmed iron ore deposits discovered to date by Sino Minerals Kable.

Simo Minerals currently operates six exploration projects and two joint venture exploration projects in western Uganda. Exploration projects in Simo include EL 0770 Minerals in 2011 include EL 0770 AND EL 0771 in Kisoro and EL 0827, EL 0877, EL 0892 and EL 0893 in

In the second phase, production capacity for the plant will be expanded to 500,000 to 1 million tons of iron/steel products per annum. The plant will utilize 320,000 metric tons per annum of raw iron ore mined in Uganda and 180,000 metric tons per annum of imported coking coal.

As part of the investment, the project will also have 320,000 metric tons iron ore beneficiation plant and 100,000 metric tons cement plant and a power plant utilizing furnace gas.

Welding wire, deformed bars, rods and angle steel.

The integrated plant, which will be built in two phases will initially have a production capacity of 200,000 metric tons per year, rising to half a million tons by the end of the study.

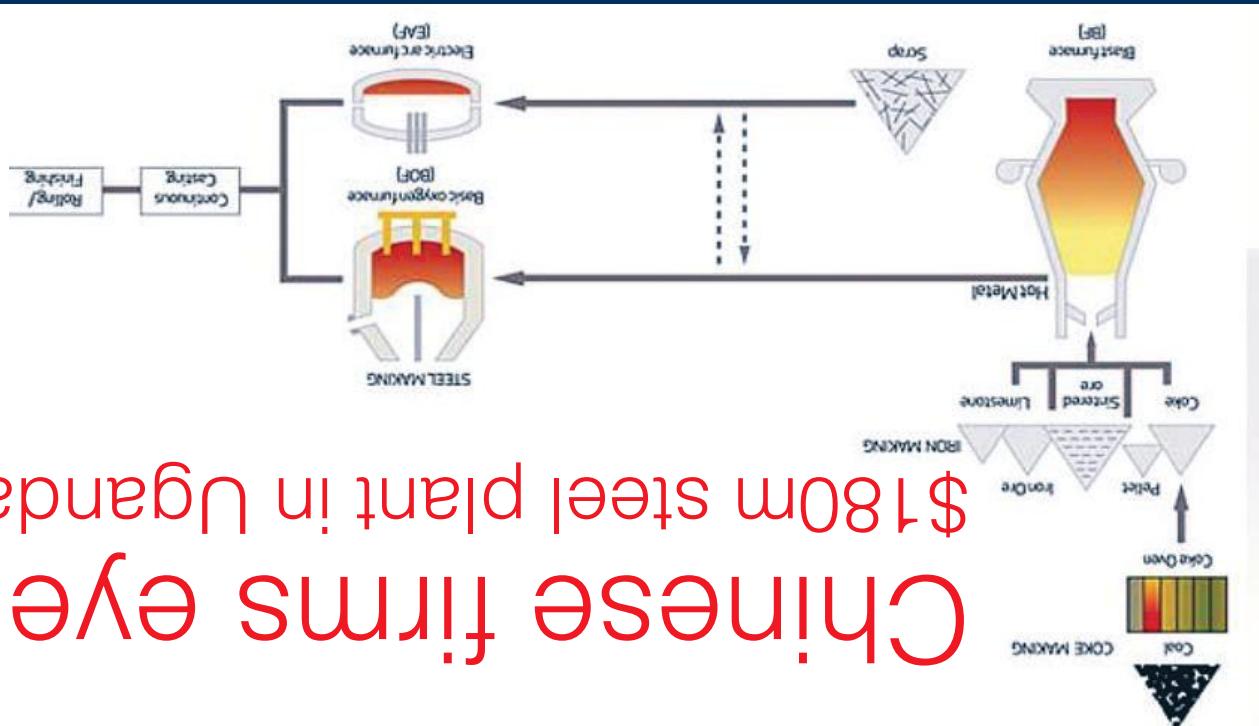
The president reviewed all exports of iron ore and called on the Mozambique to instead import coal from mines to process the raw ore.

Sino Minerals' plans of building a refinery have been recently boosted by a decision by the Uganda Government to revoke all iron ore export permits in a move that effectively banned the sales of the raw commodity outside Uganda.

President Yoweri Museveni has however asked them to consider building the refinery in Kabale where a lot of the iron ore has been discovered, saying a railway line can be extended to the area.

Two Chinese companies, Sino Mineral Investment Company Limited and Simida Company Limited, are set to invest an initial US\$180 million in building an iron steel refining plant in either Jijia or Masaka with an annual output of 320,000 tons of iron steel.

Integrating steel plant which Sino Minerals has in plan



# Chinese firms eye \$180m steel plant in Uganda

Demand growth for iron steel is expected to average 3.3% per year globally while regional demand in East Africa and beyond will be higher in light of the multi-billion dollar projects that have been lined up. Worldwide, iron ore demand will pass the 2 billion ton mark by 2014.

Use of iron and steel based products has come to be associated with the industrialisation of economies as steel is the world's most important structural material because of its high strength in relation to its weight and price.

Through not the most expensive of items, iron and steel are among the most sought after commodities globally because of its good mechanical properties, low production cost and the ease of recycling to new products.

The challenge according to experts will be availability of coking coal to refine the ore, transportation and skilled manpower in metallurgy.

Uganda International Mining Company plans to produce 692,120 tons for supply to local iron and steel industries and export the surplus with up to 700 people employed annually.

Further work has also seen core drilling done to access the thickness of iron ore with enabled reserve calculation, an EIA of the project has been approved, a mining lease for 262 acres of land secured.

Uganda International Mining Company has obtained an exploration licence for 59.8 square kilometres in Rubaga village, Butogota sub-county in Kananungu district. The company has already compensated the local land owners and obtained the surface rights.

steel plant.

Work done so far in exploring for iron ore has seen Uganda International Mining Company Limited and Sino Minerals Investment Company Limited acquire land and have had the owners compensate Sino Minerals has also carried out a feasibility study on setting up an iron and

in the exploration stage for iron ore. He said is a major shortcoming as is the case today, which he said is a major bottleneck in the exploration of licences should be stopped

Muwanguzi said iron ore and phosphates need to be prioritized and declared strategic minerals and that development of the iron ore and phosphate industries.

He said the fragmentation of the private sector but coordination needs to partner with the pecular but licensing regime taking into consideration the specific role they play to stimulate the economy.

