DEEPearth

EXECUTIVE SUMMARY

At 250MW, the Bujagali power plant remains the largest energy plant in Uganda today. That is why the story in this January 2017 edition makes for interesting reading. The story shows the extent to which the Uganda government is going in order to clear its debt in the project. The negotiations over Bujagali offer pointers to how government intends to meet financing costs in large power projects.

In the oil and gas sector, Uganda's plans to have a petroleum transportation system over Lake Victoria is an indication of how the country is preparing itself to market its refined oil products, if at all they ever come. With Uganda's transport system largely ignored, the lead story in the oil and gas section shows just how much activity is taking place on Lake Victoria. Whatever plans government has, taking into account the interest of local communities feeding off the lake, especially fishermen, should be of paramount interest.

Ugandan legislator Chris Opoka is being seen as one of those members at the East African Legislative Assembly who is set to take the lead in pushing for debate on the region's mining bill. The EAC Mining Bill 2016 is important as it could create a contentious situation if it overrides large sections of the countries' mining laws.

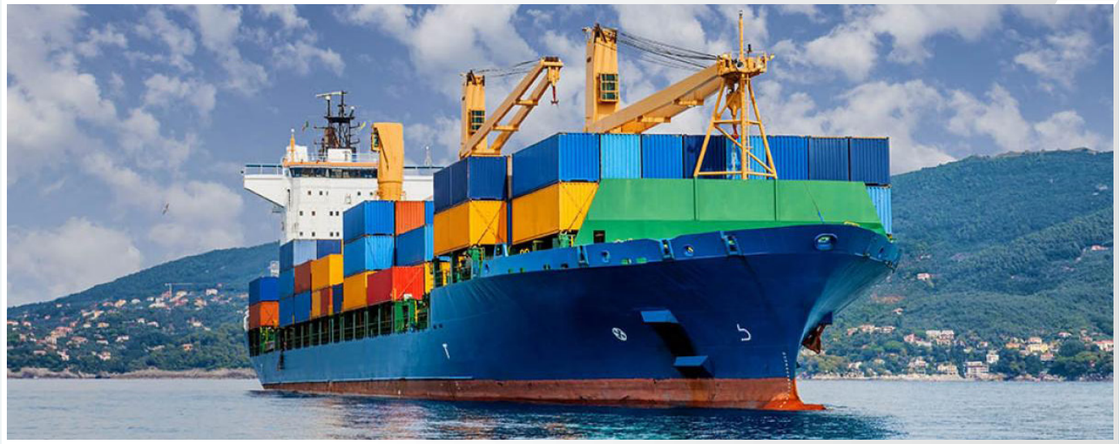
Finally, Kenya has set a more reliable deadline over when it will compensate the communities of Thange valley over an oil-spill there two years ago. The compensation has yet again brought to the limelight the future of the old Nairobi-Mombasa pipeline. Already questions have arisen over the progress of the construction of a new oil pipeline, which is being undertaken by Zakhem International and Construction Limited.

Civil society organizations in Uganda will look in awe at the progress that Tanzania is making in meeting the requirements of signing up to the Extractive Industries Transparency Initiative, which demands transparent disclosure of revenues generated in the extractives industry. Tanzania is currently running through the profile of consultants who will draw up regulations for the country's Extractive Industries Transparency Initiative Act.

A group of civil society organisations have tried to get Uganda to follow the Tanzania example but those efforts have achieved nothing more than promises.

Rwanda, yet again, is a good example that tries to create a sense of discipline in its extractives industry. A recent inspection report shows that some mining companies are falling short on ensuring their workers have adequate personal protective equipment.

Our story in this edition shows a country that places the welfare of its citizenry at the top.



Uganda plans new oil transport system over Lake Victoria

Uganda has taken its boldest step in having well-managed transportation of bulky petroleum products over Lake Victoria as the ministry of Energy and Mineral Development assesses companies that can carry out a study to support such an initiative.

With Uganda looking to produce at least 30,000 barrels of refined petroleum products per day, the plans to set up a petroleum transportation system are seen as a move for the country to transport its oil products to regional markets.

According to the ministry, the study will seek "to evaluate factors constraining bulky transportation of products over Lake Victoria and recommend interventions required to unlock the potential."

The study might also recommend ways for Uganda to establish an oil jetty. The ministry of Energy notes that the study will also "Establish infrastructure requirements at best-sited ports for handling bulky petroleum products in Tanzania, Uganda and Kenya." The study should establish the kind of network that can support a transport system suitable for at least 20 years, and also evaluate the environmental risks. The short list for the consultants is to be published on February 15.

A petroleum transportation system offers Uganda an alternative route from its inefficient road network, which, in its current state, is not able to support the oil industry the country seeks to create.

The idea to put up a petroleum transportation system over Lake Victoria is not new. In June 2015, President Yoweri Museveni met top officials from Mahathi Infra Services Private Ltd, who expressed interest in creating a transport system for petroleum products over Lake Victoria. Nothing concrete appeared to have come out of those discussions.

Meanwhile, an investment firm, eleQtra, plans to improve marine cargo transportation over Lake Victoria by bringing in modern vessels.

According to eleQtra, the Lake Victoria Marine Transport project consists of two phases: the first one entails the development and financing of a small fleet of purpose-built roll-on/roll-off vessels that will offer freight services to customers in the region. The second phase will include improvements to port infrastructure throughout Lake Victoria.

The first phase is estimated to cost between $25 million and $30 million. The governments of Uganda and Tanzania are financing the project.

