UGANDA CHAMBER OF MINES & PETROLEUM

The Uganda Chamber of

MINES & PETROLEUM

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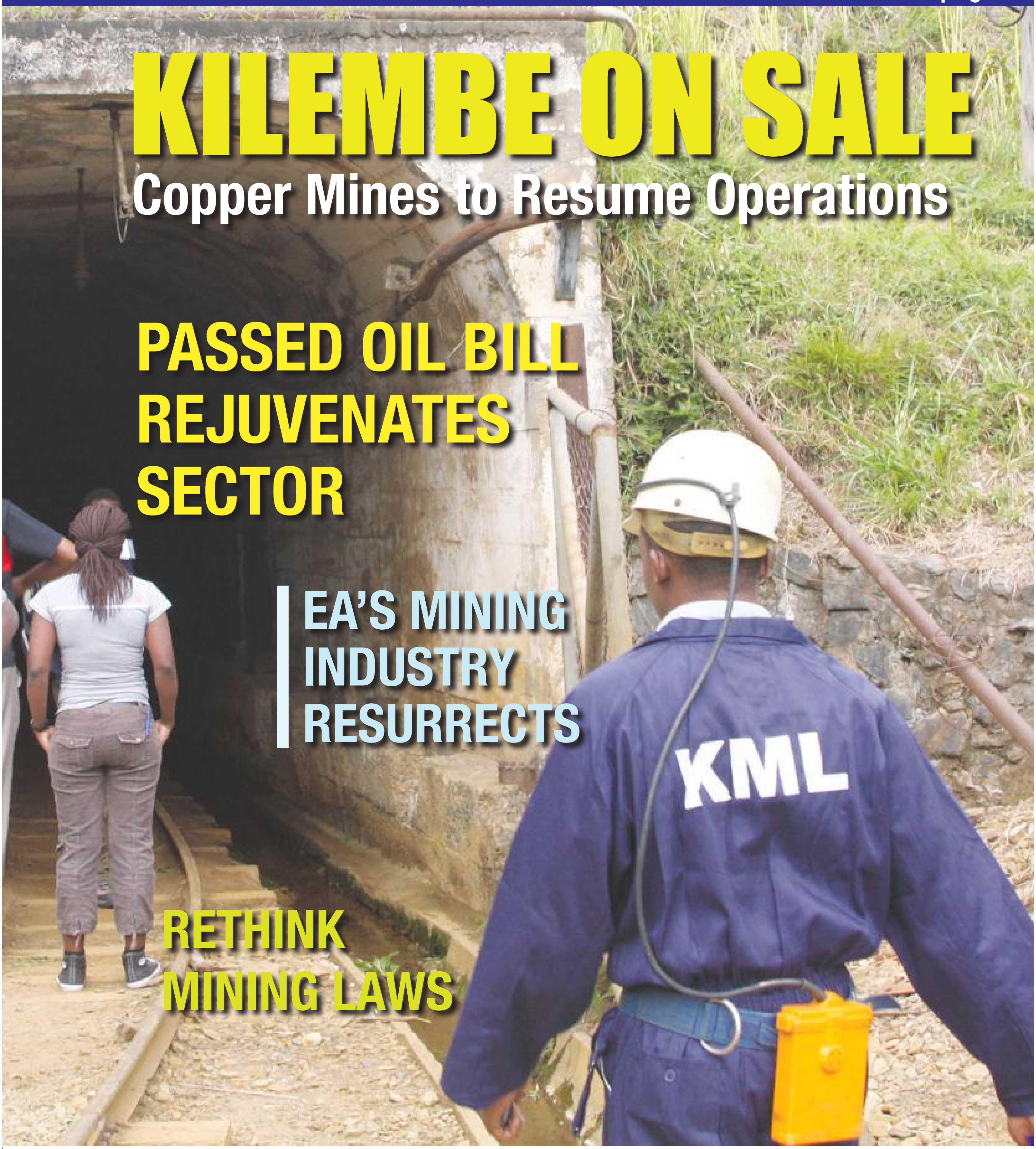


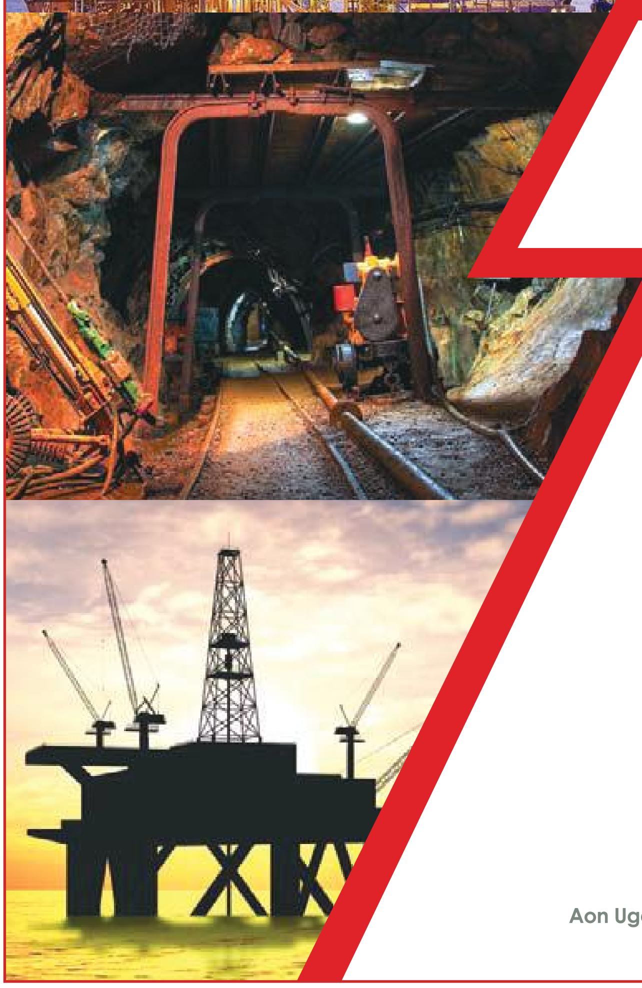
KILEMBE ON SALE

Copper Mines to Resume Operations

PASSED OIL BILL REJUVENATES SECTOR

EA'S MINING INDUSTRY RESURRECTS

RETHINK MINING LAWS



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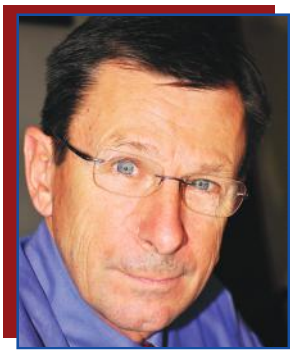

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Chairman's Note

The first step has been made…

In my last address, I bemoaned the continued delays and politicisation of Uganda's oil and gas sector and projects like Kilembe's copper mines. Now, I am happy to recognise the efforts that the Ministry of Finance has dedicated to the rejuvenation of Kilembe, through the Privatisation Unit. A key factor in Uganda's economy in the 1960s and 1970s, the resumption of copper production can only be a good thing for our country's fortunes. This is not only because global copper prices are soaring again and hence hefty returns to the country's coffers, but also because a booming Kilembe offers a welcome boost to the minerals and mining sector that is seeking to rediscover itself following the completion of airborne geophysical surveys that have availed wide-ranging mineral data (magnetic, radiometric and selected electromagnetic) covering 80% of the country.

In fact, at the inaugural Mineral Wealth Conference, in October 2012, the government announced that extensive processing and interpretation of the data was on-going in addition to ground geological and geochemical mapping that was a follow-up to the airborne surveys. Furthermore, calls to improve the legal regime were received positively by the government. This can only mean a more vibrant sector – that looks out – for investors is round the corner. As such, the Uganda Chamber of Mines and Petroleum, promises to continue in earnest, the push for a favourable mining environment through various mediums.

In the same breathe I would like to hail the Parliament of Uganda for finally passing the Petroleum (Exploration, Production and Development) Bill 2012, which now only awaits the President's signature to become law. As the primary law in the management and governance of the oil and gas sector, it was very important that this Bill received the MPs approval so that the oil production process can be set in motion.

The International Oil Companies and their service providers – many of whom are members of the Chamber – are raring to go. The continued delay in starting the production process, of course, means immeasurable losses on investments going forward. While we appreciate government's cautious approach as it seeks to enact the best laws that should subsequently avert an oil curse as has happened elsewhere, we pray that reasonable haste can be added to the process so that our members' interests are also protected.

I thank you,

Elly Karuhanga

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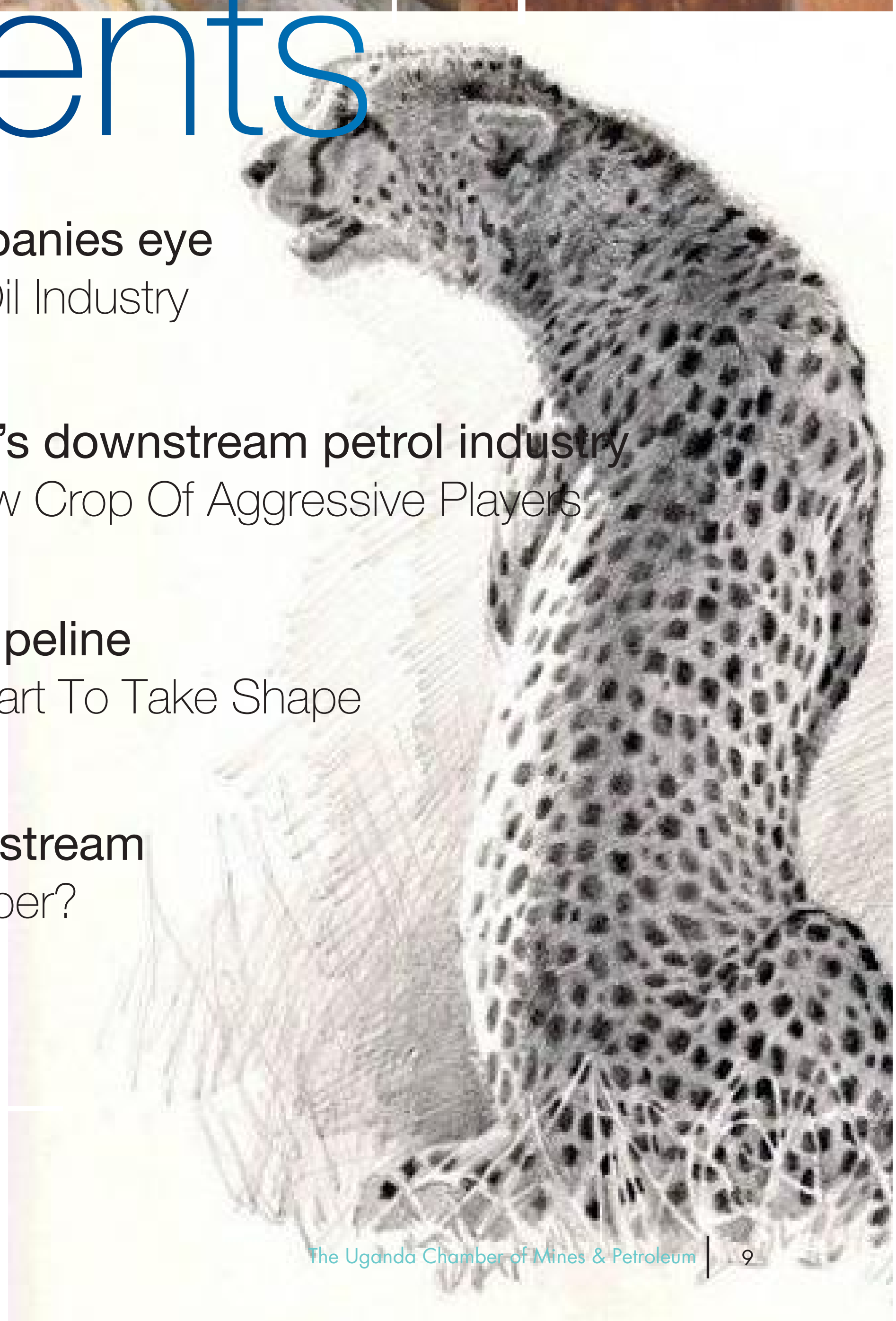


Journalists tour the dilapidated Kilembe Mines

Kilembe copper mines to resume operations

The divesture process to be completed in 2013

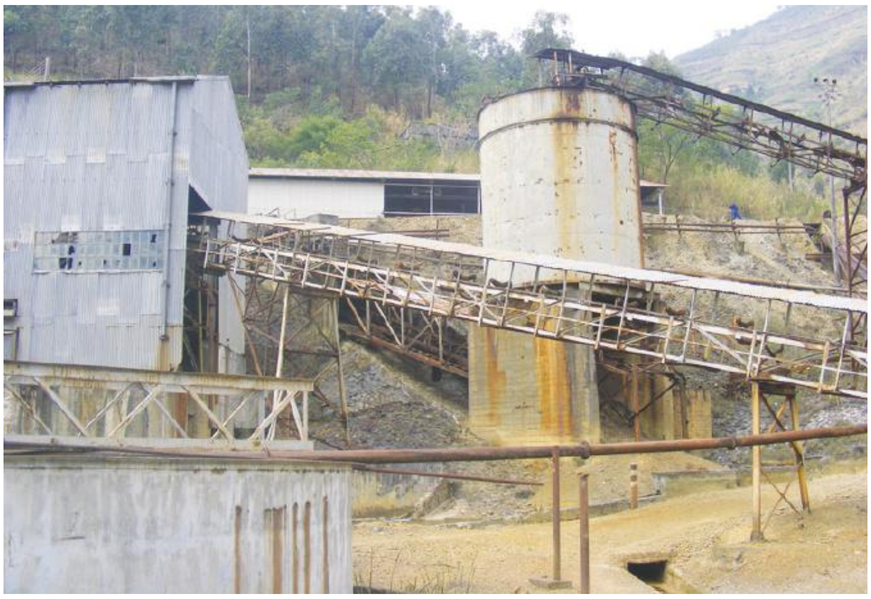
The number of firms that will tussle it out for the right to revive the fortunes of the sleeping copper giant – Kilembe Mines – now stands at five; down from the nine that initially expressed interest. Perhaps to signify its stature as a leading industrial state, China has three companies making the last five including Gingko Energy Ltd, Sinosteel Equipment & Engineering Company Limited and Tibet-Hima Group (a consortium that has Uganda's Schima Group and Tibet Hima Automobile Industry from China). The other two are Zambia giant Konkola Copper Mines and Australia's Shree Minerals Ltd (which is partnered by Byrnecut Offshore Pty Ltd).

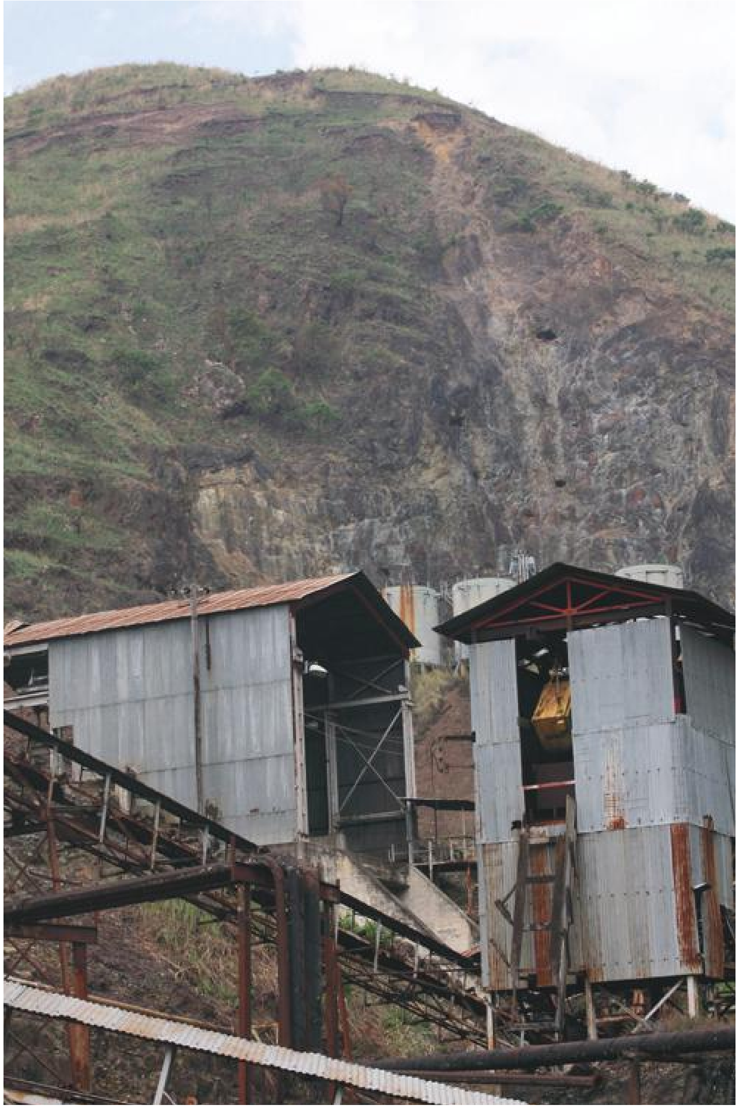
Missing out after the evaluation is the London based consortium of Springwood Capital Partners and Worley Parsons, a Canadian conglomerate led by Kombat Copper, Uganda's Shumuk Investments Ltd, which represented various foreign interests plus British firm Wharton Asset Management Co.

Since 1982, Kilembe has been in limbo following its closure during a turbulent political period in Uganda that conceded with some of the lowest copper prices on the world market. The conditions currently are different though, with raising demand for copper from the likes of China and India driving prices up. Coupled with a politically secure environment, most of the ingredients to support a thriving copper industry are in place. Sticking out like a sour thumb however, is the dilapidated infrastructure that may need a complete overhaul if smooth operations are to commence.

"The machinery that was used in the 1950s to the 1980s is probably no longer the ideal equipment one would want to use in this generation. The bidders will be given an opportunity to do a due diligence of the mines to ascertain what it would take to renovate it and make it operational. Government has its own benchmark and we know what we want. Definitely what we are looking out for is value addition – something that is going to make Kilembe better for generations to come," says Jim Mugunga, the Privatisation Unit spokesperson.

According to the website* dedicated to the project, the venture scope includes a mining lease of 21.32km² with potential for proving up additional resources in a brownfields geological setting; over 7Mt at 1.56% copper (using a 0.6% copper cut-off) declared by KML in 1979 and confirmed by Banff Resources (and





other consultancies) in subsequent studies (Banff declared 8.1Mt at 1.71% Copper and 0.18% Cobalt following additional exploration in the mid-1990's); over 5.5Mt of tailings at 0.114% Cobalt and 0.171% Copper and two prospective greenfields exploration concessions totalling 611.5km². In addition, is existing established infrastructure to leverage off such as roads, office, commercial and residential buildings plus an opportunity to invest in affiliated support infrastructure programmes (like smelters, power and rail).

Whatever the results of the due diligence, indisputable is the fact that to become operational again, Kilembe will need big money. Lots of its machinery has fallen apart and the rail network that linked the mines (found in Western Uganda) to the smelter in the eastern district of Jinja is dilapidated and non-functional.

"Requisite capital to revive mining is dependent on many things and is not absolute. It depends on the mining method adopted, what is to be recovered and hence the processing equipment, the energy costs such that we consider whether to upgrade Mubuku I generation facilities or procure from the national grid, and so on. Even for the same equipment, the country of manufacture determines the price; such that plants from China may not cost the same as those from Italy or Japan," says Fred Kyakonye, KML General Manager.

As such, apart from the technical requirements and a virtuous repute, the successful bidder will also need really deep pockets. Fortunately, according to the project website, this particular divesture project enjoys strong political support seeing that it is a top strategic priority for the government of Uganda. This could include sorting out the vital infrastructural requirements including fixing transportation and boosting electricity supply that currently remains one of the biggest impediments to an industrialised Uganda.

History

Kilembe Mines Ltd was incorporated in Uganda in 1950 by Canadian firm, Frobisher Mining Ltd after an intermittent exploration that followed an accidental discovery of the copper ore in 1909 around the high peaks of the Rwenzori Mountains by a geologist that was accompanying a British Prince on his mountain climbing exercise. After it was ascertained that there was enough copper (which was about 9 million tonnes at the price of copper then) to recoup the required investment for extraction and processing, construction of attendant infrastructure kicked off and actual mining started in 1956. The mine was later operated by Falconbridge of Africa in 1962 after it absorbed Frobisher.

