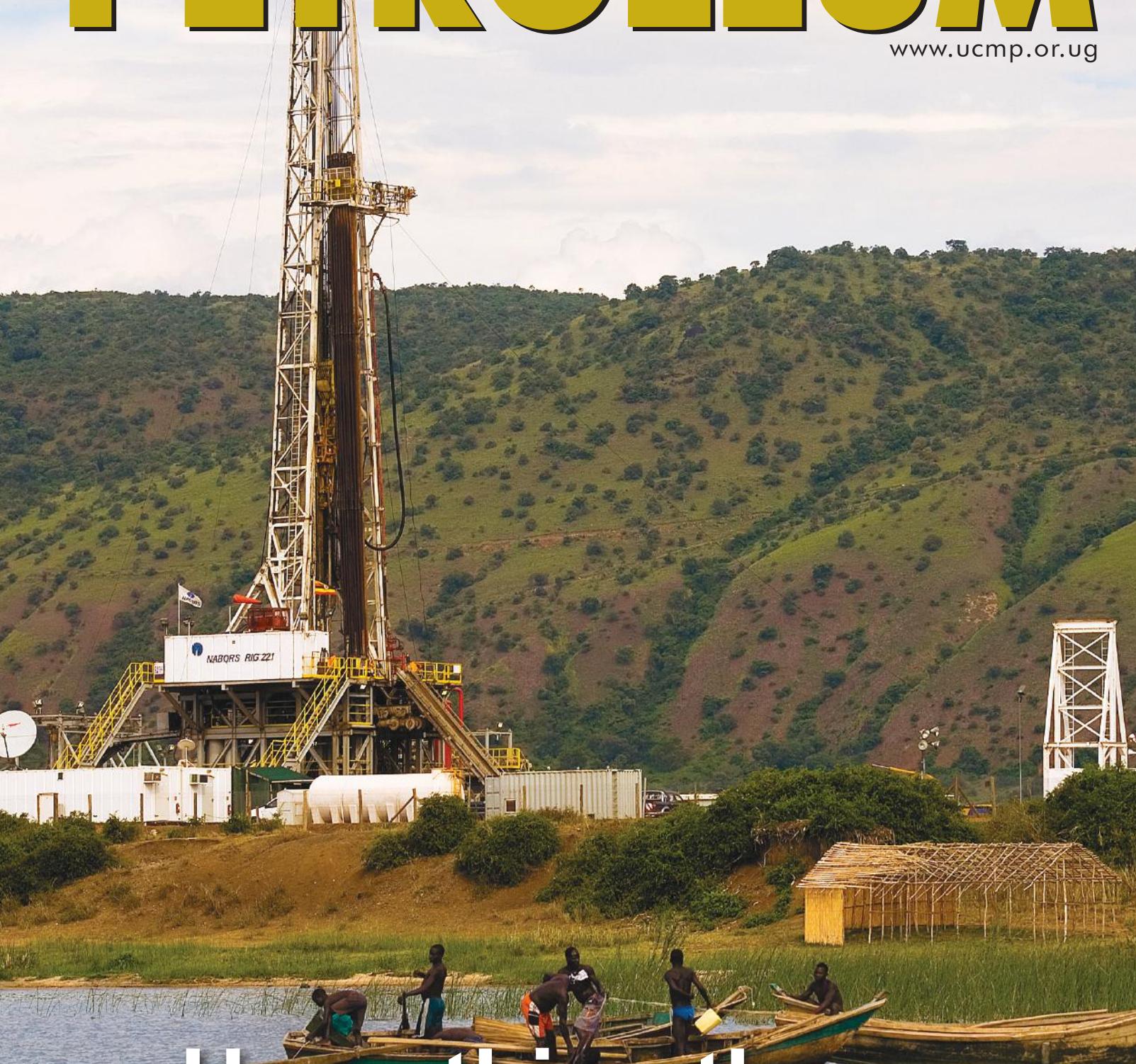




The Uganda Chamber of

# MINES & PETROLEUM

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# Congratulations Uganda Chamber of Mines and Petroleum.

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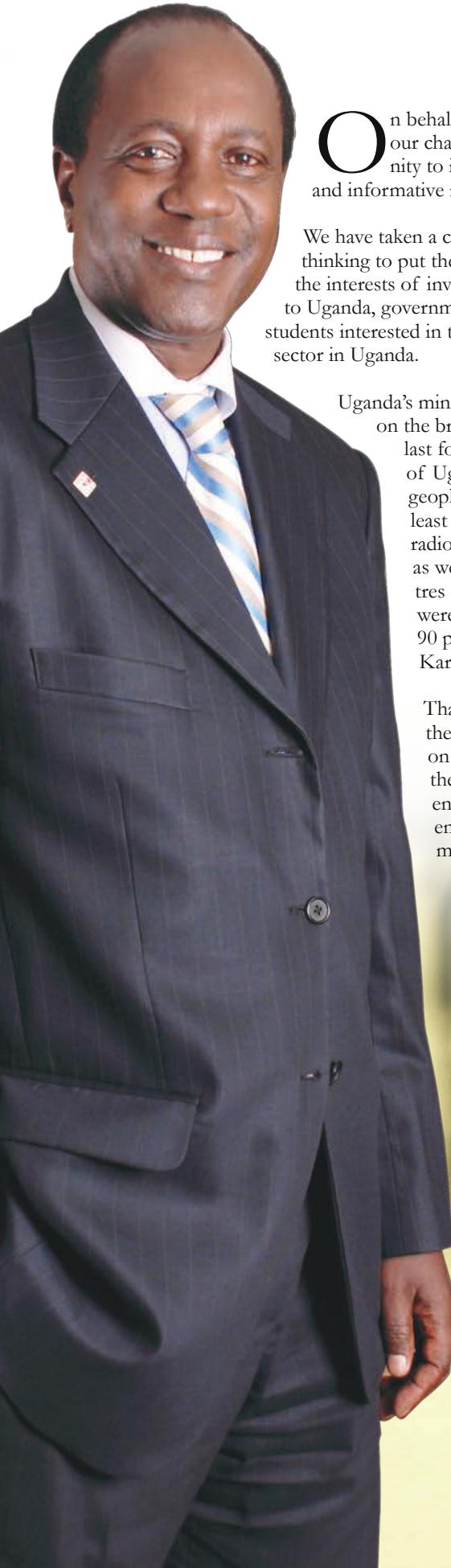


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# Chairman's Note



**O**n behalf of all the members of our chamber, I take this opportunity to invite you to read this rich and informative magazine.

We have taken a considerable amount of thinking to put the content that will meet the interests of investors intending to come to Uganda, government officials, NGOs and students interested in the mineral and petroleum sector in Uganda.

Uganda's mining and petroleum sector is on the brink of a new dawn. In the last four years, the government of Uganda completed airborne geophysical surveys in which at least 630,622 line kilometres of radiometric and magnetic data as well as 22,360 line kilometres of electromagnetic data were acquired. This covered 90 percent of Uganda, except Karamoja.

That data will be shared at the launch of our chamber on the 25 of March, 2010 by the Consultants who were engaged by the ministry of energy and mineral development.

Already, 30 companies have so far obtained exploration licences for Uganda's minerals. Nine blocks for petroleum exploration areas have been earmarked in the Albertine Graben in western Uganda, along the great East African rift valley. Only four exploration areas out of nine have been licensed. The rest are yet to be licensed by the government.

The release of this new geophysical data set, which was collected under the Sustainable Management of Mineral Resources Project (SMMRP) funded by the World Bank, Africa Development Bank and Nordic Development Fund, is expected to attract significant investments in Uganda.

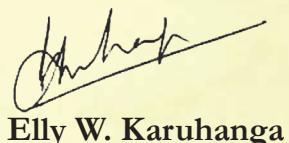
In the not so distant future, Uganda will also start producing its own oil. With at least two billion barrels of oil in Uganda, it is difficult to tame the optimism and great expectation of every Ugandan about what this historic discovery could mean to their individual and national fortunes.

We certainly deserve to be excited about the future prospects of our dear country.

The publication of this magazine, the launch of the Uganda Chamber of Mines and Petroleum, and its website ([www.ucmp.or.ug](http://www.ucmp.or.ug)) by the President of the Republic of Uganda, His Excellency Yoweri Kaguta Museveni, in the presence of the President of the Republic of South Africa, His Excellency Jacob Zuma, is a great honour to the Chamber and to the whole industry which we serve.

I hope that this magazine will motivate further the interests of investors who may not be aware of Uganda's available opportunities. A pdf version of this publication is also available online at [www.ucmp.or.ug](http://www.ucmp.or.ug).

I thank you.



A handwritten signature in black ink, appearing to read "Elly W. Karuhanga".

Elly W. Karuhanga

# Company Profile

China National Offshore Oil Corporation (CNOOC) is the largest offshore oil and gas producer in China. Established in 1982, the Company has its headquarters in Beijing. It now has 57,000 employees and registered capital of RMB 94.9 billion.

CNOOC has maintained rapid growth and a reputation for quality since its incorporation. It has evolved from an upstream company into an integrated energy company, possessing high performance core business and other related businesses along the value chain. The Company is built upon synergetic business portfolios including: upstream (oil and gas exploration, development, production and sales); mid and downstream (gas and power, chemicals, refinery, fertilizers); technical services (oilfield services, offshore oil and gas engineering and construction, logistics services); financial services; and alternative energy.

In recent years, the Company has implemented effective measures for corporate restructuring, capital operation, overseas acquisition and expansion into mid and downstream businesses.

We have experienced a boom period with improved overall competitiveness in conjunction with an outstanding reputation as an efficient international oil company.

Guided by the corporate values of "Win-win, Responsibility, Integrity, Innovation, Human-oriented", during the Eleventh Five-year Plan period, CNOOC will continue its focus on scientific growth, synergetic and cost efficient development, cultivation of a strong workforce, and competitiveness in research and development. Through sustainable growth and innovation, the Company aims to become a world-class international energy company.

*CNOOC is the parent company of a group of subsidiaries and affiliates. "We", "the Group" and "the Company" in this report all refer to CNOOC.*



# From Humble Beginnings and Growing



I am very pleased to be associated with the Uganda Chamber of Mines and Petroleum. It is gratifying to see that what started as an initiative by the Ministry of Energy and Mineral Development and a call by the Commissioner, Geological Survey and Mines for a meeting of the Uganda Mining Association and other stakeholders in the mineral sector on 20<sup>th</sup> March 2000 has culminated in the current Uganda Chamber of Mines and Petroleum.

From a historical perspective, the Uganda Mining Association is known to have been formed in the late 1950s when the expatriate mine owners came up with the idea to form an association to facilitate their operations by lobbying the colonial government of the day, obtaining finance, equipments and other industry necessities. Following the country's independence in 1962 and later the Idd Amin era from 1971, almost all the expatriate miners wound up their operations, left the country and created what geologists call a hiatus in geological history, and the big break in the country's mining knowledge, skills and lack of finance to mine descended upon Uganda.

The few indigenous people who inherited the expatriates properties were either head-men at the mines or traders (with some cash), with little or no mining culture and experience but who wished to become rich. However, with little or no investment coming into the mineral sector, nearly all mining operations came to a halt and so did the Uganda Mining Association. The eventual collapse and stoppage of mining at the Kilembe mine, the country's largest mine and which operations inspired many Ugandans did not make the situation any better. Government policies of the day did not help the situation either as there were no deliberate efforts to invest in the sector through either the public or private sector.

However, following government reforms from the late 1990's and early 2000, the Uganda Mineral Policy was formulated in 2001 and a modern internationally competitive legal environment was put in place by Parliament enacting the Mining Act, 2003, thereby replacing the Mining Act, 1964.

These sectoral interventions have resulted into positive trends in investments in the mineral sector as reflected in the number of

exploration licenses, mining licenses, volume of mineral production and trade, as well improvement in the Non-Tax Revenues. Substantial improvements in investments in the mineral sector are anticipated after all geo-information (airborne geophysical data, geological maps and information, geochemistry, minerals information, computerized mining cadastre/licensing/mineral titles and registry system) from the ongoing Sustainable Management of Mineral Resources Project are delivered online by the Geological and Mining Information System (GMIS) being built at the Department of Geological Survey and Mines, Entebbe. These activities will be completed by December 2011 and the result of this will be an increased number of investors and thus a higher membership base for the Chamber.

As pointed out, the Ministry was instrumental in the revival of the Uganda Mining Association and eventual formation of the Chamber. As one of the Mineral Policy objectives, government encourages the formation of associations in the sector. It is therefore in government's interest to see the Chamber grow both in membership and quality of service to its members. The recent invitation of Petroleum companies and stakeholders to the Chamber as reflected in the new name of the organization shows how fast Uganda's extractive industry is moving.

It is my desire to see that in the coming years, if not months, that you also add the energy companies such as Uganda Electricity Generation Company Ltd, Uganda Electricity Transmission Company Ltd, Jacobsen, Aggreko and others to your organization, to fully incorporate the major players in the extractive industries, both upstream and downstream. As a young organization, it will be important to borrow a leaf from countries with successful chambers of mines including, South African Chamber of Mines (the oldest chamber of mines in the world), Zimbabwe Chamber of Mines, Tanzania Chamber of Mines and Energy, as well as Peruvian Chamber of Mining, Petroleum and Energy, all of which the Ministry of Energy Mineral Development has created a relationship in the recent past.

Like in all countries where similar organizations have been formed, the Chamber is expected to lobby government on sectoral and other policies impacting on its members, as well as to put in place a code of conduct of its members among other activities. A symbiotic relationship between the Chamber and government is a must if Uganda's mineral and energy sectors are to flourish. It is my sincere wish that the Uganda Chamber of Mines and Petroleum grows and helps the country achieve the full benefits for its people from its mineral and petroleum resources. Hearty congratulations on the re-launching of the Chamber!

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## Letter from the President

Dear Friends,

Thank you for your continued attention and support.

2008 was a year of significance for all of us. Under the guidance of the Scientific Concept of Development, we have confronted the tough challenges of natural disasters and the financial crisis yet maintained the momentum for efficiency and quality development through operational excellence and profitable growth. During the year, we achieved the best production and operation results in history.

In the face of this global financial crisis, our high standards of corporate governance and risk management have prepared the Company for risk identification and management, which helped us secure a healthy and dynamic development in 2008.

Whilst achieving business growth, we continued to fulfill our commitment to environmental protection. As a responsible corporate citizen, CNOOC put more efforts into energy conservation and emission reduction. After becoming the first Chinese company to join 3C (Combat Climate Change) in 2007, during this year, CNOOC gained membership of UN Global Compact, which showed our determination to shoulder corporate responsibilities.

In 2008, CNOOC remained committed to building a harmonious relationship between the Company and society. Throughout the year, our contributions to disaster relief, poverty relief, aid to Tibet and other

programs amounted to RMB 282 million, reaching a record high. After the 5.12 Wenchuan Earthquake, we decided to donate RMB 100 million to the quake-hit area for reconstruction every year for the following five years through cost saving and efficiency improvement.

The past year was eventful and full of challenges; but I'm pleased to say, through our concerted efforts, we have taken an important step toward our goal of building a world-class international energy company loved by employees, trusted by partners and welcomed by society, while loyally fulfilling our share of economic and social responsibilities.

In 2009 the deepening global financial crisis will continue to pose challenges to the Company. While meeting the challenges, we will make careful study and grasp potential opportunities. We will increase investment in the core business and further improve the management system and technological research capacity.

Looking ahead, we still have a long way to go. Under the guidance of the Concept of Scientific Development, I believe we shall keep marching towards our dream of becoming a world-class international energy company and continue to deliver maximum values to all parties involved.



Fu Chengyu  
CNOOC President

# UCM&P Council Members



## Hon. Elly Karuhanga

Chairman UCMP,

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



## John Muruli Muyambi

Vice Chairman UCMP:

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



## Nathan Wolukawu Wanda

The General Secretary

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



## Kellen Kayonga,

Treasurer, UCMP

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



## Paul Sherwen

IBI's close associate, Paul Sherwen, is President and COO of IBI's 30% owned affiliate company Grey Crown Resources Limited, is providing considerable assistance to IBI as a local businessman in Uganda. He is also the Finance Director of Strategic Logistics Ltd

# UCM&P Council Members

## Marylin Hill

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



## Bruce Milne

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



## Hon. Richard Henry Kaijuka

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



## Gary Watkin

COO & Country Director of Rhino Exploration Services. Rhino is involved in the mining and metals industry and holds a number of exploration licences across the country



## Catherine Niwamanya

Executive Secretary UCMP





# Chamber of Mines & Petroleum

## Objectives:

- a) To advance, promote and protect the mining industry and other interests of its members; to consider, discuss and make recommendations on matters connected therewith or incidental thereto, to collect, circulate and publish information, and to investigate and conduct research into matters concerning its members, their interests or activities; to represent its members and to act on their behalf or as their agent in matters affecting their common interests; and to assist technically, financially or otherwise in the prosecution or defense of actions involving questions, the decision whereof is likely to affect the common interests of its members;
- b) To regulate relations between its members and
- c) their employees; to represent its members and act on their behalf in matters connected with the regulation of such relations; to negotiate and conclude, on behalf of its members, agreements with any or all of their employees, or with any association, associations, trade union or trade unions representing any or all of such employees, relating to wages or other conditions of employment; to represent its members and act on their behalf in industrial disputes in which they or any of them are concerned and in all matters arising under or in connection with industrial legislation affecting them;
- c) To operate Mineral Marketing Centers (PLAZAS), Mineral shops, Mineral Laboratories, Mineral Commercial Banks and other facilities for the benefit of the members of the Chamber;



- d) To recommend to the commissioner of Geological Survey and Mines Department, the applications for prospecting, exploration, mining and mineral dealers licenses;
- e) To petition or make representations or submit evidence to the President, Parliament, any District Council, any Municipality and other legislative or administrative body or any Commission on matters concerning its members, their interests or activities and to promote or oppose legislative measures affecting them;
- f) To form or participate in the formation of, and to support or grant subsidies to associations, institutions, companies, committees and other organizations or bodies associated or connected with the mining industry or calculated to benefit the industry, gratuity funds, provident and pension funds and medical aid and seek benefit funds for the benefit, wholly or partly, of persons employed in the mining industry; to establish and maintain a mining exhibit or exhibits at any exhibition or public show, to subscribe money for charitable or benevolent objects; and to guarantee the payment of the liabilities or the fulfillment of the contracts or undertakings of any person, company or association or institutions;
- g) To examine and report upon applications for patents or other monopolies which affect or may affect the interests of its members; to promote or oppose such applications and to acquire, hold and dispose of any patents or other monopolies for the purpose of the chamber;
- h) To establish, or participate in the establishment of pension, gratuity, medical aid or seek funds for the benefit, wholly or partly of the chamber's employees and to contribute to any such fund;
- i) To acquire and hold, to improve, sell, lend, let, hire, mortgage, donate, dispose of or deal in any other way with any property, movable or immovable, for the purposes of the chamber;
- j) To invest or lend any moneys of the chamber with or without security and on such terms and conditions as may be decided from time to time and to realize or vary any such investment or loan;
- k) To borrow or raise monies for the purposes of the Chamber with, whether, by means of debenture bonds, mortgages or otherwise howsoever and to pledge as security for the repayment of such monies all or any of the property or assets of the Chamber;
- l) To open and operate a banking account and to make, draw, accept, endorse, discount, execute, issue or otherwise dispose of bills of exchange, promissory notes, bills of lading and other negotiable or transferable instruments or securities;
- m) To employ or appoint and remunerate attorneys, advisors, agents and other persons for the purposes of the Chamber;
- n) To establish and maintain a library embracing collections of books and museum for articles of interest to its members;
- o) To act as secretaries or managers of associations, institutions, funds, companies, committees and other organizations or bodies associated or connected with the mining industry and to charge fees for so acting;
- p) To promote awareness among members of the Chamber of the need for environmental protection and practical restoration of the environment affected by mining;
- q) Generally to do all such other things as are necessary, conducive or incidental to the attainment of the above objects.

# Uganda at a Glance



## Air Travel

Uganda is well connected to Europe, being serviced by several major airlines. They include British Airways, Brussels Airlines, KLM, in addition to Ethiopian Airlines, South African Airways, Kenya Airways and Emirates linking the country with other major hubs on the African continent and the Middle East. Regional carriers have begun operating services to Southern Sudan and eastern DRC as well as weekly flights to Rwanda and Burundi. Entebbe International Airport is located on the shores of Lake Victoria, a 45-minute drive, U\$20 taxi ride from Kampala.

## Accommodation

Kampala is blessed with several top-end hotels like Serena, the Sheraton, Protea, Imperial Royale Hotel and Hotel Africana and several others all upgraded following the country's hosting of the Commonwealth Heads of Government Meeting (CHOGM) in 2007.

Hotels and lodges of a consistently high standard are well distributed across the country in the major towns and some national parks.

## Banking

Central Kampala boasts a variety of banks, both African and international. Standard Chartered and Barclays Bank both offer ATM services where Ugandan Shillings can be drawn directly from an international Visa card. Other banks include Stanbic, Tropical Africa Bank, dfcu and Bank of Baroda. Foreign currency may be easily exchanged at most banks and the many foreign exchange bureaus that can be found around town and at the major hotels.

## Currency

The Uganda Shilling is issued in denominations of Shs 50, 100, 200, 500, 1,000, 5,000, 10,000, 20,000 and 50,000. Foreign currency may be exchanged at the central Bank, commercial banks, foreign exchange bureaus, licensed hotels and through tour operators. Exchange rates are available at the counters of banks and at the various bureaus. There is no limit to the amount of foreign currency that can be bought into the country. Shillings can be reconverted into foreign currency at any of the banks or foreign exchange bureaus.

## Communications

Uganda is well serviced by five major mobile operators, with a sim card, for around U\$1, and then various denominations of top-up credit widely available in the city. Kampala has many internet cafes with generally good lines for standard usage. Most major hotels have their own business centres, with some having wireless systems, which can also be found in several other locations in central Kampala.

## Visas

Visitors are given single journey visas from the Diplomatic or Consular missions abroad. On arrival they are given visitors' passes for the purpose of holidays, travelling or investing business possibilities. Multiple entry visas can be granted to business executives who expect to make numerous visits.

Visas can be obtained on entry where foreign nationals cannot access Ugandan Diplomatic or Consular missions abroad.

# Essential Facts

## Visa exemptions

The following are exempt from visa requirements: East African citizens; members of the Common Marker for Eastern and Southern Africa (COMESA) and other countries with reciprocal arrangements.

**President** \_ Yoweri Kaguta Museveni

**Vice President** \_ Gilbert Bukenya

**Prime Minister** \_ Apollo Nsibambi

**Ruling Party** \_ National Resistance Movement (NRM)

**System of Government** \_

Republic, multiparty democracy, universal suffrage 18 years of age. President elected by majority for five-year term. President Museveni elected 23 February 2006 with 59.3% of the vote.

Constitution Adopted 8 October 1995. Constitution amended to remove presidential term limits and upon multiparty political system.

**Capital** \_ Kampala

**Independence** \_ 9 October 1962

**Land Area** \_ 236,040 sq km (15.39% water)

**Population** \_ 32,369,558 (July 2009)

**Geography** \_ Located straddling the Equator joining East Africa and Great Lakes region, bordered by Kenya, Rwanda, Sudan, Tanzania and the Democratic Republic of Congo (DRC).

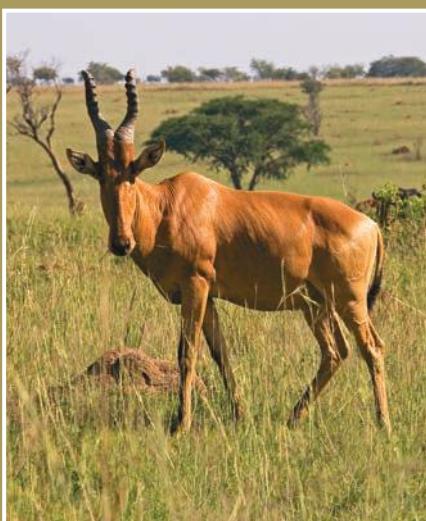
**Major Water Bodies** \_ Lake Victoria, Albert, Kyoga, George and Edward, White Nile

**Climate** \_ Predominantly tropical environment with two dry seasons; one running from December to February and the other running from June to August.

Terrain varies from tropical rain forests, plateaus, mountains to semi-arid.

**Life Expectancy** \_ 53 years.

**Ethnic Groups** \_ Baganda, Ankole, Basoga, Iteso, Bakiga, Langi, Rwandies, Bagisu, Acholi, Lugbara, Batoro, Bunyoro, Alur, Bagwerem Bakonjo, Jopodhola, Karamojong,



Rundi, non-African (European, Asian, Arab) among others.

**Religion** \_ Roman Catholic 33%, Protestant 33%, Muslim 16%, indigenous beliefs 18%.

**Languages** \_ English (official), Luganda (South), Acholi (North), Swahili

Literacy rate \_ 69.9%

**Currency** \_ Uganda Shilling; US\$ = UGX 2,000

**Time** \_ GMT +3

**Telephone** \_ +256

**GDP per capita** \_ US\$1,300 (2009 est.)

Real GDP Growth Rate \_ 4% (2009 est.)

**GDP by sector** \_ Agriculture 22.2%, Industry 25.1%, Services 52.8% (2009 est.)

**Export** \_ US\$3.151 billion (2009 est.)

**Export Commodities** \_ Coffee, fish and fish products, tea, cotton, flowers, horticultural products, gold.

**Main export partners** \_ Sudan 14.3%, Kenya 9.5%, Switzerland 9%, Rwanda 7.9%, UAE 7.4%, Democratic Republic of the Congo 7.3%, UK 6.9%, Netherlands 4.7%, Germany 4.4% (2008)

**Imports** \_ US\$4.106 billion (2009 est.)

**Import Commodities** \_ Capital equipment, vehicles, petroleum, medical supplies, cereals

**Main Import Partners** \_ UAE 11.4%, Kenya 11.3%, India 10.4%, China 8.1%, South Africa 6.7%, Japan 5.9% (2008)

**Natural Resources** \_ Copper, cobalt, oil, hydropower, gold, limestone, salt, arable land

**Biggest Employer** \_ Agriculture 82%

**Agricultural Products** \_ Coffee, tea, cotton, tobacco, cassava (tapioca), potatoes, corn, millet, pulses, cut flowers, beef, goat meat, milk, poultry.

**Industries** \_ Sugar, brewing, tobacco, cotton textiles, cement, steel production.



## Investment Policy and incentives

# LAWS AND REGULATIONS GOVERNING FOREIGN INVESTMENT

Foreign investors seeking to tap into Uganda's mineral opportunities will find a comfortable investment regime that is bound to offer a good return. This article explores some of the key investment features in the country, and the licenses therein, that guide the development of the country's mineral industry.

### INVESTMENT POLICY

By maintaining a liberal economic environment, the Government has demonstrated commitment to stimulate the economy and to promote private investment in Uganda from both foreign and domestic sources.