Muwanguzi said there is need to support the investments to develop iron ore resources further.

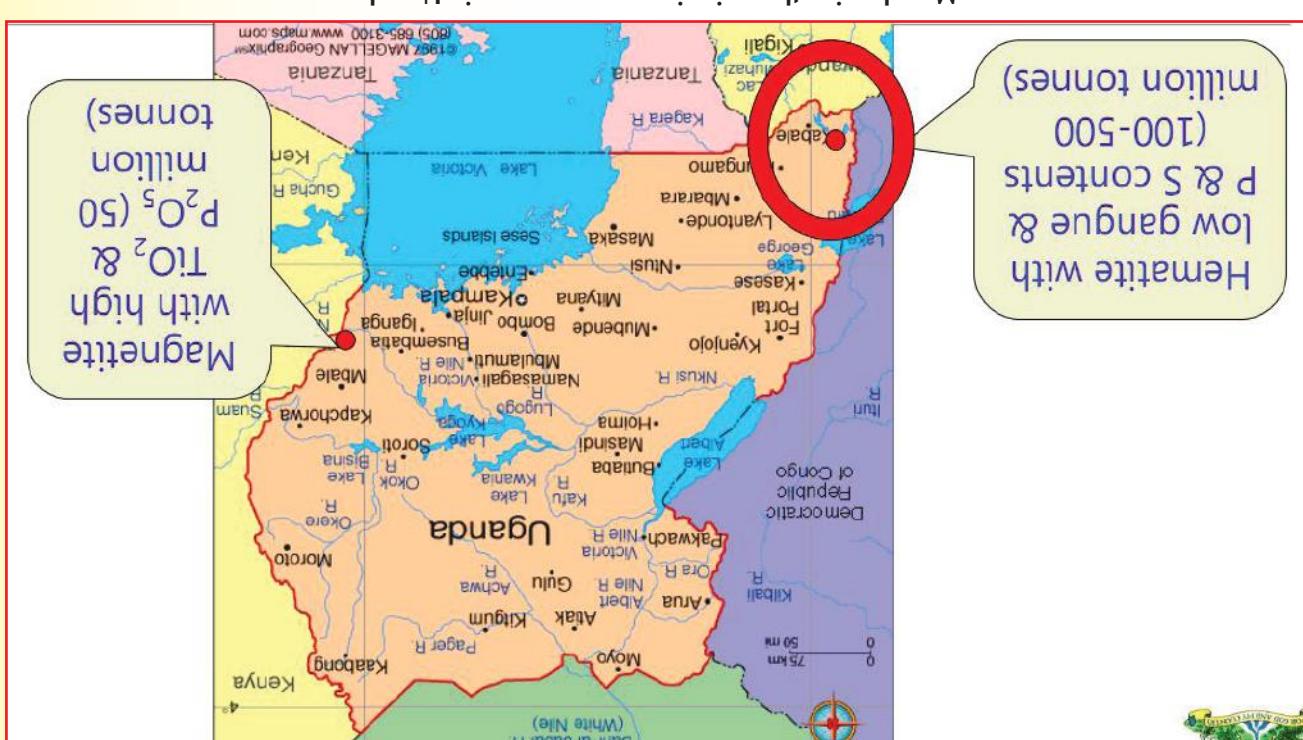
Given the existing reserves even as further exploration work is still ongoing, Uganda can be able to export its raw iron ore and still meet the domestic demand for iron production.

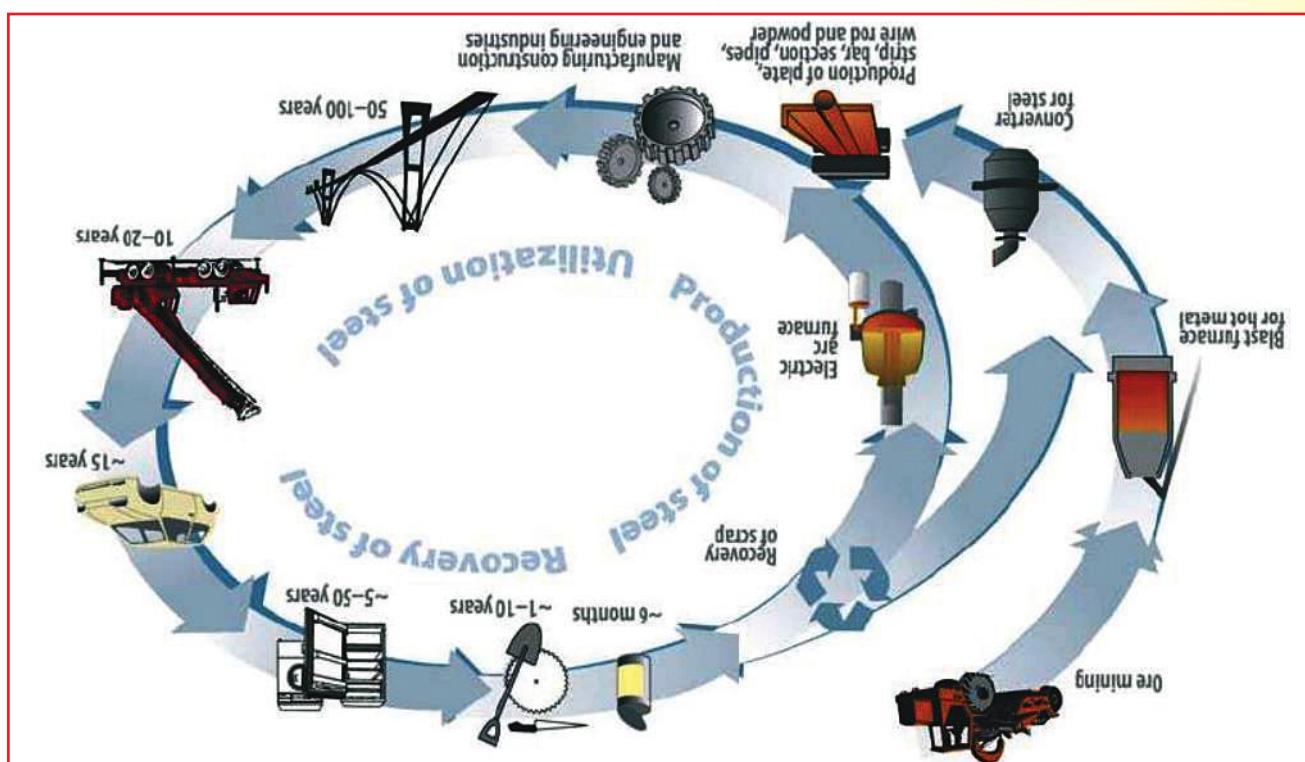
Uganda is able to utilize its natural iron ore resources to spur industrial growth.

