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HD Palmer raids struggling company for \$1.35m loan

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LP Palmer raids struggling company for \$1.35m loan

Clive Palmer has siphoned \$1.35 million in “loans” from a near-insolvent company whose shareholders include mum-and-dad investors — none of whom was consulted about the raid on the cash.

TD The federal member for the Sunshine Coast seat of Fairfax and self-proclaimed billionaire, whose lawyer recently told a court that the tycoon’s business had cashflow problems, withdrew the \$1.35m from Gladstone Pacific Nickel in September as loans to “companies associated with director, Clive Palmer”, according to documents filed with the corporate regulator.

The money was lent despite a warning in the accounts that the company might collapse as it had incurred a net loss of almost \$850,000 for the financial year, generated no revenue, and was funding ongoing activities “from its existing cash reserves”. The \$1.35m drain two months ago has been described by Palmer company insiders as further evidence of financial distress amid an ongoing legal dispute over royalty payments from the Chinese - government-owned Citic for its extraction of iron ore from tenements held by his flagship company, Mineralogy, in the Pilbara region of Western Australia.

The annual report of Gladstone Pacific, which has two staff, disclosed that its director and majority shareholder, Mr Palmer, “declared his conflict of interest in relation to the loans”.

Of the other two directors of Gladstone Pacific, one is Mr Palmer’s nephew, Clive Mensink, while the other is a longtime friend and confidant Domenic Martino.

The report warns: “Should the company not be able to raise additional funds or in the event that the outcome of potential future litigation procedures not be favourable to the company, there is significant uncertainty that the company may not be able to continue as a going concern.” Flagging a sale of Gladstone Pacific assets, its report to the [Australian Securities & Investments Commission](#) says it may be forced to “realise assets and extinguish liabilities other than in the ordinary course of business”.

A shareholder told The Australian yesterday that as Gladstone Pacific was cash-starved before \$1.35m was taken out two months ago, ASIC should immediately investigate and ask: “Why do Clive Palmer’s companies need the money? Why not go to a bank? Is this loan deal open to all shareholders?” The annual report, signed off by auditors Ernst & Young partner Tom du Preez, makes no reference to any security put up by the unnamed companies controlled by Mr Palmer that received the \$1.35m.

Mr Palmer controls just over 95 per cent of the shares in Gladstone Pacific Nickel, which is being pursued by authorities in New Caledonia for unpaid tax of more than \$110,000.

The accounts of the company, in which Mr Palmer is estimated to have sunk more than \$30m, show it had less than \$200,000 in the bank at the end of June.

Its balance swelled with the return of a land deposit from the Queensland government of about \$1.68m in September as a result of the collapse of the nickel development plans, with the loans to his other companies of \$1.35m being drawn days later.

"The loans are interest-bearing at commercial bank rates plus a margin of 2 per cent and repayable in six months," the annual report states.

Previous accounts show \$2.5m was transferred from Gladstone Pacific Nickel to Mineralogy, which has been bleeding cash. None of Mr Palmer's major businesses is profitable, nor do any provide royalties or positive cash flow.

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