Items of policy of the Mineral Sector include stimulate mining sector development by promoting private sector participation;

- ensuring that mineral wealth supports national economic and social development;
- regularizing and improving small scale mining by local artisans;
- minimizing and mitigating the adverse social and environmental impacts of mineral exploitation;
- removing restrictive practices on women participating in the mineral sector and protect children against mining hazards;
- developing and strengthening local capacity for mineral development; and
- adding value to mineral ores and increase mineral trade.

Government policy with respect to mining has changed radically as envisaged by the general policies of the Uganda Investment Authority and as implied in the Investment Code Act of 1991.

### INVESTMENT INCENTIVES

The Investment Code (1991) reflects a major reform of Government policy and is designed to promote, facilitate and monitor investment by rationalizing the way investments are approved and by introducing incentives.

The Uganda Investment Authority (UIA) administers the Investment Code under the general authority of the Ministry of Finance and Economic Planning. The UIA endeavors to provide a "one-stop" service by issuing investment licences, certificates of incentives, registration of technology agreements, and certificates of approval for externalisation of funds. Issue of an investment licence takes no more than five days.

Incentives offered under the Investment Act include duty and tax-free concessions, duty drawbacks for export industries, and exemptions from corporate tax, withholding tax and dividend tax, all for specified periods. The Act allows a tax holiday for three to five years depending on the type of investment. Investments in remote locations attract an allowance of an additional year.

### Additional incentives given to investors who export their products are:

- Export Retention Account that allows exporters to retain earnings from exports in a bank account overseas and to use the retained foreign currency to buy inputs and other goods.
- Barter Trade Licence that allows exporters to import goods equiv-

alent in value to exports.

- Export Certificates replace the previous export licences but retain the data collection component.

- Duty Drawback System returns to exporters' duty paid on imported items.

- Export Finance and Guarantee Scheme.

- Simplification of Customs Procedures.

Items imported by investors attract these incentives:

- Investors may import foreign currencies without restraint. They may also purchase items for import without going through official sources.

- Special Programme for Imports that allows purchase of foreign exchange at the official (floating, free) rate on a first come, first served basis. Limits are imposed on the amount that may be borrowed from banks for this purpose.

- Open General Licence allows large manufacturing enterprises priority of access for foreign exchange at the official rate.

- Negative List of Imports is a tariff system that identifies items exempt from duty. Most items of mining related equipment are so identified. Second-hand items up to five years old qualify.

### Investment Guarantees

There are also investment guarantees for example disputes between the Government and a foreign investors are settled by international Arbitration. A centre for Arbitration and Disputes Resolution regulated by the Arbitration and Conciliation Act is functioning and Uganda is signatory to the International Convention on the Settlement of Investment Disputes.

### Types of Licenses and leases.

Prospecting Licences enable the holders to prospect for minerals anywhere in the country and may be granted more than one exploration licence but must be able to demonstrate financial resources and present a work programme acceptable to the Commissioner.

Exploration Licences cover areas not exceeding 500 sq km, and are exclusive with certain shape restrictions. Exploration licences last for up to three years and are renewable for another two periods of two years each. Further renewals are at the discretion of the Commissioner.

Retention Licences apply to areas covered by exploration licences on which the licencees have made discoveries that cannot, for various reasons, be developed immediately.

Mineral Leases are issued where mining is justified. Terms and conditions are determined by Commissioner and are to be advised within 60 days. No lease is issued for longer than 21 years but the Act allows for renewal for no more than 15 years.

Location Licences are intended for small scale mining where expenditure to achieve production will not exceed five hundred currency

points (a currency point is worth 20,000 Ugandan shillings).

### Fiscal Considerations

Taxes and duties paid by the mining industry include corporate income tax, dividend remittance tax, royalty, customs duty, and sales taxes. Special rates apply to the mining sector in specified circumstances.

### Income Tax

The Income Tax Act of 1997 provides a special fiscal regime for the mining sector whereby up to 100% equity may be owned by foreigners, all exploration expenses may be charged off against income, investment protection is guaranteed, no import duty on mining equipment that is new or less than five years old and a variable rate of income tax is used to calculate tax on income derived from mining.

### Royalties

Regulations issued under the Mining Act provide that minerals produced for sale are subject to a royalty depending on the nature of the commodity. These rates differ depending on the quality of the commodity. Where appropriate, the Regulations provide definitions of the quality of these commodities.

The commissioner however may by permit exempt small quantities of minerals from liability to royalties.

### Value Added Tax

This tax is payable on most transactions. The rate for the financial year 2009/10 is 18%.

There are no foreign exchange restrictions in force and there are no constraints on export of products.

### REGISTRATION AND OPERATION OF MINING COMPANIES

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### MINERAL RIGHTS ENVIRONMENT

Statistics under the World Bank Development indicators show that Uganda's real GDP has grown steadily recording an average of 5.5 to 6.9% in the last seven years (2003-2009). The economy has grown because of continued investment in the infrastructure, improved incentives for production and exports, reduced inflation and gradually improved domestic security.

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The advertisement features a central globe with red callout circles highlighting different services: 'ROAD FREIGHT' (truck), 'RAIL FREIGHT' (train), 'OCEAN FREIGHT' (ship), 'AIR FREIGHT' (airplane), 'PROJECT HANDLING' (cranes), 'WAREHOUSING' (warehouse interior), and 'CUSTOMS CLEARANCE' (person at desk). The top left corner shows the UTI logo with the tagline 'GLOBAL NeTWORK PARTNeR'. The top right corner includes logos for UFFA, IQNet, and NQA, along with the ISO 9001:2008 certification mark. The bottom left corner shows a world map with arrows pointing to Kampala, Uganda, and the bottom right corner shows a person working at a desk.

# OVERVIEW

## Geological Mapping & Mineral Potential in Uganda

The Project: “Geological Mapping, Geochemical Surveys and Mineral Resources Assessment in selected areas of Uganda”, financed by NDF Credit No.427 and IDA Credit No.3835-UG, is a major component in The Sustainable Management of Mineral Resources Project (SMMRP). The project is carried out by a Consortium led by GTK, the Geological Survey of Finland.

The SMMRP is a significant investment, which the Government of Uganda considers as a principal long-term instrument leading the country towards sustainable exploitation of its mineral resources. There is a well proven linkage between the digital dissemination of basic geo-scientific information and the activities needed to establish a comprehensive framework for mineral resources development.

The availability of and accessibility to relevant, updated and reliable geo-information, including airborne geophysics, geological, geochemical, mineral resources maps and data, are key factors to develop and manage the natural resources of a country.

The existing technology and interpretation capacity of integrated geo-data can provide information which is fundamental to the administration in making decisions on the sustainable exploitation of geo-resources. These decisions will increasingly require combined, cross-thematic information and processing of data from various sources and disciplines; geology, geophysics, mineral resources, geochemistry, topography, soil, weathering, forestry etc. Also the infrastructure and socio-economic factors in large play an essential role in sustainable management and development of mineral resources. The versatile geo-data is also important in administration of natural hazards (such as landslides, earthquakes, volcanic eruptions etc), water resources,

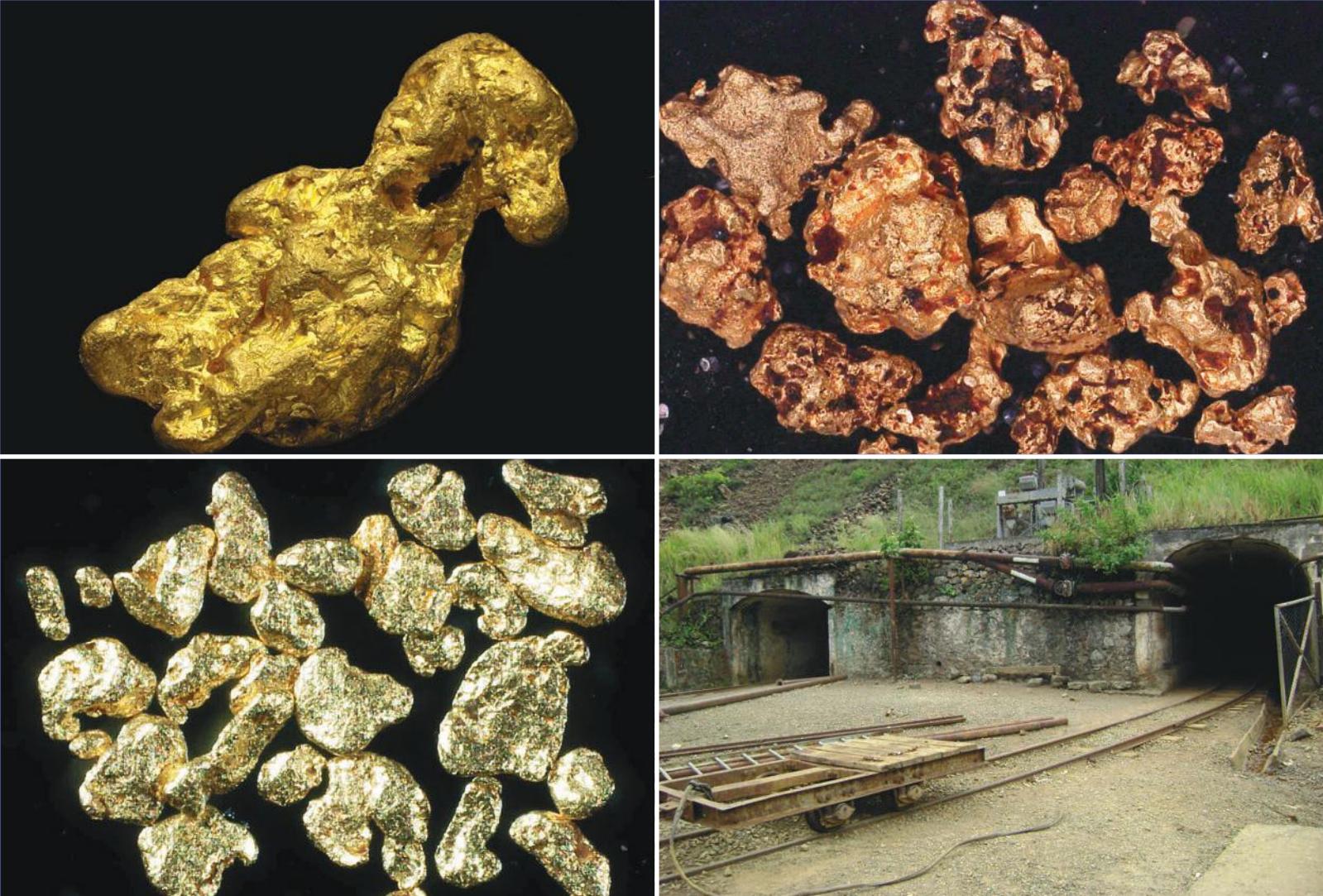
land use, gazetted areas and even in health care and conflict resolution.

The SMMRP is a key factor in promoting Uganda's geological and mineral resources potential and business opportunities to private investors. Ongoing comprehensive updating and compilation of the country's basic geo-data and preparation of attractive data packages illustrating the high mineral potential areas for exploration will strongly support the above. This is a way to increase investments in mining projects, which in turn create more employment and contribute to revenues supply.

The geological mapping project is divided in two contracts with demarcation line along the 1 degree north parallel. Mapping to the south of that line is funded by International Development Agency (IDA) and to the north by Nordic Development Fund (NDF).

The geological field mapping of the IDA contract area started in February 2009 and was accomplished in December 2009. Almost 7500 geological observations were made describing rock exposures, their location by GPS, sample taken and digital photographic documentation. All data have coordinates, i.e. they have a location on a map, and can be combined and correlated to one map or image.

In order to create a stratigraphic column of the rock units from oldest to youngest their ages should be known. Accordingly various rock units were sampled for age determinations (U-Pb in zircon and Sm-Nd TIMS). This information in turn can be used when geological environments of high mineral potential are to be defined. The preliminary age determinations indicate that very old, Archaean rocks (2 600 – 2 900 million years) cover large areas in Uganda. These so called Archaean cratons, like



Congo craton in north Uganda and Tanzanian craton in SE Uganda often host gold, nickel, copper, cobalt, platinum group metals, iron and chrome. These Archean cratons in Uganda will now be studied in more detail, increasing the possibilities to discover deposits of the above metals.

Surrounding the Archaean cratons, there are often circular intrusions of carbonatites and mafic rocks (e.g. gabbro). Consequently the marginal area to the Tanzanian craton in SE Uganda host large carbonatites like Sukulu and Bukusu. Several other round structures that can be identified by the airborne geophysical survey require exploration to check their nature and mineral potential. During mapping, outcrops of coarse grained gabbro were found within one of the geophysical round anomalies east of Iganga. This indicates mafic intrusions with Ni, Cu, PGM and Cr potential. Further exploration to study the mineral potential of these intrusions is justified.

During mapping the gold potential of the Buganda (-Toro) shales and sandstones, between the Mubende and Singo granite intrusions, was further strengthened. The Singo granite might be the heat source mobilizing gold from the mafic volcanics underlying the shales. Gold occurs in remobilized hematite-quartz veins running roughly E-W through the shales, notably in Kamalenge and Kisita, close to the granite contacts. Potential for new gold occurrences exists in similar geological environment.

The geological field verification for the NDF contract started in January this year and is currently ongoing to the west of the Aswa shear zone. It is too early to report any results yet. While mapping Moyo area, float of magnetite ore was recorded. Its significance remains to be studied. The real mineral potential of Uganda remains still largely untested due to rather limited exploration to date – even though the country has good potential

to host various metallic and industrial mineral commodities, even of world class.

### Current activities in field

While geological mapping continues in the northern part of the country (NDF contract), mapping and sampling is still to be done on selected, geologically important key areas in the south (IDA Contract).

Geochemical surveys by soil sampling are at present being carried out on a gold potential target in the Mityana area. Thereafter the work is planned to continue on a few other targets in Kiboga, Iganga, Tororo and Pallisa districts.

Geophysical surveys have been carried out in Mityana area at the same place as geochemistry. Also future geophysical surveys will be directed on areas where geochemical and mineral resources studies are done. Concerning mineral resources assessment the work has comprised to date following mineral commodities and occurrences: Tororo and Bukusu carbonatites, limestone (soevite) and vermiculite, later on also the rare earth elements (REE) are to be studied.

Limestones in Kasese-Hima area for cement and lime have been studied. Also clay deposits as alumina additive for cement have been included (Mutaka and Kibalya in Bushenyi and Moni in Mbale). Visit to Kibuku gypsum deposit was paid due to its increasing demand when both Hima and Tororo Cement will double their capacity in a near future. Kaolin deposits (Buwambo, Mutaka, Kisai, Kibalya and others) were sampled for testing their technical properties as various filler and pigment materials. Mubende and Singo granites were also studied and sampled to find out their potential as dimension stone. In Nebbi

district diatomite occurrences around Packwach and a kyanite-rutile occurrence at Azi hill were sampled for laboratory tests. In Moyo district the Gweri dolomite deposit and a magnetite showing close to the village of Ijujo-Chinyi were visited. Several gold deposits (Tira, Kamalenge, Kisita, Mashonga) were studied. Currently the programme to carry out geochemical, geophysical and detailed geological studies on selected, less known gold indications/occurrences is being finalized.

The airborne radiometric survey indicates several U-Th anomalies and some of them will be studied on ground for their uranium potential. Airborne magnetics show three major and some smaller roundish magnetic anomalies east of Iganga that require ground geophysical and geochemical follow up. Only a few outcrops of gabbro have been located on one of the anomalies. Further geological work is planned.

## Current status of mineral assessment

### Copper and cobalt



The Kilembe Mine is situated 420km west of Kampala, near the border with the DRC. Previously Falconbridge Ltd worked the mine and between 1956 and 1977 the mine produced over 16 million tons of ore grading 1.98% copper and 0.17% cobalt. Reserves at closure were reported to be 4.17 million tons with a copper content of 1.77%. The most recent resource estimate was completed by S. Le Brun in 1997 using a geostatistical block model and available drill data. In the two zones Lower Bukangama and Eastern, an in-situ resource of 3.15 million tonnes grading 0.18% cobalt and 0.97% copper was reported. This historical estimate is considered relevant, but it is not a NI 43-101 defined resource.

At present the KCCL in Kasese is bio-leaching cobalt (1.37%) from Kilembe sulphide concentrate. Also small amounts of nickel (0.4%) are recovered.

### Nickel and PGE

The mafic and ultramafic bodies that host the Kabanga Ni-Co-PGM deposit in Tanzania may have a continuation in Uganda. Some magnetic anomalies have been identified in Kafunjo area that could indicate the occurrence of ultramafic bodies in the Mesoproterozoic Karagwe-Ankolean system (or the Kibaran Belt) in southern Uganda. Further exploration is motivated.

### Gold



Gold appears to be widely distributed throughout Uganda, and has mainly been exploited by artisanal miners in a few areas in Busia (SE), Buhweju and Kigezi (SW), Mubende (central) and more recently, Karamoja in the northeast. Most of the gold mined occurs in small, high grade alluvial deposits located around the Paleoproterozoic Buhweju basin.

A few exploration companies are currently active exploring and exploiting gold bearing quartz-hematite veins in the Buganda shales around the Mubende and Singo granites in Central Uganda (Kamalenge and Kisita mines) and in the Archaean Lake Victoria greenstone belt (e.g. Tira Mine in Busia). These areas seem to have untapped mineral potential and special attention should be addressed to these formations.

Due to the non-regulated artisanal gold production, the official statistics are unreliable. It is recognized that the informal gold production is significant with over 50 000 artisanal miners, but the production is largely unreported.

### Tungsten and cassiterite

Tungsten has previously been mined at Bahati, Kirwa, Mpororo and Ruhizha in southwest and in five different localities in the Singo area. Mining in small scale is ongoing in the **Nyamuliro** Mine in Kabale district.

In Nyamuliro (Bjordal mine) tungsten occurs as ferberite, which is an iron rich member of the wolframite group. The veins are preferentially emplaced into cleavage planes cutting the bedding. The actual country rocks are carbonaceous shales. At present all the work from mining to concentrating is done manually by work force of about 50 men. Daily production rates are rather variable, 150–800 kg. The annual production in Uganda during the last few years has been some 45–94 tons.

Cassiterite was in the past mined at **Mwersandu** in Ntungamo district, at Kikagati and Rweminyinya, and in numerous smaller occurrences in the southwest. Primary ores are of the fracture filling type with ore minerals consisting of cassiterite, beryl and wolframite, generally coarse grained in a matrix of quartz and yellowish muscovite. The known occurrences are part of a large mineral field that extends from the southwest of Uganda to the south to Tanzania and west to Rwanda and Burundi. Tin mining in Uganda started about 80 yrs ago, in 1926 and between 1926–1960 almost 10 000 tons of tin concentrate was exported. Good years for tin mining were also in 1960s and 1970s when the world tin prices were high.

In Mwersandu the cassiterite occurs in quartz-muscovite veins and it is still left in hard rock and old tailing heaps. Several artisanal teams, up to 300 persons, are working in the area, some with the tailings and most inside the tunnels.



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## Iron

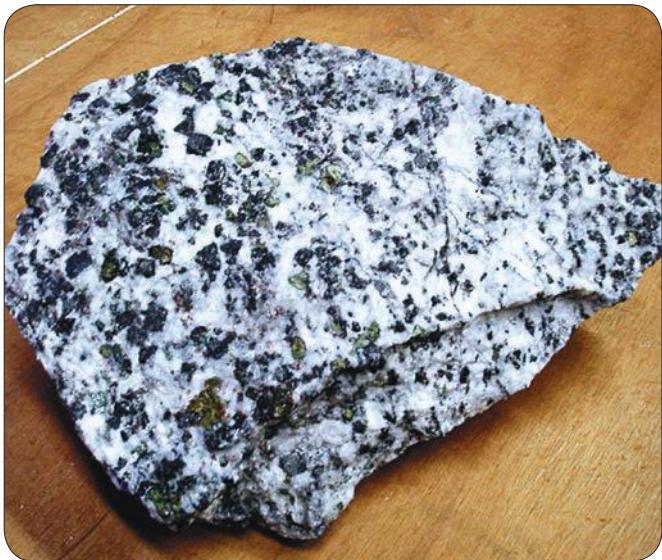
Iron ore occurs in two areas, hematite ore of the Muko deposits in Kabale and Kisoro districts and the magnetite bearing ore at Sukulu and Bukusu in Tororo district. The Sukulu deposits are estimated to contain reserves of 45 Mt grading at 62 % iron and 2.6% phosphorous. Bukusu is estimated to contain 23Mt iron ore that also contains 10 - 15 % TiO<sub>2</sub>.

Considering the most recent report by SRK Consulting from RSA, on the behalf of the current property owner Gulf Resources from Australia, it is clear that the vermiculite reserves in Namekara are large enough and obviously also the quality fulfils the requirements for a major operation. The question is how to enter the world market where the competition in vermiculite business is tough.

## Tantalite



## Carbonatite



There are some 50 known columbite-tantalite bearing pegmatites in Uganda, mostly in southwest. At present the Nyanga tantalite property is explored in SW where an east-west running, 50 m wide, near-vertical pegmatite vein is exposed on surface for 370 meters and is open on strike. Good tantalite/niobium mineralization has been found in the form of lenses adjacent to, and on both sides of the pegmatite body. These lenses appear to pinch and swell vertically and horizontally and measure up to 0.5 m thick. The licence holder reports that the extremely rare and high-grade nature of the tantalite oxides on the Nyanga property has attracted attention from tantalite producers globally.

## Beryl

Some 150 beryl deposits have historically been exploited from pegmatites, mostly in SW Uganda. At present only a little is produced by artisanals, mainly from tailings of old mines.

## Vermiculite

In Bukusu carbonatite vermiculite has been mined at **Namekara**, close to Kenyan border, to east of the Tororo-Mbale road. When owned by Rio Tinto it was promoted as being "a potential world class, long life resource, thought to be the largest of its kind in the world". The deposit is estimated to contain a resource of over 5 Mt of high grade vermiculite free of asbestos minerals, which is especially important to the clients in US. The vermiculite prospect occurs on the south-western margin of the Bukusu complex where the vermiculite formation has developed at the contact between the mica-rich pyroxenites and carbonatite. The vermiculite is overlain by 4-5 m soil cover as weathering product resulting from the leaching of phlogopite in the Bukusu carbonatite.

In Uganda there are several phosphate deposits associated with alkaline/carbonatitic ring complexes in eastern Uganda – best known at Sukulu and Bukusu.

The Sukulu carbonatite comprises 230 Mt of apatite - pyrochlore bearing residual soils containing grading at 13% P<sub>2</sub>O<sub>5</sub>. From the total 130 Mt have been identified to contain pyrochlore at an average of 0.2% Nb<sub>2</sub>O<sub>5</sub>.

The Bukusu carbonatite also hosts a significant phosphate resource at Busumbu which was exploited from 1945 to 1963. Semi processed material was sold to Kenya. An estimated 8.5 Mt of residual soils grading at an average 13% P<sub>2</sub>O<sub>5</sub> have been identified at Busumbu.

## Kaolin



**Buwambo** pegmatite is located some 27 km from Kampala towards Bombo (Masindi) on the top of Namakonkomi hill, about 1 km east of the main road. The pegmatite is hosted in Buganda-Toro rocks and is exposed in rather small area (100x50 m), but obviously it is somewhat larger.

Buwambo pegmatite is strongly weathered (kaolinized) in its topmost part and at times it has been exploited in small scale for kaolin.

A few preliminary processing tests have been done from the whitish kaolin of Buwambo and the results indicate that the product could fulfill the technical requirements as filler, extender or pigment applications for ceramics, paint, paper, rubber, plastics.

It would be worthwhile to carry out further, detailed studies to find out the extent of kaolinized material, the content of kaolinite, and then the processing methods and technical properties of final product. Also the other minerals with potential as by-products should be evaluated.

On the **Migade** hill, about 2 km west from Buwambo, a same type of whitish, kaolinized pegmatite is exposed and also mined in two small quarries. The weathered material is not as white as in Buwambo.

**Mutaka** pegmatite in Bushenyi district is located 6 km to SSW from Kabira trading centre and an access from Ishaka on Mbarara- Kasese road is 16.6 km south to Kitagata and then 16 km west to Kabira. The deposit has been exploited at times since 1960 when beryl was discovered there.

By 1968 Mutaka produced 270 tons beryl, 17 tons cassiterite and 5.5 tons columbite-tantalite. Based on a number of studies made in the 1980s -1990s the ore reserve calculation for kaolin was prepared by DGSM/Hadoto in 1993, giving proved reserves 300 557 tons and probable reserves 538 623 tons. This calculation is based on the 30% kaolin (kaolinite) content in the ore.

Latest laboratory tests of Mutaka kaolin by GTK gave an average kaolinite content 13.5% for 7 samples. These determinations also showed that in weathered material of Mutaka deposit the main mineral is K-feldspar, with an average content of 85.5% in 7 samples.

It can also be noted that the K-feldspar is extremely pure, with very high K-content (up to 15%) and very low Fe<sub>2</sub>O<sub>3</sub> (0.02–0.1%). This kind of high quality product could find special markets with special price if the production and marketing could be economically arranged.

Preliminary tests on the quality of kaolin showed that the technical properties of the processed product would meet the requirements as filler, extender or pigment applications for ceramics, paper, paint, fiberglass, rubber and plastics industries.

Considering the above it would be worthwhile to carry out additional studies on the Mutaka deposit to find out its real potential for various industrial applications.

**Nyabushenyi** pegmatite is located some 10 km from Ntungamo towards Kabale and 3 km to NNW from the main road. The deposit is hosted in the Karawke-Ankolean rocks like tens of other pegmatites in SW Uganda. The deposit was mined from early 1960s until mid 1970s by the Uganda Mining company.



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The main product was beryl, which was produced 270 tons, amblygonite and columbite-tantalite were by-products. It has been estimated that probable beryl reserves to 50 m depth would lie between 4800–6300 tons.

The Nyabushenyi pegmatite is supposed to be quite extensive, over 500 m long and over 100 m wide, but it is poorly exposed. The main minerals are quartz, feldspars and mica. In exposed parts and quarries the rock is weathered (kaolinized) in places, but strongly kaolinized parts form only small, irregular lenses. Accordingly there is not enough good quality kaolin even for semi-industrial exploitation.

However, considering the above given estimate some additional work might be worthwhile.

**Moni** kaolin deposit is situated on the eastern suburbs of Mbale town about 40 km north from Tororo, in SE Uganda. The rock is a coarse grained pegmatite granite which is partly kaolinized. Feldspar, quartz, kaolinite and muscovite are the main minerals, besides there is a lot of secondary Fe-hydroxide staining in fractures, cavities and on the quarry wall.

The kaolinite content is not more than 15–20% at maximum. The present quarry is some 150 m long in N-S direction and 20–30 m wide, the depth is up to 5 m. The eastern wall ends in weathered, greenish mica schist.

Kaolinised material is quarried by a local enterprise and transported to Tororo Cement for an Al-additive in clinker production.