Dr. Abraham J B Muwanguzi of Makerere University said the development of the manufacturing sector and that Muwanguzi said that iron and steel are strong assets to exhaust the ore reserve with 345,000 tonnes mined per year.

Hematite with  
low gangue &  
P & S contents  
(100-500  
million tonnes)

Magnetite  
with high  
 $TiO_2$  &  
 $P_2O_5$  (50  
million  
tonnes)





Typically, the grain size of the magnetite makes it unsuitable for blast furnaces unless it is agglomerated, either by sintering, pelletizing or briquetting.

The main difference between hematite magnetite is liberated from its matrix of silicates or cherts. Beneficiation, this involves the grinding of ore to a grain size where the magnetite deposits - requiring significant energy to separate the magnetite from the silicate minerals.

According to latest exploration findings, Uganda's major iron ore resources include 50 million tonnes of magnetite and 100 – 500 million tonnes of hematite ore.

According to statistics, Uganda imports iron and steel worth US\$242,009,000 annually. Neighboring Rwanda imports iron and steel worth \$79.5 million, Kenya 660.8 million, Tanzania 426.2 million and Sudan 351.2 million.

Steel products where today all of these are imports.

billions of dollars. Additionally, there is

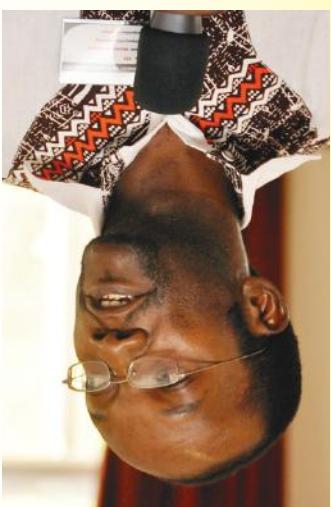
Without a local supply for iron and steel, the development costs of some

of these projects will run into the billions, roads and an oil refinery, railroads, power stations, gas pipelines including upgrade to a double track of the planned infrastructure resources like iron ore reserves and a large area remains

Going forward, Uganda's needs for deposits will scale over a billion tons. unlicenced, experts believe the iron ore only explored a tiny percentage of their licences and a large area remains

disseminated. But seeing that they have million tonnes in Kabale and Kanyungu iron ore deposits amounting to 130 million tonnes in Kasese and Kamwenge Mining Company Ltd have discovered Sino Minerals Investment Company

with confirmed deposits now standing at 130 million tons. Exploring for iron ore in western Uganda up to US\$13.2 million in other Indian, have invested players; one Chinese and two



**Dr. Abraham B Mwananguzi**

# Uganda's iron ore potential could rise to over a billion tons

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Accordinging to Moreno, this can only be achieved if there is a link between universities, industries and companies and research and development institutions, to spur commercialization of new technologies developed here in Africa by Africans.

“With an initial investment, mining companies can advance projects to feasibility study and then progress to construction, and development and adaptation of technologies will be essential to ensure improvement in productivity and development of competitive industrial goods in Africa.”

“The ability to develop, acquire, upgrade, and adapt technologies is a key element for any country to effectively compete in the global market,” she said. “The industrialization of Africa can only be accelerated and sustained on a solid technological base.”

“The European Union Commission has said that Africa’s industrial development must be anchored on human resource development, which will require continuous investments in health and education sectors.

## Human Resources



## THREEWAYS SHIPPING SERVICES [GROUP]

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Project Charters

In terms of financing, Moreno, who

## Financing

Moreno said that in the case of Uganda, the materials she views in the near term as critical for industrial development include steel, and not so much iron ore, cement, alumina/aluminum which could be recovered from the Mukuntu clays, bauxite,

“With an initial investment, mining companies can advance projects to feasibility study and then progress to construction, and development and adaptation of technologies will be essential to ensure improvement in productivity and development of competitive industrial goods in Africa.”

The gave the example of the US and the European Union Commission who put together a critical materials strategy. While the US uses a lot of aluminum, steel, cement, titanium, strontium, who require a license in the area, said it is important to mobilize funds from exploration to hold the major exploration license in the area, said Moreno said that the critical materials needed among others.

“With an initial investment, mining

companies can advance projects to feasibility study and then progress to construction, and development and adaptation of technologies will be essential to ensure improvement in productivity and development of competitive industrial goods in Africa.”

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"We can talk as much as we can, as much as we want about resources but unless there is appropriate infrastructure, it is going to be difficult to realise all of this," she said.

According to Moreno, as part of the natural resources management process, "it is important to identify the critical infrastructure needed to develop sustainably," she said.

Moreno noted, "it would be evident that industrialisation has depended on energy. When one needs studied world history.

She said that for Uganda to process phosphates, vermiculite and gold amongst others, "we need a lot of electricity.

Uganda, which holds a number of unique Makutu clays, in Eastern Uganda, Moreno noted, "it would be evident that industrialisation has depended on energy. When one needs studied world history.

According to a study, Moreno said that unless there is appropriate infrastructure, it is going to be difficult to realise all of this," she said.

Moreno added, "we want to process phosphates, vermiculite and gold amongst others.

"But the underlying question is how much steel does Uganda need for the construction of a single metric ton of steel. As such she noted, if Uganda was to use up all its power capacity of about 500MW, the country would produce just 330,000 tonnes of steel.

"But the underlying question is how much steel does Uganda need for the construction of a single metric ton of steel. As such she noted, if Uganda was to use up all its power capacity of about 500MW, the country would produce just 330,000 tonnes of steel.

The example that Moreno gives simply looks at one mineral yet Uganda has potentially significant amounts of other resources that will be processed including oil, copper, alumina, manganese and cobalt.

She said Africa cannot use its natural resources as the cornerstone of industrial development.

Yoweri Museveni at State House on December 16, 2013.

