



Probe into investors in minerals firm

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Body

Treasury will run the rule over new major shareholders in Northern Minerals after the China-linked fund ordered by the federal government to offload the majority of its stake sold out to Hong Kong-registered groups with almost no corporate history.

Northern Minerals is key to Labor's plan to start a domestic critical minerals processing industry, with its Browns Range project supplying Australia's first fully integrated rare earths refinery being built by **Iluka Resources** with a \$1.25 billion government loan.

Those minerals can be used in weapons systems and Australia, along with the United States, is pushing to break China's monopoly on processing.

In June, Treasurer Jim Chalmers said he would force Northern Minerals' largest shareholder, Singapore-registered Yuxiao Fund, and its associates to sell shares, citing their close connection with Chinese interests.

Ahead of a deadline set by the government, Yuxiao sold its stake to two Hong Kong-registered companies, Qogir Trading & Service and Hong Kong Ying Tak. Each now controls 8.4 per cent of Northern Minerals.

But Qogir was only registered in April and has paid up capital of just \$HK10,000 (\$1892), according to the Hong Kong register of company interests. Eight of its nine shareholders live in China; the ninth, its only director, is a Chinese citizen.

Ying Tak is also registered in Hong Kong and has issued capital of \$HK60 million. It was an investor in Northern Minerals before last week's purchase.

Northern Minerals said it wants to meet with its two new shareholders.

A spokesman for Dr Chalmers said the government expected some 165 million shares owned by one of Yuxiao's associates which had yet to be sold to be divested quickly.

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"The government expects all outstanding share sales to be finalised imminently and will take further action if required to protect our national interest in relation to this matter," the spokesman said. "As part of its usual processes, Treasury will undertake a full assessment of compliance with the disposal orders."

Treasury's assessment of whether the divestment orders have been followed will include any links between those forced to sell and the new shareholders. It will come amid speculation that Dr Chalmers will visit China this month for meetings, including with representatives of the National Development and Reform Commission.

Northern Minerals' former executive chairman Nick Curtis raised suspicious share trading and requested the Foreign Investment Review Board investigate last year. By the time that Mr Curtis had raised the alarm, Dr Chalmers had already blocked Yuxiao from increasing its stake in Northern Minerals to 19.9 per cent.

Mr Curtis quit the board in the face a Yuxiao-led push to have him removed at an extraordinary general meeting that was scheduled for June 6.

Dr Chalmers issued his sell down order on June 3 and the following day Northern Minerals informed the market of a cybersecurity breach. The breach included the disclosure of corporate, operational and financial information, personnel records and shareholder information, with some of it published on the dark web.

The Australian Financial Review reported in November that Yuxiao, which was close to major Chinese rare earths players, signed a co-operation deal with China Northern and Shanghai-listed Shenghe Resources in front of Communist Party officials.

Northern Minerals shares were trading flat at 2.5¢ yesterday, down from a 12-month high of 4.7¢ in June in the aftermath of the divestment order.

Sources with direct knowledge of the transaction said that part of the problem for Yuxiao was the difficulty that brokers were having as they tried to sell Northern Mineral shares.

A plunge in price for the key ingredient in wind turbines, electronics and military applications has seen Lynas Rare Earths, the world's biggest non-China supplier, withhold a portion of supply from the market this year. The lower prices have been linked to softer demand for permanent magnets and to oversupply in China.

The government's push to start a domestic processing industry with the loan to Iluka last month hit a roadblock, when the company warned that it would halt work on the refinery unless more funding was given.

The stand-off between Iluka and the government comes amid a delay in Lynas building a US military-backed refinery in Texas that is expected to produce heavy rare earths oxides needed in the manufacture of permanent magnets. They are essential in modern weapons, including warplanes and nuclear-powered submarines.

Labor has begun taking a harder line on Chinese investment in the critical minerals sector as it looks to grow domestic processing and develop supply chains. China dominates global supply of most rare earths materials and has a monopoly on the processing of dysprosium and terbium.

The US military, in particular, could be left stranded if China cuts off a supply of dysprosium and terbium.

Last December, China banned the export of rare earth technologies in a move to protect its market dominance.

Northern Minerals has previously ended offtake agreements with Chinese groups in favour of a deal with German conglomerate Thyssenkrupp.

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