

# Mittal sells Kalagadi stake

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**THE** sale by ArcelorMittal, the world's largest steel producer, of its 50% stake in a manganese project in the Northern Cape for R3.9-billion will end a long-running acrimonious relationship with its local partners.

This is the third time since 2010 that the steelmaker, which is selling off assets around the globe to pay off debt, has tried to sell its 50% stake in Kalagadi Manganese to its partner Kalahari Resources, which owns 40% of Kalagadi. Previous negotiations failed as the parties could not agree on a price or raise the necessary funding, court documents filed earlier this year show.

Daphne Mashile-Nkosi, CEO and chairman of Kalagadi and director of Kalahari, or her nominee, will buy ArcelorMittal's stake for a cash consideration of at least R3.9-billion, the steelmaker said. Mashile-Nkosi's consortium, which may include existing Kalahari Resources shareholders, has 90 days to raise funding.

Mashile-Nkosi, wife of the late Stan Nkosi, a struggle hero who was close to Deputy President Kgalema Motlanthe, and her brother Brian Amos Mashile are directors of Kalahari.

According to the website,



■ NEARLY A DONE DEAL:  
Daphne Mashile-Nkosi

Kalahari is a majority black-owned company whose shareholders include "a number of business personalities and mining and marketing professionals". This allegedly includes the estate of the late businessman and ANC funder Sandile Majali, who held shares in the company through his stake in Siyanda Mining. Majali's involvement has been disputed for several years by Kalahari.

ArcelorMittal and Kalahari have been embroiled in a legal battle over funding for Kalagadi after the steelmaker refused to invest further equity, citing corporate governance concerns and a lack of financial and operational oversight, claims Mashile-Nkosi denied.

The South Gauteng High

Court in August forced ArcelorMittal to pay R241.3-million into Kalagadi, and the steelmaker is expected to drop the appeal once the sale transaction is concluded. The company refused to comment on whether manganese offtake agreements would remain in place, citing confidentiality agreements.

Kalahari and ArcelorMittal were also at loggerheads over the building of a manganese smelter at Coega. Prices for manganese, which is used in the production of steel, went skydiving after ArcelorMittal bought into Kalagadi in 2007 near the top of the market, falling from a peak of \$17.50/ton unit in 2008 to \$5.10 currently, Bloomberg data shows.

The Industrial Development Corporation (IDC), which owns 10% of Kalagadi, said it would meet Kalagadi to discuss the sale of ArcelorMittal's stake. Spokesman Mandla Mpongase said it would consider participating in funding the consortium, and may waive its pre-emptive rights.

ArcelorMittal is expected to make a profit of \$50-million on the sale, UBS Investment Research said. The steelmaker is under pressure to cut debt after ratings agencies recently lowered its ratings to junk.