Uganda plans new oil transport system over Lake Victoria

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Uganda has noted in an earlier budget framework paper that it is keen to develop ports around Lake Victoria in order to open up the southern route to Tanzania.

The European Union is already supporting marine transport on Lake Victoria by rehabilitating three to six ports between Kenya, Tanzania and Uganda on Lake Victoria to a tune of €122.6 million. Much of the work will go towards improving the capacity of the ports to handle larger volumes.

Uganda's plans to put a petroleum transport system comes at a time when neighbouring Kenya is planning to improve services at Kisumu port.

Kenya is currently looking for contractors to put up an oil jetty at the port of Kisumu. The jetty is expected to ease the transportation of petroleum products from Kenya across the region.

Uganda has so far discovered 6.5 billion barrels of oil, with at least 1.4 billion of that amount thought to be recoverable. The country is still scouting for an investor it can partner with to put an oil refinery that can initially refine 30,000 barrels of oil per day.

Threeways Shipping fights for survival over bank loan

Threeways Shipping Services, once the largest local service support firm in Uganda's oil industry, is currently engaged in an arbitration with Standard Chartered bank over different unpaid loan facilities of more than $2 million as the company looks to survive a difficult period.

The arbitration, whose focus is to come up with an agreeable loan repayment plan, could see the two parties avoid what was turning out to be a distressing court battle.

One of the key points of discussions in the arbitration would be whether Standard Chartered bank should take some blame for disbursing the loan facilities late, as Threeways Shipping points out.

The main gist of this dispute starts from December 2014 when Threeways wrote to Standard Chartered bank about the financial hardships it was facing. With work in Uganda's oil industry coming to a standstill, Threeways, which by 2011 had gross sales of more than $35 million, was struggling by 2014.

The company asked Standard Chartered bank that it needed more working capital of more than $2 million. Threeways handed in that request after being awarded contracts to move goods for Chinese firms Sinohydro, which is building the 600MW Karuma dam, and China International Water and Electric Corporation, which is constructing the 183MW Isimba dam.

Threeways, however, says Standard Chartered bank disbursed the money late, on July 1, 2015, long after it had incurred high storage and demurrage charges at Mombasa port. Threeways says that as a result of the late disbursement, it incurred losses of $494,000 in December 2014 and $1.7 million from January 2015 to July 2015. So, the company said that the loan facilities it received on July 1, 2015 was used to pay the losses it had incurred, and not to support the purpose for which the company had wanted it.

Jeff Baitwa

Unpaid loan facilities of more than $2 million

Corroborating these events and finding out why the money was disbursed late is expected to be one of the main contentious points in the arbitration.

Jeff Baitwa, the managing director of Threeways Shipping Services, has in the past called for the Uganda government to set up an oil fund to help local companies access cheaper loans, away from the highly-priced credit of commercial banks. Government is yet to consider having such a fund.

SN Power terminates Bujagali power deal

SN Power AS, a Norwegian state company, has terminated the sale Purchase and Sale Agreement it signed in order to acquire Sithe Global Bujagali Holding's (SGBH) stake in the 250MW Bujagali power project after Ugandan authorities declined to approve the transaction.

In April 2016, Sithe Global, a Mauritian company indirectly owned by investment funds managed by Blackstone, wrote to Electricity Regulatory Authority seeking the approval of the transfer of 49,750 Class A ordinary shares and 1,117,510 Class B redeemable preference shares to SN Power AS. US firm Kirkland & Ellis LLP advised Sithe Global on the deal. However, ERA has declined to endorse that transaction.

"SN Power and SGBH have not received the necessary regulatory consent to close the Bujagali transaction within the long stop date deadline, 31st of December 2016, as stipulated in the Purchase and Sale Agreement. As a consequence, the mentioned agreement between SN Power and SGBH is now terminated," the company announced in January.

The cancelation of the agreement comes at a time when government is looking at different financial options in order to refinance the Bujagali power project, whose tariff, at $0.11/kWh, is one of the highest in the country.

Questions sent to Susanna Robinson of Allen & Overy LLP, the UK firm that advised SN Power on this transaction, about the issues they faced while negotiating with Ugandan authorities remained unanswered by press time.

However, our sources in government have told us that one of the sticky issues in this transaction came down to the return on equity that SN Power would have achieved. According to our source, investors in the Bujagali power project are earning a cool 19 per cent return on equity. This figure was reached at the time Uganda was facing a serious power problem with investors issuing take-it-or-leave-it offers that came with high charges.

With more Chinese funds flowing into the energy market, Uganda finds itself at a position where it has more choices.

On the SN Power – Sithe Global deal, government, according to our source, pushed for a reduction in return on equity to at least 15 per cent. Our source told us that President Yoweri Museveni has been vocal over the Bujagali project that he asked his negotiators not to buckle under any pressure that would deny Ugandans the benefits from the Bujagali power dam. Government's interpretation over the 15 per cent return on equity proposal was that it was already trying to get investors in the Bujagali power project to take a haircut on their return on equity, and that there was no way it would allow a new investor to come in with such a high figure.

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250MW

The Bujagali power plant is the largest in Uganda

President Museveni (holding hat) with the Aga Khan in Jinja during the launch of the Bujagali plant

SN Power terminates Bujagali power deal

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The decision to block SN Power acquisition of Sithe Global's stake means government will concentrate on the refinancing options for the Bujagali project. At 250MW, the Bujagali power project is the largest power plant in Uganda, accounting for about 30 per cent of the total installed capacity.

