

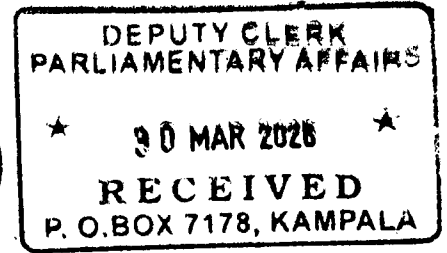
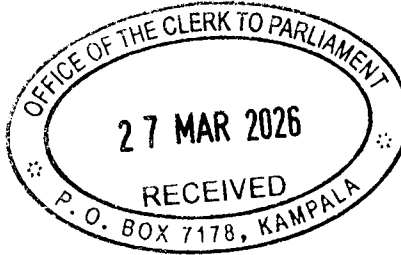
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Ministry of Finance, Planning &
Economic Development,
P.O. Box, 8147
Kampala, Uganda

EDP 086/605/01

March 23, 2026



The Rt. Hon. Speaker
Parliament of Uganda
KAMPALA.

WRITE OFF OF NON-TAX REVENUE OWED BY KILEMBE MINES LIMITED

Reference is made to the letter Ref: FIN/537/01 dated 22nd May 2025 from the Ministry of Energy and Mineral Development (MEMD) regarding the write-off of **UGX 2,297,400,000 (Two billion, two hundred ninety-seven million, four hundred thousand)**. This followed the Auditor General's report on the Ministry of Energy and Mineral Development for the audit year ending December 2024, which recommended the write-off of the Annual Mineral Rent arrears owed to Government by M/s Kilembe Mines Limited for the period from 12/31/2018 to 12/31/2024 (copy attached).

Furthermore, the Ministry of Energy and Mineral Development, via letter Ref: FIN020/280/01 of December 10, 2025, to this Ministry (copy attached), provided the updated arrears status of Annual Mineral Rent owed to the Government by M/s Kilembe Mines Limited as of December 2025, which amounts to **UGX 2,600,000,000 (Two billion, six hundred million)**.

Section 33(1) of the Public Finance Management Act, Cap. 171. provides that where the Minister of Finance, Planning and Economic Development seeks to abandon or remit any claim by or on behalf of the Government, or any service to the Government, or to write off a loss of, or a deficiency in public money or public resources, the Minister shall seek the approval of Parliament.

DC/PA.
Please handle
@ CP

Mission

"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"

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TPD 020/280/01 Vol. 16



Ministry of Finance, Planning &
Economic Development,
P.O. Box 8147
Kampala, Uganda

September 26, 2025

The Permanent Secretary
Ministry of Energy and Mineral Development,
KAMPALA

WRITE OFF OF NON-TAX REVENUE OWED BY KILEMBE MINES LIMITED

I acknowledge receipt of your letter Ref: FIN/537/01 dated 22nd May 2025 requesting for a write-off of the arrears due from Kilembe Mines Limited (KML) for Annual Mineral Rent (AMR) of **UGX 2,297,400,000 (Two billion two hundred Ninety-Seven million and Four hundred thousand)**. (Copy attached).

The purpose of this letter is to request that you provide the following additional information to facilitate an informed and conclusive assessment of the matter;

- i. The period to which the accrued arrears relate.
- ii. Evidence of efforts by KML to obtain funds from the Government of Uganda (GoU) to facilitate payment of the requisite fees.
- iii. A copy of the report from the Office of the Auditor General (OAG) regarding the queries on the non-payment of annual mineral rent fees.
- iv. A copy of the OAG letter recommending waiver of the fees owed by KML.
- v. Any other relevant information that may aid in the consideration of this matter.

Patrick Ocailap,

For: PERMANENT SECRETARY/SECRETARY TO THE TREASURY

Mission

"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and availability for public resources so as to achieve the most rapid and sustainable economic growth and development"

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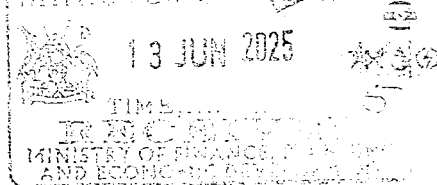
Website: www.energyandminerals.go.ug
IN ANY CORRESPONDENCE ON THIS SUBJECT
PLEASE QUOTE REF. NO:



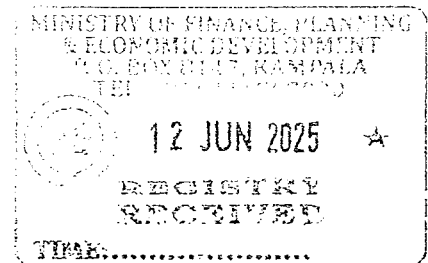
MINISTRY OF ENERGY AND
MINERAL DEVELOPMENT
PLOT 29/33 AMBER HOUSE
KAMPALA ROAD
P. O. BOX 7270
KAMPALA - UGANDA

FIN/537/01

22nd May 2025



The Minister of Finance, Planning and Economic Development
Ministry of Finance, Planning and Economic Development
KAMPALA



WRITE OFF OF NON-TAX REVENUE OWED BY KILEMBE MINES LIMITED

Reference is made to the redevelopment of Kilembe mines.

As you are aware, Kilembe Mines Limited (KML) held Exploration Licences and a Mining Licence for the exploitation of copper and other base metals in areas of Kasese district. Copper production ceased in 1982 and the mines have been in care and maintenance. In an attempt to revive copper production, in 2013 the Ministry of Finance, Planning and Economic Development granted a Concession to M/s Tibet Hima Ltd, however, Tibet defaulted on its obligations and the Concession was duly terminated in 2017.

