

FINANCING COMPANIES IN GENERAL AND AT TE AROHA IN
PARTICULAR

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Te Aroha Mining District Working Papers

No. 51

2016

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ISSN: 2463-6266

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THE UNIVERSITY OF
WAIKATO
Te Whare Wānanga o Waikato

FINANCING COMPANIES IN GENERAL AND AT TE AROHA IN PARTICULAR

Abstract: *Those investing in mining companies were, wisely, warned to tread warily to avoid being duped by ‘wild cat’ promotions, for many companies were blatant speculations and most would fail. The three main causes of failures were misrepresentation of the value of the ore, over-capitalization combined with insufficient working capital, and mismanagement. Mining investment was a form of gambling, with professional speculators seeking quick profits not long-term rewards. Companies were floated on the basis of inadequate prospecting, and some flotations were unquestionably fraudulent.*

Laws creating no or limited liability companies were designed to protect investors, but they encouraged floating companies with inadequate capital. Issuing partly paid-up shares required shareholders to pay calls, but often they preferred to forfeit their interests; and sometimes dummies were used to avoid payment.

Despite claims of having found good ore, much unproven ground was floated, and share prices fluctuated depending on the latest reports of ore values. Fraudulent or at best exaggerated assay results were produced, for often samples did not reflect the general values. Examples are cited of how to salt mines or provide misleading assays and of companies shepherding their properties in the hope of nearby companies making good discoveries and enabling them to sell their ground for an unearned profit.

Management was an expensive cost, especially in overseas companies, but insufficient money was provided to prospect and develop ground. Press ‘puffery’ was condemned, but newspapers relied on information provided by mine managers. Surveyors sometimes produced plans showing reefs that did not exist, and many ‘experts’ imported from overseas were selected to produce the optimistic reports that company promoters required. Examples are cited of deliberately false reports and dubious prospectuses listing carefully selected shareholders’ names to attract investors. And in some cases companies even had either no title or an insecure one to the ground being floated.

As stockbrokers could not be trusted, there was opposition to brokers being directors. Nor could miners always be trusted, as they played the market also. Overselling and forward selling of shares were problems, but the main ones were that under-capitalized companies had insufficient

working capital: several examples are cited. Some companies were over-capitalized, and it was common to erect expensive plants prematurely. Because only a small percentage of the nominal capital was paid up, companies had to rely on calls to increase their capital. And vendors and company promoters made excessive profits from floating mines.

In short, company flotation was more a form of gambling than a way of enabling honest mining.

HOW TO FORM A COMPANY

A South Island journalist visiting Waiorongomai in 1883 explained how mining companies were formed:

One or more men peg off a section of ground; after prospecting for many weeks, or months, on discovering a gold-bearing reef they seek to form their claim into a company, which is done by creating, say, twenty prospectors' shares, and on the formation of a Joint Stock Company [these] represent generally 20,000 shares, of £1 each, a portion of which, say one-fourth, is sold on the company's account for further working the mine, whilst say half the shares are sold to defray expenses incurred in prospecting the claim, and the other fourth retained by the original discoverers.¹

ADVICE TO INVESTORS

In 1892, those who had not previously invested in mining were given good advice by 'Obadiah', a weekly mining and investment columnist, who highlighted some of the pitfalls of the Auckland sharemarket:

Many people seem to believe that a mining "ring" exists in Auckland, and that any unfortunate that goes into mining speculation is sure to be left lamenting. This is all nonsense, and if mining speculators would act with some sense, and be satisfied, as in other speculations, they would not be so often left to mind the baby. Take a friend's advice as follows: -

Avoid wild cats and all new ventures, unless you are satisfied that the company is likely to be successful in raising funds when wanted.

When you purchase scrip, register the transaction at once, as by so doing you will help to keep shares firm and stop what is now being done to a large extent. When there is a run on shares, old

¹ Own Correspondent, 'From Christchurch to Te Aroha', *Star*, 24 October 1883, p. 3.

transfers that have not seen daylight for months, with names that are considered good, are passed round, and as a consequence shares are looked on with suspicion owing to the supposed seller's name being well known, while in fact the name at bottom of transfer may have been put there twelve months before. The effect on the market of certain individuals being supposed to be sellers is not good, and often frightens timid dealers in stock.

When a call is made, pay it, as mining cannot be carried on satisfactorily on overdrafts. Bank accommodation has to be paid for, and several good companies had to be wound up last year through shareholders not stumping up when called upon. Bad call-payers are a nuisance, and there are lots of them in Auckland.

Do not buy shares because they happen to be low-priced, but stick to gold-producing mines. Auckland is not quite so large as London, and cannot run so many companies as has been done in the past with the amount of gold being got.

When you sell, see that your name is removed from the register. Hold your broker responsible for this. It will save you trouble, the company expense, and perhaps keep you out of the hands of that heartless cuss, the liquidator.

Never buy on time [payment], as it just helps to rig the market against yourself, and it is about 20 to 1 that you get left.

Do not fancy that you know more than your broker, if you have one. If you haven't one, get one; there are plenty of decent brokers on 'Change, whose business it is to keep their clients posted.

Take no notice of the sensational telegrams posted by some managers. Remember that it takes a good many pounds of picked stone to pay a dividend, after working expenses.

When you get the "straight tip" from experts, avoid their advice as you would that of a disqualified jockey, for they know less than he does of the business.

Finally, "keep up your pecker," and do not be discouraged by an occasional small loss. Fortune favours the brave.²

In 1895, Edwin Edwards,³ a Paeroa newspaper editor who for a time during the boom was a mining agent,⁴ explained how companies were floated:

² 'Better than Gold and Silver: Obadiah's Advice for 1892', *Observer*, 9 January 1892, p. 15.

³ See paper on the Thames Miners' Union.

⁴ Edwin Edwards to Minister of Mines, 11 June 1888, Mines Department, MD 1, 88/471, ANZ-W; *Observer*, 'Obadiah', 'Shares and Mining', 7 September 1895, p. 17, 14 September 1895, p. 9, photograph, 7 December 1895, p. 3, 5 June 1909, p. 5; *Cyclopedia of New Zealand*, vol. 2, p. 844; *Te Aroha News*, 3 June 1909, p. 2.

There must, first of all, exist the ground. The prospector finds or knows of a reef or reefs therein. We will say he lives in Karangahake. Very well, he comes to Paeroa to a mining agent, whose word is respected by Auckland people. He tells the Paeroa man of a certain reef he knows, satisfies him that it is unoccupied ground at the Warden's office, and the pair, perhaps with an expert, then inspect the ground together. Tests are made by mortar and assay, and, if satisfactory, the Paeroa man produces his cheque-book and secures the ground. Usually the interest given for securing the lease is from one-third to one-half the ground. The agent, having secured the area, then approaches the Auckland market. Knowing the speculative one (they knowing him) he produces his report, including the result of tests and assays. Then, if the circle of this particular agent is satisfied, the claim is syndicated into a certain number of shares. Usually the promoters retain out of, say, sixty shares, twenty-five; from five to sixteen shares are reserved for the benefit of the claim, and the balance, twenty-five or thirty shares, are offered to the public, usually at £25 per share. This money, less brokerage, five per cent, is placed to the credit of the syndicate, and the next step is to call a meeting to form a Company. At this meeting directors are appointed and the Company formed, usually at 1000 scrip to the share, to properly test the ground. The no-liability clause of the Mining Act is most in vogue, because then one knows the extent of one's liabilities. The number of scrip owned by each original holder is then set against his name, are registered and published, and the owner of the scrip can then give his orders to sell to any broker.⁵

This was how reputable companies were reputably floated; as shown below, very often promoters did not follow this template, except in appearance, and investors often failed to distinguish, or were not bothered to distinguish, between a viable proposal and a wild cat. A 1909 cartoon repeated a constant message: 'Advice to Mining Investors: Beware of the Wild Cat';⁶ a message constantly ignored by many.

RISKS

⁵ 'Diamond Drill' [Edwin Edwards], *Ohinemuri Gazette*, n.d. [June 1895], reprinted in *Thames Advertiser*, 24 June 1895, p. 3.

⁶ 'Advice to Mining Investors: Beware of the Wild Cat' (cartoon), *Auckland Weekly News*, 22 July 1909, Supplement, p. 14.

William Welton, an English mining engineer who, in 1902, published an assessment of the financing of goldmining throughout the world, cited experienced men warning that it was ‘the very quintessence of speculative investment’, for the majority of mining companies failed. Although ore bodies could ‘pinch out’ and, especially, lose value at depth, the main cause of failures was ‘the fault of man, not of nature’.⁷ It was commonly agreed that there were three causes of failures:

- 1st. Misrepresentation of the value of the properties from ignorance or design.
- 2nd. Over-capitalization and want of working capital.
- 3rd. Mismanagement and ignorance of mining.⁸

He believed that ‘by far the largest number of companies’ failed ‘through endeavouring to work at a profit without due appreciation of the special difficulties to be encountered, and basing their calculations of probable results upon what is being done at other mines working under totally different conditions’.⁹ To limit failures, it had been recommended that, before promoters floated properties, they should be required to pay for an inspection by a competent mining inspector, who must certify the property ‘was as represented’ and ‘reasonably worth the value placed upon it’ before a prospectus could be issued.¹⁰ Welton was not convinced. ‘The business of a seller of property is to get the most he can for it by presenting its special points in the most favourable light, and if the purchaser will not be guided by the experience of those who are capable of valuing what is offered for sale, he may expect to pay an exorbitant price’. No guarantee could be given that any mining engineer, however well qualified, could ‘apply their knowledge’ or be ‘of calm, judicious mind, and fearless in giving their opinions’. Whilst examination by an independent engineer could have ‘considerable value’, he warned that ‘some men are of more hopeful or excitable dispositions than others’.¹¹

⁷ William S. Welton, *Practical Gold-Mining: Its commercial aspects: A collection of statistics and data relating to gold-mining and gold-mining finance companies* (London, 1902), pp. 42, 44.

⁸ Welton, p. 45.

⁹ Welton, p. 46.

¹⁰ Welton, p. 43.

¹¹ Welton, pp. 45-46.

SPECULATION AS GAMBLING

It is not certain to whom the *Te Aroha News* was referring in a sarcastic paragraph published in March 1909:

Once again frantic efforts are being made by the head of a “payable? concern” not a thousand miles from Te Aroha to induce individuals with abundance of spare capital to invest. The number of times this particular individual has managed to get hold of the spending of other people’s spare cash is something astonishing, each time with the same result. “It doesn’t matter who sinks as long as I swim” appears to be the policy of this budding [Andrew] Carnegie.¹²

To attract capital, the end justified the means, and throughout the history of mining in New Zealand concern was expressed about the tactics used. Selling interests was made easier by ‘the ignorance of the vast majority of holders of mining shares’ was ‘proverbial’.¹³ Charles Thatcher, ‘the goldfield balladeer’, after performing at Thames in 1869 described how investors were enticed:

Auriferous ground is taken possession of by a party of diggers, who, instead of selfishly working it on their own account, generously insist on admitting the public to partake of the benefits of the discovery. The claim is divided into several thousand shares, and it is the object of the benevolent promoters to get it into the market, and induce the public to invest in the scrip. The manager, if he is wide-awake, generally contrives to get a decent quantity of gold out of the first crushing; the result is, that a small dividend is declared, and shares go up in consequence. A mining manager is a curious being; he professes to know where gold exists in large quantities. He tells shareholders it is a certain fortune, and provided the ground is within a reasonable distance of the Golden Crown, say three miles, he can trace the leader coming into the claim.¹⁴

In 1896, another commentator noted that sometimes ‘the sole claim to value of ground is vicinity to some favourite mine. Vicinity is a good asset if

¹² *Te Aroha News*, 11 March 1909, p. 2.

¹³ *Observer*, 10 February 1900, p. 15.

¹⁴ Robert Hoskins, *Goldfield Balladeer: The life and times of the celebrated Charles R. Thatcher* (Auckland, 1977), p. 116.

it means within the run of reefs, or within the auriferous belt; but if it is east or west of such belt it might be clean away from gold'.¹⁵

In 1883, a Thames correspondent, noting how the value of shares in one mine fluctuated considerably, could not 'understand how the finding of a few pounds of golden stone in any of the mines here will prove an incentive to people to buy scrip', because they knew 'the patchy nature of our ore'.¹⁶ One commentator regretted that investors in mining

were regarded much in the same light as those engaged in horse racing, where the odds are terribly long against the public, and what should be regarded as the premier industry in these colonies has been degraded through the cunning and knavish tricks of loafers and schemers, and looked upon a little better than gambling.¹⁷

Gold fever affected the brain: when the fit was on, 'reason and argument are alike of little avail. We have, alas, known of several instances where men of keen business capabilities have gone off on a tangent, and entered into schemes of the most visionary description, to their sorrow and cost'.¹⁸ A Thames newspaper argued that nine out of ten investors had no way of distinguishing sound ventures from wild cats, deploring the latter not only for the capital wasted but because they deprived the industry 'of ten or a hundred times that amount by reason of the suspicion they create'.¹⁹ A *Thames Advertiser* editorial in mid-1880 argued that 'all enterprises' were 'more or less of a speculative character', with mining 'believed to be the most hazardous'. Investors 'at a distance' could

exercise no sort of personal supervision. Investors in mines require to satisfy themselves, if possible, beyond a peradventure on some points. Is the particular mine meritorious, and the management in the hands of honest and competent men? It frequently happens that companies are organised on worthless

¹⁵ 'The Warrigal', 'The North Island Goldfields: The Mining Boom', *Mining Standard*, 14 August 1896, p. 2.

¹⁶ Thames Correspondent, *Freeman's Journal*, 13 July 1883, p. 7.

¹⁷ Thomas M. Humphreys, *Handbook of the Auckland Goldfields, New Zealand* (Auckland, 1888), p. 18.

¹⁸ Humphreys, p. 26.

¹⁹ Editorial, *Thames Star*, 12 March 1891, p. 2.

properties, and sometimes left in the hands of incompetent men to manage.

If the property was good and the management honest, mining was 'divested of many hazardous features, made legitimate as an investment, and often most lucrative'. But many ventures started on a false basis. Should good gold be found, there were 'not wanting those who take advantage of such a discovery to pounce upon the unoccupied ground for miles around and claim for it the continuation of a rich line of reef, capable of development into something excelling the discovery which gave it birth'. As part of the 'ups and downs of goldfields speculation', sometimes this ground, with 'capital and enterprise', would become equally valuable. Because not all promoters were 'honourable men', the field had 'suffered incalculable injury and depreciation consequent upon the greed of individuals who have not hesitated to proclaim the virtues of a piece of worthless country in order to "make a rise" '. The 'number of those who prey upon their fellow-men' in this way had been 'reduced to a minimum, and there were 'so many legitimate openings that the rank swindle finds no place in our investment'. Nevertheless, care was necessary 'to avoid wasteful expenditure' and 'prevent the creation of a host of ventures which can only benefit certain promoters, and leave those who patronise them lamenting the absence of honesty of intention, which too often characterises the work of floating companies'.

It is not a desire to open up new mines and assist in the development of the district which prompts many of those whose names we see appended to nearly every memorial of registration of a new company, but a variety of influences, all ending in temporary profit. They take the earliest opportunity of realising, and leave the unwary to stand the brunt of calls, winding-up orders, or compromises with unfortunate creditors. The multiplication of such companies, under these circumstances, retards rather than benefits the field.²⁰

In the following year, when Te Aroha miners sought capital to erect a battery, an editorial in the *Waikato Times* noted that public confidence in goldfield investment had, 'in not a few instances, been grossly abused'. While accepting that reefs appeared and disappeared 'without the slightest apparent cause, so far as geological phenomenon indicates, or scientific

²⁰ Editorial, *Thames Advertiser*, 19 July 1880, p. 2.

research can detect', it was concerned about 'bubble schemes and "duffer" companies promoted by unscrupulous "speculators" and the professional goldfields harpie', who salted reefs and produced 'spurious specimens'. It appeared 'as if the arch-fiend himself had been at work, so barefaced and unscrupulous have proceedings of this class, from time to time, been rendered'.²¹ As H. wrote in 1872, the mining speculator was a 'sharp man' who made money from sudden rises and falls in the market. 'He looks not to distant prospects or deferred dividends. His object is to see a moving market and in the every-day chances of dropping upon a frenzied buyer, or panic-struck holder of stock, he secures his dividends'. Mining speculators were 'easily led', being 'either in a fever-heat of excitement or their hearts are down to zero'.²² As Geoffrey Blainey has noted, 'share prices have to fluctuate continually if they are to lure the speculator, who invests in the hope of a quick change in the market value of his shares'.²³ Speculators would sometimes obtain shares on credit;²⁴ a dangerous practice prompted by the hope of instant profit. A leading mine manager and mining reporter, John McCombie,²⁵ described the psychology of 'small men' who invested in mining:

There are quite a number of men who will work patiently for a lifetime in order to build up a business for the purpose of gaining a small pittance towards their support in old age, or to give their children a better start in life than they had themselves, and yet when these very men happen to invest a few dollars in a gold mining venture, they want "big returns" straight away, development or no development, and a whole legion of failures in gold mining may be attributed to unreasonable grasping greed of this description.²⁶

²¹ Editorial, *Waikato Times*, 15 January 1881, p. 2.

²² H., 'Our Mines, Speculators, and Future Prospects', *Auckland Weekly News*, 17 February 1872, p. 22.

²³ Geoffrey Blainey, *The Tyranny of Distance: How distance shaped Australian history* (Melbourne, 1966), p. 226.

²⁴ For instance, Frederick Alexander Whitaker: Thames Warden's Court, Register of Deeds 1869, folios 324-325, BACL 14417/4a, ANZ-A.

²⁵ See paper on Billy Nicholl.

²⁶ 'Aboriginal', 'The Treatment of Gold and Silver-Bearing Ores', *Auckland Weekly News*, 26 November 1892, p. 35.

Little if anything had changed by the 1930s, as the Under-Secretary of Mines explained in a confidential letter to the chairman of the Bondholders Incorporation Commission. The first of his concerns was ‘exploitation by option holders’, as explained in an imaginary case ‘typical of many mining transactions’:

An impecunious miner acting on his own initiative or as a “dummy” pegs off an area of Crown land in an auriferous district, and applies to the Warden’s Court for a Prospecting License over same. This license may cost him say £10 for legal and other expenses and entitles him to prospect the area for gold. The life of the license is twelve months, but with it goes the right of priority to obtain a further Prospecting License over the area for a further twelve months or to apply for a claim. The license holder is under a legal obligation to prospect, but before he does anything of value he gives an option to a Syndicate for say £500 cash and £1000 in shares of any company that may later be formed. The Syndicate does no prospecting but a small company is formed to purchase the option from the Syndicate for a total consideration of say £3000. This company may spend a few hundred pounds on preliminary prospecting, and if there is the slightest vestige of gold, it offers the option to substantial Australian or British interests for, say, £10,000. To prospect the property properly may be a matter of £5,000. The overseas interests would be prepared to expend £5,000 in prospecting, but the demands of the option holders are so excessive that the negotiations fail. In reality the property is worth nothing until its mining potentialities have been proved.

Prospecting was often inadequate, and bores and drives were sometimes salted ‘by vendors, promoters or other interested parties’.

Concentrates may be assayed and then the values circulated as being representative of the material in the mine in its normal state, or samples may be taken from a mine and honestly assayed, but the samples in themselves may not be anything like representative of the average class of material to be mined.

Other defects were manipulation of the share market and ‘forward selling of shares’ by directors, along with dividing the capital into shares of low value. He gave seven examples of misleading statements in prospectuses:

- (a) A quotation of ancient history and of geological and other statements made half a century ago.
- (b) The non-disclosure of the results of previous prospecting that may have been carried out.
- (c) The non-publication of conservative engineers' reports.
- (d) The use of extracts from Government reports separated from the context.
- (e) Exaggerated statements concerning associations of Government officers with prospecting or other operations.
- (f) Inclusion in prospectuses of reports by unqualified and irresponsible persons.
- (g) Grossly exaggerated estimates of production and profits.²⁷

As the papers on company flotation in the 1930s and on Malcolm Hardy indicate, all these points were features of prospectuses produced for companies at Te Aroha during that decade. An English mining journalist, James Herbert Curle, who investigated mining throughout the world, blamed speculators' greed for encouraging such practices:

It may be said that three-quarters of all transactions in mining shares come under the head of gambling, pure and simple. The average gambler in mines cares nothing for the intrinsic value of a property; he does not study its past history, he does not intend to hold the shares for dividends – in fact, he wants to know nothing about the mine. All he asks for is a large profit on his speculation in a minimum period.²⁸

A prominent New Zealand miner agreed it was 'of no moment to the ordinary promoter what the prospects of the property may really be – he is a promoter, not a holder for dividend', and did not 'intend to be a shareholder longer than he can help'.²⁹

New Zealand newspapers on several occasions exposed fraudulent discoveries and company flotations, notably Brogan's rush at Whangamata

²⁷ Under-Secretary, Mines Department, to J.S. Barton (Chairman, Bondholders Incorporation Commission), 23 May 1935, Mines Department, MD 1, 12/1/11, ANZ-W.

²⁸ J.H. Curle, *The Gold Mines of the World*, 2 ed. (London, 1902), p. 337.

²⁹ James Williams, second essay in *Three Prize Essays on the Present Condition and Future Prospects of the Mineral Resources of New Zealand and the Best Means of Fostering their Development* (Wellington, 1907), p. 180.

in 1873,³⁰ several Waitekauri claims,³¹ and five companies: Union Beach,³² Haven,³³ Paraquot,³⁴ Pinafore,³⁵ and Portsea.³⁶ They constantly warned investors to be cautious and avoid the ‘madness’ of ‘the yellow fever’, as the *Thames Advertiser* described scrip gambling.³⁷ In 1882 the *Thames Star* related the tale of the razor seller of Newcastle:

He sold his razors at one shilling a dozen, and Hodge purchased one. After scraping vigorously, but ineffectually, at his face for some time, and cutting himself severely, in great wrath he hunted up the razor-merchant. Upon finding him he exclaimed, “This razor won’t shave.” “I did not expect it would,” was the cool reply. “What was it made for then?” interrogated the dumbfounded bumpkin. “Made for? Why, made to sell.”³⁸

The following year, the *Thames Advertiser* applauded indications that investors were dealing with shares ‘upon safer business principles’ than previously, calculating ‘the exact yields’ which could be predicted, the likely dividend, and appropriate shares prices. It hoped that this would continue and

kill the boulder-floating gentry, who, upon the strength of a bit of gold got in a mine which is being honestly worked, peg out all the unoccupied ground round about, float companies to take it up, and then clear out as quickly as possible at whatever price they can obtain for their interests as “promoters,” without having paid a single farthing into the ventures.³⁹

³⁰ *Auckland Weekly News*, 1 February 1873, pp. 6, 9, 22 February 1873, p. 15, 1 March 1873, p. 5, 8 March 1873, p. 6, 7 April 1888, p. 29; Ohinemuri Correspondent, *Thames Advertiser*, 14 December 1885, p. 3.

³¹ *Thames Advertiser*, 19 August 1876, p. 3, 4 September 1876, p. 3, 12 September 1876, p. 3.

³² Editorial, *Auckland Weekly News*, 24 March 1877, p. 12.

³³ Editorial, *Thames Star*, 7 April 1881, p. 2; *Auckland Weekly News*, 9 April 1881, p. 7, 16 April 1881, p. 15, 18 March 1882, p. 11, 25 March 1882, p. 23.

³⁴ *Thames Advertiser*, 18 May 1887, p. 2.

³⁵ *Thames Star*, 26 July 1890, p. 2.

³⁶ *Observer*, 4 August 1894, p. 7.

³⁷ Editorial, *Thames Advertiser*, 18 November 1882, p. 2.

³⁸ Editorial, *Thames Star*, 6 September 1882, p. 2.

³⁹ *Thames Advertiser*, 21 July 1883, p. 2.

The public was urged to show 'greater discrimination' and to make 'exhaustive inquiries in every possible disinterested quarter before investing in any new venture, and to stipulate that the capital subscribed should be legitimately expended in the development of the ground'.⁴⁰

COMPANY LAW

In discussing early goldmining companies in Victoria, Australia, Geoffrey Blainey noted that 'gambling in shares was not surprising in a goldmining colony. Early diggers had gambled on finding gold with every swing of their pick', and those with other occupations 'merely changed their gambling venue from a shaft lit by candles to a broker's office lit by gas'.⁴¹ A problem for legislators seeking to protect investors was 'to limit the liability of each shareholder for the company's debts should the mine fail', but early legislation failed to cope with the transfer of most shares to dummies, 'mysterious nobodies who were not worth suing or could not be found to be sued'. This left the 'honest shareholders' being sued for a percentage of debt vastly disproportionate to his interest.⁴² To resolve this problem, in 1871 Victoria passed its No Liability Act, considered by Blainey to be 'one of the most radical experiments in company law in the English-speaking world'.⁴³ Now a speculator could only lose the amount invested, and 'once he decided the mine had no prospect of success he could forfeit his shares'. These new companies encouraged poor men to invest by selling shares on time payment, requiring a deposit and monthly instalments. The rest of Australia quickly adopted this law, which encouraged investment but also 'encouraged mining companies to start with inadequate funds and so increased their risk of failure'.⁴⁴ It also, according to the Auckland press, encouraged reckless speculation and lowered 'commercial morality'.⁴⁵ In 1898 a Paeroa newspaper attacked the 'crude absurdities' of the Mining

⁴⁰ Editorial, *Thames Star*, 23 February 1891, p. 2.

⁴¹ Geoffrey Blainey, *The Rush that Never Ended: A history of Australian Mining*, rev. ed. (Melbourne, 1964), p. 98.

⁴² Blainey, *Rush that Never Ended*, p. 98.

⁴³ Blainey, *Rush that Never Ended*, p. 99.

⁴⁴ Blainey, *Rush that Never Ended*, p. 99.

⁴⁵ *Auckland Weekly News*, 27 April 1867, p. 23.

Companies Act that 'bred masses of the bacilli now eating the industry to the core'.⁴⁶

Brian Hill, in examining the career of David Ziman in South Island mining from the late nineteenth century onwards, noted that when, under the no liability system, shareholders failed to pay calls, their forfeited shares were auctioned. Proceeds up to the amount of the unpaid call went to the company, with any balance after paying expenses going to the forfeiting shareholder. A reserve price of the amount of the call was usually set, but if the shares were not sold, the company could later sell them at any price, the company obtaining all the proceeds.⁴⁷ New Zealand preferred limited liability companies, not only because they meant mining continued but because they provided protection of creditors' interests, as a receiver could require shareholders to pay the unpaid portion of their shares.⁴⁸ Hill argued that raising capital through partly paid shares in limited liability companies

exacerbated market crashes in difficult times, as investors dumped their shares in panic to avoid the likelihood of calls, for which they were liable. It also made wealthy individuals unwilling to invest in gold mining shares. The policy of issuing contributing shares in limited liability companies with capital called up in instalments had been designed to make mining investment attractive with a form of time payment for shares.

He considered that this policy made it 'difficult for legitimate ventures to raise substantial capital'.⁴⁹

By the late nineteenth century, preferences had changed. Whereas all the companies floated at Te Aroha and Waiorongomai from 1880 to 1883 were, like elsewhere, limited liability companies, during the boom of the 1890s almost all were no liability ones. In the second half of 1895, for instance, only three of the companies floated were limited liability ones.⁵⁰

⁴⁶ Editorial, *Ohinemuri Gazette*, 19 March 1898, p. 2.

⁴⁷ Brian R. Hill, ' "The Little Man": David Ziman, Mining Giant: The biography of an entrepreneur', (Ph.D. thesis, University of Adelaide, 2000), p. 6.

⁴⁸ Hill, pp. 8-10.

⁴⁹ Hill, pp. 6-7.

⁵⁰ 'Mining Notices', *New Zealand Gazette*, December 1880-1883, July-December 1895; for the three limited liability companies in the latter period, see *New Zealand Gazette*, 25 July 1895, p. 1163, 31 October 1895, p. 1732, 28 November 1895, p. 1853.

The no liability companies floated in that year were praised because, 'whereas in the past any holders of scrip were liable for the full amount of their shares', under this system people could 'hold as much scrip as they can pay for, without any further liability, unless they choose to increase the amount of their holding'.⁵¹ A member of the Auckland Chamber of Mines, who had once been a pioneer of Coromandel and Thames mining, when in England in 1896 explained the virtues of these companies:

The main object in starting these "no liability" companies was to induce small capitalists to invest with the knowledge that they would not be ruined by calls. You can pay 2s or 3s on a 5s share, and if it is found that more money is needed to develop the mine, you can resign your shares to the company and be quit of all responsibility. The men who are earning from 7s to 8s a day are amongst our greatest mining investors, and they know that under the "no liability" they cannot be sold out of house and home.⁵²

One defect, as explained by the Chamber of Mines in the following year, was that shares forfeited for non-payment of calls had to be auctioned for whatever they would fetch.

In times of temporary depression, large holders of shares frequently fail to pay their calls, and when their shares are sold by auction they buy them for a nominal price, sometimes less than one-fourth of the amount of the call. The market having been cleared of shares, their value advances, and so shares which have been bought at auction by the defaulters themselves ... have within a week of two been sold at three or four times the amount of such call. It is thought that this is unfair to the shareholders who pay their calls punctually.⁵³

An Englishman who inspected Western Australian and New Zealand mines during 1897 was appalled:

If you do not pay, no one can make you. The shares may be put up to auction and sold; but if you don't want the shares, that will not worry you very much. When a call is made, and you think it will

⁵¹ 'The Auckland Mining Boom: Impressions of a Christchurch Visitor', *New Zealand Herald*, 15 October 1895, p. 5.

⁵² John Banbury, 'More About Gold-mining in New Zealand', *British Australasian*, 23 September 1897, reprinted in *New Zealand Mines Record*, 16 November 1897, p. 167.

⁵³ *Auckland Weekly News*, 4 September 1897, p. 21.

pay you to forfeit your shares, you do so, and buy them back again at the auction free of any call whatever. This sounds farcical and impossible except in a Gilbert and Sullivan opera, but it is done continually in Auckland.⁵⁴

DUMMIES

New Zealanders were aware that suing for calls created ‘dummyism’. For instance, in 1869 the views of a Ballarat correspondent were reprinted in Auckland. He explained that suing under the forfeiture system led to favouritism, delay, and expense, with honest investors likely to be saddled with paying calls until the company was profitable, whereupon ‘loafers’ claimed their share. Should the company fail, those who had not paid mocked the honest.

This led to the general introduction of dummyism.... When shareholders of substance found that, under the system of recovering calls at law, they had all the burden to bear, they were compelled, for their own protection, to register their interests in fictitious names, and this innovation has been generally adopted. The advantage to companies is that they have the power, without being compelled to incur heavy legal expenses, of transferring shares from those who will not contribute to the expenses of a company to those who may do so.⁵⁵

Two years later, one disadvantage of using dummies was reported:

It was a common practice in Auckland to transfer scrip in companies to “dummies” to avoid calls, with an understanding that the property should be transferred if it ever should be of value enough to make that operation worth while. As this was generally done by large holders, and the wealthiest men in the company, the effect was frequently to burst up the companies, which had to be wound up with great loss to the creditors. A good many companies, however, managed to keep alive, and in some of those now scrip is of considerable value, in consequence of better prospects. In the instance we have been informed of, the gentleman went the other day to his “dummy,” and requested that the scrip be re-transferred, as now, instead of carrying with

⁵⁴ Raymond Radclyffe, *Wealth and Wild Cats: Travels and researches in the gold-fields of Western Australia and New Zealand* (London, 1898), pp. 125-126.