In our previous edition, we reported that the talks the government is holding with the International Finance Corporation could be finalized by March. Our sources now say the numerous board approvals could delay the conclusion of these talks to June 2017.

Uganda has requested for an extension of the tenure of the loan repayment by a further five years, and a slash in the interest rate. By May 2017, Uganda will be left with $478 million, out of the initial $702 million, to pay back the group of lenders for the Bujagali power project. The loans were structured as senior loans and surbordinate loans.

The country is still undertaking a cost-benefit analysis over the different options it has to clear this debt.

A new financing option for Bujagali emerged in late January when Museveni met Adesina Akinwumi, the president of the African Development Bank, on the sidelines of the 28th Ordinary AU summit of Heads of State and Governments in Addis Ababa, Ethiopia.

Museveni spoke of the financial challenges that the Bujagali power project was facing, where ADB is also a lender.

Akinwumi said ADB would float a bond for the project.

"...the bank will float a credit guarantee facility of $500 million dollar bond. This facility will restructure tenure of the loan over 15 years' period and will bring down the electricity tariffs. The bond holders will be paid revenue that will be generated from projects [Bujagali]," he said, according to a press statement from State House, adding, however, that there was a need for a government mandate for the bank to proceed with Bujagali.

Our source in government said that while this option was welcome, it needed to be taken with caution. The source said issuing a bond could attract a higher interest rate from the market, which might not be beneficial to the country. Interest rates for such bonds as the one the ADB is suggesting are about 6.5 per cent, according to our source.

For now, Uganda is still mulling over issues such as brokerage fees, interest rates, tenures, administration costs as it tries to come up with the best solution for the Bujagali power dam. On February 15, energy officials will present to cabinet, quite possibly at State House, the best proposal they have for the Bujagali power dam deal.

Ferdsult relinquishes licenses amid tight financial problems

Ferdsult Engineering Services Limited, a local power distribution firm, faces a bleak future after it agreed to relinquish licenses in some of the areas it is operating in rural Uganda. The company could cease operating in the areas of Kakumiro, Kibaale, Kagadi Rukungiri-Kanungu, Masaka-Bukakata, Kyotera-Mutukula-Kasensero, and Mbarara-Kikagati-Ntungamo by February 2017 as a huge financial burden takes a toll on it.

Based in rural Uganda, Ferdsult says it was no longer sustainable to operate the concessions.

However, when the Electricity Regulatory Authority undertook an audit of Ferdsult's operations, it found a company struggling to survive financially.

"[ERA] sanctioned a review of the licensee's performance and found that the licensee's operations were not prudently managed. There was doubt over the licensee's going concern status, with the licensee's liabilities doubling its assets and edging to over three times by the close of 2016," ERA wrote in January 2017.

A December 2016 Parliamentary report, which we quoted in our previous edition, noted that Ferdsult had failed to remit Shs 2.7 billion ($750,000) to the Rural Electrification Agency (REA) in lease fees, and that the company had become a perennial defaulter.

Still in December, the Auditor General released a report that noted that Ferdsult had not paid any of the annual concession fees of Shs 420 million ($116,666) since it signed a contract with government in 2011.

In the interim, the Uganda Electricity Distribution Company Limited has been appointed to undertake the operation and management of the network, assets and customers of Ferdsult in the relinquished service territories.

ELECTRICITY

Nkusi hosts GET Fit donors, seeks $14m financial closure

A team of officials from the GET FiT programme were expected to visit the 9.6MW Nkusi small hydropower project in early February as the company looks for credit of $14 million to complete the project before its commission date of December 2017.

The visit from GET Fit, a donor-supported programme for renewable power projects that are less than 20MW, could be part of the final plans before they commit at least $14 million to the project. PTA bank remains the main lender to the project so far.

The power project, located in Kibaale district, is expected to supply power to Cnooc's oil field on the banks of Lake Albert. Currently, tunneling works, which will also help in the diversion of water, are ongoing at the site, and are slated to be completed by the end of February.

$14 million

to complete the project before its commission date of December 2017.

Asa Katama, one of the top directors in the Nkusi power project

MINING

EAC Mining Bill to move to Kigali as debate commences

The EAC Mining Bill 2016 will have its first hearing from partner states at an assembly in Kigali, Rwanda, in March, according to Hon. Chris Opoka.

The East African Legislative Assembly (EALA) in late January granted Opoka leave to move the EAC Mining Bill 2016.

Speaking to Deep Earth International, Opoka, who represents the opposition party, Uganda People's Congress, at EALA, said he expects much of the discussions in Kigali to concentrate on the environmental aspects of mining and whether the interests of the community are taken into account.

He said it was high time mining companies engaged in serious corporate social responsibility activities in the areas where they operate.

Opoka, however, said East Africa needed to first attract investors into the region, especially those who can commit sizeable funds to projects. As part of that, he said the bill will come with some fiscal incentives, such as tax breaks, for investors. Such fiscal incentives, he pointed out, would act as some sort of security for the investment. He pointed to countries such as Ghana and Mali, which have taken the same path of tax incentives and, therefore, did not see why East Africa should not follow suit.

Other than Tanzania's mining sector, which has big players like Acacia Mining, the bigger part of East Africa's mining industry remains largely untapped, attracting junior firms with high levels of speculation.

Opoka said the EAC Mining Bill aims to turn around this situation. He said the bill is important in the sense that it will override some sections in the local laws.

