THREE QUEENSLAND PREMIERS AND THE MUNGANA SCANDAL

DAVID E MOORE

2015
ABSTRACT

This thesis is an analysis of the unique role that the Chillagoe-Mungana area played in the evolution of North Queensland’s economy and in the state’s politics, extending over four decades. In particular, it impacted upon the careers of three Queensland Premiers, who led the state between 1919 and 1932: Edward Theodore, William McCormack and Arthur Moore, with Theodore being by far the most prominent. The area is now often known for its association with what became known as the “Mungana Scandal”, in which the three Premiers played very different roles. The story has generally been presented and perceived as primarily a political one, with the main focus on Theodore. This has been a mistake as the key person to follow is McCormack (his close friend) and the nature of their relationship.

Major features of the Chillagoe-Mungana story have been the subject of several previous studies, but never in its complete context, as it necessarily involves very important technical and economic components, rarely considered in detail. Further, there has been a tendency either to pay scant attention to the earlier formative years or to gloss over key details: as a consequence, greater focus has tended to be given to the dramatic and controversial last phases involving Theodore. The Chillagoe Mineral Province, discovered in the 1880s, was for a brief period perceived as having the potential to become “another Broken Hill”. Over 120 years ago it underpinned a major railway and mining development, which fell short of those inflated expectations. It proved to be a far smaller and more complex mining region, richer in lead rather than the higher value copper on which it was founded. Its principal operating entity, the Chillagoe Company, when publicly owned from 1898 to 1914 proved to be a dismal financial failure, an outcome repeated when it was acquired by the government in 1918. Its legacies include the tourist railway system from Mareeba to Forsayth, which provides access to the historical smelting and mining sites in the Chillagoe-Mungana area – plus the Mungana Scandal itself.

The thesis highlights in chronological sequence all key elements of the Chillagoe-Mungana story. Some elements are reappraised from today’s perspective, focusing on technical, economic and ethical aspects. It explains why the Chillagoe Mineral Province was never fully understood and always failed to meet expectations. It demonstrates that there were considerable limitations to many earlier analyses; access to new and wider sources of information, opinions and
perceptions are required. The analysis concludes with a re-examination of several myths which have evolved around the Chillagoe-Mungana story and its unusual influence in both Queensland and Australian history.
ACKNOWLEDGEMENTS

Professor Brian Costar, whom I first met over 30 years ago, was responsible for persuading me to change my plan to write a biography of my grandfather, Arthur Moore, and initially make it the subject of a thesis. Since then he has actively been my guide, including the topic change in 2013 to *Three Queensland Premiers and the Mungana Scandal*. I had first heard about Mungana over 50 years ago from discussions with my grandfather and several times read Kett Kennedy’s 1978 book, *The Mungana Affair*, which is by far the best analysis to date.

I stayed with Kennedy at Charters Towers in 2010, where he gave me his PhD thesis on William McCormack plus unpublished legal correspondence he had accumulated in what is termed “The McCormack Papers”, some of which are included in the two appendices. He pointed out to me that additional very important information, covering detailed records of the 1931 conspiracy trial, became available in the Queensland State Archives around the time that *The Mungana Affair* was published. From then onwards he became an extremely useful sounding board as I managed to unearth documents he had not seen, until his untimely (but not unexpected) death in February this year. I am particularly grateful for his help, his other highly relevant writings on North Queensland mining history plus his detailed knowledge of McCormack’s public career.

As some aspects of the analysis lay outside my experience and recent knowledge base I am particularly indebted to a broad range of persons who have kindly assisted me. In the geological field, John Nethery at Chillagoe and Kevin Wolff, who co-authored a detailed book on the Chillagoe Mineral Province in 1964, have reviewed some of my geological interpretations. Dr Rod Grant, who spent part of his career associated with copper and lead smelting, has guided me on metallurgical matters. On legal matters, the late Bruce McPherson, formerly a Queensland Supreme Court judge, Jeffrey Miles, formerly Chief Justice of the ACT, David Russell QC and Judge John McGill have all contributed to my gaining a better understanding of the complex legal circumstances relating to the unusual conspiracy trial. Several persons have kindly read draft chapters, with particular thanks due to Professor Selwyn Cornish of the Australian National University on aspects of economic history and Bob Prosser, a former partner in a large accounting firm, on financial matters.
Dr Ruth Kerr of the Royal Historical Society of Queensland has guided me to relevant documents in the Queensland Archives. Dianne Byrne of the Oxley Library and numerous staff at the National Library in Canberra and the Queensland Archives have provided assistance. I have also been helped by Mary Bolam, who is committed to ensuring a better appreciation of the fascinating Chillagoe area.

My wife, Carol Taylor, has strongly encouraged me to complete what at times became a somewhat more demanding task than I had anticipated. She has also edited numerous drafts, before they were finally passed to David Hudson for editing in accordance with Swinburne University regulations.
DECLARATION

I declare that this thesis contains no material which has been accepted for the award to me of any other degree or diploma.

I declare that to the best of my knowledge this thesis contains no material previously published or written by another person except where due reference is made in the text.

I declare that this thesis is purely my own work.

Signed: [Signature]

Date: 28 August 2014
# TABLE OF CONTENTS

Abstract i
Acknowledgements iii
Declaration v
Table of Contents vi
List of Figures vii
Abbreviations and Equivalent Values viii
Glossary of Technical and Special Terms ix
Preface xiii
Introduction 1
Chapter 1: The Prelude Years 20
Chapter 2: The Birth of the Chillagoe Company 38
Chapter 3: The Collapse of the Chillagoe Company 64
Chapter 4: The Chillagoe Company Becomes a State Enterprise 96
Chapter 5: The State’s Acquisition of the Mungana Leases 123
Chapter 6: Storm Clouds Gather over Chillagoe-Mungana 154
Chapter 7: The Chillagoe-Mungana Royal Commission 193
Chapter 8: The 1931 Conspiracy Trial 238
Chapter 9: The Aftermath Years 280
Chapter 10: Perspective from the 21st Century 300
Chapter 11: Conclusion 321
Appendices 1 and 2 337
Bibliography 376
<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>North Queensland Gold Fields</td>
<td>24</td>
</tr>
<tr>
<td>2</td>
<td>John Moffat’s Empire in 1907 Showing Major Mines and Railways</td>
<td>28</td>
</tr>
<tr>
<td>3</td>
<td>Tin and Copper Prices 1880-1900</td>
<td>35</td>
</tr>
<tr>
<td>4</td>
<td>Chillagoe Region Mining Areas 1903</td>
<td>68</td>
</tr>
<tr>
<td>5</td>
<td>Copper, Lead and Silver Prices 1900-1914</td>
<td>94</td>
</tr>
<tr>
<td>6</td>
<td>Mungana Lease Areas Showing Applications 502 &amp; 503, September 1917</td>
<td>127</td>
</tr>
<tr>
<td>7</td>
<td>Mungana Lease Areas Showing Applications 556-559, February 1919</td>
<td>131</td>
</tr>
<tr>
<td>8</td>
<td>Copper, Lead and Silver Prices 1919-1928</td>
<td>167</td>
</tr>
<tr>
<td>9</td>
<td>Chillagoe Enterprise Financial Performance 1920-1926</td>
<td>169</td>
</tr>
<tr>
<td>10</td>
<td>McCormack-Theodore Mungana Transactions 1920-1926</td>
<td>217</td>
</tr>
<tr>
<td>11</td>
<td>Chillagoe Mineral Province Production 1891-1950</td>
<td>304</td>
</tr>
</tbody>
</table>
ABBREVIATIONS

ALF    Australian Labor Federation
AWA    Amalgamated Workers’ Association
AWU    Australian Workers’ Union
CPD    Commonwealth Parliamentary Debates
CPE    Central Political Executive, later becoming the Queensland Central Executive
CPNO   Country and Progressive National Organisation of Queensland
CPNP   Country and Progressive National Party
ICAC   Independent Commission Against Corruption
IWW    Industrial Workers of the World
MMC    Mungana Mining Company (incorporated in 1912 reconstruction)
MML    Mungana Mines Limited (incorporated in 1920)
MMS    Mungana Mining Syndicate (established in 1918)
NLA    National Library of Australia, Canberra
PLP    Parliamentary Labor Party
QCE    Queensland Central Executive of the Labor Party
QFU    Queensland Farmers Union
QPD    Queensland Parliamentary Debates
QPP    Queensland Parliamentary Papers
QSA    Queensland State Archives, Brisbane

RELATIVE VALUES OF £ & $A IN 2013 TERMS
(Using the Reserve Bank Inflation Calculator from 1901 base)

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>140</td>
<td>1905</td>
<td>137</td>
<td>1910</td>
<td>127</td>
<td>1915</td>
</tr>
<tr>
<td>1920</td>
<td>70</td>
<td>1925</td>
<td>75</td>
<td>1930</td>
<td>75</td>
<td></td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Azurite/Malachite</strong></td>
<td>Hydrated copper carbonates, commonly occurring as blue and green minerals at the surface.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Blister Copper</strong></td>
<td>The product, containing around 98 per cent copper, formed by the oxidation of copper matte.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Bullion</strong></td>
<td>Ingots of valuable metals, typically relating to gold and silver.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Breccia</strong></td>
<td>A sedimentary rock composed of angular fragments, usually of quartz, cemented within a fine grained matrix of other minerals.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Carbonates</strong></td>
<td>A group of minerals formed by the dissolution of metallic oxides by carbonic acid, of which the most common is calcium carbonate.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cassiterite</strong></td>
<td>Tin oxide, the most abundant and richest naturally occurring tin mineral, containing 78 per cent tin, typically found in alluvial deposits due to its high specific gravity.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Chalcopryite</strong></td>
<td>Naturally occurring copper-iron sulphide, containing around 34.5 per cent copper.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Chillagoe Company</strong></td>
<td>Generic name given to the several public companies which owned and operated the railway, smelter and mining assets pursuant to the <em>Mareeba to Chillagoe Railway Act 1897</em> in the period to 1914.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Chillagoe Enterprise</strong></td>
<td>Generic name given to the various non-railway assets acquired from the Chillagoe Company by the Queensland government from 1918 onwards.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Coke</strong></td>
<td>The solid carbonaceous product, derived from the heating of coal in the absence of air, to drive off volatile components and used as the principal reductant in most smelting processes.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Copper Matte</strong></td>
<td>Intermediate product from the smelting of ores containing copper sulphides using a limestone flux: some sulphur is removed as sulphur dioxide and some iron is removed in the slag. Copper matte typically containing 50 - 70 per cent copper.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Conversion</strong></td>
<td>Process used for oxidising molten copper matte to produce blister copper.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Custom Smelter</strong></td>
<td>A centrally located smelting facility, specifically constructed to treat ore – known as public ore – supplied from numerous smaller mines, rather than being primarily dedicated to supply from a single large mine.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Cyanidisation  The process used to extract gold and silver from ores with a solution of sodium cyanide by forming soluble cyanide complexes.

Electrolysis  Usually an aqueous process to win or refine metals through the passage of a direct electric current. It is used to convert anodes of copper, which still contains impurities such as gold and silver, to high purity copper.

Froth Flotation  A widely-used process for selectively separating and concentrating very finely ground minerals in an aerated slurry, containing a chemical which modifies the surface characteristics and enables the valuable particles to rise in the froth to the surface.

Fume  A mixture of very fine particles of metallic and non-metallic compounds carried over with gases during pyrometallurgical processes.

Fluorspar  Calcium fluoride, the most commonly occurring mineral containing fluorine, widely used as a flux in pyrometallurgical processes.

Galena  Lead sulphide, the most abundant naturally occurring lead mineral.

Gangue  The commercially low value minerals within a valuable ore resource, which are removed within the slag in pyrometallurgical processes.

Gossan  The intensely weathered surface of some orebodies, typically containing insoluble iron oxides formed by the reaction between sulphides containing iron and copper.

Hydrothermal  Type of deposit formed from high temperature aqueous solutions originally generated within the earth’s crust, often associated with volcanic activity.

Igneous rocks  Formed by cooling of liquid magma, with granites and basalts being the most common examples.

Lead Bullion  Refined lead product derived from the smelting of lead ores and the refining of crude lead.

Lead Matte  Intermediate sulphide product, typically containing around 15-30 per cent lead sulphide, formed during the smelting of ores containing significant amounts of both copper and lead: also termed copper-lead matte.

Limestone  The most commonly occurring form of calcium carbonate, widely used as a metallurgical flux.
**Magma**  Naturally occurring molten rock beneath the earth’s crust, being the source material for volcanoes.

**Mesozoic**  The geological era covering the Triassic, Jurassic and Cretaceous periods, 260-70 million years ago.

**Metallurgical Flux**  Material added to pyrometallurgical processes to react with other minerals at high temperature so unwanted constituents are removed in the slag, the most common examples being limestone, quartzite and fluorspar.

**Mungana Leases**  Special mineral leases, granted pursuant to the *Mareeba to Chillagoe Railway Act 1897*, initially relating to five areas near Mungana township, totalling 271 acres, replaced in 1919 by four smaller leases totalling 57 acres which were later acquired by the government.

**Oxides**  Compounds containing oxygen of which the most significant are the rock-building compounds, silicates and aluminates.

**Ore Reserves**  Estimate of the valuable minerals in a deposit that can be economically extracted and refined.

**Palaezoic**  The geological era from the Cambrian to the Permian, covering the period from 540 - 260 million years ago.

**Porphyry**  An igneous rock consisting of large grained crystals of quartz or feldspar in a fine grained matrix, often associated with copper deposits.

**Pre-Cambrian**  The geological era covering the period more than 500 million years ago, including the Proterozoic.

**Pyrometallurgical**  High temperature processes to produce metal products.

**Recovery**  Term describing the proportion of valuable products extracted by mining and metallurgical processes.

**Reductant**  An element or compound, also known as a reducing agent, which reacts with oxygen in oxidic materials: in mineral processing, the product of reduction is typically a metal and the reductant is usually a form of carbon, such as coal or coke.

**Roasting**  The pyrometallurgical process for initially removing sulphur prior to further smelting.

**Siliceous**  Term describing minerals having high silica contents, of which quartz and feldspars are the most prominent.
| **Sintering** | The pyrometallurgical process involved in the agglomeration of finer ores prior to further smelting. |
| **Slag** | The lower specific gravity molten mixture of generally unwanted siliceous compounds arising from pyrometallurgical processes, which are typically dumped - even though it often contains some residual valuable products. |
| **Smelting** | Generic term for pyrometallurgical processes. |
| **Sphalerite** | Zinc sulphide, the most commonly occurring zinc mineral, containing 67 per cent zinc |
| **Sulphides** | Compounds containing sulphur, typically being the source for many valuable metals. |
| **Tribute Ore** | Ore produced by smaller mining operations in return for receiving payment for an agreed proportion of its recovered value. |
This thesis is an analysis of the unusual role that the Chillagoe-Mungana area played in the evolution of Queensland’s economy and politics, extending over nearly half a century. In particular, it significantly influenced the trajectories of the careers of three Queensland Premiers – Edward Theodore, William McCormack and Arthur Moore, who between them led the state for the vast majority of the period from 1919 to 1932. Chillagoe, 220 km west of Cairns by a road still not yet fully sealed, was founded as the site of a custom smelter in 1899 and is now a tourist orientated township of around 250 people. Mungana, the terminus of the now overgrown derelict railway spur 20 km further west, is an abandoned heritage-listed mining townsite which once was reported to have serviced up to 5,000 persons. The complex Chillagoe Mineral Province was over a thousand miles from the remote seat of colonial and state government, two thousand miles away from the centre of mining entrepreneurial and financial activity in Melbourne and ten thousand miles from England where it ultimately obtained most of its funding until the government assumed financial responsibility.

The Chillagoe-Mungana story has been the subject of several previous studies, but never in its complete context embracing the technical, economic, historical and political aspects. The story has generally been presented and perceived as basically a political one, but it has very important relevant technical and economic components, rarely considered in detail or in their proper context. Further, there has been a tendency either to pay scant attention to the earlier formative years or to gloss over key details. As a consequence, major focus has tended to be given to the dramatic and controversial last phases. By far the best presentation has been provided by Kett Kennedy in his 1978 book, *The Mungana Affair: State Mining & Political Corruption in the 1920s*.\(^1\) Another useful analysis was given by Trevor Sykes in the chapter “Theodore’s Scandal” in his 1988 book, *Two Centuries of Panic: A History of Corporate Collapses in Australia*.\(^2\)

---


The author of this thesis is in an unusual position to present this more comprehensive analysis. As the grandson of the Premier who had authorised the Chillagoe-Mungana Royal Commission 30 years earlier he was able to learn first-hand about the later aspects of the story through numerous discussions with his grandfather, read his personal copy of the 1930 Royal Commission report and to ask questions about his perceptions. This reflected the strong questioning interest of a young metallurgy student, with an interest in history and politics, which was later supplemented by studies overseas in politics, philosophy and economics. The author, having then spent most of his subsequent career involved in the mineral industry, is therefore in a unique situation to present these wider technical and economic aspects.

All the key events took place over half a century before Australia adopted a decimal currency system based on the dollar, rather than the pound (£). Throughout the thesis, values, prices and costs are expressed in terms of pounds. For the period covered by this story – apart from a very short time from 1931 – the Australian £ was maintained at parity with the British £, with metal prices per ton always expressed in terms of the British £. However, the intrinsic value in terms of buying power can better be appreciated in terms of today’s $ values, so at selected times $ values are also quoted. This has been done by using the Reserve Bank of Australia’s inflation calculator, which conveniently starts from a 1901 base, when a £ would be equivalent to around $140 in 2013 terms.\(^3\) Throughout the 1920s a £ was equivalent to around $75 in 2013 terms. The imperial system of weights and measures in which all details were reported has been retained throughout.

The mid-1880s has been selected as the starting point for the Chillagoe-Mungana story, but it is important that key earlier events be summarised to place the story in a wider perspective. This has been done in Chapter 1, The Prelude Years, following in the footsteps of the prospectors to North Queensland in the pursuit of gold and later other valuable minerals, so well recorded in Geoffrey Blainey’s *The Rush That Never Ended*.\(^4\) Another well-known historian, Geoffrey


Bolton, also provided an excellent summary of the development of these areas in his 1963 book, *A Thousand Miles Away*.\(^5\)

The events leading to the birth of the Chillagoe Railway and Mining Company, formed in 1898 to build and operate a railway, smelters and mining operations, using assets acquired from John Moffat, a well-known mining entrepreneur, and with his early participation, are discussed in **Chapter 2**. This public listed company, which was given the generic name of the Chillagoe Company, lasted for less than three years, when the first of three corporate reconstructions was required. It finally collapsed in 1914 having incurred substantial losses and having never paid a dividend, resulting in the smelters closing until 1919, after years of challenges and poor operating performance, which are all discussed in **Chapter 3**. This chapter also examines the strong entry influences of Edward Theodore and William McCormack through their establishment of the Amalgamated Workers’ Association (AWA). This union quite quickly led to the effective backdoor takeover of the Australian Workers’ Union (AWU) in Queensland to the position of great influence that it still holds.

**Chapter 4** covers the 1915 ascension to government of the Labor Party, with its major policy for establishing a range of state business enterprises. This culminated in the protracted acquisition of the Chillagoe Company assets as a state enterprise in late 1918, thereafter generally known as the Chillagoe Enterprise. It became one of the government’s most unsuccessful investments. **Chapter 5** covers the period when Theodore had become Premier and was starting to orchestrate major constitutional and judicial changes. It looks at the circumstances surrounding the government’s acquisition of five mining leases at Mungana, in which McCormack held an undeclared substantial financial interest. The subsequent poor performance of the Chillagoe Enterprise and the escalating rumbles about the “involvement of some politicians”, together with other major political events in the 1920s, are discussed in **Chapter 6**. The Chillagoe smelters closed again in 1927, following highly unfavourable audit reports, resulting in the opposition calling for a Royal Commission. This proposal was strongly resisted by the severely compromised McCormack, then Premier. Theodore had made a belated moved into federal

---

politics through a somewhat controversial by-election for a NSW seat and was widely perceived as being a future Labor leader.

Chapter 7 covers the period from the May 1929 state election, when there was a change in government with Arthur Moore, leading the relatively new and united Country and Progressive National Party (CPNP), becoming Premier. In October 1929, after new evidence about the much larger extent of McCormack’s involvement in, and income from, the Mungana leases, Moore announced a Royal Commission would be held. This occurred just before a snap election for the House of Representatives which saw the landslide victory of the Labor Party under James Scullin, with Theodore becoming Treasurer and deputy Prime Minister. The explosive report of the Royal Commission in July 1930 concluded that McCormack and Theodore with two others had acted in a dishonest and fraudulent manner by receiving benefits from the sale of the Mungana leases to the government. This resulted in Theodore, the one politician who had the experience and background to perhaps deal with the impacts of the worsening Great Depression, immediately standing down as Treasurer. The chapter includes several items which have not previously been published in detail, which are included in two appendices.

Chapter 8 is devoted to the increasingly political 1931 civil trial, when four persons – McCormack, Theodore, Frederick Reid and Peter Goddard – were tried for conspiracy before the Queensland Chief Justice and a four person jury. All were found to be not guilty. Six months earlier Theodore had been reinstated as Treasurer and deputy Prime Minister, thereby provoking a major split in the Labor Party, which suffered a landslide loss at the December 1931 election and immediately ended Theodore’s political career.

Chapter 9 reviews the relevant events in the aftermath years and assesses the impacts on all the participants, with particular focus on the three Premiers. Several technical and economic aspects of the Chillagoe-Mungana story are reviewed from today’s perspective in Chapter 10. It reassesses the complex resource base of the Chillagoe Mineral Province and explains why it was never fully understood and always failed to meet expectations. It includes a greater appreciation of the complexity of the region acquired by the author’s several visits to gain historical, technical, economic and local details – all aided by the substantial benefit of hindsight. It demonstrates that there were considerable limitations to most earlier analyses; access to wider sources, opinions and perceptions are required to achieve these.
The analysis concludes in Chapter 11 with a re-examination of the range of myths, many of which still exist today, that have evolved around the Chillagoe-Mungana story and its unusual influence in both Queensland and Australian economic and political history.
INTRODUCTION

The Chillagoe-Mungana Story

This thesis provides a detailed analysis of the unusual role that the Chillagoe-Mungana region played in the evolution of North Queensland’s economy and in Queensland politics, extending over four decades. In particular, it spawned what became known as the “Mungana scandal”, named after the town near Chillagoe where several important mining leases were located. The scandal impacted in very different ways upon three Queensland Premiers who led the state between 1919 and 1932: Edward Theodore, William McCormack and Arthur Moore. The central argument of the thesis is that the Mungana scandal has been misunderstood or misinterpreted by most who have written about it. This has resulted in a number of myths often becoming accepted as facts.

The very complex Chillagoe Mineral Province did not contain significant long-term quality ore resources, whilst building custom smelters at Chillagoe was a flawed concept. As a consequence, the private enterprise Chillagoe Company which operated from 1901 to 1914 became a financial disaster, which was well-known before it later became a state enterprise. It remained a loss-making enterprise as well as being poorly and at times corruptly managed. McCormack was able to opportunistically make money at Queensland’s considerable expense through the sale of the Mungana mining leases to the state and then lying for years about the nature of his involvement. A Royal Commission, finally set up after numerous requests to establish the truth, came to the bombshell conclusion that Theodore had shared in McCormack’s profits from Mungana. The inquiry was never specifically directed at Theodore, despite his numerous subsequent protestations. The overwhelming weight of facts endorses the Royal Commission’s conclusion as being “what any reasonable man would accept” in the absence of evidence to the contrary. A subsequent civil trial, charging McCormack and Theodore with conspiracy, was poorly planned and conducted by the Crown. The not guilty verdict did not prove their innocence or be the prime

---

6 The phrase “what any reasonable man would accept” was the approach taken by Judge Scholes in 1928 in relation to evidence before a Royal Commission into Bribery following Theodore’s controversial entry into federal politics after the sitting member for the NSW electorate had been induced to resign. It is equally relevant to the 1930 Royal Commission.
cause of Theodore’s early exit from politics — two other myths that are defined and then challenged in the thesis.

The thesis examines in chronological order the entire story of the Chillagoe Mineral Province and the Mungana mining leases, diligently adhering to McCormack’s 1926 parliamentary advice to “trace the whole case”. The approach is also different to previous analyses in that it does not just focus on the political aspects, but includes necessary technical and commercial components and also considers governance issues. First, it is necessary to understand a lengthy series of events from the early days of mining in the Chillagoe region. These events are collectively termed “The Chillagoe-Mungana story”. The story spans a time interval during which Queensland migrated from its sometimes wild colonial attitudes to a fully democratic statehood. The overall pattern of development resulted in less concentration of population in its capital city, greater focus on non-urban transportation links and a relatively smaller manufacturing sector compared to other eastern states. In the process, the state transitioned from one extreme of having an upper house of parliament, where unpaid and privileged members were appointed for life, to the opposite extreme where no such house was deemed by the Labor Party to be necessary at all. From early 1922 there was no review function available to critique actions by an increasingly populist-orientated Legislative Assembly, a situation that continues today and has resulted in the encouragement of crony capitalism — a recurrent tendency in Queensland.

Throughout the whole period, the principal objective within Queensland was one of pursuing strong economic growth, particularly in the sparsely-populated tropical north, where its sense of isolation from Brisbane had spawned intermittent demands for it to become a separate state.

The word “Mungana” has become a magnet for attracting a range of myths. A good example is Gough Whitlam’s comment in the foreword to Irwin Young’s 1971 biography, *Theodore: His Life and Times*, where he expressed the hope that “the most important service [for the book] should be to explode the myth of Mungana”. This hope was soon repeated in his article

---

8 The best example of this cronyism in Queensland was provided during the period of the Bjelke-Petersen governments from 1968 to 1988, which culminated in the Fitzgerald Royal Commission.
9 I Young, *Theodore: His Life and Times*, Alpha Books, Sydney, 1971, p. xiv. This appears to the first occasion that “myth” was used publicly in relation to Mungana.
The use of the word “myth” suggests that there was some fantasy or even falsehood about the Mungana saga. Young’s book did nothing to enunciate, let alone explode, any perceived myth. To the contrary, in a perverse way the book only added to the aura that still surrounds Edward Theodore — that he was somehow a totally innocent victim of a political plot specifically launched against him in October 1929. Some historians have even asserted that Theodore had been pursued for years.11

Even today, just the mention of Mungana can result in passionate reflex responses, generally relating to its perceived impact on the dramatic last stages of Edward Theodore’s political career. This is not surprising given his political trajectory: he was Queensland Treasurer from 1915 to 1920, Premier from 1919 to 1925, federal Treasurer and deputy Prime Minister from 1929 to mid-1930 and again for most of 1931 when he retired from politics after his heavy electoral defeat. Theodore, a self-educated and very capable but complex person, has become a controversial figure in Australia’s political history. Nonetheless, his lengthy role in the Chillagoe-Mungana story never seems to have been properly accepted.

The period encompasses different development philosophies towards mining projects, particularly espoused by two influential persons. The first philosophy was entrepreneurial, led by the now little-remembered yet very important John Moffat; it was primarily built by private enterprise, based upon his tin operations at Irvinebank, although he was quite prepared to seek and receive government assistance when the needs arose. For example, he relied very heavily on the support of the his close friend, Robert Philp, then Secretary for Mines and later Premier, to personally fast track the Mareeba to Chillagoe Railway Act in 1897.12 By way of contrast, the second philosophy, led by the much better known Theodore, relied on a prominent government role, but it still was able to accommodate private investments which at times created substantial conflicts of interest.

This story touches upon virtually all of the mining, economic and political developments in North Queensland’s evolution over the half century. It includes several periods of mining boom and higher prices, a financial depression, corporate extravagances and failures, several major strikes and the state’s worst mining disaster. It also encompasses the formation and triumphant march to become the dominant industrial and political influence of what is still today the state’s major trade union, together with the parallel rise of the Labor Party to an extended period in power from 1915 to 1957. This dominance was only broken from 1929 to 1932, which includes the period when all three Premiers collectively were concurrently thrust into the limelight due to the Mungana scandal.

Importantly, the thesis examines the development and then progressive decline of what was persistently over-promoted as potentially one of the world’s great mineral provinces – with Chillagoe as its epicentre, where unprofitable custom smelters were located. Situated along a major fault in an unusual geological environment, containing a diverse range of minerals in a complex tectonic setting, the new Chillagoe Mineral Province proved to be spectacularly uneconomic. Unlike the large and prosperous Mount Isa region discovered decades later, the province has so far revealed no major orebodies to underpin sustainable long-term economic mining and processing operations. Yet, the region has left an indelible impression upon the evolution of North Queensland. Throughout Australia’s recorded history the cyclical mining industry has fulfilled a range of special roles in attracting population, materially increasing the development opportunities in more remote areas, adding to the country’s wealth base and earning foreign exchange – but often attracting controversy. Invariably the state has had to become involved in the mining industry, fulfilling a range of at times conflicting functions, in addition to deriving income from royalties. Such was the case in the Chillagoe-Mungana story, but to a greater degree than in most other instances – with highly unusual repercussions.

Aspects of the Chillagoe-Mungana story have been the subject of analyses in the past, but rarely in their complete context. There has been a very strong tendency to pay scant attention to the crucial earlier years or to gloss over key details, with major focus generally given to the controversial latter phases from 1929 to 1931. By far the best analyses were published by the late Kett Kennedy in his 1978 book, *The Mungana Affair: State Mining & Political Corruption in the*
1920s,¹³ and Trevor Sykes in the chapter “Theodore’s Scandal” in his 1988 book, Two Centuries of Panic: A History of Corporate Collapses in Australia.¹⁴ For this introduction the Chillagoe-Mungana story can be conveniently broken into four phases: the Free Enterprise Years to 1914, the Interregnum Years to 1919, the Government Years to 1927 and the Years of Reckoning. First, it is important to explain just what was Mungana.

**What Was Mungana?**

The origin of the word “Mungana” has never been proven. It was reportedly named after either a mine in India or a gold mine in Tasmania with which James Smith Reid, later the long-standing managing director of the Chillagoe Company, was associated.¹⁵ Mungana emerged in 1898 as the new name for the Girofla mining camp, established just two years earlier below a spectacular limestone bluff, where a small copper mine had been established by Moffat. It quickly increased in size, soon featuring several hotels, cricket club, racing club, school and police station. Its growth was further stimulated by the arrival of the railway from Chillagoe in 1901. The township thrived until the late 1920s before gradually dwindling into historic oblivion after the railway link was closed in 1964.

The Mungana leases are central to the story. These originally related to five special mining leases, comprising 271 acres of the maximum 2000 acres, issued pursuant to the 1897 Mareeba to Chillagoe Railway Act. The two key operations related to the Lady Jane and Girofla mines, which were surprisingly and controversially transferred to a separate company in early 1901 to raise more capital to complete the smelters. In 1919 they were replaced by four smaller leases totalling only 57 acres. Their importance always related to the key assumption they were deemed to be absolutely necessary to provide ore to the Chillagoe smelters.

---


The Chillagoe Mineral Province

This province west of Cairns was officially defined as an 1800 square miles area contained within the Chillagoe, Almaden and Mungana one-mile survey sheets. It was extensively re-evaluated in the 1964 publication, *The Geology and Mineral Resources of the Chillagoe Area, Queensland*. The analysis focused on both regional and economic facets, which are important in placing the overall region and then the Mungana component in proper perspective.

At no stage were the ore tonnages, grades and the proportions of the various minerals properly estimated, even in a primitive fashion. Given this situation, it is extremely difficult to understand how any person could have placed even a roughly defensible quantity and quality estimate on the resources. No systematic exploration programme was ever able to be carried out, with virtually total reliance having to be placed on surface outcrops, where the initial copper grades were very high, at times exceeding 20 per cent. Furthermore, most of the workings were small, disconnected and shallow. The gossan surface expressions of many orebodies were akin to those at Broken Hill deposits, but the problem in the Chillagoe region was that they unexpectedly quickly narrowed at depth, resulting in the resource being much more limited than expected.

Its most productive decade was 1901-1910, accounting for over half of the copper, lead and silver production over the 60 years to 1950. There seemed to be continuing difficulty in judging whether the overall province was predominantly driven by the production of copper, on which it was first promoted, or lead, which ultimately prevailed. The Mungana area, which was essentially the Girofla and Lady Jane underground mines, was the most important ore resource within the province. It was responsible for about a third of the total province copper production and two-thirds of the lead and silver production. Effectively, the region was both small and regional, not even a major Australian mining province, let alone a world-class one. Its widespread promotion as being “another Broken Hill” was an illusion. In a somewhat perverse manner, the area probably became better known because it provided the platform for both

---


17 Gossan is the weathered surface of some orebodies. See Glossary of Technical and Special Terms.
Edward Theodore’s and William McCormack’s industrial and political careers, which feature throughout the story.

The Free Enterprise Years to Early 1914

Two basic concepts underpinned John Moffat’s business strategy. These were the construction of a railway network, which would significantly reduce the prohibitively high transport costs, plus the establishment of custom smelters with the capability to treat diverse ore sources. The 1897 legislation for the *Mareeba to Chillagoe Railway Act* was fast tracked through both houses of the Queensland parliament, materially helped by Moffat’s government connections. This favourable legislation authorised a 95 mile land-grant railway from Mareeba to Chillagoe (quickly extended a further 12 miles to Mungana) to be built within a relatively short three year period, retaining the right to build spur railways or tramways close to the main railway line. 2,000 acres of special mining leases could be acquired, having a special tenure of 50 years, instead of the usual 21 years. The railway assets were to revert to the government after 50 years under a purchase price formula.

Implementation of the agreement required substantial capital, which was raised through a new corporate entity, Chillagoe Railway and Mines Limited. The company name demonstrated that the prime emphasis was given to the railway, with the necessary mining operations unfortunately given much lower priority. There seemed to be an implicit hope or assumption that the railways would catalyse other groups to seek, and invest in, local mines. This approach was consistent with Moffat’s proven concept for his nearby Irvinebank tin operations, where “public ore” was purchased from smaller mines and treated at a centralised smelter. While this concept was successful for the much smaller-scale tin industry, it could only be successful for the much larger base metal industry if ore of appropriate quality and quantity was available.

---

18 The concept of land-grant railways to be constructed by private enterprise was embraced by the Queensland government in the 1890s, based on the successful North American experience.

The company was floated on the basis that there was ample copper ore capable of being delivered to the smelter, which finally had to be built at Chillagoe. This choice, forced on the company because a far more appropriate site at Mareeba was refused, proved to be flawed — likewise was construction of only copper furnaces, as lead furnaces had to be added. Well before the smelters were operative the severely under-capitalised company was short of funds. The sale of the Mungana leases to an affiliate entity, Mungana (Chillagoe) Company in early 1901, provided only temporary relief. After twelve weeks of operation the smelters closed for nearly a year, during which time the first of three financial reconstructions was carried out. For ease in discussing the changing situation a generic name, Chillagoe Company, has been given to these various corporate entities throughout the period from 1898 to its demise in 1914.

After investing in lead furnaces, the company was further financially reconstructed in 1905, partly to raise capital to contribute to a major 143 mile railway extension south to Einasleigh to access additional copper ore. Despite encountering some industrial unrest, the Chillagoe Company then made profits from 1908 to 1910, but thereafter encountered a cavalcade of adverse events. There were interruptions due to severe cyclones, a fire at the smelters and reduced ore supply from the important Mungana mines, which were also adversely affected by a fire which closed the Lady Jane mine from 1909. In turn, this led to the Mungana (Chillagoe) Company being reconstructed in 1912, a year before the last (albeit minor) reconstruction of the Chillagoe Company required to help pay for a rail link to access cheaper coal reductant at nearby Mount Mulligan.20

The company’s smelters and mines ceased operation in early 1914, concluding the private enterprise years of the Chillagoe-Mungana story. Copper had accounted for 61 per cent of the revenue, although the tonnage of lead was greater. Through its short life £680,000 had been generated through four equity raisings plus £782,500 from overseas debentures to finance the railways: overall this was equivalent to at least $150 million today.21 It only returned profits in four financial years and no dividends were ever declared. By any yardstick the Chillagoe

20 A reducing agent, typically coal or coke, used in smelting processes. See Glossary of Technical and Special Terms.

Company was a financial disaster. Given the fact that the railway component generated a net profit of over £600,000 over this period, the mining and smelting components incurred highly significant losses which later became public knowledge.\(^{22}\)

### The Interregnum Years to 1919

These years were dominated by the advent of the state’s first majority Labor government at the May 1915 election, with particular focus on the evolving political careers of Edward Theodore and William McCormack. Theodore arrived in 1907 in the Chillagoe region, which then had poor union organisation, attracted by the illusion of “another Broken Hill” where he had worked for four years and admired the strong unions there. He soon teamed up with the slightly older McCormack at Irvinebank, together establishing a long-term friendship and a dynamic combination which would soon dominate the state’s union and political scene for nearly 20 years. Theodore became the more prominent member, with McCormack (while still very powerful) often living in his shadow: it was said that “Theodore provided the brains and McCormack the brawn”.\(^{23}\) Following an industrial dispute with Moffat, they founded the Amalgamated Workers’ Association (AWA) which rapidly opened branches throughout the Chillagoe Mineral Province. Theodore and McCormack, the only full-time officials, exercised tight centralised financial and policy control over the AWA from its new Chillagoe base, with a strategy to expand its coverage and influence to other industries in North Queensland. The major target was the labour-intensive, but poorly organised, sugar industry for which the AWA gained coverage in 1911 following a merger with the sugar union. The AWA’s reputation was greatly enhanced through several successful strikes during the construction of the Einasleigh railway extension and improving conditions in the sugar industry. In 1913 it orchestrated a merger with the much larger Australian Workers Union (AWU). In what was tantamount to a reverse takeover, Theodore was elected as its state president while McCormack became a vice president while maintaining a major role in state labour politics.

In 1909, Theodore won the Legislative Assembly seat for the Chillagoe region, while McCormack won the Cairns seat at the 1912 election, soon after which Theodore was elected

\(^{22}\) Ibid.

\(^{23}\) KH Kennedy, private discussion, February 2013.
deputy-leader to Thomas Ryan in the Parliamentary Labor Party. They were both well positioned when the Labor Party won a landslide victory at the 1915 election, which also saw Arthur Moore elected to the Darling Downs seat of Aubigny, representing the newly formed Queensland Farmers’ Union. Theodore enhanced his power base by being appointed as Treasurer, but McCormack’s career path was jolted by his surprise failure to be elected to the cabinet, being sidelined as Speaker for four years until his appointment as Home Secretary just before Theodore succeeded Ryan as Premier in late 1919.

One key plank of the new government’s policy was to establish state enterprises, predominantly aimed at constraining consumer price increases. According to Denis Murphy in Labor in Power “There were great hopes attached to all the enterprises, but it was the mines and smelters at Chillagoe that gave the greatest promise of fulfilling all the hopes”. The Chillagoe Company therefore became a prime target, designed to try to offset declining work opportunities in Theodore’s electorate. This necessitated special legislation being passed by a hostile Legislative Council, a constraint which ensured that the path for what was to become one of the largest, unprofitable and controversial state enterprises became very protracted, taking nearly two years. In reality, the state was the only potential buyer. The legislation was initially passed by the lower house in December 1916 and promptly referred to an upper house select committee, where Theodore was the most important witness who argued that the copper-based enterprise would be “a good business proposition”. The bill was quickly rejected for a combination of very plausible reasons: inadequate ore reserves, no independent reports and lack of a financial feasibility study, coupled with the philosophical concern that mining was a speculative industry.

A revised bill was submitted in November 1917 and again rejected by another select committee – a decision later changed after it had been allowed to take evidence at Chillagoe. The Chillagoe, Etheridge Railway and Other Properties Act was finally passed by both houses in November 1918 approving the £701,000 acquisition for the railway and equipment, smelters and the Einasleigh copper mine: it excluded the crucial Mungana leases, whose importance had been highlighted by several witnesses. The acquisition of what now became termed the Chillagoe

---

Enterprise took effect from July 1919 and the smelters reopened in January 1920 after being closed for nearly six years, thereby missing the peak for base metal prices due to the strong wartime demand. By that time Theodore had succeeded Ryan as Premier and McCormack had finally been elevated to the cabinet. The acquisition proved to be a very expensive decision for the state, as the Chillagoe Enterprise became one of its worst investments.

**The Government Years to 1927**

Mining at Mungana had ceased soon after the smelters closed in 1914. Frederick Reid, an experienced and astute local mining identity with a detailed knowledge of the Mungana area, seized the opportunity to re-peg two small leases covering the key mines at Lady Jane and Girofla in late 1917 after they had accidentally not been renewed. Under somewhat dubious circumstances the mining warden quickly recommended they be awarded to Reid, who promptly secured a release from the normal labour conditions to hold the leases. Having obtained a two page valuation from a former Mungana Mines manager, he then wrote to Theodore to seek a government loan to very cheaply acquire all the Mungana mining assets. He did not really try to operate the two mines, both of which required significant dewatering before operations could recommence, but he was able to access some surface ore. He basically focused attention on establishing political connections by striking a confidential written private agreement for McCormack to receive 50 per cent of any profits from mining the Mungana leases — with no investment required. In early 1919 Reid replaced the original applications by four larger areas, in the name of the Mungana Mining Syndicate (MMS), with the 50 per cent interest held by McCormack not being disclosed. Reid was cleverly positioning himself to sell the leases to the government when the time was ripe, since there was a strong local feeling that the Chillagoe Enterprise would ultimately have to acquire the Mungana leases. Around this time Peter Goddard, whose limited experience was as a supervisor of a copper smelter, was installed as interim general manager of the Chillagoe Enterprise, under the responsibility of Alfred Jones, Secretary for Mines. His appointment was confirmed in 1920 for a three year period: one crucial employment condition, which was never enforced, was that he could hold no interest in any groups selling ore to the smelters.

The first statutory report on the Chillagoe Enterprise by the Auditor-General for the period to June 1920 recommended that the *Chillagoe-Etheridge Railway Act* be promptly amended, so
additional ore sources could be secured by purchasing selected mines to increase throughput at
the already struggling smelters. Theodore specifically requested a clause be inserted “which
enabled the state to have the flexibility to purchase or lease on a royalty basis, any mine or
mining lands the ore won from which, in the opinion of the Government, will further the
profitable carrying on of the business”. The most significant of these were the Mungana leases,
which Reid had been ready to sell for some time. He had by then cultivated a cosy relationship
with Goddard, manifest by offering him a free 12.5 per cent equity stake in the leases and in
return receiving extended credit for ore purchases, which included surface Mungana ore. Both
decisions were inconsistent with his employment conditions. The MMS made a £3,000 cash
profit on this ore, without having spent any money on dewatering the two mines, before the
leases with an assumed value of £10,000 were transferred to a new company, Mungana Mines
Limited (MML), in late 1920.

The leases were immediately offered for sale just days after the Chillagoe-Etheridge Railway Act
Amendment Act had been passed. Reid had very carefully distributed MML shares to selected
local supporters including Goddard, whose 12.5 per cent share was put in the name of his
brother-in-law. Goddard later described this issue of shares “in consideration of friendship and
advice and assistance which theretofore had been rendered by me in a personal capacity … in
connection with his mining operations”. In the only annual statutory return of shareholders ever
lodged, McCormack was shown as holding 388 shares, whereas in reality he was the largest
shareholder (at 43 per cent), with each of his three sisters holding shares as his nominee. Reid
then negotiated an option agreement with Goddard, representing the Chillagoe Enterprise,
enabling the leases to be immediately accessed. The Queensland government finally purchased
all the MML assets for £40,000 in March 1922. This payment was primarily to be met by
royalties based on the value of the ore delivered, irrespective of the operating or capital costs
incurred by the state. Given the subsequent capital expenditure that was required, the assets were
worthless.

In the period to June 1926, the smelters operated intermittently, with annual production being around 50 per cent below the levels achieved by the Chillagoe Company. Ore supply continued to be extremely disappointing. Lead dominated with 59.2 per cent of total revenue, while silver accounted for 20.8 per cent followed by copper with only 18.7 per cent. Contrary to all the early assumptions and expectations the Chillagoe Enterprise proved never to be a copper-driven operation. The Chillagoe Enterprise’s own copper mine at Einasleigh only remained open until 1922. The copper smelter from then onwards had to be primarily reliant on treating ores railed over 800 miles from Cloncurry, incurring significant operating losses. By then lead ores totally dominated the dwindling supply from the Chillagoe region. Goddard was always active in seeking other local sources of supply, some of which came from small mines owned by Reid: he even took further equity interests in two local mines, together with Theodore.

Under Jones’ compliant and benign management, the Chillagoe Enterprise incurred increasing operating losses. From July 1924, at Theodore’s request, £281,000 losses were written off and interest costs were suspended. The total cash cost to the government for the period to 30 June 1927, by which time the smelters had closed, was £1,164,822 ($87.5 million in today’s terms). This comprised operating losses of £623,770 and capital expenditure of £541,308. It had spent £182,700 further capital ($13.6 million in today’s terms) on the two Mungana mines alone, making the overall capital cost per ton of Mungana ore mined an exorbitant £2 per ton before the mines closed in 1926. These losses materially contributed to the state’s growing budget deficits.

In June 1925 Goddard had even received approval for the outstanding Mungana royalties to be paid in advance, a decision which was never justified and probably resulted in an over-payment of around £4,000 as the mines closed early in 1926. By then McCormack had received a total of £13,315 (equivalent to nearly $1 million today) from his Mungana involvement before he finally became Premier. He faced increasing hostility from the state’s second largest union, the militant Australian Railways Union (ARU). Prior to McCormack’s success at the 1926 election the ARU president had publicly accused him of having a secret involvement in the Mungana leases. Later in 1926, after a further damaging audit report, Arthur Moore, leader of a new united opposition party, the Country and Progressive National Party (CPNP), then called for a Royal Commission into the Chillagoe Enterprise and the Mungana leases. McCormack, having belatedly acknowledged the relatively few MML shares formally held in his name, boldly and arrogantly
declared to parliament that “No Royal Commission could find out any more than I have already stated here tonight … This Chamber is the judge and this Chamber is the highest court in the land”. 28

A scathing special audit report was released in 1927, by which time the smelters had closed and Goddard had resigned to manage a Cairns hotel he owned with Reid. McCormack again rebuffed calls to hold a Royal Commission, both within parliament and at the 1928 Labor Party convention. This became one minor reason for his 1929 election loss to Moore, after which he resigned as leader of the Labor Party. During this period there was little mention of Theodore in connection with Chillagoe-Mungana. He had by then secured the NSW seat of Dalley at a 1927 by-election, under controversial circumstances. This prompted a politically motivated federal Royal Commission in 1928, at which Theodore was cleared of any involvement in the sitting member receiving a £5,000 inducement to resign in his favour. The verdict was that the money was paid by unknown persons, widely seen as being the shadowy Melbourne businessman, John Wren. 29

The Years of Reckoning: The 1930 Royal Commission and 1931 Conspiracy Trial

In October 1929, some months after Moore became Premier and McCormack had resigned as Labor leader, the Chillagoe-Mungana story entered its controversial and very turbulent last phase lasting nearly two years. This consisted of two entirely separate legal events a year apart. Regrettably, there has been a persistent propensity in the author’s view for these two events to be conflated, to the extent that not only has the combination dominated many people’s subsequent perceptions, but it also places greater emphasis on the outcome of the latter event. This final phase was catalysed by two independent revelations in 1929 during the snap election campaign for the House of Representatives, where the Labor Party under James Scullin won a landslide victory and Theodore became deputy Prime Minister and Treasurer. The first and less important revelation was the parliamentary accusation that Theodore, McCormack and Jones, while cabinet ministers, had received shares in Mount Isa Mines in 1925 as an apparent inducement to legislate for the extension of the railway network to Mount Isa. By far the more important revelation was

made by Reid at a bankruptcy hearing that McCormack had held a much greater beneficial interest in MML: most of his shares were held by his three sisters, who it was later shown had promptly passed all cash dividends to their brother. Moore announced the plan to call a Royal Commission the next day, a decision that thereafter Theodore denounced as being politically directed against him personally. This was incorrect as his involvement at that stage appeared only to be peripheral. McCormack, after persistently lying about the extent of his MML interest, was always the principal target.

The terms of reference of the Royal Commission “to inquire into matters relating to Mungana and Chillagoe mines etc.”, together with the somewhat controversial decision for a retired NSW Supreme Court judge to preside, were announced in early 1930 around the time McCormack resigned from parliament. The Chillagoe-Mungana Royal Commission commenced hearings in early May and reported in early July 1930. Reid and Goddard appeared for cross-examination, but the only cabinet minister to give evidence was Alfred Jones, who refused to provide any details of relevant cabinet discussions. Review of detailed correspondence between McCormack and his solicitor shows that he never really planned to attend, so he chose to remain in Sydney. As neither McCormack nor Theodore attended they could not be cross-examined. The sequential legal correspondence reveals that McCormack was privately keeping Theodore advised, providing a clear indication of the latter’s close knowledge and interest, later vehemently denied. When the Royal Commissioner overcame appeals to the Supreme Court to subpoena McCormack’s, and later Theodore’s, bank accounts he discovered a recurring pattern of payments to Theodore from 1920 to 1926 soon after McCormack had received income from the Mungana leases. McCormack was totally discredited. The commissioner also concluded that the varying decisions and actions by Theodore over the years in relation to Chillagoe-Mungana could only be reasonably explained by his having some continuing close involvement via McCormack. This conclusion became the prime evidence for his shock statement that “Theodore, McCormack, Goddard and Reid were guilty of fraud and dishonesty in procuring the State to purchase the Mungana leases for £40,000” and that “The moneys shared between them
as proceeds of that transaction were fraudulently obtained”. The impact was immediate: Theodore resigned as Treasurer and demanded that he be given an early opportunity to clear his name.

The Queensland government was totally unprepared to deal with this unexpected explosive outcome. Moore did not necessarily want to take any action now the truth he had been pursuing for some years had finally been revealed, but he yielded to pressure from those who were keen to gain maximum political mileage from Theodore’s resignation. Not only did this necessitate retrospective legislation to be able to use the Royal Commission evidence at a civil trial, but it had the consequence of the matter essentially becoming overwhelmed by political aspects. The ultimate decision was that the state sought to recover £30,000 from Goddard, McCormack, Reid and Theodore, being the imputed excess amount paid for the Mungana leases. Tactically this was a big mistake as the amount could be defended by the opinions of several experts who had concurred with the £40,000 value in 1922, even though the valuation made no allowance for the very high capital costs to reopen the mines. The trial also was carried out in such a manner that neither McCormack nor Theodore had to be cross-examined.

By the time the conspiracy trial commenced in July 1931, Theodore had been reappointed as Treasurer and deputy-leader of the Labor Party. The party however had been severely weakened by the defection of several ministers and by the formation of a breakaway Lang Labor Party led by the NSW Premier, who had become a bitter opponent of Theodore’s after he had relocated to NSW. While the fact about McCormack’s key role in the Mungana affair was not subject to dispute, surprisingly it had no effect on the outcome of the trial held before the Chief Justice and a jury of four persons. The Crown, relying primarily on inference, was unable to prove there was a continuing conspiracy between the four co-defendants. All were found not guilty of any charge and the state had to pay all costs. The decision further weakened the Queensland government, primarily grappling with the crippling forces of the Great Depression. It was defeated at the 1932 election, with Moore remaining as leader until after a crushing defeat in 1935. McCormack had already retired from politics, while Theodore, who suffered a substantial loss at the 1931 federal

---

elections to a Lang Labor candidate, never sought to return to politics and pursued a successful high profile business career.

**Dispelling the Myths of Mungana**

Given that the word “myth” has been used by others in relation to the Mungana scandal, the approach taken has been to define what in fact has become a succession of myths that have been generated as part of the Chillagoe-Mungana story. These myths, which are all examined in the thesis, are:

Myth No 1: The Chillagoe Mineral Province was one of the richest in the world;

Myth No 2: The Mungana leases were particularly rich;

Myth No 3: There were no politicians involved in the Mungana leases following their option to, and then acquisition by, the government;

Myth No 4: The principal objective of the 1930 Chillagoe-Mungana Royal Commission was to discredit Edward Theodore;

Myth No 5: The not guilty verdict at the 1931 conspiracy trial finally cleared Theodore of any involvement in the Mungana affair;

Myth No 6: The Mungana affair was responsible for Theodore’s political downfall.

Myth No 7: There was no financial benefit to Edward Theodore from the state’s acquisition and operation of the Mungana leases.

At various times these myths have been accepted and re-quoted to such an extent they have assumed the status of facts, which then become repeated. After highlighting the continuing propensity for the Mungana scandal to be resurrected at intervals, the thesis challenges all the above myths arising from the Chillagoe-Mungana story that have previously at different times been accepted as facts. By far the most difficult myth relates to whether Theodore received any benefit from the state’s acquisition and operation of the Mungana leases. Detailed confirmation has never become available, other than in the Royal Commission report following investigation of the bank transactions which were factually accepted.
One is therefore forced to resort to employ similar inference techniques to those used by the Crown at the conspiracy trial. However, the significant difference is that the inference does not relate to an alleged continuing conspiracy involving four persons over many years. It only needs to address the amounts, timing and subsequent comments relating to the proven, but previously secret, payments between McCormack and Theodore.

McCormack in an untabled draft statement to the Royal Commission, which is included as an appendix to the thesis together with relevant private legal correspondence at that time, elected not to disclose such payments, other than to allude to an interested nebulous “third party”. Their disclosure came as a complete bombshell, as evidenced by his counsel’s reactions and their reasonable immediate conclusions. The table in the thesis showing the amounts, timing and form when the payments (one of which was a large cash sum) were made, following McCormack’s receipt of income from the Mungana leases, clearly endorses the commissioner’s conclusions – however unpalatable they were to surprised observers and persons supportive of Theodore’s key role in fighting the forces of economic depression. Despite Theodore’s early requests to be subjected to a cross-examination, this never occurred. It remains a matter of conjecture whether even this process would have extracted all the necessary details to disprove the obvious implied conclusions.

We then have to address Theodore’s very few stated reasons for the payments, with the previously unknown text of his major 3 October 1930 Cremorne speech being the most significant, where he denied receiving any money in two of the years when his banking statements show otherwise.31 Despite having other opportunities, the best attempt Theodore made was: “I have had business transactions with McCormack, and apart from business transactions I have had transactions of a political nature where both of us have been trusted leaders of the Labor Party, and prominent men in the conduct of campaigns and have handled political funds.” This vague and lame comment made no effort to address the issues. Ultimately we are only left with pieces of anecdotal evidence, such as McCormack’s reported comment to the auditor in 1926 after Theodore had left the Queensland political scene, “[Goddard] has

31 EG Theodore, “3 October 1930 Cremorne Speech” (37 pages) contained in Cross Examination Brief by the Crown Solicitor, QSA, Series ID 5172, Item ID 840393, pp. 136-172. This document is referred to throughout this thesis as “3 October 1930 Cremorne Speech”.
nothing to worry about with Mungana; Mungana is my pigeon and Theodore’s”, plus Kennedy’s confirmation of a conversation years later with Theodore’s son.32 By way of contrast, no piece of anecdotal evidence has ever emerged to support Theodore’s vague arguments, while McCormack never even tried to provide a reason for the payments. The balance of inferred evidence remains very strongly in favour of the Royal Commission’s original conclusion that McCormack shared his Mungana income with Theodore under a verbal understanding dating back to at least 1920, reflecting their close personal relationship.

This systematic challenge to all the Chillagoe-Mungana myths has served to highlight what happens when strong emotions overwhelm rational analysis or when implied assumptions rather than facts become the starting point. The major consequence of the propensity to over-focus on Edward Theodore has been to deflect attention from the prime politician responsible for the Mungana scandal: his long-term friend, William McCormack, who over 60 years later has still been hidden by Theodore’s large shadow.

CHAPTER 1: THE PRELUDE YEARS

This summary of the prelude years briefly outlines the key mineral discoveries in North Queensland during the latter part of the 19th century to 1888, which marks the beginning of the Chillagoe-Mungana story, during which time there were initially significant gold discoveries. These provided the catalyst for population growth and wider economic development, involving new ports such as Cairns, and stimulated prospecting for other minerals. It also briefly tracks the activities of the entrepreneurial John Moffat from his 1880 arrival to his widely saluted role as the driving force behind the North Queensland base metal mining industry for his corporate empire, founded on tin mining and processing from a base at Irvinebank.

It argues that Moffat’s legacy was a strategic vision having two key components. First, it required the construction of a railway network to facilitate more economic mining developments, for which significant government assistance would be required. Second, it used his successful business concept of a centralised smelter based upon the purchase, production and sale of tin. This vision became Moffat’s model for other minerals, initially silver and then copper, which ultimately extended to what became known as the Chillagoe Mineral Province.

Gold Paved the Way

In a similar fashion to the other Australian colonies, the search for gold was the initial catalyst. It helped to develop and rapidly populate the newly created self-governing Queensland colony, which only had a 30,000 population at inception. It had only experienced that status for eight years when in late 1867 James Nash discovered a gold nugget at the Mary River, 140 miles north of Brisbane, precipitating Queensland’s first gold rush at what later became Gympie.33 The area’s relatively low initial annual production levels from what were initially seen as rich but

shallow reefs meant Gympie was vulnerable to further discoveries in apparently richer areas. Later the field’s gold production was able to be increased when deep reefs could be accessed, together with the use of cyanide to leach the numerous heaps of stockpiled tailings. Its richest production year did not occur until 1903, by which time there had been a succession of diverse mineral discoveries throughout North Queensland: in many locations production had already peaked.

In what Geoffrey Blainey has termed the “Pacific Ocean Gold Trail”, men who had arrived too late to peg gold claims at Gympie rapidly moved further north: to Ravenswood, near Charters Towers, then to Gilberton and Einasleigh in the Etheridge goldfield. Ultimately they arrived at the very rich alluvial Palmer River goldfield, where its principal settlement at Maytown was 112 miles inland from Cooktown, which very temporarily became the state’s second largest port after Brisbane. The wild Palmer River goldfield with its inhospitable monsoon rains has been described by Hector Holthouse in River of Gold as the last of the old-style goldrushes. It also earned the title of Australia’s most prolific alluvial gold area, attracting a large influx of Chinese miners particularly attracted to gold diggings, well described in David Hill’s 2010 book, Gold. In six years from 1873 it yielded over a million ounces of gold, including 250,000 ounces in 1875 alone, which probably excluded significant amounts not declared by the numerous Chinese diggers. This discovery stimulated great interest in New Zealand, Great Britain, the US and China. Sadly, in the process it “had become the model of the ways in which a goldfield could be plundered and mismanaged into virtual extinction”, and no comparable discoveries have since been made.

---

37 GC Bolton, A Thousand Miles Away, p. 115.
James Venture Mulligan, who was rewarded with £1,000 for his discovery of 102 ounces at the Palmer River deposits, led another government exploration trip further south in 1875 but found no major gold areas. He returned the next year in a private capacity, on the last of his five prospecting trips, and received a similar reward for finding the Hodgkinson goldfield on the plateau inland from the coast. This discovery led to the establishment of Cairns as a gold port in October that year.\(^3\) The Hodgkinson field was very different and more difficult: the gold was contained within narrow vertical quartz veins or reefs, so the ore required crushing for gold to be liberated prior to the expensive transportation to the coast. The field attracted over 2,000 miners, some coming south from the Palmer River. It resulted in a short-lived battle for ascendancy between the potential ports of Port Douglas and Cairns, which was won by the latter. Overall the Hodgkinson field yielded over 300,000 ounces during a twenty year period.

By the mid-1870s production from Queensland’s gold rushes far surpassed that of NSW and had served as a catalyst for the development of ports at Townsville, Cairns, Port Douglas and Cooktown. Most alluvial discoveries proved to be quite short-lived. The exceptions were at Charters Towers and Gympie, as underground mining of deeper reefs became sustainable from the mid-1880s, primarily financed with capital from the UK.\(^3\) This enabled Queensland to become the second largest colonial gold producer in the 1890s.

This ongoing pursuit of gold blazed a path for discoveries of other less immediately valuable minerals — containing tin, silver, lead, copper or tungsten — with the Irish-born Mulligan again leading the way. Mulligan, having fortunately failed to win a place on the ill-fated Burke and Wills expedition, combined his role as a butcher with that of prospector on the New England Tableland in NSW before participating in the Queensland gold rushes.\(^4\) He finally opened a

\(38\) G Blainey, *The Rush That Never Ended*, p. 86.


store and hotel at Thornborough, now a ghost town but then the 10,000 strong centre of the Hodkinson goldfield. This was within sight of Mt Mulligan, named after him and destined to have a peripheral, but tragic, role in the Chillagoe-Mungana story over 30 years later. Mulligan’s pivotal role in the opening up of North Queensland with his successful prospecting is still rightly recorded today through the memorial on the Kennedy Highway, just east of Mareeba.

**The Pivotal Role of Tin**

It was Mulligan who, after failing to find gold on his first visit to the Hodkinson area, ventured south in 1875 to Wild River where, at the junction with the Herbert River, he discovered the much less alluring alluvial tin oxide mineral, cassiterite — the principal economic source of the metal. Tin, together with silver, had first been discovered at Stanthorpe on the Darling Downs in 1872. It soon became a useful revenue source for the youthful Queensland colony, although its production levels were well below those of NSW and Tasmania. John Atherton, a cattleman after whom the Tableland was named, had followed the goldrushes north and established a station near the future site of Mareeba township. In 1878 he found alluvial tin at Tinaroo Creek. By 1880, there was a small “tin rush” into the region leading to the establishment of Herberton on the banks of the Wild River. The most significant discovery at Great Northern Hill was of a tin lode, as distinct from the already liberated alluvial resources mined in most other areas. The syndicate included William Jack and John Newell, who promptly established the first of a succession of general stores in North Queensland mining centres. Both had previously worked with John Moffat at his Stanthorpe store and respected his technical and commercial capabilities in the tin industry. Moffat was invited to become a member of the syndicate later that year, on the basis he would relocate to North Queensland to construct and operate a crushing facility. Over the next 30 years Moffat became by far the most significant mining entrepreneur in North

---

41 GC Bolton, *A Thousand Miles Away*, p. 117.

Queensland. His vision was the most important and enduring feature during the opening years of the Chillagoe-Mungana story.
John Moffat was born in 1841 in the Ayrshire mining area south west of Glasgow. Whilst still living there he became aware that Australian tin ores were being smelted near his home. In 1862 he bought a passage to Queensland, where he was contracted to work as a shepherd at the Mount Abundance station, near Roma.\(^{43}\) In 1866 he teamed up with Robert Love to form Love & Moffat storekeepers in South Brisbane. There he met two other Glaswegians, who became lifelong friends: William Jack, who was instrumental in persuading him to venture to North Queensland, and Robert Philp, who later became the North Queensland junior partner in the very well-known Burns, Philp and Company and eventually Premier of Queensland on three occasions during his 27 years continuous representation for Townsville in the Legislative Assembly.\(^{44}\)

Attracted by the discovery of alluvial tin at Stanthorpe in 1873, Moffat opened a Love & Moffat branch store there, where Jack and Newell became employees. This allowed Moffat to devote more time to his favoured tin industry. Initially he operated as a buyer, building a long-term marketing and financial relationship with Caird, Patterson & Co in Sydney.\(^{45}\) He soon established the Glen Smelting Company to build a £1,500 custom tin smelter to treat ores from prospectors at Tent Hill, near Emmaville in northern NSW. Moffat contributed £1,000 and agreed that further finance would be provided by way of a loan from Love & Moffat’s trading activities. Moffat particularly focused on the technical and operating aspects of the mine and

---


\(^{44}\) Ibid., p. 20.

\(^{45}\) Ibid., p. 32.
smelter. However, as tin production declined so did the profits of the Stanthorpe store of Love & Moffat, which was declared insolvent in 1876 with total debts finally assessed at nearly £6,000. The partnership was dissolved.46

Moffat still retained his strong tin interests: with regained confidence, he fully repaid creditors and was discharged from insolvency in early 1880. These early experiences provided an excellent grounding for his future business career as he headed north to the tinfields at Herberton, where he bought a half share in the Great Northern Hill project for £10,000. He opened the promised crushing plant in mid-1881 and also honoured an earlier commitment to Jack and Newell to facilitate their establishment of general stores at his mining sites, operating under the name of Jack & Newell.

Moffat adopted a well-thought strategy to build his tin business base. The initial elements were to monitor and undertake continuing exploration, while maintaining close contacts with, and help for, prospectors. These steps were followed by the establishment of a crushing plant and mineral dressing facility, preferably using second-hand equipment when it was available, plus the pursuit of technical innovation for new equipment. He particularly recognised the great importance for mining operations of having a reliable and adequate water supply, so he always built dams after moving into new areas.47 He also established a tin-buying agency, quickly becoming “a legend in his own time”. No wonder Blainey described tin as “Moffat’s metal” during the period to 1883 when Australia was briefly the world’s largest tin producer.48 In the period from 1880 to 1887, as South Australian copper was declining and before the large Broken Hill mines were opened, the annual value of tin produced in Australia exceeded both copper and silver/lead.49

---

46 Ibid., p. 36.
The Push for Mining Railways

After the initial burst of railway construction, primarily to cater for the colony’s expanding pastoral interests, from the early 1870s the rapidly growing mining industry provided the main stimulus for railway development. In the 50 year period from 1880, around 940 miles of railway were built in Queensland to service the mining sector: not all were successful, as several lines serving gold discoveries arrived too late.\(^50\) The first 88 mile line from Townsville to Charters Towers was started in 1877 and not completed until 1882, and it proved to be profitable. It was subsequently of material benefit to Charters Towers and centres beyond, eventually extending as far as Mount Isa after the discovery of major lead-zinc and copper deposits in the 1920s. In sharp contrast, the railway planned to service the Palmer River goldfield never arrived: started in 1883 and traversing extremely difficult terrain requiring numerous bridges, it only reached Laura in 1888, still 38 miles from the then rapidly declining Maytown settlement.

The push for railways to difficult locations in the years well before the introduction of motor transport made great economic sense, because it translated into far lower transportation costs – probably the largest cost component in those times. It came as no surprise when in 1883 it was first announced that a railway to Herberton would be built by the government from the relatively new port of Cairns, which necessitated crossing the Barron River and climbing to an elevation approaching 800 metres. Work commenced in 1886, with the extremely difficult first stage up the Barron Gorge not being completed until March 1892 and the second stage to Mareeba just over a year later.\(^51\) The cost was horrendous: over £1 million, compared to the original estimate of £261,000. The fact that it did not ultimately reach Herberton until 1910 highlighted the significant difficulties and costs for governments to build and manage such developments in more remote locations.


\(^{51}\) Ibid., p. 282.
Linking mineral discoveries to railways became one cornerstone of Moffat’s corporate strategy from an early stage. It would take considerable time for this vision to be realised. Further, he quickly recognised that governments would not always have the financial resources, political priority or capability to undertake such activities in a timely manner. Given the considerable uncertainty about just how long mining operations would last there was some understandable reluctance about governments committing to extensive new railway lines. Moffat believed that it might therefore be necessary for private or public companies to invest in railway infrastructure. The subsequent role that the mining railways played in the overall development of North Queensland should never be under-estimated. A map of the area highlighting the railway system to 1907 appears below, showing the years that various extensions were completed. The critical stages in the evolution of this system were the government-built Cairns-Mareeba section and then the privately-built Mareeba-Chillagoe section.

John Moffat’s Empire

To appreciate the extent of John Moffat’s empire it is important to understand more about Moffat as a person. He was Scottish to the core: honest, conservative and hard-working, a modest visionary with a thrifty background and simple tastes, but not averse to backing his own judgements. He was a person who took his responsibilities seriously: deeply committed, creative but also autocratic – particularly in his latter years.

The initial corporate vehicles for Moffat’s empire were his interests in the newly formed Herberton Tin Company plus the original Glen Smelting Company, which was still operating at Emmaville but traded as John Moffat & Co in North Queensland. He proceeded to acquire as many interests as he could in local mines and to maintain a strong emphasis on purchasing and treating what he termed “public ore”. By keeping close contact with prospectors he was able to move faster than competitors and quickly act to participate in promising new areas, often by providing machinery and in conjunction with other investors. One early investor was his friend, Robert Philp, who had moved to Townsville in 1874 to work for, and later to become a partner
with, James Burns soon after the gold discovery at Charters Towers to open a general store and
to later become deeply involved in the shipping industry. The younger Philp was admitted as the
junior member in the Burns and Philp partnership in 1876, after which Burns relocated to
Sydney.\textsuperscript{53} Particularly building upon the success in North Queensland, the partnership assets
were acquired by the new public company, Burns, Philp & Company Limited in 1883.\textsuperscript{54}

When it was suggested that Moffat should seek a seat in the Legislative Assembly in 1886, he
refused but strongly supported Philp in his successful bid to win the seat of Mulgrave. This close
connection with Philp would later prove extremely helpful in pursuing his Chillagoe-based
vision when Philp was Minister for Mines, as would his friendship with John Newell who for six
years from 1896 held the seat of Woothakata.\textsuperscript{55}

In 1881 Moffat was able to participate in new tin discoveries which included the Great Western
mine at Watsonville, six miles from Herberton, where he erected his first aerial tramway. His
next major investment was the following year at the Great Southern mine, 10 miles further south
west at Gibb’s Creek, renamed Irvinebank after the nearby river to his Scottish home, which
thereafter became his headquarters. After nearly a year in Europe from mid-1882 he returned
with a £10,000 loan from his family and a mountain of new ideas for his tin-based mining
empire. At Irvinebank he built a large central treatment plant and smelter complex at a cost of
£12,000, covering six terraces of sloping land. The Loudoun mill opened in late 1884, with
preference still being given to the treatment of public ore, at what became generally known as a
custom smelter, where supply came from multiple sources. Nearby was his home, Loudoun
House, which today is an impressive museum.

\textsuperscript{53} K Buckley and K Klugman, \textit{The History of Burns Philp: The Australian Company in the South Pacific},
\textsuperscript{54} Ibid., pp. 17-24.
\textsuperscript{55} RS Kerr, \textit{John Moffat of Irvinebank}, p. 90.
Irvinebank was well-located as it enabled him to spread his interests geographically to ultimately embrace later townships at Mount Garnet to the south, Chillagoe and Mungana to the northwest and Mount Molloy to the north. He was able to generate profits from higher grade ore to maintain debt at a manageable level and also participate in new investments. Having established his base, Moffat actively pursued new discoveries of silver, copper and lead in the region: his sphere of influence and control was essentially a “no gold” area, wedged between goldfields to the south and northwest. He seems not to have been greatly interested in gold, probably based on the generally short-lived nature of most of the numerous gold discoveries. His grand vision entailed a centrally-located custom smelting facility serviced by spur railways to transport a range of valuable ores, reductants such as coal, necessary fluxes and then the intermediate or final products. Fulfilment of that vision would have to wait for more propitious times and would include the opportunity to incorporate higher volume products, such as copper and lead, but it would prove to be much more difficult to achieve.

By the end of 1888, Moffat was reported to be one of the wealthiest men in Queensland, even though tin production had started to decline due to lower ore supply and grades.\(^5\) In early 1889 operations ceased at Irvinebank and men were paid off. Moffat transferred the Irvinebank mill and mines, plus other mining properties, into the privately-owned Irvinebank Mining Company, with a capital of £60,000 in £1 shares. This was a timely decision as a year later he had acquired a third of the shares (initially through nominees) in the nearby £4,000 Vulcan Tin Company. In early 1892 both companies were reconstructed into the Vulcan Tin Mining Company No Liability, with authorised capital of £44,000.

Moffat cleverly operated the Loudoun mill to maintain its regional dominance, by making incremental capacity expansions to be able to treat lower grade custom ore as well as processing the output from the Vulcan mine.\(^6\) The Vulcan mine was from then on to be the main driving

---


force at Irvinebank, being the first of his companies to pay a dividend. It would become the venue where John Moffat and Edward Theodore first met during an industrial dispute in 1907 – the very year that production peaked.

Moffat could have been termed variously as an aloof patriarch, country squire or benevolent dictator to a town that ultimately reached over 1,100 people who essentially depended on his investments for their livelihoods. Irvinebank seems to have held a similar character to the post-war 20th century company towns that spread in the coalfields of Queensland and the iron ore areas of the Pilbara, except that Moffat provided no residential or commercial activities. Jack & Newell built the general store, which was also the post office. The town’s periods of greatest prosperity in 1888-1890 and 1899-1904 coincided with the expansion of the Loudoun mill. During the latter period he was instrumental in the Stannary Hills Mines and Tramway Company being established to mine areas closer to the Mareeba-Chillagoe railway, enabling a narrow gauge tramway to be constructed in 1902 from Boonmoo. In 1907 a 19 mile narrow gauge tramway was completed at a cost of £35,000 to connect with a similar line at Stannary Hills and hence to the Mareeba-Chillagoe railway.

Irvinebank was basically a noisy, smoky but generally prosperous place, well remembered by those who lived there and whose 150 descendants fondly reminisced at the 1984 centenary celebrations. The mining community remembered Moffat in the prayer, “God Bless John Moffat”, which Irvinebank parents apparently taught their children. Moffat was married in 1889 at age 48 and his family continued to live there, even though he had personally preferred to move to Sydney. He ultimately relocated there when he was forced into retirement aged 71 in 1912.