In 1975 however Falconbridge realized that the mine required recapitalization (since the technological period is about 20 years), and yet the metal price for copper was low (about $150 per tonne) and projected to fall further amidst very high and rising inflation. Worse, the economic policy then dictated that any earnings in foreign exchange be banked with the Bank of Uganda which would determine the portion to allocate to one in foreign currency and the balance remitted in Uganda shillings.

"The most technically viable option was to suspend mining until things improve, but the security situation in the country was not very friendly to foreigners. Moreover, the owners risked being labelled economic saboteurs given copper's significant contribution to the foreign exchange earnings then. Therefore, they opted to sell to the government of Uganda," explains Kyakonye.

A total of 16.2 million tonnes of ore grading 1.98% Copper and 0.17% Cobalt had been produced by 1977 using a series of portals and internal shafts over a vertical distance of 1,100 metres. Production continued sporadically until 1982 when high inflation essentially eroded the profit margin and essential supplies could not be purchased; the mine that used to contribute to the treasury actually started being supported by it, which eventually forced the mining to stop.

An ore reserve in the "proven" and "probable" categories of 4.5 million

tonnes grading 1.77% Copper remained unexploited, on top of the unexplored ore on the rest of the 2,000 acres of the mining lease. Management subsequently kept the mine under care and maintenance awaiting a change in fortunes and therefore a resumption in mining. The exercise essentially involves pumping out water on 24-hour basis from the workings and keeping them accessible, lest they flood or collapse and the reserves are lost, which in situ are worth about US $ 1 billion at today's copper prices ($8000 per tonne). The quoted value excludes that for the other known minerals present in the ore.

Until 1992, the maintenance was funded by the Government of Uganda through Ministry of Finance, but thereafter KML has been funding the operations from the income earned from the non-core units, including Mubuku Power Plant, Hima Lime Works, Timber treatment plant, Foundry and Machine-shop, and social infrastructure.

"So Kilembe clearly didn't fold because of a lack of potential but due to other factors. Subsequent prospecting and exploration work has identified additional potential outside of the originally applied for mining lease, and the areas have been secured by KML under exploration licenses," Kyakonye notes, while expressing optimism at that the Finance Ministry and the Privatisation will choose the most suitable partner to exploit the undeniable potential.

Who will take it?

From the Request for Proposal (RFP) it is unmistakable, that Uganda not only seeks a highly experienced and wealthy company to rejig Kilembe's fortunes, but also wants one with the capacity to add value to the copper by fully refining the mineral here "….and for it to be usable in the manufacture of electrical wires, transformers and any-other relevant materials for the purpose of Uganda's industrialization." On top of meeting these demands, the successful bidder will hope that Canadian firm, CANAF (formerly Uganda Gold Mining Ltd) drops its claim to Kilembe altogether following the latest court ruling that once again dismissed its appeal against "unfair termination of its contract" in 2007.

Fortunately, Ugandan officials insist that CANAF's case will in no way harm the privatisation process. President Museveni was also dismissive of the "detractors" of Kilembe's divestiture, noting that the Privatisation Unit officials have a short deadline to have completed the deal.

Fred Kyakonye
Kilembe Mines GM

Let's take a cursory look at the profiles of the bidders' still left in the game:
Zambian copper mining giant, Konkola Copper Mines, is a subsidiary of the Vedanta Resources – a mining company – listed on the FTSE 100 and with mining interests in Zambia, Australia, Namibia, Australia, South Africa and Ireland. With a refinery in Zambia, Konkola is the kind of firm Uganda may want to trust. After all, in the fiscal year ending March 31, 2011, Vedanta's group revenue stood at $11.4 billion having spent approximately two-thirds of its $19 billion capital expenditure programme as of 30 September 2011.

Shree and Byrnecut from Australia are also strong candidates with wide experience in Africa, not only in identifying potential mining areas (Shree) but also drilling and production (Byrnecut).

China's Sinosteel meanwhile has a long experience in iron ore exploration and steel manufacturing. The fast expanding firm also mines other minerals, refines and markets them with operations in Australia, Germany, Hong Kong, South Africa and India.

Not much is known about the other two Chinese firms Tibet Hima Group and Gingko Energy Limited, though the latter has in the recent past claimed it had acquired the rights to Kilembe and had set aside $100 for investments. Its officials though have met with Uganda's president, Yoweri Museveni and may hence enjoy useful political backing.

Inside a geophysical surveying aircraft

Surveyors tea m

The birth pangs of Uganda's mining sector

Will They Result In A Stillborn Or Bouncing Sector?

Reviving Uganda's minerals and mining industry is an enormous task that will require a concerted effort from across the board seeing that the challenges that face the once vibrant sector are very widespread.
At least that was the feeling one got at the first "Mineral Wealth Conference", held in Kampala at the start of October, 2012. The annual international conference organized by the Uganda Chamber of Mines and Petroleum (UCMP) in collaboration with the Ministry of Energy and Mineral Development, is intended to present a significant platform to showcase Uganda's mining potential, while also seeking solutions to the many challenges that impede investment in the sector.

Like all other production sectors, the mineral sector, which presented commercial opportunity as early as 1919, showed a healthy growth trend during the 1960s, when mineral production played a key role in export earnings and the supply of raw materials to local industries. The sector contributed about 30% of the Gross Domestic Product (GDP), and the combined export of copper, columbite, tantalite, bismuth, amblygonite, lead, molybdenum, wolfram, beryl, tin, and gold placed the mineral sector as the third most important source of foreign exchange for Uganda after coffee and cotton during the sixties. Similarly production of limestone, phosphates, salt, vermiculite, sand and stone aggregates formed a basis for industrial processing of cement and fertilizers, and for construction and building industries.

The sector went downhill in the 1970s when the economy collapsed. The last 10 years however, have revamped attention especially after the airborne geophysical survey that was conducted between 2004 and 2006 whose findings pointed to substantial mineral resources that have not yet been exploited.

"We were getting 30% of GDP mainly

Edwards Katto, Ag. Commissioner, DGSM addresses guests at the first Mineral Wealth Conference as Tapio Lehto, Project Manager, GTK CONSORTIUM looks on

from Kilembe's copper; but now with more appraisals revealing even more lucrative minerals, I have no doubt that a much more organised minerals and mining sector will play another significant role in the development of the country," said Elly Karuhanga, the UCMP Chairman, while opening of the conference.

Gold, nickel, copper, cobalt, iron ore, platinum, chromium, REEs, gold, vermiculite, base metals, diatomite, marble, limestone, graphite appear here and there across the country. However extensive exploration work and technical studies are still required to demonstrate project feasibility and economic viability of identified mineral occurrences. Coupled with this, are delicate legal, economic and social concerns, whose handling will determine whether the sector booms or not.

In his presentation at the forum titled ***'Security of Tenure of Mineral Rights under the Mining Laws of Uganda',*** Denis Kusaasira, a Mining and Oil & Gas Attorney with Kusaasira & Co. Advocates, notes that the Regalian mineral tenure system, under which Uganda operates, currently presents several hurdles that could limit the sector's growth. The system states that minerals are vested in Government which subsequently grants rights to private persons to explore and exploit them in return for a tax and royalty. Being granted on 'first come, first served' basis currently, there are now calls to do this through competitive bidding to eliminate inactive license holders.

The biggest challenge though, is separating the active from the passive speculator. Currently, Lafarge's Hima Cement is pitted against newcomers, Gold Sniffing, with the latter claiming Hima's exploration area following a mix-up over the length of the license dates. The case that has drawn in the Ministry of Energy and Mineral Development is presently being heard in court. How such cases are settled will without doubt determine how attractive the sector remains.

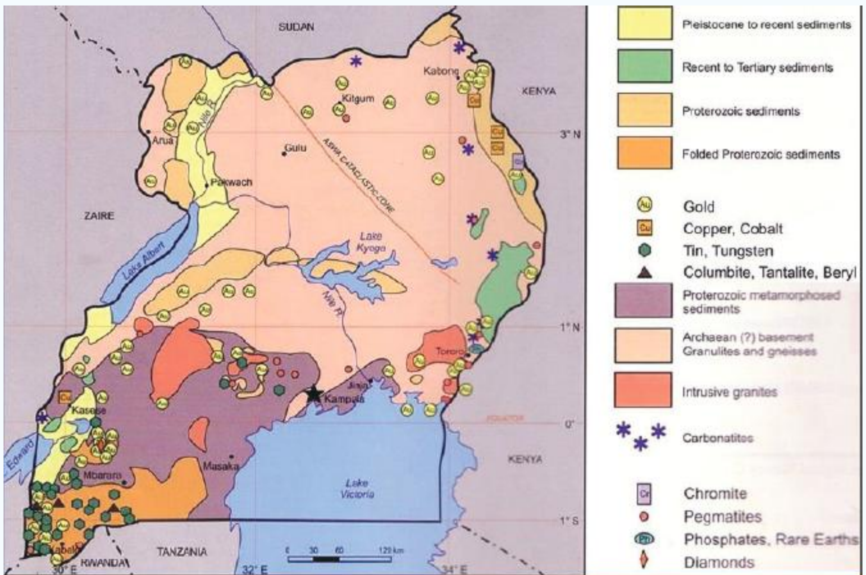
Richard Kaijuka, UCMP's vice chairman too argues that for more investment to be attracted so that the sector can truly take off, elements of the Mining Act 2003 will have to be reviewed.

"It is now scientifically evident that Uganda is well endowed with numerous minerals but before entering the crucial extensive exploration phase, it's very important that favorable conditions to attract investors are established. A review of the law will see some things change for the better and bring in new investments. One such change could be a comprehensive appraisal of mineral rights to deal with elements of non-compliance," says Kaijuka, who also doubles as chairman of East African Gold, a gold exploration company currently undertaking a huge project in Karamoja (North Eastern, Uganda).

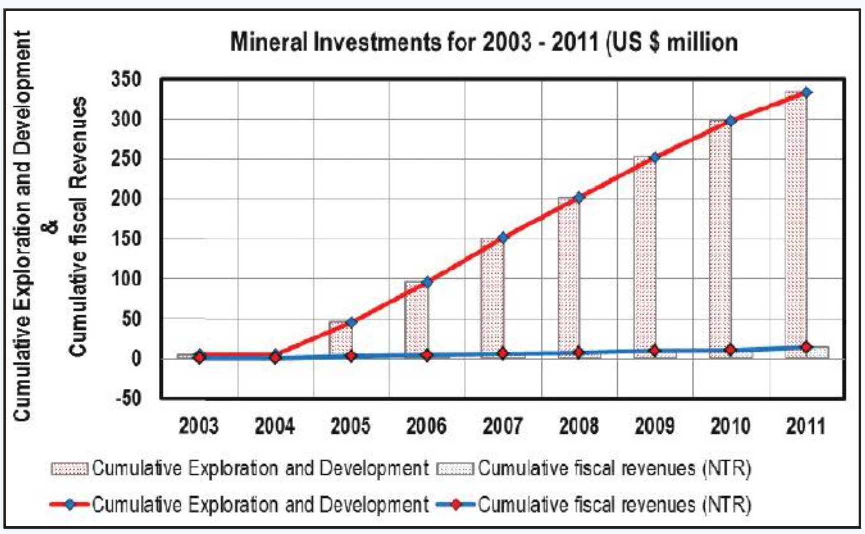
Another contradiction is the fact that over 30% of the sector's earnings are attributed to small scale and artisanal miners whose activities are largely illegal under the current law. Their influence, although constructive, is seen as destructive to the environment since they use crude methods of mining and their activities may be seen to encourage holding mining rights for speculative reasons.

However, the artisanal miners' contribution to mining growth cannot be denied, with their local knowledge often relied upon by bigger often-more-capitalized mining companies which gives them the derogatory moniker 'sniffer dogs' in industry circles.

Mr. Fred Kabagambe Kaliisa, the Ministry Permanent Secretary is all for calm though, noting: "The legal framework is to be reviewed by the Commonwealth Secretariat to cater for the regulation of the Artisanal and Small-scale Miners (ASMs) under the Sustainable Management of Mineral Resources project (SMMRP)."



Geology and Mineral occurrences of Uganda



The DGSM has in the recent past extensively trained ASMs in sustainable exploitation of minerals, including paying more attention to their health and safety, as well as protection of the environment.

Even with the call by private players such as Kusaasira to amend the laws, Mr Edwards Katto, the acting Commissioner in the Department of Geological Survey and Mines does not believe the situation is as bad as portrayed.

"It is true that the Mining Act 2003 states that all minerals belong to the government although the land belongs to the people constitutionally. However, there are provisions for arbitration. The Commissioner responsible for minerals plays a big role in arbitration, and in case of an appeal, the line Minister takes over. If the complainant is not satisfied, there are provisions for appealing to the Uganda courts of law or even going further for international arbitration," he notes.

But while it is endowed with plenty of minerals, according to the latest mineral surveys to adequately collect more data on these deposits however (and therefore attract more investment), the DGSM needs better funding.

"Money is not necessarily the issue, as we collect lots of it in form of royalties. It is the redistribution of these monies from the Ministry of Finance that needs to be addressed so that our critical work, like further exploration and monitoring is adequately funded," argues DGSM's Katto.

As such, with government personnel stretched thin on the ground and therefore limited monitoring, private firms are wont to declare false findings in the deep, often rural fields, where minerals occurs. This means more would be revenues in royalties are lost to dishonest mining firms which are confident their under-declaring tactics will not be detected.

Kabagambe Kaliisa agrees that the licensing policy and regulatory regime is indeed not robust enough to ensure strong governance, and he argues that the first-come-first-served policy deprives the country of good resource rent which would otherwise accrue out of competitive licensing.

As such, he promises that his team is all set to tackle these challenges head-on in the near future.

"Land acquisition for mining projects can be a nightmare. However, the Ministry is also busy at work. Over the last 3 years since the acquisition of new geo-data, the licenses have grown by 40%. [We also agree that] there is need to expand the Ministry structure and fill all vacant posts with experienced staff."

Like all birth pangs, it's hoped that the mineral sector's do not kill it but instead deliver a bouncing and glowing future that many observers believe will adequately rival the oil and gas sector.

EAC Leaders: From L-R Presidents Paul Kagame of Rwanda, Mwai Kibaki of Kenya, Jakaya Kikwete of Tanzania and Yoweri Museveni of Uganda

Digging it all up

East Africa prepares to take its place on the mining stage

To many African countries, the mineral industry is the next big thing. The industry forms part of the continent's core plans for economic transformation that a key document, ***Africa Mining Vision,*** published in 2009, by a technical taskforce established by the African Union and the UN Economic Commission for Africa has everyone thinking about digging up commercially viable minerals and hydrocarbons.

East Africa is where much of renewed interest in the mining industry is expected to be. In Tanzania, gold takes the lion's share of the value of exports, and the country is looking to explore for more. After discovering oil in the western part of the country, Uganda's journey to middle income status has suddenly turned bright. Kenya is exploring for oil in the Turkana region and tracking the potential for gold in Kakamega, Bondo, Transmara, and many other areas. Burundi is said to have gold in the Mabayi area, while Rwanda is rich in Wolframite, a mineral used for electric filaments.

Tanzania has a more vibrant mining industry outside oil, and has the latest updated mining law. Other states are still struggling to overcome the challenges associated with the mining industry – it being a high risk and capital intensive venture – especially when it comes to attracting investment in large-scale mines.

That could change though. With the emerging economies of countries like China, India, Brazil and Russia (BRIC) demanding for more commodities for their booming economies, Africa is turning into a lucrative destination for mining companies.

East African countries are reviewing their mining legislation not only to attract as many investors as possible, but also to generate more revenues when the mining boom hits fever-pitch.

Putting the house in order

In 2008, Tanzania's president Jakaya Kikwete instituted the Bomani Presidential Mining Sector Review Committee with the goal of coming up with ways in which the government can benefit more from the industry. The committee found out that the mining companies were benefitting a lot from tax exemptions and lower fees, denying the country the much needed revenue.

Tanzania's Mining Act of 2010 borrowed heavily from the Bomani committee's recommendations.

In 2011, Uganda's Ministry of Finance formed the Business Licensing Reform Committee to look at the entire licensing regime. The purpose of the committee was to limit the time wasted while applying for licenses, which in the end also affected the speed at which investors were sought.

The International Monetary Fund

Tanzanite miner at the Mererani mine in nothern Tanzania. Tanzania, Kenya, Rwanda and Uganda are revising mining laws

already notes that the mineral industry, if managed well, could greatly transform East Africa. "Findings of considerable exploration in nickel, uranium, and oil and natural gas across the region are believed to have significant potential," notes the IMF's report titled: ***The East African Community: Prospects for Sustained Growth,*** released in November last year. "Export expansion in this area can quickly lift output and government revenue, but harnessing such activities into longer-term growth raises considerable policy challenges—to avoid the "natural resource trap."

To enhance their attractiveness as a single bloc though, the five East African countries have agreed to streamline their mining regulations. "Having recognised the great potential that mineral resources have in contributing to poverty alleviation and to national and regional economic development, the Partner States have decided to harmonise their mineral laws and policies," notes the East Africa Community website.

The partner states agree on some broad areas like creating an enabling environment for investors, create databases to show and share the region's mining history and potential, institute laws that protect the environment, amongst others. And when it comes to financial matters, the majority agrees on the indefinite carry-forward of tax losses within the mining industry. But that, however, is as far as the similarities go.

Same goal, different paths

When the laws are further scrutinized, things get a little different. For example, Tanzania, unlike the other regional states, has a new mining law, enacted in 2010, which allocates land for small scale and artisanal miners. Tanzania has shown considerable interest to cool the tension between bigger mining firms and artisanal miners.

And to further save the small scale miners from the bureaucratic processes of getting a license, Tanzania has decentralized the process of acquiring a primary license.
While royalties are fixed in Uganda, in Kenya it is done on a case by case basis for minerals other than gold and diamond.

Tanzania has a longer period for a mining license than its peers, which makes it easier for companies to undertake long term plans there. A primary mining license remains valid for seven years in Tanzania, although the conditions are kind of vague when it comes to the renewable process. In Uganda, the longest period a mining license can run is three years, although that comes with a two-year renewable period for two terms.
Kenya has a different regime compared to Uganda when it comes to tax allowance on capital expenditure.
In Kenya, the tax allowance is set at 40% in the year incurred, and then the remaining amount is spread over six years. It is fixed at 100% in Uganda.

A bigger slice

Conscious of the global demand, East African countries are tweaking their rules to increase their financial take. Besides, there is a heightened demand for local participation in the mining industry.
In its Mining Act of 2010, Tanzania raised the royalties paid on gold to 4% from 3%. On top of that, Tanzania is looking at ways of beefing up its audit mechanisms in tracking royalty payments.
Kenya has slapped a 20% withholding tax on professional fees paid to non residents conducting work in the mining industry. This is one of – if not - the highest withholding taxes within the economy. The country also wants to raise the royalties on gold.
Uganda recently abolished the Investment Trader Value Added Tax status as it sought to collect more revenue. In an industry like mining, where a lot of imported machinery is used, there remains a cloud of uncertainty over VAT claims after the abolition of that investment status.
No East African country has tried to offer its local citizens the chance to own stakes in its mining industry like Tanzania. For starters, Tanzania's Mining Act of 2010, bars foreign firms from exploring for gemstones. That area is now left for local artisanal miners. The Act also demands that all mining companies list on the Dar es Salaam stock exchange so that locals can buy shares in the companies. And different reports indicate that more policies that will place the mining industry further into the hands of the indigenous population are in the offing.

