



FRANK  
TUMUSIIME  
& COMPANY ADVOCATES



# ACQUIRING MINERAL RIGHTS AND MINING LICENSES IN UGANDA

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## 1.0 Introduction

This write up is a basic guide to individuals and companies seeking to understand the mineral licensing process in Uganda. It is not an exhaustive do it all document and we advise any one seeking to get detailed guidance of the process to contact us on the address indicated at the bottom of this writeup for professional assistance.

Uganda is endowed with vast mineral resources. Preliminary Mineral discoveries made include Iron ore reserves of about 350 million tonnes, over 1 billion tonnes of Marble, approximately 12 million ounces of Gold, 1.7 billion tonnes of Graphite, 300 million tonnes of proven reserves of Rare Earth Elements (REE) and an estimated 3 billion tons of Kaolin. Other minerals include Beryl, Bismuth, Chromium, Cobalt, Columbite-Tantalite, Copper, Iron Ore, Lead, Magnesite Tin, Wolfram, Tungsten, Zinc, Lithium, Asbestos, Clay, Diatomite, Feldspar, Granite gneiss, Graphite, Gypsum, Kaolin, Limestone and Phosphates.

Uganda's mining sector has a wide potential for growth, hence the reasoning behind the reforms mining regulatory regime that has been happening. In the recently passed Mining and Minerals Act, 2022, are some major changes and below are some of the highlights.<sup>1</sup> The act among others;

- Designates the minister as the licensing grant authority for mineral rights, licenses and permits. The following licenses are available to partake: prospecting, exploration, retention, large scale mining license, small scale mining license, medium scale mining license and artisanal mining license.
- Clarifies and strengthens the function of the Department of Geological Survey, Mines, and Geothermal Resources in the ministry especially in relation to regulations.
- Provides for artisanal mining with a new Artisanal mining license. This comes with provision for biometric registration for artisanal miners.
- Emphasizes protection of the environment with exhaustive provisions in tandem with the National Environment Act, 2019.
- Makes financial provision including state equity participation, royalties, taxes and other relevant fees.
- Mandates community engagement and local development.
- Establishes Uganda Mining Company to manage the State's commercial interests especially in strategic minerals.
- Provides for mineral agreements including production sharing agreements.

<sup>1</sup> Uganda Chamber of Mines and Petroleum.



## 2.0 Key Definitions:

Type of licence	Explanation
<b>Mineral rights</b>	This means a right to prospect, explore or mine for minerals. Simply referring to the ownership or legal rights associated with minerals found beneath the surface of a property. When a person or entity owns the mineral rights to a property, they have the legal authority to explore, extract, and profit from the minerals present within that property.
<b>Prospecting License</b>	This is a license that is granted to intentionally search for minerals and mineral deposits. It can as well include any operations to test the mineral-bearing qualities of any area.
<b>Exploration License</b>	This is a license that is granted to define the extent and determine the economic value of a mineral deposit. It includes activities undertaken in order to identify, and determine the presence of minerals or mineral deposits and to assess the extent and economic value of a mineral deposit.
<b>Retention License</b>	A retention license is an optional license between the exploration and mining stages normally issued to the holder of an exploration license who upon identification of a mineral deposit cannot develop the mineral area immediately due to reasons such as; temporary adverse market conditions and economic factors or other temporary factors beyond reasonable control.
<b>Large scale mining license</b>	<p>This is a license that is granted for the international mining of minerals in mechanised operations. It involves the excavation of large surface pits, sinking of shafts, driving of adits or other underground openings with limitations to the extent of the mining operation dictated by the extent of the ore body and the capital investment threshold.</p> <p>The minimum investment threshold is Uganda shillings three hundred and eight billion two hundred million (UGX 308,200,000,000.00), an equivalent of United States Dollars eighty three million two hundred and ninety seven thousand two hundred ninety seven (USD 83,297,297.00).</p>
<b>Small scale mining license</b>	<p>This is a license that is granted to an individual who is a citizen of Uganda; a cooperative society registered under the Cooperative Societies Act, or associations registered under the laws of Uganda comprising Ugandan citizens exclusively; a partnership registered in accordance with the Partnership Act comprising of Ugandan citizens holding 100% of the shares; or a company registered and incorporated under the Companies Act, 2012 and having 100% of its shares held by Ugandan citizens.</p> <p>The operation capital should exceed 19,410 to 970,500 currency points, an equivalent of UGX 388,200,000.00 to UGX 19,410,000,000.00 respectively.</p>
<b>Medium scale mining license</b>	This mining license is granted to a joint venture or partnership registered in accordance with the Partnership Act, 2010 comprising of Ugandan citizens and foreigners; or and a company registered and incorporated under the Companies Act. Individuals, cooperatives and associations do not qualify for grant of the license. The threshold capital investment is is 58,230 to 19,410,000 currency points. <sup>2</sup>
<b>Artisanal mining License</b>	This is a license that is granted to carry out rudimentary mineral extraction and processing that is continuous or seasonal, carried out by individuals or groups of individuals, primarily and exclusively using manual labour and manual tools. This is often carried out at a single site or multiple sites and is focused on producing mineral products that are primarily delivered or sold to traders in those mineral products, local artists and craftsmen, or builders acting within the national economy. Not exceeding nineteen thousand, four hundred and ten (19,410) Currency Points.