The Licences reverted to KML and since then, the mines remained unproductive, however, KML was unable to pay the relevant fees and accumulated arrears of **Annual Mineral Rent (AMR)** amounting to **UGX 2,297, 400,000 (Two billion two hundred Ninety Seven million and Four hundred thousand shillings)**. The Mining and Minerals Act, Cap 159 requires a licence holder to pay the prescribed annual mineral rent for the area covered by an Exploration Licence or Mining Licence.

In 2018, Government of Uganda decided to redevelop the Kilembe mines through a **Mineral Production Sharing Agreement (MPSA)**. A competitive bidding process was conducted which led to the identification of a partner, M/s Sarrai Group Limited and Nile Fibreboard Limited, to invest in the redevelopment, together with the Uganda National Mining Company Limited (UNMC).

Over the years, KML made attempts to obtain funds from Government of Uganda (GOU) to enable payment the requisite fees, however these attempts were unsuccessful.

In December 2024, the Office of the Auditor General queried the non-payment of annual mineral rent fees. Considering the inability of KML to pay the arrears, the OAG recommended that the fees owed by KML be written off.

As you may recall, during the negotiations of the MPSA with Sarrai Group Limited, the inter-ministerial Negotiations Committee led by the Permanent Secretary of the Ministry of Energy and Mineral Development sought the Honourable Ministers' guidance on several matters. In a meeting held on 3rd January 2025 chaired by the Minister of Energy and Mineral Development and attended by the Minister of Finance, Planning and Economic Development, guidance was provided that my Ministry should write to the MOFPED to request writing off the liabilities of KML, especially the arrears of Annual Mineral Rent (AMR) amounting UGX 2.2974 billion.

Additionally, in a meeting of the shareholders of KML held on 3rd April 2025, the shareholders resolved and reiterated that the process to write off the arrears of AMR should be expedited.

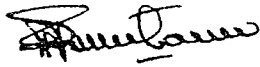
The purpose of this letter therefore, is to request that the arrears due from KML for AMR of UGX 2,297,400,000 (Two billion two hundred Ninety Seven million and Four hundred thousand shillings) be written off.

As justification for this proposed write off, please consider the following:

1. To enable the redevelopment of the Kilembe mines by the UNMC and the Contractor, it is necessary to transfer the licences free of any encumbrances and defaults. The Contractor is expected to invest up to an estimated value of **USD 220 million** in the entire redevelopment of Kilembe mines including the different project components of exploration, the hard rock mine, a copper smelter/refinery, a cobalt plant, Mubuku I Hydro Power Plant, and the processing of tailings. The project will produce grade A 99.9% copper cathode and 99.8% cobalt metal for use in the manufacturing industry.
2. As agreed in the MPSA, the Contractor duly paid a Signature Bonus of **USD 3.5 million (UGX 12 Billion).**
3. KML is a company majority owned and controlled by Government of Uganda. It has been under care and maintenance, and unproductive. Without receiving funds from Government of Uganda, KML is unable to make payment of the fees due. In order for GOU to collect the fees owed, GOU would have to avail the funds to KML to make this payment.
4. The shareholders of KML resolved to wind up the company and initiate the relevant procedures accordingly including setting up an inter-ministerial committee to conduct the requisite legal processes for winding up.

Accordingly, this is to request that, in accordance with section 35 of the Public Finance Management Act, the arrears of UGX 2,297Bn be written off to enable progress of the redevelopment of Kilembe Mines.

We look forward to your expedited handling of this matter.



Dr. Canon. Ruth Nankabirwa Ssentamu
MINISTER OF ENERGY AND MINERAL DEVELOPMENT

Copy to: The Honourable Attorney General, Ministry of Justice and Constitutional Affairs
The Minister of State for Privatisation and Investment
The Minister of State for Mineral Development
The Permanent Secretary/Secretary to the Treasury, Ministry of Finance, Planning and Economic Development.
The Permanent Secretary, Ministry of Energy and Mineral Development



FOR ANY CORRESPONDENCE ON
THIS MATTER PLEASE QUOTE NO: **DCG.286/352/01/24**

27th December, 2024

The Accounting Officer
Ministry of Energy & Mineral Development - MEMD
KAMPALA

**REPORT OF THE AUDITOR GENERAL ON MINISTRY OF ENERGY & MINERAL
DEVELOPMENT FOR THE AUDIT YEAR ENDED DECEMBER 2024**

I am enclosing herewith a report which I have already sent to the Rt. Hon. Speaker of Parliament in accordance with Article 163 (4) of the Constitution of Uganda 1995 (as amended).

A handwritten signature in black ink, appearing to read "Edward Akol".

Edward Akol
AUDITOR GENERAL

- Copy to:
- The Inspector General of Government
 - " The Permanent Secretary/Secretary to the Treasury
Ministry of Finance, Planning & Economic Development
 - " The Head of Accounts, Ministry of Energy and Mineral Development

PREAMBLE

This report presents the findings and recommendations of the Auditor General on Ministry of Energy and Mineral Development for the Audit year ended December 2024. The report is based on a comprehensive analysis of the evidence gathered from the audits undertaken during the year and is intended to provide stakeholders with a clear understanding of the key findings and conclusions of the Auditor General. The recommendations outlined in this report aim to support the entity in achieving its goals and objectives and to promote better service delivery.