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Mineral Wealth Conference in Pictures

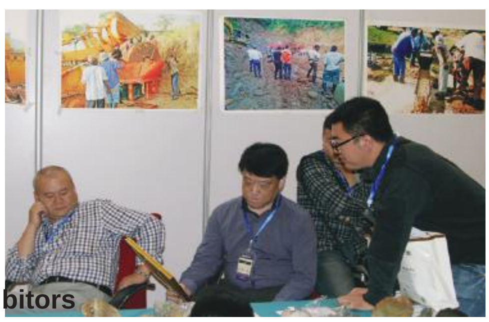

Mutebile (C) engages UBA top gurus


Kusaasira (R) and other speakers


Lunch break


Lorika makes a point for Karamoja


The band entertains guests at the UBA cocktail


Some of the exhibitors


Roofings Group CEO Skandar Lalani (L) and Kaijuka


Marsh Africa's Leon Rossouw

Some of the panelists

Mineral Wealth Conference in Pictures

Delegates at the conference

Astor Finance's Gordon Sentiba (R)

Interaction time at the UBA cocktail

ASM chairman Johnny Sasirwe

Joshua Tuhumwire and Mr Kaijuka

UBA Group CEO Edgal Gabriel

Denis Kusaasira
Mining, Oil & Gas Legal Expert

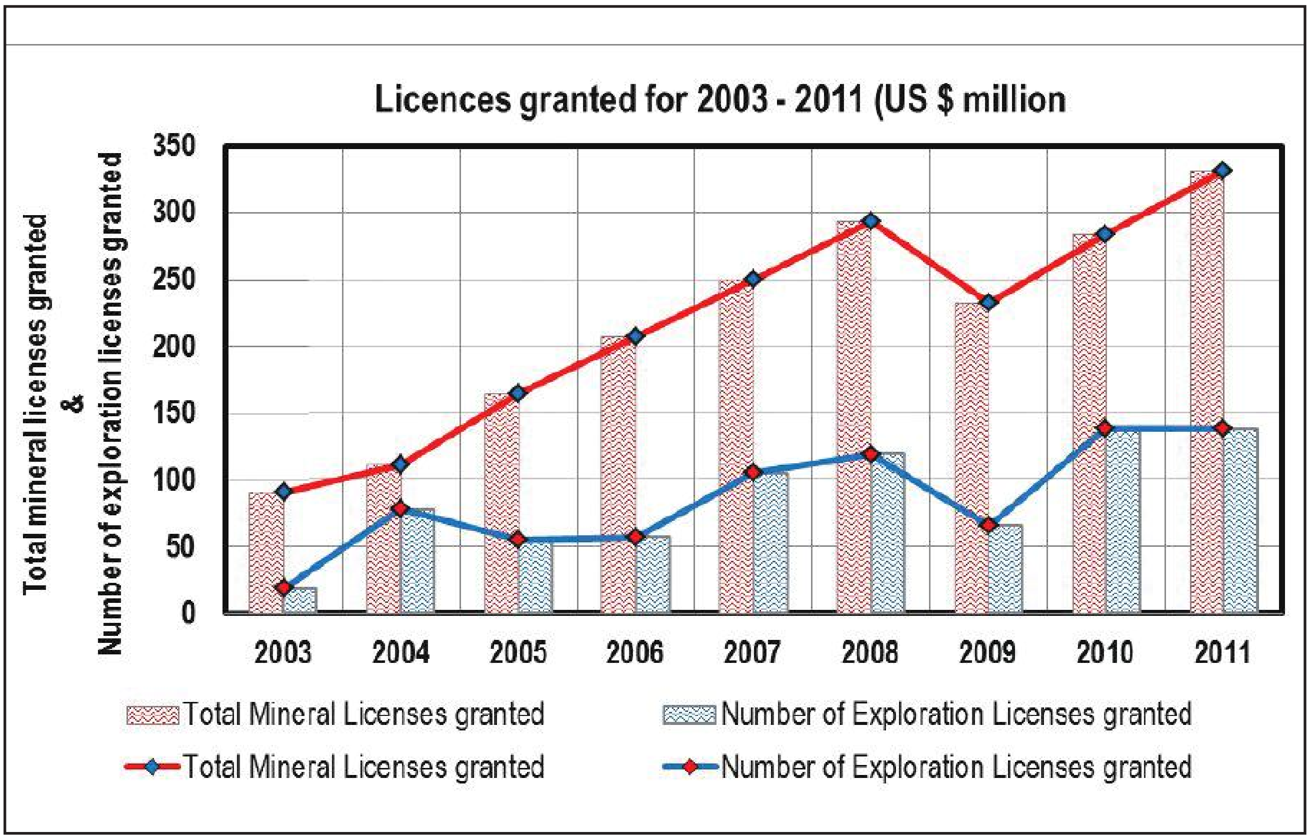
Rethink mining licensing reforms

By Denis Kusaasira

Mining is a potential source of revenue and foreign exchange to Uganda's economy. In order to realize this revenue, the government of Uganda published a new mineral policy in 2001. The policy goal is to develop the mineral sector so that it can significantly contribute to sustainable social and economic growth of Uganda. To operationalize the mineral policy, the government of Uganda enacted a new Mining Act and Mining Regulations in 2004.

By that time, Tanzania, our neighbor, with whom we seem to share similar geology, had published a new mineral policy in1997 and a new Mining Act in 1998. Tanzania also tweaked its tax and investment laws in order to realize the mineral policy goal. By the year 2006—eight years from the time it published a new mineral policy and enacted new laws to operationalize its new mineral policy, Tanzania had attracted foreign direct investment of approximately \$2.5 billion and witnessed the opening of six large-scale goldmines, with an annual production of over 50 tonnes of gold. Revenue collected through royalties from gold had also increased from \$707,000 in 1997 to \$21 million by the year 2004; mineral sector contribution to the national gross domestic product had reached 3.5% while foreign exchange earnings from the mineral sector stood at 42.4% of the total exports. In that same period, Tanzania was catapulted to the third largest gold producer in Africa.

For Uganda, it is now eight years since the Mining Act was enacted and we are yet to witness the opening of a large-scale mine; only remaining contented with the fact that more exploration licenses are issued every year. From the perspective of the government of Uganda, the development of the country's mineral sector has been impeded by a number of factors.
A presentation by the government of Uganda to potential investors who attended the Mineral Wealth Conference in October last year mentioned the existence of 'excessive speculation' in Uganda's mining sector as one of such factors. According to the presentation, the existence of excessive speculation in Uganda's mineral sector is attributed to the current licensing policy and regulatory regime, which is not robust enough to ensure strong



governance. Consequently, it was indicated in the said presentation that a number of reforms would be introduced to ameliorate the flaws in the licensing policy and the regulatory regime in order to eliminate the said 'excessive speculation'. In the short-term, government intends: (1) to constitute a multi-sectoral committee to review applications for mineral rights; (2) to require an investment guarantee from applicants prior to award of mineral rights; (3) to provide for competitive bidding where mineral occurrences and targets have been identified; (4) to restrict the number of licenses to be granted to one entity; and (5) to prohibit transfer of mineral rights where no work has been done. In the medium and long-term, government intends to separate the licensing function from the function of monitoring of compliance. The powers to grant and revoke licenses will be vested in the Minister for energy and mineral development, while the commissioner for the department of geological survey and mines will enforce compliance with the provisions of the Mining Act.

Speculation

Speculation — which in the financial context is construed to mean the assumption of risk in return for the uncertain possibility of a reward, is virtually present in all economic activities. Speculation in the mineral sector may be 'active' or 'passive'. Active speculation refers to a situation where a person acquires a mineral right, undertakes some reconnaissance and/or exploration activities to increase its geological value, with a view of subsequently selling it to another person at a higher price than its cost-base. Individual prospectors or junior exploration companies undertake speculative exploration operations as a form of investment, with the view of selling their discoveries to major mining companies or at least striking partnerships with them. Therefore, active speculation attracts the participation of individual prospectors and junior exploration companies who play a major role of opening up areas, which are perceived by major mining companies to be geologically and politically risky.

On the other hand, passive speculation in the mineral sector refers to a situation where a person applies for, and hoards mineral rights in anticipation of selling them to other persons, without undertaking any or significant technical work on the ground. Such speculative conduct is bad for the mineral sector and should be eliminated.

While it is necessary for government to take action intended to eliminate passive speculation from Uganda's mineral sector, it is important that such action is not retrogressive or out of context with Uganda's current situation.

Competitive Bidding?

Under the Constitution and the Mining Act of Uganda, ownership of mineral resources is vested in government for the benefit of all Ugandans. However, like it happens in other countries with a similar mineral tenure regime, the government policy is for government not to be involved in the actual process of mineral exploration and extraction. Instead, government temporarily transfers the right to explore and extract minerals to an individual or a corporate entity. The temporary transfer of the right to explore and exploit mineral resources is performed through a written document, normally called a license or a lease—otherwise known as a mineral right.

Worldwide, the award of mineral rights follows one of the two principal

EA Gold officials tour their exploration area in Karamoja, North Eastern, Uganda

processes—either on a **first-come, first-served** basis or **competitive bidding**—depending on the type of mineral commodity, the amount of information available about the resource, and the number of potential investors interested.

Under the first-come, first-served licensing method, the first person to apply for the mineral right in a given area is entitled to the grant of the mineral right over that area. However, the applicant must satisfy the basic statutory requirements such as, technical competence, financial capacity, the ability to fulfill the conditions attached to the mineral right, and the undertaking to comply with environmental obligations imposed under the mineral right and applicable laws.

Under competitive bidding licensing method, the government normally identifies the relevant area and provides information about the potential resources in that area. Parties interested in acquiring mineral rights in that area will then submit their proposals, and the government will choose the party who has presented the best bid. The best bidder may be a party who has offered the highest sum of money for a given area, or may be a party who has submitted the best technical work program. Therefore, competitive bidding largely presumes a greater knowledge of the mineral potential (either from earlier exploration or mining activities), and an increased demand for rights as evidenced by the existence of several persons interested in applying for the same license area.

Currently, mineral rights in Uganda are granted on a first-come, first-served basis. However, in the government presentation, it was mentioned that the government of Uganda has acquired, processed, and interpreted the airborne geophysical data covering over 80% of the country. That, from interpretation of the said geo-data, government has identified several mineral targets, which it will award on the basis of competitive bids rather than the first-come, first-served.

Mineral policy analysts propagate a theory that granting of mineral rights on the basis of competitive bidding eliminates passive speculators, while granting of mineral rights on the first-come, first-served basis may lead to the granting of mineral rights to "inadequate" holders who may not have the technical or economic capacity to develop the mineral resources. At the same time, mineral policy analysts advise that the first-come, first-served method is the most appropriate licensing method in countries with perceived high geological risk or, where the available geological information is not adequate to provide sufficient certainty as to what the potential bidders will be competing for. In view of the available geo-data, and the perceived geological and political risk still attached to Uganda's mineral sector, it is not likely that competitive bidding as a method of awarding mineral rights may take Uganda's mineral to the next step. The responses received from the invitation for expression of interest in bidding for the acquisition of Kilembe Mines—one of Uganda's known mineral assets has already demonstrated this.

From the foregoing, it is clear that despite the burning desire to introduce competitive bidding as a measure to eliminate passive speculation, Uganda's mining sector can only develop if mineral rights are awarded on the first-come, first-serve basis. The question, which arises therefore, is — how can passive speculation be eliminated from Uganda's mineral sector without introducing retrogressive or premature mineral sector licensing reforms? The solution for the problems to Uganda's mining sector lies in a correct answer to this question.

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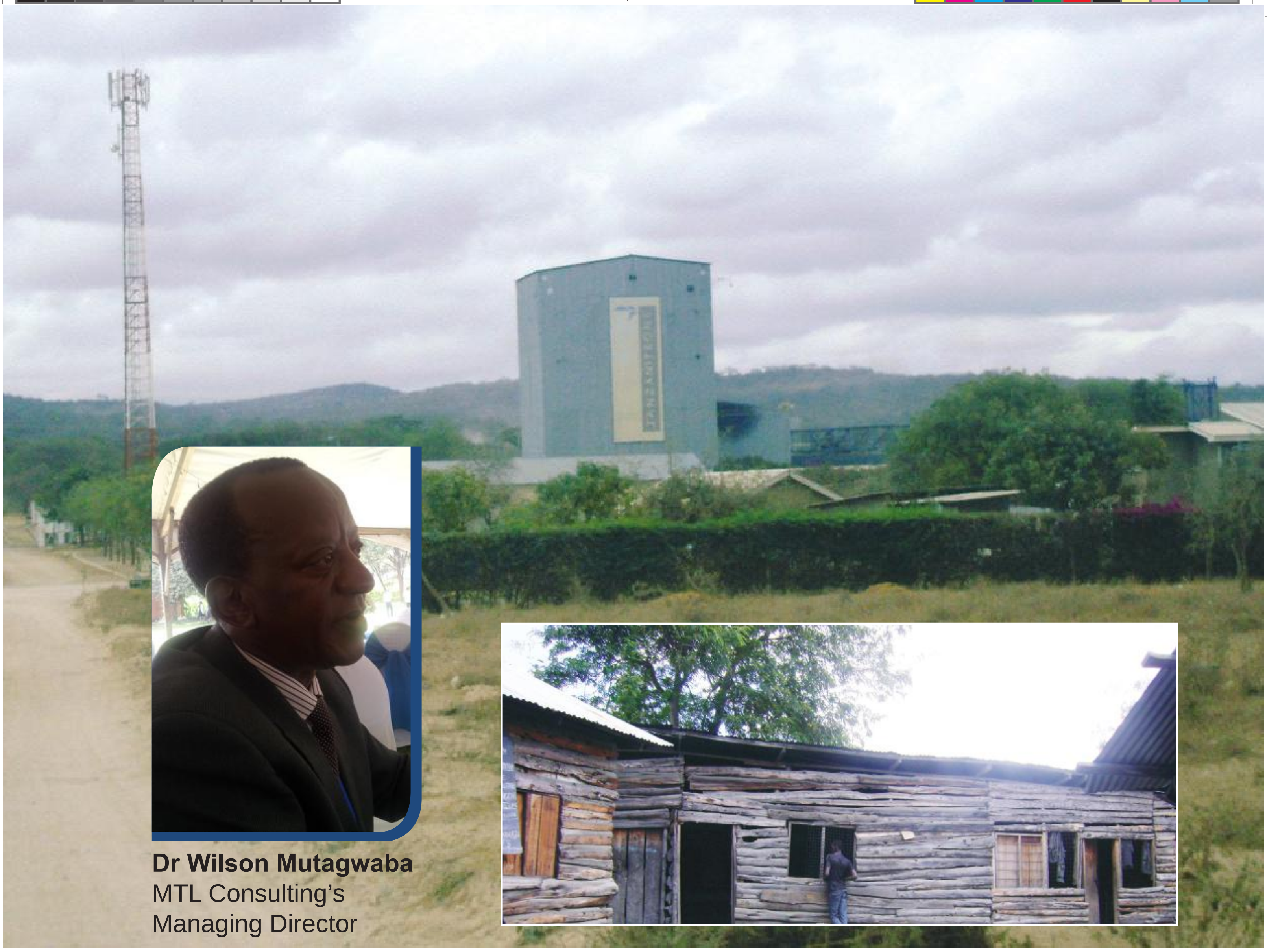


Dr Wilson Mutagwaba
MTL Consulting's
Managing Director

Lessons from Tanzania

As the fourth largest gold producer in Africa after South Africa, Ghana and Mali, Tanzania is without doubt the big brother as far as East Africa's mining industry is concerned.

Led by Africa Barrick Gold, the country's gold production currently stands at roughly 50 tonnes a year, copper at 2980 tonnes, silver at 10 tonnes and diamond at 112670 carats. Already contributing about 3% to GDP annually, the mining sector's influence could considerably rise in future years to average 7.7% of GDP by 2015, while also doubling in value to over $1.3bn, according to Business Monitor International (BMI).

Apart from gold, other minerals boosting this trend include the rare tanzanite, iron ore, nickel, cobalt, silver, ruby, garnet, limestone, soda ash, gypsum, salt, phosphate, coal, uranium, gravel, sand and dimension stones. But what lessons can Uganda draw from its southern neighbour as it seeks to plunge into the murky but lucrative world of full-blown mining (now that the country's impressive Airborne Geophysical Survey results are available for use)? **MTL Consulting's Managing Director and Tanzanian national, Dr Wilson Mutagwaba**, shares some insights on how his country has done it and what it would take Uganda to scale similar heights:

Uganda doesn't have any serious mining project to write home about currently with artisanals dominant currently. Do you feel they serve a strategic economic importance or they are just tolerated for political reasons?

Artisanal is a very critical subsector in mining because it is a poverty-related issue which we have to get used to. It is also a livelihood activity that can be well developed to help people get out of the poverty trap. Of course politicians have occasionally jumped on the bandwagon especially when soliciting for votes. But their promises are usually misleading and unachievable which usually causes unnecessary tension between small and large-scale operators.

Strategically, if you look at Tanzania, artisanals are very important because the current big mines are located in places where artisanals were located before. They are rightly called the "Barefooted Explorers" because they have a sense of identifying mineral occurrences, they can work in very difficult areas and for them a gram or two means a lot.

This is why I wish the Ugandan government seriously thinks of making sure small-scale mines are allocated their own land.

If this isn't done, more conflicts will arise when this sector begins to take off. Currently, it's okay because Uganda is still dealing with exploration companies but when they start establishing mines before the small scale operators are fairly allocated, conflicts will start brewing daily.

How can the two live in harmony?

My disappointment is with how the exploration data in Uganda is collected from the companies. If this data is submitted in a timely and continuous manner, it's easy to determine which areas to allocate to the large-scale mines and which ones to apportion to small-scale mines. This is how we are doing it in Tanzania, because it's common knowledge that while an area may not favour large scale mining, it could be economically viable to artisanals. Currently, artisanal and small scale miners are estimated to be 1 to 1.5 million. The last census in 1996 put the numbers at 560,000. With the increases in poverty over the years, more people have since been drawn to the industry. Soon we will have more reliable numbers, seeing that a World Bank funded census report will be coming out soon.

What impact have small scale miners had on the Tanzanian economy?

It's quite substantial. However, I am not familiar with the exact numbers in the quantity of minerals produced. But at least a million people are involved in this subsector. In Tanzania, each licence owner may employ eight or ten people and each of these has a significant number of people depending on him or her. Besides, downstream, there are many businesses that come up as a result of artisanal mining like mineral crushing, grinding and washing. A grinding mill alone employs about 15 people yet one site could have up to 200 grinding mills at any one time. Also, there are many service providers like food which is mainly sold by women. Some of these women have even since moved on to own some of these mining pits.

How can large projects grow out of small scale mining?

Generally, I think governments across Africa should carry out awareness campaigns to encourage small-scale miners to get legal. Many of the companies attending this Kampala forum are junior companies whose role is to take the risk, do the exploration and upgrade the area to a certain level and then the big boys can come and buy the area at big monies. No big company will come to do exploration. Uganda should, therefore, work at attracting these juniors i.e. the risk-takers. From their data, maybe a big mine may come up or even a medium project.

Government can also boost artisanals and small scale miners by making it a point for the big corporations to help them here and there, as a corporate social responsibility gesture. Because, the exploration companies are often profit-oriented they never want to waste a single coin aiding small-scale miners, hence the only way can be through obligatory CSR.

But some of these small firms have been dismissed as speculators looking for a quick buck. How have you dealt with them in Tanzania?

The mining process is largely transparent in Tanzania. It's a first-come-first-serve basis but you can't rule out abuse of the systems. A speculator for me is one who takes big tracts of land and does no development on it but rather waits for big investors to cash in. This discourages the junior companies, which would otherwise have carried out the exploration work from coming in. No exploration firm can give away $1m for land that hasn't been developed. Hence the most important link to the growth of the mining sector is chased away because these firms cannot give away their high risk capital just like that to greedy speculators. Without exploration, there is no useful data to attract the big mining firms hence there are no jobs created or royalties and taxes paid. This is a big problem across Africa that is encouraged by corruption and the lack of capacity to adequately monitor how the licenses (oftentimes over 700 licenses) are being put to use.

Luckily, the new minister in Tanzania has come in with a lot of energy and vigour to clean up the system. The government is currently going around district to district, resurveying the areas and basically removing the speculators. Under the law, one is supposed to submit a work programme and reports every quarter for auditing. If this isn't done, you will have guys just sitting on big chunks of land for years without any activity.

We now have over 20 regional officers which are well facilitated with vehicles, networked communication systems, GPSs, and every license (small or big) is available on the government website and cadastre system. We can thus monitor and identify who is doing what much easily. It has however taken Tanzania a very long time to realise this speculation problem and its important Uganda learns from us on how to manage it.

So when do the big firms like Barrick come to Uganda?

