NAFUNA & CO. CLIENT GUIDES · GOLD & MINERALS · NO. 04

Before You Pay

Payment Safeguards in a Ugandan Gold Transaction

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Introduction

> *“Is this charge genuine?”*

It is the question buyers most often bring to Nafuna & Co. Advocates and Legal Consultants once money has started to move in a Ugandan gold transaction.

The requests arise at different stages. Some purchasers are asked to pay for an assay before inspecting the gold. Others are presented with invoices for export permits, taxes, customs charges, storage, insurance, transportation or the release of a consignment. In some cases, the purchaser has already paid substantial sums and is informed that one further payment is necessary before the gold can be delivered or exported.

The question opens the inquiry. A charge may exist under Ugandan law without being payable by the purchaser. An expense may be commercially legitimate without having become due under the parties’ agreement. A genuine service provider may be named in an invoice issued by someone who has no authority to collect payment on its behalf.

The central inquiry is therefore broader:

> What is the legal and commercial basis for this payment, who is entitled to receive it, and what must occur before the purchaser becomes obliged to pay?

This Guide examines the principal safeguards that international purchasers should consider before transferring money in connection with a proposed Ugandan gold transaction.

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SECTION 1

Identify Exactly What You Are Being Asked to Pay

The first step is to identify the legal character of the proposed payment.

A request described simply as a “gold payment” may concern any of several different obligations:

- An advance against the purchase price
- A deposit or security payment
- An assay, smelting or refining charge
- A transportation, storage or insurance expense
- A government fee, tax, royalty or other statutory charge
- A payment to a clearing agent or other service provider
- A purported customs or regulatory release payment
- A broker’s commission or intermediary fee

These payments arise from different legal relationships and may be subject to different conditions. The purchaser should establish the nature of the obligation before considering the amount

demanded.

A request for USD 10,000 described as an export expense, for example, requires examination of the precise service or statutory obligation involved, the basis of calculation, the person legally responsible and the recipient.

The description on an invoice records what the issuer claims. The legal character of the payment must be established separately.

NAFUNA & CO. PRINCIPLE

A payment should be verified by its legal character, not by the label placed upon it.

SECTION 2

Establish What Makes the Payment Due

A payment may relate to a genuine expense and still be premature. The purchaser should ask:

- **What contractual provision or statutory requirement creates the obligation?**
- **Has the event triggering payment occurred?**
- **Is the amount presently due?**
- **What evidence establishes that the obligation has arisen?**
- **What happens if the transaction does not proceed?**

For example, an agreement may provide that an assay charge becomes payable when a particular consignment is received by an agreed testing facility. That provision raises several factual questions. Has the identified consignment actually been received? Has the facility acknowledged receipt independently? Does the invoice correspond with the agreed service? Who is responsible for payment?

The purchaser should establish those facts before transferring funds.

A properly structured transaction links payment obligations to defined events capable of independent verification.

> *Money should move on a verified event, never on an assurance that the transaction has reached the next stage.*

SECTION 3

Verify Government Charges Independently

Purported government charges deserve particular attention.

A purchaser may be presented with a document described as a tax assessment, export permit invoice, customs demand, mineral royalty assessment or government authorisation fee. Such documents may contain official-looking letterheads, stamps, signatures, reference numbers and payment instructions. Their appearance is insufficient to establish that payment is required.

The purchaser should independently determine:

1. The law or regulatory instrument creating the charge
2. The applicable rate or prescribed amount
3. The transaction or activity to which the charge applies
4. The person legally responsible for payment
5. The authority entitled to assess or collect the charge
6. The official payment procedure
7. Whether the particular assessment or payment reference is genuine

Uganda's mineral-sector regulatory framework involves the Directorate of Geological Survey and Mines and other competent authorities. Tax and customs matters may involve the Uganda Revenue Authority. The relevant authority depends upon the nature of the obligation.