## Diamonds



It has been speculated that the kimberlites to the south of Lake Victoria in Tanzania could extend to the southeast corner of Uganda, assuming that the carbonatite intrusives there are considered positive indications for kimberlites. Potential structures revealed by the new airborne survey interpretation are being checked in the field during mapping.

## Construction materials

Dimension stones and aggregate rocks have been quarried in the Mubende and Singo granites, at:

**Lwemivubo** aggregate quarry within the Mubende granite massive is situated some 20 km west of the town of Mubende by the Fort Portal road. As aggregate material the rock fulfils the main technical requirements for all construction, even though the large grain size restricts the use as a highest quality product. In the quarry and near vicinity the rock is generally strongly fractured owing to heavy use of explosives for blasting.

However, the basic jointing style is like that of granite (rapakivi), in which vertical and horizontal jointing is well developed. This is an important property for quarrying economically big dimension stone blocks.

Also the general appearance of the rock; colour and texture, could generate interest within dimension stone entrepreneurs.

Considering that the Mubende granite covers an area of over 3600 sq.km, it would be worthwhile to carry out a study to look for the best potential areas for quarrying.

**Kiganda** aggregate quarry within the Singo granite massive is located about 38 km E from Mubende town towards Mityana and some 2 km south of the main road.

The rock is coarse grained, porphyric, post-orogenic granite. The colour varies from reddish to greyish, plagioclase is often a bit greenish, obviously due to alteration into epidote. Compared to Lwemivubo the rock here is more variable in texture, colour and grain size and accordingly some types are very good as aggregate material.

Rock types occur which may be interesting in their appearance. These could be quarried as smaller blocks providing slabs for special uses which in fact make a good proportion of all dimension stone business. These possibilities should also be clarified by studying different exposures in the surrounding areas.

**Mwezi** aggregate quarry is located in the eastern end of Singo granite, some 80 km NW from Kampala towards Hoima, about 1,5 km southwest from the main road. The medium to fine grained varieties have very good properties as aggregate material.

In addition to above, there are numerous big aggregate rock quarries around the country. Where ever road construction has been carried out, as well as nearby areas of major towns. A few of these might also have use as dimension stones, but systematic studies should be done to confirm this.



## Bentonite

Two bentonite occurrences in Rukungiri District; Burama and Ntungwa are known to occur in Uganda. The **Burama** deposit has been recently investigated by DGSM (Kato, 2008). In the investigated 1.7 ha area, the bentonite occurs in 3-4 m thick layer, totaling 115 000 t.

A study in SEAMIC and GTK laboratories confirmed that smectite is the main mineral, other identified minerals in a sample are kaolinite and quartz. EDX-spectrum indicates that the clay is mainly Ca-bentonite, but there is also Na in the lattice of bentonite.

In **Ntungwa** the bentonite is exposed in valley walls dissected by River Ntungwa (Birira). The bentonite layer, thickness so far unknown, is covered by about 10 m thick Quaternary sand and gravel overburden. A preliminary study in GTK laboratory confirmed that the main mineral in parts of the deposit is smectite, with minor quartz, K-feldspar, analcime and kaolinite.

These two occurrences represent separate deposits, since they are 8 km apart from each other. Before these findings no bentonite deposits were known to exist in Uganda.

## Carbonate rocks and other cement raw materials

The main use for carbonate rocks in Uganda is for cement manufacturing. Accordingly there is a big demand for a Mg-poor, low alkali and low phosphorus marble or limestone. The magnesia ( $MgO$ ) content in clinker should not exceed 3% and  $P_2O_5$  should be less than 1%. Too high contents of  $MgO$  or  $P_2O_5$  can be solved by adding better quality carbonate rock in the klinker raw mix. This is what Tororo Cement is currently doing. The main source is the siovite of Lime Kiln Hill (Tororo carbonatite center) and the admixture marble is quarried from Moroto (Katikekile), at a distance of 280 km.

The Tororo Cement Ltd is at present upgrading the production and in 2010 the cement production will be 500 000 tons and possibly 1 Mt in 2012. The latter figure means that the annual demand of a good quality limestone is 1.5–1.7 Mt.

The other cement plant in Uganda is located at **Hima** in Kasese district and it is a subsidiary of Bamburi Cement and a part

of Lafarge East Africa. When the ongoing expansion there is completed, the annual production capacity will be 830 000 t and the demand of limestone 1.3–1.5 Mtpa. The current source is the lacustrine limestone exposed nearby the plant. The deposit consists of two limestone layers, both about 5 m thick and separated by a 5 m thick clay bed. So far only the topmost bed has been exploited.

The future reserves are in the Dura limestone and according to the Company's commercial manager there are sufficient reserves. Logistically the exploitation of Dura limestone is problematic; the shortest distance between Hima and Dura is less than 20 km, but in practice the distance is about 150 km, unless the old railway connection or route is re-opened.

In brief, in an ideal case the bulk raw material resources of cement manufacturing, limestone and clay, should be available close to the plant. Unfortunately that is not the case in Uganda. Long transport distances of low value bulk materials raise substantially the cost of the final product. In consequence large, good quality limestone resources, relatively close to the cement plants are in urgent demand, and accordingly serious investigations to discover new deposits or/and confirm the quality and reserves of existing deposits should be carried out, especially this concerns the Tororo plant.

Clay is another basic raw material in cement manufacturing, as a source for alumina. Generally the common clay is good enough, but for chemical adjusting both of the Ugandan cement companies use also kaolin, Tororo Cement from a pit close to Mbale and Hima Cement from Bushenyi.

Gypsum,  $CaSO_4 \cdot 2H_2O$ , is needed about 5% in cement manufacturing. At the moment both companies import the gypsum, Tororo from Oman and Hima from Kenya. Large, but low grade deposit occurs in Kibuku, Bundibugyo District. Bundibugyo Miners Association has previously excavated and processed small amounts of gypsum with primitive methods, 100–300 tpa and sold it to Hima Cement. At present this has ceased. The annual gypsum consumption of Hima Cement will be about 40 000 tons when the plant works to capacity after the enlargement.

It would be worthwhile to find out the potential of the Kibuku deposit by carrying out proper processing tests to achieve a pure gypsum concentrate. Previously this was not the case.



# Tax in Uganda

## what you need to know

Bill Page, Deloitte (Uganda) Limited



**“The Ugandan government expects the development of the country’s oil sector in particular to bring not only a significant stimulus to the national economy but also big increases in tax revenues to fund its ambitious programme of infrastructure investment.**

Tax is an important issue for businesses involved in the mining, oil and gas industries, whether they are involved in exploration and production, transportation, processing, downstream activities or providing goods and services to projects. The Ugandan government expects the development of the country’s oil sector in particular to bring not only a significant stimulus to the national economy but also big increases in tax revenues to fund its ambitious programme of infrastructure investment. This article summarises some of the key taxes which can apply to investors in these sectors. It is based on the legislation in force in March 2010

### **Taxing companies**

Ugandan companies are taxed on their worldwide income, generally at a flat rate of 30%. Dividends paid to a non-resident parent are subject to tax withholding at a rate of 15% under general rules. This rate may be reduced if a shareholder is resident in a country with which Uganda has a double tax treaty.

It is possible for foreign legal entities to hold interests in mines or oil projects and carry out other types of business activities in Uganda via branches. Branches are also usually taxed at 30% and there is an additional tax of 15% which effectively applies to profits repatriated to the head office.

Ugandan tax law does not provide any fiscal consolidation for companies which are under common control: each is taxed separately and there is no ability to offset profits of one company against losses incurred by an affiliate.

The Income Tax Act includes basic transfer pricing rules but these have not been applied extensively in practice. More detailed regulations are likely to be introduced with effect from 1 July 2010.

### **VAT**

Uganda has a VAT system. The standard rate is 18%. Certain goods and services are exempt, others (such as exports) are zero-rated. A company

which sells exempt goods and services is not able to recover VAT on related goods and services which it purchases. Where goods and services are standard or zero-rated, the related input VAT may be recovered by offset or refund.

Oil and mining projects require significant capital investments over a number of years before they start to generate revenue. In such a situation the oil company can register as an “investment trader” which gives it the right to refund of VAT on goods and services it consumes even though it has no sales revenue.

### **How the E&P industry is taxed**

The upstream oil industry is heavily taxed in most places and Uganda is no exception. The government has opted for Production Sharing Agreements (PSAs) as the mechanism to collect economic rent. Although the PSAs which have been signed remain confidential, it is reported that the overall government take from the existing PSAs is likely to be in excess of 80%.

It is understood that the existing PSAs contain the following taxes and levies: Bonuses are provided for on signing the PSA;

Licence rentals based on the area covered by the licence;

Royalties (which are calculated based on production volumes);

State share of profit oil (understood to be calculated based on volumes produced); and

Corporate income tax (at the standard rate of 30%).

Some confusion has arisen in the press over the corporate income tax rate as the Income Tax Act provides for a sliding scale of tax for *mining* activities (25% – 45%). This does not apply for hydro-carbon extraction activities as these are formally excluded from the definition of mining by Ugandan law.

Much attention has recently focused on the way that disposals of interests in PSAs are treated for tax purposes in Uganda. The 2009 Budget removed the “step in shoes” approach previously

taken and now the disposer is subject to corporate income tax on the difference between the sale price and its accumulated costs which have not so far been given tax relief.

PSAs often contain an element of “stabilisation” protecting the oil companies from changes in law after the signing of the PSA which may adversely affect project economics. This is usually interpreted as “freezing” the tax rules applicable to the project at the date the PSA was signed. It is understood that the current Ugandan PSAs contain such a provision.

A customs duties exemption is available for equipment imported for upstream operations.

Oilfield and mining services, drilling, engineering and construction  
As Uganda’s oil industry moves from successful exploration into the development phase, there will be huge opportunities for businesses in these sectors. Companies which are locally incorporated or registered as branches will be subject to corporate income tax as described in paragraph 1 above (*Taxing companies*). Foreign companies which are not registered may be subject to withholding tax if they are in receipt of management charges or income derived from Uganda source service contracts. The rate prescribed by domestic tax law is 15%.

Companies servicing the mining sector will be taxed on the same basis.

### **Mining industry specifics**

As mentioned above the tax law does not provide a flat 30% income tax rate for mining companies. Instead mining profits are taxed on a sliding scale between 25% and 45% depending on the ratio of profits to revenues: the higher the profit compared to gross revenue, the higher the tax rate to be applied.

Mining companies are also subject to royalties and mineral rents.

### **Incentives**

Uganda’s tax law provides various incentives for investment in priority sectors of the economy. Certain expenditure on industrial buildings, plant and machinery is eligible for accelerated capital allowances. Tax holidays are also available for certain types of business, particularly those focused on agro-processing and exports. Some of these incentives may be available for projects associated with mining, oil and gas, depending on the specific circumstances.

### **Employees**

Companies are obliged to withhold income tax at source from salaries. Individual tax rates are progressive and the maximum rate (30%) applies to annual income in excess of approximately USD 2,500. Most types of benefit-in-kind are taxable. Residents are in general taxable on worldwide income, whilst non-residents and short-term residents are taxable only on Uganda source income. In addition to income tax, employers are usually required to withhold 5% from payments to employees which are allocated to the National Social Security Fund (NSSF). Employers make an additional contribution equivalent to 10% of employee remuneration.

### **Conclusion**

Tax is a complicated issue and limitations of space mean that this article can only give a flavour of the issues which may arise. You are recommended to take detailed advice before entering into any transactions.

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# **Oil & Gas Policy**

## What it promises; what it doesn't

**A**s Uganda prepares to start producing oil, the country's programme is viewed as an opportunity for Africa to reverse the chaotic experience that gave birth to the term 'oil curse'.

Oil industry experts say that, at the highest levels, the Uganda government has in some instances demonstrated a determination to ensure that the country's oil programme makes a clean break from the largely negative legacy of the industry in Africa by making the resource work equitably for the country's people.

Already many development partners and oil experts are excited by Uganda's recent move to put in place the Oil and Gas policy, coupled with setting up a governance regime for managing oil wealth and ensuring that the resource

does not result in the kind of economic distortions that would eventually be detrimental rather than productive.

"Our programme has generated a lot of interest because, unlike other countries that first discovered oil in Africa, we have a blueprint for managing it in a transparent and sustainable manner," said Finance Minister Syda Bbumba. The minister's remarks have been supported by several western commentators, who said that seldom have they seen so much effort put in by an African country into preparing a regime to ensure that the discovery of oil does not turn into a disaster.

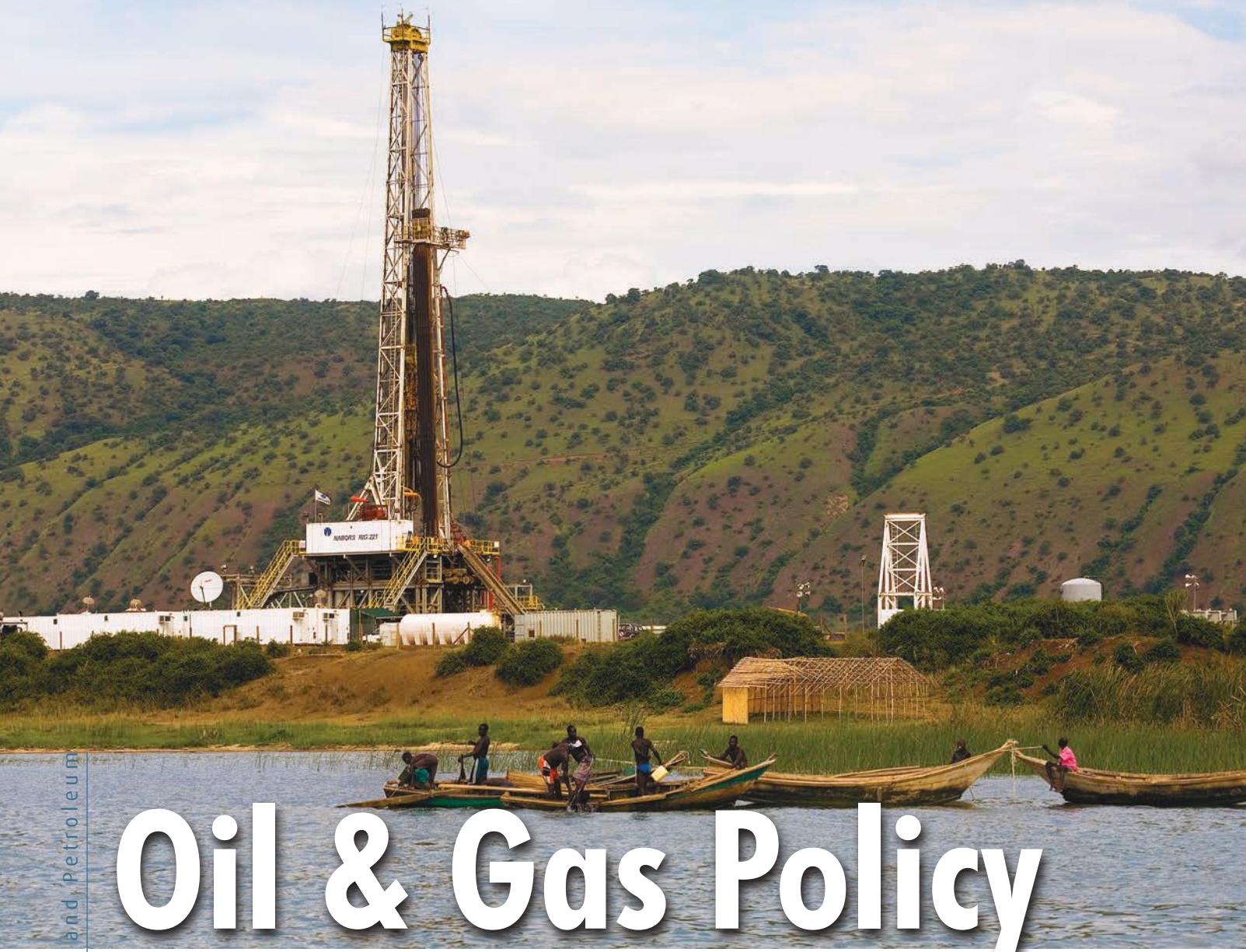
Citing Nigeria and Angola as examples, western experts say the sudden infusion of oil money into the national economy tends to tempt the political class into making massive investments

in infrastructure, which then trigger a spike in inflation. At the same time, the pull of oil wealth diverts attention from other critical sectors of the economy such as agriculture, leading to their collapse.

### **Curbing the oil curse**

Uganda, which has recently confirmed deposits that have been described as potentially the largest onshore oil fields in Africa, has tried to steer clear of these pitfalls by designing a National Oil and Gas Policy that sets the rules for disclosure and investment of all revenues from its hydrocarbons.

Working closely with Norway, Uganda has adopted a model that will see oil revenues go into a separate account at the Central Bank. Oil companies will deposit all government revenues into this account by electronic funds



transfer and the public will have unfettered access to information regarding transactions on this account.

The policy seeks to ensure that the country benefits from any oil reserves that might be discovered. It also seeks to encourage investment by petroleum companies and offer guidelines on oil exploration, transportation and marketing.

Last year, the Norwegian government gave Uganda's Energy Ministry US\$1.8 million to be used to strengthen the policy, train staff, build networks and set up a database over a three-year period.

The policy is an improvement on the existing Petroleum Exploration and Production Act 2000, which grants exclusive rights for exploration, development and production of petroleum in any licensed area.

Under the Oil and Gas Policy, the size and location of the acreage to be included in the Production Sharing Agreement (PSA) is settled by negotiation.

An exploration license is awarded for a period not exceeding eight years, divided into an initial exploration period not exceeding four years, a first extension period not exceeding two years and a second period not exceeding two years.

Uganda has so far defined five exploration areas in the Albertine Graben region. Three have already been licensed – the first to Heritage Oil and Gas Ltd (former Energy Africa Ltd), the second to Hardman Resources and Tullow Oil Company and the third was re-licensed to Heritage in September 2004.

In September 2005, Neptune Petroleum Ltd, now called Tower Resources, acquired exploration license over the fifth area. According to the Petroleum Exploration and Production Department in Entebbe, Exploration Areas 3 and 4 are still available for licensing.

The Oil & Gas policy also details the possible alternatives for transportation of oil if economically viable quantities are discovered. The options include laying a crude-oil pipeline to the oil refinery in Mombasa if there are substantial amounts. The pipeline

will run alongside the existing Kenyan pipeline from Mombasa refinery to Eldoret and Kisumu in western Kenya. The existing railway and road network will provide an alternative means for transportation of the refined petroleum products.

For the marketing policy or downstream, a single oil company will be assigned to market the oil, preferably the national oil operator that Uganda lacks. However, there is an assured potential market for oil products from Uganda. A report from the Petroleum Exploration and Production Department in Entebbe says that an estimated 150 million people in the region constitute potential consumers of Uganda's petroleum products.

The market embraces western Kenya, Southern Sudan, Uganda, northern and western Tanzania, Burundi, Rwanda and eastern Congo.

Total oil-products consumption in this region is estimated at over 5 million tonnes per annum, but considering that Uganda is a member of Comesa and the Preferential Trade Area (PTA), most of whose members do not produce oil, the market could be bigger still, says the report.

### **Scenario that necessitates the Oil and Gas Policy**

Tribal tension and wars as seen in oil rich countries of Nigeria and Angola are not alien to Uganda. Tribal tension has already gripped Uganda's oil-rich region of Bunyoro and there are fresh fears that the area could be swamped by a wave of instability, bringing on the very resource curse that the government has worked hard to avoid since discovering the deposits a few years ago.

These fears are not far-fetched. The fact that Bunyoro, until now one of the most stable areas of the country, is suddenly enveloped in tension, immediately raises questions of what instability in Uganda's oil-rich region means for production, with the start of drilling now in sight. This means oil revenues will soon start flowing in — further stoking tensions over its sharing.

The National Oil and Gas Policy Act is in place to cushion the country from going the way of Nigeria's Niger Delta and other countries that have struck oil but failed to manage the resource.

The oil in Bunyoro and in Amuru District of northern Uganda gives the country the capacity to produce up to 100,000 barrels of crude oil per day for 25 years, according to studies.

All the companies holding licenses are at either the first or second stage. It is understood that the operating companies are financing the exploration themselves but will be well compensated when the oil is out for production.

The initial revenue from oil will be remitted to the government with a gradual cut to compensate for their seed capital in exploration. It is not clear how much this compensation would be, but available evidence suggests that it will rise to several million dollars.

### **Ugandans' doubts**

The doubts being expressed are premised on the failure or refusal by the government to make public details of the Production Sharing Agreements (PSAs) it has entered with the companies prospecting for oil and the continuing reluctance to categorically commit to the Oslo-based Extractive Industries Transparency Initiative founded by former British premier Tony Blair in 2002 and endorsed by the G8 at their 2004 summit.

While the government argues that the Ugandan programme already meets most of the requirements spelt out under this initiative, members of the political opposition and civil society are reading a familiar pattern where President Museveni says the right things but seems reluctant to walk the talk.

On the other hand, Western donors are holding out with the hope that the systematic approach the country has taken towards exploiting its oil resource might just help it escape the pitfalls that have seen oil bring more misery than emancipation of citizens in those African countries that earlier discovered the black gold.



UCMP Chairman, Mr. Elly Karuhanga

**Mr Elly Karuhanga** is the current Chairman of the Uganda Chamber of Mines and Petroleum. He is also the President of Tullow Oil, Uganda, a Director of IBI Corporation. Mr Karuhanga is a lawyer and a partner of Kampala Associated Advocates. He is also the Honorary Consul of the Republic of Seychelles in Uganda. In this interview, he shares his views on the genesis of mining in Uganda, and the contribution of the mining sector, more specifically the oil sub sector, to Uganda's economy.

#### What are your earliest memories of mining and how long have you been associated with the industry?

The idea and business of mining is not new to me. We have a clan in south western Uganda called the Abaheesi, meaning iron smelters. I recall growing up in a place called Kyamuhunga in Bushenyi, where we had a lot of miners climbing mountains while hitting stones. That is the first time I saw a white man at our home, who had become a friend of my father. He made me interested in mining as a little kid.

In fact, the Vice Chairman of our Chamber, Mr. John Muyambi, is still mining in Kyamuhunga and three years ago, he discovered gold, which was about 360 ounces. At today's prices, he would have picked over \$1 billion.

## A new dawn

But the mining industry collapsed because of bad governments. It is a great pleasure to see Ugandans, their government, members of the international community working together to revive this sector. The players in the mining sector today are the successors and the modern Baheesi. We are the modern iron smelters, cement manufacturers, oil explorers and producers, gold miners, uranium and other mineral explorers.

Therefore, my association with the industry spans a period of more than 40 years. I am also a lawyer, an adviser and a member of the Board of Directors of a few of these companies.

#### What opportunities are there for investors interested in Uganda's mining industry?

Uganda is endowed with a wealth of mineral resources like gold, petroleum, copper, lead, zinc, niobium, coltan, tin, limestone, stone aggregate, marble, clay, sand. For now, artisanal mining is the third largest foreign exchange earner after coffee and fish. Only 0.6 percent of the Ugandan population is engaged in mining as opposed to 73 percent engaged in agriculture. The average artisanal miner contributes almost twenty times more to GDP than the average person in other sectors.

#### Uganda has had these minerals since time immemorial. How come we are yet to reap from them?

The prosperity of a nation is somewhat dependent on the vision of its leadership. I recently read a fascinating book, *The Tide of Fortune*, Mr Munabhai Madhvani. I read that in the late 1960s the Madhvani and Mehta families, the sugar barons of Uganda, had obtained an amazing business opportunity from the USA. They were to export sugar duty and quota free into the American market. It was a great opportunity. Then in 1972 the President of Uganda by then, Idi Amin, arrested Munabhai Madhvani and detained him in a bizarre military barracks of Makindye, his torture and killing. Consequently, all the Asians were expelled and left the country. This great opportunity was completely lost to Uganda, which was producing

72,000 tonnes of sugar in 1972. It is sad that by 1986, Uganda was producing no sugar and Kilembe mines had closed down, all our tea estates were abandoned and the country had come to a complete halt. Earlier, in 1969, President Milton Obote stood in Nakivubo Stadium and announced that government would nationalise all industries, which is up to now remembered as the famous Nakivubo Pronouncement.

The lesson of the Amin dream and the Obote pronouncement is that leadership matters and that politics matters. We must therefore realise the need and importance of clear headed leadership. We must therefore salute the vision and efforts of President Museveni and his government for reviving the mining and petroleum sector among others. I call upon future leaders to take the leadership challenge seriously for a bad leadership, incompetent leadership can destroy a country.

### **But industry and government are not sufficient in themselves in this 21st century to transform society. What is that crucial element lacking in a country like ours?**

The biggest problem in countries like ours is that we are perishing because of lack of knowledge. Oil, gold or agriculture do not develop nations without knowledge. That is why there is a difference between Japan, one of the biggest economies in the world, and Saudi Arabia, the largest oil producing nation in the world. The American oil industry is one of the biggest in the world and yet America's oil reserves are fairly modest. The development of countries like Japan, China, USA, France, Norway and the UK is testimony to the power of good leadership, research and knowledge.

A young man called James Opio has contributed an article in this magazine. He got a masters degree in Chemical Engineering from Xiamen University in mainland China. His thesis was; "the study of novel approaches to the synthesis of gold on titanium silicate one for gas phase propylene epoxidation in the presence of Oxygen and Hydrogen." The point is in his thesis he discovered novel approaches to science and has been copyrighted by the Chinese University. Fortunately, the young man, together with other young and bright scientists, is now employed in the Uganda Industrial Research Institute.

For this reason, we have invited the Vice Chancellor of Makerere University and other University leaders to join our chamber. And the Vice Chancellor has contributed his views on the mining sector to this magazine.

The future of Uganda is in the search for knowledge, starting in these Universities.

There is ongoing debate about the possibility of the recently discovered oil becoming a curse for Uganda. How can we prevent such predictions coming true?

Long before we discovered oil, we had and still have fertile soils and reliable rainfall. We were and still are a large coffee producer and were producing copper at Kilembe Mines. I never heard of the copper curse, or the fertile soil curse or the great weather curse. Or the fresh water curse.

I find it quite a paradox to engage in a serious debate, with some sponsored NGOs about whether oil is a curse. It is like saying a man is very hungry because he has a lot of food.

But the public perception is that foreign companies in the mining and petroleum sector are here to reap money and take it back to their countries. How can you allay such fears?

Let me tell you how the companies investing in Uganda's mining and petroleum sector are the true friends of Uganda. Take the example of Tullow Oil Plc. Its shareholders and partners have invested close to \$1 billion in Uganda and are planning to with its new partners an investment of about \$15 billion in the whole area of exploration, power production, refinery, pipelines, etc. They have discovered the hidden treasure of oil in Uganda estimated at \$60 billion to be exploited for Ugandans, and they are putting this wealth in the hands of Ugandans and its neighbours.

