Steel group to review mining strategy in light of iron-ore settlement

TERENCE CREAMER | DEPUTY EDITOR

Steel producer ArcelorMittal South Africa (AMSA) reports that protracted shareholder negotiations have been the main cause of a delay in progressing with plans for a greenfield Northern Cape iron-ore mine. But outgoing CEO Nonkululeko Nyembezi-Heita said earlier this month she still anticipated that a mining application would be submitted by mid-2014.

The project had initially been pursued with the intention of securing replacement feedstock for iron-ore arising from the Thabazimbi mine, which was approaching the end of its life.

However, a recent iron-ore settlement agreement with Kumba Iron Ore had improved prospects for a life-extension project at Thabazimbi and had also given AMSA some breathing space to review its entire mining strategy.

On November 5, AMSA and Kumba unveiled a “holistic” deal aimed at resolving a number of long-running disputes between the two JSE-listed companies. The deal, which came into force in January, regulated the sale of 6.25-million tons of iron-ore a year from Kumba’s Sishen and Thabazimbi mines to AMSA’s steel mills in Gauteng, KwaZulu-Natal and the Western Cape. The material was to be supplied at a price derived using the cost of production at Sishen’s dense-media separation plant, plus a 20% margin.

Kumba was also piloting a mining solution at Thabazimbi, which, if successful, would extend the life of the mine significantly and save about 1 300 jobs in the process.

Nyembezi-Heita indicated that the settlement made it possible for AMSA to review its entire mining strategy and that this review was likely to take place during the course of 2014.

“The mining strategy was designed at a time when we thought there was growth in the domestic market . . . in the heyday of 2008, when we thought we would be ramping up to ten-million tons per annum potentially,” she stressed.

Conditions had since changed and the strategy “may now need some recalibration”.

NONKULULEKO NYEMBEZI-HEITA

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