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HD Palmer resorts to a dash for some cash
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LP Clive Palmer's Coeur de Lion Investments seeks cash infusion amid business woes.

The day before the Melbourne Cup, one of Australia's biggest corporate gamblers, Clive Palmer — a daring risk-taker across business, politics and litigation with a few huge windfalls offset by a string of thumping, costly losses — began signing a document.

TD Its four pages, leaked to The Weekend Australian yesterday, were drawn up as part of a strategy to produce an infusion of \$2 million in cash. Palmer seeks the money as quickly as possible.

As a director of Coeur de Lion Investments Pty Ltd (French for "lion heart"), a company Palmer controls, he alone signed the document 13 times.

That is the number of ordinary resolutions the federal parliamentarian is proposing for an annual general meeting due in a fortnight as he positions for a swoop on most of the cash held by a body corporate of worn-down owners — mostly mum and dad investors with stakes in villas at the former Hyatt resort (renamed the Palmer Cooloom Resort after he took it over in 2011) with its championship golf course on Queensland's Sunshine Coast.

Palmer wants the cash in two tranches, of \$1.2m and \$800,000, as well as the removal of the existing directors from the controlling entity for the properties, the appointment of new directors — he proposed himself, his wife, Anna, and his resort manager, Simon Stodart — the surrender of certain leases, and the cessation of all - litigation.

But while more control may be helpful for the tycoon at the resort — which resembles a ghost town, remains closed for business apart from golf, and shows no signs of revival or Palmer's promised renovation — it is the \$2m, according to insiders, he needs most.

In interviews with Inquirer, former and current staff, contractors, lawyers, allies and commercial rivals point to many signs of worsening financial stress across Palmer's business group. The gambler's luck is running out.

When he asked Malcolm Turnbull in question time late last month about the federal government's role as "the No 1 petitioner in the bankruptcy and liquidation of businesses in Australia", [Queensland Premier Annastacia Palaszczuk's](#) government was reminded of recent attempts by his functionaries, in closed-door talks, to wangle a \$25m taxpayer-funded injection of capital for his nickel refinery.

Palmer, who denied he personally made such a request for the money, tweeted: "We need to do more to stop struggling Australian businesses going to the wall."

Palmer's intense frustration and rising anger at his flagship company Mineralogy's inability to receive royalty funds from China's state-owned company Citic, which is shipping iron ore extracted from his tenements in the Pilbara region of Western Australia but fundamentally disagrees with him on how the royalty payments can be calculated, is palpable.

"They have deliberately abused the Australian court system in an attempt to take the benefits of the contract without paying royalties. It is an abuse of legal process and legal equity as well as being harmful to Australian-Chinese business relationships," Palmer's nephew, Clive Mensink, said this week.

Palmer insists that "Citic currently owes Mineralogy millions of dollars and uses the courts as part of a Chinese government strategy to break Australian enterprises and take control of Australian assets without paying for them".

Citic has lost enormous face spending more than \$10 billion on the dud project near Karratha, but it is prevailing in almost all the courtroom battles with Palmer. Citic has levelled serious fraud claims against Palmer (which he denies) and asked police in Queensland and Western Australia to investigate hundreds of pages of documentary evidence.

The Chinese government-owned company said this week it would continue to protect its interests, adding that Palmer had a long history of making hollow allegations and empty threats — and “all have failed”.

Until Palmer fronts up at the negotiating table, the ongoing stalemate means his private funds are being steadily drained. He faces a constant drip-feed to meet the running costs of almost everyone and everything he employs and controls — including several hundred staff in companies and businesses that lose money, and the lawyers who run his cases.

For a tycoon with his own private jets (none of which are being flown — another cost-saving), who gave more than \$1m to a cash-strapped European think tank of former government leaders, the Club de Madrid, three years ago in return for it bestowing on him the newly invented titles of president of the World Economic Council and secretary-general of the World Leadership Alliance, and who still describes himself as a billionaire (which he has never been), the appearance of wealth and status is important for Palmer and his political brand.

Maintaining the appearance requires a lot of money.

But without the arrival of a cashed-up white knight, or an uptick in the price of nickel produced at his Townsville refinery, or a legal ceasefire and negotiated payout by the Chinese (with whom he remains locked in costly litigation over royalties he is not seeing on iron ore reserves he controls in Western Australia), Palmer's prospects are grim.

Few people can keep funding ongoing losses from their personal stash indefinitely. Palmer has spent most of the \$US450m he received from the Chinese when they first inked a deal to mine his tenements.

His subsequent investments, listed in his register of pecuniary interests, have performed poorly. Tens of millions of dollars were blown on an ill-fated and now-abandoned nickel project in Gladstone alone.

As Palmer's lawyer Simon Couper QC told the Federal Court last month about how the lack of mining royalties was having an effect on Palmer's company: “This is our cashflow, we're not getting cashflow, and it's causing us problems.”

When Palmer's finances were healthier he used the trappings of his apparent wealth and his businesses to boost his political appeal. Voters were attracted to a self-made, self-proclaimed billionaire who promised to build a Titanic replica and (falsely) told a media conference that he could sustain losses “because I earn \$500m a year in royalties in Western Australia from the Chinese. The Chinese pay me money because I found the iron ore and I just put it in the bank, I spend it all (around) the world and I enjoy myself.”

