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HD Palmer **firm** accused of shifting **Chinese** funds to boost ailing project
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Exclusive CLIVE Palmer's **company**, Mineralogy, spent **Chinese** money to advance one of his separate struggling resources projects, which had nothing to do with the Beijing-controlled **company**'s interests in Australia, according to documented expenditure items totalling **millions** of dollars.

Documents before the Federal Court show that some of the money, which **Chinese**-owned **company** Citic Pacific had set aside to administer a port, was instead spent on engineering work for a Mineralogy-controlled **company**, Australasian Resources Limited, which was being led by Mr Palmer's senator-elect, Zhenya "Dio" Wang. Mr Wang quit as managing director of the cash-strapped **company** this week to take up his post as a senator for Western Australia from July 1.

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The money was allegedly wrongfully spent without the permission or knowledge of Citic Pacific, which did not have any financial **stake** or interest in Australasian Resources, according to documents reviewed by The Australian in the Federal Court in Perth.

Hundreds of other payments, allegedly siphoned by Mineralogy from an account that held **millions** of dollars deposited by the Bank of **China** on behalf of Citic Pacific, are now at the centre of a Federal Court case in which "serious questions" about the transactions are likely to be referred to West Australian police.

The **Chinese company**'s lawyers have told the Federal Court that more than \$12 **million** has been siphoned off wrongfully, with some of it being used for political expenses for the costly federal election campaign by the tycoon's Palmer United Party.

Revelations in The Australian about the evidence in the ongoing Federal Court case led to a scathing attack in Queensland's parliament yesterday by Deputy Premier Jeff Seeney, who branded Mr Palmer "a crook", just a day after the founder of the Palmer United Party launched defamation action against Premier Campbell Newman.

Mr Seeney, who has previously accused Mr Palmer of trying to buy the ruling Liberal National Party, taunted PUP's state member Alex Douglas for being a key figure in "the best party that a crook using other people's money can buy".

"It's not even Australian money — (it's) the best party **Chinese** money can buy," Mr Seeney said.

"The best party that fraudulently obtained money can buy." Mr Palmer, whose two Queensland businesses — a nickel refinery at Townsville and a dinosaur park on the Sunshine Coast — have suffered from cashflow problems and mounting financial losses in the past three years, warned that he would sue if the claim of him being "a crook" was made outside parliament.

"First of all, if I'm a crook and he's the Deputy Premier, what's he doing about it?" Mr Palmer said. "If he believes what he says, why doesn't he be specific with his allegations?" Denying claims that **Chinese** money was wrongfully spent by Mineralogy, Mr Palmer said Citic Pacific was "shipping resources from Australia to **China** without paying for them".

In more than 400 pages of affidavit and expenditure material obtained by The Australian from Continued on Page 2 Continued from Page 1 the Federal Court, copies of invoices, ledgers and bank accounts show how very significant sums of money that belonged to CITIC Pacific were spent by Mr Palmer's flagship investment vehicle.

CITIC Pacific's barrister, Andrew Bell SC, has raised the need for a "searching inquiry" and a "forensic accounting exercise" to track down missing money, including more than \$12m that was withdrawn in two cheques in the weeks and days before the federal election for which the PUP spent more than \$10m.

The **millions** in missing funds were originally allocated by CITIC to a National Australia Bank account with the intention of the money being used to cover the day-to-day expenses of operating, maintaining and repairing facilities at the port at Cape Preston, which is integral to a \$7bn-plus **iron ore** project.

One of Mr Palmer's executives, Vimal Sharma, a signatory to the account, was a PUP candidate in the federal election. Mr Sharma and his son, Vashil, also a PUP candidate who declined to comment yesterday, are named in Federal Court documentation due to payments received from the account.

The Federal Court has heard that Mineralogy, which had access to the account, could not have legitimately spent "increasingly exorbitant amounts of so-called administration costs in excess of something like \$23m over three years and have wholly failed to account for that expenditure".

The Federal Court was told Mineralogy should not have spent the money as the **company** was not legally permitted to perform key functions at the port.

ProMet Engineers, Mineralogy's marine engineering consultant, was paid more than \$94,000 for work related to a project on **mining** leases belonging to Australian Resources that had nothing to do with CITIC.

An invoice for \$63,403 from law **firm** Ashurst described the work as being professional services to Mineralogy "for contractual disputes with CITIC Pacific Limited (and two of its wholly owned subsidiaries)".

The invoice and payment indicate Mineralogy used CITIC's cash to pay for Mineralogy's litigation with CITIC.

Salaries, superannuation funds, lawyers and resources consultants attracted much of the cash.

Correspondence in an affidavit shows how CITIC became increasingly worried that its contributions to the fund were being used to support work being done for Australasian Resources.

CITIC executive director Fei Xu said in a letter to Mineralogy dated January 16, 2012, that CITIC "notes salaries of staff have been allocated in their entirety to (CITIC), although (CITIC) is aware Mineralogy personnel are spending a considerable amount of time attending to work in connection with the (Australasian Resources) project".

Staffing levels were also questioned, given the limited levels of activity at a port that was still waiting to begin exports.

The documents show CITIC first flagged its concerns about how the administrative funds were being used as early as December 2010, with relations between the two becoming increasingly strained over time.

They also illustrate how the falling out between the companies extended to the reluctance of Mr Palmer's **company** to pay for the hire of personal protective equipment while visiting the Sino **iron** project.

CO cecal : Australasian Resources Limited | skfdev : CITIC Pacific Limited

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