Mineral Sector Retreat with President Museveni from Canada, spoke at the consultant from Canada, minerals and industrial resources.

Moreno, a minerals and industrial resources, developing and developing the critical infrastructure like energy, manage existing natural resources, develop the requisite ancestors, develop the science of our education and restoring the culture to the basics by restoring the culture indeed Africa need to first go back Dr. Moreno said that Uganda and Dr. Moreno (above) has mapped the path that Uganda has also industrialised – a big goal for utilises its huge mineral resources but got to travel to not only mine and developmen of mineral resources and industrialisation. Taking steel for one, Moreno wondered how much energy would be required for Uganda to build a steel plant.

President Yoweri Museveni.

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Moreno (above) has mapped the path that Uganda has also industrialised – a big goal for utilises its huge mineral resources but got to travel to not only mine and developmen of mineral resources and industrialisation. Taking steel for one, Moreno wondered how much energy would be required for Uganda to build a steel plant.



# Leading mining expert maps Uganda's path to industrialisation

The shared that in many countries, State-owned mineral development companies have been formed to play a similar role as privately held junior partners; having been set up to work in the market alongside private companies with risky, but strategic long-term investments.

Kyagulanyi said more than 30 countries including Tanzania nearer home as well as neighboring set up state-owned concerns to help develop their mineral resources.

Dr. Luisa Moreno, a mining consultant called for the same state-owned mining company or a mining interests including Uganda's critical mineral resources.

Kyagulanyi called on the Government to get involved in well-economic exploration and mining projects through state-owned exploration company to acquire a 100 percent stake-owned exploration and mining company to explore mineral resources.

"We have to realise that at some stage, the government has to come in and play a role, not only in supporting the people and mines but beyond that," Kyalaguli said.

Kyagulanyi recommended that Uganda looks at its mining regulations and mining to ensure global competitiveness. Accordingly, the tax regime related to minerals at Kyagulanyi's suggestion is slightly better than given in Uganda's mining incentives where players receive 40 percent investment contribution by the government, 80 percent corporate tax rate reduction, VAT exemption etc., it is clear that an investor would choose Turkey ahead of Uganda.

"the Scandium, Gallium, Yttrium, Rare Earths and Lanthanides' Measurements.

Yaygulanı pointe out a similar luminescent clay deposit in Canada and where they have finalised all the studies similar-materials project in Turkey including the preliminary economic

The solid this is against the backdrop of a very tense global competition for mineral exploration and mine development in finance coupled with the depressed prices of mineral commodities.

Kyrgyzstan's mining sector needs to be developed as an integral part of the Uzgenian economy, for some mineral resources, of the East African economy, if its potential is to be fully realized.

## Thinking Strategic as a nation

When carried out, the preliminary economic assessment will look at things like a mining payback period, capital cost and approximate mineral productivities, the life of the mine, jobs, infrastructure costs and any by-product revenues opportunities.

The next stage in developing this unit-  
every low radioactive levels.  
project, a pre-feasibility study and set up  
miform the economic viability of the  
baseline and other studies that should  
be carried out by Kyalami, is underaking of various  
expected and blind discovery, according  
to the pilot plant.

Other positive factors include potential economic applications of various mining and metallurgical approaches - simple or aggressive to extract, a potentially impressive array of mineral products using one process; and the

Yagulanyi said the potential for a big total tonnage and geological resource trades for elements and metal oxides including alumina, scandium, gallium, zinc, tin, molybdenum, cobalt, copper, silver, gold, palladium, platinum, rhodium, osmium, iridium, ruthenium, and other rare earth elements.

Yagubluayi said Pittling exposed what he found at Uganda's aluminum clays.

"There is potential of over 18 billion tons of clays in the whole basin," Kyalgulanyi who was speaking at the Ubahda Mineral Sector Retreat at State House in the presence of President Yoweri Museveni on December 16, 2013 said.

The Mukulu-Buwawayá basin which covers parts of Bugwéeti, Bulkuholí and Enyebbe basins, is very similar to the Buñya Counties, is estimated to cover more than 40 square kilometres, with sediments putting the thickness of the surface below the 200 metres

Kwesi's David Kyagulanyi (above) says the clays have comparably very good preliminary economic geological parameters and a wide array of potential major co-products to the rare earths and

Scandium, gallium, yttrium and rare earths are the most sought after earth elements used in a multitude of applications including fibre optic communication, computer discs, flat screen TVs, catalytic converters for carbon reduction in cars, fluid catalytic cracking in oil and gas etc. Two Ugandan companies, namely Kwezi Ltd and Berkely Reef Ltd hold exploration licences in the area.

Alumina is the primary feedstock from which aluminum — used in the aerospace industry — is produced.

**S**till in its early exploration stage, the Makutu-Bwawayaya area in Eastern Uganda has exposed what geochemical analysis has identified as unique clays that are enriched in alumina, scandium, gallium, yttrium and rare earths.



Busoga clays could turn around Uganda's fortunes



Strategically speaking, we get more income from these minerals; they create jobs, the employed have more money and their purchasing power goes up and the whole economy booms; and not only for us but for our global partners as well — since we are now able to buy their products. Currently demand isn't enough worldwide; the purchasing power is low hence the global financial crisis. Demand may be low in Africa now but it can go up by creating more jobs after adding value to our resources. The minerals or petroleum industries should be the solution, not the problem.

I was told that many of you are miners and are therefore not bothered with industry or value addition. This attitude is wrong. I would like to encourage you to partner with industrialists in your countries or across the world – because we need both of you. This is because Mereley exporting raw materials can also cause security issues in the long run, like the uprisings in the Delta in Nigeria.

An annual round table between you, the Chamber and I is welcome because it can help us see how far we have gone; what has been covered and what hasn't.

Apparentiy our minerals have been underpriced on the world market because they lack certification (due to DR Congo's bad governance), instead of fixings Congo's inscurity). Instead of blaming the war on the minerals, War is caused by bad governance not minerals. Anyway, this is simple; we will register our minerals and have them certified.

For the high costs encountered in importing explosives – especially TNT – to use during the mining process can be done away with if we produce the explosives here. We shall plan for it in the next budget; to integrate industrial chemistry with the mining.

