



Red flags: Canberra warning to China on rare earths project

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Body

The Australian government has put China on notice that it will take more action to protect the national interest when it comes to a strategically important rare earths project in Western Australia.

The warning came amid evidence of Chinese interests continuing to try to exert influence over ASX-listed Northern Minerals despite two previous major interventions by federal Treasurer Jim Chalmers.

Treasury, which has responsibility for the Foreign Investment Review Board, is investigating whether five China-linked entities have complied with an order to divest shares in Northern Minerals.

The divestment deadline passed at the start of August but events at the Northern Minerals annual general meeting last Friday set off more alarm bells in Canberra. A mystery Chinese businessman came within a whisker of securing a seat on the Northern Minerals board as the company revealed it had been unable to contact a Hong Kong-registered entity that became a major shareholder in the wake of the divestment order.

A Treasury spokesman said the government closely monitored compliance with foreign investment legislation to protect the national interest and national security. "Treasury is undertaking a full assessment of Northern Minerals' compliance with the disposal orders," he said.

"The government will take further action if required to protect our national interest in relation to this matter." The latest row over Chinese involvement in Northern Minerals comes with the company in talks with the taxpayer-funded Northern Australia Infrastructure Facility and Export Finance Australia about funding to develop its Brown Range heavy rare earths deposit near Halls Creek in WA.

The Treasury investigation and latest red flags around shareholders have added complexity to tense negotiations between the government and **Iluka Resources** over the future of Australia's first fully integrated rare earths refinery at Eneabba in WA.

The government and **Iluka** have been at a stalemate for almost 12 months over additional funding on top of a \$1.25bn limited recourse loan from Export Finance Australia to finish the part-built refinery.

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Iluka managing director Tom O'Leary has made it clear the company will not finish building the refinery without more government funding.

If the refinery does go ahead, **Iluka** intends to source heavy rare earths essential in modern weapons systems from Northern Minerals for refining at Eneabba as part of moves to break China's stranglehold on downstream processing. **Iluka** has told the market it will provide an update on the refinery project before the end of December.

It is understood the ongoing Treasury investigation into Northern Minerals includes the entities that purchased shares -divested by Singapore-registered Yuxiao Fund.

Yuxiao sold its stake to two Hong Kong-registered -companies, Qogir Trading & Service and Hong Kong Ying Tak, which each now controls about 8.4 per cent of Northern Minerals.

Northern Minerals has been unable to establish contact with Qogir. The Hong Kong register of company interests shows Qogir was only registered in April with paid-up capital of just \$HK10,000 (\$1970).

Ying Tak, also registered in Hong Kong, was an investor in Northern Minerals before buying some of the stock Yuxiao was forced to divest.

Yuxiano took out a full-page ad in The Australian on October 29 to say it had fully withdrawn from the Australian investment market but remained positive about Chinese-Australian co-operation in critical minerals.

Northern Minerals is strategically important as a source of heavy rare earths from its Browns Range projects about 160km east of Halls Creek in WA. Two heavy rare earths - dysprosium and terbium - are essential for modern weapons systems, including guided missiles, and Australia, along with the US, is pushing to break China's monopoly on processing.

Northern Minerals has an offtake deal to supply **Iluka Resources**, which has received \$1.25bn in taxpayer funding to build Australia's first fully integrated rare earths refinery but is at loggerheads with the government over additional funding. In 2023 Northern Minerals' former executive chairman, Nick Curtis, raised the alarm about suspicious share trading and requested a FIRB investigation.

Dr Chalmers had previously blocked Yuxiao from increasing its stake to 19.9 per cent.

Mr Curtis eventually quit the board in the face of agitation from Yuxiao. Dr Chalmers intervened for a second time on June 3, ordering Yuxiao to sell down its stake. The following day Northern Minerals told shareholders of a cybersecurity breach that involved corporate, operational and financial information, personnel records and shareholder information. Mr Hartwig said last week that Northern Minerals was the rarest of all rare earths projects based on the high levels of dysprosium and terbium in its Browns Range deposit.

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