58 Ibid., p. 8.
59 Ibid., p. 4.
Moffat was highly regarded by most people. Randolph Bedford – author, outspoken journalist, part-time mining entrepreneur, then a Labor politician and confidant of Theodore and McCormack – who appears later in the Chillagoe-Mungana story, in his autobiography, *Naught to Thirty-Three*, has described his 1895 first meeting with Moffat:

I rode to Irvinebank next day to see John Moffat – the father of these Northern fields. He was a great man; able, courageous and modest; and lived mostly on oat-cake and tea. Scotland, in him, produced a man to be proud of….

All his life he was unable to listen unmoved to a hard-luck story; and as he trusted everyone, he, when the tin field went down, descended with it….

He is one of the few men I ever met whose life was a monument to honesty. There has rarely been as fine a man in any country as this immigrant from Paisley.\(^60\)

Moffat’s basic honesty and ethical standards contrast sharply with several other prominent persons detailed as the story unfolds.

**The Continuing Search for Other Minerals**

The first half of the 1880s was a time of accelerated exploration leading to significant discoveries in other parts of Australia: tin, silver and copper on the west coast of Tasmania,

\(^60\) R Bedford, National Library of Australia (NLA), Canberra, MS76, *Naught to Thirty Three*, pp. 405-406.
silver and lead at Silverton and Broken Hill in western NSW, and gold then copper at Mt Morgan in central Queensland.

Gold continued to be found at several new locations in North Queensland. One major discovery was at Croydon, 280 miles north-west of Charters Towers, resulting in a gold rush and another isolated railway being built to Normanton on the Gulf of Carpentaria. More importantly, underground operations were proving to be successful at Gympie and Charters Towers: these proved highly attractive to British investors who invested with excessive zeal in numerous companies at Croydon and Charters Towers, which then had its own stock exchange. Boom conditions lasted until the bubble burst in late 1888, resulting in around half the publicly-listed gold companies failing. This adverse situation was followed by some years of declining metal prices which ultimately led to recession for several years and an extended depression in Victoria. The timing for capital raising in this boom period was propitious, as it coincided with British capital pouring into the new highly profitable Broken Hill silver and lead mines.

It is not surprising that under such circumstances Moffat actively sought similar discoveries in North Queensland, but in a measured manner. Silver, which historically in Australia had some associations with tin as he had seen at Stanthorpe, seemed to Moffat to be a suitable target, possibly due to the major Broken Hill discoveries where it was associated with lead. However, silver was still seen by many people as being a speculative metal, having quite large price fluctuations: in comparison, for the latter part of the 19th century the gold price was relatively static. During that period there was a strong, but ultimately failed, US move to adopt a bimetallic gold and silver standard, with the gold/silver ratio being 15:1.

Silver was found very close to Irvinebank at Mount Albion, quickly spawning the local township of Montalbion. The discovery created brief, but unfulfilled, excitement as being a possible “new Broken Hill”. A small smelter was constructed by the end of 1886 and over 200,000 ounces of silver were produced in the first year. At the end of 1887 Moffat successfully sold his Mount
Albion silver mining and smelting operation to an English company for £200,000, while retaining the role of local manager. When production was lower than anticipated, he voluntarily refunded £20,000 of the purchase price to the new company. Another nearby tin mine at Glen Linedale was sold for £170,000 into the Oberlin Tin Mining Company in early 1888, in what turned out to be a wildly over-optimistic prospectus. The tin market soon collapsed and this company quickly failed, leaving Moffat’s reputation somewhat tarnished in the eyes of British investors. It was this failure which provided impetus for him to examine the copper industry in more detail in mid-1888. These varied transactions ensured that Moffat was able to retain his pivotal Irvinebank operations, the largest tin complex in the country, with a substantially reduced and acceptable personal debt level.

In addition to pegging areas for lead and wolfram, Moffat pursued other silver interests in the region through a mine and small smelter at Muldiva, nearly 10 miles from where the town of Chillagoe would later be built. It proved to be another sobering experience. The Muldiva Silver Mining Company NL became the first public capital raising for the Chillagoe area in early 1891. After initial speculative fervor, when Moffat – who did not become a director of the company – profitably sold some of his vendor shares, the venture was a failure. Through a combination of limited higher quality ore, which had a very complex mineralogy containing copper and lead impurities, a shortage of water and lower silver prices the smelter was shut down in just over two years. It produced 226,000 ounces of silver, whose price had declined to the extent that no dividends could be paid. While Moffat subsequently bought back most of the machinery and later produced some silver, the failed enterprise became a permanent reminder to him of the significant problems in launching new ventures involving complex ores at a time of economic recession. It only served to reaffirm his wider plan to exploit what seemed to be much larger copper resources, as part of his vision to build a railway for the region.

From before the turn of the century Moffat variously pursued other tin, silver and copper interests, followed later by coal and oil opportunities. Not all of these were successful. Moffat

---

often had to back his own hunches about the likelihood of mining success, as at that time the
science of geology in Australia was in its relative infancy. Comprehensive regional maps had
been prepared by government geologists, but there seems to have been little formal detailed local
mapping or interpretation.

The figure below, which charts prices of copper and tin for the twenty year period from 1880
when Moffat arrived in North Queensland, clearly shows the peaks reached in 1888. This was
followed by a protracted decline in the tin price until it reached the copper price in 1897, by
which time Moffat was finally making his long-planned strategic move to build the railway
network to service the mining industry.

![Figure 3: Tin and Copper Prices 1880-1900](image-url)
Copper

Moffat seems to always been fascinated by copper, later even investing in a distant mine at Mount Elliott, near Cloncurry. He had seen copper ore samples in 1882 from Mount Garnet, 38 miles from Irvinebank, nearby at Watsonville and at several other local areas. During his trip overseas in 1882-83 Moffat had also taken time to study copper mines and smelting practices in the Hartz Mountains in Germany. He firstly had to secure a reasonably stable income from the Irvinebank’s tin operations, which in reality depended upon finding higher grade resources due to the fluctuating price. Once he was satisfied that position had been reached, Moffat was prepared to invest time, effort and money in his grand vision to develop the Chillagoe area as a producer of copper and other metals. This entailed having its own railway system to the coast that would hopefully justify spur links to the other scattered mining areas.

That fundamental decision made by Moffat around 1888 to use copper as the basis for the development marks the starting point for the Chillagoe-Mungana story. While he was very closely associated with the formation of the Chillagoe Railway and Mining Company, which with its various corporate successors became the principal organisation in the region, he still maintained his own private investments, mostly linked to the new railway system. These investments, including those at Mount Garnet, were not always successful. Another example was the Mount Molloy operation 18 miles north of Mareeba, with which Moffat became involved in 1901. The initial rich copper ore, which was apparently less suited to be treated at the Chillagoe smelters, was soon mined out. After two very good years once the small local smelters were fully operating from 1905, when Mount Molloy Limited was floated and a dividend even being paid in
the following year, the operation faded due to lack of ore, just as the private railway reached the mine.  

**Moffat’s Legacy**

In his later years Moffat became quite autocratic and intransigent, while profit performance deteriorated, industrial disputes increased and the overdraft of the Irvinebank Mining Company, which had remained a private company, ballooned to £59,000. Finally, the Queensland National Bank demanded his retirement and he reluctantly moved to Sydney. After his retirement, the mining and railway empire of John Moffat (who had not groomed a successor) dwindled as the region suffered an exodus of miners volunteering for war service. Most operations closed and the railways were purchased by the government. Under the *Mount Garnet Railway Act* of 1914, that railway was purchased for £35,000, of which £20,000 was to be used by the Irvinebank Mining Company to assess the feasibility to reopen copper mining operations at Mount Garnet. The Irvinebank activities closed at the outbreak of World War I and later the company went into liquidation. At that time it was revealed that £37,447 was still owed to Moffat personally. Several years later the incoming Labor government, with its proactive support for the North Queensland mining industry, acquired the Mount Molloy railway and then the Irvinebank battery and smelter, which became the State Treatment Works in 1919.

Between his arrival in Queensland and his retirement in 1912, Australia had produced around £86 million of base metals: the Herberton tinfields produced two thirds of Queensland’s £22 million contribution. Moffat had reinvested most of his profits into broadening the enterprise,

---

63 RS Kerr, *John Moffat’s Empire*, p. 112.
sometimes unwisely. He died aged 77 in 1918 while on a holiday at Toowoomba. The following extract from Philp’s 1923 memoirs is an appropriate epitaph for the man who contributed so much to this early development to North Queensland:

He made fortunes by his foresight, his knowledge, and his energies, and he spent them freely in the development of further ventures – so freely, in fact, that he was by no means a wealthy man when he died. He backed his ventures with his own money. When they succeeded everyone concerned benefited; when they failed he stood the loss alone. He was undoubtedly the most enterprising man I have known, and a man of great ingenuity, particularly with regard to machinery. He either built, or supervised the building of, all his mining and smelting plants in various parts of Queensland. An expert geologist, metallurgist and engineer, there seemed to be nothing about mining on which he could not be regarded as an authority. 67

In the context of the Chillagoe-Mungana story, John Moffat’s key role lay in his broad strategic vision for the entire region through the construction of a railway system. That mantle was soon to be passed on to others. His development concept was much more suited to smaller-scale operations, which existed in the tin industry that he knew so well. He did not appear to appreciate the significantly greater financial demands from larger-scale base metal mining and custom smelting operations, as is clearly demonstrated in the following chapters.

CHAPTER 2: THE BIRTH OF THE CHILLAGOE COMPANY

This chapter briefly traces the evolution of base metal mining in the remote Chillagoe area during the 13 year period, 1888-1901. It outlines John Moffat’s further exploration and mining initiatives based on his strategic vision. These initiatives culminated in the 1897 passage of the Mareeba to Chillagoe Railway Act, under legislation materially assisted by Moffat’s friends in parliament. This was immediately followed by the formation of a public company, Chillagoe Railway and Mines Limited, to acquire most of Moffat’s non-tin mining assets in the region and to construct the railway, smelter and mining facilities. It raised both equity and debenture funds totalling £600,000 ($84 million in today’s terms) for the construction of a 95 mile railway to Chillagoe and then to nearby Mungana, copper smelters, ancillary equipment and services plus the establishment of new mines. This entity and its successor companies were given the generic name, the Chillagoe Company.

It argues that this speculative company was under-capitalised, leaving inadequate funds to source the necessary ores to feed the smelters. Furthermore, there was an inadequate understanding as to the quality and quantity of ore resources available to the Chillagoe Company, resulting in five mining leases at Mungana being placed into a new entity, Mungana (Chillagoe) Mining Company, in early 1901. It meant that the Chillagoe Company, with a sharply declining share price, was in a precarious position, both in relation to its financial and ore resources, before the railway and smelters were even completed.

Moffat’s Grand Plan

1888, the centenary of British settlement in Australia, is well described in a special volume of Australians. This document includes a chapter on the important mining sector, which had helped to stimulate the country’s development, only a few years ahead of what became a deep financial depression. Favourable comments were featured about the industry in North Queensland, with particular focus on gold but little mention of copper, lead and silver.68

---

In the middle of that year, John Moffat sent four prospectors to assess copper outcrops within the large and unusual limestone landscape on John Atherton’s cattle property, named Chillagoe, located nearly 63 miles north-west from Irvinebank. This expedition followed the preliminary excursion by Mulligan in 1883 where he recorded showings of the visually conspicuous copper carbonate minerals – the distinctive green malachite and the light blue azurite. Their presence is often interpreted as the surface expressions of the iridescent coloured and most commonly occurring copper mineral chalcopyrite, a copper-iron sulphide ore, which contains around 35 per cent copper. Moffat’s general plan, in keeping with the prevailing boom British investment climate, was to float two separate companies, one through Burns, Philp & Company and the other through a London broker.69 He did not have the financial capability to do this on his own, without jeopardising the important income base from his privately owned Irvinebank operations.

Moffat’s prospectors over the space of two months pegged 24 claims, which he proceeded to convert to leases. These areas included six locations around what later became Mungana town: one was named Girofla, which was destined to become particularly well-known over 20 years later. Geological and mining experts visited the site, but could not make any definitive estimate of the indicative resources: the first of a queue of experts who were unable to do so, probably partly because of the unusual combination of both copper and lead minerals within a huge expanse of limestone which featured numerous caves. Samples were sent to the Melbourne Exhibition that year to help promote Chillagoe at a time when copper was briefly starting to find favour with investors, following early Tasmanian discoveries.70 Production from the pioneering copper mines in South Australia had already started to decline, which only served to stimulate potential interest in new discoveries, although the Chillagoe area was later shunned by most entrepreneurs from that state.

In just four months Moffat spent nearly £3,000 in establishing a camp at what became Zillmanton, situated between the later townships of Mungana and Chillagoe, where there were also surface showings of copper. He also selected a potential central smelter site on nearby Stockman’s Creek. With copper prices rising to over £60 per ton, and then briefly being much higher, he believed that a centralised custom smelter concept would be attractive to both British

69 RS Kerr, John Moffat of Irvinebank, p. 106.
70 Ibid.
and Australian investors: the latter, primarily from Victoria, were experiencing a boom in shares and land prices, a forerunner to the sharp downturn a few years later.\textsuperscript{71} By December 1888, a mining engineer, D H Bayydon, had prepared for Moffat a comprehensive and bullish report, whose concluding paragraphs stated:

> The country is well-wooded and endowed with permanent water, which will be found of immense advantage, herbage and grass is plentiful for stock; in fact the country has been taken up for pastoral purposes, it is accessible by a good dray road from the coast, Herberton and Montalbion.

> The ore now in view is of such first class quality, and the quantity can be increased almost ad libitum that I consider it is not too soon to take into consideration the erection of smelting works in the vicinity of the mines. The ore can be run into copper matte (copper sulphide, being an intermediate product from reaction with a limestone flux) and exported for refining to copper metal, as some of the lead ores are said to contain a considerable percentage of silver and very little attention has been paid to them at the present time.

> As a result of my observations I have every reason to believe that the Chillagoe district will ultimately prove a very extensive and rich copper and lead producing locality, its extent is only partially known and the natural advantages it enjoys are all that can be desired and are rather unusual in new mining districts.\textsuperscript{72}

This favourable and optimistic report, which correctly highlighted the complications from the associated lead minerals, was never used to attract investors, due to the sharp fall in investor interest arising from the onset of a recession, which evolved into a sharp depression which was accompanied by large reductions in most metal prices. The depression was particularly severe in Melbourne, which had experienced an unprecedented but unsustainable land boom. Moffat’s execution of the grand plan had to be deferred until times improved; that meant until at least


\textsuperscript{72} DH Bayydon, letter to John Moffat, December, 1888, held at Royal Historical Society of Queensland, Brisbane.
1894. The *Australian Mining Standard*’s comments in its last issue in December 1892 were quite sobering:

Candidly speaking we are glad to see 1892 at an end, because it has not brought with it an atom of comfort or a grain of consolation. 1892 stands out as a year into which eighteen months of adversity and depression have been crammed.73

In the aftermath of the numerous Australian bank crashes during the following year, its next annual review was even worse:

Three years ago the flood of prosperity was at its height. Money was plentiful, more was offering than could be spent sensibly and wisely, and there was never a thought of the morrow. Today the scene is reversed. The tide is at its lowest. Money is as tight as it was plentiful, credit is a thing of the past, affluence has been superceded by poverty, comfort by misery. It was in 1893 that our financial whirlwind burst, shattering and devastating whatever the force of its evil breath reached.74

The only bright component in the mining industry then were the large Western Australian gold discoveries at Coolgardie and Kalgoorlie, which had attracted strong British investor interest, and the planned copper mines at Mt. Lyell. This more positive investment sentiment led to some improved interest in Queensland, whose annual gold production had surged beyond 600,000 ounces from 1989 with the successful underground developments at Charters Towers. Comparable interest in copper and lead would have to wait a few more years.

It is important at this juncture to appreciate some of the significant technical issues that the infant Chillagoe area mining industry faced at the time that the custom smelter concept was being considered. This is important as there has been a persistent tendency to under-estimate the complexities of the mineral resources. The metallurgical problems were immense, arising due to the variable combination of copper and lead oxides, sulphides and carbonates in the ores being treated. This combination provided a continuing hurdle for the Chillagoe Mineral Province,

73 *Australian Mining Standard*, 24 December 1892, p. 375.
74 *Australian Mining Standard*, 30 December 1893, p. 702.
resulting in a widespread failure to appreciate the substantial difficulties and differences in extracting these metals in the geologically complex Chillagoe area. Lead occurred as the mineral galena (lead sulphide) often in conjunction with silver and zinc. Prior to the advent of froth flotation mineral separation techniques, developed at Broken Hill in the early 20th century, the conventional pyro-metallurgical process was to roast the ore to produce lead oxide by initially producing gaseous sulphur dioxide and then reducing the oxide in a coke-fired blast furnace using a siliceous flux. The resultant metallic lead bullion, also containing copper, silver and gold, was then sent overseas for final refining, while the flux removed most of the unwanted gangue minerals in the slag. The general pyro-metallurgical process to extract copper also involved the use of siliceous fluxes to produce an intermediate product called matte, typically containing around 50-60 per cent copper, primarily as copper sulphide, plus some residual iron. The matte was then oxidised in a converter to drive off sulphur, yielding a product known as blister copper of around 98 per cent purity, also containing any gold and silver. The slag containing unwanted constituents resulting from both processes floated on top of the metallic products in the furnaces: it was typically discarded close to the smelting operations.

However, where ores contained significant amounts of both copper and lead an intermediate copper-rich product, known as lead matte containing around 15 per cent lead as sulphide, was also produced. It was therefore at times difficult to correctly specify whether a particular ore should be classified as being copper or lead, as frequently both metallic ores were present. Payment for the various ores was subject to a published tariff, detailing recovery levels, penalties for deleterious constituents, the basis of payment for the valuable products and the costs associated with the extraction. Further, for parts of the Chillagoe Mineral Province there was the added complication that copper and lead carbonates were also present, due to the exposure to acidic waters which had dissolved the local limestone.

Moffat’s grand plan for the region was primarily based on improving the efficiency of transport by reducing the high cost to deliver products to markets, without necessarily giving prior detailed consideration to the quantity and quality of the regional ore supplies with their attendant technical or metallurgical problems. Moffat envisaged a large custom smelter, primarily producing copper but capable of treating a range of regional ores that would be carried on a new railway system, having numerous spur lines and linked to the coast. It seems that Moffat had first
held discussions about the railway with Robert Philp as early as 1892. Early in that year, at the
time that the *Railways Construction (Land Subsidy) Bill* was being debated, Moffat had
personally paid for the survey of a rail route to Chillagoe, which essentially became the final
route eight years later, with the total cost estimated to be £434,000.

This initiative proved to be timely as the following year Philp became Minister for Mines and
Works, a post he held for a decade including the period from 1899 to 1903 when he was
Premier. Philp was selected by the highly entrepreneurial and equally controversial Sir Thomas
McIlwraith, during his brief third term as Premier in 1893, to pursue his long-espoused railway
policy. McIlwraith, who had gained notoriety by annexing eastern New Guinea as a British
territory in 1883, was originally a railways engineer. During the period 1879-1883 he had
initiated railways expansion using overseas borrowings and became a staunch advocate of the
successful North American policy of stimulating railways expansion by inducing private
investors to construct the railways in return for land grants: these were termed land grant
railways. In particular, the highly successful Canadian Pacific Railway, which was completed
well ahead of schedule in 1885, in return receiving 25 million acres of agricultural land within 24
miles of the railway, was presented as a suitable development model. In fact, the *Railways
Construction (Land Subsidy) Act* led to the concept that up to four land grant railways could be
constructed to hasten the development of the colony.

Philp at the time of his appointment had experienced a range of involvements with the mining
industry, both through Burns Philp and as a speculator (largely unsuccessful), director and part

---

79 G Lang, *Land Grant Railways*, Brisbane 1895, NLA Np 332.56 C775.
owner. His overall understanding of the mining industry ensured he was in a unique position to be favourably disposed towards Moffat’s vision, when the appropriate time arose. That arose in 1897, a year before he was instrumental in ensuring the passage of the Mining Act of 1898, despite strong opposition from the relatively few Labor Party MLAs who favoured support for individual prospectors at a time when much greater emphasis was being placed on corporate involvement.

## Executing the Plan

In 1893, after a protracted seven year construction period, the railway from Cairns had finally reached Mareeba, where the link to Chillagoe would have to be started. By early the next year Moffat erected his first small copper smelter at Calcifer — whose name was reported to be a combination of the Latin words for limestone, copper and iron — only eight miles from Chillagoe homestead and around half way between the later towns at Chillagoe and Almaden. The smelter was financed by dividends received from the Vulcan Company and built basically using second-hand equipment from Herberton to treat ore from the Boomerang, Griffiths and other nearby mines. Over a four year period the smelter, operating on an intermittent basis with the richest ore selectively hand-mined, treated 5,846 tons of ore and yielded 976 tons of copper matte. It was not a very profitable operation, as transport costs accounted for around a third of the revenue generated, reinforcing the financial benefit that a cheaper railway sought to provide. Importantly, the Calcifer smelter became one catalyst for development of the region, enabling a small vibrant township to be established. Later the operation became redundant, closing in 1903 after the Chillagoe Company had satisfactorily recommenced smelter operations.

Moffat continued his policy of seeking investments in a range of minerals by acquiring prospective tin, copper, wolfram and lead resources. This strategy enabled him to maintain a

---

82 Ibid., pp. 25-26.
controlling influence in the region until a railway was built, as confidence progressively returned after the depression years. Wherever possible, he wished to exploit the surface ores by using second-hand often makeshift smelting assets. His next significant move was in 1896 to relocate machinery from the short-lived failed Muldiva silver operation to establish a smelter further west at Girofla, below a prominent limestone bluff, where lead-silver minerals were dominant. After a delay due to the outbreak of catastrophic tick fever in the area, the eight ton capacity smelters opened in May 1897. By that time a thriving township, initially called Girofla until its name was changed to Mungana in 1899, had grown up. It already boasted three hotels, several stores, cricket and racing clubs, a court house and a progress association soon followed by a police station. The combined 1897 performance of the Calcifer and Girofla operations gave Moffat strong encouragement: 32,000 ounces of silver had contributed £3,378, while 250 tonnes of lead bullion contributed £2,500 and 147 tons of copper matte, due to its rising price, had made by far the greatest contribution of £7,600.

The 1896 inaugural issue of a statistical report on Queensland’s resources and state of development provides a convenient snapshot of the mining sector at the time Moffat was starting to bring his plan to fruition. Then gold, silver and tin had become the back-bone of the Queensland mining sector, with little mention of copper, apart from the observation in the report that “the widespread use of electricity and the consequent employment of copper is causing it to assume greater importance”.

It was around this time that Randolph Bedford, a former Broken Hill journalist and later a prominent entrepreneurial Queensland Labor politician, made his first visit to the Chillagoe area. In his posthumous autobiography, Naught to Thirty Three, he graphically describes his long ride through the prominent limestone ridges and his later decision to peg some copper areas near Mount Garnet and provides a highly optimistic forecast for the province:

86 RS Kerr, John Moffat’s Empire, p. 66.
On the great plateau of Atherton, and beyond it, there is room for all the population of the Commonwealth; and a great and wealthy region, mined for all the metals, and stuffed with sugar, beef, fruit and corn: enough to feed all Australia when settlement gets into its stride. There is commercial water power to be harnessed; a climate not be bettered on earth; and, more than in any other part of our country, not enough men to go around.88

Successful discoveries in 1883 of very rich minerals at depth below dark caps of ironstone, known as gossan, at Broken Hill and later at Mt Lyell meant that mining promoters and investors were always on the look-out for comparable geological occurrences. Gossan existed at another location near Mungana, known as Lady Jane, so this occurrence provided further reason in 1897 to attract investors from Melbourne, the nation’s financial heart then recovering from the severe depression. Development of the region would however require strong political backing.

The remoteness of the North Queensland mining discoveries from centres of population and ports, plus the resultant high transport costs, were seen as major disadvantages compared to many other mining provinces. Bolton drew the following conclusion:

In the years of anti-climax after the boom of 1886, the dream of independence was broken for the men of the Northern frontier. A few years before the rest of Australia, they learned that the resources of the earth were not unlimited, that the progress based on overseas capital could not be counted on to leave them forever independent, and that they too could be caught by the necessity of taking wages in regular employment. Their optimism gone sour, North Queenslanders found themselves under the restraint of problems which in the past they had largely escaped. They began to look for their remedy in politics.89

This comment has been relevant ever since. In the 1890s Moffat was quite prepared to seek political favours through his friendship with Philp, once he had secured the financial backing for his visionary plans.

---

Chillagoe Proprietary Company

In 1896 Malcolm McEachern (chairman of both McIlwraith-McEachern Shipping Line and Burns, Philp & Company) and William Chapman (owner of a South Australian copper smelter and refinery) had visited Chillagoe from Melbourne, at Moffat’s invitation. One early result was the decision for other well-known Melbourne promoters to become associated with a new company to develop the Chillagoe mining district. The key co-ordinator was James Smith Reid, a former North Queensland newspaper proprietor who had become a mining entrepreneur. He had been an early director of Broken Hill Proprietary Limited (BHP) and was closely involved with the somewhat controversial flotation of the Emu Bay Railway Company in Tasmania. Reid remained involved with all the various Chillagoe companies until his death in 1922.

The initial corporate vehicle was the Chillagoe Proprietary Company, having a nominal capital of £96,000, divided into 480 shares. Under agreements made in October 1897 and January 1898 the company acquired all Moffat’s properties in the Chillagoe region, including the two small smelters at Girofla and Calcifer, held in either his own name or through the Irvinebank Mining Company, for £20,000 and 160 shares. Reid and Chapman were extremely well compensated for their services, together receiving 120 shares and a further 200 shares paid to £100, while other significant southern identities were original subscribers. It was planned to raise £100,000 from the public, but only £15,000 had been obtained by the time the next major transaction was made. During the interim period, the £200 shares had sky-rocketed in value, briefly reaching £1,900 a share, enabling Moffat to recoup £46,000 by selling some of his shares. This represented a significant proportion of his overall investment since 1888, but only marginally greater than the £43,800 gross income he had received from the two operations from 1894 to 1897. The plan was for the construction of a railway from Mareeba to Chillagoe, establishment of a central smelter and refinery at a suitable site plus acquisition of mining areas for an

---

91 RS Kerr, *John Moffat’s Empire*, p 68.
estimated £300,000. This scheme required necessary approvals from the Queensland government, as amendments would be required under both railways and mining legislation.

Reid and Chapman promptly travelled by ship to Brisbane, where the concept was very enthusiastically received by the Liberal government through the Secretary for Mines, Robert Philp, who months later would conveniently add the Treasury role to his ministerial portfolios: in the lead-up to becoming Premier for the first of three occasions in late 1899. This grand vision project very conveniently fitted in with the somewhat desperate 1896 pledge by the Premier, Hugh Nelson, for a programme of railway and harbour construction in the north. This commitment had occurred in the aftermath of the Queensland National Bank scandal, which requires a brief description.94

The Queensland National Bank was the first formed in Queensland in 1872 and quickly became a state icon. It totally dominated lending in the north of the state, opening branches in all new mining towns as they sprang up, however remote the location. Thomas McIlwraith, who had been a director from 1874 until he resigned when he first became Premier in 1879, quickly organised for the bank to transact all the government’s business. The bank grew at a rapid rate to the extent that in 1889 it briefly became the country’s fourth largest holder of bank deposits.95 This spectacular performance was achieved through attracting higher interest rate longer-term funds from Britain, supplemented by temporary deposits from the Queensland government. Unfortunately, these funds were often used unwisely (and sometimes without authority) for loans without appropriate security for speculative ventures, including those involving the highly regarded long-standing foundation general manager, Major Edward Drury, and Thomas McIlwraith himself.

When British lenders’ confidence in Queensland started to decline in 1891, the bank was alarmingly exposed. It just survived a protracted confrontation that year between McIlwraith, then Treasurer, and the Bank of England about its funding and viability, and finally had to close

---

94 KH Kennedy, “JS Reid and the Chillagoe Company”, p 221.
its doors like many other Australian banks in May 1893.96 The Queensland government was its largest creditor, so it had to actively participate in a scheme of reconstruction implemented by Drury. After Drury’s sudden death in early 1896 a comprehensive review by the new manager revealed its insolvency and high incidence of poor loans. Over £251,461 was owed by McIlwraith himself, against security of only £60,000.97 In late November 1896, legislation was rushed through parliament to guarantee deposits for a year, while the bank was again totally reconstructed, reopening later in 1897.98 The government debt of £1.8 million was to be repaid progressively out of profits over 24 years. An unsuccessful legal action against directors was taken in 1898, by which time the fallen McIlwraith had permanently moved to London, where he died in 1900, unlamented by many.99

The timing of Reid’s and Chapman’s approach was therefore highly propitious. Only ten days after their arrival in Brisbane, with the Premier still absent at Queen Victoria’s Diamond Jubilee celebrations, legislation in the form of the *Mareeba to Chillagoe Railway Bill* had already been secretly drafted “without the usual formalities” to approve a private railway through mineral lands in return for 2000 acres in special mining leases.100 No report from the Railway Commissioner was presented (as would normally be the case), no detailed plans or surveys were tabled and no report was received from the Mines Department. As parliament was very soon due to rise, the bill was fast-tracked through both houses by mid-December, despite strong opposition from the few Labor representatives who strongly criticised Philp and his obvious connection to the promoters. Passage of the *Mareeba to Chillagoe Railway Act* was also assisted by Moffat’s friend, John Newell, who had been elected a year earlier as the member for Woothakata (the electorate covering the Chillagoe region, which just over a decade later would become the political base for Edward Theodore). Andrew Thynne, a solicitor, who had been a minister and

96 Ibid., p 212.
100 KH Kennedy, “JS Reid and the Chillagoe Company”, pp. 221.
was a highly influential member of the Legislative Council for 40 years until its abolition in 1922, became the company’s Brisbane based representative. It seems that in both cases their interests as shareholder and legal representative respectively in Chillagoe Proprietary Limited were conveniently not declared.\textsuperscript{101}

The favourable final legislation was based on the land grant railway concept in the McIlwraith mould, with the major exception that the land allocated was for mining and not agricultural purposes. The act included several special provisions. A 95 mile railway had to be built from Mareeba for £431,000 within a three year period, with the right to build spur railways or tramways for not greater than 10 miles from the main railway line. 2,000 acres of special mining leases could be acquired, partly from Moffat, at a fee of £1 per acre having a tenure of 50 years, instead of the usual 21 years, plus exemption from normal labour provisions relating to mining tenements and leases. The Company had the right to lease the railway wharf at Cairns and to set its own railway tariffs at a 50 per cent premium over those charged on government railways. Permission was given to erect an electrolytic copper refining facility under a 50 year lease on land above the Barron Falls, where hydro-electricity could be generated. Finally, the assets would be acquired by the government after 50 years at a price not exceeding the construction cost plus 10 per cent.

The extremely prompt agreement by the Legislative Council was somewhat of a surprise, since it rarely supported government railways: one factor may have been that it could help to offset the losses being incurred on the Cairns to Mareeba railway.\textsuperscript{102} The few members in the Labor Party unsuccessfully proposed that line be built under the provisions of the 1892 Act, which made the company responsible for half of any operating deficiencies, but with an equal right to share in any profits.\textsuperscript{103}

There was immediate vigorous opposition to building a smelter so close to the Barron Falls as “it would impair the beauty of the site”.\textsuperscript{104} In what was probably one of the first environmental

\textsuperscript{101} Ibid., p. 222.
\textsuperscript{102} JD Kerr, \textit{North Queensland Mining Railways}, p. 284.
\textsuperscript{103} Ibid., p 283.
\textsuperscript{104} KH Kennedy, “JS Reid and the Chillagoe Company”, p. 222.
confrontations in the country, the smelter site was then changed to Mareeba, where the proposed facility (which was to include an electrolytic refining plant) could still receive water through a planned new aqueduct. By a strange quirk of fate, one of the few decisions during the record short six day life of the first Labor government in Australia — led by Anderson Dawson, a former miner from Charters Towers, who soon became one of Queensland’s inaugural federal senators — was to refuse to grant a lease for a term exceeding 30 years. This refusal delayed the final site decision and ultimately meant that the smelter site was pushed further inland to a 20 acre site at Chillagoe. The relocation had a doubly adverse impact on the project, through a resultant permanent increase in transport costs plus the abandonment of the plan to build an electrolytic copper refinery.

Implementation of the government agreement required substantial capital, which was raised through another new corporate entity, Chillagoe Railway and Mines Limited. The company name demonstrated the prime emphasis being given to the railway, with the necessary mining operations unfortunately being given lower priority; there seemed to be an implicit assumption that the railways would surely catalyse other groups to seek and invest in local mines.

**Chillagoe Railway and Mines Limited**

Chillagoe Railway and Mines Limited was organised in Melbourne by James Smith Reid, who had overall responsibility for all financial activities. The new company, which lasted for less than four years, was incorporated in June 1898. It came into operation the next month and immediately acquired the original Chillagoe Proprietary Company. Of its 900,000 £2 shares, 480,000 were fully paid and 100,000 paid to £1 were allotted to the vendors, leaving the company with only an unusually low £100,000 in working capital to be received from public subscriptions. A further £100,000 was then raised by the issue of an additional 100,000 shares paid to £1, with the par value of all shares then reduced to £1. Chillagoe Railway and Mines had immediately been transformed into a million pounds company, one of only a few in the country. No prospectus was issued, as this protocol was not then compulsory, so the exercise was essentially built around the perceived favourable reputations of the directors. These

---

106 KH Kennedy, “JS Reid and the Chillagoe Company”, p. 225.
transactions resulted in 43 per cent of the shares being held by three prominent Melbourne directors — Reid, Chapman and the highly regarded William Knox, a former secretary of BHP and a director of Mt Lyell Mining and Railway Company Limited (Mt Lyell) for which he had arranged the original flotation. Moffat’s holdings, held personally and through Irvinebank Mining Company, somewhat surprisingly equated to only 22 per cent of the shares, leaving ridiculously little capital to develop such a large project. The majority of the finance, primarily to be expended on the railway, was to be raised in Britain through the issue of £400,000 secured debentures, redeemable in 1919. This debt target was successfully achieved, once the market had been well-primed in March 1899.

The company’s shares were superbly marketed initially in Australia and from June 1899 in London, where the shares were listed at £1.6 (expressed as 32/-), aided by unsubstantiated phrases such as “destined to be one of the largest contributors to the copper output of the world”. This totally indefensible comment was helped by the estimate of Alex Stewart, previously general manager at BHP, whom Reid employed from 1898 at the then enormous annual salary of £5,000, equivalent to around $670,000 in today’s terms. Stewart was brave enough to declare there was 500,000 tons of 10 per cent ore available, which would also present no metallurgical problems. It is noteworthy that most estimates around that time tended to focus on copper, whereas many of the nearby deposits contained far larger amounts of lead minerals, which were more difficult to treat and of lower intrinsic value. This highly significant distinction did not seem to matter in such a bullish investment climate. The key was to somehow participate in the boom in copper mining shares, due to the rise in copper price to around £80 per ton and to capitalise on the fact that companies at Mt Morgan and Mt Lyell were then among the top ten companies listed on the Melbourne stock exchange, both paying high dividends.

Principal focus was given to the construction of the Mareeba to Chillagoe three foot six inches rail link, built to Queensland mainline standards using heavy 60 pound rails. Spur lines using 42 pound rails were allowed for at selected sidings planned to be built from the smelter at Chillagoe to the terminus at Mungana, and to facilitate planned future rail links to Irvinebank and Mount Garnet. Links were also provided for ore supply from nearby mines including Zillmanton,

107 Ibid., p. 226.
Griffiths and Lady Jane plus the supply of flux and brick-making materials. In this way, Moffat was able to undertake his other ore-buying activities for tin and wolfram at selected sidings – including Dimbulah, Lappa, Boonmoo and Almaden – along the track. Somewhat controversially, freight rates were set at a 50 per cent premium over government rates, setting a precedent for later North Queensland private railways.\(^{109}\)

The smelters required close attention, as they relied on specialist machinery to be imported from England, Germany and the US. The selected location at Chillagoe, on Chillagoe Creek where there was a permanent water supply, was at the side of a hill, with the conspicuous chimney stack, made from locally produced bricks, being 240 feet above the smelter floor. Provision was made for a row of six water-cooled rectangular furnaces, primarily to be devoted to smelting copper ores.\(^{110}\) Local limestone and low grade ore were to be used as fluxes, but coal and coke required either for heating or as a reductant would have to be imported at considerable expense from Newcastle and the Ipswich area near Brisbane.

It was around this time that a divergence appeared between Moffat and most of his fellow directors, who seemed to be much more interested in realising early profits from the successful company flotation rather than ensuring the financial success of the ambitious enterprise. Moffat continued to focus primarily on regional issues, leaving the overall organisation and financial matters to the Melbourne directors: essentially this meant James Smith Reid. Moffat took no “hands-on” role in the construction phase, preferring to concentrate on the broadening of his empire by the continuing pursuit of potential local mines in the early stages of development. His strategy always preferred the construction of spur lines from the Mareeba to Chillagoe railway to his other properties, of which the most significant was at Mount Garnet, 62 miles to the south east. Moffat persuaded Reid and Chapman also to become involved as a means for securing additional ore to the smelters, which by then had been decided to be located at Chillagoe.

The Mount Garnet Freehold Copper and Silver Mining Company, which due to the several common directors was perceived as being an associated company to Chillagoe Railways and Mines, was incorporated in late 1898 and floated in September 1899. It had a nominal capital of


£290,000 in £1 shares with Moffat as managing director, representing the Irvinebank Mining Company, which also provided some support services.\textsuperscript{111} The float was successfully launched, despite some reported concerns about the presence of associated zinc sulphide at depth (at that time the presence of zinc was a major negative feature, termed a “metallurgical poison”, as it could not be satisfactorily separated until the successful pioneering of a froth flotation process at Broken Hill in 1905).\textsuperscript{112} This project entailed the construction of a connecting rail link to join the main line at Lappa: again this was obtained using Philp’s active help through the \textit{Mount Garnet Freehold Copper and Silver Mining Company Railway Act}, passed in December 1900, just before the first smelter commenced operations there. The £97,000 cost of the railway was also financed by way of debentures, using the 1897 \textit{Mareeba to Chillagoe Railway Act} as a precedent.\textsuperscript{113} At this time Randolph Bedford briefly reappeared, established Chillagoe-Bedford and Mount Garnet Limited and proposed to the government an alternative railway route from Atherton through more populated areas to Mount Garnet.\textsuperscript{114} The government preferred to remain with the much better-known Chillagoe Railway and Mines Limited as the prime railway link.\textsuperscript{115}

The boom was in full swing, with relatives and friends of the key participants, including Philp, becoming engulfed in the speculative fervour surrounding Mount Garnet.\textsuperscript{116} Again, in keeping with the Broken Hill and Mt Lyell precedents, small companies with Chillagoe or Mount Garnet in their names – preferably both – proliferated and were quickly floated. Questionable information was contained in many prospectuses, given the complete lack of properly identified resources and the frequent absence of definitive information about the orebodies.\textsuperscript{117}

Throughout 1900 Chillagoe Railway and Mines Limited remained a prominent topic of conversation. The market peaked at £2.4 (48/-) per share in August that year, when some of the southern directors sold most of their shares, with Moffat surprisingly being a buyer. The

\begin{footnotes}
\item\textsuperscript{111} RS Kerr, \textit{John Moffat of Irvinebank}, p. 177.
\item\textsuperscript{112} G Blainey, \textit{The Rise of Broken Hill}, Macmillan, Melbourne, 1968, pp. 68-73.
\item\textsuperscript{113} RS Kerr, \textit{John Moffat of Irvinebank}, p. 178.
\item\textsuperscript{114} Ibid., p. 176.
\item\textsuperscript{115} RS Kerr, \textit{John Moffat’s Empire}, pp. 82-83.
\item\textsuperscript{116} G Blainey, \textit{The Rise of Broken Hill}, p. 164.
\item\textsuperscript{117} G Blainey, \textit{The Peaks of Lyell}, p. 81.
\end{footnotes}
Australian Mining Standard later suggested that Moffat’s decision was indicative of an internal conflict between seeking the establishment of stable mining communities and his strong propensity to promote new floats.\textsuperscript{118} By the end of 1900 the share price had fallen. In passing, it is interesting to note Bedford’s perception of Moffat’s approach to both the Chillagoe and Mount Garnet floats. This was in sharp contrast to Bedford’s own opportunistic philosophy towards share floats, which was given wide coverage over two decades years later relating to Mount Isa shares in the final controversial stages of the Chillagoe-Mungana story:

On the Chillagoe and Garnet floats Moffat received 200,000 Chillagoe shares which at their peak were valued at 46 shillings and 100,000 Garnet shares, which at their peak were valued at 87 shillings. He didn’t sell. Later when I asked him, “why?” he replied that if the shares were worth anything he would hold them; and if they were worth nothing he would not unload them on anybody. First and last he was interested in the mines, and not in the share market. He took two million [pounds] worth of ore out of the scores of mines he developed; and put it all back again into the earth.\textsuperscript{119}

The North Chillagoe Mines Scandal

During such mining booms, speculation typically spawns fraud, scandal, disappointment and ultimately losses for the majority of investors: Chillagoe was no exception. The first scandal to occur related to the float of North Chillagoe Mines No Liability in 1900.\textsuperscript{120} This Sydney-based company with a capital of £60,000 in £1 shares was formed in mid-1900 to acquire 15 areas totaling 230 acres of leases north west of Mungana, mainly at Tantana Hill and Monte Video. Some of these leases had been held earlier by Moffat, who did not believe they were particularly favourable, despite the promising surface showings of copper minerals.\textsuperscript{121} The vendor company – the Admiral Sampson Chillagoe Company, formed in 1898 with capital of only £2,400 – was to receive 30,000 shares with the remaining £30,000 capital to be raised by public

\textsuperscript{118} Australian Mining Standard, 5 December 1901, p. 868.
\textsuperscript{119} R Bedford, Naught to Thirty-Three, NLA, MS 76, p. 405.
\textsuperscript{121} RS Kerr, John Moffat’s Empire, pp. 86-87.
subscription in early 1901. Two of the seven provisional directors of North Chillagoe Mines were also members of the Queensland Legislative Council. An abridged prospectus contained a late 1899 report for the Admiral Sampson Chillagoe Company, from Arthur Dunstan, the assistant government geologist in Queensland. It stated variously that there was “ore of great value”, “copper averaging seven per cent metal content, “a rich gold mine within a rich copper mine”, and “silver, which alone would be a highly payable product”. The ores were to be treated at the Chillagoe Company smelter then under construction. It was a highly unusual situation that a government employee was allowed to prepare such a report for a new company, even though the advice was being paid for and potentially implicated the government. There was also an indication, given by Patrick Duffy who was one of the two common directors, that Dunstan might even assume a management position with the company.

Within two months the two Legislative Councillors had publicly withdrawn as provisional directors, on the grounds that the Dunstan report in the prospectus was not the actual original report. It had been doctored by changing assay results and deletion of the following conclusion:

Lastly comes the question of management. The mines are not phenomenally rich, but they are full of promise, and it lies almost entirely with your management – not the mines themselves – whether or not they result in success or failure.

Amidst strong protests in the press and Legislative Assembly the prospectus was withdrawn and Philp, now Premier and still Minister for Mines, called a Royal Commission in early November to establish the truth of what had happened. The sole commissioner was a magistrate, Edward Mansfield, whose son (later to become Sir Alan Mansfield) participated in the 1931 Chillagoe-Mungana conspiracy trial and later progressed to become Chief justice and then Queensland governor. The very narrow terms of reference concerned the establishment of who was responsible for falsifying Dunstan’s report in the North Chillagoe Mines prospectus. In early December, Mansfield’s report declared that only Dunstan or Duffy could have been responsible: as Duffy had refused to give evidence, Mansfield concluded that he was the likely culprit.


123 Ibid., p. 137.

124 Ibid., p. 155.
government had been exonerated. However, as Mansfield stated in his report, since the company was incorporated in NSW he believed that Queensland court action would not be successful. There the matter rested.

The Admiral Sampson Chillagoe Company tried again in 1902 to re-float the leases through another company, Tartana Limited, seeking a much greater vendor consideration of £86,000, but again it was unable to secure funding. However, the North Chillagoe Mines scandal had far wider repercussions. It provided a strong warning to British investors to exercise much greater care in assessing speculative Australian mining shares. The saga directed impacted adversely on the perception of the Chillagoe Railway and Mines Limited.

In a somewhat perverse way, this Royal Commission provided a very brief glimpse of the far bigger and much more dramatic Royal Commission 30 years later. The issue of the valuation of mineral leases would become of far greater moment in relation to the properties at Mungana, which coincidentally were being prepared for separate flotation at the time that the North Chillagoe Royal Commission was held.

**The Mungana Special Mining Leases**

Reid persuaded his fellow directors to follow the successful Broken Hill and Mt Lyell precedents and transfer what were seen to be nine prospective areas, already the subject of mining leases, into several separate public companies. Ideally these were to be based around defined mining areas at Redcap, Ruddygore and Mungana. Ultimately, the only flotation that occurred were 271 acres containing five highly prospective mining leases in the Mungana area, which included the very important sites known as Lady Jane and Girofla. This decision left 1,729 acres within leases held in the Chillagoe Company’s name. The decision, made in late 1900, to put these leases into a separate company proved to be highly significant, with unforeseen long-term repercussions.

The Mungana (Chillagoe) Mining Company Limited was floated in early 1901, with a registered capital of £125,000 in 500,000 shares of five shillings each, with Reid, Chapman, Knox and Moffat holding a common directorship with Chillagoe Railway and Mines Limited. These leases were acquired with effect from 31 March 1901 for £60,000 in cash and 100,000 fully paid

---

125 Ibid., p. 130.
shares, resulting in the Chillagoe Company holding 20 per cent of the capital. The decision had the twin objectives of supplying a desperately needed £60,000 cash injection to the grossly under-capitalised parent company, plus providing £40,000 to explore and develop the Mungana leases.\textsuperscript{126} What were perceived as being the most prospective of the Chillagoe Railway and Mines mining leases had been surprisingly off-loaded without shareholder approval, a decision which became the subject of understandable criticism. The transaction was rather quaintly described by the directors, as reported in the \textit{Queensland Government Mining Journal}, as “The Mungana Segregation”.\textsuperscript{127} Because the Mungana leases formed part of the assets pledged to support the British debentures, Chillagoe Railway and Mines Limited had to indemnify shareholders against any potential claims arising from the transaction. The directors were rightly criticised for what was seen as a manipulative action, which they soon turned to profitable account when they – particularly Reid and Moffat – sold most of their shares before the end of 1901. The flotation of this company proved to be an adverse omen for the future.

\textbf{A Fundamental Unresolved Issue: Ore Supply to the Smelters}

One of the consistent and fundamental issues throughout the entire Chillagoe-Mungana story relates to the highly variable quantity and quality of the ores to be used as feedstock for the custom smelters. When the smelters commenced operations there was some already mined high grade ore on the ground at many smaller mines, but this did not last for long. However, to sustain an efficient operation ideally there had to be several ore sources of consistent known grades and volumes to make the custom smelting operations controllable, giving full recognition to the very different practices for smelting copper and lead ores. It is not often appreciated that the successful operation of any custom smelter can be a complex and difficult task. It requires a formal purchase tariff to be issued, outlining the terms for purchasing ore, an assessment of the likely recovery of the valuable metals, the prices for those metals, the costs of smelting and then any adjustments for possible additional losses due to the combination of minerals present and the fluxes used. This situation seems never to be fully appreciated under either private or government ownership.

\textsuperscript{126} KH Kennedy, “JS Reid and the Chillagoe Company”, p. 236.

\textsuperscript{127} \textit{Queensland Government Mining Journal}, Vol 2, No 9, 1901, pp. 484-486.
As no detailed mine records appear to have been retained, great reliance over the entire period had to be placed on several somewhat simplistic estimates which were formally requested by the Chillagoe Railway and Mining Company. As briefly discussed in the last chapter, the first of these reports was commissioned in 1898 after the high profile Alexander Stewart had been appointed as general manager. His original report, prepared on 28 June 1898 based on surface exposures, nominated 500,000 tons of 10 per cent ore including the Mungana areas, assuming a copper price of £50 per ton to be processed at the proposed site near the Barron Falls for 35 shillings a ton, included the following comment:

Immense deposits such as these may not be regarded as possessing the same permanence as true lodes, but there is no reason why they should not extend to very considerable depths.\footnote{Stewart report contained in the Chillagoe Proprietary Company report to 26 June 1898.}

Stewart submitted an updated report in June 1900 estimating 300,000 tons of ore suitable for smelting, 225,000 tons of copper ore and 75,000 tons of lead ore. This was estimated to yield 17,000 tons of copper, 15,000 tons of lead and a million ounces of silver.\footnote{Queensland Mining Journal, Vol 2, No 12, 1901, pp. 578-582.}

This comment apparently helped to attract investors to the public flotation of the Mungana (Chillagoe) Mining Company in February 1901. Stewart somewhat surprisingly resigned in mid-1901 on his return to Australia from China, the reason being ill health.\footnote{KH Kennedy, “JS Reid and the Chillagoe Company”, p. 237.} Reid quickly appointed his successor, Ernest Weinberg, an overseas trained metallurgist with copper and general management experience in Australia, despite the fact that in 1898 he had commented that the Chillagoe Railway and Mining Company shares were over-valued.\footnote{RS Kerr, John Moffat of Irvinebank, pp. 158, 166 & 172.} Weinberg’s first task was to prepare an updated report on the ore reserves, by which time the Mungana areas had already been off-loaded into the separate company. Weinberg’s estimate, prepared for the 22 July 1901 half yearly report, was not released in detail until 18 November. He prefaced his report with the comment:

---

\footnote{Stewart report contained in the Chillagoe Proprietary Company report to 26 June 1898.}
\footnote{Queensland Mining Journal, Vol 2, No 12, 1901, pp. 578-582.}
\footnote{KH Kennedy, “JS Reid and the Chillagoe Company”, p. 237.}
\footnote{RS Kerr, John Moffat of Irvinebank, pp. 158, 166 & 172.}
I have pointed out already the difficulty in making, at the present stage of development, reliable estimates with regard to quantity and values of ore available in the various properties, as not sufficient exploration work has been carried out. 132

In submitting his figures “with due reservation”, he assessed 173,631 tons of ore, containing only 4086 tons of copper, 192,083 ounces of silver and a miserable 476 tons of lead.133 These figures compared very adversely with Stewart’s revised estimate. The directors had hoped to keep this devastating news secret but it soon leaked out, leading to the following strong criticism in the Australian Mining Standard in August 1901:

If the discrepancy in estimated reserves is not such as to justify panic the shareholders should know. If half or all their reserves have mysteriously vanished it is right they should be so informed.134

Reid sent a brief circular to shareholders, advising that a third opinion was being prepared by the well-respected mining consultant, Francis Danvers Power, who three years later was elected President of the Australasian Institute of Mining Engineers. His 1905 presidential speech, devoted to the topic of prospectuses, contained the following words of wisdom, which were particularly relevant to the Chillagoe situation and have been equally applicable to all subsequent mining booms:

To be successful we must have the elements of success — land, capital, labour and ability; moreover, we must have sufficient of each. Want of money has ruined many an enterprise; I might even go to the other extreme and say that an excess of it, or over-capitalisation, has had a similar effect. A likely deposit is no good without the capital to pay for labour and machinery to work it, and ability to manage it. Capital is no good lying idle by itself. Labour is no good unless it has something to labour at. Business ability is likewise no good of itself unless it can be exercised. A good mine may be spoilt by being in the hands of incompetent men; a bad mine may be floated successfully

133 Ibid.
134 Australian Mining Standard, 22 August 1901, p. 240.
because it is in the hands of good business men; but a good mine under the control of capable men is what we all desire to see.

The flotation of a company does not depend solely on the mine. Many a worthless property has been floated with little or no trouble, while other properties that have eventually turned out well have lain idle for years for want of supporters. In boom time one can float almost anything.\(^{135}\)

His report, submitted on 11 November, provided an even gloomier perspective noting there was “very little actual ore in sight”. After excluding the Mungana leases, he estimated that there were only 94,792 tons of ore available, containing 3,304 tons of copper, 135,792 ounces of silver and 360 tons of lead. Power’s report for the Mungana leases gave a slightly better picture: he estimated the leases contained 2,392 tons of copper, 205,977 ounces of silver and 2,420 tons of lead, whereas Stewart had estimated 1,360 tons of copper, 470,000 ounces of silver and 8,000 tons of lead.\(^{136}\) Danvers Power critically commented:

The mines are not sufficiently developed to maintain an output that will keep your nest of furnaces in blast for the time being, the reason being that a large portion of the work done has been off, instead of on, the orebodies.

A great mistake was made in proceeding with what was intended to be permanent work before the nature of the deposits were properly understood… very little ore (is) in sight now than when the property was acquired…(a) great deal of money (has been) spent to no purpose.\(^{137}\)

He also believed that the smelters had been built in the wrong location, as there was insufficient ore to enable them to operate on a continuous basis and the operation would have to be reliant on richer ore transported from outlying mines. A year later Stewart belatedly issued a public

---


\(^{136}\) KH Kennedy, “JS Reid and the Chillagoe Company”, p. 239.

statement criticising the directors and complaining that their objectives were to splurge money to “maintain share values” rather than to focus on mining development and exploration.\textsuperscript{138}

By that time Weinberg had issued a supplementary report on 1 November in which he revised his estimated to 175,983 tons of ore, with the only significant change being an increase in copper level to 5,122 tons. While he also commented:

> With regard to the mining expenditure of the past, it is most unfortunate that in many cases the money has been spent on absolutely unproductive ground, and that most of the important lodes were allowed to remain practically unexplored. In order to carry out now the necessary development work, it is quite apparent to me that considerable expenditure must be incurred before you can expect to reap any material benefit from these mines. I have no hesitation in adding that I believe the prospects such as to justify you in asking the shareholders to provide additional capital required for the above purpose.

He was very confident that more ore could be located at a depth below 150 feet.\textsuperscript{139}

This uncertainty about available ores and the lack of effective exploration provided a very poor start to a sorry continuing theme throughout the entire Chillagoe-Mungana story. The ore supply situation in 1901 unfortunately provided a realistic precedent for the situation twenty years later: this issue came to haunt the Chillagoe smelting operations throughout their entire life. The Mungana leases had already been identified as being the most valuable properties since they appeared to persist at depth, but they also had not been properly explored and in any event were not now fully controlled by Chillagoe Railway and Mines Limited.

**The Perspective at 1901**

The first year of the 20\textsuperscript{th} century closed with the outlook for Chillagoe Railway and Mines superficially appearing to be very bright, with the singular exceptions that far too little was known about the various ores to be supplied to the smelters. While construction of the railway was proceeding well, with a special train on New Year’s Eve travelling at 25 miles an hour to


within three miles of Chillagoe, cash resources were dwindling. The company had set itself an Herculean task to construct a smelter at such an undeveloped location. An example was given in the February 1901 report to shareholders, where it was stated that initially a brickworks and a permanent limekiln had to be built before the furnaces could be constructed while much of the equipment had to be supplied from overseas. The company’s existence had stimulated other groups to open additional mines to link with the railway, smelter construction was proceeding and Chillagoe township was attracting more people ahead of the venture entering the operational phase still planned for early in 1901. The first land sale had just been held, when 191 of 262 lots had been sold at auction, Jack and Newell had established a general store, several hotels were flourishing, a residents’ committee had requested the construction of a school, while the Mareeba Herald newspaper had decided to relocate there.

This positive outlook proved to be a great illusion: too little attention had been given to the magnitude, quality and complexity of the ore sources, while the parent company was rapidly running out of funds. As Ernest Weinberg subsequently pointed out to shareholders, he regarded the whole undertaking as a large industrial enterprise, having little knowledge about the back country of Chillagoe. Despite its inclusion in the company name, the mining element was by far the least developed. This meant that the Chillagoe Company had failed two of Power’s four nominated elements for success: capital and business acumen. 1901 would prove to be the first of many extremely challenging and difficult years for the now publicly-owned Chillagoe-based mining and smelting operations during the next thirteen years.

140 RS Kerr, John Moffat of Irvinebank, p. 161.
141 RS Kerr, “The Economy in the 1890s: Queensland Copper”, p. 43.
142 RS Kerr, Chillagoe: Copper, Cattle and Caves, JD & RS Kerr, Brisbane, 1986.
CHAPTER 3: THE COLLAPSE OF THE CHILLAGOE COMPANY

The period to 1914 was basically a woeful tale of continuing under-performance for the Chillagoe Company. By the end of 1901, the smelters closed after operating for less than three months. A new company was established to acquire the original company’s assets, also raising £135,000. The smelters resumed production in late 1902, but needed further capital to start processing the more complex lead ores. Another financial reconstruction was necessary from 1905, partly to access new sources of copper ores which became available pursuant to the Etheridge Railway Act of 1906. This expansion enabled the Chillagoe Company to construct a 137 mile spur railway, at a cost of £450,000, with an additional £200,000 raised from British debenture-holders. After a brief period of profitability, helped until 1909 by temporarily higher prices, it then reverted to losses necessitating a further capital reconstruction in 1913. But that amount was insufficient to save the company, which ceased operations in early 1914, thereby ending the free enterprise years of the Chillagoe-Mungana story.

It is argued that the overall business concept of Chillagoe Company was fundamentally flawed from the outset. Apart from its persistent under-capitalisation, there was inadequate time and effort devoted to locate appropriate ore resources. Moffat’s custom smelters also turned out to be a failure due to a lack of ore, while there was the added complication whether they should be focused on producing copper or lead. Being so financially weak, the company was always vulnerable to adverse external events such as industrial unrest from the newly formed Amalgamated Workers’ Association (AWA), jointly established by the newly arrived Edward Theodore and William McCormack in 1907. Thereafter followed interruptions due to cyclones, a fire at the smelters and reduced ore supply from the important Mungana leases, where one mine was closed in 1909 due to an unextinguished fire. Over its 13 year life the company had raised £1.462 million (equivalent to at least $150 million today) in equity and debentures and to meet operating losses. No dividends were ever declared. By any yardstick the Chillagoe Company was a huge financial disaster, although the railway component was always profitable. Its performance has been aptly described by the following comment. “The story of the Chillagoe Company … is really sad reading. It is a company of a thousand disappointments”. 144

144 Australian Mining Standard, Vol. 48, 22 August 1912.
The Demise of Chillagoe Railway and Mines Limited

By the end of 1901 nearly £600,000 had been spent on the overall venture — £381,902 on the railway, £75,000 on the smelters and £140,000 on services and mine development — before any ore had been smelted. This situation necessitated a £50,000 advance from the Bank of Australasia to keep the company solvent. The smelters, treating copper ore only, commenced production on 12 September 1901, the month after Moffat resigned as a director. Ostensibly this decision was made to enable him to give total focus to his own tin and copper operations, where the Mount Garnet smelter was encountering some difficulties and the new railway spur was due to be completed by early 1902.

The Chillagoe smelters operated for less than three months, closing on 6 December 1901. They had treated 8,129 tons of ore and recovered 367 tons of copper matte, 75 ounces of gold and 15,721 ounces of silver, collectively valued at £23,792: 3264 tons of ore had come from the Mungana (Chillagoe) Mining Company.145 By then, investors had totally lost confidence in the company, whose shares had declined by around 95 per cent in the year. Since the start of 1901, when priced at 36/9, only slightly below their October 1900 peak of 39/-, they had declined to 11/- in August and to only 1/9 per share at the end of the year.146

The Power report was considered at an extraordinary meeting of understandably angry shareholders in Melbourne on 3 December 1901, where Moffat attended. Although no longer a director, Moffat retained some semblance of credibility as he was the only director during a period of rapidly collapsing metal prices to hold more shares at the end of the year than at the beginning.147 Even though he had significantly benefited from the separate flotation of the Mungana leases and had subsequently sold most of his shares in the Mungana (Chillagoe) Mining Company, he was widely commended for not using the inside knowledge to sell his vendor shares.148

147 RS Kerr, John Moffat of Irvinebank, p. 167.
Mount Garnet definitely required Moffat’s close attention, despite the complication that the Mount Garnet Freehold Copper and Silver Company was also financially managed from Melbourne. Its smelters had commenced operating in late 1900. By late 1901 Mount Garnet had become the second largest inland town in North Queensland after Charters Towers, with a population of over 2,000 people, most of whom worked at the mines and smelters. It became the immediate centre of attention for the displaced Chillagoe workers when their smelters suddenly closed. They were quickly disappointed, as the Mount Garnet smelters also closed for several months in April 1902 due to liquidity problems of the Mount Garnet Freehold Copper and Silver Mining Company. In 1902 these smelters treated 43,284 tons of copper and silver ore producing 3,087 tons of copper and 486,651 ounces of silver valued at £164,267, closely comparable to the £163,000 generated in the previous year from 35,616 tons of ore. Its performance had been influenced by the collapse of the open cut mine and the pernicious influence of zinc sulphide, which substantially reduced copper recovery. With the persistently low share price, the railway contractor, which held debenture security and had not been fully paid, foreclosed. A planned financial reconstruction failed, resulting in the smelters later being dismantled and the mine being leased to the reconstructed New Chillagoe Railway and Mines Limited, to which it basically supplied flux for its smelters, as the rich ore had already been mined out.

**First Financial Reconstruction in 1902**

Directors of the Chillagoe Railway and Mining Company acted quickly following the highly critical extraordinary meeting in December. In February 1902 a new company, New Chillagoe Railway and Mines Limited, was floated to acquire the existing company’s assets: shares were exchanged for new scrip, but carried a liability of four shillings each to raise nearly £135,000. Again, the company proved to be under-capitalised. The new general manager, T J Greenaway, with Weinberg now employed as a consulting engineer, made the following comment about his early surprising observation:

---


150 KH Kennedy, “JS Reid and the Chillagoe Company”, p. 241.
Since arriving here in August I found the mining operations generally in a backward condition, scarcely a single mine having been opened up or equipped in a manner that permitted the profitable extraction of ore.\textsuperscript{151}

Smelting recommenced in October 1902 still with only one copper furnace operating. Several small portable furnaces were added the following year, one specifically to treat lead ores. In its brief operating period to December 1902, as the new company now reported on a calendar year basis, a profit was earned from the 7,836 tons treated, yielding revenue of £22,519, which was still vastly inferior to the Mount Garnet performance. Ores were supplied from an array of company-held and externally owned leases, as shown in the map below, with the Mungana areas still being amongst the most important. Their activity helped spawn the small mining centre at Redcap, three miles north-east of Mungana, the Chillagoe Company building a two foot gauge tramway to facilitate transportation.\textsuperscript{152}

Meanwhile, the Mungana (Chillagoe) Mining Company released its initial report for the 16 months to June 1902, in which it refers to the Chillagoe Company as its “parent company”. It also had little cash available, only £4,442 being shown in its balance sheet.\textsuperscript{153} The report also marked the arrival of the new mines manager, Edward Rodda, whose name would have prominence on several occasions over the next two decades.

\textsuperscript{151} Queensland Government Mining Journal, Vol. 4, No. 4, April 1903.
\textsuperscript{152} RS Kerr, Redcap: The Birth, Life and Death of a School, 1984.
\textsuperscript{153} Queensland Government Mining Journal, Vol. 3, No. 9, September 1902.
Monthly reports in the *Queensland Mining Journal* enable operating performance to be readily monitored. Throughout 1903, 44,303 tons of copper ore and 16,879 tons of lead ore were treated, yet an overall loss was incurred on operations. A £34,299 profit was earned from the railways, which provided a consistent monthly revenue source to meet debenture interest payments.

Grades were already declining at the nearby Calcifer and Ruddygore mines, while the Zillmanton mine suffered from flooding. It had become necessary to transport ore for greater distances, particularly when supply from the Lady Jane mine at Mungana temporarily ceased due to flooding and destruction of a shaft. Mungana (Chillagoe) Mining provided 7,000 tons of copper ore and 10,720 tons of lead ore in 1903, but it was also struggling financially. It stated that it
would have been compelled to close but only remained in business due to “substantial help afforded by the Chillagoe Company”.

Foremost among these other ore sources was the O.K. mine, 47 miles north-west of Mungana. The O.K. was essentially a rich copper mine, becoming the first in the region to pay a dividend in 1905. It commenced operations in 1902 through a syndicate, in which Moffat had a minority interest, with the initial rich ore being hauled by camel trains to Mungana. After the O.K. Copper Mines Development Syndicate No Liability was established in 1904 it built a small smelter on site, using some equipment from Mount Garnet. Dividends continued until 1910, when ore volumes and grades declined, until the operation closed later that year soon after suffering from a major industrial dispute.

The Chillagoe Company recorded a further £35,617 loss in 1904. The smelters needed finance for further equipment to process the variable quality ores as well as to gain access to consistent richer ores. In early 1904 a converter was added to make higher value blister copper from matte, while it became necessary to instal roasting equipment to pre-treat the increasingly greater supply of lead-rich ores. Reid’s solution to the financing problem was to propose another corporate reconstruction. The latter problem of access to richer ores required significant capital and time, since it entailed a major extension of the railway system southwards to access known copper ores in the Einasleigh area, which formed part of the larger Etheridge mining district.

**Second Financial Reconstruction in 1905**

The poor 1903 and 1904 performances were very unfavourably perceived by the markets. The *Australian Mining Standard* variously described the result as “a doleful story”, “a narrative of adverse happenings and disheartening failure” and “a record of unrealised hopes, the more disappointing to shareholders because of the over-confident forecasts by which it had been preceded”. Reid implemented cuts in wages and salaries in April 1904 and also formally notified the British debenture-holders that the company would be unable to meet its interest

---

155 KH Kennedy, “‘They Stumble That Run Fast’”, pp. 211-216.
156 KH Kennedy, “JS Reid and the Chillagoe Company”, pp. 244-245.
157 *Australian Mining Standard*, 7 April 1904.
commitments in that year. He proposed that if debenture-holders accepted deferred payment of interest and a lower rate, more equity would be raised under another reconstruction. By that time British shareholders controlled 58 per cent of the company. Agreement was finally reached in England during April 1905, followed by approval at a Melbourne extraordinary meeting. In June, Reid registered Chillagoe Company Limited, having 700,000 10/- shares deemed to be paid to 7/6. The nominal capital was therefore reduced by 62 per cent, while £70,000 was raised to purchase the required new equipment for the smelters. Again, the new company had a different financial year, on this occasion ending on 31 March.

**Railway Extension to the Etheridge District**

Reid opened discussions with the Queensland government about this significant new railway initiative through Andrew Thynne with the Premier, Arthur Morgan. Morgan was initially highly reluctant to consider the concept. Threatened with the smelters being closed again, negotiations were opened about the terms for such a development: it took two years for these to be completed. Copper had been first discovered at the Einasleigh area in 1867, but the site was too remote to justify development. The original concept a decade earlier was for the construction of a land-grant railway from Mareeba to Georgetown, but the project lapsed through a lack of funds during the depression period. The advent of Chillagoe Railway and Mining changed the outlook. A trial 1,000 ton parcel of rich surface copper ore was satisfactorily treated at the Chillagoe smelters in 1901. Over the period to 1905 there had been several proposals for either a railway or tramway link to be built from Almaden, 22 miles east of Chillagoe on the Mareeba-Chillagoe line, to Georgetown: the time was now ripe for this extension to proceed, although it would never reach Georgetown.

The *Etheridge Railway Act* of 1906 provided for the Chillagoe Company to construct a 143 mile railway from Almaden to a point near Georgetown at a gradient of 1 in 40, using lighter 40

---

158 *Australian Mining Standard*, 24 May 1905.
159 KH Kennedy, *JS Reid and the Chillagoe Company*, p. 248.
pound rails, with the cost to be no greater than £450,000. Approval was to be given to raise an additional £200,000 from debenture-holders. The Commissioner of Railways was to be responsible for operation and maintenance of the line, with the cost limited to no more than 2.5 per cent of the average annual cost of working the Chillagoe railway during the three years before the agreement. The government was to pay a subsidy for 15 years equal to 25 per cent of the cost of construction. At the end of that period, being 1921, the government had to purchase the line from debenture-holders at a price equal to 28.6 times the annual net earnings during the five years preceding the date of purchase.163

It was an unusual hybrid arrangement, with the company and the government effectively having to share responsibilities, which inevitably led to areas of conflict. The government wanted to reduce the capital cost by using lighter rails, steeper grades and local timbers, at the likely expense of higher maintenance costs. If the railway did not pay at all, the government would purchase it at half its cost, but if the line made reasonable profits the company could make a profit.164 One major conflict related to the best route to follow, with a southern route selected because it could readily access known mining areas. Ultimately the terminus for the mine fell short of Georgetown: the line ended at Charleston, whose name was soon changed to Forsayth. The planned link to Croydon and thence to the Gulf of Carpentaria never eventuated. A 1907 claim by William Lees in a major article about the copper mines and mineral fields of Queensland that the new extended railway would be part of the “Great Northern Railway” never eventuated.165 Also in 1907 an earlier entity, Einasleigh Freehold Copper Mines Limited, was reconstructed as New Einasleigh Copper Mines Limited, with £41,000 working capital. This became the prime copper source from the area once the railway was finally completed in 1910. The Chillagoe Company also sold 50,000 of its shares in Mungana (Chillagoe) Mining Company in April 1907 raising nearly £30,000 towards its £400,000 contribution to the cost of the railway.166 The remaining 50,000 shares were retained for several years before being sold to pay

163 Ibid., p. 97.
164 JD Kerr, North Queensland Mining Railways, p. 289.
165 W Lees, The Copper Mines and Mineral Fields of Queensland, Queensland Country Life, Brisbane, 1907, p. 27.
the delayed 1904 debenture interest costs, which were held as deferred interest coupons. These transactions removed the last financial link between the Chillagoe Company and the owners of the Mungana leases, although they both continued to be bound by some features of the original Mareeba to Chillagoe Railway Act in relation to lease conditions. The outlook at the start of 1907 was very positive.

1906-08: A Brief Period of Hope and Some Prosperity

For the first year of the Chillagoe Company Limited’s existence to March 1906, it earned an operating profit of £28,650, sufficient to cover debenture interest and the write-off of some plant and machinery. The railway continued to be the consistent key performer, earning net revenue of £40,118. Directors reported that arrangements had been concluded with the Mungana (Chillagoe) Mining Company to guarantee sufficient supply of lead ore plus an iron sulphide ore rich in lead and silver, which was very well-suited to be used as a flux. This contract had underwritten the decision to add the additional furnace and ancillary plant items, costing £42,000, to produce more lead. The Mungana (Chillagoe) Company reporting on its financial year to 30 June returned a record net profit of £21,609 compared to £5,742 in the previous year, with lead and silver production dominating.

With its additional funds the reconstructed Chillagoe Company had installed the Australian invented Edwards roaster and new German manufactured sintering equipment to respectively roast and agglomerate lead ores prior to smelting. These processes substantially reduced sulphur levels and meant that lead ores, most of which were still being stockpiled, could be more efficiently processed. The railway continued to operate profitably: in the year to March 1907 gross revenue of over £81,000 was achieved, compared to £64,000 in 1905 and £49,000 in 1904. In 1906 the gross value of metals produced reached a record £229,000, which compared very

---

167 Ibid., p. 124.
169 M Bolam, The Chillagoe Smelters Story, pp. 11-12.
favourably with the poor revenue of £125,000 and £142,000 in the two previous years.\textsuperscript{170} For a short period, the outlook for the Chillagoe region became much more positive.

Reid, now chairman, was particularly bullish in early 1907 as copper prices rose rapidly, briefly reaching a peak of £112 per ton in March. By the end of the year, in response to a major financial crisis in the US, copper prices had plunged to £62 per ton, with the lead price falling to only £14 per ton: the Chillagoe Company still returned a profit of £64,000. There was the expectation of substantially improved performance once Einasleigh copper ore could be accessed the following year, when the new railway was planned to be completed. That forecast was again very optimistic, as the railway was not finally completed until 1910, its progress being impeded by strikes in what was a dramatically changed industrial environment which enveloped the entire region.

\textbf{Industrial Rumblings}

Despite the superficially positive outlook in early 1907, rumblings of dissatisfaction were increasing among many workers. There had been relatively few strikes in the region, as there were no effective unions due to a combination of worker apathy and employer resistance.\textsuperscript{171} In particular, the leaders of the two largest employers being the Irvinebank Mining Company and the Chillagoe Company were unresponsive: Moffat with his paternalistic approach believed that unions were not necessary, while Reid with his Broken Hill experience dating back to the 1880s was basically hostile to unionism.\textsuperscript{172} The unrest reflected often poor working conditions, a generally unhealthy and not necessarily safe environment where lung disease was common, long working hours, a difficult summer climate, moderate wages and relatively high living costs. To this mix was added, in the second half of 1907, pressure to reduce wages in response to the sharp fall in metal prices.

\textsuperscript{172} KH Kennedy, “JS Reid and the Chillagoe Company”, p. 251.
The Chillagoe region was ripe for industrial organisations to take root and flourish, due to its difficult climatic, environmental and working conditions. In early 1907 a Miners and Smelters Union had been formed at Chillagoe, quickly followed by unsuccessful attempts to start branches at Mungana and Redcap, while the Australian Workers’ Union (AWU) had just established several branches. Early efforts at industrial activity had failed, for reasons described by Irwin Young:

Attempts had been made to organise the workers, but rugged individualism, a capacity for endurance, frequent movement of people, and, above all, a lack of knowledge about trade union techniques made corporate action difficult.

