# British investment in overseas gold mines: the Queensland experience 1886-1890

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**Key Words:** British investment, Queensland, mining speculation.

In 1898, financial author S.F. Van Oss claimed that it is 'often laughingly said on the London Stock Exchange that the "market" in this share or that has "gone to have a shave", or lunch.'[1] Whether or not this anecdote is accurate, there is little doubt that individual company promoters had immense influence over the direction of the London mining market during the late nineteenth century. This paper will address the nature and extent of the power of London mining promoters in the 1880s and 1890s. The largely negative impact that these promoters had on overseas mining will be illustrated by an examination of the British involvement in Queensland gold mining shares between 1886 and 1890.

**The London capital market and international mining speculation 1870 to 1900**

In the 1870s, the London capital market became the leading player in international mining as a result of the booms in the Spanish and United States mining industries. In 1873, the Rio Tinto Company was floated in London with a subscribed capital of £2 million, an almost unprecedented sum for a mining concern at that time.[2] However, it was the introduction of cheaper international telegraph rates from the 1880s that made investing in overseas mining fashionable with the British public. Instead of the six week delays incurred through steamship mail communication, British investors could now learn about new developments in American and then Australian mines in the space of twenty-four to forty-eight hours. This caused share prices to become more volatile, as the current worth of the mine could be broadcast on an almost daily basis via cable messages. As Geoffrey Blainey notes, '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.'[3]

The most prestigious means of investing in overseas mines was, of course, through the London Stock Exchange. However, large numbers of private mining agencies also flourished in the City of London. Indeed, some of the smaller concerns offered highly tempting conditions for thrifty punters. For instance, H. Hanbury & Co., of Broad St., 'opened speculative accounts on the usual one per cent deposit on satisfactory references.'[4] The light-hearted approach to mining investment common to the increasing number of middle-class speculators in the 1880s was observed by the *Aberdeen Free Press*. Its reporter commented that 'It has become quite the fashion for everybody to have a little excitement out of a transaction in a gold mine … the charm of this kind of speculation is its uncertainty. There is no necessity to make any calculation about what a purchase will yield in interest.'[5]

Promoters were quick to exploit investor ignorance regarding the London mining market. For instance, inflating a new mining company's share price to an unrealistic premium was commonplace among promoters. Many British investors assumed that high prices indicated the value of a mine and its capacity to provide dividends. This false assumption encouraged dramatic rises in share prices to encourage transactions in both promising and shady mining companies.[6]

The naivety of British capitalists regarding share premiums was matched by their preference for investing in mining companies with a large capitalisation. Registered nominal capitals of £300,000 sounded glamorous to novice investors, but frequently such capitalisation merely reflected promoters' practices and the realities of the London mining market.[7] If the British public believed that a company had a substantial capital for the purpose of expanding mining operations, they were often sadly mistaken. In 1909, financial commentator Edward Ashmead estimated that between 1880 and 1904, the average British mining company set aside only 25 percent of the total nominal capital as working capital.[8] The remaining 75 per cent was divided among the vendors and promoters, who generally gave themselves large amounts of free shares (but deemed 'fully paid' on the prospectus), as well as cash payments out of the company's capital. Therefore, if the mine proved successful, the vendors and promoters reaped most of the benefits; *bona fide* shareholders received little financial gains by comparison.[9]

Aside from personal gain, promoters had several pressing reasons for insisting upon a large capital. For example, many debts were incurred from the successful flotation of a company, and promoters found it preferable to pay them off with investors' money. Fees to brokers, solicitors and participating banks had to be paid,[10] and underwriters could demand up to fifty per cent of the capital raised as payment.[11] Costs were further inflated by a perceived need to purchase the expensive services of well-connected 'names' to act as directors. Having a 'Lord, a General, an M.P. [or] a Knight' on the company's board added a veneer of respectability which appealed to class-conscious Britons.[12]