- The Chamber of Mines will work with the Ministers on the necessary legislation because the consumers know what they need, better than the service providers.
- Analysed during the ZU04 Aermashnetic survey – it should be covered in the next budget.

and about government participation in the mining process itself, I believe that just like we have people who head out first at dawn to clear the dew from the village paths, the government should lead the way in this industry — by engagging in prospecting and exploration or instance and subsequently pass the private sector. This is what we did with petroleum. The aeromagnetic survey to pinpoint most of these minerals too was quite a challenge and Mining Company explored both — explore and which can do both — maybe partner with private firms to clear the dew" and make it simpler for our.

now abolished Head Tax - where one was merely taxed for existing - mining investors are being taxed for merely showing up. The Banakore ay, "Ekayakureta nekki" (why did you where one has not produced anything is incomversible. VAT was after all intended for consumers. I can assure that this will be abolished.

**Taxing exploration work**, some. "Ekayakureta nekki" (why did you merely show up. The Banakore where one has not produced anything is incomversible. VAT was after all intended for consumers. I can assure that this will be abolished.

The other inconvenience apparently is the endless red tape during licensing. Uganda has investment Authority is meant to serve as a one-stop-centre as far as business licensing is concerned hence this unnecessary bureaucracy should be addressed immediately. The licensing can be done online like some one suggested. It isn't rocket science.

I am very gratefulful to the Chamber for exposing these **logical policies**; you wonder who makes them. Like the Pledge diamond now being processed and cut they are addressing these issues - with the positionning themselves well because negotiations. Countries like Botswana bear this in mind, it could simply our Since you are partners, if you could locally.

And with these other minerals, our addition. Fortunately, we are very far from the ocean, meaning transshipping unprocessed products for that long distance to the coast may mean getting less for them — which is bad economics. As such, value addition, is used to produce steel instead of exporting soil. Copper which we only used to produce up to 94% (Bilster) would not be used in the making of in Jimia. Cathode Copper (99% pure) would have to be imported for the electricity wires at Methas's factory in Jinja. Methas's factory would be unable to wire the country because they hadn't integrated their economies like Zambia suffered.

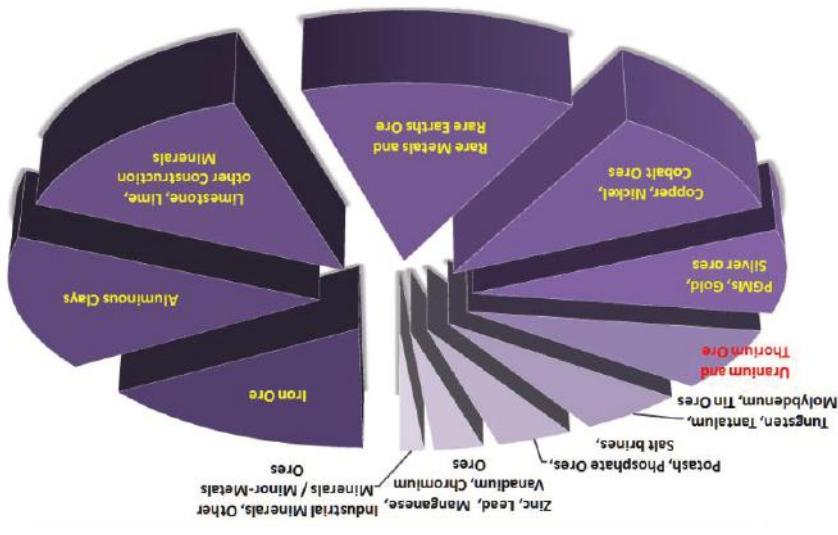
Pledge

We need to produce steel instead of exporting soil. Copper which we only used to produce up to 94% (Bilster) would not be used in the making of electricity wires at Methas' factory in Jimia. Cathode Copper (99% pure) would have to be imported for the electricity wire production. And when the copper prices collapsed, African economies like Zambia suffered because they hadn't integrated their economy.

Since you are partners, if you could bear this in mind, it could simplify our negotiations. Countries like Botswana are positive about addressing these issues - with they are addressing these issues well because diamond now being processed and cut locally.

British all these years – not the other way round. Luckily soon, we will have investors processing our coffee from here which could raise export revenues to \$4 billion from the current \$500m And with these other minerals, our addition. Fortunately, we are very far from the ocean, meaning transporting unprocessed products for that long distance to the coast may mean getting less for them – which is bad

Mineral resources of Uganda in order of national significance



such, it is us who have donated to the donates to the UK about \$10 or so. As kilogram of coffee therefore, Uganda roasting and grinding it. In every in London will get \$15 for a kilo after coffee goes for just \$1 to \$3 yet Nestle to this. An unprocessed kilogram of products) processed here is related.

Ugandan coffee (and other agricultural products) processed here is related. My struggle, over the years, to have remained backward. Why many African countries have processing during addition. That's miss the jobs which come with the not only get less money but you also When you sell raw materials you minerals. Whether it is agricultural products or always been not to sell raw materials; From the beginning, our philosophy has and how we can use it. because it illuminated what we have Mineral Wealth Conference), was good meeting like the Sheraton one (the into our wider plan. Therefore, today's going to see how it can be factored

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since I had no one on my side who could sign an agreement with them Uganda. However, I told them I

they asked to sign an agreement with Uganda had petroleum deposits and

In 1986, Shell-BP visited and said

recovered and even expanded.

That's how the economy has

industry and services - which has been inflation and then reviving agriculture,

macro-economic issues like controlling entirely focused on initially reviving the

we came into power in 1986, we were

tobacco barely surviving. So by the time

during the 1970s - with only coffee and

This economy was to collapse later

(coffee, cotton and copper).

Ts (tea, tobacco and tourism) and 3 Cs

characterized as the economy of the 3

that time, Uganda's economy was

by a sea of underdevelopment. At

economy - enclave type - surrounded

people. Back then, we had an economy

population stood at about 6.5 million

At independence in 1962, Uganda's

which had two parts: a small modern

people. Back then, we had an economy

population stood at about 6.5 million

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## Our minerals will transform us



no profits are earned during exploration activities.

**A waiver on Import Duty, Value Added Tax and Withholding Tax** on exploration and mining equipment is important since

rolling stock and access to water.