<sup>2</sup> Each currency point equals of twenty thousand Uganda shillings (20,000)



# OBTAINING A MINING LICENSE

A mineral cadastre department has been created under the Directorate of Geological Survey and Mines (DGSM) to carry out online licensing, manage applications for mineral rights and permits, communication, reporting and assessment of payments.<sup>3</sup> This is separate from the regulation function retained under the mines department.

A person may acquire the right to prospect, explore for, retain, mine, process, refine, smelt, fabricate or dispose of any mineral in Uganda by acquiring such right in accordance with Mining and Minerals Act. Except for a prospecting licence, an exploration licence and a retention licence, a mineral right under the Act shall be granted subject to proof of acquisition of surface rights over the land that is subject to the mineral right.

In order to start any business in mining other than buying and selling, one has to obtain a Prospecting License. After prospecting, one can apply for an Exploration License. The holder of an exploration licence may apply to the Minister for the grant of a retention licence on the grounds that

- a) he or she has identified a mineral deposit within the exploration area which is potentially of commercial significance; and
- b) such mineral deposit cannot be developed immediately by reason of adverse market conditions, economic factors and other factors beyond their reasonable control, which are of a temporary nature.<sup>4</sup>

<sup>3</sup> Sections 20, 33 & 34 of the Mining and Minerals Act, 2022

<sup>4</sup> Section 53 of The Mining and Minerals Act, 2022

# APPLICATION FOR MINERAL RIGHTS

## PROSPECTING LICENSE (PL)

Granted for one year non-renewable; not a mineral right, expires at the anniversary of grant.

### Requirements for a Prospecting License

- In respect of an individual, the application must contain the name and nationality of each individual making the application;
- the registered name and place of incorporation of the company
  - a certified copy of the certificate of incorporation of the company
  - a certified copy of the memorandum and articles of association
  - the names and nationalities of the company directors and
  - the name of every shareholder who is a beneficial owner of five percent or more of the issued share capital.
- the company profile and history of prospecting in Uganda and elsewhere.
- a statement giving particulars of the technical and financial resources available to the applicant.
- give details of any mineral right held within Uganda by the applicant or by any person controlling, controlled by or under joint or common control with the applicant;
- Proof of payment of the prescribed fees <sup>5</sup>
- Executed Form I (individual) and II (a company)
- A registered power of attorney where it's required to be made by an agent and if the agent is a body corporate to be supported by a registered board resolution.<sup>6</sup>

### Fees for a PL – UGX 500,000.00

<sup>5</sup> Section 35 of the Mining and Minerals Act, 2022.

