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Mothae diamond mining resumes



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Bereng Mpaki

COMMERCIAL mining at Mothae Diamond Mine is set to resume before year-end after government awarded Australian company, Lucapa Diamonds Company a contract to resuscitate operations at the mine which has been idle since 2015.

Mothae Mine, which is located close to the high dollar-per-carat gem producer, Letšeng Diamond Mine, was put up for sale by government in February 2016 after prospective buyer, Paragon Diamonds Limited had failed to secure the requisite funding within the given time frame.

Paragon had on 14 July 2015, finalised an agreement with Mothae's erstwhile majority owner, Lucara Diamond Corporation, to purchase its original 75 percent stake in Mothae for US\$8, 5 million (about M92.42 million).

However, after the deal fell through, the government temporarily assumed 100 percent ownership of the mine



The 'small' matter of life and death

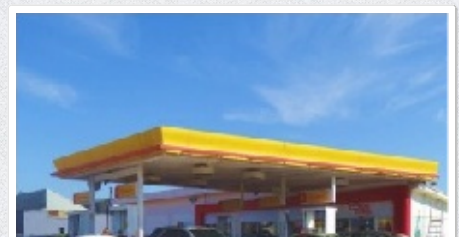
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and asked potential investors to submit their Expression of Interest letters for the acquisition of the mine.



Minister of Mining Lebohang Thotanyana

Lucapa has now come on board with 70 percent share ownership, with the rest remaining in government hands.

Mining Minister, Lebohang Thotanyana this week told a press conference that Lucapa had met government's terms.

"Lucapa offered 30 percent free carry share to the government of Lesotho," Mr Thotanyana said, adding, "They also offered US\$9 million (M122.4 million) as a purchase consideration".

"They also committed to invest a total of US\$60 million (M816 million), with US\$8, 5 million (M115.6 million) for phase one while constructing a new plant and US\$51, 5 million (about M700.4 million) for phase two. They also pledged to create 330 direct jobs excluding construction.

"We sought cabinet approval to sell 70 percent of Mothae Diamond mine and got it. We then agreed and signed a new mining lease with them," he added.

He said securing a partner had taken a long time due to unforeseen challenges that plagued the procurement process.

He said they had to re-evaluate proposals from the five short-listed bidders following a breakdown in negotiations with the recommended bidder Sputnik Investments for the initial award.

Sputnik Investments was initially recommended for award by the Mining Board after beating Trans Hex in the final two-horse race.

The two companies eventually lost out after re-submission of the proposals from the bidders that included Titanium and Lucapa Diamonds.

Letšeng Diamonds did not make a re-submission, reportedly due to time constraints.

"We had a problem with Sputnik as their focus seemed more on the first phase while phase two seemed conditional. On the first phase, they had committed the required M600 million but on the second phase their M400 million investment was conditional. Secondly, we could not reach an agreement with them on their debt to equity ratio, so we considered Trans Hex."

Trans Hex also fell short because they had reduced the amount of free carry shares to the government from 25 percent to 12.5 percent, while the minimum amount of shares for the government should be a minimum of 25 percent.

"Secondly they told us that their investment would increase from M670 million to M1.120 billion without any change in the fundamentals," Mr Thotanyana said.

He said Lucapa emerged winners after a second re-submission of the offers from the five short listed bidders because the Australian company had mining operations in several countries.

"So when you compare its profile with the rest of the bidders, Lucapa is listed on the Australian stock exchange, and it is a highly reputable company operating in a number of African countries. They have thriving flagship operations in Angola and they have to experience to carry out the job."

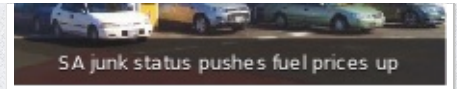
Mr Thotanyana said the resumption of operations at Mothae mine would create an additional 330 permanent jobs; a development that was in line with government's long term plans.

He said government wanted to increase employment in the mining industry from the current 3 000 to 5000 jobs, while also increasing the mining investment by M5 billion by the year 2020.

He said this would be done by increasing the number of operational mines from two to six by 2020.

The minister also said that Liqhobong Mine had started operations with the sale of its first diamonds expected to take place in Antwerp soon.

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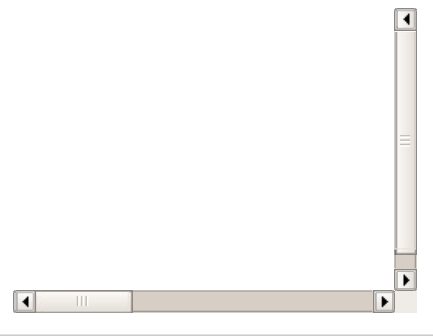
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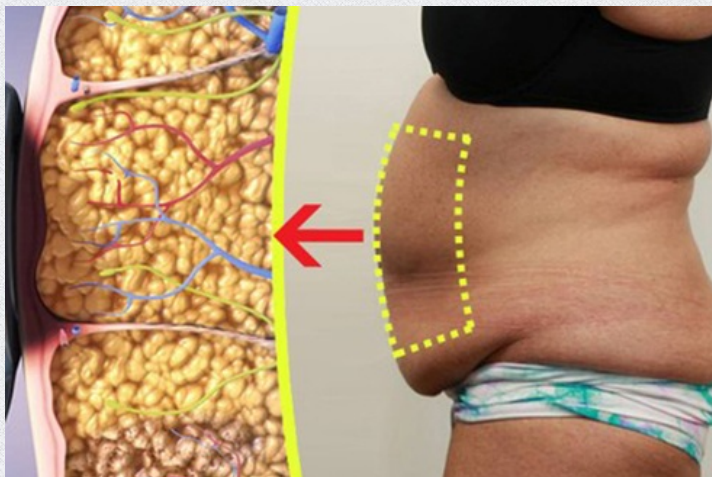
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