To succeed, the union movement needed a person with proven industrial experience: that person was Edward Theodore, given his close knowledge of how the successful Broken Hill unions operated.

The Arrival of Edward Theodore

Edward Glanville Theodore was born in December 1884 at Port Adelaide, the second of six children from the marriage of Vasil Teodorescu (who changed his name to Basil Theodore after naturalisation in 1886, four years after his arrival in Australia) and Annie Tanner, of Anglo-Irish descent. Basil Theodore’s father was a distinguished orthodox priest, who had preferred that his son follow in his footsteps, rather than migrating to Australia. His mother was connected to Romanian nobility while his uncle, Traian, had petitioned the Romanian parliament to consider his invention of a submarine. Basil Theodore, who farmed a small property in the Adelaide Hills, had a part-time interest in prospecting. He encouraged his sons to pursue careers in this “land of opportunity”, including entering politics. Of particular relevance was his advice,

---

174 DW Hunt, “Mining Unionism in the Far North”, p. 38.
175 I Young, Theodore: His Life & Times, p. 3.
177 Theodore Papers, NLA, Canberra, MS 7222, Folders 5-7.
“Whilst truth will make you free, it is also a truth that knowledge gives you confidence”.

Although Edward Theodore left school aged twelve he followed his father’s advice and was always keen to extend his knowledge base through copious reading, which he maintained throughout his 66 year life.

Aged 16 he joined his elder brother prospecting and working at several goldfields in Western Australia. He worked as a labourer on the Murchison and later as an underground miner at Kalgoorlie, where his brother immediately became involved in the union movement. Edward Theodore returned to Adelaide at the end of 1902. Over the next four years he interspersed prospecting for gold in South Australia with living and working at Broken Hill, where he joined the Barrier branch of the Amalgamated Miners’ Association, proudly retaining his badge of membership for the rest of his life. There he was able to witness first-hand how this strong, centralised and very successful union operated. In addition, he found time to join discussion groups and broaden his reading.

In early 1907, Theodore – being aware of the comments being circulated that the newly developed Chillagoe mining field could become “another Broken Hill” – moved to North Queensland, initially planning to prospect for tin and wolfram, the tungsten ore. The Vulcan mine at Irvinebank was the first site for an industrial confrontation in March 1907 when there was a two month strike by workers seeking higher wages and a 44 hour working week. By June 1907 Theodore had drifted to Irvinebank where he found employment as a driller at the Vulcan mine, then Australia’s deepest tin mine. Working at the base of a shaft at the Vulcan mine, Theodore was injured when some timbers fell on him scarring his back. He promptly filed a log of claims for better conditions which, according to unsubstantiated records, at their first meeting was greeted by the ageing John Moffat’s paternalistic comment, “Go away and be a sensible fellow”, a remark that went unheeded. Theodore’s response was to visit the Vulcan Arms hotel, where he secured immediate support from William McCormack, the manager at the nearby Stannary Hills tin mine, to form the first branch of the Amalgamated Workers’ Association (AWA).

---

180 RS Kerr, John Moffat of Irvinebank, p. 239.
The Special Link with William McCormack

William McCormack was born in 1869 of Irish parents at St Lawrence, near Rockhampton, the eldest of six children. After working on his father’s small grazing property he became a prospector at Mount Morgan. Aged 25 he moved to the Chillagoe mining field in 1904, being initially employed underground at the Stannary Hills Mines and Tramway Company, near Irvinebank and later became manager of the Silver Mining mine. Known as “Big Bill” because of his commanding stature, he became a lifelong “faithful henchman and devoted admirer” of Theodore, virtually from the time of their undocumented first meeting in 1907.

McCormack’s and Theodore’s industrial and political careers became intertwined and concurrent, starting with the establishment of the AWA. From this point onwards this powerful duo experienced a period of unrivalled industrial invincibility, which they then transferred into the state political sphere. The clerk of the Queensland parliament, Charles Bernays, who watched the duo throughout their entire political careers, observed:

> What attracted one to the other it is very hard to say, for Edward was the very antithesis of William. They were both big men physically, and both clever men in a different sense, but while Theodore was abnormally sphinx-like, McCormack resembled more nearly the irrepressible but clever parrot who was proud of airing his knowledge of a foreign tongue.

There has been a general tendency for many people to focus most attention on Theodore. Those closest to the area, where their relationship initially started and thrived, looked upon their activities in Queensland as a combined act. Kennedy has succinctly commented that in the duo “Theodore provided the brains while McCormack proved the brawn”.

---

182 CA Bernays, Queensland: Our Seventh Political Decade, 1920-1930, Angus & Robertson, Sydney, p. 288.
The Rapid Rise of the AWA

The trigger for industrial action and the formation of the AWA was the move by some employers to reduce wages in the aftermath of the major slide in copper, lead and tin prices during 1907. In September that year Theodore became Secretary-Organiser of this newly formed union, which was initially based at Irvinebank. Conceived as a defensive organisation, the AWA quickly became the catalyst for a remarkable expansion and then transformation for the entire trade union movement in Queensland. In the space of just six months the AWA established six branches, affiliated with the Australian Labor Federation (ALF) and initiated a plan for its 600 members to be brought under the umbrella of a central executive, with Theodore being the only full-time paid organiser. The stated objective was for all existing unions in North Queensland to come under the same umbrella union, which would not just be confined to the mining industry.186

In April 1908, Theodore and McCormack at a conference at Irvinebank persuaded several autonomous unions to join the AWA, with fully-fledged branches being established at Stannary Hills, Mungana, Herberton and O.K.. Theodore from the outset stated that the purpose of the conference was:

To found a scheme for the complete amalgamation of all existing unions in the north, under one constitution and one controlling body, and for the purpose of propounding a system for the better organisation of the workers of northern Queensland generally.187

Theodore was installed as the full-time organiser, while McCormack was elected Vice-President and only months later became its General Secretary. As befitted its name, the AWA quickly became what Kennedy describes as a politico-industrial body, embracing all semi-skilled and unskilled workers in the region.188 It registered with the ALF and with the Central Political Executive of the Labor Party (CPE) to quickly entrench its position as the leading political group in the Woothakata electorate.

185 KH Kennedy, private discussion, February 2013.
187 Worker, 9 May 1908.
The first opportunity for the AWA to exert its influence arose quite quickly that July. Sanctioned by the ALF and the Parliamentary Labor Party (PLP), the AWA was involved in its first major industrial dispute involving construction workers on the Etheridge railway. The issue was that the Chillagoe Company was paying workers 8/- per day, compared to the 9/- per day wage ruling in the district, as prescribed under the *Etheridge Railway Act*. The AWA enrolled the strikers, who lived at strike camps and received funds from compulsory levies on those union members who remained in employment and were not affected by the dispute. In September 1908, both the AWA pay and conditions demands were achieved in full. This success became the springboard for a dramatic expansion of the AWA. By the end of 1908, membership had swelled to over 1,300.

The following February delegates from 11 branches met in Chillagoe for the first annual AWA conference, which ratified its constitution and rules. Its broad objectives were carefully drawn up to have strong appeal among the local workers. The key constitutional feature was its entrenched centralised control, with extraordinary power given to its executive, which was authorised to vary policies and rules between conferences, direct all strikes, endorse all industrial agreements and supervise the AMA finances as it had 80 per cent of revenue under its direct control. This centralised management model for a “fighting union” was apparently influenced by the new ideas of the Industrial Workers of the World (IWW). The executive consisted of two full-time officials: Theodore who remained as General Organiser and McCormack, who was strongly endorsed as its General Secretary at an annual salary of £200. Headquarters were to be based at Chillagoe at what became Theodore Street. The basic strategy was to expand its coverage to other sectors, particularly including the sugar industry. Its “fighting platform” included advocacy of a minimum wage in North Queensland, better inspection and a 44 hour week in the mines plus

---

189 Ibid.
190 Ibid.
abolition of all forms of alien labour. It also sought state control of conditions of employment in all industries and official recognition of the union by employers.  

Probably McCormack’s first exposure to the Mungana mines came in July 1909, when AWA members struck in support of engine-drivers’ demands for a pay increase. Discontent had been simmering in the Mungana area for some time following a fatality. There were also escalating concerns about poor working conditions at both the Lady Jane and Girofla mines, which were reported as perhaps being the most oppressive and dangerous in the district. Within a week McCormack had assisted in negotiating improved wages, not only for engine-drivers but also for underground miners employed at Mungana. However, the next year he failed in a protracted five month dispute at the O.K. mine, which only served to hasten that mine’s early closure. This adverse outcome briefly led to some internal criticism, which partly contributed to his failure to be re-elected as General Secretary early the next year.

**Theodore Elected to Parliament**

From late 1907 onwards Theodore had registered his interest in entering politics when Robert Philp commenced his third term as Premier, following the resignation of William Kidston who had split from the Labor Party a year earlier to lead a group that became known as “the Kidstonite” Party. Michael Woods, a former Chillagoe railway engine driver, had been elected in 1902 as the Labor Party candidate for the local seat of Woothakata, one of the smallest electorates in the state, which included the Chillagoe mining areas. Theodore was angered that Woods had followed Kidston, being re-elected as a Kidstonite representative at the 1907 election. This prompted him to stand against Woods as the endorsed Labor Party candidate at the October 1909 election, where he won narrowly by 91 votes, gaining 40 per cent of the vote from a 65 per cent turnout. Woods returned to being an engine driver and later drove the first train

---

192 Ibid., p. 45.
193 DW Hunt, “Mining Unionism in the Far North”, p. 51.
196 Ibid., p. 21.
from Atherton to Herberton when the government railway finally reached there in 1910.197 Theodore’s victory enhanced the reputation of the AWA and launched his own spectacular political career, which became an integral component later in the Chillagoe-Mungana story. The AWA had also established the precedent for a union specifically seeking direct parliamentary representation, a policy previously shunned by some larger unions including the AWU.198 It was reported, but never verified, that Theodore and McCormack tossed a coin to see who should contest the election. Theodore won.199

Soon after his election Theodore moved to live in Brisbane after his marriage to the Toowoomba-born Esther Mahoney, whom he had met a year earlier at Chillagoe where she was working as a tinter for a photographic studio. It seems that Theodore believed Esther was only two years older than him at the time of their marriage, when in fact she was eleven years older, a situation that reportedly partly contributed to the ultimate break-up of their marriage many years later.200

**Broadening the AWA Influence**

The stunning electoral victory by Theodore had immediate ramifications, as the role of the AWA was very favourably perceived in Brisbane. The onus for AWA organisational and administrative responsibility now rested with McCormack, a function at which he excelled. However, he was surprisingly defeated in the ballot for General Secretary at the 1910 conference, partly as a consequence of the O.K. strike failure, but was reinstated when his replacement resigned within five months because the workload was too great. This was the first of at least four occasions in his career when McCormack was not successful at internal elections and was forced to wait before following in Theodore’s increasingly larger footsteps. In May 1910 they both attended as delegates at the sixth Labor-in-Politics Convention. After an exhaustive vote McCormack was

---

198 Ibid., p. 22.
appointed to the CPE, its foremost administrative body, as its youngest member. By that time Theodore had been elected Vice-President of the ALF, where he was able to explain at the top union level the AWA’s vision of a closer federation of unions.

McCormack accepted the responsibility for promotion of the AWA vision at the local North Queensland level. In July 1910, the AWA executive endorsed his formal proposal to incorporate all rural workers, sugar workers, smelter hands, miners and farm labourers throughout North Queensland into the one union. The Australian Sugar Workers’ Union (ASWU) responded positively to the concept. Throughout 1910 the AWA enhanced its reputation through its success in improving workers’ conditions at diverse operating sites: these included several Chillagoe Company mining sites in the Etheridge region, the Chillagoe smelters and navvies working on the construction of the government’s Herberton to Ravenshoe railway. As the year progressed the AWA was being frequently referred to as “the fighting AWA” by the Worker newspaper.

McCormack also facilitated a successful Amalgamation Conference at Townsville in December 1910, assisted by his promise to members that he would seek to secure an eight hour working day. He and Theodore were appointed to the committee to draft a constitution and rules for the “Amalgamated Workers’ Association of Queensland”. It came as no surprise that the key principles included in the original AWA constitution were adopted, including the same centralised organisational structure. Some more political objectives, such as the “socialisation of the means of production, distribution and exchange” adopted at the Labor-in-Politics Convention, were also included. McCormack was elected as General Secretary and given the additional responsibility as secretary of the Far Northern District. Theodore, who did not seek the Presidency, was elected Vice-President and the union’s delegate to the ALF.

By the end of 1910 the AWA membership had swelled to around 2,300, the majority still involved in the mining industry which was coming under pressure due to low prices and some

---

203 DW Hunt, “Mining Unionism in the Far North”, p. 56.
mine closures. The AWA needed to increase membership if it was to achieve its strategic objective of becoming a state-wide organisation. The carefully crafted plan to achieve this priority would require success in a major industrial dispute – again, responsibility rested with McCormack. As he believed that some industrial confrontation was inevitable McCormack was in a powerful position to select both the industry and the timing. The chosen target was the very important, geographically spread and labour-intensive sugar industry, where industrial disputes had been relatively frequent, but local, and where the ASWU had been poorly organised, in comparison with the AWA. Many cane-growers and mill-owners, particularly the Colonial Sugar Refining Company (CSR), had been used to employing non-white labour at low wage rates and also working especially long shifts.

Over the next two years industrial disputes were a continuing feature in the Chillagoe mining province. No company was spared at a time when profitability was under pressure. Prices had not recovered to the high levels of 1906-07: from 1908 to 1911, prices for copper, lead and silver were below the levels in 1903-04. Ore grades typically had continued to decline. The AWA’s primary focus on wage rates was not always successful. It did not always recognise the precarious profitability of some mining enterprises whose operating lives were curtailed. It was however honing its skills for wider future strike activity, which is discussed briefly in the next chapter. Apart from the strike during construction of the Etheridge railway the AWA did not specifically seek a direct confrontation with the Chillagoe Company, but strike activity still adversely affected its performance due to its impact on the supply of ores and the carriage of products on the railway.

**Chillagoe Company Performance from 1908 to 1912**

In this changing industrial climate, the Chillagoe Company Limited performed initially quite well. Despite lower average prices, it reported an improved operating profit before interest, depreciation and mine development charges of £94,507 in the year to March 1909, which converted to a net profit of £9,575. A record 77,912 tons of ore were treated at the smelters, which produced 2,966 tons of copper, 6,763 tons of lead and a record 786,692 ounces of silver. By that time Edward Rodda had been recruited from Mungana as mines manager in a bid to

---

205 DW Hunt, “Mining Unionism in the Far North”, p. 55.
improve mining performance from a widening group of its own mines, including those in the Etheridge area. That year marked the high point for the company, even though the railway had generated slightly lower net earnings of £67,913, compared to the record £77,993 achieved in the previous financial year, a reflection of the adverse impact of industrial disputes.206 Despite the start of what proved to be a protracted fire at the Lady Jane mine at Mungana and lower supply from Zillmanton, James Smith Reid in a rare moment of optimism to shareholders was able to declare, “I had also much better material to work on – a good substantial profit and nothing requiring any apology to shareholders – that makes pleasant work and the difference”.207

That optimism did not last for long. Coincidentally in late 1909 CFV Jackson, Chief Inspector of Mines, published a lengthy report “The Establishment of State Smelting Works in Queensland”, discussed in some detail in chapter 10.208 Jackson surveyed all the smelting operations in Queensland and concluded that a custom smelter was not viable, noting that the Chillagoe smelter had encountered great difficulties. In the year to March 1910, from total revenue of £520,000, an operating profit of £88,348 converted to an overall loss of £3,747. This reflected higher interest charges due to the cost of the new debentures for the Einsaleigh railway and higher depreciation charges plus the influence of strike activity at both the Mungana and O.K. mines, again highlighting the continuing issue of unreliable ore supply. Only 50,798 tons of ore were treated at the smelters, with the production of copper exceeding lead for the first time in some years. Industrial activity had also affected the supply of coal and coke being brought in from Newcastle, which directly led to the Chillagoe Company pegging coal-bearing areas at nearby Mount Mulligan, where Moffat had already identified prospective areas in 1907 soon after the discovery of coal there.209 Great emphasis was then placed on accessing the supposedly richer ores from Einsaleigh. These did not meet expectations, even after the Einsaleigh copper mine was purchased in 1911. By that time, the once rich O.K. copper mine had closed down, while ore grades from other sources were either declining or had higher lead contents, which had

207 Australian Mining Standard, 4 August 1909.
209 RS Kerr, John Moffat of Irvinebank, p. 254.
a much lower value and were more expensive to treat. This trend vindicated the earlier comment by Danvers Power, which was an apt description of the Chillagoe Company:

As an ordinary business transaction few men would go into a venture on the terms to be found in most prospectuses during boom time, and yet for some reason or other people are to be found who run headlong into such ventures.\(^{210}\)

The company returned a net profit of £10,833 from record £623,000 revenue generated in the year to March 1911. The smelters treated 61,094 tons of ore, with copper production still greater than lead. The outlook was subdued, primarily due to the continuing poor prices: copper had fallen below £60 per ton, lead around £13 per ton and silver around 14 pence per ounce. Again, the railway had provided net earnings of £62,758, with the new Etheridge line contributing £15,639.\(^{211}\) During 1910, the Chillagoe Company had imported over 10,000 tons of coke and 6,000 tons of coal through Cairns and had consumed 40,000 tons of firewood, indicating the importance of locating suitable cheaper reductants within the regional area, which foreshadowed the later decision to develop a coal mine at Mount Mulligan.\(^{212}\)

The year to March 1912 was a disaster. An extremely severe cyclone season, when two cyclones within six weeks impacted on the area between Cairns and Port Douglas, caused major flooding in the Cairns hinterland. It was reported that the latter cyclone dropped 48 inches of rain in 48 hours, caused the closure of the Zillmanton mine and severely disrupted the railway link to Cairns. Meanwhile the fire had burned continually in the upper levels of the Lady Jane mine at Mungana, leading to the mine’s permanent closure in early 1913. Chillagoe also received a visit by the Royal Commission into Miners’ Health, where James Horsburgh, general manager of the smelters since late 1906, publicly commented:


\(^{211}\) KH Kennedy, “JS Reid and the Chillagoe Company”, p. 253.

There is no doubt at all that the best men were leaving the field. They were frightened as Chillagoe had an awful name at that time, owing to the lack of sanitation. The place has always had the dengue fever, and there were serious outbreaks of typhoid fever.\(^\text{213}\)

The smelters were generally seen as being hot and dangerous, with lead dust being another identified hazard.

The final disaster for the year happened on Christmas eve when the smelter building was engulfed by fire, with the two original copper furnaces being destroyed, while the copper converter and ancillary equipment were severely affected.\(^\text{214}\) Whilst the estimated damage of £20,000 was covered by insurance, production was severely curtailed in the first part of 1912: lead smelting recommenced in February and copper smelting the next month. The *Australian Mining Standard*’s brief comment about the fire was as follows, “Chillagoe has had more than its share of trouble during the past twelve months and it is a pity to see this plucky company again striking trouble”.\(^\text{215}\)

The overall performance for the year to March 1912 was predictably very poor. From vastly lower £340,000 revenue, an overall loss of £32,591 was recorded. The £45,322 net profit from the railway was the lowest since 1901, so action was initiated to encourage more cattle to be transported by rail. Only 39,978 tons of ore had been treated: this yielded a miserable 1,815 tons of copper, 1,410 tons of lead, 2,286 ounces of gold and 197,886 ounces of silver.\(^\text{216}\) Only half of the ore treated came from the Chillagoe area, where the former mines at Zillmanton and Muldiva were being scavenged for possible new orebodies.\(^\text{217}\)

The result was summarised in the *Australian Mining Standard*, which had abandoned its perception of the Chillagoe Company a year earlier as a “plucky company” to one suffering severe continuing distress, writing in the following terms:

\(^{213}\) M Bolam, *The Chillagoe Smelters Story*, p. 16.


\(^{215}\) Ibid.


\(^{217}\) *Australian Mining Standard*, Vol. 48, 22 August 1912.
The story of the Chillagoe Company Limited … is really sad reading. It is a company of a thousand disappointments, and many more of these are yet in store. For apart from the extraneous circumstances of chances, the inherent weaknesses are many. It is a huge company, depending for its existence upon the successful treatment of the complex ore from a number of small, mostly patchy and short-lived mines scattered over a large area. It owns a railway which alone makes the existence possible. The advantage to be derived in the future by the improved connections to these outlying mines, both by railway and by road, seems more than likely to be offset by the fact that known orebodies are being worked down into poorer regions as each year goes by.

A few important discoveries are clearly necessary; bodies of payable ore with some magnitude and permanence that will repay the preliminary outlay so often unrewarded. The possession of the railway in a district teeming with myriads of possible mines as an adjunct to a customs smelting business, favoured by preferential rates and all the incidentals attached thereto – the scheme is attractive to the bold. None but the brave deserve the fair; unhappily it cannot be said that any reward has so far been forthcoming, nor does the future chance seem imminent.218

Having also incurred capital expenditure on new sintering equipment to treat lead ores and the fine flue dust, Reid had no option to call up the 1/- outstanding on the contributing shares, raising a minor £25,000 in new equity. Further funds were provided through a £80,000 bank overdraft.

**Reconstruction of the Mungana (Chillagoe) Company**

Meanwhile the Mungana (Chillagoe) Company, which had previously been the largest and preferred supplier to the smelters, was encountering its own difficulties. It had changed its reporting date and in the year to March 1911 had reported a net profit of £14,711, after delivering 22,489 tons to the smelters, around 30 per cent of the overall supply.219 By March 1912 it had generated a net loss of £16,002.220 This was a much greater loss than was later

---

218 Ibid.
The continuing fire at the Lady Jane mine, which by then had been burning for nearly three years at the 210 foot level and had severely interrupted ore supply, led to the company being reconstructed in July 1912. In the year to March, only 1,491 tons of ore — containing 211 tons of copper, 153 tons of lead and 30,000 ounces of silver — had been delivered to the smelters. In addition, over 6,000 tons of low grade lead sulphide ore for use as a smelter flux were delivered from the Girofla mine. This performance, which compared most unfavourably with the 22,400 tons of ore supplied in the previous year, resulted in loss of £16,002 increasing carried forward losses to £35,489.

A new company, Mungana Mining Company Limited (MMC), was formed, having 500,000 shares at 6/- each. Existing shareholders had the right to apply for an equal number of shares in the new company by payment of 1/- a share, thereby raising £25,000.222 By that time there was no common director of the Mungana and Chillagoe companies. In July 1912, the new company reported that it planned to spend the newly raised funds to further develop the Girofla and Lady Jane mines, with priority given to Girofla. In the case of the Lady Jane mine, it was later decided to extinguish the fire by allowing the mine to flood naturally through a progressive rise in the water table to the 210 foot level.223

In the year to March 1913, when 12,800 tons of primarily lead ore were supplied from Girofla to the smelters, there was only a marginal improvement in performance, resulting in a further loss of £8,917. More details were provided about the huge problem presented by the continuing fire in the Lady Jane mine, by then in its fifth year and having consumed at least £10,600 in forlorn efforts to extinguish it. The important statement about reserves was made by the newly reappointed mine manager, Edward Rodda, who had previously held that role from 1901 to 1907: this statement assumed great significance over five years later. The reserves at Girofla were stated to be 54,752 tons, of which 30,000 tons were at the 710 foot level, where the lead

---

221 QPP, 1918, “Evidence by Frederick Reid to Select Committee”, Chillagoe p. 35.
222 Australian Mining Standard, Vol. 47, 4 April 1912, p. 303.
223 Annual Report of Mungana (Chillagoe) Mining Company Limited, 1912. This is contained in QSA, Series ID 5172, Item ID 840380.
content was still increasing, as first foreshadowed in the 1911 annual report. The reserves at the Lady Jane mine were stated to be 48,213 tons.224

The Mount Mulligan Railway

In an effort to guarantee coal supply at lower cost Reid decided to proceed with a railway from Dimbulah to Mount Mulligan. Again, this entailed support from the government, with Andrew Thynne, still a senior member of the Legislative Council, again undertaking the negotiations. A report submitted by the government geologist indicated that the resource was large and at least one of the coal seams was suitable for coking. However, a connection to the Mareeba to Chillagoe railway at Dimbulah would be necessary to provide the estimated 1,000 tons per week to the smelters. The coal was tested to ensure it was suitable for locomotive use, being considered comparable to coal from Ipswich, so it could readily be used on the local railway system and would hopefully help stimulate more mining activity.225

In November that year the government agreed to build the railway spur to Mount Mulligan at an estimated cost of £114,000: the Chillagoe Company was required to purchase Treasury Bills at 4 per cent to reimburse the state, as construction proceeded.226 The Legislative Council referred the proposal to a Select Committee, which (aided by Thynne) sat for just one day after which the bill was unanimously passed. With great ceremony, the Governor turned the first sod on the railway in May 1913. By the time the first train finally arrived at Mount Mulligan on 7 April 1915 Mount Mulligan was a ghost town, as the Chillagoe smelters has closed a year earlier and coal mining had ceased in August 1914.227

The End of the Road for the Chillagoe Company

The Mount Mulligan railway development necessitated a third financial reconstruction for the Chillagoe Company from early 1913, which cost a further £21,811. Yet another company was formed, having 85 per cent of the 1.2 million 10/- shares held by British shareholders, some of

225 P Bell, “The Mount Mulligan Disaster”, p. 36.
226 Ibid., p. 39.
227 Ibid., p. 42.
whom objected to this further change.\textsuperscript{228,229} Reid knew the new company was still in a precarious financial situation, with both the lead and copper furnaces incurring losses through only operating intermittently, due to a combination of a shortage of ore and no access to cheaper coal until the Mount Mulligan railway was completed. Higher grade ore was desperately needed, which Reid optimistically hoped might occur if new areas could be accessed from the Gilberton district, further on from Einasleigh. The Premier, Digby Denham, refused to provide further financial assistance, firstly in 1913 and again in March 1914 when Reid asked for an urgent £30,000 temporary facility.

Without a financial lifeline, Reid instructed that the smelters be shut down from 19 March 1914, due to the lack of high grade ore supplies and their parlous financial situation. The ore sources for the smelters were rapidly being depleted and the quality was declining. The Girofla mine was then only able to supply silver-lead ore, the Chillagoe Company had failed to resuscitate its Muldiva silver-lead mine, while little copper ore was being shipped from the Etheridge district.\textsuperscript{230} The only successful mine in the area was Mammoth Copper’s Chieftain mine at Cardross, which had opened in 1913, where its small copper smelter supplied matte for treatment in the Chillagoe Company’s converter. In the final months of the smelters operation 85 per cent of the copper ore came from the Chieftain mine, while a similar proportion of lead ores came from the Girofla mine.\textsuperscript{231}

In June 1914, it was revealed that the reconstructed Chillagoe Company had lost a further £32,519 in the nine months to December 1913.\textsuperscript{232} The response from the financial press was immediate and damning. The \textit{Australian Mining Standard}’s comments included:

\begin{quote}
Failure after failure has characterised the mournful history of this painful concern. Like a sponge sucking up water to satiation, it has greedily absorbed shareholders’ cash, but never appears able to do more than suck. Reconstruction has followed reconstruction,
\end{quote}

\begin{footnotes}
\item[228] KH Kennedy, “JS Reid and the Chillagoe Company”, p. 261.
\item[229] \textit{Australian Mining Standard}, Vol. 49, 19 June 1913, p. 507.
\item[232] \textit{Australian Mining Standard}, Vol. 51, 25 June 1914, p. 531.
\end{footnotes}
fresh capital has poured in to replace capital that has drained out, but never a dividend makes its appearance; and so the weary process goes on. Whatever may be the benefit of the Chillagoe Limited in opening up the empty north of this continent, shareholders can have but one verdict to return. The marvel is that they have been able to carry the unproductive burden as far as they have. A fresh start was entered into a year ago, yet in nine months the company drifted £32,519 to the bad. And now the mines and works are practically closed down, until such time as the conditions are considered favourable for a renewal of operations.\footnote{233}

That situation would not occur for nearly five years and then under government ownership, as the closure of the smelters marked the end of the disastrous private enterprise phase of the Chillagoe-Mungana story – a year before the Labor Party swept to power in Queensland.

Some key details about that nine months performance to the end of 1913 were relevant to the future. Of the 42,479 tons of ore treated, just under half came from Einasleigh and 13,384 tons from Mungana, all from the Girofla mine. The railway had reported a net profit of £40,648. From overall £383,150 revenue an operating profit of £23,704 was reported, but included no depreciation charge. The operating profit was only just sufficient to cover the £22,394 interest payable on the £855,109 debentures (including accrued interest). It disclosed a woeful balance sheet, with liabilities substantially exceeding assets.\footnote{234}

Soon afterwards the \textit{Australian Mining Standard} commented:

Summed up, the position of the company is desperate, and it is probable that the Queensland government will have to take a hand in the matter, if for no other reason than to maintain the interests already involved and at stake, but it won’t be at the company’s price. It is difficult to see from what other source the company can get aid.

Practically insolvent, all its interests idle, with a maintenance bill which remains through hail and shine – what hope can there be?\footnote{235}

\footnote{233} Ibid..\footnote{234} Ibid..\footnote{235} \textit{Australian Mining Standard}, Vol. 52, 6 August 1914.
During an appearance before a Select Committee of the Legislative Council in early 1917, Theodore reported the following performance during the last year of operation: 51,607 tons of ore were treated valued at £206,000, yielding 1,951 tons of copper, 2,472 tons of lead, 264,261 ounces of silver and 2,877 ounces of gold.\(^{236}\) Over the last five years of operation the railways had averaged an annual profit of £62,000.\(^{237}\)

Mungana Mining Company also ceased operations in late 1914. In the directors’ report for the year to March 1915, it was stated that reserves at Girofla had improved to 114,000 tons, due to the indicated addition of 64,275 tons from drilling between the 710 foot and the 810 foot levels. Edward Rodda believed that this would be sufficient to provide 200 tons a day of lead, silver and copper ore to the smelters. The fire at the Lady Jane mine had still not been extinguished, as the water table had not yet risen to the critical 210 foot level. Net assets were reported to be £19,085, primarily in plant and machinery. Mungana Mining Company, with limited cash resources, was unable to make the statutory payments for the Mungana leases, which were surrendered in 1917. The company was finally wound up in July 1918, a month after John Moffat had died.

The closure of the smelters had a major negative impact on the Chillagoe region, where the Mining Warden’s annual report for 1915 hinted that townships such as Mungana and Chillagoe could become “towns of the past”\(^ {238}\). The only intermittent bright spot in the entire mining scene was the small copper operation at Cardross, whose economics had been adversely impacted by having to transport ore to Cairns. While the railway continued to operate, the smelters remained closed for the entire duration of World War I, when elsewhere the mining industry flourished. Copper and lead prices temporarily revived and overall Australian production was maintained at a high level – due to strong demand stimulated by the European requirement for armaments. One of the last actions of the faltering Denham government before its landslide defeat in May 1915 was to ensure the reopening of the Mount Mulligan mine to supply coal to the railway and the Irvinebank tin smelters in what proved to be the last year of their operation.

\(^{236}\) *QPP*, 1917, “Select Committee Minutes of Evidence”, p. 400.
\(^{237}\) Ibid., p 402.
Overall Performance of the Chillagoe Company

In an overall management sense, the Chillagoe Company was an unusual entity. It was controlled out of Melbourne by James Smith Reid, where its corporate headquarters were based and he rarely visited the operations. Effectively, the General Manager of the smelters, the General Manager of the railway and later the General Manager of the mines at Einasleigh reported separately to Reid: there was no local supremo. The Chillagoe Company was originally conceived as a railway and mining entity the management structure of which survived four corporate incarnations over its existence from 1898. As there was an unfortunate pattern of these various entities reporting for different financial years, no cumulative data was retained to accurately record the overall financial losses. However, the overview information provided by Cyrus Hewitt, over 18 years the company secretary of all corporate incarnations of Chillagoe Company, to the 1918 Legislative Council select committee gives a bleak picture. Unfortunately no overall revenue or profit data was included, but there was sufficient information to produce a realistic assessment of the overall financial performance.

These corporate entities had collectively raised £679,777 through four major, and three minor, equity raisings and £782,500 from debentures.\textsuperscript{239} Additional expenditure on development and operations amounted to £3.775 million, but as no revenue was included the total recorded costs of £5.237 million was a meaningless figure.\textsuperscript{240} No dividends were ever declared. While the railways had always traded profitably generating net revenue of over £600,000 (before any proportionate allocation of debenture interest), overall losses from mining and smelting must have been considerable.\textsuperscript{241} Between 1901 and 1914, after the expenditure of a further £96,000 in capital, the Chillagoe smelters had treated over 600,000 tons of ore, with the largest annual amount treated being 77,912 tons in the year to March 1909, when silver production peaked at 786,692 ounces. The total metallic yield was 23,718 tons of copper, 31,778 tons of lead, 4.35 million ounces of silver and 29,986 ounces of gold (with considerable gold probably not being

\textsuperscript{239} QPP, 1918, “Appendices to Minutes of Evidence”, p. 1561.

\textsuperscript{240} Ibid. Hewitt stated this comment was only included “to try to impress upon the government of Queensland the importance of the venture as a whole”.

\textsuperscript{241} KH Kennedy, “JS Reid and the Chillagoe Company”, pp. 171-2.
recovered) and leaving behind over a million tons of stockpiled slag.\textsuperscript{242} 1908 marked the peak of annual lead production at 6,763 tons, while peak copper production was only 3,272 tons in 1910.

Initially constructed primarily to treat local copper ores, during its later years of operation the smelters had become much more reliant on the harder to treat, lower value lead dominant ores, supplemented by copper ores from the distant Einasleigh district. Annual copper production had averaged 1,977 tons, while annual lead production had averaged 2,648 tons, with year-on-year figures showing quite wide fluctuations due to the variable quality of the ores processed. Due to its much higher price, copper accounted for over 60 per cent of the revenue, with lead and silver each contributing around 17 per cent. Danvers Power’s strongly critical comments in late 1901 – that the mines had not been sufficiently developed, the nature of the deposits had not been properly understood and the smelters would ultimately be reliant on richer ore from outlying mines – had clearly been vindicated.

Apart from those foundation directors, most of whom quickly claimed their profits and moved on, few investors had benefitted financially. James Smith Reid bore the considerable ongoing responsibilities at corporate level, complemented by Moffat at the regional level in the early years. The other beneficiaries were those who lived and worked, often under trying conditions, in what from 1909 had become Edward Theodore’s strong electoral base. Many of the subsequent decisions made by Labor government ministers would place high emphasis on this local employment factor, which was later aptly described by Justice Campbell as “primarily politico-industrial”.\textsuperscript{243}

To place the overall performance of the Chillagoe smelters and district mines into a wider perspective over the period 1900-1913, total Australian production was just over 500,000 tons of copper, 2.2 million tons of lead and 150 million ounces of silver. The relative contribution from Chillagoe in a national context was very small indeed: it accounted for less than 5 per cent for copper, less than 3 per cent for silver and less than 2 per cent for lead.\textsuperscript{244} The expectations that

\textsuperscript{242} QPP, 1918, “Appendices to Minutes of Evidence”, p. 1562.
\textsuperscript{244} Australian production data is drawn from \textit{Australian Historical Statistics}, pp. 89, 98-99.
the Chillagoe mining field would become “another Broken Hill” were illusory: Chillagoe was not even a major Australian mining province, let alone a world-class one. It also experienced difficulty in determining whether the province was predominantly driven by copper or lead. Effectively it had become a small regional province, whose probable greatest historical significance was that it provided the platforms for Theodore and McCormack’s political careers.

Given its quite variable ore supply with regards to both volume and quality, the Chillagoe Company was always dependent on much higher prices to become consistently profitable. The chart below shows that throughout the 12 year period the copper price typically hovered around £60-70 per ton and the lead price around £15-18 per ton, with higher prices only briefly occurring from 1905 to 1907.

![Figure 5: Copper, Lead and Silver Prices 1900-1914](image-url)
There were numerous contributory factors to the continuing financial disasters for a company, whose first priority always seemed to be the provision of a profitable railway system to help open up new mining areas. Its second priority was to provide a custom smelting facility for ores derived from a very complex geological area, while its lowest priority was to locate and develop profitable long-term mining operations. The company was never adequately funded and in the words of Geoffrey Bolton, “almost from the start, the atmosphere of over-smart speculation and queer business deals hung over the Chillagoe field”.245 Chillagoe had indeed “subsisted on the promise of a number of precarious base metal deposits for 10 years without paying a dividend”.246

The Mount Mulligan mine and the railway continued to be operated by the reconstructed Chillagoe Company until it was acquired by the state. James Smith Reid died in January 1922, not long after the catastrophic Mount Mulligan coal disaster, the largest in Queensland’s history, where 75 persons died. The Chillagoe Company was finally wound up in November 1923, with all its records sadly being destroyed. However, the key features of the performances of the Chillagoe Company, the Mungana Mining Company and their antecedents were well known to local residents and government officers through the regular reports in the Queensland Government Mining Journal, so they could be – and were – readily accessed for later use by opportunistic investors during the years of government ownership.

The private enterprise years of the Chillagoe-Mungana story effectively concluded in 1914, although the railway continued to operate, generating only around 25 per cent of its previous revenue. It then became the task and challenge of the new Queensland government to see what could be done to try to salvage the situation in a totally new economic and political climate, where Edward Theodore and William McCormack had different roles to play.

245 GC Bolton, A Thousand Miles Away, p. 279.
246 P Bell, “The Mount Mulligan Disaster”, p. 22.
CHAPTER 4: THE CHILLAGOE COMPANY BECOMES A STATE ENTERPRISE

This chapter covers the lead-up period to, and the relevant legislation of, the incoming Labor government, with particular reference to its state enterprises policy, until late 1919 when Edward Theodore succeeded Thomas Ryan as Premier. The election of Queensland’s first majority Labor government in May 1915 was required before any action could be initiated to provide financial support to reopen the Chillagoe smelters, although the railway continued to operate. The government faced difficulties in applying its new policy to the assets of the Chillagoe Company, due to the special legislative circumstances required and the obstructive attitude adopted by the Legislative Council. It took 22 months from the time the legislation was introduced until the Chillagoe Railway, Etheridge Railway and Other Properties Act was passed in November 1918, because the Legislative Council twice referred the bill to a select committee, which advised against the purchase. The act authorised the purchase of the Chillagoe Company’s railway system, smelters and mines for £701,000, plus £90,000 to bring operations back into production: the non-railway assets became known as the Chillagoe Enterprise. By this time the war-time inspired increases in base metal prices were abating. The state assumed total responsibility for the Chillagoe Enterprise from 1 July 1919. Between that date and the smelters recommencing operations in January 1920, Theodore became Premier and McCormack finally joined the cabinet.

It is argued that the purchase, particularly promoted by Theodore to resurrect mining employment in his Chillagoe electorate, was flawed: its earlier poor operating performance and the financial consequences of the purchase had not been properly evaluated. Under threat of its abolition, the Legislative Council’s select committees dominated by non-Labor members, following evidence from a range of witnesses, correctly highlighted several major issues that had not been addressed. No effort had been made to obtain expert reports on the mineral prospects of the Chillagoe region or the condition of the mines and smelters, while no assessment had been made of the estimated financial returns which could reasonably be expected. It was not satisfied that payable ores reserves existed in sufficient quantity to justify what might be considered a speculative enterprise. Collectively the assets acquired were not economic: there was a chronic shortage of quality ore, a situation which brought the Mungana leases quickly into early prominence, as they had inexplicably been excluded from the acquisition, despite often being
referred to during cross-examination of witnesses, one of whom was Frederick Reid who by then held the leases.

* * * * *

One critical continuing feature throughout the Chillagoe-Mungana story from 1907 onwards is the nature of the relationship between Edward Theodore and William McCormack. In turn, that relationship thrived in parallel with the power base that the duo established both industrially and then politically in Queensland. It is therefore important to catalogue briefly how they used the strategic positioning of the AWA to gain control of the AWU, and then how that power base was used to strengthen their personal political careers.

The AWA’s Triumphal March

The rapidly emerging AWA had a significant influence in the lead-up to the triumph of the Labor Party at the 1915 election. Its chosen target for growth was the very important, geographically spread and labour-intensive sugar industry. Industrial disputes in that sector had been relatively frequent but were generally local; further the Australian Sugar Workers’ Union (ASWU) was poorly organised, in comparison with the AWA. Following the formal approval of the merger of the ASWU with the AWA on 1 February 1911, McCormack advised the major sugar employers – Colonial Sugar Refining Company (CSR), the government-owned Central Mills and the Australian Sugar Producers’ Association (ASPA) which had previously refused to deal with union representatives – about the recent union amalgamation and requested a conference to discuss hours, wages and working conditions. Digby Denham, who had just succeeded William Kidston as Premier, refused to allow the formal registration of the ASWU-AWA merger on the basis that it favoured the Labor Party, condemning the AWA for espousing “political unionism “ and “socialistic unionism”. Meanwhile McCormack, who apparently was not necessarily expecting initial early success, had already used the tactic of enlisting unemployed AWA members from mining areas to work in the seasonal sugar industry. Strike camps were

249 Ibid., p. 105.
again established for these workers, who were addressed by politicians including Theodore. Regular reports were provided to the newspapers and funds were raised from interstate.

McCormack’s careful plans nearly failed, due to the extreme 1911 cyclone season, which had so badly affected the Chillagoe Company. On 11 February Port Douglas was severely affected and, together with Mossman, was nearly destroyed by a far more severe slow-moving cyclone in mid-March, during which the Adelaide Steamships’ *SS Yongala* sank with the loss of 122 lives. Chillagoe, still the centre for McCormack’s AWA organisation, was isolated, which hampered his plans to relocate people and to communicate with the numerous sugar growing areas along the Queensland coast from Mossman to Maryborough. Impressed by the strength of support from the 4,000 sugar industry workers – and the threat by the acting Labor Prime Minister, William (“Billy”) Hughes, that it might withdraw protection from the industry if it did not meet reasonable demands – McCormack called the strike in early June.\(^{250}\) It was not settled until 14 August, when under government pressure all demands were met and the AWA was accepted as having the right to represent all workers in the sugar industry. Subsequently, the federal government launched a Royal Commission which endorsed many of the AWA claims: further, industrial laws were changed to make it possible for sugar workers to come under the control of the federal industrial tribunal.\(^{251}\)

McCormack had emerged triumphant from the strike, with an enhanced reputation but at some cost to his health.\(^{252}\) It became apparent that Chillagoe was far too isolated to remain the headquarters of the rapidly growing AWA, so he arranged its relocation to Townsville. This success gave him greater leverage to follow Theodore into parliament at the election due in 1912 and for its merger a year later with the AWU. Before then, he had another big – but not successful – Brisbane strike in early 1912 with which to contend: despite its failure it actually strengthened the AWA influence. This stoppage has been commonly called the Tramway and General Strike.\(^{253}\) In part, the strike arose due to the false perception by some unions that the

---

\(^{250}\) Ibid., p. 107.

\(^{251}\) Ibid., p. 114.

\(^{252}\) KH Kennedy, *The Public Life of William McCormack*, p. 45.

significant result achieved in the sugar strike could readily be repeated. The fact that its success arose to a very large degree from McCormack’s patient organisation was not properly recognised by the leaders of this new strike.\(^{254}\) It also flew in the face of the advice by the experienced secretary of the ALF, who had been seconded as secretary to the Royal Commission into the sugar industry. He had counselled McCormack in 1911 about the inherent dangers of calling a general strike, but others in the union movement did not heed his advice.\(^ {255}\)

The AWA had been reluctantly drawn into supporting what turned out to be an unsuccessful five week stoppage hastily called by the ALF, resulting in its terminal loss of influence. It created the opportunity for the AMA to enhance its own power base, as the daily \textit{Strike Bulletin} newspaper became the forerunner of the Labor \textit{Daily Standard} later that year. Finally it gave impetus for the Labor Party to refine its policy towards the establishment of a state arbitration system when it won government. The strike outcome also had political ramifications. It enabled Denham opportunistically to capitalise on some anti-union sentiment as he brought forward the election date to end April, espousing the slogan, “constitutional government versus mob rule”.\(^ {256}\) This election provided the opportunity for McCormack to follow Theodore into parliament.

\textbf{McCormack Elected to Parliament}

Immediately after the failure of the general strike, McCormack sailed for Cairns to contest the Labor Party plebiscite for the seat of Cairns, held since 1904 by John Mann. Mann originally won the seat for the Labor Party but, like Michael Woods in the seat of Woothakata, he became a Kidstonite for the 1907 election and then succeeded as an independent candidate in 1909. Despite the fact that, in contrast to the sitting member and other potential candidates, McCormack did not have a strong local base, he won 60 per cent of the vote, still somewhat lower than he had expected.\(^ {257}\) McCormack worked extremely hard over the election period,

\(^{254}\) Ibid..
\(^{255}\) Ibid..
\(^{257}\) KH Kennedy, The Public Life of William McCormack, pp. 60-61.
spending five days a week campaigning in Cairns and then commuting to Townsville by overnight steamer each weekend to perform his role as AWA General Secretary.

The Cairns contest against Mann was very closely fought: McCormack won by only 70 votes from an electorate with 4525 voters. He gained 51.3 per cent of the vote with a poor 61 per cent turnout, compared to the state average of 76 per cent. By way of contrast, Theodore increased his vote significantly in the renamed seat of Chillagoe, which had fewer voters, winning 75.1 per cent of the vote and securing a higher turnout of 69.9 per cent. Overall, the Labor Party had expected a much better overall result from the 46.7 per cent of the total vote that was achieved. It won 25 seats, two fewer than it obtained in 1909, in part arising from an electoral redistribution creating 72 single member electorates, which eliminated the few remaining dual member constituencies. In 1909 independent candidates had polled an extraordinarily high 14.1 per cent of the vote, and had won four seats: in 1912 this vote collapsed to only 1.7 per cent.\(^{258}\) The Labor Party however had gained an increased foothold in Brisbane and had positioned itself for electoral success in 1915, when voting became compulsory for the first time.

**Amalgamation of the AWA and AWU**

The February 1912 Townsville AWA annual conference, somewhat disrupted by the general strike, particularly discussed further amalgamation opportunities. The Australian Workers’ Union (AWU) conference in Sydney the previous month had broached the question of joining with the highly successful AWA. It established a Closer Combinations Committee to investigate amalgamation and report back. Theodore and McCormack were the elected AWA delegates at the June 1912 conference in Sydney, attended by five unions: AWU, AWA, Rural Workers’ Union, Australian Carriers’ Union and the Amalgamated Rabbit Trappers’ Union, the last three of which had no base in Queensland. At that time the AWU, based primarily on seasonal shearsers in the pastoral industry, was the country’s largest union but had a loose organisational structure: for example, it had three separate regional branches in Queensland. The AWU operated under a decentralised framework, with branches paying low capitation fees. Despite seeing the merits of having a much wider coverage, it was somewhat nervous about the highly

centralised management and financial control structure of the AWA, which was a condition for an amalgamation. This potential impasse was resolved by holding a plebiscite of members of all five unions at which five issues were put. The prime issue was that an amalgamation take place and the new organisation be known as the AWU. The rules and constitution of the existing AWU would be amended to facilitate the amalgamation and a more centralised structure. Membership tickets would be issued annually costing £1 per male and 10/- per female, with the provision for the safeguarding of interests and government at the local level. The final issue was that a second conference be held in January 1913 to draft the rules, constitution and methods of amalgamation.

Theodore and McCormack, due to their growing power base and reputation in the state, remained confident about the outcome. This perception was not misplaced, as the plebiscite resulted in overwhelming support for amalgamation: for the smaller unions the vote was close to unanimous, while the far larger, and more important, AWU voted 72 per cent in favour. The January 1913 conference approved that the Queensland branch would inherit the AWA framework, but the other states would retain the looser AWU structure with its larger measure of local autonomy. However, effective power and control was granted to the General Executive, on which former AWA members were prominent. The much younger AWA had effectively engineered a significant reverse takeover of the much larger AWU.

On 1 July 1913, the new Queensland branch of the AWU had its first meeting. Theodore was elected state President, a role he held until 1916, while McCormack was one of two Vice-Presidents until 1915. This outcome of the strategy pursued by Theodore and McCormack was spectacularly successful on a number of fronts. The ALF was disbanded, with the AWU late in the year acquiring all the ALF assets, which included the well-known Worker newspaper. The AWU had increased its already substantial influence through having five direct delegates on the Central Political Executive (CPE) of the Labor Party. There was a strengthening in the relationship between the AWU and the Parliamentary Labor Party (PLP). Queensland, with five districts organised along the AWA lines, had emerged as the largest state AWU branch and,
through the principle that the number of delegates to the annual Convention be related to the number of members, had set in place a structure to become its future major power source. The sheer size of the AWU also enabled it to successfully counter the rapidly growing left-wing militant groups that emerged as the decade progressed.

In just six years from its inconspicuous, and somewhat hasty, birth the AWA had spectacularly achieved the pre-eminent position in the Queensland labour movement. It had already proved it could exercise a decisive influence on the direction of both trade union and Labor Party development in Queensland. Its influence would become even greater after the 1915 election, when half the elected Labor parliamentarians were AWU nominees. At the head of what could be termed an AWU faction was Edward Theodore, who was campaign director for the election, with William McCormack as his back-up.

**Lead-up to the 1915 Election**

Immediately following the 1912 election, the ageing and unwell David Bowman was re-elected leader of the PLP, with Thomas Ryan defeating the incumbent William Lennon for the deputy leadership. Theodore was elected the party whip. That September, Bowman finally resigned as leader due to ill-health. He was succeeded by Ryan with Lennon, who eight years later was to play a pivotal role in the abolition of the Legislative Council, being defeated by Theodore for the deputy leadership. McCormack, who succeeded Theodore as party whip, had by that time resigned as General Secretary of the AWA, so he was able to give more attention to further rationalisation of the union movement and deal with its internal politics.

Thomas Ryan, born in 1876 to Irish parents, was educated in Victoria, gaining an Arts degree from the University of Melbourne. He came to Queensland in 1899 and worked at two grammar schools while gaining a law degree and qualifying as a barrister, working in Rockhampton. He was always interested in federal politics, initially being an unsuccessful candidate for the electorate of Capricornia in 1903, before he entered state politics. He won the rural seat of Barcoo at the 1909 election, when he was an AWU member, but had no background in union politics and was one of the few Labor members with tertiary education. He also managed to

---

262 DW Hunt, “Mining Unionism in the Far North”, p. 35.
continue being a barrister when parliamentary duties allowed, demonstrating his knowledge and skills particularly in constitutional matters.

From September 1912 to October 1919, the Labor Party was led by the successful team of Ryan and Theodore. The former’s legal and political skills were complemented by Theodore’s industrial and organisational capabilities as well as his business acumen.263 This leadership was described by Irwin Young as follows: “Theodore and Ryan, in spite of their remarkable contrast in disposition and manner, proved as competent a pair as any state parliament ever possessed”.264

As it later transpired, Ryan and Theodore also followed parallel political career paths. Both harboured aspirations to move to the federal sphere and did so by becoming successful candidates for NSW seats: Ryan’s path was smooth, whereas Theodore’s was quite controversial. Each quickly became deputy-leader of the federal Labor Party and was widely tipped to become leader and then Prime Minister. For entirely different and unforeseen reasons, both fell at that last hurdle. From their July 1912 elevation onwards, together they evolved a winning strategy over the next three years, buoyed by Queensland electing a majority of Labor representatives at both the 1913 and 1914 federal elections. The Labor Party policy for the 1915 election included abolition of the Legislative Council and the office of state Governor, creation of a series of state business enterprises, replacement of the 1912 Industrial Peace Act by a new system of Industrial Arbitration, establishment of a Workers’ Compensation scheme plus greater regulation of the sugar industry.

The 1915 Election: A Labor Triumph

At the May 1915 election the Labor Party reversed the 1912 result, winning 45 seats to the 22 seats by the Liberal Party and five by the new Queensland Farmers’ Union (QFU). The Labor Party gained 52.1 per cent of the vote from a record turnout of 87.3 per cent, after allowing for six uncontested seats, when for the first time voting was compulsory. This success provided the platform for furthering both Edward Theodore’s and William McCormack’s political careers. The election success meant that Queensland became the sixth of the seven Labor governments around Australia, a feat that would not be repeated until 1946. However, within three years the

263 DJ Murphy, *TJ Ryan: A Political Biography*, University of Queensland Press, Brisbane, 1975, p. 75.
situation was reversed when Queensland remained the only Labor government.\footnote{265} Theodore was widely recognised as being a powerful influence in the government and destined to become Premier. Although it could not be forecast at the time, it would be the first of five consecutive state electoral victories in 14 years, involving four Premiers all of whom were AWU members. Theodore and McCormack were respectively the second and the last members of that quartet, but their paths to the Premiership were quite different.

The 1915 election was the first contested by the QFU, later to be known as the Country Party, with a power base in the rural southern part of the state. It won five seats, one being Aubigny near Toowoomba, incorporating the towns of Oakey and Jondaryan. Its new member was Arthur Moore, a New Zealand born 39 year old dairy farmer and owner of two small cheese factories, who had come to the Darling Downs from Victoria in 1898.\footnote{266} The only son of a manager of the colonial group, the Union Bank of Australia, he was elected to the Rosalie Shire Council in 1905, becoming its chairman from 1911. In the same year he was elected to the executive of the QFU as the representative for Jondaryan. He was a reluctant candidate against the sitting Liberal Party member, who had been his predecessor at shire chairman. Moore, who won the Aubigny seat on nine consecutive occasions, was an unlikely person to become a future Premier. He was able to observe the more radical legislation of the new government and was particularly opposed to its policy of state enterprises.

Theodore and McCormack each increased their majorities at the election, in what became a landslide victory. At the first caucus meeting on 31 May, Thomas Ryan and Edward Theodore were elected unopposed as leader and deputy-leader. In addition to the regular roles of Chief Secretary and Vice-President of the Executive Council, Ryan was Attorney-General and (very briefly) Secretary for Mines. Theodore became Treasurer and Secretary for Public Works. The caucus vote for the remaining six cabinet posts favoured those who had been in parliament from or before 1909, with one exception: John Fihelly – three years younger than McCormack – who also entered parliament in 1912, representing a Brisbane electorate. He was appointed an honorary Assistant Minister for Justice: it seems that McCormack was not considered by Ryan to

\footnote{265}{R Fitzgerald, “Red Ted”, p. 63.}
\footnote{266}{DE Moore, The Honourable AE Moore: The Premier from Brymaroo, Cedar Centre, Toowoomba, 2011, pp. 16-38.}
be suitable for one of two honorary ministers’ roles. The Irish-born outspoken Fihelly, also an
AWU member but not actively involved in union affairs, had been elected secretary of the
caucus in 1914. Together with Theodore he had been responsible for the highly successful
election publications and was looked upon as a Theodore protégé, despite his later reputation as
“the stormy petrel of the Labor Party”. 267 Ryan, who was reported to be less well disposed
towards McCormack, was wary about a strong Theodore-McCormack axis operating within the
ministry. So, he was pleased to use his casting vote to make McCormack the Speaker, at an
attractive annual salary of £1,000. Strangely, the opponent whom McCormack had just defeated
for the speakership was elected by the caucus when a cabinet vacancy occurred soon
afterwards. 268

Failure to win a place in the ministry was a surprise and severe rebuff to McCormack, who
probably had both a better reputation and performance credentials than several other longer-
serving members whom the caucus had selected. This meant that he would have much more time
on his hands, even extending to becoming closely associated with the resurrection of the dormant
Mungana mines. Theodore, on the other hand, significantly enhanced his already powerful
position, becoming acting Premier on two occasions for extended periods while Ryan was
overseas on constitutional legal matters. These June 1915 appointments marked a major
divergence in Theodore’s and McCormack’s career paths, which until then had broadly run in
parallel: thereafter, a persistent lag developed before McCormack could occupy positions held by
Theodore. This was the second occasion that McCormack had not been victorious at an internal
election, when his performance and credentials indicated he probably should have been
successful. Several similar situations were to occur over the next ten years as he consistently
followed in Theodore’s shadow.

As a consequence of McCormack’s relative “side-lining” for the next four years, when he could
not even participate in parliamentary debates, he generally played a very minor role in the Ryan
governments until just prior to Theodore’s ascension to Premier, when he was belatedly elected
as Minister for Home Affairs. He occasionally accepted short-term “ad hoc” roles: these included

267 CA Bernays, Queensland: Our Seventh Political Decade, p. 25.
being state chairman of the successful “No” campaign at the bitterly fought October 1916 federal conscription referendum and chairman of the PLP committee established to abolish the Legislative Council. He was campaign director for the successful 1918 election, where the government achieved a record 53.7 per cent of the vote, gaining an additional three seats and winning all but one seat in the North, North-West, West and Central Queensland.269

McCormack devoted most of his time outside parliament to internal affairs of the Labor Party, which was experiencing a range of challenges. The Labor government in Queensland was the only one to survive the damaging party split over conscription. That issue saw Billy Hughes in early 1917 remain as Prime Minister but leading a new Nationalist Party, consisting of his conscription followers and former Liberal Party members, which won a landslide victory later that year. McCormack was re-elected to the CPE and became a delegate to several Labor-in-Politics Conventions, where he successfully argued the case for increased union representation on the CPE and at state conventions. He persistently argued that the industrial and political movements were indivisible.270 The AWU, by far the largest and most influential union, was not necessarily welcomed by some smaller unions previously affiliated with the ALF, which favoured the socialism policy espoused by the Industrial Workers of the World (IWW), in contrast to the “reformism” expounded by the AWU and PLP.271 These unions preferred to use more revolutionary methods, and opposed policies such as industrial arbitration, which were specifically designed to operate within the capitalist system. One such union was the Queensland Railways Union (QRU), later known as the Australian Railways Union (ARU), which became a bitter and more radical critic of Labor governments, the AWU and later of Theodore and McCormack personally.

As Speaker, McCormack was not a success: he lacked any legal training and had little respect for parliamentary tradition and procedures, far preferring to be involved in active politics. There

270 Ibid., p. 111.
271 Ibid., p. 112
were persistent complaints that he was not impartial, effectively making the role a party position.\textsuperscript{272} Charles Bernays summarised this part of his career in the following terms:

\begin{quote}
[McCormack] was not happy [as Speaker] for, as he expressed himself, ‘there is nothing in it’. Possibly he meant there was no scope in it… [He] was only a success so far as firmness was concerned. He was not a student of procedure and precedent and like other Labor Speakers had an easy job on account of the huge government majority.\textsuperscript{273}
\end{quote}

For an extended period McCormack was not in a consistently prominent public role. On the other hand, Theodore was going from strength to strength within the Ryan governments, as it addressed the challenges of an obstructionist Legislative Council, implementing a new industrial relations policy and set about creating various state business enterprises.

**The Legislative Council**

The abolition of the Legislative Council — then with 35 unpaid members, many of whom attended only intermittently and were appointed for life by the Governor — had consistently been a plank of Labor policy. There was insignificant representation of Labor members, so the Ryan governments faced major difficulties in having its legislation passed by the Legislative Council. In turn, this meant that he often faced legal issues, many of which he handled personally. These matters took him overseas on two occasions for periods of four to five months. In October 1915 Ryan introduced the *Constitutional Act Amendment Bill* to abolish the Legislative Council. The actual achievement of this objective became very protracted, taking nearly seven years and finally was orchestrated by Theodore, as discussed in chapter 6. Andrew Thynne, the long-standing legal representative of the Chillagoe Company, led the defence for the Council, which predictably rejected the bill. However, as World War I dragged on, the new government was able to persuade the Governor to approve further appointments, nominated by the Labor Party, to the Legislative Council in an endeavour to reduce conflict.

Ryan took the issue up again a year later after his return from overseas. On this occasion, he adopted the constitutional route and submitted the proposal to a referendum in May 1917,

\textsuperscript{272} Ibid., p. 147.

\textsuperscript{273} CA Bernays, *Queensland: Our Seventh Political Decade*, p. 292.
concurrent with a referendum on the minor topic of a reduction in south-east Queensland liquor outlets. Unusually and unwisely, the selected day coincided with a federal election. Even allowing for some confusion, the referendum outcome was a resounding rejection, 179,105 voting against abolition and 116,196 in favour. On the same day the liquor changes were approved and Billy Hughes’ pro-conscription Nationalist Party won an overwhelming election victory. Neither Ryan nor Theodore was prepared to accept the referendum result. Ryan changed his tactics and gained the Governor’s approval to appoint another 13 new members, using the argument that a quorum could then be more regularly achieved. Each new appointee had to be a financial member of the Labor Party, pledged to support the Council’s abolition and required prior approval from both the PLP and the CPE.274 Following his 1918 electoral success and the Council’s rejection of further legislation, caucus voted to have a second referendum, which was never held. Responsibility for completion of the abolition plan then passed to Theodore, where he later acted decisively.

**Industrial Legislation**

Another significant plank of the Labor Party platform related to industrial relations, where ministerial authority for the new legislation rested with Theodore. In 1916, the Industrial Arbitration Act and the Workers Compensation Act were passed; apparently it was these acts which resulted in Theodore being nick-named “Red Ted” by his political opponents. Under the former legislation, Denham’s 1912 Industrial Peace Act was repealed, a 48 hour week became the standard, government employees could join trade unions, a minimum wage concept was adopted and a Court of Industrial Arbitration was established, modelled on the workings of the Commonwealth Court of Conciliation and Arbitration. This new court was headed by Thomas McCawley, who as Crown Solicitor from 1910 had previously worked very closely with Ryan on several major cases. The decision in 1917 to also appoint him to the Supreme Court was successfully challenged in both the Supreme Court and the High Court, but was ultimately overturned by the Privy Council in 1920. McCawley was quickly elevated to become the country’s youngest Chief Justice in 1922, after three judges aged over 70 had been forced to retire under

the Judges’ Retirement Act of 1921, discussed further in chapter 6. McCawley, who died in 1925, laid the foundation of Queensland’s arbitration system, a key plank of AWU policy.

Initially, the Ryan governments generally worked harmoniously with the trade unions, as they implemented many of the unions’ wishes. Support, however, was not unanimous, with differences becoming evident after the Industrial Arbitration Act had come into effect. In August 1917, in what eventually became an 82 day impasse involving a third of NSW unions, a strike started in that state’s railway workshops. The dispute crossed over the border to the QRU members in North Queensland, led by George Rymer, who was to become an increasingly powerful and vocal adversary to Theodore, and particularly McCormack, for the next decade. North Queensland members had become increasingly restless as they believed their new award should be retrospective to February. Under strong pressure from the government, the strike was called off within three weeks, but it left bitter memories with some militant unions. The seeds for the escalating confrontations between the railwaymen and the Labor governments in the late 1920s were sown in 1917. Meanwhile, the AWU had continued to grow through further amalgamations, covering metalliferous miners and some smaller unions, with its national membership increasing to over 86,000 by the end of 1917.

North Queensland had progressively built up a reputation for spawning radical movements, of which the AWA itself was an early example through its successful 1911 sugar strike. In part this may have arisen due to some sense of isolation from the rest of the state, still with no direct rail link to Brisbane built until 1924. By the time that the Labor Party with its new AWU dominance won the 1915 state election, both Theodore and McCormack had moved to live in Brisbane. When the government introduced its arbitration policy designed to operate within a capitalist system, the situation started to change. The baton of radicalism passed to other organisations; the

275 CA Bernays, *Queensland: Our Seventh Political Decade*, p. 15.
QRU and the Australasian Meat Industry Employees Union (AMIEU) became prominent, particularly at the port of Townsville where an Industrial Council was formed in 1916. These unions, which strongly favoured direct bargaining, were wary about the new arbitration system and soon became relatively powerful in North Queensland. This change was demonstrated during the Townsville Meatworkers’ strike in June 1919, then a town of 25,000, often transient, people. In early 1918 McCawley proclaimed a Meat Export Award giving preference to unionists, despite the hearings being boycotted by the Townsville AMIEU. The employment of some non-union workers ultimately lit the fuse which resulted in the storming of the yards of one company on 28 June 1919. Union leaders were locked up by police who had been reinforced by the government, after QRU members at Charters Towers were suspended for refusing to man the special police train. A promptly called Royal Commission, consisting of a sole police magistrate, subsequently supported the police action.

This strike did not stop the growth of radical movements in North Queensland. To the contrary, within a short period the newly founded Communist Party took root there and nearly 30 years later had one of its early members, Fred Paterson, elected to the Queensland parliament – the only occasion in Australia that this occurred. These events intensified conflicts within the Queensland labour movement for the next decade, having significant ramifications for both McCormack and Theodore. The disruption was one expression of a wider struggle involving the possible establishment of One Big Union (OBU), to be known as the Workers Industrial Union of Australia (WIUA), which would represent major competition to the AWU. The AWU in reality wanted to be the OBU, so it strongly resisted efforts for the radical WIUA to grow at its expense. It even went so far as to try to form a separate Railway Employees Union.

---


281 Ibid., p. 97.

In part, the increased union activity reflected the increasingly adverse post-war economic situation where unemployment had increased from 6.7 per cent in 1916 to 16.3 per cent in 1920, compared to the national average of only 7.8 per cent. When Theodore took office as Treasurer, railways were responsible for by far the largest component of revenue, costs and public debt, accounting for over 65 per cent of the total. During World War I, state loan funds dried up as priority was given to the Commonwealth government’s borrowings for the war effort. State taxes were increased, while new fund raising activities were either inhibited or rejected by the obstructionist tactics of the Legislative Council. This period provided Theodore’s learning curve in public finance: he would have to use these lessons a decade later.

**State Enterprises Policy**

Another plank in the Labor platform at its successful 1915 election campaign was to establish diverse state business enterprises, a system that had already been implemented in two other states. It reflected a long-term philosophy to expand employment and provide competition to private enterprise, as a means to seek to counter consumer price increases. This objective was readily able to be achieved by administrative regulations thereby avoiding Legislative Council approval, until the *State Enterprises Act* was finally passed in 1918. The policy was not originally promoted as one of nationalisation, as in most cases new entities were established, but by the 1918 election the policy was presented by the opposition parties as being “Socialism at Work”. The Chillagoe smelters, associated mines and railway system became prime targets, although they did not fit into the stated category, since most of their products were exported.

It also necessitated that a formal arrangement had to be negotiated with the British debenture holders; this could only be done with the approval of the Legislative Council. This constraint ensured that the path for what became the largest, highly unprofitable and controversial acquisition made by the state became very protracted. Overall these state enterprises, apart from

---


286 Ibid., p. 141-142.
the State Government Insurance Office and the hotel at Babinda, generally proved to be financial failures, with one of the largest failures the acquisition of the Chillagoe Company assets. By the 1930s most state enterprises had been sold or closed down.

**Acquisition of the Chillagoe Company Assets**

It took four years from the time that Andrew Thynne, on behalf of the Chillagoe Company, first discussed the matter with Ryan until the acquisition was finally approved by both houses of parliament. As the *Mining Standard* correctly suggested in August 1914, the government was, in reality, the only buyer. While there had to be an acceptable price negotiated, there was an inevitability about the final outcome. Meanwhile, the population of Theodore’s Chillagoe electorate, already one of the smallest two electorates after the 1910 redistribution, had nearly halved due to the closure of the smelters and recruitment for the war effort. Chillagoe had become the smallest electorate, having only 1806 voters when the Labor Party secured its record win in 1918. It remained Theodore’s stronghold, whose industry he was strongly committed to protect: reopening the smelters was one potential way to do this. Given his roles as deputy Premier, Treasurer and Secretary for Public Works, Theodore was very well-placed to press for the Chillagoe Company assets to become a state-owned reality, so the state enterprises policy was a very favourable omen for the Chillagoe Company. This was particularly so, as it had been by far the largest employer in Theodore’s electorate.

In July 1915 Thynne, after initial soundings, made a formal proposal which outlined past financial problems and suggested the benefits which would accrue to the state if the government purchased the Chillagoe Company assets. The suggested price was £900,000, with a further £200,000 to be spent on developing mines in the Chillagoe region.287 In October, the cabinet recommended that the Chillagoe railway “be taken over for a reasonable price, not necessarily £900,000” and the new Etheridge line “be also taken over at a fair and reasonable price” well ahead of the statutory date in 1921. Theodore was authorised to negotiate with Reid in Melbourne, while Ryan dealt directly with the debenture holders in London.288 In 1916, while overseas for four months, Ryan negotiated with the debenture holders for the sale of their scrip

---

287 KH Kennedy, “JS Reid and the Chillagoe Company”, p. 262.
288 Ibid., p. 263.
for £450,000, equivalent to around $36 million in today’s terms, a price 50 per cent lower than the face value that the Company had offered the government. This sum was to be split equally between the holders of the original debentures issued in 1899 and those participating in the debenture raising for the Einasleigh railway in 1908.

The Battle for Legislative Council Approval

Ryan, immediately on his return to Brisbane in December 1916, introduced a bill to “authorise the acquisition of the Chillagoe Railway, Etheridge Railway and other properties”, fulfilling his election promise. On the basis of assumed copper prices above the £100 per ton, lead prices of around £30 per ton and unspecified untapped ore resources in the region, Theodore strongly recommended the acquisition. He also highlighted the job generation potential to stimulate post-war economic activity in North Queensland.

The bill was promptly passed by the lower house and immediately referred to the Legislative Council. Given the antagonistic relationship between the two houses of parliament and the stated objective for the government to abolish the upper house, the battle for Legislative Council approval provides an interesting case study over a 22 month period. The upper house first considered the bill in January 1917. It promptly referred the planned legislation to a six person select committee of Inquiry, chaired by the Minister for Mines, William Hamilton, the only Labor representative. Hugh Macrossan, who had been a member of the lower house from 1912 to 1915, attended the Committee as counsel for the Chillagoe Company: this was the first appearance of a Macrossan family member in relation to the Chillagoe-Mungana story. Two other relatives played significant later roles 13 years later, by which time Hugh Macrossan was a member of the Supreme Court and later briefly became Chief Justice.

The committee heard evidence from only six witnesses in the ridiculously short time interval of just one week. One witness was Andrew Thynne, due to his detailed knowledge about the Chillagoe Company and the region. The first – and most important – witness was Theodore, who was interviewed on 5 February 1917. He strongly argued that the acquisition would lead to the resurrection of mining in the region: “Personally, I have not the slightest doubt about its

289 Ibid., p. 7.
being a good business proposition, as well as a good proposition from other points of view”. 290 Theodore tabled the performance figures for the smelters since 1902 and noted that, for the last year of its operation to 1914, products generated from the 51,607 tons of ore treated were valued at £206,000 (when copper and lead prices were £60 and £30 per ton respectively). These products would be valued more highly in 1917 at £381,000, due to the much higher prices. Theodore, primarily focusing on copper, since that product had historically been responsible for around 60 per cent of the revenue, believed that while the current price of £130 per ton would not be maintained after peace was declared he considered a price of £90 per ton would be realistic and still result in a profitable enterprise. 291 He still looked upon the Chillagoe Company as essentially being a copper dominated operation.

The committee in its 12 February 1917 report recommended against the passage of the bill, referring it back to the Legislative Assembly. It noted that no effort had been made to obtain expert reports on such matters as the mineral prospects of the field, the present condition of the mines and smelters and the estimated financial returns which would be reasonably expected from the purchase. 292 One of its comments later proved to be prophetic, namely: “The evidence actually given did not satisfy the Committee that payable reserve ores exist in sufficient quantity to justify the State embarking on what may be considered a speculative enterprise”. 293

Hamilton, who totally supported Theodore’s views, issued a minority report in favour of the acquisition, on the basis that the closure of the smelters had paralysed the Chillagoe region, employment would be stimulated by their reopening and the investment would be profitable. 294 Subsequent events clearly demonstrated that the majority view on the basis of the information presented was both realistic and defensible: no independent reports on the quality of the resources or the economic feasibility of the smelters were ever to be undertaken. This first


291 Ibid., pp. 400-404.


293 Ibid., p. 396.

refusal highlighted both a lack of detailed preparation and a rushed approach being taken by the government but also a very cursory attitude by most Labor-nominated Council members.

Before the next stage in the battle between the houses over this legislation, the referendum to abolish the Legislative Council had been decisively defeated, but the Governor had agreed that a further 13 Labor Party nominees be added to the upper house. One of the new members was Alfred Jones, who had formerly been a member for two Legislative Assembly electorates: Maryborough from 1904 to 1909 and Burnett from 1915 to 1917. He was immediately appointed as Secretary for Mines, a role he held until the 1929 election, as he was re-elected to the Legislative Assembly after the Council was abolished in 1922.295 He was to play a key continuing role for the government in the unfolding Mungana saga. Another new appointee was the entrepreneurial journalist, Randolph Bedford, who had some knowledge of the Chillagoe area due to his visits there in the 1890s. He followed the same path as Jones by being later elected to the Legislative Assembly in 1923 and came to prominence in 1929 over his gifts of Mount Isa shares to Theodore, McCormack and Jones, as discussed in chapter 7.