⁵⁵ Ballarat Correspondent, *Australasian*, n.d., reprinted in *Auckland Weekly News*, 25 September 1869, p. 17.

it a heavy liability, it was worth several hundred pounds. To his astonishment and disgust, however, the “dummy” refused, saying that he had taken the risk and responsibility, and would now take the profit.⁵⁶

An example of one such dummy was mentioned in 1882 by Frederick Whitaker, who was a speculator as well as a Premier of the colony. ‘At Auckland a street-sweeper once held more shares than all the rest of the community, as he was the recognised dummy for the town. Some of the shares transferred to him happened to turn out well, and then the fraudulent transferrors wanted them back, but [William] Lestrangle⁵⁷ was too sensible for them’.⁵⁸ These ‘dummy transfers’ made it harder for companies to collect calls.⁵⁹ This may have been why ‘Daldy’ McWilliams, one of the first to mine at Te Aroha,⁶⁰ ‘went under the name of Gerald Field’ in the statutory declaration of shareholdings in the Puru Consolidated Company.⁶¹ Even John McCombie, an outspoken critic of goldfield fraud, told the warden in 1922 that he was ‘a shareholder in the Crown Co. but the shares do not appear in my name’.⁶²

As an example of how company secretaries (known as legal managers in the nineteenth century) held shares in trust for shareholders who did not wish their identities known, 375 shares in the Lady Ferguson Company, floated at Waiorongomai in 1883, were held by the legal manager ‘in trust for sundry shareholders’. The company also held 7,500 shares in its own name,⁶³ for later sale to raise more capital.

In 1885, sharebrokers held thousands of clients’ shares in their own names, giving the ‘power of manipulating so many shares in the hands of the brokers’. Purchasers didn’t register shares in their names partly to

⁵⁶ *Thames Advertiser*, n.d., reprinted in *New Zealand Herald*, 6 March 1871, p. 6.

⁵⁷ See *New Zealand Herald*, advertisement, 14 June 1871, p. 1, Supreme Court, 27 June 1871, p. 3, Supreme Court, 25 April 1873, p. 4; for his drunken behaviour, see, for example, *New Zealand Herald*, Police Court, 13 October 1875, p. 3, 9 March 1894, p. 5.

⁵⁸ *New Zealand Herald*, 24 July 1882, p. 5.

⁵⁹ Editorial, *New Zealand Herald*, 19 September 1871, p. 2.

⁶⁰ See section on the Don claim in the papers describing Te Aroha mining in 1880 and 1881.

⁶¹ *Auckland Weekly News*, 21 November 1896, p. 20.

⁶² Paeroa Warden’s Court, Complaints 1922, 11/1922, BAAZ 11975/1a, ANZ-A.

⁶³ *New Zealand Gazette*, 22 November 1883, p. 1675.

avoid high fees and because they planned to sell them quickly.⁶⁴ Later that year amendments made to the Mining Companies Act prevented shareholders evading calls by selling their shares after a call was made, a form of dummyming ended by requiring shares to be officially transferred.⁶⁵ However, ten years later Samuel Cochrane Macky,⁶⁶ a mining agent actively involved in early Waiorongomai mining,⁶⁷ explained that ‘scores of men and women in Auckland’ who invested in mining did ‘not wish to be troubled signing transfers’ and ‘invariably’ asked ‘their broker to put the shares in his own name’. When he floated companies, Macky had ‘frequently been asked by the purchasers to put the shares in my own name in trust, and when I have refused they would give me a broker’s name, the reason being that they did not wish to have their names published in the New Zealand Gazette and a local newspaper as required by the Act’. As for legislative attempts to prevent brokers trading in shares, this would always happen, for ‘if not in his own name he can arrange with a friend’.⁶⁸ A clause to this effect was passed after Goldfields Committee received complaints from throughout the country that investors’ confidence was ‘being destroyed by the action of many brokers being jobbers, not confining themselves to selling and buying shares on commission. It is notorious that brokers frequently both sell and buy shares for themselves before they do for their customers’.⁶⁹ The *Thames Advertiser* applauded the new rule, citing a recent example where some sharebrokers, ‘taking advantage of the number of shares in their names, many of them held in trust, were combining to render void’ an agreement made by the directors of two mines. Parliamentarians had decided that, to stop brokers holding shares and potentially influencing their value, they were to be prohibited from holding shares in their names or trading in shares for themselves, their family, or

⁶⁴ *Auckland Weekly News*, 15 August 1885, p. 22.

⁶⁵ Editorial, *Mercantile and Bankruptcy Gazette of New Zealand*, 19 November 1885, p. 417.

⁶⁶ See *Cyclopedia of New Zealand*, vol. 2, p. 465; vol. 7, p. 27; *Observer*, 17 August 1901, p. 9, 7 March 1908, p. 2; *New Zealand Herald*, 3 November 1914, p. 7.

⁶⁷ For example, Te Aroha Warden’s Court, Te Aroha Claims 1880-1888, folios 1, 46, 53, 54, 56, 88, 107, BBAV 11567/1a, ANZ-A.

⁶⁸ Letter from S.C. Macky, *New Zealand Herald*, 5 August 1895, p. 3.

⁶⁹ *Thames Advertiser*, 3 August 1895, p. 2.

their clerks.⁷⁰ Consequently, a broker could not hold others' shares in his name; but others could hold shares for him in their names.

Another mining agent said that 'nine out of every ten transfers on the Stock Exchange had the names omitted', blank transfers being signed 'as they were in such a hurry to get it'.⁷¹ All of which made it difficult for the law, and the historian, to be precise about who held how many shares. By the twentieth century, the law had been tightened, as the *Observer* noted: 'There was a time when shareholders dummied their shares with impunity, and resorted to other dodges to avoid payment of calls, but the law is already severe enough to prevent abuses of this kind'.⁷²

DISHONEST CLAIMS OF HAVING GOOD ORE

Unceasing reports of questionable if not immoral behaviour by those investing in mining almost made it seem as though capital was never raised legitimately and no trustworthy people were involved. Disreputable rather than reputable transactions always attracted most attention, either with direct condemnation or implied criticism. According to the *Observer*, it was not only mining that had a bad reputation: in 1892, for instance, it claimed that 'Auckland continues to maintain her reputation for commercial dishonesty'.⁷³ Allegedly more than in other industries, mining attracted fraudulent speculators, from prospectors to company promoters, on every field throughout the world.⁷⁴ As the *Observer* noted, it was 'astonishing how readily prospectors find rich gold, when things are stirring on the Exchange, in ground that no one would put a pick in when things are dull'.⁷⁵ A miner from California, writing about early Thames, criticized men he claimed were willing 'to float anything from a boulder to a bald bluff, quartz or no quartz'. Working men were needed, not floaters.⁷⁶ He warned against those who would

⁷⁰ Editorial, *Thames Advertiser*, 3 August 1895, p. 2.

⁷¹ *New Zealand Herald*, 12 April 1889, p. 6.

⁷² *Observer*, 13 August 1904, p. 3.

⁷³ 'They Say', *Observer*, 14 May 1892, p. 16.

⁷⁴ For some details of world-wide examples, see Curle, pp. 337, 339-341, 343.

⁷⁵ 'They Say', *Observer*, 10 February 1906, p. 7.

⁷⁶ 'An Old California Miner', *History and Description of the Thames Gold Fields* (Auckland, 1869), p. 42.

float claims that are unprospected, unproved, and resorting to such devices as locating the ground on the map - yards from where it really lies - running reefs through the ground on paper, which in fact does not touch it; and even in some cases placing before the public property with no title; sending the scrip to distant towns, and by bulling and bearing the markets, work it off at high rates, quietly step out, leaving their victims to bear the burden or sink beneath the load.⁷⁷

Mining laws tried to limit the risks to investors, but could not prevent attempts to attract capital to dubious ventures by deliberately fraudulent methods, which was a universal phenomenon. For instance, Blainey cites the example of a Western Australian mine where the samples that induced promoters to float a company were either salted or assayed 'with intent to deceive'. An investigation discovered 'corrupt employees deceiving a corrupt chairman who had long been deceiving the shareholders'.⁷⁸ An English mining reporter who visited Thames in 1897 gave examples proving the worthlessness of local reports about prospects:

A gentleman came to see me one day and asked me if I would like to see a really big reef – 200 feet wide. I imagined I had found a new Alaska Treadwell or Homestake, and embraced my friend's offer. Whereupon he produced detailed reports by local experts, which each and all confirmed one another in the minutest detail. We took horses and experts and started up a creek.... At last we reached the famous big reef, which, by the way, was being mined by an Auckland company with a capital of £200,000. I think four men were at work, and the manager met us on a convenient rock and pointed out a wall of quartz some sixty feet high. "You see," said he, "the river divides the reef." Personally I had never heard of a river strong enough to cut a quartz reef longitudinally, but I kept my mouth shut and produced my tape measure, and my tame expert set to work upon the reef with a hammer and sample bags. We spent the day climbing cliffs, panning dirt and prospecting the hundred acres through which the 200 feet reef was supposed to run, carrying its ounces of gold. In the end we proved very conclusively that the reef was only 18 feet wide, and our assays gave us values ranging from 8s to 25s – utterly unpayable, of course. This is a sample of local mining reports. They were absolutely untrue. They were handed [to] me by a company with a large capital, and the directors wanted to sell for some enormous sum – so huge that I have forgotten the

⁷⁷ 'An Old California Miner', pp. 42-43.

⁷⁸ Blainey, *Rush that Never Ended*, p. 206.

amount. No work had ever been done to prove the value of the reef or its size. The directors stated that the reef was 200 feet wide, and was worth many pounds per ton. But they had never made any genuine attempt to test the truth of their experts' reports.

We mounted our horses and scrambled home as quickly as possible. We had seen some beautiful gorges, but no mines.

A big, burly fellow came into the hotel one morning and said he wanted to show me "the finest mine in the peninsula." Those were his exact words. We rode over hill and valley some half-dozen perilous miles, and came to a tunnel, with the usual watercourse careering down it. We waded a few hundred yards in and reached the face – good hard andersitic rock.

"But where is the reef?" I asked. "We shall strike the reef in ninety feet," replied the vendor. And this was "the finest mine in the peninsula." Of course, the existence of the reef was mere surmise; but as every hill had dozens of quartz reefs running through it, I have no doubt my would-be vendor would strike something if he only kept on long enough. He had the usual hundred acres.⁷⁹

These examples could be interpreted as being exaggerated claims rather than deliberate frauds, but exaggeration and fraud tainted all mines by association. That so many companies failed supported suspicions that mines were 'boomed' on little real basis. At Waiorongomai, there were exaggerated, and probably knowingly exaggerated, claims for worthless ones. For instance, Charles Manuel,⁸⁰ an experienced Thames miner, later became a leading figure in the Seddon and Bendigo companies at Waiorongomai.⁸¹ When these sought capital, he made unrealistic statements about the field, in 1908 telling his fellow county councillors that he had no doubt that 'before long' it would 'prove to be one of the best gold-producing districts of the Dominion'.⁸² The following year, the local newspaper commented that he 'spoke very encouragingly the other evening

⁷⁹ 'More About the New Zealand Thames (from a wandering correspondent)', *Financial Times* (London), 3 September 1897, reprinted in *Thames Advertiser*, 11 October 1897, p. 4, and Radclyffe, pp. 138-140. For a critical response, see *Mining Standard*, n.d. [last week of October 1897], reprinted in *Thames Advertiser*, 30 October 1897, p. 3.

⁸⁰ See paper on his life.

⁸¹ Company Files, BADZ 5181, box 226 no. 1332, box 244 no. 1431, ANZ-A; *Te Aroha News*, 31 August 1911, p. 3, 16 March 1914, p. 3.

⁸² *Te Aroha News*, 16 June 1908, p. 2.

on the prospects'.⁸³ It was more than encouragingly: it was absurdly overstated, as a man of practical experience must have known, and it was blatantly linked to his desire to raise capital for these companies.⁸⁴ His statements at a social had been made in reply to a toast to the mining industry:

He had been following up mining for 40 years, and he would say deliberately that Waiorongomai was the richest place he had ever seen in New Zealand. The reefs were large and numerous, and all carried gold. When the necessary capital and skill had been obtained, and the necessary machinery erected, the mines would become dividend-paying at once. His knowledge had been gained in the school of experience, and his opinion was that Waiorongomai would some day outshine Waihi. The Bendigo reef was far richer than the Martha was when he first saw it. What had made Waihi was the right kind of men, and money. The Silver King reef was doubly as rich as the Martha, the ore was sulphide, and the deeper it went the better it became.⁸⁵

Even when claims were not exaggerated, share prices varied all the time depending on the quality of the ore extracted. For example, when a South Island journalist inspected Waiorongomai in October 1883, before the first crushing deflated expectations, he noted both the reported quality of the ore and the value of the shares. In the Premier, the reef showed 'gold in abundance', and the miners were 'very sanguine as to the results of the forthcoming crushing. The large quantity of quartz to hand has a very rich appearance, and should show a very favourable result', meaning that its £1 shares were 'worth in the open market at present 15s'. The nearby Colonist had 'fine gold throughout the stone', which 'grows richer as they drive into the reef', but as the yield was anticipated to be less than the Premier and shares were 'now worth 8s to 8s 6d'. The Werahiko had 'a very promising reef, from 2 to 12ft in thickness, showing good gold in a run of 42ft', making its shares worth from 6s to 6s 6d. The New Find, 'one of the favourite Companies', has struck good gold, making its shares worth 'about 8s 6d'. As the Vermont had 'just struck rich stone in a reef 4ft thick', its shares had 'taken a great rise in value', unspecified. In contrast, in the Arizona, where

⁸³ *Te Aroha News*, 2 September 1909, p. 3. *Auckland Weekly News*, 9 September 1909, p. 36.

⁸⁴ Details are provided later in this paper.

⁸⁵ *Auckland Weekly News*, 9 September 1909, p. 36.

‘the richest piece of stone found on the surface’ had been discovered’, its shares were ‘very low in price’ because its deep level was yet to cut the reef.⁸⁶

FRAUDULENT ASSAYS

Welton noted that the price paid to vendors was usually based on assays of ore samples. Because of the ‘difficulties’ involved in determining values, with results often varying ‘considerably from the expectations looked for’, it was prudent for assays to be subjected ‘to the criticism of independent engineers of considerable experience’. It was common for assays to be given ‘a much higher value than the actual yield when the ore has been broken and milled. This might arise from the ore from the centre of a block of ground marked out having diminished in value’, and most reefs decreased in yield at depth. Especially, it had ‘generally been admitted that much depends upon the personal factor of the investigator, his experience, temperament, and his desire to arrive at the most impartial results’.⁸⁷ Assays, especially those giving high values, ‘should be received with great caution’. When large purchase prices were sought purchasers could ‘reasonably require’ that estimates of values should be based not just on assays of samples ‘but upon the results of milling some hundreds of tons of ore’. Anyone not requiring this ran ‘great risks, and should not complain’ of losing money ‘or lay the blame to gold-mining if such should happen’.⁸⁸

The only proven case of a man working at Waiorongomai offering to arrange a deliberate fraud was a blatant letter from William Adams, Jr., an American who temporarily managed the Te Aroha Silver and Gold Mining Company’s mines and battery in 1889.⁸⁹ In November that year, during a brief excitement over a silver discovery at Puhipuhi, Charles Easterbrook Smith, a contractor at nearby Whangarei,⁹⁰ sent three tons of ore to the Waiorongomai battery for testing.⁹¹ When the yield from the first ton tested

⁸⁶ Own Correspondent, ‘From Christchurch to Te Aroha’, *Star*, 24 October 1883, p. 3; also *Lyttleton Times*, 24 October 1883, p. 5.

⁸⁷ Welton, pp. 86-87.

⁸⁸ Welton, p. 95.

⁸⁹ See letter from William Adams, Jr., *Auckland Weekly News*, 14 December 1889, p. 9; *Te Aroha News*, 1 January 1890, p. 2.

⁹⁰ See *New Zealand Herald*, 10 July 1894, p. 3.

⁹¹ *New Zealand Herald*, 23 October 1889, p. 5, 20 November 1889, p. 6.

was reported to be 764 ounces of silver, ‘hardly anything else’ was ‘talked of’ at Whangarei.⁹² This report prompted Adams to write to Smith: ‘I notice in the Auckland Herald that this news about 764oz has been confirmed and I realized that you are trying to work up a boom on Puhipuhi but am afraid it will not stand fire unless you make a fresh start’. He recommended breaking out some tons, after which he would visit to take samples.

I flatter myself that I know as much or more about this particular class of ore as any one in New Zealand and from the late tests I feel sanguine I could select out a ton or so that would surprise the natives in its returns, then bring it up here and treat it make a (Bang-up) boomer of a report have it published in all the leading Newspapers and organize a company on a big scale, let me in for a small share and we can realize it to our mutual satisfaction. Think the matter over and let me know at once what you think of the scheme.⁹³

Smith responded by sending this letter to the Inspecting Engineer of the Mines Department, who took no action apart from noting that ‘very little dependence’ could be placed on any past or future tests made by Adams.⁹⁴ Smith did not take up this offer, and newspapers quickly discovered that a mistake had been made in deciphering the cypher message: the correct return was 274oz silver and 15dwt gold, still ‘a magnificent return’.⁹⁵ When it was subsequently reported that the real return from the treatment at Waiorongomai was 26oz, the Minister of Lands was cited as considering ‘it probable that this return is more correct than any other’.⁹⁶ Under Adams’ successor, a parcel produced a much lower return.⁹⁷ (Adams soon left Waiorongomai to manage the Broken Hill Junction mine, but resigned after working there for 14 months ‘owing to a

⁹² Whangarei Correspondent, *New Zealand Herald*, 22 November 1889, p. 5; see also editorial, p. 4.

⁹³ William Adams, Jr., to C. Easterbrook Smith, 23 November 1889, Mines Department, MD 1, 6/4/31, Part 1, ANZ-W.

⁹⁴ H.A. Gordon to Under-Secretary, Mines Department, 26 January 1890, Mines Department, MD 1, 6/4/31, Part 1, ANZ-W.

⁹⁵ *Thames Star*, 23 November 1889, p. 4; *New Zealand Herald*, 25 November 1889, p. 5.

⁹⁶ *Thames Star*, 3 December 1889, p. 2.

⁹⁷ *Thames Star*, 15 August 1890, p. 2.

disagreement with the directors’;⁹⁸ perhaps he had continued to be involved in fraud.)

As Blainey pointed out, the ‘essence of sound mining is to develop the ore body and establish reserves of ore’, for otherwise the mine would be quickly exhausted by removing all the high-grade ore; ore reserves were ‘as essential to a mine as a haystack to a farm’.⁹⁹ Selecting samples for assaying was an easy way to commit fraud. As Herbert Hoover, a leading mining engineer, explained, sufficient samples should be taken to obtain the general value. To obtain average values required reducing ‘erratic high assays to the general tenor of other adjacent samples’. As samples ‘usually indicated higher than true values even where erratic assays had been eliminated’ and ‘sampling *in situ* generally gave a higher average value than the actual reduction of the ore at the mill’,¹⁰⁰ mine managers should err on the side of caution. Venders and speculators, needless to say, did not so err. Describing how fraudulent companies were floated, Curle said the appointment of an ‘ignorant or dishonest manager’ was the first step. ‘If he searches carefully, he can nearly always discover some small bits of stone containing visible gold. Some of these are assayed, and the results, which, of course, are high, telegraphed to London: the remainder are shipped home to be exhibited to admiring shareholders’.¹⁰¹

In the publishing of assays there is much dishonesty, which I am afraid we cannot alter, and also a good deal of irregularity which *can* be altered. To make the publication of an assay of any real import not only the value must be stated, but also the width of reef to which it pertains. The secretary of a certain mine publishes the statement that a cable has been received announcing that a reef has been struck assaying 24 dwt. Over a good width this would be a highly payable result; but if only two or three inches thick it would be unpayable. The withholding of the context of the information, *i.e.*, the *width* of the reef, would allow unscrupulous directors to gain an unfair advantage in the share market.

A director, or official of a new mine, will often make the statement (either at a meeting or in print): “Our assays go up as

⁹⁸ *Te Aroha News*, 12 March 1890, p. 2; *Thames Star*, 1 June 1891, p. 4.

⁹⁹ Blainey, *Rush that Never Ended*, p. 124.

¹⁰⁰ Herbert Hoover, *Principles of Mining* (1909), summarized in N.F. Twohill, ‘Industrial Archeology of the Mount Zeehan Gold-Mining Property’ (MA thesis, University of Auckland, 1984), p. 118.

¹⁰¹ Curle, p. 340.

high as 4, 8, 15 or even 20 ozs a ton;" but will carefully omit the fact that they go as low as 4, 8, 15 or even 20 grains a ton, and that so frequently as to bring the whole average down to an unpayable one.

As using ounces, pennyweights, and grains was misleading because of the varied value of the bullion, 'assay values should always be given in sterling or in dollars' and the width should 'invariably accompany the value'.¹⁰²

SALTING

Mark Twain, who mined for silver in Nevada in 1862, observed the salting of wild cat mines. The 'schemer' located a worthless lode, sunk a shaft, dumped a portion of rich ore he had bought into it,

and piled the rest by its side, above ground. Then he showed the property to a simpleton and sold it to him at a high figure. Of course the wagon-load of rich ore was all that the victim ever got out of his purchase. A most remarkable case of "salting" was that of the "North Ophir." It was claimed that this vein was a remote "extension" of the original "Ophir," a valuable mine on the "Comstock." For a few days everybody was talking about the rich developments in the North Ophir. It was said that it yielded perfectly pure silver in small, solid lumps. I went to the place with the owners, and found a shaft six or eight feet deep, in the bottom of which was a badly shattered vein of dull, yellowish, unpromising rock. One would as soon expect to find silver in a grindstone. We got out a pan of the rubbish and washed it in a puddle, and sure enough, among the sediment we found half a dozen black, bullet-looking pellets of unimpeachable "native silver." Nobody had ever heard of such a thing before; science could not account for such a queer novelty.... And then it transpired that the mine had been "salted" – and not in any hackneyed way, either, but in a singularly bold, barefaced and peculiarly original and outrageous fashion. On one of the lumps of "native" silver was discovered the minted legend, "TED STATES OF," and then it was plainly apparent that the mine had been "salted" with melted half dollars! The lumps thus obtained had been blackened till they resembled native silver, and were then mixed with the shattered rock in the bottom of the shaft. It is

¹⁰² Curle, p. 352.

literally true. Of course the price of the stock at once fell to nothing.¹⁰³

The methods used to salt mines in America included shotguns.¹⁰⁴ In early Thames also, guns were used to blast loose gold into soft rock, and gold sovereigns and silver coins were placed in quartz being crushed, but by the late 1870s these 'clumsy devises' had reportedly 'long since been abandoned'.¹⁰⁵ However, filed sovereigns salted the 'Waitoa find' near Te Aroha in the mid-1880s.¹⁰⁶

In California, those caught salting a claim had their ears cut off.¹⁰⁷ There were no reports of this happening in New Zealand, but salting was always viewed as a heinous offence. In 1872, for instance, miners raised £30 as a reward for revealing who had salted the trial crushings of one Thames company.¹⁰⁸ Claiming to know the truth could be a useful method of making money, as an Ohinemuri correspondent reported in 1888:

It is stated that the sale of the Woodstock and Kenilworth mines at Karangahake has been spoiled by some damaging statements which were made about the properties, and which, if not altogether untrue, were made up simply of portions of the truth about the matter, do more harm than downright lies. More bona fide property than these two mines does not exist upon the Peninsula, and for persons to wantonly and maliciously damage the name of a mine for ulterior motives is nothing less than criminal. It is said in a quiet way a good deal of attempted blackmailing is often done in mining matters. I have heard of cases where men, who have been refused work, and for other causes, have actually written to gentlemen at Home [England] and in Australia, deliberately attempting to damage the name of the mines.¹⁰⁹

¹⁰³ Mark Twain, *Roughing It* [first published 1872], in *The Works of Mark Twain*, vol. 2 (Los Angeles, 1972), pp. 281-282.

¹⁰⁴ Robert Wallace, *The Miners* (New York, 1976), pp. 138, 139, 141.

¹⁰⁵ Editorial, *Auckland Weekly News*, 2 March 1878, p. 12.

¹⁰⁶ See paper on this 'find'.

¹⁰⁷ T.J. Metcalfe, *A Ramble Through Inangahua, Lyell and Collingwood Reefs, by the Special Reporter of the Dunedin Evening Star* (Dunedin, n.d. [c. 1882]), p. 9.

¹⁰⁸ *Thames Guardian and Mining Record*, 27 April 1872, p. 2.

¹⁰⁹ Ohinemuri Correspondent, *Te Aroha News*, 26 May 1888, p. 2.

People associated with mining in New Zealand were well aware of salting and inadequate sampling and assaying. For instance, the Professor of Chemistry at Auckland University College, Frederick Douglas Brown, warned in 1887 that small samples were 'not altogether reliable, as a small crystal of gold may completely turn the scale, and give a very high result from an otherwise poor ore'.¹¹⁰ James Park of the Otago School of Mines warned of the methods used to fool those testing the ore:

A common method is to tamper with the examiner's samples; and for this reason the samples should always be in safe custody until the assay results are known.

Cases are known where the sample-bags have been enriched before the samples were put into them.¹¹¹ It is therefore a wise precaution to keep the sample-bags in a lock-up sack until they are required. And even then it is advisable to turn each bag inside out and shake vigorously before use.

In the case of gold-mines, soft ore has been artificially enriched to a depth of a foot or more with a strong solution of chloride of gold. Fraud has been practiced on mine-examiners by stretches of rich ore having been skilfully built into the wall of a level at different intervals and at the working face, the joints being obscured by liberal splashes of mud. In the same way artificial outcrops have been prepared.

Dumps of ore have been *stacked* with rich ore on the sides and top surface. An imposture of this kind is at once disclosed by the process of trenching when procuring samples for assay.

Samples of gold-wash intended for examination by panning have been enriched, either before or during the washing, by the agency of gold-bearing tobacco-ash, pellets of clay, and gold-bearing finger-nails. The gold obtained from the panning of gold-wash or tailings should be examined under the microscope.

Bulk samples of ore have been *salted* during the process of treatment in the battery, either by the addition of gold or amalgam.

The examiner's samples may be unlawfully enriched at any stage from the breaking of the material in the mine to the assaying in the laboratory. Strong solutions of gold chloride have been injected into the bags with a syringe, and gold-dust added to the litharge and fluxes.¹¹²

¹¹⁰ *New Zealand Herald*, 17 October 1887, p. 6.

¹¹¹ For an example, see paper on the Waitoa Find.

¹¹² James Park, *A Text Book of Mining Geology for the Use of Mining Students and Miners*, 3 ed., rev. (London, 1911), pp. 280-281.

In 1898, the *Observer* asked who was ‘the old Thames miner who sometimes tells of the way in which he bamboozled the old-time experts, by spitting gold-dust into the testing pan?’¹¹³ It noted as ‘odd – very – that the £300 specimen in the Scotty Hauraki should happen to be dug up by a capitalist, who came all the way from London to see what was in the mine’, and devoted a cartoon to this remarkable event.¹¹⁴ When the Wharekiraupunga goldfield was exposed as worthless, this journal asked: ‘But what about those assays of two years ago?’¹¹⁵ And in 1905 it noted that ‘rich gold in prospectuses takes a long time to come to the surface’.¹¹⁶

Sometimes samples came from a different mine than that being tested. In a case against the promoters of a company at Puru, Samuel Montgomery,¹¹⁷ who had been associated briefly with Te Aroha mining,¹¹⁸ claimed that ‘some of the stone exhibited in floating the property did not come from the source to which it was credited’.¹¹⁹ When the promoters denied this, a newspaper commented that Montgomery had ‘an excellent reputation, so that one can scarcely believe that he would make a false statement upon oath’.¹²⁰ In 1888, James Alexander Pond,¹²¹ an Auckland analyst who was a ‘well known and highly respected’ man, exposed Sydney promoters falsifying his assays for a Maratoto mine; the gold had come from another mine.¹²² Nearly two years later, William Shakespeare,¹²³ also

¹¹³ *Observer*, 14 December 1898, p. 15.

¹¹⁴ *Observer*, 6 February 1897, p. 3, and ‘Gold to be Got for the Picking of It Up. A Powerful Reason why London Capitalists Should be Sent Out to Develop the Resources of our Coromandel Mines’ (cartoon), p. 12.

¹¹⁵ *Observer*, 24 December 1898, p. 3.

¹¹⁶ *Observer*, 2 September 1905, p. 7.

¹¹⁷ See *Thames Advertiser*, 25 December 1876, p. 3, Magistrate’s Court, 6 October 1888, p. 2, 8 May 1890, p. 2, 9 May 1890, p. 2, Magistrate’s Court, 18 January 1896, p. 1; *Thames Star*, 17 January 1896, p. 2, editorial, 18 January 1896, p. 2, 25 January 1896, p. 2.

¹¹⁸ Te Aroha Warden’s Court, Register of Te Aroha Claims 1880-1888, folio 195, BBAV 11567/1a, ANZ-A.

¹¹⁹ *Thames Star*, 17 January 1896, p. 2.

¹²⁰ *Thames Star*, editorial, 18 January 1896, p. 2, letter from Edward McWilliams, 25 January 1896, p. 2.

¹²¹ See paper on his life.

¹²² Letters from J.A. Pond, *Auckland Weekly News*, 26 May 1888, p. 30; Thomas M. Humphreys, *Handbook of the Auckland Goldfields, New Zealand* (Auckland, 1888), p. 18.

briefly involved in the Te Aroha rush,¹²⁴ discovered gold at Makara, near Wellington, but a Thames mine manager, John Watson Walker,¹²⁵ soon proved it had come from another district.¹²⁶

The *Observer*, which regularly published hints of apparent or real fraud, relayed this story in 1901:

This is a positive fact, and shows how mining syndicates are occasionally worked up. A lump of quartz, bristling with gold, had been discovered in a certain colony – never mind the name – by an enterprising booster, who sent it on to London, where it was greatly admired. A wealthy syndicate was immediately formed, and in due time there was sent out to the boomster some money to “work the reef.” A long period elapsed without the syndicate hearing anything about their El Dorado, so the members cabled out enquiring how the reef was turning out, to which they received this reply: “You have it all.”¹²⁷

SHEPHERDING

Another trick played by the cunning was, as a mining journal complained,

to peg out land anywhere within coo-ee of a paying mine (say the Hauraki), and call their property the Hauraki Extended or Block 56, or tack some name or number on to the original name, and then ask for protection, and sit quietly down to wait until the original returns a payable yield. On the strength of this they immediately attempt to float an undeveloped or what may prove a worthless property into a company, and clear out winners without having invested a cent further than the paltry preliminary expenses. In the first place, the similarity of names is

¹²³ See *Auckland Weekly News*, 1 March 1873, p. 9; *Bay of Plenty Times*, 10 November 1881, p. 2; *Waikato Times*, 6 February 1883, p. 2.

¹²⁴ Te Aroha Warden’s Court, Register of Te Aroha Claims 1880-1888, folios 189, 201, BBAV 11567/1a; Register of Licensed Holdings 1881-1887, folio 122, BBAV 11500/9a, ANZ-W.

¹²⁵ See paper on his life.

¹²⁶ *New Zealand Gazette*, 27 September 1883, p. 1369; James Brodie, *Tarawhiti and the Goldfields* (Wellington, 1986), pp. 274, 277.

