

“Congratulations to Kao Mine for the historic recovery of the 108.39 carat fancy pink diamond.
This magnificent recovery will add to Lesotho’s profile in the international diamond arena”



2022 LESOTHO DIAMOND MINING INDUSTRY PERFORMANCE REPORT

BY



IN COLLABORATION WITH



**STORM
Mountain
DIAMONDS**
(Pty) Ltd



MOTHAE
DIAMONDS (PTY) LTD



LMDC



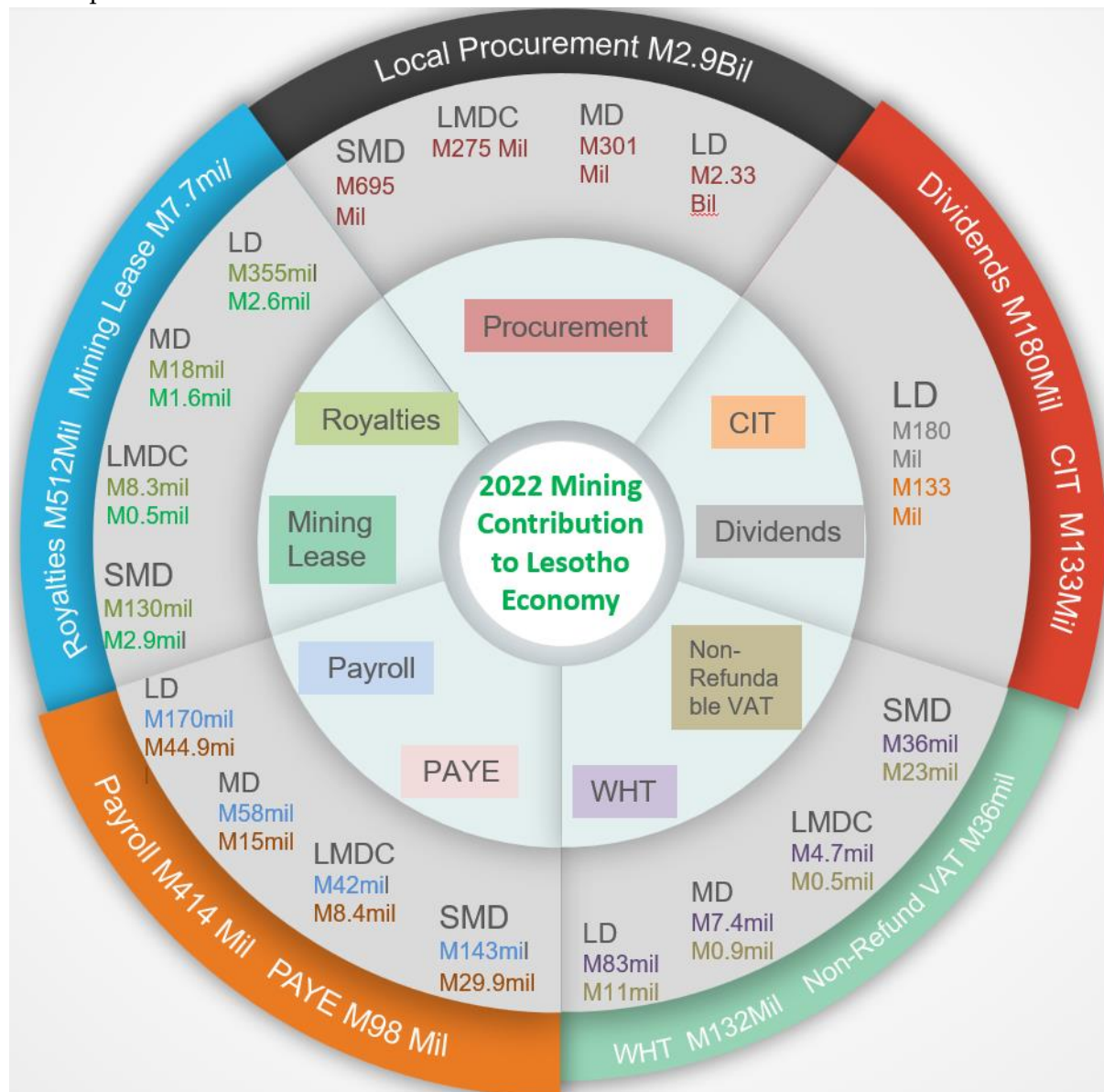
LETŠENG DIAMONDS
We Mine, We Care, We Contribute.