On 6 November 1917, the government concluded an agreement to purchase the Chillagoe Company’s railway system including sidings and branch lines, smelters and mines for £701,000, plus an allowance for £90,000 to be spent on bringing the operations back into production. The Mount Mulligan railway and mine were specifically excluded. To try to head off possible allegations of political motivation Theodore, in presenting the second reading of the bill in June 1918, stated:

I hope honourable members will not think the Government are pushing this proposal or that I am keenly interested in it myself for the political advantage I can get out of it as a result of the increased population of Chillagoe. The object is far larger than that, and the motives of the Government far higher than personal motives of that kind.296

The new bill was immediately submitted to the Legislative Council on 25 June, when it was referred to another select committee of six persons chaired by William Stephens, who together with the prominent barrister Edwin Fowles had served on the previous select committee. This

time there were two new Labor Party appointees. Evidence was initially only allowed to be taken in Brisbane from 15 witnesses having a wider range of interests, over a six week period. One of these was Alexander Macdonald from Mammoth Copper Mining Company, the only witness who knew the Chillagoe area and who will be encountered again. He urged that the government would be wise to participate in mining to guarantee ore supplies to the smelters. He stated that the Chillagoe district, particularly mentioning the Mungana group of mines, was “one of the richest mineral areas in the whole world”.297 The majority report on 5 September 1918 was a much more considered document but still negative. It accepted the economic importance of access to Mount Mulligan coal as a reductant for the furnaces but, recognising that the railways would ultimately be acquired by the state, was not persuaded this was the correct timing. It retained the comment from the 1917 report that no independent reports had yet been obtained. While it also repeated the philosophical view that the state should not become engaged in mining, its overall attitude was clearly softening.298 In particular, it noted that:

In the event of it being decided to operate the smelters as a State enterprise, we recommend that that careful consideration be given to the question of changing the location and to decreasing the capacity of the smelters with a view to securing more economical working …

There remains the question of whether payable ores exist in sufficient quantity to justify the State in embarking on what may be considered a speculation. On this point the evidence is too conflicting to justify your Committee in pronouncing a definite opinion.299

It additionally lamented the fact that the government had not favourably responded to its request to visit the Chillagoe area, as had been strongly recommended by several witnesses. A minority report by the two Labor Party appointees contended however that the bill should be passed “in the interests of the area served by the Chillagoe and Etheridge railway systems”. The prime concern of these two members was the importance to the government of owning the entire

299 Ibid., p. 1373.
railway system, which then had an estimated replacement value of £1.155 million. These members particularly saw the Mareeba-Chillagoe railway and the Almaden-Forsayth railway as part of the necessary spine for an integrated North Queensland network, at a time when the coast rail link between Ingham and Babinda had not yet been built and there was still a strong hope for a link to be built from Forsayth to Georgetown and Croydon.

The government wisely relented about a visit being made to the area, enabling the select committee to reconvene promptly and so gain first-hand evidence from experienced local mining persons. From 24 September to 10 October it hastily visited 19 locations in North Queensland, and interviewed over 70 persons. One of those interviewed at Chillagoe was Frederick Reid who nearly a year earlier had become the new holder of the Mungana leases. He gave a clear explanation of the operating performance of the Chillagoe Company and proudly made the extravagant claim, “I think the [Lady] Jane and Girofla mines are the largest copper, silver and lead mines in Australia”. What Reid did not reveal was that he had by then agreed to divide any profits from mining these leases with William McCormack, still the Speaker and member for Cairns. This agreement, not publically revealed until a decade later, was the vital first step in what the last phase of the Mungana scandal. Reid indicated that he was confident that the Mungana mines, on which he had spent very little, could be brought into production to provide 200 tons of ore per week to the smelters: further, he was prepared to personally invest £5,000 to do so.

To complete the review four key persons — Cyrus Hewitt, Edward Rodda, Alexander McDonald and James Horsburgh — all with considerable experience of the Chillagoe Company and its operations, were also interviewed. Hewitt, Secretary of the Chillagoe Company since 1901, provided accurate records of overall finances, capital expenditure and production. He particularly noted that the total capital cost of the two railway systems had been nearly £700,000, 40 per cent more than the original estimates. Rodda was manager at Mungana from 1901 to 1907 and again from 1913 to 1914, and served as the manager of the Chillagoe Company’s mining operations in the interim period. On 18 October, he provided detailed knowledge of the Mungana area mining

302 Ibid., p. 1511.
performance and the protracted problems due to the major fire in the Lady Jane mine. Rodda believed that there were adequate reserves in the area, but the mining cost would be high, as little ore remained available for surface mining.303 McDonald, whose consistently bullish views appeared at intervals during the Chillagoe-Mungana story, made the comment, “I consider the Chillagoe district one of the richest mineral areas in the world; and I know most of the world”.304 Horsburgh, the last person interviewed on 21 October, was much more guarded. He had originally joined the Chillagoe Company as an assistant metallurgist in 1901, was promoted to general manager of the smelters from late 1906 until their 1914 closure, and was currently the assistant general manager of the Mount Morgan Gold Mining Company. He strongly advocated that, if the purchase proceeded, the state should appoint a manager who would be free from political control, when committing expenditure to develop known reserves. He admitted that he was philosophically opposed to the government being involved in an enterprise of this type.305

Both Rodda and Horsburgh were asked to advise why the Chillagoe Company had failed. Rodda’s considered statement warrants quoting in full, given his perspective on the passage of key events.

Several questions have been asked about the causes of the failure at Chillagoe. In my opinion there was an initial mistake, and that was in having insufficient capital in comparison to the area, and that the mining operations were spread over too many areas. An unexpected expenditure beyond what was estimated in the construction of the railway and in the new reduction plant absorbed a large portion of the Company’s capital (£300,000 to £400,000) that otherwise would be available for development. There was no wilful extravagance, but a great deal of very expensive experimental work was carried on, the value of which was not apparent to the non-technical observer. Chillagoe had to contend with many unexpected difficulties. The shipping strike stopped all supplies for three months and upset the whole of the Company’s arrangements. There was a woodcutters’ strike, which compelled the Company to import coal at a prohibitive cost in order to keep the smelters going and the mines free from water. The collapse of the No 10

303 Ibid., pp. 1538-1545.
304 Ibid., p. 1451.
305 Ibid., pp. 1550-1558.
tunnel, and subsequently the washaway of the Cairns line, interrupted communications for some months. The smelters were burned down. There was a fire in the Lady Jane mine, and the flooding of Zillmanton and the stoppage of supplies from the Einasleigh mine owing to the floods. All these things proved very embarrassing and expensive.\(^{306}\)

Horsburgh believed the Chillagoe Company had been too ambitious, had incurred excessive expenditure on railways and had faced a persistent shortage of funds. The inability to access cheaper and adequate sources of coal and coke impacted on the profitability of the smelters but would have been improved if Mount Mulligan coal had been available.\(^{307}\)

The evidence of Rodda and Horsburgh convinced the committee that Chillagoe was the appropriate location for the smelters. The committee in its 22 October supplementary report, supported by all members, made five changes to the 5 September report in relation to the purchase of the Chillagoe Enterprise. The maximum acquisition cost was to be £701,000, with the allocation to particular classes of assets to be pro-rata to their respective valuations.\(^{308}\) The Committee changed its view about the smelters being wrongly located, but maintained its stance that the government would be ill-advised to engage in mining, apart from at the company’s existing mine in Einasleigh field, where expenditure should be limited to £50,000. It accepted that, based upon the evidence, the smelters could have around three to four years ore supply from identified sources. A state manager should be appointed for the smelters, treatment works and Einasleigh mine, being a salaried officer of the parliament and free from political control.\(^{309}\) £100,000 was to be appropriated to reopen the smelters and to dewater the Einasleigh mine, but no sum in excess of that amount should be appropriated except by resolution of both Houses of Parliament.\(^{310}\) A further sum of £90,000 was authorised to develop coal mines at Mount Mulligan. Advances to secure ore supplies to the smelters were not to be made until proper assays had been made and the bulk ores had been delivered to the smelters.\(^{311}\) (Interestingly, by

---

\(^{306}\) Ibid., p. 1538.

\(^{307}\) Ibid., p. 1552.


\(^{309}\) Ibid., p. 1470.


\(^{311}\) Ibid., p. 69.
that time Fred Reid had already received an advance of £2,800 under another act to acquire assets at Mungana.)

This report was accepted by the Legislative Council the following day. A slightly modified bill was promptly approved by the lower house on 6 November and the assent of the Governor was received the following day. By that time copper and lead prices had peaked. The act provided for a General Manager to be appointed for a period of three years, with eligibility for reappointment for a further five years. However, if he engaged in any outside employment or if he participated or became involved in any way in any contract made by, or on behalf, of the Crown, he would be deemed to vacate his office.

The final basis for allocation of the asset values was not carried out in accordance with the committee’s recommendation: it was settled politically. Of the £701,000 approved, £661,000 was deemed to relate to the railway systems from Mareeba to Mungana and Almaden to Forsayth, £30,000 for the Chillagoe smelters, £9,000 for the Einasleigh mine and £1,000 for sundry plant and equipment. The basis for apportionment of the acquisition costs was never released. The amount deemed to relate to the smelters and the mining assets in the Chillagoe region was extremely low, with Horsburgh believing that the smelters and the associated assets could be worth up to £150,000.\(^\text{312}\) In essence, the Railways Department was forced to bear and service nearly all of the capital costs, with consequential higher interest costs. In February 1919 an independent valuation of railways, rolling stock and equipment assessed these assets at £500,590. The Railways Department carried an additional £160,419 capital cost, which was only accepted by the Commissioner for Railways under protest. A letter exchange with the Premier on this issue was included in the Auditor-General’s inaugural report in November 1920.\(^\text{313}\) The initially purchased smelting and mining assets were always under-valued in the Treasury accounts, in sharp contrast to the later over-valuation of further mining assets that were acquired.

In fact, over the 22 months period of the transaction being approved there was little evidence that the government had progressed on the manner in which it would operate the non-railway assets. No detailed estimates of tonnages, grades or types of ore were undertaken, so no indicative


assessment could be made as to the possible economic feasibility, particularly in the event that prices declined. Further, the wise counsel offered by Rodda and Horsburgh does not seem to have been absorbed with respect to the reasons for the Chillagoe Company’s failure and the need to avoid political involvement with management.

For the purpose of the further analysis, the non-railway assets acquired are referred to as the Chillagoe Enterprise, covering the smelters, the Einasleigh mine and any other local mines subsequently acquired. As Trevor Sykes clearly highlighted in “Theodore’s Scandal”, this package of assets was still clearly “not a viable economic unit”. The smelters had a reported capacity to treat up to 3,000 tons of ore a week, with only 100 tons a day of copper ore available from Einasleigh, where supply was vulnerable to interruption in the wet season. Little understanding or consideration seems to have been given to the absolute importance for securing acceptable ore supply sources, as highlighted by Horsburgh. The critical and fundamental question, “Where is the necessary ore to come from?”, remained unanswered when both houses approved the final legislation. It still seems highly surprising that, whether intentionally or unintentionally, the Mungana areas — so frequently highlighted in the past due to the reliance placed on them during the free enterprise years — were not specifically addressed, as they were always stated as being the prime candidates to supply the smelters from local sources.

The state assumed total responsibility for the Chillagoe Enterprise from 1 July 1919, the acquisition creating great excitement at Chillagoe. Between that date and the smelters recommencing operations in January 1920, Edward Theodore became Premier and William McCormack had finally joined the cabinet.

**Theodore Succeeds Ryan as Premier**

From late 1918 onwards there were increased expectations that Ryan might move to federal politics or possibly even to the Supreme Court. Several Queensland state members had also expressed interest in entering federal politics at the December 1919 election, including McCormack for the seat of Herbert. Just prior to a special federal conference in early October

---

314 T Sykes, “Theodore’s Scandal”, p. 228.
316 DJ Murphy, *TJ Ryan*, pp. 284-287.
1919, there was a cabinet reshuffle. This resulted in McCormack becoming Home Secretary, being replaced as Speaker by William Lennon as part of the final stage of the successful secret plan to swamp the Legislative Council with Labor appointees prior to voting itself into oblivion.

This federal conference culminated in a unique formal resolution asking Ryan to enter federal politics immediately. Within the space of seven weeks he resigned his seat in the Queensland parliament, was preselected for the very safe Labor seat of West Sydney, became campaign director visiting all states prior to the election and convincingly won the seat. A year later Ryan was elected deputy-leader of the federal Labor Party. There were early expectations he would soon become leader, but fate intervened. He died in August 1921, aged 45, the result of declining health, impaired after suffering during the severe Spanish influenza epidemic while in London in 1919.

Edward Theodore became Premier in October 1919 in the caucus ballot, convincingly defeating John Fihelly, who became deputy-leader. Theodore also initially retained the role of Treasurer. After a gap of over four years Theodore and McCormack were now more closely united within the cabinet. While Home Secretary was not a prominent ministry, McCormack’s power base had been enhanced as AWU members constituted the majority on the Queensland Central Executive (QCE), the new name for the CPE. By that time, a discernible shift in the balance of power within the state union movement was already occurring. Also, the Chillagoe Enterprise assets were firmly under state control, but – as persistently forecast – there was a chronic shortage of quality ore, a situation which brought the Mungana leases quickly into early prominence.
CHAPTER 5: THE STATE’S ACQUISITION OF THE MUNGANA LEASES

This important chapter traces the sequence of events — full details of which were not revealed until late 1929 — relating to the five original mining leases at Mungana where operations had ceased in 1915. Frederick Reid, an experienced and astute local mining identity, seized the opportunity to re-peg two leases covering the key mines at Lady Jane and Girofla in late 1917 after they had accidentally not been renewed. Under somewhat dubious circumstances the mining warden recommended they be quickly awarded to Reid, who then obtained a government loan to buy equipment and secured a release from normal labour conditions. In early 1919 Reid replaced the original applications by four larger areas, now in the name of the Mungana Mining Syndicate (MMS), in which he and William McCormack split any profits equally. Peter Goddard, the only General Manager of the Chillagoe Enterprise, under a contract that precluded him holding an interest in any group selling to the smelters, became associated with Reid, who was preparing to sell the Mungana leases. The first Auditor-General’s report on the Chillagoe Enterprise for the period to June 1920 had recommended that additional ore sources should be secured by purchasing selected mines, achieved when the *Chillagoe-Etheridge Railway Act Amendment Act* was passed in late 1920. The prime target was the Mungana leases, now held by a new company, Mungana Mines Limited (MML), in which McCormack was the largest 43.8 per cent shareholder and Goddard surprisingly held an undeclared 12.5 per cent share. Under an option agreement the Chillagoe Enterprise was able to immediately access the leases, which were finally purchased for £40,000 in March 1922. This amount, confirmed by two independent reports, was primarily to be met by royalties based on the value of Mungana ore delivered, irrespective of the operating or capital costs involved.

It is shown through the chain of events leading up the acquisition how deftly Reid and his silent partner McCormack positioned themselves to benefit from the sale of the Mungana leases. Using an initial loan from the government, Reid had cheaply acquired all the Mungana mining assets, obtained relief from the normal labour conditions attached to mining leases, but had spent no money on the major task of dewatering the Lady Jane and Girofla mines. Furthermore, each received an initial £1,500 profit in 1920 before the leases were transferred to MML. They were
poised to receive future dividends irrespective of the financial performance of the Chillagoe Enterprise.

The Mungana Leases

While the *Chillagoe Railway, Etheridge Railway and Other Properties* bill was being considered by the Legislative Council, astute local people — who would have been well aware of the government’s protracted plan to acquire the railway system and the Chillagoe smelters — were positioning themselves to take advantage of any new opportunities that would arise when the smelters were finally reopened. There was a very strong local feeling that the bill ultimately would be approved.

Foremost among these interested local people was Frederick Reid: he was no relation to John Smith Reid, who had been so closely involved with the Chillagoe Company in its various corporate incarnations. Invariably known as Fred, Reid was born in NSW in 1888 and arrived in Chillagoe with his brother and widowed mother when he had just become a teenager. He had received little formal education, but progressively developed an uncanny knowledge of minerals and equipment to become a well-known energetic, and at times charismatic, personality in the Chillagoe area. He apparently had the ability to inspire people, had excellent communication skills and his business philosophy “to make an enemy of no man, as some day you may need him” was appealing. He had worked in the Mungana area and later became underground manager at Mammoth Copper’s Chieftain mine at Cardross. Above all, he acquired a close knowledge of former mining areas, which he was always prepared to reopen when circumstances and economics allowed. During the highly optimistic assessment he gave to the Legislative Council select committee in 1918, he stated, “I think the Jane and Girofla mines are the largest copper, silver and lead mines in Australia”, and that the Chillagoe smelters were up-to-date and

---

317 M Bolam, private communication with DE Moore in July 2013.
“were the only smelters in Australia that could smelt and pay for four different metals in the one ore”.

Reid was reported to be friendly with Theodore, McCormack and particularly Robert Dunlop, the new Chillagoe mining warden, who also acted as the police magistrate. Particularly in these years, mining wardens played significant roles in all designated mining districts, where they had to keep very close surveillance over all exploration and mining developments, to ensure they were consistent with the Mining Act. Each calendar year a mining warden had to table a written report to the Department of Mines covering significant events and developments, including full data about regional production, for inclusion in annual reports to parliament. Dunlop served two terms as mining warden for the Chillagoe district: five years from September 1916 and two years from March 1924. Using his intimate knowledge of the area he came to exert a considerable influence on the future ownership of the Mungana lease areas.

Dunlop’s recommendations and actions became extremely important in the unfolding story, as were his personal and later business relationships with Fred Reid. The great significance of the Mungana mines to the smelters, despite the very difficult conditions at the Lady Jane mine, was well-known to Reid. An astute entrepreneur, while still working at the Chieftain mine, he was poised to acquire the Mungana lease areas at the first available opportunity. This occasion arose later in 1917, more than two years before the government finally acquired the Chillagoe Enterprise assets, thereby triggering a chain of events which had major unforeseen consequences. Full details of these events as they unfolded were probably only known to two people, Fred Reid and William McCormack. The sequence of events, as far as practicable, is discussed here in their order of occurrence. In some instances the full details only became publicly known as a result of the 1930 Royal Commission.

**Reid’s Initiatives**

318 QPP, 1918, Vol. 2, F Reid evidence to Select Committee, p. 35.
In April 1917 the deadline passed for renewal of the five original special leases, covering the mining operations at Lady Jane and Girofla. These leases, totalling 271 acres, had initially been granted to the Chillagoe Railway and Mining Company, carrying the special terms of having no labour obligations, but requiring payment of double the normal annual rental. They were then included in the controversial early 1901 flotation of the affiliated entity, the Mungana (Chillagoe) Mining Company. Even though any ownership relationship had disappeared years earlier, under a long-standing administrative agreement the Chillagoe Company and its successors had delegated responsibility for paying lease rentals to the Mungana (Chillagoe) Company and any successor company. Since 1913, this was the Mungana Mining Company, which had decided in March 1915 to cease operations due to a lack of market following the closure of the smelters.

Annual lease rentals for 1916 were still unpaid, after Dunlop had twice verbally reminded the local representative of the Chillagoe Company. When the statutory three months “grace period” under the Mining Act had elapsed the leases were automatically forfeited, so the areas reverted to the Crown. This situation quickly became common knowledge around Chillagoe, catalysing action by several parties including representatives of both the Mungana Mining Company and the non-operative Chillagoe Company. Initially, David Lyon, who had been working at the nearby Griffiths mine applied for an extended claim over part of the Griffiths lease. Fourteen days later Reid, having first checked with Dunlop that the Mungana leases were now officially Crown lands, pegged two five acre areas over the Girofla and Lady Jane mine shafts on 10 September, conveniently organising for Dunlop to be present. At 9.00 am the following day Reid formally submitted, in his own name, application numbers 502 and 503, over the centre of the Lady Jane and Girofla mines respectively. On the same day the Mungana Mining Company, finally acting on its error, promptly applied for renewal of all the leases and offered to pay the outstanding rentals. This response generally – but not necessarily – meant that, provided all outstanding amounts were paid, the original leases could be renewed. Dunlop sent a telegram to
the Secretary for Mines the same day advising about the new situation, but was told a day later that payment of the outstanding rentals could not be accepted.319

**Figure 6: Mungana Lease Areas Showing Applications 502 & 503, September 1917**

Source: chart prepared for the 1931 conspiracy trial, QSA, Series ID 5172, Item ID 840365.

As the *Mining Act* required a 30 day period for filing of any objections to new leases being granted, Dunlop had formally to adjudicate on claims by the Mungana Mining Company and several other parties. Two other parties applied on 27 September for far larger areas: the original 53 acres at Girofla and 83 acres covering the Lady Jane operation, which included Reid’s five acre application areas. On 5 November Dunlop heard and dismissed all these objections,

probably on a technicality, thus ensuring Reid was successful. It was never properly explained why the leases were not granted to the Chillagoe Company, as at the time Dunlop was fully aware that supply of ore from the Mungana mines was pivotal to the success of the smelters when they reopened.\textsuperscript{320}

At this point it is important to appreciate the close relationship between Reid and Dunlop, which was the topic of considerable questioning during the Royal Commission. Dunlop recommended on 29 October to the Department of Mines that the two small leases be awarded to Reid. Having succeeded in gaining the leases, Reid immediately applied for, and was granted, a six months extension from carrying out the normal labour conditions for mining leases, as they were no longer covered under the Chillagoe Company special conditions. A similar extension was promptly granted again in May 1918, even though Reid had made no effort to dewater the mines, a prerequisite before mining could start.\textsuperscript{321} He had devised a clever plan to seek maximum financial assistance from the government.

First, he needed some evidence as to the potential ore reserves at Mungana. So he travelled to Sydney and in November 1917 for a fee of £25 he commissioned Edward Rodda, who had a very close knowledge of the Mungana mines, to prepare a brief written report on the steps required and indicative costs to reopen both mines. Dewatering was estimated to cost only £10,000 and Rodda expressed confidence that “further exploratory work would disclose another ore body”.\textsuperscript{322} This two page report would ultimately prove to be vital, as it formed the basis of most of the later estimates concerning available ore at Mungana. It highlighted that at the Lady Jane mine the higher levels were basically worked out, but 50,000 tons of lead-rich ore should be available at the 320’ level, valued at £675,000. At the Girofla mine most of the ore had been worked out above the 610’ level, below which there was an estimated 100,000 tons of lead-copper ore suitable for fluxing, valued at £498,000. He believed that both mines should be dewatered

\textsuperscript{320} Ibid., pp. 484-485.
\textsuperscript{321} KH Kennedy, \textit{The Mungana Affair}, p. 10.
\textsuperscript{322} Ibid., pp. 10-11.
simultaneously, a process that would take six to nine months. Finally, he stated: “It follows then that the unwatering of these mines will uncover two very large bodies of ore”.  

Rodda’s brief letter was essential for Reid to raise funds, as contrary to his later assertions he apparently had little of his own. The perception by Rodda was also considered to be key evidence during the final review by the Legislative Council select committee in October 1918, even though Rodda could not demonstrate that longer-term viable ore resources existed. It is also relevant to note that his indicative values were based upon end 1917 prices, which were around £120 per ton for copper, £30 per ton for lead and 40 pence per ounce for silver.

Second, Reid needed guaranteed political back-up. This was secretly provided by William McCormack, then the Speaker until he finally joined the cabinet in September 1919. It seems that in December 1917 Reid had come to a general understanding with McCormack at Lennon’s Hotel in Brisbane as to how the government might acquire the Mungana areas in the future and how they both might benefit personally.  

On 25 January, Reid executed a declaration that he was trustee for McCormack in relation to a half interest in the Mungana leases: this declaration was never registered and rarely acknowledged. According to Reid’s 7 October 1929 evidence at his bankruptcy hearing, he had agreed to give McCormack as “my backer in the first instance” half of the profits from “what he made out of the Mungana areas”. Whether Theodore in turn was formally advised about, or became aware of, this understanding was never formally established. There seems to have been a reasonable probability that Theodore privately knew of

---

323 Letter from E Rodda to F Reid, 21 November 1917. This document is included in the McCormack papers held by the author and is summarised in The Mungana Scandal, p. 10.

324 T Sykes, “Theodore’s Scandal”, p. 228.

325 Supreme Court of Queensland in Federal Bankruptcy Jurisdiction, No. 89 of 1929, 7-8 October 1929, QSA, Series ID 4508, Item ID 1669900, p. 27. Throughout the thesis this document is termed “Fred Reid Bankruptcy Hearing”.

some arrangement at an early date, as Reid was unsure whether he had actually told Theodore at their March meeting in Cairns, saying, “I suppose I did”.

Having secured deferment of his expenditure obligations and with little capital of his own, Reid then demonstrated an innate cleverness. He had to raise the necessary funds to acquire equipment and operate the mine: he chose the government as the priority source of funds. So he secured an option in January 1918 to buy machinery and plant from the Mungana Mining Company for just £2,780, which compared extremely favourably with the £16,486 net value of plant and machinery assets shown in the last published accounts of the company at March 1915. Reid then estimated the total cost to put the mines on “a proper working basis” to be the surprisingly small figure of £15,000. On 20 March 1918, following a personal meeting with Theodore in Cairns two days earlier, he forwarded Rodda’s report to him. This was used as justification for seeking an early government advance on a £2 for £1 basis. He sought a £10,000 loan under the *Mining Machinery Advances Act of 1906*, indicating that he would be able provide the remaining £5,000: this was a very doubtful proposition. Without any justification being prepared, Theodore forwarded the proposal to the Minister for Mines, Alfred Jones, recommending that:

> The proposition is thoroughly sound from a business point of view and there should be ample security to cover the Government. When the Chillagoe smelters are reopened (as they probably will be shortly as a Government concern) they will draw their principal supplies of silver-lead ore from these mines. There is no doubt about the quantity of the ore reserves, nor is there any doubt that the ore is of sufficient value to make it profitable to treat at Chillagoe. The dewatering would take some time and that is the reason for an early consideration of this application. As the future prosperity of the Chillagoe field depends upon the successful operation of the Chillagoe works and such mines as the

326 Crown Solicitor, Brief on Trial, June 1931, QSA, Series ID 5172, Item ID 840394.
327 Ibid., p. 11.
Mungana properties, and as I can vouch for the bona fides of the applicant in this case, I desire as favourable consideration of the application as possible.328

Jones, who throughout his twelve year tenure as Minister for Mines would prove to be prompt and compliant in acting upon requests from both Theodore and McCormack, referred the application to the experienced inspector of mines, Sydney Horsley. Horsley was very negative, describing the machinery as being in a “pitiably neglected condition” and indicating that the total cost for opening both mines could be at least £49,000 – £20,000 for Lady Jane and £29,000 for Girofla.329 Despite the correct application forms not being used, cabinet approved a loan for £2,800 at an interest rate of 5 per cent to Reid on behalf of the Mungana Syndicate (without McCormack’s interest being disclosed) in June 1918. This was followed by a further £300 loan two months later on a one for one basis to sink a shaft at Girofla. These funds were sufficient for him to exercise his option over the Mungana Mining Company’s machinery (it was also around this time that the Mungana Mining Company convened an extraordinary meeting to wind up the company). At this juncture neither Reid nor McCormack had made any capital contributions.

In February 1919 Reid abandoned the original lease application for two five acre areas, which were still incorrectly recorded in his name only. With Dunlop’s approval, Reid replaced them by four new and larger application areas, numbered 556, 557, 558 and 559, collectively covering 57 acres, in the new name of the Mungana Mining Syndicate (MMS) – essentially being Reid and McCormack, whose name was still not disclosed. These applications included further parts of the original Chillagoe Company leases. It was only after securing these areas that Reid made a very belated, and only token, start on the expensive task of trying to dewater the mines.

---

As Kennedy succinctly commented, “Labor’s commitment to state enterprise at Chillagoe had become a matter of ideology transcending reason”. There was a very strong political desire for the government to proceed with the acquisition as part of its state enterprises policy, given added weight by Chillagoe being Theodore’s electoral base, where he (probably optimistically) estimated that 20,000 people in the region were dependent upon mining for their livelihoods.

However, there was the undisclosed involvement by McCormack and possibly other associates in the Mungana areas, which were desperately needed to feed the smelters. The smelters needed Mungana ore and the Mungana mines needed the smelters. By then Reid’s plan had been modified in a very clever manner: the mineral leases would now be sold to the government, without the need to incur significant capital expenditure. The concept was so breathtakingly

simple and creative that it surely reflects input from others. The state would have to spend all the still unspecified capital to dewater and reopen the Lady Jane and Girofla mines, while the current owners would derive continuing benefits primarily from royalties, irrespective of whether it was profitable to mine and smelt them. The associates in this concept were not fully revealed until a decade later: they were the very fortunate and well-chosen shareholders in Mungana Mines Limited (MML), a new company incorporated on 16 November 1920.

**Reopening of the Smelters**

The state assumed total financial responsibility for the Chillagoe Enterprise from 1 July 1919. The 37 year old Peter Goddard had been appointed to the position of Chillagoe Mines Manager, essentially as an interim general manager, on 22 April 1919. Given the fact that the smelters had been closed for over five years and still had to be capable of treating an unusually variable volume and quality of ores, the task for the new manager was indeed a challenging one, requiring significant technical and management expertise. Goddard’s relevant technical experience was as a smelter shift foreman for eight years at the Mount Elliott copper mine near Cloncurry. William Corbould, general manager at Mount Elliott, was a highly respected mining and smelting authority who would later be successfully involved with Mount Isa Mines, strongly recommended Goddard for the role saying, “he seemed to have the makings of much more”. Theodore, in turn, sent the application to Jones with the brief covering comment, “Will you take into consideration the application of Mr Goddard when an appointment in Chillagoe is being made”. Goddard’s overall suitability for what would become a very difficult and increasingly political position was rightfully challenged later, on both technical and ethical grounds. A cabinet committee selected him from four applicants, but it made the initial appointment for only 12 months at a reduced annual salary of £1,000, subject to a three months’ termination clause, so Goddard could demonstrate his suitability for the role.

---

331 Crown Solicitor, Brief on Trial, June 1931, QSA, Series ID 5172, Item ID 840394, p. 8.
One of the unsuccessful candidates was Dr Harald Jensen, previously Commonwealth Director of Mines and a “temporary” Queensland government geologist since 1917, who in the same month had visited Mungana and had prepared two comprehensive reports giving his observations about the overall Chillagoe district and the Mungana area. These reports were not published in the *Queensland Government Mining Journal* until March and April 1920. Jensen’s first report gave a readable account of the regional geology and correctly highlighted the fact that an enormous loss had been incurred by the inability to recover the considerable quantities of zinc, whose presence adversely affects smelter recovery.333 His report on the Mungana area relied quite heavily on Rodda’s report to Reid but he endorsed some of Horsley’s comments about the Chillagoe ores having lower intrinsic ore values and required higher costs to treat.334 Given the quality of his comments and his knowledge of the area on paper he seemed a superior, but probably much less pliable, candidate in comparison to Goddard.

During Goddard’s probationary period, unbeknown to others with the probable exception of McCormack, Fred Reid had ensured that Goddard would be most amenable to the very political persuasion that Horsburgh had specifically warned against during his appearance before the Legislative Council select committee. Years later, Theodore in his 3 October 1930 Cremorne speech publicly indicated that his preferred candidate was James Horsburgh who was offered the role by Jones, but declined for personal reasons: presumably this would have included his philosophical dislike for government ownership and the likelihood of political interference.335 Goddard spent considerable time in seeking ore supplies, in the process building a close relationship with Reid, who was seeking advances from the smelters so he could supply 3,000 tons of already mined ore and up to 5,000 tons from the open cut mine at Girofla. Within the first

335 EG Theodore, 3 October 1930 Cremorne Speech, p. 10.
month of his employment Goddard had received approval for making a £500 advance to Reid for ore purchases, personally authorised by Theodore, then acting Premier. By August, the month before McCormack’s elevation to cabinet, this approval had been increased to 90 per cent of the net ore value at the rate of £1,200 per month, apparently to give Reid funds to help dewater the Mungana mines, contrary to the provisions under the act. This was much more favourable than the normal 50 per cent of the net ore value that applied to other miners. The situation was described at the 1931 conspiracy trial in the following manner: “This distinct preference for Reid was not for helping the smelters so much, but to relieve him of financial difficulty.” There seemed to be wide anticipation about the importance of the reopening of the Mungana mines. The Under-Secretary for Mines described the situation in his optimistic 1919 annual report to parliament, prepared in April 1920 soon after the smelters had been restarted, in the following terms which made the mine reopening process appear surprisingly easy:

The greatest venture of the year was the re-opening of the Mungana silver-lead and copper mines – the Lady Jane and Girofla. The initial difficulties and accompanying successes are almost romantic in their happenings. Following on general machinery repairs, the task of dewatering both main shafts has begun.

… In the face of [various] obstacles the future looked at least gloomy; but while further repairs and new work were in progress attention was somewhat tardily directed to the surface dumps at both mines and to the open cuts at Girofla. In the dumps several thousand tons of ore highly payable at existing prices were discovered, and its transportation to the Chillagoe smelters was speedily begun.

In the open-cuts, too, a winze and other small workings developed about 20,000 tons of ore easily mined and highly payable. With the funds thus secured, it would be possible to

open cut the Lady Jane mine and win the whole of the valuable deposits imprisoned there since the fire of some [ten] years ago.

The production of silver-lead, in addition to considerable quantities of copper, from these mines is likely to increase and to be maintained for years to come.

The Chillagoe Enterprise did not become fully operational until January 1920. It had required expenditure of £62,000 on rehabilitating the smelters and dewatering the Einasleigh mine. On 22 April 1920 Peter Goddard’s appointment as General Manager was confirmed for the statutory three year period, at the promised annual salary of £1,500, with Jones and McCormack being one two cabinet signatories to the executive minute, as Theodore was overseas. Despite various anomalies which came to light in the later audit reports, Goddard’s performance had been favourably perceived by the government — notwithstanding the fact that at least one minister, William McCormack, knew that Goddard was in clear breach of his employment conditions under the Chillagoe-Etheridge Railway Act of 1918. In his confirmed role, Goddard then also became responsible for the state-owned retail store and butchery shop in Chillagoe and later for the tin mines, smelter and retail shops at Irvinebank plus the coal mine at Mt Mulligan. This was a very significant overall workload which would have significantly challenged much more capable, qualified, experienced and ethical persons than Peter Goddard.

The First Auditor-General’s Report in 1920

The inclusion in Queensland Parliamentary Papers of the financial year performance to 30 June in the annual report by the Auditor-General, coupled with the calendar year reports by the General Manager of the smelters and the Chillagoe region mining warden contained in the annual report by the Under-Secretary for Mines, enables a reasonable picture to be reconstructed

of the overall operating and financial performance under government ownership from 1919-20 onwards. The comprehensive initial report of the Chillagoe Enterprise, the Mount Mulligan coal mine and the nearby Irvinebank operation, which was also under state ownership, was prepared by Peter McCaffrey, a senior inspector, who was to play a significant role in preparing audit reports some years later and at the 1930 Royal Commission.

Despite prices declining from their elevated 1917 levels — around 40 per cent for copper and 30 per cent for lead — the project reported a small £1,375 profit for the financial year ending June 1920. The smelters only commenced operations that January, the very month there was a severe cyclone incurring £6,573 damage.\(^{338}\) This was the only profit the smelters would officially report, but even that profit was misleading. It was shown 10 years later in the Royal Commission report that the 1919-20 profit was inflated and should have been a loss of at least £3,085.\(^{339}\) £65,000 had been spent on reopening the smelters and dewatering the Einasleigh mine over a six months period. McCaffrey particularly commented that the approved basis for allocation of the £701,000 purchase price had not been followed, with only a nominal £40,000 being ascribed to the overall Chillagoe Enterprise, apparently at the direction of Theodore, a decision that was accepted under protest by the Commissioner of Railways.\(^{340}\) 563 persons were on the payroll at the end of the financial year with another 500 indirectly involved in supplying the smelters. The Einasleigh mine had provided 75 per cent of the copper ore and a similar proportion of silver-lead ore came from the Girofla mine. The enterprise was not seen to be viable unless both copper and lead furnaces were operating close to capacity.\(^{341}\) Overall he believed that the initial year of the enterprise had been successful, as shown by his summary comment:

\begin{quote}
After a careful study of the balance sheet and a general view of the whole position, I am of the opinion that, provided metals maintain reasonable prices and that the undertaking
\end{quote}

\(^{338}\) Ibid., p. 67.
\(^{341}\) Ibid.
receives fair treatment the Chillagoe proposition has every indication of proving a success.

McCaffrey also praised the “exceptional ability of the General Manager”.342

He noted that Goddard had also advanced £44,248 to suppliers in order to secure ore supplies, even though such funding was contrary to the provisions of the act, but he believed that the General Manager had no alternative, as “the smelters could not have been kept going by any other means”.343 The report for that first year also recommended that the Chillagoe-Etheridge Railway Act be amended so additional ore sources could be secured by purchasing more mining locations. There were several identified mines, the most significant of which were on the Mungana leases. As early as late 1919 Reid had apparently verbally offered to sell the newly issued Mungana leases to the government, an aspect noted by McCaffrey in his report.344

The 1920 Amendment to the Chillagoe-Etheridge Railway Act

In early December 1920, soon after the surprisingly closely-fought election when the Labor Party majority was reduced to just four, Theodore introduced an amendment to the Chillagoe-Etheridge Railway Act. This was done as an urgent response to the Auditor-General’s recommendation that additional ore should be sought through tribute agreements with private miners.345 Theodore, who led the debate in the Legislative Assembly, is reported to have personally added the following provision to the bill:

342 Ibid., p. 71.
343 Ibid., p. 69.
344 Ibid.
To acquire, whether by purchase or lease or on tribute or on a royalty basis, any mine or mining lands the ore won from which, in the opinion of the Government, will further the profitable carrying on of the business … and to open up, work, and develop such mine or mining lands, and to deliver the ore obtained therefrom to the smelters.\(^{346}\)

although in an interjection during the debate he implied that the clause was inserted at Goddard’s recommendation.\(^{347}\) The specific wording in relation to payment by way of royalty indicates that he was possibly aware of the planned proposal concerning the Mungana leases. Payment in such a manner carried an implication that the government would also be responsible for the as yet unquantified capital costs. Interestingly, the opportunity was not taken to amend the restriction with regards to financing ore supplies, which Goddard continued to use as a matter of policy.\(^{348}\)

Arthur Moore, the Country Party member who nine years later would become Premier, led the opposition in the debate for the first time. In principle, Moore with his background in private enterprise was not a supporter of the government’s state enterprises policy, particularly in fields where it had no experience. He requested much more information about why the clause was included, what was intended to be purchased and how the expenditure could be justified. He noted that already the approved maximum £100,000 expenditure to bring the operation back into production under the *Chillagoe Railway, Etheridge Railway and Other Properties Act* had blown out to £205,000 and the government had not sought the authority for the additional expenditure. This over-run undoubtedly arose for additional capital and no reason was ever given. Further, at the declining price of £85 per ton for copper the enterprise would probably not be profitable. In what proved to be the first of many speeches on the topic, Moore went on:


\(^{347}\) *QPD*, Vol. 124, 6 December 1920, pp. 462-463.

\(^{348}\) *QPP*, 1921, “Auditor-General’s Report”, p. 84.
The Premier wants to sink a lot of taxpayers’ money into an enterprise in which there does not seem to be an opportunity of development. I think if the Government have money to waste, it is better to go on with something which we know would be profitable – such as irrigation – than put it in something which may be a huge failure. The mining industry in the North so far has been a regular sink for money, and people have lost large sums in it, and now, because the Government has taken over the smelters, they want to invest the taxpayers’ money.\textsuperscript{349}

Little did Moore realise that the proposed clause would bring the Mungana leases into play so quickly and thereby light the slow nine year fuse under the Mungana scandal. The very brief \textit{Chillagoe-Etheridge Railway Act Amendment Act} was promptly passed by both houses on 16 December 1920, under which the government was empowered to purchase for up to a further £100,000 on any mines “the ore from which in the opinion of the government will further the profitable carrying on the business”.\textsuperscript{350} Theodore declared during the debate:

There will be no power in the hands of the manager under this bill to purchase any mine. He can exercise his discretion in making a recommendation but it must be approved by the Minister [of Mines] and the government. The manager will not be given carte blanche to buy mines all around North Queensland but he can make his recommendations to the government, who will be ultimately responsible for the purchase of any proposition.\textsuperscript{351}

This statement seemed to indicate that close financial control would be exercised over the general manager: that never occurred. The opposition also was rightly sceptical about the approved £100,000 limit, based on the actual experience in the first year. In reality, the government took no notice of the limit, as was progressively disclosed by the escalating annual

\textsuperscript{349} \textit{QPD}, Vol. 124, 6 December 1920, p. 494.

\textsuperscript{350} T Sykes, “Theodore’s Scandal”, p. 231.

\textsuperscript{351} \textit{QPD}, Vol. 124, 6 December 1920, p. 506.
losses and the capital expenditure at Mungana alone. At no stage in the debate did the Mungana leases appear to be mentioned as being a specific target acquisition: yet, that investment was implied in the 1920 Auditor-General’s report. In fact, it was already well targeted, and very actively anticipated, by Reid and McCormack using the new corporate structure for their Mungana interest.

**Mungana Mines Limited**

To prepare for this new opportunity, Mungana Mines Limited was incorporated as the vehicle for the leases to be sold to the state, apparently at McCormack’s urging.  

First, the two person MMS had to be replaced. This syndicate had resulted in an extremely useful cash bonus for McCormack, as Reid had promised to pay him half of any profits generated from silver-lead mining at Girofla in the period from March 1918. Surface and previously mined Girofla ore was sold to the smelters for £24,110, generating a profit of £1,500 each for Reid and McCormack. This was taken in cash and not ploughed back into the enterprise for the major task of dewatering the mines, as would normally be the prudent practice for a typical mining operation. This was not necessary as the obvious plan was for all capital to be provided by the government. The accuracy of this profit calculation was also challenged in the Royal Commission report, where it was noted that the final amount paid to McCormack was not made through Reid but directly by the smelters. By way of comparison, McCormack was paid £1,000 a year as Speaker and £1,250 a year when he became a minister. McCormack received his funds in early October: he promptly paid £750 in cash to Theodore, being the first transaction that set in train the later conclusion that he had arranged to pay half of any income from the Mungana leases to Theodore.

---

352 W McCormack draft letter to the Chillagoe-Mungana Royal Commissioner, 28 April 1930, Appendix 1, p. 349. Throughout this thesis this is termed, “McCormack draft letter to the Royal Commission”.
353 “Examination of Fred. Reid in Bankruptcy Jurisdiction”, QSA, Series ID 4508, Item ID 1669900, p. 46.
On 20 October 1920 an agreement was signed between Reid and Joseph O’Keefe, as a temporary trustee for MML, under which it would receive all the assets held by the Mungana Mines Syndicate. The transaction, which had to occur within 50 days of MML being registered, provided for Reid or his nominees to receive 10,000 shares (deemed to be fully paid) and for the company to take over £4,000 in liabilities from Reid. In the 1920-21 financial year Reid was assessed to have earned a profit of £4,017 profit on which he paid tax of £198. MML was duly registered on 16 November with an authorised capital of 20,000 £1 shares and an adopting agreement was executed on 21 December. The intent was for Reid and McCormack to each have control of 5,000 shares. Fred Reid was one director, while Duncan McDiarmid, a Chillagoe solicitor, was the only other director and also company secretary. McDiarmid later admitted that from the outset he was aware that McCormack was a member of the syndicate which previously held the leases, so he knew that McCormack would also hold shares in MML, even though McCormack’s name was never mentioned in any documentation. MML, in which Goddard had been promised shares, was well placed to take advantage of the provisions of the amended act.

It is very important to be aware of the names of selected MML shareholders, which first became fully known in October 1929. Prior to MML being incorporated, Peter Goddard confirmed that Reid had verbally offered him some shares in the new company. The 1,250 shares represented a one eighth interest in the Mungana mines, to which McCormack’s consent had apparently not been sought. Reid wanted these shares, for which no money was payable, to be drawn equally from both his and McCormack’s shares. This generosity was gratefully accepted by Goddard, contrary to his obligations under the act — although the shares were held in trust by his brother-in-law, John Mangan. Over a decade later, in his sworn statement for the conspiracy trial, Goddard surprisingly declared that he only became aware of the shares just after the March 1922

356 Ibid.
357 DC McDiarmid, “Transcript of Evidence, Royal Commission into Chillagoe-Mungana etc.”, QSA, Series ID 15309 Item ID 92030, p. 73.
358 “McCormack draft letter to the Royal Commission”, p. 7.
sale of the leases to the government had been completed: this statement is extremely difficult to believe. He stated that Reid had apparently registered the shares “in consideration of friendship and advice and assistance which theretofore had been rendered by me in a personal capacity … in connection with his mining operations”. However, McCormack in his statement swore that Goddard knew about the shares on or prior to 16 December 1920. This seems the far more likely statement as during the 1931 trial it was demonstrated that in May 1922 Goddard had received payment from the sale of 300 shares, sold just after the first dividend was received.

The MML corporate records were not kept accurately: only one formal annual return was ever filed, even though it was a statutory annual requirement, subject to a penalty which was never applied. It also seems that no share certificates were ever issued. Details shown in the sole annual return dated 11 April 1921, reportedly based on the correct situation at 31 December 1920 (but not actually filed until 12 May 1922), showed that Reid held 4,800 shares in his own name and 94 shares in his wife’s name. 1,250 shares were held in the name of Patrick Mangan, a cordial maker from Chillagoe, held in trust for his brother-in-law, Peter Goddard (when Mangan died in 1923 the 950 shares then held were transferred to another brother-in-law, William Forbes). 600 shares each were held by Frederick Maher, mine manager from Einasleigh and Augustus Cannavan, a miner from Einasleigh. 500 shares were in the name of William Jackson, a miner from Chillagoe and 500 shares in the name of Charles Tunstall, medical practitioner from Chillagoe. McDiarmid, his wife and nine other persons in the Chillagoe region each held 100 shares. Another 167 shares were issued to a further nine persons. Finally 388 shares were in the name of William McCormack of Brisbane, with no occupation shown.

---

361 Brisbane Courier, 31 July 1931.
362 April 1921 corporate declaration of Mungana Mines Limited at 31 December 1920 signed by DC McDiarmid, contained in “Briefs and Papers of the Mungana Mines/Chillagoe Smelter, QSA, Series ID 5172, Item ID 480380.”
Reid had clearly spread his “expressions of friendship” to more people than Goddard, presumably in repayment of debts previously incurred or for services rendered. Reid later transferred some shares to other relatives as his nominees, but he still personally received all the dividends. However, this initial formal declaration of shares was grossly misleading, as was very belatedly first revealed in October 1929 at Reid’s bankruptcy hearing. Several highly relevant share details were not included, or were subsequently made soon after the 31 December 1920 declaration. Shares were allocated to McCormack’s three unmarried sisters as nominees: 900 to Annie, 900 to Grace and 888 to Mary Ellen. A further 400 were transferred from Reid to McCormack, making his holding 788 shares. Of the shares retained by Reid, a further 900 were deemed to relate to McCormack, who received the dividends via Reid. Finally, 200 of Reid’s shares were transferred to the wife of the Chillagoe mining warden, Robert Dunlop, to avoid Dunlop’s name being directly involved.

It seems that there was continuing disagreement between Reid and McCormack as to the latter’s overall right to shares. McCormack stated years later that he never knew how he initially was recorded as being the holder of only 388 shares in the one return filed, whereas McDiarmid stated at the Royal Commission that this was the number he had asked for. Even this token figure proved to be incorrect as McCormack in 1930 confirmed he always received dividends on 788 shares which were in his name. Subsequent analysis indicates that overall McCormack ended up receiving dividends from 4,376 shares, rather than the 5,000 shares he believed were correctly his: the difference represented a deduction for half of Goddard’s 1,250 shares.

Apparantly, at some unspecified date after his promotion to the ministry in September 1919, McCormack had confidentially declared his MML interest to every member in the cabinet,

363 DC McDiarmid “Transcript of Evidence, Royal Commission into Chillagoe-Mungana etc.”, QSA, Series ID 15309, Item ID 92030, p. 76.

364 “McCormack draft letter to the Royal Commission”, Appendix 1, pp. 7-9.

365 Ibid., p. 9.
without specifying whether this was done on a collective basis or at different times on an individual basis.\textsuperscript{366} In the particular case of Alfred Jones, he stated that he first heard of McCormack’s interest in the Mungana leases from several persons during his urgent visit to Chillagoe in January 1921.\textsuperscript{367} McCormack did not acknowledge publicly that he held any shares until early 1926 and then only the 388 shares shown in his name on the only registered return, rather than the 788 shares actually held in his name. The shares held by nominees were never revealed until Reid’s bankruptcy hearing in October 1929 and confirmed at the Royal Commission. Duncan MacDiarmid certainly knew the full shareholding details, particularly about the shares held by nominees for McCormack. Unfortunately, all the corporate records were destroyed when MacDiarmid moved to live in Tully in 1926, soon after MML had received the total contracted royalty payments from the state.

With well-chosen assistance, Reid (probably aided to an unknown extent by McCormack) had orchestrated and executed a very clever scheme for the acquisition, funding and subsequent sale of the Mungana leases. He had borrowed £3,100 from the government in 1918 to acquire equipment but had spent very little on preparing the mines for production until after the larger leases were reissued. He had come to an early financial arrangement with McCormack to secure his political support, had received advance funding from the smelters to extract available silver-lead ore at Girofla, had derived a handy early profit from the sale of that ore and had also managed to ensure the compliant involvement of the newly appointed General Manager. Reid had put no significant funds into the mines: the government in several different ways had become the financier. Reid and his fellow MML shareholders would ultimately benefit from the royalty on each ton of Mungana ore treated at the smelters, irrespective of whether the ores could be treated profitability or of the capital cost involved, once an agreement had been reached with Goddard, on behalf of the government. He and the other shareholders could then just sit back and wait for royalties to be paid to MML triggering dividends to flow. Further, it was not even

\textsuperscript{366} \textit{QPD}, Vol. 148, 5 November 1926, p. 1629.

\textsuperscript{367} AJ Jones, “Transcript of Evidence, Royal Commission into Chillagoe-Mungana etc.”, QSA, Series ID 15309, Item ID 92031, p. 495.
necessary to wait until the state of Queensland finally became the owner on 22 March 1922: in the meantime Reid would be able to negotiate a favourable tribute agreement with Goddard.

**Purchase of the Mungana Leases**

Meanwhile, Goddard – now clearly in a preferred, conflicted and compromised position – had pre-empted the successful passage of the amendment to the *Chillagoe-Etheridge Railway Act*. As early as August 1920 he had sent the following message to the Minister for Mines:

> Ore supplies are showing some improvement. But it is regretted that our furnaces are not getting more than on average 60 per cent of their requirements. With improved qualities costs could be reduced considerably. I would strongly urge that some endeavour is made to open up Mungana mines.³⁶⁸

Reid was very anxious for the amendment, asking McCormack in a telegram on 10 December, “when will the bill become law?” Goddard was also anxious. Three days before the bill was passed, and before MML’s articles of association had even been formally adopted on 21 December, he advised Jones by telegram:

---
Smelting operations closed today until after New Year. Vigorous development policy Mungana necessary enable us obtain reasonable ore supplies early New Year. Please instruct if possible make earliest arrangements to purchase.\textsuperscript{369}

There was a flurry of telegrams over the next few months, some of which directly involved Theodore. Jones initially authorised Goddard by return telegram to negotiate with the holders of the Mungana leases, in which he already had a one eighth interest, of which Jones seemed to be unaware. Goddard immediately made a detailed written submission to the government, on the very day the act was passed, to acquire the Mungana leases for £40,000, payable partly in cash and partly by way of royalties. While this still may seem an overall low figure, in today’s terms this would be equivalent to around $3.0 million.

This proposition received a further quick response from Jones, who promptly visited Chillagoe. On 17 January 1921 he recommended by telegram to Theodore the immediate purchase:

\begin{quote}
Position here serious and acute. No doubt present and future ore supplies for Chillagoe very largely depend on Mungana … After full inspection metal price immaterial. Works cannot restart unless Mungana ore secured. I strongly urge you to consider tomorrow Cabinet and authorise immediate purchase.\textsuperscript{370}
\end{quote}

Edgar Saint-Smith, who was the government geologist from 1912 to 1924, accompanied Jones and considered the Mungana mines were essential for the future of the smelters, although he was unable to actually inspect any of the ore bodies. Again relying on Rodda’s 1917 estimates

\textsuperscript{369} KH Kennedy, The Public Life of William McCormack, p. 449, and “Transcript of Evidence, Royal Commission into Chillagoe-Mungana”, QSA, Series ID 15309 Item ID 92031.

\textsuperscript{370} “Transcript of Evidence, Royal Commission into Chillagoe-Mungana”, QSA, Series ID 15309 Item ID 92031, p. 452.
supplied to Reid and taking no account of the lower prices, he believed “the properties to be extremely cheap at the prices asked”, but pointed out “the Lady Jane had not yet been dewatered, with little work carried out by the Reid syndicate”. He could also have added that the Lady Jane mine had not been operated for over 10 years, partly due to the fire. However, he opined that “the present mine owners could erect and profitably run a lead furnace at Mungana itself for an insignificant sum”. In 1930, he confirmed that the reason for making this statement was “there was a [small copper] smelter plant available at Cardross”, which seemed somewhat incongruous. It was later shown in a briefing report for the conspiracy trial that processing the Mungana ore was totally uneconomic and that “Smith’s remarks that a lead furnace could be erected and profitably run at Mungana would be condemned by any metallurgist of experience”.

MML was hardly likely to build another lead smelter, given its spread of shareholders, the demonstrated inability to raise its own capital plus the complexity of roasting and smelting many of the ores. While Saint-Smith’s statement was later proved to be highly inaccurate, it had the immediate effect of encouraging the government to agree terms for the purchase of the Mungana leases, by way of an initial tribute agreement and a two year option agreement. This latter agreement, which became effective from 19 February 1921, confirmed the price of £40,000, with £10,000 (adjusted for loan repayments from Reid) to be paid in cash within one month of the exercise of the option and the balance as annual royalties.

Soon after the amendment act was passed on 16 December 1920, Goddard effectively took operational possession of the Girofla mine. The final terms of the tribute agreement, which was concurrently negotiated between Reid and Goddard whilst the option agreement was being

---

372 Ibid., p. 322.
373 “Briefs and Papers of the Mungana Mines/Chillagoe Case”, QSA, Series ID 5172 Item 840352.
determined, were finally concluded on 4 June 1921. The smelters would pay all the expenses incurred for dewatering and developing the mines, effective from 16 December 1920. There would be payment of £1,300 for 700 tons of low grade silver-lead ore already mined. A royalty at the rate of 4/- per ton (dry weight) of all ore removed from the leases, which could have been equivalent to around 5 – 10 per cent of the gross metal contents of the ore, depending upon the actual grades mined. Half of the royalty payments were to be used to reduce Reid’s outstanding loan and the balance would be paid to MML once a formal agreement was executed. MML was assessed as having made a profit of £26,000 from this transaction, on which £4,580 tax was duly paid.

By 30 June 1921, Goddard had already managed to spend £12,223 capital on developing the Girofla mine, with no work undertaken at the Lady Jane mine. The Auditor-General’s report for 1920-21, again prepared by McCaffrey, disclosed that the enterprise incurred a £49,451 loss, primarily attributable to the smelters only operating for six months of the year and the decline in prices. Apart from the Girofla mine, a further £33,902 capital expenditure had been incurred, increasing indebtedness and the interest burden. There had also been sufficient early evidence that mining at Girofla would be unprofitable unless a very rich ore body were to be discovered, an event that never occurred.

The option was not finally exercised by the government until another report from an independent mining expert was received. This report was finalised and circulated to all Ministers on 27 January 1922 by William Poole, a former director of Charters Towers School of Mines. It highlighted the ongoing water problems and accepted Rodda’s 1917 ore estimates (again without being able to examine the ore bodies below the 300’ level). He somehow managed to forecast that the areas would return an overall profit of £54,000: this was based upon the profit from treating 60,000 tons of ore, each ton valued at £4/13/- incurring cash costs at the smelter of

---

376 Report from Queensland Income Tax Office, 1 July 1929.
£3/15/-, “when the smelters are in full work”. Poole’s report was roundly criticised during the 1931 conspiracy trial, partly because he had made no allowance for mining or transport costs as he seemed to be “assuming that the whole of the ore dropped from the clouds into the bins”.378

Supplemented by anecdotal evidence from former mine workers, Poole included several other key observations:

I confidently anticipate, from the general habit of limestone caves, that further discoveries of important ore bodies will be made at these mines…There is one matter to which I desire to direct your attention, and the importance of which I wish to emphasise – viz. that no smelting plant in Australia depending wholly or mainly upon outside supply of ore has continued in successful operation… If the option to purchase is not exercised, there is no doubt the money necessary to build a smelter at Mungana could be obtained, and if this were done it would render it very difficult to operate the Chillagoe smelters.379

Rodda in his late 1917 report had provided an estimate of potential values at the ruling metal prices of around £120 per ton for copper, £30 per ton for lead and 40 pence per ounce for silver. By 1922 all prices were much lower. Given the lack of documented evidence about the size and value of the resource, how could Rodda’s indicative estimate of value be justified, unless a sustained increase in prices occurred? Poole’s report was primarily directed towards justifying the objective to ensure the smelters would continue to operate: it became yet another report to be over-optimistic about the Mungana leases and the viability of the smelters.

It was never formally documented how the agreed consideration of £40,000 was actually established or what tonnage of ore was expected ultimately to be available. Both Young and

378 Ibid., p. 86.
379 KH Kennedy, The Mungana Affair, p. 16.
Sykes noted, based on supplementary evidence emerging many years later, that eight months after his appearance before the Legislative Council select committee in June 1919 Reid had granted an option over the Mungana leases and equipment through Alexander Macdonald to Mammoth Copper Mining Limited. This company had influential Scottish shareholders, led by Henry Allan of Allan Steamships who was also a director of the prestigious Midland Bank. Mammoth Copper then owned the Chieftain mine, the sole surviving copper mine at Cardross, 20 miles north of Mungana, but it was not operating at the time. The plan was to form a new public company, Mammoth-Mungana No Liability, with Reid (and presumably his associates) receiving £50,000 in vendor shares for leases and equipment from the new £200,000 capital company, with £50,000 to be raised from the public for dewatering. Theodore was apparently advised about, and supported, the plan as he was aware of the further intention to extend the railway to Cardross. Reid did not proceed with the option, so the plan was abandoned.\textsuperscript{380} This possible joint company would not have delivered any early income and would have certainly required further major shareholder contributions for the still undetermined capital cost to reopen the mines. It was a vastly inferior proposition for MML shareholders compared to the concept accepted by the government. However, it seems a reasonable assumption that Reid used this potential transaction, which would have only resulted in cash returns if the mines were to be profitable, as some form of benchmark for his valuation (this plan was resurrected in 1937 as shown in correspondence with Theodore and the still bullish Macdonald and also appears in an appendix in \textit{Theodore: His Life and Times}).\textsuperscript{381}

On 16 March 1922, the Queensland government exercised the option to purchase all the assets held by MML for £40,000. The initial cash sum was £10,000, less the amount still outstanding from the original £3,100 loans made to Reid in 1918. Royalties paid under the tribute agreement were deemed to be part of the deposit, resulting in the initial cash payment being £5,878, while the £30,000 balance was payable as a royalty at four per cent of the gross metal content for ore valued at less than £5 per ton and at five per cent of the gross value for ore valued at over £5 per ton. Royalties were to be payable annually, with a minimum £2,000 payment. The mines finally

\textsuperscript{380} T Sykes, “Theodore’s Scandal”, p. 230.

\textsuperscript{381} Theodore papers, NLA, MS 7222, Folder 3.
became the property of the Queensland government on 25 March 1922, after which MML ceased to exist as an operating entity, only receiving the royalty payments pursuant to the government agreement until it was wound up in 1926. There was a very interesting communication from Goddard to Jones on 29 March, as follows “We have McCormack here during the past week finalising the Mungana stunt and everything appears to have wound up satisfactorily”. In fact, it was demonstrated later that the Mines Department was never formally advised of McCormack’s interest in either the MMS or MML.

A day earlier, the government made its first payment to MML shareholders. Reid received £2870 and promptly sold 400 shares at 30/- each. McCormack received £2,086 and promptly secretly paid £1,600 on mid-April to Theodore, the first of the royalty transactions which triggered the Royal Commission’s accusation of corruption in 1930.

---

Consequences of the Purchase

Amongst the archived papers relating to the conspiracy trial are the interesting minutes of a meeting between Theodore and a six man delegation from the Chillagoe AWU branch, held there in April 1922, just after the purchase had been finalised. Theodore, in his comments about the Chillagoe operations, stated that the period of high post-war metal prices had passed resulting in the smelters operating at a “heavy loss”, experienced by other Australian operations, many of which had closed down. He added that “Unless losses could be reduced the works would have to close indefinitely” and “If it unfortunately happened that the present government was turned out of office tomorrow the smelters would ‘get the axe’ as no private enterprise would run it”. The manager was very keen and had a plan to reduce operating costs. The government had endeavoured to give him a free hand as they had every confidence in him and did not want the enterprise to fail because of outside interference”. He personally favoured a 10 per cent reduction in wages and staff costs, as “it was better to have 1000 men working with a 10 per cent reduction than to have a nominal rate of wages established and the works not operating”.  

This discussion clearly shows that only just after the purchase Theodore was under no illusions that, even with the Mungana leases, the economic outlook for the smelters was decidedly poor. Some months after the final purchase was settled the Auditor-General report for 1921-22 was tabled, showing an increased annual operating loss of £71,786. By then, £53,800 capital expenditure had been incurred on both Mungana mines, with the Lady Jane mine still not yet ready for production.

Years later, there was considerable discussion about the £40,000 valuation as it assumed great importance at the conspiracy trial in relation the amount claimed from the defendants. £40,000

---

was perceived by some commentators as being a relatively minor sum for what were persistently
represented to be such valuable ores. This perception was absolutely incorrect. In fact, the
£40,000 was akin to being “the tip of an expenditure iceberg”, since the government had
assumed full responsibility for the totally unquantified capital costs for re-establishing,
dewatering and then opening both mines. Ultimately, as shown in chapter 6, the total additional
capital costs amounted to £182,700, before any consideration of the economics of mining and
then smelting the ores. As only around 113,000 tons of ore were finally able to be extracted, each
ton carried an incredibly high overall capital cost of £2, when the cost of acquisition of the leases
is included. If just the new capital expenditure had to be met by MML shareholders it was
equivalent to a huge £18.3 per share, which no-one would have been prepared to pay. On a
strictly financial basis, the Mungana leases were worth much less than nothing: yet the MML
shareholders received a percentage royalty, without recognition that the overall operation was
intrinsically highly unprofitable.

The Beneficiaries

Who were the beneficiaries from this transaction? Certainly not the people of Queensland, as the
Auditor-General’s annual reports consistently disclosed the continuing losses. Effectively the
only persons to profit financially were the MML shareholders, who had invested nothing. They
joined the very few original Chillagoe Company directors as members of an extremely select
group to make profits from the Chillagoe mining field, until the Red Dome copper-gold
operation in the 1990s.

The three major beneficiaries from the sale in descending order of value based upon their total
shareholdings were McCormack, Goddard and then Reid, who finally ended up with a paltry 814
shares. Collectively, they had organised to receive substantial benefits from the sale of the
Mungana leases to the government. There were two further significant features about their
actions: dishonesty and silence. McCormack as a cabinet minister from September 1919 was
aware that Goddard was clearly in breach of his contractual employment obligations. Further, Goddard was also in a position to ensure preferential treatment for Mungana ores (or those provided by friendly parties such as Reid) should that be required. By carefully distributing some of his MML shares Reid had rewarded those who had either assisted him directly or to whom he owed money. At this juncture, the only apparent continuing role that seems to have been played by Theodore was to ensure prompt approvals for making advances to Reid and then facilitating the 1920 legislation, which would enable other mines to be purchased and so help employment in his electorate. It would seem highly likely that Reid at some stage must have tried unsuccessfully to also directly involve Theodore more closely with MML. There is no written evidence that Theodore ever had ownership of, or any implied interest in, MML shares. However, it was quite conceivable that he could have come to some private understanding with his long-standing friend, McCormack. If that were the case, this silence would be hard to maintain, given the number of interested parties in achieving a successful outcome of the transaction. Inevitably, some important initially secret information would leak out.

All shareholders had very quickly received returns, as the first cash payment (reduced by the outstanding balance of the earlier two loans to Reid) was promptly received within days. The annual royalty payments started to flow in April 1923. Over the short period to June 1925, when the surprising and unjustifiable decision was taken to pay out the remaining amount in advance, Reid and his fellow MML shareholders were soon very well compensated. Each finally received just over £3 per share, equivalent to around $22,000 in today’s terms, within the next four years, during which period the mines and smelters returned significant losses. There is no evidence that any shareholder, apart from an unspecified but small initial contribution from Reid, paid anything for the MML shares. Reid at one stage admitted that McCormack may have paid up to £100 for his early commitment to be involved in the two man syndicate, but even that was never finally proven as McCormack later stated it related to legal costs for which he was reimbursed.

The MML shares would provide McCormack dividends of around £13,327, an amount greater than his cumulative salary as Speaker and Minister for the entire decade from May 1915 – for no outlay. Overall, McCormack received nearly $1.0 million in today’s values from his overall Mungana involvement. As Fitzgerald notes, Reid and his associates were “well placed to benefit from the Labor government’s commitment to state capitalism”. The lurking issue was that the largest recipient of these dividends would soon become the 22nd Premier of Queensland: it was later shown that he had passed around half the amount he received to the 20th Premier of Queensland.

The key MML shareholders were indeed in a very strong position. Goddard seemed to have complete freedom to maximise the use of Mungana ores, Reid had some new funding for his other local enterprises while Dunlop was firmly in favour with the government. He was even appointed as one of three Commissioners in early 1921, pursuant to the Electoral Districts Act of 1910, to redraw the boundaries of 17 selected electorates, one of which was Chillagoe. Dunlop would soon afterwards be transferred to Cloncurry as mining warden, where he was later to be a controversial recipient of a significant free issue of Mount Isa Mines shares, again precluded under his employment conditions. He would return to the Chillagoe area briefly in late 1921 to lead the Royal Commission into the Mt Mulligan coal disaster and then again be based there from early 1924 to 1926 where he deepened his business association with Reid. Reid remained in the Chillagoe area following up other mining opportunities, so he was in frequent contact with Goddard. His presence and access to funds were obvious: it was later said locally, “When Fred Reid had money, everybody in Chillagoe shared in it. He was a most generous man, if somewhat extravagant”.

386 “McCormack draft letter to the Royal Commission”, p. 8.
388 CA Bernays, Queensland: Our Seventh Political Decade, p. 92.
CHAPTER 6: STORM CLOUDS GATHER OVER CHILLAGOEO-MUNGANA

This chapter briefly summarises the key relevant events from 1920 until the Queensland and federal elections in 1929, when Labor won nationally but lost power in Queensland. It provides an overview of the evolving and diverging political careers of Edward Theodore and William McCormack, where both came under increased pressure from more radical unions, led by the Australian Railways Union (ARU), and new political parties. In parallel, it also tracks the continuing poor performance of the Chillagoe Enterprise after it had gained uninhibited access to the Mungana leases. Following Theodore’s successful legislation to abolish the Legislative Council and implementation of major changes to the judicial system, after securing an increased majority at the 1923 election, he turned his focus to federal politics, resigning as Premier in early 1925. He left the state with a far more populist parliament, without any checks or balances from an upper house. After a surprise defeat at the 1925 election he finally won a federal seat at a NSW by-election in 1927 under controversial circumstances and was elevated to deputy-leader in 1928. While McCormack eventually became Premier in late 1925, this turn of events marked a major divergence in their political careers: Theodore was thereafter not present to be able to help shield his long-standing friend.

The main argument in this chapter focuses on the persistent poor results of the Chillagoe Enterprise, which incurred increasing operating losses and finally spent £182,700 capital ($136.5 million in today’s terms) on the two Mungana mines. With effect from June 1924, £281,000 in losses were written off while further interest costs were suspended. Additional losses in 1924/25 resulted in a highly negative audit report followed by ARU accusations that McCormack had a secret involvement in the Mungana leases. At June 1925 Goddard had surprisingly been given approval for the final Mungana royalties be paid in advance, by which time McCormack had received £13,327 (nearly $1 million in today’s terms) before he became Premier. Later in 1926, Arthur Moore as leader of a new united opposition party, the Country and Progressive National Party (CPNP), first called for a Royal Commission into the Chillagoe Enterprise and the Mungana leases. A further scathing special audit report was released in 1927, by which time the smelters had closed and Goddard had resigned. McCormack, under increasing pressure, refused
to take any action: however, this became a relatively minor issue in his major 1929 election loss to Moore.

* * * * *

The only parliamentary session in 1921 was described by Charles Bernays, the clerk of the Parliament, as “the most remarkable over the seven decades from 1859 to 1929”. It is important to appreciate the significance of two major pieces of state legislation, which were enacted at what proved to be the last session of the bicameral legislature. A new legal and political framework was introduced, a system that became more influential as the Chillagoe-Mungana story unfolded. This new legislation related to the abolition of the Legislative Council, which had blocked much of the government’s reforming legislation, and major changes relating to the judicial system. The combined consequence of these changes was to create a parliament having no inherent checks from an upper house and with less likelihood of being hampered by what was perceived as a conservative judiciary. At one stroke the Queensland parliament became a much more populist assembly, a situation that still exists.

Abolition of the Legislative Council

In August 1919 Theodore, then acting Premier, had formally introduced the Legislative Council Abolition Bill to the Legislative Assembly. Once he became Premier two months later he was in a position to personally orchestrate the abolition. Theodore placed more emphasis on achieving his objective through the appointment of more members, particularly after Labor had lost ground at the December 1919 federal election. He decided to take advantage of the appointment of an acting Governor, to serve from 3 February 1920 pending the appointment of a successor to arrive late in the year. Theodore chose the 70 year old William Lennon, who had only recently succeeded McCormack as Speaker, as the instrument to achieve his objective. He was appointed to the role of Lieutenant Governor, which was normally filled by the Chief Justice at no additional remuneration, after reportedly the position was refused by several prominent Queenslanders. Lennon, the Labor member for Herbert from 1907, was deputy-leader for a period and later Minister of Agriculture and Stock after Labor won government. Lennon’s appointment was also highly unusual as he was appointed to a remunerated role for an indefinite

390 CA Bernays, Queensland: Our Seventh Political Decade, p. 13.
duration (which ultimately extended to 10 years) compared to the five year appointment period applicable to all other Governors.

On 19 February, very soon after the Legislative Council amended or rejected several more bills, a further 14 new Labor appointments were approved by Lennon. This new group of appointees, later commonly known as the “suicide squad”, was required to attend all Council meetings without pay or allowances, apart from receiving a lifetime rail pass. This increase ensured 35 persons would support the Labor government, sufficient to secure a majority for the passage of all rejected financial bills, but essentially committed to the chamber’s abolition. The expanded upper house of 64 members was then only eight seats smaller than the Legislative Assembly.

Theodore’s statement at the time is noteworthy:

> The additional members have been appointed to prevent the Government bills from being unceremoniously flung out in the Council. The Government will not take advantage of its new strength in the Council to abolish that Chamber: at any rate until it gets a fresh mandate from the people. That could be either by making the abolition the principal issue at an election or by way of another referendum.

Before that occurred, Theodore had to confront a major issue in securing new overseas loan funds. A year after the cessation of World War I each state had reassumed responsibility for its own loan requirements: Theodore sought £9 million for state works, including his long cherished plan for a northern iron and steel works to be built at Bowen. In March 1920, he embarked on his first overseas trip, travelling via the US to London, where he unsuccessfully hoped to convince the Colonial Secretary to appoint an Australian as Queensland Governor. Theodore was rebuffed in attracting any new loan funds, apart from a temporary £1 million facility. In fact, Queensland was unable to raise new loan funds in London until 1924, leading to the state being starved of

---

new capital, described by some persons as a blockade. This restriction destroyed Theodore’s plan for a major industrial development in the northern part of the state.

Such was Theodore’s exasperation at the British funding refusal, which he believed would be seen unfavourably by the electorate, that the very day he returned to Brisbane after six months absence he quickly persuaded the Lieutenant-Governor to advance the election date by five months to October 1920. In his policy speech Theodore implied that a further referendum would be held. Theodore badly misread the mood of the electorate. The Labor Party went very close to losing office as its share of the vote sharply declined from 53.7 per cent to 47.8 per cent, losing ten seats primarily to a resurgent Country Party. The immediate post-war period had created economic challenges for many countries, with higher unemployment, escalating interest payments for the increased debt level and larger budget deficits. Theodore understood that it was still necessary to attract capital and he did so by leading the first Australian government to raise funds in the US, totalling £11 million in 1921 and 1922, but at slightly higher rates.

Theodore deemed that, despite the close election result and receiving the support of a minority of voters, it represented a sufficient “mandate” to abolish the Legislative Council, without putting the issue to another referendum. Under most circumstances the result would have been construed as a vote to retain the Legislative Council, but Theodore perceived the 1917 result in a very different manner even though 60 per cent had voted against abolition. He somewhat surprisingly stated in 1921:

In 1917 a referendum was taken on the question of the Council’s abolition and resulted in a large majority for retention of the chamber, but that referendum, in my opinion, did not give a true expression of the view of the people upon the question.