It is estimated that when full scale production commences in a period of three to five years, over 10,000 Ugandans will be employed in the oil industry alone. There will be a lot of multiplier trickle downs in the economy. How can that be a curse and how can somebody claim that these companies are here to take money back to their countries?

Recently Tullow decided to list on the Uganda Securities Exchange. This was unprecedented in the history of the oil industry in Africa. Ordinary Ugandans will now be able to own Tullow shares and benefit from the boom that investors in Europe are already enjoying because of Tullow's unparalleled growth. This is Uganda's biggest ever listing and it is likely to forever change the face of the Uganda Securities Exchange. Tullow's current worth is well over Ushs35 trillion and is four times bigger than all the companies listed on the Uganda Stock Exchange combined.

Another example is Neptune Petroleum (U) Ltd, which has invested over \$40 million in Uganda and employs thirty nine Ugandans and one expatriate. In spite of this investment, Neptune has not yet found oil. They have employed our people and risked their money, and yet if they do not find oil, this country will not pay them a penny in return.

This investment has not just been financial. A Heritage employee, Carl Nefdt, was murdered as he helped search for Ugandan oil. More so, Heritage has built a modern school for 700 pupils in Bugooma Sub County in Hoima District in honour of Carl. What one needs to do is to visit those areas and see how much these oil companies have done where they operate.

#### **What is being done to equip Ugandans with knowledge to participate in the oil and mining industry and not live it to foreigners?**

Because of the oil discovery, Makerere University has begun a degree in Petroleum Geo Science. The Uganda Christian University, Mukono is also starting to teach Oil and Gas Law at a Masters and Undergraduate level soon. Further, the Uganda Industrial Research Institute is working together

with the Government and members of the chamber to establish the Petroleum Institute at Kigumba to train people in Petroleum Geology, production and related sciences. I encourage you to read the interview with the Vice Chancellor of Makerere, which has extensively covered this subject.

This industry is already at the forefront of training our young people, equipping our business, rejuvenating our stock market and placing us squarely on the world map. It is turning Uganda into a proper investment destination.

#### **You don't believe in an oil curse. What then are the blessings that Ugandans are likely to receive?**

There is a runyankitara hymn "Guma obare Emigisha yawe ei Ruhanga akuhaire," meaning count your blessings; name them one by one and you will be amazed at God's love for you. This oil that is bringing jobs, agriculture, health, wealth, education and happiness is a true blessing.

#### **Any last word...**

Finally, I thank his Excellency the president for launching our chamber, our magazine and our website, and for bringing his comrade President Jacon Zuma to grace this important occasion. I thank the members of the chamber who come from the mine mining and petroleum companies, medium sized companies, service sectors like banks, transport companies, freight forwarders, hoteliers, insurance companies, auditing firms, institutions of higher learning, heavy equipment suppliers, rig operators registered with the chamber, and call upon those not yet registered to register with the chamber so that we can have a collective voice that can spearhead the interests of our members and ensure that we have a fair hearing at legislation and administrative level in all areas of activities.

I thank you. Africa Aluta Continua.



Officials from the Korea National Oil Corporation led by President Young-Won Kang (4th R) visiting the Chamber

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# Oil is Upon Us:

## Financial Rules Vital For Economic Stability

**How prepared is the country's financial structure to handle the enormous proceeds from oil production?**

It will be necessary to make some changes to the institutional arrangements for public financial management to accommodate the revenues from oil production. The details of these arrangements have yet to be finalised, however Government is considering policy proposals for revenue management. I believe that all of the oil revenues accruing to Government should be collected by Uganda Revenue Authority and paid into a distinct Petroleum Fund, which should be controlled by the Ministry of Finance, Planning and Economic Development. The Bank of Uganda should be given the responsibility for managing the Petroleum Fund, because of its expertise with managing foreign exchange reserves. Oversight of the Petroleum Fund should be provided by the Auditor General and Parliament.

All Government spending out of the oil revenues should be implemented through the Government budget, utilising the normal budget processes, after appropriation by Parliament. This is the best way of ensuring that spending is implemented efficiently, transparently and in accord with the wishes of Parliament. Every year, a transfer of money should be made from the Petroleum Fund to the Government budget.

**When do you foresee a real impact from the “black gold”?**

It is likely that oil production will begin in the next year or two and will probably reach the maximum level towards the end of the decade. However, for Uganda to derive maximum benefit from oil, the spending of oil revenues should be carried out in a sustainable manner and spread out over the long term. Public expenditure will start to rise gradually over the medium term, in line with the implementation capacities in the public sector. In addition, the Ugandan economy should begin to experience an increase in private investment over the medium term, as private companies seek to build capacity to serve the expanding markets.

**How does Government plan to spread out the proceeds from oil?**

As noted above, the oil revenues collected by URA should be paid into the Petroleum Fund. To determine how much money is transferred from the Petroleum Fund to the Government budget every year, Government should adopt a fiscal rule. The fiscal rule (or fiscal anchor) should have two objectives. First, it should ensure that spending out of the oil revenues can be spread out over a long period, so that the Petroleum Fund still has resources remaining in it even after the oil has run out, thereby enabling future generations of Ugandans to derive some benefit from the oil. Secondly, the fiscal rule should aim to stabilise public expenditure over the long term, by delinking annual public spending from the ups and downs of the oil price and production levels. This is necessary to allow public expenditures to be implemented efficiently and to prevent volatility in public spending from destabilising the macroeconomy.



### **What impact will oil revenues have on the economy?**

Oil revenues will have several important effects on the economy. First, oil revenues will raise national income: the Ugandan economy will become larger, allowing incomes per capita (e.g. real wages) to rise. Secondly, Government revenues will increase enabling public expenditure to expand. Consequently Government will be able to improve public services and public infrastructure. Thirdly, because oil revenue will boost foreign exchange earnings, there will be a real appreciation of the exchange rate. This will shift the structure of the non oil economy away from traded goods such as agriculture and towards non traded goods. The traded goods activities which are currently only marginally viable will go out of business when the real exchange rate appreciates. In contrast, there will be investment in, and an expansion of, non traded goods industries such as construction, transport and other services, because demand for the products of these industries will increase as a result of the rise in national income.

### **What policies can be implemented to mitigate the consequences of “Dutch Disease”?**

Some degree of real exchange rate appreciation and a consequent shift of resources away from tradables excluding the oil sector into non traded goods are both inevitable and optimal if Uganda is to benefit from the production of oil. It is neither possible nor desirable to protect all sectors of the economy from the impact of real exchange appreciation.

However, to maximise the benefits of oil and mitigate the negative consequences, Uganda must ensure that economic growth does not slow down and also that sufficient new jobs can be created in expanding non traded goods' industries to replace those which are lost in the least competitive traded goods' industries.

To prevent economic growth from slowing down, it is essential to maintain competitive markets to stimulate improvements in efficiency and labour productivity. An important policy tool to facilitate this will be the establishment of the East African Community Common Market which will allow greater competition throughout the region. It is crucial that Uganda maintains liberalised markets, and resists pressures to protect or subsidise uncompetitive industries, because this would make the economy

less efficient and would impede growth. A large part of the increased public spending which is made possible by the oil revenue should be allocated to areas which can raise the efficiency of the economy over the long term, such as improving the quality of education and building public infrastructure which complements private sector activities.

To create more employment it will be necessary to strengthen the business climate to promote the growth of labour intensive small and medium scale industries and to improve the vocational skills of the workforce. It will also be vital to maintain macroeconomic stability, the most important requirement for which are sustainable fiscal policies and a stable long term profile of public expenditures. As mentioned above, one of the objectives of the fiscal rule which Government should adopt is to ensure that fiscal policy does not undermine macroeconomic stability.

### **What plans are there to set up a State Oil Fund?**

As already noted, it is desirable to set up a State oil fund – the Petroleum Fund - into which oil related revenues will be paid. Some of the money collected in the Petroleum Fund will be transferred every year to the Government budget in accord with the Government's fiscal rule for spending oil revenues. The rest of the money should be invested in high quality (investment grade) financial assets abroad, so that it will earn income which will be added to the Fund.

### **Why should the world's big firms invest in Uganda's natural resources?**

Uganda will offer many attractive investment opportunities for the private sector, not just in the oil industry but in many other sectors as well. In the oil industry, there will be profitable opportunities in oil production and downstream activities such as refining. The long term growth of the Ugandan economy together with the establishment of the East African Common Market will create opportunities to invest in a range of industries serving the local and regional markets.

There are other aspects of the investment climate which also make private investment attractive. Uganda has a good track record of macroeconomic stability and low inflation and tax rates are moderate and stable.

# Tracking Our Mining Story



**M**r John Dambio retired from Uganda Cement Industry Ltd in 1996, shortly before the government sold its stake in the company to a private investor. But 14 years later, he still speaks with affection about the company that built “a firm foundation” for his present life during a career that spanned 16 years.

“I got the opportunity to join the private

sector and since I went private, I have tried to develop myself,” explained Mr Dambio, who is now in the construction sector. “I used the knowledge and materials that I learnt during my time as supervisor of the quarries to go into construction.”

Unlike the retired geologist however, Tororo District, where limestone – the raw material that fed the insatiable cement manufacturing plant – is found, did not

reap as much. With little to show for its glorious past as one of the bastions of Uganda’s mining and manufacturing sector, Tororo town is a pale shadow of what it once was.

“Tororo has not benefitted from mining because the processing of limestone for lime has, to-date, not been developed to acceptable international standards,” argued Mr Dambio.

One of Mr Dambio’s enduring beliefs is that had the government helped the numerous local producers of lime to improve both their quality and capacity, then the more substantial ripple effects of Tororo’s mining opportunities would have been felt even by those not employed by the cement factory.

Mr Dambio and Tororo District are but two microcosms of the history of Uganda’s mining sector. When Uganda’s department of geological survey and mines was formed in 1919, some 34 years before the incorporation of Uganda Cement Industry in 1953, the mining sector was only getting on its feet.

Because Uganda was under British colonial rule at the time, the mining sector was in foreign hands. Among the most prominent foreign geologists was K. A. Davies, who served as Uganda’s Director of Geological Survey for 13 years from 1939. It was towards the end of Mr Davies’ tenure in 1952 that his and prior teams’ efforts began to bear fruits.

The mining industry in Uganda reached its peak levels in the 1950s and 1960s when the sector accounted for up to 30 percent of the country’s total export earnings, according to statistics from the Ministry of Energy and Mineral Development.

However, the political and economic instability that spanned nearly two decades from the early 1970s negated the gains made to the extent that by early 1990s, the contribution of the mineral sector to Uganda’s Gross Domestic Product was only about 1 percent.

During the downward spiral, the country’s leading mining sites like that of copper and cobalt in the western Uganda town of Kilembe, beryl in Bushenyi and phosphates in Tororo, shut down.

In 1989, the government, with the support of the French government and later the

# Non-tax revenue collected in 2008 from mineral production

Details of NTR	Annual Total
Prospecting license fees	18,600,000
Exploration license fees and rents	425,262,000
Retention Licence fees and rents	920,000
Location fees and rents	14,500,000
Mining Lease/SML fees	38,836,000
Mineral dealers license fees	73,000,000
Royalties*	2,282,377,136
Import fees *	664,172,065
Gold smiths licence fees	3,000,000
<b>Grand Total</b>	<b>3,520,667,201</b>

\*80% of royalties go to Central Government, 17% to District Governments and 3% to landowners (where the minerals are produced)

\*Import fees are paid by mineral dealers who even sometimes re-export the minerals

United Nations Development Fund, carried out an appraisal of mineral occurrences in the country in an attempt to rejuvenate the sector. According to a report titled, ‘Investing in Uganda’s mineral sector’, this resulted into the exploration of cobalt in Kasese District, gold at Tira near Busia, the Bjordal wolfram mine at Nyamuliro in Kabale, Kisita gold mine in Mubende, and Namekhara vermiculite mine in Mbale.

The report says the rush by investors to develop such sites saw the number of mining licences issued to investors shoot up; it says that in 1990, there were less than 50 licences issued in the exploration and mining licence categories but by the end of 2000, the government had issued 221 licences.

“Nonetheless, current mineral production is still too low to meet local industrial demand. Limestone mined for the production of cement and lime is consumed largely in the local market. Aggregate, gravel and small quantities of gold, tin and tungsten concentrates are currently produced largely for export. There are many high mineral potential areas in Uganda, which remain inadequately explored despite the country’s long history of production,” noted the report released in 2002.

With the output still low, the government took yet another step to develop the mineral sector. In 2001, it put in place a new Mineral Policy with the aim of stimulating mining sector development by, among other things, promoting private sector participation. Consequently, legal and fiscal requirements for acquisition of exploration and retention licences, as well as mining

agreements with the Uganda government, were changed to make them internationally competitive.

Two other crucial roles that the Mineral Policy 2001 mandated the government to play are; acquisition and dissemination of modern geological data and information, as well as building local capacity to manage the mineral sector.

Energy and Mineral Development Minister Hillary Onek says the government has now acquired sufficient geophysical data for prospective investors, and subsequently released it to the public on December 13, 2007 and August 1, 2009. Mr Onek says the fact that many investors in the mineral sector have obtained the geophysical data is a sign that it is meeting the government’s objectives.

“Following the recent interventions in the sector, we are already seeing an upward growth in exploration for various minerals and also expansion in mineral production. For instance, whereas in 2004 there were only 220 mineral licenses, the number had increased to 498 licenses as at 30 June 2009. The corresponding Non-Tax Revenues have more than tripled to over Sh.3.3 billion over the period,” Mr Onek told participants at the first symposium on Uganda’s Airborne Geophysical Surveys, which was held in Kampala on July 16-17, 2009.

The government carried out the surveys as part of the Sustainable Management of Mineral Resources Project (SMMRP), a donor-funded initiative started in 2004

to stimulate the development of potential aspects of the mining sector. SMMRP also seeks to strengthen governance and transparency to boost investor confidence, protect the environment, support small scale mining and community development, as well as develop the skills capacity of the sector.

Mr Onek says the government also now has a data acquisition policy, which requires that the user signs a confidentiality agreement prior to being given the required data, and pays “a minimal reproduction cost”, as a form of commitment.

The government is also confident that it has built sufficient capacity to manage the sector, which currently employs 1,500 people formally and about 200,000 informally.

According to Joshua Tuhumwire, Uganda’s Commissioner for Minerals, the government has built capacity right from the ministry to the small scale miners and artisanal operators.

“Overall, building institutional capacity has been undertaken with three members of staff currently pursuing PhDs in mineral processing and mining engineering; environment sciences and in geophysics/seismology, 13 have completed MSc and three BSc degrees. In addition, over 100 trainings such as in-house and short-term trainings covering administration, management, technical and professional areas, were undertaken. Both the staff and stakeholders were beneficiaries,” he notes.

Mr Tuhumwire says that under the com-

## Mineral Production for 2008

Mineral	Average price per tonne (10 <sup>3</sup> UShs)	Quality in Tonnes	Average in Value (10 <sup>3</sup> UShs)
Limestone	120	274,668.87	32,960,264
Pozollana	21	332,636.07	6,985,357
Gold (kg)*	42,672	1.86	79,370
Vermiculite	340	0.00	0
Cobalt	66,299	662.48	43,921762
Wolfram	29,945.61	60.87	1,822,789
Synenitic Aggregate	1.5	11,897.57	17,846
Kaolin	100	3,738.43	373,843
Iron Ore	70	1,739.90	121,793
Gypsum	100	84.42	8,442
Lead	5000	0.00	0
Coltan (30% Purity)	160,067	0.00	0
Tin (35% Purity)	22,069.20	40.00	882,768
Manganese (above 46% Mn)	183	1,000.00	183,000
Beryl (1% Beryllium)	1,225,000	0.00	0
<b>Grand Total</b>			<b>87,357,235</b>

\*Average price of gold on LME and average URA monthly fixed exchange rates were used to compute the average value of gold (and other minerals) over the year

\*There was a 9% decline in the overall value of minerals produced in 2008 compared to 2007.

munity development and small-scale miners' initiative, more than 1,000 persons have been trained on basic geology, modern and sustainable methods of mining, health and safety and legal legislation governing the sector. It has also encouraged the formation of associations in an effort to mitigate illegal activities.

"The outcome of this activity is responsible for acquisition of over 80 prospecting licenses and grants of 10 location licenses to small scale operators. In addition, small grants are to be extended to enhance their productivity," he explains.

But even these efforts are yet to fully kick-start the full exploitation of minerals in a sector from which, experts say, Uganda has the potential to realise up to 300 times its current produced mineral value once crucial and technical adjustments are made.

"Current minerals mined and exported are wolfram, beryl, vermiculite, cobalt and gold. The mineral production is currently low, but with the newly acquired geodata now available, it is hoped that the sec-

tor will in the medium term contribute significantly to the economy," notes Mr Tuhumwire.

According to Mr Tuhumwire, the major challenges facing the sector include the difficulty in accessing land for investment because Uganda's Constitution vests ownership of minerals to government and land (which host these minerals) to the people, the low salaries paid to the public officers that have led to departures for greener pastures, and the inadequate funding to support meaningful basic exploration, inspection and monitoring of sector activities.

Mr Tuhumwire says some of the initiatives that are likely to further boost the sector include gazetting all areas meant for mining, review of the Constitution, paying adequate salaries and retention allowance to public officers in the sector, as well as increase budgetary provision to support activities of the department of geological survey and mines. The last idea is one that seems to strike a chord between a government bureaucrat and retired geologist Dambio. Asked what

he thinks would help revive the mining industry, Dambio believes the master plan lies in the fortunes from the recent discovery of oil deposits in the western and northern parts of the country.

Mr Dambio says when he first heard of the oil discovery, which will make Uganda one of the world's leading producers with the potential to produce 100,000 barrels per day for at least 25 years, he thought the financial resources that the country is likely to make as one of the factors that can jump-start the mining sector towards achieving its full potential.

"If our leadership is very straight in planning to revamp our economy, it would only be right to put a lot of resources in the manufacturing sector. We have a big mineral potential. For instance, iron ore is a big backbone of manufacturing; there is tin in the west. It would make a difference to the manufacturing industry," he said. "With mining, when you start with one product, there are very many other by-products that you can get from the process."

# TULLOW OIL

## Makes A Foray Into Uganda

Tullow Oil has made a bold entry onto Uganda's private sector scene and nascent oil and gas industry. Laura Hughes-the Senior Commercial Advisor and Jimmy Kiberu, the Head of Corporate Affairs at Tullow trace the history and present the company's outlook in Uganda.



Tullow Chairman, Pat Plunkett (C) accepts the 'FT Arcelor Mittal "Boldness in Britain" Award for Entrepreneurship', which he received from Lakshmi Mittal (R) Chairman and CEO of ArcelorMittal and Lionel Barber, editor of the FT

### Genesis

Like most successful ventures in life, Tullow Oil started out with a good idea, some creative flair and a lot of bottle. In 1985 a young Irish entrepreneur, Aidan Heavey, set out for Senegal, with the idea of buying into a gas licence in order to start an oil and gas exploration company. Recalling Tullow's early days, Aidan reflects "I knew nothing about the oil and gas industry at the time, which made it more challenging. No one thought Tullow would succeed because of my lack of knowledge of the industry, I had no major backers and I was starting a company in a country with no oil industry." However, that lack of confidence in the new venture was misplaced, as within 2 years Tullow was producing gas in Senegal. The company has never looked back.

By 1987, Tullow achieved first gas production in West Africa and in the same year listed on the Irish and UK Stock Exchanges, providing vital access to funds through committed shareholders and opportunities for growth. In 1989 Tullow was awarded its first UK licence, and also expanded operations across the globe, to places as diverse as Syria, Spain, Italy and South Yemen.

### Steady Growth

Through the 1990's the company grew steadily with ongoing operations in 8 countries across the globe, but in 2000 the pace changed at Tullow. With the acquisition of a number of Southern North Sea production assets in the United Kingdom from BP, the company had a chance to prove that it was able to run major gas producing assets more efficiently and more innovatively than the major oil companies who had dominated that basin for so long. Strong sales and profits were achieved, allowing the group to re-focus on exploration activity in high-potential areas.

Always with an eye on opportunities to expand the African portfolio, Tullow acquired Energy Africa – a successful exploration

company with it a portfolio of exciting exploration opportunities across the African continent. With this successful acquisition between 2004 and 2006, Tullow stepped up a gear, and its operational base expanded from 8 to 22 countries. Five oil discoveries were also made in 2006 in the Albertine Basin in Western Uganda, proving up a working hydrocarbon system, and for the first time suggesting that oil production in Uganda could be a reality. At the end of that year, Tullow finalised the acquisition of Australia's Hardman Resources, further increasing Tullow's presence in Uganda and across the globe.

### Exploration Success

In 2007 Tullow recorded its largest ever discovery with the successful drilling of the first well of the giant Jubilee field in Ghana and swiftly started moving forward with an ambitious development plan. Further exploration success in Uganda confirmed the promise of oil production in East Africa, and current development plans underline Tullow's long-term commitment to working with host countries to maximise the value of their resources.

Aidan Heavey has graduated from being a plucky accountant with a crazy idea, to being the longest serving CEO of a FTSE 100 company; also the 4<sup>th</sup> largest oil company in the UK. His entrepreneurial spirit has been passed on throughout the company – and Tullow Oil has recently received the Financial Times ArcelorMittal award for Entrepreneurship in recognition of its innovative and dynamic approach to doing business.

### The People

Today, through the entrepreneurial efforts of a much larger team, Tullow is one of the leading independent oil and gas exploration companies in both Europe and Africa. Aidan agrees that people are Tullow's most important resource; "Oil and gas are things that come and go, like the stock and trade in a shop, but it is the people that are the main asset of the company. With investors and share-

holders spending up to \$100m per well, the last thing you want is an idiot telling you where to drill.” It is with this in mind that Tullow has built a reliable team, almost 800 strong, of skilled professionals and promising young people who are committed to building experience in the oil and gas industry. The company not only values technical professionals, such as geologists, well engineering and process engineers, but relies heavily on input from finance, legal and economics specialists to ensure sound, business-focused, planning and decision making.

As the company has grown, Tullow has sought to maintain the values that have brought it success. These values can be seen displayed in any Tullow office – Commitment to Tullow and each other, Focus on Results, Integrity and Respect, and Entrepreneurial Spirit and Initiative.

With over 75% local staff, supported by a team of experts with international oil and gas experience, Tullow’s Ugandan team is gearing up to turn the promise of oil resources in Uganda into reality. Now almost 100 strong, that team has the same amount of zeal and creativity that saw the first Tullow team bring about production in Senegal over 25 years ago. Abdul Kibuuka, Human Resources Manager for Tullow Uganda, reflected on his first impressions of the company “What attracted me to Tullow is its spirit of entrepreneurship, which led it to open up maiden E&P industries in several African countries previously shunned by the traditional oil companies.” Abdul has not been disappointed - “I am thrilled by the empowerment Tullow has given us in-country to drive decisions that position Tullow for long-term success in Uganda.”

## Community Participation

Tullow’s focus on people does not stop with its employees. The company has made a fundamental commitment to being a good neighbour, and as such works with local communities to address

some of their most pressing needs in areas of health, education and environment. In addition Tullow has a new focus on developing local enterprise to help diversify the local economy and build capacity and development opportunities for the long term. Tullow believes that natural resources should be turned into shared national prosperity, and as leading entrepreneurs in the oil industry, the company believes it can play an important role in making that happen.

## The future

Tullow’s strategy for the future remains the same as it has been for a number of years – delivering sustainable long term growth by balancing project delivery with high-impact exploration, underwritten by continued commitment safety, environment, stakeholders and people.

In Ghana, first oil from the Jubilee field is on track to start flowing at the end of 2010. This will be a global record for offshore development – a mere three and a half year from discovery to production. This project in a multi-national venture in its own right, with engineering and management being conducted in Ghana, UK and USA, and fabrication taking place in Singapore, USA, UK, Finland and France.

In Uganda, in close collaboration with the Government, Tullow is in the process of introducing new partners to the country, to acceleration appraisal and development of the new basin. This is being done with the view to enable an in-country refinery and export of excess crude within the next 4-5 years.

These two world-class development projects are attracting a large amount of focus from the Tullow team, but new exploration is not being neglected. In addition to continued exploration in Ghana and Uganda, Tullow has plans to look for more oil and gas in Sierra Leone, Liberia and Cote d’Ivoire, and across the other side of the Atlantic in Guyana and French Guiana. With additional activities in Europe and Asia, the Tullow team is going to be very busy throughout 2010 and beyond.

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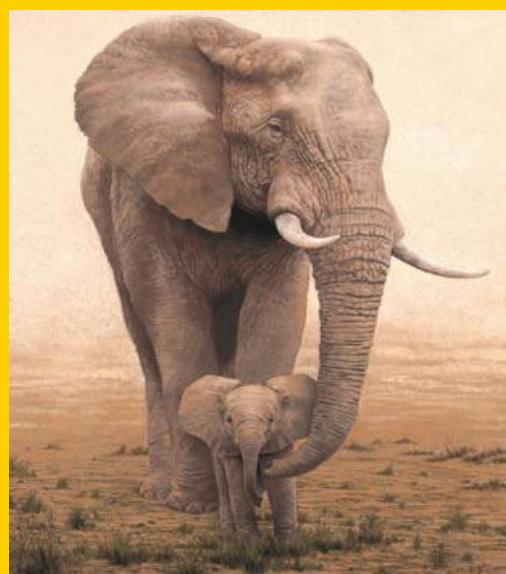


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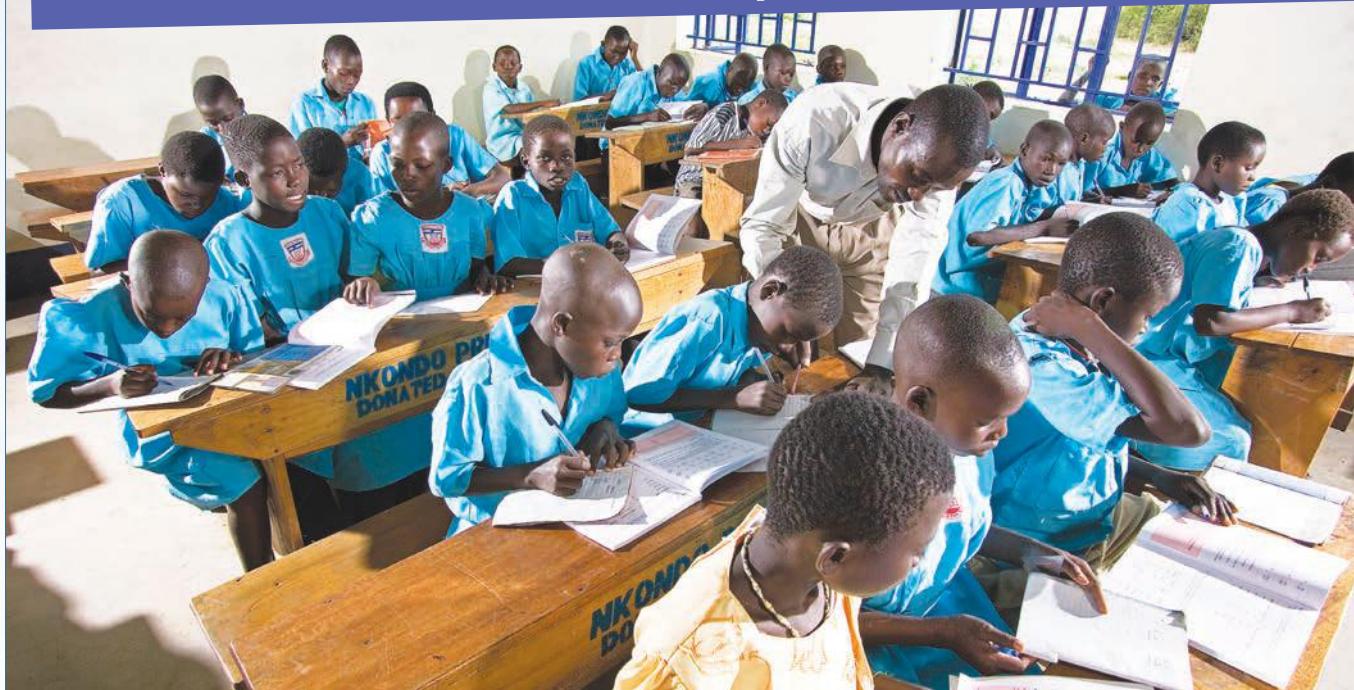
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# Transforming *Lives in Uganda* Through

## Tullow's Social Enterprise Programme



■ A teacher helping students at one of the schools set up by Tullow

Working with communities is second nature to Tullow Oil. This is certainly the case in Uganda where since its entry in the country so many communities have been positively impacted by Tullow Oil's responsibility initiatives as Pamela Uwakwe and Nahya Nkinzi of Tullow's Social Enterprise team report.

