

## THE MINERAL INDUSTRY OF

# UGANDA

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In 1999, Uganda's gross domestic product (GDP) growth rate was estimated to be 7.8%; this was attributed to the recovery of the agricultural sector, the rise in the construction industry, and the proliferation of investments owing to governmental initiatives to liberalize Uganda's economy. Coffee, which remained the country's most valuable asset, accounted for one-half of Uganda's export earnings during 1999, and the mining sector contributed less than 1% to the GDP (Green Growth Ltd., October 1, 1999, Uganda—Investment and business environment, accessed September 27, 2000, at URL <http://www.newafrica.com/business/environment/uganda.htm>).

Mining in Uganda is regulated by the Mining Act of 1964 and the Petroleum Exploration and Production Act of 1985. All mining activities are controlled by the Geological Survey and Mines Department, which regulates the granting of mining permits, licenses, and leases. The Petroleum Exploration and Production Department controls licensing for exploration and production, drilling activities, offshore operations, and pollution prevention and control. Both these agencies fall under the jurisdiction of the Ministry of Natural Resources. During 1999, the Ministry of Energy and Mineral Development was restructured. The Ministry now consists of one Directorate, three Departments, and four specialized units. The Ministry plans to revise the Mining Act, to promote investments in the mineral industry, and to license, regulate, and inspect these investments. In 2000, a \$17 million loan may be provided by the World Bank to reorganize Uganda's Geological Survey and Mines Department. Loan installments would be provided during a period of 5 years (Mining Journal, 2000, p. 2).

Despite the proliferation of investments in Uganda in 1999, the continuation of conflicts in the country's frontier areas, as well as renewed civil war in the neighboring Democratic Republic of Congo, discouraged other potential investments therefore constraining further economic development. Investments in Uganda are regulated by the 1991 Investment Code, which was amended in 1995. This investment law establishes the Uganda Investment Authority (UIA). The UIA promotes and facilitates foreign and domestic investments, issues licenses to investors, and considers joint ventures. Foreign and domestic investors are treated equally, and the minimum for foreign investment is \$100,000 (Green Growth Ltd., October 1, 1999, Uganda—Investment and business environment, accessed September 27, 2000, at URL <http://www.newafrica.com/business/environment/uganda.htm>). The Government also provides a certificate of incentives in which an exemption on corporate tax is available depending on the level of investment; the corporate tax rate in Uganda for 1999 was 30%.

Gold in Uganda is mostly found in small, high-grade alluvial

deposits distributed throughout the country. Exploitation of the mineral in 1999 was still done by artisanal miners, particularly in the southwest. In 1998, Branch Energy Ltd., which was a subsidiary of DiamondWorks Ltd. of Canada, had ceased its mining activities in Uganda and ceded its gold concession at Kaabong, northeastern Uganda, to Catalyst Ventures Corp., which was a Canadian firm. In November 1999, Uganda Gold Mining Ltd. (UGML) signed a letter of intent in the form of an option agreement with Shinda Ltd., which was a private company based in Uganda. The purpose of the agreement was to explore and develop the Nyanga tantalite deposit in southwestern Uganda. Mining of copper and cobalt at the Kilembe Mine ceased in 1979; a huge tailing that contained approximately 1 million metric tons (Mt) averaging 1.38% cobalt was stockpiled at Kasese (Banff Resources Ltd., 1999, Kasese Cobalt Project, accessed October 4, 1999, at URL <http://www.banffres.com/kasese.htm>). The Kasese project was operated by Kasese Cobalt Co. Ltd. and was expected to have a life of 11 years. Banff Resources Ltd. (BRL) held a 63% interest in the project and an option to acquire a 65% interest in the nearby Kilembe Mine tailings. By June 1999, the construction of the Kasese Project plant was completed, and the commissioning of all areas of the process plant began. Electrical power for the plant was obtained from the 10.5-megawatt (MW) Mubuku III hydropower plant. The excess power generated by the Mubuku plant was fed to the Ugandan grid at commercial rates. By August, the first cobalt metal product was produced; it consisted of 10.8 metric tons (t) of crushed cobalt cathode, and in October, BRL announced that more than 40 t with a quality of 99.4% to 99.6% had been produced and shipped to Europe; the sale targets of the cobalt product were Europe, Japan, and North America (Banff Resources Ltd., 2000, p. 1).

