

# Kumba & AMSA Enter Talks over New Supply & Pricing Deal

**K**umba Iron Ore and ArcelorMittal South Africa (AMSA) announced on Friday 27 September 2013 that they had entered into talks with each other in the hope of finalising a new supply agreement for iron-ore from Kumba's Sishen and Thabazimbi mines, following more than three years of protracted court battles between the two companies. Kumba subsidiary Sishen Iron Ore Company (SIOC) notified AMSA in February 2010 that its 25-year "evergreen" supply deal, which guaranteed AMSA access to 6.25-million tons a year of Sishen ore on a cost plus 3% pricing formula, was no longer valid. This was owing to the steel group's failure to convert its Sishen rights to new-order mining rights in line with the prescripts of the Mineral and Petroleum Resources Development Act. This led to a long-running

dispute between the two companies, which eventually signed an interim pricing agreement in December last year in terms of which Kumba agreed to sell AMSA a maximum of 4.8-million tons of iron-ore at a weighted average price of \$65/t until the end of this year. The parties are also expected to enter an arbitration process to settle the matter soon. This follows a recent hearing at which the Constitutional Court of South Africa heard an application by the Department of Mineral Resources and Imperial Crown Trading (ICT) to set aside a Supreme Court of Appeal judgment confirming that SIOC, not ICT, was the legal recipient of the Sishen mining rights. Kumba said that, should the negotiations prove successful, there would likely be no need for a planned arbitration process to proceed. *Miningweekly*