According to the East African Community, the bill specifically calls for the harmonization of mining regulations to ensure environmentally-friendly and sound mining practices. It added that the Bill seeks to provide for transparent and accountable mechanisms for the reporting of mining and mineral-related activities in the community. "Ultimately, this bill is to reduce the differences in the operating environment for the mining industry among the member countries of the region."

After the meeting in Kigali, Opoka said EALA will start receiving comments from the public.

Opoka is currently contesting for re-election at EALA, with the vote expected for February 28. Whether Opoka wins or loses, it is not expected to affect the progress of the EAC Mining Bill.

Jimmy Akena, the president of the Uganda People's Congress, is said to be courting President Yoweri Museveni to back Opoka in the EALA race where the ruling party, NRM, is expected to sweep the Uganda seats.

Hon. Chris Opoka

Black Mountain to announce Namekara drilling results

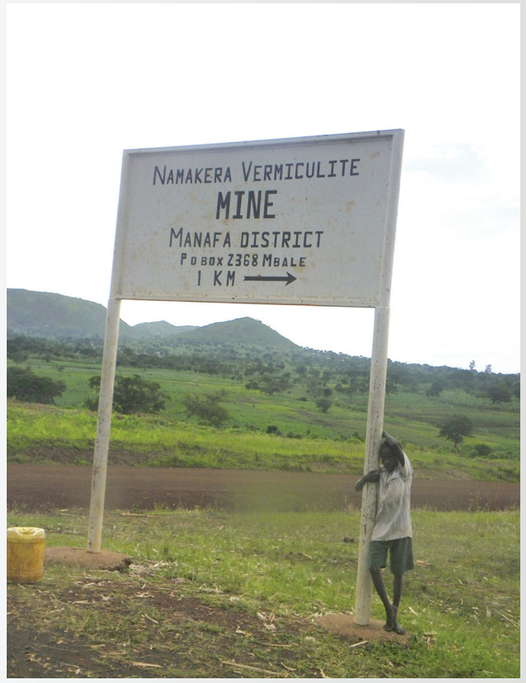
Black Mountain Resources Limited is set to announce to the Australian Securities Exchange the results of a drilling programme it undertook at the Namekara vermiculite mine in Eastern Uganda. The announcement, which is expected either in the middle or end of February, will offer a clearer sense of the mineral potential at Namekara, and offer direction on the kind of long-term investment plan that the mine requires.

The Australian mining company, with its consultants CSA Global, is expected to have completed the logging and assaying of its drilling programme, which it undertook in January. The company completed most of its drilling in late December 2016.

Black Mountain is said to be working hard to come up with a mineral estimate at Namekara.

It is not clear how much resource is located at Namekara. Previous holders of the mining license did not offer much information about the potential of vermiculite in the area. In June 2008, Rio Tinto, which was in charge of the mines, completed an internal mineral estimate. Just over a year later, on July 23, 2009, Gulf Resources, which had taken over the mines, undertook its own studies, although the results were never made public. In February 2016, Black Mountain Resources bought the mining rights over Namekara from Gulf Resources.

In November 2016, Black Mountain Resources produced its first saleable vermiculite product at Namekara. The company plans to spend just more than $3 million in the first phase at Namekara, with much of the money going towards the upgrading of the processing plant. Uganda is said to have some of the best vermiculite in the world, with its large flakes.



Sipa plans further drilling at Kitgum nickel project

Sipa Resources intends to publish the results of ground magnetic survey over the Akelikongo nickel-copper discovery in northern Uganda at the end of February 2017 as the company looks to push up its investment in the project.

The company said the results of the surveys will help the company understand better the mineral system of their Akelikongo project in Kitgum district and detect other sections for further drill testing. The company said it intends to embark on further drilling in the second quarter of 2017.

Sipa, in November 2016, said of Akelikongo: "The presence of economic grades of nickel and copper within a system of this scale and fertility is an important development which elevates and strengthens the potential of this system."

Kenya to start compensation over Thange valley oil-spill

Two years after more than 200 residents of Thange valley in Kibwezi East constituency were affected by an oil spill from the old Nairobi-Mombasa pipeline, the Kenya Pipeline Company (KPC) Limited has announced that it is going to start compensating them by April 2017.

KPC says it has already verified 80 per cent of the 278 claims it has received. The size of KPC's financial compensation package is not yet clear. The package, depending on the size, could draw eyebrows considering that the oil pipeline is older than the 25-year shelf-life it was meant to have. The pipeline was built in 1978.

The oil spillage into River Thange, a key source of water for the people of Kibwezi, disrupted the livelihoods of many. Other people have gone on to say that a number of people in the area had health complications as a result of the oil spillage.

In March last year, KPC launched a clean-up of Thange river, where the oil spilled into, as directed by the country's National Environment Management Authority.

EnviroServ Kenya Limited, a subsidiary of South African-based EnviroServ Waste Management, was, in 2016, handed the task of restoring River Thange.

EnviroServ has a strong presence in Uganda, having launched a state-of-the-art oil waste-treatment plant in Hoima. In Uganda still, the company has already disposed of toxic waste for Baker Hughes.

The oil spillage, and how it is being handled, offers a test for Kenya's oil industry especially as the country prepares to transport at least 2,000 barrels of crude per day in heated tanks lodged onto trucks from the Lokichar basin to Mombasa, where it would be exported to a foreign market. The oil will move more than 200 kilometres to Mombasa.

There are some concerns that Kenya could be moving ahead with the development of its oil industry without putting in place the necessary legal frameworks to govern the sector. The lack of a proper oil contingency plan within a strong petroleum law presents a challenge for due court process to take place in the event of another oil leak.