This report has 6 sections: Section 1 contains the financial audit report, Section 2 has key findings on compliance with the specified regulatory framework, Section 3 highlights an evaluation of the entity's performance, Section 4 highlights the summaries of key findings arising from other audit engagements undertaken by the Auditor General on the entity, Section 5 highlights the projects audited under the entity and Section 6 presents appendices to the report including the financial statements.

Where only summaries have been included in this report, detailed reports concerning the same have been issued separately.

List of acronyms

SN	ACRONYM	MEANING
1	ASMs	Artisanal and Small-scale Miners
2	Bn	Billion
3	DGSM	Directorate of Geological Survey and Mines
4	ECP	Electricity Connections Policy
5	e-GP	Electronic Government Procurement
6	EPC	Engineering, Procurement and Construction
7	ERA	Electricity Regulatory Authority
8	ETP	Energy Transition Plan
9	FY	Financial Year
10	GOU	Government of Uganda
11	HPP	Hydro Power Plant
12	IESBA	International Ethics Standards Board for Accountants
13	INTOSAI	International Organization of Supreme Audit Institutions
14	ISSAIs	International Standards of Supreme Audit Institutions
15	IVA	Independent Verifying Agent
16	KIL	Kilembe Investment Limited
17	KIS	Kalangala Infrastructure Services Limited
18	KRECS	Kyegegwa Rural Electricity Cooperative Society
19	MDAs	Ministries, Departments and Agencies
20	MEMD	Ministry of Energy and Mineral Development
21	Mn	Million
22	MoFPED	Ministry of Finance, Planning and Economic Development
23	MOU	Memorandum of Understanding
24	MTEF	Medium-Term Expenditure Framework
25	NAA	National Audit Act
26	NDC	Nationally Determined Contribution
27	NDP	National Development Plan
28	NDP	National Development Plan
29	NIRA	National Identification and Registration Authority
30	NPIS	National Petroleum Information system
31	NTR	Non-Tax Revenue
32	PACMECS	Pader Abim Community Multipurpose Electric Cooperative Society Limited
33	PAPs	Project Affected Persons
34	PDM	Parish Development Model
35	PDMIS	Parish Development Model Information System
36	PFMA	Public Financial Management Act
37	PIAPs	Programme Implementation Action Plans
38	PPDA	Public Procurement and Disposal of Public Assets
39	PS/ST	Permanent Secretary and Secretary Treasury
40	REA	Rural Electrification Agency
41	TBEA	Transformer and Electrical Equipment Company Limited
42	Tn	Trillion
43	UEB	Uganda Electricity Board
44	UEDCL	Uganda Electricity Distribution Company Limited
45	UETCL	Uganda Electricity Transmission Company Limited
46	UGX	Uganda Shillings
47	UNBS	Uganda National Bureau of Standards
48	UNOC	Uganda National Oil Company
49	USD	United States Dollar
50	WENRECO	West Nile Rural Electrification Company

Underperformance of NTR affects government revenue collection which impacts service delivery.

Management attributed the underperformance of NTR to the ban on exportation of unprocessed minerals and added that the Ministry was in advanced stages of installing weigh bridges where mineral levies will be collected and establishment of gold markets in Entebbe and Kasanda District which will increase the Non-Tax Revenue. Furthermore, the ministry has issued a public notice in the media reminding all Mineral rights holders to settle outstanding obligations.

Recommendation

I advised the Accounting Officer to assess the feasibility of value addition for all minerals and also undertake a cost benefit analysis for exportation of unprocessed minerals with a view of providing recommendations to government for optimum mineral exploitation.

1.2 Long outstanding receivables

The statement of financial position under Note 23 reports an amount of UGX.129.57Bn as receivables. A review of the aging analysis revealed that UGX.129.05Bn had been outstanding for over 2 financial years as detailed in the table below;

Table 1: showing long outstanding receivables

SN	Customers	Amount (UGX'Bn)	Remarks
1	Bridge Credit Finance Company	0.15	Relates to outstanding rent as at 31/03/2022
3	Annual Mineral Rent	3.94	Relates to Annual Mineral Rent as at 30/06/2022
4	Kilembe Investments Limited	0.30	Refers to operational fees due to former REA as at 30/06/2022
5	Ferdsult	3.45	Refers to operational fees due to former REA as at 30/06/2022
6	Bundibugyo Energy Cooperative Society Limited	0.054	Refers to operational fees due to former REA as at 30/06/2022
7	Pader-Abim Community Multi-Purpose Electric Cooperative	0.039	Refers to operational fees due to former REA as at 30/06/2022
8	Kyegegwa Rural Electricity Cooperative Society Limited	0.006	Refers to operational fees due to former REA as at 30/06/2022
9	UETCL	121.11	Refers to 5% transmission Levy outstanding balance as at 30/06/2022
	Total	129.049	

There is a risk that the long outstanding receivables may become bad debts leading to potential write-offs and loss to the ministry.

Management indicated that the Ministry will seek authority from the Accountant General to write off UGX.154Mn due from Bridge Credit Finance Company which was confirmed to have been liquidated 2 years ago and that demand notices to all clients with outstanding receivables had been sent.