The international interest in exploration prospects, such as cobalt, gold, phosphate rock, and vermiculite, continued in 1999. A number of companies had active exploration programs underway in Uganda during the year. Cast Ventures Corporation (CVC) acquired early-stage exploration projects in Namibia, Uganda, and Zimbabwe. CVC's project is adjacent to Branch Energy Ltd.'s Lopedo discovery. Branch Energy had reported estimated geological reserves of about 9,900 kilograms of gold in the area (Catalyst Ventures Corp., [undated], Uganda-Kaabong #1 project, accessed September 17, 1998, at URL <http://www.ultranet.ca/mscott/catalyst/pro.htm>).

UGML, which was prospecting in southwest Uganda, obtained 23 exploration licenses for the Bushenyi Gold Camp concessions. In February 1999, the company claimed that samples taken from the site had returned high-grade gold results. The results were obtained from surface testing on three

tantalum-columbium (niobium) properties. The properties (Ntugamo, Nyanga, and Rugomera) are located approximately 450 kilometers from the capital of Kampala. In April, UGML, through Nabisoga Mining Ltd., which was its subsidiary, was trying to acquire exclusive exploration licenses for the Nyakasopu and the Rugomera properties. These two properties had been previously mined on a small scale for beryllium, columbium (niobium), tantalum, and tin during the 1930's and 1960's. UGML intended to begin further exploration and development in 2000. In December, however, UGML signed an option agreement with Shinda Ltd. to acquire 100% of the Nyanga tantalite property. The property had also been previously mined for tin and beryl, but exploitation came to an end during the 1960's; tailings that contained tantalite/niobium, however, remain on the property. International Mining and Development Inc. (IMD), which was a junior international mining company, continued its exploration activities in Uganda in 1999. IMD owned the prospecting license for the Bukusu property. IBI Corporation had an agreement with IMD in 1999 to acquire a 70% interest on the Bukusu license. IMD reported that the Busumbu phosphate deposit on the Bukusu carbonatite complex consists of 8.5 Mt of proven reserves, and 30 to 50 Mt of estimated additional phosphate-bearing resources (International Mining and Development Inc., [undated], Busumbu phosphate deposit, accessed February 15, 1999, at URL <http://www.imdmining.com/HTML/TBPM.htm>). The Bukusu carbonatite complex consists of the Busumbu phosphate deposit and the Namekara vermiculite deposit. Core drilling in 1999 also determined resources of approximately 4 Mt of vermiculite in the property.

Uganda's power sector was still confronting difficulties during 1999. Load shedding and the inability to provide power supply to all parts of the country affected economic activities. Most industries were operating at less than 65% of capacity (Alexander's Gas and Oil Connections, January 18, 1999, Uganda sees power revenues rise but still has shortages, accessed September 16, 2000, at URL <http://www.gasandoil.com/goc/search/welcome.html>). The Owen Falls hydroelectric dam, which has a capacity of 180 megawatts per year, could not meet the country's total power demand. As a consequence of the efforts to expand the country's power-generation capacity, the Government approved the power sector restructuring and privatization strategy (PSRPS) in 1999. Some of the PSRPS objectives are to unbundle the Uganda Electricity Board by separating and privatizing the resulting businesses via concession and to establish an autonomous authority that will regulate the power sector. The Electricity Act passed on November 1, 1999, which enabled private participation in the power sector, established the Electricity Regulatory Authority and provided legal basis for privatization of the Uganda Electricity Board. AES Corp., which was a U.S. company, signed a power-purchase agreement to build a hydro electric power station on the river Nile at Bujagali with the Government of Uganda in December 1999. In the agreement, AES will build a 200- to 250-MW plant that will be operated by the company for 30 years before it is handed over to the Government. AES Nile Independent, which was an affiliate of AES, was in charge of the construction of the plant. This project, the Owen Falls hydropower extension that will be

completed in 2000, and the project plan submitted by Norpak Power to develop the Karuma site are projected to produce an output of 630 MW by 2004 (Mining Journal, 2000, p. 2).

Although petroleum was not produced, oil exploration activities in the vicinity of Lake Albert, northern Uganda, continued. Exploration in the early 1980's confirmed the presence of crude in the western Rift; the findings, however, were not pursued.