Currently, KPC is evaluating tenders for pre-stressed metallic sleeves to "be used for pipeline defects repair..." It is possible the defects in question are on the 14-inch old Nairobi-Mombasa pipeline.

Zakhem International Construction Co. Ltd from Lebanon was handed the contract to build a new 20-inch multi-product oil pipeline from Nairobi to Mombasa. Zakhem completed the Mombasa to Nairobi, 452km pipeline in 1977 and the 450km Western Kenya Pipeline Extension in 1993.

The new 450km-pipeline is KPC's largest infrastructure. The company has been accused of being slow in building the Mombasa-Nairobi pipeline, so much that the Parliamentary Public Investments Committee recently ordered the firm to complete the construction of project by the end of April 2017.

While Zakhem continues with its construction, Kenya has no intention of shutting down the old pipeline because it is the only infrastructure transporting petroleum products within the country and the region.

KENYA

ADB supports rare electricity model

A new model is being tested in Kenya's electricity industry after the African Development Bank approved a grant of $992,000 for the preparation of a 7.8MW hydropower project. The model, according to the ADB, "features an innovative community ownership structure, where financial returns will also accrue to members of the Mutunguru community in Meru county, Central Kenya, mainly due to a shareholding structure where communities actually receive a fixed small share of the project's profits."

The ADB supported the project through its Sustainable Energy Fund for Africa (SEFA). Depending on how successful this initiative will be, the ADB says it will consider future similar projects.

"This significant community ownership and support makes it deserving of the SEFA intervention as a model to be considered in future Bank operations," the ADB'S Gabriel Negatu, AfDB's Director-General for East Africa Regional Development and Business Delivery Office, said.

The ADB support will go towards Mutunguru Hydroelectric Company Limited, the firm developing the power plant, to procure professional services in legal and financial advisory consultancy. The company is also in the process of selecting a firm to offer environmental and social impact plan implementation services.

Base Resources issues low forecast for 2017

Base Resources Limited, the Australian firm producing rutile, ilmenite and zircon at the Kwale mine, will have lower production than earlier anticipated in the first half of 2017 as the company undertakes some works at its plant.

However, Base Resources says it has seen an increase in the production capacity at Kwale after it achieved a quarterly record of three million tonnes of minerals produced. The ramp-up in production is attributed to the commission of a 400-tonnes-per-hour hydraulic mining unit in the third quarter of 2016.

The company says it has more financial options to undertake further production of minerals at Kwale. Some of the options include an extension of a debt-repayment period, which has offered the firm to concentrate on its work at Kwale.

In October last year, the company extended the maturity date of the fully-drawn $20 million unsecured debt facility that it received from one of its key shareholders, Taurus Funds Management. That debt, which was supposed to mature at the end of December 2016, was pushed to September 30, 2017.

Base Resources is also holding negotiations with Kenyan authorities, especially the Kenya Revenue Authority, over a refund for Value Added Tax paid in relation to the development of the Kwale project, and other operations in Kenya, amounting to $18.2 million as at 31 December 2016. The company is hopeful it can get a breakthrough over those discussions.

The company expects higher prices for some of its minerals because of events in China. It noted that "recent reports of political disruption to ilmenite exports from Tamil Nadu in India and suppressed ilmenite production in China's main ilmenite producing region, the Sichuan province, due to increased environmental inspections. These events together with the ongoing strength in pigment demand are expected to result in further improvements in ilmenite prices through 2017."

Tullow strikes oil at Erut well

Kenya's oil reserves are slated to go up after Tullow Oil, together with its partner Africa Oil, discovered oil at the Erut-1 well in Block 13T in northern Kenya.

Tullow Oil feels that the success at Erut-1 opens new opportunities in the South Lokichar, its most prospective basin in the country.

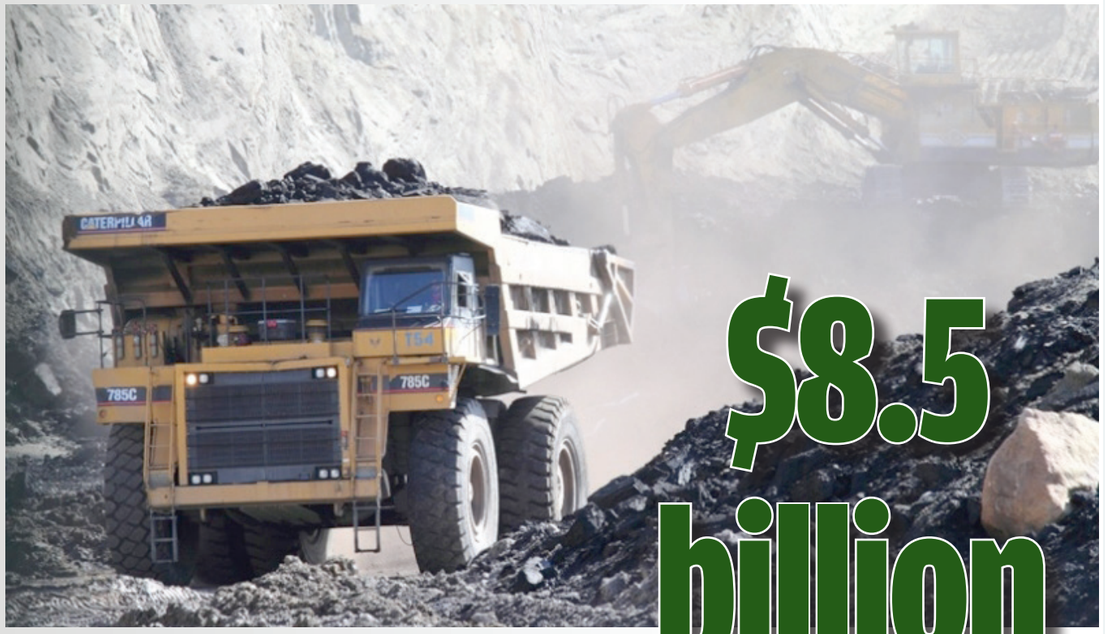
"Erut-1 successfully shows that oil has migrated to the northern limit of the South Lokichar basin and has de-risked multiple prospects in this area which will now be considered as part of the partnership's future exploration and appraisal drilling program," the company said in a statement.