Some charges are published. The Ministry of Energy and Mineral Development's Public Notice of February 2026, for example, sets the fee on refined gold for export at USD 200 per kilogram, payable through the Uganda Revenue Authority, and the application fee for a gold import permit at USD 270. A demand that departs from a published charge, or routes it to a private account, calls for explanation.

A purchaser should obtain verification through independently established official channels, including applicable government portals and authorised offices. Contact details printed on a document supplied by the proposed seller are the seller's information, not independently verified government contact information.

NAFUNA & CO. PRINCIPLE

Do not verify a government charge through the person asking you to pay it.

SECTION 4

Identify the Law Behind Any “Gold Tax”

The expression “gold tax” is frequently used in commercial discussions without identifying the underlying legal obligation.

Mineral royalties, licence fees, export-related charges, customs obligations, taxes and private service charges are distinct categories. Their application may depend upon the mineral, its origin, the regulatory status of the parties, the nature of the transaction, the applicable law and the intended movement of the commodity.

A purchaser should therefore resist requests framed in general terms such as:

> *“The government requires a gold tax before release.”*

The correct inquiry is:

> ***Which law creates this particular obligation, how has the amount been calculated, and why is the purchaser responsible?***

A genuine regulatory requirement is capable of identification and explanation. Because rates, procedures and regulatory requirements may change, purchasers should verify the requirements applicable at the time of the proposed transaction.

SECTION 5

Establish Who Is Legally Responsible for the Charge

An obligation can exist and still belong to someone other than the purchaser.

A mineral dealer may incur obligations arising from its own licensing or business operations. An exporter may bear responsibilities associated with the export process. A refinery may charge the party contracting for its services.

The allocation of costs between buyer and seller also depends upon the agreed commercial terms, subject to applicable law. An agreement under which the seller undertakes to deliver gold to an agreed destination at its own expense cannot automatically be treated as requiring the buyer to pay every expense the seller later claims.

The purchaser should examine both the legal incidence of the charge and its contractual allocation. Where the buyer agrees to advance an expense otherwise payable by the seller, the agreement

should establish whether the advance is refundable, deductible from the purchase price or otherwise recoverable.

> ***Verify the obligation and the person liable for it separately.***

SECTION 6

Verify the Person or Company Receiving Payment

Payment instructions require their own due-diligence inquiry. The purchaser should establish whether the proposed recipient is:

- The contracting seller
- A licensed service provider
- A government authority
- A properly authorised collection agent
- A broker or intermediary
- A director or employee of the seller
- Another company associated with the transaction

The legal relationship between the recipient and the obligation must be established. Where payment is requested to an account belonging to someone other than the contracting seller, a separate question arises: what authorises that person to receive the money?

A seller's instruction to pay a third party may be commercially legitimate, and it requires independent verification and appropriate contractual documentation. The purchaser should also consider the consequences of paying the nominated recipient. Will that payment legally discharge the purchaser's obligation to the seller?

A payment instruction should be examined before funds are transferred, particularly where it differs from the original contractual arrangements. Client Guide No. 05, *The Seller Wants You to Pay Someone Else*, examines third-party accounts in detail.

SECTION 7

Treat Bank Account Details as Due-Diligence Information

Banking details are part of the transaction evidence.

The purchaser should establish the identity of the account holder, the financial institution, the stated purpose of the transfer and the relationship between the beneficiary and the underlying transaction. Where possible and appropriate, account information should be verified through independent channels.

Particular scrutiny is warranted where:

1. The account holder differs from the contracting party.
2. Payment is requested to an individual's personal account.
3. The nominated account changes shortly before payment.
4. The beneficiary is located in a jurisdiction unrelated to the transaction.
5. The payment description is inconsistent with the actual purpose.
6. The purchaser is asked to split payments among unrelated recipients.

Each circumstance requires explanation and verification; none, standing alone, establishes fraud. The purpose of the inquiry is to determine whether the money trail corresponds with the contractual and documentary record.