The more unscrupulous promoters paid newspaper owners handsomely in money or shares for advertising space in their publications. These advertisements generally masqueraded as legitimate 'news'. As a contemporary observer remarked, '[newspapers] frequently publish cables from "our own correspondent" which do not depend on electricity for their transmission ... [and] frequently inform anxious inquirers ... (often before they inquire) that these shares should be bought'.[13] Mining promoters however were usually prudent enough to avoid writing outright lies about the properties they marketed. More commonly, their publicity material gave exciting suggestions of 'progress' which, upon sober examination, amounted to little or nothing at all. One example was the frequent claim that a property being sold was 'adjacent' to an established, successful mine. The inference was that the new mine being offered would also be a 'bonanza'.[14] Another subtly deceptive practice involved selling shares in properties which only possessed a minute portion of a profitable reef.[15] Promoters also used the purchase of milling machinery as evidence of positive developments, even though such statements revealed nothing about the condition of the mine, nor its reserves or probable yields.[16]

Ultimately, company promoters' excessive influence upon the mining market in the 1880s and 1890s was disastrous. Over-capitalisation made it difficult for even rich mines to make decent returns to shareholders. Further, the tendency of British speculators towards exclusively investing in 'fashionable' mining regions merely encouraged the share dealers' propensity for floating 'wild cats' when genuine proposals 'ran out' in an area. Consequently, the vast majority of the 8,400 British overseas mining companies floated between 1880 and 1913 were short-lived and unprofitable.[17] The excitement and disillusionment inherent in the many speculative booms of the era was evident in Queensland between 1886 and 1890.

**The Queensland gold mining boom 1886 to 1890**

After losing heavily on Indian gold mines in the early 1880s, British investors were, by 1886, in search of new mining territory for speculative purposes.[18] The impressive mining statistics of Queensland caught their attention.[19] Between 1883 and 1886, Charters Towers produced an aggregate yield of 458,899 ounces of gold.[20] The success of Charters Towers was rivalled by two other fields: Gympie and Mount Morgan. Collectively, these three fields were soon yielding £1.2 million per annum.[21]

At the Colonial and Indian Exhibition held in London in 1886, the Queensland mining industry seized the opportunity of publicising the growing international reputation of its mines. In the 'Queensland Court', a large collection of geological specimens was displayed, most notably a cake of retorted gold from Charters Towers' Day Dawn Block and Wyndham mine, weighing 1,709 ounces and valued at £5,923.[22] However, these geological exhibits were overshadowed by the five-head stamp battery, erected by the Queensland Government to treat samples of ore from several Queensland goldfields.[23] In all, two hundred tons of stone were crushed in the 'Queensland Court', and the bullion yielded was further treated to produce gold bars.[24] The 'deafening thumping of the stampers'[25] was augmented by reports of the latest dividend payments from Charters Towers.[26]

The lavish promotional efforts of the Queensland Government and local mining magnates were subsequently rewarded by a rush for Queensland shares on the London mining market. Forty-seven companies were floated in Britain between 1886 and 1890 for the purpose of conducting mining activities in Queensland. The total nominal capital of these companies was approximately £6 million.[27] Given the cynical nature of London's mining market at the time, it is not surprising to learn that the Queensland boom of the 1880s did not produce satisfactory results for British shareholders. By 25 August 1888, only a bare handful of British companies working in Queensland had paid dividends, and the dividends of those which did were unspectacular.[28] In the long term, direct British investment in Queensland gold mining proved to be a fiasco. Of the 27 principal Queensland mines floated in London between 1886 to 1888, McCarty ascertained that 'the best total return was the Day Dawn Block's [£1 3s.] per £1 share; no other company returned 50% in its life.'[29]

Inevitably, the investors in the Queensland boom fell prey to the less savoury aspects of company promotion during that era. At the height of speculation, from 1886 to 1888, British investors placed a combined subscribed capital of over £4.8 million into

Queensland mines. Flotation expenses, promoter's fees, as well as payments in shares and cash to local vendors accounted for some £4.1 million of this total.[30] As a consequence, the amount set aside for working capital was seriously low. Faced with limited funding, and under pressure to make returns to shareholders, local managers savagely cut expenditure on wages, safety and development.[31] Not only did this policy result in strikes and political unrest among the miners,[32] cost-cutting was often made futile by the actions of London directors. A great deal of working capital was eaten away before operations commenced because London boards often insisted upon the importation of expensive mining machinery from Britain.[33] As the purchase and transportation of this machinery used up a substantial proportion of the mine's already inadequate funds, local managers were compelled to use much of the actual profits of the mine on general expenses, such as wages, tools and explosives. This reduced the likelihood of dividends.