¹²⁷ *Observer*, 27 July 1901, p. 15.

confusing to the investor, who is often taken in; and in the second, these flotations invariably react on the market.¹²⁸

Over the years there were many complaints about shepherding by large companies.¹²⁹ For instance, in 1882 the *Thames Advertiser* reported that some new Thames companies were doing no work. It warned that the goldfield would be permanently damaged if ‘the reckless gambling spirit’ was encouraged by trading in shares in companies ‘supposed to be valuable from their proximity to good paying mines’ while these companies did ‘not a particle of real development’. In the past, fraudulent promoters who hastily sold their interests ‘rendered Thames mining speculations a bye-word and a reproach throughout the colony’.¹³⁰

Charles Manuel complained in 1899 that law changes made in the past two years enabling large companies to hold sizeable but largely unmanned areas ‘were only framed to suit the capitalist’, not the working miner or local businessmen.¹³¹ Contradicting such arguments, McCombie wrote in 1902 that he had ‘heard and read innumerable comments on the immense areas that were said to be held unworked by gold mining companies’, with the Waitekauri Company being a particularly ‘glaring’ example. ‘Well, some time since this company threw off several hundreds of acres and up to the present not an inch of this abandoned ground has been repegged, prospected, or occupied, in any way whatever’. Even if all the leases on the peninsula were thrown open, he doubted that they would be ‘taken up and worked legitimately by unaided miners’. Was it

reasonable to suppose, in the face of the difficulties with which they would have to contend, that they could man the ground, or that one tenth of the men now employed by companies could operate the mines on their own account, and obtain reasonable wages? Again I unhesitatingly answer in the negative.¹³²

¹²⁸ *Mining Standard*, 20 February 1897, p. 5.

¹²⁹ For example, *Thames Star*, 21 November 1887, p. 3, 22 November 1887, pp. 2-3, 26 November 1887, p. 2; letter from ‘Old Thames Miner’, *New Zealand Herald*, 25 June 1894, p. 3; *Observer*, 27 April 1895, p. 7.

¹³⁰ *Thames Advertiser*, 29 September 1882, p. 2.

¹³¹ *Thames Advertiser*, 5 December 1899, p. 4.

¹³² ‘Aboriginal’, ‘The Mining Industry: The Relations of Capital and Labour’, *Thames Star*, 13 September 1902, Supplement, p. 2.

EXPENSIVE MANAGEMENT

Sometimes shareholders gained the impression that their money was used simply to pay the salaries of those running the company. When asked by a shareholder in a Thames mine why, over three years, it had produced only enough to pay the wages of the legal manager and the directors, the *Observer* responded: 'Perhaps some of those *honest* brokers in the Insurance Buildings could ... give "a shareholder" a hint or two of how the oracle is worked'.¹³³ In 1895, 'A Small Investor' considered that promoters should work 'as economically as possible' instead of being too greedy.

Those interested in the bleeding operations are ready with a cut-and-dried programme; a few professional directors, a legal manager, a solicitor, etc, are appointed, and at a remuneration out of all proportion for services likely ever to be rendered, and without the remotest idea whether the mine will ever help to pay these charges; and having the subscribed capital on hand very little is cared either.

Some legal managers worked for over 20 companies, 'drawing about £2 per week from each, besides transfer fees, a truly princely income, considering that the whole work of the management, besides that of sharebroking and other business, is done by a staff of two clerks and a boy, at the most costing about £4 10s a week in wages'. By the time funds had 'filtered on to the ground' there was 'little available for ascertaining whether any precious metal exists, leaving out the question the machinery and labour required for the extraction'.¹³⁴ An editorial agreed, for in very few cases were sufficient funds set aside for prospecting and unless work started promptly 'that sum will soon be swallowed up in the legal manager's salary and in other expenses'.¹³⁵ Two years later, the *Observer* reported a new dictionary's definition of mining: 'A scheme for raising guineas to pay directors' fees', a definition it believed would 'meet with general approval in Auckland'.¹³⁶

Shareholders often did not benefit from whatever mining was done. In January 1896, 'queer accounts' were received from several fields of how

¹³³ *Observer*, 19 October 1889, p. 17.

¹³⁴ Letter from 'A Small Investor', *New Zealand Herald*, 3 September 1895, p. 3.

¹³⁵ Editorial, *New Zealand Herald*, 3 September 1895, p. 4.

¹³⁶ *Observer*, 27 November 1897, p. 11.

funds were being 'frittered away. In many of the mines no honest, legitimate work is being done, and yet the pay-sheets come in regularly to be settled'.¹³⁷ In the following year there were reports that English companies intended to

make great reductions in mining expenses, shutting down for a while or reducing men, but you hear nothing of reducing the ex's of legal management. One mine in particular in the Upper Thames was paying all expenses for mining, trucking, crushing and local office expenses, but when the Home legal expenses were added, there was a serious loss. Home management sounds almost like Home robbery.¹³⁸

'Observer', concerned that management expenses were too high, especially in English companies, had been told that many mines were 'spending £2 or £3 per month in the management for every £1 spent in working or prospecting the mine'.¹³⁹ A mining reporter cited 'a man who ought to know' saying 'that for every £100 spent on our claims £60 goes on legal expenses, legal management, rent, etc, to £40 spent on working the ground. The mere legal management of a claim costs from £1 to 30s per week'.¹⁴⁰ He knew of 'many companies which have got through all their capital without doing any real work on the claim'.¹⁴¹

In 1909, a Te Aroha resident recounted his fortunes in a company which started 'apparently with all the essentials of complete success' but finished as 'a complete and bewildering fiasco'. It 'started with a capital of £125,000 in £1 shares, of which about £75,000 or £80,000 was to be raised in cash to provide the necessary machinery' to treat the ore:

Out of the capital so raised it would be necessary for 150 poor families to contribute £10 each for two years to pay the secretary; £20 is about as much as a working man can put into a mining venture, so 150 families would be denuded of £20 each to pay one man for two years. The next two biggest men receive about as much between them. That means 300 families beggered to pay these men for being connected with the concern. Now we want larger figures, or we shall never get the money, so put 60 fairly

¹³⁷ 'Obadiah', 'Shares and Mining', *Observer*, 25 January 1896, p. 10.

¹³⁸ 'Obadiah', 'Shares and Mining', *Observer*, 2 October 1897, p. 9.

¹³⁹ Letter from 'Observer', *Thames Advertiser*, 4 July 1898, p. 4.

¹⁴⁰ 'The Warrigal', 'Our Northern Goldfields', *Mining Standard*, 6 February 1897, p. 10.

¹⁴¹ 'The Warrigal', 'The Auckland Goldfields', *Press*, 4 June 1897, p. 2.

well-to-do persons, each putting in £500, makes another £30,000. Now, 30 well-to-do families each putting £1,000 makes another £30,000, being £60,000 contributed by 96 families, to get the other £9,000 supposed it is contributed in sums of £60 each, it will take 180 families to contribute this much, thus we get a total of 570 families impoverished by this one mining venture. In addition to this a numbers of tradesmen's accounts, some running for a long time, are left unpaid, waiting for the machinery to start producing both copper, gold, and silver in accordance yielding its promised harvest of wealth, yet not a single shilling brought to hand, while the Directors and officials of the Company display all the indifference and callousness of Greek Brigands.¹⁴²

PRESS PUFFERY

Getting a newspaper to praise mines was always an advantage. Curle had harsh words for London's financial press:

One of the worst things of all in connection with gold-mining is the financial press, with a very few honourable exceptions. It is the chiefest channel of news between the man who deceives, and the public which is deceived; and I have no hesitation in saying that generally the paper for its own profit lends itself to what is dishonest. These papers are regularly subsidised by people who find them useful. Often, all that is required is a slight twisting of facts; more rarely, a suppression of the truth; but if necessary a series of downright lies is resorted to. The payment of these papers is made as being payment for advertisements, at perhaps ten times the usual rate, but in cases the proprietor or editor will receive options on shares or a regular subsidy.

I imagine there are few people realise to what an extent this vicious system is carried on in London. Knowing as I do the real value of practically every gold mine in the world, it makes me sick to see the way in which, day after day, year after year, facts are distorted, bad mines are proclaimed good, scoundrels are praised, and lies sown broadcast. Over all there is a delicious optimism. The editor ... is at peace with the world, and his message to his dupes is one of cheer and good-will. All mining shares, apparently, are about to rise, and keep on rising; every one is on the verge of making money; and it is a delightful world altogether.¹⁴³

¹⁴² Letter from H.J. Hawkins, *Te Aroha News*, 24 August 1909, p. 3.

¹⁴³ Curle, p. 355.

Mark Twain described how it was ‘the friendly custom’ to go to newspaper offices to give an interest to the reporters before getting them to report on a mine:

They did not care a fig what you said about the property so you said something. Consequently we generally said a word or two to the effect that the “indications” were good, or that the ledge [meaning lode] was “six feet wide,” or that the rock “resembled the Comstock” (and so it did – but as a general thing the resemblance was not startling enough to knock you down). If the rock was moderately promising, we followed the custom of the country, used strong adjectives and frothed at the mouth as if a very marvel in silver discoveries had transpired. If the mine was a “developed” one, and had no pay ore to show (and of course it hadn’t), we praised the tunnel; said it was one of the most infatuating tunnels in the land; driveled and driveled about the tunnel till we ran entirely out of ecstasies – but never said a word about the rock. We would squander half a column of adulation on a shaft, or a new wire rope, or a dressed pine windlass, or a fascinating force pump, and close with a burst of admiration of the “gentlemanly and efficient Superintendent” of the mine – but never utter a whisper about the rock. And those people were always pleased, always satisfied.¹⁴⁴

Apart from some journals with a fleeting existence, New Zealand had no newspapers solely devoted to mining speculation that could be subverted in the manner described by Curle and Twain. No New Zealand newspaper has been found to be as corrupt as Twain recalled, but venial reports may have appeared. Certainly there was relatively minor ‘booming’. For instance, Henry Brett, later Sir Henry,¹⁴⁵ proprietor of the *Auckland Star* and, for a time, the *Te Aroha News*,¹⁴⁶ for two years owned a mine at Tui,¹⁴⁷ and invested widely elsewhere. In 1899, the *Observer* noted, tongue-in-cheek, that it was said that the *Star*’s ‘strong preliminary booming of the Mercury Bay auriferous find had nothing to do with the fact that Mr Brett

¹⁴⁴ Twain, pp. 278-279.

¹⁴⁵ See *Cyclopedia of New Zealand*, vol. 2, pp. 125-126; *Observer*, 21 January 1882, p. 296, 30 March 1907, p. 5, 18 August 1917, p. 4, 9 January 1926, p. 4; *New Zealand Herald*, 31 January 1927, p. 10.

¹⁴⁶ *Cyclopedia of New Zealand*, vol. 2, p. 828.

¹⁴⁷ Te Aroha Warden’s Court, Register of Licensed Holdings 1881-1887, folio 202, BBAV 11500/9a, ANZ-A.

had pegged out the ground next the Welcome Jack. It was a purely disinterested bit of booming'.¹⁴⁸

Press reports were the only information available about most mines, as 'A Sorrowing and Repentant Auckland Shareholder' lamented in 1891:

I have paid calls plentifully; I have had no dividends, and I know no more of what is going on at these mines or amongst the managing bodies that I know of what is going on in the moon. Someone will say, who reads this, that the newspapers teem with daily information. Is it correct information? It is certainly not official information, and some of it I know to be false, and published ... to run up or pull down the value of shares, as the case may be.

He had been provoked into writing by a report about Puhipuhi from 'some irresponsible unknown' who appeared to be trying to lower the value of its shares. As a shareholder in several companies which he believed owned 'good payable mines', he had received 'no information as to why my calls were needed, or what is to be done with them. I mean official information, signed by somebody who will be responsible to me for the truth of what he says'. As newspapers did not publish adequate information, he wanted an Act passed

compelling directors to furnish to the shareholders quarterly signed statements showing what they are doing in the mines, and making it a criminal offence to furnish such statement falsely, either from wilfulness or from criminal ignorance. Also, let it be enacted that along with every "call" on the shareholders a similar written signed statement shall be furnished, showing the purpose for which such call is required. Also, let it be enacted that every six months the shareholders shall be furnished with a similarly signed statement, showing the audited balance-sheet and the receipts and expenditure of the governing body in the management and development of the mine during the preceding six months, and let all these statements be signed by the managing directors and auditors, with similar penalties under the criminal law for willful or criminally ignorant misstatements. Then the public will have no further cause to complain.

¹⁴⁸ 'They Say', *Observer*, 28 October 1899, p. 3.

As a shareholder in Australian mines he was provided with all this information.¹⁴⁹ But in 1869, an Auckland newspaper defended press reports about Thames mines, instead blaming the informants:

Day after day false reports are circulated or important information withheld. In a most unblushing manner the press is made the medium for the publication of false statements.... If quartz is found in a claim, it has become the fashion to declare at once that it is highly auriferous, and if a few specimens are taken out of claims, the almost invariable jargon is that they are better than anything before found on the field.

As it was difficult for newspapers to know the truth, journalists either had to accept what they were told or not report anything. 'The newspapers are not the authors, but the victims, of false, or perhaps it would be more correct to say exaggerated, intelligence'. In urging those who informed the press to be more accurate, it argued that 'on the lowest ground – that of expediency – they may rest assured that truth is in all cases the best policy'.¹⁵⁰ Another journal, in 1895, commented on an Australian protest at newspaper reporting:

A crowd of disappointed diggers broke the windows of the newspaper offices in Coolgardie the other day, because a certain "find" turned out to contain considerably more rumour than reality. The papers, they declared, had for their own gain published unsupported news. But supposing the papers had held off, and supposing the news had turned out to be true, that there had, in fact, been a splendid gold find. The public would in this case have been even more virtuous and even more violently indignant. The papers, they would have said, kept back the news till their friends got a good start for the field. Much the same thing happened in the case of the recent fluctuations in [the] May Queen. Speculators who rushed the shares at thirteen shillings in the sure and certain hope "they would see a pound" blame everyone save themselves for their loss, and in the fury of disappointed greed do not hesitate to level charges against brokers, the papers, the directors, the managers – in fact, everyone and everything except their own folly, and insensate desire to make a "hatful" of money "without working for it."¹⁵¹

¹⁴⁹ Letter from 'A Sorrowing and Repentant Auckland Shareholder', *New Zealand Herald*, 25 August 1891, p. 3.

¹⁵⁰ *Auckland Weekly News*, 2 October 1869, p. 20.

¹⁵¹ *New Zealand Graphic*, 13 July 1895, p. 26.

No cases have been uncovered of deliberate misinformation being reported about any Te Aroha mines. The most that the local newspaper and local correspondents could be accused of was over-enthusiasm and interpreting each development as ‘encouraging’, the favourite description. Such a positive approach was to be expected when residents and supporters of the field were always hoping for economic success. After the boom of the 1890s collapsed, one explanation was that the New Zealand press had excessively boomed mines that had not come up to expectations.¹⁵²

LARGER AREAS OF GROUND TO ATTRACT INVESTORS

As one investor noted, ‘a large amount of capital could not be raised for a small area like a licensed holding’.¹⁵³ In the 1890s, special claims covering larger areas were seen as ways to attract larger overseas investments. For example, John Watson Walker, who helped to float the Waihi Company in London,¹⁵⁴ in 1898 told the Minister of Mines that ‘different mining legislation was required for the Te Aroha district, as the restrictions needful for other parts of the field such as the Thames, were simply oppressive when applied’ there.¹⁵⁵ In the following year he sought from 400 to 500 acres to enable him to make arrangements for large-scale development using ‘very large capital, applied on scientific and practical principles’, to handle the refractory ores to be found at ‘otherwise inaccessible altitudes’. He expected to raise sufficient money in England, but was told that such a large area was impossible under the regulations.¹⁵⁶ Although the local bodies supported his proposal, and he appealed personally to the Minister, it was not approved.¹⁵⁷ However, in 1901 he was granted Walker’s First, Second, and Third Special Quartz Claims, each of 100 acres, the first near the Tui district, the others in the watersheds of the Mangakino Stream and

¹⁵² *Thames Advertiser*, 11 May 1898, p. 4.

¹⁵³ Warden’s Court, *Thames Advertiser*, 24 May 1895, p. 3.

¹⁵⁴ *Cyclopedia of New Zealand*, vol. 2, pp. 833-834.

¹⁵⁵ *Waikato Argus*, 26 May 1898, p. 4.

¹⁵⁶ *New Zealand Mines Record*, 16 October 1899, p. 119.

¹⁵⁷ J.W. Walker to Minister of Mines, 6 October 1899; Under-Secretary, Mines Department, to J.W. Walker, 16 October 1899; J.W. Walker to Minister of Mines, 30 October 1899, Mines Department, MD 1, 99/1750, ANZ-W; *New Zealand Mines Record*, 16 November 1899, p. 161.

Waitawheta River.¹⁵⁸ In 1903, he was granted several special claims at Waihi totalling almost 700 acres.¹⁵⁹

While conceding that some mining areas were ‘capitalist’ ones, requiring spending thousands of pounds before receiving any return, and therefore grants of large areas were appropriate, the *Thames Advertiser* applauded Warden Northcroft’s 1891 decision to grant no licenses for areas exceeding 30 acres, amalgamation being permitted only after claims had been tested. It argued that ‘even a rich man can test a small holding more thoroughly than he can a large one, and if the results are poor he is likely to lose less, while if they are good he is likely to make more in proportion to his outlay than he would if his holdings were large’. Northcroft’s ruling also gave a chance to ‘the poor as well as the rich man’, for large holdings permitted the latter to monopolize mining areas.¹⁶⁰

SURVEYS

An early Thames miner was critical of many surveyors, ‘some of whom we fear are ready to bring a reef into any direction that will suit the owner of a lease or claim’.¹⁶¹ Plans of claims sometimes showed reefs before adequate prospecting had been done, as at Waitekauri in 1876.¹⁶² During the 1890s, maps of Ohinemuri showed reefs that did not exist. A Paeroa correspondent who exposed this fraud (by vendors, not surveyors) wanted the prosecution and even flogging of those responsible for thereby ‘obtaining money under false pretenses’. Vendors should be required to meet the cost of inspecting properties before they were put on the market; it was no longer sufficient ‘to put four pegs in a piece of ground and give it a name’.¹⁶³ Earlier, the Chamber of Mines suggested that the mining inspector should compile a plan of all workings to enable investors to see ‘the amount of work done in and around the mine offered for sale, and the probable run of the

¹⁵⁸ Te Aroha Warden’s Court, Mining Applications 1901, 10, 11, 12/1901, BBAV 11582/4b, ANZ-A.

¹⁵⁹ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 8 August 1903, p. 20; *New Zealand Mines Record*, 16 October 1903, p. 115.

¹⁶⁰ Editorial, *Thames Advertiser*, 27 February 1891, p. 2.

¹⁶¹ ‘Old Californian Miner’, p. 42.

¹⁶² *Thames Advertiser*, 12 September 1876, p. 3.

¹⁶³ Paeroa Correspondent, *Waikato Times*, n.d., reprinted in *Thames Advertiser*, 9 June 1897, p. 2.

reefs from any of the adjacent mines traversing the property offered'.¹⁶⁴ This suggestion was not taken up.

'EXPERTS'

Reportedly a 'high mining expert' defined 'the word "expert" as follows – liar, blanked liar, expert'.¹⁶⁵ The *Observer* commented that a mining reporter 'knew what he was writing about when he said he "wished it to be understood that he was not a mining expert" ', and asked whether it was 'not libel to call a man a "mining expert" just now?': far worse than being called a liar.¹⁶⁶ It reprinted a *Melbourne Punch* cartoon of a mining expert being refused entry to Hell because Mephistopheles wanted no rivals.¹⁶⁷ Two years later, it asked whether there was 'not hope for a mining recovery now that the "experts" are hiving off to pastures where the honey is more plentiful'.¹⁶⁸ It referred to an 'interesting correspondence' between 'an influential English mining company and its New Zealand representative with regard to the accuracy of certain reports from "experts" received in London prior to flotation'.¹⁶⁹

In mid-1896, a London correspondent was pleased that London's financial press was warning that 'greater care' should be used in selecting experts:

It is very usual to find names of absolutely unknown men (mere mine managers of small adjoining properties) giving opinions on mines and their prospects. The value of real expert evidence is thereby seriously discounted. On several occasions I have heard city men inquire from some well-known mining man, "By the way, who is Mr Blank, whose reports on such and such a property have been sent me?" And the answer has too often been, "Don't know the man."

He recorded an engineer involved in Western Australian mining blaming English investors for not employing reputable engineers because

¹⁶⁴ 'Obadiah', 'Shares and Mining', *Observer*, 2 May 1891, p. 12.

¹⁶⁵ 'Obadiah', 'Shares and Mining', *Observer*, 14 May 1892, p. 6.

¹⁶⁶ *Observer*, 26 October 1895, p. 3, 2 November 1895, p. 10.

¹⁶⁷ 'Rivals as the Prince of Liars' (cartoon), *Observer*, 22 August 1896, p. 11.

¹⁶⁸ *Observer*, 26 March 1898, p. 20.

¹⁶⁹ *Observer*, 28 May 1898, p. 9.

they wanted to avoid paying ‘a decent fee’. The result was that vendors requiring good reports used ‘a man whose conscience is a little more elastic than it ought to be’ and encouraged him ‘to see possibilities which your reputable engineers, with years of experience before them, would not see’. This engineer also noted phony qualifications: ‘I took up a prospectus the other day, and I saw in it the name of a man who put “M.C.” after his name. I thought that man had something to do with the making of clothes. I saw a report of the same man, who put after his name “Q.E.” I afterwards found out that this meant “qualified expert”’. He described being offered increasing amounts of money from an American to report favourably on a worthless mine.¹⁷⁰

Also in that year, the *Observer* published six sketches mocking the foreign mining ‘expert’ who ‘comes from no one knows where, causes a big flutter in the mining world in Auckland, fills his pockets with money and the minds of his admirers with great expectations, and disappears to Heaven only knows where’:

The Mining Expert arrives in state, and is rushed by the local reporters for news of his intentions. He represents unlimited capital, and he comes here to buy up the goldfields of New Zealand.

The Expert is rushed by the leading lights of the Chamber of Mines. “Buy this splendid property of mine. The other fellow’s properties are no good.”

The Expert makes offers for unlikely properties. Deposit cheques not to be cashed until his permission is given. And he buys the scrip up cheaply and lives on the fat of the land, treated like a real live lord everywhere.

Occasionally, he visits the workings of a mine and finds some difficulty to distinguish the baser minerals from gold.

His offers for certain mines rush the scrip that he has bought at nominal prices up to big values. And he sells out. Then he takes his departure for the London market with heaps of plans and reports, which are dumped overboard soon after the steamer leaves port.

And the speculator stays behind to nurse the baby and wait for the unlimited cash that never comes.¹⁷¹

¹⁷⁰ London Correspondent, ‘New Zealand Mines in London’, *Auckland Star*, 31 August 1896, p. 2.

¹⁷¹ ‘The Mysterious Mining Expert’ (cartoon), *Observer*, 13 June 1896, p. 17.

Later that year, after their exaggerated claims were exposed, ‘a good many of our local mining experts’ were ‘dropping out of sight’ because ‘they would rather be forgotten’.¹⁷² Yet it was argued that the quality of reports had improved:

Twenty-five years ago, the charges of experts for examining mines were very small compared with what they are now. The reason for this was that the country was overrun with men of ability, but without scruples, who expected, to say the least, better fees for good reports than bad. These venal people have been weeded out and can do no business. The result is that those who have withstood the tests receive princely fees, paid as much for their reputation for integrity as for ability. Often upon the report of one of these alone millions are invested without question. Curiously, there is a prejudice among many miners against the expert, and yet he is the best friend they have. He had killed more swindles and caused the opening up of more good mines than any other class of miners. He has done more than anyone else to discourage the dishonest promoter.¹⁷³

Later that year, the *Observer* reported that an expert ‘belonging to a big-name mining syndicate that has not done much so far, as rendered himself ridiculous by making a damning report on a Thames property that he lauded up to the skies before his appointment. A horse of a different colour now, eh?’¹⁷⁴ One miner sarcastically noted one requirement of a prospectus to attract interest in London: ‘Two or three reports from mining experts who may or may not know something about mining, who have visited the property – whatever that may mean – and who have not too recently incurred public disfavour. These gentlemen usually have to look to a successful flotation to pay their fees’.¹⁷⁵

Blainey has noted ‘a crust of prejudice against geologists’, based on some inaccurate predictions in the 1850s. ‘It was conveniently forgotten that mine managers and metallurgists had made immeasurably more mistakes, and more costly, mistakes, than the geologists’. As most geologists were government employees, ‘they were condemned as impractical’.

¹⁷² *Observer*, 31 October 1896, p. 3.

¹⁷³ *Mining Standard*, 9 January 1897, p. 12.

¹⁷⁴ ‘They Say’, *Observer*, 6 February 1897, p. 3.

¹⁷⁵ James Williams, second essay in *Three Prize Essays*, p. 180.

The few geologists employed by mining companies in the nineteenth century spent most of their time reporting on leases that were about to be floated into companies; in making their reports they were invariably on new fields where few workings had uncovered essential evidence below ground level, and thus they made many mistakes. Only the optimistic geologist, likely to give a favourable report, was engaged by the mining promoters, and if his report was lukewarm it was not published.¹⁷⁶

Welton had a suggestion to make experts more responsible for the advice they provided:

In bringing out new mining companies it is usual to make an estimate of the probable returns or output to be expected, the cost of placing the mine in a position to do this, and the estimated profit to be obtained, based upon the working costs at other mines. These estimates are presumably made by some competent person or mining engineer, who should to some extent be made responsible for such statements. In practice, very frequently nothing more is heard of this important person, and the money appears to be spent in any manner the directors may think proper, without reference to the engineer or person upon whose statements the company may have been formed. If the reporting engineer continued as consulting engineer to the company and appeared at the meetings of shareholders to answer questions, in all probability he would be more careful in making statements, as his reputation would greatly depend upon results.¹⁷⁷

FALSE REPORTS OF GOOD GOLD BEING STRUCK

Announcing new discoveries was one way of increasing the value of shares, but, being an old trick, some investors were suspicious of such reports. For instance, in 1876 'Investor' reminded a Thames newspaper of 'the experience of days gone by' being repeated in

the great fluctuation of the Waitekauri scrip. The scrip in this mine has been rising gently as the works of the battery and mine progressed, and warranted it. This morning, however, a gentleman arrived here in a steamer, all alone, and announced the startling news that gold had been struck somewhere in the mine.

¹⁷⁶ Blainey, *Rush That Never Ended*, p. 292.

¹⁷⁷ Welton, pp. 72-73.

Consequently, scrip shares immediately jumped in price. Whilst 'Investor' insisted, probably disingenuously, that he was not insinuating that the man was repeating the 'dodge of old days' to enable some to rid themselves of their shares, he warned others not to 'be led away by exciting news, for it damages the field and makes them disgusted with what they have done'. The value of the scrip should be 'estimated by the amount of the dividends'.¹⁷⁸ Directors and mine managers were accused of publishing 'absurd reports' of a sudden increase in the value of ore, the implication being that they were disguising the true position to manipulate the market.¹⁷⁹ Henry James Lee, a mining agent,¹⁸⁰ when writing about share dealings at 'Scrip Corner' in Thames, gave an example of miners playing this game:

Some of the miners used to try and create a run on the shares in a particular claim by leaving them for sale with a broker. Then one day a miner would rush breathless into the office and demand: "Have you sold my shares?" If the broker said he had, the answer would be, "Bad luck of it, and we have just struck it rich." The man would take his cheque and walk away with a mournful air, while all the time the whole thing was just a dodge to try and get the broker to bite.¹⁸¹

When the 1890s boom was fading, it was claimed 'that miners work all day and gamble all night. It is thus that booms are worked up'.¹⁸² Responding to the government's 1892 plan to forbid brokers and legal managers from being directors, 'Obadiah' pointed out that others also exploited the system:

Mining managers and the men are to have all the fun and most of the cash to themselves, and they have most of it now, as is to be seen any day on 'Change [the Stock Exchange] when, without rhyme or reason, shares take a sudden jump, although no news

¹⁷⁸ Letter from 'Investor', *Thames Advertiser*, 19 August 1876, p. 3.

¹⁷⁹ For example, letters from 'A Disgusted Shareholder' and 'In Doubt', *New Zealand Herald*, 27 October 1905, p. 3.

¹⁸⁰ See *Thames Star*, 21 March 1881, p. 2; *New Zealand Herald*, 29 November 1917, p. 6.

¹⁸¹ H.J. Lee, n.d., reprinted in John Grainger, *The Amazing Thames* (Wellington, 1951), pp. 33-34.

¹⁸² *Observer*, 4 July 1896, p. 7.

has reached the office. Presently, a telegram is posted, showing the why and wherefore. Do our present lawmakers think they can stop this? If so, they have lots of undeveloped faith. If a broker, being a shareholder, cannot sit on a board, then legal and mining managers should be stopped trafficking in the stock of a company in which they are employed.¹⁸³

It was perilous to accept the validity of all the reports made by mine managers, especially during a boom, as the *Mining Standard* revealed:

The Manager of one of the prominent mines in Coromandel is certainly an artist in telegraphic managerial dispatches. At first his wires suggest that they are striking good ground, then a rich leader has been cut, followed by a report that the stone seems fairly good gold-bearing ore, next picked stone from the lode yields a splendid return on assay, and finally, a large quantity of same stone is at grass waiting to be bagged and shipped for treatment. By this time the shares have gradually arrived at a price enabling those in the know to unload at a small profit, thanks to the crescendo style of advertising indulged in by the manager.

Then ‘no favourable reports come for a time, and the shares drop back again in price, and remain there until the time comes around for another flutter. It’s very pretty!’¹⁸⁴ In 1875, ‘A Miner’ urged the press to ‘guard the unwary who are possessed of money against the mining sharper and false reporter who may succeed, through misrepresentation, in inducing the public to have faith in this or that mine in which they are interested’.¹⁸⁵ Writing in 1892 when the mining market was dull, ‘Obadiah’ noted that ‘some marvellous reports’ had appeared recently. ‘Just look at that issued by the Australian director of the Great Mercury, and it will be seen that whatever is amongst the lost arts the faculty of writing glowing reports is not one of them’.¹⁸⁶ When the 1890s boom was starting to fade, Francis Angus White, a leading mining agent and legal manager at Te Aroha and

¹⁸³ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 1 October 1892, p. 15.

¹⁸⁴ *Mining Standard*, n.d., reprinted in *Waikato Times*, 21 December 1895, p. 7.

¹⁸⁵ Letter from ‘A Miner’, *Thames Advertiser*, 15 December 1875, p. 2.

¹⁸⁶ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 3 December 1892, p. 15.

elsewhere,¹⁸⁷ warned that only ‘thoroughly reliable reports’ would ensure that capital for New Zealand mines would be raised in London.¹⁸⁸ A mining inspector noted, in 1906, that a statement about the Waihi Reefs Extended ground was

very vague and misleading as it says the property has been taken up for the purpose of prospecting land on the eastern side of the Martha (Waihi mine) but does not say whether it is 1 or 50 miles from the Martha mine or whether there are any claims between the ground taken up and the Martha or not.¹⁸⁹

Nevertheless, some miners and mine managers had a reputation for honesty. In 1896, ‘Obadiah’ noted that shares in the Woodstock Company at Karangahake were ‘holding their strength on the market. An honest manager means a lot to a mine’.¹⁹⁰ The following year he wrote that the crushings were good, and would continue to be good, because this manager, John McCombie, was ‘not the man to boom his first crushings to an average he cannot maintain’.¹⁹¹ Earlier, McCombie had complained about

glowing reports which the mine managers send, from time to time, about their mine prospects, which, however, are not borne out by subsequent battery returns. Not long since a certain mine manager wired to his directors that the ore, which was then being crushed from their mine, was shaping for a return of over two ounces per ton, whereas the final clean up did not give an average return of 15dwt per ton. Another manager reported 80 tons of ore ready for treatment, and the average value which he placed upon it was one and a half ounces per ton. It did not yield 5dwt per ton. A third one passed about 50 tons of ore through a battery, and the return was nothing or next to nothing.

Erroneous and misleading reports of this description are not calculated to raise or elevate the mining industry in the estimation of mining speculators, and I think it is high time some of the persons responsible should be brought to book for their

¹⁸⁷ For example, see *New Zealand Gazette*, 30 December 1880, p. 1796, 20 January 1881, p. 110, 24 February 1881, p. 258; *Thames Advertiser*, 22 July 1893, p. 2; *Te Aroha News*, 17 August 1895, p. 2.