You cannot expect the big companies like Barrick to come to Uganda now – just because their business strategies are completely different from the junior firms. That's why it's important that the Ugandan government realises that it needs the junior companies

now, which will then pave the way for the big companies, once they have done adequate exploration. Currently, Uganda is at a stage where it needs to do extensive minerals exploration across the board.

How would you rate Uganda's mining legislation?

I believe, if applied well, the Location Licence issue is a strong part of the mining law because it allows small-scale miners to work within an Exploration Licence of some other person. But the disadvantage is that the small-scale miners can be thrown out at the whim of the holder of the Exploration Licence, in case he wants his land back. This is very unfair.

Instead, I would rather do it the Tanzania or Ghana way, where after every three years, 50% of the E.L is returned to the Commissioner, who with the help of a local committee can reassess the land and relocate it to small-scale miners if the situation demands so.

Other standout areas?

Mainly, I think the legislation needs to be strengthened to recognise the difference between small, medium and large-scale miners. And that these are all important. You cannot develop one sector and ignore the others.

For instance, what an artisanal mines is totally useless to the large-scale miners. Artisanals just look at a few grams slightly below the surface as they lack the technology to fully exploit the resource, yet the big corporation will need to dig kilometres deep. The Ugandan laws need to fully recognise small-scale miners as an important economic subsector.

What is your take on the idea of having the minister as the sole licenser?

Though it was a mere proposal by the Permanent Secretary during his speech at the Mineral Wealth Conference, I don't think it is proper to have the Minister as the only licensing authority as this will cause a lot of unnecessary delays.

Remember ministers are politicians and very busy; so we shall then start getting licences after a full year or two, whereas the Commissioner and his team could do the same in a matter of days. It thus becomes a challenge for businesses which normally look at the turnaround time between the application and award of such licences.

With the Mining Act 2010 in Tanzania, things have even been better streamlined. Some licences are handled by the Commissioner while others, the minister can make an input. For small-scale licences, it's the Zonal Mining Officers that give them out – at the district level – saving the small-time miners the lengthy trip to Dar es Salaam to apply at the commissioner's office. This decentralisation of the licencing regime can also be applied here in Uganda, and hence, prevent an artisanal miner, say in Karamoja from engaging in illegal mining, since the Department of Geological Survey and Mines in Entebbe has been brought closer to him/her.

Land, in Uganda, belongs to the people while government owns the minerals, unlike in Tanzania where government is fully in charge. This has directly caused several snags for many a mining project in Uganda. What lessons can Uganda learn from the way Tanzania handles its land issues?

I am curious to see how things will work out here in Uganda. I witnessed something similar in Kisumu, Kenya, where the owner of the land leases it to miners and collects 40% of the profits.

In Tanzania, however, land issues are easier because of our land ownership structure. The government owns the land and people just get a lease from government. When a mining company comes, they evaluate the land and you get compensated.

The only problem we have had is people crying foul of low compensation. This though is usually down to government regulations because companies will only compensate according to the set value of the land. Some companies have at times been lenient and doubled the compensation rates.

Privately owned land, like in Uganda's case would as such prove a challenge. On the other hand, maybe it could be a good thing because dealing with a private owner may fasten a deal.

Resource nationalisation appears to be taking root across Africa. Does it offer the best option for mineral rich countries to benefit from their resources?

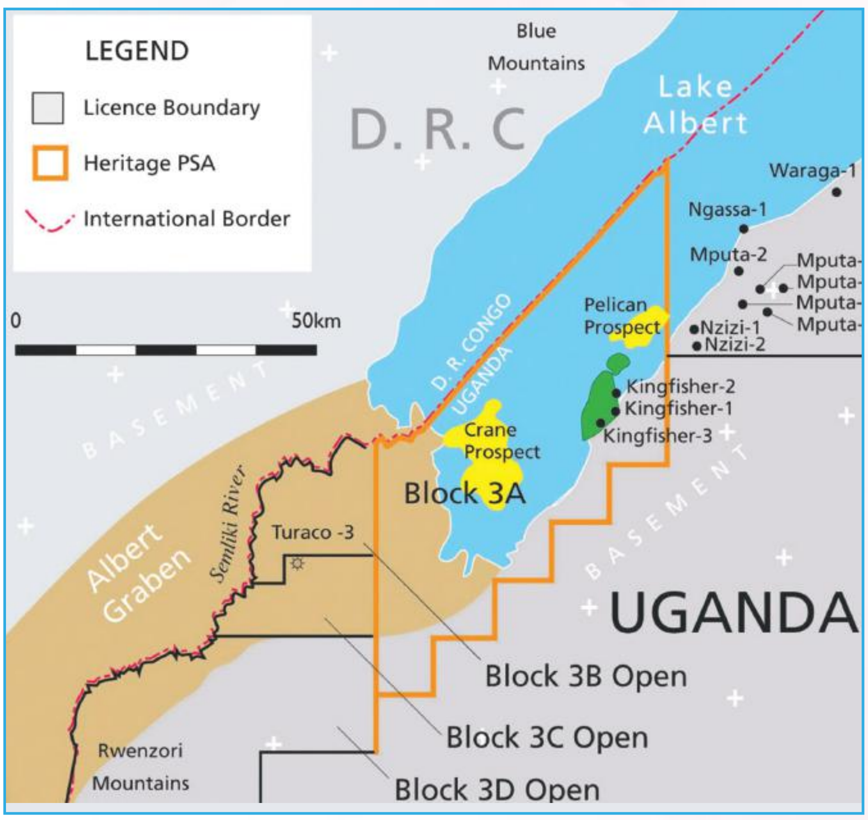
Under the new legislation after 2010, the Tanzanian government should have a share in any mining project – what one would call resource nationalisation. The share will be negotiated but it's a requirement.

Personally, I don't like this arrangement. For instance, one of the oldest projects in Tanzania is Williamson Diamonds – at 70 years. While being run under a 50/50 joint venture involving the government and De Beers, I would say Tanzania didn't gain much compared to what it's earning now from taxes paid by companies which are 100% privately owned. Currently government maintains only 25% in that venture, with De Beers also fully exiting for new majority owners. As such, as minority shareholders, the government of Tanzania isn't compelled to chip in whenever the company faces problems like it used to under the 50/50 arrangement.

So, for me, this kind of free-carried interest of government in mining projects is negative and a political thing. Politicians feel that the only way they can convince the people that they are in control is by holding stakes in these projects yet by merely being more transparent (by publishing taxes and royalties received through say EITI), they could easily have the trust of the people.

Tanzania is now a member of EITI [Extractive Industries Transparency Initiative] and the reports have already started coming in. These are more appreciated by the average citizen.

The companies eying Uganda's oil industry



Following the enactment of the Petroleum (Exploration, Development and Production) Bill 2012, several Ugandan companies and international companies are among those in a long line of investors waiting for oil exploration licenses when government finally issues a new round of licensing sometime this year, according to the Ministry of Energy and Mineral Development.

Government suspended the issuance of new exploration licenses until new legislation to regulate the sector was in place. The bills, once passed into law, are expected to usher in competitive bidding as opposed to previous open -door licensing.

Locally incorporated companies, some owned by Ugandans, have already expressed interest to bid for exploration acreage in the oil-rich region of western Uganda – a bold venture into a playfield that many feel is a preserve for international oil majors with lots of money to burn.

It's a full house of companies waiting in line to bid for oil blocks when government finally reopens the next licensing round. And the party, comprising of more than 15 firms waiting in line, includes some of the big shots in the global oil and gas business. Not left out are also some Ugandan companies, trying to make their first attempt at oil exploration.

The only barrier remains the delay to have the legislation governing the oil and gas industry in place. When the Petroleum Law is finally in place, Uganda will shift to competitive bidding as against applying for an oil license.

According to the Ministry of Energy and Mineral Development performance report 2011/2012, at least seven Ugandan firms have so far expressed interest in exploration, refinery development and other services.

These are: Asker Investments Ltd, Canaan Investments Ltd, TRC Group, Nile Valley Oil Exploration Plc, Saipem (U) Ltd, Schenker oil and gas services and Intex Construction. “The ministry urges them to participate, in the future licensing rounds that would be launched once the new regulatory framework for the sector is in place,” the report reads in part.

At least, 14,000 square kilometres – roughly 60% of the oil-rich Albertine graben - remain unlicensed. According to the report, a total of 18 companies have already expressed interest in the petroleum industry, especially in the midstream works of the oil infrastructure development.

The international companies that have so far expressed interest are: China Petroleum Engineering and Construction Company (China), Rapid African Energy (South Africa), Sinopec (China), Marubeni (Japan), Pet Oil (Turkey), Turner And Townsend (South Africa), Whitaker Group (USA), Bain and Company (USA, India), Trans-Oceanic Projects and Developments (Kenya) and Toyota (Kenya), among others.

In addition, sources within the ministry reveal that international oil giants likes the Royal Dutch Shell, BP and ExxonMobil are also eying Uganda’s nascent petroleum industry following the substantial reduction of the geographical risks of finding oil in the Albertine.

Government plans to lift a moratorium on issuing new licenses for oil exploration next financial year since the Petroleum upstream bill has been approved. Bukenya Matovu, the Ministry spokesperson, said that indeed, some Ugandan firms were among the companies that had expressed interest in the exploration licenses.

However, he noted that the heavy financial investment and highly-skilled technical ability required to undertake upstream and midstream activities could prove too big a hurdle to handle for the Ugandan firms.

The companies

China Petroleum & Chemical Corporation, also known as Sinopec Corporation is one of the companies that have applied to participate in the oil exploration and production activities. Incorporated in 2000, Sinopec is listed on the Hong Kong, New York and London Stock Exchanges.

The company’s activities cover the entire petroleum value chain ranging from oil and gas exploration and production, extraction, pipeline transmission and marketing; oil refining; storage and transportation of petrochemicals, chemical fibers, chemical fertilizers and other chemical products; import, export and import/export agency business of crude oil, natural gas, refined oil products, petrochemicals, chemicals, and other commodities

Irene Muloni, Minister of Energy and Mineral Development

and technologies; research, development and application of technology and information.

Sinopec is listed as China's largest producer and supplier of refined oil products (including gasoline, diesel and jet fuel, etc.) and major petrochemical products (including synthetic resin, synthetic fiber monomers and polymers, synthetic fiber, synthetic rubber, chemical fertilizer and petrochemical intermediates). It is also China's second largest crude oil producer.

China Petroleum Engineering and Construction Corporation (CPECC)

CPECC is an affiliate of China National Petroleum Corporation (NCPC), specializing in manufacturing, construction and lumpsum contracting. It has oversees businesses distributed in nearly 20 countries in Africa, Central & South Asia, the Middle East and South America.

In Africa, CPECC operates in Algeria, South Sudan and Chad, among others. It also operates in Iraq, Kazakhstan, Syria and Pakistan among others

Rapid African Energy (South Africa)

Rapid African Energy is a South African oil and gas company. In 2010, Rapid African Energy acquired an oil exploration license for the Blocks in Zambia to explore for oil and gas.

Transoceanic Projects and Development Company (Kenya)

It is a Kenyan incorporated company and provides a total logistics management package, including international forwarding, ship and aircraft chartering, export packing and consolidation, inventory management, inland haulage, project transportation management, customhouse brokerage, marine agency services, project development and heavy equipment leasing.

The company hopes to provide logistical services like freight forwarding to companies in Uganda's budding oil industry. In addition to partnering with and serving the world's leading engineering and construction concerns, Transoceanic handles many large and small commercial importers and exporters, primarily in the chemical, steel, wood products and heavy manufacturing sectors.

Pet Oil (Turkey)

Pet oil, is a Turkish oil firm. It is one of the oil firms that participated in a local joint venture to drill oil in northern Iraq Bin Bavi fields. It has also done work in Kifri in Northern Iraq.

Bain and Company (USA)

Bain & Company is one of the world's leading business consulting firms. Bain's Oil & Gas practice serves all areas of the industry. Bain and company advises government and national oil companies, major and independent commercial oil companies, petrochemical producers, renewable energy companies, oil field service firms, private equity investors and sovereign wealth funds.

The company says that its experience is in serving clients across North America, South America, Europe, Middle East, Asia and Australia. Bain also says it helps some of the world's largest steel, aluminum and mining companies make critical decisions about corporate strategy, performance improvement, organization, and mergers and acquisitions. The company's oldest department is mining.

Marubeni (Japan)

The company is one of the biggest in Japan, which is involved in a range of services including oil and gas. Marubeni has more than 55 overseas branches and offices and 33 overseas corporate subsidiaries with 65 offices.

In terms of oil and gas, Marubeni's energy division is involved in the upstream section mainly exploration and development of oil and gas fields and uranium mines.

In the upstream resource development business, Marubeni is jointly conducting the oil and gas field exploration, development and production business with international oil majors and leading independent oil development companies in various locations worldwide, including the U.S. Gulf of Mexico, the U.K. North Sea, India, Qatar, and Sakhalin.

At the same time, the division is taking part in a uranium mine development project in Kazakhstan. It is also involved upstream gas exploration in Qatar, Equatorial Guinea, Peru, and Papua New Guinea, as well as a shale oil and gas business in the United States.

Turner and Townsend

Turner and Townsend is the South African global programme management and construction consultancy, which supports organizations that invest in, own and operate assets. Turner and Townsend helps clients succeed by managing risk while maximizing value and performance during the construction and operation of their assets.

The company has 75 offices in 32 countries. In terms of oil and gas, Turner and Townsend offers a wealth of experience in supporting oil and gas companies.

Their work in the petroleum sector dates back to the early 1990s and the company notes that it has a deep understanding of the challenges and opportunities facing the industry. "We are a client driven, professional services business and remain independent of any engineering or production discipline allowing us to provide high quality, impartial advice in the areas of project services, contract services and management consultancy," notes the firm on its website.

Its midstream services relate to the transportation of crude oil and gas including pipelines and pumping stations. Turner & Townsend provides a range of project lifecycle services to the downstream refining and petrochemical sector from initial concept phase to ongoing asset services, modifications and decommissioning.

The Whitaker Group (TWG)

TWG is the consultancy of choice for Fortune 500 companies operating in Africa. With offices in Washington, DC, and Accra, Ghana, TWG's value-added, business-led approach has brought more than $2 billion in investments and capital flows to the continent, according to the company's website.

Chamber Pictorial

CNOOC Cocktail

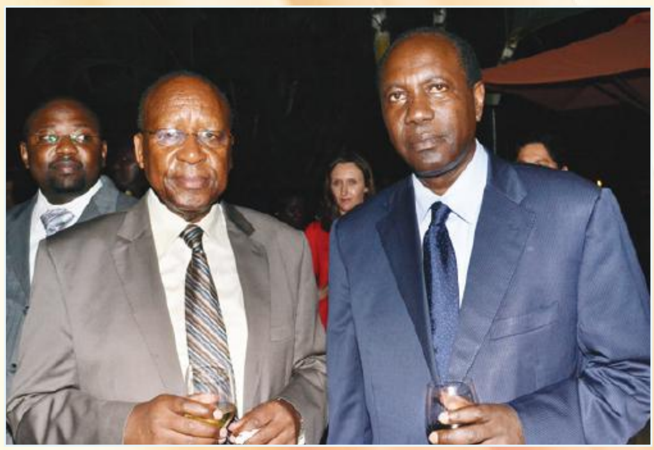
A guest wins herself a gift at the CNOOC sponsored cocktail at Sheraton Hotel

Neptune Oil's Marilyn Hill chats with a guest

CNOOC's Wei Che address her guests

Total E&P Cocktail

Guests follow proceedings at the Total cocktail



UCMP's Top Honchos: Richard Kaijuka (L) and Elly Karuhanga

Bob Kabonero (L) chats business

UCMP Chairman, Elly Karuhanga joined by Total boss Loic Laurandel (3rd R) and other staff

Hulliburton/UCMP/Deloitte cocktail

Halliburton's Diana (2nd L) joined by friends at her company's jointly sponsored end of 2012 cocktail

Petroleum Skills Uganda's Kevin Hughes (L) has a good time with guests

Deloitte's Bill Page (C) and Matthew Tallarovic (R) and a guest

UCMP CEO Irene Nakalyango and Multilines boss Gerald Mukyenga

dfcu bank's Harriet Kiwanuka (C) engages KAA's Charles Kalumiya and NC Bank's John Okulo

UBA ED Wilbrod Owor (C) enjoys a hearty laugh

Askar's Kellen Kayongo (R) receives a placard in recognition of her company's continued support to the Chamber magazine

The UCMP is joined by Hulliburton and Deloitte officials to cut the end of year cocktail cake

Deals deals, & more deals

East Africa's downstream petrol industry attracts new crop of aggressive players

The battle to grab a share of East Africa's downstream petroleum industry is getting intense as the departure of global giants like Shell and Chevron paves way for new and hungrier international oil marketing firms.

The frequent mergers and acquisitions in East Africa's petroleum downstream industries are an additional gloss to a region that is increasingly being viewed as one of the last exciting frontiers for oil and gas discoveries.

While the pursuit of these corporate deals is largely on account of East Africa's economic fortune, like the growing middle class, the opportunities that will be created by Uganda's plans to build a refinery and Kenya's to refurbish the refinery at Mombasa are also attracting the attention of different international firms.

"The current margins in the region are good, attracting investors in the (petroleum downstream) sector which can only be sustained by ensuring reliable and sustainable supplies through the development of inland refining capacity," notes a Ministry of Energy document, ***Refining Opportunities.***

The report points out that "Refining of the confirmed commercial crude oil will result in more use of LPG (Liquefied Petroleum Gas)." In fact MOGAS, an oil marketing firm, says that demand for LPG "is increasingly exponentially as firewood – the traditional domestic fuel in rural Africa – becomes harder to get."

The report goes on to note that "The study done by Foster Wheeler on the feasibility of a refinery in Uganda indicated

A Shell petrol station in Kampala before the company exited the downstream market. The company seems to be more focused on the upstream business having resurfaced in Mozambique's emerging gas sector

significant projections of unmet demand in the region covering some parts of the East African Community, Eastern DRC and Southern Sudan over the next twenty years, which Uganda by virtue of its location could take advantage of and capture."

After years of dominance by a few big oil marketers, the entry of new international faces completely changes the outlook for the region's downstream instrument. That change plays in the favour of both the government and oil marketing firms. Experts argue that "effective competition is deterred if a relatively small number of firms account for a relatively large share of the market."

However, sloppy regulations and weak enforcement mechanisms across the region, which have not only allowed too many shady players to enter the market but are also partly blamed for the departure of the global bigwigs, mean EAC states are now in a race against time to put their houses in order if they are to generate expected revenues. "Inadequate regulations and weak enforcement allow too many oil marketing companies to operate in Kenya, Tanzania, and Uganda. This overwhelms limited enforcement capacity, making commercial malpractice an attractive way of making profits," notes a World Bank commissioned report by Energy Sector Management Assistance Programme. The report, ***Petroleum Markets in Sub Saharan Africa,*** adds: "The remedy, in a liberalized market, is not to limit these companies by number but to ensure that the licensing criteria for operators are stringent and that compliance with rules to obtain and retain a license is enforced."

Either way, the regulation has not dampened international firms' appetite for African deals in the downstream market. Australia's Oryx Oil and Gas Ltd is the latest company to buy a petroleum company operating in the region (Engen Uganda Ltd) for roughly $16.8 million, according to reports. Before that, Oryx had eyed an even bigger asset, bidding for Chevron's African assets a couple of years back.

The Engen deal, completed in November 2012, comes hot on the heels of another – the Puma-KenolKobil deal. Puma Energy, also a largely new player in the East African market having been founded in 1997, agreed to buy Kenya's KenolKobil – the parent company of Kobil - early last year. The Puma KenolKobil deal is yet to overcome some regulatory hurdles in Kenya, although the shareholders of both parties have already put pen to paper.

Before that, in early 2011, Vitol, partnering Helios Investment Partners, bought the majority of Shell's assets in Africa's downstream industry. Vitol and Helios, perhaps mindful of the Herculean task it would take to convince consumers to shake off the old Shell brand and adapt to a new one, decided that it only made business sense if fuel stations retained the name Shell. And while Shell may have exited on the downstream front, it is very interested in joining the Mozambique gas bonanza at the upstream level.