Table 2: Reconciled position of domestic arrears as at 30/06/2024

Item No.	Invoice Date	Description	Supplier	Amount (UGX'Bn)
1	FY2017/18	Insurance Premium for former Rural Electrification Agency Staff	UAP Old Mutual Insurance (U) Ltd	0.067
2	FY2017/18	Contribution to International Organization	African Mineral Geoscience Center (AMGC) (\$65,228)	0.247
3	FY2017/18	Contribution to International Organization	Comprehensive Nuclear Test-Ban Treaty Organization (CTBTO) (\$8,026)	0.030
4	FY2017/18	Contribution to International Organization	Comprehensive Nuclear Test-Ban Treaty Organization (CTBTO) (\$5,374)	0.022
5	FY2015/16	Outstanding Corporate Tax Obligation-Amber House Ltd (AHL)	Uganda Revenue Authority	0.345
6	FY2015/16	Outstanding Debenture Payment on Isimba Hydro Power Dam	Uganda Revenue Authority	6.41
7	FY2017/18	Power Extension and connection Fees (Electricity Sector Development Project)	Umeme Ltd	0.017
Total Outstanding as at 30/06/2024				7.14
Exchange Rate 1USD:3785.92UGX				

Failure to clear outstanding arrears may result in additional charges if action is taken on non-payment by the creditors.

Management responded that the pension arrears had not been recognised in the ministry books and were as a result of a court case between GoU and the Lawyer representing the former UEB pensioners where GoU took a decision to release the money to the Ministry instead of the Lawyer so as to expedite the activity. Management further indicated that they are engaging the Ministry of Finance, Planning and Economic Development for an enhancement of the domestic arrears budget to pay the outstanding arrears.

Recommendation

I advised the Accounting Officer to prioritise clearance of the long outstanding payables to eliminate the risk of additional costs.

1.5 Contingent Liabilities

The ministry reported a total of UGX.485.37Bn as contingent liabilities under the statement of contingent liabilities. UGX.408.67Bn (84%) of the amount relates to legal proceedings mainly from suits by PAPs on the ministry compensation process during acquisition of land for different electricity infrastructure projects. Up to 36 more related cases which are non-quantifiable were disclosed.

An additional UGX.35.90Bn (7%) of the amount relates to liabilities taken over by the ministry from the former REA in financial year 2021/22.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accounting Officer.
- Conclude on the appropriateness of the Accounting Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to deliver its mandate. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Ministry to fail to deliver its mandate.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that complies with the Government of Uganda Public Financial Management laws and regulations.

I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.

I also provide the Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence and, communicate to the Accounting Officer all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

SECTION 2: REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

The Office of the Auditor-General conducted a compliance audit on selected key subject matters.

The primary objective of the audit was to obtain sufficient and appropriate audit evidence to form a conclusion on whether the Ministry of Energy and Mineral Development complied with the relevant identified criteria.

My audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI 4000)¹ on compliance auditing.

The areas of focus for the review were;

- Management of the parish development model
- Procurement management for the financial year 2023/24
- Compensation for project affected persons (PAPs)
- Implementation of the energy transition
- Management of minerals and mineral revenue

Relevant audit criteria

The criteria for the audit were based on Acts of Parliament, regulations, and manuals/guidelines designed to ensure compliance with laws governing the parish development model, procurement management, compensation of PAPs, energy transition and management of minerals.

These include;

- Ministerial Statement on the PDM to Parliament
- PDM Governance and Operations Manual
- PPDA Act, regulations and guidelines
- Land Acquisition Act Cap. 226
- NDP III
- Uganda's Energy Transition Plan (ETP)
- Mining and Minerals Act Cap. 159
- Mining and Minerals Licensing Regulations, 2023

Audit Methodology

My audit was conducted based on the information and records provided by the Ministry of Energy and Mineral Development.

In executing this audit, various approaches were exercised which included;

- Document reviews;
- Physical inspections;
- Interviewing relevant officials of the Ministry; and
- Analyzing data provided.

¹ ISSAI 4000 - Compliance Audit Standard

2.1.2 Creation of vulnerability index databases

Paragraph 4.1 of the Parish Development Model Pillar 2 - Infrastructure and economic services operation Manual, May 2023, provided that the vulnerability index should be calculated using information obtained on the PDMIS in the area of existing status, economic activities, security requirements, geographical location, population, existing similar development programs, among others.

MEMD as lead Ministry for the electricity and other energy sources activity would develop its formula for calculating the Parish Vulnerability Index, which would be submitted to the Pillar Working Group for approval. The vulnerability index should be utilized at the PDM activity planning stage.

I noted that the Ministry did not develop the formula to calculate the Parish vulnerability index. Without a vulnerability index, parishes with urgent need of social services like access to electricity and clean energy may not be prioritized during pillar activity selection.

Management explained that the Sustainable Energy Program wasn't part of the initial PDM initiatives. However, it was later identified as one of the enablers. Consequently, MEMD was asked to integrate PDM activities into its work plan. While these activities were incorporated, MEMD can only provide input in computation of the vulnerability index but not compute it independently. This is because the index is composite in nature and incorporates performance of other PDM implementers and it is therefore centrally computed by the PDM Secretariat.

Although management asserts that the responsibility of developing the formula for calculating the parish vulnerability index lies with the secretariat, this contravenes the requirement of the PDM guidelines which places the responsibility with the activity leads.

Recommendation

I advised the Accounting Officer to develop the formula to calculate the parish vulnerability index to facilitate proper planning.

Conclusion

I conducted a compliance audit of the Ministry of Energy and Mineral Development on the implementation of the Parish Development model subject matter and evaluated its compliance with the relevant criteria. The evidence obtained is sufficient and appropriate to provide a basis for my conclusion.