The unhealthy influence of the London speculative market upon the Queensland mining sector can be seen in the operation of the two Day Dawn mines in Charters Towers. It was surely no accident that both the Day Dawn Block & Wyndham and the Day Dawn P.C.[34] achieved maximum yearly productions—nearly 40,000 ounces each—in the year of their acquisition by British interests. These gold yields were used for high dividends, which encouraged the sale of the companies and a flurry of speculation on the London market.[35] Unfortunately for the British, both mines had reached their peak upon sale, and were unable to maintain good returns to shareholders after a few years.[36]

Most British, and indeed local gold mining companies, followed the same practice as the Day Dawn mines during the period 1886 to around 1910. Instead of spending money on exploration and development to ensure a greater supply of gold-bearing ore in the longer term, one-off spectacularly large dividends were paid immediately if possible. Subsequently, if the gold petered out, or became difficult to extract, company mines frequently found themselves with insufficient funds to deal with their problems. As Peter Bell observes: 'The paradox of underground mine management was that successful long term production depended on procedures which tended to reduce ... profitability in the crucial early stages when management was anxious to impress investors.'[37]

The excitement of London speculation in Queensland gold mining also led to the sale of gold mines which were situated in areas where local conditions militated against outside investment. The most notable of these goldfields was the Etheridge. Several hundred miles inland from the major North Queensland ports, costs were inflated by the absence of a railway. Carriers transporting machinery and essential goods to the field charged high prices, and with some justification. For example, because the Etheridge experienced long periods of drought, there was often insufficient grass and water to feed the teamsters' horses, and on the rare occasions when it did rain, heavy flooding cut off communication with the coast.[38] Accordingly, the field's isolation increased the price of goods, and with it, the cost of living. Wage-earning miners thus demanded, and often received, higher than average wages.[39]

Corrupt practices on the London mining market added to the Etheridge's difficulties. One infamous London company was the Etheridge Gold Field (Queensland) GMC; it sold 70,000 £1 shares at high premiums, 'on the basis of trial workings reported to have yielded two to five ozs. to the ton.'[40] The company subsequently failed to find payable quantities of gold. Still, its directors managed to pay shareholders twenty-five per cent returns by selling portions of the worthless property to three subsidiary companies, each with a capital of £70,000![41]

By late 1895, £1,000,000 of British capital had been expended on the Etheridge for dividend yields of under £30,000.[42] Such poor figures understandably discouraged further British investment in Queensland mines. The Gympie sharebroker, Edward Pope, visited England in 1896. His efforts to interest investors in Queensland mines were greeted with a barrage of questions about past failures, especially regarding the Etheridge. He later noted that it was 'very difficult to do business in Queensland properties [in London] generally.'[43]

## Conclusion

British investors were much more cautious about investing in Queensland gold mines after the collapse of the 1880s boom. Instead of buying Queensland mines outright, Britons showed a marked preference for purchasing shares in proven, locally owned companies.[44] For example, Charters Towers companies working the 'Brilliant' reef attracted some British funds in the 1890s.[45] However, it was rare for British money to amount to more than ten per cent of the subscribed capital of the average, locally registered Charters Towers company at this time.[46] British caution regarding the Queensland mining industry in the 1890s was partly justified by a small but persistent series of short-lived London flotations, such as the 'Lady Carrington' and 'Towers Hill'.[47] The suspicions that such dubious companies engendered were lucidly expressed in a speech by George Hopkins, of the London Board of the Day Dawn Block and Wyndham: 'Of course, the Charters Towers people like everybody else, keep the good things for themselves, they only send over the doubtful and let us find the money for them. That is the well known history of the thing.'[48]

The mistakes made in Queensland were repeated in several other gold mining regions in the mid to late 1890s, including Western Australia and South Africa. McCarty has estimated that approximately 75 per cent of the 3,500 gold mining companies floated between mid-1894 and 1901 collapsed within the space of a few years.[49] Although it must be said that many colonials took advantage of the prevailing conditions, it was the unregulated and sometimes corrupt nature of the London mining market which was the primary cause of most of the economic damage associated with British investment in overseas mining in the late nineteenth century.