Also, in early 2011, KenolKobil bought a little known fuel company in Uganda called Phoenix. Phoenix had hardly spent a little more than three years in the market before it threw in the towel.

And in February 2011, Engen Tanzania snapped up Chevron's assets in the country.

In July, 2009 Essar Energy Overseas Ltd. acquired a 50% stake from Shell, BP and Chevron in Kenya Petroleum Refineries Ltd. The government of Kenya holds the other equity. Essar created a new company in Kenya in 2010, Essar Petroleum East Africa Ltd, and is actively pursuing new acquisitions. Among those that Essar is eyeing is Uganda's refinery project.

Other companies like MOGAS are on a massive expansion drive; the company is set to commission its $20m Liquefied Petroleum Gas storage and distribution facility at the Tanzanian port of Tanga this year.

MOGAS also plans to increase its East African outlets from the current 40 to 100 over the next three years. It is not clear whether it will build these outlets or pursue some acquisition.

OILCOM is another company that says it has invested money in opening a depot and filling stations throughout Uganda. The company, already operating in Tanzania, notes that it has already started executing its expansion plan, where it intends to double the gas stations.

The deals, many of which have come over the last three years, are bound to change the outlook of the players calling the shots in the petroleum supply, storage and distribution chains.

Focus is bound to shift on how smaller fuel dealers will try and survive amidst the impending competition. "Conscious of the fact that going global is not a matter of choice but a matter of survival, MOGAS is poised to protect, extend and diversify its business in East and Central Africa and to penetrate new markets in the rest of Africa," MOGAS points out.

There appears to be enough room for companies to tap the region's immense opportunities. For example, Uganda intends to refurbish and restock its fuel reserves in Jinja, Nakasongola, and build a new one in Gulu to fix its fuel storage hiccups. The country has a storage capacity of roughly 20 days, which leaves it heavily exposed in times of supply disruptions.

The new oil marketing firms can bid for the Nakasongola and Gulu projects since Hass Petroleum has already taken the Jinja deal.

Demand for aviation fuel is expected to shoot up in Uganda as the country builds an aerodrome in the western part of the country as part of the $10bn infrastructure project needed for oil production.

In Kenya, where the wealthy have developed a penchant to flying private jets, and Tanzania, competition in the airline industry shows no signs of abating – all this presenting an opportunity for the petroleum firms to make a kill by supplying aviation fuel.

Uganda has so far discovered 3.5bn barrels of oil in the ongoing exploration in the west of the country with production expected to start in four years at the earliest; starting with a 20,000 barrels per day refinery before ramping that up to 150,000bpd – 200,000bpd at peak.

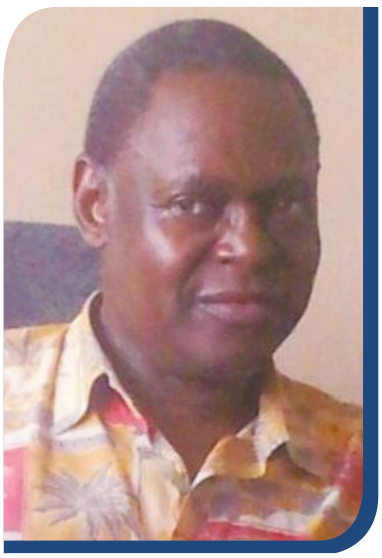
Kenya is getting close to making its first commercial discovery in the Turkana area.

Further drilling in Tanzania's gas rich Ruvuma basin and other areas could change the outlook, entirely redefining East Africa's outlook as a hot investment area for those interested in oil and gas.

Rwanda is looking at its neighbours with envy, and reports there indicate that the country is willing to spend more money to make its own oil and gas discovery.

And with South Sudan's patience being stretched thin by its northern neighbour, and therefore being forced to consider options like diverting its petroleum linkages through Kenya, and into the greater East Africa, by constructing a pipeline, there isn't a better time for international firms to eye more deals in the East African downstream market.

Calls for better local participation in oil and gas sector intensify



Industrialist, Prof Charles Kwesiga, chairs the AUOGS

With no shortage of drama preceding the passage of the Petroleum Exploration and Production Bill 2012 into law, one would not be flawed into expecting more back and forth debate, action and yet more drama within the oil and gas sector. Two other bills, the midstream and downstream bill are yet to be debated and passed by Parliament.

Not that the stage had not been set before, in November 2012 the Association of Uganda Oil and Gas Service Providers(AUOGS) was launched by Vice President Edward Ssekandi. In his speech, the Association's Vice - chairman Jeff Baitwa, spoke of how poorly local service providers have been treated by international oil companies, and promised that local business people will, going forward, have a bigger, single voice.

The need for local content promotion is not without much discussion itself – in either direction. According to Ben Mugasha, the Managing Director of Bemuga Forwarders Ltd (BFL), the "contempt" with which local service providers have been treated by major oil and gas exploration companies pushed him and other local service providers in the oil and gas sector to risk even the ongoing contracts their companies had got to speak out "on the ills and favoritism within the sector".

"Countries the world over support their own business people. Uganda had the advantage of foresight, but we are being edged out of business by the provision of contract to foreign companies in the oil and gas sector – even those we qualify for – and yet our own government is silent," notes Mugasha.

Bemuga is not alone in his frustration. The Service Providers Association had already launched a complaint in Parliament and called for sober legislation in the promotion of local content.

According to media reports, Bemuga's backlash was caused by an incident with Tullow Oil, one of the three major IOCs operating in Uganda. ***The Daily Monitor*** states that early in 2011, Tullow Oil advertised a tender for provision of lifting services (cranes) for work in Uganda. Bemuga Forwarders apparently won the tender.

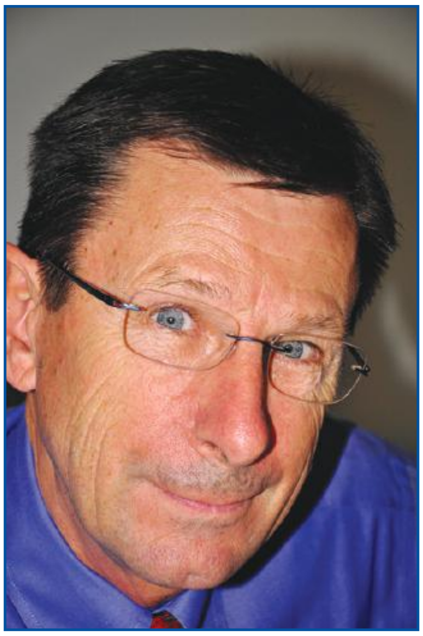
Bemuga was meant to provide 17 different types of equipment over twenty four months, effective April 1, 2011. This meant raising capital and procuring the needed equipment, which the company reportedly did. But just months after starting work, Tullow apparently varied Bemuga's contract from 17 pieces to 4 without explanation.

It is said however, that another agreement was reached later following negotiations in London and Bemuga was subsequently given another thirty six months to recover its costs. But Tullow reportedly did not honor its commitment as agreed and terminated the contract altogether on August 9, 2012, midway the agreed contract period. Bemuga was reportedly not paid for services rendered with another firm East African Cranes Ltd, which it alleged was British, getting the contract instead.

However, East African Cranes Ltd (EACL) Chairman Joshua Tuhumwire scoffs at the idea that his company is foreign owned plus that it was favored in getting the contracts it did.

"EACL tendered for a lifting services contract which was subsequently divided up and awarded to three companies concurrently, EACL being one of them." Tuhumwire states in a press statement that appeared in ***The New Vision*** on December 3, 2012.

"All three companies had their contacts cut back considerably as a result of reduced operations of the oil companies



EACL Director, Paul Sherwen

Ben Mugasha, Managing Director, BFL

EACL C/M, Joshua Tuhumwire

last year (2011). We suffered a big downturn in our business as a result and certainly did not take over anyone else's contract-quite the opposite," he says in response to the alleged favoritism.

On whether there exists a level playing field within the oil sector, Tuhumwire says it depends on where you are at the bottom or top of it.

"At the end of the day, it is the oil companies that hand out the work which we all compete for. It is my absolute belief that they want a fair day's work for a fair day's pay," he says, adding, "However, oil is highly political here which can make for difficult days at the office, and there had been instances of 'dirty tricks' campaigns that we have had to counter from other parties who consider that they should be in the mix rather than us."

Early December of 2012 thankfully saw the two companies – Tullow and Bemuga – issue a joint press statement stating how they had come to an amicable settlement of the dispute.

All is well that ends well; but what is there to stop such a scenario happening again?

Despite the fact that it is now over six years since commercially viable oil quantities were announced to have been discovered in Uganda, not many Ugandans are that aware of the opportunities this presents. Even for those who do, it is argued the current legal regime does not fully support their entry into this new sector.

Government of Uganda however commissioned a study in September 2011, which culminated in the release of a report defining how Ugandan nationals could reap the benefits of the oil sector especially in provision of services. The report entitled; "Enhancing National Participation in the Oil and Gas Industry in Uganda" whose findings and recommendations point to promotion of local content, is yet to receive that much action from government, however.

Even with such findings and recommendations, industry players believe, there is a lot that needs to be done. Dennis Kamurasi, AUOGS Vice Chairman says that even though Ugandans have strived to marshal capacity to meet the required standards to provide especially non-technical services, and despite the fact that some have actually won lucrative contracts, favoritism still hovers over these opportunities to the advantage of foreign firms.

"Lack of capacity is being used as an excuse to deny Ugandan companies from participating [in the oil and gas sector]," Kamurasi says. He runs Eco Sol, dealing in oil waste management and Quantum Solutions, providing warehouse and storage services in the oil region. He argues that much as some few Ugandan companies have gained the capacity to meet the required standards, many more Ugandan companies need to be facilitated to build capacity on the job.

But isn't this arm-holding bad for business? He disagrees.

"In the first place, revenues from taxes alone will not reach all Ugandans or directly benefit them other than perhaps build infrastructure, but if Ugandan companies were empowered to provide the services they can. Immense opportunities and trickle down effects would be from jobs to supplies in form of food, accommodation, trucks, name it," Kamurasi argues.

Adding, "And this is a Ugandan resource and Ugandans have a right to benefit from it."

There is also the argument that current legislation gives much room for IOCs to do as they wish and the only way for Ugandan companies to gain a foothold in the sector is to be deliberately supported.

Nelson Ofwono, the Local Content Manager at Tullow Oil, however denies that Ugandans are being edged out and instead says his company is doing all it can to promote Ugandan participation as much as possible.

"The requirements for service providers (whether local or international) are driven by the scope of work and/or terms of reference and the nature of services required. Every contractor will have a clear scope of work and a set of deliverables which they must perform in accordance to the contracted standards," Ofwono says.

He also argues that the industry is highly standard run and therefore for any company to play, they need to meet the (industry set-not individual company set) requirements and standards.

Tullow Oil has in the past trained several Ugandans to acquire higher qualification in Oil and Gas. The Company has also trained local artisans whose skills will greatly be required as the oil comes midstream and downstream.

However, with oil production a few years away, government effort to promote local content is still wanting. So far, the Ministry of Energy seems to own the entire oil and gas process—including negotiating the contracts and marketing the oil, although it was earlier believed its role would be limited to providing technical expertise. This can be seen from the spirited fight Clause 9 caused on the floor of Parliament during the debating of the Petroleum Exploration and Production Bill 2012.

Moses Ogwal, a Private Sector Foundation Uganda (PSFU) policy analyst says that if government does not work out a plan with the private sector to provide information and training that will build the capacity of SMEs, it would not be long before the opportunities are seized by foreign investors.

"So far, there is nothing to show that the SMEs have even positioned themselves to partake the opportunities in the oil and gas sector. And it will be sad news if government leaves the responsibility of building the local content capacity entirely on the shoulders of the private sector," Ogwal told ***The Daily Monitor*** newspaper.

Amidst this whole blame game, one thing that cannot be discounted is that the more Ugandans participate in their oil and gas sector, the more benefits will accrue to the whole economy even after the oil is depleted. But what cannot be debated is that fact that more effort is required in not only promoting local content but the standards as well. Currently, Uganda has only 1,204 recognized standards for goods and services, compared to Kenya's 8,000, according to Uganda National Bureau of Standards.

A lot of responsibility rests on the shoulders of legislators. "We should debate and pass laws fairly, without regard to political affiliation, but rather in the interest of Ugandans as a whole. Even when we are gone, the laws which we pass now should not come back to haunt us," says Western Youth Member of Parliament, Gerald Karuhanga.

One can only hope that amid the drama that characterized the passing of the first Petroleum Bill, sanity will prevail and the interests of every Ugandan fairly protected.

Some of the machinery owned by Bemuga

Show us the **PROJECTS**, we show you the **MONEY** - UBA

Wilbrod Owor

UBA is very strong in Oil & Gas and has supported petroleum related activities in many of those countries right from upstream, mid-stream to downstream

With an asset base in excess of $15 billion, over 8 million customers, over 800 branches and 1700 ATMs and POSs, UBA Bank Plc is one of Africa's leading financial institutions. Present here in Uganda since 2008 and in 18 other African countries, the Lagos based institution that is listed on the Nigerian Stock Exchange feels it's high time it offered financial solutions to petroleum and mining firms. Also present in Paris and New York, with its capital operations based in London, UBA has maintained favorable and consistent ratings from international rating agencies including Fitch, Augusto and GCR.

"Our presence in London and New York and ability to meet the requirements of those markets attests to our standards as a financial institution. Our vision is to be the undisputed leading and dominant financial services institution in Africa. As such we maintain alliances with several other financial technology solution providers across the markets we operate in.," says ***Wilbrod Owor, an Executive Director, with United Bank for Africa, Uganda*.** He expounds more on UBA's strengths, which he believes makes it the go-to institution of choice for those firms seeking financial solutions for their petroleum and mining projects in Uganda:

What are your group core competencies? In which sectors do you focus on?

UBA Group offers all financial and financial related products and services. These include: Retail and SME, Commercial Banking, Corporate and Investment Banking, Treasury and Money Markets, Financial Advisory, Custodial Services and others.

Our approach is to focus on key sectors that drive the economy and provide banking services across the entire value chain in those sectors. In selecting these focus sectors, we consider operational and strategic risk and apply our special competencies to meet customer needs in

those sectors. These sectors include Trade, Oil & Gas (Petroleum), Manufacturing, Construction & infrastructure support, Telecoms, Transport, Government among others and our offering in these areas is very competitive.

In terms of trade, UBA runs a very robust trade platform offering a wide range of products and services including:

- LPO & Invoice Discounting Finance facilities to firms supplying to reputable organizations. These products are very suitable for service providers to the various oil prospecting & production companies who constitute a sizeable number of the UCMP membership.
- Guarantees and indemnities to support local and international bidding.
- Trade Advances in both Local and Foreign currencies for Importers and exporters.
- Export/Import financing by way of deferred cash requiring payment instruments like Stand-BY Letters of Credits (SBLC), Bills for Collection, Multilateral Agency support for imports etc.

What about collateral requirements?

These are determined by the perceived risk involved in a transaction. We have developed structures that enable us to be flexible and accommodative while protecting depositor and shareholder funds. Our collateral structures stretch from the totally unsecured lines to fully covered lines but with ring-fenced transaction based lines in between.

Uganda's Petroleum industry is slowly but surely taking shape. How is UBA positioning itself for this?

Well as I mentioned earlier, in Lagos where we are headquartered we are in Africa's largest oil producing country. Many of the other countries we operate in have oil too. UBA is very strong in Oil & Gas and has supported petroleum related activities in many of those countries right from upstream, mid-stream to downstream and in large, medium and small size transactions.

We have a whole division within the Group called ***Corporate & Energy*** with numerous specialists supporting players and managing relationships in all stages of the Petroleum value chain. This model is replicated in every subsidiary and instant Group support is available anytime. We also have regular Oil & Gas Clinics within the Group, this being a key sector of any economy.

We work with several international, regional and local Petroleum companies, logistical support service providers and, regulators and do understand this Oil & Gas sector very well.

We are very keen and optimistic about the developments in Uganda's Petroleum Industry and we are also aware that Exploration & Production and depending on a Country's direction on Refining, these things take time. UBA will support this industry to the best of its ability at all stages of this process.

It is for this reason that we are proud to be a member of the Uganda Chamber of Mines & Petroleum and fully support its objectives. We are ready to support its membership in both advisory terms and financial solutions.

I serve on the Exploration & Production committee, while my colleague the Head Corporate & Energy serves on the Logistics & Service support committee.

What are some of the leading transactions that UBA has financed?

UBA can finance Greenfield and Brownfield projects covering refinancing, reserve based lending and bridge financing. Through our capital market operation in London, UBA has in the past driven equity, senior and mezzanine structures across a spread of sectors on the African continent.

Some of the notable major transactions executed by UBA PLC include;

- Crude Oil financing facility to the National Refinery of Senegal (State owned Oil and Gas Company) worth Euro 240m
- Gas Pipeline project with ACCU Gas worth $70m.
- Participation in a syndicated $265m facility for Exxon Mobil and Nigerian National Petroleum Corporation (NNPC) oil project.

What is your assessment of the banking industry in Uganda and specifically competition?

Our banking industry is very well supervised and regulated while at the same time open for free and fair competition.

We are 24 players in the market with freedom to choose your own approach to the market and strategy therein. There has previously been a concentration of service points in greater Kampala; however you can now obviously notice that more and more service points have over the years been established upcountry in an attempt to reach many more of the bankable population.

Competition is good for the industry and no doubt benefits the customers and economy in general as you can see in the wide range of service offerings available. The industry's growth is however tied to the growth of an economy, its fiscal and monetary policies and overall social economic environment.

We compete very well in each of the countries where we have presence and in Uganda in particular, we are very confident and optimistic that we will keep improving and make our mark here.

Our objective is to leverage on our Group size and resource base therein and transfer these from areas of surplus to areas of need to support growth.

UBA officials led by the Group CEO, Edgal Gabriel (C) follow proceedings at their cocktail during the Mineral Wealth Conference in October in Kampala

One of the things about UBA, is that we have capacity for under taking very large transactions as long as they fall in our appetite areas and quite often need not even syndicate. We have done a couple of such transactions in this market and many more in the other 18 markets and while we remain proud to have offered this support, we do not necessarily publicize it.

As someone who has been in the Ugandan banking market for a while, how does your wealth of experience of this sector serve you at UBA?

It is true I have been around and I am very grateful to those financial institutions that accorded me the opportunity to serve and carry on the various responsibilities I was assigned then. I am equally indebted to the various teams in those organizations with whom we worked together. I am privileged to know one or more persons in each of the 24 banks now licensed in Uganda with whom I worked with at some point in time. My current brief is to drive growth for UBA in Uganda and this is what I spend all my time doing. This market is pregnant with opportunities and niches and UBA Uganda is proud to be part of this environment. As Africa's Global Bank, we are Pan-Africans supporting the growth of African businesses in partnership with development partners across the world. We call upon each one of you to embrace this call and do business with UBA.

The UBA Chip and Pin Prepaid Card is meant to improve business. How exactly does it operate?

The UBA Chip and Pin prepaid (preloaded with cash) card is a revolutionary product alternative to carrying cash that brings security, convenience and versatility to the holder, without necessarily having to operate an account with UBA. It is Visa-enabled to give the holder access to all Visa-enabled ATMs worldwide as well as enable merchant access over all Visa-enabled Points of Sale worldwide. The Chip amd Pin functionality is the most secure card regime globally.

Its additional features and benefits include: It is re-loadable and not linked to any individual customer account, the value on card can be retrieved even if card is lost, the Customer can perform card to card transfer via web platform thus using the card as a cheaper way of transferring money, SMS Transaction alert is received in real time with every transaction done and the card can be personalized or non-personalized.

What is your outlook for 2013?

Uganda has demonstrated resilience in a manner that surprises many people coming from previous turbulences. Our economy has had its fair share of challenges, but has also demonstrated remarkable recovery trends at a rate faster than sometimes earlier on envisaged. There is potential for even faster growth and economic development as long as we maintain the right economic and social fundamentals.

I am optimistic about 2013; I feel we will register growth as an economy and that circumstances that may appear to be constraining growth will be overcome.

In East Africa, UBA is present in Uganda, Tanzania and Kenya and from these bases, we support players who do business across the whole region including Rwanda, DRC Congo, Southern Sudan among others in addition to the intra Africa Trade facilitated by our presence in the other countries. We are therefore confident that shocks in one market can be cushioned by buoyancy in another market.

