ANGOLA

By Paul Crankshaw

Angola is just a year into a new era of peace and reconstruction, following a peace deal signed in April 2002 between the Government of Angola and the rebel UNITA movement. The treaty signalled an historic ending to over 25 years of a brutal war which has left the country economically debilitated. While there have been unsuccessful ceasefires signed before, this one has been more successful – coming as it did after the death of UNITA's founder-leader Jonas Savimbi early in 2002.

While the formal mining sector was one of the many casualties of this war, the country's abundant (and easily accessible) diamond reserves were illegally mined by rebel forces to fund their ongoing military activities. And while a number of mining and exploration companies tried to sustain their activities in certain regions of the country, many foreign players had withdrawn or ceased operations by the turn of the millennium.

Among the most important developments in the past year has been the restarting of negotiations between the government and De Beers, which pulled out of Angola in 2001. The talks began in November 2002 and were hoped to be finalised in the second quarter of 2003. Agreement is sought on De Beers' mining, prospecting and marketing rights, and on the repayment terms of a US$50 million loan from De Beers to the state diamond company, Endiama.

The role of De Beers will be important to Angola's mining future; the company brings crucial expertise and finance to hard-rock diamond mining, where much of the potential for commercial development lies. This appears to fit closely with the priorities for a new government framework to bring in more diamond revenue; Deputy Minister of Geology and Mines, Samuel Armando Tito, has talked of increased production, tightened security and local diamond-cutting facilities as being on the list of government priorities.

Apart from the high profitability expected from the large diamondiferous kimberlites identified in Angola, diamonds extracted by hard-rock mining are also more easily controlled and are much less likely to find their way into illegal diamond trading than alluvial diamonds. De Beers aims to market the diamonds from joint-venture projects with Endiama.

A new deal with De Beers will also allow the company to resume its prospecting campaign, which had brought to light a number of kimberlites. Three concession areas had been awarded in 1996 to the De Beers-Endiama Association (a 50:50 joint venture); one is situated in the northeast (the Lundas), another in the north central (Quela) region and the third in the southeast (Mavinga). No work has been conducted in Quela or Mavinga because of the war.

Significant changes in the marketing of Angola's diamonds is in the offing. The government's new plans aim to put Sodiam (part of Endiama) in charge of diamond marketing.

Plans for the Angolan Selling Corp. (Ascorp), established in 1999 as a single-channel marketing arrangement, are not clear. It is likely, however, that Ascorp could lose its monopoly early in 2004.

As far as mining projects are concerned, the new momentum of development and stability in Angola should allow for long-awaited progress in moving existing projects towards production. As the world's fourth largest diamond producer, Angola produces about US$650 million worth of diamonds per year, although illegal mining and smuggling still distort these figures. Diamond production was estimated at 5.1 Mct in 2001, and the country's reserves stand at about 180 Mct.

The Camafuca project could become the world's largest kimberlite diamond mine. A joint venture between Canada-listed SouthernEra Resources, Welox (part of the Israel-based Leviev Group) and Endiama, the project has an inferred mineral resource of 210 Mm^3 to a depth of 145 m. This deposit contains 23.24 Mct valued at US$109/ct, and the phase 1 plans (for the mine's first five years) indicate that the southeast corner of Camafuca could be mined at a cost of US$55/ct.

The Catoca mine in the north-east is expanding its plant capacity to 6.5 Mt/y of ore by 2005, potentially improving the value of its annual diamond production to US$300 million. This is expected to require a hydro-electric power plant on the Shicapa River at Catoca to complement or replace the diesel-generated power currently used.

Among the smaller projects which will hopefully attract renewed attention as the environment for business in Angola improves are SouthernEra's Luo concession, DiamondWorks' Yetwene concession, and Petra Diamonds' concessions at Alto Cuilo, Muriege and Medio Kwanza.

In the Cuango Valley, Sociedade Desenvolvimento de Mineira (SDM) mines reserves within a radius of 25 km but its concession covers 85,600 km^2 spread over the Lunda Norte, Lunda Sul, Bie and Malange Provinces. SDM is a joint venture of Odebrecht Mining Services of Brazil, Endiama and Ashton Mining of Australia.

Although up-to-date information on the operations is sometimes not publicly available, there is on-going mining at the Calonda, Chitotolo and Mafutu concessions by International Trading and Mining (ITM) and at Cassanguidi (SAA Distributors).

Oil remains the foundation of government revenue, and Angola's resources are still growing with spectacular offshore finds in recent years. Total production is expected to reach 1.3 Mbbl/d by 2008 and plans are afoot for a second 200,000 bbl/d refinery, expected to start operations in 2005.

The development of the natural gas industry also looks promising, with Sonangol and Texaco planning a liquefied natural gas facility at Luanda to export up to 4 Mt/y of LNG by 2005.

Apart from diamonds and oil, Angola remains relatively unexplored. Mineral deposits identified to date include phosphates (100 Mt estimated at Cabinda and 50 Mt at Kindonakasi), gold (at Cassinga and Lombige), and copper, lead and zinc (in Tetelo and Alto Zambeze). There are deposits of marble and black granite in southern Angola. Current production of ornamental stones is predominantly of black granite which is exported mainly to Spain and Portugal. Exports rose from 4,136 m^3 in 1999 to 7,200 m^3 in 2000. This is expected to increase further with the establishment of new private producer Metarocha, which aimed to grow its own production to 6,000 m^3 by 2005.