<sup>6</sup> Regulation 9 of the Mining Licensing Regulations



## EXPLORATION LICENSE (EL)

Granted for a period not exceeding three (4) years, renewable for a period not exceeding two (3) years.

### Requirements for an EL

- a certified copy of the certificate of incorporation, memorandum and articles of association and a board resolution of the company;
- a plan of the area over which the licence is sought, drawn in such a manner and showing such particulars as may be prescribed by regulations;
- identify the minerals in respect of which the licence is sought
- the names and nationality of each person making the application and
- in the case of a body corporate, its name and place of incorporation, the names and nationalities of the directors, managers and other officers of a similar rank and the names of any person who is the beneficial owner of more than five per cent of the issued share capital.
- financial status and the technical competence and experience of the applicant.
- state the period, not exceeding four years, for which the licence is sought.
- a proposed programme of exploration operations for the proposed period of the licence and the estimated cost of the operations.
- evidence in support of the existence of the minerals which the licence will cover in the proposed exploration area.
- statement giving particulars of the applicant's proposals with regard to the employment and training of Ugandan citizens and a training plan and budget.
- statement on the procurement plan of goods and services available in Uganda and commitment to give priority to locally available goods and services.<sup>7</sup>
- A company policy on the gender equity and equal opportunities
- Project Brief in accordance with National Environment Act
- Executed Form III

### Fees for an EL

1. 500,000/= registration fees
2. 1,000,000/= preparation/application fees
3. 50,000/= per km<sup>2</sup> or part of a km<sup>2</sup> as mineral rent annually
4. 300,000/= for gazetting grant of EL<sup>8</sup>

<sup>7</sup> Section 41 of the Mining and Minerals Act, 2022  
<sup>8</sup> 3rd schedule of the Mining Licensing Regulations, 2019





## **RETENTION LICENSE (RL)**

Granted for a period not exceeding three (3) years, renewable for a period not exceeding two (2) years once

### **Requirements for an RL**

- Valid Exploration License
- A board resolution of the company authorising the application for a retention licence
- the period applied for
- the minerals in respect of which the licence is sought
- Pre-Feasibility study and assessments by appropriate experts or consultants acceptable to the Commissioner on
  - The extent and prospect for recovery and the commercial and economic significance of the mineral deposit concerned.
  - The impact of mining operations on the environment and ways and means of eliminating or minimizing any adverse effects; and
- It shall be in Form 4 set out in schedule 2 of the regulations.
- contain proof of the applicants technical and financial capacity.

### **Fees for an RL**

1. 500,000/= registration fees
2. 5,000,000/= preparation/application fees
3. 100,000/= per km<sup>2</sup> or part of a km<sup>2</sup> as mineral rent annually
4. 300,000/= for gazetting grant of RL

## **LARGE SCALE MINING LICENSE**

Granted for a period not exceeding twenty-one (21) years or the life of the ore body to be mined, whichever is shorter. Renewable for a period not exceeding fifteen (15) years or the life of the deposit whichever is shorter until the deposit is exhausted.