REFINERY, PIPELINE

ventures start to take shape

President Museveni has led the calls for a refinery

The finer details of Uganda's oil exporting infrastructure in the Albertine Graben are getting clearer. With a $10bn infrastructure bill already on the table, the outlook of the largely scrubby vegetation in the oil region is set to be fundamentally transformed. The project though will only take shape if all the stakeholders, buy in in these plans that for now, have only been endorsed by the government of Uganda.

What are these plans anyway? A refinery in the 29km stretch in Kabaale, Buseruka Sub County in Hoima district, is expected to be the focal point of all refining activities. It is from the refinery that other offshoot industries dealing in petrochemical products are expected to emerge.

An aerodrome to fly in large equipment for all sorts of petroleum activities will also be built.

In the end, however, no infrastructure will be as visible as the pipelines crisscrossing the region, feeding crude into the refinery and taking out refined petroleum products to key hubs.

There are two types of pipelines that will be built in Western Uganda: the one taking crude from the fields to the refinery, and the pipelines carrying refined petroleum products from the refinery to the market place.

There will be at least two pipelines – the northern and the southern - to evacuate crude from the fields to the refinery.

According to Ministry of Energy and Mineral Development Sector performance report 2011/2012 released recently, a total of $185.4 m [about Shs456 billion] is needed for the construction of the two pipelines. Uganda has so far discovered 3.5 billion barrels of oil. There is a high possibility of striking more given that more than 60% of the rich Albertine area is yet to be explored.

Controversy

But while the state insists on building an oil refinery, oil companies believe a crude oil exporting pipeline is needed too. The IOCs feel the demand in East Africa is not big enough to meet the output when production peaks. And they are supported by some oil experts too, who suggest that Uganda ought to think of exporting the crude as soon as possible so that the revenues generated can transform the economy through infrastructure, agriculture, education, ICT projects, instead of losing time waiting for refined products.

Structure

The proposed refinery is to be constructed on a modular model starting with 20,000 barrels per day, which will be upgraded to 60,000 bpd, 120,000 bpd and finally peak at 180,000 bpd.

The two internal crude oil pipelines, according to the Energy Ministry performance report, are to be constructed on a Public Private Partnership [PPP] arrangement.

The northern pipeline, the report notes is expected to be 96 km long with a 16 inch diameter. It is to evacuate crude oil from the northern oil fields in the Albertine Graben mainly from Jobi in Nwoya district to Kasemene, Kigogole and several other oil fields in the Buliisa district to the refinery.

In particular, the northern pipeline, estimated to cost $132 million (UShs324 billion) is expected to be the busier of the two since a majority of the oil discoveries are located in the northern hub.
It is expected to run from the northern end of the graben in Nwoya through Murchison falls national park to Buliisa and some parts of Hoima, and finally to the central crude hub at the proposed oil refinery.
The southern pipeline, as the name suggests, will on the other hand evacuate crude oil from the southern oil fields of the Albertine, like Turaco and King Fisher, to the refinery. The proposed 46 kilometers long pipeline with a diameter of 17.7 inches is estimated to cost $53.4m (UShs131 bn). The crude pipelines will be constantly be heated to enable crude to flow, since Uganda's waxy crude solidifies.

The study to evaluate the development of crude pipelines and storage facilities for crude oil and gas in Uganda was completed in February 2011. The study found it feasible to develop only two pipelines. Fichtner Mei, a Germany company, carried out this study.
Bukenya Matovu, the Ministry of Energy and Mineral Development spokesperson, says the Shs 500bn needed to develop the crude pipelines includes the cost of compensating landowners where the pipelines are expected to pass.
However, government is yet to identify the potential developer for the proposed crude pipelines.
"The entire cost involves even money for acquisition of wayleaves," Matovu said.

The development of crude pipelines can only begin after the approval of the field development plans and acquisition of production licenses. Oil companies submitted their respective field development plans, but government is yet to approval the plans.
Construction of the refinery is expected to cut on the expensive importation of petroleum products. Currently, Uganda consumes 1,335,600 cubic meters of petroleum products. On a monthly basis, the country spends $85 million to import petroleum products.

Rwanda option

According to the report, government is also undertaking a feasibility study on the distribution and storage facilities of refined petroleum products from the oil refinery to the respective distribution and market centers. The Canadian firm, Canadian Pacific Consulting Services Transcom, is undertaking a feasibility study for this particular project.
The study, that commenced in February 2012 was expected to be completed by the end of 2012, is meant to assess the distribution of refined petroleum products from the refinery to central, Eastern, Western South Southern and Northern regions of the country and regional markets, like Rwanda.
"Following the completion of the study, the ministry will embark on sourcing funding and investors to develop the required infrastructures," the report notes.
Also among other options government is considering, is developing an export pipeline to Rwanda and Burundi in addition to developing the Uganda-Kenya oil export pipeline. The report says that government was forced to cancel Tamoil's contract to build the Kenya-Uganda oil pipeline after the Libyan firm failed to meet certain targets.

Oil and Gas,
Mineral Conferences

International Petroleum Week 2013, February 18 – 20, London, United Kingdom
International Petroleum Week (IP Week) is the leading thought-leadership forum for the international oil and gas community, attracting over 2,000 key influencers and senior decision-makers from around the world every year. The three-day's event features conferences, seminars, a high profile luncheon, an evening reception, an exhibition, as well as the prestigious IP Week Annual Dinner - the largest gathering in the industry's annual calendar, with over 1,000 guests.

VSAT Mining, Oil and Gas, February 25 – 28, Johannesburg, South Africa
Africa presents a challenging landscape for companies in need of real-time communication access to their on-the-ground teams. Because of the lack of critical infrastructure from poor governmental upkeep and investment, there is limited accessibility to remote and rural areas. This high-level strategic conference is where mining; oil and gas companies gather to meet suppliers, and discuss strategies and opportunities for improved communications in the African market.

Zimbabwe Indigenous Mining Forum, March 12-15, Harare, Zimbabwe
The mining industry as one of the high potential areas of the Zimbabwean economy is a major driver of economic growth and long term sustainability of supporting industries. The Zimbabwe Indigenous Mining Forum will explore the changing regulatory environment and look at how best to position both the mining and supporting industries to ensure that the momentum of the last 18 months is kept up.

African Petroleum Congress & Exhibition, March 26 – 28, 2012, Libreville, Gabon
The event will exhibit products and services that will include ministry of petroleum, airlines, shipyard and industrial engineering industries, oil corporations, petroleum corporations and oil field service groups.
The event will see the presence of over 700 participants from more than 43 countries and will have above 59 exhibiting companies from around the world. Gabon is one of the oldest oil producing countries and so makes the perfect location for both new and established producers to benefit from its considerable experience.

Exploration and Commodity Investment, Zambia and the Democratic Republic of Congo: April 15 – 18, Lusaka, Zambia
The summit is an international conference and exhibition dedicated to facilitating sustainable investment and developed of mining and exploration in Zambia.
It will host global investors, Government and key stakeholders within the global mining community looking to participate in exploration and mining within these regions.

The Ghana Summit 2013, April 23 – 25, Accra Ghana

Irene Nakalyango (R) hands over a placard to EA Gold officials, in recog... f their sponsorship of the MWC2012. The Chamber is looking forward to hosting many more, simil... ts

This is the most established and the longest running oil and gas event in Ghana, officially supported by the **Ministry of Energy**. This is a Government-led strategic forum for companies & investors aiming to develop their involvement in the oil & gas industry in Ghana.

Petro.t.ex Africa 2013, May 14 – 16, 2013, Johannesburg, South Africa
This has become South Africa's largest mid stream and downstream event for the petroleum and petrochemicals with the main objective of promoting products and services within Sub Saharan Africa.

Business Improvement in Mining 2013, May 21 – 22, Johannesburg, South Africa
The 2013 event will bring more understandings, new strategies and technologies to facilitate business improvement in mining companies. It will explore the latest training methodologies and get the latest information for recruiting, retaining and managing key talent to drive a better Process Excellence organization. Participants will also discover strategies for managing change during process improvement, securing senior leadership buy-in and workforce engagement, among others.

1st Uganda, Mining, Energy & Oil & Gas Conference and Exhibition, May 28 – 30, 2013, Kampala, Uganda
UMEC 2013 is a turnkey event focusing on Uganda's mining, energy and petroleum potential and their sustainable development.

Critical Minerals Conference: June 4-5, 2013, Perth Australia
The European Commission has identified 14 mineral raw materials, which have high supply risks due to potential shortages resulting from constrained production in the face of high rates of the growth in demand.
The list of critical minerals consists of, but is not limited to: Rare Earths, Lithium, Platinum group elements, High purity quartz, Antimony, Rhenium, Beryllium, Tantalum, Cobalt, Tellurium, Niobium, Tungsten, Gallium, Yttrium, Germanium.
The 2013 conference will provide an exciting forum for participants across this next generation suite of 21st Century minerals to come together to discuss both demand and supply-side developments in this rapidly emerging sector.
The overall theme of the conference will be Critical Minerals – Mines, Markets, Manufacturing and Money.

4th Eastern African Oil, Gas & Energy 2013 Conference: June 18 - 20 2013, Nairobi Kenya
This is a conference that explores East Africa's oil and gas potential.

East Africa Oil and Gas Summit, October 7-9, London, United Kingdom

Kenya Mining and Energy Forum, October 14 – 17, Nairobi, Kenya
The mining and energy sector in Kenya provides both domestic growth opportunities and Kenya is a gateway for international capital holders who are looking at ways to gain access to the East African belt.
The forum will present all major players in the sector the platform to discover and share the keys to new opportunities around exploration, production and sustainability.
It will find ways to encourage growth through increased investment attraction and opportunities.

Language of Risk

Following on from our article regarding HSE management in the Ugandan Chamber of Mines & Petroleum magazine, issue 6; this article will concentrate on risk. How to identify hazards, assess and reduce risk and finally evaluate and verify that the measures taken have been effective.

A risk assessment is simply a careful examination of what, in your work, could cause harm to people, the environment or your company. This can help determine whether you have taken enough precautions or if you should do more to prevent harm. Workers and others have a right to be protected from harm. Accidents and ill health can ruin lives and affect you and your company. We all have a legal and moral duty to protect people from harm.

When we have such a responsibility it is important that we are using the same language to ensure we communicate effectively. So often, people are confused with the 'Language of Risk'.

Let us first of all look at some definitions of the words we use:

Hazard:
Something with the potential to cause harm. In most cases this is some form of energy (Thermal, gravity, electrical, etc.)

Risk:
Combination of the ***Likelihood*** of the hazard causing harm and the ***Severity*** of the harm

Loss (or harm):
Includes physical injury, and mental ill health to people, damage to the environment and loss to the company

Likelihood:
The measure of probability that a hazard will cause harm

Severity:
This is the measure of harm that would be caused by a hazard, sometimes also referred to as 'Consequence' or "Hazard Effect"

Risk Management:
The process used to identify hazards, assess risk, implement ***control measures*** and re-evaluating the risk.
It is a continuous activity and not a project that ends at any one point.

Risk Reduction:
The combination of ***control measures*** that lower risk by reducing either the probability, severity or both.
Control Measures:
These are actions taken to reduce a risk. There are two types of control measures: ***prevention*** and ***mitigation***. A combination of both methods can be used.

Prevention:
Any control measure (such as engineering control, rule, training, etc.) that reduces the ***likelihood*** of an activity to result in loss.

Mitigation:
Any control measure (such as seat belt, PPE, fire extinguisher, etc.) that reduces the ***severity*** of the loss if an incident occurs.

Risk Reduction:

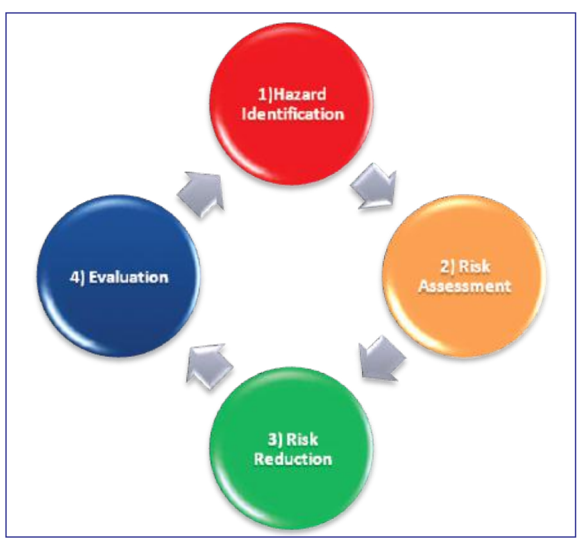
•Eliminate •Reduce •Substitute •Divert	Hazard
•Barrier on Energy •Barrier between energy and target •Distance between energy and target •Barrier on target	Barrier
•Strengthen target •Use less valuable target •Insure •Absorb loss	Target

Risk Management
The process provided here is intended to be a continuous improvement cycle aimed at reducing both the frequency and severity of incidents and accidents in an organisation's activity. Most companies have similar processes in order to manage risk.

1 - Hazard Identification:
The first and most important part in the Risk Management process is to identify Hazards. We cannot manage what we do not know about.

It is necessary to have a process in place to identify hazards and also to provide personnel with hazard identification training to help recognize hazards. The use of hazard categories and hazard checklist has proven to be effective at increasing the numbers of hazards identified.

However, having a hazard identification system is not enough: personnel must be trained and given the necessary tools to assess and control risk. When managers demonstrate safety



leadership (by providing resources and support to reduce risk) it will encourage personnel to identify further hazards, which will again go through the process of risk assessment and risk control.

It is the experience of people in many industries that the workforce becomes very active in hazard identification when they know that their voice is being heard and action is taken to reduce risk.

It is imperative that all stakeholders (owners, management, workers and contractors) are involved in the process for optimal results.

2 - Risk Assessment:
As hazards are identified and reported by personnel, they will need to be prioritised so that control measures result in the most risk reduction for the organisation.
Some form of matrix will exist in your organisation to determine the level of risk from each of the hazards identified. The diagram below is a simple version; most risk matrices are 5 x 5.

Likelihood ⇒ / ⇓ Severity	Less likely	More likely
Light	RISK LEVEL 1 (insignificant)	RISK LEVEL 2 (low)
Severe	RISK LEVEL 3 (medium)	RISK LEVEL 4 (high)

Risk Level – 4 (High): These are hazard effects that are very likely to happen and when they do, it will result in severe loss. In many cases the activities must stop immediately and in all cases hazards in this category must take the most urgent priority in being addressed.

Risk Level - 3 (Medium): Although they're less likely to happen than Level 4, these too can also result in severe losses. In terms of risk reduction, these risks are the second most urgent priority for an organisation.

Risk Level – 2 (Low): These are hazard effects that are likely to happen but when they do they result in minor losses. Once risk levels 3 and 4 are being addressed, the organisation should endeavour to reduce the likelihood of these risks to more acceptable levels.

Risk Level – 1 (Insignificant): These are hazard effects that are very unlikely to happen and when they do they have a very low impact to the operations. The organisation would normally keep an eye on these risks from time to time to ensure that conditions do not escalate them.

3 - Risk Reduction:
This is the most ***instrumental*** part in the process, where an organisation's leadership demonstrates its commitment to implement ***control measures*** to reduce risk. As mentioned in the definitions, these can be prevention or mitigation measures. Furthermore, the control measure selection should be based on the risk level.

One should always consider controls by examining first the 'Hazard', then the Barriers and finally the Target that could be harmed.
• Controls on the Hazard- These are the best controls and make the most impact to reduce risk
• Control using Barriers- These are the next best option
• Controls on the Target – The least effective and weakest of the controls measures.

Control Measure Hierarchy:
Using the above thought process it is possible to establish a hierarchy of control.
1. Elimination: Eliminate the hazard
2. Substitution: Substitute with a hazard that has less energy
3. Reduction: Lower voltage, severity, etc.
4. Engineering: Physical controls to separate the worker from the hazard
5. Administrative: Procedures, safe systems, training.
6. PPE: Personal protective equipment
For this hierarchy to be of use we must recognise the importance of strong safety leadership and the safe behaviours of employees. It is all too easy for Leadership to rely on PPE, it is less expensive than reducing risk by engineering but is much less effective. Employees need to recognise that it is of little use leadership investing in expensive engineering (to reduce risk) if they do not use it.
It is important to develop strong safety leadership and develop safe behaviours, if not these will undermine all the efforts to reduce risk.
Follow-up
It is essential to ensure a system is in place to follow-up on control measures in a time-bound fashion and it is useful to present the status of these actions periodically to leadership.

4 - Evaluation:
This is where the organisation has the opportunity to verify the effectiveness of the whole risk management process. This is normally accomplished by assessing the residual risk of the activities once control measures have been implemented. Also useful is to monitor trends of incidents and risk reports to identify broad categories where further risk management is necessary (e.g. Transportation of goods).
This evaluation phase provides supervisors and managers with checkpoints to re-invigorate the risk management process. As mentioned at the beginning, the cycle continues at Hazard Identification for further improvement.

This article was written by **Tom Keane** & **Kevin Hughes** of Petroleum Skills Uganda and **Igor Markov** of Semliki Rift Trading Company.

PSU & Semliki Rift Group at a Glance
Lawrence Batageka, Tom Keane, Jacqueline Nalubwama & Kevin Hughes are Directors of Petroleum Skills Uganda. A company delivering short training courses and services to companies and individuals in Uganda.

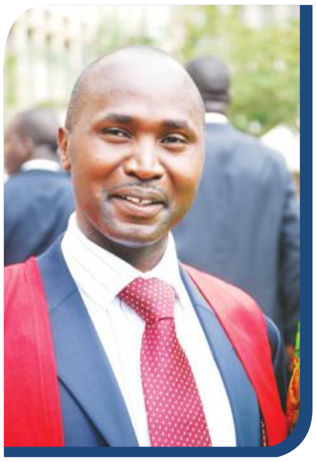
PSU offers many Occupational Health & Safety training courses including the British Safety Council accredited "Supervising Staff Safely" 3-day and "Risk Assessment" 1-day training courses, which cover many of the elements discussed above.

The Semliki Rift Group has a reputation for moving cargo where others don't dare - in the Heart of Africa - since 1991. Our broad fleet of specialised vessels in Lake Albert allow us to complete your transport smarter, safer and in harmony with the environment and communities. Cutting time, cost and emissions is our commitment to Uganda's thriving Mines and Petroleum sectors."

CNOOC officials face Parliament's ad hoc committee investigating bribery allegations in the oil sector

Will the Upstream Oil Bill prosper?

Chaotic standoffs between the Executive and Parliament during Bill debates show how delicate the matters at hand are



Theodere Ssekikubo, leads the Parliamentary Forum on Oil & Gas

On the afternoon of December 7, 2012 a majority of Uganda's Members of Parliament voted to pass the long contested Petroleum (Exploration, Production and Development) Bill 2012. The MPs voted on a margin of 149 against 39, with 198 absconding.

The Bill that attracted both international and local attention, with many scholars and activists presenting their views to Parliament will, once it is signed into law by President Yoweri Museveni constitute the primary law in the management and governance of the oil sector.

The Bill proposes tougher punishments for oil offenders, like the Shs20 billion fine for those who will participate in petroleum activities without licences from relevant authorities and shs2 billion fine for a person who carries on the management of the production, transportation and storage of petroleum waste without a license.

It also, among others, proposes the formation National Oil Company, under the Companies Act, but fully owned by government- until it is fully developed to sell shares.

At the heat of the debate on the Bill a section of MPs, though unsuccessfully, opposed government's proposal to entrust, in the minister, all powers to license and negotiate oil agreements.

But what now that the Bill was passed, what does it mean to the country's Oil and gas sector?

Africa Institute for Energy Governance, oil and gas civil society organisation, Executive Director Dickens Kemigisha says that the amendments that were passed in the Bill are very positive because they "bring a balance between the Executive and Parliament".

"It means the oil sector will be run based on people's power because MPs are representatives of the people."

However Anti-Corruption Coalition Uganda Executive Director Cissy Kagaba says that although the provisions in the Bill are good, the law, if assented to by the President will be redundant if the executive can still influence the Parliament.

"For Parliament to be felt in as far as these laws are concerned, it must stand its ground and ensure they are implemented because all those good laws can become effective if they are actually implemented," she said.