SECTION 8

Link Payment to Verifiable Transaction Milestones

A substantial gold transaction should ordinarily have a documented payment procedure. In a given transaction, relevant milestones may include:

1. **Satisfactory corporate and licensing due diligence**
2. **Verification of the seller's authority and the provenance of the commodity**
3. **Execution of the definitive Sale and Purchase Agreement**
4. **Identification and receipt of the agreed consignment**
5. **An independent assay under agreed conditions**
6. **Confirmation of the quantity and purity relevant to pricing**
7. **Satisfaction of specified regulatory or export requirements**
8. **Delivery of agreed documents or performance of other contractual obligations**

A payment mechanism should specify the event triggering payment, the evidence required to establish that event, the authorised recipient and the consequences of non-performance. The purchaser should also establish when title and risk pass and how the payment procedure corresponds with delivery and custody arrangements.

> ***No single payment formula suits every transaction. The safeguard lies in matching the payment obligation to the transaction actually being undertaken.***

SECTION 9

Advance Payments Require a Defined Purpose

Advance payments are common in commercial transactions, and their legitimacy depends upon the surrounding circumstances. An advance may be intended to reserve a consignment, finance an agreed service, secure performance or form part of the purchase price. Each purpose requires appropriate contractual treatment.

Before advancing funds, the purchaser should establish:

What is the payment financing?	**Who will control the money?**
What evidence will be provided concerning its use?	**Will the amount be credited against the purchase price?**
Under what circumstances must it be refunded?	**What security or remedy is available if the promised performance does not occur?**

An advance payment made without clear contractual terms may create substantial recovery difficulties. The purchaser should also examine whether the requested advance is proportionate to the particular obligation and whether the same commercial objective can be achieved through a more controlled arrangement.

SECTION 10

Examine the Structure Behind Any Escrow

Escrow and stakeholder arrangements can provide useful payment safeguards when properly constituted. The word “escrow” alone establishes nothing about whether an independent or legally effective arrangement exists.

The purchaser should establish:

Who will hold the funds?	**In what legal capacity will they be held?**
At which institution, and in whose account?	**Who is entitled to give instructions?**
What conditions must be satisfied before release?	**Who determines whether those conditions have been met?**
What happens if buyer and seller disagree?	**When and how may funds be returned?**
What happens if the transaction is terminated or becomes unlawful?	

The escrow or stakeholder agreement should define these matters before money is deposited. The identity, independence, authority and regulatory position of the proposed fund holder should also be examined.

An arrangement under which the seller or its associate controls the funds may offer a materially different level of protection from an independently administered stakeholder structure.

NAFUNA & CO. PRINCIPLE

Do not verify the word “escrow”. Verify the structure behind it.

SECTION 11

Assay and Refining Charges Require Independent Verification

Assay, smelting and refining services can be legitimate components of a gold transaction.

The purchaser should establish the identity and relevant authorisations of the facility, the services to be performed, the applicable charges and the party responsible for payment. Where the proposed charge relates to a particular consignment, the purchaser should establish that the facility has received or is authorised to receive the identified material.

The contractual arrangements should address custody, sampling, testing procedures, treatment of discrepancies, reporting, processing losses where applicable and release of the material.

A genuine assay invoice does not establish that the seller owns the gold or that the proposed purchase is lawful. Equally, a genuine refinery does not automatically validate every transaction presented to it. The facility's technical role should be distinguished from the legal relationship between buyer and seller.

SECTION 12

"The Gold Is Here. Pay to Release It."

One recurring risk arises when a purchaser is told that gold has already reached a refinery, warehouse, airport or other facility but cannot be released until an additional payment is made.

The purchaser may receive photographs, storage documents, assay reports, purported official notices or communications from persons claiming to represent the facility or a government authority. The claim requires independent verification.

The purchaser should establish whether the material exists, whether it is the agreed consignment, who has lawful custody, who owns or controls it, the basis for the restriction on release and the legal character of the demanded payment.