To support that opinion he provided several reasons for the loss. Higher priority was given by Labor Party supporters to the important federal election on the same day and its concurrent conscription referendum; the question put to the people was ambiguous; and there was confusion

---


394 DJ Murphy, “The Abolition of the Legislative Council”, p. 110.

with the other referendum proposal also on the ballot paper. Several Labor members even believed the referendum was technically invalid, since some soldiers’ votes from Egypt were not able to be counted, as they were lost when the submarine Mongolia was sunk, although their inclusion would not have materially affected the result.

On 24 October 1921, just three days before the end of the session, the bill to abolish the Legislative Council was convincingly approved by both houses: the divided opposition was totally outflanked, with some members assuming the upper house could easily be reinstated after winning the next election. Since the legislation amended the state’s constitution, it still required Royal assent. After a failed rearguard action, this assent was secured and the Constitution Act Amendment Act was proclaimed on 23 March 1922, just after the Mungana leases were officially acquired. This constitutionally irregular and unique outcome was totally due to Theodore’s planning and leadership, which tends to be forgotten amidst the succession of major, and at times controversial, issues in which he was involved in the latter part of his career.

**Major Changes to the Judicial System**

In September 1921 three pieces of legislation, foreshadowed in 1919, relating to the judiciary were introduced. The objective of the Judges’ Retirement Bill, the Supreme Court Bill and the Magistrates Court Bill, which Theodore described collectively was “to get a more efficient, a more modern, and a more effective judicial system”. In the words of the Attorney-General, the legislation was:

> An honest attempt … to cheapen, simplify and shorten legal proceedings, consistently with Justice for everybody, and, notwithstanding the criticism of the legal fraternity, I believe that it will be welcomed by the public. The law in the past has been made by lawyers for lawyers. Today it is being made by the people for the people.

This high-sounding claim masked what many believed was a concerted attempt by the government, which had some ongoing mistrust of the legal profession — which had on several occasions had resulted in the government having to undertake appeals to the High Court and the

---

Privy Council – to exert greater influence over what was perceived as being a conservatively-minded judiciary.\(^{398}\)

The principal purpose of the *Judges’ Retirement Bill* was to impose a retirement age of 70 years for existing and future judges. As three of the judges were already in that category, this meant that the most experienced and senior Supreme Court members, including the Chief Justice, had to be immediately replaced.\(^{399}\) This created the opportunity for the youthful Thomas McCawley, whose prime responsibility had related to industrial hearings, to be appointed Chief Justice over two more experienced judges. The intention that McCawley should occupy that role for a long period was thwarted by his sudden death in 1925. He was succeeded by James Blair, who would play a pivotal role in the final stages of the Mungana affair.

The *Supreme Court Act of 1921* abolished district courts, some of whose functions were replaced by a new system under the *Magistrates Court Act*, and implemented changes in the internal structure and powers of the Supreme Court, enlarged by the addition of an eighth member.\(^{400}\) At the suggestion of Frank Brennan, the Labor member for Toowoomba who was the only qualified lawyer within the government, a section was included in the act – dubbed by the opposition as “the Brennan clause” – which enabled a solicitor after five years in annual practice to be admitted to the bar without passing any further examination. This objective was suggested by Brennan as a step towards the ultimate amalgamation of the two branches of the legal profession.\(^{401}\) As Theodore had intended, this new judicial system produced a major shake-up of the Supreme Court. In the 1920s 12 appointments were made which compares with only 13 during the court’s first 60 years. By 1930 all judges had been made by Labor governments, with James Blair, who was appointed in 1922, the longest serving judge.\(^{402}\) Brennan had been the first appointment under the relaxed eligibility conditions he had recommended. It had occurred in


\(^{400}\) Ibid., pp. 316-317.

\(^{401}\) Ibid., pp. 328-329.

\(^{402}\) Ibid., p. 323.
such a controversial manner that it materially impacted on the perception that the Supreme Court was becoming politicised.

Brennan seemed to attract controversy. By the time the acts relating to the abolition of the Legislative Council and changes to the judiciary became effective Theodore had encountered increased difficulties in parliament, which increased when a Labor member switched to the opposition, reducing his working majority to one. In what became known as the Brennan Bribery case in August 1922 there were reports that Brennan had been approached by two journalists offering him £3,500 to desert to the Country Party, vote with the opposition and so defeat the Theodore government. The approach, apparently unknown to Country Party leaders, failed miserably and the two persons involved were jailed and fined.403

Theodore, despite not being favourably disposed towards Brennan, finally appointed him as an honorary minister after the 1923 election. He later used his Supreme Court aspiration, which Theodore refused to endorse, to cast the pivotal vote to support William Gillies as Theodore’s successor in his surprise narrow victory over McCormack.404 Gillies returned the favour by promptly appointing him to the Supreme Court in March 1925, to the concern of most of the legal fraternity, raising speculation that it may somehow have been linked to the bribery case.405

Increasing Conflict with Radical Unions

As a direct consequence of the less favourable economic situation the increased influence of radical unions within the Labor Party started to challenge the AWU dominance. In February 1922 the Arbitration Court in its annual review reduced the basic wage by around 5 per cent, a decision that annoyed the unions who believed that a Labor government should never legislate for any wage reductions.406 Four months later a Parliament and Salaries Act was passed, reducing by 5 per cent the salaries of those public servants not covered by awards. The ARU led protests by the Trades and Labor Council for the QCE to censure the PLP, but failed to secure a majority, with the issue referred to the 1923 Labor-in-Politics Convention.

403 CA Bernays, *Queensland: Our Seventh Political Decade*, pp. 18-20.
404 Ibid., pp. 21-22, 37.
It also resulted in the alienation of the QRU and its successor organisation, the ARU, after the amalgamation with interstate bodies in early 1920. This merger provided the opportunity for George Rymer to transfer to Brisbane as assistant to the state secretary. The following year he was appointed to the newly-created full-time position as ARU state president, whose duties included being editor of the union’s weekly journal, renamed from *The Advocate* rather than *The Militant*. This journal became a constant critic of the government’s economic policies and remained the champion of militant demands.\(^{407}\) The diminutive and gently-spoken Rymer was the antithesis of the bluff approaches presented by Theodore and McCormack. Rymer, born in Birmingham, arrived in Townsville in 1914, where after losing his temporary job due to a strike he immersed himself in union affairs becoming the Northern District Secretary of the ARU.\(^{408}\)

Theodore was particularly opposed to the Communist Party and became a strong anti-Communist advocate, an approach which McCormack strongly supported. They disagreed with the decision of the 1921 Brisbane federal Labor Party Conference that the “socialisation of industry, production, distribution and exchange” become part of the party’s platform, a decision endorsed by James Scullin, Theodore’s future federal leader. Their views only served to increase animosity from militant groups, which came to a head in 1925. The Labor-in-Politics Convention presented another challenge to Theodore, with some union representatives led by Rymer firstly seeking to abandon arbitration in favour of direct action and, when that failed, to restore the basic wage by reversing the 1922 decision. That move also failed. The Convention had one final victory when the 44 hour week was put into the party platform, but the timing for its implementation was left to the PLP.\(^{409}\)

Again Theodore called an early election in 1923. After the close result in 1920, he had made concerted and successful attempts to court the rural vote through the 1922 establishment of a system of Primary Producers’ Organisations under a central Council of Agriculture. He also authorised a redistribution of some electorates, the first since 1912, whereby representation in Brisbane was increased at the expense of other parts of the south-east region, leaving virtually unchanged the predominantly Labor-held provincial cities, western pastoral and northern mining


\(^{408}\) Ibid., pp. 2-3.

\(^{409}\) Ibid., pp. 184-191.
The 1923 election resulted in a 15 seat Labor majority, obtained from 48.0 per cent of the vote. The Labor campaign had successfully capitalised on disunity between the opposition parties and had managed to paper over its own internal issues. The caucus re-elected Theodore as leader by acclamation, while McCormack suffered another set-back when defeated for the deputy position by William Gillies, a farmer from North Queensland representing the neighbouring Eacham electorate. Gillies had been made a minister without portfolio after the 1918 election and a year later was appointed Minister for Agriculture and Stock. McCormack was the first minister elected by the caucus to the Gillies cabinet as Secretary for Public Lands.

Theodore Plans to Enter Federal Politics

Theodore’s electoral success brought him greater national prominence. It became a topic of speculation as to when, rather than whether, he should move into federal politics. He was rightfully seen as a much better long-term electoral option than Matthew Charlton, the lacklustre federal Labor leader since 1922, who had been in ill-health for some time. For what turned out to be the last two years of his Queensland political career, Theodore had to address two very different and difficult challenges: the refinancing of £24 million British loans maturing in 1924 and 1925, and how to handle the now persistent dissension within Labor ranks. In early 1924 he made peace with British lending institutions, so was able to secure new loans repayable in 1929, which later proved to be a very inconvenient timing. Some caucus members believed he had “given in” to foreign capitalists. This issue came to a head on 24 July 1924 when the caucus voted to legislate for the 44 hour week, to be introduced by the following January and to restore the 5 per cent wage reduction applied to public servants. A disgusted Theodore and his cabinet resigned and left the meeting. Caucus appointed a new leader and deputy-leader for only a matter of minutes, as it was unable to elect a complete ministry. Theodore negotiated a settlement whereby the cabinet was reinstated and the 44 hour week would be introduced at the end of that financial year, even though he personally believed it was irresponsible to do so, while the issue of the basic wage reinstatement was not resolved. Despite periodic absences through illness, McCormack progressively took the lead in the increasingly numerous clashes with the militant unions.

From early 1924 onwards Theodore seemed to become more disillusioned with the state Labor Party, as his popularity declined and his eyes were increasingly directed towards the federal sphere. His plan — to contest at the November 1925 election the federal seat of Herbert, which primarily then covered the sugar areas stretching from Mackay to Cape York — was actually announced by McCormack in May 1924 while Theodore was still overseas. Herbert had originally been a solid Labor seat, held since federation by Fred Bamford until the conscription issue split the federal Labor Party. In sharp contrast to the state backlash, the widely-liked Bamford followed his friend, Billy Hughes, into the Nationalist Party and retained the seat until his retirement.

During his 10 years in government, Theodore had a developed a very practical understanding of the overall Australian economy and its international financial connections, which would stand him in good stead in the future. He had also become a firm believer in the federal government having a greater economic role. Politically, his views were now more pragmatic and much less radical in comparison to his AMA days. Further, he had built up a generally favourable reputation interstate. It was time to enter the national stage, even though in the process he had made some powerful enemies among left wing members.

**Theodore Resigns as Premier**

Despite, and probably because of, his strong backing of Theodore, McCormack to his great surprise was unable immediately to succeed his friend as Premier in early 1925, losing to William Gillies by one vote.411 One suggestion was that there was some reluctance to elect an unmarried person to the role of Premier, but McCormack was never as popular as Theodore.412 However, he would not have to wait long as the amiable, but somewhat timid, Gillies showed no real aptitude for the position. He lasted for only eight months, during which he lost an embarrassing confrontation with the ARU. In fact, since late 1924 the militant ARU was playing for big stakes when it commenced strike action in the hope of winning leadership of the

---

411 Ibid., p. 292.

412 KH Kennedy, private discussion, February 2013.
industrial labour movement and so breaking the AWU’s stranglehold on political power.\textsuperscript{413} The trigger became the May 1925 annual review by the Arbitration Court which, to the anger of militant unions, did not reverse the decision to reduce the basic wage, which became part of the ARU’s log of claims. At a meeting with Gillies the ARU, led by Rymer as state president and editor of \textit{The Advocate}, urged that the Railway Commissioner be instructed to accept their claims or for them to be the subject of legislation. Gillies refused to meet the ARU demands, correctly deferring to the Arbitration Court to settle the matter. A state-wide strike of 18,000 railway employees lasted a week from 27 August. The dispute was only settled after direct negotiations between cabinet and the strike committee, totally by-passing the Arbitration Court. Amidst opposition cries about a “cowardly and abject capitulation”, the 1921 basic wage was restored by legislation with the \textit{Basic Wage Act}. A month later the Arbitration Court, consisting of three judges, was abolished under an amendment to the \textit{Industrial Arbitration Act} and replaced by a Board of Trade and Arbitration, comprising a judge and two laymen appointed for seven years.\textsuperscript{414}

Within a week Gillies had secured his prompt exit from politics being appointed as one of the inaugural lay appointees to the new Board, the other being the AWU secretary. This move finally enabled a somewhat angry McCormack to become Premier on 22 October 1925 just before the federal election and only months after he had received his final MML dividends.

**Theodore’s Surprise Defeat**

Since the majority of the state electorates within Herbert’s boundaries were held by Labor, Theodore believed he could win the 45,000 voter electorate by at least 3,000 votes.\textsuperscript{415} He won pre-selection in October 1924 but remained Premier until the following February, after which he spent considerable time lobbying interstate. Extremely confident about his impending success, he only resigned from parliament eight weeks before the election. In most quarters, but particularly

\textsuperscript{414} Ibid., pp. 170-172.
\textsuperscript{415} CA Bernays, \textit{Queensland: Our Seventh Political Decade}, p. 37.
interstate, Theodore’s election to the House of Representatives was seen as a mere formality, to the extent that the Bulletin believed that “Herbert was a gift to the ex-Queensland Premier”.

However, in a similar fashion to the closely fought 1920 state election, Theodore totally misread the mood of the electorate, spending much of his time campaigning interstate. His Nationalist opponent was Dr Lewis Nott, the energetic well-known mayor of Mackay, who came from a sugar family and had a distinguished war record. The informal vote in Herbert had been quite high at the two previous elections and that was the case again in 1925. On this occasion it seems to have been dominated by members of the ARU whom Theodore had alienated. Several of his rallies were interrupted by militants; the ports at Cairns and Bowen saw clashes between sugar farmers and striking waterside workers. Rymer also urged his members to abstain or vote informal as Labor had betrayed the trade union movement. In an unexpected result, Nott won by 268 votes thus significantly deferring Theodore’s entry to federal politics by 15 months. Then it was controversial, as he had to follow Ryan’s precedent by standing under much more difficult circumstances for a seat in NSW, where the AWU influence was much weaker.

Rejecting a return to state politics, Theodore became the Labor Party’s campaign manager for the successful 1926 Queensland election, after which he accepted a position with the AWU in NSW until a safe seat became available in Sydney. Although he was always seen as the national face of the AWU in Queensland, he faced a difficult challenge. It placed him in an adversarial role to the dominant Jack Lang, who had become Premier in May 1925, somewhat ironically with campaign help from Theodore.

McCormack as Premier

At last McCormack had been elected to a role he believed he not only deserved but should have held earlier, with William Forgan Smith from Mackay, another AWU member, becoming his deputy. McCormack also became Treasurer. He only had to attend two parliamentary sitting days

---

416 Bulletin, 5 November 1925.
419 Advocate, 11 November 1925.
before the long recess, during which the election was to be held. He received a troubled inheritance, due to deteriorating state finances and exultant militant unions. The Premiership could be better described as a poison chalice, the contents of which were partly of his own making. He was still smarting from the 1925 victory by the ARU, with whom conflict became a recurrent feature; while the clash with George Rymer would become decidedly, and viciously, personal. One of his earliest actions was to enforce the QCE demand that all Labor Party members had to sign what became known as the “Anti-Communist pledge”, discussed in detail in Labor in Power.

This issue dated back to the 1924 Melbourne federal Labor Party Conference, to address growing concerns about Communists being admitted to the party. Under the resolution it was left to the state branches to implement the decision that neither the Communist Party as an entity nor its individual members be eligible for Labor membership. At the February 1925 QCE meeting Theodore and McCormack were responsible for moving that a pledge be signed by all members by the end of July. In that month, on McCormack’s recommendation, Fred Paterson, a former Communist Party member and then an ARU salaried officer, was refused endorsement for a Labor seat at the next election. The ARU secretary suffered a similar fate in November when he and Rymer were expelled from QCE meetings; meanwhile the ARU members strongly endorsed the attitude of their leaders. At the Labor-in-Politics Convention in early February the ARU delegates stated they would sign the pledge under protest, but their votes were still deemed to be invalid. Only a week after the Convention, Rymer under a headline in The Advocate thundered, “McCormack Must Go!” For the first time Rymer implied that McCormack was improperly associated with the government’s purchase of the Mungana leases, bringing the issue to a wider public audience.

Chillagoe Enterprise Performance after the Mungana Leases Purchase

While the *Queensland Mining Journal* continued to publish regular production reports they contained much less information than was given during the period to 1914. Performance was reported in *Queensland Parliamentary Papers* for financial years to 30 June in the annual reports by the Auditor-General. Analysis was supplemented by calendar year reports from the general manager of the smelters and the Chillagoe region mining warden, both contained in the annual report by the Under-Secretary for Mines. These reports have enabled a reasonably accurate picture to be reconstructed of the overall performance of the Chillagoe Enterprise from 1919/20 to 1926/27. Unfortunately, and highly unusually, there were several changes and inconsistencies in both the presentation and quality of some information, which makes completely accurate annual reconciliations virtually impossible. The operational data is certainly inferior to the audited financial figures, which were later shown to be inaccurate with regards to the valuations of mines and inventories. In part this may have arisen due to substantial complexities arising from the various inventories of the different ores, intermediate and final products.

One glaring, and never explained, anomaly was the decision not to publish the general manager’s report for calendar 1923 and replace it by one for the 1923/24 financial year: it is very unfortunate that what could be construed as a possible unintentional error happened to cover the two years of the highest volumes. As a consequence, there is probably some inaccuracy in comparing operational data for these particular years. The combined figures over two years however provide a reasonably accurate picture of the Chillagoe Enterprise performance.

The most important, yet totally uncontrollable, variable was prices. As can be seen from the chart below in Figure 8, the 1920s was a period when prices remained relatively static and subdued: from 1921 to 1927 copper averaged just over £60 per ton, lead averaged around £30 per ton, while silver averaged less than 30 pence per ounce. Coincidentally these were around the same levels that had applied in 1914, so the smelter performance for the period was a reasonable precedent for poor results. In fact, they were far worse than many would have expected.
The table in Figure 9 below (with figures shown in £000s) summarises the overall financial results and Treasury liabilities, extracted from the Auditor-General’s reports for the seven years, 1919/20 to 1925/26, during which time just over 200,000 tons of ore were treated, with 75 per cent being lead ores. The significant capital expenditure required for the Girofla and Lady Jane mines is also included, amounting to £96,515 and £86,131 respectively. When the £40,000 acquisition cost is included, the overall capital investment by the state was a massive £222,646. The cumulative enterprise operating losses for the six years to June 1926 were £467,644, equivalent to 23.6 per cent of income. The revenue increase to break-even would have entailed a consistent average copper prices of around £75 per ton, lead prices of around £37 per ton and silver prices of over 37 pence per ounce. The poor performance meant that total treasury liabilities increased from £243,881 at June 1920 to £961,731 at June 1926, which excludes the
write-off of £281,822 accumulated losses incurred to June 1924. A year later the liability had
increased further to £1.165 million.

Throughout this period the smelters never operated on a consistently continuous basis, due to the
intractable problem of intermittent ore supply. In the period to 30 June 1926, the two lead
smelters operated on average for nearly 120 days annually. Annual bullion production averaged
over 2,200 tons and accounted for around 80 per cent of the 212,000 ounces of silver production.
In stark contrast, over the same period the single copper furnace averaged less than 100 days
operation annually, with 1923 recording a brief peak level of 160 days. That was the year when
794 tons of blister copper was produced, compared to the annual average of just over 500 tons.
As Dunlop declared in his 1926 warden’s report, “Copper is still in the unhappy position of
being recovered as a by-product of lead ores on this field”.

Overall, the above rates of annual production were around 50 per cent below the levels achieved
by the smelters during the ownership by the Chillagoe Company. Total production over the
period to June 1926 was 3,592 tons of blister copper, 15,134 tons of lead bullion, 1.49 million
ounces of silver and 5,890 ounces of gold. Lead dominated with 59.2 per cent of total revenue,
while silver accounted for 20.8 per cent followed by copper with only 18.7 per cent of the
revenue. Contrary to all the early expectations, the Chillagoe Enterprise proved never to be a
copper-driven operation.
## CHILLAGOE ENTERPRISE FINANCIAL PERFORMANCE

£000

Financial Year Ending June 30

<table>
<thead>
<tr>
<th>FACTOR ITEM</th>
<th>1920</th>
<th>1921</th>
<th>1922</th>
<th>1923</th>
<th>1924</th>
<th>1925</th>
<th>1926</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCOME</td>
<td>144.6</td>
<td>221.3</td>
<td>202.2</td>
<td>319.8</td>
<td>418.5</td>
<td>351.1</td>
<td>323.0</td>
<td><strong>1980.5</strong></td>
</tr>
<tr>
<td>OPERATING LOSS</td>
<td>-1.4</td>
<td>49.5</td>
<td>71.8</td>
<td>58.8</td>
<td>103.2</td>
<td>29.9</td>
<td>155.9</td>
<td><strong>467.7</strong></td>
</tr>
<tr>
<td>Girofla</td>
<td>0</td>
<td>12.2</td>
<td>27.5</td>
<td>20.8</td>
<td>17.4</td>
<td>9.7</td>
<td>8.9</td>
<td><strong>96.5</strong></td>
</tr>
<tr>
<td>Lady Jane</td>
<td>0</td>
<td>0</td>
<td>14.1</td>
<td>37.1</td>
<td>21.7</td>
<td>5.0</td>
<td>8.3</td>
<td><strong>86.2</strong></td>
</tr>
<tr>
<td>Prior Total</td>
<td>42.5</td>
<td>104.5</td>
<td>150.6</td>
<td>234.8</td>
<td>333.7</td>
<td>447.8</td>
<td>505.5</td>
<td></td>
</tr>
<tr>
<td>FIXED ASSETS Increase</td>
<td>62.0</td>
<td>46.1</td>
<td>84.2</td>
<td>98.9</td>
<td>114.1</td>
<td>57.7</td>
<td>31.7</td>
<td></td>
</tr>
<tr>
<td>New Total</td>
<td>104.5</td>
<td>150.6</td>
<td>234.8</td>
<td>333.7</td>
<td>447.8</td>
<td>505.5</td>
<td>537.2</td>
<td></td>
</tr>
<tr>
<td>TREASURY FUNDING Written Off</td>
<td>281.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior Total</td>
<td>203.9</td>
<td>249.9</td>
<td>292.2</td>
<td>525.2</td>
<td>710.7</td>
<td>974.9</td>
<td>790.6</td>
<td></td>
</tr>
<tr>
<td>Increase</td>
<td>46.0</td>
<td>42.3</td>
<td>233.0</td>
<td>185.5</td>
<td>264.2</td>
<td>97.5</td>
<td>171.3</td>
<td></td>
</tr>
<tr>
<td>New Total</td>
<td>249.9</td>
<td>292.2</td>
<td>525.2</td>
<td>710.7</td>
<td>974.9</td>
<td>790.6</td>
<td>961.9</td>
<td></td>
</tr>
<tr>
<td>INTEREST</td>
<td>4.6</td>
<td>12.1</td>
<td>21.7</td>
<td>34.5</td>
<td>46.3</td>
<td>0.0</td>
<td>0.0</td>
<td><strong>119.2</strong></td>
</tr>
</tbody>
</table>

**Figure 9: Chillagoe Enterprise Financial Performance 1920-1926**

Source: *QPP*: Auditor-General Annual Reports, 1919 to 1927
Ore supply was extremely disappointing. The Chillagoe Enterprise’s own copper mine at Einasleigh only remained open until 1922. The copper smelter from then onwards had to be primarily reliant on treating ores railed over 800 miles from Cloncurry, incurring significant operating losses. By then lead ores totally dominated supply from the Chillagoe region. Goddard was always active in seeking other local sources of supply, some of which came from small mines owned by Reid: he even took further equity interests in some mines. He became a shareholder with Theodore (whose involvement was not initially declared) in the Argentum Mining Company Limited in December 1923, which acquired the Nightflower silver-lead mine near Chillagoe from a syndicate, which included Theodore, and supplied small quantities of ore to the smelters. This mine was given a very favourable comment by Theodore in October followed by detailed write-up by Edgar Saint-Smith in the *Queensland Government Mining Journal*. Goddard also held an interest with Theodore in the Fluorspar Mining Company Limited, established in late 1923 to supply flux to the smelters from five leases it acquired: by 1927 Theodore owned nearly 45 per cent of the 2,232 shares, with the majority controlled by Goddard. In both instances Goddard’s equity interest was not disclosed, as it was held in the name of his wife and brother-in-law respectively. Goddard was successful in arranging some funding by the state for both companies: £900 in the case of Fluorspar and an unspecified sum for Argentum as well as receiving an advance from the smelters.

The actual ore extracted from the Mungana leases was also well below expectations, which was no real surprise. During the period of government ownership the Girofla mine produced nearly 80,000 tons of lead ores. After the Lady Jane mine belatedly came into production in early 1923, it only produced around 33,000 tons of predominantly silver-lead ore. This total production equated to an exorbitant capital cost of £2 per ton. The often-quoted figures produced by Rodda and accepted by several others were clearly highly optimistic: no major new orebodies were located. In addition to the capital cost, the government incurred an estimated overall £180,000 operating loss in just mining at Mungana, plus a further loss upon smelting.

---

425 Papers on Fluorspar and Argentum Mining, QSA, Series ID 5172, Item ID 840348, 840352 & 840355.
Performance does not seem to have been constrained by prices, as the major priority seems to have been to keep the furnaces in operation. It took another 70 years for a profitable mine to be established at Red Dome in the Mungana area. Even then, it was based upon copper and primarily gold extracted by new leaching methods, which could never have figured in Rodda’s 1917 estimates.

There seemed to have been no management or influence emanating from the Under-Secretary for Mines, Henry Marshall, or the Secretary of Mines, Alfred Jones. The situation could probably at best be described as benign neglect, which may have arisen as a political response to the strong emphasis by Theodore that the operation should succeed. With all the accounting functions being performed at Chillagoe, Goddard virtually had a free hand, contrary to Theodore’s assurances in 1920. Soon after the extension of his employment contract for a further three years, in early 1924 Goddard proposed that the smelters only operate during that part of the year (basically January to June) when the sugar and other industries were to a large extent inoperative. However, the smelters would still continue to receive ore throughout the year. With Theodore’s involvement, a cabinet committee decided in September 1924 that the accumulated £281,822 enterprise loss to 30 June 1924 plus the accumulated £188,279 loss of the Mount Mulligan Coal mine would be written off. Further, interest charges were also officially to be waived until a surplus after payment of working expenses was achieved: this never occurred.\footnote{QPP, 1924, Vol. I, “Auditor-General’s Report”, pp. 178-184.}

**Auditor-General’s Reports to 1924/25**

For four years after the 1920/21 report the Auditor-General’s annual reports were equally benign, basically involving a brief site visit and verification of balances rather than undertaking any penetrating financial analysis. In part, this probably arose because Peter McCaffrey had been transferred to work as a Treasury audit inspector, where he apparently clashed with the Under-Secretary, George Beal. The 1924/25 Auditor-General’s report on the smelters was personally written by the ageing (and soon to be retired) Auditor-General, Mure Robertson, after a five year interval since his initial visit. He noted in his report:

> Since the inception of the enterprise, only four Ministers have visited Chillagoe. In view of the importance to the State of the undertaking and its financial responsibilities, might I
suggest for the consideration of the Government the desirability of inviting both Parliamentary parties to delegate, say three or more, of their members to visit Chillagoe and Mungana, where the State mines are situated, for the purpose of obtaining first-hand information, and seeing for themselves what the existence of this Enterprise really means to the State.429

Robertson concluded that the accounts had been well kept. He failed to comment on the surprise decision to accelerate the final Mungana royalty payment into that financial year or that most mining assets were substantially overvalued. As an example, the Einasleigh mine was still shown as a £25,500 asset when it had been closed for three years and all machinery had been removed. More significantly, the total investment in the two Mungana mines had increased even further to over £220,000, despite their persistently poor production and cost performance.

The surprise acceleration of the final Mungana royalty payment has rarely been highlighted by historians. It resulted from Goddard’s belated recommendation on 25 May 1925 to Jones that the mechanism for the royalty calculation necessitated sampling every truck of ore received and incurred an unnecessary expense.430 The Minister obliged: instead of the £6,421 paid for the actual sampled ore received in 1924/25, an amount of £14,642 was paid — a significant overpayment of £8021. This was a very happy coincidence, because the decision meant all MML shareholders had been paid out. McCormack, soon to become Premier, could rightfully state (if asked) that he no longer would receive royalties. Goddard, still undeclared as a shareholder, received additional funds to pursue his other business activities and the poorly performing Mungana mines could be closed or leased to others at any time.

The only occasion where this unjustified transaction seems to have been questioned was two years later by John Kerr, member for Enoggera, when he challenged why the £8,021 had been prepaid.431 Due to some inconsistency in the presentation and valuation of ores it is not possible to assess the actual tonnage and costs of Mungana ores processed in 1925/26. However, based upon an interpolation of the calendar year data in the general manager and mining warden

430 Ibid.
reports, when primarily only lower value lead ores were smelted, the tonnage of ore smelted was around half the level of the previous period. It would potentially have justified a royalty of around half of £8,021 prepayment, so in reality the MML shareholders were very conveniently also over-compensated.

**Rumours of Political Involvement at Mungana**

The first searching parliamentary question after the purchase of the Mungana leases was raised in July 1922 by James Maxwell, a former Brisbane Lord Mayor and the opposition member for Toowong.432 Later he sought details of what Reid and his undisclosed syndicate members had expended on the Mungana leases after he originally acquired them.433 The compliant Minister for Mines vigorously defended the acquisition. During the period to end 1925, the opposition asked questions in parliament after the release of the annual audit reports about the continuing poor financial performance of the Chillagoe Enterprise. It was variously described as “a forlorn hope”, a “most grievous blunder”, “Theodore’s circus” and “Jones’ folly”.434 435 It was during this period that Moore, then deputy Leader of the opposition, started to exert greater influence, commencing his patient journey to appreciate fully the underlying performance of Chillagoe-Mungana operations, asserting “When you get past the developmental stage it does not matter how much metal is recovered, it is useless to go on with it unless it can be obtained at a profit.” 436

He went on to point out that Chillagoe was the extreme example of the general failure of the state enterprises to achieve profitability. A year later he commented:

> It seems an extraordinary position that we have to go on losing a vast amount of money every year, because, as the minister says, we have not the opportunity to fix the prices for metals… such a state of affairs should not be allowed to exist.437

---


433 Ibid., p. 447.


435 Ibid., p. 1934.

436 Ibid., p. 1935

437 Ibid., p. 1933.
The only consistent defence offered by Jones was the continuing low level of metal prices, although on one occasion he erroneously described Goddard as “a splendid manager, and one of the best in Australia”. However, there seems to have been no opposition spokesman who was specifically assigned to closely analyse the overall performance. The major credit for exposing McCormack’s involvement came not from the opposition but from the ARU’s George Rymer.

**The 1926 election**

The late 1925 resignations by Theodore and Gillies meant that by-elections had to be held in the adjoining electorates of Chillagoe and Eacham only months before the May general election: both Labor candidates were successful. While campaigning there, several opposition members learned first-hand of the local rumbles that preferential treatment had been extended to selected miners in the Chillagoe district. These comments were accompanied by rumours that “Labor politicians were somehow involved in Chillagoe”. Rymer was the first person to publicly speak about McCormack’s involvement in the Mungana leases in his “McCormack Must Go!” editorial in the 15 February 1926 edition of *The Advocate*. He declared that McCormack was improperly associated with Reid in influencing the government to purchase the Mungana leases:

> The public will be much wiser, particularly during the discussion of the part you [McCormack] played in the Government’s purchase of the Mungana Mining leases for £40,000 from the same person [Reid] and those associated with him to whom they were previously ‘given away’.  

Days later William Kelso, an accountant and the opposition member for Nundah, after searching the companies register discovered that McCormack was recorded as holding 388 shares in MML, in its only return dated December 1920. Kelso publicised this in identical letters to the *Telegraph* and *Advocate* newspapers. The *Telegraph* took up the cause, running a series of articles on

---

440 *The Advocate*, 15 February 1926.
Mungana in the lead-up to the election. 442 McCormack successfully managed to remove the Mungana issue from the election debate on 7 April by serving an interlocutory injunction against the *Telegraph*: this was quietly withdrawn after the election. Previously Jones had addressed the issue on 10 March 1926 at a Trades Hall meeting about mining industry state enterprises. This address was reported in the *Daily Standard* the next day in an article headed “Mungana Innuendoes Completely Smashed”. 443 This statement was totally misguided; all McCormack had done was to gain a brief respite until the new parliament met. During the campaign the now united opposition under the Country and Progressive Nationalist Party (CPNP) banner, led by Arthur Moore, had focused its attack on the government’s financial incompetence, particularly the various state enterprises. The most glaring example of “waste for no return” was assigned to the Chillagoe Enterprise. Moore had visited the area during the campaign and had become much more aware of local discontent at how the smelters had been managed, at a time when most mining operations in the state were in a slow decline.

As Theodore had not achieved his anticipated early transfer to the federal parliament, he was available as campaign manager for the successful 1926 Queensland election. Somewhat surprisingly, given the negative perception from some unions, Labor’s 14 seat majority remained the same as in 1923, despite receiving a slightly smaller 47.9 per cent of the vote, lower than that gained by the CPNP. McCormack had shown he had lost none of his aggression in handling industrial disputes, but faced an intransigent foe in the ARU, which continued to receive significant support from other militant unions. Meanwhile the AWU was seeking to recruit members to a new railway section, using Theodore as the organiser. 444 Such was its continuing discontent that the ARU disaffiliated from the Labor Party and joined with some other unions in seeking to establish candidates from an industrial section, against the wishes of the QCE.

**The 1925/26 Auditor-General’s Report**

During the election campaign, the Auditor-General responded to the increasing pressure about the poor Chillagoe Enterprise performance by sending the experienced Peter McCaffrey to

---

442 *Telegraph*, 14 March 1926.
443 *Daily Standard*, 11 March 1926.
undertake an interim audit, his first visit since 1921. He later stated that he was somewhat reluctant to undertake this task, as McCormack had asked to report to him personally on his return. McCaffrey drew attention to a large number of anomalies, highlighting over-valuation of mining assets plus improper procedures. He pronounced confidentially to McCormack that Chillagoe was “an absolute white elephant”. He returned to prepare the final 1925/26 Auditor-General report, released just before Robertson retired as Auditor-General and was replaced by George Beal, the Treasury Secretary since 1917. The report stated that Goddard had initially provided him with a financial statement showing a loss of £66,907, which he believed grossly understated the true situation primarily due to incorrect procedures for valuing ores. In his view, the values of ores should be reduced by £88,896, increasing the 1925/26 loss to a record £155,893: in particular, flue dust from the smelters was grossly over-valued, as very little metal could subsequently be recovered. However, all the £155,893 loss should not be attributed to 1925/26, as incorrect valuations had occurred in earlier years. Losses for the two years from 1923/24, totalling £185,822, would have to be written off in a similar fashion to the losses accumulated to June 1924, as there was no prospect for their subsequent recovery. Further, mine and plant assets stated to be £298,275 were grossly over-valued: at 30 June 1926 the £2,215 Redcap mine was the only actual operation. Finally, there was a £2,500 “irregular transaction” in relation to the supply of timber to Mount Mulligan from the nearby Tarzali saw mill, in which transaction Goddard held an interest.

The acquisition of the Chillagoe Enterprise had placed extra pressure on the government’s audit function, as explained by Robert Longhurst in his 1995 book, The Plain Truth: A History of the Queensland Audit Office, in which a chapter is devoted to the Mungana affair and the impact upon the audit office. It later transpired during McCaffrey’s evidence to the Royal Commission that after his return from the interim audit in April 1926, as instructed, he had a private conversation with McCormack, which he described as follows:

Forthwith I went to Mr McCormack and told him that the same dash that was shown in 1920 and 1921 was not apparent there; that the concern was an absolute white elephant and that the money that was expended there was coming out of the loan fund; that they were creating no asset at all and that it was bad finance … Anything would be better than spending it and getting nothing for it. As an employment bureau it might be alright, but it is costly.

I also said, “Mr Goddard’s overdraft has gone up to the dickens and he is a very worried man. He seems to think that in the end the Government are going to leave him alone with the overdraft and put the whole onus on him”. He [McCormack] said, “He has nothing to worry about”. I said, “The Mungana capital cost has gone up approximately £200,000 and I think he is worried about that”. He said, “What has he to worry about Mungana?” I said, “I do not know”. He said,” He has nothing to worry about with Mungana; Mungana is my pigeon and Theodore’s and not his [Goddard’s].

There was a lingering personal animosity between McCaffrey and Beal: the former believed that Beal had been a willing participant to extend Treasury funding to the Chillagoe Enterprise, when he was in a position to recognise that the funds could not be recovered. During a subsequent meeting with Goddard and Beal, McCaffrey reported at the Royal Commission:

Mr Goddard said to Mr Beal:” When you were in the Treasury you financed me at Chillagoe and never raised any question. Now you and Mr McCormack are trying to leave me with my overdraft. You are trying to saddle the whole overdraft on my shoulders. A fine pair of birds you and Mr McCormack are to sit in judgment on me.

McCormack’s Initial Responses

From the start of the 24th parliament in late July 1926, just after the Mungana mines had closed, Arthur Moore increased the pressure on McCormack about the Mungana affair. The catalyst was the 1925/26 Auditor-General report released on 8 October, in which McCaffrey had highlighted


450 Ibid., p. 666.
a range of anomalies which included the fact that Reid had what amounted to a permanent overdraft from the smelters and was frequently paid higher than market prices for his ore. Moore seized upon what he termed “faked balance sheets” due to initially incorrect accounts provided by Goddard plus the over-valuation of mining assets and ores.\footnote{QPD, Vol. 148, 23 October 1926, pp. 1316-17.} At the end of the 1924/25 financial year, the Mungana mines had been shown in the balance sheet at £205,500, while a year later, after the expenditure of a further £17,200 in capital, they had been abandoned. They were then virtually worthless.

A month later, Moore re-raised the issue of “grave irregularities” that had occurred at Chillagoe, quoting as additional evidence a 17 October letter from the secretary of the Chillagoe Prospectors’ and Ore Producers’ Association:

> It is the desire of the Mining Community of North Queensland that a full and searching inquiry be made into the whole of the management of the Chillagoe State Smelters with a view to ascertain how the great financial loss comes about, and to locate where apparent gross mis-management takes place, and that for the purpose of making such an inquiry the government be requested at once to appoint a Royal Commission.\footnote{QPD, Vol. 148, 4 November 1926, p. 1574.}

Moore also believed that a Royal Commission was warranted to investigate the situation, as:

> We have got to the position that the General Manager of the State smelters has been purchasing ore at a price which is altogether outrageous, and we also know that Reid has been receiving differential treatment. We have got a connection between Mr Reid and the government, because Mr McCormack, the Premier of Queensland, was a shareholder in the mines in which Mr Reid was interested. Should these things be allowed to go on in the way they are going?

> If the Government have anything to hide, they will not grant the Commission; but if they want to satisfy the people in North Queensland they will accede to the request for the appointment of a Royal Commission.\footnote{Ibid., pp. 1578-1579.}
Opposition members challenged several issues including the soundness of the initial investment decision, management incompetence and the apparent involvement of at least one Cabinet minister in some private capacity. This challenge was again defended by Jones, who belatedly acknowledged that he had first become aware of McCormack’s MML shareholding as early as mid-1921.\footnote{Brisbane Courier, 13 May 1930.} The opposition did not specifically allege misconduct but, given the evidence of continuing mismanagement over many years, believed that a Royal Commission was definitely warranted.

In November 1926 McCormack belatedly acknowledged for the first time to parliament that he held 388 shares in Mungana Mines Limited dating back to a time when he was the Speaker. He vigorously opposed a Royal Commission, on the basis:

There is nothing to enquire about … a Royal Commission does not investigate anything and never did. Royal Commissions, as a rule, are only whitewashing bodies. I have a good Audit Department. I have an Auditor-General in whom I have confidence, and I am depending on him to see me through my difficulties, because I am more responsible than the Leader of the opposition. An investigation can and will be made, and if there is anything in the charges then the men responsible will get short shrift from the Government.\footnote{QPD, Vol. 148, 4 November 1926, pp. 1626-1630.}

At the end of his speech, he made a statement that would come back to haunt him, “No Royal Commission could find out any more than I have already stated here tonight. There is nothing more to state. This Chamber is the judge and this Chamber is the highest court in the land”.\footnote{Ibid., p. 1630.}

A few minutes later, McCormack added:

In regard to Mungana there is nothing that is not available to this House, and no Royal Commission could give any further information than I have given this evening. No fair-
minded man who follows the history of this case will accuse me of being associated with anything dishonest or dishonourable … You must trace the whole case.\textsuperscript{457}

Later that month, Moore tabled following Want of Confidence motion:

That the government does not possess the confidence of this House because of the inadequate explanations of the serious charges recently made with respect to the operations of the State Smelters at Chillagoe and the refusal to grant a Royal Commission of Inquiry into these charges and the other matters then indicated, which could have been cleared up only by the appointment of such a Commission.\textsuperscript{458}

The government throughout its entire term refused to accept any Want of Confidence motions, a tactic lamented by Bernays.\textsuperscript{459}

The Auditor-General’s Special 1927 Report

McCormack’s prime response to the accusations was in late 1926 to commission a special audit report by Beal. The terms of reference somewhat surprisingly did not relate to all aspects of the enterprise, but focused on the alleged special treatment given by Goddard to Reid. No aspects about the Mungana leases transaction were considered. Beal visited Chillagoe for 11 days in early 1927, accompanied by a contracted experienced Port Kembla metallurgist, Noel Goode, to specifically focus on technical issues. Beal’s report was not tabled until 24 August at a time when the government was preoccupied with the major strike at the South Johnstone sugar mill.\textsuperscript{460} The smelters had closed earlier that year, prior to which both the Lady Jane and Girofla mines had been abandoned and were thereafter mined by local miners on tribute. Goddard had resigned and already relocated to Cairns.

Beal endorsed McCaffrey’s comments concerning the 1925/26 report and revealed that the 1926/27 loss was a further £156,100, increasing the total losses to a massive £623,800. The total

\textsuperscript{457} Ibid., p. 1630.

\textsuperscript{458} QPD, Vol 148, 4 November 1926, pp. 1573-1576.

\textsuperscript{459} CA Bernays, Queensland: Our Seventh Political Decade, p. 39.

cost of the Chillagoe Enterprise to the Treasury had increased to £1.164 million (around $87 million in today’s terms) and confirmed that the book value of the Mungana mines was highly excessive. Clearly, for some years mining assets and some intermediate products had been substantially overvalued, excessive amounts had been capitalised, while financial supervision and the audits had been at best lax. In McCaffrey’s words:

The Treasury was financing this undertaking right through the piece, acting as its bankers, assuming the responsibility and liability of bankers, without taking the ordinary precaution a banker would have done in the case of a doubtful overdraft.

The appended comprehensive technical report by Goode disclosed a wide range of irregularities, particularly showing that Reid, who was a large ore supplier to the smelters, had personally benefited in various ways. These included over-payment for silver assays, lower penalties for sulphur, a special tariff for lead slag and flux and the application of favourable prices. In the period from July 1925 Reid had received £44,587 in cash advances for 7,195 tons of ore, being overpaid by £1,260, yet he still owed the smelters £2,214. It also transpired that Reid’s advance account in the smelters books was frequently used by Goddard to supply funds for his and Reid’s Cairns hotel project.

The Beal report prompted Moore to renew his call for a Royal Commission, on 27 October 1927:

Can anybody say after reading that report by the Auditor-General that the balance sheets were not “faked”? … No government with any self-respect could allow the position to remain as it is. … The whole policy of the Government has been one of “hush”, endeavouring to cover up what has been going on at Chillagoe rather than giving the public information to which they are entitled, because it is public money that is being spent there.

---

463 Ibid., pp. 94-112.
McCormack’s Subsequent Responses

McCormack accepted that mismanagement had occurred under Goddard, but there was no evidence of criminal intent. Briefly defending his involvement with MML, he claimed no “conflict of interest” and expressed the view that as Speaker he was somehow not politically involved:

If it is suggested that because at one period I was associated with Reid as a shareholder in the Mungana Company, I must forever and ever carry the stigma of anything Mr Reid or anyone else does during their lifetime then I am in a very unhappy position … I was Speaker at the time, and quite outside politics.465

In his speech McCormack alluded to a story circulating around Cairns that John Stones, a night watchman sacked by Goddard for breaking into his Chillagoe office, had evidence that both McCormack and Theodore were implicated in Mungana.466 The person responsible for distributing the story was apparently a member of the Meat Workers Union, a group also bitterly opposed to McCormack. This appears to be the first occasion that both McCormack’s and Theodore’s names were specifically linked together in relation to the Mungana leases. McCormack had the numbers to bluff his way forward declaring, “If I get an opportunity, I will institute an action for criminal libel against those people who are defaming me”.467 In retrospect, 1927 proved to be the start of the prolonged slide in McCormack’s credibility and popularity.

The deputy leader of the opposition, Reginald King, outlined four specific grounds for justifying a Royal Commission, particularly emphasising the role of McCormack. The four issues related to the suspicion that he (and perhaps other members of the government) wrongfully used their public positions for private gain; he was an MML shareholder and shared in the £40,000 sale proceeds; the delayed advice of his shareholding and the position of the fact that he had a business relationship with Reid, whose irregularities were revealed in the Auditor-General’s special report. He highlighted the fact that all answers to questions by and statements of responsible members of the government had in the past evidenced a strong desire to shield the

466 KH Kennedy, The Mungana Affair, p. 41.
individual was sound grounds that one or more members of the government were implicated in this misappropriation of public funds.468

Rymer quickly followed up that speech by giving it front page publicity in *The Advocate*, endorsing the appointment of a Royal Commission and signalling that the matter would be raised at the 13th Labor-in-Politics Convention the following May.469 At the convention a motion was submitted by a militant union representative, reflecting continuing unrest about how McCormack had handled the issue, proposing “That a full inquiry into the Mungana and Chillagoe leases be made by a Committee appointed from this Convention”.470 This motion was immediately followed by an amendment that “Royal Commission” be substituted for “Committee appointed by this Convention”. The official report of the convention records that McCormack strongly and successfully resisted these moves, but during his speech on 16 May 1928 he made several major incorrect comments in relation to the Mungana leases. These statements included: there was no knowledge that Reid knew when he re-pegged the areas that the government had any thought of purchasing the smelters; he only held 388 MML shares (incorrectly reported as 333 shares in the article) and the government’s purchase price of £40,000 only left MML with a margin of £10,000 after all the machinery had been paid for. He believed that the 1927 special investigation by the Auditor-General and Noel Goode had obtained information that a Royal Commission would not have obtained. He further stated that the government had consulted Crown Law with a view as to whether he could take action against Goddard and Reid for what they had been doing. As reported in the *Daily Mail* the following day, this provided a contrary perspective to Theodore’s comments when the 1920 amendment was adopted. It also provides an insight into McCormack’s perception about Royal Commissions:

> When parliament gave the General Manager full power and control of the Chillagoe enterprise, without any reference to the Government or Secretary for Mines, the Government was helpless and that Mr Goddard could do as he liked. He [McCormack] took the only other course possible. He got rid of Goddard. Chillagoe was closed down

468 Ibid., p. 553.

469 *The Advocate*, 15 November 1927.

solely because the Government found it impossible to carry on that undertaking and not lose money.

Goddard stated that he was under instructions to keep the works going … McCormack advised Goddard that he had no right, especially for a Government concern, to give preference to individuals or to accord individuals treatment not given to anyone else.

Cabinet had decided that the so-called charges had no basis for a Royal Commission. Some had asked that a white-washing commission should be appointed. He [McCormack] knew something about Royal Commissions and, if he decided to white-wash himself, he could have appointed such a commission without having any doubt about its decision.471

McCormack went on to state:

Whatever the charges made against anyone else connected with the Chillagoe smelters, he felt quite safe about the association with either the Chillagoe smelters or the Mungana Mines … He stood before the greatest jury of them all, and that was the public. As a result the public had increased the majority of the Government and had personally given him an overwhelming majority right in the centre where the charges were made …472

The comment about the government increasing its majority at the election two years earlier was not correct, as McCormack’s personal injunction meant that the issue could not be re-raised at that time. The public would have its say again at the next election exactly one year later. Yet again, McCormack had lived up to his “Big Bill” nick-name and bluffed his way out by repeating a succession of untruths. His perceptions about how Royal Commissions functioned would influence the path a new government would adopt and they would be found wanting. Finally, a large gap had widened between him and both Goddard and Reid, which would ultimately lead to his downfall. In the light of the unfolding events nearly three years later it is useful to reflect briefly upon what might have happened if McCormack had decided to establish a Royal Commission at that time. He could have clearly influenced the terms of reference and possibly even appointed a Queensland judge, who may have taken a somewhat different

471 Daily Mail, 17 May 1928.
approach. This was a viewpoint reportedly expressed by some representatives at the Labor-in-Politics convention.\textsuperscript{473}

The conflict between McCormack and the ARU came to a head during the 1927 strike at the South Johnstone sugar mill, near Innisfail, where ownership had been recently transferred from the state to a newly formed co-operative group. This complex and protracted strike, which started in May when the new management did not re-employ some AWU members, escalated into what was later described the most serious industrial crisis of the decade.\textsuperscript{474} The dispute dragged on for several months, but became much worse when sugar was declared “black”, after which the ARU refused to handle shipments by rail. McCormack, who had been overseas for some months, over-reacted on his return by assuming personal control of the Railway Department, and without the consent of caucus dismissed all railway employees in early September. After a week, a return to work was finally negotiated; McCormack had “won the battle but lost the war”, as his actions had united the militant unions against him.

In contrast to Ryan and Theodore, McCormack’s time as Premier has not been favourably perceived, despite his proven administrative capabilities. This was partly because he lacked the qualities of a popular leader for several reasons: he left the party in some disarray, his persistent dishonesty in relation to the Mungana affair and due to the deteriorating economic situation, as illustrated by his comment in late 1927 that “Australia has drifted into an economic condition under which she could not profitably produce. The people have to awaken before any government, of any political brand, could remedy Australia’s economic position.” \textsuperscript{475}

It is important to place McCormack’s financial receipts from the Mungana leases into current perspective, as the sums may seem relatively small. For no capital outlay, over a six year period he had received £1,500 in initial profits from the Mungana Syndicate and £11,715 in MML dividends, equivalent to just under $1.0 million today. The £40,000 paid to acquire the Mungana leases was dwarfed by the £182,700 additional capital expenditure required to reopen the mines.

\textsuperscript{473} Ibid., pp. 23-27.


\textsuperscript{475} Brisbane Courier, 16 December 1927.
plus additional operating losses for mining and smelting which were estimated to be a further £180,000. Overall the total £400,000 costs would have been equivalent to at least $30 million in today’s terms.

**Theodore’s Troubled Transition to Federal Politics**

After his shock electoral loss in November 1925 Theodore began actively seeking a safe federal seat interstate. According to reports that emerged during the Commonwealth Royal Commission in 1928 (discussed below) plans were formulated by an unnamed group of senior party officials to find a NSW seat in a similar fashion to Thomas Ryan’s precedent. However, the situation differed materially in the sense that Ryan’s nomination was secured just prior to the 1919 election, while in Theodore’s case as the election had just been held it meant persuading a recently re-elected member to resign, in an era before members of parliament received any retirement benefits. The NSW branch of the Labor Party had entered a period of increasing turbulence some years earlier, resulting in intermittent public conflicts between the AWU-dominated state executive and the parliamentary party.476 Theodore’s involvement in pushing through the anti-communist pledge in Queensland had alienated many left-wing members, while the AWU, still the largest union in the state, was relatively less dominant.477 Further, the state AWU had itself experienced difficulties over allegations of vote rigging at its internal elections dating back to 1920, involving the use of ballot boxes with sliding panels. Theodore in 1924 accepted the role of arbitrator in what became known internally as the “ballot box scandal”, which had resulted in John Bailey, a senior AWU figure and a state MLA since 1918, being expelled from the NSW party due to his involvement. Theodore’s judgement was that Bailey and his supporters had harmed the party, so he endorsed the decision, much to the chagrin of some key AWU members.478 He quickly discovered that the political environment within the NSW Labor Party was both very different and much more difficult in comparison to Queensland. The AWU influence was declining, while Lang derived some of his power due to his opposition to

---


477 Ibid.

478 Ibid.
the AWU.\textsuperscript{479} The battleground was being prepared for a major personal and policy showdown between Lang and Theodore.

In January 1927, William Mahony resigned as member for the inner Sydney seat of Dalley, ostensibly due to ill-health. In his initial resignation letter Mahony implied that he wished Theodore to succeed him.\textsuperscript{480} Theodore was immediately endorsed by the state executive as the Labor candidate, without the usual preselection ballot being held or the electorate’s council ever meeting.\textsuperscript{481} The next month Theodore easily won the seat, gaining over two thirds of the vote. Later that month Frank Anstey resigned as federal deputy-leader and was replaced by James Scullin, with Theodore immediately joining the front bench. Theodore made his widely applauded maiden speech, on the subject of the \textit{States Grants Bill}, on 3 March 1927 during its last session in Melbourne, before relocating to Canberra. The Bruce government faced a proven and capable opposition financial spokesman, who was widely perceived as a future leader. The issue was that Theodore had clearly been parachuted into the seat, which he had won under very unusual circumstances: it was apparently common knowledge within Labor circles that Mahony had received some recompense for his sudden resignation.\textsuperscript{482}

In March 1928 Scullin was elected unopposed to replace the ill Matthew Charlton as federal Labor leader. Theodore, who had nominated Scullin, was widely expected to be elected deputy-leader but was surprisingly defeated by one vote, with most NSW members voting against him.\textsuperscript{483} At that stage, the AWU had effectively left the NSW Labor Party, whose leadership was split into two brawling factions.

**The 1928 Royal Commission on the House of Representatives Bribery Charges**

On 7 May, the Sydney \textit{Daily Telegraph Pictorial} published a statement by William Lambert, member since 1921 for the federal seat of West Sydney, who was a close confidant of John

\textsuperscript{479} DW Hunt, “Forces in North Queensland Politics”, pp. 190-192.
\textsuperscript{480} \textit{Proceedings of Royal Commission on the House of Representatives Bribery Charges}, Australian National Archives, Canberra, CP660, S31, B1, pp. 424 & 1326.
\textsuperscript{481} Ibid., p. 50.
\textsuperscript{482} I Young, \textit{Theodore: His life & Times}, pp. 80-86.
\textsuperscript{483} Ibid., p. 78.
Bailey. Lambert, a former Lord Mayor of Sydney, was smarting at his loss of preselection for the election due later that year and divulged that he had been offered £8,000 in late 1925 by an agent for Theodore if he would resign his seat. Two days later in the same newspaper, George Cann, a NSW MLA from 1914 to 1927 and a former Minister for Health, stated that he was aware that Percy Coleman, federal member for Reid, had also been approached around the same time in 1925. On 11 May, a letter from Lambert to Scullin was reprinted in the *Sydney Morning Herald* claiming that Mahony had been bribed with “a large sum of money” to resign his seat in favour of Theodore. Stanley Bruce, sensing a unique early opportunity for the government to embarrass Theodore, promptly established a Commonwealth Royal Commission, conducted by Judge Edward Scholes of the District Court of NSW, after the Chief Justice of the High Court had declined the role. On 28 May, the Commissioner was formally authorised to investigate as a matter of urgency the two *Daily Telegraph Pictorial* statements as to whether they were correct, what inducements (if any) were offered, by whom, to whom and on whose behalf.

Commonly known as “the Royal Commission on the House of Representatives Bribery Charges”, it sat for 13 days from 12 June 1928, hearing evidence from 39 witnesses covering 1341 pages of testimony. The most significant witnesses were Mahony, Lambert, Bailey, Coleman, Theodore, Anstey and John Wren. The collective testimonies provided a picture of continuing factional antagonism within the NSW Labor Party. In his 2 July report, Judge Scholes was not satisfied that an offer had been made to Lambert, but was satisfied one had been made in late 1925 to Coleman, who had promptly rejected it. The major focus of the Commission’s report related to Mahony’s sudden resignation of his Dalley seat, described in the following terms:

> Mr. Mahony … was a person without means outside his Parliamentary pay and his account for a long time showed only the regular receipt of his pay monthly {£83.3}. On the day before his resignation he took a box to the Safe Deposit Sydney … according to

---

484 Ibid., pp. 82-83.

485 Commonwealth Parliamentary Papers (CPP), 1926-1928, *Report of the Royal Commission Appointed to Inquire into Statements in the Press in regards to Offers Alleged to have been made to Members to Resign Seats in the Federal Parliament*, July 1928, pp. 7-8. This is referred to as *Report of Royal Commission on the House of Representatives Bribery Charges*. 
his own testimony … [containing] a sum of money amounting to upwards of £5,000 … In the financial circumstances surrounding Mr. Mahony and his political actions at that particular time the possession of that large sum of money, hidden by him in great secrecy, raised in my mind a grave suspicion that that money had not been accumulated by him in the innocent manner related by him.

When that suspicion is attempted to be removed by testimony which cannot by any reasonable man be accepted, there is all the more reason why that suspicion should resolve itself in a conviction. To my mind the presumption that Mahony received this money for his seat is irresistible.486

Mahony, who rarely attended race meetings, unconvincingly had maintained that the money had been obtained by an extraordinary and unprecedented succession of winnings at the Melbourne Cup carnival in November 1926. The majority was stated to have been obtained from winning straight out bets on the Melbourne Cup and the Hotham Handicap, where John Wren’s horse won. In June 1927 he purchased a Balmain hotel, providing nearly £3,000 in cash. Mahony recovered from his illness and unsuccessfully sought Senate preselection in 1928. Wren’s testimony primarily related to the 1926 Melbourne Cup carnival, but he also stated that “he had no interest, directly or indirectly, in Mr Theodore’s election to the Federal Parliament”.487

Theodore would only divulge information in camera about his personal finances. He came across as being ultra-sensitive and most reluctant to release details of his 1924 and 1925 tax returns.488 One feature to emerge was that he had received or acquired around £10,000 in shares in two Mount Isa companies at the time that a bill to extend the railway to Mount Isa was before the Queensland parliament in 1925. Theodore had sold some of these shares by early 1927 and realised around £5,000, which he satisfactorily demonstrated in camera (further details about the Mount Isa shares emerged sixteen months later and helped to trigger the far more damaging Chillagoe-Mungana Royal Commission, covered in the next chapter). Theodore even accepted the possibility that a member could resign during his term, so long as the motive was right: one

---

486 Ibid., pp. 1-11.
487 *Proceedings of Royal Commission on the House of Representatives Bribery Charges*, p. 612.
488 Ibid., pp. 9-12.
motive “included being replaced by a better man”. Theodore also had donated £200 in cash towards Mahony’s testimonial fund and was cleared of any involvement as to how Mahony had received the £5,000.

Judge Scholes’ final conclusion was “I am of the opinion that Mr. Mahony did receive a large sum of money, probably £5,000, in consideration of his resignation of his Seat in Parliament as Member for Dalley and in favour of Mr. Theodore”. The financial benefit offered and given (which was equal to his parliamentary salary for five years) was stated to be in the interests of Theodore, but the source of funds was not identified. The funding was very carefully orchestrated and hidden: and it seems likely that John Wren was involved, contrary to the evidence he gave. The following comment by Niall Brennan in his biography of Wren was probably much closer to the truth: “Judge Scholes said that he had insufficient evidence to name the source of the money. There was, however, not much doubt in anyone’s mind”.  

This was probably one of the earlier occasions that John Wren and Edward Theodore were publicly linked together, but it seems that they had known each other quite well for some time. Wren had been associated with the flotation of one Mount Isa company in early 1924, they had made further mining investments together while Theodore knew him sufficiently well to borrow £1,000 from him just days after the Royal Commission to defray his legal costs pending the sale of his Brisbane property. It therefore came as no real surprise that just over five years later the pair would become long-term business partners, after Theodore had retired from politics.

The Royal Commission outcome was unsatisfactory. The evidence disclosed a series of highly unusual events, probably the most bizarre being that Mahony had personally donated at least £1,250 in cash (being the vast majority) to the Lord Mayor’s testimonial fund for him, as he did not wish to admit publicly that it had failed. In part any lack of acceptance may have occurred because the Commission did not allay concerns that Theodore had some financial transactions to

489 Ibid., pp. 571 & 1255.
491 N Brennan, John Wren: Gambler: His Life and Times, Hill of Content, Melbourne, p. 165.
492 Ibid., pp. 161-162.
494 Proceedings of Royal Commission on the House of Representatives Bribery Charges, p. 384.
hide. It also provided some insight into Theodore’s management of his personal affairs, which
did not always entail much written correspondence or fully reconciled paperwork.495 The sudden
Mahony resignation was less than an ideal start to Theodore’s federal career. It was suggested to
him forcibly in the House of Representatives that he resign; he refused, saying that he had been
nominated fairly and elected in a proper manner, but he was never to escape the campaigns of
muck-raking that were levelled at him.496 The overall situation only served to highlight a great
paradox. Although Theodore had decided to move closer to the seat of federal political and
financial power, in reality he had no longer had a dependable power base in NSW. This provided
a stark contrast to his political power base in Queensland, starting with the Chillagoe electorate
and then through his management and control of the dominant AWU.

**The 1928 and 1929 Federal Elections**

Despite the very unsettled situation within the NSW Labor Party, Theodore became the state’s
campaign manager for the November 1928 federal election when the Labor Party improved its
NSW position in both houses winning three more seats in the lower house and all three Senate
seats. The Bruce-Page government still retained a nine seat majority in the House of
Representatives. On the day of that election a referendum approved a new financial agreement
between the Commonwealth and the States whereby loan borrowings were to be centralised with
effect from July 1929. Theodore supported this proposal, while Lang was vigorously opposed,
creating a further reason for their major battle in 1931.

When parliament resumed in early 1929 Theodore was elected as deputy-leader to Scullin and he
was widely seen to be strong man within a more invigorated opposition. In October that year,
Labor won a landslide victory at a House of Representatives election only; the Senate was not
involved, as a half-Senate election had been held only a year earlier. In its first victory since
1916 Labor won a record 46 of the 75 seats. The snap election was called by Bruce when Hughes
(who was then a Kirribilli neighbour of Theodore’s at North Sydney) and five other Nationalist
members crossed the floor to vote against the *Maritime Industries Bill*, which was planned to be
the precursor to handing back most of the industrial arbitration powers to the states. Theodore

495 Ibid., pp. 1312-1320.
496 Ibid., p. 165.
was appointed Treasurer, with the immense task of trying to stem the consequences of escalating deflationary forces, rising unemployment, deteriorating terms of trade and continuing industrial unrest. He made an inauspicious start when he was unable to ensure the reopening of NSW coal mines, as he had promised. This only widened the rift between the federal Labor forces and those in NSW. The election victory proved to be another poison chalice, with Australia already in recession and only 12 days before the Wall Street stock market crash became the first in a long series of adverse events which plunged the US into an unprecedented decade of depression.

The 1929 Queensland State Election

The Mungana affair did not feature prominently again in Queensland after 1927. The next year the opposition submitted a Want of Confidence motion due to the government not consenting to an inquiry, but the motion was never debated. In the lead-up to the 1929 election, the Mungana affair was included in the CPNP speakers’ notes and in a speech on 8 May Moore reiterated his intention to establish a Royal Commission, as “It is absolutely essential to the honour of the State that the matter should be cleared up”. Rymer still kept up his attack against McCormack in The Advocate, encouraging members of the ARU, which by then was disaffiliated from the Labor Party, to cast informal votes at the forthcoming election.

At the 17 May 1929 general election, the McCormack government was soundly defeated by the CPNP led by Arthur Moore, losing 16 of its 43 seats and recording only 40.2 per cent of the vote. The result domestically was interpreted by some that the vote was not so much against the Labor Party, but rather retribution against McCormack personally. Moore had promised to sell the remaining state enterprises but had also raised the possibility of reopening the smelters as a co-operative for local miners. This plan probably marginally assisted the CPNP vote, as the Chillagoe seat was surprisingly won by Ernest Atherton, the unsuccessful CPNP candidate at the 1926 election. He was immediately appointed the new Secretary for Mines, being one of only

---

498 CPNP Speakers’ Notes for the May 1929 election, pp. 46-59.
three CPNP representatives from North Queensland. The new member for South Brisbane was Neal Macgroarty, who was appointed Attorney-General and was to play a prominent role in subsequent legal developments.

The long-running Mungana affair was a very minor factor in determining the result for most seats. While Mungana was raised during the campaign by some other CPNP candidates, it was rarely mentioned by Moore. The major factors leading to the defeat of the McCormack government were the worsening economic situation after two drought years in Queensland, a general loss of confidence in an increasingly unpopular Premier plus the attitude of the militant unions. McCormack immediately resigned as leader of the Labor Party, being replaced by his deputy, William Forgan Smith, the member for Mackay who had no association with Mungana. Forgan Smith had always fully accepted McCormack’s version of events and had never criticised him publicly. McCormack resigned his Cairns seat in February 1930 soon after returning from a visit to England. This election loss effectively terminated his political career, well before the Royal Commission had been established.

The incoming CPNP government was now in a position to proceed with the long promised Royal Commission into Chillagoe-Mungana. Two unforeseen events occurred just weeks before the October federal election, when more details about the Mungana affair became public knowledge in Queensland, clearly involving McCormack to a much greater degree than he had previously acknowledged. This revelation resulted in the long proposed Chillagoe-Mungana Royal Commission finally being established in February 1930.

Perspective at the end of the 1920s

The 1920s had provided a decade of Labor governments under three Premiers. After the near electoral loss in 1920 there was initially an improvement in the Labor Party vote, but it never approached the levels achieved in 1915 and 1918, always achieving less than 50 per cent of the votes. From 1924 onwards, around the time of Theodore’s decision to move to the federal parliament, the government had lost much of its reforming zeal as it faced increasing opposition from more radical movements. Throughout the period to their closure in 1927, losses escalated for the Chillagoe Enterprise. The acquisition of the Mungana leases only increased these losses, with the performance of the Lady Jane mine being disastrous. However while William
McCormack, despite the clear conflict of interest in continuing to receive benefits, apparently continued to prosper, large storm clouds had gathered over Chillagoe-Mungana. By then McCormack’s career had peaked and his political days were seen to be numbered, while Theodore’s career was still in its ascendancy as by then he was being widely seen as a future Prime Minister.
CHAPTER 7: THE 1930 CHILLAGOE-MUNGANA ROYAL COMMISSION

This pivotal chapter covers the establishment, evidence, report and immediate aftermath of what became known as the Chillagoe-Mungana Royal Commission. It is still one of the most explosive in Queensland’s 155 year history, having a comparable significance to the 1989 Fitzgerald Royal Commission. The commission was established by Moore after the surprise information in October 1929 about the much larger extent of McCormack’s shareholding in the Mungana leases dating back to 1918. The commissioner, a retired NSW Supreme Court judge, was asked to address seven items which included the reissue of the Mungana leases to Frederick Reid, their acquisition by the Chillagoe Enterprise and the management performance of Peter Goddard. He was also asked to report on the conduct and interest of any Minister of the Crown in relation to the nominated items. In July 1930 the Commissioner issued his 24 page report, after both McCormack and Theodore refused, or ultimately were unable, to be cross-examined. After accessing McCormack’s and Theodore’s bank accounts, the commissioner drew the major conclusion that “Messrs. Theodore, McCormack, Goddard and Reid were guilty of fraud and dishonesty in procuring the State to purchase the Mungana Mines for £40,000”. This conclusion was political dynamite because it involved two former Premiers, one of whom was by then deputy Prime Minister, who promptly resigned. The report has been described as “one of the most sensational documents in Australian political and legal history”. 501

The argument in this chapter highlights how the Royal Commission process was finally able to establish the actual facts about the failed Chillagoe Enterprise and the Mungana leases, the truth about which McCormack had hidden for years. Using extensive previously unpublished internal legal correspondence, included in the two appendices, it reveals details about McCormack’s refusal to attend for medical reasons and his payments to Theodore, who was kept closely advised of proceedings. The fact that Theodore was a recipient of payments from McCormack came as a great surprise and promptly led to assertions that the real objective was to “get

Theodore”, which has become one of the enduring myths in the Chillagoe-Mungana story. The argument disproves this myth and asserts that the commissioner made the only conclusion “that any reasonable man would reach” on the basis of the evidence submitted, in the absence of sworn testimony from McCormack and Theodore.

Prelude

By the opening of the 25th parliament in August 1929, the new CPNP government had started to come to terms with the rapidly deteriorating economic situation, had begun implementing many of its election promises and established a Royal Commission into the racing industry. A similar action had not yet been initiated into the Chillagoe Enterprise, which did not feature in the Governor’s speech. Hubert Sizer, a close confidant of Moore’s and the new Secretary for Labor and Industry, subsequently indicated that Moore was then still uncertain whether there was sufficient evidence to initiate the commission. Moore however had already approached the State Land and Income Tax Office seeking information about the interests of those known to be involved in Mungana Mines Limited and the Mungana leases. On 1 July 1929 he had received a report from the Commissioner of Taxes outlining the tax paid by Reid and MML in 1920/21 (as mentioned in chapter 6), advising that an inspector had also interviewed Reid in 1924. Neither McCormack nor any other Ministers of the Crown had included income received from MML in their tax returns: in any event as MML had already paid tax on its assessed profits and the shares were gifts from Reid there was at that time no apparent personal tax liability. On 16 July, Moore forwarded this report under a personal covering letter to John Latham, federal Attorney-General, who had practised as a barrister before winning the safe seat of Kooyong in 1922 and four months later would become leader of the opposition. Moore believed that “the state of affairs … demands further probing … [and] I shall be obliged if a Federal tax investigating

---

503 Report from State Land and Income Tax Office, 1 July 1929, Latham Papers, NLA, MS1009, 46/476-77.
officer can be made available to make whatever inquiries are necessary”.\textsuperscript{504} Two tax officers apparently did visit Brisbane, but nothing directly emerged from that suggestion.

Moore had confirmed earlier that month that an inquiry would be held, leading to the following editorial in the \textit{Telegraph}:

The fact that the public has become restless about Mungana … is indication enough of the indignation which exists throughout the State concerning that transaction. When the inquiry takes place it is likely to excite an amount of interest unprecedented in Queensland’s political history. The astonishing thing is that Mr McCormack so persistently refused to have the matter investigated himself, and his continued refusal was all the more remarkable and inexcusable.\textsuperscript{505}

There was an underlying expectation that some action was planned, but a catalyst was required. Prior to McCormack travelling with one of his sisters to England for health reasons, Moore had indicated that he would be proceeding with an inquiry, but assured him that it would not he held in his absence so he had the opportunity of being present. In late September, during the federal election campaign, Theodore complained publicly that an investigation was under way involving the Commonwealth and Queensland taxation offices into events occurring during his tenure as Premier. This assertion was denied both by Moore and Stanley Bruce, the Prime Minister.\textsuperscript{506}

The situation changed dramatically due to two unrelated, but virtually concurrent, external events in early October 1929 on the eve of the snap federal election for the House of Representatives, which resulted in a record landslide victory for James Scullin’s Labor Party in all states, other

\textsuperscript{504} AE Moore letter to J Latham, 16 July 1929, Latham Papers, NLA MS1009, 46/475.
\textsuperscript{505} \textit{Telegraph}, 9 July 1929.
\textsuperscript{506} \textit{Brisbane Courier}, 30 September 1929.
than Queensland. With great expectations, Theodore became Treasurer and deputy Prime Minister, being widely seen as the strong man in the new government. These two events were disclosures about Theodore and McCormack receiving gifts of shares in a Mount Isa company in 1925 and the public hearing about Fred Reid’s bankruptcy.

Mt Isa Shares

On 4 October allegations were made during a parliamentary debate on mining legislation that three former Labor ministers – Theodore, McCormack and Jones – had been given preferential access to shares in the newly developing Mount Isa mining region through their entrepreneurial colleague, Randolph Bedford. While this was entirely an unrelated matter it had several personal connections to Chillagoe, which are briefly relevant to appreciate. Bedford, who first appeared in the Chillagoe area the 1880s when he visited Irvinebank, was an interesting character, described by Geoffrey Blainey as “the best-known mining journalist in Australia”.507 Also a mining entrepreneur and former member of the Queensland Legislative Council, in 1923 he had been elected as the Labor member for Warrego. In early 1924 Bedford had visited the Mount Isa area, soon after the successful flotation of Mount Isa Mines Limited, a company having a nominal capital of £450,000, mostly in £20 vendor shares, with £50,000 being raised from the public. Bedford persuaded a local cattle station operator, Arthur Campbell, to vend his adjacent mining leases into a new company, Mount Isa Silver Lead Proprietary No Liability (the Proprietary Company) with a capital of £100,000 in 5/- shares. 80,000 shares were quickly taken up, with John Wren, the Melbourne financier, and his associates becoming the largest holders. As the promoter, Bedford received £2,500 in cash and 60,000 fully-paid shares issued to him or his nominees. He proceeded to distribute these shares to friends, who included William Corbould, the prominent mining engineer who when at Mount Elliott had suggested to Theodore that Peter Goddard would be a suitable General Manager at Chillagoe.508 Corbould, who had officially reported about the Mount Isa leases in late 1923, drawing parallels with the rich Broken Hill

507 G Blainey, Mines in the Spinifex, Angus & Robertson, Sydney, 1960, p. 93.
areas which he knew well, had just been appointed a director and general manager of Mount Isa Mines. He received 2,000 shares in the Proprietary Company from Bedford “for services rendered to the flotation”. Theodoré received 500 shares, while McCormack and Jones each received 250 shares. Goddard received 50 shares from Corbould as a “memento of the old days”. Another recipient was Robert Dunlop, then the Cloncurry mining warden, enabling him to return to Chillagoe in 1924 with £4,000 to invest in a new timber venture with Reid. It was alleged that this distribution of free shares had been made to facilitate the passage of the Duchess to Mt Isa Railway Bill in October 1925. Finally Henry Marshall, the Under-Secretary for Mines, received shares which were held in trust by his wife.