## Requirements for a Large-Scale Mining License

- The application should contain a copy of the valid exploration licence or valid retention licence
- The applicant should attach proof of payment of any taxes and fees due.
- If the applicant is a company; the registered name and place of incorporation; the certificate of incorporation and a certified copy of its memorandum and articles of association; a board resolution; and the names and nationalities of its directors and the name of every shareholder who is the beneficial owner of five percent or more of the issued share capital. The company should attach its profile and proof of mining operations in Uganda.
- Other details to attach include; state the period applied for and informed by a feasibility study of the mineral in respect of which the license is sought; an Environment Social Impact Assessment report; a statement giving particulars of the technical and financial resources available to the applicant; particulars of the applicant's proposals with regard to the employment, health insurance and training of Ugandan citizens and a training plan and budget.
- A statement on the procurement plan of goods and services available in Uganda and commitment to give priority to locally available goods and services.
- The applicant must also attach a plan for co-existence with customary landowners or communities owning the land in the area subject to a mineral right. It's a requirement to conduct and document the identification of interested and affected parties including the registered owner, customary owner, lawful occupant or bonafide occupant of the proposed mining area; details of minutes of any consultative meetings with interested and affected parties and the results of the consultation should be attached.
- It is a prerequisite, before commencement of operations for the applicant to negotiate a community development agreement with representatives from communities likely to be affected by the mining operations. The applicant must negotiate and secure the surface rights of the land which is the subject of application.
- The maximum area for which a licence can be granted is fifty (50) square. Kilo meters.
- The minimum investment threshold is Uganda shillings three hundred and eight billion, two hundred million (308,200,000,000 an equivalent of United States Dollars eighty-three million two hundred and ninety-seven thousand two hundred ninety-seven (\$83,297,297).





## Requirements for a Medium Scale Mining License

A medium scale mining licence is valid for a period not exceeding ten years, renewable on application made to the Minister for such further periods not exceeding seven years at a time. It is only granted to; a company registered in Uganda; a joint venture or partnership of Ugandans and foreigners registered under the Partnership Act. The surface area covered by a medium scale mining license does not exceed fifty square kilometers.

The Threshold investment ranges between one billion one hundred and sixty-four million six hundred thousand Uganda shillings (1,164,600,000) an equivalent of United states dollars three hundred and fourteen thousand seven and fifty six thousand (\$314,756) to three hundred and eighty eight billion, two hundred million Uganda shillings (388,200,000,000) an equivalent of United States Dollars a hundred and four million nine hundred and eighteen thousand nine hundred and eighteen (\$104,918,918).

Registration requirements include:

- The applicant must state the its full names and, in the case of a partnership, the full name and nationality of each person; and in the case of a body corporate, the registered name of the body corporate and particulars of its shareholders, if any
- State the identity of the mineral in respect of which the licence is sought  
The application should Indicate the area in respect of which the licence is sought
- The application should be accompanied, in case of a body corporate, by a certified certificate of incorporation, memorandum and articles of association and a board resolution authorising the proposed activities.
- A statement of particulars of the nature of the mining operations proposed to be carried out, the capital and experience available to the applicant to conduct mining operations of the mineral efficiently and effectively
- Attach a plan of the area over which the license is sought.
- Attach documentary evidence that consent to use the land for mining purposes has been given to the applicant by the lawful occupants or owners of the land for mining purposes
- State the period applied for
- Attach an Environmental Social Impact Assessment
- Attach proof that he or she has obtained surface rights from the registered owner, customary owner, lawful occupant or bonafide occupant of the area the applicant intends to mine.<sup>9</sup>

<sup>9</sup> Section 75 of the Mining and Minerals Act, 2022.



## Requirements for a small-scale mining licence

A small-scale mining licence is valid for a period not exceeding five years, renewable on application made to the Minister for such further periods not exceeding three years at a time. It can be granted to; an individual who is a citizen of Uganda; a cooperative society or associations registered under the laws of Uganda comprising Ugandan citizens exclusively; a partnership registered in accordance with the Partnership Act comprising of Ugandan citizens holding one hundred percent of the shares; or a company registered and incorporated under the Companies Act, 2012 and having 100% of its shares held by Ugandan citizens. The size of the area covered under the small-scale licence is not yet specified, its pending in the regulations yet to be promulgated.