Lesotho diamond mining industry comprises of:

- ❖ Four largescale commercial operations - Kao Mine, Mothae Mine, Liqhobong Mine and Letšeng Mine
- ❖ Three new companies that were recently granted mineral rights
- ❖ 10 companies with prospecting licences

This report presents the performance of the four commercial operations for the calendar year 2022. At the end of 2022, the four mines had **2997 employees** of whom **98%** were Lesotho nationals and **2%** expatriates. These statistics are a clear indication of the extraordinary efforts and success made by these mines in the area of skills localisation and career development of locals.

A total of **12 million** tons of kimberlite were processed to produce **461,594 carats** sold by these four mines for over **M5.173 billion** Gross Revenue. Below is the breakdown of the contribution made to the Lesotho GDP, excluding the contribution to the community development:



SMD – Storm Mountain Diamonds, Kao Mine
 LMDC – Liqhobong Mining Development Company, Liqhobong Mine
 MD – Mothae Diamonds, Mothae Mine
 LD – Letseng Diamonds, Letseng Mine

In 2022, the four operating mines injected **M5.1 billion** to Lesotho's economy, in the form of procurement, employees' earnings, taxes and levies:

- ❖ A total of **M3.6 billion** was spent on procurement of goods and services, of which **M2.9 billion** was directly spent on local procurement. The total local expenditure was **81%** vs foreign expenditure of **19%**. The foreign spend was mostly on Original Equipment Manufacturers, procuring original parts, service and repairs by manufacturers.
- ❖ **M414 million** was contributed through employees' earnings. Mine employees are among the high earners contributing significantly to the economy.
- ❖ Direct contribution to government fiscus through taxes and levies amounted to **M1.1 billion** –
 - Royalties = M512,637,668
 - Dividends = M180,000,000
 - Corporate Income Tax = M133,100,000
 - Withholding Tax = M132,265,886
 - PAYE = M98,630,157
 - Non-refundable VAT = M36,195,183
 - Mining Lease Rental Fee = M7,724,502

The industry's contribution to GDP grew by **30.8%** from **M3.9 billion** in 2021 to **M5.1 billion** in 2022. Direct contribution to government fiscus through taxes and levies increased from **M940 million** in 2021 to **M1.1 billion** in 2022. Liphobong Mine was placed under care and maintenance during Covid and resumed operations in August 2022, boosting the contribution of the industry.

The contribution of the industry is expected to increase in 2023 with Liphobong Mine becoming fully operational. This depends on the prices of diamonds in the market and recovery of exceptional stones. The diamond mining industry is a vitally important player in Lesotho's economic linkages and growth as well as the key contributor to the nation's GDP.

Although the industry's performance is positive and encouraging, it is under considerable margin pressure due to market and currency volatility, high inflation that impacts on operating costs, supply chain constraints induced by Covid and the shifting global political landscape. The mines' resources are now at increasingly greater depth requiring large capital investment to extend the lives of some mines. The inconsistent and unpredictable legal and tax framework is a significant inhibitor to attracting investment capital into this country.

Lesotho Chamber of Mines remains extremely concerned about the future of mining in Lesotho which is compromised by the proposed introduction of an unpractically heavy tax regime that is likely to cause pre-mature closure of these operating mines and bury forever the dream of exploring the remaining 400 kimberlite bodies to determine the true mineral potential and prospectivity of this country.