A request described as a release fee may concern a legitimate unpaid service, a regulatory requirement, a contractual dispute or a fraudulent demand. The purchaser should determine which explanation the evidence supports before making payment.

Where an official detention or seizure is alleged, the legal basis, responsible authority, applicable procedure and available remedies require separate examination. Payment to an intermediary should not be assumed to resolve an official restriction.

SECTION 13

Previous Payments Do Not Verify the Next Demand

A purchaser who has already paid substantial amounts may feel compelled to make one further payment to protect the money previously committed. The risk is greatest where each payment is followed by a new obstacle.

The purchaser may be told:

> *"Everything is complete except the final clearance."*

After that payment, another charge may arise. The correct inquiry remains the same at every stage: What is the legal basis of the new demand? Why has it arisen? Who is responsible? Who will receive the money? What independently verifiable event will follow?

Previous expenditure measures the purchaser's exposure.

NAFUNA & CO. PRINCIPLE

Previous expenditure does not verify the next payment.

SECTION 14

Treat Urgency as a Reason to Verify

Gold transactions are frequently presented as time-sensitive opportunities. A purchaser may be told that the seller has another buyer, that a consignment will be forfeited, that storage charges are accumulating or that a government deadline will expire unless immediate payment is made.

Some commercial and regulatory deadlines are genuine, and their existence should be independently established. Urgency increases the cost of an uninformed decision, which is why it calls for disciplined verification.

Where the requested payment cannot be verified within the available time, the purchaser should weigh the consequences of declining or postponing payment against the risks of transferring money without adequate evidence.

NAFUNA & CO. PRINCIPLE

Urgency does not displace verification.

SECTION 15

The Sale and Purchase Agreement Must Govern Payment

Payment terms should form an integrated part of the contractual structure. A properly drafted Sale and Purchase Agreement may need to address:

- Purchase price and pricing formula
- Currency and payment method
- Deposits and advance payments
- Conditions precedent
- Assay and quantity adjustments
- Payment milestones and supporting evidence
- Authorised recipients and banking instructions
- Responsibility for taxes, fees and third-party charges
- Transfer of title and risk

- Delivery and export obligations
- Refunds, default and termination
- Dispute resolution and enforcement

The purchaser should ensure that the agreed transaction procedure corresponds with the executed agreement. Where a seller later requests a payment inconsistent with the contract, the discrepancy requires examination before the payment is made.

> ***A commercial transaction should operate under one coherent set of obligations.***

THE TEST

The Nafuna & Co. Payment Verification Test

Before making a substantial payment, a purchaser should establish five matters.

INQUIRY	QUESTION
1 · Obligation	What legal or contractual obligation creates this payment?
2 · Amount	How was the amount determined, and can it be independently verified?
3 · Liability	Who is legally or contractually responsible for paying it?
4 · Recipient	Who is entitled to receive the money, and has that authority been verified?
5 · Trigger	What event has occurred that makes payment due now?

These five inquiries provide a preliminary framework for assessing payment demands. They should be considered alongside the broader transaction, including the identity of the parties, provenance of the gold, contractual protections, payment method and available remedies.

> ***A discrepancy should be resolved before payment, while the purchaser still controls the funds.***

CHECKLIST

Seven Questions to Ask Before Transferring Money

Before sending money in connection with a proposed Ugandan gold transaction, a purchaser should be able to answer the following questions:

01	What exactly am I paying for?
02	What document, agreement or law establishes that the payment is due?
03	How has the amount been calculated?
04	Why am I the person responsible for paying it?
05	Have I independently verified the intended recipient?
06	What evidence establishes that the payment-triggering event has occurred?
07	What happens to my money if the transaction does not proceed?

Where a material answer remains uncertain, verify further before transferring funds.

