

TOUGH CONDITIONS HAVE BEEN SET FOR INVESTOR, WORKS START IN 12 MONTHS

By Martin Kitubi

Rwenzori Rare Metals (RRM) Limited, a local company, has won a large-scale mining licence to extract rare earth minerals in three Busoga districts of Bugweri, Bugiri and Mayuge.

Once operationalised, data indicates that the project has the potential to generate at least \$600m (about sh2.2 trillion) in taxes and royalties for Uganda in 35 years within which the different minerals are expected to be depleted.

The licence terms announced yesterday by the energy and mineral development ministry, indicate that the company will have rights to mine 17 different rare earth elements for 21 years.

There are 17 clusters of rare earth minerals in Busoga, under the Makuutu Rare Earths Project.

These include cerium dysprosium, erbium, europium, gadolinium, holmium and lanthanum. Each of these minerals is used for a purpose different from the other.

The licence also allows the company to operate on a radius of 44sqkm, making it the largest land mass project in Uganda.

The licence signed by the energy minister, Ruth Nankabirwa Ssentamu, on December 28, 2023, was issued yesterday to RRM at the ministry's headquarters in Kampala. The licence runs for 21 years and is renewable for 15 years.

A large-scale mining licence is

UGANDA TO EARN SH2.2 TRILLION FROM BUSOGA RARE MINERALS

PHOTOS BY MPALANYI SSENTONGO



Patience Singo, the country manager Rwenzori Rare Metals Ltd; Tregurtha and Nankabirwa after the signing and issuance of the large-scale mining certificate in the energy ministry boardroom yesterday. (Scan the picture using the Vision Digital Experience to watch video)

take its shareholding in RRM to 94% this year.

USES OF RARE EARTH MINERALS

Rare earth elements are used in the construction and manufacturing of motor vehicle and aeroplane parts and largely in the electronics industry.

Rare earth minerals' alloys are also used as components in the manufacture of several technological devices such as digital cameras, computer hard disks and monitors, smartphones and flat screen televisions, among others.

According to the American Geoscience Institute, rare earth minerals are used in clean energy development and defence technologies.

The glass industry is the largest consumer of rare earth minerals and raw materials, the institute says, adding that "they are used for glass polishing and as additives that provide colour and special optical properties".

In addition, lanthanum makes up as much as 50% of digital camera lenses, including mobile phone cameras. Certain rare earth minerals are used in fluorescent and LED lighting whereas yttrium, europium, and terbium phosphors are the red-green-blue phosphors used in many light bulbs, panels and televisions.

They are also used as catalysts in refining products such as petroleum and automotive catalytic converters. In magnets, rare earth magnets are used in computer hard disks, CD-ROMs (compact discs used as read-only

granted for large mining operations in an area not more than 50sqkm. It requires a capital investment threshold exceeding 19,410,000 currency points. A currency point is equivalent to sh20,000. This implies it requires sh388.2b and above.

GOVT CONDITIONS, EXPECTATIONS

As part of the conditions, Nankabirwa noted that the Government will have a mandatory 15% stake in the project as provided for in the Mining and Minerals Act of 2022.

She revealed that the country is in the final stages of incorporating and registering the National Mining Company, which will hold the State's participation on behalf of the country.

"I am at the tail end of establishing a national mining company to work with you (RRM) in the development of these minerals. The company will have a 15% stake," she said.

However, the Government said the state ownership percentage will be at no cost. In addition, she said the development must start not later than 12 months from the date of grant of the licence.

Nankabirwa added that the developers must add value to minerals extracted, which includes processing and refining them from within the country.

The company is required to pay an annual mineral rent at each anniversary without demand, as well as observe decommissioning plans as required. Although the project will be implemented on a radius of 44sqkm, the minister indicated that the land will be used in phases.

"I have been told that they will use



Nankabirwa displays some of the documents that were signed

portions of the project area in phases and decommission, then move to another place. The decommissioned part will later be accessed for use by the people," Nankabirwa said.

The mining sequence of the project indicates that a 350-hectare deposit of the ore, will have a 10-year mining life. The developer is also required to observe environmental protection standards, employ and train Ugandans, among others.

The minister warned that if any of the conditions is not adhered to, the Government has a right to cancel the mining licence.

COMPENSATING PAPS

The minister also indicated that commencement of mine development operations including construction

activities must take place after full payment of compensation to the project-affected persons (PAPs).

In addition, she said, the licensee shall not transfer or share the licence before full payment of compensation to the PAPs.

Alternatively, Nankabirwa said the transferee (individual or company to which the licence will be transferred) shall expressly take on the obligation to fully pay compensation for the exclusive use of the land.

Although he did not give details on how much will be spent on compensation of PAPs, Warren Tregurtha, the RRM chief executive officer, indicated that they will compensate the people before the works begin.

"We will compensate them," he said.

REVENUE, JOBS

According to stage I of the project's feasibility study conducted last year, RRM requires a capital investment to the tune of \$121m (sh462b) to commence operations. At the moment, the company said a demonstration plant is under construction at Makuutu in Bugweri district. RRM said the first phase is expected to produce a value-added mixed rare earth carbonate in the first quarter of 2024 for potential offtake and financing discussions with third parties.

However, the company noted that it will make a Final Investment Decision (FID) later this year to support the construction of the mine and processing plant, which will target the first production in 2026. According to the project paper, a total of 546 people will have direct jobs, while more than 1,000 others will work under contracts and service provision.

OWNERSHIP

Documents indicate that the Makuutu Rare Earths Project is 100% owned by RRM. However, the company's major shareholder is an Australian public company, Ionic Rare Earths Limited, with a 60% shareholding in the entity. The Australian company intends to

optical memory devices for computer systems) and digital video disk (DVD) drives.

The Geoscience Institute states that the spindle of a disk drive attains high stability in its spinning motion when driven by a rare-earth magnet.

"These magnets are also used in a variety of conventional automotive subsystems, such as power steering, electric windows, power seats, and audio speakers," it says. In batteries, nickel-metal hydride batteries are built with lanthanum-based alloys as anodes.

These battery types, when used in hybrid electric cars, contain significant amounts of lanthanum, requiring as much as 10 to 15 kilogrammes per electric vehicle, the institute says.

OTHER MINERALS IN BUSOGA

However, these are not the only minerals in Busoga sub-region. According to the Uganda Mining Cadastre, Busoga boasts other mineral resources such as gold, potash and granite.

Mayuge district has gold, iron ore and industrial minerals while Namayingo has base metals such as copper and zinc, gold, precious metals.

Bugiri on the other hand has platinum group metals, which include platinum, palladium rhodium and ruthenium. The district also has gold, potash and base metals.

Kaliro district, according to mining cadastre, has cobalt, copper, nickel and platinum group metals, while Kamuli has graphite. In addition, Iganga district has potential deposits of gold and nickel. Other minerals in Busoga include clay, sand and coltan.