The shareholding position became quite complex. On 1 December 1925, Mt Isa Mines £20 shares were subdivided into £1 shares; in February 1926 the Proprietary Company exercised options over six leases; the company went into voluntary liquidation and its assets were sold a year later to Mt Isa Mines, in return for 125,000 Mount Isa Mines shares which were distributed to all shareholders. As a consequence of these transactions Theodore, McCormack and Jones received 5,480, 4,625 and 2,243 shares respectively; each declared his interest in a different way. Theodore’s original allocation, equivalent to 5,000 £1 shares, was held in trust until February 1926 after his resignation from the Queensland parliament. McCormack’s original allocation, equivalent to 4,000 £1 shares, was always listed in his name, while Jones’s initial allocation of 600 £1 shares was held through two separate nominees. Only a small proportion of the shares required a cash contribution. Theodore and McCormack then transferred some shares to London, with most of the rest being sold before the end of 1927, after which Theodore remained a token shareholder.

509 G Blainey, Mines in the Spinifex, p. 95.
511 Briefs and Papers on Mungana Mines/Chillagoe Smelter, QSA, Series ID 5172, Item ID 840352, pp. 1-19. These papers also contain a comprehensive report from solicitors JF Fitzgerald and Walsh covering all the relevant documents in relation to these Mount Isa Mines shares.
shareholder with 32 shares.\textsuperscript{512} There is no doubt that the issue of these Mount Isa Mines shares to each minister resulted in a financial benefit which had not been declared.

A closer insight into his philosophical attitude towards the gifting of shares was provided in Bedford’s parliamentary explanation of the background circumstances.\textsuperscript{513} He declared that the initial 11,830 5/- shares gifted to his family members and 20 other persons were “gestures of friendship” – exactly the same expression used later by Reid as the reason for his initial distribution of MML shares to selected parties. In addition to asking for a Royal Commission to enquire into all the Mount Isa transactions, Bedford further stated:

\begin{quote}
The value of shares I gave away to friends, in mere goodwill, would be today around £11,000; and I don’t expect mean little suburban “pikers” to understand either mateship, gratitude or generosity. A furtive man could have covered up these gifts, but I never had any reason for concealment, and all the facts and figures, at which a few members pretended to be shocked last Friday, were public property nearly five and a half years ago.\textsuperscript{514}
\end{quote}

In a personal explanation, Jones gave details about some of his shares.\textsuperscript{515} These comments served to highlight the type of private arrangements that existed around that period. Further, they provided an insight into how expressions of financial mateship could be readily accepted by both McCormack and Theodore. Neal Macgroarty, the new Attorney-General, led the debate during which he condemned the morality of shares being issued in a company and accepted ahead of key legislation being hastily passed within 24 hours. Arthur Moore then spoke by firstly

\begin{footnotes}
\begin{enumerate}
\item\textsuperscript{512} Ibid.
\item\textsuperscript{513} \textit{QPD}, Vol. 153, 9 October 1929, pp. 776-777.
\item\textsuperscript{514} Ibid., p. 777.
\item\textsuperscript{515} Briefs and Papers on Mungana Mines/Chillagoe Smelter, QSA, Series ID 5172, Item 840352, pp. 16-19.
\end{enumerate}
\end{footnotes}
declaring that there was never any question about the Duchess to Mount Isa railway being a good deal for Queensland. He then espoused for the first time his key ethical concern about ministers receiving free shares, which he would reaffirm over the next two years:

I do not say that there is any corruption, but I do say that the whole matter bears a very unsavoury appearance … I say in this case that, while there may have been no malpractice, yet it was very undesirable … Looking at the matter from the point of view of fairness and decency, I do see wrong in Ministers accepting shares from another hon. Member when they were about to adjudicate upon the construction of a railway which would have enhanced the value of those hon. Members’ interests by 300 or 400 per cent. Nobody can justify that.\(^{516}\)

Later in Moore’s speech, there was an interjection from the deputy-leader of the opposition, Percy Pease, challenging him to go ahead with the Royal Commission into Chillagoe-Mungana.\(^{517}\) In response, after noting from Beal’s 1927 audit report that Theodore had also owned £1,000 worth of shares in Fluorspar Mining Company, which had been supplying the Chillagoe smelters, Moore confirmed his plan in the following way: “We must have an inquiry, but I am not going to have an inquiry until Mr McCormack has an opportunity to be represented at that inquiry. I told him before he went away. I would have had an inquiry before this but for that reason… I have been waiting for this inquiry for years”.\(^{518}\)

With the federal election only days away, Theodore immediately responded to these various parliamentary comments. He stated that he held no shares in Mount Isa Mines Limited, maintaining that his only holding was the 500 5/- shares given to him by Bedford in the Proprietary Company. This statement did not acknowledge his initial tranche of shares had been

\(^{516}\) QPD, Vol. 153, 9 October 1929, p. 797.
\(^{517}\) Ibid., p. 798.
\(^{518}\) Ibid.
held in trust and transferred to him in February 1926. It was promptly proved to be incorrect by Ernest Atherton, the new Secretary for Mines. Theodore’s incorrect response raised lingering doubts about what was the true situation. In passing, it is relevant to note that it was during this phase of the Mount Isa development that Theodore became closely associated with Corbould, the driving force behind the amalgamation of the Mount Isa mineral field, and WS Robinson, a base metal entrepreneur in London, who both later became his strong personal supporters. However, the Mount Isa share issue was dwarfed by Reid’s revelations about McCormack’s actual shareholdings in MML.

Fred Reid’s Bankruptcy

The second, and by far the most important, event unexpectedly arose three days later from a totally different source. This was an examination of witnesses before Justice Hugh Macrossan of the Queensland Supreme Court, acting in federal bankruptcy jurisdiction, on 7-8 October 1929. Late in the previous month, Justice Edward Douglas had declared Frederick Reid bankrupt following the financial failure of Goddard and Reid’s Pacific Hotel venture in Cairns. He ordered that, under the Bankruptcy Act, Reid, Dunlop, Goddard and MacDiarmid should all be examined. Goddard and Reid as tenants-in-common had purchased land in Cairns and then constructed their hotel, in part using steel rails brought from Chillagoe to save money. They initially borrowed £6,500 in 1925 for a term of five years, with a further £3,500 borrowed the following year (as conveyed in an internal 1927 memorandum sighted by McCormack) from the Queensland Public Curator, secured by a first mortgage. Further funding from other sources was later required. The project, which was initially valued at around £35,000, was managed by Goddard’s wife under a three year lease. It was not successful and had been put up for sale at a price of £24,000 when the bankruptcy occurred.

519 Internal memorandum from the Public Curator, 2 March 1927.
This hearing marked the first public involvement in the Chillagoe-Mungana saga of Alec McGill, a prominent Brisbane barrister acting for the Public Curator. The Ipswich-born McGill, who had distinguished school and university records, some years later became a King’s Counsel (later being the only one in Queensland for nine years) and then head of the Queensland Bar.\textsuperscript{520} He was at that time the foundation chairman of the Country and Progressive National Organisation of Queensland (CPNO), the administrative arm of the CPNP, for whom he had contested the South Brisbane seat at the 1926 election and lost by only 99 votes. Despite his high reputation as a barrister, McGill’s major involvement with the CPNO introduced a political element to the subsequent legal events.

The focus of attention was on Reid’s assets and liabilities, about which he had provided very sloppy paperwork and was inconsistent or evasive in his answers. During a very broad-ranging cross-examination, Reid dropped the bombshell that McCormack had held a 50 per cent participation with him in the original MMS dating back to 1918 and was initially to hold 5,000 shares when the Mungana leases were sold to MML from late 1920. Although the number of shares in McCormack’s name had subsequently been reduced, Reid disclosed that they were mostly held through McCormack’s three sisters and Reid as nominees, rather than just the 388 shares he had reluctantly publicly acknowledged in 1926.\textsuperscript{521} The cross-examinations raised clear questions as to the nature of the relationship between MML and the Chillagoe Enterprise. They further revealed that Goddard had been a shareholder in MML, with his brother-in-law holding his shares as nominee, while Dunlop’s wife also held 200 shares. At one stage, McGill specifically asked Reid whether Theodore was also involved as a shareholder in MML. Reid replied that, to his knowledge, he had no interest in any shares.\textsuperscript{522}

\textsuperscript{520} \textit{Telegraph}, 20 January 1951.

\textsuperscript{521} “Examination of Fred. Reid in Bankruptcy Jurisdiction”, QSA, Series ID 4508, Item ID 1669900, pp. 1-51.

\textsuperscript{522} Ibid., p. 27.
These examinations clearly reaffirmed that McCormack had consistently failed to tell the truth to both the parliament and at the 1928 Labor-in-Politics convention. These revelations provided further weight to the persistent rumours about politicians “somehow being involved” with Mungana. Any suggestion or evidence of a financial connection with Theodore still had not been revealed, although his name was raised in relation to shareholdings in the two companies supplying ores to the smelters, where Goddard had also been a shareholder.

Establishment of the Chillagoe-Mungana Royal Commission

Arthur Moore gave formal notice on 9 October 1929 of his intention to appoint a Royal Commission to investigate the allegations about the involvement of politicians in Mungana and Mount Isa. The matter of the Mount Isa shares was soon dropped, even though Moore was justifiably suspicious of a possible corrupt influence, as shown in the background briefing papers for the later civil trial. He was determined to focus on Chillagoe-Mungana; Moore stated that he wished to remove the cloak of secrecy which had surrounded the matter for years and to “ascertain who is guilty and whether we can prosecute”. In his speech on 25 October he reminded Bedford that in the previous parliament had submitted a motion of Want of Confidence in the government because it would not hold an inquiry. This motion was placed, and conveniently remained, at the bottom of the notice paper and was never discussed.

Notwithstanding the sequence of events extending over many years, as outlined in previous chapters, the Royal Commission from the outset was perceived by some persons, particularly those from outside Queensland, as having primarily a political motivation. This perception arose because its announcement occurred just days before the federal election, which brought Scullin

---

525 Ibid., p. 1226.
and Theodore to power. Theodore added to that perception in the *Brisbane Courier*, which reported the following statement: “These suggestions of improper dealings are only raised by conservative politicians, under a shelter of parliamentary privilege, during an election campaign to discredit Labor leaders”. 526

This viewpoint gained considerable currency outside Queensland, where particular emphasis was being increasingly focused on Theodore. This suggestion of a political motive was an obvious advance defensive tactic, particularly when all the relevant and damning information had not yet been made public before the Commission had opened. By that time, the issue had already assumed a decidedly political tone. As an example, from London in early February 1930 Alexander Macdonald, who had been associated with Mammoth Copper over a decade earlier, wrote to McCormack soon after his return from overseas:

> Apparently there has been, or is, an attempt to involve Mr Theodore and yourself into this maelstrom of political prejudice; it has occurred to me that possibly I might be able to render some small service …

> I desire to say that it is my wish to do what I may in the interests of Mr Theodore and yourself. Mr Theodore has shown me many courtesies and I think I have also to thank you for much sympathetic assistance received. If, therefore, you wish the supporting testimony of a ‘Capitalistic’ employer, please consider me at your service. 527

---

526 *Brisbane Courier*, 9 October 1929.
527 Letter from A Macdonald to W McCormack, 3 February 1930 contained in the “McCormack Papers” held by the author.
Macdonald, like many other people, would be greatly surprised when all the facts were revealed. Like many others, he also found them very difficult to accept, such were the reputations that both Premiers had forged for themselves with parts of the business community.

McCormack had an arrogant and somewhat cavalier attitude towards Royal Commissions. This was first revealed to parliament in 1926: “a Royal Commission does not investigate anything and never did. Royal Commissions, as a rule, are only whitewashing bodies”.\(^528\) Then there was his further assertion at the 1928 Labor-in-Politics convention: “if he decided to white-wash himself, he could have appointed such a commission without having any doubt about its decision”.\(^529\) This approach probably reflected a widespread view within the Labor Party, based on its experience since the 1915 election. During the intervening 14 years it had established 56 Royal Commissions, the majority of which used a small group of Labor politicians – particularly James Stopford and William Gillies as Chairmen, as a precursor to becoming Ministers – mostly to report on possible railway extensions or diversions.\(^530\) There were however several instances where more significant issues were investigated, two examples being the establishment of an iron and steel works at Bowen in 1919, and a report about the 1921 Mount Mulligan mine disaster, which was chaired by Robert Dunlop. It was also noteworthy that no senior legal person had been used to head a Queensland Royal Commission during this period.

The Chillagoe-Mungana Royal Commission was somewhat unusual in at least two ways: the appointment of a Commissioner from outside the state and the very short time it took to hear evidence and then report. There was apparently considerable concern within the Moore government that by 1930 all of the state’s Supreme Court judges had been appointees of Labor governments following the 1921 judicial changes. This created a perception that was manifest by McCormack’s comments at the 1928 Labor-in-Politics convention. In the words of Bruce

\(^{529}\) *Daily Mail*, 17 May 1928.
McPherson in *The Supreme Court of Queensland*, “the government sought an ex-judge from another state because it was thought ‘unfair’ to impose the duty on any of the Queensland judges all of whom owed their appointments to Theodore or McCormack”.531 On the other hand, Charles Bernays in *Queensland: Our Seventh Political Decade* commented that “It is understood that no judge of the Queensland Bench was desirous of being associated with a matter which had caused so much political contention, and the government was forced into the position of seeking assistance from another state”.532

The NSW Attorney General was approached to provide nominations of suitable judges from that state. Of several persons suggested, the choice was made of the recently retired 71 year old James Campbell, who had been a judge with the NSW Supreme Court from August 1922 to May 1929. He also had some experience in mining and accounting matters, having already served on a Royal Commission into the coal trade in 1919 and was recommended as a man with the highest reputation as a judge and for personal integrity. The timing for the commission to commence partly reflected Campbell’s availability, due to the illness of his wife, and partly to the private commitment that Moore had made to McCormack that it would not be held while he was overseas. Later, when Moore was queried about the appointment of Campbell, he revealed that Campbell was not anxious to take up the appointment, which was never political but required a person of proven experience and integrity.533

On 28 February 1930, Campbell’s appointment as Commissioner was announced, just seven days after McCormack resigned his seat in parliament, ostensibly due to ill health. The appointment was not without controversy, as it transpired that the Scottish-born Campbell had been born in 1858 so he had served beyond his compulsory retirement date at age 70. This required legislation “to validate certain judicial acts of the Honourable James Lang

531 B McPherson, *The Supreme Court of Queensland*, p. 375.
533 *Daily Mail*, 28 July 1930.
Some observers used this and his age to challenge Campbell’s suitability for the task. The rather poorly expressed terms of reference required “in the public interest that full and careful inquiry should be made into:

1. The circumstances surrounding, and leading up to, the appointment of Peter Louis Goddard as Chillagoe Mines Manager under the provisions of The Chillagoe and Etheridge Railways Act of 1918.
2. The management of the works and property subject to the management of Peter Louis Goddard as Chillagoe Mines Manager.
3. The conduct of the said Peter Louis Goddard generally in the performance of his duties and more particularly his conduct as the Manager of the Smelters and Ore Reduction and Treatment Works and other property subject to his control and management as such Chillagoe Mines Manager aforesaid.
4. The interest or interests, if any, of the said Peter Louis Goddard in any firm, company, or business having dealings or any business relationship with the said Peter Louis Goddard as Chillagoe Mines Manager.
5. The circumstances surrounding and leading up to:
   (a) The forfeiture of certain mineral leases originally held by, or in the name of, The Chillagoe Railway and Mines Limited or by or on behalf of the Mungana Mining Company Limited and forfeited on or around 1 April, 1917;
   (b) The acquisition of any mineral leases in the said Area in the name of Frederick Reid after the forfeiture;
   (c) The formation and registration of a company called “Mungana Mines Limited”;
   (d) The acquisition by the said “Mungana Mines Limited “of the mineral leases held as aforesaid by in the name of the said Frederick Reid or any interest therein;

(e) The sale by Frederick Reid and/or Mungana Mines Limited of any mineral leases to the Government of Queensland of any mineral leases in the said area;

(f) The purchase by the management of the smelters and ore reduction and treatment works acquired under “The Chillagoe and Etheridge Railways Act of 1918” of ores supplied from any mineral leases sold as aforesaid to the Government of Queensland before or after such sale.

6. The circumstances surrounding and leading up to the formation and registration of —
(a) A company called “Fluorspar Mining Company Limited”; and

(b) A company called “Argentum Mining Company Limited”.

7. The dealings by and between the said Peter Louis Goddard as Chillagoe Mines Manager with these two companies and the firm, “Dunlop and Reid”, timber merchants, and the firm, “Goddard and Reid”, hotelkeepers at Cairns.

8. (a) The conduct and (b) the interest of any Minister of the Crown or any person having any public or official position under the Crown in relation to or in all or any of the above-mentioned matters, transactions, or things, or any matters, transactions or thing arising out of or incidental to such matters, transactions or things.

… to the intent that the whole truth as to such matters should be determined and reported …”  

It is relevant to note that neither McCormack nor Theodore was specifically mentioned by name in the terms of reference. McCormack was represented by Bartley Fahey, instructed by Vernon Macrossan. Edward Real represented Goddard, Reid, Dunlop and McDiarmid, while D J O’Mara apparently held an unobtrusive watching brief on behalf of Theodore. The Queensland Branch


537 Appendix 2, p. 360.
of the Labor Party was represented throughout by Edward Quinlan, but he took no part in the proceedings.

The Commission commenced sitting on 30 April 1930, with evidence being taken from the following day. Of particular relevance was that press representatives were allowed to be present, so daily reports were featured in most significant newspapers. Somewhat controversially, and probably unwisely, McGill was again involved together with another counsel, instructed by the Crown Prosecutor, Hubert Henchman. The decision to retain the services of McGill in such a publicly prominent position considerably strengthened the perception that the inquiry had already evolved into a political witch hunt, irrespective of its proven historical origins.

The Royal Commission sat for 20 days over a two month period to 20 June, primarily at a special venue in the Land Court room at the Executive Buildings in Brisbane, plus a three day sitting at the Chillagoe smelters. More than a hundred documents were received as exhibits, with an accountant specially detailed to assist the Commission due to the heavy emphasis placed on financial analysis and performance. Evidence was heard from 43 subpoenaed witnesses, mostly in Brisbane but also some at Chillagoe. Evidence from these other parties is summarised first, before reviewing the actions by McCormack and Theodore.

**Major Evidence**

Alec McGill played a significant role in how proceedings developed. In his lengthy opening address he outlined the long sequence of events from the time of the acquisition of the Chillagoe Company assets by the Queensland government. He particularly highlighted the role played by Goddard in securing the very rapid acquisition of the Mungana leases in 1920, at a time when he was also a shareholder in MML. As well, Goddard had a shareholder association several years later with Theodore in Fluorspar Mining Company and Argentum Mining Company: in all three
cases Goddard’s shares were held by nominees to hide his involvement. McGill drew heavily on the revelations at Reid’s bankruptcy cross-examination about the extent of McCormack’s involvement in MML, whose bank accounts he stated would be investigated.

The most significant witnesses called were Peter Goddard, Frederick Reid, Robert Dunlop, Alfred Jones, Duncan McDiarmid and Peter McCaffrey, while the major technical evidence was provided by Harald Jensen and Edgar Saint-Smith. Most of the other evidence helped to flesh out more details relating to the basic facts supplied by these key witnesses. Goddard, the first witness to be called, acknowledged from the time of his initial provisional appointment that he was determined to gain access to the Mungana leases, given the post-war decline in prices, the high cost of developing new mines and the inconsistent ore grades. He sought to justify the purchase price by reference to the failed Mammoth Copper transaction. He conceded that there were inaccuracies in the Chillagoe Enterprise balance sheets relating to fixed asset values and stocks, but denied it was entirely his responsibility. He admitted a later concern that McCormack “wanted to throw the blame of the enterprise on to my shoulders”. 538 He agreed that preferential treatment had been given to Reid, basically because he provided most ore to the smelters. When later recalled he elaborated that Theodore had once told him to keep the smelters running, which meant that: “To do this at times I had to take one per cent ore and pay £1 per ton for it when it was not worth 2/6 per ton”. 539

With regard to his involvement as a shareholder in the Argentum Mining Company, Goddard stated that he had bought a £50 parcel of shares for Theodore, conveniently without his knowledge whilst he was abroad. 540 If that was the case, it indicates that a close relationship existed between the Premier and the manager of the largest enterprise in his electorate that was 538 “Transcript of Evidence, Royal Commission into Chillagoe-Mungana etc.”, QSA, Series ID 153209, Item ID 92031, p. 666.
539 Brisbane Courier, 23 May 1930.
540 “Transcript of Evidence, Royal Commission into Chillagoe-Mungana etc.”, QSA, Series ID 153209, Item ID 92030, pp. 207-220.
totally in breach of Goddard’s employment contract. He also denied any impropriety or conspiracy about him and Theodore controlling Fluorspar Mining Company, with their shares held through nominees so their interests could not be readily identified.

The evidence submitted by Reid at his two appearances essentially repeated the information he had disclosed at the bankruptcy hearing, particularly in relation to the actual shareholders in MML. He admitted that he had approached McCormack to become involved in the MMS because of his parliamentary influence and that he might be a possible source of capital. He denied any direct involvement in Mungana by Theodore, apart from his influence as the local member and his prime role within the government. Reid acknowledged that he had been overpaid by Goddard for lower grade blended ores.

Dunlop also came across as being a compliant follower of the wishes of the Department of Mines, at times giving quite evasive replies. On three separate occasions he acknowledged his awareness of the critical role that ore supply from Mungana meant to the Chillagoe smelters. One could not survive without the other, so “Reid had the smelters in his hands when he held the Mungana mines”.\(^\text{541}\) Dunlop acknowledged his friendship with Reid which dated back to the time Reid was manager at Mammoth Copper’s Cardross mine. He was quizzed closely about his decision to recommend that Reid’s initial applications nos. 502 and 503 be granted, despite the claims of other parties. He supported Reid’s 1919 approach to borrow money to buy equipment at Mungana, but twice noted Reid’s “natural dilatory habits” in relation to paperwork. Yet somehow Reid managed to have all his paperwork promptly available and in order at 9.00 am on the morning of 11 September 1917 when he first applied for the two leases.\(^\text{542}\) While acknowledging that it was the convention that all names should be shown on lease applications, he gave no satisfactory response as to why McCormack’s name never appeared on Reid’s February 1919 revised MMS applications nos. 556, 557, 558 and 559.

\(^{541}\) “Transcript of Evidence, Royal Commission into Chillagoe-Mungana etc.”, QSA, Series ID 153209, Item ID 92031, p. 484.

\(^{542}\) Ibid., pp. 458-485.
Dunlop was also evasive in relation to his knowledge of the 200 MML shares in his wife’s name, stating that he had no idea why she had been given the shares, as no scrip was actually issued. He was decidedly defensive, initially refusing to answer questions until instructed by the Commissioner to do so, as to how he managed to receive the proceeds of the sale of Mount Isa shares, contrary to his employment conditions, when no scrip was held in his name. He reluctantly provided the details showing how he had also benefited. This windfall enabled him to return to Chillagoe in early 1924 where he jointly invested, and subsequently lost, £4,000 with Reid in the Tazali timber project, about which he was also quizzed in relation to the supply of timber to the Mount Mulligan coal mine.

Jones, as Secretary for Mines, having initially claimed cabinet privilege, was not prepared to reveal further details which would probably have materially helped the Commission. He basically repeated the contents of his various speeches in parliament, in all respects defending the Chillagoe Enterprise and the Mungana leases acquisition. He projected as a minister compliant to the wishes of others, primarily Theodore whom he supported at every opportunity because he was member for the area. He was also quite ambivalent about persons accepting shares in a mining company supplying ore to the smelters. With specific reference to Goddard’s shareholding he believed that “a man could accept shares in a mine and give faithful report and administration”.543 As a strong defender of Goddard, he seemed to give scant consideration to any conflict of interest. McDiarmid repeated the evidence given at Reid’s bankruptcy hearing, answering questions about the shareholding details of MML and the operations of its predecessor, the MMS. The absence of early company records meant that some data could not be validated, but the cross-examination confirmed a continuing pattern of very sloppy financial and statutory paperwork.

543 Ibid., p. 546.
McCaffrey, the audit inspector, proved to be an important witness due to the quality and independence of his various audit reports. This was particularly the case for his 1925/26 report plus the previously noted comment by McCormack that Goddard “has nothing to worry about with Mungana: Mungana is my pigeon and Theodore’s, and not his”. George Beal, the Auditor-General who prepared the special report in 1927, was also called but his appearance seemed to be over-shadowed by McCaffrey. The possibility of Theodore somehow being involved from an early date was also raised by Dr Harald Jensen late in proceedings. Jensen, who had visited the Mungana mines in 1919 and prepared two special report (which subsequently disappeared but were published in the *Queensland Government Mining Journal*), recalled a conversation with Reid in which he stated, “Mr. McCormack and Mr. Theodore were shareholders in the Mungana mines”. Reid later denied he had made this statement when recalled to the witness box, because he had not personally offered Theodore any shares – only to McCormack. However, that did not rule out some private arrangement with Theodore about McCormack’s share in the Mungana leases.

The Commission adjourned on 22 May to take evidence at Chillagoe, which yielded no startling new information but highlighted additional anomalies about expenditure there. By the time it reconvened in Brisbane on 9 June, complete statements of McCormack’s bank accounts from 1917 to 1925 had been obtained by the Commissioner, but the detailed contents were not then made public. The following day a subpoena was issued to also produce Theodore’s bank accounts, resulting in a report in the *Brisbane Courier* that triggered Theodore’s sudden public request to appear before the Commission.

**Approaches Adopted by McCormack and Theodore**

544 Ibid., p. 661.
545 Ibid., pp. 905-906.
546 Ibid., p. 915.
547 *North Queensland Register* in the display at “The Hub”, Chillagoe.
548 *Brisbane Courier*, 12 June 1930.
Much of the details relating to the approaches and information concerning McCormack and Theodore have been derived from what were termed the “McCormack Papers”, described in more detail in the footnote and used as a continuing reference source. From the outset, both McCormack and Theodore did not respond to their subpoenas. They were never cross-examined and ultimately made no formal written submissions. It seems that Vernon Macrossan, McCormack’s solicitor throughout the entire legal proceedings over the next 17 months, offered the early advice — which was presumably verbally transmitted to Theodore — that non-attendance left open the option to attack any adverse findings as being biased.

In McCormack’s case ill-health was the stated reason, although he refused to submit a medical certificate and on his return from a protracted overseas visit with his sister, chose to live for some time at a Sydney hotel. In early April, he had sought advice from Dr Herbert Evatt, recently appointed as a Kings Counsel. Since living in Sydney Theodore had befriended Evatt, the independent Labor member for Balmain in the NSW Legislative Assembly, who soon was to embark on a distinguished career with the High Court and then the federal Labor Party. Both of them shared a common deep concern about the approach taken by the NSW opposition leader, Jack Lang. Evatt’s initial advice to McCormack was that “holding shares in a property which is then sold to the Crown can be construed into an act of conspiracy”. However, he believed

549 “McCormack Papers” were sent to the author by KH Kennedy in May 2010 and have never been published in detail. They were originally obtained by Kennedy for his 1973 PhD thesis, The Public Life of William McCormack: 1907-1932, at James Cook University. Later, when various original documents were being discarded, Kennedy decided to obtain typed copies. These included sundry correspondence, 24 letters between V Macrossan and W McCormack between April and September 1930 and a draft statement dated 28 April by McCormack which was never tendered to the Royal Commission. This statement is included verbatim for the first time in Appendix 1. 20 significant communications between Macrossan and McCormack, included in their entirety in Appendix 2, should preferably be read in sequence. Significant items within each letter are shown in bold type for ease of reading.
McCormack did not have to respond to a subpoena as he was living in NSW: a very convenient decision.\textsuperscript{550}

On 28 April McCormack finalised a draft written statement, carefully prepared in conjunction with Macrossan, and shown in Appendix 1. The original plan was for this statement to be formally lodged at an appropriate time with the Commission. McCormack opened his statement with the following paragraph:

\begin{quote}
By way of preface I desire to say that I do not propose to touch herein upon any matters political, or to discuss the policy of the Government of which I was a member in relation to its enterprises at Chillagoe, as I consider they should not be the subject of a public enquiry.
\end{quote}

In the text of the letter McCormack then acknowledged his 50 per cent share with Reid in the MMS from late 1917, under a signed agreement and declaration of trust. He left the actual operation of MMS to Reid and McDiarmid, but made no attempt to conceal his involvement as “many people in the district were aware of my interest in the property”. He confirmed his knowledge of the possible opportunity for the leases to be put into a joint company with Mammoth Copper Mining Company. Further, he advised that he was the instigator in 1919, and then was a continuing proponent, of the proposal to convert the MMS to the limited liability company, Mungana Mines Limited, eventually achieved in late 1920. In early 1921 had advised Reid and McDiarmid that he wished his three sisters to each be allotted 900 shares, with the remaining 2,300 shares to be allotted in his name. There was a continuing dispute with Reid about his initial recorded allocation to McCormack of only 388 shares: it was eventually settled by Reid paying him the dividends on a further 900 shares, which were never formally transferred to him. McCormack advised that he disclosed his involvement to cabinet in 1921 in the following terms: “I was largely interested in the company which owned the properties, and I had

\textsuperscript{550} Letter from W McCormack to V Macrossan, 5 April 1930, “McCormack Papers” held by the author.
been a member of the Syndicate since 1917 and I strongly supported a proposal to obtain an independent report from a first class mining engineer”. He then stated that “I did not make any use of my position as a Minister to induce the Government to purchase the property, nor did I endeavour to influence any member of the Government or any of its officers to that end”. He formally confirmed his receipt of dividends from MML totalling approximately £13,327. Finally, he wished “to draw attention to the staleness of the matters … They have been mentioned in Parliament in various sessions from 1922 to 1929 inclusive, and in the elections of 1926 my admitted ownership of an interest in the Mungana Mines Limited was made an issue in the campaign”. In the final two paragraphs he described “a constitutional weakness aggravated by the strain of controlling a Government during very difficult times” as the reason for not attending the inquiry. Finally, he believed “the matters into which the Commission is to inquire … gives the inquiry a strong political complexion — its main purpose appears to me to be, not so much the elucidation of the facts (most of which are already known to the public) as to besmirch me for political purposes”.551

This extremely carefully worded document, which consistently ignored several material items such as his knowledge of Goddard continuously being in breach of his employment conditions, his belated public acknowledgement of holding only 388 MML shares when he had in fact received dividends on 4,376 shares, his 1927 statement to parliament that “no Royal Commission could give any further information than I have given this evening” and most importantly his payments to Theodore, was never lodged. It again showed his aversion to telling the entire truth. His legal team, then not being fully aware of all the facts, wisely decided to wait for an appropriate time to lodge the statement. Meanwhile, Macrossan’s primary focus was on trying to persuade McCormack to supply a medical certificate to support his non-attendance. They were very puzzled by his reluctance to do so, in the light of his specific reference to “constitutional weakness” in his planned statement and by a comment on 3 May:

551 Appendix 1.
Re certificate, I cannot get a suitable one for general health reasons without undergoing a very rigid examination for some days. Then the MD may not be satisfied without a week’s observation in hospital so that makes it impossible … I am still not disposed to allow McGill to broadcast my disability and I would willingly face any situation than that.\footnote{552}

This stubborn resistance seems to imply that McCormack’s uncertain health did not entirely arise from heart problems, as most persons had generally assumed. In a 2010 discussion with Kett Kennedy, he advised that it was his understanding that McCormack suffered from secondary syphilis.\footnote{553}

**Investigation of McCormack’s and Theodore’s Bank Accounts**

Another major issue related to the commission being able to access bank accounts, which was vigorously opposed. This was the issue which gave the commission its explosive reputation. These private legal communications include references to an unnamed “third party” – obviously Theodore – with no name initially being formally mentioned. On 13 May a more concerned Macrossan advised:

> During the day I heard privately the disquieting news that four or five cheques on the account with Bank of N.S.W. amounting in all to about £3,000 were, shortly after receipt of dividends, drawn in favour of a third party whose name appears on the actual cheques.

\footnote{552} Appendix 2, p. 355.  
\footnote{553} DE Moore discussion with K Kennedy, June 2010.
If this information is known to the Crown, and perhaps it is, a subpoena could be issued specifying the relevant cheques required to be produced or at all events they could be indicated in sufficiently general terms to identify them.554

This was the first hint to McCormack’s solicitors of Theodore receiving significant payments from McCormack, a situation that was actively followed up. On the same day, McCormack’s three sisters gave virtually the same evidence to the Commission. All three had immediately passed their nine MML dividend payments to their brother for banking, as the shares were always held in trust for him. It then came as no surprise that the Commissioner sought to access McCormack’s account with the Bank of NSW. On 19 May, McCormack’s solicitors brought an injunction in the Supreme Court to prevent this, but failed. It ruled that the Commissioner could compel their production by subpoena, but he was required to personally examine them and only make information public that was relevant to the inquiry. These records provided evidence (not previously admitted by McCormack) that he had made consistent payments to Theodore soon after the time of his receipt of income from the Mungana leases.

On 29 May Macrossan asked McCormack “to let me have any comment on the bank accounts that you think will be of assistance, particularly in regard to any cheques given to politicians, and where any considerable sum has been drawn in cash, the reason therefor if you can at this late date remember”.555 These cheques covered the period to 31 December 1925. On 4 June, McCormack made the following general comments:

I am of the opinion that the Commissioner will not be so interested in the amount I can explain as the cheques that I offer no explanation about except that I paid them to Theodore.

554 Appendix 2, p. 359.
555 Appendix 2, pp. 363-365.
At the present time I have no intention of going up to give evidence. The other party has not yet advised me as to when he is going and if so what explanation he is going to give. If he does decide to go I will suggest that he may as well get the services of yourself and Counsel as you have all the details.

... I am in a difficult position in regard to this question and will try to have a yarn with you on Saturday night. You will understand my difficulty until I know exactly what he is going to do.

In a post script to that letter McCormack concluded: “I don’t think it is advisable to put in any statement by me. The position has altered and at this stage no good purpose would be served”. This conclusion was accepted by Macrossan as “the wisest course under the circumstances”: McCormack’s draft statement was never presented. Macrossan was clearly aggrieved that McCormack had not previously advised him of these transactions. Several of Macrossan’s subsequent comments to McCormack in his 6 June letter are interesting in the context of Theodore’s later public responses, after the nature and magnitude of the transactions became public knowledge. Macrossan, quite reasonably, perceived there was something to hide.

If Theodore can satisfactorily explain the matter, his attendance would meet your purposes and his own without the necessity for your attendance. If he can do this we would be pleased to see him in attendance but if not it would be wiser to remain away. His failure to attend will not make the position worse and he will be spared some uncomfortable hours in the box.

---

556 Appendix 2, pp. 366-367.
557 Ibid.
If facts relating to the transaction are disclosed by means of cross examination the result would be more sensational than if Campbell merely comes to certain rather obvious conclusions by putting two and two together.

In addition to the Mungana transactions explanations by Theodore are required with regard to some rather undesirable aspects of the dealings with the Argentum and Fluorspar companies.

However, it seems that no explanation by yourself or Theodore can put the matter in a satisfactory light and any attempt to do the impossible will probably only result in further undesirable consequences. I think we must make up our minds what can’t be cured must be endured. It would seem, therefore, that if Theodore’s political engagements should prevent his being in attendance there should be no reason to regret the fact. 558

On the same day, the Commissioner issued a subpoena to access Theodore’s accounts with the Bank of NSW. Theodore, presumably having heard via McCormack about the details of the various banking transactions, belatedly indicated on 12 June that he was willing to appear before the Commission, subject to finding a convenient date, given his involvement in the federal budget preparation and in seeking passage of the Central Reserve Bank Bill through an overwhelmingly hostile Senate. Despite several attempts to secure his testimony Theodore never appeared, stating that his top priority was to deal with Australia’s deepening economic crisis, rather than answering questions about his own integrity. Campbell even adjourned the Commission and was prepared to reopen it until as late as 24 June to specifically hear Theodore’s evidence. Whether Theodore misread the importance of appearing, did not appreciate the short timetable Campbell had in mind or never really intended to attend can still today only be subject to speculation. His non-appearance, coupled with the absence of any formal statement, was interpreted by many as showing evidence of his involvement. The initiative by Campbell to

558 Appendix 2, pp. 358-359.
investigate the bank accounts was taken without the knowledge, or involvement, of McGill. No specific information was publicly released prior to the final report.

**Payments from McCormack to Theodore**

The payments from McCormack to Theodore were by far the most sensitive and crucial evidence unearthed by the Commission, directly as a result of its forensic approach. As it became the greatest source of continuing debate arising from the Commissioner’s report it is important that the key details be understood. The table in Figure 10 summarises these transactions from October 1920 to 1926, as extracted by C Hebden, the secretary to the commission. It is somewhat surprising that this type of table did not form part of the final public report, as it has only been located in the Latham Papers. A similar table can also be extracted from the “McCormack Papers”, most of which is contained in Appendix 7 of *The Mungana Affair*. The final figures in the two analyses were very slightly different: as there is no guarantee all the payments from McCormack to Theodore were included, given the fact there were some cash payments and several cheques were immediately cashed. Both sets of figures contain either minor inaccuracies or typographical errors, as to dates and amounts. While it is impossible to prove the assertion made by the Royal Commissioner, as a complete reconciliation is impossible, it does not change the substance.

---

559 C Hebden, Mungana Mines Bank Account, 5 July 1930, Latham Papers, NLA, MSS 1009, 45/488-490.
**MUNGANA TRANSACTIONS : 1920 - 1926**  (£ )

<table>
<thead>
<tr>
<th>Year</th>
<th>Date</th>
<th>Profits</th>
<th>Received Direct (788 shares)</th>
<th>Via Sisters (2588 shares)</th>
<th>Via Reid Estimated (900 shares)</th>
<th>Total</th>
<th>Date</th>
<th>Amount</th>
<th>Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920</td>
<td>1-Oct</td>
<td>1500</td>
<td></td>
<td></td>
<td></td>
<td>1500</td>
<td>16-Oct</td>
<td>750</td>
<td>Cash</td>
</tr>
<tr>
<td>1921</td>
<td></td>
<td>0</td>
<td></td>
<td></td>
<td></td>
<td>0</td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>1922</td>
<td>28-Mar</td>
<td>473</td>
<td>1613</td>
<td></td>
<td></td>
<td>2086</td>
<td>13-Apr</td>
<td>1600</td>
<td>cheque</td>
</tr>
<tr>
<td>1923</td>
<td>8-Jun</td>
<td>236</td>
<td>806</td>
<td>1042</td>
<td></td>
<td>2086</td>
<td>19-Jul</td>
<td>634</td>
<td>cheque</td>
</tr>
<tr>
<td></td>
<td>16-Oct</td>
<td>118</td>
<td>403</td>
<td>521</td>
<td></td>
<td>2086</td>
<td>27-Jul</td>
<td>110</td>
<td>cash</td>
</tr>
<tr>
<td></td>
<td>Unknown</td>
<td>135</td>
<td></td>
<td>521</td>
<td></td>
<td>2086</td>
<td>16-Oct</td>
<td>325</td>
<td>cheque</td>
</tr>
<tr>
<td>1924</td>
<td>10-Jan</td>
<td>157</td>
<td>538</td>
<td>695</td>
<td></td>
<td>695</td>
<td>7-Jul</td>
<td>1200</td>
<td>cheque</td>
</tr>
<tr>
<td></td>
<td>17-Jun</td>
<td>315</td>
<td>1075</td>
<td>1390</td>
<td></td>
<td>1390</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>31-Oct</td>
<td>236</td>
<td>270</td>
<td>506</td>
<td></td>
<td>506</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unknown</td>
<td>480</td>
<td></td>
<td>480</td>
<td></td>
<td>480</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1925</td>
<td>3-Mar</td>
<td>236</td>
<td>1343</td>
<td>1579</td>
<td></td>
<td>1579</td>
<td>9-Mar</td>
<td>900</td>
<td>cheque</td>
</tr>
<tr>
<td></td>
<td>21-Jul</td>
<td>450</td>
<td>1535</td>
<td>1985</td>
<td></td>
<td>1985</td>
<td>30-Jul</td>
<td>1000</td>
<td>cheque</td>
</tr>
<tr>
<td></td>
<td>6-Aug</td>
<td>177</td>
<td>605</td>
<td>782</td>
<td></td>
<td>782</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>19-Aug</td>
<td></td>
<td>514</td>
<td>514</td>
<td></td>
<td>514</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1926</td>
<td></td>
<td>Unknown</td>
<td>200</td>
<td></td>
<td></td>
<td>200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes**
Specific dates for some dividends received via Reid are unknown
Reid should have paid McCormack £2741, but all payments cannot be traced.

**Sources**
Analysis signed by C Hebden, Secretary to the Chillagoe-Mungana Royal Commission, 5 July, 1930.

**Figure 10: McCormack-Theodore Mungana Transactions 1920-1926**
Both versions show that in the period 1920-1925 McCormack received a £1,500 MMS profit distribution from Reid in October 1920, £2,431 in MML dividends on the 888 shares he directly held in the company and £8,188 in MML dividends through his three sisters. Payments from Reid on the 900 shares he held on McCormack’s behalf were quite variable and only totalled £1,129 from the £2741 he should theoretically have received. McCormack stated that £506 in cash received from Reid was immediately reinvested in Marvel Tin Mines and that Reid still owed him £581.  

Figure 10 shows that McCormack received £13,215 from his Mungana involvement and over the same period Theodore received £6,719 which includes a £200 adjusting cash payment in 1926, thereby making the total just over 50 per cent of McCormack’s estimated total cash receipts. Payments were made by cash and cheques in Theodore’s name. It was this calculation that was later used by Campbell in his report. McCormack paid £750 to Theodore just after he had received the £1,500 profit distribution from the two-person MMS. Significantly, there was no payment to Theodore in 1921, when McCormack received no income from the Mungana leases. In April 1922 he paid £1,600 to Theodore two weeks after receiving the first MML dividends totalling £2,566, following MML’s initial receipt from the government. Thereafter he made seven further payments to Theodore, the last two being £1,000 in July 1925 when the remaining royalties were paid in advance and a £200 adjustment in 1926 as MML was being wound up. Collectively they were just greater than 50 per cent of the total amounts McCormack received. The timing of payments to Theodore, whose name appeared on all cheques, although generally made soon after receipt of MML dividends, was quite irregular: this could well have partly arisen due to the previously acknowledged variable payments from Reid.

Meanwhile, in response to Theodore’s belated 10 June request to appear before the Commission, Campbell had initially replied that any day after 17 June would be suitable. Later Campbell advised that it should be before his planned completion date on 24 June, to which Theodore

561 Ibid., p. 138.
562 Brisbane Courier, 12 June 1930.
stated he could not do so until after the federal budget was submitted in July. Theodore clearly wanted to defer any planned evidence until a more convenient time. The Commissioner seemed to be in a hurry to complete the report and may not have been partial to an extension given Theodore’s early attitude. However, the details in the above table undoubtedly would have been made available to Theodore by McCormack in advance of the Royal Commission report. The only unknown element was the interpretation and conclusions that would be reached by the Commissioner. The obvious inference, which was also drawn by Macrossan in his 6 June letter, was that Theodore had received around half of McCormack’s income from his Mungana involvement. (To put the amounts in perspective, in 1930 the salary of a back bench MP was £1,000 a year.)

By that time the continuing press articles foreshadowed that the report would be increasingly likely to provide some damning conclusions about McCormack and possibly Theodore. The federal opposition, led by John Latham following Bruce’s defeat at the 1929 election, started to follow proceedings much more closely. In an early June letter exchange with Sir William Glasgow, a Queensland senator who had been Minister for Defence in the previous government and was then deputy leader in the Senate, Latham suggested that the “question of propaganda should not be lost sight of in the circumstances”. Glasgow confirmed that “full use is made of the salient points of the Inquiry for propaganda purposes”, and advised that he had been in contact with the CPNO secretary to ensure Latham received an early copy of the report.563

The Royal Commission Report

McGill’s summing up highlighted several key points. He believed that a connection between McCormack and Theodore was the only possible explanation for the succession of events revealed during the inquiry. McCormack’s half interest in MMS had been given to him by Reid so McCormack would exert his influence. McCormack was never Reid’s financier – the

563 Latham Papers, NLA, MS 1009, 45/484.
government was. McGill believed that Theodore had recommended government advances, fully aware that McCormack held a half interest in the mines. Goddard did not expect to make a profit at Chillagoe, but had continued operations and falsified his reports so that his own personal interests in Mungana, Fluorspar and Argentum would provide him personal profits. Goddard’s connection with Mungana was corrupt, as “he was offered that interest as a bribe, and accepted it as a bribe” to expedite the government’s purchase of the mines. Goddard’s management of the smelters and his policy of preference to Reid constituted fraud. Finally, both the honesty and integrity of Theodore and McCormack “were in grave doubt”.

Kennedy describes Campbell’s overall task as “not an easy one” since:

Virtually all the witnesses had had some personal axe to grind when giving evidence. On one hand there were those witnesses whose actions, competence or integrity were at issue — Jones, Goddard, Reid, Saint-Smith, Beal and other minor witnesses. Their motives for defending the Chillagoe enterprise and the Mungana purchase were obvious. On the other hand, it could be shown that witnesses who gave evidence that was opposed to that of the persons defending Chillagoe had a personal grudge to satisfy, or reason to be regarded as unreliable …

Yet, in addition to the transcript of evidence, there was more reliable testimony in over 100 documentary exhibits, as well as the all-important Theodore and McCormack bank accounts available to Campbell. It was these documents, more than the evasive, contradictory, confusing and partial evidence of the witnesses, and the inference of legal counsel, that the report would have to be based.

---

564 “Transcript of Evidence, Royal Commission into Chillagoe-Mungana etc.”, QSA, Series ID 153209, Item ID 92031, pp. 946-1013.
James Campbell’s report, comprising only 24 pages and written in just 13 days, was surprisingly released immediately to the newspapers on 4 July 1930 and became headlines the following day, although it was not tabled until parliament formally resumed on 15 July. Before outlining the seven major conclusions, some important observations were made by the Commissioner within the body of the report. These included the fact that Arthur Jones, the only cabinet member examined, claimed privilege in respect of all discussions in cabinet, so his contribution was severely limited. In turn, this stance materially helped to insulate Theodore and, to some extent, McCormack. Goddard was ill-equipped to be appointed as general manager, forcing the Commissioner to the conclusion that “Mr. Goddard was chosen principally because it was thought by Mr. Theodore and Mr. McCormack that he would be useful in ways and directions not contemplated by the statute”. The reported £1,375 profit [by the smelters] in 1919/20 was illusory, as it was a loss of at least £3,085 and probably much greater if interest had been correctly accounted for. In his view, the initial asset valuations and allocations were not correctly undertaken under the authority of the 1918 Act, “with the only explanation of this action of Mr. Theodore is that he evidently desired to make the capital burden which the smelters and the associated mine had to bear as light as possible”. Also, “The system under which ore purchased was paid for on assay values seemed to present a serious defect”.

Campbell offered several comments on Goddard’s management:

I do not think any management could have made the enterprise a profitable one in the circumstances in which it was begun and carried on. While recognising that the avowed

567 Ibid., p. 11
568 Ibid., p. 10.
569 Ibid., p. 11.
570 Ibid., p. 11.
purpose in restarting the smelters and the mines were primarily politico-industrial {in which economic laws may be said to possess no necessary sanction} that does not palliate or excuse reckless extravagance in administration, unscrupulous exploitation of the enterprise for public benefit, suppression and misrepresentation of the truth in the yearly balance-sheets of the enterprise, and cynical transgressions of the law, even for the intended benefit of the enterprise.\textsuperscript{571}

All these things in one connection or another characterised the history of the enterprise during the period of Mr. Goddard’s management, and Mr. Goddard appears, on the evidence, to have participated in them, either actively or passively, for his personal advantage”. \textsuperscript{572}

… in his open association with the Argentum Mining Company and the Fluorspar Mining Company, in which Mr. Theodore was largely interested, Mr. Goddard was openly transgressing the provisions of the Act under which he held his appointment and had in fact, by his association with these companies, as well as his interest in the Mungana Mines, vacated his office as General Manager. There is no doubt that these facts were known to his official superiors, Messrs. Theodore, McCormack and Jones”. \textsuperscript{573}

With regard to the association between Goddard and Reid, he commented:

the business relations between Mr Goddard and Mr Reid in connection with the business of either smelting or ore supply do not appear on the evidence to have been criminally corrupt, but unquestionably they were based on a community of personal interests arising

\textsuperscript{571} Ibid., p. 12.
\textsuperscript{572} Ibid., p. 12.
\textsuperscript{573} Ibid., p. 14.
from their association in other business ventures … which was not conducive to a proper regard for the State’s interest where those interests might conflict with their own.\textsuperscript{574}

I think Frederick Reid unduly benefited at the expense of the State [examples quoted].\textsuperscript{575}

He was highly critical of the overall financial and government management relating to the Chillagoe Enterprise, several examples being:

This misrepresentation of the economic position and results of the enterprise … could only have been sustained by the tacit connivance or, at least, the accommodating silence of the Auditor-General.\textsuperscript{576}

… no serious attempt appears to have been made [by Reid] to obtain the necessary capital to restart the [Mungana] mines on anything like an adequate scale of production.\textsuperscript{577}

Mr Jones had neither the strength of character nor the mentality to cope with the situation.\textsuperscript{578}

Campbell was understandably very sceptical about the quality and quantity of the Mungana resources:

\textsuperscript{574} Ibid., p. 12.
\textsuperscript{575} Ibid., p. 13.
\textsuperscript{576} Ibid., p. 15.
\textsuperscript{577} Ibid., p. 19.
\textsuperscript{578} Ibid., p. 23.
The true value of the Girofla mine may be better gauged by the results of the actual operations during the period 1921-1922 when the mine was worked by the State under Mr Goddard’s direction … [the calculation shows] 2 shillings and 11 pence per ton was available to meet the cost of mining, freight and ore dispatching, maintenance, proportion of development cost and overhead expenses.579

The various reports referred to and the correspondence in the course of negotiations all spoke of a body of rich ore that had been discovered by Mr Reid in the course of his operations in the Girofla mine preceding the tribute agreement. It has a somewhat sinister significance that in all the years Mr Goddard had the Girofla mine producing for the smelters, both during the tribute period and after, there is no trace of that body of ore. The ore remained persistently and consistently low grade.580

On the crucial issue of the sale of the Mungana leases he commented:

There is very little doubt in my mind that, during 1920, the ground was being judiciously prepared, with the sympathetic help of Mr Goddard, for the idea that the State should acquire the Mungana leases in the interests of the State smelters … this required, of course, an alteration of the law.581

I find it impossible to avoid the conclusion that Messrs. Theodore, McCormack, Reid and Goddard have been collectively and severally guilty of a dishonest exploitation of the State in the sale to the State of the Mungana Mines for £40,000.582

579 Ibid., pp. 22-23.
580 Ibid., p. 25.
581 Ibid., p. 20.
582 Ibid., p. 22.
It is quite clear now from subsequent disclosures that Mr Theodore, Mr McCormack and Mr Goddard all had substantial interests in the [Mungana] leases, and that the Warden probably also had some expectation of benefit from that source.\textsuperscript{583}

When it was established on that evidence, unimpeachable as it is, that Mr Theodore received, promptly and regularly from time to time, one-half of Mr McCormack’s share of the fruits of the Mungana transaction … there is, in my opinion, only one reasonable conclusion … and that is that Mr Theodore was a party from the beginning to the design to bring about a sale to the State of a mine that everyone concerned knew, or ought to have known, had no absolute and probably no relative value remotely approaching the price which it was intended the State should be induced to pay for it.\textsuperscript{584}

\textbf{The Commission Conclusions}

After the foregoing damning comments, the Commissioner’s final conclusions were not surprising:

1. The appointment of Peter Louis Goddard [as general manager] was not made honestly in the true interests of the State by those who were responsible for it.

2. The management of the State Smelters and the conduct of Peter Louis Goddard were generally highly censurable, as displaying indifference to both moral and legal obligations, recklessness in expenditure, unscrupulousness in administration, dishonesty in advice and action in the sale of the Mungana Mines to the State, and systematic concealment and misrepresentation of facts material to be disclosed in the

\textsuperscript{583} Ibid., p. 19.
\textsuperscript{584} Ibid., p. 22.
public interest in the course of his duties … all of which conduct was actuated by consideration of his pecuniary or other personal advantage.

3. The enterprise was disastrous to the State in its financial results. These results were aggravated by faulty management but were largely the inevitable consequence of the policy imposed by the Government on the enterprise.

4. There was deplorable laxity of control exercised by Treasury and the Department of Mines over expenditure at the smelters and associated mines, including Mount Mulligan. This laxity must be ascribed to a large extent to the improper business relations between Messrs. Theodore, McCormack, Goddard and Reid.

5. Messrs. Theodore, McCormack, Goddard and Reid were guilty of fraud and dishonesty in procuring the State to purchase the Mungana Mines for £40,000.

6. The moneys shared between them as the proceeds of that transaction were fraudulently obtained.

7. Mr. Theodore was guilty of the grossest impropriety by becoming secretly associated with Mr. Goddard in the Fluorspar Mining Company and the Argentum Mining Company, when he must have known Goddard’s connection with them constituted, not only a serious breach of Goddard’s duty as Manager of the State Smelters, but also a breach of the statute under which he had been appointed.585

The report had several interesting features. Conclusions 1, 2, 3, 7 and the first part of conclusion 4 were totally consistent with the facts already outlined, so were not controversial. The summary became much more controversial when it consistently conjoined Theodore with McCormack,

585 Ibid., pp. 27-28.
often relying on inference rather than formal proof, following the discovery that McCormack had paid Theodore around half of his total Mungana proceeds. In fact, Theodore’s seven receipts from the time in 1922 when MML started to pay dividends were never exactly half of the amounts paid to McCormack, as clearly shown in Figure 10. There were also events or situations in the period prior to 1921, where Theodore was named as definitely being involved when the actual evidence presented probably related to McCormack only. This significant reliance on inference in relation to Theodore receiving payments as a consequence of McCormack’s MML involvement, a conclusion which was also drawn by McCormack’s solicitor, was subsequently seen as a weakness in the report. These comments were also interpreted as demonstrating an anti-Theodore approach. Overall there was a tendency for the Commissioner to generalise, yet in several instances – the inaccurate reported 1919/20 profit, the initial breakdown of asset costs and the sample costs for processing Girofla ore – he was somewhat surprisingly prepared to delve into much greater detail than would normally be warranted. Yet, for some inexplicable reason, he did not enclose Hebdon’s document as part of the final report. Supporting evidence was released, as shown in the 19 July edition of Smith’s Weekly where copies of both McCormack’s and Theodore’s banking transactions for 1922-1925 were published.

Campbell also came in for what seems legitimate public criticism that, in fairness to Theodore’s prominent public role, he should have been given more time in which to appear. The impression was created that Campbell and the government were in some haste to finalise and then release the report. Given the various communications from the “McCormack Papers” in Appendix 2, the clear impression can be drawn that Theodore would have been in no rush to attend until after the budget had been delivered and the pending visit by Sir Otto Niemeyer to attend the Loan Council and Premiers’ conference meetings at end July had occurred.

The Immediate Aftermath

586 Smith’s Weekly, 19 July 1930.
The report had instantaneous repercussions. McCormack was totally discredited due to the confirming evidence about the number of MML shares that he controlled, highlighting how he had consistently lied over many years about the extent of his ownership. Due to his surprise involvement and his prominent political position, the main focus shifted to Theodore, who had just been named by Joseph Scullin to be acting Prime Minister for the five months period while Scullin attended an Imperial Conference in London. Theodore was also due to deliver a critical budget only days later. On 6 July, Theodore announced his intention to resign as Treasurer, issuing a major criticism of Campbell’s findings, including the following comments which totally emphasised the immediate political aspects without making any effort to clear his name by addressing the issues created by the payments from McCormack:

The report of the Commission is the most dastardly piece of partisanship it is possible to imagine. The commissioner condemns me without having heard me. He probed into my private affairs and my bank accounts without first calling on me to give evidence. Subsequently when I demanded the right to be heard, he denied me a reasonable opportunity and hurriedly closed the inquiry.

The whole thing reeks of politics. For years my political enemies in Queensland have spread rumours of scandal. They have relied upon false allegations of corruption as their chief weapons against Labor, and have persisted in the calumnies against me personally with peculiar malignancy.

This Mungana inquiry is just another phase of the same campaign. My enemies are determined to assassinate me politically. The lawyer who has charge of the inquiry, Mr McGill, is president of the Queensland National political party.\textsuperscript{587}

\textsuperscript{587} \textit{Sydney Morning Herald}, 7 July 1930.
Theodore, apparently without having knowledge of the specific details and recommendations in the Royal Commission report, had been alerted in advance to the fact that McCormack’s deep involvement, including the documented payments to Theodore, would be revealed. His response entirely focused on the politics of the explosive situation, again with no effort to clear his name. It also exhibited his deep frustration as to the timing, given his commitment to counter the country’s deepening economic crisis. In the House of Representatives on 8 July, after his resignation had been accepted by Scullin, Theodore made a statement which many observers then rated as one of the finest speeches delivered in the federal parliament. His statement included the following passages:

The recent report of a Royal Commission in Queensland has reflected so seriously upon my character and has impugned my honesty so definitely, that I have had no alternative but to hand in my resignation as Minister of the Crown and await an opportunity to vindicate my character. I do not wish anyone to infer that my retirement is in any sense an admission that the report of the Royal Commission is justified. I have resigned in recognition of the duty I owe to my former colleagues in the Cabinet, to Parliament, and to my country.

A grave injustice has been done to me, and an opportunity must be afforded to me to clear my character. This is not the occasion to deal fully with the investigation recently conducted in Queensland, nor to traverse the report of the royal commission; but I hope that an opportunity will be afforded to me later to state fully my position.

Theodore went on to explain why he had been unable to attend as a witness, initially due to not being asked and then because no suitable time could be agreed with the Commissioner. He believed that it was a recognised principle of British justice that a postponement must always be

---

granted in a court of any jurisdiction to meet the convenience of essential witnesses. He particularly was critical of Campbell:

The gentleman who presided over the inquiry in Queensland is merely a pensioner in retirement, whose time should not have been so enormously important as to prevent him from postponing his inquiry and continuing his investigations a little later.

Naturally, I feel my position keenly. I consider that I have not been given ordinary fair play; that I have not received that measure of British justice to which, in matters of this kind, every man is fully entitled.

… If his mind was being directed in such a way as to inculpate me, is it not reasonable to assume that he ought, as a concession to justice, to have done something to meet my convenience? Is it any wonder, in the circumstances, that I have come to the conclusion that I have been the victim of a hired assassin in this matter? I naturally speak strongly. Possibly I am embittered against the man who has made this report.

After commenting on what he saw as several errors in the press reports about the Commission’s findings and without making any effort to address the facts Theodore went on:

I only wish to say at this stage with regards to these charges that all of them are damnable false, and where they are founded on evidence, that evidence is tainted and malicious. I know this is only a statement: I am not asking honorable members to judge me here. I shall indicate directly how I hope to be judged on these matters…
I claim that I am entitled to a fair and rational opportunity to clear my name of the tarnish that at present covers it…

Finally, I demand that the Queensland Government formulate without delay an indictment against me, or in some manner enable me to appear before an unimpeachable tribunal to be heard in my defence against these calumnies and these damnable charges that have been leveled against me.589

Whilst this strong speech was well received, it unfortunately included the following reference to an incorrectly reported statement attributed to Fahey and Real, McCormack’s legal representatives: “The Commission’s finding was absolutely unjustified and biased. There was no oral evidence connecting Mr Theodore in any way with the charges. The Commission's finding was based upon assumption and inference only. We regard it as a scandalous decision.”

The impact of this speech was severely blunted when Theodore the next day had to withdraw his comment after Fahey and Real released a joint statement emphatically denying the opinions he had incorrectly attributed to them.590

Overall, Theodore seems to have been greatly shocked by the report, despite the very high probability he had been aware of the issues highlighted by McCormack’s consistent payments to him; indeed, the extent of these may even have surprised him. Federal Labor Members of the House of Representatives, without having access to the full report, were aghast at Theodore’s resignation. A typical example was provided by Frank Anstey, deputy-leader of the federal Labor Party from 1922 to 1927, who was then a minor member in Scullin’s cabinet and also gave

589 Commonwealth Parliamentary Debates (CPD), 125, 8 July 1930, pp. 3749-3752.
590 CPD, 125, 9 July 1930, pp. 3869-3870.
evidence at the 1928 Royal Commission. Key elements of his perception about the Mungana affair were included in the Anstey papers:

Any one of these [government] operations whereby a State or nation is victimised of various sums up to a million pounds or more is always a virtuous act of a virtuous Government, acting in the public interest. However much a State or nation may lose, nothing is dishonest unless it can be proved that something became glued to the fingers of a Minister.

In any one of these transactions it is the duty of the Opposition and of its newspapers to demand investigation, the duty of the Govt. and its newspapers to yell “muckrakers”. The Opposition must keep the thing alive with every odious innuendo and the Govt. must respond with the contempt and dignity of honest men. If the muck-raking Opposition should win an election and become the Govt. everything necessary has been accomplished — it is the rule of the game that the matter be allowed to die …

This comment begs the obvious question, “Wasn’t there clear evidence that something had become ‘glued to McCormack’s fingers’ — but not necessarily Theodore’s?” Anstey, a strong supporter of Jack Lang, was no personal ally of Theodore’s, but believed he should remain as Treasurer as his overall view of Theodore was that “he was the ablest Roman of them all”. He went so far as to support a move that, because Theodore was a member of the national parliament, there should be an immediate federal inquiry. That did not eventuate.

---

591 Anstey Papers, NLA, MS 6245.
592 Ibid.,
593 CPD, 125, 9 July 1930, p. 3890.
The newspaper response was both prompt and strong. *The Bulletin* was not at all convinced it had been impossible for Theodore to appear before the Royal Commission, suggesting that he could surely have gone to Brisbane, as “a mail plane could have taken him there in five hours and a half”. Further, it was highly critical that Theodore had subsequently described the independent Campbell as a “hired assassin”.594 This phrase was also criticised in the Sydney *Labor Daily*, a strong supporter of Jack Lang: “The integrity of Mr Justice Campbell is undoubted in this State”.595 It went on to suggest: “It is up to Mr Theodore to exculpate himself”, highlighting the increasingly antagonistic public attitude towards Theodore in NSW, probably fuelled by his growing conflict with Lang. Young reported that “Neither his Federal Parliamentary colleagues nor the NSW branch of the Labor Party made any effective move to help”.596

The Melbourne *Argus* commented:

> The Mungana report can be regarded in one light only. There can be in it no question of party politics. The paramount consideration in a matter of this kind is the credit of the country and the integrity of its public men.

> It is at once improper and deplorable, therefore, that Mr Theodore should have introduced a party political note into his rejoinder to the report of the Royal Commissioner. The impression was that he had at least to make his exit with manners and dignity and with a praiseworthy readiness to spare his chief a painful task. But the desire to be generous is severely tried when Mr Theodore in an outburst of ill temper, impugns the fairness of the tribunal which has found so damageingly against him.

---


596 I Young, *Theodore: His Life and Times*, pp. 120-121.
If it was partisan as Mr Theodore implies, it was contemptible. Why then should he pay such regard to its findings as to relinquish even temporarily the high office of Federal Treasurer on the eve of one of the most momentous budgets in the history of the Commonwealth?

If Mr Theodore imagines that any stain on his reputation can be washed away by a mere expression of confidence in him by his party he is woefully mistaken. The Labor Party, like any other political party, cannot sustain in public life a man, however able and highly placed, whose honour has not come unscathed through the test of competent and unassailable enquiry.\(^{597}\)

The overall reaction in Canberra was one of both extreme surprise and deep indignation, which only highlighted the wide gap at that time between state and federal politics where the major focus was on the imminent federal budget. Denning, in *Caucus Crisis*, wrote:

> The Commission had been sitting for some time without attracting special notice, hidden away, as it was, in Queensland … the Royal Commission had never quite been taken seriously in Canberra. If anybody worried at all, it was merely to think that at worst it might be a nine days’ sensation, and then be forgotten.\(^{598}\)

Scullin reluctantly accepted Theodore’s resignation, paid tribute to his work as Treasurer, but avoided any reference to the Commission report. Scullin subsequently conceded with Moore that it was necessary for further action to be undertaken in relation to the allegations. It is probably

\(^{597}\) Argus, 9 July 1930.

\(^{598}\) W Denning, *Caucus Crisis*, p. 114.
realistic to assume that, for the majority of voters throughout Australia, the historical nature and complexity of the Mungana saga were never fully understood. To make matters worse for Theodore, his resignation as Treasurer led Scullin to assume that role, for which he was not as well equipped. Scullin delegated most of that responsibility during his long absence overseas to Joseph Lyons, a former Labor Tasmanian Premier and Treasurer, who was appointed as acting Treasurer, while James Fenton became deputy Prime Minister. It was certainly then not foreseen that these appointments would become the stepping stones for Lyons to become Scullin’s successor as Prime Minister late the following year.

Despite his various protestations about lack of opportunity, injustice and calls for redress, Edward Theodore on only one occasion over the next 20 years until his death in 1950 made any public effort to try to explain the payments made by McCormack to him. That occurred in his Cremorne speech on 3 October 1930, covered in detail in the next chapter, where he gave some relatively vague comments, some of which were not correct, and failed to provide any facts in relation to the amounts he received from McCormack. One potential explanation for this was mentioned in a letter from Macrossan to McCormack on 30 July:

I understand that Mr. Theodore claims that the moneys paid to him had no reference to any interest of his in the mines, but for the most part represented the price of various shares purchased by you from him from time to time and also certain advances by you to him for election purposes and other political purposes. In order to substantiate a defence of this kind it would appear that your evidence would be essential for Mr. Theodore’s case. However we shall no doubt hear more anon.

“Anon” never arrived. Despite his many speeches on the topic, Theodore never appeared before any legal tribunal, as he had repeatedly requested. If that had eventuated and he had offered the

600 Appendix 2, pp. 377-78.
above statement as the complete truth, without supporting evidence, it would probably only have served to support the inferences made by Campbell.

McCormack’s sole response to the report was interesting, as it totally ignored the fact that Campbell had accessed his bank accounts, about which he had full details:

I was very much astonished at the report of the Commissioner on Mungana. The report reeks of political malice, and in my opinion is based entirely on hearsay … The extraordinary charge made in the report that I was guilty of fraud and dishonesty must now be decided in a Court of Justice, and not left to the mere say-so of an individual.601

Given all the details showing McCormack’s lengthy involvement and his November 1926 comment, “no Royal Commission could find out any more than I have already stated here tonight”, his statement seems even more astonishing. It also demonstrated that the Commission was not a “whitewashing body”, as he had so confidently foreshadowed. It shows just how far from the truth had been his various declarations to parliament. McCormack’s view about defending himself in a court of justice did not seem to be shared by his legal advisers, who in several letters expressed doubts about the wisdom of McCormack or Theodore appearing for cross examination.602 As for McCormack, as early as 18 July he was belatedly prepared to concede that the end of his political road had been reached:

I have no knowledge of the actions of the other party as he did not consult me. I agree with you that the matter was now ended and the Crown will not risk the advantage gained politically by prosecuting unless they are sure of a win.

601 KH Kennedy, *The Mungana Affair*, p. 82.
602 Appendix 2, pp. 362-63.
It is most unsatisfactory but it is politics.\textsuperscript{603}

There was one prompt public response to the Royal Commission report: from George Beal, the Queensland Auditor-General. On 15 September 1930 he tabled a special report to parliament particularly addressing Campbell’s statement, “the accommodating silence of the Auditor-General”.\textsuperscript{604} Beal correctly highlighted that this comment related to his predecessor and not to the period after his own appointment from 1 September 1926, but it did apply to the earlier years. This was a further example of Campbell’s tendency to make generalisations.

\textbf{Was the Royal Commission Primarily a Political Exercise?}

Because of the continuing propensity for most persons incorrectly to combine the Royal Commission and the later conspiracy trial together, it is essential to now address one major myth: that the fundamental objective of the Royal Commission was to discredit Theodore. Moore always saw it as providing a unique opportunity finally to learn the truth about the Mungana leases and their rapid purchase by the government, after he had diligently pursued McCormack about the issue for some years. Reid’s bankruptcy revelations provided the vital missing evidence that McCormack had consistently lied about the extent of his involvement, while the issue about Mount Isa shares showed that Theodore and McCormack were privately prepared to accept gifts of shares. In private conversation years later Moore recalled that he had never anticipated that the Commission would find such compelling evidence linking McCormack and

\textsuperscript{603} Appendix 2, p. 373.

\textsuperscript{604} QPP, Special Report by the Auditor-General, 1930.
Theodore. He was primarily searching for the truth and was therefore not necessarily seeking to pursue further legal actions.605

Campbell’s conclusion by inference that Theodore had somehow been associated from the time McCormack became involved was the trigger that converted the Mungana affair into a significant political event. This elevation probably even suited two such experienced politicians as McCormack and Theodore. From the outset McCormack believed there was a strong political element, commenting to Macrossan that McGill’s opening address “reads like a critic in a political campaign”.606 There was also the awareness that McGill’s position as chairman of the CPNO inevitably meant that political accusations could be made. With the passage of time, in the eyes of some observers, that conclusion has been extrapolated into a general perception that the Royal Commission from the outset was always just a political exercise. For example, Fitzgerald believes that “the Commission rapidly became a de facto trial of Theodore and McCormack”.607 On the other hand, McPherson in The Supreme Court of Queensland has commented, “Even without the benefit of their testimony, there was ample evidence to justify the Commission’s finding”.608

The Royal Commission report should not have been deemed to be a political document. It predominantly repeated facts that had become public knowledge prior to, or at, Reid’s bankruptcy hearing. The new information about the secret amounts paid to Theodore was the highly significant and relevant exception. Certainly, the manner of the rapid public release of the report materially worked to Theodore’s disadvantage, making his response also entirely political. It demonstrated that from then onwards politics really did become the dominant factor. There

---

605 DE Moore discussion with AE Moore, October 1962.
606 Appendix 2, p 355.
608 B McPherson, The Supreme Court of Queensland, p. 295.
was also a lingering criticism that the timing of its release was deliberately chosen to cause difficulties for Theodore ahead of his first federal budget.609

Over the intervening 80 years since the Chillagoe-Mungana Royal Commission, there have been numerous public inquiries, many of which can serve as comparative yardsticks. This exercise is materially helped through the 2006 publication by Scott Prasser, *Royal Commissions and Public Inquiries in Australia*, which comprehensively analyses the incidences of such events, why they are called and how they can be classified.610 While most of his emphasis relates to post-World War II Commonwealth governments, earlier state and Commonwealth inquiries are included. It is therefore useful to apply elements of Prasser’s methodology and comparative parameters to the Chillagoe-Mungana Royal Commission. Prasser notes that many inquiries evolved as “institutions of last resort” through a combination of being more open, the ability to use real investigative powers and to be independent of executive government.611 Initially, when reviewing the range of reasons for appointing inquiries, he had personally identified ten possibilities, one being “to investigate allegations of impropriety concerning some aspect of government administration or an individual in government”.612 He subsequently settled on four classifications: adjuncts to national decision-making, public inquiries appointed for politically expedient reasons, managing issues and problems and, finally, for international reasons.613 In discussing political expediency he canvasses a range of sub-categories which included “overt political motives as a means of promoting partisan political gain”. Prasser concluded that the Chillagoe-Mungana Royal Commission fitted into that category, primarily by reference to Kennedy’s *The Mungana Affair*, describing it as follows:

611 Ibid., p. 58.
612 Ibid., p. 66.
613 Ibid., p. 78.
some inquiries appear to have been appointed to discredit a previous government or senior members of the Opposition. For example the Queensland Moore Country Party Government’s 1930 royal commission into former Premier, Ted Theodore, and the then Federal Treasurer, concerning the dealings with the Mungana and Chillagoe mines. This was seen by some as driven primarily by the political motives of causing embarrassment to the Labor Party.614

Despite the above comments, which includes the typical mistake of focusing on Theodore only and not to even mention McCormack, it is appropriate to apply Prasser’s own classification criteria to the complete facts provided in this thesis. While in opposition Moore had sought, and failed, to investigate allegations of impropriety concerning its most controversial loss-making state enterprise, whose numerous operating anomalies had been endorsed by Beal’s 1927 special audit report. But no consideration had been given to the identity of MML shareholders. McCormack had consistently lied as to the true extent of his involvement, so he was always keen to avoid a further inquiry at any cost. What other options did the Moore government realistically have, given that McCormack had prevented discussion during the 1926 election with his defamation writ against the *Telegraph*? Further, the upper house had been abolished, meaning that no replacement government review mechanism was potentially available. Prasser should more accurately have substituted “to obtain the truth” for “overt political motives”. The latter term would have been a much more apt description of the 1928 Royal Commission into the 1927 Dalley by-election, discussed in chapter 6.