AFTER PAYMENT

If You Have Already Paid

A purchaser who suspects that a payment was obtained through misrepresentation, fraud or an unlawful transaction should preserve the available evidence promptly. Relevant material may include:

- Contracts, offers, invoices and payment instructions
- Bank transfer confirmations, SWIFT records and beneficiary details
- Mobile-money or digital-asset transaction records, where applicable
- Emails, WhatsApp messages, WeChat correspondence and other communications
- Names, telephone numbers and identification details of persons involved
- Company registration documents and mineral licences
- Assay reports, photographs, videos and storage or transport documents
- Purported government assessments, permits and release notices
- Details of meetings, witnesses and representations made
- A chronological record of payments, promises, explanations and subsequent demands

Original electronic records should be preserved wherever possible.

The purchaser should also contact the relevant financial institution promptly to explore available recall, fraud-reporting or preservation procedures. The availability and effectiveness of those measures depend upon the payment method, timing, recipient institution and applicable law.

Where criminal conduct is suspected, an appropriately supported complaint may be made to the competent authorities. Civil recovery or preservation proceedings may also require consideration. A criminal complaint and the recovery of money are separate processes, and the first does not ensure the second.

Further payments should be assessed independently, even where they are presented as necessary to recover amounts already lost. The same applies to offers from persons who claim they can recover lost funds in exchange for a fee.

PROFESSIONAL HELP

How Nafuna & Co. Can Assist

Nafuna & Co. Advocates and Legal Consultants provides Uganda-side legal due diligence and transaction support for international purchasers of gold and other minerals. Within the scope of a given engagement, the firm may assist with:

- Independent verification of proposed payment obligations
- Review of purported government and regulatory charges
- Verification of counterparties and proposed payment recipients
- Review and negotiation of contractual payment provisions
- Assessment of advance-payment risks
- Legal structuring of payment milestones
- Review of proposed escrow or stakeholder arrangements
- Coordination of verification involving refineries, assay facilities and other service providers
- Transaction supervision and completion safeguards
- Assessment of suspected fraud and available legal remedies

Where a purchaser has already transferred money, the firm may assist in reviewing the available evidence and advising on appropriate next steps under Ugandan law.

The scope of work, professional fees and applicable compliance requirements are agreed through a formal engagement. The firm's services and engagement procedure are set out in *Gold & Mineral Transaction Services*.

Before You Commit Funds

International purchasers are encouraged to seek independent legal advice before making substantial or unusual payments in connection with a proposed gold transaction.

For an initial engagement assessment, prospective clients may provide the proposed supplier's name, relevant contracts or offers, the payment request, beneficiary details, supporting invoices or assessments, and a brief explanation of the transaction. Nafuna & Co. can then advise on the appropriate scope of independent verification and professional engagement.

NAFUNA & CO. PRINCIPLE

Verification should precede reliance.

RELATED NAFUNA & CO. CLIENT GUIDES

No. 01 Buying Gold in Uganda: A Legal Due-Diligence Guide for Foreign Buyers

No. 02 How to Verify a Ugandan Mineral Dealer's Licence

No. 03 Ten Documents to Request Before Travelling to Uganda to Buy Gold

No. 05 The Seller Wants You to Pay Someone Else: Third-Party Accounts in Ugandan Gold Transactions

No. 06 Is This Gold Deal Legal? When a Gold Transaction Is Illegal Under Ugandan Law

No. 07 "But the Gold Is Mine": Carrying Gold Through Entebbe Airport

No. 08 Common Gold Scams in Uganda: Warning Signs Foreign Buyers Should Know

IMPORTANT NOTICE

This Client Guide provides general information concerning payment safeguards in proposed gold and mineral transactions in Uganda. It does not constitute legal advice concerning any particular supplier, payment demand, gold consignment or transaction.

The existence, amount, allocation and payment procedures applicable to taxes, royalties, licence fees, export-related charges and other regulatory obligations must be established under the law and official requirements applicable at the relevant time.

Nafuna & Co. does not authenticate any payment demand, government document, supplier, service provider or transaction merely because documentation has been submitted to the firm. Any transaction-specific professional opinion is subject to the terms and scope of a formal engagement and the results of independent verification.

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