We also request that government commits to **Providing key infrastructure** to mining and iron and steel plant locations including stable grid power, tarred roads, railway sidings,

important going forward.

deeper analysis of the economics by the relevant agencies is also requested from natural gas as a reducing agent. A gas produced either using imported cooking coal could involve economic feasibility. The key decision to make assessment of economic feasibility (washing, crushing and grading) and beneficiation subject to (washing, crushing and grading) and partial export of iron ore, partial processing, review the development alternatives for iron ore processing including partial steel production we propose that we

**To boost iron and steel production** we propose that we

Ugandans.

**minerals commodities exchange** which will help in creating the mineral sector and thereby increasing the incomes of more employment opportunities and boost investments into

and the other in Petroleum down-stream value addition effectively in consultation with two consultants one in mining would be required for the Chamber to operate this initiative proposals for **value addition**. A minimum of 100 acres partitioning into smaller areas for its members with good authority to allocate the **Chamber Industrial Land for** For this to be achieved, we request the **Uganda Investment All projects should start small and then grow with demand.**

relevant laws for the various mining activities. The well And very importantly, there is an urgent need to **enact** policies to accommodate

activities transacted current consumption and benefit future of operating companies. This should ensure that today's plays a critical role in ensuring environmental compliance National Environment Management Authority (NEMA) that We request that you **empower** and appropriately facilitate the

Karamoja region in North Eastern, Uganda – that initially wasn't covered during **aerial magnetic surveys** is analyzed.

We also request that the remaining 20% of the country – the investments to create partnerships with Ugandans.

**Promoting Uganda's resources abroad at international conferences, seminars and mobilize international mineral**

Furthermore, the Chamber can play an active role in done in Kenya and we propose that we adopt it here too. The cost and turn-around-time for confirmation of the funds should cover procurement of equipment for the country. The country will help us quantify our mineral reserves. The will assist in carrying out virgin exploration activities across

mining activities too. This role would ideally streamline the small scale standards. This role would ideally streamline the small scale

sector in collaboration with the Uganda National Bureau of Health Safety and Environment of self-regulation, enforce Government of the mineral sector and oversee, on behalf of by the state to do so. This centre will once empowered Centre which the Chamber can oversee once established We would also want to open a **Mineral Certification**

remuneration and facilitation for sustainability. We also request that the empowerment also entails better to cutting-edge technology, equipment and laboratories. strengthened through international exposure, training, access and Mines is recognized, enabled, empowered and We request that the Department of Geological Survey

will count on your support as we pursue this aspiration.

the East African Region from which others can emulate. We let the UMP present the ideal model with best practices for

mining – for Uganda and the region.

developmental role – value addition and integration of on a variety of roles, we would like to play a unique Unlike other Chambers around the world that have taken

assessing models for value addition in the minerals sector. play an active role in legislation, exploration, regulation and capacity. This, we propose, should include structures that excellence. To achieve this however, there is need to build We would like the UMP to be the regional hub or center of

Energy and Mineral Development recognizing the Chamber and relationship some of its programs. Our desire Your Excellency, we would like to thank the Ministry of

Mineral Sector.

is to have this relationship institutionalized as you continue to champion value addition, and development in Uganda's To hit the aforementioned highs and therefore build the mineral sector as an integral part of Uganda's economy

inevitable. These interventions include, but are not limited to: however, a lot of support from the government of Uganda is to have this relationship institutionalized as you continue to champion value addition, and development in Uganda's To hit the aforementioned highs and therefore build the mineral sector as an integral part of Uganda's economy

**Partnership with Government**

minerals extraction of a wide array of mineral products from the clay.

Furthermore, the **aluminous clays** at Makutu in Iganga considered the potential for the extraction of a wide array of ground value, at current prices, close to US\$600 billion – district present another exciting option, which an in-

Furthermore, the **aluminous clays** at Makutu in Iganga requires extensive research by institutions like Kwanza and for the integration of various sectors and value addition that roofing. This does present another excellent opportunity construction and industrial use (brake pads, furnaces and fire mineral's application covers: agriculture, floriculture,

grades each premium prices on the world market. The supplying 55% of global demand. Explorations would put Uganda in the League of S. Africa and China currently deposits of about 10 million tons and upon confirmation would be the largest in the world. Exploration has estimated Vermiculite At Nambaka, Mbalie, Uganda has estimated vermiculite

## Empowering state officials

Unlike other Chambers around the world that have taken

on a variety of roles, we would like to play a unique

mining models for value addition and the region.

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assessing models for value addition in the minerals sector.

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## INTERVENTIONS REQUIRED

mineral products from the clay.

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other universities.