Tullow's next target is now block 10BB, where it is expected to spud the Amosing-1 within the quarter.

Tullow operates Blocks 13T and 10BB with 50 per cent equity and is partnered by Africa Oil Corporation and Maersk Oil, both with 25 per cent each.

TANZANIA

Kibo eyes $8 billion revenue at Mbeya coal-to-power plant



$8.5 billion

at its Mbeya Coal to Power Project, according to its final Integrated Bankable Feasibility Study.

Kibo Mining estimates to receive $7.5 billion to $8.5 billion at its Mbeya Coal to Power Project, according to its final Integrated Bankable Feasibility Study.

The completion of this study offers Kibo a deeper understanding of this coal project, and the size of investment it needs to commit to it.

The new study means Kibo can clearly estimate the return on investment, the amount of debt and tenure, among other financial indicative figures.

From its studies, Kibo says there is enough evidence to show that "sufficient additional coal resources [are] available from the Mbeya Coal Mine to expand the power station to more than double the current design size and plant life." It added in a recent statement: "In this regard, the plant design already makes provision for a future second stage expansion to 600MW (i.e. a further 300MW of capacity with the potential for a third stage expansion of a further 400MW in the long term).

Kibo Mining also said recently that the National Environment Management Council had approved and accepted its environmental and social impact assessment scoping reports for both the Mbeya coal mine and Mbeya power plant. The approval of these reports is a major breakthrough, considering that coal is widely viewed as a dirty form of energy.

Kibo notes that technical and environmental risk assessments confirmed the Mbeya Coal to Power project was nearly ready for construction, "with no red flags on the environmental side, bearing in mind the clean coal nature of the plant design."

TANZANIA

Tanzania moves in on new mineral revenue transparency regulations

Tanzania has moved yet another step in ensuring there is transparent disclosure of the revenues the country earns from its extractives industry. The country is now evaluating bids from consultants that wish to develop regulations for implementing the Tanzania Extractive Industries (Transparency and Accountability) Act.

In trying to develop the regulations, Tanzania remains a role model for the region, where civil society organizations continue to push governments to sign up to the Extractive Industries Transparency Initiative. Tanzania joined EITI in 2009.

For joining EITI, the Tanzania government has published revenue receipts of $2.5 billion from July 1, 2008 to June 30, 2014. The country was temporarily suspended from EITI in September 2015 for delaying to publish its 2013 EITI report.

One of the main issues that mining companies will be looking out for is whether the new regulations would protect some sensitive information they might not want to divulge in the spirit of fair competition.

OreCorp raises hopes over Nyanzaga gold

OreCorp Limited, the Australian mining firm, exploring for gold in northern Tanzania, says its outlook for gold prospects at the Nyanzaga project has improved significantly.

The company, which has a joint venture agreement with Acacia Mining Plc, said it was "encouraged by the wider potential of the project area," after acquiring the soil samples of the licensed area.

The company is currently carrying out a pre-feasibility study on the project. The study, which is being done by Lycopodium Minerals Pty, is expected to be completed in the second quarter of 2017. Thereafter, OreCorp expects to proceed with conducting a Definitive Feasibility Study.

The project has 27 licenses and stretches over 271 square kilometres. The Bululu license, located six kilometres south of Nyanzaga, is the most prospective for OreCorp.

MTL Consulting Tanzania Limited is undertaking an environmental social impact assessment.

AngloGold Ashanti in new shareholder structure

Mining giant AngloGold Ashanti, which operates the northern Tanzania Geita gold mine - the largest single gold mining operation within the group – recently struck a deal that saw VanEck Associates Corporation's interest in the group rise up to five per cent.

The acquisition offers VanEck, an international asset manager, a deeper footprint into the African market at a time when the company's chief executive officer expects a rebound in commodity prices this year.