Based on the work performed and described in this report, except for the findings stated above, nothing has come to my attention that causes me to believe that the subject matter is not in compliance, in all material respects, with the relevant criteria.

2.2 PROCUREMENT MANAGEMENT

I reviewed a sample of procurements to assess whether they were conducted in accordance with the Public Procurement and Disposal of Public Assets (PPDA) Act Cap. 205, PPDA regulations and guidelines in a manner that promotes transparency, fairness, competition, and achieve value for money, and made the following observations:

processes increase the likelihood of delays, inefficiencies, and errors, undermining the efficiency of procurement operations.

- iii) **Duplication of Entries:** The procurement ledger contained 288 duplicate entries valued at UGX.94.26Bn which could not be deleted by the procurement and disposal unit. Duplicate entries compromise the accuracy of reports, erode confidence in financial data, and increase the risk of fraud or undetected errors.
- iv) **Reporting Challenges:** The system failed to generate reports in compliance with Regulation 15(1) of the Public Procurement and Disposal of Public Assets (Procuring and Disposing Entities) Regulations, 2023. Consequently, procurement and disposal unit prepared reports outside the system which hinders adequate online assessment procurement performance.
- v) **Procurement Planning Gaps:** The uploaded procurement plans did not meet the requirements of Regulation 6 of the Public Procurement and Disposal of Public Assets (Procurement Planning) Regulations, 2023. Missing details included timelines, recommended procurement methods, and contract packaging. Poorly structured procurement plans hinder the efficient execution of procurement activities and may lead to non-compliance with regulatory requirements.
- vi) **Insufficient Competition Support:** Vote controllers lacked visibility into the procurement of common-use items across departments. This resulted in procurement splitting, inappropriate methods, and reliance on a limited pool of bidders due to siloed procurement processes. Fragmented procurement processes reduce competition, increase costs, and create inefficiencies, ultimately undermining value for money in procurement activities.

The observations highlighted above limit the auditability of procurements.

The Accounting officer explained that the issues raised above were e-GP system issues. As the Ministry, they have no control over them and were also challenged in their operations due to the inefficiencies of the system. Many of the issues have been raised with the MoFPED who have confirmed that the system is still under development and if need arises the system will be overhauled to take care of the challenges faced with its current version.

Recommendation

I advised the Accounting Officer to put in place remedial measures to ensure transparency in the above circumstances. Additionally, I advised the PS/ST to review the e-GP and ensure that the above challenges in the e-GP system are addressed.

Conclusion

I conducted a compliance audit of the Ministry of Energy and Mineral Development on the management of procurement subject matter and evaluated its compliance with the relevant criteria. The evidence obtained is sufficient and appropriate to provide a basis for my conclusion.

Based on the work performed and described in this report, except for the findings

- ii) For the Karuma HPP, the current disclosure progress stands at 95.7% which represents 308 claims of the 322 total number of claims. To date, 91% (293 out of 322) claims of the consenting PAPs have been submitted to MEMD (under batches Nos. 1-18) for compensation and 88.2% (284 out of 322) of the claims have been compensated. Out of the thirty-eight (38) (11.8%) claims whose payments are still outstanding; 29 are with the RAP implementation consultant and have not been submitted to the Ministry for payment due to various reasons, and 6 were deferred by the Ministry's Internal Audit and sent back to the Consultant for rectification.
- iii) For the Isimba HPP, the payments for the remaining balance had not been made due to lack of funding.

Recommendation

I advised the Accounting Officer to liaise with the relevant stakeholders to ensure prompt payments for the PAPs in the various projects to avoid cost escalations.

2.3.2 Delays in compensation leading to Escalations in compensation for the Petroleum Product Pipeline

According to the RAP study report for the refined petroleum products pipeline, the cut-off date for the assessment and valuation was 12th December 2019. The first valuation assessments were approved on 15th February 2021 with a total of 4,270 PAPs and a value of UGX.73.85Bn as summarized in the table below;

Table 3: showing valuation assessments for the petroleum products pipeline

S/n	District	No. of PAPS	Original Value (UGX'Bn)	No. of PAPS	Supplementary Value (UGX'Bn)
1	Hoima	88	2.98	3	0.02
2	Kiboga	1,673	18.21	54	2.84
3	Kikuube	464	12.31	102	11.27
4	Kyankwanzi	655	7.30	111	1.39
5	Mityana	415	6.30	133	3.61
6	Mpigi	289	8.21	115	2.51
7	Wakiso	686	18.54	301	10.45
	TOTAL	4,270	73.85	819	32.09

Supplementary assessments and valuations totaling UGX.32.09Bn were made by 29th August 2023, 30 months after the initial assessment. The reasons for the increments in valuations were cited as changes in ownership of property, objection of value rates attached to property, disputes in assessment of value of crops and developments on land after the cut-off date of the initial assessment.

In addition, I noted that delays in payments resulted into PAPs registering new interests on land assessed such as construction of residential and commercial buildings that further inflated the cost of compensation.

Management explained that the delays were caused by the inadequate release of funds by MoFPED. The Ministry has severally engaged the MoFPED for more funding to enable timely compensation to avoid the escalations and loss of funds. In addition, the

Conclusion

I conducted a compliance audit of the Ministry of Energy and Mineral Development on the compensation for Project Affected Persons subject matter and evaluated its compliance with the relevant criteria. The evidence obtained is sufficient and appropriate to provide a basis for my conclusion.