### Approach

Tullow prefers to describe its work in support of development as *Social Enterprise (SE)*. This concept better describes our commitment to both social empowerment and economic development. We understand SE to mean "*the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community and society at large*".

### Background

Although Uganda has experienced significant economic growth for the past decade, it remains one of the poorest countries in the world with 31% of the population living below the poverty line. Social indicators in the two districts Tullow operates in (Hoima and Buliisa in western Uganda) in terms of health, education, access to safe water and sanitation, are among the lowest in the country. Daily life for rural people is also defined by their geographical remoteness, with many households being on average 10 kilometres away from a dry weather road and 18 kilometres from public transport services. Up to now, the ma-

jority of people in the area have depended on agriculture for their livelihoods but this is a precarious existence, and a cycle of poverty is all too easily perpetuated. Being richly endowed with natural water resources, fishing is a major economic activity, particularly on Lake Albert. However this lake is now experiencing over fishing, emphasizing the need for diversification of rural income opportunities.

### Tullow in the community

Tullow believes that the significant oil resources we are helping the government to exploit will have a major transformative effect on the overall Ugandan economy, and in turn, on human development. As a responsible operator and good neighbour, however, Tullow works directly with the communities adjacent to our activities (Hoima and Buliisa), addressing their most pressing needs to improve quality of life as well as enabling longer-term sustainable social empowerment. Together with partners and communities, we strive to ensure the improved health and lives of communities associated with our operations. To stay in business for the long term, we must demonstrate that we are part of society, making a unique and valuable contribution to economic and social development through responsible operations. In particular we look forward to helping to develop local enterprise to both diversify the local economy and build capacity and development opportunities for the long term.

## **Social Investment**

Work started in 2007, with much of our early investment focused on the Kaiso-Tonya area of Hoima District. Our initial focus has been on Health, Education, Water and the Environment. One school block in Nkondo Village has been built with more on the way. The women and children in Kaiso-Tonya now receive their vaccinations in a brand new health clinic which is managed in partnership with the local government. Local community groups working on issues such as income generation, HIV/AIDS, Water & Sanitation and water safety also received financial and technical support. These early ‘exploration phase’ activities have laid a solid foundation for a long-term community partnership focused on community empowerment and economic development.

## **Impact so far**

### **\* Infrastructure**

Prior to Tullow’s operations, the 23,000 square km stretch of the oil-prospective Albertine Rift was a remote and inaccessible area. These once isolated areas have been opened up and linked to the rest of the world with upgraded murram roads, which will soon be tarmacked to enable oil distribution to local and regional markets. Road infrastructure has greatly reduced transport costs and led to the faster delivery of supplies and products. Overall infrastructure and social services have started to improve; new jobs have been created, while fishermen and farmers have a bigger market for their produce.

### **\* Health**

When Tullow began operations, one of the basic needs of the communities in Kaiso Tonya was a health centre. The nearest health centre was over 45kms away and many women used to give birth with the help of traditional birth attendants. The Kyehoro Maternity Centre now a level II Health centre built by Tullow in 2007 offers free antenatal services as well as voluntary HIV/AIDS counseling and testing. The first new babies were born in this clinic in 2008. We are also working in partnership with the German Development Service (DED) and Health Initiatives for Private Sector (HIPS) USAID to co-sponsor Community Health, HIV/AIDS/STD and hygiene programs around Lake Albert. The partnership aims at addressing the devastating impacts of HIV/AIDS in host communities and businesses in Tullow’s area of operation. It also implements health initiatives such as malaria prevention and raises awareness on family planning, hygiene and sanitation issues.

### **\* National Lake Rescue**

The National Lake Rescue Institute, in partnership with Tullow operates from two stations along Lake Albert providing essential search and rescue services. So far 170 lives have been saved over the last year. This project has benefited both Ugandan and Congolese communities using the lake.

### **\* Clean water provision**

A key prerequisite for healthy lives and livelihoods/economic

development is access to clean water. Tullow has worked in partnership with a local NGO to support water and sanitation programs for Kaiso Tonya and Bulisa through the provision of community bore holes and rain water harvesting tanks for primary schools. These water projects are also linked to the community health programs through joint sanitation and hygiene awareness-raising campaigns for maximum impact.

### **\* Education**

Improving the quality of primary education and primary school infrastructure at community level is essential to building the foundation of an educated workforce that is able to participate and benefit from the economic opportunities that oil industry development will bring in the longer term. Tullow has supported capacity building for teachers, government officials, school management committees, construction and/or refurbishment of classroom blocks and the construction of water harvesting tanks for primary schools. School text books benefiting over 22,000 children in the 2 districts have also been provided.

### **\* Sustainable exploitation**

Tullow has also been promoting the sustainable use of natural resources through its SE initiatives. 100,000 tree seedlings have been planted in the two districts. In addition, women in Kaiso-Tonya have been trained in construction of energy saving stoves and briquettes as a quick start activity to address fuel wood scarcity.

### **\* Response to natural disasters**

As a responsible corporate citizen, Tullow Oil has also been responsive to the national call for action when disaster has struck. During the recent mud slides that buried two villages in Bududa, eastern Uganda and claimed several lives, the company responded swiftly and contributed Uganda Shs 100, 000, 000 (about \$50,000) to a disaster relief fund that was established to assist the affected communities.

### **Future**

Moving forward Tullow’s main social investment theme will be *‘developing entrepreneurs’*. We realise that health, education and environment programmes are the primary prerequisites for building entrepreneurs and an entrepreneurial environment, many of our initial social sector investments will continue. In addition however, we will work to create a skilled workforce and a diversified local economy. This will be achieved by supporting agro-enterprises and other small/medium enterprises (SMEs) that enable people in the communities to create or obtain employment. SE will focus on developing community skills, capacity and community incomes to yield more sustainable benefits. In addition to community projects, we will also help to build capacity for the oil and gas industry and support local content initiatives in Uganda.

Tullow constantly strives to be a force for transforming people’s lives in the countries in which we operate. We have great hopes for Uganda!

# Minerals are for a season; environment here to stay

IT was like a bad dream for Paul Buyerah Musamali, an official of the National Forestry Authority (NFA) when he found bulldozers pushing down large trees during the construction of a road across Kashoha-Kitomi forest reserve. A company that was prospecting for gold in Kakasi, an enclave of the reserve had gone against environmental regulations to create the road in the heart of the protected forest reserve.

"This created a big loss in flora and fauna," said Musamali while commenting on the incident that took place three years ago.

Kakasi reserve is an enclave of Kashoha-Kitomi forest reserve where local communities have been undertaking artisan mining for many decades.

In a proposal submitted by Mauve Uganda Ltd, the private company said they intended to undertake commercial gold mining later. "The purpose of exploration is to establish if the area has commercially viable quantities of gold and lead metals," it said.

But NFA and the National Environment

management Authority (NEMA) said the private company has to take care of environmental concerns and put in place mitigation measures.

Musamali said Kashoha-Kitomi is a catchment for Lake Edward and that if not checked, mining activities would cause pollution of water in the park.

Although the concerns of the environmental concerns were considered in a study, "Environmental Impact Assessment (EIA) for the proposed mineral prospecting activities at Kitaka and Kanala mine in Kakasi forest reserve," the environmental bodies say the company had violated the conditions.

Not far from Kashoha Kitomi, Hima Cement Factory was given a concession to mine limestone in Queen Elizabeth National Park. Although the company was given a go ahead by the Uganda Wildlife Authority to mine limestone, environmental groups contested the move. They pointed out that it was illegal to undertake mining in the park and that any activity that

undermines the integrity of the park was illegal.

Given the expanding market for cement in parts of southern Sudan, DR Congo and Rwanda, Hima Cement Factory was not prepared to give up the concession. They insist that their track record of restoring mining areas such as the Haller Park, which was reclaimed from a quarry pit shows that part of the park was in good hands.

Although the controversy over mining in Queen Elizabeth National Park has not been completely resolved, the exploration activities of the oil companies in the protected areas of western Uganda have overshadowed the campaign against Hima Cement factory.

Godber Tumushabe, the executive director of Advocates Coalition for Development and Environment agrees with environmental groups that it is against the law to mine oil in the protected areas. But he also argues that oil has a lot of potential to develop the country if it is put to good use.

"This is a mineral, which is valuable and

you can not stand in the way of politicians,” says Tumushabe. “The best way to resolve the matter is to minimise the harm to the environment and push for equitable share of benefits from the oil.”

In addition to this, environmentalists would lose out in the long run if they drag the Government to Court because Government will subsequently change environmental laws. The environmental laws have the public doctrine embedded in them meaning that a wide range of consultations have to be undertaken prior to the change of land use of a protected area into a mining area or approval of a mining license in a protected area.

“Oil is a non renewable resource and within a few decades it will become exhausted,” said Tumushabe. “The biological diversity in the protected areas is a superior resource since it is renewable and provides the backbone to the tourism industry.”

Environment Impact Assessment study (EIA), which is conducted to establish the negative and positive impacts of a proposed project is one of the tools being used for monitoring the oil activities. EIA also suggests remedial measures and it also improves the engagement of different stakeholders like communities, districts, investors and civil society groups.

The companies, according to Gadi Mugiri,

an official of UWA, have improved the way they manage the exploration oil wells. “The way companies deal with wastes and waste water has changed a great deal,” said Mugiri. “But this has come after aggressive monitoring from the environmental bodies.”

UWA and the National Environment Management Authority (NEMA) have formed a monitoring unit based at Murchison Falls National Park to monitor the activities of the oil companies.

They are also creating awareness among the local institutions and helping to encourage the districts to participate in monitoring and harnessing the benefits such as employment.

Mugiri says new approaches at exploration sites managed by Heritage, one of the companies is impressive. “They put plastic material at the site and then soil on top meaning that in case there is any spill over the oil cannot go beyond the plastic,” said Mugiri.

Also trenches have been dug around the exploration site. One set of the trenches is for channeling away waste water into a tank covered with plastic materials. Another set of trenches takes away storm water.

“At the moment there is no net release of waste water,” says Mugiri. “But there are more hurdles ahead when oil drilling starts. The challenges are likely to multiply.”

He cites oil spillages as one of the challenges. “You will have a network of pipes crisscrossing the protected areas,” he says.

Following confirmation of commercially viable quantities of oil, NEMA has also compiled the “Environmental Sensitivity Atlas for the Albertine Graben.” This, according to NEMA’s director will provide planners with resources at risk, establish protection priorities and identify timely appropriate responses and strategies for clean up.

Albertine rift valley runs from the northern tip of Lake Albert to the southern tip of Lake Tanganyika in Tanzania . It covered a number of protected areas such as Murchison Falls National Park , Budongo forest reserve, Bugoma forest reserve, Kabwoya wildlife reserve, Kibale National Park , Queen Elizabeth National Park and Kashooha-Kitomi forest reserve.

Musamali’s NFA is also one of the institutions that have formed an oil monitoring committee to follow up the activities of the oil companies. Others are NEMA, UWA, Directorate of Water Development, and Department of Wetlands.

“Everything concerning development comes with challenges,” says Musamali. “Oil drilling is one of them and it is important to give expert advice to ensure that development does leave the environment in ruins.”



# Great Expectations: Uganda's mineral and oil fever

Managing wealth is managing expectations, and managing expectations is not downplaying them

Two years ago, stakeholders on a tour of the oil exploration areas in Kaiso-Tonya were treated to some exciting drama. A man, perhaps in his mid thirties, gate-crashed the tour with a jerry can in hand. The man, completely ignorant about oil exploration, had brought the jerry can expecting to be given some crude oil as *jaribu* – the Swahili jargon for a free sample of a product that a vendor gives a prospective customer.

For such a man, where such petroleum products like paraffin are crucial in the lighting and cooking of food in the villages, the discovery of oil is being seen as the perfection solution to most of their problems. Attempts by some of the stakeholders, who included legislators, journalists, among others, to educate the man about the process of the oil coming out of the ground to the fuel station were long and hard.

Funny as this might sound, it represents the dilemma that government faces in dealing with the population's expectations – the failure of which is very likely to turn the black gold into a curse.

Until recently, people in that place still ask what happened to the promise of fuel and electricity which the now abandoned early production system, was to deliver. This shows how far expectations from the discovery of oil deposits have reached across all levels of Ugandans from national planners to the middle-class, investors, politicians, cultural leaders, and now country people. Allowing expectations ride higher than realities is another cause of the so-called oil curse, besides secrecy and excluding locals residing in oil-rich areas from actively participating in developing the resource.

It is indeed against this background that

the newly established Chamber of Mines and Petroleum within its mandate seeks to engage various stakeholders including the Executive, legislators, local leaders and companies to manage expectations, by helping beneficiaries understand what is realistically accrued to them. Communication the truth about issues at hand to all stakeholders in a uniform manner, transparency and participatory management is arguably the best shot at managing expectations.

## 'Ignorant Expectations?'

Many Ugandans are expecting that the price of fuel will significantly reduce when the country begins refining petroleum products locally, not considering that fuel is priced internationally.

Government planners are expecting more flexibility in planning because the national budget could for the first time be fully financed using local resources not subject to conditions by donors. However Uganda is part of the global economy and subscribes to institutions like the International Monetary Fund that advocate for economically rational, and democratic budgeting.

Cultural institutions such as oil-rich Bunyoro expect special treatment in developing social services, yet other folk from West Nile allege that oil flows from

there and deposits in Bunyoro. This subtle suggestion is that the resource should be fully treated as a national asset and proceeds distributed equally.

Individual land owners are expecting to make a kill when explorers confirm presence of high-value resources on their plots, although this is not the case as drilling for oil is very specialised and does not cause a great deal of surface disturbance.

Support sector entrepreneurs in areas like insurance, health, foods and beverages, logistics and other industrialists, are expecting a frenzy of business, not knowing that they must lobby for policies that position them to take up opportunities like creating a re-insurance company for that sector, and reduce capital flight.

People have been promised that the oil industry will create thousands of jobs, despite the fact that this industry requires a highly skilled manpower. It seems it has not been thought of how the majority of indigenous employees will react when they find that almost all jobs that pay higher wages in comparison to what they have been appointed to do, are occupied by expatriates. Government is still considering whether to establish a new institution for higher learning for petroleum and mineral studies only, or begin with a faculty at Makerere University. Whichever path it takes, it will still take a couple of years before Ugandans can fully manage their mines and petroleum assets across all disciplines.

Generally many Ugandans expect life to become a bed of roses whenever the oil begins to flow. But once reality strikes, and it occurs to people that the resource only catalyses economic transformation, and that they need to work even harder to gain from oil, life could have already turned into a bed of thorns for many.

## Managing expectations is everyone's role

Prof. Venansius Baryamureeba, Ag. Vice Chancellor Makerere University uses previous well-intended government programs to illustrate a scenario of Uganda's social welfare in the event that expectations and indeed the actual resource are not managed well. For instance people got overly excited for the Universal Primary Education, and sat back because they did not have to work hard to pay for education, and instead bore more children. "The government has good intentions, but to what extent do we communicate them to the people? Beginning with Parliament, there are people in Parliament who do not even know

about these issues, and they are the ones supposed to go to the constituencies and talk to the people. Most people in political parties do not really understand these issues, so who is going to communicate them? The MPs are the ones going to look for votes, so they should be able to communicate some facts at least as part of their services to the people."

Prof. Baryamureeba advised that the political leadership should borrow a leaf from faith institutions. "We have churches and different denominations, but there are things they communicate that are the same across the board, like values, how to bring up children, etc. But what is common in this country among our parties? What message can we all go to a rally and say we want this message for everybody? But because you want to be different as a party, you communicate the other message."

He warns that as things stand in Uganda, political parties could use oil and minerals to divide the country. "For instance someone will go to Bunyoro and say with federalism, this is your resource, so you should not let the government take more than 50 per cent, and try to make sure that those resist, then another goes to Karamoja and says that you have a lot of gold, people should not rob you of your wealth. So at the end of the day, you have a country where the leader is not in control of anything," Prof. Baryamureeba said, "Even when you are supposed to educate people on a program like UPE, another party will be more interested in seeing it fail, they call it byoya bya nswa (empty promises), they are not interested in saying that as long as this government is in power let us help to make UPE a better program, and do an oversight role to ensure that the money is not stolen. So to me, I see parties using this issue of oil to divide the people."

Some critics argue that Prof. Baryamureeba's appeal is insensitive of the fact that political parties must point out and capitalize on weaknesses of implementing a program by the ruling regime to gain political mileage, rather than do the work while incumbents claim all credit given the level of inadequate communication among the electorate. They indeed argue that to curb corruption, the pressure groups find it more strategic to focus on the bad practices, rather than throw flowers in faces of the corrupt and poor managers.

But Prof. Baryamureeba insists that many people act out of selfish rather than national interest and it shows in failure to table convincing alternative policies. The Chamber of Mines and Petroleum is set to give a shot at working with key stakeholders to manage expec-

tations and communicate the reality to beneficiaries.

Mr. Elly Karuhanga, President of the Chamber said, "We need to work with the government to reach people and tell them the advantages of mining and petroleum projects, explaining what is accrued to them. For instance for compensation, people must understand that it is the government valuer who puts a value to the land, and tells them what they benefit." It has happened before that investors find themselves stranded, when land owners demand outrageous compensation packages.

"We also need participation of legislators to ensure that laws affecting this sector are implemented, also on the part of investors because it is a high-risk business involving huge capital investments. So we must ensure a conducive investment environment that respects the sanctity of contracts," Mr. Karuhanga further said.

To a significant extent, expectations are legitimate because minerals are capable of giving significant economic benefits to a country when managed well, but if people do not understand how they can turn this mineral capital into the improved welfare they seek, they will inevitably become frustrated.

Financial analysts explain that managing wealth means managing expectation, and that managing expectations is not down playing them. The first step usually is to anticipate proceeds and then agree on the strategic plan of how revenue is going to be used. Secondly, communicate to all the leaders who matter at all levels whether in government or not including politicians, civil society, cultural and religious leaders, academicians, planners, the private sector, etc, and get them to partly own the process.

This group should decide on a single policy on the matter and communicate only that to masses regardless of political, religious, tribal or any other orientation, and let it be illegal to communicate otherwise.

Some people have advised that the strategic plan of economic transformation based on oil revenue should feature plans on things like investing in value addition so that farmers know that they will not drop their hoes for oil tankers, but sharpen them and gain from where the country has had an international economic comparative advantage for so long.

An education on the masses on the oil production process will also ensure that no one else turns up with a jerry can at a mining site.

# **Dominion's charms locals**



These are exciting times for Uganda. Companies prospecting for oil are achieving success at levels that beat expert forecasts.

This has created high expectation among the public, mostly among those living around the areas of exploration, with some people looking at the petrol dollars as the perfect solution to all their problems. Failure to manage these high expectations can raise tensions and theories of foul play, culminating into a disastrous affair.

This is where Dominion Uganda Limited's strategy comes in. Dominion is a new company in Uganda's oil industry. The company is exploring for oil in Block 4B in the Lake Albert Grabben

Uganda has only explored about 25%-30% of what needs to be explored, which means that over 70% has not been touched. This means that there are many other exploration opportunities available.

Dominion expects to start drilling in May. And we expect to accomplish whatever we need to do at the site within the deadlines. But as we continue to explore for oil in an aggressive, yet responsible manner, it would be foolhardy of us to ignore the plight of the communities in which we operate. Helping the local people remains one of our main goals.

Dominion has established a good working relationship. This is reflected in the letters of appreciation we receive from local leaders. It's therefore imperative that all companies emulate our example if they seek to enjoy a harmonious relationship with indigenous communities.

One of the most sensitive aspects that Dominion has managed to handle well is the compensation packages to the local people living around the exploration areas. The company relies on the prices that come from the village council, sub county then the district council which forwards them to the chief Gov't valuer who in return returns the approved compensation rates to the district- meaning that the people themselves set the price .

At the end of it, Dominion pays the price as agreed with all the parties involved. In fact Dominion resists the temptation of entering a haggling contest over the price.

But that is not all. Dominion tops up the final price with what it calls a disturbance allowance. This has equally helped in the continued working relationship hence the communities have in turn offered the company overwhelming support.

This bottom-up approach of setting the price bars Dominion from any influence peddling, and shields the company from the kind of criticism should the local people suspect any conspiracy.

Those who have built a house on a drill site enter into cordial negotiations to have them relocated, with the company picking up the bill of building a new house for the affected person.

It is also imperative for the communities to know that the oil companies cannot own the land, as that remains the asset of the government or the people themselves. If the local people understand this point too well, then they have the confidence that some day they will be able to return to those lands.

At the moment, whenever companies are we advise these companies to air advertisements of the job opportunities available in order for them to engage in a fairly transparent process of hiring staff.

We take pride in the fact that government has managed to set up an institute to specifically educate students on matters regarding oil. students from this institute are bound to become the manpower much needed for a country such as Uganda, hence contributing to the country's employment figures.

On dealing with the urgent needs of society, we have undertaken a strategy to sensitize the local population on the benefits that would be coming their way. Dominion is a believer that oil money will not have a positive impact if the other sectors of the economy are ignored.

We call for strategies that will see that proceeds from oil do not hurt, but contribute to such sectors like agriculture, where more than three quarters of the population earn a living.

Dominion is also mindful of what Lake Albert means to the fishermen around. Oil exploration can interrupt fishing, which is a source of livelihood for many. Fishing has become part and parcel of some people in the area, and any suggestion to get these people to diversify into other activities can spark off ill intentions.

Dominion may engage fishermen in fish farming. The company could partner with cooperative societies to start fish farming. The company has already written to the fisheries department, detailing to them of how it intends to go about this activity. With fish farming, fishermen stand to not only triple their earnings but also engage in other gainful activities; something previously unimaginable.

However, while such strategies are specific to certain categories, the benefits are bound to spread throughout of the community. The company is engaged in the education sector, and has helped in the furnishing of some schools. But then again, the locals can now afford iron sheets on their houses. Others have acquired motorbikes from which they are earning a living. At the end of it all, it plays out in a win-win situation for everyone.

The writer is Dominion's Liaison Officer and PRO  
[andrew.nyakana@dominionuganda.com](mailto:andrew.nyakana@dominionuganda.com)



## *We all make big investments for valuable reasons.*

Our children. As the Government launches the Uganda Chamber of Mines and Petroleum, MTN would like to extend our congratulations for this milestone that will attract huge investments in Uganda and positively impact the children of this country.

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## Bunyoro witnesses signs of change from oil, and awaits its share

“We have started undertaking physical planning to ensure they develop the area in line with physical planning regulations,” Iriama said.



**HOIMA-** Godfrey Byaruhanga gets a little uneasy when he talks about the days when, in the quest to deal with thirst, he would drink water that would make health officials shudder. The 47-year-old fisherman, who resides in Bunyoro, would drink unboiled and dirty water without any care towards his health. Back then, clean water was hard to find.

Things, however, changed the moment Tullow Oil, one of the companies exploring for oil in the region, kicked off its corporate social responsibility activities. The company decided to build a borehole for the residents of Kyehoro.

“We used to drink contaminated water from the lake but Tullow Oil has constructed for us a borehole. We now drink safe water,” Byaruhanga, a former LC1 Chairman of Kyehoro landing site, said.

The borehole serves more than 1,200 people, said Byaruhanga, who doubles as a member



of Kyehoro beach management committee. Byaruhanga's excitement represents part of the benefits that come to those living around mineral rich areas, as the trickle down effects from the booming trade and the corporate social responsibility activities of companies combine to create a fundamental change in the area.

Bunyoro possesses vast amounts of oil, the black gold that can turn out to be a blessing and a curse in equal measure. For now, how-

ever, the people around the region appear to be appreciative of what Tullow is doing in the area.

Tullow's CSR strategy spreads beyond health, to education too.

Byaruhanga notes that Tullow is also supporting Kyehoro primary school, once a community school, which has more than 400 pupils, many of whom come from an impoverished background.

"The company is paying salaries for seven teachers at the school who have not yet accessed the government payroll," he said. The school is now being run by government.

Tullow Oil has built classrooms at Nkondo and Sebigoro Primary Schools. Heritage, the other oil company that was operating in the region until Tullow bought the company out, built classroom blocks at Buhuka Primary School.

Tullow also supports fishermen. Sam Musinguzi is one of the fishermen who can carry on his duties along Lake Albert with more verve. Like dozens of other fishermen, Musinguzi, 34, recently received a life jacket. "Tullow Oil offered me a life jacket. I feel protected as I fish because I can't drown even when the boat capsizes."

The life jackets also bring revenue to some members of the community as Tullow gets the life jackets from the National Lake Rescue Institute; a place it notes is certified to international standards.

Tullow Oil has also been credited for creating a better road network for different communities in Hoima. "The company has upgraded roads to our village. We find it easier to transport our fish to markets," the Kaiso LCI Chairman Mr. Henry Irumba, says.

Among the roads that have been worked on include Kijangi Kaseeta (about 30 miles), Kyehoro-Kaiso (about 5 kilometres), Kyehoro-Sebigoro (about 17 miles), Kaiso-Mbegu (about 7 miles) and Mbegu-Buseruka roads.

People living with disabilities have also managed to experience some change in their lives. Tullow Oil recently gave out blankets and mattresses to people in Kaiso Tonya, one of the oil rich areas in Bunyoro. At least 127 mattresses were distributed to the terminally ill, those living positively with HIV, widows, among others.