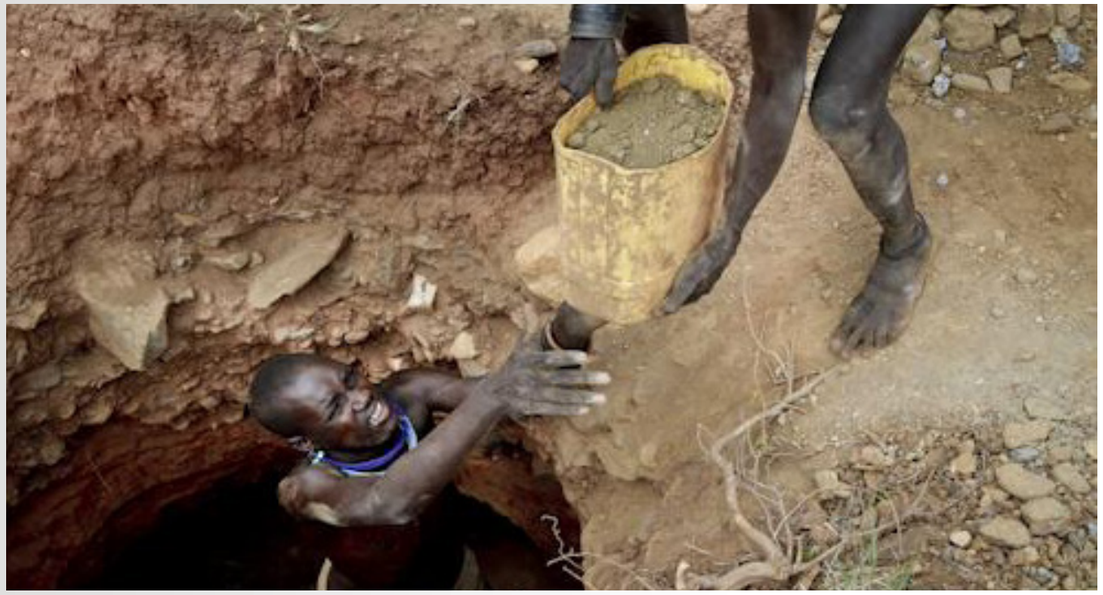
AngloGold Ashanti recently released its results for the year ending 2016, which pointed to doubling of earnings, spurred by higher international prices for gold.

VanEck's deal follows a similar transaction by BlackRock Inc a few days earlier. BlackRock increased its stake in AngloGold Ashanti to 10.08 per cent.

AngloGold's retention of such global investment management firms shows the level of confidence they have in the company's operations, especially in Tanzania, where the Geita mine remains a high-quality asset.

RWANDA

Desert Gold receives 10-year mining license



Rwanda has granted a 10-year renewable commercial mining license to Desert Gold Ventures to explore for gold over the Byumba project as the country moves another step closer towards getting its first commercial gold mine. The license, which covers an area located in the northern part of the country, has been granted nearly a year after Desert Gold Ventures had submitted an application for one.

Sonny Janda, the chief executive officer of Desert Gold Ventures, is quoted in a statement, saying: "Our goal is to develop the first commercial gold mine in the country and to become a leading producer in the region. As such, we are working closely with the Rwandan government and local partners to finalize the development plan at Rutare. This plan will not only focus on the exploitation of the existing Byumba resource at Rutare but will also incorporate more drilling for expansion and growth of the area over time."

According to the terms of the mining license, the exploration license will be called Rutare. The mining area, which is a two-hour drive from the capital Kigali, covers 375 hectares.

Desert Gold says it "plans to release a Supplemental Plan of Operation later this quarter that will outline the details of the development at Rutare." The company said it does not have a solid feasibility study from which to base its development plans; rather, earlier data and internal investigations it has carried out in the past.

At the Toronto Venture Stock Exchange, where it is listed, Desert Gold said it had received consent to extend closing of its non-brokered private placement to February 25, 2017 as the company seeks about $765,000 to develop its gold exploration in western Mali and northern Rwanda.

Desert Gold Venture said it was "evaluating other mineral prospects in the region" as the company plans to widen its footprint beyond the Rutare permit. It added that it was working with Rwandan authorities to identify prospective targets.

Rwanda authorities' mine inspections point to gaps

The government recently released its inspection report of the different mines in the country, with most of the issues pointing to poor working standards for workers. Rwandan authorities found that many mine operators did not have enough personal protection equipment for their workers.

Workers belonging to companies such as Tinco Investments Limited, which operates the Rutungo mines, EPROCOMI, Ets Munsad Minerals, Wolfram Mining and Processing Ltd, Eurotrade International, among others, were found not wearing adequate personal protection equipment even when, in some instances, the equipment was being kept in the stores.

Personal protective equipment have become a critical issue in the risky mining industry. In a mine where there are toxic fumes and the blasting of rocks which weakens structures, the safety of miners has become of paramount essence.

Companies that ignore the safety of workers could have their brand image battered, which could hurt their share prices for those that are listed, or attract public ridicule.

The inspection, however, kept its most critical overview for Ecoatef Limited, which operates the Rugarama and Twabagarama sites, prospecting for cassiterite and coltan. On top of the authorities calling for more effort to protect the workers, they also called for a shutdown of activities at the Rugarama site.

"All activities inside the tunnels at Rugarama site should be stopped and proceed with correction measures as communicated during inspection," the authorities wrote in their draft report. They added: "The company should stop ground sluicing and construct [an] appropriate mineral treatment station. [There is] need for a proper plan for mine waste management..."

The inspectors did not have kind words for another cassiterite and coltan firm, CEMAM, which is operating at the Gasiza and Kavumu sites.

The authorities said "The license is poorly-managed by the licensee and it is less productive with lack of techniques and no investment is available..."

The inspection looked at whether there were non-state armed groups in the mines, children present in the mines, forced labour at the mines, influx of foreign minerals, safety of workers and environmental impact.

The findings are not expected to create any tension in the market as some are the normal issues found in many other mines in different countries.

President Paul Kagame

India promises credit lines to Nyabarongo power plant

India has promised to offer financial support towards the construction of the second phase of the Nyabarongo power project, which, at 120MW, will be the largest power plants in the country.

The promise was made during President Paul Kagame's visit to the Asian country in January, where he was hosted by the Prime Minister of India, Narendra Modi.

A joint statement from the meeting noted: "Through lines of credit, India conveyed its readiness to support phase II of the Nyabarongo power project..."