**Acknowledgements**
A version of this paper was originally published in Patrick Bertola and Karen Miller (eds), *Proceedings of the Australian Mining History Association Conferences 1997-2000*, Australian Mining History Association, Nedlands, 2001, pp. 1-7.

**Glossary of some terms used in the text**
Monkey wrench – a large adjustable spanner.
**Units**
1 inch = 25.4 mm, 1 foot = 0.3048 m, 1 mile = 1.609 km, 1 acre = 0.4047 hectares.
1 troy oz (the standard measure of gold and silver) = 31.10348 grams.

1 pound (lb) = 0.454 kg, 1 ton (long) = 2,240 pounds (lbs) = 1.01604 tonnes.

**Pre-decimal currency**
£1 (pound) = 20s (shillings); 1 shilling = 12d (pence)

## Endnotes

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[2] Charles Harvey and Jon Press, 'The City and International Mining 1870-1914', *Business History*, vol. 32, no. 3, 1990, p. 104.
[3] Geoffrey Blainey, *The Tyranny of Distance: How Distance Shaped Australian History*, Sun Books Pty. Ltd., South Melbourne, 1966, p. 226.
[4] Jean-Jacques Van Helten, 'Mining, Share Manias and Speculation: British Investment in Overseas Mining, 1880-1913', in J. Van Helten and Y. Cassis (eds), *Capitalism in a Mature Economy: Financial Institutions, Capital Exports and British Industry 1870-1939*, Edward Elgar Publishing Ltd., Aldershot, 1990, p. 165.
[5] *Aberdeen Free Press*, 26 October 1889.
[6] J.H. Curle, *The Gold Mines of the World*, Waterlow & Sons, London, 1902 edition, p. 339.
[7] See *The Times*, 2 November 1886, and *Money Market Review*, 7 October 1893, cited in *Australian Mining Standard*, 25 November 1893.
[8] Edward Ashmead, *Twenty-five Years of Mining 1880-1904: A Retrospective*, The Mining Journal, London, 1909, p. 52.
[9] G.B. Freeman & F.C. Mathieson & Sons, *Australian Mining Manual*, Effingham Wilson, London 1896, p. vi.
[10] Michael Edelstein, *Overseas Investment in the Age of High Imperialism: The United Kingdom 1850-1914*, Methuen & Co. Ltd., London, 1982, p. 51.
[11] R. Turrell with J. Van Helten, 'The Rothschilds, the Exploration Company and Mining Finance', *Business History*, vol. 38, no. 2, 1986, p. 193. Five to six per cent of the capital was the usual figure demanded by underwriters: see A.K. Cairncross, *Home and Foreign Investment 1870-1913: Studies in Capital Accumulation*, Cambridge University Press, Cambridge, 1953, p. 100.
[12] Curle, *The Gold Mines of the World* (1902 ed.), p. 338.
[13] A. Moil, *Mining and Mining Investments*, Methuen & Co., London, 1904, p. 101.
[14] *The Times*, 30 October 1886.
[15] J.H. Curle, *The Gold Mines of the World* (1st edition), Waterlow & Sons Ltd., London 1899, pp. 224-225.
[16] Curle, *The Gold Mines of the World* (1902 ed.), p. 340.
[17] Harvey and Press, 'The City and International Mining', p. 99.
[18] J.W. McCarty, 'British Investment in Western Australian Gold Mining', *University Studies in History*, Vol. 4, No. 1, 1961-2, p. 8.
[19] J.W. McCarty, 'British Investment in Overseas Mining 1880-1914', PhD thesis, University of Cambridge, 1960, p. 54.
[20] David Green, *The North Queensland Mining Register's Mining History of Charters Towers 1872 to 1897*, North Queensland Mining Register, Charters Towers 1897, unpaginated.
[21] McCarty, 'British Investment in Overseas Mining', p. 25.
[22] *Northern Miner*, 10 August 1886, p. 3.
[23] Geoffrey Blainey, *The Rush that Never Ended: A History of Australian Mining* (1963), Melbourne University Press, Melbourne, 1993, p. 98.
[24] Di Menghetti, 'The Gold Mines of Charters Towers', in K.H. Kennedy (ed.), *Readings in North Queensland Mining History* Volume 2, James Cook University, Townsville 1982, p. 79.
[25] *Queenslander*, 31 July 1886, p. 188.
[26] Menghetti, 'The Gold Mines of Charters Towers', p. 78.
[27] A.L. Lougheed, 'British Company Formation and the Queensland Mining Industry, 1886-1890', *Business History*, vol. 25, no. 1, 1983, p. 76.
[28] *Economist*, 25 August 1888, pp. 1073-1074.
[29] McCarty, 'British Investment in Overseas Mining', p. 58.
[30] *Economist*, 25 August 1888, p. 1074.
[31] G.C. Bolton, *A Thousand Miles Away: A History of North Queensland to 1920* (1963), Australian National University Press, Canberra 1972, pp. 110-124.