The applicant;

- Must state the full name of the applicant and, in the case of a partnership, the full name and nationality of each person; and in the case of a body corporate, the registered name of the body corporate and particulars of its shareholders, if any;
- Specify the mineral in respect of which the licence is sought
- Indicate the area in respect of which the licence is sought
- Attach in case of a body corporate, where applicable, by a certified certificate of incorporation, memorandum and articles of association and a board resolution
- Attach a statement of particulars of the nature of the mining operations proposed to be carried out, the capital and experience available to the applicant to conduct mining operations of the mineral efficiently and effectively
- shall attach the year a plan of the area over which the license is sought.
- Attach documentary evidence that consent to use the land for mining purposes has been given to the applicant by the lawful occupants or owners of the land for mining purposes
- shall state the period applied for
- Must attach an environmental social impact assessment report
- Attach proof that he or she has obtained surface rights from the registered owner, customary owner, lawful occupant or bonafide occupant of the area the applicant intends to mine.<sup>10</sup>

The threshold investment is a minimum of three hundred and eighty million two hundred thousand Uganda shillings (388,410,000) an equivalent of United States Dollars one hundred and four nine hundred and eighteen thousand (\$104,918) to a maximum of nineteen billion four hundred and ten million (19,410,000,000) Uganda shillings an equivalent of United States Dollars five million two hundred and forty-five thousand nine hundred and forty-five (\$5,245,945).

<sup>10</sup> Section 86 of the Mining and Minerals Act, 2022



## Requirements for an Artisanal Mining License

An artisanal mining licence is valid for a period not exceeding three years, renewable on application made to the Minister for periods not exceeding two years at a time. Artisanal mining is not allowed in a mining area with a valid mineral right, the minister can establish an artisanal mining area where technical and economic factors do not allow for large scale, medium scale or small-scale mining operations.

The following are eligible for grant of an artisanal mining license.

- An individual who is a citizen of Uganda
- A cooperative society, trustee or association registered or incorporated under the laws of Uganda comprising of Ugandan citizens exclusively.
- A joint venture or partnership registered in accordance with the Partnership Act, 2010 comprising of Ugandan citizens exclusively;
- A business registered under the Business Names Registration Act and exclusively owned by Ugandan citizens
- A company registered or incorporated under the Companies Act, 2012 and having one hundred percent of its shares held by Ugandan citizens.

The applicant for an artisanal mining licence should among other fulfil the following conditions;

- Must state the full name of the applicant and, in the case of a partnership, the full name and nationality of each person; and in the case of a body corporate, the registered name of the body corporate and particulars of its shareholders, if any;
- Disclose the identity of the mineral in respect of which the licence is sought
- Shall indicate the area in respect of which the licence is sought
- In case of a body corporate, attach a certified certificate of incorporation, memorandum and articles of association and a board resolution
- Attach a statement of particulars of the nature of the mining operations proposed to be carried out, the capital and experience available to the applicant to conduct mining operations of the mineral efficiently and effectively
- Attach a work plan of the area over which the license is sought.
- Attach documentary evidence that consent to use the land for mining purposes has been given to the applicant by the lawful occupants or owners of the land for mining purposes
- Must attach an environmental and social impact assessment report
- Attach proof that he or she has obtained surface rights from the registered owner, customary owner, lawful occupant or bonafide occupant of the area the applicant intends to mine.

The area coverage is yet to be Prescribed by the Regulations and so is the Fees payable.

The threshold investment is a maximum of three hundred and eighty million two hundred thousand Uganda shillings (388,200,000) an equivalent of United States Dollars one hundred and four nine hundred and eighteen thousand (\$104,918).

## Fees payable in the application process

At the moment, pending the promulgation of new fees regulations; the fees to payable are contained in Schedule 3 of The Mining (Licensing) Regulations, 2019. It should be noted that the fees are currently under review and might change any time soon. Below is snapshot of selected fees items required during the application process. For a detailed fees schedule please refer to Schedule 3.

