THE MINERAL INDUSTRY OF LESOTHO

By George J. Coakley

The Kingdom of Lesotho is a landlocked, independent parliamentary constitutional monarchy surrounded by South Africa. The economy is based on subsistence agriculture, livestock, and remittances from miners employed in South Africa. The country has long been known as a source of diamonds, mostly from alluvial deposits. Mineral production, however, has not been a significant part of the economy and has contributed around 3% of the gross domestic product (GDP) between 1995 and 2001 (International Monetary Fund, 2002§1). Artisanal miners produced a small amount of clay, crushed stone, and sand and gravel for domestic consumption. Artisanal diamond production was around 1,500 carats per year. The nation supported a population of 2.18 million people in a 30,350-square-kilometer area. The country’s GDP was estimated to be $5.1 billion based on purchasing power parity in 2000 and grew at a rate of 2.5% in 2000 (the latest year for which data were available); the GDP per capita was $2,400 (U.S. Central Intelligence Agency, 2002§). HIV/AIDS remained a major social and economic problem for Lesotho; the latest United Nations report showed a 31% HIV/AIDS infection rate among the adult population between 15 and 49 at yearend 2001 (Joint United Nations Programme on HIV/AIDS, 2002§).

Repatriated wages from Basotho miners who worked in the South African mining industry and the decline in world gold prices, however, the average number of Basotho workers employed in South African mines between 1997 and 2001 has declined to 59,900 from 95,900. Worker remittances back to Lesotho represent about 61% of their total earnings. Between 1997 and 2000, miners’ remittances declined to 1.196 billion maloti2 ($149.5 million) from 1.321 billion maloti ($264.2 million) (International Monetary Fund, 2002§). Commercial interest in the mineral resources of Lesotho was limited to diamonds. The Lesotho Geological Survey has identified 33 kimberlite pipes and 140 dikes, of which 24 are diamondiferous. MineGem Inc. (formerly Messina Diamond Corp.) of Canada operated two locally incorporated companies involved with diamond exploration and development and held licenses that covered two mineralized zones within the Liqhobong kimberlite area. Liqhobong Mining Development Company (Pty.) Ltd. (LMDC) [MineGem (65%), the Industrial Development Corporation (IDC) of South Africa (22.5%), and the Government (12.5%)] held a mining lease that gave it the right to mine the Satellite Pipe; it was granted in June 2001. Maluti Diamonds Pty. Ltd. (MineGem, 90%) held a 3-year prospecting license to explore and conduct a feasibility study on the Main Pipe at Liqhobong. The Liqhobong property is located in the northern highlands about 120 kilometers east-northeast of the capital of Maseru. Under LMDC’s mining lease, the company had the right to mine for 5 years with an option to extend the lease for an additional 5 years. An 8% gross sales revenue is payable to the Government, and LMDC will give the Government a 12.5% free equity interest in the Satellite Pipe Mine. In March 2000, the completed feasibility study on the Satellite Pipe project showed an indicated resource above the 2,225-meter (m) elevation of 1.4 million metric tons (Mt) of ore at a grade of 69 carats per 100 metric tons with an average value of $41.24 per carat. An additional 1.07 Mt of inferred resource was reported between the 2,525-m and 2,400-m elevations. A capital cost of $7.5 million, which was based on an exchange rate of R6.9=$1.00, would be required to start up a mining operation at a rate of 420,000 metric tons per year of ore, which would yield 290,000 carats per year. An environmental impact assessment completed along with the feasibility study and an environmental management and mitigation plan was accepted by the Government in December 2000. In October 2001, the IDC exercised its option to acquire a 10% interest in LMDC; in April 2002, however, the IDC decided not to exercise its option to fund the Satellite Mine project and to acquire a 40% interest in LMDC. Subsequently, MineGem opened negotiations with Florence Worldwide Finance Limited (a subsidiary of DGI Group of Israel) to obtain financing to develop the Satellite Pipe Mine and to complete a bankable feasibility study on the Main Pipe (MineGem Inc., 2002, p. 7-12).

Letseng Diamonds (Pty.) Ltd. and its partner New Mining Corporation of South Africa (88%), which was a black empowerment group spun off during the unbundling of JCI Ltd., and the Government (12%) announced plans in 2000 to reopen mining of the kimberlite pipes at Lets’eng-la-Terae. The Government can acquire an additional 12% equity interest through reinvestment of future dividends. De Beers Consolidated Mines Ltd. recovered 289,000 carats from the mine between 1977 and 1982. A capital investment of around $17 million would be required to reopen a satellite open pit and to reprocess 5 Mt of low-grade stockpiled ore left by De Beers. During 2001, Letseng Diamonds was in the process of developing and reestablishing a mining operation and associated infrastructure to extract diamonds from the underlying deposits. Remaining resources included 12 Mt down to 140 m depth at the satellite pit and 50 Mt of ore down to 300 m in the old main pipe. The mine was expected to produce more than 50,000 carats per year during its 20-year life. Although the average resource grade was only 3 carats per 100 tons, the frequency of large, higher value stones above 10 carats was 10 times higher than other kimberlites. About 15% of the diamonds to be mined

1References that include a section twist (§) are found in the Internet References Cited section.

2Where necessary, values have been converted from Lesotho maloti (M) to U.S. dollars at the rate of M8.0 = US$1.00 for 2000, and M5.0 = US$1.00 for 1997.
were expected to be larger than 10 carats and 1.5% larger than 100 carats (Tassel, 2000).

In an April 2002 filing with the Johannesburg Stock Exchange, Consolidated African Mines Limited (CAM) announced its plans to merge with JCI Gold. CAM will acquire from JCI Gold a 40% interest in Letseng Investment Holdings (South Africa) (Pty) Limited (the holding company of Letseng Diamonds). Efforts at completing final funding requirements for construction of a new processing plant were ongoing in early 2002. CAM expected the value of diamond production at Letseng to exceed $635 per carat (Consolidated African Mines Ltd. and JCI Gold Limited, 2002§).

The revival of the diamond mining industry in Lesotho showed hope for some new opportunities for Basotho mineworkers displaced from the South African gold mines and for replacing related lost Government revenues.

References Cited


Internet References Cited


Major Sources of Information

Ministry of Natural Resources
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1/ Includes data available through June 2002.
2/ Reported data from Lesotho Department of Mines and Geology for financial year ending in April of year shown.