Heritage Oil and Gas Ltd., which was a British oil and gas exploration company, held a license to prospect for oil in the Semliki area, south of Lake Albert. Seismic surveys conducted by Heritage and its partner Petrel Resources plc in 1998 provided positive results, which suggested source and reservoir potential. In July 1999, Heritage and Petrel were granted a 1-year extension of their exploration license to continue geological fieldwork. In September 1999, the partners proposed to drill the first test well in 2000 (Indian Ocean Newsletter, 2000). Heritage was the fourth company to obtain a license to prospect for oil in Uganda. Consideration was given to the construction of a refinery in Uganda if the results of Heritage's study are commercially viable. Negotiations on the development of a joint investment between Kenya and Uganda for the construction of an oil pipeline from Eldoret in Western Kenya to Kampala in Uganda, however, were still under evaluation. In December 1999, the Government of Uganda reviewed its fuel policy to facilitate the operation of oil companies in an attempt to lower the high oil prices. High prices were attributed to high transportation costs—Uganda is a landlocked territory and has to import the majority of its goods through the port of Mombasa, Kenya. The oil market was predominantly controlled by Agip (Uganda) Ltd., Caltex Corp., Shell International Ltd., and the TotalFina group.

The construction sector growth rate for 1999 was estimated to be 28%, and cement dealers in Uganda claimed unprecedented sales in cement (Kassait Kamket, East African correspondent, AllAfrica.com, August 2000, Cement sales in Uganda booming, accessed November 13, 2000, at URL <http://allafrica.com/stories/printable/200008100119.html>). This increase in the construction sector was attributed mainly to the extension of the Owen Falls hydroelectric dam at Jinja and the construction of a new U.S. Embassy building at Nsambya, a Coca Cola factory in Namanve, and several factories and office buildings in Kampala. In 1999, the Lafarge group of France and Blue Circle Industries plc of the United Kingdom acquired majority shareholding of Hima Cement Company of Uganda.

The development of economic policies that support private sector investments favored privatization in Uganda. Several enterprises, such as Uganda Cement Industries Ltd., Shell (U) Ltd., Stanbic (U) Bank Ltd., Uganda Commercial Bank, and Tororo Cement Works Ltd., were privatized during 1999. Other enterprises earmarked for privatization during 1999-2000 were Kasese Cobalt Co. Ltd., National Housing and Construction Corp., the Lake Katwe salt project, and Kilembe Mines. The Kasese railway line which served the western region of Uganda and the Kasese cobalt plant and Hima Cement's cement factory, had suspended its route in September 1998 because of heavy losses. The transportation sector was among the sectors liberalized by the Government, and Uganda Railways was one of the companies nominated for privatization.

## **References Cited**

Banff Resources Ltd., 2000, Annual report 1999: Toronto, Ontario, Banff Resources Ltd., 20 p.

Indian Ocean Newsletter, 2000, Petroleum—New interest in prospecting in Uganda: Indian Ocean Newsletter, no. 900, p. 3.  
Mining Journal, 2000, Uganda: Mining Annual Review 2000, v. 1.0, CD-ROM.

TABLE 1  
UGANDA: PRODUCTION OF MINERAL COMMODITIES 1/ 2/

(Metric tons unless otherwise specified)

Commodity	1995	1996 e/	1997 e/	1998 e/	1999 e/
Cement, hydraulic	85,000	180,000 r/	203,000 r/	210,000 r/	210,000
Cobalt	--	--	--	--	77 3/
Columbium-tantalum	kilograms	1,842	2,000	2,000	1,500
Gold	do.	1,506	2,954 3/	3,000 3/	2,500
Gypsum		1,538	2,000	2,000	256 3/
Iron ore		7	200 3/	200 3/	300
Lime, hydrated and quick		970	1,000	1,000	1,000
Limestone e/		78,000	135,000	245,000	300,000
Phosphate minerals, apatite		20	-- 3/	-- 3/	(4/)
Salt		10	10	10	5
Steel		12,000	12,000	15,000	15,000
Tin, mine output, Sn content		43	(4) 3/	(4) 3/	(4/)
Tungsten, mine output, W content	kilograms	17,000	-- 3/	-- 3/	--

e/ Estimated. r/ Revised. -- Zero.

1/ Includes data available through March 27, 2001.

2/ In addition to the commodities listed, the following are presumably produced but information is inadequate to estimate output: clay, copper content of slag, corundum, garnet, gemstones, gravel, kaolin, marble, ruby, sand, and vermiculite.

3/ Reported figure.

4/ Less than 1 unit.