Given all the circumstances, the Royal Commission route was the only appropriate option to access the complete facts which had been intentionally hidden for so long – even though it certainly had political ramifications. The myth that it was always politically inspired particularly to “get Theodore” is totally incorrect and is discussed further in the last chapter.

614 Ibid., p. 83.
After the Royal Commission, focus quickly switched to Queensland, where a major legal and political conundrum confronted Moore and his government. What should its next step be, considering the damning conclusions reached by James Campbell? This provides the starting point for the next chapter.
CHAPTER 8: THE 1931 CONSPIRACY TRIAL

This chapter discusses how an under-prepared government, after external legal advice, dealt with the allegations by initiating a civil trial following the controversial passage of retrospective legislation to be able to use the Royal Commission evidence. The claim was that the four co-defendants had conspired to cheat the government of £30,000 after assessing that the “fair and reasonable” value of the Mungana leases was £10,000 based on the 1920 MML purchase cost. The Crown sought to recover the £30,000 primarily from McCormack and Theodore plus a small sum from Goddard and nothing from the bankrupt Reid. Under the new legislation the bulk of evidence was obtained from interrogatories: all co-defendants chose not to be cross-examined. The case of The King vs Goddard, McCormack, Reid and Theodore heard by the Chief Justice, Sir James Blair, before a jury of four, opened on 22 July 1930. By that time proceedings had taken a decidedly political turn, through the actions and statements of the Crown’s representatives, Alec McGill (Chairman of the CPNP’s administrative arm) and Neil Macgroarty, the Attorney-General. Instead of focusing on McCormack attention was primarily directed against Theodore, who had been reappointed deputy-leader and Treasurer, a decision which soon contributed to a split in the federal Labor Party.

On 21 August – somewhat surprisingly – the jury found in favour of all the co-defendants, with the government paying all costs. McCormack’s significant shareholding in the Mungana Mines was accepted, but the jury saw no corruption either in Reid gifting a half share to McCormack or in Theodore receiving payments totalling around half of McCormack’s receipts. These payments were never properly explained.

The argument in this chapter is that the overall approach of the Queensland government, strongly pushed and led by its legal representatives, was inadequately planned, directed and executed. Too much was taken for granted from the evidence at the Royal Commission, while tactically the
various defendants’ counsel were far more successful, ensuring that both Theodore and McCormack were never subjected to cross-examination. The outcome was partly assisted by the very narrow instructions from the Chief Justice. However, the acquittal decision did not mean that the co-defendants were innocent, which has become another Mungana myth.

* * * * *

Vernon Macrossan’s comment in his 6 June 1930 letter to William McCormack after the full extent of McCormack’s involvement had been exposed – “There will be the usual nine days wonder and the public will then turn its attention to some other sensation” – proved to be highly inaccurate.615 It took just over a year before the case came to court in what the Queensland Chief Justice, Sir James Blair, described as “an important case … it is certainly unique… I personally know of no similar case at any rate in Australia”.616 During the intervening period between the Royal Commission report and the hearing commencing there had been further deterioration in the country’s economic condition, while a major political transformation was starting to impact on all governments. Several states had finally adopted the national Premiers’ Plan, although it was opposed by the Labor caucus, Theodore had been reappointed as federal Treasurer, the Labor Party had split some months after Jack Lang had regained government in NSW, while political partisanship had festered. It became a very tumultuous period in Australia’s political and economic history.

The Queensland Government’s Dilemma

The explosive revelations in the Royal Commission report and Theodore’s immediate resignation probably took the Queensland government by surprise. While the conclusions had

615 Appendix 2, pp. 368-69.
justified Moore’s campaign over four years to search for the truth about the Mungana leases and
the poor performance of the Chillagoe Enterprise, it seems that he and his key ministers had not
given detailed advance consideration as to what follow-up actions could, or should, be taken.
From the date of release of the report Moore was under strong and persistent pressure to advise
what the government planned to do. The *Brisbane Courier* reported on 7 July that he had met
with Neil Macgroarty, Hubert Henchman – Crown Solicitor since 1923 and who served the
government until 1945 when late in his career he became a KC – and Alec McGill, who had
been the major barrister at both Reid’s bankruptcy hearing and at the Royal Commission. Moore
stated that he would await further legal advice from Henchman. All were well aware that under
the existing legislation evidence given by witnesses to a Royal Commission could not be used in
a consequential criminal action. Interestingly, Moore also reiterated that he did not initiate the
inquiry with the objective of taking legal action against individuals, but rather to seek the
truth.617 This viewpoint is consistent with a comment made years later in 1971 by Hubert Sizer
during an interview with Kennedy that “It is ethics alone which influenced Moore”.618

The heart of the matter related to whether there could, or should, be criminal or civil
proceedings – or maybe take no action at all. This last course was personally favoured by
Moore as he had achieved his personal objective of finally uncovering the truth about
Mungana.619 The fundamental problem with Moore’s personal view was that given Theodore’s
demands that he wished to state his case in court, taking no action would inevitably be construed
as evidence of a primary political motive for establishing the Royal Commission.620 It could
easily be interpreted as creating accusations against Theodore and McCormack, yet denying
them the opportunity for public redress, notwithstanding their refusal to appear before the Royal
Commission. Theodore had a stormy meeting with Moore and Macgroarty in Brisbane on 15
July and requested that a prosecution be commenced immediately, so the matter could be
contested in court.

617 *Brisbane Courier*, 7 July 1930.
619 DE Moore, discussions with AE Moore, 1961-62.
620 KH Kennedy, *The Mungana Affair*, p. 87
There was no shortage of advice offered. Theodore suggested that the case be brought before the Queensland Supreme Court, where he apparently stated he would appear on his own behalf, or possibly even before the High Court. Interestingly, McCormack and his solicitor were not keen for there to be a civil action where they believed that the chances for Crown success would be greater. McCormack at that time was personally reconciled to the probability that a criminal prosecution would not proceed for political reasons, saying in a letter to Macrossan, “I agree with you that the matter has now ended, and the Crown will not risk the advantage gained politically by prosecuting unless they are sure of success. It is most unsatisfactory but it is politics”.

On 19 July Smith’s Weekly, in an article reproducing copies of the cheques to Theodore, suggested in the event that a hearing could not be arranged before the High Court, Scullin should appoint a federal Royal Commission: that suggestion soon fell away. Moore wrote to Theodore on 23 July, an official copy of the letter appearing in the following day’s edition of the Daily Mail, under Moore’s signature:

I have today communicated with Mr P L Hart, of counsel, who informs me that, owing to the immense volume of matter to be considered, he is not yet in a position to definitely advise me whether criminal proceedings lie or not in respect of the matter raised in the Chillagoe-Mungana Commission.

In the event of my advisers deciding against criminal proceedings, I have determined to take civil proceedings against you without delay.

---

621 Appendix 2, p. 375.
622 Appendix 2, p. 373.
623 Daily Mail, 24 July 1930.
Henchman was not keen to initiate criminal action due to the perceived difficulty in gaining a favourable decision, since under the *Official Inquiries Evidence Act* evidence from witnesses at a Royal Commission was inadmissible in criminal and civil proceedings. The cabinet was also split, on the basis that an ultimate “not guilty” verdict would probably be interpreted as being a vindication of Theodore and McCormack’s actions. Hart, a respected Brisbane barrister, who between 1933 to 1938 was at times appointed an acting Supreme Court judge, gave his opinion within a week. On 29 July, Moore formally announced that civil proceedings would be instituted, sending the following telegram to Theodore, “Hart opinion coincides with McGill’s and Attorney-General against criminal proceedings. Civil alternative will now be adopted – Moore”.

There are unfortunately no available records that have been located about the formal advice Moore received as to the full range of legal options. It later emerged that one possibility was that the case could have been heard by the Queensland Supreme Court in equity jurisdiction, which related to fraud, accident and breach of confidence. That option does not seem to have been explored. There was very strong pressure to proceed from both Macgroarty and McGill, who again would be personally involved, with a perception that Macgroarty was primarily influenced by McGill, as Moore seemed to take a more secondary role. Their increasing involvement presaged a strong political element in this final phase of the Mungana affair, when McGill at times had direct contact with John Latham, who was also becoming much more interested. On 15 August he wrote to Moore saying he hoped he was not “interfering unduly” but enclosed a suggested press release, which he believed would “be of great assistance from a political point of

---

625 *Brisbane Courier*, 30 July 1930.
view if the proceedings should happen to fail”. Moore did not proceed with the suggested release.

It transpired that Theodore never was subjected to cross-examination or ever properly explained the amounts he was paid by McCormack. If, as some have suggested, these had been repayments of earlier unspecified loans or share purchases, it should have been relatively easy to provide some documentary evidence to dispel any concerns, given the known extent of McCormack’s records. Based upon their long friendship and McCormack’s apparent early disclosure to his colleagues of his interest in MML, Theodore surely must have been fully aware of the extent of McCormack’s involvement. His silence may have represented the best way to protect his long-standing friend.

In support of this view, the 30 July letter from Macrossan to McCormack includes the comment:

I understand that Mr Theodore claims that the moneys paid to him had no reference to any interest of his in the mines, but for the most part represented the price of various shares purchased by you from him from time to time and also certain advances by you to him for election expenses and other political purposes.

This was a vague generalisation which Theodore repeated in his 3 October speech, discussed in detail below. Macrossan also noted that to substantiate a defence of this kind McCormack would have to give supporting evidence, which never occurred. Nor has Theodore’s claim that the transactions related mainly to share purchases ever been sustained.

---

629 J Latham to AE Moore, Latham Papers, NLA, MS1009, 46/497-499.
630 Appendix 2, pp. 377-378.
If some political high ground had been gained due to the Royal Commission report, it became eroded through the perceived delay in deciding upon, and then in implementing, the agreed course of legal action. In parallel, there was an increasing perception that political motivation was becoming stronger. Most attention was focused on Theodore, due to his prominent position. McCormack, whose consistent dishonesty throughout the entire affair had been demonstrated, faded into the background – yet again, living in Theodore’s shadow.

Theodore from the outset had obtained the best available legal advice: he quickly arranged for his friend, Dr Herbert Evatt KC, to represent him. Evatt offered his opinion that, under the existing law, civil proceedings could only follow successful criminal proceedings, so Theodore could insist on the Queensland government firstly taking criminal action. He also raised the possibility that a statute of limitation might be applicable, which was quickly refuted by Moore. Yet the proposed civil action, being the last phase in the Mungana saga, was a high risk legal route for the government to take, particularly since it involved the passing of legislation to be applied retrospectively. After his flurry of early requests for the matter to be heard as soon as possible, Theodore became relatively quiet. He also could have received some private counsel from Evatt, who may not have preferred to defend McCormack once he became aware of all the facts. Theodore would probably also have been advised that it would have been unrealistic to single out only his situation, as it would have involved providing more details of his financial arrangements with McCormack. Finally, as it became clearer that the Moore government’s response had not been fully thought through, his political instinct would have indicated that there was an increasing uncertainty that the Crown would succeed – particularly when the ultimate basis of claim would basically depend on the final amount paid for the Mungana leases, without any allowance for the actual costs to the government arising from the purchase. It was never officially explained why the Crown fought its case around just the £40,000 paid for the leases, when the total cost to the state was probably up to ten times that, after allowing for the capital expenditure and processing losses.

631 Daily Mail, 25 July 1930.
632 Daily Mail, 28 July 1930.
The *Crown Remedies Act Amendment Act* of 1930

Recourse to civil proceedings threw up an immediate problem for the government as to how this would be initiated; this only served to highlight an apparent lack of planning and preparation. On 26 August Macgroarty introduced a two page bill to amend the *Crown Remedies Act of 1874* “in several particulars” to enable civil proceedings to commence prior to criminal proceedings in respect of alleged wrong-doings being concluded. He explained that, confirmed by external legal advice, the government could not bring forward evidence from a Royal Commission at subsequent civil or criminal proceedings due to the restrictive provisions of the *Official Enquiries Evidence Act*. The particular need for the legislation to facilitate such evidence being used was justified as being in response to the request by Theodore to enter the witness box to clear his name.

The first provision of the amendment to Section 10 enabled evidence given before a Royal Commission to be repeated in the civil action. The second new provision compelled a defendant to answer any interrogatory (being a formal written request for information), on the basis that the answers could not then be used in any subsequent criminal proceedings. This was a somewhat technical process, which has fallen out of use in Queensland in more recent times. Finally, and most controversially, the legislation was to be applied retrospectively; it was particularly targeted at seeking to pursue charges arising from the Chillagoe-Mungana Royal Commission.

In a very rowdy session, this decision was predictably portrayed as a political vendetta directed at “getting Theodore”. The retrospective feature of the legislation provided an ideal issue and opportunity for the opposition leader, William Forgan Smith, to increase his public prominence.

---

634 Ibid.
He was strongly supported by Alfred Jones, the former Minister for Mines, who took the opportunity to disagree with some of Justice Campbell’s conclusions and again to justify the £40,000 paid for the Mungana leases.635 Other opposition speakers used the occasion to incorporate into Hansard various newspaper articles, which were critical of the Royal Commission and its conclusions. Apart from Macgroarty, who led the debate for the government, Moore and two other ministers spoke, Hubert Sizer and Reginald King, who had originally suggested possible terms for a Royal Commission three years earlier. At the second reading debate on 2 September, the exchanges became more acrimonious, where Macgroarty made personal attacks on McCormack and Theodore:

Mr Theodore refrained from coming because he was afraid. Then he says “Prosecute me! I call upon you to prosecute me criminally.” Mr Theodore knew that a criminal prosecution would not be successful and could not be sustained – that is the reason for the suggestion … There was every opportunity for Mr Theodore and for Mr McCormack – who undoubtedly ran away – to come along and answer before the Royal Commission any suggestion against them. They remained away and they did not do so, because – I consider – they were afraid to do so…… 636

While there was definitely some truth in Macgroarty’s remarks, the manner of delivery demonstrated his relative political and parliamentary inexperience. The speech only served to increase the feeling about there being an underlying political motivation for the legislation; it seemed that the law was being amended to maximise the opportunity to obtain a guilty verdict when otherwise it was highly unlikely to be achieved. Kennedy summarises the rowdy debate, which basically focused on Theodore, with little reference to McCormack, as follows:

635 Ibid., p. 594-596.
636 QPD, Vol. 155, 3 September 1930, p. 733.
The Assembly was the scene of complete disorder. The conduct of the Commissioner; his findings; Theodore’s resignation; the motives of the Moore government in pressing for the prosecution –were all questioned and debated in impromptu harangues, amid loud interjections. In a state where politics has always has “a touch of the raw” the parliamentary scenes over the amending bill have had few equals in Queensland history.637

Concern was not just confined to the opposition, as Johnston in *History of the Queensland Bar* reports there were quite widespread concerns:

Criticism of the legislation was also made in the press, urging the Attorney-General to make sure of the effects of departures from traditional British justice. Some prominent barristers also opposed the legislation, on the ground that the Mungana case was introducing new principles which could affect all future law suits in which the Crown was a party; public men might become hesitant to make contracts or do anything which they considered to be in the best interests of the State, because a new government with which they were non persona grata might come to power and take court action against them. Lawyers also expressed concern that an age-old immunity attaching to executive acts was being swept away. Furthermore, it was not desirable that a person be compelled to answer questions that might incriminate him.638

The legislation was finally passed along party lines, with the two independent members who had often supported the government voting against it. The *Crown Remedies Act Amendment Act* received royal assent on 25 September. In retrospect, that seems to have been when the government surrendered the favourable high ground it held initially obtained following the Royal

Commission report. Further it added strength to Theodore’s claim that he was the victim of a political witch hunt.

The writ against the four defendants was promptly issued on 3 October, but it took over nine months for the hearing to begin on 22 July 1931. That action necessitated the Crown proving that the four defendants, Goddard, Reid, McCormack and Theodore, had conspired together to obtain money from the Crown. It was a civil action for damages to recover £30,000 of the £40,000 paid out to Mungana Mines Limited. This figure was arrived at after making an allowance of £10,000 for a “fair and reasonable value” of the resource, probably because that was the imputed value when MMS sold the Mungana assets to MML in late 1920. The task for the Queensland government had become much more difficult due to the very narrow terms for legal consideration. It was also not helped by McGill being retained as the prime Crown barrister for the trial, due to his continuing role as chairman of the CPNO. In answering criticism about McGill’s appointment, the Premier repeated an earlier conversation he had held with McCormack, who had also been interested in securing McGill’s services as his barrister due to his favourable reputation. Concern about the fairness of the new legislation provided Theodore, after three months on the sidelines, an ideal opportunity to make an early return to public life. It was accompanied by a growing sense of confidence as there seemed to be no guarantee that the Crown would be successful in succeeding with these civil charges for conspiracy.

**Theodore’s Return to Public Life**

The writs were served on the four defendants on 3 October 1930, the very day that Theodore made his longest and strongest statement about the Royal Commission report at what was a major Labor Party rally, attended by “many thousands”. The venue was the Cremorne theatre in suburban Brisbane. The meeting was hosted by Bill Riordan, Vice President of the QCE and was

---

also attended by Alfred Jones and William Forgan Smith. Apparently the government arranged to have four short-hand typists present to make a record of the speech, which formed part of the detailed briefing papers in the Queensland State Archives.\textsuperscript{640} The speech was reported in the \textit{Daily Standard} the next day as “one of the most remarkable public meetings ever held”, but surprisingly it does not seem to have featured in the various Theodore biographies.\textsuperscript{641} The speech marked Theodore’s decision to return to mainstream politics and heralded a further stage in the politicisation of the Mungana affair.

Theodore’s one and a half hour emotional, and at times stirring, address featured his considerable skills both as a speaker and a politician. It opened with the assumption that the purpose of the whole Chillagoe-Mungana Royal Commission was specifically targeted against him, completely ignoring the principal role played by McCormack:

\begin{quote}
For the past three months I have been silent because I have been gagged; but tonight I am removing the gag for I feel the necessity of speaking on my own behalf and in my own defence. I have sought what might be considered a better opportunity, or perhaps, a more favourable opportunity, of clearing my name before a judicial tribunal: but I have been denied that opportunity. Nobody can deny me the opportunity of appealing to a wider tribunal than any government can concede. So that failing to obtain a hearing before a properly constituted judicial tribunal I make an appeal to a wider tribunal – the public – in the full confidence in that quarter at any rate I shall get a fair hearing.
\end{quote}

I suppose I have been, more than most public men, in the last few years the victim of a peculiar and malignant enmity against myself … That is inevitable, it is part of the

\textsuperscript{640} This speech, given the name “3 October 1930 Cremorne Speech”, is contained within a folder of documents, entitled The King v Goddard and Others. It forms part of the Cross Examination Brief by the Crown Solicitor, QSA, Series ID 5172, Item ID 840393, pp. 136-172.

\textsuperscript{641} \textit{Daily Standard}, 4 October 1930.
penalty of public life that one unconsciously but surely, nevertheless, makes enemies. I think I have been singled out for a more malignant type of enmity than is usually directed against any public man. I can only ascribe the persistent sharp shooting to the assumption that my political opponents fear me and therefore hate me …

I daresay you all remember what was said by Mark Twain? Mark Twain said that he thought he had lived an upright life, and was a decent citizen until he became a candidate for parliament. It was then that he found out that he was a wife beater, an embezzler and that kind of skunk who would steal the affections of another man’s wife … It is that attitude of malice; that desire to besmirch public men; that disposition on the part of many petty minded politicians to tear to shreds the character of their opponents that keeps a great many decent men out of public life.

Now if I were a spent force in politics; if I were ineffective in public life; if I were not the champion of the Labour movement, you would not have heard of any Mungana inquiry. Apparently there are people among our opponents who believe that if you cannot destroy a man in a fair political fight then there are other less honourable ways of proceeding against him, and if the worst comes to the worst you can always appoint a Royal Commission. You need not formulate any charge against him; you need not bother too much about the kind of evidence you will bring; but you must get the right man to preside over the Commission and trust to him to bring in a report that your opponent is a dishonest man and a blackguard, and you can leave it at that.  

It was a rousing start. After acknowledging that the issue of the writ that day might prevent him going into details, he embarked upon a lengthy defence of some of the charges made against him personally in Campbell’s report. Initially Theodore explained the background for his non-attendance at the Royal Commission, “owing to the grave national financial circumstances and

the imminence of important developments”, arguing that the Royal Commission could have been adjourned for “a fortnight or three weeks or a month or three months”. The five selected allegations he set out to answer were that the appointment of Goddard to the position of Chillagoe Mines Manager was not made honestly by him; he was guilty of exploitation of the State of Queensland for his personal gain; he was a party from the beginning to a criminal design to defraud the state by bringing about the sale of a mine … that had no absolute and probably no relative value; he was guilty of fraud and dishonesty in procuring the State of Queensland to purchase the Mungana mines for £40,000; and he fraudulently obtained moneys as part of the proceeds of the transaction.

With regard to Goddard’s appointment, Theodore recalled the very favourable recommendation from William Corbould, stated that he had not participated in the selection process and maintained he had only met Goddard some months after he had started working at Chillagoe. He also noted that the Auditor-General and several senior opposition members had praised Goddard’s early performance. There was no reference to Goddard’s continuing conflict of interest in dealing with MML when he was also a shareholder, or his illegal involvement with him as a shareholder in both the Fluorspar Mining Company and Argentum Mining Company.

Concerning the acquisition of the Mungana mines Theodore relied entirely on the evidence given in the earlier technical reports by Edward Rodda, Edgar Saint-Smith and Sydney Horsley and then the final 1922 report by William Poole (whose firm he praised), just before the purchase was completed. He pointed out that 115,000 tons of Mungana ore having a value of over £400,000 had been treated by the smelters to 1926. However he failed to state that this entailed a further £182,000 in capital being expended by the government and that the ores were processed at a great loss.  

---

643 Ibid., pp. 4-7.

644 Ibid., pp. 13-19.
McCormack, who was supposed to have attended the meeting, was only briefly mentioned in the latter part of the speech in the context of his payments to Theodore, who was highly critical that his bank account had been scrutinised by Campbell. In discussing these payments he stated:

There had been certain transactions between Mr McCormack and myself. On one side there was an amount that Mr McCormack received from Mungana and on the other side an amount that I had received from Mr McCormack. From that Mr Campbell tries to make out that I received from the Mungana Company and from that he makes the imputation that I have participated in the Mungana profits …

I did not receive from Mr McCormack any proportion of that money [£1,500] he received in 1920. I received no payment from Mr McCormack in 1920 or 1921 … In subsequent years it is true, in 1923 and 1924 and subsequent years I have received moneys from McCormack. Nobody surely can say because one receives money from another that that in itself is a criminal thing. At least they might have asked me, if they were doubtful about these transactions, to have given evidence upon them. I have had many business transactions with Mr McCormack and with other people too. I have been engaged in mining investments, in the backing of prospectors and claim holders, that kind of thing for 25 years past in Queensland. I have been concerned in a perfectly legitimate way, personally interested in I think I can truthfully say scores of mining propositions, mostly in North Queensland. Does anyone condemn a public man for that? Is a man because he is a Labour man or a public man not to utilise his resources in ways as long as it is legitimate and bona fide? I have never at any rate held myself under any obligation to refrain from investment of that kind. I have had business transactions with McCormack, and apart from business transactions I have had transactions of a political nature where both of us have been trusted leaders of the Labor Party, and prominent men in the conduct of campaigns and have handled political funds.  

---

645 Ibid., pp. 20-23.
As it has already been shown in Figure 10 in the previous chapter that Theodore did receive money from McCormack in both 1920 and 1922, his statement was incorrect. The speech concluded with the following rallying call:

I say that I have been patient for three months and I think it is up to me now to answer these charges as I have answered tonight and to claim the right to go back into the public life of Australia and carry on. [Prolonged applause and cheers] And that is my intention. I am not going to allow Nationalists any longer to stifle my voice or restrain my activities… I believe that I have the confidence of the Labor people of the Commonwealth [cheers] – and I undoubtedly have the confidence of my own constituents and the Labor movements in New South Wales and Queensland.

I have been urged from a thousand different quarters to come out and lend my weight in the difficult work that has to be accomplished in Australia at the present time. I am accepting that invitation now, I am responding to the challenge; everybody knows what Australia is passing through at the present moment – the most crucial period of its history. This nation is upon the brink at the present time almost of ruin – undoubtedly many thousands of our citizens are faced with personal ruin; workers, traders and business men are all faced with a very grave situation, and it requires, I think, the best courage and the best brains this Nation can supply to cope with these difficulties …

I do not mean the mere physical courage that enables a man to face his fellows upon a challenge, because Australians are noted for that, not only mere physical courage, but a greater attribute still that is required today, a moral courage, a strength of mind, a resoluteness of purpose and a belief in Australia …
Well, ladies and gentlemen, now that I see the enormous crowd that is in the hall tonight, now that I have an evidence of your good-will towards me in this matter, now that I have seen an expression of your confidence in me, it gives me greater courage to go on.  

There were several interesting features about the speech in addition to his incorrect statement about his receipts from McCormack and its obvious populist appeal. Theodore sought to lay all the blame for the Royal Commission on the Moore government. Despite the irrefutable details obtained by Campbell from both sets of bank records, Theodore never sought to explain properly either his relevant mining investments in the Chillagoe region or the transactions with McCormack. However, in a political sense it was a huge success as it focused attention on his planned future role in federal politics, reinforcing an alleged vendetta from the Moore government. This aspect was emphasised in the follow-up speech by William Forgan Smith, the leader of the opposition, during which McCormack’s name was never once mentioned.

The meeting closed with the unanimous approval of the following resolution:

That this meeting having heard Mr Theodore’s statement, expresses its entire confidence in him and is definitely of the opinion that the Queensland Government in its persecution of him is inspired solely by political malice.

We further declare that the government has failed to afford Mr Theodore any opportunity of legally and publically vindicating his character, he should, in the best interests of the commonwealth, take his place in the Government of Australia.

---

646 Ibid., pp. 25-27.
647 The King v Goddard and Others, QSA, Series ID 5172, Item 840393, pp. 163-167.
648 Ibid., p. 169.
The choice by Theodore, reportedly an avid reader, to use a comment from Mark Twain was appropriate to the mood of the occasion. However there was a far more appropriate Mark Twain quotation to embrace the whole circumstances of the Mungana scandal, which is now preserved in a plaque forming part of the Writers’ Walk at Sydney’s Circular Quay:

Australian history is almost always picturesque; indeed it is so curious and strange, that it is itself the chiefest novelty the country had to offer … It does not read like history, but like the most beautiful lies. And all of a fresh new sort, no mouldy or stale ones … It is full of surprises, and adventures, and incongruities, and contradictions, and incredibilities: but they are all true, they all happened. 649

For Theodore, the speech was a great success. It ensured that he had focused all attention on his own position, with very little mention of McCormack, who was Moore’s target. The Crown also obliged by thereafter focusing most of its attention on Theodore as the prize scalp: this proved to be a big mistake. In Moore’s hand-written letter to Latham on 13 October, he made the following comments about the speech, which he had clearly read closely:

His meeting was well organised but he said nothing to clear himself or explain the cheques. He fastened on to the appointment of Goddard – who was recommended by Corbould – the chap who afterwards gave Theodore the Mt Isa shares. That is the weakest link in Campbell’s finding – and naturally he made the most of it.

Theodore went on to Tully – ostensibly to see his sugar farm – but I should say really to interview McDiarmid who is practising law there and who was secretary of the Mungana Co and others in which he was interested. I would not be surprised if he also saw Goddard and Reid there. Evidently he is going to enter the house again – his name having been cleared by a well packed meeting’s acclamation.

So far neither of them have put in an answer to the writ – so if delay is alleged they will not be wholly innocent … I was rather surprised at Forgan Smith identifying himself with him and speaking on the same platform. McCormack didn’t show up – and I hear complaints that Theodore is all kinds of a fool for having done it.\(^{650}\)

In a follow-up communication to Latham, when enclosing a copy of the bill to amend the *Crown Remedies Act*, Moore commented further:

The Bill merely ensures that a fair trial of the issues may not be avoided through technical objections being raised. Mr Theodore said all he wanted was a chance to go into the witness box and he should have no objection to that opportunity being afforded him. He did not break any new ground at that meeting here but on the other hand carefully avoided the main issues. His was merely an appeal to mob sentiment and although the meeting was well organised and naturally crowded there was not nearly the enthusiasm press reports might lead one to believe.\(^{651}\)

Theodore’s announcement of a re-entry to public life was a surprise to some members of his own party: it was the catalyst for his return to prominence, after absenting himself from the parliament and caucus for 16 weeks. During that period, he had spent time in exploring avenues

\(^{650}\)AE Moore letter to J Latham, 13 October 1930, Latham Papers, NLA, MS 1009, 46/500.

\(^{651}\)Latham Papers, NLA, MS 1009, 46/501.
to address the nation’s financial crisis, as by then he had sensed that traditional financial approaches had failed. Days later he declared in an interview with the Truth newspaper: “I am ready to be called. I shall be taking part in public affairs again as a member of the Federal Labor Party. I shall attend a meeting of the party at Canberra on October 27 and I shall take my place in the House three days later”. With the prime objective being his reinstatement to the position of Treasurer, Theodore held further public meetings in Sydney to defend his position. He particularly focused on the validity of the £40,000 valuation for the Mungana leases, based upon the expert reports. However, he probably had not recognised the severity of the internal conflicts he now faced within the federal Labor Party and the extent of the problems that lay ahead.

Within weeks these party conflicts became starkly evident. First, there was the convincing re-election of Jack Lang as NSW Premier on 25 October, with a platform advocating repudiation of government war debts and a moratorium on interest payments, which Theodore correctly believed could endanger the country’s entire financial system. Second, two days later, came the advice to caucus by the acting Treasurer, Joseph Lyons, that as part of the agreement with the Premiers at the time of Niemeyer’s visit he proposed to follow a deflationary economic path by introducing tax increases and making major expenditure cuts. A reinvigorated Theodore was instrumental in drafting and seconding a caucus resolution that opposed Lyons' plan. Scullin, absent overseas, but still retaining the Treasurer’s role, deferred a decision until his arrival in Australia.

Theodore’s return was also the catalyst for Latham to go on the offensive in federal parliament. Latham wrote to him on 7 November advising that he proposed to move the following motion as a matter of privilege when parliament resumed: “That in the interest of the honour and dignity of Parliament the honourable member for Dalley be suspended from the service of the House until a

---

653 Truth, 5 October 1930.
Theodore responded on 10 November in a two page letter making ten points. The initial five points related to his belief that Latham’s proposed action was actuated from motives of “malice and partisanship”. He reiterated his already stated views about not being called as a witness, criticised the Queensland government’s decline to promptly initiate a prosecution and to not convening a special hearing of the Full Court: in any event, the matter was now sub judice. He then went on the attack in his last five points, stating that he was aware that Latham had “secretly connived with the Queensland Nationalists in their frequent blackguardly attacks upon me which culminated in the Mungana Commission”; had been in frequent contact with McGill; implied that he had influenced the Queensland government in its recent legislation; was responsible for prying into his taxation and business affairs and had used that information in the 1929 election campaign. He concluded the letter, which he also sent to the press, by saying: “on the foregoing grounds I naturally object to you constituting yourself my judge and executioner”. 656

Latham sent a four page reply to Theodore on 12 November, which included the following paragraphs:

Your allegations with respect to “malice and partisanship” and, indeed, the whole of your letter, show that you regard the matter purely from a personal point of view. The issue raised is much more important than any personal question. It involves the maintenance of probity and integrity in the public life of the Commonwealth, and indeed, the reputation of Australia as a whole. Your allegations with respect to malice and partisanship unsupported as they are by any facts, are beside the point. I would, however, remind you that, as long as you recognised your position by absenting yourself from the House, I was content to let matters rest. Now, however, you have apparently abandoned the view which led you to resign your portfolio and, in effect, to impose upon yourself a voluntary

655 J Latham letter to EG Theodore, 7 November 1930, Latham Papers, NLA, MS 1009, 46/507.
656 EG Theodore letter to J Latham, 10 November 1930, Latham Papers, NLA, MS 1009, 46/508-509.
suspension from Parliament. I am proposing to ask the House to say that your original view was correct.

There does not appear to me to be any reason why any individual should presume to dictate a special method of trial for himself, by Full Court or otherwise. The report of the Royal Commission is not privileged outside Queensland, and you could at any time have brought a libel action for heavy damages against any newspaper outside Queensland which published or commented on the report. This you have not done.657

After responding to Theodore’s final five points he concluded:

I only add that if you can clear yourself of the findings made against you, by evidence under oath and subject to cross-examination, it will be a source of relief and pleasure to all who are concerned with the reputation and honour of the State and the Commonwealth in the public life of which you have taken so prominent a part.658

On 12 November Herbert Evatt applied for leave from the NSW parliament to represent Theodore at the pending conspiracy trial. That role never eventuated, as just a month later he joined the High Court of Australia as its youngest ever member. Evatt maintained his respect for Theodore and they continued to keep in touch. On 2 February 1931 Evatt wrote to him:

[with regard to Mungana] time is surely on your side, but you must manage to get as much of it as possible. And it may be best to get the case finished as soon as possible.

658 Ibid., p. 513.
All my heart is with you in facing the tremendous difficulties of Australia.\footnote{HV Evatt letter to EG Theodore, 2 February 1931, Theodore Papers, NLA, MS 7222, Folder 1.}

Upon his belated return from the Imperial Conference in January 1931 an apparently reinvigorated Scullin promptly announced his intention to reappoint Theodore as Treasurer and as deputy-leader, even though the dark cloud of the Mungana conspiracy trial was still hanging over his head. With the deepening of the global economic crisis, Scullin quite rightly believed that Theodore, with his proven experience both as Queensland Treasurer and in negotiating overseas loans, was the one political leader in Australia who would have the capability of meeting the major financial challenges. The move was also proposed to buttress his political support in NSW against the defiant Jack Lang’s plans, which were contrary to federal Labor Party policy. By that stage Lyons had already decided in principle to resign from the cabinet and from late 1930 never participated in cabinet affairs.\footnote{W Denning, \textit{Caucus Crisis}, pp. 121-122.}

The reappointment of Theodore as Treasurer was also a risky move. It opened the possibility of it being used as a trigger for a double dissolution as the Nationalists still held the overwhelming majority in the Senate. While that did not occur, it did raise the spectre that the Mungana scandal, which was entirely a Queensland issue, might become an adverse factor nationally. However, the much greater risk lay within the federal Labor Party caucus, which in late January voted 24-19, with nine abstentions (one of which was Theodore himself), in favour of Theodore’s reinstatement as both Treasurer and deputy-leader.\footnote{Ibid., p. 125.} This decision was the catalyst for a deep schism within the Labor Party. A NSW faction, which strongly supported Jack Lang, withdrew from the caucus, gained separate party status and in the following month was expelled from the Labor Party.\footnote{Ibid., p. 127.} Lyons and Fenton (Scullin’s deputy and acting Prime Minister when he
was overseas) resigned from cabinet in protest and voted with the opposition on a motion of no confidence at the reinstatement of Theodore. They both immediately resigned from the Labor Party and soon afterwards formed the nucleus of the United Australia Party, which Lyons then led to victory at the next three elections.

For nearly six months prior to the trial commencing, and on several occasions from February 1931, Moore and Theodore sat around the same table at Premiers’ conferences, as the economic crisis intensified.

What Constitutes Conspiracy?

Justice Campbell, in the fifth conclusion of his 1930 Royal Commission report, stated “Messrs Theodore, McCormack, Goddard and Reid were guilty of fraud and dishonesty in procuring the State to purchase the Mungana Mines for £40,000.” 663 Elsewhere in the report he used the words, “improper business relations”, “grossest impropriety” and “fraudulent”; he never used the word, “conspiracy”. The entire civil case essentially related to the Commission’s fifth conclusion being accepted as a basis for proving conspiracy in order to recover some damages.

What constitutes conspiracy? Two of the definitions in the *Shorter Oxford English Dictionary* describe “conspiracy” as “a combination of persons for an evil or unlawful purpose” and “an agreement between two or more to do something criminal, illegal, or reprehensible”. 664 It requires more than one person for a conspiracy to occur. In the Queensland Criminal Code conspiracy is an agreement between two or more people to do something which is an offence or otherwise unlawful. 665 In practice, the Crown almost invariably seeks to prove a conspiracy by

---

665 J McGill communication with DE Moore, May 2014.
reference to the manner in which the parties subsequently behave. Prosecutions for conspiracy were, and still are, very rare in Queensland. Conspiracy seems to be a somewhat elastic concept, rarely addressed in civil law. It enabled wider evidence to be admitted and was apparently seen to be easier to prove than fraud.

**The Interrogatories**

On 9 February 1931, on the day the Supreme Court returned from its two month vacation, Macgroarty filed a writ of summons lodged a formal statement of claim. The Crown sought to recover £30,000 from the four defendants, representing the difference between an assumed £10,000 “fair and reasonable value” for the Mungana leases, presumably based on the 1920 price paid by MML to MMS, and the £40,000 actually paid by the government. Most of the key information was generated from the detailed evidence already provided to the Royal Commission. This was done by way of interrogatories, as a means for developing an agreed summary of information for use by the judge and jury. The Crown framed 314 questions which were sent to each of the four defendants for their separate sworn responses under oath within 30 days. After the defendants had secured two extensions of time, all the responses were received before end May 1931, which meant that the case could not be heard until July.

**The Chief Justice as Judge**

Given the reported general reluctance for Queensland judges to become involved with the 1930 Royal Commission, the appointment of the person to hear the conspiracy case became a very important decision. The Chief Justice of the Queensland Supreme Court, Sir James Blair, had the responsibility for making this important choice. Apparently it was initially planned for a recent appointee, Hereward Henchman, to hear the case but when he was unable to do so within the
agreed deadline due to illness, Blair, to the surprise of some, elected to hear the case personally, allegedly due to its significant political overtones.666

Born at Ipswich in 1870, Blair had a successful 13 year political career before concentrating on a legal career after he lost his seat at the 1915 election.667 He had originally practised as a barrister from 1894 before becoming an independent member for the two member electorate of Ipswich in the Legislative Assembly in 1902. He was seen to have been a successful young Attorney-General from 1903 to 1908, who was credited with being the architect of the Parliamentary Bills Referendum Act of 1908 designed to establish a procedure to resolve any constitutional impasse with the Legislative Council.668 From 1912 to 1915 he was Minister for Public Instruction in the Denham government. He was also well regarded by the new Premier, Thomas Ryan, with whom he appeared in 1917 in the Legislative Council Referendum case.669

In 1922, Blair was appointed as the Northern Judge on the Supreme Court, a role he had refused 14 years earlier, after the passage of the Supreme Court Act of 1921 had increased the size of the court by one. That legislation had quickly followed the passage of the Judges’ Retirement Bill, which enforced retirement at age 70 as discussed in chapter 6. Following the untimely death of Thomas McCawley in 1925, Blair, who was later knighted in June 1930 on the recommendation of Moore, was appointed Chief Justice and held that position until his retirement in 1940. Blair was described by Charles Bernays in 1930 as “essentially human and a sympathetic administrator of the law as he knows in all walks of life we have our foibles”.670 Ross Johnston made similar comments about his happy disposition towards everyone, adding:

666 DE Moore discussion with KH Kennedy, 2013.
668 B McPherson, The Supreme Court of Queensland, pp. 324-325.
670 CA Bernays, Queensland: Our Seventh Political Decade, p. 343.
On the bench, he was as friendly as he had been at the bar. He made the knack of disarming people whether litigants or persons engaged in conversation with him by his geniality and tact. As a Judge he was very pleasant to appear before, both dignified and humane, and in criminal matters merciful. Above all, he possessed “a broad humanity which endeared him to all sorts and conditions”.671

On the other hand, McPherson, having firstly acknowledged that “everyone loved Jimmy Blair” goes on to describe him in much more critical terms:

It may well be that his experience of the legal and political wilderness taught him the lesson of not displeasing those in power. Scrutiny of his subsequent career leaves the impression that he deferred to persons – of whom there were not a few – with characters stronger than his own. When confronted by difficult decisions he tended to take refuge in involved and obscurantist reasoning that greatly detracts from the intellectual force of his judgements in controversial matters.672 His wit, eloquence and amiability were widely acknowledged by contemporaries; but … they are not the qualities of a memorable judge.673

Blair’s considerable personal and political skills, but not necessarily his legal expertise, were all required throughout the trial.

The Conspiracy Trial

671 WR Johnston, History of the Queensland Bar, p. 78.
672 B McPherson, The Supreme Court of Queensland, p. 326.
673 Official transcript of Full Court proceedings, 16 May 1940, reprinted in Courier Mail, 17 May 1940.
The case of *The King vs Goddard, McCormack, Reid and Theodore* opened on 22 July 1931. It had to be held at the Brisbane City Hall due to the number of defendants and the legal counsel involved. It lasted 22 days, with press representatives admitted throughout, again enabling lengthy daily newspaper reports to be published. In fact, detailed notes for the crucial final summing up by the Crown and the Chief Justice are now only available from these newspaper reports as the original documents have not been located.

The Crown was represented by the Attorney-General, Neil Macgroarty, and Alec McGill, who took the major role. Separate counsel represented the defendants, all briefed by the same legal firm. One of the unusual features of the trial was that all the representatives for the co-defendants would later have highly distinguished legal careers in Queensland. Neal Macrossan, who had an outstanding academic record and was an early Queensland Rhodes scholar, had unsuccessfully stood as a Liberal candidate for Cairns in 1915, where he was defeated by McCormack. Described as a reserved man, he basically led the overall argument for the defence. His elder brother, Hugh, had been appointed to the Supreme Court in 1926 and very briefly succeeded Blair as Chief Justice before his sudden death in 1940. In that Neal Macrossan joined the court, later becoming Chief Justice from 1946 to 1955. Roslyn Philp, who had previously worked for the Crown Solicitor’s Office and was admitted to the bar in 1923, received a lucky break to represent Theodore after the original choice of Herbert Evatt became impossible when he was appointed in December 1930 to fill a vacancy on the High Court. However, it seems likely that prior to his elevation, Evatt had contributed towards devising the overall strategy for Theodore’s defence. Philp also became a Supreme Court judge in 1939. Both Frederick Reid and Peter

---


Goddard were represented by Alan Mansfield, who also joined the Supreme Court in 1940, became Chief Justice in 1956 and later Governor from 1966 to 1972.676

The Crown sought nothing from the bankrupt Reid, £3,807 from Goddard and £13,328 each from McCormack and Theodore. How the allocation of the £30,000 between the defendants was established was never explained. All the defendants denied the Crown’s allegation of conspiracy, which was always going to be an exceedingly difficult charge to prove – despite the substantial amount of circumstantial evidence. The difficulty was reinforced when McCormack and Theodore again did not need to give evidence under cross-examination.677

Only two jurors out of the 19 member panel were selected on the first round, requiring a second round to select the other two jurors. At such an early stage, this highlighted the tactical advantage held by the defendants: the legal representative of each party had the right to two “peremptory challenges” of candidates for the jury (being the right to exclude a potential juror without having to assign a reason). Therefore, the four defendants had eight challenges between them, compared to just two for the Crown. This provided a much greater opportunity to eliminate those candidates whose personal situations or professions suggested they might have been more politically disposed towards the government. The final jury consisted of an accountant, a garage proprietor, a storekeeper and an insurance agent.678

From the outset the case presented a unique array of problems and complications – particularly for the Crown. Initially Mansfield, representing Reid, sought to have his client dismissed due to his bankruptcy. This submission was rejected, as the Crown strongly argued that Reid provided

677 Brisbane Courier, 23 July 1931.
678 KH Kennedy, The Mungana Affair, p. 156.
the significant and only consistent link to the other three defendants. Throughout, Sir James Blair was not prepared to admit evidence unless it was relevant to the charge of conspiracy.

**McGill’s Opening Remarks**

After the four jurors were finally selected, a confident Alec McGill spent the equivalent of nearly two days in delivering his opening remarks. These commenced with the following comments to the jury:

The desire is to do justice between the Crown and these four defendants. Your minds will not be influenced by prejudice, political or otherwise …

The story begins, gentlemen, for the purposes of this case in an Act of Parliament called *The Mareeba-Chillagoe Railway Act of 1897* ...

If the Crown proves facts to you from which the only reasonable inference is that it was a bribe then, gentlemen, that is sufficient proof and that will depend upon your common sense.679

Through consistent reference to, and reading from, the various responses to the interrogatories McGill focused on key issues which can conveniently be placed in categories. The initial issues

were how Reid managed in 1917 to obtain the rights to the Mungana leases so quickly, Reid’s overall business relationship with McCormack, the various transactions that occurred and Theodore’s role in the authorisation of government payments to Reid. The second set of issues related to the formation of MML and its shareholders, with particular focus on the performance of Goddard as general manager of the Chillagoe smelters and his relationship with McCormack and Reid. The final set of issues related to the behavior of McCormack both before and after he became a cabinet minister and the level and frequency of payments by McCormack to Theodore from 1920 to 1926.

The following are extracts from the conclusions drawn by McGill during his at times somewhat rambling address:

In what was an involved case, the Crown would argue that the mines were worth nothing like £40,000. On their acquisition they could not have been worked … save at a loss. If you are satisfied they were bought at a grossly excess of value you will have no doubt, those two, Theodore and McCormack, knew.

In November 1917 the Government entered into the agreement to purchase the [Chillagoe] works [only finally completed a year later]. In December 1917, McCormack is brought in. The Crown suggests to you, ”Look at the whole of the facts and you will find he is given as a corrupt gift a half interest on behalf of the owners of these leases”.

In order to determine that, you look at what happened. You find he [McCormack] was not brought in as one to back the whole of those leases financially. You will find that every step towards the financing of the working of these leases is in the direction of aid from the Government — aid from the Government of which the defendant Theodore was a member.
… In 1919 the Chillagoe works are opened and Goddard is appointed. Goddard is then brought into contact with these men. The dealings are now with Goddard… You see huge advances being made to Reid. You see Goddard advancing up to 90 per cent … to enable him to unwater and develop these mines.

All this is for the benefit not only of Reid but of anybody associated with Reid in the ownership …

The Crown says to you, “If you want to know whether a man enjoyed any interest in a property the best proof is to see who enjoyed the fruits. If you cannot get any written document from them … you can prove it from the facts, and there is no better fact, the Crown says, whereby you can prove that a man had an interest in the property than by proving that he enjoyed the fruits of it” … The Crown furnishes the proof when the fruits of this deal were to be enjoyed, part of them were enjoyed by Goddard, part by Reid, part by McCormack, and part by Theodore.

Another thing is this: when they could afford to give away 1,250 shares – an eighth holding in the company – you can have little doubt these mines could not have been worth anything like £40,000 and they knew it.

So, gentlemen, I complete a sorry tale of a swindle on the Crown, which will be proved by the evidence I have indicated.680

680 Ibid., pp. 111-114.
Much of the evidence already provided to the Royal Commission was re-presented by the Crown, as McGill painstakingly outlined the entire sequence of events. On every conceivable occasion, just as Campbell had done in the Royal Commission report, he sought to link McCormack and Theodore together, even if the available evidence did not absolutely demonstrate that. Interestingly, at no stage did McGill highlight as further evidence of conspiracy the favoured treatment by the government through the accelerated payment of the outstanding royalties in June 1925, thereby enabling the mines to be closed down at any time thereafter — entirely based on Goddard’s rather flimsy recommendation. Further, the extremely high overall capital expenditure required to bring the Mungana mines back into production was not sufficiently highlighted: this only meant the mines had even less value. Also, little emphasis seems to have been placed on Goddard continually being in breach of his employment conditions, with McCormack’s clear knowledge.

Key Evidence

Each of the four defendants exercised the technical legal right decision to move for a non-suit. By this action, each communicated the decision that he was not prepared to give evidence. Total reliance had to be placed on written answers to the interrogatories, which were sequentially presented and then made available to the jury. Theodore’s answers confirmed receipt of the payments from McCormack, but did not provide any detailed explanation. McGill was therefore denied the opportunity to cross-examine any of the defendants: a situation which probably materially disadvantaged the Crown. Macrossan however noted that if the Crown’s case was so sound, there was no need to be concerned about the defendants giving evidence.681 This tactic also gave defence counsel the perceived advantage of each addressing the jury after the Crown address had been completed.

681 I Young, Theodore: His Life and Times, p. 143.
The witnesses for the Crown generally provided confirmation of the facts revealed at the Royal Commission. Some provided interesting anecdotal evidence. One example was that given by the Chillagoe bank manager that Goddard held a banquet at his house when the MML sale to the government was completed. At the party, he discovered that McCormack was going to receive a large sum and had offered to bank it for him at a concessional rate.682 As the Crown’s overall objective was to recover £30,000, the defence focused strongly on trying to prove that £40,000 was indeed a fair and reasonable value, given all the circumstances. This was done by drawing upon the evidence from the various independent mining experts who had been involved. This was a good tactic since it meant that the Crown then had to justify a lower valuation which was contrary to expert opinions.

Ultimately, the fundamental underlying question had to be addressed, namely: “Did this long chain of events represent a continuing conspiracy or just a collection of linked individual happenings?” This question does not seem to have been fully addressed by the Crown or through new evidence. Young succinctly summarised the view in the following way: “No evidence was produced to show that Theodore was a party to any common design”.683 The Crown had to rely heavily on inference about the association of the four parties, a point highlighted by Macgroarty. McGill in his nine hour closing address argued that conspiracy by its very nature was rarely susceptible to direct proof: it was normally a matter of inference from known facts.684

As each defendant had indicated that he would be offering no evidence, Blair exercised his discretion in favour of allowing each counsel to address the jury. This provided the opportunity to highlight the quite different circumstances relating to the involvement of each person in relation to the Mungana leases. On behalf of McCormack, Neal Macrossan argued that the foundation of the whole case against McCormack was the allegation of a corrupt gift to him by Reid; there was in fact no gift at all. The transaction was a legitimate mining venture entered into

---

682 T Sykes, “Theodore’s Scandal”, p. 245.
683 I Young, Theodore: His Life and Times, p. 142.
by McCormack at a time when he was not a Minister of the Crown and was not exercising any executive office. It was a perfectly legitimate mining speculation entered into in good faith without any suggestion of gift or corruption.685

Given the particular focus on Theodore, Ross Philp’s address was important. In his view the charge against the defendants was a criminal charge brought against them civilly, so the jury should be certain the charge had been proved. The sole evidence against his client was the evidence of certain cheques that Theodore must have had a half interest in the mines with McCormack, yet the amount of the various payments from McCormack did not always equate to half of each Mungana payment received by McCormack. In his view, if there really was a conspiracy between Reid and Theodore all communications would have been sent privately. He believed it was purely a political case so far as Theodore was concerned. It was an attempt to stab him in the back with legal action, a new departure in political methods, because that party could not defeat Theodore in a more or less fair political manner. While his political views were not those of Theodore, he urged the jury not to let political prejudice enter into their judgment. “Political prejudice alone can convict my client: justice cannot.” 686

**Summing Up**

Unfortunately, no copy of Blair’s notes for his four and a half hours of summing up can now be located, so total reliance has to be placed on newspaper reports and later perceptions by others. Blair highlighted that the evidence presented was circumstantial, which was not as strong as direct evidence. He noted that great reliance had also been placed on what he termed a coincidence of events. In his view there were really two charges of conspiracy; the first was to obtain loans from the government and the second was to defraud the government by selling the Mungana leases for £40,000. The jury had to be certain, beyond reasonable doubt, that the

---

685 *West Australian*, 22 August 1931.

686 Ibid..
coincidences upon which the Crown relied were indisputable or undisputed. Suspicion was never adequate evidence. On the basis that this was the exact direction it was open to challenge as the standard of proof in a civil trial was on the balance of probabilities. As later highlighted by McGill, Blair was quite prepared to leave the issue in the hands of the jury, without a clear direction.

Blair added, “I direct you that, unless damage can be proved, the Crown must fail”. “If, for example, you are satisfied that these mines were sold to the government at a proper price at the time of sale, and it is the time of sale to which you must direct your attention, then there would be no offence at all”. This aspect of Blair’s narrow direction put absolute focus on the basis of valuation of the Mungana mines. Blair acknowledged that it was clear that McCormack and Reid originally each had a 50 per cent interest in the Mungana mines, while Theodore had also received certain sums from McCormack, but this did not necessarily mean he held shares in the company. The jury had initially to decide whether there was clear proof of a conspiracy on the part of the four defendants and, if so, whether that proof was a conspiracy to defraud the government by selling it mines for £40,000, when the Crown believed that they were worth only £10,000.

After the final addresses were concluded on 13 August, Blair adjourned for four days so the parties could prepare questions central to the issue, as it had been previously agreed that a series of questions would be directed to the jury. The most significant issues contained in the 25 questions were:

*Whether the gift of shares to McCormack was corrupt, and accepted corruptly to use his position and influence in obtaining advances and expediting the purchase?*

---

687 J McGill, private communication, May 2014.
688 *Brisbane Courier*, 22 August 1931.
Whether it was the defendants’ intention to conspire or to use unlawful means to attain that end?

If the defendants had fraudulently concealed their interests in breach of their duty?

Was Goddard’s interest a bribe to promote the government purchase?

Whether Mungana Mines Limited was an instrument of conspiracy?

Was £40,000 an excessive price for the Mungana mines?

Did either Theodore or McCormack authorise the purchase to further the conspiracy or in consideration of their interests?

Was a fraud committed by the officers of the Crown accepting dividends in breach of their duty? 689

In several instances, the jury was able to respond in relation to the individuals rather than the group collectively. In his summing up, Blair stated that it was “an important case… certainly unique…in Australia”. The decision must be based on the evidence, much of which was

---

689 KH Kennedy, *The Mungana Affair*, pp. 139-142.
circumstantial, which was not as strong as direct evidence. Both conspiracy and fraud must be established. He believed the case really turned on three specific questions:

1. *What was the value of the mines when they were purchased by the government?*
2. *Was £40,000 a fair and reasonable price?*
3. *Were the mines good consideration for that £40,000 at the time, or were they selling them at a price so far in excess of their true value... that it was unfair – in other words a fraud?*

In retrospect, these three questions were an extremely narrow focus, as the overall issues raised seemed to be much wider. Various technical reports had been prepared which had recommended the purchase of the Mungana leases for the price agreed. Yet, no allowance seemed to have ever been made for the resultant high capital expenditure that was required for the mines to be opened and for the fact that when that occurred the mined ore could not be profitably treated. If the whole case rested on just these three questions, it seems reasonable that most lay persons, if they were in the position of the four jurors, would not have deemed that £40,000 was a reasonable price for the Mungana leases – so there could be no fraud.

The Verdict and Its Immediate Aftermath

The jury retired at 4.45 pm on 21 August to consider the 25 questions. Soon after 10.00 am on 24 August, the next working day, the jury found in favour of the defendants on all issues, with no damages payable and all costs to be met by the Crown. The jury agreed that McCormack had beneficially held 4,376 shares in MML, for which he had received £12,738 in dividends, but it saw no corruption in Reid giving McCormack a half share in the MMS. It agreed that Theodore had received £5,658 from McCormack between 1 April 1922 and 31 July 1925. However it was

---

690 Ibid., p. 104 and *Brisbane Courier*, 22 August 1931.
not prepared to accept the premise that these payments, made after McCormack had received
MML dividends, implied that Theodore had an interest in MML.

Several of the jury’s conclusions still seem quite puzzling. How was McCormack found to be not
guilty of consistently fraudulently concealing that he was entitled to a half share in the Mungana
leases for which he had paid nothing? How was it determined that prior to 16 December 1920
Reid had not corruptly given 1,250 shares in MML to Goddard’s brother-in-law, particularly in
breach of his contract as a government employee? Finally, given the circumstances, it seems
highly surprising that Reid and Goddard were not found guilty of several related offences. This
begs the question whether the Crown’s case was properly constructed and executed or it was a
product of how Blair had planned for the case to be considered by the jury: or a combination of
both. In part, it could have arisen because the Crown had tended to regard Campbell’s
conclusions as already being proven and its concentration on Theodore and not McCormack.

Given the approach adopted by the Crown in conducting the case and the narrow guidelines Blair
had given to the jurors, the outcome was not a surprise. Many observers have since contended
that, given these restrictions, the jury had brought in the correct verdict — conspiracy could be
implied, but was not proven against all four persons collectively. One obvious conclusion was
that the wrong approach and tactics were adopted by an under-prepared government. They chose
to target Theodore as much as possible, taking McCormack’s guilt as proven. Kennedy had the
unique opportunity of being able to interview Sir Alan Mansfield on the topic, after he had
stepped down as Governor of Queensland, on 11 May 1972, on the basis of strict confidentiality
with no tape-recording allowed and a witness also being present.\footnote{KH Kennedy, private communication, 11 September 2013.} It was that discussion which
led to Kennedy writing the following paragraph in *The Mungana Affair*:

… the government could have proceeded in equity for the recovery of the moneys
received by Theodore, McCormack and Goddard in breach of an implied trust. Once the
government had declared them trustees of the amounts they had received, it seems reasonable that such an action would have been more likely to succeed than the civil action. Halsbury’s *Laws of England* point out, “[A] breach of trust does not give a remedy in damages, but a remedy by making the trustee restore the property with which he is chargeable, and account for the profits which he has made, or which he is taken to have made”.692 Apart from the fact that the Crown lawyers were not experienced in equity law, there is nothing to show that this course was seriously considered. The only conclusion to be drawn is that any legislation to allow the government to proceed in equity would have been politically unpalatable.693

If such a course had been feasible it would have meant the new case could have been heard by a judge in equity jurisdiction, which in turn might have meant that both McCormack and Theodore would have been cross-examined about their bank accounts and transactions. At that time the 1876 English *Judicature Act* had been adopted for equity jurisdiction in Queensland. This situation seems to have resulted due to the timing of its separation from NSW and enabled common law and equity rights to be pursued in the same proceeding: it took nearly a century for NSW to follow suit. Kennedy still believed that a case in equity could have succeeded.694 Given the complexity about equity, some aspects of which are discussed by Bruce McPherson in his authoritative *Supreme Court of Queensland*, there can be no confidence that such an approach would have been successful, as the defendant was not bound to give evidence or be cross-examined.695

The politically orientated tactics followed by McGill and Macgroarty also seem in retrospect to have been somewhat misplaced. The evidence about McCormack’s involvement from the outset, together with his continued lying about his interest, proved his guilt and was so overwhelming

694 KH Kennedy, private communication, 9 October 2013.
that the prime focus was given to Theodore where some of the conclusions were more circumstantial. Given Theodore’s prominent leadership position within the federal government, he was by far the greater political prize. Further, McCormack had resigned from politics and there seemed very little likelihood that his career could be resurrected. To focus primarily on Theodore was a high risk tactic that failed and there was no fallback plan. In reality, the decision probably helped McCormack’s cause: a rare occasion where being overshadowed by Theodore worked to his advantage. Greater focus on McCormack may have swayed the jury to at least adopt a less tolerant attitude towards his whole role in the affair.

The public reaction to the decision was both immediate – and predictable. All the focus was understandably on Theodore, with precious little attention given to McCormack. Theodore and his supporters claimed the verdict sustained his long-stated innocence and that the whole affair had been nothing more than a political witch hunt. Theodore briefly basked in the sunshine following the decision, receiving comforting messages from numerous public figures. Evatt wrote to his wife on 24 August saying, “Nothing can stop him now from becoming PM of the Commonwealth”. Theodore proudly commented:

The Nationalists for a long time carried on a campaign of calumny against myself and it has culminated in this action. They relied upon misrepresentation and gross rumour; they attempted maliciously to destroy my political influence. They have failed miserably. They tried to humiliate and destroy me. They have succeeded in dishonouring themselves.

Sydney’s Labor Daily thundered, “Mungana was an election cry – in common decency Mr Moore should resign”, again omitting to mention that Theodore and McCormack had declined to

---

696 Theodore Papers, National Library of Australia, MS 7222, Box 1.
697 Brisbane Courier, 25 August 1931.
give evidence and so be cross-examined at both the Royal Commission and the civil trial and that the originally allegations against McCormack had been justified.698

The verdict did not necessarily mean that McCormack and Theodore had not benefited from the MML transaction — just that they had not been part of a conspiracy, as defined. Their overall innocence had not been proven but it could never be legally challenged again. McCormack’s original 50 per cent secret interest in MMS was an unquestionable fact, as was his share of profits and the receipt of dividends from MML, both directly and through nominees. The nature of McCormack’s regular receipts, soon followed by payments to Theodore, was never explained. Denning reported that, on his return to Sydney, John Curtin begged to be told the truth: Theodore assured him that not a single penny from Mungana had been received by him.699 That comment was probably strictly correct: he was never paid directly, only via McCormack after he received Mungana payments. If this were not the case what then was the basis for Theodore receiving payments from McCormack, as summarised in Figure 10?

Moore’s public response was:

So far as I am concerned, there was never anything personal in the matter. For a long period of years the present government, when in Opposition, tried without success to secure a public inquiry into matters connected with the Mungana mines and operation of the Chillagoe State smelters.700

On 25 August in a long speech in parliament, spiced with numerous opposition interjections, Moore reiterated his strongly held views that ministers should not have private holdings that

699 I Young, *Theodore: His Life and Times*, p. 143.
conflicted with their public duties, reinforcing his comments from October 1929. He recited British House of Commons precedents ̶ particularly Asquith’s “rules of positive obligation” with respect to Ministers of the Crown, which he believed should be applicable to every parliament in the British Empire ̶ reading from the following 1913 Hansard summary:

A Minister ought not to enter into any transaction, involving, even conceivably, a conflict of private interest and public duty; or use official information for his own or his friend’s private profit; or put himself under temptation to use his official influence in support of schemes or contracts in which he had an undisclosed private interest; or accept any kind of favour from persons in negotiation with, or seeking to enter into contractual or pecuniary relations with the Government; and Ministers should scrupulously avoid speculative investments as to which they have an advantage over others in anticipating market changes. 701

Moore went on:

I strongly resent the suggestion that it was a political vendetta against these two men. When I brought this case up in Opposition there was no question of personal vendetta. Mr McCormack stated in this House that I have never, either in this House or on the public platform outside, used it against him.

The whole question at issue to my mind is the honesty of parliament. Is it right that individuals should use their public positions in order that they can condone actions by their servants? 702

702 Ibid., p. 454.
In one parliamentary interchange with a Labor member, Moore still could not understand why Theodore would not go into the witness box, stating; “I would go into the witness box if I had a complete answer, irrespective of counsel”. 703

Moore reiterated on several occasions that he accepted the jury’s verdict, taking full responsibility for the inquiry and the subsequent legal proceedings. Years later in several private discussions, Moore recalled his great doubts about the conspiracy charges succeeding. 704 Kennedy also comments that Moore’s initial instinct not to take any further legal action could probably have been a better course – despite the inevitable short-term public criticism that would have been generated. 705 Ultimately, in Moore’s view, it came down to a conflict of personal ethics.

The Telegraph editorial commented:

Mr Moore has acted from first to last as a protector and guardian of the people, a trustee for the State which has given him his important place and the heavy responsibility. Such is the political hypocrisy of people who now dare to assault a gentleman whose shoes they are unfit to clean. 706

The overall outcome seems unsatisfactory. It was primarily a political, rather than a strictly legal, result from what had been more of a political, rather than a legal, trial. Theodore had been given

703 Ibid., p. 455.
704 DE Moore, discussions with AE Moore, 1961-62.
705 KH Kennedy, The Mungana Affair, p. 86.
706 Telegraph, 28 August 1931.
what proved to be a short reprieve. McCormack, despite all his admitted and proven transgressions, paid no penalty. Goddard and Reid were able to retain the limited remaining fruits of their activities, contrary to Goddard’s employment conditions. Afterwards, rumours circulated that somehow John Wren was able to influence some of the jurors, but that was never proven. In later life, Moore believed that, given his understanding of how Wren typically operated, the suggestion could have been possible, but he did not elaborate.707

Finally, it is interesting to gain an appreciation of McGill’s surprised response to the decision, contained in a hand-written letter to Latham on 2 September 1931 obtained from the Latham Papers and probably not previously published:

Telegraph Chambers
Queen Street
Brisbane
2nd Sept, 1931

My Dear Latham,

Yours of 25th and 26th ult. to hand. Many thanks for your kind congratulations. I am not surprised that you heard the result with astonishment. The fact is that we were able to put a strong case before the jury – a case undoubtedly calling for explanation or contradiction. No explanation or contradiction was offered and in my opinion that could only lead to the conclusion that the case was so strong as to be unanswerable. Upon any view the failure to answer could only have the effect of adding weight to the Crown case, especially so having regards to the positions formerly occupied by McCormack and Theodore and the position now occupied by the latter.

707 DE Moore, discussions with AE Moore, 1961-62.
It is clear to me that the defendants relied upon the jury and in so doing relied upon some influence which did come from their counsels “ingenuity” to make a case or destroy the Crown’s case. However, that apart, I think the jury’s answers can be explained upon the assumption that they were those of honest men. The summing up was deplorable. The final part of it consisted of citations from authorities but no attempt was made to apply what was read to the facts. The C[hief] J[ustice] then “went in detail with the facts” – and this he floundered hopelessly. Either he had no grasp of the facts or he deliberately adopted the course of throwing the whole thing at the jury without attempting to give them guidance or enlightenment. The latter is, I think, the correct view. He obstinately avoided the expression of any opinion on the facts and simply passed over the damaging parts of the evidence. Here and there he threw in a word that was helpful to the Defendants. The best instance is this. On the subject of the failure of the defendants to give evidence he told them that if they thought the evidence was such as to call for explanation or contradiction the omission to give either should weigh with them. Then he went on: “Of course, no defendant is bound to give evidence”. This of course is true, but said as it was to four laymen after his feeble direction to them on the question, it conveyed the impression that he did not consider it a matter of much importance. As a matter of fact I know that laymen who were in Court so interpreted his remark.

As a matter of fact I was never reconciled to the taking of the case by the C.J. He has a positive horror of and a pathetic dread of responsibility. In the ordinary course of the Supreme Court he scandalously avoids listing a simple Chambers application if it is contested. Yet quite suddenly he sent a message to all parties when Henchman J. announced a further delay on account of illness, that he was prepared to take the case on the date then fixed, if all parties consented. Just imagine such a message from a Chief Justice! What could we do? In confidence, that message disturbed and still disturbs me. We were all astounded at his readiness – so suddenly developed – to take such a case.
However, to get to your questions. With regards to Reid and Goddard, operating from memory, I do not think they made any admissions inconsistent with the findings. Your conclusions are undoubtedly sound. There was no evidence that Theodore had no interest in Mungana. In his Answers to Interrogatories he denied such interest, but of course we did not tender such Answers.

You remark upon the jury’s answers that some of them appear to be against the evidence. Some of them undoubtedly are so, though there may be some evidence to support them. You will have observed how thoroughly in favour of the Defendants the answers were. This is a circumstance which leaves an ugly feeling. The answers clear Reid and Goddard as completely (or as much) as they clear McCormack and Theodore. In short the jury that would find that Reid did not corruptly give and Goddard did not corruptly accept 1250 shares decided to find for the Defendants – without regard to the questions or the evidence.

Well, I am sorry. The result is tragic – not only for us as a party but for Australia, which is the supreme consideration.

However, I think that it may be said at least of the Queensland public that they remain unconvinced by the verdict.

If I can assist you with any information, please let me know.

Kinderd regards,

Yours sincerely,
The Mungana saga formally ended in a legal context very soon after the conspiracy trial. Possible further actions by both Theodore and the Queensland government were reassessed briefly and quickly abandoned. The opposition continued to question the overall cost for the Royal Commission and the civil trial. In September 1931, Moore advised that the Royal Commission had cost £6,465: £1,271 was paid to Campbell plus nearly £2,000 in costs of which £856 was for a special rail car for the visit to Chillagoe. McGill’s costs were £1,018. For the civil trial, Macgroarty received £1,071 while McGill — who seems to have been very slow in rendering his accounts, based upon the persistent parliamentary questions on the topic — received £1,316. The overall Crown costs for the case provided by Forgan Smith in June 1932 were £7,273 and the total defendants’ costs paid by the government were £6,185. Overall these declared costs amount to nearly £20,000, lower than Kennedy’s estimate of £30,000, a figure which may have also included the significant costs of the various government departments as a large amount of information was generated. Macgroarty, in particular, came under persistent questioning during the Supply debate in November 1931 as to how his costs could really be justified on top of his ministerial salary. This caused some political damage for the Moore government, and Macgroarty in particular, as discussed in the next chapter, which reviews the years following the conspiracy trial.

708 Letter from A McGill to J Latham, Latham Papers, MS 1009, 46/520-521.
710 Brisbane Courier, 25 June 1932.
The lasting impression for many persons was that the trial became far too political. 713 According to Mansfield’s perception, it became evident that, as the trial progressed, Macgroarty and McGill had adopted an increasingly bitter tone, suggesting a political vendetta. 714 At the end of the chapter in *Famous Court Cases* entitled “Theodore and the Mungana Mines”, Johnston’s last sentence encapsulates this perspective in the whole trial, namely, “But for most people the verdict on Mungana depended on how they were used to marking their ballot papers.” 715

If the following apt description by Peter Bell is accepted:

> The Mungana Scandal, as the whole affair became known, was a complex web of questionable dealings and outright corrupt practices, extending throughout the State’s mining and smelting industry, and involving several men in high public office. 716

who then was responsible or at fault? The situation provided a favourable climate for myths to grow and be perpetuated.

---

This chapter initially summarises the relevant events subsequent to the conspiracy trial, their impact on the Chillagoe-Mungana community and the later effects on the co-defendants and other prominent persons associated with the story. It particularly reviews the impacts of the Chillagoe-Mungana story on the careers of the three Premiers. William McCormack, who had already retired from politics for 16 months, was totally discredited. Arthur Moore lost the 1932 state election and clung on as leader of the opposition until a landslide defeat in 1935. Edward Theodore was heavily defeated by a Lang Labor candidate at the 1931 federal election and left politics for a career in business. His name continued to be mentioned intermittently, often on the basis that the Mungana affair had contributed significantly to ending his political career: a myth which is challenged in the concluding chapter. His defeat was primarily caused by the bitter fight with Jack Lang, the NSW Premier.

Following the conspiracy trial, the Mungana affair quickly disappeared from newspaper headlines, but it was not necessarily erased from people’s memories. There were much more urgent issues to be addressed due to the nation-wide ravages of the Great Depression, where a bitter conflict occurred between the elected Labor Party’s adoption of the Premiers’ Plan and the more revolutionary forces led by Lang. It was a time when most governments were toppled.

**Elections in 1931-1932**

In the 10 months following the conspiracy trial there were three important elections where the federal, NSW and Queensland governments all changed. An early federal election was held on 19 December 1931, precipitated when the Scullin government lost a vote of confidence after the five Lang Labor members teamed up with the new United Australia Party opposition, led by Joseph Lyons. While the fundamental issue related to the dissidents’ unpreparedness to support
the Premiers’ Plan, somewhat ironically the catalyst was the allegation that Theodore was “giving employment … to those who supported the political views of the Treasurer” in an unemployment relief project at the Cockatoo Island docks in his Dalley electorate.⁷¹⁷ Then on 11 June 1932 state elections were held on the same day in Queensland and NSW, the latter brought about by the ground-breaking dismissal on 13 May of the Lang government by the Governor, Sir Philip Game.

The Scullin government suffered a humiliating landslide loss, winning only 14 seats of its previous 46 seats, four of which were in Queensland. The Lang Labor Party nominated candidates in all 23 of the 28 NSW seats where the Labor Party stood candidates, winning four seats compared to three by the established party.⁷¹⁸ Such was the nation-wide devastation that two future Prime Ministers, John Curtin and Ben Chifley, lost their seats until the 1934 election. Queensland, which had avoided the formation of a Lang Labor Party, was the only state to record a swing to the Labor Party, where it gained an extra seat. In a very tight Senate contest the Labor Party won all three Queensland seats, the only state where it won any seats at all. Theodore lost the seat of Dalley to the Lang Labor candidate, his former campaign manager, receiving only 19.6 per cent of the vote, a mere shadow of the 77.9 per cent he had polled just two years earlier. This defeat was primarily a result of his continuing quarrel with Jack Lang, discussed further in the concluding chapter. However, the magnitude of the defeat was so unexpected that Fitzgerald reports, following an interview with Theodore’s daughter years later, that after the poll he said to his son: “That finishes me with politics”.⁷¹⁹

The extent of the federal success in Queensland was a very poor omen for the Moore government. At the state election seven months later the Labor Party gained office winning 33 seats, a five seat majority in the reduced 62 seat Legislative Assembly. It gained 49.9 per cent of the vote, in what became the first of a record nine consecutive electoral successes until 1957. It

⁷¹⁸ Ibid., p. 307.
⁷¹⁹ Ibid..
recaptured seats in most key regional areas which it had lost in 1929 and won 12 of the 18 Brisbane seats. The CPNP did not contest four seats, twice the number uncontested in 1929. The temporary intrusion of the new Queensland Party (QP), consisting of a group of independents, led to some lost CPNP votes in the 15 seats contested, even though this did not affect the overall outcome.