[32] G.C. Bolton, 'Labour Comes to Charters Towers', in K.H. Kennedy (ed.), *Readings in North Queensland Mining History* Volume 1, James Cook University, Townsville 1980, p. 147.
[33] A.L. Lougheed, British Company Formation and the Queensland Mining Industry 1886-90, Department of Economics Working Paper No. 35, University of Queensland, St. Lucia 1982, p. 7.
[34] 'P.C.' is an abbreviation for 'Prospector's Claim'.
[35] McCarty, 'British Investment in Overseas Mining', p. 55.
[36] See Green, *Mining History of Charters Towers*, unpaginated.
[37] Peter Bell, 'Essay on North Queensland Mining Settlement', in K.H. Kennedy (ed.), *Readings in North Queensland Mining History* Volume 2, James Cook University, Townsville 1982, p. 33.
[38] See Warden A.C. Haldane's report on the Etheridge in *Queensland Votes & Proceedings*, Vol. 3, 1890, p. 287.
[39] Jan Wegner, *The Etheridge*, James Cook University, Townsville 1990, p.45.
[40] Lougheed, British Company Formation, p. 22.
[41] McCarty, 'British Investment in Overseas Mining', p. 57.
[42] Lougheed, British Company Formation, p. 25.
[43] *Brisbane Courier*, 22 March 1897, p. 6. Mount Morgan and Gympie fared better than most Queensland goldfields. The locally registered Mount Morgan GMC Ltd., which paid £7 million in dividends between 1886 and 1907, attracted substantial British investment in the 1890s. In Gympie, British (especially Scottish) company formation underwent a successful revival during the late 1890s and early 1900s. For the history of Mount Morgan, see John Kerr and Ruth Kerr, *Mount Morgan: Gold, Copper and Oil*, JD & RS Kerr, St. Lucia 1982; for an analysis of mining in Gympie during the late nineteenth century, see Ian Carnell, 'A History of Gympie, 1867-1900', BA (Hons) thesis, University of Queensland, 1976.
[44] McCarty, 'British Investment in Overseas Mining', p. 54-58.
[45] C.W. Collyer, 'An Economic History of the Charters Towers Goldfields 1872-1913', Master of Economic Studies thesis, University of Queensland, 1985, pp. 36-37.
[46] See 'Summaries of Capital and Shares in Charters Towers Companies', MWO 11A/01-27, Queensland State Archives; see also Lyndon Megarrity, 'British Investment in North Queensland Gold Mining 1886 to 1907', BA (Hons) thesis, James Cook University, 1995, chapter six.
[47] Curle, *The Gold Mines of the World* (1899 ed.), p. 222.
[48] George Hopkins, Ordinary General Meeting, Day Dawn Block and Wyndham, 9 June 1903, cited in *Queensland Government Mining Journal*, 15 August 1903, p. 411. For Queensland Government efforts to encourage British investment following the end of the 1880s boom, see Lyndon Megarrity, *Robert Philp and the Politics of Development*, Australian Scholarly Publishing, North Melbourne, 2022, pp. 65-92.
[49] McCarty, 'British Investment in Overseas Mining', p. 5.