

LESOTHO AND SWAZILAND

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LESOTHO

The Kingdom of Lesotho is a landlocked, independent parliamentary constitutional monarchy surrounded by South Africa. The economy was 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, was not a significant part of the economy and contributed only about 0.1% 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 1.86 million people in a 30,350-square-kilometer area. The country's GDP was estimated to be \$5.6 billion, based on purchasing power parity in 2002, and grew at a rate of 4%; the GDP per capita was \$2,700 (U.S. Central Intelligence Agency, 2003a§). 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 gold mines, have historically contributed significantly to national income. Between 1997 and 2001, the number of migrant Basotho miners had declined to 59,900 from 95,900. During 2002, this declining trend reversed as a result of the increased gold price and lower dollar-to-rand exchange rate. 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 diamond. The Lesotho Geological Survey identified 33 kimberlite pipes and 140 dikes, of which 24 are diamondiferous. Through Barbados and British Virgin Island subsidiaries, MineGem Inc. of Canada, which changed its name from Messina Diamond Corp. in 2000, held a controlling interest in two locally incorporated companies involved with diamond exploration and development within the Lihobong kimberlite area; namely, Lihobong Mining Development Company (Pty.) Ltd. (LMDC) [MineGem (65%), the Industrial

Development Corporation (IDC) of South Africa (22.5%), and the Government (12.5%)] and Maluti Diamonds Pty. Ltd. (MineGem, 90%). The Lihobong properties are located in the northern highlands about 120 kilometers east-northeast of the capital of Maseru. LMDC held a June 2001 mining lease that gave it the right to mine the Satellite Pipe. Under LMDC's mining lease, the company was required to begin production at the Satellite Pipe by March 2003. On January 28, 2003, the Ministry of Natural Resources granted LMDC an extension until July 2003, at which point the mining lease will expire unless construction financing is obtained or a further extension is granted. Maluti Diamonds held a 3-year prospecting license to explore and conduct a feasibility study on the Main Pipe at Lihobong. To maintain its prospecting license on the Main Pipe deposit, Maluti Diamonds must spend a minimum of \$3 million and complete a feasibility study for establishment of a mine on the Main Pipe deposit by June 12, 2004 (MineGem Inc., 2003§, p. 6-12).

Letseng Diamonds (Pty.) Ltd. and its black empowerment partner Matodzi Resources Ltd. of South Africa, which changed its name from New Mining Corporation of South Africa in 2002, (88%) and the Government (12%) held the rights 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. The restructuring of Matodzi during 2002, when it acquired a 12% interest in JCI Ltd. of South Africa, will strengthen its ability to raise the capital needed to redevelop the Lets'eng la Terae Mine. 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 million metric tons (Mt) of low-grade stockpiled ore left by De Beers. During 2001, Letseng Diamonds began to make plans for developing and re-establishing a mining operation and associated infrastructure to extract diamonds from the underlying deposits. Remaining resources included 12 Mt down to a depth of 140 meters (m) at the Satellite pit and 50 Mt of ore down to a depth of 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 metric 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 were expected to be larger than 10 carats, and 1.5%, larger than 100 carats (Tassel, 2000; Consolidated African Mines Ltd. and JCI Gold Limited, 2002§).

Future prospects for mineral development in Lesotho appeared to be limited to a revival of the diamond sector, which, however, could be a significant contributor to the economy.

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

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.

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SWAZILAND

The Kingdom of Swaziland is a landlocked country surrounded by South Africa on three sides and by Mozambique to the east, has a surface area of 17,360 square kilometers, and in 2001 supported a population of about 1 million people. Mining has been an important part of the history of Swaziland, but a small and declining factor in its present economy. Formal mining including production of asbestos, which ended in 2000, diamonds (1996), and iron ore (1980) has been phasing out for a number of years. The Maloma coal mine was the only active mine in 2002.

Small-scale gold mining took place in the past within Swaziland's portion of the Barberton greenstone belt; official gold production was nil. Swaziland also produced brick clay for a brick mill near Matsapha intermittently.

