

Arcelormittal, steeling the show

Arcelormittal SA (Amsa) has a more than an even chance of re-admittance to the JSE/FTSE Africa Index Top 40 when the stock exchange's worthies pour over the re-weightings for the second quarter. That will be good news for the steelmaker, which will be hoping it can preserve or even improve upon the 14%

share price gain it has enjoyed over the last month.

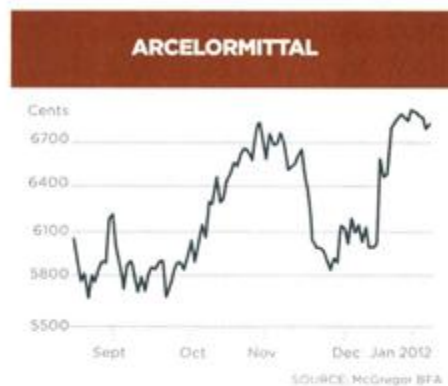
The share price recovery dates from 15 December and has much to do with the findings of the High Court's Judge Raymond Zondo who ruled Imperial Crown Trading (ICT) had no claim to a prospecting licence over Kumba Iron Ore's operations as Sishen. In so doing, the

High Court also found that Government had, erroneously, it would seem, awarded Kumba an undivided new order mining right even though Amsa was a joint venture partner in Sishen. This means Amsa was also awarded a new order mining right, contrary to Kumba's contention that Amsa had forgot to apply.

All eyes now fall on arbitration proceedings between Kumba and Amsa, which are duking out whether Kumba has the right to cancel a cost plus 3% iron ore sales agreement to Amsa. Kumba claims it does because Amsa forgot to convert its mining licence to the new order type. But, as just explained, that argument may be neutralised. Campbell Parry, an analyst at Investec Securities thought the decision "tipped the scales positively for Amsa, but not enough to unequivocally deliver previous iron ore price advantages". The view is mir-



The Kumba Sishen Crusher



rored by Stephen Meintjes at Imara SP Reid who thought it too speculative to take a view on whether Amsa could revert to a cost plus 3% price agreement for its iron ore.

Iron ore is one of the few commodities analysts think will be unaffected by a potential slowdown in China's economic growth. Irrespective of whether China has a soft or hard landing, the slow pace at which new ore supplies are likely to come on stream globally, implies tightness in the market will be maintained, which is in turn supportive of the price.

At least there may be a recovery in the domestic steel market, while on other positive news, Amsa's Newcastle mill is set to return to full production after its furnace blew up last year. Said Brian Morgan, an analyst for BNP Paribas Cadiz Securities: "We remain confident in the long-term value of the company... The technical issues in the blast furnaces appear to be rectified and we expect a good production year in 2012."

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