Tullow Oil's CSR also goes deep to include

offering a solution to one of the economy's export dilemma – that of honey. Uganda continues to receive offers for honey exports from mainly Scandinavian countries, but the country has failed to match that demand. It is partly the reason why Tullow is supporting initiatives in honey production in 16 villages.

Yet, while Tullow Oil's Corporate Social Responsibility cannot go unnoticed, it is the trickle down effects of its oil exploration activities that will count for many people in Bunyoro. The region continues to hold out for its share. The Production Sharing Agreements that government signed with the oil companies remains a closely guarded secret. It is not clear how much of the proceeds will go to Bunyoro.

At the moment, though, there are signs that increased business activity in the region has led to a spike in the prices of certain commodities, bringing both profit to the traders but also increased costs of living to the people who are yet to benefit from the ongoing activities.

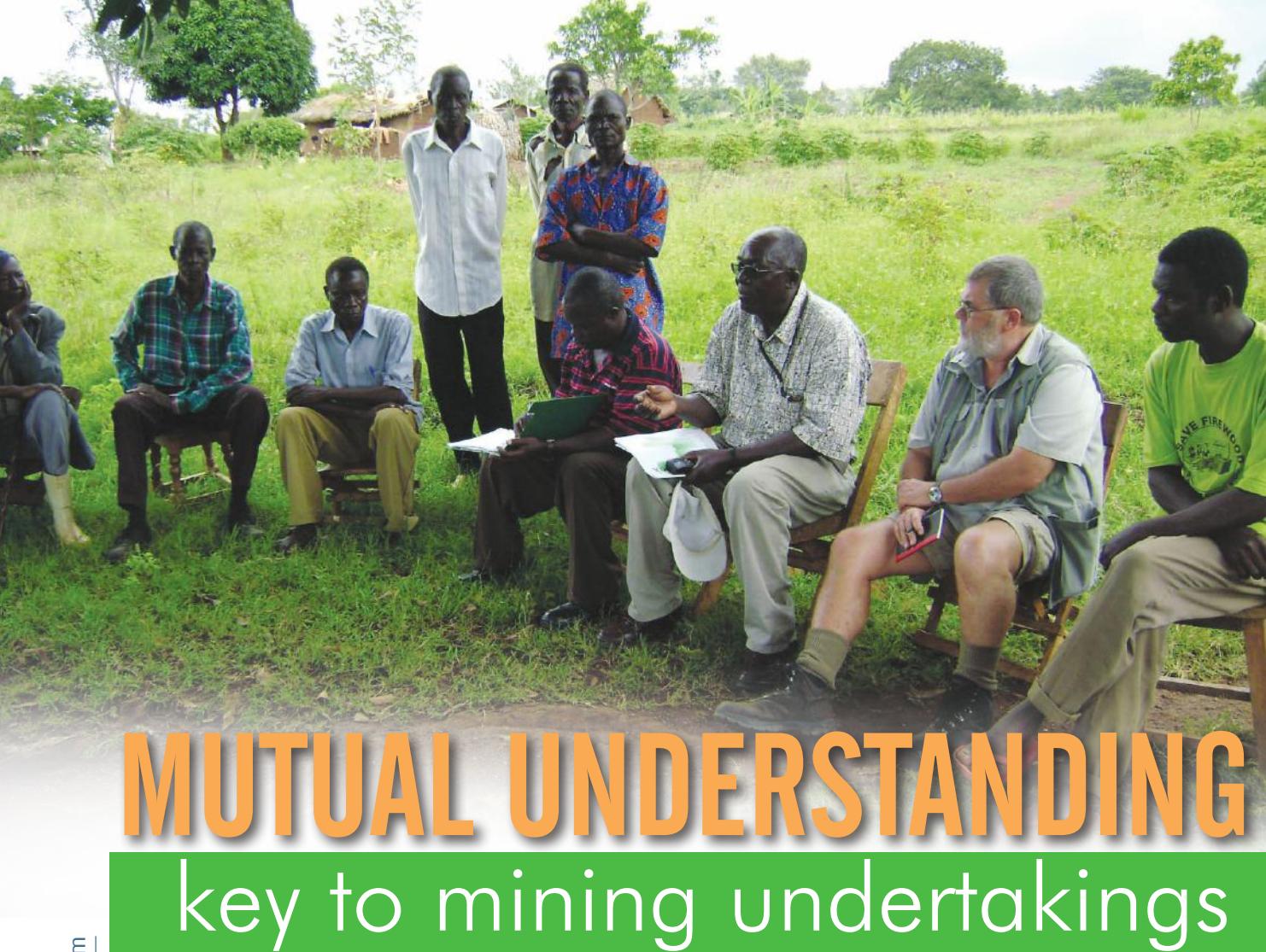
Land is one of the assets whose value has appreciated immensely. The District Chairman, Mr. George Bagonza, said several investors are also rushing to acquire land and invest in Hoima. "Oil has stimulated investment here" he said.

Much of the land is being acquired at areas near the oil wells. Mr. Walter Iriama, the Hoima Chief Administrative Officer, pointed out that Kabaale, Buhuka, Kyehoro and Buseruka have now become vibrant trading centres.

While this construction boom emerges in Hoima, the district officials have moved in to regulate the manner in which the structures are built. "We have started undertaking physical planning to ensure they develop the area in line with physical planning regulations" Iriama said.

This boom has also been a source of employment for mainly casual workers. The construction industry is known to offer jobs to those who make bricks, the builders, transporters, and traders who sell finished products like house appliances.

While all this is happening before the actual production of oil starts, there is a high chance of a much bigger boom when the oil is finally being pumped out of the ground some time in 2011.



# MUTUAL UNDERSTANDING

## key to mining undertakings

By Nathan Wolukawu

**L**arge companies seeking to tap in the business opportunities within the artisanal small-scale mining (ASM) areas or virgin ground need to undertake a thorough business strategy that revolves around understanding the sentiment of the people living around the area.

That advice appears to be the best solution for a company seeking to shield itself from conflicts with the local people and harsh criticism from the public.

Mineral activities in Uganda are largely sensitive, and if not handled well can explode into a wider conflict. Many people living around the rich mining areas are poor, and the chances of venting their anger against the big companies conducting business in the area remain high.

It is against this background that NPK Resources Ltd, a company involved in offering consultancy services within the mining industry, calls for better relations between the prospecting company and the community. The advice is particularly important as companies that can carry out mining in a peaceful environment stand to reap from the increasing prices of minerals on the world market.

NPK Resources advises companies to ask critical questions and come up with vital answers to shape the direction of the business. "What is the relationship between the ASM miners and the local communities? Are the ASM miners predominantly from the local communities, or is there an influx of miners coming from other regions or countries?"

These answers can be got by calling a meeting that is attended by all those involved in artisanal mining. In the event that some people are suspicious of attending such a meeting, NPK believes that a specialist can call up an independent meeting with a smaller group of the ASM group. This smaller meeting would not include company representatives. Both approaches will benefit from work-

ing with community representatives to build trust between the groups. The meeting should include representation from miners, women, young people, buyers and transporters of the product.

From there, the company might want to visit the mining sites to determine the number of people involved in the trade. Such a visit, which NPK says should be well-timed, would also give the company a glimpse into the security situation in the area.

Much of the artisanal small scale mining activities take place in the night, in order to avoid detection by security forces patrolling the area. Many miners concentrate on tilling their gardens during the day. Information gathering should be done in an effective way. One-on-one interviews with representatives of the miners, washers, crushers, buyers, etc. should be planned. Collecting information about any community activity depends upon shared trust with community members. Consideration should be given to who might be most effective at legitimately building trust; in some cases it may be an independent expert, in others it may be company employees. The transparency of the information collection process and feedback on the results gathered is the key to maintaining trust.

Dealing with the community and security situation will most likely act as a spring board into larger investment opportunities for the prospecting company. Any company needs to engage the services of geologists to find out whether the mineral potential of the area is worth the undertaking.

The company should also know the laws governing the ASM activities to avoid any illegal minefields. The company can find out the laws governing the sector from the Department of Geological Survey and Mines, in the Ministry of Energy.

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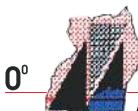
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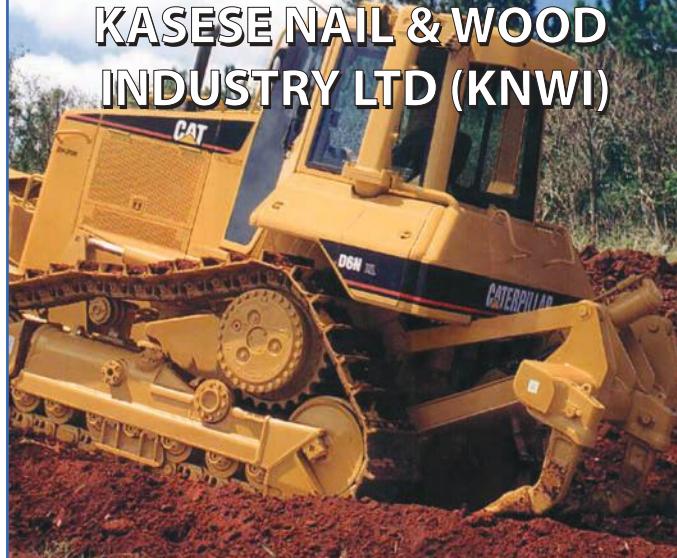
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The story of

# OIL

## in Uganda



A legacy of several searches and no conflict... so far

**R**eading various articles, papers and reports, one gets the impression that oil in Uganda has just been "discovered". The term discovered is, to me, derogatory. It implies that the knowledge locals living in these area have does not matter. The purpose of this article is to trace the story of the knowledge of the existence of oil (the black gold that is used for energy) in Uganda. It is important that people know their past if they are to chart a good future. The utilization of oil on a commercial basis is going to change the structure of Uganda's society almost as much as the growth of cotton and coffee did in colonial and early independent Uganda. The comforting feature in the long search for commercially viable oil is that the exercise has been peaceful – so far.

When was oil discovered in Uganda? This is a question few of us can answer. What is clear is that the people who lived in the geographical area where it existed knew the existence of oil for a long time, probably in pre-colonial times. A. Crawley, the Director of the Uganda Geographical Survey Department in the latter part of colonial Uganda who wrote a report on oil in 1956 states that "the existence of oil seepages and gas emanations in the Lake Albert Depression has long been known". This statement was contained in a report for the government written by N.Harries, J.W Pallister and J.M Brown published in 1956. In his book on oil in Bunyoro entitled "Demystifying Oil Exploration in Uganda" published in 2008, Henry Ford Miirima points out that the existence of oil in the Lake Albert Depression of the western Rift Valley was known to the people of the area as far back as 1909. He does not cite the source of this information.

Therefore, pinpointing the exact date of the "discovery" of oil in Uganda is difficult. John Wayland, that famous geologist who traveled all round Uganda on foot and mapped almost all hills, mountains, valleys, rivers and lakes and –virtually-determined their physical nature, visited the area in 1919. He recorded fifty-two hydrocarbon occurrences around Lake Albert. He was the first to minute its existence on paper in 1920 and followed it up with the 1925 report "Petroleum in Uganda," min. no. 1 Geological Survey (out of print). John Wayland was also the first person to refer to the "discovered" substance as "Petroleum".

Can we therefore assume that Wayland "discovered" oil in Uganda? If so, why did prospecting continue after 1920? As he never discovered or confirmed the existence of commercially viable oil, giving him all the credit is premature. Discovery of oil is, in many cases, a process of knowledge accumulation where each bundle of resolved problems adds to the knowledge of the nature of the substance being sought. This has been the case for Ugandan oil. Indeed, after Wayland's publication, interest in exploiting "petroleum" on a commercial scale peaked. In 1920 alone, six entities (individuals and companies), applied and were given concessions to prospect for oil. These included W. Brittlebank, Chijoles oil Ltd, Lord Drogheda Syndicate, Messrs. Bird and Co. and Messrs E.S Grogan and Co. Each of these were given exclusive rights of prospecting in areas ranging from 56 to 4,000 square miles. However, none of them "discovered" oil that was sufficient for commercial purposes. But future prospectors learned a lot from the ashes of their failures.

By 1925, the colonial Uganda government was ready to accept more applications from prospectors. In 1926, the Anglo-Persian Company (founded in 1909 later known as Anglo-Iranian Oil Company in 1935 and finally as British Petroleum Company, [BP] in 1954), applied for the exclusive right to explore, prospect and extract oil. However, the company found it expensive to do the preliminary geophysical work and carry out explorations. It suggested to the government for a joint sharing of financial responsibilities. However, not wishing to put taxpayers' money at risk, the government declined. In 1930, the company halted its activities.

But, interest in exploiting Uganda oil by private companies and individuals continued. In 1936, the African and European Investment Company of Johannesburg was granted an exclusive licence over an area of 1,384 square miles of the flats of the Rift Valley in 1936 and 1190 square miles within the lake itself in 1937. The company tested a number of places, drilled two wild cats (potential wells), studied soils and rocks in the area but failed to strike commercial oil. In 1940, the company decided against further drilling and gave up its licence in that year. During the war years, 1939-1945, there was not much activity in exploration for oil.

However, colonial government officers realized that geological evidence and data collected by failed attempts pointed to the presence of commercially viable oil in the western East African Rift Valley, particularly the Lake Albert area. After the failure of the Johannesburg based company mentioned above, the Geological Survey Department acquired a light rotary machine to continue exploratory drilling for oil especially on the promising Kibuku seepage area. Thus, between 1947 and 1950, geologists R.C Pargeter, F.R Wilson and D.M Boyd continued to survey the area, producing the many reports on the subject that should be in Uganda's National Archives at Entebbe. The neglect of the National Archives has exacerbated the lack of knowledge on this and other issues. This neglect is unpatriotic on the part of those who might be shuffling their feet in the rejuvenation of this important national facility. It's a place where records that might help generations to shape a bright future by utilizing past experience are kept. The few records I have been able to look at indicate that the colonial government halted further surveys of commercial oil exploration in 1951 after Boyd's failure to find it near the Kibuku seepage. I hope that when a new National Archive is built and papers organized, more information will be obtained.

The search for commercial oil was not a major priority in Uganda's period of chaos (1966-1986). However, there were occasional attempts to attend to the issue. In the early Amin period, Lt. Col Erinayo Oryema

is reported to have signed an agreement with a French entity on behalf of Amin for prospecting oil. However, papers of these activities are not available to me.

Under the Obote II regime, some activities to enhance knowledge on oil were conducted. In 1983, an aeromagnetic survey was conducted over the entire western Rift Valley of Uganda and Zaire (the current Democratic Republic of the Congo). The purpose of the survey was to make a preliminary assessment of the Albertine Graben, particularly its sedimentation systems. Its results improved knowledge of rocks, soils and hydrocarbons over what was previously known. In 1985, the Petroleum (Exploration and Production) Act was enacted. This Act deals with mainly upstream activities of petroleum mining, that is, the exploration and extraction of oil. It does not fully address downstream activities such as refining, the use of gas, the utilization and distribution of oil revenues, benefits for local people, participation in decision making by citizens and the massive social impact on the environment and social structures the extraction of the oil generates. ACODE and other entities have recommended a number of amendments, additions and other legislations to make the Act better and harmonize it with the 1995 constitution.

Commercially exploitable oil has been "discovered" or landed on by prospecting companies in the NRM period, starting from 1997. The NRM signed a number of Production Sharing Agreements (PSAs) with a number of companies to extract oil. As per law, these are secret and therefore restricted. Countries that lack the expertise and capital to exploit their mineral resources and decide to invite foreign companies to assist in development often use PSAs. Wikipedia, the free encyclopedia, defines PSAs as "common types of contracts signed between a government and a resource extraction company (or group of companies) concerning how much of the resource (usually oil) extracted from the country each will receive." In the past, however, especially before the 1960s when Indonesia first used PSAs, companies extracted oil and other minerals under concessions. A concession is a territory within a country that is leased, snatched from or given to another entity for administration or economic exploitation. The previously owning state, usually a weaker one, surrenders its sovereignty over the subject enclave territory or island to a company or country in return for cash, a percentage of revenue, or protection of the ruling elite against local competitors for power or other strong neighbours. As the era of naked imperialism became less fashionable, so did territorial concessions as a method of mineral extraction agreements.

Starting from around 1997, the Uganda government licensed a number of companies

to prospect for oil under PSAs (which are secret). These companies have included Tullow Oil, Heritage Oil, Neptune Petroleum and Dominion Petroleum. Some ten exploration areas have been earmarked and licensed to the various companies. These areas include the Rhino Camp Basin, Pakwach Basin, Lake Albert Basin, Semiliki Basin (EA 3A,3B,3C and 3D); and Lake Edward/George Basin (EA,4A,4B and 4C).

It is very clear that the current government of Uganda has contributed enormously in enhancing the knowledge of the presence of commercially exploitable oil in Uganda. These areas of achievements by the government on this issue should be noted. First there has been more success in locating oil than was the case in past searches for commercially viable black gold. Since 2002, the various companies licenced have had a 95% success in the wildcats they have sunk. I understand that 32 of the 34 wildcats have yielded positive results and therefore qualified to be called wells. Secondly, the amount of oil believed to be underground is impressive. I understand that estimates put discovered amounts at two billion barrels of oil. Lastly, the Ministry of Energy, I am told, is working hard to improve or put in place legislations that (a) would cater for changed oil and gas circumstances and (b) to eliminate legal contradictions, for example between the 1985 Petroleum Act and the country's 1995 constitution.

In light of the above, no one single date can be recorded as the time when oil was discovered in Uganda. The presence of oil was known to the residents of the area before 1909 (Muirima) and recorded officially in 1920 by John Wayland. From that time on, a number of people knew there was oil around Lake Albert. But it has been in the NRM period, from 1997 to the present, that the presence of commercially viable oil in the region has been confirmed. Both the companies and the government should decide the date of this confirmation. The public and scholars need to know that date for the sake of knowledge.

An interesting addendum to the story of oil in Uganda is that it has been a legacy of peace. So far, no blood has been spilled in the struggle for the search and control of this oil. The land rush into Bunyoro near oil wells that many of us feared would happen seems to have been contained. The various companies that have prospected in the area since 1920 have not fought one another as has happened in other countries. This peaceful trend can be highly enhanced by transparency and good governance of the Uganda state. Knowledge is better than ignorance.

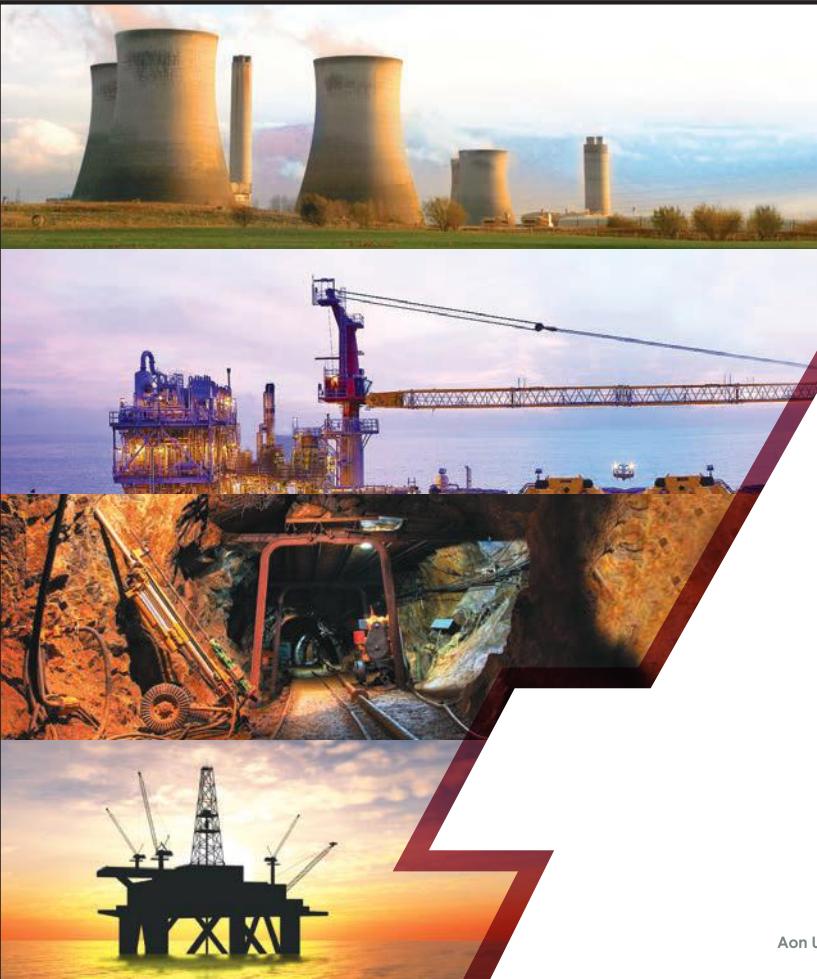
**Prof Kasozi, Executive Director of the National Council for Higher Education  
abkkasozi@yahoo.com**



<p><b>Mr. Ben Mugasha- Managing Director BFL</b></p> <p><b>PROFILE</b></p> <p>Bemuga Forwarders Limited is one of the highly reputable and fastest growing companies in the freight management industry in Uganda and East Africa at large. It is incorporated with limited liability and is fully registered under the Business Names Registration Act, as Reference No: 40969 and also with Uganda Revenue Authority (URA) with the following reference numbers: VAT No: 26288-J &amp; TIN No: B99-1007-3295-H</p> <p>Bemuga Forwarders Limited is a member of: •Uganda Freight Forwarding Association (UFFA) •Fédération Internationale des Associations de Transitaire et Assimilés (FIATA) or International Federation of Freight Forwarders •Uganda National Chamber of Commerce and Industry •Uganda Chamber of Mines and Petroleum •Kampala City Traders Association</p> <p>In 2009, Bemuga Forwarders Ltd was certified by the International Certification Network (IQNET) and NEMKO AS for the following fields of activities: International Freight Forwarding and Logistics Services Provider for Air, Ocean and Land shipments. Bemuga Forwarders Ltd has implemented and maintains a Quality Management System which fulfils the requirements of the following standard</p> <p>ISO 9001:2008 Issued on: 2009-12-18 Validity date: 2012-12-18 Registration Number: NO-800435</p> <p>The company is headed by Ben Mugasha, a focused, self driven and innovative Managing Director with a high sense of entrepreneurship skills. He is supported by a dedicated, well trained and highly motivated professional team of over 50 employees.</p> <p>Bemuga Forwarders Limited is uniquely distinguished by its specialization in handling logistical requirements for petroleum exploration, drilling and soon to be production and refining clientele. Bemuga forwarders Ltd. prides itself in practicing integrity, reliability and customer care services which form the foundation for securing and maintaining a steady number of high demand and satisfied clients</p> <p>The Company is located at Bemuga House plot 137 Bukoto Kampala, its head office with other offices in Entebbe and Malaba. Bemuga Forwarders Ltd. is undoubtedly your best choice for any kind of freight management and logistical needs.</p> <p style="text-align: center;"><b>BEMUGA FORWARDERS IS INDEED YOUR RELIABLE PARTNER</b></p>	<p><b>"Doing the right things rightly all the time"</b></p> <p><b>SERVICES OFFERED</b></p> <ul style="list-style-type: none"> <li>➤ Goods Customs Clearance</li> <li>➤ Warehousing</li> <li>➤ Transportation</li> <li>➤ Packing Services</li> <li>➤ Execution of Insurance covers</li> <li>➤ Freight Management Consultancy Services</li> <li>➤ Handling of Petroleum Exploration Shipments</li> </ul> <p><b>NB:</b> Through our Associates M/S Freight Forwarders Kenya Limited, we carry out clearance at the points of discharge i.e. Mombasa and Dar-es-Salaam and attend to all required side Customs and Port documentation and comply with all attendant formalities requisite for the removal of Cargo from the Port with Customs approval</p> <div style="display: flex; justify-content: space-around;">   </div> <p><b>CONTACT ADDRESS</b> BEMUGA HOUSE, Plot 137 Bukoto Road, Kampala P. O. Box 858 Kampala, Uganda. Tel: +256 414 235 137 Fax: +256 414 230 176 Tele fax: +256 414 255 305 Mob: +256 712 428 180 / +256 772 428 180 Email: bemuga@infocom.co.ug Website: www.bemuga.co.ug</p>
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# Kilembe seeks new investors

The search is on for an investor that can revive Kilembe Mines Limited, with government seeking to enter a joint venture while leaving open the option of offloading all its shares at a future date.

Any investor wishing to take over the company has to buy more than 51% of the shares in it, while the option of government exercising its right to offload the remaining shares through an Initial Public Offer at a future date remains a doubt. “Shareholding percentage will be determined by level of investment, but in no case less than 51% on the first stage of take over,” according to a Uganda Investment Authority statement.

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

Kilembe mines, which holds the country’s largest copper ore deposit, has been in limbo for over 30 years, with efforts to resuscitate activity at the Kasere based firm hampered by mainly a crash in the prices of copper at the world market.

The statement from UIA notes that the

mines should be re-opened within three years of signing the agreement. The UIA also points out that the investor should bring experienced staff and geologists. Investor interest in the company has been high since copper prices on the international market started rising about three years ago.

The Bull Run in copper prices has partly been attributed to the high demand from China, the world's fastest growing economy. Copper is used in the manufacture of electricity conductors, vital computer parts such as integrated circuits, chips, and the printed circuit boards.

About 4 million tons of copper ore are estimated to be at Kilembe Mines. By late February 2010, a tonne of copper was trading at \$7100, up from less than \$4000 a year earlier.

At the moment, government is reviewing a 2008 study carried out by an American minerals advisor, T.J. Boyd, over the viability of Kilembe Mines Limited.

Jim Mugunga, the Spokesperson for the Privatization Unit, the government body in charge of leading the divesture process, confirmed that the process to privatize Kilembe is moving at a "fast pace." He said "Government is currently reviewing the report presented by the advisors. After that, they will present the report to us to act as guidance of how the divesture should be executed."

However, Mugunga could not commit himself on the timeline of Kilembe's divesture. He also could not reveal how long government has been studying the report.

KML is owned 99.06% by the Government of Uganda. Tooro Kingdom owns 0.04%. Although its ownership has changed since its incorporation in 1950 by a Canadian company called Frobisher Mining Limited, there remains a huge untapped potential at Kilembe. Besides managing the copper mines, the investor will also be given the

option of exploring other areas that stretch 600 Kilometres. Also 2800 acres are not yet mined.

Government has also set aside a mining lease and incentives to boost early efforts in reviving Kilembe. The investor will be exempted from paying tax on capital and expenditure during mining.

Interested investors will have to manage, review, and operate Kilembe's assets. The assets at Kilembe include: the Mubuku hydropower scheme, a lime factory, a workshop, a timber treatment plant, just to mention a few among others.

The generator at the Mubuku hydropower scheme produces 5 MW earning the company roughly \$100,000 per month. The generator was installed mainly to run the company's different machinery. The power is transmitted to Kilembe through a 35-KM transmission line.