¹⁸⁸ *Auckland Weekly News*, 7 December 1895, p. 9.

¹⁸⁹ James Coutts to Under-Secretary, Mines Department, 10 January 1906, Inspector of Mines, Thames, Letterbook 1903-1906, pp. 564-565, YBAZ 1240/3, ANZ-A.

¹⁹⁰ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 3 October 1896, p. 13.

¹⁹¹ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 29 May 1897, p. 9.

misrepresentations.... There is nothing to prevent any intelligent mine manager from determining the battery value of his ore by that very inexpensive and simple method called the “pestle mortar and dish process.” The very small sum of ten shillings will provide these implements, which are the only things required to ascertain the battery value of ore, near enough for all practical purposes.¹⁹²

McCombie was often critical of speculators: in one of his last newspaper articles, he mentioned an unnamed mine developed in 1895 whose poor ore was ‘bulled’ to enable a company to be formed and an expensive plant erected. Shares were sold throughout New Zealand, even though the owners knew the mine was worthless and that the first crushing would kill it. The owners sabotaged their plant so that they could sell shares for another four months before this crushing.¹⁹³

Despite some miners being known as honest, investors were right be cautious. In 1905, some protested at false reports of good ore pushing up the prices of shares unrealistically.¹⁹⁴ Although there were always some gullible investors, the *Observer* noted a healthy degree of cynicism over one mine manager’s report:

They are a suspicious and cynical lot of men who dabble in goldmining scrip in Auckland. So it happened the other day, when the manager of the Portsea mine wired that he had cut a five feet reef, equal to the enormous yield of twenty ounces to the ton, that there were more sellers of scrip than buyers, and stock that ought on these prospects to have been worth £10 or £15 immediately fell from 2/8 to 2/4. These scrip punters had never met a manager who was so communicative when he had a good thing on hand, and like other sinners they doubted. And two days later they were laughing quietly in their sleeves when they read the assayers’ opinion that the twenty ounces were not gold but chrome. They had been there before.¹⁹⁵

¹⁹² ‘Aboriginal’, ‘Auckland News’, *Thames Advertiser*, 2 May 1891, p. 2.

¹⁹³ John McCombie, ‘Mining Monuments’, *Observer*, 17 June 1922, p. 25.

¹⁹⁴ *New Zealand Herald*, 27 October 1905, p. 3.

¹⁹⁵ *Observer*, 4 August 1894, p. 7.

One mining agent wanted the issuing of ‘false and misleading Reports’ by mine managers or directors a criminal offence.¹⁹⁶ ‘Obadiah’ recommended judging ‘a manager’s confidence in a mine by the shares he does or does or does not hold’.¹⁹⁷

DUBIOUS PROSPECTUSES

As Curle had warned, investors should not believe an expert’s report attached to a prospectus unless it was written by ‘a man well-known, of admittedly honest character’, or could pass the scrutiny of experienced men. As for the prospectus, this was no guide, being ‘a string of eloquently worded inanities’.¹⁹⁸ The prospectus would often contain the names of people likely to attract investors. In New Zealand as elsewhere, ‘shares were given away to certain men, whose names, appearing in the prospectus, acted as a sort of bait for a too gullible public’. Shares given away in this manner were ‘counted as capital’,¹⁹⁹ thereby misrepresenting the true state of the company. The *Thames Star* was critical of Auckland speculators who leant ‘the weight of their name’ to dubious ventures to enhance their prospects, ‘with a view to realizing as speedily as possible’.²⁰⁰ During the boom of the 1890s, ‘A Small Investor’ stated that ‘several mining companies have been floated on the strength of a few names supposed to be good on the subscribers sheet’. He suspected that they received ‘a few shares, and so inducing the public to follow in the steps of these honourable, upright gentlemen’.²⁰¹ English companies relied on titled men, no matter if they were nonentities ‘financially, mentally, or morally’, to entice investors.²⁰² There were many such morally dubious promoters.²⁰³ ‘Obadiah’ agreed that questionable properties were being

¹⁹⁶ J.J. Macky to Minister of Mines, 1 May 1912, Mines Department, MD 1, 14/1514, ANZ-W.

¹⁹⁷ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 30 November 1895, p. 9.

¹⁹⁸ Curle, p. 342.

¹⁹⁹ *New Zealand Mining Journal and Financial Guide*, vol. 4 no. 4 (June 1899), p. 53.

²⁰⁰ Editorial, *Thames Star*, 6 September 1882, p. 2.

²⁰¹ Letter from ‘A Small Investor’, *New Zealand Herald*, 3 September 1895, p. 3.

²⁰² *New Zealand Graphic*, 13 August 1896, p. 195.

²⁰³ See, for instance, John Armstrong, ‘The Rise and Fall of the Company Promoter and the Financing of British Industry’, in *Capitalism in a Mature Economy: Financial*

floated on the strength of the ground – sometimes because the next company has a reef (buck or otherwise) in hand, and sometimes because the names of the promoters are “good.” The latter recommendation is the worst of the lot. These “names” are used for everything that will not go off otherwise, and invariably the owners of the names are “put into” the thing at no cost to themselves. They get promoter’s shares for the use of their names. They don’t put up any of their own money. Therefore, the investing public should not put too much faith in what are called “good names.”²⁰⁴

The main figures in the Broken Hill Proprietary, when included on the share lists of other companies, usually ‘received promoters’ shares at bargain prices and the money they contributed was less important than the name which they lent; they were the bellwethers whose fame enticed the timid sheep to enter the share lists’.²⁰⁵ Even in small mines, ‘miners would ‘ask a man to take a share – especially if they think he is a man of influence – and think that it adds to the value of a claim’.²⁰⁶

Some of these ‘names’ also became directors, leading to ‘sultry’ meetings of shareholders in Auckland after the collapse of the 1890s boom. Shareholders had realized that ‘in most cases’ directors had not ‘the slightest knowledge of mining or business’, and were ‘simply deadheads’ who attended board meetings for the half-sovereign they received. ‘They know nothing of the mine, in fact, in a number of cases they couldn’t tell you where it is’.²⁰⁷

It was possible for shareholders to sue promoters if they had ‘been misled by false statements in the prospectus’, but one miner pointed out that ‘usually the final sufferers have bought in some time after flotation, and even if they were among the original shareholders they either have not

institutions, capital exports and British industry, 1870-1939, ed. J.J. van Helten and Y. Cassis (Aldershot, 1990), pp. 115, 124, 125, 126, 128-129, 131.

²⁰⁴ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 14 September 1895, p. 8; see also 18 January 1896, p. 9.

²⁰⁵ Geoffrey Blainey, *The Rise of Broken Hill* (Melbourne, 1968), p. 44.

²⁰⁶ Evidence of James Mackay, ‘Report of the Tairua Investigation Committee’, *AJHR*, 1875, I-1, p. 5.

²⁰⁷ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 23 October 1897, p. 9.

the money to spare for legal expenses or do not consider it politic to send good money after bad'.²⁰⁸

NO TITLE, OR AN INSECURE ONE

Selling shares in a claim or a company without a title to the ground sometimes occurred. During the Te Aroha rush, a young man had been persuaded to buy a claim of one man's ground for £18. The seller then left the district.

The purchaser has since discovered that the claim is in dispute, the seller having pegged out illegally. Indeed we understand he admitted that in marking-out he only inserted one peg, thinking that that was all that was required for one man's ground. It is probable that on finding his mistake he got out of his bad bargain,

at the buyer's expense.²⁰⁹ In 1895, some brokers floated companies and traded in shares in properties that had not been granted by the warden.²¹⁰ These claims had not been surveyed and might overlap.²¹¹ A Paeroa correspondent found it 'hard to conjecture' what the 'ultimate result' would be when investors found they had 'bought shares in a company which has no ground'.²¹²

Those who had pegged out were in no hurry to have surveys made, for they could sell interests before the ground was secured.²¹³ A Thames newspaper suggested as a way to check wild cat propositions with their half a dozen enticing specimens was to forbid company formation until title to the land had been acquired.

Such a provision would at least prevent all trafficking in scrip until the completion of the survey, and we would not witness the strange spectacle of a full-blown company, with legal manager, auditors, &c, closing its books to try and discover the ground

²⁰⁸ James Williams, second essay in *Three Prize Essays*, p. 182.

²⁰⁹ *Te Aroha Miner*, n.d., reprinted in *Thames Star*, 7 January 1881, p. 2.

²¹⁰ 'Obadiah', 'Shares and Mining', *Observer*, 21 September 1895, p. 8.

²¹¹ *Auckland Weekly News*, 31 August 1895, p. 21.

²¹² Paeroa Correspondent, *New Zealand Herald*, 28 August 1895, p. 6.

²¹³ Special Correspondent, 'The Thames District: Progress and Development', *Auckland Weekly News*, 26 October 1895, p. 27.

which would seem to have existed only in the fond imaginations of the promoters.²¹⁴

One such case at Coromandel in 1896 led an investor to sue for her money back.²¹⁵

Of concern to foreign investors was that, even if title was legally granted, it was insecure, as John McCombie explained:

A miner's title to a mineral area hinges on his being able to comply with certain labour clauses, and failing compliance he is at the mercy of any one of the many individuals who are ever ready to turn an *honest* penny by paying a plaint against his title for no other purpose than a speculative one. The only redeeming feature in this connection is that the Warden has large discretionary powers, when dealing with such cases, but it does not follow that he is always able to exercise these powers in the right direction, no matter how much he may be inclined that way. For instance, he may have to deal with men who will not stick at truth if lies will serve their purpose.²¹⁶

STOCKBROKERS

Nobody dealing in shares could be trusted. A correspondent who briefly visited Thames in 1871 exposed the tricks played by 'the knowing ones, and the deeply initiated, who never expose the cards they hold in their hands unless they have an object to gain'. He claimed to quote the exact words of his discussion with an old friend who had become a sharebroker:

"I know people are under the impression that the sharemarket is always being rigged. This is not true – not that shareholders would not do it if they could, but it is always difficult, and in nine cases out of ten impossible. Now I will take the holders of Caledonians, Tookeys, or any other good-paying mine. Well, there are always two interests opposing each other, which effectually neutralises any attempt to rig the market. There are shareholders who wish to sell, and their game is to praise up the mine in which they hold scrip; there are again those who wish to buy in, and of course they will raise all kinds of reports to

²¹⁴ Editorial, *Thames Star*, 21 October 1895, p. 2.

²¹⁵ *Thames Star*, 25 January 1896, p.3, 19 February 1896, p. 3; see also Warden's Court, *Thames Star*, 20 March 1896, p. 2.

²¹⁶ 'Aboriginal', 'Auckland News', *Thames Advertiser*, 2 May 1891, p. 2.

depreciate it, but invariably neither one believes the other. And again, without the co-operation of a large number of shareholders, nothing in the way of rising or lowering the price of shares can be accomplished. The shareholders are too dispersed for this. Some are on the Thames, some at Auckland, others in Otago, Victoria, and elsewhere. It may be that some smart unprincipled fellow will now and again mislead another to his own advantage, but the cases are very exceptional. Every one engaged in share traffic doubts the word of every one else following the same business that any reports which are raised respecting a mine are always as a rule discredited." "Tell me," I asked of my friend, "how you account for this. Yesterday the brokers reported in the journals that Caledonians opened at £100, and closed at £107. Now this was a rise in price of seven per cent between, we will say, ten o'clock in the morning and five in the afternoon, whilst there was nothing new as affecting the mine. Every one was aware of its being swamped out [flooded], and that nothing further could be ascertained of it for some days; - what is it causes this rising and falling of shares in mines where there has been no change in their appearance, nor any fresh discoveries made as to the increase or decrease of the returns likely to come from them?" "My dear child," said my versatile and widely experienced friend, "share dealers are a class of men who deem themselves wonderfully wise in their day and generation. Did you ever see a flock of sheep where, when one made a bolt with no knowledge whether it was going into a clover paddock or a slaughter-house, the others all followed in succession? The sheep followed their leaders according to their instinct, and share dealers do the same. Look here now for a case in point. It was known this morning that one of the clever ones had bought Caledonians at £105. "By George," says Brown, "if Smith has gone in at that price, Caledonians are all right. He's up to the wrinkles" [smart dodges, tricks].²¹⁷ So Brown goes to Jones, who is a holder of that particular scrip, and offers to buy at a hundred and five; but Jones don't see it, for he has heard what Smith has been doing. He will let 'em slide at a hundred and seven ten [£107 10s], but don't care much about parting with them at that figure. Well, Brown buys at the hundred and seven ten. Then the news gets wind that Caledonians are rising like wildfire; Robinson sees a good thing in it, and gets a few, quite as a sort of favour, at a hundred and nine; and the report is still that the market is going up. At five o'clock shares, which in the morning were parted with at £105, are now held for £112. Outsiders will say the market has been rigged, when there has been no rigging attempted. It is the eagerness of speculators to get hold of a good thing which has improved the

²¹⁷ Eric Partridge, *A Dictionary of Slang and Unconventional English*, 8 ed., ed. Paul Beale (London, 1984), p. 1354.

tone of the market. The shares are intrinsically worth no more this afternoon than they were this morning, but you see, dear boy, what has caused it all. To-morrow they may go up to £120, and next week it is not impossible they will have fallen below this morning's figure. It is the trying to do a 'smart thing' which brings about these fluctuations; but as to any deliberate and combined attempt to rig the market, you may take my word for it that it is all bunkum. I don't say that attempts have not been made occasionally, because I know there have, but they never answered their purpose.... The fact is, men play at share dealing as they play at cards. Some study every move and change in the market as an old and steady whist player studies his opponent's hand, and who, if he be the better player, is sure to win in the long run; others prefer games of chance, as they are more exciting, and the carrying off a whole pool is so much more pleasing than games which require the exercise of patience, skill, and calculation before one can become proficient. Share dealing is gambling simple et pure, where a rich specimen from a mine is a trump card, which must be played so as to make the tricks."

Shares were 'as often sold below what the holder has paid for them as they are sold above it'. His friend explained that those who made money 'tangibly and without risk' from 'share-trafficking' were sharebrokers. Some of the 'about 160' of these at Thames 'make and save money, others get a bare existence'. They normally received two-and-a-half per cent upon all shares sold. If a share had 'changed hands 40 times since it was first issued by the company it represents, you will see 100 per cent on the full value of the share has been paid for commission. Now, there are quantities of shares which have changed hands twice 40 times over'. He argued that brokers had 'to be tolerably honest or they would soon find their business fail', and he considered them 'no better nor any worse than any other business men'.²¹⁸

In 1884, a merchant complained about the 'air of respectability' given to speculative ventures 'through the broker who transacts the business', but added that brokers were 'completely powerless to alter the state of things'. He was 'satisfied' that Thames brokers were aware of this and 'would much prefer to see legitimate work carried on', and most 'warned their clients of the nature of many of these transactions'.²¹⁹ Others were less sure, the *Observer* in particular regularly criticizing brokers. In 1890 one of its

²¹⁸ A Correspondent, 'Mining Companies, Sharebrokers, and Quartz-reefs', *Auckland Weekly News*, 14 October 1871, p. 5.

²¹⁹ Letter from 'A Seller of Tea', *Thames Star*, 5 September 1884, p. 2.

columnists was concerned at their ‘almost unlimited power. If a stock keeps at a high price for any time and they wish it to fall, or if they hold a lot of one particular line and wish to “boom” it, they have only to alter the quotations on the board and the trick is done’.²²⁰ When brokers were directors of mining companies it weakened ‘public confidence when they know that it is to the interest of those in charge to cause stock to fluctuate. One prefers stock to be steady, and this is exactly what the brokers don’t want. Directors should be men who understand the mine, not the market’.²²¹ Another *Observer* reporter partly relieved the brokers of blame: ‘How long will the investing public be gulled, not so much by those wicked brokers, as by their own evil imaginations? If an ounce of gold is worth 52s, why should a grain of expectation be worth £20?’²²² He continued to urge investors to ‘go in for more legitimate mining, and less stock gambling’, opposing the

senseless system of sticking up sensational telegrams whenever a few colours of gold are found. A rush is made for shares, the devil take the hindmost, all being anxious not to be left out. Hence the rise, and whence the fall? Then the brokers get the blame, but why the public should blame the brokers for their own action has always been to me a mystery.²²³

‘Obadiah’ considered there was ‘a certain amount of truth’ in the view that most mines ‘were worked for the benefit of the market and not of the shareholders’.²²⁴ To the *Thames Star*, ‘the curse under which this district has laboured in the past’ was mining being ‘subservient to the sharemarket’, with efforts ‘made at fixed periods to “rig” the market’.²²⁵ It reprinted an article from the *Australian Mining Standard* arguing that there were ‘few worse features’ than ‘for the broker charged with the flotation of a company to be also the legal manager or secretary, or for a firm of brokers to be charged with the flotation, and a member of the firm to be the legal manager of secretary’.

²²⁰ ‘Boomerang’, ‘Stock Exchange Notes: The Brokers, the Boom and the Public’, *Observer*, 20 September 1890, p. 7.

²²¹ ‘Boomerang’, ‘Stock Exchange Notes’, *Observer*, 4 October 1890, p. 6.

²²² ‘Gold Mining Report’, *Observer*, 1 January 1891, p. 12.

²²³ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 31 December 1892, p. 14.

²²⁴ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 28 February 1891, p. 15.

²²⁵ Editorial, *Thames Star*, 21 January 1891, p. 3.

The identity of interests is opposed to the well being of shareholders. The broker, perceiving that the shares are “going off” well, perceives also that if he plays his cards “properly” he will be able to make more than his bare commission out of the flotation. He can do this by declaring the list closed. Then when some inquirer for shares drops in, he expresses regret that all the shares have gone; but he had had a few placed in his hands by some one “who has taken more than he actually requires,” and some of these the inquirer can have – at a premium of 10 or 20 per cent.

It did not claim that there was fraud ‘in every case in which the broker and the secretary are one or virtually one person’, but it was ‘very commonly practiced’.²²⁶ In 1895, a *Thames Star* editorial condemned ‘one or two share jobbers’ [cheats]²²⁷ who were opposing the amalgamation of some local mines.

Everyone knows how a sharebroker and jobber – especially one who does not confine himself to the legitimate business of sharebroking, but who traffics openly in shares himself – can exert an influence upon those about him. He is the worst class of individual connected with mining, and ... is a curse to any goldfield. He does not scruple to sacrifice the best interests of the industry for his own selfish ends. His sole and only aim is to make money, no matter at whose expense.

It wanted the government to force jobbers to declare themselves as such, for ‘the name of sharebroker for them is a misnomer’. Legitimate brokers were ‘a necessity, but “jobbers” under the name of sharebrokers are an unquestionable evil and a curse to the goldfield’.²²⁸

During a Legislative Council debate in 1895 on a proposal to prevent sharebrokers speculating for themselves and their families, one councillor commented that ‘the amount being invested by fools in mining schemes which could never be a success was simply prodigious. For the production of these bubbles the sharebrokers were responsible, for they always made the first and immediate profit out of them’.²²⁹ In July 1896, the *Observer*

²²⁶ *Australian Mining Standard*, n.d., reprinted in *Thames Star*, 16 October 1890, p. 2.

²²⁷ Jonathon Green, *The Cassell Dictionary of Slang* (London, 1998), p. 668.

²²⁸ Editorial, *Thames Star*, 1 August 1895, p. 2.

²²⁹ *Auckland Weekly News*, 17 August 1895, p. 37.

reported that ‘the knowing push who have been putting up option money and withdrawing it after making their “scoop,” have about come to the end of their tether’.²³⁰ ‘Obadiah’ provided an illustration: ‘A little syndicate in the Exchange, not altogether unconnected with the Chamber of Mines ... have developed several little “option for flotation” schemes. Buy in shares, sell when at a premium, withdraw the option, and leave the “battlers” lamenting with their big priced scrip to nurse’.²³¹ During the 1890s boom, ‘some queer stories’ were told of the ‘trickeries’ of brokers, but despite hinting that these might be publicized,²³² ‘Obadiah’ refrained from providing any details, possibly on legal grounds. Earlier, a justice of the peace was ‘committed to the Asylum as being of unsound mind. He has been eccentric for some time, and certain sharebrokers took advantage of his lunacy to “work off” shares on him at high prices’.²³³

In December 1896, an Auckland Shareholders Protection Association was formed to prevent advantage being taken of those who ‘jump at anything in the way of a mining property’. At its inaugural meeting, one member attacked ‘the loose manner in which brokers dealt with shares’:

He stated a man could now go into the exchange and ask Mr “So-and-So” to buy him a 1000 scrip in a property at a certain price. This would perhaps be in the morning, and the intending buyer having business to attend to, would probably be unable to see the broker again until the evening. In the meantime the broker might turn the shares over two or three times during the day to his own advantage, and when asked if he had bought the shares as directed would as likely as not say that he could not obtain them. It was noticeable, however, that if there was a fall in price during the day, he always had them when the purchaser called. This had happened to his own knowledge.²³⁴

In 1903, the *Observer* believed there would ‘never be any market for mining stocks in Auckland until certain brokers discontinue the practice of over-selling’.²³⁵ The following year, over-selling was blamed for ‘the

²³⁰ *Observer*, 11 July 1896, p. 3.

²³¹ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 11 July 1896, p. 9.

²³² ‘Obadiah’, ‘Shares and Mining’, *Observer*, 17 August 1895, p. 20.

²³³ *Observer*, 12 December 1891, p. 6.

²³⁴ *Mining Standard*, 19 December 1896, p. 5.

²³⁵ *Observer*, 26 December 1903, p. 7.

frequent excitability of the market'.²³⁶ Five years later the chairman of the Auckland Stock Exchange referred to 'time and forward sales' tempting speculators with small means 'to plunge on time much beyond their ability to carry'.²³⁷ 'Obadiah' was concerned about the 'pernicious' practice of overselling shares, which was aided by 'the custom of buying shares on tick'. He urged clients to ask for their transfers and pay for their shares.²³⁸ A newspaper cited a broker who was worried about overselling, which had 'resulted in the public fighting shy of mining investments'. He claimed that 'the prices of mining stocks for some time past had been absolutely controlled by the overselling fraternity, who attacked practically every stock on the Exchange list'. These 'bears' could do this safely, 'as there was no opposition to them'. He wanted oversellers fined for the first offence and imprisoned for subsequent offences. It should be 'obligatory on brokers to state the name of sellers on the contract notes'. The government had legislated against bookmakers, but why not 'against overselling, which is probably the worst form of gambling in existence'.²³⁹

In 1906 a Waihi newspaper reported the belief that brokers had a 'dangerous power' to manipulate the value of shares 'by means of buyers and sellers' who were 'not buyers and sellers in the genuine sense of the term. The practice of deliberate overselling, and even that of forward sales' could not 'be too rigorously condemned, as the result is the victimising of the bona fide investing public'. It approvingly cited the *Observer*: 'Has anyone ever known a sharebroker to refuse the order of a client to buy or sell stock in the most utterly wildcat venture so long as there was a commission hanging to it? In an experience extending over a great many years, we have only known one such instance'.²⁴⁰ As a Thames correspondent stated, 'the steady market value of a mine does not suit brokers.... The sudden rise and fall of mining stock is work and wealth for them'.²⁴¹ To try to control brokers, in 1910 the chairman of the Auckland Stock Exchange asked the government 'to insist on the company's register disclosing the whole of the transactions by showing by whom the shares

²³⁶ *Observer*, 8 October 1904, p. 7.

²³⁷ *Auckland Weekly News*, 16 December 1909, p. 32.

²³⁸ 'Obadiah', 'Shares and Mining', *Observer*, 16 September 1911, p. 20.

²³⁹ *Auckland Weekly News*, 17 August 1911, p. 22.

²⁴⁰ Editorial, *Waihi Daily Telegraph*, 13 March 1906, p. 3.

²⁴¹ Thames Correspondent, *Auckland Weekly News*, 9 March 1878, p. 18.

were sold and purchased and the folio number of the shares'. Asked to add a time limit, he added to his resolution

"And that the register be not allowed to be more than seven days in arrear."

Mr Shepherd: I would not give them seven days, It is time enough to ruin the market.

Chorus of Members: Three days.

The Chairman: We will make it three days, then.

Mr A.J. Tapper: The legal time is 24 days.

Mr Hull: I have known registers to be three months behind.

Members also wanted all books recording transfers open to shareholders and the public.²⁴² The following year, shareholders attending a meeting about the Ross goldfield complained that a large number of the shares held in Auckland 'were brokers' shares, the holders of which were not interested so much in the mine as in the market'. They opposed sharebrokers holding a large number of shares, because that made them personally interested in shares which they advised investors about.²⁴³

Nor were some lawyers to be trusted; during the boom, one Auckland solicitor, 'using the information derived professionally from a client, paid the license fee of a mine and collared the property'.²⁴⁴ The *Observer* asked whether all the mining solicitors got the same 'cut' as a 'well known' Auckland barrister, 'who "cut off" 8,000 shares for himself out of a little agreement between two simple prospectors, above ordinary fees. The usual thing, he said'.²⁴⁵

'A. Victim, Esq', wrote a brief poem entitled 'The Sharebroker in Heaven':

Where Hauraki's sunny fountains roll down their golden sand,
He made his cash by mountains, and seeks the Better Land.
With many sweet confloptions he'll consecrate his hauls,
He'll give the Angels options, and teach them "cats" and calls.²⁴⁶

UNDER-CAPITALISED MINING

²⁴² *Auckland Weekly News*, 8 September 1910, p. 36.

²⁴³ *Auckland Weekly News*, 21 December 1911, p. 36.

²⁴⁴ *Observer*, 28 September 1895, p. 16.

²⁴⁵ *Observer*, 1 August 1896, p. 16.

²⁴⁶ 'A. Victim, Esq', 'The Sharebroker in Heaven', *Thames Star*, 16 November 1895, p. 2.

An 1870 report on Thames described the result of introducing a leasing system that encouraged the formation of companies with fictitious nominal capital. Upon its introduction, mines ceased working while their owners

sought more profitable employment in the promotion of companies, which were floated, each with a nominal capital having an extravagant proportion to the value of the property, to the amount of work done, and to the real available capital of the company. Then was commenced that *furor* in speculation, amounting almost to positive insanity, which, in one form or other, seems to have prevailed on every gold field. The proper work of mining was neglected by the more tempting bait of profits on the sale of scrip, the price of which was only governed by the caprice of the dealer in the article.²⁴⁷

An Australian mining expert who visited Ohinemuri in the mid-1880s made flattering remarks about the reefs but commented that the system of mining in Hauraki was 'but a mere piece of jockyism', meaning a 'relentless presentation of irrelevant, unrelated facts in apparent support of a popular notion or campaign',²⁴⁸ compared with how mines were opened up in Australia:

There the work of developing mines ... is gone about in a systematic manner with a capital varying from £25,000 to £100,000, and I could note innumerable instances where every cent of the money had been expended before a colour of gold was obtainable. Here your so-called mining investors contribute just enough money to do the preliminary work such as purchasing mining requisites, building smithy, etc, and because fickle Dame Nature has not deposited the metals close to the surface, so as to enable them to get immediate returns, they throw up the sponge and declare the mine a duffer.... You appear to be afraid to put your heads under ground; you scratch a little here and a little there, hoping to pick up a stray color or two at a very small outlay. Now there is nothing that I know of which has a more injurious effect on mining than this scratching process. If a mine is worth taking up, it is surely worth a thorough prospecting, and mining here will never be up to much till your mining men and

²⁴⁷ 'Report on Thames Gold Field District', appended to Thomas B. Gillies to Colonial Secretary, 16 July 1870, *AJHR*, 1870, D-40, p. 19.

²⁴⁸ According to Google.

investors generally look upon it as a legitimate undertaking, and work their properties accordingly.

The Ohinemuri correspondent of the *Te Aroha News*, who had quoted these views, felt 'obliged to admit' their truth:

Very little money has been expended there in the actual development of the mines, and that little has been frittered away in the work that is of no practical benefit either to the district or to the different companies under whose supervision it was carried out. Gambling and speculating in shares is undoubtedly the great deterring element to the success of legitimate mining. I myself am acquainted with quite a number of men who would rather lose thousands of pounds in share transactions than put one shilling into the legitimate development of a mine.²⁴⁹

The *Te Aroha News* reported an Australian expert's opinions that New Zealand mines were under-capitalised and under-prospected compared with Australia's.

The so-called mining investors contribute just enough money to do the preliminary work such as purchasing mining requisites, building smithy, etc, and because fickle Dame Nature has not deposited the metals close to the surface, so as to enable them to get immediate returns, they throw up the sponge and declare the mine a duffer.

Investors should look upon mining 'as a legitimate undertaking, and work their properties accordingly.'²⁵⁰ In 1892, 'Obadiah' complained about 'attempting to work too many companies with the limited capital at our disposal.... Little, if any, of the money paid for scrip ever finds its way to assist in paying wages', and he doubted if 'floating old mines with new names' would improve matters. What was required was 'ample capital' enabling thorough development.²⁵¹ An Englishman writing about Auckland mining companies in the 1890s stated, exaggerating for effect, that although the nominal price of shares was commonly five shillings, the

²⁴⁹ Ohinemuri Correspondent, *Te Aroha News*, 20 February 1886, p. 2.

²⁵⁰ *Te Aroha News*, 20 February 1886, p. 2.

²⁵¹ 'Obadiah', 'Shares and Mining', *Observer*, 15 October 1892, p. 9.

amount called up was ‘often only a penny, sometimes twopence, or in very extravagant companies threepence’.²⁵²

There were many examples throughout the peninsula of struggling under-capitalized mines. Despite having an impressive nominal capital, most of this was not available for mining. In 1878 a Thames correspondent complained that companies were subsisting on ‘fictitious capital’. He wanted promoters to ‘give a guarantee of their *bona fides* by lodging in a bank a certain proportion of the capital let out’. Even when the mine was profitable and paid dividends, he accused directors of

paying to the last pound instead of reserving a portion for developing the resources of their property; by so doing, starving the mine, and ultimately being compelled to adopt the tribute system. They often ignore the fact that a reserve fund of cash adds materially to the stability and value of any undertaking; and for the purpose of dispensing dividends to themselves and others, they frequently pay all the available balance out, as if a recurrence of such dividends was safe.²⁵³

In 1881 it was reported, as clearly being unusual, that the Martha Gold Mining and Quartz Crushing Company was to spend all the capital raised on mining, the shareholders not receiving any paid up shares, and all shares being equally liable to pay calls.²⁵⁴ In 1888, a newspaper complained that, with only one or two exceptions, Hauraki mines had never been placed ‘upon a basis such as would ensure their being permanently and continuously worked’. At Thames in particular, the first miners found ‘extremely rich’ lodes near the surface ‘and with very little trouble and expense large and valuable returns were obtained’. As it was assumed this would continue, most companies had ‘altogether inadequate’ capital for ‘proper and thorough development’.

When rich returns were obtained, shareholders were too ready to divide the whole of the profits, under the impression that they were possessed of a property that would continue to pay unlimited dividends with but little care and nursing, and that it was unnecessary to lay aside a portion of their income for the exigencies of a “rainy day.”

²⁵² Radclyffe, p. 125.

²⁵³ Thames Correspondent, *Auckland Weekly News*, 9 March 1878, p. 18.

²⁵⁴ *Thames Star*, 2 July 1881, p. 2.