It is not clear how much money India is willing to commit to the project. The government of Rwanda is still studying the feasibility studies for Nyabarongo II. On top of having the hydropower plant, the Nyabarongo project will also have an irrigation system, among others.

India played a role in the development of the first phase of the 28MW Nyabarongo power plant, contributing credit of $80 million.

During the same visit, Modi welcomed Rwanda as the 25th co-signatory country to the International Solar Alliance, an initiative by Modi that aims to promote advanced solar energy technologies. India has already supported 35 schools in Rwanda access solar power.

Kagame and Modi

Rusumo 80MW power project receives auditor's thumbs-up

The World Bank recently released an audit report into the Regional Rusumo Falls Power plant project, which showed that the financial statements portray a true and fair view of how the monies disbursed to the project are being used.

The Nile Equatorial Lakes Subsidiary Action Programme, which is in charge of implementing body for the 80MW Rusumo power project, hired two accounting firms, Le Fenraj Conseil and Moore Stephens from Mauritius, to undertake an audit into the power project over a one-year period to June 2016. The Rusumo power project, whose cost is $468.6 million, is being shared by three countries: Rwanda, Tanzania and Burundi. The African Development Bank, one of the major financiers of this project, is funding the transmission lines.

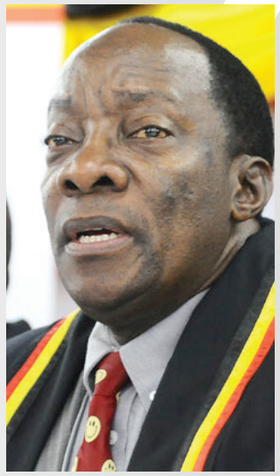
The audit report looked at key areas such as whether all the grant and counterpart funds had been used in accordance with the provisions of the agreements signed; whether the Bank accounts in the National Bank of Rwanda had been maintained in accordance with the provisions of the grant agreement; whether disbursements received from the World Bank correspond to those registered as bank disbursements, among others.

In a signed opinion, Busgeeth Dharmraj, the lead partner in the auditing exercise, wrote: "the financial statements from page 16 to 18 give a true and fair view of the financial position of the project..."

The preparation stage for the power project has been completed, and is now heading to the implementation phase. The project is currently selecting the contractors.

PEOPLE TO WATCH

BADRU KIGGUNDU



The former chairman of Uganda's Electoral Commission, who oversaw three national general elections, was, less than a year ago, appointed to head a steering committee to oversee that works on the 600MW Karuma power dam and 183MW Isimba power dam are on track.

Our sources say the steering committee could be meeting some slight resistance from some people in the ministry of Energy and Mineral Development as different parties look for favour from President Yoweri Museveni.

We wait to see how Eng. Kiggundu and his team will go through these challenges. The Karuma power dam is now back on track with excavation works for the tunneling nearly complete and the contractor now concreting the walls.

HUMPHREY KARIUKI

Kenya's Humphrey Kariuki is fast-becoming one of East Africa's most prominent investors. Mozambique recently awarded three different contracts for the construction of power plants in the Rovuma basin. One of those contracts was won by Kariuki's Great Lakes Africa Energy, which is expected to put up a 250MW power plant in the north-eastern Nakala district.

Already, Great Lakes Africa, which is a UK-registered firm, operates a 50MW in Zambia and plans to operate 1,000MW in the Great Lakes region and southern Africa by 2020.

ABDUL KATUNTU

The Ugandan legislator from Bugweri county has the task of steering the parliamentary committee inquring into a Shs 6 billion ($1.6 million) presidential reward that some government officials received for winning a couple of oil tax cases that fetched the country about $700 million.

Katuntu has the task of ensuring that the inquiry gets to the bottom of the contribution that the officials made, and whether they were deserving of the rewards they received, notwithstanding the legality of the whole process of getting the money.

A lawyer by profession, Katuntu has the huge task of investigating one of the biggest scandals in Uganda's oil industry.

FINISH LINE

There has been so much talk about the presidential handshake in Uganda, where government officials solicited for Shs 6 billion ($1.6 million) from President Yoweri Museveni for winning a number of cases against oil companies, which fetched the country about $700 million in tax revenue.

Parliament has already directed a committee to inquire into the 'handshake.' Looking at the profile of the beneficiaries of the gesture, this case represents one of the biggest scandals in the oil industry.

And yet, Uganda has had different 'handshakes' on different levels, although they have not received as much debate.

That said, we feel that the controversy surrounding the 'oil handshake' should create debate on the issue of receiving special benefits. A lot more focus should be placed on the legal aspects that should inform presidential rewards, and whether there is a need to ring-fence any special funds that might be used for this purpose. Presidential rewards are simply complicated and it is best if they are simply done away with.

At the end of it, we expect the committee to divulge interesting details of who contributed what to the oil cases.

Total E&P Uganda, the French firm that is expected to lead the implementation of the Uganda-Tanzania export crude pipeline, found itself in a spot of bother when some of its workers went on a sit-down strike over low remuneration and limited career opportunities.

The strike was a bold attempt by the workers to stand up to their bosses and demand what they think is fair.

However, we feel that the sit-down strike will not achieve much because the Total E&P staff are operating in an environment with a weak support system for such labour actions. There are no labour unions in Uganda; the workers representatives in Parliament are weak; the minister of Labour is more of a political figurehead than a person who strives to get things done; and bodies such as the Federation of Uganda Employers do not have the muscle to take on international firms.

We feel that the Total E&P staff have limited options beyond holding closed-door discussions with their bosses.

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