



**HD** 'Nuclear option' being used as Clive Palmer's case reaches court

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Queensland's Supreme Court begins a trial into allegations made by Clive Palmer's **Chinese** partners who accuse him of taking their money to fund his political campaign, in a case in which both sides are being described as using 'the nuclear option'.

LEIGH SALES, PRESENTER: Not so long ago, **mining** magnate Clive Palmer was at the height of his powers. By his own account, a **billionaire**, with unprecedented clout in the Federal Parliament.

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But Mr Palmer's fortunes have faded. His political party is imploding and tomorrow he goes on trial in Brisbane in a civil case in which his **Chinese** business partners are accusing him, effectively, of fraud.

The **Chinese** conglomerate Citic Pacific is accusing Mr Palmer of acting dishonestly by using \$12 **million** of its money to help bankroll his 2013 federal election campaign.

The case is also under investigation by the West Australian Fraud Squad and it could have grave implications for the tycoon's political and business future, as Peter McCutcheon reports.

PETER MCCUTCHEON, REPORTER: For the past three years, Clive Palmer and his estranged **Chinese mining** partners have been slugging it out in courts across the country.

The anger has been exposed in both public and private exchanges.

CLIVE PALMER, LEADER, PALMER UNITED PARTY: I'm chairman of this f\*\*king **company**. I don't want to ring up little s\*\*ts like you 'cause you won't pay your bloody rates or pay your rent. I've had enough of you. So pack up all your f\*\*king bags and get back to **China**. ...

... The reality of it is that they owe us \$700 **million** they don't want to pay.

PETER MCCUTCHEON: And now this bitter and at times bizarre dispute, originally over **mining** royalties, is about to get even nastier.

ROMAN TOMASIC, CORPORATE LAW, UNI. OF SA: They're both behaving in a way that is quite unusual in terms of the resolution of disputes of this kind. They really both effectively using the nuclear option.

PETER MCCUTCHEON: In Brisbane tomorrow, a Supreme Court judge will hear an application by **Chinese** state-owned **mining** giant Citic Pacific to declare Clive Palmer personally acted dishonestly in breach of trust.

The allegation is targeted specifically at the self-described **billionaire**, rather than the companies he owns.

PHILIP KIRCHLECHNER, **MINING** ANALYST: It's quite an amazing case. I mean, you have the most important conglomerate in our largest export market running into so many problems here. I mean, it's just incredible.

PETER MCCUTCHEON: This is where the trouble began: the Pilbara in remote Western Australia. The Sino **Iron** Project has been plagued by technical glitches, delays and a \$7 **billion** cost blowout. And in 2012, Clive Palmer's private **company**, Mineralogy, which owns the **mining** tenements, and the Citic

Group had a falling out over how to calculate royalties. At one stage, Clive Palmer even applied, unsuccessfully, to have the **Chinese** thrown off the mine altogether.

PHILIP KIRCHLECHNER: Western society tends to be more litigious than **Chinese** society, whereas in **China** you like to sort out problems over the dinner table and try to avoid going to court. So I think there's probably - in addition to the dispute itself, there's also definitely a cultural issue there as well.

PETER MCCUTCHEON: As the royalty dispute escalated, Clive Palmer launched an expensive political campaign.

GLENN MUDIE, FORMER PUP CAMPAIGNER: It was just a matter of whatever we requested, we pretty much got.

PETER MCCUTCHEON: Glenn Mudie worked out of the central office of the Palmer United Party during last year's federal election and he believed Clive Palmer could afford to be extravagant.

So money was no object?

GLENN MUDIE: As far as I know, money was no object. You know, when it came to Clive Palmer, no-one would have ever disputed that fact.

PETER MCCUTCHEON: Did you ever wonder where all this money is coming from?

GLENN MUDIE: Oh, definitely not. I mean - you know, I was under the same belief like everybody else that Clive had 20 camels running around in the desert all with sacks full of cash hanging off the side, so, you know, that was never a thought in my mind, anyway.

PETER MCCUTCHEON: But since the federal election, Citic Pacific has succeeded in shedding some light on where Clive Palmer found this stack of cash.

Court documents reveal that Clive Palmer withdrew more than \$12 **million** just before the 2013 election from an administrative fund set up specifically to operate the port of the Sino **Iron** Pilbara project. Much of the funding went through Palmer's **company** Cosmo Developments and ended up in the coffers of Palmer United.

The trial before the Queensland Supreme Court won't be focusing on where the money was spent because the basic facts are not in dispute. For example, \$6 **million** went directly to the Palmer United Party; another \$2 **million** to the advertising **company** that ran the election campaign. Rather, this trial will be looking at the technical question of whether that fund Clive Palmer took the money from is really a trust, and consequently, whether Clive Palmer acted dishonestly.

CLIVE PALMER (July): This is just a beat-up by the **Chinese** that don't want to pay for our **iron ore**, that want to take over our ports, use their lobbyists, flash their money around 'cause they're a state-owned **company** and subvert Australian democracy.

PETER MCCUTCHEON: Clive Palmer's lawyers claim Mineralogy returned the \$12 **million** six months ago before Citic even began its court action and so this case is purely an attempt to embarrass their client.

And Clive Palmer himself has shown he doesn't like to be questioned about the details of the case.

SARAH FERGUSON, 7.30 PRESENTER (July): There are a couple of questions that you were prepared to take earlier on this week that I just want to clear up.

CLIVE PALMER: Well I'm not answering any more for you, so goodbye. We'll see you later. (Removes ear piece and gets up from chair to terminate interview)

PETER MCCUTCHEON: Corporate law expert Professor Roman Tomasic says both sides over the past three years have engaged in what he calls strategic litigation, using the courts to inflict psychological damage.

ROMAN TOMASIC: The extent to which this dispute is known to the courts to be one that is the result of bitter personal differences.

PETER MCCUTCHEON: But Citic Pacific denies its pursuit of Clive Palmer over a breach of trust is just a psychological game. It argues the Queensland businessman has displayed a pattern of dishonesty, including producing a sham document to hide his breach of trust, and they've referred the matter to the West Australian Major Fraud Squad.

STEPHEN BROWN, ASST COMMISSIONER, WA POLICE (Nov. 24): I can confirm that we have received materials on behalf of the Citic Group and we've commenced to assess those materials to determine whether there's been any criminal activity as part of our normal fraud investigation and assessment process.

PETER MCCUTCHEON: For Clive Palmer, there's a huge amount at **stake. Ore** from Citic's project finally started to flow out of the Pilbara last December, four years behind schedule. Tomorrow's civil trial and the police fraud investigation may determine whether and how much Mr Palmer shares in the enormous profits to be made.

LEIGH SALES: Peter McCutcheon reporting.

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