When rich returns proved not to be permanent and ore was refractory and unpayable even with improved batteries, shareholders became 'disheartened' and were unwilling to subscribe capital for development.²⁵⁵ In 1897, a mining reporter explained this behaviour as being partly a consequence of being a young country:

Aucklanders had taken sufficient gold from the Thames field alone to prospect and open up every part of the Hauraki Peninsula, and to supply crushing mills to every mining centre; but they had managed their mining business so badly that they had not reserved sufficient money, even from rich mines, to prospect other parts of the claim. The usual method was to take out every ounce of gold as quickly as possible, and pay every cent away in dividends. So soon as the rich reef was worked out they had no capital to work deeper levels or explore for other lodes. This state of things is natural enough in a young country, where ready money is such a scarce and valuable commodity that a man cannot afford to hold it. Capital has had no time to grow here. Profits are not allowed to accumulate.²⁵⁶

WEAK COMPANIES

A Thames example revealed a common financial imperative for forming companies. Charles David Lindsey McLean,²⁵⁷ who had managed two mines during the Te Aroha rush,²⁵⁸ later managed the Orlando mine at Thames. In 1891 he wrote that he had been 'for about four years working on my own account' and had 'been compelled from want of funds to float into a Company the mine of which I was part owner and of which I am now manager'.²⁵⁹

Floating companies was easy, indeed too easy. In 1888 it was reported that an 'Auckland syndicate maker' who undertook to float a Thames mine 'completed the job in two minutes', thereby earning £1,000 a minute.²⁶⁰ Two

²⁵⁵ 'Auckland Goldfields. How to Utilise our Hidden Wealth', *Auckland Weekly News*, 19 May 1888, p. 35.

²⁵⁶ 'The Warrigal', 'The Auckland Goldfields', *Press*, 4 June 1897, p. 2.

²⁵⁷ See *Cyclopedia of New Zealand*, vol. 2, p. 502.

²⁵⁸ *Thames Star*, 21 December 1880, p. 2, 21 February 1881, p. 3.

²⁵⁹ Charles McLean to H.A. Gordon, 10 July 1891, Mines Department, MD 1, 91/625, ANZ-W.

²⁶⁰ *Thames Advertiser*, 4 May 1888, p. 2.

years later, a Stock Exchange columnist considered the 40 companies seeking capital as 'far too many for a market like ours', as there was 'not enough money to keep it up'.²⁶¹ The chief cause of the excessive number of companies was that

Those who invest in new claims seem anxious to get profit from the market, rather than the mine. Why on earth should a syndicate, as soon as formed, go into scrip before any work has been done? It would be infinitely better if mines were worked as syndicates, till they are fully developed, and then if you like turn them into scrip.²⁶²

The following year, 'Obadiah' considered 'it would be better for the mines if a third of the present companies ceased to exist'.²⁶³ Immediately after this was published, Richard Seddon, then Minister of Mines, announced that he intended to change the way mines were floated:

As an instance of what happened under the present system, he said that a man went to Auckland from Thames with a property for which he got £100, to which he was entitled. The purchaser, however, took it to Sydney, and got £3,000, and then the Sydney people got six months protection and floated the property in London for £30,000. He thought if this £30,000 were spent on the field, instead of going into the pockets of speculators, it would be better for the country.²⁶⁴

In 1908, members of the Auckland Stock Exchange considered that too many companies were being floated, and that it would be better to concentrate on a few good properties. 'The market was simply being ruined with so many shares placed upon it', and the public must appreciate that members of the exchange 'took no responsibility whatever as to the prospects' of these companies.²⁶⁵ These problems continued, and the following year the chairman noted another mining boom with 'the usual crop of new or resuscitated mining ventures'. Too many companies meant that 'the limited capital available for mine development' was scattered 'over

²⁶¹ 'Boomerang', 'Stock Exchange Notes', *Observer*, 4 October 1890, p. 6.

²⁶² 'Boomerang', 'Stock Exchange Notes', *Observer*, 18 October 1890, p. 15.

²⁶³ 'Obadiah', 'Shares and Mining', *Observer*, 20 May 1891, p. 15.

²⁶⁴ *Thames Advertiser*, 11 May 1891, p. 2.

²⁶⁵ *Auckland Weekly News*, 5 November 1908, p. 50.

too wide an area with the result that few, if any, of our local ventures got a thorough and systematic testing'.²⁶⁶

INADEQUATE WORKING CAPITAL

One financial journal noted that normally 'about one-half of the nominal capital of a company may be taken as representing vendors' shares, and a considerable slice of the remaining half sometimes finds its way into the pockets of the vendors as well; the balance may represent the working capital put into the venture'.²⁶⁷ Welton insisted that for a mine 'with an abundance of ore of low grade the nominal capital must be large, and the proportion of working capital to the price paid for the property also large, to provide for the cost of extensive plant and allow of the necessary development of the mining works'.²⁶⁸ Working capital 'should rather be ample than the reverse, to cover contingencies, and to prevent disappointment to the shareholders, as a balance in hand' after a plant was erected was 'more satisfactory than having to raise fresh capital'.²⁶⁹ He blamed 'the large number of reconstructions of Australian companies, and the failure of many of these', on 'hundreds' of companies being formed without having any concept of the amount of working capital required.²⁷⁰

In 1880, the *Thames Star* was 'glad to notice' that recently 'an entirely new principle' had been adopted when floating companies:

We refer to the relegation of a considerable portion of the money derived from the promoters' shares to the credit of the company wherewith to start operations. Hitherto the programme has too often been: A piece of ground is pegged off, shares in it sold, the money finding its way solely into the pockets of the promoters; and no work being done from the dislike of people to pay calls to try virgin ground, in a few months time the once vaunted G. M. Co's property appears in the Warden's list of forfeited holdings.²⁷¹

²⁶⁶ *Auckland Weekly News*, 16 December 1909, p. 32.

²⁶⁷ Editorial, *Mercantile and Bankruptcy Gazette of New Zealand*, 21 January 1897, p. 34.

²⁶⁸ Welton, p. 48.

²⁶⁹ Welton, p. 51.

²⁷⁰ Welton, p. 55.

²⁷¹ *Thames Star*, 26 June 1880, p. 2.

All the case studies of companies, whether local and foreign, formed in the Te Aroha Mining District reveal that none had adequate working capital. By early 1884, when 30 companies owned ground at Waiorongomai, although their combined nominal capital totalled £632,000, only £20,366 had been paid up.²⁷² A year later, when the number had fallen to 17, their capital was £345,000, of which £14,000 was paid up.²⁷³ As another example of being under-resourced, the Canadian Company, formed in 1882, had a nominal capital of £20,000, but by 1887 the paid up capital, which included promoters' shares, was only £1,892. Calls produced £892, and as the total value of ore extracted was only £916, no dividends had been paid.²⁷⁴ The following year, all its assets were sold to the Battery Company for £707 11s.²⁷⁵ After his first year managing the Alphabet Company, John Goldsworthy, an experienced manager,²⁷⁶ was praised for having 'certainly displayed a considerable amount of tact and mining experience in the able manner in which he has opened up the ground, considering the small amount of money that has been spent'.²⁷⁷ That paucity of funds was typical of small mines throughout the peninsula had been earlier illustrated when his brother William,²⁷⁸ later to manage mines at Waiorongomai,²⁷⁹ was praised in 1876 for having 'done a great deal of work for very little money' as manager of the Welcome mine at Waitekauri. He had 'done well for the shareholders'.²⁸⁰

Companies with a combination of low-grade ore and inadequate financial resources quickly had to abandon their ground. For instance, the Canterbury Company, formed in November 1883 to work ground near the proposed New Era battery,²⁸¹ had a nominal capital of £15,000 in 30,000 shares, of which 22,500 were subscribed. Of the latter, 7,500 were held by

²⁷² *AJHR*, 1884, H-9, p. 56.

²⁷³ *AJHR*, 1885, C-2, Appendix, p. 65.

²⁷⁴ *Handbook of New Zealand Mines*, pp. 331, 341.

²⁷⁵ Te Aroha Warden's Court, Assignment to Battery Company dated 4 January 1888, Certified Instruments 1888, BBAV 11581/9a, ANZ-A.

²⁷⁶ See paper on the Goldsworthy brothers.

²⁷⁷ *Te Aroha News*, 15 September 1883, p. 2.

²⁷⁸ See paper on the Goldsworthy brothers.

²⁷⁹ *Te Aroha News*, 20 October 1883, p. 2, 28 June 1884, p. 2.

²⁸⁰ *Thames Advertiser*, 21 November 1896, p. 3.

²⁸¹ For position of its ground, see H.G. Graeme, Plan of Waiorongomai Goldfield (1884), Hamilton Public Library.

the company.²⁸² Less than two months later, one of its miners sued for £9, which, when unpaid, resulting in a distress warrant being issued for what, with legal expenses, had become £10 6s. The bailiff discovered that the company had no assets to pay this small debt.²⁸³ To obtain his money, in October 1884 the miner successfully applied for an order winding up the company so that its assets could be liquidated.²⁸⁴

Commenting on Hauraki in general, 'Obadiah' wrote in 1897 that, during the recent boom, many properties floated with a working capital of '£800 or £1000 - or less - have spent their capital without getting anything like payable results'. Now realizing 'only too well how useless small capital' was, companies were being wound up for lack of funds.²⁸⁵ As a typical example of the amount of capital allocated for mining during the 1890s, when the shareholders of the All Nations Licensed Holding, at Stoney Creek, decided in 1895 to form a company, the number of shares was fixed at 50,000 of 5s each. A third were allotted to the promoters as paid up to 2s and the remainder was offered to the public for 3d on application and 3d on allotment, calls not to exceed 3d per month. The *Te Aroha News* considered 'one good feature' was that 'the whole of the capital' would be 'expended in developing the mine'.²⁸⁶ As almost all the capital was subscribed immediately, £4,000 was allocated for prospecting 100 acres that included the main claims occupied in the 1880 rush.²⁸⁷ As the real reason for forming companies at this time was to sell them to overseas interests, after only a month's work and spending between £150 and £200 the property was under offer in England.²⁸⁸ Whilst awaiting the outcome, only £500 was spent in development.²⁸⁹

This ground was sold to English investors in the following year. Out of a capital of £120,000, the new company would spend £20,000 developing the

²⁸² *New Zealand Gazette*, 29 November 1883, p. 1703.

²⁸³ Te Aroha Magistrate's Court, Civil Record Book 1881-1884, 202/1884, BCDG 11221/1a; Home Warrant Book 1883-1928, 12/1884, BBAV 11498/1a, ANZ-A.

²⁸⁴ District Court, *Thames Star*, 7 October 1884, p. 3, 4 November 1884, p. 2; *Te Aroha News*, 20 December 1884, p. 7.

²⁸⁵ 'Obadiah', 'Shares and Mining', *Observer*, 25 September 1897, p. 9.

²⁸⁶ *Te Aroha News*, 3 July 1895, p. 2.

²⁸⁷ *Te Aroha News*, 24 July 1895, p. 2, 24 August 1895 p. 2; *Auckland Weekly News*, 12 September 1896, p. 36.

²⁸⁸ *Te Aroha News*, 28 September 1895, p. 2.

²⁸⁹ Te Aroha Warden's Court, Mining Applications 1896, 4/1896, BBAV 11582/4a, ANZ-A.

mine. The local owners received £1,750 in cash and 35,000 paid up shares, the English vendors receiving the largest portion of profit.²⁹⁰ Protection was granted while arrangements were finalized and machinery arrived from America for a battery and reduction works, the mine being idle during the negotiations.²⁹¹ An engineer arrived from San Francisco with the machinery in November,²⁹² but the company failed to make a success of its purchase. According to the recollections of one man who mined nearby, ‘though thousands of pounds was spent on the plant the man put in charge wouldn’t do nothing but draw his salary’.²⁹³ Whatever the defects of the battery manager and the small sum spent opening up the mine, the inadequacy of the ore was even more pertinent.

Many small local companies had difficulty in raising capital, as in the case of the Te Aroha Quartz Crushing Company, floated in 1881,²⁹⁴ or were under-capitalized. In the opinion of the Vice-President of the Mining Institute of Scotland, Henry Cadell, the decline in Hauraki mining by 1890 was partly caused by most mines being ‘in the hands of local people of little means and small intelligence’. This unkind comment was a reference to the owners not developing mines properly but instead spending any proceeds on dividends.²⁹⁵ This charge could not be levied against most Waiorongomai miners, for dividends were only issued in the early days of the New Find and Colonist companies and to members of the Loyalty and Palace syndicate during its few years of success.²⁹⁶

Cadell considered that, because small companies, ‘without adequate working capital’, had ‘proved quite incapable’ of developing mines adequately, outside capital was required, along with larger areas of

²⁹⁰ Te Aroha Warden’s Court, Mining Applications 1895-1896, 73/1895, 4, 98, 142/1896, BBAV 11582/4a, ANZ-A; *Ohinemuri Gazette*, 3 June 1896, p. 2; *Thames Advertiser*, 11 June 1896, p. 3.

²⁹¹ *Thames Advertiser*, 15 August 1896, p. 3; *Auckland Weekly News*, 12 September 1896, p. 20.

²⁹² *Auckland Weekly News*, 7 November 1896, p. 19.

²⁹³ Frederick William Wild, during conference on mining at Te Aroha, *Te Aroha News*, 12 October 1932, p. 5.

²⁹⁴ See paper on the Te Aroha battery.

²⁹⁵ Henry M. Cadell, *Gold-Mining in the Hauraki District, New Zealand: A paper read before the Mining Institute of Scotland, 7 December 1895* (London, 1896), p. 11.

²⁹⁶ See papers on the New Find mine and overviews of Te Aroha mining to the turn of the twentieth century.

ground.²⁹⁷ ‘Obadiah’ agreed, writing in 1891 that no longer could ‘the Auckland investing public ... successfully stagger under so many small companies’.²⁹⁸ In 1902, an English observer of goldmining throughout the world warned against taking shares in a company with insufficient working capital: ‘The smallest amount of working capital asked for ought to be £30,000 in the case of a speculative venture, and £50,000 if anything specific or definite is undertaken, such as sinking a deep level shaft, or driving a tunnel to locate the continuation of any reef’. Very few mines could be ‘developed and equipped on a sound scale’ even by the larger amount. Potential investors should ‘find out how much of the working capital stipulated for has actually been subscribed’.²⁹⁹ Another mining commentator, reflecting on 25 years’ involvement in the industry, warned that when reading a prospectus ‘a most important point to see’ was whether the capital was sufficient: ‘not the NOMINAL, but the WORKING CAPITAL’. The latter was ‘insufficient in nine cases out of a dozen, bringing companies to an end or reconstruction before their properties have been put into fair working order’.³⁰⁰

In 1893, Henry Andrew Gordon, the Inspecting Engineer of the Mines Department, noted that

The introduction of mining companies with large nominal capitals, very little of which was ever called up, has not been a real benefit to the mining industry. These companies have purchased the ground on which the individual miner used to spend his all upon; and in cases where a venture turns out well the dividends are, in many instances, expended in other channels than mining. The price of shares is run up, and the miner, in order to have an interest in the company, pays far more than the intrinsic value of the share. In many instances he also loses the small amount of capital of which he is possessed.³⁰¹

UNDER-CAPITALIZED COMPANIES: THE CADMAN

²⁹⁷ Cadell, pp. 27-28.

²⁹⁸ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 15 August 1891, p. 15.

²⁹⁹ Curle, p. 343.

³⁰⁰ Edward Ashmead, *Twenty-Five Years of Mining, 1880-1904: A retrospective review* (London, 1909), p. 150.

³⁰¹ H.A. Gordon to Minister of Mines, 8 June 1893, *AJHR*, 1893, C-3, pp. 265-266.

Late in January 1905, shareholders in the Cadman and Sceptre claims at Waiorongomai decided to combine these into a company with a capital of £12,500, in 100,000 shares of 2s 6d each.³⁰² In April, the Cadman Company bought the Cadman and Sceptre special claims for £455 7s, an amount 'satisfied as to' £325 by the nine vendors receiving 6,500 shares paid up to 1s per share and the balance by the allotment of 16,250 shares paid up to 1 5/7d.³⁰³ Seven vendors plus six new shareholders received 18,250 shares paid up to 1 5/7d; the agent and legal manager who arranged the purchase each received 1,000.³⁰⁴ The vendors comprised six Aucklanders (a brewer, a solicitor, a tailor, a builder, an agent, and a 'gentleman'), two local miners, and a Stratford hotelkeeper. The other shareholders lived at Te Aroha and Auckland, and were a solicitor, a carpenter, a Catholic priest, a storeman, a farmer, and an accountant who was also the company secretary.

Shares were 2s 6d each, initial payment being 1 5/7d, and the nominal capital of 100,000 shares theoretically provided £25,500. The prospectus, after stating that the ore 'would run about 10dwt per ton', declared that the vendors had 'sufficient confidence in the property to consider that its future increased value, due to the proposed development expenditure', would 'repay them for the loss of so large an interest'.³⁰⁵ On 29 May, the annual report announced that, including those issued partly paid up to the vendors, 74,800 shares had been allotted, providing £357 10s. After various costs had been deducted, the largest being wages (£59 15s), £200 1s remained in hand.³⁰⁶ Less than three months later, the company applied to work the Cadman Special Quartz Claim of 30 acres for six months with two men instead of the required ten, and for a similar period for the remainder of its ground, pending the acquisition of more capital. These applications were

³⁰² *Auckland Weekly News*, 2 February 1905, p. 25.

³⁰³ Te Aroha Warden's Court, Mining Registrations 1905, 819/1905, BCDG 11288/2a; Return of Allotment of Shares in the Cadman Gold Mining Company, 5 July 1905, Company Files, BADZ 5181, box 132 no. 849, ANZ-A.

³⁰⁴ Return of Allotment of Shares by the Cadman Gold Mining Company, 5 July 1905, Company Files, BADZ 5181, box 132 no. 849, ANZ-A.

³⁰⁵ Prospectus of Cadman Gold Mining Company, Company Files, BADZ 5181, box 132 no. 849, ANZ-A.

³⁰⁶ Report of Cadman Gold Mining Company, 29 May 1905, Company Files, BADZ 5181, box 132 no. 849, ANZ-A.

then withdrawn, and work ceased, 'for want of funds'.³⁰⁷ In December, the secretary reported that, as it had 'no funds to pay rent due on the 1st January 1906', it could not 'man the properties as required by law'.³⁰⁸ The following month, Thomas Gavin,³⁰⁹ one of the original vendors, successfully applied for the abandoned ground.³¹⁰

UNDER-CAPITALISED COMPANIES: THE SEDDON

Adjoining the Cadman Company's ground was that of the Seddon Company, registered in August 1909.³¹¹ When negotiations were underway to float this, 'sufficient working capital', £50,000, was sought. 'A well known Auckland gentleman, with considerable influence in financial circles', was to go to England to raise capital.³¹² No more was heard about this man and his mission, and, when registered two months later, the company's capital was only £10,000, in 100,000 2s shares: £9,625-worth had been allotted.³¹³ In July 1909, it had received permission to work with four men for six months, and later applied for another six months' protection. By October 1910, £700 had been spent prospecting and crosscutting. The managing director informed the warden that there was a 'little gold in several of the big reefs' but was 'not sure' any was payable until the ore was tested. 'Company has spent its capital. No money to go on with until we make a call'.³¹⁴ Investors were not interested: during 1910, buyers either made no offers or offered only 1d a share, half what sellers wanted. Only briefly in

³⁰⁷ Te Aroha Warden's Court, Mining Applications 1905, 31, 32/1905, BBAV 11289/18a; H.J. Lee to Assistant Registrar, Joint-stock Companies, 6 June 1906, Company Files, BADZ 5181, box 132 no. 849, ANZ-A.

³⁰⁸ H.J. Lee to Receiver of Goldfields Revenue, Te Aroha, 21 December 1905, Te Aroha Warden's Court, Mining Applications 1906, 2/1906, BBAV 11289/18a, ANZ-A.

³⁰⁹ See paper on his life.

³¹⁰ Te Aroha Warden's Court, Mining Applications, 2, 3/1906, BBAV 11289/18a, ANZ-A.

³¹¹ *AJHR*, 1910, C-3, p. 74.

³¹² Warden's Court, *Te Aroha News*, 29 July 1909, p. 2.

³¹³ Company Files, BADZ 5181, box 244 no. 1431, ANZ-A.

³¹⁴ Te Aroha Warden's Court, Mining Applications 1910, 89/1910, BBAV 11289/20a, ANZ-A.

July were buyers willing to offer 1 1/2d, and by the end of August trading had ceased.³¹⁵

The yearly reports starkly revealed its struggles. To the end of 1909, £875 of the capital had been paid up and £432 spent;³¹⁶ to the end of 1910, £882 had been spent but the amount paid up remained £875, equal to the call of 3d per share,³¹⁷ and by the end of 1911, £1,237 had been spent, £1,257 had been paid up, and arrears of calls totalled £34.³¹⁸ After the first treatment had revealed the value of the ore to be disappointing, all miners were dismissed at the end of 1911 and protection obtained until there was 'a reasonable prospect' of successful treatment.³¹⁹ During its last year of operation 1912, little work was done, protection being granted once more.³²⁰ £1,258 had been paid up, £1 more than the previous year, and arrears of calls was £34; £1,278 had been spent, and debts of £18 were owed, which meant that it had been working at a loss. There had been no income from selling bullion.³²¹ The profit and loss account to 31 August 1910 also revealed that the £142 14s 2d cost of brokerage combined with the working expenses of the Auckland office, £223 16s 8d, were nearly as great as the working expenses of the mine, £411 10s 3d.³²² Despite the financially straightened state of the company, only two calls were made: one of 3d, and the other, at the lowest possible rate of a farthing, in May 1913.³²³

OVER-CAPITALIZED COMPANIES

³¹⁵ *Auckland Weekly News*, 20 January 1910, p. 37, 27 January 1910, p. 37, 7 April 1910, p. 37, 5 May 1910, p. 37, 14 July 1910, p. 37, 21 July 1910, p. 37, 4 August 1910, p. 37, 11 August 1910, p. 37, 18 August 1910, p. 37, 25 August 1910, p. 37.

³¹⁶ *AJHR*, 1910, C-3, p. 74.

³¹⁷ *AJHR*, 1911, C-3, p. 70.

³¹⁸ *AJHR*, 1912, C-3, p. 85.

³¹⁹ Seddon Gold Mining Company, Directors' Report, 8 April 1912, Company Files, BADZ 5181, box 244 no. 1431, ANZ-A.

³²⁰ Seddon Gold Mining Company, Directors' Report, 22 October 1912, Company Files, BADZ 5181, box 244 no. 1431, ANZ-A.

³²¹ *AJHR*, 1913, C-2, p. 65.

³²² 'Statement of Affairs of the Seddon Gold Mining Company, Limited, to August 31st, 1910', Company Files, BADZ 5181, box 244 no. 1431, ANZ-A.

³²³ *AJHR*, 1910, C-3, p. 74; *Observer*, 17 May 1913, p. 20.

Large nominal capital meant that over-capitalized mines were almost certainly doomed to failure, as explained in 1897:

If on a capital of £30,000, £20,000 is for working purposes, a return may be looked for in most cases, because it is easy, after a certain amount of progress has been made, and the ground has been opened up, and its capabilities have been shown, to raise additional capital for machinery or any other purpose. But when £250,000 of capital has been heaped upon it at the start, while only £20,000 has been spent in working, it is impossible to do anything further, and the whole enterprise breaks down by sheer weight of dead capital.³²⁴

Welton commented that, 'owing to the magnitude of the nominal capital' in many companies, it was frequently 'impossible to pay a sufficient rate of dividend to make the shares of any value'.³²⁵ The *Thames Advertiser* agreed that over-capitalization was 'a curse', and had recently 'retarded the development of the industry most markedly in Western Australia'. It cited the views of the *Otago Daily Times* about the flotation of a London company to work an Otago property:

The vendors asked the British investor to give them £100,000 for a property for which only £5000 was given a few months before, and on which no work had been done in the interval, and they expect the public to believe that interest on the overwhelming capital of £150,000 can be provided by a working capital of £50,000.³²⁶

The first issue of the *New Zealand Mines Record* cited this editorial and its explanation that 'to return interest at even 6 per cent on this nominal capital' would require 'earning 18 per cent', an 'outrageous demand' on the ore. The *Mines Record* was aware of 'many instances of a similar kind, which have proved a great detriment to the mining industry'.³²⁷

A London correspondent for the *New Zealand Mining Standard* was 'given to understand that New Zealanders have in many cases made grave errors in placing big prices upon their properties and demanding heavy capitalisation', and cited a Coromandel syndicate demanding £175,000 to

³²⁴ Editorial, *Auckland Weekly News*, 10 April 1897, p. 17.

³²⁵ Welton, pp. 48, 76.

³²⁶ Editorial, *Thames Advertiser*, 15 June 1897, p. 2.

³²⁷ *New Zealand Mines Record*, 16 August 1897, pp. 24-25.

provide a working capital of £20,000.³²⁸ James McGowan, who was to become Minister of Mines in 1900, two years previously told the Auckland Chamber of Mines that it was not uncommon for mines to be floated in London with a capital of £200,000, 'returning to the district supposed to produce profits on the whole of that sum something ranging from £25,000 down to £12,000'. Because of this, 'they need hardly expect companies to pay very large interests on the subscribed capital. No other industry that could be named had such a load to carry'. One of his listeners responded that this overloading was 'far below the average in any other part of the world', and that the problem 'cured itself. In a time like this if a mine was over-capitalised it was sure to go to the wall'.³²⁹ An English mining reporter, writing in 1897, who opposed over-capitalised companies, considered that a capital of £50,000, 'with half set aside for working capital, might pay'.³³⁰ At Thames, the mines operated by 'small local companies, economically handled ... paid their way, and occasionally, when they came upon a rich patch, a dividend. But now that so many of the more hopeful have been taken over by English syndicates with huge capitals, I cannot see how they will ever succeed'.³³¹ In 1935 the Under-Secretary of Mines considered that 'excessive vendor consideration resulting in over-capitalisation and often at the same time an inadequacy of working capital' was 'probably the worst evil in the New Zealand mining industry outside of definite dishonesty'.³³²

As mining property was 'practically valueless' until working capital was spent in its development, it was 'generally overvalued for purposes of flotation'.³³³ Over-capitalisation combined with inadequate working capital often forced companies with a good mine into liquidation. Thereupon, the vendors, who had 'stood on velvet with promoters' shares or money received as vendors, snap up the whole concern for a mere song, thus reaping the benefit of the development done with the subscribed capital'.³³⁴

³²⁸ 'Dust', 'Our English Letter', *Mining Standard*, 27 February 1897, p. 10.

³²⁹ *Auckland Weekly News*, 19 March 1898, p. 14.

³³⁰ *Financial Times*, 3 September 1897, reprinted in *Thames Advertiser*, 11 October 1897, p. 4, and Radclyffe, p. 141.

³³¹ *Financial Times*, 3 September 1897, reprinted in *Thames Advertiser*, 11 October 1897, p. 4, and Radclyffe, p. 142.

³³² Under-Secretary, Mines Department, to J.S. Barton, 23 May 1935, Mines Department, MD 1, 12/1/11, ANZ-W.

³³³ Robert McIntosh, first essay in *Three Prize Essays*, p. 135.

³³⁴ McIntosh, pp. 135-136.

COSTLY BATTERIES

Under-capitalized companies lived from hand to mouth, hoping to obtain good ore quickly to meet development costs that sometimes included erecting a treatment plant to avoid paying high charges to battery owners. Mining engineers noted the haste to erect plants needed to obtain returns meant that often a large amount of capital was wasted once it was discovered that the ore was worthless, and preferred capital to be spent on the mine, using profits made from selling ore to erect a plant.³³⁵ Developing the ore body and determining its value was the first priority, 'as until this work has advanced to a considerable extent' it was not 'prudent to erect expensive machinery and buildings for treating the ore'.³³⁶ The cost of working the mine and battery did 'not appear to occupy the minds of shareholders or directors of companies so much as the possibilities of improved machinery and processes whereby a greater percentage of extraction may be obtained; in other words, the practical is not infrequently neglected for the theoretical'.³³⁷

Waiorongomai's Arizona Company, which did not last long because of the paucity of good ore but which, typically, commenced with high hopes, planned to erect a battery, and retained half its shares for sale to meet the cost.³³⁸ One was not constructed, and instead all companies used Firth and Clark's battery.³³⁹ The agreement to construct this required the Premier Company to transfer 2,000 paid up shares to the Battery Company, the New Find a 2,000, and the English Army 2,500, in return for 'a prior right of ten heads each, and at a moderate cost of ten shillings per ton'. This arrangement was expected to meet much of the cost of erection, and although the terms were considered rather severe, the alternative was no plant.³⁴⁰

Sometimes small companies erected batteries to obtain cheaper treatment. For instance, the Ferguson Smelting Company, which planned

³³⁵ Welton, pp. 48-49.

³³⁶ Welton, p. 51.

³³⁷ Welton, p. 58.

³³⁸ *Thames Advertiser*, 11 December 1883, p. 3.

³³⁹ See paper on the Battery Company, formed to operate the Firth and Clark battery at Waiorongomai.

³⁴⁰ *Thames Advertiser*, 17 April 1882, p. 2; *Waikato Times*, 18 April 1882, p. 2.

to use Tui ore in their works at Waiomu, in 1909 ‘exhausted their capital in the erection of their plant’ and was ‘without funds to carry on operations’.³⁴¹ Larger companies wasted their more substantial capital by spending too much on batteries and too little on mines, a universal phenomenon. Curle warned against ‘the premature erection of a battery and other needless machinery’.³⁴²

Concerning Hauraki mining generally, Warden Northcroft in 1898 criticised foreign investors for failing to develop their mines adequately before building expensive and unnecessary plant. Once capital was ‘absorbed in building tramways and batteries’, shareholders refused ‘to advance any more money on such an apparently barren venture’, and the plant was sold for ‘a song’.³⁴³ Before the 1890s boom, which saw many batteries erected, McCombie argued that ‘fully fifty per cent’ of expenditure on mining was ‘wasted, partly through ignorance and want of organisation, but chiefly because none of the persons interested will take a common sense view of the industry’ instead seeing it as a way to make through the share trading. This attitude was typified by inadequate mine development and erecting often unsuitable ‘milling machinery on the most elaborate and costly scale’.

By the time the plant is in complete working order there is no capital available to open up the mine, and as the ore will not of its own accord leave the bowels of Mother Earth and run into the mill hoppers, the whole thing is pronounced a “duffer,” and liquidation ensues. Briefly, this is the history of a whole legion of mining ventures throughout the colony wherever I have been, and from time to time I have visited nearly every known mining centre.³⁴⁴

For instance, the Te Aroha Silver and Gold Mining Company³⁴⁵ erected a large plant before confirming the extent and quality of the ore. Such companies spent ‘the whole of the available capital on the erection of

³⁴¹ Warden to Under-Secretary, Mines Department, 20 August 1909, Thames Warden’s Court, Warden’s Letterbook 1905-1909, folio 744, BACL 14458/3a, ANZ-A.

³⁴² Curle, p. 345.

³⁴³ H.W. Northcroft to Under-Secretary, Mines Department, 4 May 1889, *AJHR*, 1889, C-2, pp. 92-93.

³⁴⁴ ‘Aboriginal’, ‘Karangahake Notes’, *Thames Advertiser*, 23 March 1891, p. 2.

³⁴⁵ See paper on this company.

elaborate machinery' and started 'to look for ore with an empty exchequer afterwards'.³⁴⁶ He again referred to this waste of capital in 1902:

Scattered broadcast over our goldfields to-day are innumerable monuments of the ignorance and recklessness of the men who controlled a number of our mining propositions. These monuments take the shape of batteries, shaft equipment, and all round mining operations, costing in the aggregate hundreds of thousands of pounds sterling.