According to the Bill, the only time Parliament will be directly involved in the management of the sector is when vetting the board members of both the National Oil Company and the Petroleum Authority and when receiving the model Production Sharing Agreement after it has been approved by cabinet.

Mr Tony Otoa, the director of Great Lakes Public Affairs (GLPA), however, believes that the new law helps set clear guidelines under which the oil sector is to be run and managed, and makes clear who is in charge of what role.

GLPA is a Uganda-based think-tank focusing on oil and governance.

However, Mr Otoa fault the Bill on Transparency saying that it imposes confidentiality on officials working within the sector, even after they leave office and removes any opportunity for whistle-blowing or for the public to have access to information on, say, production-sharing agreements.

Mr Theodore Ssekikubo, the Chairman of the parliamentary Forum on Oil and Gas (PFOG) said that the restoration of Clause 9 in the original Bill means that there will be undue concentration of Executive power, a greater administrative encumbrance than any politician could manage, and a potential invitation to bribery and corruption that might invite a curse in the country.

His views are also held by his Parliamentary colleague, Abdu Katuntu who promises that MPs, especially those belonging to PFOG, are not going to rest until they see transparency in the oil sector.

"As leaders, we are ready to ensure that oil does not become a curse for our people," he said.

Oil companies declined to give their views on the Bill saying they will only do so after the President assents to the Bill.

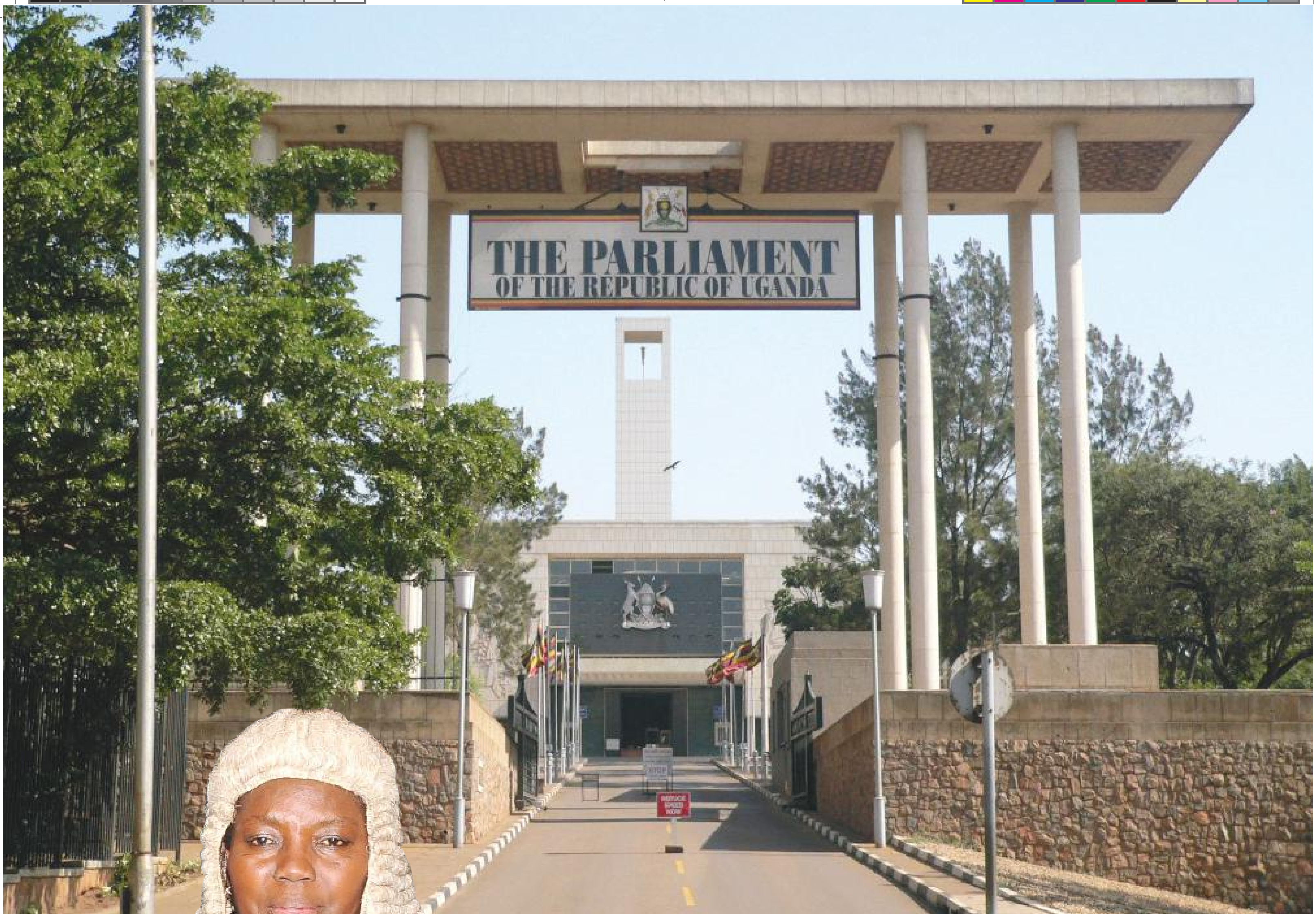
"We cannot comment on a Bill which is not yet law," says Total E&P's spokesperson Ahlem Friga-Noy, "We have not read what the MPs agreed on and we will get the final law."

In defending government's decision to give the minister more powers in the negotiation of petroleum agreements and granting of licenses, Minister Irene Muloni says if that power was to be left to the Authority as proposed by the MPs, the Authority would solely negotiate for, grant then monitor and regulate licensees.

"In practice it would be monitoring or policing the same terms and conditions it negotiated and licensed," she said. "The danger here would be that, in case the authority erred during the negotiation and licensing, it would be difficult for this error to be brought out by the same authority during monitoring."

Ugandan Journalist, Blogger and oil analyst Angelo Izama says that now that the Bill was passed, more speculation will be about the impact the democratic practices will have on the sector.

"Uganda represents a unique opportunity to observe how the transition to democratic forms of government affects a country's choices in the oil and gas sector but also how a fragile and emerging democracy is affected by the prospect of new resources from oil," he says, adding, "Now that the law has passed the next series of actions will focus on the inauguration of the institutions it will create and the lifting of an unofficial freeze on new licenses for oil exploration."



Highlights of

The Petroleum Bill 2012

Passed on December 7 2012 by Parliament, the Petroleum (Exploration, Development and Production) Bill 2012, also called the Upstream Bill is awaiting the President's assent(signature) to become law.

What is the Bill About?

- To give effect to article 244 of the constitution; to regulate Petroleum exploration, development and production; to establish the Petroleum authority of Uganda; to provide for the establishment of the National Oil Company; to regulate the licensing and participation of commercial entities in petroleum activities, to provide for an open, transparent and competitive process of licensing, to create a conducive environment for the promotion and exploration of Uganda's petroleum potential and to repeal the obsolete Petroleum(exploration and production) Act 2003 as amended.

The Speaker of Parliament, Hon Rebecca Kadaga has her hands full as far as the debates on oil laws are concerned

What article 244 says?

Parliament shall make laws regulating the exploitation of minerals; the sharing of royalties arising from mineral exploitation; the conditions for payment of indemnities arising out of exploitation of minerals; and the conditions regarding the restoration of derelict lands.

However, during the one year and several months of considering the Bill, many provisions in the proposed law generated contentious debates from especiallly members of the Parliamentay Forum on Oil and Gas.

What were the controversial provisions and why?

Clause 9:

According to the original Bill the minister will have powers to;

1. Granting and revoking licences
2. Initiating, developing and implementing oil and gas policy
3. Submitting draft legislation to Parliament
4. Issuing petroleum regulations
5. Negotiating and endorsing petroleum agreements
6. Approving field development plans
7. Promoting and sustaining transparency in the petroleum sector
8. Approving data management systems and any other function incidental or consequential to his or her functions.

But MPs opposed to the clause argued that giving the minister such powers would be personalising the oil and gas sector and would jeopardize transparency and good governance in the sector.

Powers of the Minister

- MPs wanted the minister to only approve and not be in charge of granting and revoking licenses or even negotiating and endorsing Petroleum agreements.
- Reason: Ministers are politicians and they are supposed to make policies. In matters of public procurement, ministers should keep off. Policy makers had to be out of boardrooms negotiating with business people in the oil industry because it is too risky
- Executive wanted the minister to retain all her powers including granting and revoking licenses.
- Reason: Giving licensing powers to the Authority creates some kind of conflict because these are the licenses and agreements this authority is going to supervise and monitor to ensure compliance. There is need to have an independent Authority. If the Minister is given powers to approve the positions of the authority, there is bound to be no powers of the Authority and as a result it violates the spirit of the Bill.

The MPs wanted role 1, 4 and 5 to be given to the Petroeluem Authority. However the Executive prevailed and the provision was left intact.

Clause 10:

MPs had proposed the substitution of Petroleum Authority with the Petroleum Commission so that the President and Parliament take full responsibility for ensuring that the oil sector is governed properly and the resources are used for the benefit of all Ugandans.

The consensus was formulation of Petroleum Authority, with the Board members appointed by the President and approved by Parliament.

Reason: to promote Parliament oversight and increase transparency and accountability in the sector

Clause 37: Powers to borrow

- Executive wanted the Petroleum Authority to borrow money from any source, as it may require, with the approval of the Minister and the Minister responsible for finance.

  Reason: To help the Authority meet its obligations.
- MPs want the Authority to borrow with the approval of Parliament as is stipulated in the Constitution. Reason: To prevent the minister from arbitrarily committing a Public Institution to debts.
- But Attorney General said bringing debates on borrowings to Parliament would be overstretching the House's powers

Direct Applications

- **In clause 54** the Executive wanted the Minister to receive direct applications for an exploration license where there are no applications received in response to the invitation for bids; application in respect to areas adjacent to an existing licensed reservoir and in promotion of national interest.
- **MPs** opposed the clause saying it is prone to abuse by the minister since national interest cannot be defined; a vote of no confidence in the Authority and the move will create avenues for people to start hawking oil in briefcases.

Formation of National Oil Company

- **Executive** wanted a Company to be formed through the Companies Act with the Ministry of Energy owning 99% of the shares and the Finance Minister owning one per cent of the shares.

  Reason: to specifically provide for ownership of NOC.

- However **MPs** agreed that the Company to be wholly owned by government since the amended Companies Act provides for single ownership and for the minister to seek Parliament approval in case of need to sale shares.

  Reason: to promote transparency and protect the interest of Ugandans in the sector.

- MPs also agreed the NOC's Board of Directors be appointed by the President and approved by parliament to increase transparency in the sector.

- Minister opposed the suggestion saying the move will affect the operation of the NOC since it is going to be formed through the Companies Act which lays out how Board Members are appointed.

Directions by the Minister

- **In Clause 14, the Executive** rejected a proposal to compel the Minister to give lawful directions while writing to the Authority with respect to the Authority. The Attorney General said requiring the minister to give lawful orders will make the law un-implementable and to be kept in the shelves.

- **The MPs** argued was that the move will insulate the system from abuse and make organs accountable before the law.

Clause 4: Compliance with environmental principals

- In sub-clause 2 the **Executive** wanted the management of the production, transportation, storage and treatment of waste arising out of petroleum activities to be carried out by different entities than the licensed oil companies.

  Reason: To provide for clear cut responsibilities.

- However, **MPs** agreed that that should be carried out by the licensee or other entities as agents of the licensee. **Reason**: Waste management is one of the most expensive ventures in the oil sector and can't entirely be left to different entities apart from the licensed companies.

Punishment

- In sub clause 5 of clause 4 the **MPs** set a fine of Shs2bn (1000 currency points) for anyone who carries out management, transportation, storage or treatment of petroleum wastes without license. The Executive had proposed Shs100 m ($270,000).

- The MPs also set a fine of Shs20bn for those who carryout petroleum activities without licenses. **Reason:** The punishment should be too scary for anyone to ignore it

- **Government** had proposed Shs200 million**. Reason:** Parliament should not inact punishments that are hard to implement

Clause 7 Agreements with government

- MPs passed a new Sub Clause to provide for Cabinet approval of model Production Sharing Agreements and any other agreements and for the minister to lay the approved models before Parliament.

  Reason: To increase transparency and accountability in the sector and model agreements to guide negotiations of any future agreements.

Acess to information

- **MPs** opposed Clause 33 prohibiting employees of the Authority from divulging information obtained during employment.

  Reason: The clause provided a safe haven for public officials working in the sector to operate with impunity and deny citizens and accountability institutions information that might be necessary for the effective governance of the sector.

- The MPs also amended clause 150 on Prohibition of disclosure of information from a licensee to a person who is not a minister by inserting a clause permitting such in case of national interest.

Other important provisions

Role of the Petroleum Authority (Clause 11)

- To monitor and regulate exploration, development and production of petroleum.

- To monitor and regulate petroleum activities including reserve

estimation and measurement of the produced oil and gas.

- To review and approve any proposed exploration operations contained in the annual work programme, appraisal programme and production forecasts submitted by a licensee.
- To review and approve budgets submitted by a licensee.
- To assess field development plans and make recommendations to the Minister for approval, amendment or rejection of the plans
- To advise the Minister in the negotiation of petroleum agreements and in the granting and revocation of licences.
- To assess tail-end production and cessation of petroleum activities and decommissioning
- To participate in the measurement of petroleum to allow for estimation and assessment of royalty and profit oil or gas due to the State and be responsible for the approval of the exercise.
- To ascertain the cost oil or gas due to licensees
- To ensure that licensees uphold laws, regulations, rules and contract terms
- To administer petroleum agreements
- To ensure optimal levels of recovery of petroleum resources
- To promote well planned, executed and cost-efficient operations.
- To ensure optimal utilisation of existing and planned facilities
- To ensure the establishment of a central database of persons involved in petroleum activities, manage petroleum data and provide periodic updates and publication of the status of petroleum activities.
- To take such action as is necessary to enforce the requirements in a licence or any regulations and to protect the health and safety of workers and the public;
- To ensure and facilitate competition, access and utilisation of facilities by third parties.
- To monitor conditions of operators and their trade practices to ensure that competition and fair practice is maintained
- To provide information to the relevant authority for the collection of taxes and fees from petroleum activities
- To ensure compliance by the licensees with the Act and regulations made under the Act and to perform any other function incidental or consequential to its functions under the Act.

Role of the National Oil Authority (Clause 44)

- To handle the state's commercial interests in the petroleum sub-sector
- To manage state participation in petroleum activities
- To manage the marketing of the country's share of petroleum received in kind
- To manage the business aspects of state participation
- To develop in depth expertise in the oil and gas industry
- To optimise value to its shareholders
- To participate in accordance to the terms of the petroleum agreement in joint venture in which there is an interest of the state
- To participate in meetings of licensees
- To investigate and propose new upstream, midstream and downstream ventures, initially locally but later internationally.

Main debaters of the Bill

- Mr Theodore Ssekikubo [NRM, Lwemiyaga),
- Mr Wilfred Niwagaba (NRM, Ndorwa),
- Mr Medard Ssegona (DP, Busiro),
- Mr Abdu Katuntu (FDC, Bugweri),
- Dr Kasirvu Atwooki (NRM)
- Mr Gerald Karuhanga (Indep Youth Western),
- Serere Woman MP Alice Alaso,
- Mr Michael Werikhe Chairman Natural resources committee
- Irene Muloni (Energy Minister)
- Ferederick Ruhindi (Deputy Attorney General)

Mineral Wealth Conference in Pictures


The event sponsors pose for a group photo


EA Gold gets recognised for its sponsorship


Partying after a fruitful event


Event sponsor, AON CEO Maurice Amogola hailed


DGSM Commissioner, Edwards Katto makes a point


Certificates being dished out


Where is my tag?

An attentive Kabagambe-Kaliisa - the PS, Ministry of Energy and Mineral Development

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Among clients GCC Services has a reputation for providing customized and innovative solutions with a personal touch. They offer an all-round capability of strong resources, know-how, corporate support and experience in supporting remote site operations and, above all, assurance of a quality service at a competitive price.

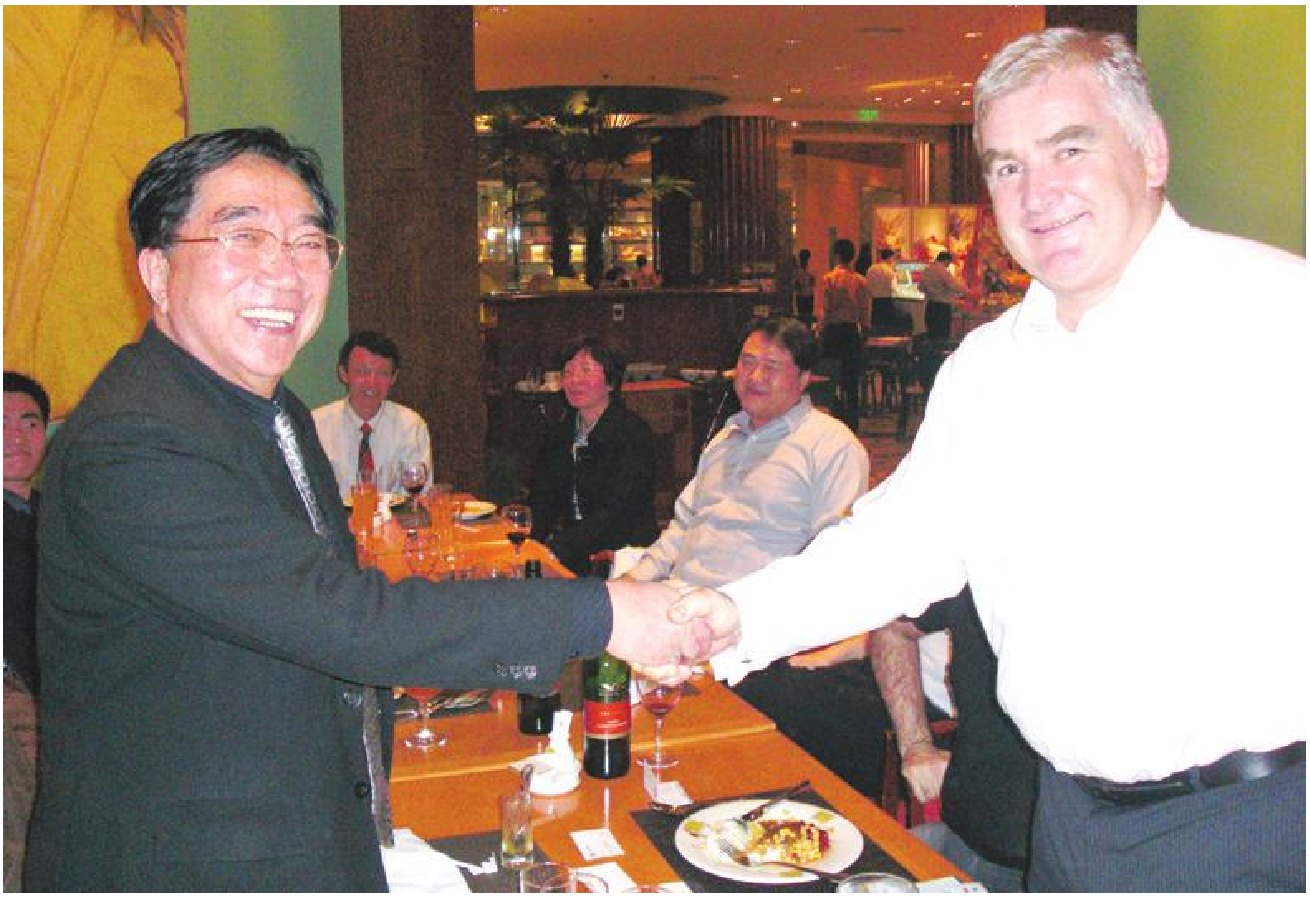
For further information please contact:

Agility: Deanne de Vries, Vice President Africa, +256 781 239-246 or DDevries@agilitylogistics.com

GCC Services: Rabih Jaber, Country Manager Uganda, +256 791 200-105 or RJaber@GCCServices.com

The Scottish Way

SDI seeks opportunities in Uganda's Oil & Gas sector



Mr Ian Ross (R) says the Scottish Oil Industry works with many countries around the world