Based on the work performed and described in this report, except for the findings stated above, nothing has come to my attention that causes me to believe that the subject matter is not in compliance, in all material respects, with the relevant criteria.

2.4 IMPLEMENTATION OF THE ENERGY TRANSITION

The global shift to renewable energy underscores the urgency of Uganda's ETP, a roadmap designed to align the country's economic transformation with sustainable energy practices. The ETP seeks to modernize Uganda's energy sector, achieve universal energy access by 2030, and position the country as an East African energy hub.

Despite notable progress in expanding electricity access, Uganda remains energy-poor, with low rates of electricity (45%) and clean cooking access (15%). Heavy reliance on biomass for energy and rising greenhouse gas emissions threaten sustainability and climate commitments.

Consequently, I conducted an audit to evaluate progress in achieving the plan's objectives and addressing energy needs in a sustainable and inclusive manner.

The following are my observations;

2.4.1 Regulatory Gaps Hindering Effective Execution of the Energy Transition Plan

Section 13.3.1 of the Third National Development Plan (NDPIII) mandates the review of three key laws (*the Electricity Act, the Atomic Energy Act, and legislation for geothermal development*) and the establishment of three regulatory frameworks to support the objectives of the energy transition by 2030.

By the close of December 2024, the Ministry had made notable progress in establishing the Minimum Energy Performance Standards and developing a framework for net metering. However, the required amendments to the Electricity Act, the Atomic Energy Act, and the enactment of geothermal legislation remained incomplete.

In 2023, the Country initiated plans to construct a Center for Nuclear Science and Technology, encompassing a nuclear research reactor and ancillary facilities to serve as a national hub for nuclear education, training, radioisotope production, and research and development. Additionally, plans for a Pressurized Water Reactor nuclear power plant in Buyende were launched. However, critical legislative amendments to the Electricity Act, the Atomic Energy Act, and the enactment of geothermal legislation remain pending.

The delay in finalizing these legislative instruments poses a risk to achieving a cohesive and comprehensive legal framework for energy sector transformation, particularly hindering the development and utilization of Uganda's geothermal resources.

2.4.3 Implementation of climate change Adaptation Actions

Section 2.2 of Uganda's Updated Nationally Determined Contribution, 2022, outlines four priority adaptation actions with ten indicators to achieve Uganda's climate mitigation and adaptation goals under the Paris Agreement by 2030.

I assessed the implementation of these actions and noted that specific targets for two indicators were not defined in the NDC, making it difficult to determine the required resources and strategies to achieve a climate-proof transmission infrastructure. Furthermore, out of the eight (8) indicators with defined targets, three (3) were fully achieved, three (3) partially implemented, and two (2) remained unimplemented. Details in **Appendix 2**.

The absence of clear targets undermines the planning, resource mobilization, and monitoring processes required to build resilience to climate change. Additionally, the slow progress on implementation weakens Uganda's commitments under the Paris Agreement and hampers its ability to address the growing impacts of climate change.

The Accounting Officer explained that the two priority adaptation actions that didn't have clear targets had been included in the new National Development Plan IV.

Recommendation

I advised the Accounting Officer to put in place mechanisms to expedite implementation of NDCs in order to achieve the planned climate change initiated.

Conclusion

I conducted a compliance audit of the Ministry of Energy and Mineral Development on the implementation of the energy transition subject matter and evaluated its compliance with the relevant criteria. The evidence obtained is sufficient and appropriate to provide a basis for my conclusion.

Based on the work performed and described in this report, except for the findings stated above, nothing has come to my attention that causes me to believe that the subject matter is not in compliance, in all material respects, with the relevant criteria.

2.5 MANAGEMENT OF MINERALS AND MINERAL REVENUE

2.5.1 Non-Payment of Annual Mineral Rent Fees

Section 50(1.b) of the Mining and Minerals Act 2022 requires a license holder to pay the prescribed annual mineral rent for the area covered by the exploration license annually on the anniversary of the grant of the license until it expires.

I noted that Annual Mineral Rent fees amounting to UGX.4.39Bn due from exploration and mining companies remained outstanding as at 30 June 2024. The failure to collect the expected revenue denies Government the funds necessary to deliver services to the citizens.

Management explained that the Ministry sent 135 demand notices for annual mineral rent arrears and that a list of non-compliant license holders had been compiled for

Failure to enforce export permit requirements weakens MEMD's regulatory oversight, risks revenue loss, enables misdeclaration of mineral origins and purity, and facilitates illegal exports, undermining the government's moratorium on unprocessed minerals and limiting economic value addition.

The Ministry published a name & shame list of non-compliant companies as well as a public notice on gold purchase procedures in Uganda as a mean to educate stakeholders in the sector.

Recommendation

I advised the Accounting Officer to strengthen coordination mechanisms with the Uganda Revenue Authority to ensure full compliance with export permit requirements. Measures should include joint enforcement initiatives, integration of systems to track mineral exports, and periodic reviews of dealer registrations in the mining cadastre. In accordance with Section 149(5) of the Mining and Mineral Act, the Accounting Officer should impose a penalty of 10,000 currency points on all mineral exporters who failed to obtain the required export permits from the ministry.

2.5.4 Failure to impose Late Lodgment Fees for quarterly Returns

Schedule 2 of the mining and licensing regulations, 2023 prescribes late lodgment fees in respect of annual report, expenditure report or final report, quarterly returns under an Exploration or Retention License and monthly returns under a Mining License for each week or part of a week of the late lodgment period.