Whilst some capital had been spent in 'a spirit of sheer cussedness', some was spent because of 'the grasping greed of directors and shareholders' and their 'inordinate desire to accumulate filthy lucre':

Trusting to scrip market fluctuations to see them out on the right side of the ledger, they embark their capital in all sorts of wild schemes. By way of illustration: We will suppose the Wheel of Fortune G. M. Co. has just located upon an auriferous section of country and that the surface indications are favorable. The next form of procedure, in order to get a market value on the shares, is for the owners to ignore the want of development on the mine, and to devote all their capital and energy to the erection of milling machinery on the most costly and elaborate scale; utterly regardless of its suitability or otherwise for their requirements. When the plant is ready for work there is no capital available to open up the mine.³⁴⁷

Near the end of his life, McCombie again condemned the 'mining monuments' littering New Zealand that were still being erected because all the capital went into the plant and not the mine.³⁴⁸ In 1935, the Under-Secretary of Mines wrote that directors preferred to spend capital not on 'proper prospecting' but on 'purchasing plant and erecting structures which can be seen by the shareholders as tangible evidence that they are getting a run for their money', thereby exhausting the working capital.³⁴⁹ Thirteen years later, a Mines Department engineer regretted that 'money spent in trying to solve treatment problems and obtain finance from London' had not

³⁴⁶ 'Aboriginal', 'General Notes', *Thames Advertiser*, 8 May 1891, p. 2.

³⁴⁷ 'Aboriginal', 'A Review', *Thames Star*, 21 August 1902, p. 3.

³⁴⁸ John McCombie, 'Mining Monuments', *Observer*, 22 April 1922, p. 20.

³⁴⁹ Under-Secretary, Mines Department, to J.S. Barton, 23 May 1935, Mines Department, MD 1, 12/1/11, ANZ-W.

been spent 'on prospecting and developing', which would have provided 'some worthwhile information' about the lodes.³⁵⁰

Some suspected ulterior motives in the way capital was spent. For instance, a manager of copper mining companies at Great Barrier Island in the 1860s later wrote that one company's inadequate capital was

to a very great extent absorbed in the original purchase of the land ... and in the cost of too elaborate and expensive sawmill and mining plants, which had been sent out from England. So much was this the case that I have sometimes wondered whether the promoters of similar Companies are not often interested in the sale of such machinery and plant. I suspect it was so in the cases of the Companies I represented.³⁵¹

ONLY SMALL PERCENTAGE OF NOMINAL CAPITAL PAID UP

A typical company made as few demands upon its shareholders as possible. Only small amounts were paid upon application and allotment, and shareholders were assured that calls would be kept to a minimum. For instance, at Te Aroha, as noted the All Nations Company required payment of 3d on application and 3d on allotment, potential investors being assured that calls would not exceed 3d per month.³⁵² The meeting that formed a company to work the Te Aroha No. 2 South claim in December 1880 agreed that no single call was to exceed 6d per share.³⁵³ When a Te Aroha Prospecting Association was formed in 1887, shareholders paid 1d on application, 2d upon allotment, and the 'balance if required, by calls not to exceed one penny per share per month'.³⁵⁴

Another example was the Premier Company, registered in March 1882 with a capital of £20,000, in £1 shares.³⁵⁵ Although 19 months later only 9d per share had been paid up, such was the 'rich appearance' of the ore

³⁵⁰ R.F. Landreth to Under-Secretary, Mines Department, 21 October 1948, Mines Department, MD 1, 10/27/124, ANZ-W.

³⁵¹ Albert James Allom, 'A Rough Outline for the Autobiography of one of the Early Pioneers of New Zealand, 1841-1889' [written 1890], pp. 9, 10, MSS 6, Library of the Auckland Institute and War Memorial Museum.

³⁵² *Te Aroha News*, 3 July 1895, p. 2.

³⁵³ *Thames Advertiser*, 13 December 1880, p. 2.

³⁵⁴ *Te Aroha News*, 17 December 1887, p. 2.

³⁵⁵ *New Zealand Gazette*, 23 March 1882, p. 490.

awaiting treatment when the battery started and the ‘very favourable result’ anticipated that they were worth 15s.³⁵⁶ A month later, a Te Aroha correspondent asked ‘Who has not heard of the Premier, in which shares are held in every, and the remotest parts of New Zealand? Only this afternoon enquiries reached us by wire from shareholders in Christchurch in reference to the prospects of the claim’. He noted that, ‘after a struggling existence of two years, during which time the shareholders have only been called upon to pay 9d per 20s scrip, the claim stands to-day almost free from any liabilities’.³⁵⁷ The directors had to report in May 1884 that the results of the crushings were such that mining ‘so far has not been attended with any approach to that success which was so generally anticipated’. Receipts for the year were £2,315 11s 11d, expenditure was £2,275 12s, and assets, exclusive of the uncalled capital, were in excess of the liabilities by only £49 0s 10d.³⁵⁸ In October 1885, a special meeting was held to consider whether to go into liquidation or to make calls to meet liabilities of about £250 and resume working. It was unanimously agreed to make the calls.³⁵⁹ Only one call had been made earlier, of 3d per share in March 1884;³⁶⁰ the one after the 1885 meeting was for 6d.³⁶¹ As this was insufficient to meet expenses and to overcome the lack of rich ore, in 1886 tenders were invited to purchase the property.³⁶² After none were received, a private sale was made to an Auckland engineer, George Fraser,³⁶³ who paid a mere £150, and the company was wound up.³⁶⁴ During its existence only £3,260 had been paid up, a sum that included promoters’ shares, and £1,260 had been received from calls.³⁶⁵

When shares were first allotted, it was normal practice to retain a large parcel in trust for the company, to be sold as needed to finance development. For instance, when shareholders in the Te Aroha No. 2 South

³⁵⁶ Own Correspondent, ‘From Christchurch to Te Aroha’, *Lyttleton Times*, 24 October 1883, p. 5.

³⁵⁷ Te Aroha Correspondent, *New Zealand Herald*, 27 November 1883, p. 6.

³⁵⁸ *Auckland Weekly News*, 3 May 1884, p. 13.

³⁵⁹ *Auckland Weekly News*, 10 October 1885, p. 13.

³⁶⁰ *Te Aroha News*, 29 March 1884, p. 7.

³⁶¹ *Te Aroha News*, 24 October 1885, p. 7.

³⁶² *Te Aroha News*, 10 April 1886, p. 2.

³⁶³ See papers on Peter Ferguson and his New Era, and the Waitoa Find.

³⁶⁴ *Te Aroha News*, 1 May 1886, p. 2, 15 May 1886, p. 7, 22 May 1886, p. 2.

³⁶⁵ *Handbook of New Zealand Mines* (Wellington, 1887), p. 331.

claim agreed to form a company, they decided that, of its 8,000 shares, 3,000 would be retained for issuing later.³⁶⁶ All companies gazetted during 1882 had shares held in trust. Seven of the 20 had a quarter of their shares held in this way,³⁶⁷ three had a fifth,³⁶⁸ one had 6,000 of the usual 20,000 issued,³⁶⁹ and others had varying but lesser amounts.³⁷⁰ The Last Find Company, formed in September 1883, allotted 9,000 of its 15,000 shares to shareholders; half the remainder were retained by the company, the other half being sold immediately.³⁷¹ This sale made it unnecessary during its brief life to make any calls.³⁷² The Chance Company, registered in the same month, reserved 5,000 of its 20,000 and sold 3,000 of these immediately for 2s each, the £300 thus gained being spent working the ground.³⁷³ Eight months later, the remaining shares were offered to shareholders.³⁷⁴ As this raised insufficient capital, two months later the first call, of 1d, was made.³⁷⁵ The fact that in the following month the company was ordered to pay £15 arrears in rent indicated either that it could not sell a sufficient number of shares or that its shareholders were reluctant to pay calls.³⁷⁶ Early in 1885, it forfeited its claim.³⁷⁷

³⁶⁶ *Thames Star*, 13 December 1880, p. 2.

³⁶⁷ *New Zealand Gazette*, 23 March 1882, pp. 490-491, 18 May 1882, p. 728, 13 July 1882, p. 961, 2 November 1882, pp. 1616-1617, 16 November 1882, p. 1733, 14 December 1882, p. 1884.

³⁶⁸ *New Zealand Gazette*, 23 March 1882, pp. 489-490, 1 June 1882, pp. 799-800, 2 November 1882, p. 1616.

³⁶⁹ *New Zealand Gazette*, 17 August 1882, p. 1132.

³⁷⁰ *New Zealand Gazette*, 27 April 1882, pp. 646-647, 22 June 1882, p. 895, 10 August 1882, p. 1101, 17 August 1882, pp. 1131-1132, 14 September 1882, p. 1264, 19 October 1882, pp. 1521-1522, 14 December 1882, p. 1885.

³⁷¹ *Auckland Weekly News*, 15 September 1883, p. 20, 24 September 1883, p. 20.

³⁷² R.M. Scott to George Wilson, 3 April 1884, Te Aroha Warden's Court, Mining Applications 1884, 5/1884, BBAV 11591/1a, ANZ-A.

³⁷³ *New Zealand Gazette*, 6 September 1883, p. 1266; *Auckland Weekly News*, 8 September 1883, p. 9.

³⁷⁴ *Te Aroha News*, 31 May 1884, p. 7.

³⁷⁵ *Te Aroha News*, 2 August 1884, p. 7.

³⁷⁶ Te Aroha Warden's Court, Complaint Book 1880-1898, 60/1884, BBAV 11547/1a, ANZ-A.

³⁷⁷ Te Aroha Warden's Court, Letterbook 1883-1900, p. 62 (25 February 1885), BBAV 11534/1a, ANZ-A.

At the end of March 1885, there were 17 companies registered at Waiorongomai, with a nominal capital of £345,000, but of this amount only £14,000 had been paid up.³⁷⁸

CALLS

To turn to a company with better prospects, and most unusual amongst Waiorongomai companies in issuing a 6d dividend in 1884,³⁷⁹ the Colonist Company had the usual amount of nominal capital at that time, £20,000. By August 1888, although the capital subscribed was £19,912, the amount actually paid in cash was only £1,112 0s 3d. Calls of 1s 3d had been levied; as calls on 7,337 shares had not been paid, they were forfeited and sold for £127 2s 7d.³⁸⁰ Another 60 forfeited shares had been sold by late January the following year, producing another £8.³⁸¹ Such sales were normal, but only provided income if the mine was in favour with the public. Extracting calls from shareholders were always difficult whenever the mine appeared to be failing. In the case of this mine, at the start of 1885 the company announced that all work would be done on contract, 'wherever practicable',³⁸² in an attempt to cut costs. In February, the mine was closed because 'the continued drain upon the company's resources through excessive crushing charges' had 'so impoverished the exchequer' that there were no funds 'to carry on during a period of depression like the present'.³⁸³ Later that month, a bankrupt whose estate included 700 shares in this company, 'worth about £175', but these could not be sold because there was 'no market at present'.³⁸⁴ A call of 6d had to be made.³⁸⁵ The warden granted protection after being told that it was not

expedient to continue working the mine on the mere chance of getting sufficient gold to pay for labour, and that a call has been

³⁷⁸ F.J. Burgess, notes, n.d. [?31 March 1885], Te Aroha Warden's Court, General Correspondence 1885, BBAV 11584/2c, ANZ-A.

³⁷⁹ *Thames Directory for 1885* (Thames, 1885), p. 4.

³⁸⁰ *New Zealand Gazette*, 16 August 1888, p. 896.

³⁸¹ *New Zealand Gazette*, 24 January 1889, p. 81.

³⁸² *Te Aroha News*, 10 January 1885, p. 2.

³⁸³ Te Aroha Correspondent, *Waikato Times*, 3 February 1885, p. 2.

³⁸⁴ Advertisement, *Te Aroha News*, 21 February 1885, p. 7.

³⁸⁵ *Te Aroha News*, 21 February 1885, p. 7.

made, and until it is collected (which will probably be in not less than three months, the period for which protection is required) there would be no funds in hand to meet the cost of working.³⁸⁶

That shareholders were extremely reluctant to contribute more money to a company that appeared to be failing was shown when, on 1 August, a list of 27 shareholders was published along with the warning that, should they not pay their calls, their shares would be forfeited.³⁸⁷ In June, the mine was let for a period on tribute to the Battery Company, who would take out 300 trucks at a fixed rate, the balance after all charges was paid going to the company.³⁸⁸ This arrangement 'aroused considerable disgust amongst shareholders', but a correspondent argued that the arrangement was 'the very best course that could be adopted under the circumstances'. Shareholders were relieved 'of the responsibility of wages etc', and as the mine was 'heavily indebted' and shareholders were 'unwilling to pay the last call of sixpence per share, the directors were compelled to adopt some means to enable them to hold the ground' and 'relieve the mine of its financial liabilities'.³⁸⁹ Another correspondent argued that, as the terms made 'the interests of the shareholders altogether secondary to those of the Battery Company', it was 'not surprising that those persons who have held onto their shares, in the hope that they might ultimately become of some value, should object to their property thus loosely dealt with'.³⁹⁰

Because of the costs of extracting, transporting, and treating ore of low quality, it was considered that the mine might have to close,³⁹¹ and an extraordinary general meeting held in February 1887 agreed to its sale.³⁹² As it was not sold, in the following April another call, of 3d, was made.³⁹³ As that coincided with a discovery of better ore, there was

a demand for shares, many people during the week have been asked "have you any Colonists?," an interrogation that has not been put for a length of time before. Holders however, having

³⁸⁶ Te Aroha Correspondent, *Waikato Times*, 5 March 1885, p. 3.

³⁸⁷ Advertisement, *Te Aroha News*, 1 August 1885, p. 7.

³⁸⁸ *Thames Advertiser*, 11 June 1885, p. 2.

³⁸⁹ Te Aroha Correspondent, *Thames Advertiser*, 13 June 1885, p. 3.

³⁹⁰ Te Aroha Correspondent, *Waikato Times*, 13 June 1885, p. 3.

³⁹¹ *Te Aroha News*, 19 December 1885, p. 2, Piako County Council, 5 June 1886, p. 7.

³⁹² *Te Aroha News*, 6 February 1887, p. 2.

³⁹³ *Te Aroha News*, 28 April 1888, pp. 2, 7.

stuck to their scrip so far, did not appear to care to part with them, but prefer awaiting further developments.³⁹⁴

There continued to be interest in purchasing shares throughout 1888.³⁹⁵ There was less interest in paying calls, and one of 3d made in July was followed by the sale in December of 500 forfeited shares.³⁹⁶ Another call, of 1d, was made in the following April,³⁹⁷ and in May the annual general meeting was told that, whilst 'there had been a considerable improvement in the mine, and the prospects of the Company were very favourable', its finances were still very insecure. Receipts for the past 12 months had been £668 3s 2d, while expenditure had been £656 7s 11d. Assets, excluding 150 tons at grass awaiting treatment, amounted to £57 11s 8d, and liabilities were £44 7s 8d.³⁹⁸ Five months later, a call of 1 1/2d was made,³⁹⁹ the last time any report was published about this company.

Being asked to pay calls when a company was in difficulty encouraged dummyism,⁴⁰⁰ and in no liability companies shareholders simply abandoned their interests. If a large number of calls were unpaid, companies could not function, as was shown on many goldfields. After the first boom at Thames, when calls 'became far more frequent than dividends', shareholders 'eagerly' sought 'any pretext for evading payment', the consequence being 'stagnation of trade, and depression on the goldfield'.⁴⁰¹ McCombie, referring in 1888 to mining at Karangahake, wrote that it appeared

that the capital of the companies owning property has existed only on paper, and every attempt made to levy contributions in the shape of calls upon the shareholders met with anything but favourable responses, and the work of developing the mines languished until it is now almost snuffed out in consequence'⁴⁰²

³⁹⁴ *Te Aroha News*, 28 April 1888, p. 2.

³⁹⁵ *Te Aroha News*, 2 May 1888, p. 2, 19 May 1888, p. 2, 1 December 1888, p. 2.

³⁹⁶ *Te Aroha News*, 21 July 1888, p. 7, 15 December 1888, p. 2.

³⁹⁷ *Te Aroha News*, 10 April 1889, p. 7.

³⁹⁸ *Te Aroha News*, 1 June 1889, p. 2.

³⁹⁹ *Te Aroha News*, 23 October 1889, p. 7.

⁴⁰⁰ Hill, pp. 10-11.

⁴⁰¹ 'Goldfields Speculation', *Daily Southern Cross*, 27 December 1869, reprinted in *Auckland Weekly News*, 1 January 1870, p. 18.

⁴⁰² 'Aboriginal', 'Ohinemuri', *Te Aroha News*, 11 August 1888, p. 6.

In 1876 the warden told a shareholder who was not paying calls in a Tairua claim ‘that by accepting shares in the company he had accepted a liability of £500 (he had 500 shares). He knew he had not the money to meet this liability, and it was a fraud upon his butcher and baker to have accepted them. It was men such as he who were the means of locking up the goldfield’.⁴⁰³

In 1891, ‘every one, especially those who are interested in goldmining, seems to have a “holy horror” of calls’.⁴⁰⁴ The *Thames Advertiser* commented that ‘few, when they think they are getting into a good thing, take the liability into account. They are more inclined to count the profits which they expect to derive from the sale of those shares’.⁴⁰⁵ ‘Obadiah’ was puzzled ‘how readily timid shareholders will forfeit scrip for which they paid shillings a year ago rather than pay a penny or half-penny call’.⁴⁰⁶

At Waiorongomai, failure to pay calls handicapped all the companies. The Hero Company, for example, required several calls, of small sums, shareholders having agreed at its inaugural meeting in May 1882 that no call would exceed 6d.⁴⁰⁷ There were 15,000 £1 shares, all subscribed apart from the 3,000 held in trust for the company; when established there were eight shareholders in both Auckland and Te Aroha, two at Paeroa and one at Thames, but by December shares were ‘held almost entirely by Auckland people’.⁴⁰⁸ Finance was always tight, and the first of several calls of 3d was made in July 1882.⁴⁰⁹ Some vendors and shareholders were unbusinesslike, and in December complaints had to be laid against some shareholders of the original claim to acquire their interests for the company.⁴¹⁰ In the following February 1883, the legal manager, Roderick McDonald Scott,⁴¹¹ explained

⁴⁰³ *Thames Advertiser*, 19 February 1876, p. 3.

⁴⁰⁴ *Thames Advertiser*, 27 March 1891, p. 2.

⁴⁰⁵ *Thames Advertiser*, 19 February 1876, p. 3.

⁴⁰⁶ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 22 May 1897, p. 9.

⁴⁰⁷ ‘Rules of the Hero-Te Aroha Gold Mining Company, as decided at meeting held on 16 May 1882’, Company Files, BBAE 10286/10e, ANZ-A.

⁴⁰⁸ *New Zealand Gazette*, 1 June 1882, pp.799-800; *Te Aroha News*, 8 December 1883, p. 2.

⁴⁰⁹ *Thames Star*, 24 July 1882, p. 3.

⁴¹⁰ R,McD. Scott to Harry Kenrick (Warden), 4 December 1882, 6 December 1882 (telegrams), Te Aroha Warden’s Court, General Correspondence 1882, BBAV 11584/1c, ANZ-A.

⁴¹¹ See *Observer*, 17 June 1905, p. 17.

to George Wilson, the mining inspector,⁴¹² that the rent had not been paid because ‘certain shareholders refusing to sign the Transfer of their interests to the Company’. The Hero was one of John Calder’s ‘bungles and it has given me nothing but trouble’.⁴¹³ Calder, the original owner of the claim and a speculator in mining there,⁴¹⁴ was an artist.⁴¹⁵ Scott intended to ‘have a satisfactory termination – at any rate I want my part to be correct’. He asked for ‘the necessary time to have a call made to square my advances on the company’s account – and to have everything paid’.⁴¹⁶ The rent was not paid until the beginning of April, ‘thro’ no fault of mine’, and Wilson was thanked ‘for taking no steps in absence of the payment’. When more interests were transferred to the company its title would be complete ‘and all blame removed from my shoulders’. Scott hoped that Wilson would not require him to man the ground until the battery operated ‘and to give me time to recover the money advanced by me to the Company’. He sent his own cheque as he found ‘it difficult to get people at Te Aroha to attend to business’.⁴¹⁷

In late July, Scott again wrote to Wilson:

The forfeited Shares of the Company surrendered and now sold having put the Company in funds I am calling a meeting of Directors for Tuesday next when it is presumed orders will be given to start work –

Now that matters are more bright with the Company I have no doubt that those shareholders who would not pay a call nor listen to any warning from me will consider themselves much injured people – and that I ought to have paid their calls and saved them being forfeited.

⁴¹² See paper on his life.

⁴¹³ R.McD. Scott to George Wilson, 15 February 1883, Te Aroha Warden’s Court, Mining Applications 1883, BBAV 11591/1a, ANZ-A.

⁴¹⁴ See Te Aroha Warden’s Court, Register of Licensed Holdings 1881-1887, folios 10, 30, BBAV 11500/9a; Register of Te Aroha Claims 1880-1888, folio 202, BBAV 11567/1a, ANZ-A; *Thames Advertiser*, 16 March 1881, p. 3, 14 July 1881, p. 3.

⁴¹⁵ For example, *Auckland Weekly News*, 3 December 1879, p. 4, 3 August 1878, p. 8; *Thames Advertiser*, 16 January 1875, p. 4.

⁴¹⁶ R.McD. Scott to George Wilson, 15 February 1883, Te Aroha Warden’s Court, Mining Applications 1883, BBAV 11591/1a, ANZ-A.

⁴¹⁷ R.McD. Scott to George Wilson, 2 April 1883, Te Aroha Warden’s Court, Mining Applications 1883, BBAV 11591/1a, ANZ-A.

I hope now to see the claim worked and the company prosper.⁴¹⁸

Shortly afterwards, all 5,170 forfeited shares having been sold, the company was 'in good funds'.⁴¹⁹ In December a fourth call was made, and in March 1884 a fifth.⁴²⁰ This came after a meeting between the directors and 'the inspector of the company's claim':

The works proposed at the latter were discussed in conjunction with the return from the trial crushing of 20 tons of quartz, which yielded 8oz 2dwt melted gold, and sold at £2 18s per ounce. It was decided that there was sufficient encouragement to put in a low level, to give 130 feet of backs, and to connect the same with the tramway line by trestles and truck-line; also to sink a winze on the lode to connect the intermediate and surface levels. Two feet of the hangingwall only of the lode was stripped and crushed, but a cross-cut will be put right through it to ascertain its width properly and give the claim a fair trial, the directors having confidence that further developments will prove the mine to turn out payable.⁴²¹

Two months later, shareholders were told that receipts for the past 12 months 'from proceeds of sale of surrendered shares, calls, and gold' had produced £409 9s 8d. As expenditure was £382 15s 1d, the directors would 'stop operations for a time, to enable calls to be received and funds to be in hand'.⁴²² A sixth and last call was made in August; failure to find payable ore meant a meeting was held in January 1884 to wind up the company.⁴²³

The May Queen Company, to take another example, had continual difficulties because of reluctance to pay calls. Formed in October 1883,⁴²⁴ it started 'considerably in debt on account of prospecting operations and the expenses incurred in the formation of the company', requiring an immediate call of 2d.⁴²⁵ In the following February, 14 names were published of those

⁴¹⁸ R.McD. Scott to George Wilson, 28 July 1883, Te Aroha Warden's Court, General Correspondence 1883, BBAV 11584/2a, ANZ-A.

⁴¹⁹ *Auckland Weekly News*, 4 August 1883, p. 13.

⁴²⁰ *Te Aroha News*, 8 December 1883, p. 3, 22 March 1884, p. 7.

⁴²¹ *Auckland Weekly News*, 22 March 1884, p. 22.

⁴²² *Thames Advertiser*, 30 May 1884, p. 2.

⁴²³ *Te Aroha News*, 30 August 1884, p. 2, advertisement, 13 December 1884, p. 7.

⁴²⁴ Company Files, BBAE 10286/121, ANZ-A.

⁴²⁵ *Auckland Weekly News*, 15 November 1884, p. 22.

whose shares would be forfeited unless the call was paid.⁴²⁶ A month later, 7,050 or possibly even more of these shares were sold. Although the attendance ‘was small, and the bidding very tardy’, all were sold, at from 2d per share for larger lots to 3 1/4d for smaller lots.⁴²⁷ At the end of May, a 1d call was made, 17 shareholders were warned their shares could be forfeited, and 1,000 shares were forfeited and sold.⁴²⁸ This call and later sale, coupled with extracting better ore, meant that further development was possible, with £30 left unspent at the time of the annual meeting in November.⁴²⁹ In August, 5,000 shares held in trust were sold to shareholders for 2s 6d deposit per share.⁴³⁰

By March 1885, a 2d call was needed, and in June 13 people were listed as being liable to forfeit their shares for non-payment.⁴³¹ That month, a correspondent regretted that the shareholders of ‘this excellent mine’ were ‘so remiss’ in paying calls, for ‘want of funds’ meant it could not be ‘opened up in a systematic manner’ and provide returns. The present mode of working would ‘exhaust the ground’ partially opened up ‘and place the company in a worse position’.⁴³² Gold obtained had paid for all the working expenses for the past year and the company had been able to drive 150 feet in the low level, but late that month operations were suspended because some shareholders had not paid calls.⁴³³ The financial situation led to ‘a fair attendance’ at an extraordinary general meeting at the beginning of December.⁴³⁴ The chairman reported that ‘the directors had passed a resolution in favour of winding up the company, in consequence of the difficulty experienced in getting in calls’. By a majority vote, it was decided to continue work, and shareholders were given the opportunity of purchasing the 5,000 reserved shares in proportion to the shares currently held. After the meeting, the directors made a call of 1d, sufficient ‘to pay off

⁴²⁶ Advertisement, *Te Aroha News*, 23 February 1884, p. 7.

⁴²⁷ *Te Aroha News*, advertisement, 8 March 1884, p. 7, 15 March 1884, p. 2.

⁴²⁸ Advertisements, *Te Aroha News*, 31 May 1884, p. 7, 6 June 1885, p. 7, 19 July 1884, p. 7.

⁴²⁹ *Te Aroha News*, 8 November 1884, p. 2.

⁴³⁰ Advertisement, *Te Aroha News*, 23 August 1884, p. 7.

⁴³¹ Advertisements, *Te Aroha News*, 21 March 1885, p. 7, 6 June 1885, p. 7.

⁴³² *Te Aroha Correspondent*, *Thames Advertiser*, 6 June 1885, p. 3.

⁴³³ *Te Aroha News*, 27 June 1885, p. 2.

⁴³⁴ *Waikato Times*, 3 December 1885, p. 2.

all liabilities and put in the low level besides leaving a balance in hand'.⁴³⁵ Most forfeited shares had been applied for, which would assist in financing renewed mining.⁴³⁶ Another call was required in May 1886, again for 1d.⁴³⁷ By January 1887, operations had ceased.⁴³⁸ An extraordinary general meeting held at the start of the following month decided that, 'as the company's financial position did not permit of operations being resumed, and it not being deemed advisable to pay calls, the company be wound up'.⁴³⁹

The smaller the company, and the worse the ore, the more difficult it was to get shareholders to pay calls. This was illustrated by the Waitawheta Prospecting Company, which mostly reworked old ground at Waiorongomai from 1907 onwards. Formed with a capital of £7,250, by the end of 1912 £5,660 was paid up and £59 in calls was owing. £5,763 had been spent, debts amounting to £424 were unpaid, and although 119 ounces of bullion had been produced, this was unsold.⁴⁴⁰ To encourage the 157 shareholders to meet their obligations, the directors assured them that their policy was that they 'should have a reasonable time to pay their Calls' and that every call was 'fully justified, and the moneys carefully and wisely spent'.⁴⁴¹ At a shareholders' meeting in May 1914, the directors recommended that, as all the capital had been called up, the company be re-formed as the Waitawheta Gold Mining Company. This was agreed to, and share for share was offered to shareholders of the existing company, the 2s shares being treated as half paid up and shareholders paying 1/2d on application and the same on allotment. Of the 200,000 shares, 145,000 were distributed in this way, the remainder being held in reserve.⁴⁴² The following year the secretary of both the old and new companies complained

⁴³⁵ *Te Aroha News*, 5 December 1885, p. 2.

⁴³⁶ *Te Aroha News*, 19 December 1885, p. 2.

⁴³⁷ *Te Aroha News*, 8 May 1886, p. 2.

⁴³⁸ D.G. MacDonnell to Registrar, Supreme Court, 27 January 1887, Company Files, BBAE 10286/131, ANZ-A.

⁴³⁹ *Te Aroha News*, 6 February 1887, p. 2.

⁴⁴⁰ *AJHR*, 1913, C-2, p. 65.

⁴⁴¹ Waitawheta Gold Prospecting Company, Directors' Report, 22 January 1912, Company Files, BADZ 5181, box 222 no. 1314, ANZ-A.

⁴⁴² *Te Aroha News*, 25 May 1914, p. 2; Waitawheta Gold Prospecting Company, Directors' Report, 7 May 1914, Company Files, BADZ 5181, box 222 no. 1314, ANZ-A; *New Zealand Gazette*, 25 June 1914, p. 2580.

that thousands of pounds had been spent during the past three years 'with most discouraging results, so discouraging that of the last Call, 48,000 shares were forfeited out of a total of 145,000'.⁴⁴³

The new company commenced with 113 shareholders, for not all the earlier shareholders 'took up the Shares to which they were entitled, and this considerably reduced the amount of working Capital expected by your Directors'.⁴⁴⁴ Of the £9,698 subscribed, £4,849 had been distributed as scrip to shareholders in the earlier company, and cash received amounted to only £363. At the end of 1914, arrears of calls were £41.⁴⁴⁵ Only a few weeks after being formed, the First World War broke out, and the capital 'so much required' was 'not paid as promptly as desired. This necessitated the Board taking a conservative course of action', meaning that the mine remained closed, with the manager retained as caretaker. Attempting to meet the liabilities inherited from the old company combined with the payment of rents were 'a drag on our resources'. By January 1915, as the directors did not consider that mining could restart until after the war, they did not intend to call up further capital.⁴⁴⁶ In mid-1915, the secretary stated that, after erecting a new battery, improving the water race, and developing the mine, all the capital of both companies had been used up, for 'very little gold', indeed 'not half enough to pay expenses'. This was 'the worst time' for 32 years: 'nothing like it since 1879', with shares on all goldfields 'being forfeited in all directions'.⁴⁴⁷ The warden commented that the company had 'come to the end of their present resources' and could not obtain funds for more 'experimental mining'.⁴⁴⁸

In October 1916, the directors reported that, while 'a small income from the sale of water power and the renting of our Rockbreaker' had enabled them 'to carry on without recourse to Shareholders', it was now necessary to make a 1/2d call 'to carry on till the end of the war'. They

⁴⁴³ J.J. Macky to Under-Secretary, Mines Department, 26 April 1915, Mines Department, MD 1, 14/1514, ANZ-W.

⁴⁴⁴ Waitawheta Gold Mining Company, Directors' Report for the Year ending 31 July 1915, Company Files, BADZ 5181, box 313 no. 1756, ANZ-A.

⁴⁴⁵ *AJHR*, 1915, C-2, p. 49.

⁴⁴⁶ Waitawheta Gold Mining Company, Directors' Report for the Half-year ending 31 January 1915, Company Files, BADZ 5181, box 313 no. 1756, ANZ-A.

⁴⁴⁷ J.J. Macky, evidence to Warden's Court, n.d. [July 1915], Mines Department, MD 1, 23/4/54, ANZ-W; Warden's Court, *Te Aroha News*, 12 May 1915, p. 2.

⁴⁴⁸ Warden to Minister of Mines, 15 July 1915, Mines Department, MD 1, 23/4/54, ANZ-W.

considered shareholders ‘would be wise in making an effort at this critical time to retain their property’.⁴⁴⁹ This call produced £48 0s 6 1/2d.⁴⁵⁰ In March 1917, the directors informed shareholders that, as they had ‘no available money to pay for current expenses and outstanding Liabilities’, it was ‘necessary to make a call to tide over affairs till the conclusion of the War’.⁴⁵¹ This call of 1/2d produced a mere £26 19s 7 1/2d.⁴⁵² The directors described this as ‘a very poor response, 55 shareholders only having paid’.⁴⁵³ By the end of 1917, when the nominal capital was £10,156, only £458 had been paid up, the number of shareholders had fallen to 57, and arrears of calls amounted to £148. As there had been no output and only one man was employed, at prospecting,⁴⁵⁴ it is clear why shareholdings had declined and remaining shareholders were reluctant to contribute further funds. In December, as explained by the directors, there being ‘no possible hope of ever being able to start working again, and a good opportunity having occurred of selling the assets’, these were sold for £250. This amount did not cover the company’s indebtedness, but creditors were asked to accept it.⁴⁵⁵ When in 1918 the company was wound up, the liquidator had an easy task, for there were ‘no assets, they having been already disposed of, so there was nothing to wind up’.⁴⁵⁶

A humourist who visited the early Thames goldfield wrote that calls were ‘terrible things’, being ‘more expensive than a new baby’, and coming ‘far more frequently’. Dividends by comparison was ‘a thing we read about, but seldom experience’, for he estimated the average to be ‘one dividend of

⁴⁴⁹ Waitawheta Gold Mining Company, Directors’ Report, 27 October 1916, Company Files, BADZ 5181, box 313 no. 1756, ANZ-A.

