

Kumba, ArcelorMittal extend interim supply deal

AGNIESZKA FLAK

SOUTH African iron ore miner Kumba Iron Ore said yesterday it had agreed to extend an interim supply deal with ArcelorMittal SA until the end of the year as the companies wrangle to resolve a dispute over pricing.

Kumba, a unit of Anglo American, said it would supply the steelmaker with a maximum of 1.5-million tons of ore, with ArcelorMittal SA paying a fixed price of \$50 per ton for ore for its Saldanha plant and \$70 per ton for its inland plants.

Kumba had suspended an agree-

ment with ArcelorMittal SA in February 2010 under which it had sold it iron ore at a discounted price of production costs plus 3%.

The deal was in place because ArcelorMittal SA had a mining right in Kumba's Sishen mine which it allowed to lapse, although it insists the discount supply agreement still stands. The two companies are still in discussion on what the terms of the supply deal should be after December 31 and until the finalisation of an arbitration hearing. ArcelorMittal SA has said it is confident the arbitration would rule in its favour.

The company says it has already

paid R1.1bn more for iron ore last year due to the dispute.

"This supply is in settlement of ArcelorMittal SA's historic shortfall entitlement, and the sales price for iron ore sold to ArcelorMittal SA in terms of this arrangement will be a weighted average price of \$65 a ton," the two companies said in a statement yesterday.

Kumba and ArcelorMittal SA said they were also negotiating a further possible agreement to take effect after the expiry date of the latest agreement.

"These engagements are taking place with the assistance of a

mediator, and the mediation process is being facilitated by the Department of Trade and Industry," the two parties said.

The dispute started in 2009 when ArcelorMittal SA failed to convert its old-order mineral right for its 21.4% stake in the Kumba's Sishen Iron Ore Company. The state had at the time given ArcelorMittal SA's stake in Sishen Iron Ore Company to politically connected Imperial Crown Trading. But a court later ruled the "undivided" ArcelorMittal SA right could not be subdivided under existing mining law. *Reuters with Staff Writer*