His royalties claim was wishful thinking about what he might potentially receive in royalties but the number is fanciful. It is also possible he could lose his tenements altogether. Amid his repeated attempts to shut down the Chinese project in Western Australia, the increasingly exasperated Colin Barnett-led government, which awarded him the tenements, may be goaded into taking them back. The government in Perth has no quarrel with the Chinese who are paying royalties into the state's treasury.

The Weekend Australian asked for an interview and put several questions about the cashflow and financial challenges for his businesses, but Palmer yesterday declined to discuss the matters. He replied with a two-word text message yesterday: “Not true.”

The Palmer United Party founder and federal member for the Sunshine Coast seat of Fairfax runs a usually effective line in the media when it comes to increasingly awkward questions about the hundreds of jobs he has cut from his businesses since entering federal parliament, the string of legal defeats that ratchet up his costs and commercial pressures, and the red ink blemishing the balance sheets of his cash-starved companies.

With some notable exceptions, his response is that he is “retired from business” and he is “a full-time politician”.

It is designed to end the conversation about his business woes, and permits Palmer to project as a happy-go-lucky billionaire without a financial worry in the world; an outstanding businessman cum parliamentarian untouched by everyday realities such as insolvency; and a leader who leaves his troubled nickel refinery in

Townsville, his shut-down dinosaur park and resort at Coolum on the Sunshine Coast, his emptying commercial building at 380 Queen Street in Brisbane and, the most important of all, his iron ore reserves in Western Australia — which are being mined by the huge Chinese company Citic without him seeing the benefit of a royalty flow — to the hired help, including his nephew Mensink and a few other long-time confidants.

But it has always been a facade. Palmer remains very closely involved in the running of all his businesses and companies. He still signs most of the cheques. He appears to be hedging his bets in his electorate, too. Voters this week received a glossy six-page brochure on his achievements in the seat.

Ted O'Brien, the Liberal National Party candidate who is running again after being pipped by Palmer by a handful of votes in 2013, tells Inquirer that he “still spends like a billionaire when it comes to political advertising here in the seat of Fairfax”.

“As someone who helps others create their own jobs through entrepreneurship and start-ups, I'm gutted at what I've witnessed at the Palmer Coolum Resort. Jobs have been lost and lives have been ruined,” O'Brien says. “Due to what he has done to people here locally, he is feared. Every now and then you meet people who have dealt directly with Palmer personally and their stories are awful.”

Before Couper's acknowledgment in the Federal Court about the financial stress of Palmer's flagship company, similar concerns were documented by his former accountant and friend for almost 30 years, Bill Schoch, who told the Supreme Court the Palmer companies were on the brink of insolvency with an unpaid bill of \$US15m shortly before he achieved political office and the balance of power in the Senate.

Schoch, who was a candidate for the PUP, ran the resort and now alleges he was duded by Palmer on salary and other entitlements, claims corporate collapse was avoided only thanks to a \$45m settlement from the tax office two days after the September 2013 federal election, in which Palmer had wrongfully siphoned more than \$20m (which he has since repaid) in Chinese funds for his campaign and a welter of advertising.

Schoch says Palmer told him the tax office owed \$90m “but for payment I settled for half”. The relationship ended abruptly with the tycoon sending Schoch a text message in December 2013 that said: “Your f. king contract is for \$150,000. Leave by Tuesday. Sue me.” Schoch sued and a decision in their Supreme Court dispute has been reserved.

Palmer previously has acknowledged in an affidavit in another case that he bought the nickel refinery in Townsville four years earlier in the expectation that if it continued to run at a loss, he could fund it with royalties from the Chinese — royalties that are still not forthcoming. He swore that the continued operation of the refinery “including the livelihood and employment of approximately 1000 employees and contractors is dependent upon (his company) Mineralogy receiving royalties ...”

The following is a brief synopsis of how Palmer's three main businesses are performing:

- The Townsville nickel refinery in Townsville: An old asset once owned by Alan Bond and effectively given away to Palmer by BHP Billiton in 2009, it has been starved of funds for maintenance in recent years. Machinery breakdowns are commonplace because of the shoestring budgets. The refinery has ongoing environmental issues arising from the highly toxic sludge it produces and stores in tailings dams that have had damaging run-offs on the edge of the Great Barrier Reef Marine Park. As the world nickel price is about \$US4.50 a pound, the refinery loses money every day of production. Its estimated 550 staff (previously 1000) have been assured by Palmer their entitlements are safe.
- The former Hyatt resort on the Sunshine Coast: Closed to staying guests nine months ago when it became clear the dire occupancy levels were not going to recover, there are now fewer than 20 staff (outnumbered by the dinosaurs) at a resort that employed 650 when Palmer bought it from Lend Lease, and sacked Hyatt as operator. The golf course, which hosted the Australian PGA until it exited because of his demands, draws only two dozen golfers on a good day. Residents of nearby developments have been affected by a decline in property values due to the resort's failure. Retailers in Coolum blame Palmer for the loss of business from golfers and tourists and sacked staff.
- The iron ore reserves in Western Australia's Pilbara: This should have been Palmer's permanent cash cow, an astonishingly lucrative bonanza funded by the Chinese who paid him \$US450m for the rights to mine it, and - entered into agreements for ongoing royalties. But as the Chinese bought a low-grade lemon that will never be profitable and has cost more than \$10bn to develop, they are determined they will not be made fools of twice —

hence the legal disputes in which they are prevailing, including those revolving around Palmer's interpretation of royalty agreements.

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