⁴⁵⁰ Waitawheta Gold Mining Company, Statement of Accounts for Half-year ended 31st July, 1917, Company Files, BADZ 5181, box 313 no. 1756, ANZ-A.

⁴⁵¹ Waitawheta Gold Mining Company, Directors’ Report, 9 March 1917, Company Files, BADZ 5181, box 313 no. 1756, ANZ-A.

⁴⁵² Waitawheta Gold Mining Company, Statement of Accounts for Half-year ending 31st January 1918, Company Files, BADZ 5181, box 313 no. 1756, ANZ-A.

⁴⁵³ Waitawheta Gold Mining Company, Directors’ Report, 14 November 1917, Company Files, BADZ 5181, box 313 no. 1756, ANZ-A.

⁴⁵⁴ *AJHR*, 1918, C-2, p. 10.

⁴⁵⁵ Waitawheta Gold Mining Company, Directors’ Report, 20 March 1918, Company Files, BADZ 5181, box 313 no. 1756, ANZ-A; *Te Aroha News*, 21 December 1917, p. 2.

⁴⁵⁶ H.C. Choyce (Liquidator) to Assistant Registrar of Companies, 18 June 1918, Company Files, BADZ 5181, box 313 no. 1756, ANZ-A.

sixpence a share and nine calls of a shilling'.⁴⁵⁷ Nevertheless, many shareholders retained their interests despite the dangers of being required to pay calls, hoping to sell them at a profit either because of good ore being found in their mines or neighbouring ones. For instance, when a find was made in the Premier that was allegedly as good as the Martha lode, shares in surrounding properties 'hardened in sympathy'.⁴⁵⁸ It was commonly argued that shares were 'largely looked upon as gambling counters, the development of a mine on business lines for dividends to repay investors being far too slow a process' to suit many investors.⁴⁵⁹

In 1897, the *New Zealand Graphic* noted that calls pressed 'heavily on those persons who tried to hold too much scrip. As the bulk of the new companies were formed under the no-liability section of the Act, many shares are being forfeited, and as these have to be sold at auction, the prices paid are often ridiculously small'. The Chamber of Mines wanted to government 'to protect shareholders who duly pay their calls, as there is a growing tendency to forfeit shares, and then buy them back for less money than the call amounted to. Of course this can only be done with low-priced stocks for which there are no buyers at any price, and does not affect shares in proved mines'.⁴⁶⁰ Without waiting for government action, 'many companies' decided 'not to allow shares upon which calls have not been paid, to be sold for ridiculously low figures at auction. In some cases these forfeited shares have been sold as low as 3s per thousand, which simply means that the purchaser' could 'always undersell those who paid their calls. In future these shares will be bought in by the directors of the companies, and held in trust for existing shareholders'.⁴⁶¹

VENDORS AND PROMOTERS PROFIT

Welton stated that the main cause of failures was 'the payment of excessive commissions to promoters', and owners got little from their properties 'beyond some fully-paid shares which may never be of value'.⁴⁶² These high commissions were 'a tax upon the discoverer of a property and

⁴⁵⁷ Hoskins, p. 117.

⁴⁵⁸ *New Zealand Herald*, 15 February 1896, p. 5.

⁴⁵⁹ *New Zealand Herald*, 28 October 1908, p. 5; see also 29 October 1908, p. 3.

⁴⁶⁰ *New Zealand Graphic*, 20 March 1897, p. 348.

⁴⁶¹ *New Zealand Graphic*, 10 April 1897, p. 441.

⁴⁶² Welton, p. 96.

upon the public, without any compensating quality'.⁴⁶³ 'The price to be paid the vendor and the manner of making the payment' were 'of very great importance' for the ultimate success of companies, 'keeping in view the mutual interests of the vendor and purchaser, as the vendor upon selling his property becomes a partner with the purchaser'. The best dividend-paying companies had bought their property 'for comparatively small sums', whereas many non-dividend paying ones had paid 'large amounts'. It was reasonable for the vendor's price to be 'considerable' when the mines had been opened up or profitably worked, for there was 'comparatively little risk to the purchaser'. Most companies were formed to work 'prospects', which should be acquired for the cost of the title 'plus a commission; any higher value must depend on the actual discovery' of reefs 'of some value'. Claim owners would develop the ore bodies before selling their properties, if they had faith in them, to increase their value 'greatly'. The amount paid for a claim 'should increase in proportion to the development done, and consequently, the diminished risk which the purchaser may run'. Claim owners unable to develop their properties 'must be content with a small price'.⁴⁶⁴

As to the payment to the vendor. Many methods have been adopted, such as giving founders' shares, only entitled to dividends after a fixed dividend has been paid on the ordinary shares; by deferred shares with similar conditions, by cash and shares, ordinary or deferred; and by ordinary shares with or without certain conditions as to sale. It is questionable if any advantage may arise from the above combinations, as the more difficult the payment to the vendor is made, the greater will be the number of shares required to satisfy him, and consequently, the greater the nominal capital upon which to pay dividends, as the deferred shares frequently become ordinary ones after certain dividends have been paid. If the property purchased is of any real value, there can be no objection to paying cash for it, the more so that very possibly a very much less amount would be accepted, the nominal capital of the company would be reduced, and the shares would be of much more value. The difficulties placed in the way of the vendor receiving payment appear to arise from distrust of the property being of value, but it is hard to see to what extent the acceptance of such terms as are frequently made guarantees the value of the property, and if the purchaser has the property

⁴⁶³ Welton, p. 97.

⁴⁶⁴ Welton, pp. 74-75.

examined by a competent person before concluding to receive it, he should know quite as much of it as the vendor himself.⁴⁶⁵

He warned that unless a vendor sought payment in a way that permitted to capital to be ‘adjusted on a reasonable basis to make profits’, there was no point in forming a company to work his property. He cited another engineer’s axioms: ‘They who take the risk and entitled to the profits of success’, and ‘Where nothing has been discovered that can be profitably worked, there is nothing to pay for’. This engineer considered that ‘the original discoverer should be remunerated for his trouble, intelligence, and expense’ by being paid ‘double the actual cost incurred, and get a similar amounts in the proposed company, but should not be allowed to throw these shares on the market, except by special arrangement, until the mine pays its cost’.⁴⁶⁶

Explaining the ‘ambitiously high level of capitalization’ of non-mining companies floated in Auckland in the 1880s, Russell Stone argued that almost always when promoters ‘sold the assets of an existing concern’ the capital authorised was ‘far in excess of the actual immediate value of the assets’, and based ‘not on earning capacity at the time of sale but on an optimistic estimate of future prospects’. Whilst willing to see an element of ‘self-deception inseparable from speculative booms’, he discerned ‘a self-regarding motive on the part of the vendors’:

Promoters were well aware that only when there was a large issue authorized could the new company be heavily “loaded” with vendors’ shares and yet allow sufficient contributing shares to furnish the working capital to enable the company to become a going concern that would pay dividends and thereby permit the profitable off-loading of vendors’ shares at a later date.⁴⁶⁷

In mining companies, vendors normally profited by retaining too large an interest. ‘Obadiah’ was angered in 1897 by the vendors of the Barrier Reefs Company, on Great Barrier Island, keeping four-fifths of the capital for themselves for potentially vast profit. The other fifth, subscribed by the public, had to meet the cost of developing the mine and erecting a

⁴⁶⁵ Welton, pp. 76-77.

⁴⁶⁶ Welton, p. 77.

⁴⁶⁷ Russell Stone, *Makers of Fortune: A colonial business community and its fall* (Auckland, 1973), pp. 74-75; for details of promotions and their outcomes, see pp. 82-83.

battery.⁴⁶⁸ Also in that year, the *Thames Advertiser* noted as highly unusual the vendors of the Royal Standard at Wharekiraupunga not asking the London promoters for any cash. This was ‘a strong proof of their confidence in their own mine’.⁴⁶⁹ Writing in 1899 about the many bubble companies then being liquidated, one Auckland newspaper stated that these had, ‘as a rule, from £500 to £1,500 of actual capital’. Shares given away to prominent men as ‘a sort of bait for a too gullible public’ were ‘counted as capital’.⁴⁷⁰ Whilst the giving of free shares as bait cannot be proved to have occurred in the case of locally-floated Te Aroha companies, shares given to vendors that were fully or partly paid up were indeed included as part of the capital. As well, it was common practice to give the vendors an excessive amount of interest, especially in overseas companies. The Inspecting Engineer of the Mines Department considered that when a third or a half of the shares were given to promoters it would ‘take a very rich mine to pay fair interest on the nominal capital of such a company’. Giving away a large number of paid-up shares led to those who acquired them trying to raise share prices ‘by merely making representations as to the ultimate value of the mine, and by this means dispose of their interest above its real value’.⁴⁷¹ Richard John Seddon, when visiting Waiorongomai as Minister of Mines in 1891, said capital should be spent working the mines, with preferential shares ‘only a second charge’.⁴⁷² A London commentator, writing in 1902, warned potential shareholders not to ‘favourably consider a scheme in which the vendors propose to annex 60 or 80 per cent of the shares. As a rule, the unproved ground ... usually floated as a mine has only cost the vendors the price of pegging out and surveying, or at most £1,000’.⁴⁷³ A New Zealand mining journal recommended that the public should acquire only contributing shares, not vendors’ shares, thus forcing the vendors to retain their paid-up shares until the value of the property was revealed.⁴⁷⁴

⁴⁶⁸ ‘Obadiah’, ‘Shares and Mining’, *Observer*, 5 June 1897, p. 9.

⁴⁶⁹ *Thames Advertiser*, 19 January 1897, p. 4.

⁴⁷⁰ *Auckland Star*, n.d., reprinted in *New Zealand Mining Journal and Financial Guide*, vol. 4 no. 4 (June 1899), p. 53.

⁴⁷¹ H.A. Gordon to Under-Secretary, Mines Department, 1 May 1888, *AJHR*, 1888, C-5, p. 29.

⁴⁷² *Auckland Weekly News*, 16 May 1891, p. 30.

⁴⁷³ Curle, p. 343.

⁴⁷⁴ *New Zealand Mining Journal and Financial Guide*, vol. 4 no. 5 (July 1899), p. 66.

None of the vendors in the Te Aroha district sought such a large interest as in the Barrier Reefs example. Those forming companies in the early 1880s usually simply transferred their interests into scrip shares in proportion to the original holding,⁴⁷⁵ for they were not selling to another company but forming their own. Some vendors and promoters obtained half the shares when selling to larger concerns. For instance, the Te Aroha Silver and Gold Mining Company that took over most of Waiorongomai in 1888 had a nominal capital of £200,000, half of which went to the promoters, only £21,000 being allocated to work the mines.⁴⁷⁶ During the 1880s it was common practice for Auckland speculators to hold a large percentage of the nominal capital as vendors' or promoters' shares, relying on the contributing shares subscribed by the public to provide working capital. As vendors' shares were treated as fully paid up, although the holders either paid only a fraction of their value or received them at no cost, they were not liable for calls and provided an easy profit when sold.⁴⁷⁷

To stop too much capital enriching company promoters, the *Thames Star* wanted a stipulated proportion of the capital spent on testing the property.⁴⁷⁸ In 1891, 'Obadiah' wrote that 'great harm has been done to our mining interests by the promoters collaring so much cash and spending so little on the mines'.⁴⁷⁹ Six years later, when the mining boom of the 1890s was fading, he noted that the vendors of one Hauraki venture had received 50,000 shares along with £700 in cash. 'After paying brokerage and other formation expenses, there was not a great deal left out of the original £1,200' and no funds to work the ground, resulting in the company being wound up. 'It would be interesting to know how many companies' were 'in a

⁴⁷⁵ For example, *New Zealand Gazette*, 30 December 1880, p. 1798, 13 July 1882, p. 961, 10 August 1882, p. 1101, 14 September 1882, p. 1264, 16 November 1882, p. 1733, 14 December 1882, p. 1885.

⁴⁷⁶ *Waikato Times*, 26 April 1888, p. 2.

⁴⁷⁷ Keith C. Hooper, Michael J. Pratt, and Kathryn N. Kearins, 'Accounting, Auditing and the Business Establishment in Colonial Auckland 1880-1895', *Accounting, Auditing and Accountability Journal*, vol. 6 no. 1 (1993), pp. 91, 97; editorial, *Mercantile and Bankruptcy Gazette*, 23 November 1893, p. 472; Lyndon Megarrity, 'British Investment in Overseas Gold Mines: The Queensland Experience 1886-1896', paper delivered to the Australian Mining History Association Conference held at Newcastle, New South Wales, Australia, September 1997, p. 3.

⁴⁷⁸ Editorial, *Thames Star*, 10 February 1891, p. 2.

⁴⁷⁹ 'Obadiah', 'Shares and Mining', *Observer*, 21 February 1891, p. 18.

similar position'.⁴⁸⁰ It was commonly agreed that the companies floated in the 1890s boom provided more money for speculators than for miners. For instance, one company secretary stated that many were 'under capitalised, too much being absorbed in "floating" and "making a market" '.⁴⁸¹ Although about £1,000 may have been raised to develop each claim, only about £300 of this went on working the mine 'and the remainder has gone in "boom" '.⁴⁸² The *Mercantile and Bankruptcy Gazette of New Zealand* in 1895 recommended that, within 14 days of the formation of a company, it should be forced to disclose 'the number of shares subscribed, differentiating between those allotted to vendors, their wives and relations, and *bona fide* purchasers'.⁴⁸³ Reportedly some holders of promoters' shares sold them 'as so much scrip, directly after the meeting forming the company and before the legal formalities' had been complied with.⁴⁸⁴ To prevent the fleecing of shareholders, the *Waikato Times* argued that 'the promoter should not receive any cash payment, but, as a guarantee of their good faith, should show themselves satisfied with paid-up shares' which could not be sold 'till the full amount of the nominal capital has been paid up'. The Brokers' Association should copy the London Stock Exchange by satisfying themselves 'of the genuineness of every claim before allowing the shares to be quoted on the official list'. Indeed, they should check to ensure that the claim 'really exists, has shown indications of gold, or is in close proximity to land which has'.⁴⁸⁵

In the Te Aroha Mining District, examples have been given in other chapters of how vendors, whether miners or speculators or local syndicates, attempted to profit from floating a company. Many other instances can be given. In an example of an unsuccessful attempt to sell a mine, two Te Aroha residents, Alexander Watson Edwards, a draper,⁴⁸⁶ and Peter Baine, a timber merchant,⁴⁸⁷ who were only involved with mining during the 1890s

⁴⁸⁰ 'Obadiah', 'Shares and Mining', *Observer*, 8 May 1897, p. 9.

⁴⁸¹ *Auckland Weekly News*, 7 December 1895, p. 21.

⁴⁸² 'Warrigal', article in *Press*, n.d., reprinted in *Observer*, 17 July 1897, p. 9.

⁴⁸³ *Mercantile and Bankruptcy Gazette of New Zealand*, 2 May 1895, p. 229.

⁴⁸⁴ 'Stock Exchange Notes', *Observer*, 18 October 1890, p. 15.

⁴⁸⁵ Editorial, *Waikato Times*, 10 October 1895, p. 4.

⁴⁸⁶ See paper on Ani and Alexander Watson Edwards.

⁴⁸⁷ See *Cyclopedia of New Zealand*, vol. 2, p. 832.

boom,⁴⁸⁸ unsuccessfully attempted to sell three claims in Sydney in 1910.⁴⁸⁹ Their 'absolutely unworkable' terms, in the view of a promoter they were dealing with, were £1,000 in cash and 30 per cent of the shares in the company. This proportion was 'far above the usual thing, and even at 15% considerable difficulty would be experienced in getting the Public to subscribe'.⁴⁹⁰ When the shareholders in the Morning Star met in December 1880 to form a company with the same name, they allotted themselves half the 12,000 shares. From the proceeds of selling shares to the public at 3s each, £450 was allocated to working the mine.⁴⁹¹ In November 1896, shareholders in the Merchant of Venice Company, which had a nominal capital of only £6,000,⁴⁹² and owned 200 acres near Te Aroha, 'stopped the sale of shares pending the result of negotiations for the sale of the property to an English syndicate'.⁴⁹³ Whilst negotiations proceeded, only three men were employed, only £117 10s was spent, and no bullion was produced.⁴⁹⁴ The New Zealand Mines Trust Company, a London firm, did take up an option, which, if it led to the formation of a company, would have given the vendors £40,000 in paid up shares out of the nominal capital of £150,000. Once again, the working capital of £30,000 would be less than the vendors would receive.⁴⁹⁵ In February the following year, when another British company was to take an option over the ground, it was anticipated that a company with a capital of £100,000 would be formed, of which the shareholders in the existing company would receive a fifth in paid up shares.⁴⁹⁶

⁴⁸⁸ For Edwards, see Te Aroha Warden's Court, Applications for Licensed Holdings and Special Claims 1895-1897, 35/895, BBAV 11582/4a, ANZ-A; *AJHR*, 1899, C-3, p. 69. For Baine, see Te Aroha Warden's Court, Applications for Licensed Holdings and Special Claims 1895-1897, 30/1895, 2, 35/1896, BBAV 11582/4a; Letterbook 1883-1900, p. 435, BBAV 11534/1a; Plaintiff Book 1880-1898, 1/1896, BBAV 11547/1a, ANZ-A.

⁴⁸⁹ Te Aroha Warden's Court, Mining Applications 1911, 1/1911, BBAV 11289/21a, ANZ-A.

⁴⁹⁰ J. Lacy to Alfred Vowles, 21 December 1910, Te Aroha Warden's Court, Applications 1911, 2/1911, BBAV 11289/21a, ANZ-A.

⁴⁹¹ *Thames Advertiser*, 16 December 1880, p. 3.

⁴⁹² Company Files, BADZ 5181, box 131 no. 843, ANZ-A.

⁴⁹³ *Mining Standard*, 28 November 1896, p. 5.

⁴⁹⁴ *New Zealand Gazette*, 11 February 1897, p. 472.

⁴⁹⁵ *Ohinemuri Gazette*, 8 September 1897, p. 2; *Auckland Weekly News*, 11 September 1897, p. 19.

⁴⁹⁶ *Ohinemuri Gazette*, 26 February 1898, p. 2.

James Mills, a carpenter who would be the first mayor of Te Aroha,⁴⁹⁷ was an example of a vendor seeking too much. In February 1895 he chaired a meeting that established the Cadman Prospecting Association, and became its chairman.⁴⁹⁸ At this 'enthusiastic meeting' 25 residents signed up as members, 'but treble that number could have been obtained, in fact a number of persons were disappointed in being too late in applying for shares'. A committee supervised prospecting by two men.⁴⁹⁹ In June, Mills applied for the Cadman Licensed Holding, 30 acres of abandoned workings in the former Werahiko, Silver King, Waitoki, and Success claims, which the association had been prospecting since its formation.⁵⁰⁰ This was granted, and taken up on 20 September. Nine days later, Mills applied for six months' protection, as 'property in hands of agent for sale in England'.⁵⁰¹ Included in this planned sale was the adjacent Seddon claim, making a total of 80 acres held by the association, along with a machine site, both acquired in October.⁵⁰² Permission was gained to construct a water race from the Wairere Falls near Matamata.⁵⁰³ Rumours of the proposed sale meant that shares changed hands at from £30 to £40 each.⁵⁰⁴

The price being asked was not revealed, but from what the solicitor acting on Mills' behalf, James Russell, wrote, it was an optimistic amount. When sending Henry Reynolds,⁵⁰⁵ his agent in London,⁵⁰⁶ a 'letter of option' offering him the claims 'for a fixed sum of money', Russell anticipated that there might be 'some difficulty' because there was 'no mention made of any shares in it, for the very simple reason' that Mills got cash not shares. He

⁴⁹⁷ See paper on his life.

⁴⁹⁸ *Te Aroha News*, 20 February 1895, p. 2, 29 June 1895, p. 2; Mines Department, MD 1, 97/1072, ANZ-W.

⁴⁹⁹ *Te Aroha News*, 20 February 1895, p. 2.

⁵⁰⁰ Te Aroha Warden's Court, Mining Applications 1895, 20, 74/1895, BBAV 11582/4a, ANZ-A; *Te Aroha News*, 6 July 1895, p. 2.

⁵⁰¹ Te Aroha Warden's Court, Mining Applications 1895, 74/1895, BBAV 11582/4a, ANZ-A.

⁵⁰² Te Aroha Warden's Court, Mining Applications 1895, 22, 50/1895, BBAV 11582/4a, ANZ-A; *Te Aroha News*, 28 August 1895, p. 2.

⁵⁰³ Te Aroha Warden's Court, Mining Applications 1895, 52/1895, BBAV 11582/4a, ANZ-A; *Te Aroha News*, 28 August 1895, p. 2, 14 September 1895, p. 2.

⁵⁰⁴ *Te Aroha News*, 21 August 1895, p. 2, 31 August 1895, p. 2.

⁵⁰⁵ See *New Zealand Herald*, 24 November 1887, p. 6; *British Australasian*, 7 November 1895, p. 1786; *Auckland Weekly News*, 27 March 1897, p. 8.

⁵⁰⁶ See *Cyclopedia of New Zealand*, vol. 2, p. 757.

would ask for a power of attorney, to give Reynolds 'absolute authority', but was 'afraid nothing will come of the business' because Mills was 'asking an absurd price'.⁵⁰⁷ In writing to Mills enclosing the power of attorney to be signed, Russell noted that in the deed of option Mills had

set out the consideration to which you are entitled. This will not of course be the only consideration Mr Reynolds will expect to receive from a London purchaser. If then he asks say double the amount shown in the deed some difficulty may be experienced in dealing with a purchaser,

thereby suggesting that the 'absurd price' would be absurdly doubled to enable Reynolds to obtain a large commission. Although Mills was told that the power of attorney gave Reynolds 'a free hand as regards a purchaser, though of course he would still be bound to you on the other deed',⁵⁰⁸ Mills objected to Reynolds having this authority, and refused to sign it. Russell complained that 'with such an impractical man nothing can be done', and considered that it was unlikely that the properties would be floated by Reynolds, 'considering the document he has got and the peculiar state of the Money market'.⁵⁰⁹ Eventually Mills did sign, and Russell explained the delay to Reynolds as being caused by Mills objecting 'to your getting anything beyond the stipulated price'. Finally Mills proposed that, should Reynolds get a higher price, he was entitled to keep half the extra amount.⁵¹⁰

The Auckland press, unaware of these complications, announced in February 1896 that negotiations were 'in a very forward state, and notification by cable of the successful completion may arrive any day'. As the terms were 'extremely favourable to the vendors', the majority of whom were residents of Te Aroha and Waiorongomai, 'a large amount of money

⁵⁰⁷ James Russell to Henry Reynolds, 5 October 1895, Letterbook no. 60, p. 207, Jackson and Russell Papers, MS 360, Library of the Auckland Institute and War Memorial Museum.

⁵⁰⁸ James Russell to James Mills, 26 October 1895, Letterbook no. 60, p. 369, Jackson and Russell Papers, MS 360, Library of the Auckland Institute and War Memorial Museum.

⁵⁰⁹ James Russell to William Steele, 8 January 1896, Letterbook no. 61, p. 60, Jackson and Russell Papers, MS 360, Library of the Auckland Institute and War Memorial Museum.

⁵¹⁰ James Russell to James Mills, 6 February 1896, Letterbook no. 61, p. 328; James Russell to Henry Reynolds, 22 February 1896, Letterbook no. 61, p. 450, Jackson and Russell Papers, MS 360, Library of the Auckland Institute and War Memorial Museum.

will be distributed in the district'.⁵¹¹ No doubt in part because potential investors were aware of how 'extremely favourable' to the sellers the terms were, a decision took some months. Late in May, Mills applied for another six months' protection of the Seddon Special Claim, occupied but not worked since November, and to work the Cadman Licensed Holding with two instead of ten men for four months, because both were 'under offer to Anglo-Continental G M Syndicate'.⁵¹² This company had agreed to pay the vendors £10,000 in cash plus 20,000 paid up shares, but this was dependent on the results of a two months' trial.⁵¹³ One newspaper considered that, as the ground had 'a good record', there was 'little doubt that the transaction will be speedily completed'.⁵¹⁴ The nominal capital of the proposed company was £150,000; typically, the working capital was to be £15,000.⁵¹⁵

After testing the property, the Anglo-Continental did not take up its option. The Cadman Prospecting Association continued testing, and in February 1897 announced 'a wonderful find' assaying from five to six ounces to the ton.⁵¹⁶ The following month, two representatives of large financial corporations visited and were satisfied with the permanency of the reefs.⁵¹⁷ Immediately afterwards, the local manager of the London and New Zealand Finance Corporation took an option over the Cadman and Seddon ground, a total of 90 acres. The terms of sale were typical:

£300 for a six months' option, during which the intended purchasers will test and thoroughly develop the ground; manning the ground with the required number of men; at the expiry of six months, should the result prove satisfactory, a further sum of £2700 (making £3000 in all) will be paid over. There is also a consideration of 20,000 shares fully paid up to £1 in a company of £150,000, or in proportion thereto. According to the deed of option the 20,000 shares are to be allotted within three months of the expiry of the six months' option.⁵¹⁸

⁵¹¹ *New Zealand Herald*, 12 February 1896, p. 6.

⁵¹² Te Aroha Warden's Court, Mining Applications 1896, 38, 39/1896, BBAV 11582/4a, ANZ-A.

⁵¹³ *Ohinemuri Gazette*, 23 May 1896, p. 4.

⁵¹⁴ *New Zealand Herald*, 20 May 1896, p. 6.

⁵¹⁵ *Ohinemuri Gazette*, 27 May 1896, p. 2.

⁵¹⁶ *Auckland Star*, 9 February 1897, p. 2; *New Zealand Mining Standard*, 27 February 1897, p. 5.

⁵¹⁷ *Ohinemuri Gazette*, 3 March 1897, p. 3.

⁵¹⁸ Te Aroha Correspondent, *New Zealand Herald*, 9 March 1897, p. 6.

A mining reporter announced that, 'after a long period of waiting, during which hope sprang eternal in every shareholder's breast, in spite of the many disappointments experienced', this agreement created 'a reasonable prospect of one of our best known local mining properties being taken in hand by foreign capitalists'. Negotiations had been in progress 'for some time past', and during the partial protection of recent months 60 to 80 pounds of 'very rich specimens showing gold freely' were found; ten pounds was to be exhibited in the corporation's London office to tempt investors. 'Naturally, the news of the option being taken up, was received with great satisfaction by the shareholders'.⁵¹⁹ During the six months spent driving towards the reef under the supervision of a mine manager with 'large American, Continental, and Colonial experience' and Quentin McConnell, the corporation's consulting engineer,⁵²⁰ shareholders were confident the claims would be sold and retained their shares.⁵²¹ The *Te Aroha News* wrote that the adit was intended 'to crosscut several of the famous lodes', and that there was 'not the slightest doubt that the ultimate results of the investments now being pursued will be of a favourable character'.⁵²²

In July, the executive committee of the shareholders was asked to extend the option for another six months, which was agreed to unanimously.⁵²³ The reason for this extension was the 'indefiniteness of the results attending the development work up to date with regard to the lodes living down'.⁵²⁴ McConnell had discovered that previous miners had 'picked the eyes' out of the chutes and pockets containing gold. If the two new low levels proved that the ore went down he would recommend purchase, for his 'very exhaustive experiments' had convinced him that it could be treated profitably. As the country was 'very hard', progress in the low levels was 'both slow and expensive'; the ore was 'very kindly looking' and free milling but produced 'but little gold by assay or panning'.⁵²⁵ The director of the

⁵¹⁹ Special Mining Reporter, *Ohinemuri Gazette*, 10 March 1897, p. 3.

⁵²⁰ See *Southland Times*, 25 January 1897, p. 2, 3 February 1897, p. 2, letter from 'Quartz', 23 February 1897, p. 3; *Te Aroha Correspondent*, *New Zealand Herald*, 9 March 1897, p. 6; *Ohinemuri Gazette*, 20 March 1897, p. 4; *Thames Advertiser*, 1 May 1897, p. 4.

⁵²¹ *Thames Advertiser*, 23 March 1897, p. 2.

⁵²² *Te Aroha News*, n.d., reprinted in *Thames Advertiser*, 14 July 1897, p. 3.

⁵²³ *Ohinemuri Gazette*, 31 July 1897, p. 5.

⁵²⁴ *Thames Advertiser*, 30 July 1897, p. 3.

⁵²⁵ *New Zealand Herald*, 19 July 1897, p. 6.

corporation visited at the end of August;⁵²⁶ as a result, the option-holders shut down the mine, throwing ‘a considerable number of men out of work’.⁵²⁷ They had reached the Waitoki lode, but had not driven along it,⁵²⁸ presumably because its value at depth was too low. Mills’ response to this disappointing outcome of two years of negotiations was to apply for the ground himself, promising to invest £5,000,⁵²⁹ which he did not have, for when he died in 1910 his estate was £464 4s 6d.⁵³⁰ The £5,000 would have been provided by a syndicate which must have been associated with his taking over the property again. Eight months later, he surrendered the ground.⁵³¹

Vendors did not change their behaviour during the depression of the 1930s. An article published in 1935 in the *New Zealand Financial Times*, in referring to engineers inspecting options for English and Australian mining interests, noted that ‘the results have not been exciting, largely owing to prices demanded by option-holders’. There was a ‘fatuous idea’ that overseas interests were ‘prepared to pay any price’ to ‘secure areas which would justify the flotation of a company’:

That may be true of a certain class of company promoter, but the larger and better-class concerns with a reputation to maintain, are not prepared to do business on those terms. They require, in addition to reasonable prospects of a remunerative gold return, that the conditions on which a company is floated shall be equitable to the people who are providing the money – the shareholders. Heavy loadings by option-holders are not equitable and the desire to make easy money out of mere papers deals are not conducive to the interests of the mining industry.

The author cited as ‘a fair and reasonable basis’ for vendors to sell their interests the opinion of an ‘eminent and highly qualified engineer at present in New Zealand, representing powerful interests’:

⁵²⁶ *Thames Advertiser*, 28 August 1897, p. 3.

⁵²⁷ *Thames Advertiser*, 9 October 1897, p. 2.

⁵²⁸ Prospectus of the Cadman Gold Mining Company, Company Files, BADZ 5181, box 132 no. 849, ANZ-A.

⁵²⁹ Te Aroha Warden’s Court, Mining Applications 1897, Application dated 4 October 1897, BBAV 11582/4a, ANZ-A.

⁵³⁰ Testamentary Register 1908-1911, folio 166, BBCB 4208/7, ANZ-A.

⁵³¹ Te Aroha Warden’s Court, Mining Applications 1899, 11/1899, BBAV 11582/4a, ANZ-A.

It is sufficient if the holders of the mining rights received double the amount they have actually expended on testing the area over which they hold mining rights, plus a portion of shares in the company to be formed. Then they share with the people who provide the money to work the claim ... in the results. If these results are good then they benefit, but if not they ... have at least had one hundred per cent return in cash on the money they have expended plus the shares.