Review of the mining cadastre and other documents revealed that whereas there were delays in submission of returns by licensees, the department does not impose late lodgment fees for quarterly returns, as prescribed by the regulations.

The failure to bill late lodgment fees further encourages non-compliance with regulations and weakens enforcement of reporting obligations by mineral rights holders.

Management explained that in the financial year under review, the Ministry generated a total of 135 non-compliance and demand notices for lodgment fines from defaulters. Additionally, the Ministry has compiled a list of non-compliant license holders for publishing in the media to name, shame and compel non-compliant mineral right holders to clear outstanding fees arrears.

Recommendation

I advised the Accounting Officer to ensure the enforcement of late lodgment fee collection for all overdue returns, as stipulated in Schedule 2 of the regulations, as a measure to enhance compliance with reporting timelines.

2.5.5 Non-Compliance with Licensing Application Requirements

Regulation 18 (2) of the Mining and Minerals Licensing Regulations, 2023 states that the applicant shall, for the purpose of indicating technical capacity submit certified copies of academic documents and curriculum vitae indicating the relevant qualifications and experience of at least 3 years of the leading technical personnel to undertake the planned mining activities. Regulation 79 (2) further requires mineral dealers and goldsmiths to submit a certificate of good conduct from Interpol.

Mining Cadastre System is to be configured to capture the letter of good conduct from Interpol automatically.

Recommendation

I advised the Accounting Officer to ensure strict adherence to licensing requirements specified in the Mining and licensing Regulations and to undertake sensitization of proper system usage with all licensees.

2.5.6 Failure to renew exploration licenses

Regulation 48(2) requires holders of exploration licenses to apply for renewal at least three months before the expiration of their licenses. DGSM is mandated to process renewal applications within thirty days of receipt. According to Regulation 114, applicants should update their applications within 60 days of the regulations' commencement, with failure to do so leading to forfeiture of the application.

I noted that 21 licensees applied for renewal of exploration licenses, but DGSM had not yet processed the renewals as at the time of audit. Some of the applications have been pending for over 100 days.

Processing exploration license renewals beyond prescribed timelines leads to operational disruptions, potential forfeiture of applications and undermines the integrity of the licensing system.

Management attributed the failure to renew exploration licenses to delays in the operationalization of the Mining and Minerals (Licensing) Act 2022 coupled with slow response from the applicants to submit additional information required for further processing of the license. Furthermore, the division of licence administration is inadequately staffed according to the approved structure.

Recommendation

I advised the Accounting Officer to prioritize staffing the mining cadastre department to expedite the process of renewing exploration licenses and ensure strict adherence to application deadlines to prevent further delays.

2.5.7 Failure to meet registration target for artisanal miners

Section 19 (3)(d) of the mining and minerals Act CAP. 159 requires the department of mines to mainstream and organize artisanal mining in Uganda. In light of the requirement, MEMD contracted African Centre of Energy and Mineral Policy to facilitate the registration and management of artisanal and small-scale miners.

Review of the performance report for the year 2023/24 revealed that MEMD achieved biometric registration for only 1,820 out of the targeted 8,000 artisanal miners stated in work plan, representing a registration rate of 22.75%.

Failure to register ASMs hinders efforts to curb illegal mining, resulting in continued loss of government revenue and challenges in enforcing responsible mining practices.

SECTION 3: REPORT ON PERFORMANCE EVALUATION

In accordance with Schedule 2 of the Public Finance Management Act Cap. 171 on the presentation of financial statements, and Section 18 of the NAA Cap. 170, I undertook an evaluation of the Ministry's actual performance in comparison with its planned activities and outputs for the year as well as its mandate. This section presents the findings from the evaluation of the performance.

3.1 Review of the implementation of the entity's Mandate

The Ministry is mandated to establish, promote the development, strategically manage and safeguard the rational and sustainable exploitation and utilization of energy and mineral resources for social and economic development as per the Biofuels Act, Cap. 155, Mining and Minerals Act, Cap. 159, Petroleum Supply Act, Cap. 163 and Electricity Act, Cap. 157.

A comparison of the entity's strategic and annual work plans for the last three (3) years with the mandate as stipulated in relevant laws revealed that the entity had not adequately executed the mandate of maintaining National Strategic Petroleum Stocks as required under section 5(2(h)) Cap. 163 of the Petroleum Supply Act.

Failure to ensure that all mandate activities are provided for in the strategic plans and annual work plans implies that no resources will be earmarked for the activities and the associated service delivery benefits will not be achieved.

Management explained that the initial requirement for stocking of the reserves was USD.24Mn (Approximately UGX.90Bn). This was way beyond the MTEF provision of about UGX.85Bn in the FY2023/24 for the entire programme yet there were other critical priorities such as the urgent need to settle the project affected persons to create way for the products pipeline and avoid the resultant penalties.

Given the strategic importance of these reserves, the Ministry through UNOC partnered with a private sector player Vitol Bahrain to stock reserves through a direct import arrangement which minimized the use of middlemen in the import handling processes hence reduced fuel pump prices and stable supply of fuel into the country.

Recommendation

I advised the Accounting Officer to engage the Ministry of Finance, Planning and Economic Development to avail funding for the National strategic petroleum stocks.

3.2 Review of the implementation of the approved budget

Paragraph 2(a) of schedule 5 of the PFMA 2015, Cap 171, requires Accounting Officers to prepare an appropriation account showing the services for which the moneys expended were voted, the sums actually expended on each service, and the state of each vote compared with the amount appropriated for that vote by Parliament.