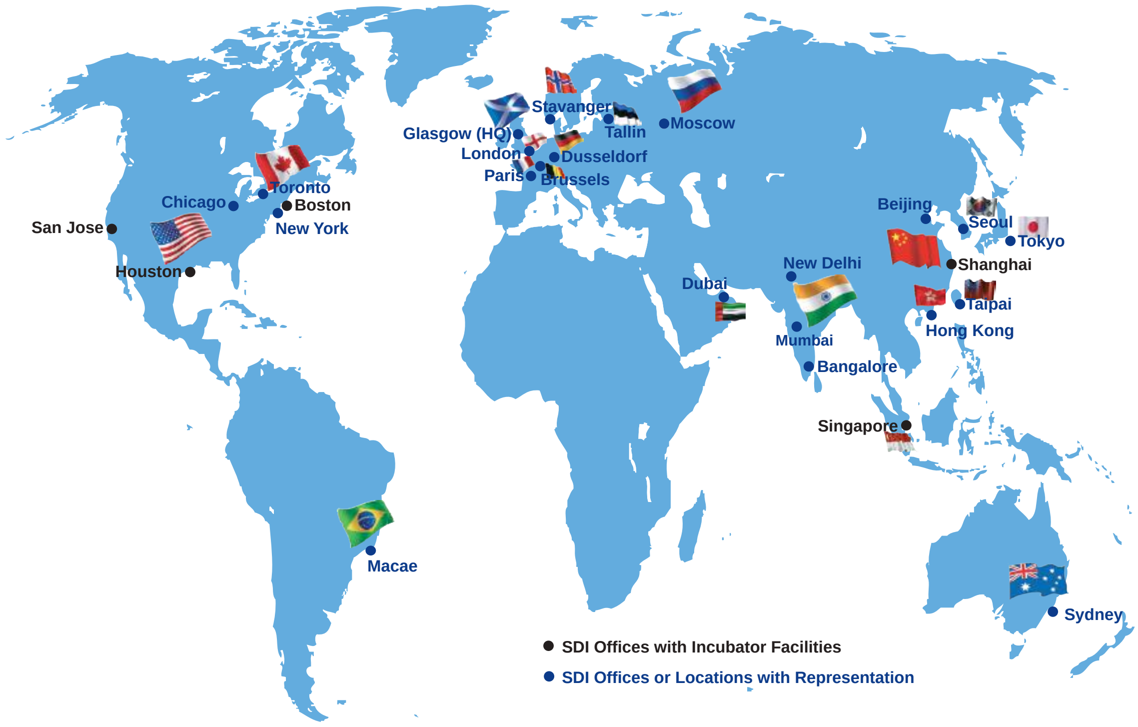
Scottish Development International (SDI) is the specialist international division of Scottish Enterprise and Highland and Islands Enterprise, Scotland's main economic, enterprise, innovation and investment agencies. The organisation that reports to the Scottish government already has offices around the world that support Scottish companies and is now looking at Africa to establish more to support countries looking for links to Scotland, according to, ***Mr. Ian Ross, the Senior International Business Executive.*** The Globalscot network, he says, harnesses the expertise of senior, influential business leaders who are committed to generating opportunities for Scotland.

"Globalscot members have signalled their willingness to help develop the Scottish economy through offering their time, expertise and contacts. We are also looking for more Globalscots in Africa to strengthen links. They don't have to be Scots but may have a link to Scotland through education or family roots," says Ross. He expounded more on what SDI seeks on its Ugandan mission below:

What opportunities have you identified in Uganda that can interest Scottish firms?

Scotland has 50 years' experience with the Oil and Gas Industry. There are 2500 companies with 400,000 employees that cover every aspect of downstream activity mainly for the offshore regime. The key themes that all the companies work within are Health and Safety and Environmental Sensitivity. In Uganda, the exploration phase is underway and Scottish companies have provided support for the operators and services

International Offices



SCOTTISH DEVELOPMENT INTERNATIONAL

companies with Environment Impact Assessment, Seismic Interpretation, Exploration Drilling and Pre FEED work. Scotland has first class Oil and Gas universities and technical colleges to provide everything from welding to O&G MBA's. Now is the time for training and capacity building in the supply chain.

In Uganda's Production phase Scotland can provide specialist expertise in the area of Extended Reach and Directional Drilling, Oil Waste Processing, FEED and all aspects of Engineering, Control and Monitoring oil production. Scotland has expertise in pipeline and pipeline protection and also the engineers based at Scotland's Grangemouth Refinery can support Uganda to develop the "greenest refinery in the world"

What benefits will Uganda get from Scottish Oil & Gas companies?

Scottish companies work in the North Sea where the conditions are very harsh. Their engineering and safety procedures have to be world class. Over the 50 years, the industry has learnt many costly lessons. Uganda has the opportunity to work with Scottish companies to integrate all the latest and greatest processes, procedures and technology to make the exploration and production safe for people and animals, environmentally friendly, efficient and cost effective. This can only increase the wealth and health of the nation. Scottish companies have a real appetite to work in East Africa and our historical links in education endears us to Uganda.

Where else in the world has the SDI identified notable successful business linkages for its home firms?

Scottish O&G companies are currently working in every oil hub in the world – Norway, Middle East, Brazil, China, Australia and here in Africa – Ghana, Angola, Nigeria, South Africa, Kenya, Tanzania and Mozambique. The companies have a good understanding of every fiscal and environmental regime and work well with locals.

With Europe generally experiencing a downturn, is SDI now looking to Africa for answers?

Within the last week *(mid-January, 2013 - **Ed**)* Scotland has announced an upturn in exports in the areas of oil and gas, food and drink, specialist electronics, software and life sciences. East Africa is now seen as the new West Africa and Scotland would like to support and replicate the success seen there.

As the SDI identifies opportunities in Uganda for its home companies, how does it intend to balance the local content demands here, which remain a very big issue? Are, for instance, partnerships or joint ventures going to be the order of the day or the SDI has completely different plans altogether?

Partnering will be key to Scottish companies' success and they would always look to "Ugandanise" their staff. Scottish companies have the mind set to do this as the national content for employment and training in Brazil can be 75%. Ugandans are viewed as well educated, are keen to learn and very sociable. There is a real affinity with Scots and partnerships can be fruitful.

The Ugandan government is very

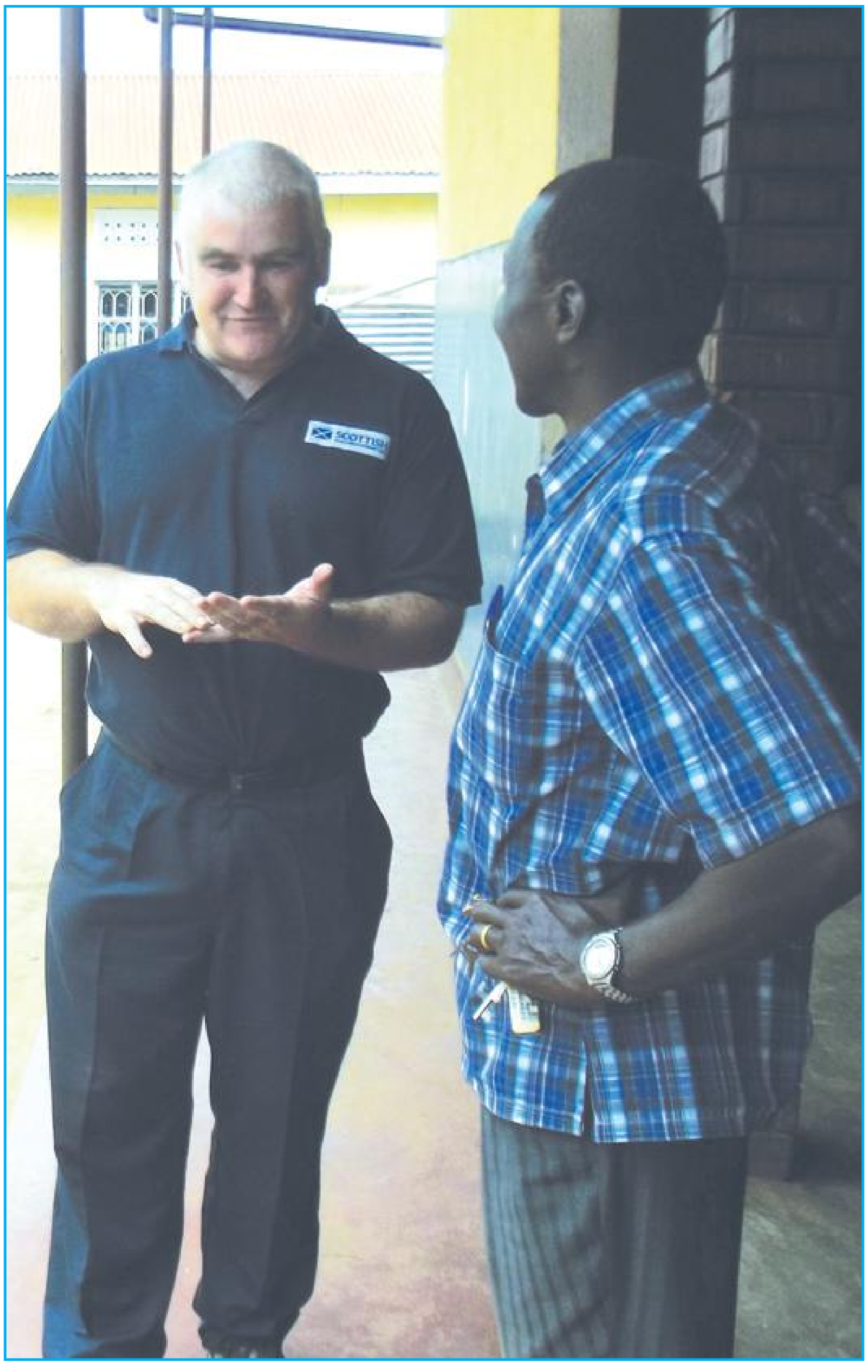
Scotland has 50 years' experience with the Oil and Gas Industry. There are 2500 companies with 400,000 employees that cover every aspect of downstream activity mainly for the offshore regime. The key themes that all the companies work within are Health and Safety and Environmental Sensitivity.

keen on adding value to its natural resources before they are exported, hence its insistence on building an oil refinery here. What expertise would SDI bring to a petrochemical industry that could emerge?

A refinery will not only provide Oil and Gas to the East Africa community securing supply but can also be a stepping stone for Uganda to build industries in bitumen, plastics, fertilisers and chemicals. The knock on effect would be for Uganda to be a powerhouse for road building and food and drink and the credit rating of the country would rise attracting more FDI. Environmental sensitivity to the National Parks and food source must prevail with the refinery and Scotland's expertise can support this with consultancy, training and capacity building.

As the Scottish government's overseas trade arm, what lessons can you share with the Uganda Chamber of Mines and Petroleum and other bodies that seek to boost the growth of Uganda's economy?

The Uganda Chamber of Mines and Petroleum is doing an excellent job of communicating and educating its members. The energy and drive is there to see from its leadership; which is really making a difference. Like SDI the areas where the Chamber may want to focus on, include hosting and organising trade missions, providing more training on international trade, partnering mapping and business mentoring from retired businessmen wanting to put something back into the business community. This will provide its membership with a great platform in striding for a prosperous Uganda.



SDI's Ross has met with over 100 people in Uganda in January 2013

Chamber Members

Chamber Diamond Members

COMPANY	CONTACT PERSON	SECTOR
1. Tullow Oil Ltd	Ms. Cathy Adengo	Oil and gas exploration and production
2. CNOOC	Ms. Chai Wei	Oil and gas exploration & production
3. Total E&P	Mr. Loic Laurandel	Oil and gas exploration & production
4. Hima Cement Ltd	Mr. David Njoroge	Cement manufacturers
5. Schlumberger Oilfield	Mr. Denis Bonifay	Oil &gas services
6. National insurance Corp	Ms. Jocelyn Ucanda	Insurance
7. Orient Bank	Mr. Ben Lewis	Banking
8. East African Gold	Hon. Richard Kaijuka	Mineral Exploration
9. Bank of Africa	Ms. Afsa M. Mukasa	Banking

Chamber Gold Members

COMPANY	CONTACT PERSON	SECTOR
10. Astor Finance Plc Ltd	Mr. Gordon Sentiba	Micro-Leasing and Financial Services
11. Bank of Uganda	Mzee Juma Binehe	Bank of Uganda
12. DFCU Bank	Mr. James Mugabi	Banking
13. Kilembe Mines	Mr. Fred Kyakonye	Copper Mining
14. Neptune Petroleum Ltd	Ms. Marilyn Hill	Oil & Gas Exploration and Production
15. Orwell International U Ltd	Mr. Fred Umunna	Drilling Tools and Well Services
16. Stanbic Bank	Mr. Nsibambi Daniel K	Banking
17. Standard Chartered Bank	Mr. Mundua Godfrey	Banking
18. Lion Assurance Co. Ltd	Mr. Newton Jazire	Insurance
19. United Bank for Africa (U) Ltd	Mr. Wibrod Owor	Banking
20. Barclays Bank	Mr. Gibson Nangono	Banking
21. Roofings Group	Mr. Stuart Mwesigwa	Steel Manufacturing
22. Centenary Bank	Mrs. Beatrice Lugalambi	Banking

Chamber Silver Members

COMPANY	CONTACT PERSON	SECTOR
23. Agility logistics ltd	Mr. George Odeke	Logistics
24. AON Risk Services	Ms. Caroline Athiyo	Insurance & Risk Management
25. Askar Security	Ms. Kellen Kayonga	Security

COMPANY	CONTACT PERSON	SECTOR
26. AUC mining Ltd	Mr. Moses Masagazi	Gold mining
27. Bemuga Forwarders	Mr. Ben Mugasha	Clearing and Forwarding
28. BTS clearing & forwarding	Ms. Merian Sebunya	Clearing and Forwarding
29. Busitema mining Ltd	Mr. Paul Sherwen	Gold mining
30. Canmin resources	Mr. Gary Fitchett	Mineral Exploration
31. Casco Petroleum	Mr. Eugene Lazarenco	Rig Supply
32. AIG Uganda Limited	Mr. Edward Hire	Insurance
33. Citi Bank U Ltd	Ms. Magdalene Weya	Banking
34. Civicon Limited	Mr. Jason Horsey	Mechanical & Civil Engineering Works
35. Deloitte U Ltd	Mr. Tallarovic Matthew	Auditors
36. DHL global forwarding	Mr. Eivind Larsen	Logistics Service Provider
37. Eagle logistics solutions ltd	Mr. David Walabyeki	Customs Clearance, Heavy Equipment Hire
38. East African Chains U Ltd	Mr. David Mayanja	Dealers in Mechanical Tools
39. East African Cranes	Ms. Colette Gibbons	Lifting Services
40. Epsilon U Ltd	Ms. Hellen Nambi	Waste Management
41. Ernst & Young	Mr. Muhammed Ssempija	Auditors
42. Farm Engineering Industries	Mr. T. S Padhaal	Equipment Supply
43. Flemish inv. Ltd	Mr. Bruce Milne	Mineral Exploration
44. Freight forwarders(E.A) Ltd	Mr. Russell Knight	Clearing and Forwarding
45. GCC Services (U) Ltd	Mr. Rabih Riad Jaber	Catering Services
46. Gold empire ltd	Mr. John Muruli	Gold Exploration
47. Goodlife (U) Ltd	Mr. Shem Nnaggenda	Training Solutions
48. Gulf Resources Uganda	Mr. Henson Mambo	Mining
49. Habib Oil Ltd	Mr. Osman Ahmed Noor	
50. Halliburton International Inc.	Mr. Robert Salmon	Oil & Gas Services
51. Inspecta International	Mr. William Pike	Inspection Services
52. Integrated logistics	Mr. Attila Jonathan	Onshore & Offshore Logistics Support
53. Kampala Associated Advocates	Mr. David Mpanga	Law Firm
54. KAMU KAMU drilling experts	Mr. Gilbert Mujogya	Mineral Exploration and Water Wells Drilling
55. Krone (U) Ltd	Mrs. Rose Rugazora	Mineral Exploration/ Wolfram

COMPANY	CONTACT PERSON	SECTOR
56. Kusaasira & Co. Advocates	Mr. Denis Kusaasira	Natural Resources Lawyers
57. Lloyds British Testing	Mr. John Mckee	Inspection
58. Makugem U Ltd	Mr. Farouk Makubuya	Mineral Exploration
59. Marsh Uganda Ltd	Mr. Paul Mulira	Insurance & Risk Management
60. Askar Investments Ltd	Mr. Kellen Kayonga	Mineral Exploration/Tantalite
61. Multilines International U Ltd	Mr. Gerald Mukyenga	Clearing and Forwarding
62. NFT Consult Ltd	Mr. Badru Ntege	HR Outsourcing
63. NPK resources ltd	Mr. Nathan Wanda	Mineral Consultancy
64. Oli gold muruli ltd	Mr. John Muruli	Gold Exploration
65. Oryx minerals ltd	Mr. Garvin Conway	Mineral Exploration
66. Petroleum Skills Uganda	Mr. Kevin Hughes	Skills Training
67. Pricewaterhouse Coopers Ltd	Mr. Francis Kamulegeya	Auditing, Tax and Advisory Services
68. Richflo Lift services	Mr. Richard Magezi	Lift Services
69. SAIPEM	Mr. Henry Magoba	Oil and Gas Services
70. Salini Costruttori SPA	Mr. Sergio Pelosini	Construction
71. Bollore Africa Logistics	Ms. Monica Kisubi	Logistics Service Provider
72. Seafast holdings U Ltd	Mr. Michael Majeed	Logistics Service Provider
73. Semliki Rift trading Co	Mr. Patrick Van Pee	Lift Services& Ferries
74. Sino Minerals Investments Co. Ltd	Ms. Sarah Namara	Mineral Exploration
75. Specialized Welding Services	Mr. Yvick Robin	Welding Services
76. Spedag Interfreight U Ltd	Mr. Dilip Bhandari	Logistics Service Provider
77. Strategic Logistics	Mr. Paul Sherwen	Logistics
78. Sumitomo corporation	Mr. John Musisi	
79. Tamoil East Africa Ltd	Mr. Gamal Bouargob	Market &Sale of Crude Oil Products
80. Threeways shipping	Mr. Jeff Baitwa	Logistics Service Provider
81. Toyota U Ltd	Mr. Dino Romano Bianchi	Car Dealers
82. Transeast (U) Ltd	Ms. Sheila H. Graig	Transporting
83. Uganda Insurers Association	Mr. David Tumuhaise	Insurance
84. Union Logistics	Mr. Hitesh Shan	Clearing and Forwarding

COMPANY	CONTACT PERSON	SECTOR
85. Victoria Equipment Ltd	Mr. Peter Sekandi	General Machinery
86. Victoria Motors Limited	Mr. Sam J Kibuuka	Car Dealers
87. Woodmore Energy Consultancy Ltd	Mr. David Kayemba	Oil & Gas Downstream
88. British High Commission	Mr. Eric Olanya	Diplomatic Mission
89. Mining, Minerals & Metals Ltd	Mr. Nari Patel	Mining
90. EOD Technology Inc.	Mr. Nobert F. Rugunda	Critical Mission Support & Site Restoration Services
91. Let's Go Travel	Mrs. Joan Kantu Else	Tours & Travel
92. Achelis Uganda Ltd	Mr. Michael Nyangabyaki	Equipment Sale & Rental
93. Africa Ecoinvest	Dr. Abdullahi Hajji	Mining & Energy
94. Pearl Engineering Company Ltd	Mr. Gumisiriza Birantana	Construction

Chamber Individual Members

NAME	SPECIALTY
95. Mr. BB Sinha	Consultant- Environmental Health
96. Mr. Brian Kaggwa	Lawyer
97. Mr. David Kyagulanyi	Mineral Consultant
98. Mr. Joshua Tuhumwire	Mining
99. Mr. Malkit Singh Saini	Construction
100. Mr. Minaz Karmali	Businessman
101. Mr. Rajesh Dewani	Construction
102. Mr. Sam Thakkar	Accounting
103. Ms. Anne Babinaga	Business Consultant
104. Ms. Annebritt Aslund	Audit/Finance Consultant
105. Mr. Gerard Grant	Transportation
106. Ms. Lydia Babinaga	Procurement and Consultancy