

KALAGADI MANGANESE PROJECT, SOUTH AFRICA



Name and Location

Kalagadi manganese project, Northern Cape and Eastern Cape, South Africa.

Client

Kalagadi Manganese is 50%-owned by ArcelorMittal (for which the company paid \$432.5-million), 40%-held by black women-owned and -controlled Kalahari Resources, and 10%-owned by State-owned financier, the Industrial Development Corporation (IDC).

Project Description

The proposed project envisages the construction of a manganese mine and a 2.4-million-ton-a-year high-grade sinter plant (Umtu sinter plant), near Hotazel, in the Kuruman area of the Northern Cape. The output required to produce this amount of sinter will be three-million tons a year.

An additional component of the project is the construction of a 320 000 t/y ferromanganese smelter complex in the industrial development zone (IDZ) of the Coega deep-water harbour, in the Eastern Cape.

The plant will be designed to have the flexibility to produce silicomanganese as an alternative product.

The smelter will be situated in Zone 6 of the IDZ metallurgical zone and could possibly be expanded to handle 640 000 t of ore.

The project area overlies the Kalahari manganese basin and is estimated to contain 80% of the world's known high-grade manganese resources.

An evaluation of historically available information indicates that up to one-billion tons of mineable ore could exist under the prospecting area, covering 8 000 ha.

Value

R11-billion, which will be funded by 40% equity and 60% debt.

The current share-

holders have committed to fund the R4.5-billion equity portion, while the remaining R6.5-billion will be raised from development finance institutions and commercial banks.

The IDC has committed R3.5-billion towards the implementation of the project.

Duration

Commissioning is scheduled for the third quarter of 2012.

Latest Developments

Steel company ArcelorMittal has reported that it is backing out of its acrimonious manganese mining shareholding in Kalagadi Manganese.

ArcelorMittal is selling its 50% Kalagadi stake to project founder and Kalagadi chairperson **Daphne Mashile-Nkosi** – or her yet-to-be-named nominee.

The announcement follows a South Gauteng High Court ruling in June, which gave ArcelorMittal ten days to meet its R241.3-million Kalagadi shareholders agreement. Mashile-Nkosi, or her nominee – which might be a consortium consisting of some of the existing Kalahari Resources shareholders – will acquire ArcelorMittal's 50% Kalagadi shareholding for R3.9-billion (\$447-million) cash.

On completion of the latest transaction, Kalahari Resources will hold 40% interest in Kalagadi Manganese, Mashile-Nkosi, or her nominee, 50%, and South Africa's State-owned IDC the remaining 10%.

In May, Kalahari Resources requested the South Gauteng High Court to ensure that ArcelorMittal honoured its shareholder agreement obligations, after the steelmaker had failed to settle the matter out of court.

An oft-publicised but still proposed 320 000 t/y high-carbon ferromanganese smelter at Coega in the Eastern Cape has lagged Kalagadi's manganese mine and sinter plant, in Hotazel, in the Northern Cape.

The plan, as outlined to *Mining Weekly* during a site visit, was for the three-million tons of ore a year to serve as the feedstock for the production of 2.4-million tons a

year of sinter, of which 1.7-million tons a year would be marketed and 700 000 t/y smelted into 320 000 t/y of high-carbon ferromanganese.

Mining Weekly was told at the time that the IDC was keen to promote optimum beneficiation, hence the smelting aspiration, and that ArcelorMittal had secured an offtake agreement of 850 000 t/y.

Key Contracts and Suppliers

Mineral Corporation (geological consultant); MDM Engineering (bankable feasibility study, front-end engineering and design; engineering, and construction management); Civcon (main contractor); Shaft Sinks and Grinaker-LTA (shaft sinking); Neutron Engineering (bulk earthworks for the shaft); Tubular (main and ventilation shaft headgears); Outotec (sinter plant); Esorfranki Geotechnical (piling contract); and African Development Bank, or AfDB, (loan finance).

On Budget and on Time?

The project is on track and is expected to be commissioned by July.

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