Out of the approved budget of UGX.1.79Tn, the total warrants for the year amounted to UGX.1.67Tn (93%). The budget includes UGX.1.11Tn relating to external financing and GoU budget of UGX.678.96Bn. Below is a summary of the budget and warrants;

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Website: www.energyandminerals.go.ug

In any correspondence on this subject
please quote Ref. No.



MINISTRY OF ENERGY AND
MINERAL DEVELOPMENT
PLOT 29/33 AMBER HOUSE
KAMPALA ROAD
P. O. BOX 7270,
KAMPALA.

FIN020/280/01

10th December 2025

The Permanent Secretary/Secretary to the Treasury
Ministry of Finance, Planning and Economic Development
KAMPALA

WRITE OFF OF NON-TAX REVENUE OWED BY KILEMBE MINES LIMITED

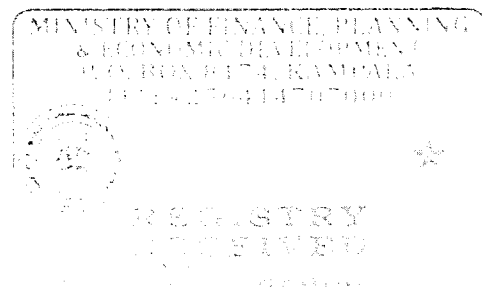
I refer to a letter Ref FIN/537/01 dated 22nd May 2025 from the Minister of Energy and Mineral Development to the Minister of Finance, Planning and Economic Development regarding the writing off of arrears of UGX 2.297 Billion owed by Kilembe Mines Limited.

The purpose of this letter is to provide the following additional information as requested by your Tax Policy department.

- (i) The period to which the accrued arrears relate is from 31/12/2018 to 31/12/2024, however, as of todate, the arrears of Annual Mineral Rent owed by Kilembe Mines Limited is UGX 2,600,000,000 (**Two Billion and Six Hundred Thousand Shillings**) as shown in the table below.
- (ii) Please find attached which are evidence that Kilembe Mines Limited requested for funds but was not provided.
- (iii) Please find attached the Report of the Auditor General on the Ministry of Energy and Mineral Development of the Audit Year ended December 2024, where at Item 2.5.1, the OAG recommended that writing off the Kilembe Mines receivable should be explored.

Eng. Irene Bateebe
PERMANENT SECRETARY

Copy to: Minister of Energy and Mineral Development
Minister of State for Mineral Development



KML accordingly flagged the accumulating mineral rent for the Special Mining Lease 2151 since it was transferred back to the company in 2017 as one of the liabilities to the 29th Annual General Meeting (AGM) that sat on 15th August, 2024; and it was resolved therein under **Min. 10/08/24 B1** that the amount outstanding is approved for settlement and it be included in the Cabinet Paper that was to comprehensively capture all KML's issues for the Uganda Government Cabinet of Ministers' consideration and discussion.

This is therefore to request for your understanding and patience as the matter of outstanding AMR fees is being handled; and accordingly exclude KML among those to be prosecuted after the grace period of 14 days you accorded the defaulters lapses.

For and on behalf of
KILEMBE MINES LIMITED



Kyakonye Fred
(CHIEF EXECUTIVE OFFICER)

CC: Commissioner, Mines, Geological Survey and Mines Department, MEMD
CC: Head, Privatisation Unit, MFPED
CC: Chairman, Board of directors, Kilembe Mines Limited

[**Enclosed:** Statutory Instrument 2002 No. 62 & NV Advert]

The amount urgently required to have the exploration area still under license to Kilembe Mines Limited is Shs. 95,400,000/= (ninety-five million and four hundred thousand shillings only).


Kilembe Mines Limited (KML) met all the earlier costs relating to licensing, including the rentals for year 2019/2020, but due to badgered equipment and machinery received back from the failed concession as well as the ravages on production assets suffered on 7th and 10th May, 2020 due to water swells that broke Nyamwamba and Mubuku river banks, the income has dwindled.

This is to request for an urgent support in funding totalling to **Shs. 95,400,000/=** required from the shareholders to meet statutory payments to enable renewal and availability of exploration area under license to Kilembe Mines Limited.

Copy of the exploration licenses (EL 1978 and EL1928) are attached hereto for ease of reference.

Please, note that there is yet another **Shs. 1,641,000,000/-** (One billion, six hundred and forty-one million shillings only) outstanding statutory payment in mineral rent for the 3,282 hectares of land at Shs. 100,000/= per hectare per annum for the special mining lease, number 2151 for the period 2018 to 2022, given the Attorney General's guidance that the mining lease be reverted to Kilembe Mines Limited effective September 2017 when the concession terminated. The company is not in position to meet the outstanding rental as well as the transfer and registration fees and Kilembe Mines Limited has not been entered unto the special mining lease title. A copy of the mining lease land title is enclosed hereto for ease of reference.

For and on behalf of
KILEMBE MINES LIMITED


Fred Kyakonye
(CHIEF EXECUTIVE OFFICER)

Copy: Hon. Minister for Energy and Mineral Development
Hon. Minister of State for Mineral Development
Permanent Secretary/Secretary to the Treasury
Permanent Secretary, Ministry of Energy & Mineral Development
Director, Geological Survey and Mines, MEMD
Chairman, Board of Director, KML

(Encl: Copy of titles for EL 1978, EL 1928 and Mining Lease Land title)