<sup>11</sup> Section 96 of the Mining and Minerals Act, 2022



## Fees payable upon application for Mining Licence

ITEM	AMOUNT IN UGANDA SHILLINGS
For application and preparation of an Exploration Licence	1,000,000
For application and preparation of a Retention Licence	5,000,000
For application and preparation of a Location Licence	800,000
For application and renewal of an Exploration Licence	2,000,000
For application and renewal of a Retention Licence	5,000,000
For application and renewal of a Location Licence	1,000,000
Annual fee for a Prospecting Licence	500,000
For application and preparation of a Mining Lease	5,000,000





## 4.0 Other Important Considerations

### Mineral agreements

The Mining and Minerals Act allows the minister for mineral development to enter into an agreement, referred to as a mineral agreement with any person with respect to any matter relating to or connected with operations or activities under an exploration licence or a large-scale mining licence in respect of highly capitalised and complex projects. The terms included in the agreement include but are not limited to conditions relating to:

- minimum exploration or mining operations to be carried out and the work plan determined for purposes of such operations;
- the minimum expenditure in respect of exploration or mining operations;
- production sharing arrangements where minerals have been ascertained and quantified;
- environmental management, and health and safety obligations;
- community benefit sharing and community development, including the obligation to conclude community development agreements with the affected communities;
- the protection of the land rights or any customary rights of any of the registered owner, customary owner, lawful occupant or bonafide occupant of the land in the area subject to a mineral right;

### State equity and participation

The minister can also enter mineral agreements with investors for and on behalf of the government. By section 179 of the Mining and Minerals Act 2022; the State may take an ownership interest, at no cost, of up to a maximum of fifteen per cent (15%), in a large-scale mining licence, or medium scale mining licence. The state however can still acquire up to 35% participation in cash depending on the terms agreed upon with the Mining company.

### Beneficial ownership

Beneficial ownership refers the control, possession, custody or enjoyment by any person, directly or indirectly, of a reasonably significant economic interest in a given legal entity or receives significant economic benefit from such a legal entity, even where formal ownership or title may be in the name of another person or entity. A person is automatically considered to be a beneficial owner where such person owns 5% or more of the business entity.<sup>12</sup>

Companies applying or bidding for a mineral right, licence or permit are required to provide accurate information on the beneficial ownership as part of the application or bid documents and, throughout the duration of a mineral right or licence, are to inform the Minister of any changes to this information, within one month of the change occurring.<sup>13</sup>

Except in special circumstances to be prescribed by regulations, a person shall not directly or indirectly through beneficial ownership, hold more than five exploration licenses at any given time

<sup>12</sup> See sections 43 (6) & (7)

<sup>13</sup> Section 283 of the Mining and Minerals Act, 2022.



## Surface rights

Negotiating and securing surface rights is a key step and precondition to acquisition of mining license. Under Section 8 of the Mining and Minerals Act of 2022, surface rights are defined to mean the exclusive right to use land, or the surface of the land, or a right of entry onto land required by the holder of a mineral right or licence for the purpose of carrying out mineral operations. Except for a prospecting licence, an exploration licence and a retention licence, a mineral right under this Act shall be granted subject to proof of acquisition of surface rights over the land that is subject to the mineral right.

## Community development agreements

The holder of a large scale, medium scale or small-scale mining licence must negotiate and implement a community development agreement with the primary host community where the approved mining operations are located in a manner prescribed by regulations. Negotiation of the agreement is a prerequisite for commencement of operations under a mineral right. The agreement is signed jointly with representatives from communities likely to be affected by the mining operations and all other affected parties.

Community Development Agreements are agreements between affected communities and mineral rights holders that give effect to development, general welfare and the quality of life of the inhabitants, and recognise and respect the rights, customs, traditions and religion of local the communities.<sup>14</sup>

<sup>14</sup> Section 228(1) and (2) of the Mining and Minerals Act, 2022

### Contact Us

Frank Tumusiime & Co Advocates  
Lilies Leaf Chambers, Ground Floor, Wing 1B  
Plot 2B3, Kyambogo Drive - Off  
Martyr's Way, Minister's Village  
Ntinda, Kampala.



frank.tumusiime@franktumusiimeadvocates.com  
www.franktumusiimeadvocates.com  
+256 414 668596, +256 772619990