Many a vendor considered that if the ground was inspected the investors were interested 'and therefore he has only to hold on to his price to get it'. The author warned that overseas company promoters did not expect 'to get the benefit of money expended without cost, but that does not imply that they are prepared to submit to extortion', especially because obtaining an option was only the first expense:

The promoting company must expend money on developing or testing the area over which the option is held. This may cost thousands of pounds and involve not only the employment of highly-paid experts with wide experience in the latest methods of exploitation and treatment of areas and ores, but extensive testing in alluvial areas and development in reefing propositions. If this cost is added to the high figures asked by many vendors, it will be realized that every proposition would require to be a bonanza to recoup the original outlay, not to mention the cost of providing machinery and plant as well as operating costs.⁵³²

BEHAVIOUR IN A BOOM TIME

When the mining boom burst upon New Zealand in the mid-1890s, one mining correspondent noted 'some curious features':

Boomsters had the idea that mining properties of any kind would sell readily to John Bull and his neighbours, and they rushed to get mining properties. First, all the spare ground on known goldfields was secured, then new country where reefs existed was rushed, then all sorts of country – reefs or no reefs. Crown lands, native reserves, timber leases were seized. This business brought into existence the professional pegger-out – a species peculiar to Auckland. The pegger-out knew, or professed to know, all the promising bits of country available and he could secure them. His stock in trade generally was a tomahawk, a miner's right and a

⁵³² 'Gold Mining Options', *New Zealand Financial Times*, 10 May 1935, p. 347.

bushel of lies. His work was to stick four or more pegs somewhere in the bush enclosing somewhere about a hundred acres. From this work he received from £5 to £50 and a quarter share in the claim. The tricks and dodges of the pegger-out would fill a book. His training in sudden swift rides or walks through the bush fitted him for a war scout....

The claims pegged out were taken in hand generally by another species, the mining agent. He floated the claim.... In some cases parts of the capital was used to prospect the claim, more often it was used in the first place to obtain reports from somebody who was posing as an authority on mining. Prospecting and reports were used not so much with the idea of working the claim – that, with the small amount of capital, was impossible – but with the idea of opening up the claim a bit and selling to the foreign capitalist. In most cases a proportion of the capital raised actually went into development work, and in some cases resulted in the claim being sold for a very handsome profit....

The public ... did not generally realize that even if they held a good claim it was only good enough to sell as a prospecting venture to some capitalist....

In nearly every case where the foreign capitalist bids for a claim he bids only on approbation. He purchases the option to buy, that is he will pay say £500 cash and guarantee to spend £200 per month for six months in prospecting, and at the end of six months he will buy the claim at say £5000 cash and £30,000 £1 shares; but if his prospecting operations do not show something substantial he does not buy at the end of six months, he simply drops the claim.⁵³³

In the latter case, the foreign capital is not provided and those who formed the syndicate or company with the intention of selling their claim had made some money from giving an option but, if they genuinely believed in its worth were now reliant on their own resources or other local investors to provide capital.

CONCLUSION

Concluding his survey of mining throughout the world in the late nineteenth century, Welton assessed its profitability:

It will have been noted that there are a few large gold-mining companies making considerable profits, and a good many others doing fairly well from a commercial point of view, but that the

⁵³³ 'The Warrigal', 'The Auckland Goldfields', *Press*, 4 June 1897, p. 2.

number of failures has been large, many of which, however, have been brought about by paying too large a sum to the vendors without raising a proportionate amount of working capital or duly measuring the capabilities of the property to make returns. There may also have been some instances of ignorance of mining or mismanagement, but where actual work has been carried out to develop the properties to any extent, although the returns may not have been large, yet with a reduced amount of capital small profits might usually have been divided, and we therefore conclude that gold-mining is not in itself subject to excessive risks beyond those of many other industries if we take ordinary trouble to see that the matters most essential to its success are carried out.

He hoped that the public would learn ‘to discriminate between purely speculative’ ventures ‘and those which present reasonable chances of success on a commercial basis’.⁵³⁴ Which was more easily said than done.

According to a pamphlet published in 1885, mining had

unfortunately produced a species of “fungus” that has gradually grown upon its system, and like a cancer has spread its killing fibres over the whole interest. I mean that army of non-producers, who, like vampires, have been sucking the life blood out of mining without endeavouring to reproduce or foster the development of the industry out of which they have so long lived; this class of men known as brokers, jobbers, gamblers and speculators in scrip.... Men of every trade and calling, and those who have broken down, or failed in any other occupation in life, think themselves competent to act as agents, brokers, etc, to advise the investment of capital in mining and to direct the operations of mining undertakings. It has in a good measure been through the impositions, ignorance, and assurance of these nondescripts that gold-mining has been brought to such a ruinous position. Men who, by a fluke, make a rise in some lucky speculation in shares, arrogate to themselves the position of oracles and authorities on the subject of mining.... Thus has the chief industry of the colony come under the influence and control of a set of men who for the most part are as ignorant of its nature or simplest principles as they are of astronomy, and it is not to be wondered at that mining becomes depressed, and such a stigma is cast upon the interest.⁵³⁵

⁵³⁴ Welton, pp. 96-97.

⁵³⁵ *Goldmining – Its Results and Requirements* (n.d. [1885?], reprinted in letter from ‘Miner’, *Thames Advertiser*, 22 April 1885, p. 3.

Visiting Auckland in 1891 and finding ‘every tradesman’ expecting a boom, McCombie commented that most of those who bought shares cared ‘very little whether the mine is located at the top of a tree, or at the bottom of the sea, provided the stock has a market value, and there is the off-chance of “scrooping” a few pence’.⁵³⁶ The *Hauraki Tribune* fulminated that there were ‘no Thames speculators’, only ‘sharpers, swindlers, and jumpers, men who never did an honest day’s work in their lives, or possessed an honest gained penny of their own; and are ready for any fraud, from pitch to toss to men’s laughter’.⁵³⁷ As for Auckland speculators, one lifetime miner, Samuel Montgomery,⁵³⁸ claimed an ‘Auckland ring’ operated Thames mines ‘solely for the aggrandizement of Auckland interests’.⁵³⁹ ‘Wide-awake scrip holders’ made more money than ‘the bona fide gold digger’.⁵⁴⁰

Ten years later, the *New Zealand Graphic* was amused by efforts to find gold in the hills behind Wellington:

The effort has been very successful – for the confidence of the public wherever goldmining is concerned is altogether marvelous – and there has been a rush for claims on the Victoria Range. Hitherto the amount of gold obtained is not very large, it is true; but then, as any Auckland man will tell you, it is quite an exploded notion that the success of a gold mine so far as the original promoters is concerned depends of the gold; or at least that is the smallest factor in its success. Before that there has to be reckoned the astuteness of the promoter, his power to draw up a fine prospectus, and above all the credulity of the people. That last is the richest of all gold mines if you have the wit to work it. Apparently it is an inexhaustible vein.⁵⁴¹

The *Observer* considered that the compositor ‘who turned “sharemarket” into “snaremarket” in one of the Thames papers recently had

⁵³⁶ ‘Aboriginal’, ‘Auckland Notes’, *Thames Advertiser*, 15 April 1891, p. 2.

⁵³⁷ *Hauraki Tribune*, n.d., cited in *Thames Advertiser*, 17 March 1888, p. 2.

⁵³⁸ See *Thames Advertiser*, 6 April 1874, p. 3, Warden’s Court, 14 January 1875, p. 3, 25 December 1876, p. 3, Magistrate’s Court, 6 October 1888, p. 2, 8 May 1890, p. 2, 9 May 1890, p. 2; *Thames Star*, Warden’s Court, 30 June 1893, p. 2, 24 August 1895, p. 3, Magistrate’s Court, 18 January 1896, p. 1.

⁵³⁹ *Thames Advertiser*, 22 November 1887, p. 2.

⁵⁴⁰ *Auckland Weekly News*, 20 August 1887, p. 8.

⁵⁴¹ *New Zealand Graphic*, 23 January 1897, p. 88.

a good idea of the fitness of things'.⁵⁴² And it was amused by another Freudian slip a year and a half later: 'The statement in a public print that a certain mining company was issuing 100,000 "snares," may be true enough, but is not endorsed by the directors'.⁵⁴³ This journal always sympathized with the small investor, not the 'boomster'. In 1909 it denigrated newspapers protecting the latter:

Day after day we are reading screeds of paternal advice to the speculator as to the need for caution in the selection of the mining stocks upon which he shall carry on his gamble at the Exchange. Of course the gambler needs to be careful. So does any gambler. But the fact needs to be recognised that the people who are taking the principal part in the present Grand Junction boom are only gamblers, after all, and are mostly capable of taking care of themselves. They are the people who make or lose money upon the rise and fall of the market, and have no more real interest in mining than the loud-mouthed bookmakers who shout the odds at Ellerslie, or the folk who back horses with them....

Who is the actual backbone of the mining industry? Undoubtedly it is the person of small means in Auckland and on the goldfields who invests his money in prospecting ventures, and patiently pays his penny calls year in and year out for the proving and development of his mine. This is the man who really keeps the industry going. Through periods of dullness, when he is apt to become sick at heart from the constant strain upon his pockets, he cheerfully responds to the persistent demand for calls. Often he gets to the end of his resources before any return comes to hand from the venture. Even if gold is eventually struck it commonly happens that this bona fide prospector has so far exhausted his means that he is obliged to realise at the first upward move of the market. The actual reaping of profits is then left to the speculative boomster.

Meanwhile this cautious person, whom the Auckland papers are to-day showing such anxiety to coddle, had lain low, and kept his money in his pockets. But as soon as the mine is proved an assured investment by the enterprise of the prospector, he rushes the market, "bulls" the shares up to a possibly fictitious value, and gambles with the property at prices which put it quite beyond the reach of the original owner. Such, in brief, is the history of dozens of mines on the Hauraki peninsula.⁵⁴⁴

⁵⁴² 'They Say', *Observer*, 30 November 1901, p. 7.

⁵⁴³ *Observer*, 11 July 1903, p. 7.

⁵⁴⁴ 'On the Boom. Who Really Supports the Mining Industry?', *Observer*, 15 May 1909, p. 2.

It also quoted the *Thames Advertiser's* view, which could be summarized as, 'Investor, beware':

A man whose word would be his bond in any other business in life will be as crooked as a horse coper [horse-dealer] where mining is concerned.... It is inherent in the subject. But there is little concealment in the matter. Everyone who dabbles in mining must take the fortunes of war. He knows, or ought to know, the whole thing is a gamble, and that the last in will have to pay the piper.⁵⁴⁵

The *Thames Star* considered that it was impossible to stop speculation because of the 'innate love for gambling'.⁵⁴⁶ To the *Observer*, gambling was 'without doubt the curse of the colonies', for 25 per cent of business failures were caused by 'its pernicious influences'.⁵⁴⁷ Arthur Pentland, a Canadian geologist who became a director of Norpac, wrote in 1964 that all mining was a gamble. 'When I examine a property for the first time I rate it as a "good gamble" or a "fair gamble" or a "poor gamble" '. Anyone who went in for mining shares 'must be prepared to accept much greater risks in the hope of much greater dividends' than from bonds or mortgages.⁵⁴⁸ The *Observer* considered Thomas Gavin's 'notion' that mining could become a legitimate business rather than a gamble 'rather refreshing',⁵⁴⁹ and joked about the consequences. 'E.F. writes to ask if there is any money in gold-mining. Yes, E.F., we are inclined to believe there is – a great deal more money in it than will ever come out of it'.⁵⁵⁰ In 1929, it wrote about investors' 'fever':

Once touched with the goldmining investment fever, and you are a gonner.... Investors in mining ventures get stung and stung, and yet the little tale of reefs and specimens showing gold freely, another hundred feet of driving, and the Ajax reef or Moanataiari's richest lode will be reached, and off goes the

⁵⁴⁵ *Thames Advertiser*, n.d., reprinted in *Observer*, 24 August 1895, p. 4.

⁵⁴⁶ Editorial, *Thames Star*, 10 February 1891, p. 2.

⁵⁴⁷ *Observer*, 30 April 1892, p. 4.

⁵⁴⁸ Art Pentland to Gordon Williams (Professor in Department of Technology, University of Otago), 2 June 1964, National Development file, Norpac Papers formerly held at Union Hill, Waihi, and made available by Eric Coppard, Waihi.

⁵⁴⁹ *Observer*, 17 July 1909, p. 17.

⁵⁵⁰ *Observer*, 14 April 1894, p. 7.

optimist, and is tagged on to periodical calls until another reconstruction.⁵⁵¹

McCombie complained that nobody would take ‘a common sense view of the industry and deal with it accordingly’. Goldmining appeared to be the only trade requiring ‘no previous training, experience, or apprenticeship, and therefore skim milk masquerades as cream right along the line’. He attacked ‘the grasping greed of directors and shareholders generally’:

Their inordinate desire to accumulate filthy lucre speedily induces them to invest in gold mining, which they do not look upon as being a legitimate branch of industry, but, trusting to scrip market fluctuations to see them out of the right side of the ledger, they embark their capital in all sorts of wild schemes.

Whereas people attributed most failures ‘to the uncertainty of that industry’, he considered that these were caused by ‘the ignorance of investors, combined with the rotten reckless system under which new mines’ were discovered and old ones explored. He wanted the warden to have the power to refuse leases to those who could not prove they had a reef.⁵⁵²

In 1872, a journalist told the story of one man who tried to make money, heavily underlining the moral:

I met an old acquaintance of mine yesterday whom I knew at one time to be among the best farm servants in the colony. He had forsaken the plough and had gone into the mining-share business. He accosted me in the street for the object of obtaining a small loan to relieve his cravings for a pint of beer. Then he told me his troubles. Eighteen months ago he left honest employment and took to jobbing in mining shares. He had commenced with ten pounds, and, as I have shown, ended by borrowing sixpence. But, between the time of these extremes in life, he had, by rigging the market, and by watching what was being done by the knowing ones, come to be worth £3,000 good, every penny of which he told me he had lost again. “And,” I said, “is it not quite right that it should be with you as it is? Share-jobbing is just so much playing at unlimited loo [otherwise Lanterloo, a card game].⁵⁵³ You put so much in the pool, and it depends upon the chance turn of a card

⁵⁵¹ *Observer*, 19 July 1929, p. 21.

⁵⁵² ‘Aboriginal’, ‘A Review’, *Thames Star*, 21 August 1902, p. 3.

⁵⁵³ Wikipedia.

whether you draw the stakes or lose what you have risked. You buy shares in claims of the value of which you know nothing, or care nothing, if you can only sell at a profit. You don't invest with a desire to make a fair gain from the dividends a mine may pay. That would be too slow a process. It would be legitimate dealing, which is not in your line or the line of those like you. If such were your object you would, before parting with your own money, ascertain the nature and value of the claim you were investing in. But you buy to-day what you fancy will fetch you more to-morrow. Why it is likely to fetch you more you have no reason to give to yourself or anybody else. You live in a state of mental fever and excitement, which unfits you for the dull routine of honest pursuits. To-day you may be worth hundreds; the next week you are penniless; and to retrieve your disappointment you scheme and shuffle, and swindle any innocent, credulous man or woman who may come in your way. You become demoralised, and you cause the infection to spread until the whole community in which you reside is impregnated with an atmosphere of commercial immorality. The state of the poor miner who is toiling and sweating in the bowels of an unwholesome mine for a miserable pay you never think of. The hardy, patient, laborious prospector, who is the discoverer of so much golden wealth, is simply cheated out of his discovery, and cast out into the cold. You get up companies upon all kinds of falsehoods and fictitious representations. You care not who suffers or who may be ruined. The wife may see her husband divested of every penny he possessed, and her children with penury staring them in the face. But what care you, so long as you can bull or bear the market at the expense of your common honesty? And how does it all end? You experience a temporary floating prosperity, and then you are at the last reduced to what you are now doing – depending on an acquaintance for the loan of a sixpence, which you will never repay; for you are too far gone to turn again and labour honestly by the sweat of your brow. It matters little what becomes of you individually; but it does matter a great deal to those who are, and have been, the victims of professional mining jobbers.”⁵⁵⁴

No response to this homily was recorded; an 1875 letter confirmed that it was a typical view of those who made their living by share manipulation:

It is a fact not to be questioned that there is more swindling in mining speculations than in almost any other form of speculation. Stocks are constantly put upon the market which represent no ascertained values and no developed mines; and mines of known value are often managed without the slightest regard to the

⁵⁵⁴ ‘Under the Verandah’, *Auckland Weekly News*, 3 February 1872, p. 13.

interest of the stockholders; without any view of honestly taking out ore and declaring dividends, but simply for speculative purposes, and to enable the managers to enrich themselves by dishonest means.⁵⁵⁵

The *Thames Star* noted how the market often rose when returns were poor, and that the prospects of mines had 'but little bearing on the market and the value of shares' because of manipulation of investors 'by specious words and misleading statements'. It regretted that the sharemarket was no longer subservient to the mining industry and that the 'mercenary scrip-jobber' was subverting the interests of mining.⁵⁵⁶

According to one mining agent, 'not 5% of those who contribute to Mining get any return'.⁵⁵⁷ But there was always the hope of making a fortune, encouraged by tales of 'what might have been'; for instance, of an investor taking his wife's advice and refraining from investing in the Shotover mine at Thames, thereby missing out on a fortune.⁵⁵⁸ There were also cautionary examples: in 1909 a dentist committed suicide because of failed mining speculations.⁵⁵⁹ In a bankruptcy case, a judge stated that 'no gambling transaction had greater risk than speculation in mining shares. As far as his knowledge went there was not one in a hundred who made much out of these speculations'.⁵⁶⁰ An Australian newspaper argued, in 1889, that if investors did not benefit, the country did.⁵⁶¹ Certainly Auckland before the Thames goldfield opened was in a parlous economic state.⁵⁶²

The *Mining Journal* of London argued against the view that mining shares were 'an extremely precarious sort of investment'. The 'knowing investor' could select the best on offer and had 'an excellent chance of finding a few failures more than compensated for by the successes of the good concerns'. It considered that these investments were 'probably as safe

⁵⁵⁵ Letter from 'Honesty', *Thames Advertiser*, 9 December 1875, p. 3.

⁵⁵⁶ Editorial, *Thames Star*, 10 August 1906, p. 2.

⁵⁵⁷ J.J. Macky to Minister of Mines, 3 May 1911, Mines Department, MD 1, 14/1514, ANZ-W.

⁵⁵⁸ 'Mercutio', 'Local Gossip', *Auckland Weekly News*, 18 January 1906, p. 14.

⁵⁵⁹ *Auckland Weekly News*, 30 December 1909, p. 21.

⁵⁶⁰ District Court, *Thames Advertiser*, 21 April 1875, p. 3.

⁵⁶¹ *Argus* (Melbourne), n.d., reprinted in *Auckland Weekly News*, 2 November 1889, p. 15.

⁵⁶² For example, see *Auckland Weekly News*, 27 November 1913, p. 13.

and more remunerative than a good many purely industrial undertakings, whose balance-sheets show invariable profits every year'.⁵⁶³

According to one editorial, the apathy of shareholders meant they were to blame if their investments failed, as indicated by attendance at company meetings:

Scarcely more than half a dozen shareholders are present at nine-tenths of the meetings held. Meetings are delayed in order that the requisite number of shareholders may be present; but the same old verdict is returned, and "lapsed for want of a quorum" is once more recorded. If the meeting which has fallen through is a half-yearly one then the business will "be read that day six months".... By and by manifest errors are discovered in the management, the balance sheet "won't work," and the shareholders yell for justice and explanations. Who is to blame? If shareholders themselves are not alive to their own interests, can they expect anyone else to be? They are astonished at the large items appearing as office expenses, directors' fees, and petty cash in their balance sheets, and yet they are so apathetic as never to inquire after or show any interest in the companies in which they have invested capital.⁵⁶⁴

The financial (and moral) fitness of many shareholders was lamented in 1872:

The financial condition of those who make it their occupation to traffic in mining shares may be judged from the fact that when a company is wound up, and shareholders are called upon to contribute, pro rata, to the extent of their unpaid shares, not twenty per cent of the amount can be collected by the Official Trustee. In the case of the Golden Gate Goldmining Company ... it came out in evidence that Mr Warner [the liquidator] had caused eighteen distress warrants to issue against shareholders, when the whole of them had been returned by the bailiff with the words "nulla bona" endorsed on the back of them. That is to say, some £30 had been expended by the Trustee in law costs, for which not one penny had been received in return. The share-dabblers had either become insolvent, had fled the province, or did not possess one pennyworth of assets. Men it transpired bought shares, altogether heedless of what calls were liable to be made on them, speculating on the bare possibility that before the time arrived the market would rise, when they would be able to

⁵⁶³ *Mining Journal*, n.d., reprinted in *Thames Star*, 28 July 1899, p. 2.

⁵⁶⁴ Editorial, *Thames Advertiser*, 28 March 1892, p. 2.

dispose of them to some poor greenhorn, ignorant of the responsibility he was taking upon himself.... Men never for a moment allowed themselves to take into consideration whether a mine was likely to prove rich or worthless. Their whole idea was to buy in at some price or other, in order to sell out at an advance. It mattered little to those who were ruined, and how dire might be the consequence. Homes were made wretched, wives and children became destitute, and a widespread misery was incurred by this heartless, reckless trafficking in shares. A large proportion of those speculators had no means of their own, and when it happened, as it so often did happen, that a mine ceased to pay its working expenses after the subscribed capital had melted away, the onus of paying off the liabilities of the company fell altogether upon the few solvent shareholders whom the law could lay its grip upon. There is also another black feature connected with many of these mines which have been wound up by the machinery of law. There is the disreputable means, not to apply a harsher term, objectors use to have their names struck off the list of contributories. There is nothing many of these will not swear to to be relieved from their responsibility. A man who has bought shares, who has received his transfer, and whose name has been registered on a company's book, will come into Court, and, kissing the Bible, will swear that he never did buy shares; that he never received any transfer; and that he was quite ignorant how his name came to be placed on the register. Sometimes the line of defence is changed. A registered shareholder will say the shares were offered to him by a friend leaving the colony, but that he refused having anything to do with them. Others will actually deny their own identity; will depose that they are not the John Smith, or the James Jones, or the Thomas Robinson mentioned in the trustee's schedule. But had the mine, instead of becoming insolvent, turned out a good dividend-paying claim, there is no extreme course these men would not adopt to show that they were the real bona fide shareholders; that they had bought the shares, had paid for them, had never parted with them, and had never intended so doing.... One of our most able barristers remarked ... that the present trafficking in shares by men who had got nothing to lose, but might be an accidental turn in the market have much to gain, caused a large amount of demoralised feeling in our midst.⁵⁶⁵

An Englishman described the whole picture much more concisely. 'Colonials seem to have very hazy ideas of sound financial principles, and ... they look on mining as a field for pure gambling and speculation, the main idea being to make money by the rise and fall of the shares rather than by

⁵⁶⁵ *Auckland Weekly News*, 28 September 1872, p. 4.

the dividends they yield'.⁵⁶⁶ This was hardly unique to colonials. Curle's criticism of company flotations was directed at the London market:

It may be said that three-quarters of all transactions in mining shares come under the head of gambling, pure and simple. The average gambler in mines cares nothing for the intrinsic value of a property; he does not study its past history; he does not intend to hold the shares for dividends – in fact, he wants to know nothing about the mine. All he asks for is a large profit on his speculation in a minimum period, and, credulous and greedy as he is, jumps eagerly at the first source of information that comes to his hand.⁵⁶⁷

He advised investors to 'be satisfied with a reasonable or even a small profit'.⁵⁶⁸ The *Thames Star* warned during a small share boom in 1904 that people were forgetting earlier lessons and the motto 'small profits and quick returns'. It advised that the man who bought in at 1s and was 'content to double his money is seldom left, but the one who always waits for the top of the market usually misses the 'bus'.⁵⁶⁹

In 1893 the *Observer* published a brief joke about speculating: 'I hear your mining venture was not very successful. Didn't you get anything out of it?' 'Oh yes, I got experience and the sympathy of my friends'.⁵⁷⁰ A much longer satirical comment, allegedly a report from 'Dunn Brown', meaning someone who had been 'thoroughly deceived, cheated, or fooled',⁵⁷¹ about a meeting of the Diddlum Mining Company, Limited, published in 1887 in the *London Mining Journal*, was reproduced by the *Thames Star*:

The annual meeting of this company took place yesterday, Mr McSquirt in the chair.

The Chairman said he had much pleasure in meeting them all again. The accounts would be laid before them, and they would see there was still a cash balance in hand, which he hoped to further reduce by voting a small increase to the salaries of their directors. (Feeble cheers). He had little to add to the very full reports that appeared every few months in the papers, but he

⁵⁶⁶ Cadell, p. 12.

⁵⁶⁷ Curle, p. 337.

⁵⁶⁸ Curle, p. 343.

⁵⁶⁹ *Thames Star*, 23 September 1904, p. 1.

⁵⁷⁰ *Observer*, 24 June 1893, p. 4.

⁵⁷¹ *The Free Dictionary*, Google.

might refer to a report – a ridiculous report, he might say – to the effect that toothache had broken out among the miners. (Sensation). He lost no time in communicating with the manager, who immediately cabled “stopped,” which, whether it referred to the teeth, the toothache, or the mine, was eminently satisfactory. (Cheers). They would be glad to hear that shafts and capital were being sunk together, and that the ventilation, which was a system of their own, gave the men a complete change of air every few weeks. (Loud cheers). He would be pleased to answer any questions that were not too embarrassing.

A Shareholder: Is it true that some traces of gold have been found? – The Chairman (severely): I am glad the question has been raised. No, sir, it is not true, and I can only suppose that such a report has been circulated with the idea of injuring the company in the eyes of the public.

Mr Seagull: Is the mine still promising? – The Chairman (warmly): Never more so. (Shareholders were seen to congratulate each other.) Certainly as much so as on the date of their first meeting 25 years ago.

Mr Nagg: I should like to hear some reference to “winzes,” “levels,” “stopes,” “the crosscut,” “drives,” “mineral,” “pyrites,” and “cleaning up.” These matters are purest Greek to me, and possibly to the meeting, but we all like to feel that our property is still producing them. (Hear, hear.)

Chairman: If Mr Nagg will allow me to say so, these are all alluded to in the printed report.

Mr Smelarat: I am glad to hear the Chairman say so, and I must thank Mr Nagg for calling attention to it. Some companies tried to be popular with the public by pretending to give an estimate of profits over working expenses – (shame) – and some even went so far as to declare a small dividend. (Cries of “Name.”) In these days of action for libel he would refrain from mentioning names. (Hear, hear.)

Mr Algush: I think I express the sense of the meeting in moving a vote of thanks to our worthy and respected Chairman. (Cheers). Perhaps some few will share with me a slight feeling of disappointment that no “call” has been made or is thought necessary, but in the words of one of our great statesmen, rest assured “The time will come!” (Applause.) When they compared the harmony of their meetings with the excited and sultry debates that took place at other meetings, they would agree with him that they had much to be thankful for. Of course they, as a company, had had to pass through similar experiences, and many of them would doubtless remember those early days when the stone was said to have “dabs of gold,” when the judgment sat warped and cross eyed before the splendid achievements of some new “rock drill,” and strong minds tottered as they declared imaginary dividends from “tailings.” (Loud cheers). But,

gentlemen, those days are gone, and we can afford a smile. (Some interruption was caused by someone who was understood to say that that was about all they could afford). As I was saying, gentlemen, we can afford to smile. (Great interruption, and the Chairman said that as there seemed to be considerable difference of opinion, perhaps Mr Algush would not insist of that point).

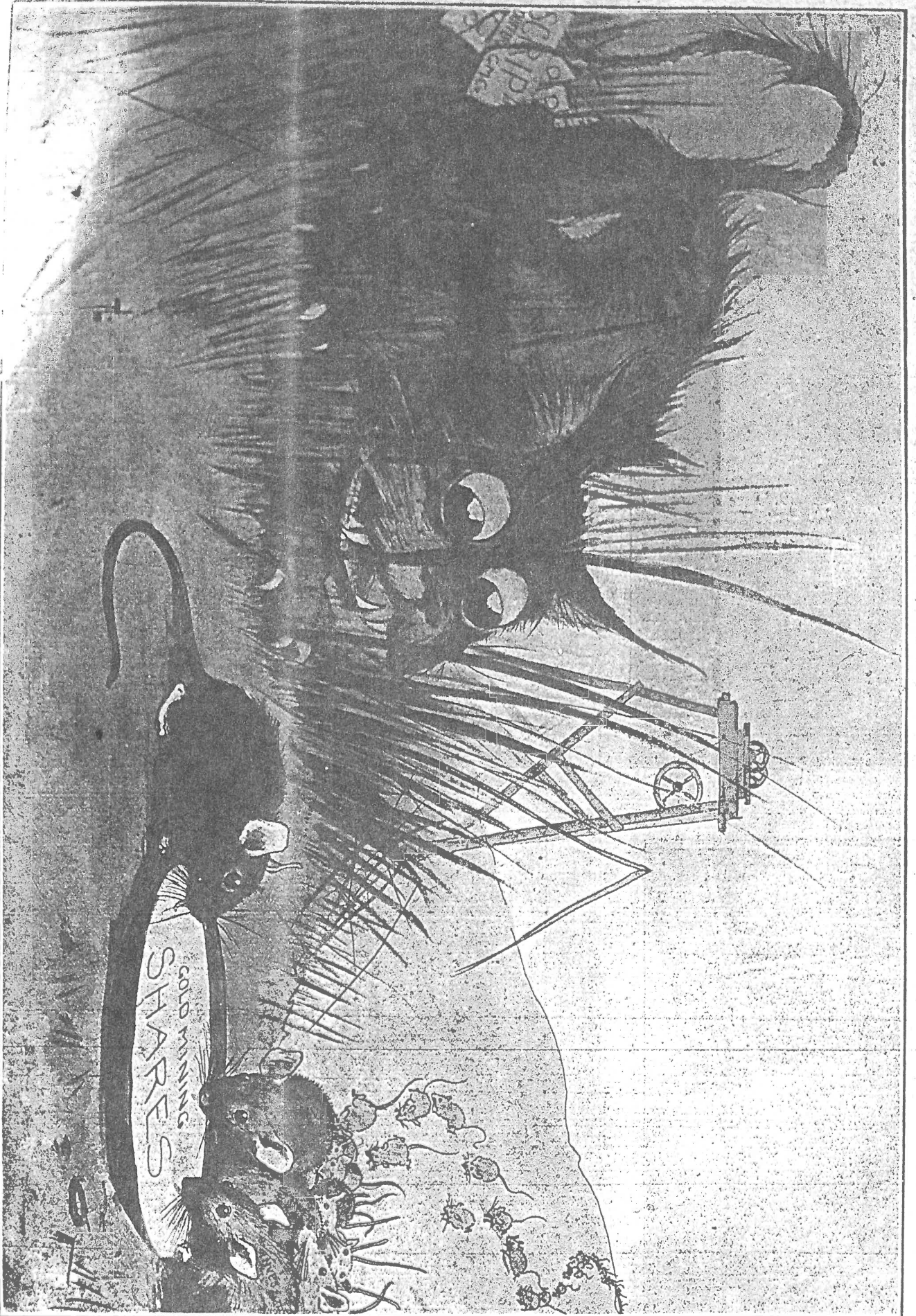
Mr Algush: Very well, sir, I call upon someone to second the motion. This was done, and the meeting, like the capital, gradually dissolved.⁵⁷²

To conclude, the reason why there was far more information about dubious if not outright immoral practices in floating and operating companies than of ethical behaviour was because there was far more of the former.

Appendix

Figure 1: 'Advice to Mining Investors: Beware of the Wild Cat', Auckland Weekly New, 22 July 1909, Supplement, p. 14.

⁵⁷² *Mining Journal*, n.d., reprinted in 'A Model Mining Company', *Thames Star*, 28 September 1887, p. 3.



ADVICE TO MINING INVESTORS: BEWARE OF THE WILD CAT.