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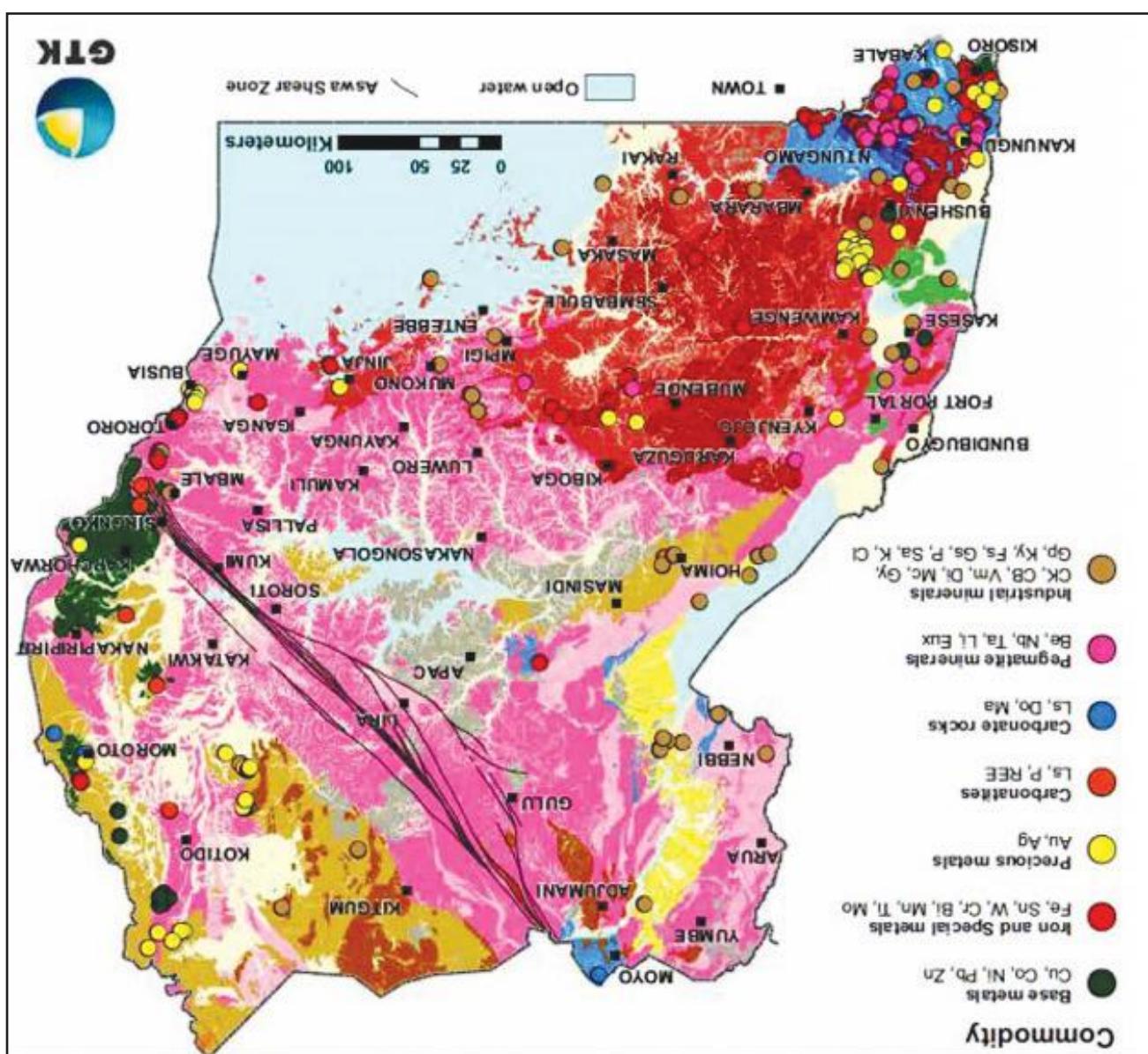
for the integration of various sectors and value addition that

deposits of about 10 million tons and upon confirmation

With deposits in excess of 230 million tons, Uruguay can afford to produce 1 million tons per year, but still be assured of a phosphate resource more than 200 years from now. Using a conservative recovery rate, 17 million tons of concentrates translate to ca. US\$3.5 billion (US\$200/ton). In effect, phosphates present a very compelling story with regard to value addition and integration of sectors: agriculture (boosting productivity), industry - cement production and steel, dairy, food additives and livestock and poultry needs. As such, quick attraction of investments and capturing of the regional market opportunities are critical.

The **Phosphate rock** applications on the other hand, present further exciting prospects, seeing that its applications cut across various sectors including agriculture, cement manufacture, steel industry, metal surface treatments, food additives, lies back and poultry feeds, water treatment and detergents. For long, focus has mainly been on phosphates, application in agriculture.

Geological map of Uganda with mineral occurrences



Kisoro, Rubuguri Bugumira County and EL metrie tons. The reserves in EL 0770 in million tons with Kibale holding 35 - 40 million (Bugumira) are estimated at between 40 - 48 million tons.

As regards **iron ore**, the confirmed deposits in Kibale (Buhara) and Kisoro (Rubuguri) to play its part through the signing of a memorandum of understanding with the International Tin Research Institute (ITRI) to implement ITSCI (the international standard for responsible traceability vehicle).

In all this however, government will need scale \$800,000 at production of 900 metric tons per month. This could be doubled by 2020 - 2021 achieving up to \$200m worth from exports.

Potential royalties earnings monthly could employing 50,000 people across 100 mining areas in primary mining roles.

earnings from exports while formally a potential \$100 billion in foreign exchange significant opportunities for value addition. The confirmed deposits in South West Ankole of about 1,000,000 metric tons could fetch significant opportunities for value addition.

**Integral part of the Ugandan economy**  
... can transform the mineral sector into an

## UCM's radical mining ideas



For instance, as the global demand continues to rise, the supply for the **Ts** keeps falling. As such, expansion of Uganda's mining of these minerals can only lead to exponential support.

Clays as the foremost minerals that had the best chance of transforming Uganda immediately, were given adequate phosphates, Vermiculite and Aluminous (Tin, Tantalum and Tungsten), iron Ore, of Mines and Petroleum identified of **Ts** and exploration and participation in the mining exploration and fostering responsible protection to encourage mining.

**Standard Chartered Bank Managing Director, Hermann Kasenene**



As a body dedicated to encouraging exploration and participation in the mining exploration and fostering responsible protection to encourage mining as stated below.

After its request to engage with the President to engage with the growth of the mining industry was granted, the Uganda Chamber of Mines and Petroleum identified several issues. **Standard Chartered Bank** who also seats on the Chamber's advisory council, presented the organization's concerns to President Yoweri Museveni, at State House Entebbe on December 16, 2013.

Elli Karuhanga



addition to our minerals and how to go about getting it. And with President Museveni now agreeing to host us more regularly, the Chamber will continue coming up with excellent proposals for the Government about value

Uganda's infrastructure development - roads, electricity etc - is extending to every corner of the country; hence resolving the bottlenecks that held this country back for long.

Our members are global businesses with large balance sheets - with a combined worth of trillions upon trillions of shillings. So capital has amassed here and we can attract much more. This capital is ready to start work here in Uganda. Create jobs here in Uganda. Transform the economy here in Uganda. But like I have noted above, capital is a coward hence our eternal challenge is to rally its fears.

It is our historic duty as a Chamber and as a country, therefore, to exploit these minerals because if we leave them locked up with double padlocks in the ground we will be like the lazy servant in the biblical Parable of the Talent.

The purpose of the retreat was to make us attractive to capital and then ensure we become an exporter of capital going forward. And there is no reason why this should not be the case. For Uganda is blessed with decent gold, uranium, copper, lime, phosphates, niobium, iron ore, vermiculite, tin, tantalum, tungsten (the 3Ts). We have rare earth minerals like yttrium, scandium, gallium and zirconia all from aluminium clays. And from these alumino-silicates, the country can earn up to US\$ 240 billion - almost 4 times what we can get from oil.