The country's GDP in 2002 was estimated to be \$4.8 billion based on purchasing power parity; this represented a growth rate of 1.6%. The GDP per capita was \$4,400 (U.S. Central Intelligence Agency, 2003§). The Swazi economy was dominated largely by export-oriented agricultural and related value-added manufacturing production, which was vulnerable to climatic and external demand factors. Mining's contribution to the GDP, based on current 2001 prices, declined to 0.03% by 2001 compared with 0.9% in 1998. Merchandise exports in 2001 included 3,000 metric tons (t) of asbestos, valued at \$582,000, and 313,000 t of coal valued at \$5.63 million. Imports of minerals, fuels, and lubricants were valued at \$33 million (Central Bank of Swaziland, 2002§; International Monetary Fund, 2003§).

Foreign investment in mining remained regulated by the Investment Promotion Bill of 1997. The legislation, which is part of the Swazi Economic and Social Reform Agenda, was developed to promote local and foreign investment in Swaziland. The Swaziland Investment Promotion Authority, which is a one-stop service center for investors, opened in 1999. In October 2000, the Government announced new tax incentives to attract new foreign investment. The new provisions included

a 10-year cut in corporate tax to 10% from 37.5% for eligible "development" companies and a 10-year exemption from withholding tax on dividends. In an overview of minerals policy and legislation in Swaziland, Mbendi Information Services (2000§) described the following:

"There is a fundamental distinction in the constitutional law of Swaziland between the State and its Government on the one hand and on the other the 'Swazi Nation' and the King (the Ngwenyama). By Constitution, minerals are vested in the Ngwenyama in trust for the Swazi Nation. The Ngwenyama grants mineral rights after consultation with a minerals committee. This committee is appointed by the Ngwenyama on the advice of his advisors in accordance with the Swazi law and custom. The conditions and terms of mineral rights issued are negotiated and approved by the Ngwenyama."

Production from the Maloma Mine increased fourfold to 313,272 t of coal in fiscal year 2001-02 compared with 78,043 t in fiscal year 2000-01. Following a methane gas explosion in July 2001, which killed 1 and injured 12 workers, the mine was closed for 3 months. It had sufficient resources to sustain production for the next 25 years (Mabuza, 2001§; Swazibusiness.com, 2003§).

Swaziland Greenstone Quarry, which was a Taiwanese company, examined the potential for developing a green chert operation in the Malolotja Game Reserve in the Hhohho region between 1999 and 2001, but faced environmental opposition from the Swaziland National Trust Commission (Michael Lee Enterprises, 2002§). The green chert would be sold for tiles and as a carving stone. No action on the investment was taken during 2002.

The mineral sector is playing a declining role in the economy of Swaziland and has limited scope for revitalization. The main hope for revival of this sector rests with the ability of the Government to attract new foreign investment to expand coal production at Maloma and at the closed Mpaka Mine where identified coal resources could support additional production. Swazi coal, however, as an energy source in the region, is faced with competition from excess coal capacity in South Africa and the development of low-cost natural gas resources in Mozambique.

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Major Sources of Information

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TABLE 1
LESOTHO AND SWAZILAND: ESTIMATED PRODUCTION OF MINERAL COMMODITIES^{1,2}

Country and commodity		1998	1999	2000	2001	2002
LESOTHO ³						
Fire clay	cubic meters	30,000	35,000	35,000	34,000 ³	35,000
Diamond	carats	9,660 ³	1,500	1,500	1,140 ³	1,500
Stone, quarry products:						
Dimension stone	square meters	10,000	12,000	12,000	13,357 ³	12,000
Gravel and crushed rock	cubic meters	180,000	180,000	180,000	180,000 ³	180,000
SWAZILAND ^{4,5}						
Asbestos, chrysotile fiber	metric tons	27,693	22,912	12,690	--	--
Coal, anthracite	do.	410,021	426,299	178,043	78,043	313,272
Stone, quarry products	thousand cubic meters	453	250	304	350	300

¹Includes data available through August 2003.

²Estimated data are rounded to no more than three significant digits.

³Reported data from 1998 to 2001 from Lesotho Department of Mines and Geology for financial year ending in April of year shown.

⁴Reported data from Swaziland Geological Survey and Mines Department or Central Bank; includes fiscal year data available through August 2003.

⁵In addition to the commodities listed, modest quantities of crude construction materials (brick clay, sand and gravel), kaolin, pyrophyllite (talc), sandstone, and soapstone are produced, but output is not reported quantitatively, and information is inadequate to make reliable estimates of output levels.