The limestone quarry in Hima, which is about 35 Kilometres from Kilembe, offers an investor another profitable option to diversify their investments. The production capacity of this lime is estimated at about 250 tonnes annually.

A statement from Kilembe points out that "Hima Lime works is vital to whatever process of recovery of metals from the ore and tailings, as well as in treating the effluents of the industry to an environmentally acceptable standard."

Government is currently battling a court case against Uganda Gold Mines Limited, the last company to manage the mines.

In 2004, Uganda Gold Mines Limited (UGML) received a license from the Ministry of Energy and Mineral Resources to explore for copper at Kilembe mines. UGML secured exploration license number 0138 for 217sq km. Under the arrangement, UGML was to take away 70% of all the proceeds that would accrue from any

successful exploration.

In 2006, UGML suspended work at the mines citing financial constraints. John Purkis, UGML Chief Executive Officer, wrote in 2006 that "I sincerely regret to inform you that the board of directors of UGML decided today that it has no alternative but to cease further expenditures under the Mineral Exploration and Feasibility Study Agreement ("MEFSA") dated September 29, 2004. UGML has made this decision reluctantly and after exhausting all financial, intellectual and emotional resources to conclude the necessary agreements to make Kilembe economically viable again, to carry out the exploration and engineering studies and to maintain its care and maintenance obligations under the MEFSA."

UGML then went silent amidst accusations from some Kilembe officials that it had failed to meet crucial benchmarks that government had set aside.

In 2007, government received a lot of interest from investors from as far as Saudi Arabia, the USA, Europe, to take over KML, after the price of copper on the international market rebounded.

Government then started drafting plans on how to go about the privatization process.

However, UGML is said to have resurfaced around the same time. UGML decided to go to court, seeking an injunction against plans to privatize KML. UGML pointed out that by the time it suspended business, it had invested about \$2.3 million in operations. It then asked for a total compensation package of \$10.3 million before government can bring in another investor.

The case is currently going on in the Court of Arbitration.

Jim Mugunga of the Privatization Unit, however, says that the court case will not in any way affect government's plans to get a new investor to manage Kilembe.

# Oil, Power & Infrastructure Experience

Stanbic Bank Uganda is a member of Standard Bank Group (SBG). SBG's Project Finance team is one of the most rapidly growing areas of the Investment Banking Division.

The team has 24 people based in London, 31 in Johannesburg and the remainder in affiliated companies and representative offices in Dubai, Hong Kong, New York, Sao Paolo, Nairobi and Lagos. The team is a leading advisor and arranger of limited and non-recourse finance in emerging markets, with a particular focus on Africa and has won numerous awards including:

- Project Finance International: African Infrastructure

Deal of the Year - Lekki-Epe Expressway in Nigeria (2008)

- Project Finance Magazine: African PPP Deal of the Year for Lekki Epe-Expressway (2008) and African Transport Deal of the Year for the TAV Tunisia (Enfidha and Monastir Airport Concessions) (2008)
- Infrastructure Journal: Financial Adviser of the Year - Transport (2008)

Selected project finance transactions demonstrating the team's capabilities are illustrated below:

Standard Bank Project Finance				
Entity	Country	Transaction Type	Deal value in millions	Description of Deal and Role Played
<b>Current</b>				
Mmamabula Energy Project	Botswana	Project Finance	USD 6400	Joint mandated lead arranger for coal fired power station and integrated coal mine.
Mphanda Nkuwa Hydropower Project	Mozambique	Project Finance	USD 3000	Financial advisor for the development of 1500 MW hydro electric project.
Guinea Alumina	Guinea	Project Finance	USD 2800	Financial arranger for ECIC tranche of debt (USD 200-300 million) for alumina refinery in Guinea
Moatize Coal Project	Mozambique	Project Finance	USD 3000	Financial advisor to Vale for the development of the Moatize coal fields
Gamma Energy Waste Incineration Project	Mauritius	Project Finance	USD 185	Financial advisor on the development of a waste-to-energy project
Nairobi Northern Corridor Toll Road	Kenya	Project Finance	n/a	Advisor and arranger for toll road in Nairobi. Consortium consists of Strabag and Housing and Construction.
Beira Coal Terminal	Mozambique	Project Finance	USD 350	Financial advisor and arranger to Camargo Correa and Odebrecht for their bid on the Port of Beira Coal Terminal project in Mozambique.
Companhia Moçambicana de Hidrocarbonetos S.A. (CMH)	Mozambique	Project Finance	USD 200	Financial advisor to CMH for the expansion of an existing natural gas extraction and processing project in the Pande-Tamane field in Mozambique.
<b>2009</b>				
Tullow Oil	Primarily Ghana	Revolving Borrowing Base Facility	USD 2000	Standard Bank participated as financier in a club deal with a group of banks (13 others, including the IFC)
Lafarge Cement WAPCO	Nigeria	Medium Term Loan	EUR 225	Lead Arranger for Medium Term Loan comprises three tranches for Lafarge's expansion project. The deal was hugely oversubscribed.
Morupule B Power Project	Botswana	Term Loan Facility	USD 965	Joint Lead Arrangers for bridge and term loan for coal-fired power station.
KZN Growth Fund	South Africa	Senior and Mezzanine Debt	ZAR 1000	Fund that will invest in a portfolio of infrastructure project finance transactions

The Uganda Chamber of Mines and Petroleum

<b>2008</b>				
Matola Gas Company	Mozambique	Project Finance	USD 24	Arranger of refinancing facilities for the gas pipeline and distribution network in Matola, Mozambique
Mostazal	Chile	Project Finance	USD 120	Mandated lead arranger and underwriter for a hotel and casino development. Sun International and Novamatic were the key sponsors.
TAV Tunisie S.A.	Tunisia	Project Finance	EUR 560	Joint financial arranger and underwriter for airport in Tunisia.
Toll Systems Limited	Nigeria	Project Finance	USD 427	Mandated co-financial advisor and international arranger for the first toll-road PPP in Lagos.
Tema Container Terminal	Ghana	Project Finance	USD 60	Sole Arranger for container terminal. AP Moller and Bollore formed part of the sponsor group.
<b>2007</b>				
Copperbelt Energy Corporation	Zambia	Project Finance	USD 50	Financial advisor and mandated lead arranger on debt capital raising exercise to fund the expansion of the business and to upgrade some of the existing assets.
Eleme Petrochemicals Company Limited	Nigeria	Commercial Loan and Working Capital Facilities	USD 125	Financial arranger for the Turnaround and Maintenance Plan of the petrochemical plant in Port Harcourt.
Empresa Nacional de Hidrocarbonetos de Mocambique	Mozambique	Acquisition Finance Facilities and a Working Capital Facility	ZAR 345	Provider of a guarantee facility, two acquisition finance facilities and a working capital facility to CMG, nominee of ENH, to enable ENH to purchase up to 25% of the shares in the ROMPCO, owner of a gas pipeline.
Red Sea Gateway Terminal	Saudi Arabia	Project Finance	USD 500	Joint arranger and advisor for the third container terminal in Jeddah, Saudi Arabia.
Sethekgo Consortium	South Africa	Project Finance	ZAR 600	Lead arranger for Department of Education PPP
Bombela Consortium	South Africa	Project Finance	ZAR 25000	Joint lead arranger and underwriter for the development of 80km Gautrain high speed rail project
<b>2006</b>				
Copperbelt Energy Corporation	Zambia	Management Buy-Out		Financial advisor to a Zambian consortium that purchased a stake in the Copperbelt Energy Corporation
Trans African Concessions (Pty) Ltd	South Africa	Project Finance	ZAR 3000	Joint lead arranger for the refinancing of the N4 Maputo toll road
<b>2005</b>				
Volta River Authority	Ghana	Equity Acquisition	USD 230	Financial advisor to Volta for its equity stake in the Takoradi II diesel-fired power plant and its subsequent conversion of the plant to gas.
Volta River Authority	Ghana	Equity Acquisition	USD 105	Financial advisor and arranger to Volta for its equity stake in the West African Gas Pipeline

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# Utilising *Uranium* for the Benefit of the People

Uganda has been blessed by nature with an abundance of mineral resources, including the possibility of commercially viable deposits of uranium. The mandate of the newly revitalized Uganda Chamber of Mines and Petroleum is to proactively encourage and facilitate the development of these potential mineral resources for the betterment of the people of Uganda.

In the past, the minerals development industry in Uganda contributed as much as 30% to the country's foreign exchange earnings and made a substantial positive impact on the Uganda economy as a whole. Reflecting the aims of H.E. Yoweri Museveni, and the Government of Uganda, the Chamber of Mines and Petroleum aims to restore minerals development to its former position of prominence both within Uganda and on the world stage.

In the case of potential uranium development, the government has designated uranium as a strategic national resource and has indicated it wishes to develop any potential uranium resources in Uganda for peaceful purposes, particularly for the development of

a Nuclear Energy Program for the generation of electrical power.

Uganda's alternative electrical generation power sources, such as geo-thermal and hydroelectricity are considered insufficient to meet Uganda's growing electrical power needs. Increased electrical power through a Nuclear Energy Program, utilizing Uganda's potential uranium resources, is required if Uganda is to realize its true potential in the growth of its industrial, manufacturing and business sectors. Such a program would help harness the entrepreneurial spirit of the people of Uganda and lead to increased national self-sufficiency.

A successful program would create increased jobs, both as part of the Nuclear Energy Program, and in a growing national economy. Additionally, a Nuclear Energy Program within Uganda could lead to Uganda being a net exporter of electrical power to other countries in the region, which also face electrical power shortages, resulting in an inflow of foreign reserves realized from the export of electricity.

Additionally, an electricity generation program utilizing uranium, compared with a program utilizing fossil fuels, would have the benefit of ameliorating climate change, a meteorological phenomenon that is proving detrimental to Africa.

Through a World Bank funded program, aerial geophysical surveys covering 80% of Uganda have been completed. The surveys indicated anomalously high readings, indicative of uranium in concentrations well above background levels. These anomalies appear to be primarily in igneous rock formations, and reflect possible ore presence that served as the foundation for successful exploration for uranium in other countries on the Africa continent.

IBI Corporation, a Canadian exploration and mining Company, has been successfully operating in Uganda in the mining industry for more than ten years. It developed, operated, and sold to Rio Tinto a successful vermiculite project. IBI utilized the proceeds from that sale to continue its presence in the exploration and mining development industry in Uganda, by (1), procuring Exploration Licenses for uranium now covering 2,800 square kilometres of land in Uganda; and (2) spearheading the development of, and investing significantly in Grey Crown Resources Limited, a private gold exploration and development company.

In regards to uranium, IBI believes that it controls a very high percentage of all potentially commercial uranium resources in Uganda.

In January of 2009, IBI's president and CEO, Gary A. Fitchett, met with H.E. Yoweri Museveni, President of Uganda, and discussed a concept by which IBI and Uganda would form a partnership with the goal of establishing a Nuclear Energy Program for Uganda. This program would potentially cover three industrial sectors, as follows:

(1) In the Mining Sector, IBI would partner with the Government of Uganda in the exploration and development of IBI's licensed uranium lands, leading to the potential establishment of a uranium mining and milling program producing "yellowcake" (principally

$\text{U}_3\text{O}_8$ ), the standard commercial product of uranium in the international market.

(2) IBI with the Government would produce value added uranium products, such as gasifying uranium for the enrichment cycle, actually enriching uranium to the grade required for nuclear power plant fuel rods, and manufacturing fuel rod assemblies for nuclear power reactors.

(3) In the third sector, Electrical Power Generation with Nuclear Power Plants, IBI proposed to the Government of Uganda a joint effort to bring such plants into commercial operation by carefully selecting the reactor type and power plant site. The plant type, which uses natural uranium and not enriched uranium, has a general construction time from first pour of cement for the containment facility until commercial operation of 54 months. This time cycle compares favorably to the construction period of large hydroelectric facilities and coal-fire power plants.

At present, IBI is budgeting an exploration program for its exploration licence areas, with the goal of potentially breaking ground for a uranium mine and the construction of a uranium mill, both of which would be operational within three years.

IBI and the Government would "set aside" sufficient uranium to provide a domestic fuel source for local nuclear power plants, with excess production of yellowcake to be sold in the world market under long-term sales commitments, thereby providing an additional source for the accumulation in the country of hard currency reserves.

IBI is proud of its past role in the Uganda mineral industry, and is looking forward to the maturation of its projects in the uranium and gold industries. IBI has been instrumental in helping to introduce Uganda's Department of Geological Survey and Mines to natural resource investors in North America, and particularly in Canada. IBI is honored to be a member of the Uganda Chamber of Mines and Petroleum, and supports its efforts and programs to present Uganda to the world as a premier location for future mining ventures.

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**The Vice Chancellor  
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VENANSUIS BARYA  
BARYAMUREEBA  
talked to DAVID  
MALINGHA DOYA  
about building  
Uganda's human  
resource in her young  
mines and petroleum  
sector, explaining the  
paradoxes between  
starting a niche  
university and a  
faculty in the existing  
institutions. Below are  
the excerpts.**



## Building Uganda's Intellectual Capital

Could you give us a synopsis of Uganda's skills audit as far as the mines and petroleum industry is concerned?

In Uganda we do not have specialized training targeting the mining and petroleum sector. We only have programs in the area of geology in the Department of Geology, and also recently created a program in geo-sciences which is in line with petroleum engineering but is just focusing on geology. There are other courses like industrial chemical engineering, physics, but they have not been tailor-made for that sector, most of the Ugandans who trained in that area have been training abroad, so there is need to have focused training that can address the needs in that sector. I do understand that there is a new petroleum institute that is going to be started in Kigumba, but when you are starting a new institute you need staff, and students who will graduate in three or four years. So what I think in the short term, is to have students from related disciplines like those who have done geology and you send them abroad for one or two years training to come and form that first part of the workforce. I think a University like Makerere may have to start a department focusing on petroleum engineering and geo sciences to start addressing the human resource needs in this country as we develop the other institute for petroleum engineering. But when you talk about a new institute in Kigumba they do not have anything on the ground, so where are they going to pool these people from. And staff at Makerere will not leave to go there unless you are paying them four times more, which is most unlikely.

However, government must have a plan to build human resource capacity. If we think we are going to use foreigners throughout, we shall not go very far. The human resource must have a national character. Since we are looking at it as a national resource let the whole thing have a national character including that very region, so that residents can see their children working there too. This means that government must be involved and give out scholarships, so that it is not only people with money training in these

areas because that may not bring a national character. What are the real concerns for Uganda stepping into the oil production sector, yet the country is known to be short of technical skills in the area? Should government take time to establish training facilities or outsource?

Government should not wait, we need a strategy. When MTN came to Uganda, we did not have all people they needed to start the company. They brought people from South Africa and other countries, and were given contracts. So initially you need to determine what human resource you need, and then find how many are available locally, and outsource the ones that are not available. When you start training Ugandans, you stop renewing the other people's contracts and faze them out because Ugandans will be cheaper anyway; the majority of the people running MTN now are Ugandans apart from some top management positions.

Knowing that you have a strategy of introducing campuses of Makerere University across the country; will you lobby to take over the Kigumba project too?

You have to balance between politics and these other sectors, but the most appropriate thing, and how the President started it was to have the petroleum institute of Kigumba as a constituent college of Makerere University. What that would have entailed is giving a lot of emphasis to that constituent college by getting some staff from here from departments of physics, technology, geology to go and be based in Kigumba, and we take all these programs there, like the way we want to go to Kabanyoro and start a constituent college for agricultural services. But along the way, the local politicians also wanted to have their own university and not something affiliated to Makerere. Now that they have taken that route what is the best way forward? It is to really allow them start off this institute, recruit and train staff, but that takes time if you are looking for human resource in the short term.



In Makerere, we have a department of geology, metrological unit, technology, physics and chemistry, which are all related to petroleum studies. So for the short term Makerere University will have the capacity, but for the long term we can have Kigumba as a center of excellence to continually train human resource for this country. But the important thing is for us to have a critical unit. There are several universities in Norway, Scotland, UK that have fully fledged units in areas of petroleum studies, so for us it will be a matter of forming partnerships. We can do a collaboration agreement, where they can send us members of staff here at Makerere to help us build that capacity, and we could have some of our staff go there for training for like six months to one year and come back here and continue with the training on the program. So those kind of collaborations can give us the human resource we need in the short term, and I do not see that one happening for Kigumba.

And we are coming up with the concept of having few universities and have campuses partly for costs management, because the cost of having a campus is lower than that of having a new university. If you are teaching same courses at two campuses you can use video conferencing, use the same professor to conduct courses at both campuses by video conferencing or teaching at one campus for one month and at the other another month, so you can share resources.

Some people say that many universities help quality assurance due to competition?

That is debatable, because our competition is not local, we are targeting big universities like Cape Town to benchmark and raise our standards to that level. Here we are looking at partnering with other universities not to compete with them, and we have resources that we can share. But the other element is that these campuses are not for money. We want to take education near to the people and spur development.

How would you like stakeholders in the mines and petroleum industry including companies, government departments to work with the university to develop Uganda's intellectual capital in that sector?

Oil companies can assess needs and we come up with a program tailored towards their needs. They can subsidize the training, they can pay fees for people we are training and as they finish, go to

their companies. We can have an understanding where the students are given internship in these companies so that by the time they finish, they have hands-on experience. We can also partner with them to support two or three experts in the area of petroleum to come from UK, Norway, Sweden, etc and form part of the pool of training here. We can also partner with them by using some of the time of their engineers to participate in the training here. They could also set up mini laboratories at Makerere University to help train students, who can go to the field when they are now ready for full scale tests.

**Does Makerere University have a defined role in the newly established Chamber of Mines and Petroleum?**

We are a public institution and we have informally agreed to work together. When they engage us formally along the way, we shall be willing to work with them. As Makerere we are very happy to be looked at as partners in this area. We train in many areas that are needed in the oil and mines sector. We also have capacity to do some things like environmental impact assessments here.

Makerere like any other university of its stature in the world used to be an enterprising think tank which organized talk shows on various subjects. There are many intellectual questions surrounding mines and petroleum particularly aspects like the oil curse, revenue sharing, etc. Does the university plan to weigh in and contribute to in-line policy formulation?

Makerere University would like to engage with government in many of these sectors with ministries and other bodies, but you have to know that Makerere University is a university and our mandate is basically to teach, research, innovations and community outreach. So we can engage but we do not want to take on the role of other institutions like parliament. We are not a policy organ for government. We have the Makerere Institute of Social Research now headed by Prof. Mamdani, it's going to be organising dialogues, for instance if a ministry is preparing a Paper before it is presented before cabinet we want them to send it to us and we put our input. The Makerere Economic Policy Research Center did research on oil recently and they presented a Paper recently. So we are going to write papers and have discussions, but our papers remain academic. We will discuss these Papers and send them to government, and it will be up to government to distill what is in those papers and make good use of them. We are going to do our part, but will not be a pressure group.



# Askar



MD Mrs. Kellen Kayonga

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## Management

Askar is led by Kellen Kayonga, the Managing Director who is aided by an excellent management team of security professionals and community experts which includes Mohamed Santur, Rubayiza Joy Sheila, Capt Agaba Topher (Rtd), Kyatuhaire Mellon and Mukwatsibwe Dickson.



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# Gold Overview

One of the prime objectives of the Government of Uganda and the Uganda Chamber of Mines and Petroleum is to make every effort possible to ensure that any commercial development of Uganda's treasure chest of mineral resources is developed in a manner that economically benefits Uganda and its people; and that such development employs methods that are consistent with sound ecological and environmental practices.

The Government of Uganda has a strict regulatory regime in place with legislation and rules governing the exploration for and development of minerals to ensure the highest levels of responsibility among commercial exploration and development companies. This legislative governance applies equally to gold, as with other minerals in Uganda.

Safety in gold exploration and development is also an important consideration for both the Government and the Chamber, both of which are making strong efforts to regulate entrepreneurial micro mining by Uganda residents. One of the key purposes of this regulatory oversight is to help ensure that such micro or "artisanal" mining conforms to accepted safety and environmental practices, and that it complies with all legislative requirements, including the number of such micro facilities that will be allowed to operate. The World Bank in its Sustainable Management of Mineral Resources Project (SMMRP) for Uganda has strict policy directives concerning the orderly improvement and development of such artisanal mining.

The responsible exploration for gold and its development could be a tremendous asset in terms of helping to boost employment and otherwise infuse money into the Uganda economy. Gold has historically been prized for its intrinsic value, and in recent years continues to be seen as a stable investment.

The price of gold is driven both by supply and demand in consumer and industrial markets and by speculative trading, as gold is increasingly assuming the characteristics of currency. With the instability of some major currencies today, such as the recent decline of the US dollar, gold is seen as a hedge against devaluations resulting from fluctuating confidence levels in money markets. It is thought that long-term supply of gold will remain tight because gold mine output is expected to be flat and central banks will play a lesser role as gold sellers.

Historically, gold is considered to have an unalterable intrinsic value. Gold recently exceeded \$1,000 per ounce and some analysts are predicting \$2,000 per ounce gold. One of the biggest demand areas for gold is consumer jewellery with demand also being high for many industrial, electronics, and a variety of specialty applications.

The World Gold Council recently reported, "In 2009, dollar

demand for gold remained above the \$US100 billion mark for the second year in succession against the backdrop of continued turbulence in financial and commodity markets. This resilience in demand was achieved in the context of average gold prices 12% higher than those in 2008, at \$US972.35/oz."

Occurrences of gold are dispersed throughout various areas of Uganda and notably in the Busia area of the Southeast Uganda Greenstone Belt, which is considered to be an extension of the Lake Victoria Greenstone Belt in Tanzania, where Barrick Gold and other major miners are producing gold from reserves of more than 40 million ounces.

The World Bank sponsored publication, Uganda Opportunities for Mining Investment, describes the Uganda Greenstone Belt area as the "Busia Goldfield" and notes that the Uganda Department of Geological Survey and Mines "discovered gold at Busia in 1932 during a mapping and prospecting program. Since then, both vein and alluvial deposits have been mined sporadically. The greater part of the recorded production of 1.0 to 1.5 tonnes of gold came from the Tira and Amonikakinei gold mines during the period 1937 to 1952."

The Tira Gold Mine, and the Amonikakinei Mine property, along with more than 1,200 square kilometres of lands licensed for gold exploration in the Uganda Greenstone Belt, are owned by Grey Crown Resources Limited, which is currently a private gold exploration and development company. The recent Aerial Minerals Survey of Uganda confirmed the existence and parameters of the Southeast Uganda Greenstone Belt and also confirmed that the greatest portion of Grey Crown's licenses for gold exploration lie within the Belt's boundaries.

Grey Crown's December 15, 2010 NI 43-101 Technical Report encourages the Company to be confident that it has a bright future in gold, along with a comment by an executive of a major gold mining company who visited Grey Crown in Uganda, and noted that the company: has a large land position; it is in the Greenstone Belt; there is artisanal mining in the area; and the fact that the Company owns the Tira Mine, which has historically produced gold.

The president and chief operating officer of Grey Crown Resources is noted Uganda resident and businessman, and former Chairman of the Chamber, Paul Sherwen. IBI Corporation, prominent in uranium exploration in Uganda, and former owner and operator of the Namekara Vermiculite Mine, owns approximately 30% of Grey Crown. Grey Crown Resources is currently exploring various avenues to become a publicly traded company and is looking at the possibility of making its stock available to the people of Uganda through a cross-listing on the Uganda Stock Exchange.



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#### COMPANY PROFILE

##### Business Description

Berkeley Reef Ltd is a fully-fledged Mining and Mineral Exploration Company with its Head Office at Nina Interiors House, 2<sup>nd</sup> Floor Plot 41 Jinja Road, Kampala.

We operate a Wolfram Mine (have been granted a Mining Lease) at Ruhija, Kabale District. Ruhija has had a long history of Wolfram Mining and was last operated in 1954. The mine was re-opened in February, 2009.

Berkely Reef Ltd. with its sister firms is involved in mineral exploration in different areas of Uganda.

##### Management

Berkely Reef Ltd. is owned and managed by Richard Henry Kaijuka as the Chairman/ Managing Director.



**Hon. Richard Henry Kaijuka**  
C/o Berkeley Reef Ltd  
Nina Interiors House,  
2<sup>nd</sup> Floor, Plot 41 Jinja Road  
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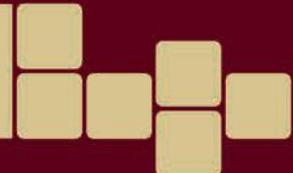




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# Ugandan Insurance Environment



## Market Overview

The Insurance sector in Uganda is in its infancy, with a market penetration of less than 1%. The industry has in excess of 20 insurers, both on the Non-Life and Life lines. These are dominated by regional or international players, with indigenous players mainly ranked as lower-end players. The insurance brokers are also in the region of 20, with the top 2 brokers controlling more than 70% of the market. There are also

hundreds of insurance agents, who are mainly covering personal lines insurance classes. The regulator and licensing authority for the industry is the Uganda Insurance Commission, which falls under the Finance Ministry.

## Compulsory Insurance Policies

The law requires that certain insurance policies be held, such as Third Party Liabilities insurance under the motor vehicles policies and cover for liabilities under the Workmen's Compensation Act. It is therefore important to ensure that one has all the necessary information on such requirements in advance.

## Capacity Challenges

In view of its infancy, capacity remains a major challenge. As a result most of the big risks such as those in the mining, oil and petroleum sectors have to be re-insured outside Uganda. It is worth noting that the country still awaits a reinsurance company. The regulations however restrict externalisation of insurance, although the Uganda Insurance commission does approve externalisation, where it is clear that the balance sheets of the local companies cannot handle the risk. The required access to the external market would rely heavily on the insurance chain, right from the local insurance broker to the international reinsurers and retrocessionaires. It therefore calls upon the investors to choose their insurance brokers with due diligence, and to ensure that they have the specialised skill and back up required to gain such access.

## What your Broker should Offer?

Given the nature of the risks, it is important to have a broker with mining engineers, who have hands on experience in mining and petroleum risks and can speak the client's language and fully understand the risk. The broker should have access to the best-of-breed international wholesale insurance brokers to ensure that at all times clients receive the best advice and insurance terms, especially on rating and deductibles. The broker should be able to have customised energy policy wordings that have successfully withstood the test of time and are acceptable to the market. It is therefore imperative that one gets an insurance broker to offer professional advice on the cover available internationally. A suitable broker would also have the clout to negotiate claims and offer invaluable risk management expertise at inception of the policy, during hard and soft insurance market cycles and offer integrated risk management, insurance broking and claims administration services. The broker would know the insurance market in depth, including the right policies for the oil and petroleum risks, and needs to have the exposure and experience in such highly technical fields and would also limit exposure through uninsured risks.

## Coverage

The customised policy should be able to cover numerous exposures which require insurance cover, such as Mining/ Energy Liability policies, Marine Cargo, Assets and Business Interruption Insurance covers.

