LESOTHO

By George J. Coakley

Lesotho, which is a landlocked, independent constitutional monarchy surrounded by South Africa, 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. 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 2.1 million people in a 30,350-square-kilometer area. According to the World Bank (September 12, 2000, Lesotho at a glance, accessed February 27, 2001, via URL http://www.worldbank.org/data/country/ countrydata.html), the country's gross domestic product (GDP) in 1999 was estimated to be \$870 million.

Repatriated wages from Basotho miners who worked in the South African gold mines have historically contributed significantly to national income. In 1990, mine workers' remittances back to Lesotho contributed to about 67% of the GDP. This contribution dropped to 33% of GDP in 1996. The collapse of international gold prices and the resultant downsizing of the South African gold industry labor force, however, led to lavoffs of substantial numbers of Basotho miners. Between 1989 and the beginning of 2000, the total number of Basotho workers employed in South African mines dropped from 129,000 to 64,000, and an additional 17,000 mine workers were expected to lose their jobs before yearend 2000 (Africa Newswire Network, May 3, 2000, Lesotho-More miners lose jobs, accessed April 1, 2001, at URL http://www.africanewswire.com/annews/categories/lesotho/ story1867.shtml).

Commercial interest in the mineral resources of Lesotho was limited to diamonds. In recent years, 33 kimberlite pipes and 140 dikes, of which 24 are diamondiferous, have been identified by the Lesotho Geological Survey. Since 1996, Messina Diamond Corp. of Canada, whose name changed to MineGem Inc. in 2000, was exploring the Lighobong kimberlite pipes, which are located about 120 kilometers east-northeast of the capital of Maseru. In Messina's 1999 annual report, the company disclosed the results of work on its two discoveriesthe Main Pipe and the Satellite Pipe. The indicated resources were estimated to be 2.6 million metric tons (Mt) of ore at a grade of 69 carats per 100 metric tons (t) with an average value of \$39 per carat for the Satellite Pipe and 37 Mt of ore at a grade of 16 carats per 100 t with an average value of nearly \$64 per carat for the Main Pipe (Messina Diamond Corp., 2000, p. 8). In December 1999, Messina signed an option agreement with the Industrial Development Corporation (IDC) of South Africa whereby IDC could obtain up to a 40 % interest in the new operating company Liqhobong Mining Development Company (Pty.) Ltd. with a maximum investment of \$3 million, subject to IDC's completion of a successful feasibility study on the Satellite Pipe. Completed in September 2000, the final feasibility study estimated mine reserves amenable to open pit mining at the Satellite Pipe to be more than 1.9 Mt at a grade of 60 carats per 100 t. The study estimated that \$7.1 million would be required to bring the mine into production at a rate of 420,000 metric tons per year of ore and at a full capacity output of 300,000 carats per year during a 5-year mine life. A production development decision was expected in early 2001 (MineGem Inc., 2000).

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 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. had 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. Remaining resources included 12 Mt down to 140 meters (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 t, 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 were expected to be larger than 10 carats and 1.5% larger than 100 carats (Tassel, 2000). DiamondWorks Ltd. of Canada held a mining lease over part of the Kao kimberlite pipe; during 2000, however, the company was primarily focused on its diamond holdings in Angola.

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

References Cited

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- MineGem Inc., 2000, Liqhobong Satellite Pipe Mine feasibility study completed—Projected production of 300,000 carats per year: Toronto, Ontario, Canada, MineGem Inc. press release, September 25, 2 p.

Tassel, Arthur, 2000, Letseng—Lesotho's sky-high diamond mine: African Mining, v. 5, no. 4, July-August, p. 25-27.

Major Sources of Information

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