

LEGAL MATTERS

## Kalagadi says ArcelorMittal ordered to pay R241m

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THE South Gauteng High Court last week ordered ArcelorMittal International to meet its R241.3-million shareholders' agreement with Kalagadi Manganese within ten days, Kalagadi chairperson **Daphne Mashile-Nkosi** reported.

High Court judge **P Coppin** also ordered the company to pay the costs of the legal proceedings and ruled that ArcelorMittal discharge its financial obligations in the future – in line with its shareholding in Kalagadi Manganese.

A three-member joint venture (JV), comprising ArcelorMittal, with a 50% stake, Kalahari Resources, with 40%, and the Industrial Development Corporation (IDC), with a 10% shareholding, agreed on a funding strategy during 2009, in which each party's equity funding obligations were outlined and plans to raise external debt funding in South Africa and on international markets were established.

The equity of the funding was set at 40%, or R4.2-billion, and the debt element at 60%, or R6.5-billion. To date, Kalahari Resources has injected over R1.3-billion into the JV, while the IDC has invested R100-million. Kalagadi said ArcelorMittal's equity funding obligation was in the region of R500-million.

Kalahari Resources brought the matter to the High Court in May to ensure ArcelorMittal honoured its shareholder agreement obligations, after the group failed to settle the matter out of court.

ArcelorMittal's application to have Kalahari Resources placed under business rescue was also struck from the roll, with costs.

ArcelorMittal said in a statement that it was disappointed with the High Court ruling, as it did not resolve "the real" issues.

The company claimed that certain material obligations under the Kalagadi Manganese shareholders agreement had been breached and that there remained "serious shortcomings" in terms of corporate governance in the mining firm. ArcelorMittal said it would review the judgment and consider its options.

Mashile-Nkosi did not believe there would be any hostility between the parties as they moved

forward in the best interests of the JV and its operations. "We are now focused on moving ahead, completing the project and enabling it to meet the enormous potential it has to move South Africa up the beneficiation curve, create sustainable jobs and contribute to the national economy," she said.

While Kalagadi's three-tier project experienced challenges with its equity funding, she said local and international investment roadshows had elicited a strong response from debt funders.

Kalagadi Manganese was currently in the final stages of developing a three-million-ton-a-year manganese mine and sinter plant, in Hotazel, in the Northern Cape, and expected to cold-commission the mine at the end of July and hot-commission it by the end of October.

The mining company also planned to develop a 320 000 t/y high-carbon ferromanganese smelter at Coega, in the Eastern Cape, during 2014. "The ruling means the people of the Northern Cape will get their two-in-one project – the mine and the sinter plant – while the people of the Eastern Cape will get the smelter, which will provide a major anchor project for the Port of Coega," Mashile-Nkosi added.