## Conclusion

It is therefore important that the business discusses their insurance requirements at the earliest stage with a reputable insurance broker to avoid exposure. It is worth mentioning that with all these benefits, clients do not need to pay for the broker's services, as they are already incorporated in the premium rates. You can contact the author at:

### Mr. Kwame Ejalu, Managing Director

Tel: +256 414 222 217

Email: [kejalu@aforges.co.ug](mailto:kejalu@aforges.co.ug)

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### Key Contacts:

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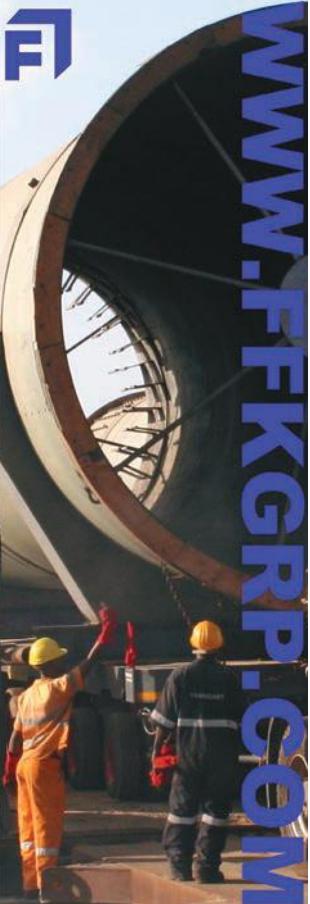


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# GOLD TRAFFICKING throws limelight on Uganda

By Jeff Mbanga

Geoffrey Balamaga speaks with a soft yet firm voice. His words, which are quickly well thought out, are delivered lazily - like a teacher to a grade two pupil.

And yet as Manager in Charge of Customs Enforcement Operations at Uganda Revenue

Authority, Balamaga is one of the shrewdest officials at the tax body when it comes to tracking down traders evading the law.

Among those that have fallen in his trap, and paid heavily for their crimes, include

smugglers of cigarette, fuel, phones and other accessories, ivory, among others. But one high profile group has succeeded in beating Balamaga and his team's

trap quite swiftly – gold smugglers.

"Our borders are heavily porous," Balamaga said. "We have a situation where people cross in DR Congo (where much of the gold is smuggled from) to till their gardens in the morning and

return to Uganda in the evening," he said, explaining why, for more than a year now, URA has managed to net only one gold smuggler. And that swoop was a lucky raid.

It's a raid that Balamaga speaks with some sense of pride. The catch happened on June 30, 2009, at about 8pm at Lukaya in Masaka district.

A snap check point to monitor goods in transit from the Democratic Republic of Congo had been set up. The enforcement team here was particularly keen on trucks and buses.

One bus, *Pokopoko*, which had crossed into Uganda from Mpondwe border post, had an edgy passenger. The man dressed in a grey shirt and navy blue jeans was carrying a small pink bag – the kind that easily passes for a primary school bag.

During the random inspection, he is said to have started sweating and became shaky. Quite suspicious, the enforcement officer told him to disembark the bus and handover the bag. However, the enforcement officer noticed that the passenger had to engage a lot of effort to lift what was supposed to be a light bag.

On checking the bag, the URA officer discovered 13 Kilograms of gold.

Why didn't the passenger declare the gold at the custom point? Was he the owner of the gold or just a messenger operating for a wider network? Was there a buyer for the captured gold in Kampala?

These are questions that Balamaga and his team are trying to unravel. "We depend on brothers in DR Congo to give us intelligence information on smugglers. Of course there is some incentive we give them for this information. However it is rare that we receive such information on gold."

Koire Lugya, a Statistician at Uganda Bureau of Statistics, the body which a few years back decided to track the informal cross border trade, said that gold is not among the minerals they capture in their data. "We assume that (gold) to be contraband. Anybody smuggling gold will not pass at the official custom points where our team tracks informal trade," he said.

The value of informal cross border trade, which has a slight difference with trade in smuggled items, involving all the minerals that the Uganda Bureau of Statistics captures was estimate at

\$208,000 in 2008. This amount is peanuts compared to the volumes of minerals that enter Uganda illegally.

### Inside the black market

It's a market structured for the brave. This is a business that has most of the elements of a Martin Scorsese movie – deceit, guns, blood! And yet the small cartel of gold smugglers that rules the infamous black market of gold in Uganda plies Kampala's streets with so much ease it borders on the absurd. So absurd that the traces are all there to have this racket busted. Just as a high level United Nations Group of experts found out some time back. To understand Uganda's black market for gold, you have to make the long journey to the Eastern town of Kivu in the Democratic Republic of Congo. Kivu, according to a UN Security Council report on the DR Congo released only four months ago - which is also the most credible information to date about Uganda's black market - is blessed with so much gold its value is estimated in billions of dollars. Yet the town remains haunted.

Kivu, has a lush vegetation, and is the highest point of the rift valley. The area also has a lake, Lake Kivu. Kivu possesses vast amounts of gold and cassiterite, a source of tin.

This potential of vast amounts of minerals is what defines DR Congo's tragedy; a country that remains torn by warlords fighting to control the resource areas.

The militia plundering Congo's resources, according to the UN report, include Front populaire pour la justice au Congo (FPJC), remnants of Congrès national pour la défense du peuple (although this group signed a peace deal and were integrated into Congo's national army early last year).

However, the UN reserves its strongest criticism for Forces démocratiques de libération du Rwanda (FDLR), the rebel militia it notes is at the heart of gold trafficking in the region, and has been accused of human rights abuses.

In charge of some of the gold mines, the FDLR is responsible for the amount of gold leaving the mines to the black market in Uganda. The rebel group makes its money by either taxing traders, or selling the gold. Estimates by a September 2009 senate report in DR Congo puts the value of the gold smuggled out of the country at \$1.24 billion.

The most outstanding story of the gold coming out of the ground in DR Congo to the complex network of traders in a black market that stretches from Bujumbura to Kampala right up to Dubai where the gold is mostly sold, starts from an area called Kasugho. Kasugho is said to have the most amount of gold in Kivu.

The UN report points out that FDLR controls many gold mines in Kasugho, where impoverished locals are charged with mining for small amounts of pay that can hardly pay medical bills in the event of injury. It further adds that the gold from Kasugho is mainly sold to three people: Kahindo Muhiwa, Katina Kambale Mbayahi and Kambale Vikalwe. These three have formed a company called Glory Minerals, which, despite being licensed by government there, has been blacklisted by the UN. "The (UN) Group has established that Glory Minerals continues to source gold from FDLR controlled areas" notes the report.

The UN further adds that these traders have strong links in Uganda. "Several Nande traders in Butembo (a city in North Kivu) also stated to the (UN) Group that the three businessmen associated with Glory Minerals travel regularly to Kampala and Dubai to sell their gold."

The report then goes on to implicate those involved in the trade. It notes that "Seven different gold traders interviewed separately by the Group in Butembo, Kampala and Dubai confirmed that the main personalities involved in orchestrating the laundering

and smuggling of gold from Butembo on to Kampala and Dubai are Rajendra Vaya and family and J. V. Lodhia (who is known by Congolese and Indian traders as Chuni) and his son Kunal Lodhia. These businessmen, of Indian origin, are based in Kampala and have extensive family ties in Nairobi." These Kampala based businessmen are said to own a forex bureau in town.

It further notes that "these Kampala-based businessmen have been pre-financing large amounts of gold buying, smuggling cash into the Democratic Republic of the Congo by road through the border zones and paying above market prices to control the market."

According to the UN, "the gold is then smuggled to Kampala by road or by commercial flight to Entebbe and finally on to Dubai, where it is handled by an associate of both families."

The UN has telephone records showing frequent communication between Glory Minerals and the Kampala based Indian traders. The UN has also retrieved emails that hint to the smuggling of gold by these groups of traders.

Balamaga, URA's Enforcement Manager, said that gold traffickers normally pass through Busunga border post in Bundibugyo, Mpundwe near Kasese, Bunagana in Kisoro, where the gold moves by road. Others go through Busia and Malaba and into Kenya. He said that the reason why the Congolese use Uganda as a transit point is because there are no direct commercial flights within Eastern Congo to the markets in Dubai and other Asian countries.

However, it is interesting to see that this gold is smuggled out at airports like Entebbe where the electronic scanners work. While this puzzles Balamaga, he said that the only argument behind that is "some sort of collusion" between the smugglers and the cargo handlers at the airport.

This black market network also spreads to Burundi. The UN notes that they have telephone records between the Kampala based traders and a prominent gold dealer in Bujumbura, Mr. Mutoka Ruganyira, who they believe is connected to trading in FDLR gold. "Mr. Mutoka's telephone logs show four calls between himself and Mr. Vaya in Kampala between April and July 2009," notes the report.

However, Mr. Vaya and Mr. Mutoka told the UN that they are only former associates who worked together in the gold business in Burundi, before the former left to concentrate on his business in Kampala. The Kampala based businessmen, however, declined to react to accusations that they were involved in the smuggling of gold when the UN called on them.

### Can there be an end to the trade?

Balamaga says that will largely depend on the political situation in the DR Congo. He said that if the country's political situation settles, then there might not be a need for gold trafficking since exports are not taxed anyway.

Balamaga also said there is a need to strengthen relations with the custom point in DR Congo for more intelligence gathering on the gold traffickers.

Otherwise, the best option to dealing with this sort of black market trade – which has a negative impact on Uganda's international image - has to be solved at higher government level. Having said that, this can only point to similarly large deposits of the same in Uganda since the country is strategically positioned between DR Congo's Kilo-Moto gold belt on the west, Tanzania's Lake Victoria Goldfields to the south and east, and the Kibaran nickel belt to the south west, which is host to the world class Kabanga deposit; very good news for prospecting miners.



## COMPANY PROFILE

AUC Mining (U) Ltd was incorporated in Uganda on 14th June 2007. The Company took over the mining concessions of Anglo Ugandan Corporation Plc which are located at Kamalenge in the Mubende District, and six exploration licenses in central and north western Uganda.

The principal shareholder is Gold Mines of Uganda Ltd (GMU), a privately held limited liability company. MAED Ltd was the founding GMU shareholder and has extensive gold mining experience in project development and operation, particularly in Africa and Asia.

The Management team is provided by MAED Ltd who are all shareholders of GMU. The expertise at the mine site is provided by expatriate specialists who are brought in as required. The company has made a substantial investment in the infrastructure to bring the mine to

operational status. This included building access roads to site, water and power plants, buildings for administration, servicing, accommodation and the plant itself.

The gold mining process is to involve both alluvial and hard rock deposits with a substantial investment having been made in heavy machinery including excavators, dump trucks, bulldozers and cranes to extract the raw material for processing through the plant.

The Ugandan Government is actively seeking to expand its mineral sector through the attraction of foreign investments and specialised skills by creating an investor friendly environment with a range of incentives and allowances to facilitate a viable commercial environment for the foreign Investment community and AUC intends to benefit from these.

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Salini has a **Quality System** in accordance with **UNI EN ISO 9001** standards for Design, project management of buildings and transport and hydraulic large infrastructures as certified by **Det Norske Veritas**.

For the year 2007, the **Net Equity** of the Company was Euro 116,712,886.00.

The amount of Works in Hand at the end of 2007 was approx. Euro 4,636,038,000.00 of which Euro 3,093,919,000.00 to be executed. Salini deals with some of the top ranking banking institutions including the Banca UBAE, the Europe Arab Bank, Intesa San Paolo, Banca MPS, Banca Nazionale del Lavoro – BNP Paribas, Unicredit Banca d’Impresa, Unicredit Banca di Roma and the Banca Antonveneta.

Salini currently has **credit lines** for over Euro 1,250,000,000.00.

Salini's headquarters are in Rome, Italy. Branch Offices have been established in Europe, Africa and the Middle East.



Salini Costruttori S.p.A

# KRONE (U) LTD PROFILE



Krone Uganda Ltd is a private limited company, incorporated in Uganda. It was registered in 1999 with the minimum objective of engaging in the mining and export of tungsten. Mr. Isingoma Amooti is the CEO and Rose Nuwagaba Rugazzora, the Managing Director.

## NYAMULIRO MINE

The Nyamuliro wolfram mine has been in existence since the 40's when it was first exploited by a Norwegian national. Due to political turmoil and the sudden death of the original prospector, the mine went into disuse in the late 60's.

Krone (U) Ltd obtained a lease to resume mining activities at the site in 1999.

## LOCATION

The company's head office is located at Umbwa Kali House, Plot 594, Weraga Rd, Kabowa. P.O. Box 9618 Kampala. Telephone contacts are +256-414-270435. Mob +256-753-553862 / +256-772-419120. E-mail: [isingomaa@yahoo.com](mailto:isingomaa@yahoo.com) and [nuwagabba@yahoo.co.uk](mailto:nuwagabba@yahoo.co.uk).

The mine is at Plot6; block 182 Nyamuliro, Muko Sub County, Rubanda County-Kabale district. It is situated 40km out of kabala town along the main kabale-Kisoro road. Kabale town is in the South Western of Uganda. It is 420kms from the capital Kampala.

In 2009, Krone won an international award for Excellence in Products and Service. This award is presented by TRADE LEADERS'S CLUB to distinguished firms of every Industrial branch whose products and services have deserved universal acclaim during the course of the year.

# NPK RESOURCES LTD



Founded in 2001, NPK Resources Ltd. is one of Uganda's private consulting firms working in mining, exploration, development and appraisal of geological mineral resources including project management, environmental and social studies. A majority of its technical staff have advanced degrees and lengthy working experience in the

mineral resources of Uganda in particular and Sub-Saharan Africa in general. The founder members are persons of high profession and long experience in mining, mineral exploration, establishment and management of stone quarries, cement manufacture, agro-geology, environmental aspects and academics.

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# Gold is not that Noble after all!



**B**efore you condemn the author for being blasphemous, you may wish to hear him out on gold and how it falls short of nobility. How dare he say that gold, which has for millennia epitomized constancy, immutability, and eternal lustre is not noble? Hold your fire. I hope the seemingly heretic assertion will be more believable by the end of this article. Three themes shall be captured in this discourse: gold catalysis, nanotechnology, and green technology. And why these themes? They were the underlying themes of the author's postgraduate research. No need for fear, these themes will be thoroughly elaborated.

## Gold Catalysis

An understanding of gold catalysis is easily achieved once the basics of catalysis are grasped. A crash course in catalysis now follows.

When the scientific study of chemistry

was still in its infancy in the early part of the 19th Century, scientists observed that many chemical reactions required the presence of trace amounts of substances which did not themselves take part in the reactions. It was the great Swedish scientist, J.J Berzelius, who first brought these observations into the body of chemical knowledge in 1836 by attributing their action to what he referred to as "catalytic power". Berzelius defined Catalysis by analogy when he said, "Analysis is the separation of component parts of bodies by means of ordinary chemical forces", and "Catalytic power means that substances are able to awake affinities that are asleep at this temperature by their mere presence...". In other words, analysis involves breaking up and catalysis involves bringing together. It may interest you to learn that in the Chinese language, the same word is used for catalysis and marriage broker!

The story continues. When science became more sophisticated and acquired more advanced theoretical and experimental techniques, F.W. Ostwald was able to define a catalyst as "a substance that increases the rate at which a chemical system approaches equilibrium, without being consumed in the process."

Having come to an understanding (however remote) of what catalysis is, gold catalysis becomes easily explicable. Acceleration of the rate at which a chemical system approaches equilibrium by means of a system in which gold is an important component constitutes gold catalysis. There would be nothing special about this if gold in its bulk form were highly reactive. But as has already been noted, gold's well

observed and documented resistance to corrosion or oxidation makes it a very unlikely candidate to act as a catalyst. This is, thankfully, only half of the story. What many do not know is that when gold is finely divided into particles in the nanometer size range, it becomes highly reactive and can be a very active catalyst for many chemical reactions.

## Nanotechnology

If the word "nanometer" is foreign, take heart. It simply denotes a length one billionth of a meter or 10<sup>-9</sup>m. An array of relatively new disciplines which take advantage of the unique properties of matter at the nanometer size scale have emerged and they are generally referred to as nanotechnology. Nanotechnology seeks to study matter at the nanometer size scale and develop new materials and applications therefrom. It is noteworthy that gold catalysis has benefitted greatly from nanotechnology.

## Green Technology

With growing consensus around the world among climatologists that human activities are responsible for most of the global warming witnessed in the past two centuries, scientists and engineers are seeking ways of limiting the adverse effects of human activity by developing more environmentally friendly and sustainable technologies. These technologies are generally referred to as Green Technologies. Herein, the focus is on reducing, reusing, recycling and recovering wastes, also known as the 4 R's.

## Putting the pieces together

Armed with the foregoing knowledge,

it will now be easier to appreciate the author's research project. It now seems appropriate to mention the title of the thesis that resulted from the research. "A study on novel approaches to the synthesis of Au/TS-1 catalysts for gas-phase propylene epoxidation in the presence of O<sub>2</sub> and H<sub>2</sub>". Let not the title threaten thee, O reader. Like stated, the study or research had an element of novelty. Something was being done that hadn't been done before. "Synthesis" can very well be used interchangeably with "preparation." Au/TS-1 in English is "gold on titanium silicalite-1" which suggests that the catalyst consists of gold supported on a material called titanium silicalite-1. It is a highly porous material also referred to as a zeolite. Propylene epoxidation is the process of converting propylene into a very useful chemical intermediate called propylene oxide (PO) also called propylene epoxide. The only reactants used were propylene, oxygen and hydrogen.

From PO, three main chemical derivatives are obtained, namely: polyether polyols, propylene glycols and propylene glycol ethers. These derivatives find application in manufacture of materials such as polyurethanes which are used in rigid foam installations in the construction industry, flexible foams in automotive industry and home furniture, etc. Propylene glycols and propylene glycol ethers are used to produce paints, coatings, resins, cleaners, anti-freeze, pharmaceuticals, etc.

The thrust of all activities during the research can be summarized in three "make sure" statements:

- Make sure novel methods of preparing Au/TS-1 catalysts are developed
- Make sure the catalysts developed produce propylene oxide (PO) at the expense of other potential byproducts.
- Make sure that at steady-state, as much of the propylene is

converted to PO as possible in the fastest time possible.

The success of the research project was evaluated with the above three statements as guideposts. The author was able to satisfy the first command by using gold (I) thiosulphate complex method to produce Au/TS-1 catalysts for gas-phase propylene epoxidation for the first time recorded in the literature. Attempts were also made to use *Aleurites moluccana* plant leaf extracts in the bioreduction-aided synthesis of the said catalyst for the first time in the literature.

The second and third commands were obeyed by ensuring the catalysts developed were highly selective and active, resulting in propylene conversion of 11.16%, PO selectivity of 63.34% and subsequently 7.1% PO yield. This Au/TS-1 catalyst performance was comparable to some of the best reported in the literature.

### Challenges

In order for the Au/TS-1 catalysts to be highly active and selective, their preparation would have to ensure that the gold nanoparticles adsorbed (deposited) on the TS-1 were within the size range of 2-5 nm. Bigger sizes would catalyze complete combustion of propylene resulting in carbon dioxide and water which were undesirable. Smaller sizes would result in hydrogenation of propylene into propane. Because of the foregoing, achieving the great results was therefore not without difficulty.

Preparing gold nanoparticles in the size range of 2- 5 nm was just one challenge. Ensuring that the nanoparticles remain in that size range when adsorbed onto the TS-1 was another bedeviling task because nanoparticles in that size range have a tendency to grow in size by attaching themselves to neighboring particles in a process called sintering. This is especially common after the surrounding temperature has been raised to about 300 o C during the calcination step of catalyst

preparation.

### Significance

How does a highly selective and active catalyst contribute to the 4R's and therefore qualify to be one of the Green Technologies? To answer this question well, it is important to be cognizant of the fact that nature is not as organized as we would love it to be. More often than not, more than one chemical reaction takes place between any two reactants. The parallel reactions to the desired one are responsible for side-products or byproducts which complicate processes in most industries.

Therefore, the more selective a catalyst is, the more of the product stream is taken up by the target product. This means fewer byproducts are produced, hence reducing on the amount of waste to be handled downstream. This is most desirable.

The more active a catalyst is, the faster it will convert the reactants (feed) into products. This is important because the faster the conversion takes place, the less energy and related resources will have to be expended in recycling unreacted materials after the feed has passed over the catalyst. This is especially significant if you consider that about 90% of the energy used in plants are consumed in separation processes.

More active and selective catalysts, therefore, ensure that the separation process is less elaborate and more economical, that smaller amounts of fossil fuels are burnt to energize the whole production process, and that subsequently less carbon dioxide is emitted to the atmosphere. It is therefore no wonder that catalysis has been mooted by chemical engineers as one of the most important avenues for tackling the grand challenges of the 21st Century.

### About the Author

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- The African Trade Insurance Agency (ATI)

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# Driving the African dream

WITH a proud history that goes back to 1881 and with its sights concentrated only on developing its business in key markets on the continent, Engen's aim of becoming a leading player in sub-Saharan Africa is steadily being achieved.

With a reputation for being a uniquely African company – its head office is in Cape Town, South Africa – and a wholly responsible corporate citizen, Engen has long-term aspirations in Africa. It wants to play an increasingly significant role in the local social and economic fabric of the countries in which it operates.

Engen has 2 shareholders - 80% is owned by Malaysia-based Petroliam Nasional Berhad (PETRONAS), which is the world's 19<sup>th</sup> largest oil and gas company and the remaining 20% by a local South African organization, Worldwide African Investments Holdings. The company's ambitions are largely driven by its faith in the enormous potential of Africa.

Focusing on the refining and marketing

of petroleum and petroleum-based products, and the provision of leading-edge retail convenience services, the company operates an extensive network of service stations, depots and refineries across 17 countries in sub-Saharan Africa. It also exports products to more than 30 other territories primarily in Africa and the Indian Ocean Islands.

Engen's vision – entitled Epic 2016 – is to be a champion in sub-Saharan Africa by 2016 by developing long-term and mutually beneficial partnerships with key organisations and individuals in relevant markets. It achieves this by identifying and helping develop new business opportunities in partnership with suitable local stakeholders. The unambiguous intention is to build business relationships that channel benefits back to all stakeholders and into the communities touched by the business.

In all dealings on the continent, Engen respects each country as a unique nation with its own individual set of challenges

and solutions. The manner in which Engen conducts business in each of these countries is informed by the particular customs, regulations and business methodology of each.

ENGEN Uganda Ltd (EUL) launched its operations in January 2003 and began started marketing lubricants six months later. In December 2003 the company opened its first retail station at Rubaga Road in Kampala.

Engen in Uganda currently operates ten retail stations, all but one of these sites is located in Kampala and its environs. In the commercial arena, we tailor solutions geared towards customers that require fuels, lubricants, bitumen to non-retail sites comprising Oil explorers, road construction companies, transporters and resellers.

"Among our goals is to be recognised as a leader in terms of health, safety, environment and quality standards, and to actively demonstrate our values by continuously adding value to the lives of the people of Uganda," says Fred Gibson Engen Uganda's Managing Director. "We also want to lead the way in terms of retail and convenience offerings. This, we believe, we can do by understanding our customers needs and trends in the market place."

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### COMPANY PROFILE

#### Business Description

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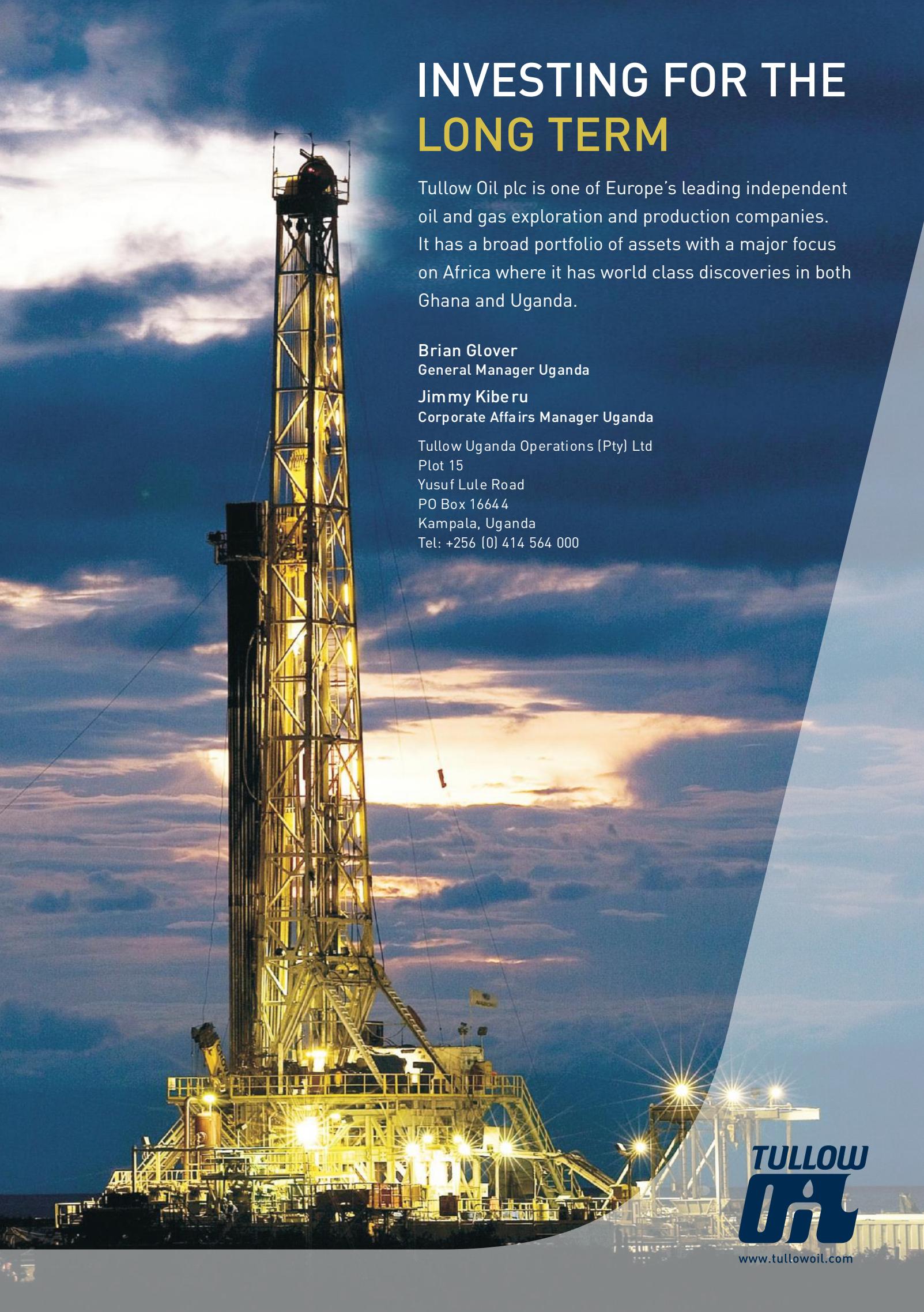
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