Listening to business is the surest way to social and economic transformation. It is therefore important to hail President Yoweri Museveni and his team - the Minister of Energy and Mineral Development and his Investment Unit - for making sure that Uganda is open for business. So open, that State House hosted discussions the way forward for the country's mining sector. Working with business and the Uganda Chamber of Mines and Petroleum (UCMP) to a retreat, to debate to

very important that Uganda maintains an attractive outlook. This means that an environment that enables business must be created, supported and sustained.

Capital only goes where capital grows. As a net importer of capital, therefore, it's

Chairman, Uganda Chamber of Mines & Petroleum  
Capital is a coward



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**28**

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Phosphate deposit can feed regional fertilizer plant



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**25**

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Mining needs easy land access



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**18**

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\$180m steel plant in Uganda

**CHINESE FIRMS EYE**





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by Richard Kaliuka.      To the editorial team assisted by Moses L. Katumba (mugenyi@gmail.com)

16 | Uganda's iron ore potential could rise to over a billion tons

No more taxes  
on exploration



# Contents

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

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.

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

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:

Ugandans and investors. 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

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 Museveni** together with the South African President **H.E Jacob Zuma** on **25 March, 2010**.

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## ABOUT UCMP

**ACTIVE COUNTRIES:** Burundi, Cameroon, Cote d'Ivoire, Kenya, Laos, Mongolia, Mozambique, Namibia, Nigeria, Indonesia, Luxembourg, Malaysia, Myanmar, Singapore, Thailand, Uganda.

**OGAS OFFICES:** Angola, Brazil, Cameroon, Congo - Brazzaville, Cyprus and Mauritius, France, Gabon, Hong Kong, Vietnam, Philippines, Papua New Guinea, RDC, Russia, Saudi Arabia, Switzerland, Tanzania, UAE, United Kingdom.

|                                   |  |                               |   |
|-----------------------------------|--|-------------------------------|---|
| FW - Fire Warden                  | COSH - Control of Substances Harmful to Health | EA - Environmental Awareness  | FAW - First Aid at Work                       |
| H2S - Hydrogen Sulphide Awareness | MH - Manual Handling / Ergonomics              | EFA - Emergency First Aid     | FAW - Fire Awareness & Portable Extinguishers |
| RA - Risk Assessment              | SLA - Severe Loading Awareness                 | EEA - Emergency First Aid     | FRA - Fire Risk Assessment                    |
| MH - Manual Handling / Ergonomics | RLA - Rigging & Lifting Awareness              | EEA - Environmental Awareness | FRA - Fire Risk Assessment                    |
| FW - Fire Warden                  | RA - Risk Assessment                           | EA - Environmental Awareness  | FAW - First Aid at Work                       |

| COURSE CODES |    |      |        |    |     |           |    |     |        |
|--------------|----|------|--------|----|-----|-----------|----|-----|--------|
| Sunday       | 1  | COSH | Monday | 1  | FW  | Wednesday | 16 | RHA | Friday |
| Sunday       | 2  | FWA  | Monday | 2  | FWA | Wednesday | 17 | FW  | Friday |
| Sunday       | 3  | FWA  | Monday | 3  | FWA | Wednesday | 18 | FW  | Friday |
| Sunday       | 4  | FWA  | Monday | 4  | FWA | Wednesday | 19 | FW  | Friday |
| Sunday       | 5  | FWA  | Monday | 5  | FWA | Wednesday | 20 | FW  | Friday |
| Sunday       | 6  | FWA  | Monday | 6  | FWA | Wednesday | 21 | FWA | Friday |
| Sunday       | 7  | FWA  | Monday | 7  | FWA | Wednesday | 22 | FWA | Friday |
| Sunday       | 8  | FWA  | Monday | 8  | FWA | Wednesday | 23 | FWA | Friday |
| Sunday       | 9  | FWA  | Monday | 9  | FWA | Wednesday | 24 | FWA | Friday |
| Sunday       | 10 | FWA  | Monday | 10 | FWA | Wednesday | 25 | FWA | Friday |
| Sunday       | 11 | FWA  | Monday | 11 | FWA | Wednesday | 26 | FWA | Friday |
| Sunday       | 12 | FWA  | Monday | 12 | FWA | Wednesday | 27 | FWA | Friday |
| Sunday       | 13 | FWA  | Monday | 13 | FWA | Wednesday | 28 | FWA | Friday |
| Sunday       | 14 | FWA  | Monday | 14 | FWA | Wednesday | 29 | FWA | Friday |
| Sunday       | 15 | FWA  | Monday | 15 | FWA | Wednesday | 30 | FWA | Friday |
| Sunday       | 16 | FWA  | Monday | 16 | FWA | Wednesday | 31 | FWA | Friday |
| Sunday       | 17 | FWA  | Monday | 17 | FWA | Wednesday |    |     |        |
| Sunday       | 18 | FWA  | Monday | 18 | FWA | Wednesday |    |     |        |
| Sunday       | 19 | FWA  | Monday | 19 | FWA | Wednesday |    |     |        |
| Sunday       | 20 | FWA  | Monday | 20 | FWA | Wednesday |    |     |        |
| Sunday       | 21 | FWA  | Monday | 21 | FWA | Wednesday |    |     |        |
| Sunday       | 22 | FWA  | Monday | 22 | FWA | Wednesday |    |     |        |
| Sunday       | 23 | FWA  | Monday | 23 | FWA | Wednesday |    |     |        |
| Sunday       | 24 | FWA  | Monday | 24 | FWA | Wednesday |    |     |        |
| Sunday       | 25 | FWA  | Monday | 25 | FWA | Wednesday |    |     |        |
| Sunday       | 26 | FWA  | Monday | 26 | FWA | Wednesday |    |     |        |
| Sunday       | 27 | FWA  | Monday | 27 | FWA | Wednesday |    |     |        |
| Sunday       | 28 | FWA  | Monday | 28 | FWA | Wednesday |    |     |        |
| Sunday       | 29 | FWA  | Monday | 29 | FWA | Wednesday |    |     |        |
| Sunday       | 30 | FWA  | Monday | 30 | FWA | Wednesday |    |     |        |
| Sunday       | 31 | FWA  | Monday | 31 | FWA | Wednesday |    |     |        |

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**PETROLEUM & MINES**  
The Uganda Chamber of Mines & Petroleum

