

# FINANCIAL REVIEW

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HD CITIC claim is 'desperation'  
BY Mark Ludlow  
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Clive Palmer has brushed off the latest legal stoush with the Chinese government-owned CITIC Pacific, which is suing him personally over the alleged misuse of \$12 million.

Mr Palmer, a frequent litigant himself, said the new legal challenge was a "sign of desperation" by CITIC which was running out of legal options over a protracted dispute over paying royalties over an \$10 billion iron ore project in Western Australia.

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"It's nothing really, there is no truth in what they are alleging," Mr Palmer told The Australian Financial Review.

"They couldn't care about \$12 million – it's a \$10 billion project. This is a storm in a teacup in relation to the amounts of money we're talking about. They owe us hundreds of millions of dollars."

In the latest legal challenge – which the Financial Review revealed online on Wednesday night – CITIC alleges Mr Palmer "knowingly assisted in a breach of trust" by personally signing cheques last August that misappropriated \$12 million from an administration fund meant for management services for Port Preston in Western Australia.

"The payments were dishonest and fraudulent in that, at all material times, Mineralogy knew, through its sole director Palmer," the lawsuit says.

The new court action – which is aimed at Mr Palmer personally rather than one of his companies – is an escalation of the protracted legal battle between CITIC and Mr Palmer.

Cosmo Developments, a company controlled by Mr Palmer, has been named in the claim for "knowing receipt of trust property" in relation to \$10 million of the \$12 million transferred from a National Australia Bank account.

"Cosmo did not provide any goods or services to Mineralogy in relation to the Port for or in respect of the \$10 million payment," the statement of claim says.

"Mineralogy did not provide any remittance advice to Cosmo in respect of the \$10 million payment."

It said Mr Palmer knew Cosmo had "no employees capable of performing port management services".

The lawsuit, by Sino Iron and Korean Steel, alleges Mr Palmer paid another \$2.16 million to a Brisbane advertising firm, Media Circus, for work for the Palmer United Party during last year's election, when it was not authorised to do so. It says Media Circus also did not provide any work for the port.

CITIC will argue this was breach of trust in the agreement between Mr Palmer over the bank account called "Port Palmer Operations". CITIC is seeking "equitable compensation".

Lawyers for CITIC have yet to outline how much compensation they want. The compensation claim does not mean the **Chinese company** has abandoned its confidential arbitration process with Mr Palmer, led by former Supreme Court judge Richard Chesterman, QC.

The 80-page statement of claim says Mr Palmer "knowingly assisted Mineralogy in its dishonest and fraudulent breach of trust".

Mr Palmer has said the money paid into the NAB bank account was his and he could do whatever he wanted with it.

The statement of claim said CITIC paid \$26.2 **million** to the NAB administrative account between April 1, 2010 and November 23, 2012. It said the money should only have been used for managing the port.

It claims in November 2012, Mineralogy asked for more money including \$2.5 **million** for the **acquisition** of a boat, \$2 **million** for port security management and \$864,000 for travel. A payment of \$13 **million** from CITIC followed soon after.

In other Federal Court proceedings, Sino **Iron** and Korean Steel allege Mineralogy was "not ready, willing or able to operate and maintain the port facilities".

CITIC alleges from late 2013 Mr Palmer cancelled multiple signatories to the administrative bank account and became the sole signatory to the account. Mr Palmer this year quit as director of Mineralogy and Queensland Nickel to focus on politics.

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