The two most politically inexperienced cabinet ministers Ernest Atherton, member for Chillagoe, and Neil Macgroarty, member for South Brisbane, were defeated. The Mungana affair was certainly a contributing factor in Macgroarty’s defeat. Just before the election, in response to a Labor Party pamphlet, in which he was accused of political malice and of accepting huge legal fees for his involvement in the civil case, his tactless and totally incorrect response that “The Mungana case smashed the Labor Party in Australia beyond all mending. Thousands of persons throughout the Commonwealth consider I was worth what I was paid in that case” only helped his political demise.\footnote{Daily Standard, 1 June 1932.} Such was the depth of alienation engendered against Macgroarty, who was president of the Irish Club, that he was not even able to rely upon the Roman Catholic vote. Archbishop Duhig had advised Moore in advance of the election that nuns would be actively encouraging people to vote against him.\footnote{DE Moore discussion with AE Moore, 1962.} In a bitter campaign he was decisively defeated by Vincent Gair, years later to become a controversial Queensland Premier and later senator after the Labor Party schism in 1957.

Apart from the South Brisbane electorate, the Mungana affair played little part in the overall election campaign or result, which was basically fought about the appropriate economic plan to counter the Great Depression. Significantly, the Labor Party was by then far more united than at the previous election. William Forgan Smith carried none of McCormack’s electoral baggage so evident in 1929. He had never publically criticised the ARU in its lengthy dispute with the AWU or during the bitter South Johnstone sugar strike in 1927. Further, he had no association with the Mungana affair, apart from continuing to defend McCormack’s innocence. He had time to focus
on reclaiming the votes that the Labor Party had lost in Brisbane, the provincial cities and towns. As a member of the AWU and a former president of the Mackay branch he was able to re-cultivate good relations with that group, whose dominance was totally re-established.

Forgan Smith promised to reverse the Moore government’s changes made to the Arbitration Act and to ensure that a Legislative Council could only be reinstated after it had been approved at a state referendum, in stark contrast to its abolition without referendum. He believed that the resurrection of a Legislative Council would make further progressive legislation well nigh impossible. The most strongly highlighted issue against the Moore government was the failure to implement the promise to promptly spend £2 million on unemployment relief for 10,000 persons, which could not be met when loan funds were slashed in 1929.

**Subsequent Events Relevant to the Chillagoe-Mungana Story**

Yet, the Mungana affair did not fade away. The Theodore papers in the National Library include a 1937 exchange of correspondence with Alexander Macdonald following an approach by a journalist from the Brisbane *Telegraph* newspaper, who was preparing a new article on the Mungana affair. The catalyst for the article had been the death in England of Henry Allan, head of the Allan line of steamships, which had held a controlling interest in the Mammoth Copper mine. What was headlined in the article as “secret documents which throw new light into the famous Mungana case in 1931”, related to the proposal discussed earlier for MML and Mammoth Copper to be merged into Mammoth-Mungana N.L., with a nominal £50,000 value placed on the Mungana leases. This possibility, already outlined in chapter 5, entailing half the amount being payable in cash and half payable in shares in the new company, had been rejected by Fred Reid. Theodore contacted Macdonald stating:
I am very much obliged to you for your letter of 2nd August [1937] informing me of the inquiries into the Mungana case by a Brisbane journalist. I was the subject of much malice and villainy in the Mungana case, and naturally do not wish to have the old wounds reopened.

I agree with you that it is preferable that nothing more is said….722

The final paragraph of the published article stated, “Mr Macdonald holds the view that the Mungana mines are of outstanding worth at the present time” 723. Macdonald always remained the optimist about the value of Mungana, despite all the evidence to the contrary. The complete exchange of correspondence is also included in the appendix, “An Echo of Mungana”, to Irwin Young’s biography of Theodore.724

In 1945, an unnamed Sydney Morning Herald journalist in an article, “E G Theodore – Once Red Ted”, typically without seeking to gain an understanding of the overall situation, quickly accepted that it was only an unfortunate accident of timing that resulted in the Mungana leases being sold to the government, instead of the possible transaction with Mammoth Copper. He made the following comment:

Had the letter [to Alexander Macdonald from Henry Allan] not been delayed, had the owners of Mungana waited instead of approaching the Queensland Government, the whole subsequent history of Australia may have been different. It is probable there would have been no Prime Minister Lyons, no war-time leader John Curtin – the mantle

722 Theodore Papers, National Library of Australia, MS 7222, Box 1, Folder 3.
723 Ibid.
724 I Young, Theodore: His Life and Times, pp. 177-179.
Scullin was forced to put aside would have been thrown over EG Theodore’s shoulders.\textsuperscript{725}

Such an extrapolative fantasy is the way myths are enhanced, when the details are not fully checked and then placed on record for apparently tacit later acceptance. There was no need for such fantasy, as the facts continued to make a fascinating story in their own right. An example was that written in a lengthy article, “Here is the MUNGANA story” in Brisbane’s \textit{Sunday Mail} on 7 February 1954 by Roy Connolly.\textsuperscript{726} Described as “a faint echo of the notorious Mungana scandal”, it was written in response to readers requesting to know more about the episode soon after the death of Peter McCaffrey, the auditor who had prepared several damning reports on the Chillagoe Enterprise.

\textbf{The Impact on the Chillagoe Region}

In accordance with its 1929 election promise, the Moore government reopened the smelters in 1930. Feedstock was then primarily ore transported by rail from the distant Cloncurry copper mines, 600 miles away, with very little sourced from the Chillagoe Mineral Province. Apparently lead smelting ceased in 1933.\textsuperscript{727} The smelters finally closed in 1943, with removable assets sold by public auction or tender in 1945. Ninety Chillagoe employees moved to join the new Mount Isa Mines copper smelting operation, opened just after its lead smelters had closed in 1943.\textsuperscript{728}

Over their intermittent 42 year life the smelters had produced 60,963 tons of copper, 50,800 tons of lead, 6.5 million ounces (184 tons) of silver; 175,000 ounces (5 tons) of gold and over a

\textsuperscript{725} Sydney Morning Herald, 5 September 1945.
\textsuperscript{726} Sunday Mail, 7 February 1954.
\textsuperscript{727} M Bolam, \textit{The Chillagoe Smelters Story}, pp. 34-35.
\textsuperscript{728} G Blainey, \textit{Mines in the Spinifex}, p. 188.
million tons of slag. It is interesting to reflect that these tonnages were less than four times the amounts estimated to be available near the surface in 1900. Further, the final level of copper production was 20 per cent greater than lead production, a statistic that probably has led to the smelters generally being recorded as being based on copper. That does not change the situation that they were built to smelt ores from what proved to be a lead-rich Chillagoe Mineral Province. During the period of state control, the majority of the copper ore treated originated from the Cloncurry district, but maximum annual copper production never exceeded 4,000 tons. The total financial loss of the Chillagoe Enterprise increased to over £5 million, more than double the loss incurred in the Chillagoe Company era prior to the smelters closure in 1914.

The closure of the smelters also meant the end for the already rapidly declining Mungana township. The school closed in 1946 and thereafter the railway was a trucking terminus for cattle, until its closure in 1984. All that remains now are “some scattered sheets of iron, a few rotting posts being eaten by white ants, a rusting tank in which it looks as though somebody lived and the neglected cattle yards that were once a hive of activity”.729 In 2009, Mungana became the first archaeological site on the Queensland Heritage Register under the Queensland Heritage Act of 1992.730 The Statement of Significance reads as follows:

Mungana township and railway terminus is significant in Queensland’s history as a major development associated with the Chillagoe mineral field. The peaks in its economic life were dependent on the rise and fall of the Irvinebank and Chillagoe companies and the State-owned enterprises of the 1920s. It struggled on for another five decades serving the cattle industry in the Gulf. Its spectacular setting between the limestone bluffs highlight its current abandoned state.731

729 M Bolam, Mungana: “Captivate the Ghosts of Yesteryear”.
Chillagoe has survived basically as a small tourist centre, although no longer accessible by rail since rail-motor services from Almaden were suspended in 1992 following a washout which has never been repaired. The weekly service of the Savannahlander train from Cairns to Forsyth stops overnight at Almaden, to enable passengers to travel by bus to spend the night at Chillagoe. The town provides a convenient base site from which to explore the numerous limestone caves in the 9,700 hectare Chillagoe-Mungana National Park, proclaimed in 1984: the most significant caves are close to Chillagoe. The abandoned smelter site is now another north Queensland heritage monument, which could equally serve as a monument to the careers of Theodore, McCormack, the AWA and the entire Mungana affair.

The Effect on Other MML Shareholders

Frederick Reid, the architect of both the acquisition and sale of the Mungana leases, remained insolvent until his death aged 60 at Mareeba in December 1948. His later life was much more difficult, in sharp contrast to his lifestyle in the 1920s when he had been able to maintain a comparatively high income. He had built up a favourable reputation locally, which still seems to exist today as perceptions about his involvement in the Mungana affair seem to be based primarily on mythology and incorrect facts, as shown in a recent family recollection document which states, “The Royal Commission findings were PROVEN FALSE when the government found the prosecution unable to proceed with criminal charges as evidence was only circumstantial, innuendo or just argy bargy”.  

Peter Goddard retained his hotel business in Cairns, but died the following year at the age of 51. Robert Dunlop, who was mining warden at Clermont when the Royal Commission was held, died in 1955 aged 67. Little more is known about Duncan McDiarmid, the secretary of MML,

732 M Bolam letter to DE Moore, 16 June 2013.
after he relocated to Tully, apart from his destruction of the corporate records and the high probability he knew more about the story than was ever publicly revealed.

The Effect on Non-politicians Involved

Of the legal persons involved, the Royal Commissioner James Campbell, who had already retired from the NSW Supreme Court when he was appointed, appeared in no further cases and died aged 78 in 1936.

James Blair served as Chief Justice until his retirement in May 1940. He received a further knighthood in 1935 in King George V’s silver jubilee birthday honours. This award was apparently made directly from the King as the Queensland government made no nominations: he became one of the few Queenslanders knighted in the long period of Labor governments. In 1933 he was appointed to the non-remunerated role of Lieutenant Governor and held that position until his death in 1944. He remained a respected member of the community, being Chancellor of the University of Queensland from 1927 until his death.

In chapter 8 it was noted that all of the legal representatives for the defendants were destined to fill higher judicial positions. Neal Macrossan, who had represented William McCormack, in 1940 joined the Supreme Court, becoming Chief Justice from 1946 until his death in 1955. Roslyn Philp, who represented Edward Theodore after Evatt had to withdraw, became a Supreme Court judge in 1939 until his death in 1965, being knighted in 1958. Alan Mansfield, who represented both Fred Reid and Peter Goddard, was also appointed to the Supreme Court in 1940. He succeeded Macrossan as Chief Justice in 1956 and later became Governor from 1966 to
1972. He was knighted in 1958, and was Chancellor of the University of Queensland from 1966 to 1976. He died in 1980.733

Alec McGill became one of Queensland’s eminent barristers, taking silk in 1934 and being the state’s sole KC for eight years from 1936. His political ambitions were destroyed by the conspiracy trial and he stepped down as chairman of the CPNO in 1935, just before the CPNP ceased to exist. He was a member of the bar from 1911 until his death in 1952 and also deputy chancellor of the University of Queensland from 1946. It was reported in 1951 that he refused a judgeship in 1939 preferring to remain a barrister.734 Interestingly, both McGill and Blair in 1938 were associated with what has become known as the Ithaca Petition.735 This unusual case has been described as “one of three classic cases in Blair’s term as chief justice”, one of the other cases not surprisingly being the conspiracy trial.736 In October 1938, Justice Edward Douglas sitting as an Elections Tribunal heard a petition from George Webb, President of the newly formed Protestant Labor Party, alleging that Edward Hanlon, a cabinet minister and the Labor member for Ithaca, had distributed illegal leaflets at the recent election. Douglas declared the election to be void, so Hanlon (later to become Premier from 1946 to 1952) appealed to the Full Court where the ruling was set aside in the majority decision of Blair and Robert Douglas, the younger brother of the original judge.737 Alec McGill was the successful barrister representing Hanlon. He remained head of the bar until his death in 1952.738

738 *Brisbane Telegraph*, 20 January 1951.
The Effect on Other Politicians

Of the politicians, other than the Premiers, having some prominence during the 1920s, it has already been seen that Neil Macgroarty suffered a large defeat at the 1932 election. Disillusioned, he returned to his legal practice for the rest of his life, apparently somewhat embittered by the repercussions of the conspiracy trial and reluctant to discuss his role and connection with McGill.\textsuperscript{739} Ernest Atherton, the Secretary for Mines and member for Chillagoe, from 1929 to 1932 was defeated in the contest for the new seat of Tablelands. He failed in a bid to re-enter politics at the 1935 election and returned to his pastoral pursuits until his death in 1954. The at times independently minded Hubert Sizer, Moore’s close confidant as Secretary for Labor and Industry who also argued against seeking to prosecute McCormack and Theodore, retained his Sandgate seat in 1932. He later fell out with the declining CPNP and lost his seat in 1935. From then until his death in 1974 he did not return to his original career as a journalist, preferring to be a company director and investor in mining companies.\textsuperscript{740}

Alone of the Labor ministers, Alfred Jones, who as Secretary for Mines almost continuously from 1917 to 1929 had been highly criticised in the Royal Commission report for his overly compliant acceptance of various decisions by Theodore and McCormack, continued with his unusually variable political career. After a diverse early life involving mining, he had twice been elected to the Legislative Assembly, from 1904 to 1909 and then from 1915 to 1917, before being appointed to the Legislative Council until 1922, when he re-entered the Legislative Assembly for the Brisbane seat of Paddington. He lost that seat at the 1932 election, but two years later became a not particularly successful Lord Mayor of Brisbane until 1940.\textsuperscript{741} His career

\textsuperscript{739} KH Kennedy, \textit{The Mungana Affair}, p. 114.
in politics substantially exceeded that of both the Labor Premiers involved in the Chillagoe-Mungana story.
The Impact on William McCormack

The impact on William McCormack was essentially in a private capacity, in comparison to the other two Premiers. In February 1930, aged 52, he had resigned his Cairns seat, after representing it for 18 years, and conveniently lived for a time in Sydney. The next year he returned to live in the Brisbane suburb of Annerley, where he had sufficient income from investments to support his sisters, none of whom ever married. No significant private papers have been located and the only biographies about his career were prepared by Kett Kennedy, initially in his 1973 PhD thesis, the second part of which became the basis of The Mungana Affair. Kennedy also wrote the chapter on McCormack in Queensland Political Portraits: 1859-1972.742

The abundant evidence of McCormack’s persistent lying to parliament, coupled with his personal unpopularity with some unions, meant he had no future or credibility in continuing a career in politics or public life. He never married and died aged 68 from heart disease in November 1947. A press cutting about his death was included in the Theodore papers.743 In his will, McCormack asked for there to be no state funeral. The only new information that has subsequently emerged about his behaviour during his career, as was evident in the private correspondence about his undisclosed health issues during the Chillagoe-Mungana Royal Commission, was the strong likelihood that he suffered from secondary syphilis.744 This would account for the several episodes of bad health and his extreme reluctance to supply an authoritative medical certificate to justify his decision not to appear at the Royal Commission.

744 DE Moore communication with K Kennedy, 2010.
The title of Kennedy’s biography, “Forgotten Labor Leader”, was apt. William McCormack died as he had lived — in Edward Theodore’s considerable shadow. After 80 years, his pivotal role as a major participant in the Chillagoe-Mungana story still remains in that shadow. Yet, a strong case could be made that without McCormack’s initial association with Frederick Reid there would have been no Royal Commission or conspiracy trial.

The Effect on Arthur Moore

Arthur Moore certainly gained no political benefit from the Mungana affair. The stance taken by some members of his government was criticised as being highly political and even vindictive, in contrast to Moore’s more idealistic attitude, based upon his personal plea for transparency and honesty. Overall, his government probably lost ground, due to concerns about the unsatisfactory manner and delay in responding to the Royal Commission conclusions.

Moore joined most of the other state Premiers in office at this early stage of the Great Depression period in being defeated at the next election, although the magnitude of the defeat was much lower than in other states. The CPNP only just managed to remain a united but clearly declining entity during Forgan Smith’s first term as Premier. Recovering export prices, the devalued currency and the improved terms of trade aided the progressive recovery of the state’s economy. The Australian political scene was entering a period of considerable uncertainty, characterised by a split within the Labor Party in several states and the growth of new smaller non-Labor parties. In his policy speech for the May 1935 election, Forgan Smith devoted considerable time to repeating his criticisms of Moore’s economic actions from 1929 to 1932, implying in election literature that his government alone caused the Great Depression in Queensland. The CPNP, with limited access to funding and unable to counter these statements satisfactorily, suffered a resounding defeat, winning only 16 seats, all in southern Queensland: 13 seats were in the country, 12 fewer than in 1932. The CPNP received a miserable 33.8 per cent of the vote, while
the Labor Party increased its share to 53.4 per cent, close to the 1918 record level, providing an overwhelming majority of 30 seats.

This very poor result sounded the death knell for the CPNP and for Arthur Moore politically. Some increasingly restless former Country Party members, led by Alan Campbell, had already decided to establish a “new” Country Party, with a branch being opened in Stanthorpe in 1935. It formally emerged as a separate entity at Toowoomba in March 1936, with an objective to establish a strong branch structure, which had never been achieved by the CPNP. It agreed to accept those CPNP parliamentarians representing country electorates, provided Moore was replaced as leader, with the three city members joining the new United Australia Party. Rather than provoke division Moore stood aside and was replaced by Edward Maher, who was later to become a senator. He stayed on as deputy leader and remained a member of the Country Party opposition front-bench until he retired from parliament aged 65 in March 1941, having represented the Darling Downs Aubigny electorate for 25 years, and winning nine consecutive elections. In the process, Moore achieved an unusual milestone: he became the only Premier to be a leader throughout the entire life of a political party.

The road back for the now fragmented opposition parties proved to be both very long and hard. Highlighting what has been a continual issue for the non-Labor parties in Queensland, the “new” Country Party fared no better at the next two elections, so was again reorganised in 1944. It did not participate in government again until the Labor Party schism in 1957 resulted in a victorious coalition between the Country Party and Liberal Party. This was led by Frank Nicklin, who first entered parliament in 1932 and had particularly been helped by Moore during his political apprenticeship. Moore was made a companion of the Order of St Michael and St George in 1958.

Following his resignation as leader of the opposition in 1936, Arthur Moore lived in Brisbane and was subsequently active, generally in a low profile manner, in a wide range of business and

---

community organisations. He died aged 86 in January 1963 and was accorded a state funeral, with over 300 persons attending, at St John’s Anglican cathedral, where he had attended the Synod for 50 years. Although a somewhat reluctant leader, he is remembered as being a very honest politician who became the only non-Labor leader in the Depression period of Labor Party dominance from 1915 to 1957, later described by Brian Costar in *Queensland Political Portraits* as the “Odd Man In”.  

The Effect on Edward Theodore

Only four months after the conspiracy trial Edward Theodore left politics, aged nearly 47, after his resounding defeat at the December 1931 election. He had served less than six years in the federal parliament, following his 16 distinguished years in the Queensland parliament. He left behind an at times controversial legacy of being a shrewd politician, a forceful orator and a public financier well ahead of his time. He was probably the only Australian politician who had the experience, ability and perception to lead the nation’s financial response to the Great Depression, which had started to engulf Australia by the time he became federal Treasurer in October 1929. During his ten year career in the Queensland government he had served a total of six years as Treasurer and also Premier, when he had dealt with the loans crisis in 1920, pioneered obtaining Queensland loan funds from the US and took leadership in refinancing loans in 1924, before seeking to enter federal politics. By that time his prime interest had switched from the state to the federal sphere. He strongly endorsed that there should be closer financial cooperation between the states and the federal government, including the establishment of a Loan Council and a central banking facility. By 1930 his plan for a central bank had evolved to the extent that he submitted the Central Reserve Bank Bill to the federal parliament. It was approved in the House of Representatives, but was stalled in the Senate, being referred to a committee and never debated again. Interestingly, that bill formed the basis of the actual establishment of the Reserve Bank over 25 years later.\textsuperscript{747}

He had experienced a roller coaster ride from the time he just failed to win the seat of Herbert at the 1925 election. Reflecting an impatience to enter federal politics, it resulted in the abandonment of his Queensland electoral base and making an untimely arrival in NSW: he was then widely seen to be “Labor’s saviour”. The reputation that Theodore brought with him from Queensland did not necessarily extend into NSW. There was ample evidence of this through the disclosures during the 1928 Royal Commission into bribery, as discussed in chapter 6.

\textsuperscript{747} Private discussion with S Cornish, October 2013.
Soon after his controversial win at the Dalley by-election in February 1927 he purchased a house at Kirribilli for an estimated £6,000 (slightly lower than the £6,719 he had received from McCormack from 1920 to 1926). He was immediately added to the opposition front bench and was even encouraged to stand against James Scullin as deputy-leader to the ageing Matthew Charlton when Frank Anstey resigned the following month. While he quickly enhanced his national reputation, he always struggled in NSW due to factional disputes with both the AWU and supporters of Jack Lang, Premier from May 1925 to October 1927 and again from October 1930. When Charlton resigned due to ill-health as federal leader in March 1928, in some quarters it was anticipated that Theodore could even be a leadership candidate against Scullin. He declined to do so and nominated Scullin who was elected unopposed, with Theodore having the reasonable expectation of being elected deputy-leader. In an ominous future sign, Theodore surprisingly lost caucus support as he failed to gain sufficient from his NSW colleagues; in part, this may have been due to the adverse events revealed during the 1928 Commonwealth Royal Commission into Bribery. He retired to the back bench where he remained until after the November 1928 federal election.

Theodore became the NSW campaign director for that election, achieving some success as the Labor Party gained three House of Representatives seats in that state as well as all three Senate seats. In February 1929 he was finally elected deputy-leader to Scullin. He increased his prominence over the next six months due to the deteriorating industrial situation, which became a major issue when Stanley Bruce called a snap election for the House of Representatives only for 12 October 1929. The election followed the defeat of the *Maritime Services Industries Bill* when six Nationalists led by Hughes crossed the floor. Again Theodore was the successful campaign director for NSW, where there was a gain of a further six seats. Despite a decline in Queensland, the Labor Party won 49 per cent of first preference votes and romped into power winning 45 of the 72 seats. Significantly, as there was no Senate election it faced an exceedingly

---

749 Ibid., pp. 205-216.
hostile upper house, where it held only six of the 36 seats. The new government’s hands were often tied by the Senate’s reluctance to approve or even consider significant legislation such as Theodore’s plan in the *Central Reserve Bank Bill* to establish a true central bank.

Theodore’s resignation in July 1930, just before Sir Otto Niemeyer’s crucial visit to attend the Loan Council and Premiers’ meetings later that month, meant that the most important Australian politician with financial experience and responsibility was not part of these discussions. It left a gaping hole in the cabinet and resulted in Scullin retaining the role of Treasurer during his ill-timed five months overseas trip. John Fenton became deputy Prime Minister and Joseph Lyons became deputy Treasurer. As seen in chapter 8, Theodore’s reappointment, just over three months following his 3 October 1930 Cremorne speech, as both Treasurer and deputy-leader, catalysed a deep split within the federal party. Fenton and Lyons resigned from cabinet, closely followed by five others in resigning from the Labor Party. They then helped to form the nucleus of the new United Australia Party.

Meanwhile Lang had started to exert a very large and highly disruptive influence at the February 1931 Premiers’ Conference. Theodore’s reappointment however probably would not have prevented the formation of the breakaway NSW Lang faction. For some time, he had been engaged in a bitter escalating power struggle with Lang. This was exemplified when Lang orchestrated Theodore’s expulsion from the NSW Labor Party due to his advocacy of the modified Premiers’ Plan, rather than supporting the much more provocative, controversial and radical Lang Plan. On 9 March 1931 the *Daily Standard* reported that the Dalley electorate council carried a vote of no confidence in Theodore and a vote of support for Lang. Theodore was inappropriately described as “Sir Otto in disguise”.750

---

750 *Daily Standard*, 3 March 1931.
After Theodore’s devastating election loss, he received a wide array of correspondence from within Australia and overseas.\textsuperscript{751} He had established a favourable reputation with economists and businessmen, who seemed very surprised at both the conspiracy allegations and his electoral loss. Several pleaded with him to return to Queensland to lead the Labor Party, while most believed that he would return to federal politics. Heeding none of these entreaties, Theodore turned his back on politics, thereafter making only occasional well-considered speeches, including one in the \textit{Economic Record}, prepared in May 1933, about the importance of the national government fully controlling the banking system.\textsuperscript{752}

He devoted all his time to a business career, teaming up with the 27 year old Frank Packer to become half owner in a syndicate known as Sydney Newspapers in November 1932 to acquire the \textit{World}, the floundering AWU-sponsored Sydney afternoon daily newspaper, which had lost £100,000 in its first year.\textsuperscript{753} Theodore carried out the negotiations and became the foundation chairman, with Packer as managing director of what from the outset was hoped would become a potential newspaper empire “free from all factions and political parties”.\textsuperscript{754} In June 1933 the first edition of the \textit{Australian Women’s Weekly} appeared and became an instant success. By the end of 1935 Sydney Newspapers initiated the acquisition of the \textit{Telegraph}, a Sydney morning newspaper, thereby creating a new entity, Consolidated Press Limited. This became a public company the following year, with Theodore as chairman, a post he held until his retirement in April 1949, when he was succeeded by his eldest son, Normsby Basil (always known as John). The renamed \textit{Daily Telegraph} and later the \textit{Sunday Telegraph} made inroads in the Sydney market, becoming sufficiently powerful to refuse a take-over bid by the acquisitive Keith Murdoch in mid-1938.\textsuperscript{755}

\textsuperscript{751} Theodore Papers, National Library of Australia, MS 7222, Box 1, Folder 1.
\textsuperscript{752} Ibid., Box 2, Folder 10.
\textsuperscript{753} EG Theodore: A Profile, Consolidated Press Limited, 1949, Theodore Papers MS7222, Box 2, p. 13.
\textsuperscript{754} Ibid., p. 32.
\textsuperscript{755} Ibid., pp. 28-29.
In 1933, Theodore’s association with Frank Packer extended to his favoured mining industry. In this instance it was gold mining on the main Fijian island of Viti Levu, with Theodore, Packer, Patrick Cody, a Victorian wine manufacturer, and his friend, John Wren, each being equal shareholders. Theodore, who had management responsibility, negotiated an option over certain prospective areas, which were transferred into the newly established Emperor Gold Mining Company. This was followed a year later by formation of the smaller Loloma Gold Mines NL, with Theodore also the managing director. It proved to be a shrewd and timely move, with the global gold mining industry being greatly assisted by the late 1933 initiative from the new US President, Franklin Roosevelt, to devalue the US dollar by around 40 per cent and in early 1934 to fix the gold price at $US35 per ounce in an effort to re-stimulate the US economy. The prime beneficiaries proved to be gold producers, which materially contributed to Australia’s early recovery from the depths of the Great Depression. In mid-1935, the public flotations of Emperor Gold Mines NL and Loloma Gold Mines NL were heavily over-subscribed. Operations were based at the new township of Vatukoula in the Tavua region, where up to 1,700 persons were employed. Theodore was able to implement a series of management actions, which achieved wide acclaim in Fiji. These mining operations generated significant profits from around 80,000 ounces annual gold production. He lived in Fiji for an increasing proportion of the time, particularly after he separated from his wife in 1936, while still maintaining close contact with his four children.

During this period the business reputation of an increasingly urbane Theodore was dramatically enhanced. Consolidated Press and Emperor Gold Mines grew rapidly, returning high profit growth, dividends and capital appreciation. There was no lingering stigma arising from the collapse of his political career. To the contrary, his proven financial acumen, entrepreneurial and management skills had the opposite effect. In March 1939, with the outbreak of World War II imminent, Joseph Lyons, still Prime Minister after a record third electoral success, secretly contacted Theodore in Fiji to take up a proposed role as co-ordinator of all national resources for

the nation’s defence.758 Theodore cabled Lyons that he would be prepared to undertake such a role, so long as it could be kept out of politics.759 Following Lyons’ sudden death very soon afterwards, when Robert Menzies became Prime Minister, the plan evaporated.

But his skills remained in demand. On 17 February 1942, soon after John Curtin’s appointment as Prime Minister, Theodore became the unpaid Director-General of Allied Works, having extraordinarily wide powers. He had only days earlier written an article in the Daily Telegraph criticising Winston Churchill’s lack of appreciation of the problems in the Pacific region and advocating a close alliance with the US.760 The Allied Works Council was immediately established and during the term of its existence to November 1945 around £80 million was expended on, and 50,000 persons were recruited for, a wide range of production and support services.761 Theodore resigned in October 1944 and received the following praise in a letter from the Prime Minister:

… I wish to express to you on behalf of my colleagues and myself our most grateful thanks for the inestimable service you have rendered to Australia … At the most critical stage of our country’s history … you accepted entirely without financial reward a responsibility of gigantic proportions.762

758 Sydney Morning Herald, 5 September 1945.
759 Ibid..
760 Daily Telegraph, 4 February 1942.
761 History of the Civil Constructional Corps, Department of Works and Housing, 1945, National Library of Australia, Theodore Papers, MS7222, Box 2.
762 EG Theodore: A Profile, Consolidated Press Limited, 1949, Theodore Papers MS7222, Box 2, pp. 35-36.
Theodore around that time published an article, *The Basis for Post-War Employment*, in which he suggested the need for governmental direction over the national economy during the transition from war to peace.763

Theodore left a significant estate of £528,000, equivalent to around $25 million today, when he died on 5 February 1950, having suffered a serious heart attack two years earlier.764 It had been 25 years since his resignation as Queensland Premier. A funeral was held at St Mary’s cathedral in Sydney, attended by around 3,000 people.765

There is no doubt Edward Theodore had great talents and excellent financial credentials, largely self-taught through his prodigious appetite for reading. At a time when economics was in its relative infancy, many economists who knew him believed that he was by far the best financial mind they had encountered.766 He was one of only two politicians who featured in *Australian Financiers*, the Reserve Bank’s bicentenary biographical essays edited by R T Appleyard and C B Schedvin.767 In that volume Kett Kennedy, who had already published by far the most definitive analysis of the Mungana saga, wrote an important essay on Theodore, describing him as “a giant in Labor mythology, but much of his character and career remains enigmatic”.

That view continues today in some areas. Bob Katter Jnr, a great admirer of Theodore and his role in the development of North Queensland, in his readable but not always accurate 2012 book,

763 Ibid., p. 37.
765 I Young, *Theodore: His Life and Times*, p. 176.
766 S Cornish, “Sir Leslie Melville: an Interview” in *Working Papers in Economic History*, No. 173, Australian National University, 1993. Melville later told Cornish unequivocally that Theodore was the most impressive Treasurer he had worked for.
An Incredible Race of People: A Passionate History of Australia, still seems to totally accept Theodore’s account of events.\footnote{R Katter, An Incredible Race of People: A Passionate History of Australia, Pier 9, Sydney, 2012, p. 15.} Most of the continuing comments about Theodore have focused on the effect of the Mungana affair on his political career. These include assumptions as to what could have been his major contribution to the economic defence of Australia, if his career had not been interrupted. In some circles, even today he is seen as being the undeserved victim of a political assassination by the Royal Commission — as if he was an innocent bystander and had played no role at any time in the quite lengthy sequence of events.

Partly stimulated by Theodore’s own statements, Labor Party mythology has come down very strongly to the view that the Chillagoe-Mungana Royal Commission was always primarily targeted to “get Theodore”. This is one of the seven myths about Mungana addressed in the final chapter, after firstly reappraising several key aspects of the Chillagoe-Mungana story from a 21st century perspective.
CHAPTER 10: PERSPECTIVE FROM THE 21ST CENTURY

This chapter takes a retrospective overview of several key features of the Chillagoe-Mungana story from a 21st century perspective, where 80 years later the name, Mungana, has not died. To complete the story several issues relating to the Chillagoe Mineral Province are much better understood in the light of later technology and more detailed information: these cover the complex nature of the resources and the custom smelter strategy. It is also important to reflect upon the failure of the state’s business enterprises policy. Finally several issues relating to ethics and public governance are considered.

The chapter explains why the Chillagoe Mineral Province never lived up to its expectations and that the Mungana leases were also substantially over-estimated with regards to both quality and quantity. Further, the Chillagoe custom smelters were very poorly located in comparison to comparable entities in Australia and were never viable. Both the Chillagoe Company and later the government-owned Chillagoe Enterprise were therefore doomed from the outset. The period of government ownership revealed persistent conflicts of interest and an overall lack of honesty and governance, which sadly has subsequently been repeated at intermittent intervals since, the current NSW ICAC inquiry being the most recent example.

This task has been materially assisted through access to relevant details and reports subsequently made available, information provided by Kett Kennedy in Charters Towers, recollections from personal discussions 50 years ago with Arthur Moore, and information and viewpoints from local identities during visits to Chillagoe, plus the enormous benefit of hindsight.

The Chillagoe Mineral Province

Since the 1930s there have been several important analyses and publications about the Chillagoe Mineral Province. Foremost among these is the 1964 joint publication, “The Geology and Mineral Resources of the Chillagoe Area, Queensland”, by F de Keyser of the national Bureau of Mineral Resources, Geology and Geophysics and Kevin Wolff of the Queensland Geological Survey.\(^{769}\) After originally being included as part of the Herberton and Walsh River district, the

---

Chillagoe district in 1909 became classified as a separate Gold and Mineral Field having its own Mining Warden, based at Chillagoe. The district was defined as the 1,800 square miles area contained within the Chillagoe, Almaden and Mungana one-mile survey sheets. The publication, on which work commenced in 1958, focused on both regional and economic facets, both of which are important in placing the overall region and then the Mungana area in proper perspective.

Consistent with conventional mining industry practice, it is necessary to start with a general appreciation and evaluation of the resource characteristics of the region, about which very little accurate information seems to have been available throughout the first forty years of the Chillagoe-Mungana story. At no stage were the ore tonnages, grades and the proportions of the various minerals able to be properly estimated, even in a primitive fashion. Given this situation, it is extremely difficult to understand how any person could have placed even a roughly defensible quantity and quality estimate on the resources, be it in 1900 for the Chillagoe Company, or for Reid in both the brief 1917 letter from Rodda and when he sought to sell the resource to the government or for the government itself using its various technical advisers.

No systematic exploration programme was ever able to be carried out, with virtually total reliance having to be placed on surface outcrops, which nearly always proved to be much richer than occurred at depth. Assessment and understanding of such complex resources has become progressively easier through the application of more detailed mapping technology, improved drilling equipment and techniques as well as new geophysical, electromagnetic and geochemical methods and processes. These procedures, which help to develop a coherent stratigraphic record, are both technical and complex and are well beyond inclusion in this thesis. One overview analysis, readily understandable in lay terms, is given in the easily readable 1997 book, *A Journey Through Stone*, by Ian Plimer. The publication includes a geological analysis by John Nethery, a long-standing Chillagoe resident who was closely associated with the successful Red Dome copper-gold operation in the 1990s, discussed later. He is also the person responsible for the excellent descriptive models of the successive geological ages displayed at the Chillagoe Hub. This building has become a focal point for the wider Chillagoe region which since 1984 has

---

encompassed the Chillagoe-Mungana Caves National Park with its geologically old, unique and spectacular limestone caves originally discovered in 1883. (The community takes great pride in both its industrial and its natural heritage to the extent that at the entrance to Chillagoe there is a monument featuring the water-dwelling long-necked elasmosaurus, which lived nearby during the Cretaceous period over 85 million years ago when a shallow sea encroached from the west.)

Plimer, whose book traces the long geological history of the wider Chillagoe region, asserts: “The story of Chillagoe is written in stone”. It portrays an exceedingly complex history of diverse, repetitive, sometimes extreme geological processes over a period of at least 450 million years applied to limestone rich sedimentary deposits, originally formed at the then eastern edge of the Australian continent. The overall result was the formation of a diverse array of mineral sulphides and oxides of iron, copper, lead, zinc, tin, molybdenum and antimony, together with variable amounts of silver and gold, the latter often not identified.

The most distinctive regional geological feature has been the Palmerville Fault, a long slightly curved break in the earth’s crust, which presents as a 400 km long intermittently mineralised gash in a generally south-south easterly direction from Princess Charlotte Bay in Cape York to Halifax Bay north of Townsville.771 West of the fault lay extremely old metamorphic rocks and to the east was a continental shelf, now the Hodgkinson Basin, where deposits of limestone formed. Around 450-500 million years ago, Chillagoe was then on the coast when Australia was still an integral part of the great southern super-continent, Gondwana. The Palmerville Fault, which consists of a series of individual faults within a five to ten kilometres wide corridor, has acted as a zone of weakness in particular areas for numerous geological events, enabling hot mineral-bearing solutions to percolate upwards and provided a pathway for magmas to penetrate. Those locations situated within the fault structure became locations for potential concentration of economic orebodies. These were achieved after the intrusion of small diameter elongate porphyry bodies around 320 million years ago, major intrusions of granite around 300 million years ago, massive volcanic eruptions forming the Featherbed Range around 280 million years ago producing three over-printing hydrothermal episodes, a major incursion by the sea and then subsequent weathering. The ultimate result was a very complex combination of minerals and

771 Ibid., pp. 17-21.
rocks, particularly within the Palmerville Fault Corridor, where the Mungana leases were located. De Keyser and Wolff describe this complexity in the following terms:

Many of the lodes contained a mixture of lead {and silver} and copper minerals in varying proportions, from almost lead-free (Ruddygore) to copper-free silver-lead (Torpey’s Crooked Creek). Most of the lead ores carried increasing quantities of sphalerite {zinc sulphide} at depth, and the copper lodes generally contained some bismuth as an impurity. As the smelters could not separate out zinc, large quantities were wasted during treatment.772

Further, the initial copper grades were very high, at times exceeding 20 per cent, but most of the workings were small, disconnected and shallow.773 It also seems quite probable, based upon experience in the reassessment of other mining operations in the early 1900s, that much of the mining of the very rich areas was done by hand. Nethery has described the resources as being “poddy” and commonly shaped like inverted conical structures, narrowing downwards. He commented further, “I would hate to have been responsible for estimating ore resources in those days”.774 Yet, this diverse combination of minerals drew early favourable comparisons with some then high dividend paying large mining operations at Broken Hill and western Tasmania. The gossan surface expression of many orebodies was akin to those major deposits, but the problem in the Chillagoe area was that they narrowed rapidly at depth. It inspired the early speculative fervour over 120 years ago, which was soon shown to be unfounded, as even a reasonably sized orebody was not located until the 1980s.

The report by de Keyser and Wolff included annual metal production data for the Chillagoe region from 1891 to 1960 plus comments on the various mines that operated during that period. This production data has been transferred to a detailed spreadsheet, from which a summary by decade has been extracted for the 60 year period from 1891 to 1950, shown below in Figure

773 Ibid.
774 Comment by JE Nethery to DE Moore, June 2010.
It is important to recognise that this data includes some production from other areas, as in later years the smelters primarily relied on copper ore supply from other more distant regions.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Decade</th>
<th>Silver 000s Ozs</th>
<th>Gold Fine Ozs</th>
<th>Gold Bullion</th>
<th>Copper Tons</th>
<th>Lead Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>1891-1900</td>
<td>234.3</td>
<td>0</td>
<td>0</td>
<td>1009</td>
<td>250</td>
</tr>
<tr>
<td></td>
<td>1901-1910</td>
<td>3342.1</td>
<td>902</td>
<td>0</td>
<td>14821</td>
<td>24872</td>
</tr>
<tr>
<td></td>
<td>1911-1920</td>
<td>659.4</td>
<td>1866</td>
<td>0</td>
<td>3044</td>
<td>6421</td>
</tr>
<tr>
<td></td>
<td>1921-1930</td>
<td>1248.0</td>
<td>251</td>
<td>0</td>
<td>1628</td>
<td>17221</td>
</tr>
<tr>
<td></td>
<td>1931-1940</td>
<td>35.5</td>
<td>9890</td>
<td>2926</td>
<td>40</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>1941-1950</td>
<td>1.3</td>
<td>274</td>
<td>0</td>
<td>36</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>1891-1950</td>
<td>5520.6</td>
<td>13183</td>
<td>2926</td>
<td>20578</td>
<td>48764</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Chillagoe Coy Smelters</th>
<th>Decade</th>
<th>Silver 000s Ozs</th>
<th>Gold Fine Ozs</th>
<th>Gold Bullion</th>
<th>Copper Tons</th>
<th>Lead Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>1914-1919</td>
<td>85</td>
<td>1088</td>
<td>0</td>
<td>1129</td>
<td>299</td>
</tr>
<tr>
<td>Government</td>
<td>1920-1926</td>
<td>1270</td>
<td>105</td>
<td>0</td>
<td>1777</td>
<td>17609</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>5199</td>
<td>2870</td>
<td>0</td>
<td>19425</td>
<td>47832</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Percentages</th>
<th>Decade</th>
<th>Silver 000s Ozs</th>
<th>Gold Fine Ozs</th>
<th>Gold Bullion</th>
<th>Copper Tons</th>
<th>Lead Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901-1913</td>
<td>69.6</td>
<td>12.7</td>
<td>0.0</td>
<td>80.3</td>
<td>61.4</td>
<td></td>
</tr>
<tr>
<td>1914-1919</td>
<td>1.5</td>
<td>8.3</td>
<td>0.0</td>
<td>5.5</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td>1920-1926</td>
<td>23.0</td>
<td>0.8</td>
<td>0.0</td>
<td>8.6</td>
<td>36.1</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>94.2</td>
<td>21.8</td>
<td>0.0</td>
<td>94.4</td>
<td>98.1</td>
<td></td>
</tr>
</tbody>
</table>

Source: F De Keyser and KW Wolff, *The Geology and Mineral Resources of the Chillagoe Area, Queensland, 1964*

**Figure 11: Chillagoe Mineral Province Production 1891-1950**

It can readily be seen that 1901-1910 was by far the most productive decade for silver, copper and lead, respectively accounting for 60.5 per cent, 72.0 per cent and 51.0 per cent of the entire 60 year total. The next most productive decade was 1921-1930, with lead then dominant. All of the best five years for copper production occurred in the 1901-1910 decade, while four of the five best years for silver and lead production also occurred in that decade. In 1923 silver and lead production reached a secondary peak, primarily due to the Lady Jane mine finally coming back.

---

on stream after being closed for 13 years. The three key phases of the Chillagoe-Mungana story, covering just 25 years as discussed in earlier chapters – from the commencement of production by the Chillagoe Company, through the period of the smelters’ closure to the end of government production – accounted for 94 per cent of the silver and copper production and 98 per cent of lead production over the 60 years. During that period there was also a consistent low level of tin supply, plus intermittent molybdenum and wolfram production. Gold was never prominent, apart from during the 1930s when there was a brief surge after a large increase in the fixed price of gold, when it was transported from other parts of the region and further afield from Forsayth and Georgetown. Despite the persistent presence of zinc, none was ever produced, being discarded as a component of the slag mountain at the smelters.

Australian metal production for the first three decades of the 20th century averaged around 27,000 tons of copper, 157,000 tons of lead and 9.84 million ounces of silver annually. The Chillagoe region’s annual average production for the same period was below 700 tons of copper, less than 3,000 tons of lead and around 173,000 ounces of silver: in all instances this was less than three per cent of the national totals. As shown in chapter 3, during the peak performance of mines in the Chillagoe Mineral Province during the period 1901-1913, total Australian production was just over 325,000 tons of copper, 1.3 million tons of lead and 99 million ounces of silver. During this peak period, the relative contribution from the Chillagoe region was in all instances less than 3 per cent.

All expectations that the Chillagoe mining field would become “another Broken Hill” were illusory: Chillagoe was not even a major Australian mining province, let alone a world-class one. Chillagoe also experienced difficulty as to whether the province was predominantly driven by mining copper or lead, the latter of which ultimately prevailed. Effectively, it was a small regional province, whose probable greatest historical significance was that it provided the platforms for Theodore and McCormack’s political careers. Given all this information, it is extremely difficult to find any justification for Plimer’s comment in the sub-title to A Journey Through Stone that the Chillagoe region was “one of the richest mineral deposits in the world”. “Unusual, extremely difficult and always poorly performing” would be far more appropriate.

adjectives to describe the complex Chillagoe Mineral Province, or perhaps Plimer, as a keen mineralogist, was emphasising the rich diversity of the minerals present. Whatever the reason, it is clearly a myth that the Chillagoe Mineral Province was ever one of the richest in the world.

The Mungana Area

The mines in the Mungana area formed the principal part of what was later termed the “Mine Corridor”, which provided 31,831 tons of lead, 7,907 tons of copper and 3.228 million ounces of silver derived from 333,591 tons of ore, although the reported tonnage of ore may be slightly understated. These mines were responsible for about a third of the total Chillagoe Mineral Province copper production and two-thirds of the lead and silver production. Girofla and Lady Jane were the largest two mines. Both consisted of vertical porphyry pipes, which according to the most recent geological interpretation were off-shoots from a very large underground intrusion. The Girofla mine produced an estimated 220,000 tons of ore, yielding around 29,600 tons of lead, 5,900 tons of copper and 1.75 million ounces of silver. The Lady Jane mine only yielded 102,000 tons of ore averaging 5.3 per cent copper, 16.7 per cent lead and 12.2 ounces of silver per ton and was much less deep than early geologists and operators had expected. The capital cost for the government to achieve this was an incredible £8.4 per ton.

Despite these two mines reportedly yielding over 32,000 tonnes of lead, 8,000 tonnes of copper and 3.75 million ounces of silver after treatment at the smelters, they were never economic. It is somewhat ironic that more recent deep drilling beneath these historic mines has shown sufficient interest to warrant further investigation given the higher current prices.

Access to greater depths and new technology were both required, as was demonstrated in 1982 when Amoco Minerals identified a significant open-pittable low grade gold resource at Red Dome, less than a mile closer to Chillagoe than the Lady Jane and Girofla mines. The resource ownership transferred to the newly listed Mungana Mines Limited, which was then acquired by

---

778 Ibid., p. 63.
Elders Resources and later purchased by Niugini Mines Limited in 1991. Benefitting from larger-scale open-cut mining, heap leaching using cyanide, and new carbon-in-pulp gold extraction technology the Red Dome mine became the first significant profitable mining venture in the Mungana area. In its 11 year operating life the 15 million tonnes of ore treated yielded over one million ounces of gold, 4.3 million ounces of silver and 35,000 tonnes of copper. These production levels compared very favourably with the 20,578 tonnes of copper and 5.5 million ounces of silver recorded as being extracted from the whole Chillagoe Mineral Province in the 60 years, as shown in Table 11.

The Mungana area continues to be of interest. In 2003, Kagara Limited acquired tenure over most historic workings in the Mungana area, which it then explored using deep drilling technology. From 2008 it developed an underground zinc, copper, lead, gold and silver operation on a deposit discovered and defined in the 1980s and 1990s. It was named Mungana because of its proximity to the original township. Further, a deep underground copper-gold resource was defined below the former Red Dome open cut. In June 2010 partly defined, but separate, gold resources became part of the newly-listed Mungana Goldmines. Yet, even with buoyant metal prices, it was found necessary to close the mine during the 2011-12 wet season and the company went into voluntary liquidation in April 2012. It is currently being wound up, with Mungana Goldmines reported to have agreed to acquire all of Kagara’s gold assets.

This brief review of subsequent mining activity serves to prove the Mungana resource complexity, where zinc, gold and possibly molybdenum – either unidentified or largely unextracted a century ago – are now considered to be important. It also highlights the necessity for new technology to become available and for continuing high prices to ensure any long-term economic operations. It is a myth that the Mungana leases were particularly rich.

**The Chillagoe Custom Smelters**

Custom smelters, generally supplied by what was often termed “public ore” from smaller mines, were being widely used in the US in the late 19th century for production of copper and lead,

---

781 Data provided by JE Nethery, Chillagoe, June 2010.
around the time of the major Australian base metal discoveries: their role in Australia however was quite limited. The important choice for a soundly-based mining and processing operation was either to build its own smelter on a scale commensurate with the expected level of mine production or to ship concentrate to larger custom smelters, generally overseas. It is therefore useful to compare briefly several decisions made in relation to smelting ores from other large Australian mineral provinces, before considering the particular circumstances of the smelter in the Chillagoe Mineral Province. Two other new operations at around that time were the lead smelters for Broken Hill and the copper smelters for processing ore from Mount Morgan.

The Broken Hill Proprietary Company Limited (BHP), the first company operation within the very rich Broken Hill Mineral Province, opened a smelter there in 1886 to treat the oxidised silver-rich lead ore: many other smaller mines following suite. Despite the arrival of the railway from South Australia in 1891, within seven years all the Broken Hill smelters had closed, as BHP had relocated what was then by far the largest smelter complex in the country to Port Pirie, 250 miles away on the coast. The apparent reasons for this key strategic decision included lower labour and material costs, access to water and the technical move towards concentration of the key minerals using new separation processes. Many smaller mines still elected to sell their silver-lead concentrates direct to overseas smelting groups.782

The separation of zinc from lead was such a critical issue at Broken Hill that it became the catalyst for Edgar Ashcroft, a BHP engineer, to commercialise a process he had developed. The concept was for the large stockpiles of deeper zinc-rich sulphide ore, still containing a significant proportion of lead and silver, to be roasted before zinc was separated using sulphuric acid and later electrolysis, leaving a silver-lead rich residue for subsequent smelting. He then used the promotional services of James Smith Reid, who soon afterwards became so closely associated with the Chillagoe Company. This initiative resulted in the 1895 formation of Sulphide Corporation, which acquired a Broken Hill mine and Ashcroft’s process. In 1897 the company opened its expensive facilities, featuring the world’s first electrolytic zinc plant, at Cockle Creek, south of Newcastle, near the Sydney-Brisbane railway. The company’s first chairman explained the choice of site in the following way:

The place selected for the erection of the company’s works is Newcastle, New South Wales, which offers exceptional advantages for the purpose, being situated near the sea, with good port and harbor facilities, and having ample supplies of coal in the immediate vicinity. It has also the advantage of possessing good wharfage and railway accommodation and an abundant supply of salt and fresh water, all of them essential for our purpose. Newcastle is also a port of call and coaling station for steamers to and from all the leading Australian ports so that freights can be easily arranged for both in respect of plant and machinery and the company’s ores and products.

Despite all these apparently favourable advantages, the plant was a failure for technical reasons: the new process could not succeed until the froth flotation process was finally commercialised over a decade later. In 1898 the facility reverted to being a smaller version of the Port Pirie lead smelters and thereafter continued in that role consistently upgrading its facilities, surviving several financial reconstructions, until its closure in 2003.

In 1909 the Electrolytic Refining and Smelting Company of Australia (E R & S) commenced operations at the newly created deep-water port at Port Kembla. The NSW government had specifically chosen this site to become a new industrial centre, as it was close to local sources of coal, power and water. The catalyst for what was one of the earliest industries in the area was the need for the Mount Morgan Gold Mining Company, inland from Rockhampton in Central Queensland, to process the increasing amounts of copper ore occurring at depth. The company did not wish to continue sending concentrates to the US, so took a majority interest in E R & S and brought in as a minority shareholder an experienced German group to provide technology for a totally integrated copper processing operation covering smelter, converter and electrolytic refining operation: its principal products were electrolytic copper, silver and gold. The operation reached profitability prior to World War I, when it became necessary to replace the German shareholder. It typically produced around 15,000 tons of refined copper, over 200,000 ounces of silver and 100,000 ounces of gold annually, so was many times larger than the Chillagoe
operation. The facility remained profitable even after Mount Morgan copper supply ceased for some years from 1927 and continued until its closure in 1994.  

Decisions about smelter sites became much more difficult when the locations were more remote: there was a propensity for smelters to be constructed as close as possible to the major captive mining operation. Both Mount Lyell in Tasmania and Mount Isa in Queensland were relevant examples of this decision for copper and lead smelting respectively. Unfortunately there was no equivalent large identified resource in the Chillagoe Mining Province. As a consequence, the inland Chillagoe smelters were always in an entirely different situation as they were never established to serve a larger delineated ore resource. Moffat’s vision was based upon his proven experience in the much smaller tin industry where an all-purpose facility did not necessarily need a large ore resource to underpin it. Further, while Moffat was interested in copper, which was a higher volume industry, his real love remained with tin, which was much lower volume and attracted higher prices. As was clearly shown in the early chapters, the Chillagoe Company had no significant major shareholder backing, and even had great continuing difficulties in determining whether it operated primarily a copper or a lead smelting facility. Further, it never had guaranteed quality ore supply, its limited capacity was never viable, it was too remote from the coast and only secured a cheaper local coal supply years later. The concept of a small inland custom smelter was never economically viable, as the actual performance clearly demonstrated.

Given the unusually diverse, variable and unpredictable mineral resources in the Chillagoe Mineral Province, it is not surprising that the smelters were never a long-term economic proposition. The original proponents of the development had probably unintentionally foreshadowed this fact by placing emphasis on the importance of the railway rather than the mining and smelting operations through naming its new company Chillagoe Railway and Mines Limited. This decision was prophetic, as the company came to control 450 miles of railways, becoming the largest private network in the country until the Western Australian Pilbara developments in the 1960s. A default site at Chillagoe was also chosen so that the custom smelters could treat ore from numerous mines, without being dedicated to one specific large mining operation. In retrospect, it is very doubtful whether that site was optimal due to the

---

distance from the coast in comparison to the earlier planned Mareeba location. As Mary Bolam, a Chillagoe advocate for preservation of the remaining smelter relics, asks in the introduction to her recent local book, *The Chillagoe Smelters’ Story*: “Why did the company spend half a million pounds on the construction of railway and a ‘state of the art plant’, when only half a million pounds of ore reserves could be confirmed?” This question has never been answered satisfactorily.

The Chillagoe Company was doomed from the outset. Production from the two initial furnaces ceased in late 1901 after treating only 8,500 tons of copper ore in three months. Following the first financial reconstruction, operations resumed in late 1902, with further lead furnaces being added. They faced persistent technical problems in roasting and smelting a wide range of ore types, particularly those with higher zinc content, which were more difficult to handle. There never seems to have been any saleable zinc produced, while much of the gold was probably never recovered, partly being lost in the slag. A combination of very adverse factors including shortage of ore supply, complex mineralogy, increasingly long haulage distances, and two interruptions due to fires meant that the smelters only returned a profit in the period 1906-1909, concurrent with higher copper prices, before returning losses and a further financial reconstruction.

In researching this topic more closely, a rarely referenced 1909 report by the Chief Inspector of Mines, C F V Jackson, was discovered with the very cumbersome title, *Report on the Establishment of State Smelting Works in Queensland, and Matters Relating to the Question of Affording State Assistance in Connection with the Sale and Disposal of Ores*. This very detailed and highly relevant report, with 17 appendices, was never included in Queensland Parliamentary Papers: it was summarised in three editions of the *Queensland Mining Journal*. It included observations about existing smelting operations for all ores, reviewed the concept of custom smelting and included interstate comparisons. Despite the then favourable prices, at least 12 of the 26 identified smelting operations were then not operative and most were producing at well below capacity. By far the largest facility was the 800 tons per day capacity copper operation at

---

784 M Bolam, *The Chillagoe Smelters’ Story*.

Mount Morgan, followed by the 450 tons per day capacity Chillagoe copper and lead facility with all of the others having capacities of 100 tons per day or less.

There were then only three custom smelters in the state, defined as being in the lesser category, “district or local works”, in comparison to “main central works”. These were at Chillagoe, the tin smelter at Irvinebank and a far smaller facility at Mount Perry, in the southern part of the state. In regard to Chillagoe, apart from the complexity of treating ores rich in copper and lead, it was noted that the local mines tended to have a short life, with many deposits already worked out. Further, future production would be highly dependent on sustained higher prices. Jackson concluded that, consistent with the experience in other states, there was insufficient public ore available to justify an economic custom smelter anywhere in the state. In any event, for most mines the smelting costs represented a comparatively small proportion of the total costs. Finally, in his view, a smelting facility would have to be preceded by the acquisition of state mines to ensure supply. This report demonstrates that within the Department of Mines there was a very clear and pragmatic recognition that custom smelters would not be profitable. The Chillagoe smelters proved to be the prime example to demonstrate this conclusion.

As this continuing poor smelter performance would have been well known to Theodore as Chillagoe’s local member, the ultimate acquisition by the state must always have included an unspecified, but quite considerable, imputed welfare component, unless the brief surge in metal prices during World War I could be sustained. Given these circumstances, the continuation of the poor operating financial performance under state ownership from 1920 onwards should have not come as a surprise. The state assigned a token value for the smelters and ancillary mining assets: in reality, it purchased an extensive railway network linked to unprofitable smelters relying on a patchwork of unprofitable mines, with those at Mungana receiving special notoriety. It is also a surprise that the major conclusions in Javkson’s special report were not highlighted when the legislation was being debated in 1917 and 1918. Given its threatened and unpopular status, there is some irony that the Legislative Council opposition to the acquisition was by far the most realistic from an economic, but politically unacceptable, standpoint.
The Chillagoe Enterprise as a State Enterprise

Given the foregoing discussion, the Chillagoe Enterprise was always doomed to be a financial failure. The smelters and the various other mining and associated assets of the Chillagoe Company became the key components of the state-owned Chillagoe Enterprise in late 1918. The railway network, by far the major asset group within the Chillagoe Company, accounting for 94.3 per cent of the £701,000 purchase price, was placed within the existing Department of Railways and thereafter became incorporated in that entity’s reporting system. The residual £40,000 became the initial imputed book value of the Chillagoe Enterprise, whose performance was then subject to reports published annually through the Treasury’s audit process plus reports for the Department of Mines. From the outset, the Chillagoe Enterprise differed in several fundamental ways from most state business enterprises. First, its establishment required a formal act of parliament, due to the existence of external debenture holders, so it never came under the umbrella of the State Enterprises Act of 1918. Second, it did not come within the planned guidelines of the original state enterprises concept to reduce local consumer prices. Finally, it effectively was predominantly directed at assisting a known very poorly performing enterprise in the electorate of Edward Theodore. It is therefore important to review briefly the overall state enterprises policy, including its achievements and failures, of which the Chillagoe Enterprise was probably the greatest in both a political and economic context.

The state enterprises policy, which had initially been introduced in Western Australia in 1911, was clearly outlined by Thomas Ryan during the 1915 election campaign: “by a further extension of public ownership and the establishment of state enterprises, the community will be saved from a great deal of exploitation at the hands of private capitalists”.786

This policy was not presented as one of nationalisation, but primarily to maintain affordable prices for food and basic commodities. The first investments in trading entities, made in late 1915 were in butcher shops and saw-mills, with cattle stations and two coal mines being added in 1916, followed in 1917 by railway refreshment rooms, a fish supply operation and a hotel at

786 DJ Murphy, “State Enterprises”, pp. 139-140.
Babinda in North Queensland. Under the same policy the highly successful Queensland State Government Insurance Office was established as a distinct separate entity in 1916, while an iron and steel works was contemplated but did not proceed. Due to strong opposition from the Legislative Council, prior to the passage of the *State Enterprises Act*, the new entities were authorised by executive action. Under the act, most trading operations were then grouped under a Commissioner of Trade within the Chief Secretary’s Department, or to other ministers where their departments were more appropriate.

Those enterprises under the Commissioner of Trade, covering the period to 1930, were closely analysed by Kay Cohen in her 1987 Master’s thesis. Using data extracted from the annual reports by the Commissioner for Trade and the Auditor-General for 11 years commencing in 1919, Cohen showed that collectively these enterprises employed just over 1,000 persons, typically achieved an overall annual turnover of just over £1.0 million and generated cumulative operating losses of £1.37 million. The highest annual turnover was £1.38 million in 1920, while profits were only achieved in 1919, 1920 and 1925. The worst performing years were 1922, 1927 and 1928 when losses of £440,070, £260,953 and £236,570 respectively were generated.

The overall financial record of all these enterprises to 1931, when the last was sold, revealed that from a total turnover of £12.65 million, they had cost the government £2.49 million of which £1.07 million was capital written off. The only profits consistently generated were £144,000 from the Railway Refreshment Rooms (which required virtually no capital) and £62,187 from the £23,000 invested in the Babinda hotel. Relatively minor cumulative losses had arisen from the State Produce Agency, State Butcher Shops (which peaked at 90) and State Fish Supply, with a loss of £112,695 for the State Cannery. By far the worst performers were the 21 State Stations

---

787 CA Bernays, *Queensland Politics During 60 Years*, pp. 492-505 & *Queensland: Our Seventh Political Decade*, pp. 95-129.
789 Ibid., Table 17.
790 Ibid.
791 Ibid., Table 18.
which had required a Treasury investment of £1.03 million, had incurred total operating losses of £1.70 million, including £0.93 million capital written off.\textsuperscript{792} It was no surprise that by the mid-1920s the government was starting to sell some of the cattle stations and butcher shops and generally seek to reduce the scale of all these enterprises. The Moore government came to power with the policy of exiting all state enterprises, finally achieved in late 1931 with the repeal of the \textit{State Enterprises Act}.\textsuperscript{793}

Those enterprises which did not come within the responsibility of the Commissioner for Trade mostly came under the authority of the Secretary for Mines. He progressively became responsible for the Irvinebank treatment works, an arsenic mine and six coal mines including that at Mount Mulligan, involving a total investment of over £500,000. Over the period to 1930 operating losses were £242,000 and capital written off was another £111,000.\textsuperscript{794}

Despite the very poor performance of the State Stations, the Chillagoe Enterprise, which (as shown in Figure 9 in chapter 6) required a further £295,402 in capital, incurred cumulative losses of £467,700, capital write-offs of £281,800 and a Treasury investment of £961,900, would be a strong candidate for the worst investment. Certainly it became the most controversial and difficult to control. Denis Murphy in his review of state enterprises in \textit{Labor in Power} commented as follows: “There were great hopes attached to all enterprises, but it was the mines and smelters at Chillagoe that gave the promise of fulfilling all the hopes. It was to be an enterprise that would be profitable to the Treasury; it would provide employment in a high unemployment area; it would keep small, independent miners in production; and it would assist in the development and population growth in North Queensland”.\textsuperscript{795}

Instead, it became an abject failure, made worse by loose and inept management, poor auditing and ultimately by the fact that William McCormack, a senior Labor Party figure and later Premier, benefited personally, despite his consistent denials. The opposition parties never supported the state enterprises concept and campaigned from 1926 onwards to close all loss-

\textsuperscript{792} Ibid.
\textsuperscript{793} C Lack, \textit{Three Decades of Queensland Political History}. pp. 119-120.
\textsuperscript{794} CA Bernays, \textit{Queensland: Our Seventh Political Decade}, pp. 121-125.
\textsuperscript{795} DJ Murphy, “State Enterprises”, pp. 149-152,
making enterprises. Again, the Chillagoe Enterprise was in a different category and warranted special attention: hence the persistent call from 1926 onwards for a Royal Commission.

Public Governance and Ethics

The facts outlined in this thesis show that there was a succession of poor economic and political judgements in relation to the Chillagoe resources and investments starting well before the Labor Party came to power. The first decision related to the original agreement to pass responsibility to a grossly under-capitalised public Chillagoe Company, formed amidst speculative fervour, to build the railway extension from Mareeba to Mungana. This entity had an inadequate understanding of what mineral deposits it could service and where a custom smelter should be located. Once the Chillagoe Company had finally failed after its third financial reconstruction, the state government became the only possible buyer, as it was always intended that it would own the railway. An entirely new philosophical approach accompanied that purchase: public governance, for which the government was very poorly prepared.

This new element appeared as the Ryan government was still in the process of implementing its new policy of state enterprises, against a hostile Legislative Council. Governance — a word rarely used in those heady years — necessitated the adoption of a set of ethical guidelines as the role of the government was widened. These guidelines had to be made “on the run” by a government recently in office and having higher level constitutional transformation and fundamental changes to labour relations legislation foremost in its mind. It is no surprise that some mistakes were made or governance issues that it raised were given much lower priority. The progress in moving towards the abolition of the upper house also probably engendered an atmosphere of greater political freedom for the lower house, with less accountability and transparency. The lengthy saga of the abolition of the upper house provides one good example, while another related to the persistent non-recognition of conflicts of interests.

William McCormack refused to believe that there was any conflict of interest between his successive roles as Speaker, Minister and then Premier and having a major stake in the Mungana leases prior to their sale to the government from which he received very handsome dividends despite the escalating losses to the state. Further, he even went to great pains to hide the extent of his interest through his three sisters being nominees before he reluctantly was forced to
acknowledge his true involvement. Theodore and his other cabinet colleagues appeared to be quite relaxed with the situation; even then, McCormack continued to lie to both the parliament and his party. This line of argument even continued during the conspiracy trial, when Neal Macrossan contended that McCormack’s interests were a “perfectly legitimate mining speculation, entered into in good faith without any suggestion of a gift or corruption”. This seems to be a flimsy argument, given the fact that McCormack paid virtually nothing to Reid and had continued to lie about the extent of his involvement. Further it highlights a complete lack of transparency. It provides a very good example of the following comments by Susan Rose-Ackermann in *Corruption and Government: Cause, Consequences and Reform*, where she noted “self interest and the public interest frequently conflict” and “political legitimacy is undermined if government permits some to gain disproportionate private gains at the expense of others”.

This stance was consistently adopted by Moore 70 years earlier, as shown in his final public comments after the conspiracy trial:

> The ‘not guilty’ verdict should not excuse the fact that a member had profited at the public expense through business transactions.

> … I do not care whether McCormack, Theodore or anyone else has been proved innocent; the whole thing is that a man should not have used his public position for his own private gain.

> The whole question at issue to my mind is the honesty of parliament. Is it right that individuals should use their public positions in order that they can condone actions by their servants?

Moore’s statement typified his standard relating to those in public office. It provides an insight into the person – a man of high principles, which many people could not match, including some

---

796 *Brisbane Courier*, 22 August 1931.


in his own political party. His views were much more in touch with later published views on public morality, an example of which was given by Paul Appleby:

In many respects, if not at all, it should be plain that public morality is of a higher order than private morality … probably attributable in part to the fact that citizens are somewhat freer to be moral with respects to public matters.799

In the specific instance of standards of behaviour for elected representatives, Ivor Jennings in his 1959 book, *Cabinet Government*, made the following comments relating to the conduct of individual ministers:

The most elementary qualification demanded of a minister is honesty and incorruptibility. It is however necessary not only that he should possess this qualification, but also that he should appear to possess it.800

There was the other instance when Theodore, McCormack and Jones received undeclared shares in the Mount Isa Silver Lead Proprietary Company in 1925, before the legislation to extend the railway from Cloncurry was approved by parliament. Randolph Bedford, only recently re-elected to parliament and well known as a mining speculator, had floated the company and then given some shares away. He made the following comment relying on mateship in 1929 in McCormack’s and Theodore’s defence:

The value of the shares I gave away to friends as mere goodwill, would be today about £11,000 and I don’t expect mean little suburban ‘pikers’ to understand either mateship, gratitude or generosity. A furtive man could have covered up these gifts, but I never had any reason for concealment, and all the facts and figures … were public property some years ago.801

Bedford’s comments also raise the further governance issue of transparency, which was rarely evident during the 1920s and indeed for many years afterwards. McCormack’s secret Mungana

involvement was maintained for years due to his lack of commitment to any transparency. MML’s shareholdings were only once disclosed; even then McCormack’s direct holding was incorrect. The nominee holdings by his sisters were defended on the basis that it was a common practice in the mining industry, whereas Theodore acknowledged he had been a consistent investor in response to his entrepreneurial instincts. It was this propensity that led him as Premier to invest with Goddard in the Fluorspar Mining Company and the Argentum Mining Company in 1923, yet conveniently did not disclose his interest until 1927.

Another example of conflict of interest in a different context — a situation which McCormack and Theodore chose always to ignore — was that Peter Goddard owned shares through nominees in MML and other groups dealing with the Chillagoe Enterprise, which was contrary to his conditions of employment. Both Premiers were already compromised, so they could hardly take action against Goddard about a breach of employment conditions. The same situation also existed for the mine warden, Robert Dunlop, in relation to his wife holding both MML and Mount Isa shares, when at Chillagoe and Cloncurry respectively.

These examples point to a very lax recognition and enforcement of a set of ethical standards: this failure severely compromised the government. It also reflected a touch of arrogance that somehow ministers were above the law. After all, the Chillagoe electorate was always Theodore’s power base, in part protected by the purchase decisions of the Chillagoe Enterprise and then the Mungana leases. These decisions were then accentuated by subsequent poor administration and accountability in a new unicameral parliamentary system, where accountability was starting to decline. One wonders whether McCormack ever bothered to ask himself the question, “What would be the public reaction if it knew that the government was complementing my ministerial salary by also paying me income from the purchase of the Mungana leases, which were already consuming substantial government funds?”

Sadly, history repeats itself, as such failures of ethical standards have been a periodic feature of governments in Australia. Several have occurred in Queensland, a significant one being in 1970 in relation to a non-Labor cabinet being allocated partly paid shares in the aluminium company, Comalco Limited. \(^{802}\) This event paled into insignificance after revelations against the Bjelke-

\(^{802}\) KH Kennedy, *The Mungana Affair*, pp. 119-120.
Petersen National Party government following the 1987 Fitzgerald Inquiry. A very recent example has been the NSW ICAC Inquiry, which revealed corrupt practices in the issue of coal mining leases by the Labor government. This resulted in the following comment by Greg Combet, then a senior minister in the federal government: “Greed and self-interest is a disgrace to the Labor Party”. This comment would have been equally applicable to McCormack’s actions nearly 80 years earlier. The only major remaining issue is “should that same comment be made about Theodore?” This key issue lurks within the mythology still surrounding the Chillagoe-Mungana story, discussed in the last chapter.

---

CHAPTER 11: CONCLUSION

In 1968, in his posthumously published biography, *Theodore: His Life and Times*, Irwin Young succinctly wrote: “Many who possess little knowledge of Theodore, nevertheless have heard garbled accounts of Mungana”\(^{804}\) (he could very well have extended that statement, as there was also little knowledge about Mungana). Three years later, Gough Whitlam at the end of his eight page introduction to the book, first used the phrase, “myth of Mungana”.\(^{805}\) Whitlam’s understanding of the Mungana affair was very limited, revealing several significant errors, as indicated by statements already shown to be incorrect in earlier chapters, such as:

50 years has passed since his ill-fated investment at Mungana … and the Queensland Nationalists, having achieved their aim, forgot about the Mungana Commission.

Theodore’s acquittal of the criminal charges he arranged to have brought against him gained him nothing, not even acquittal in the public mind.\(^{806}\)

This foreword became the basis of a feature article in the 31 October 1971 *Sunday Australian* more elaborately entitled, “Theodore and the myths of Mungana”.\(^{807}\) Unfortunately, neither Whitlam nor Young discussed any myth: the closest possibly was Whitlam’s comment, “the fatal equation, Theodore = Mungana = corruption, still haunts his name”.\(^{808}\) While Whitlam did not define exactly what his phrase implied, he conceivably meant that Edward Theodore was not involved in any corrupt activities throughout the Mungana affair, contrary to the evidence provided to, and the conclusions reached by, James Campbell. If so, he may have then implied that both the Chillagoe-Mungana Royal Commission and the subsequent 1931 civil conspiracy trial were primarily directed at discrediting Theodore.

Young in his book devoted sixteen pages in three separate chapters to the Mungana leases, the Royal Commission and the civil trial, yet he does not highlight any myth — let alone explode one. Like many others, he primarily relied on comments relating to the Royal Commission and

\(^{804}\) I Young, *Theodore: His Life and Times*, p. 145.

\(^{805}\) EG Whitlam, Foreword to *Theodore: His Life and Times*, pp. vii-xiv.

\(^{806}\) Ibid., pp. vii and xiii.


\(^{808}\) EG Whitlam, Foreword to *Theodore: His Life and Times*, p. vii.
conspiracy trial, with very little reference to the important sequence of events dating back to 1918. Further, he was not able to access all relevant information, particularly the “McCormack Papers” which provided very important behind-the-scene perspectives during and after the Royal Commission relating to both Theodore and McCormack, whose name he barely mentioned.

Several years later Kett Kennedy, in the second part of his PhD thesis on the public life of William McCormack, provided the first comprehensive analysis of the Mungana Affair, with particular focus on the political issues. This became the basis for his 1978 book of the same name, which still remains by far the best published analysis. Kennedy has privately advised that he commenced his doctoral thesis with an objective that he could prove Theodore’s innocence. After gaining access to the private correspondence between McCormack and his solicitor, Vincent Macrossan, at the time of the Royal Commission (reproduced in Appendix 2), where an unnamed “third party” was consistently mentioned, he became convinced of Theodore’s knowledge and involvement in some manner, apparently much to the chagrin of some Labor Party supporters.809

Yet most of those who have subsequently mentioned the affair in their writing – with the singular exception of Trevor Sykes in “Theodore’s Scandal” – have either tended to baulk at, or gloss over, a thorough examination of Theodore’s situation and his relationship with McCormack. As a consequence, most other references have become tangled in the explosive emotional situation relating to Australia’s loss at not being able to use Theodore’s proven financial skills and leadership to help guide the country through the Great Depression. It is time these emotions are disentangled, so the complete facts can be analysed properly.

Mungana Mythology Remains

The Mungana scandal continues to reverberate at intermittent intervals, seeming to have its own life and aura. Its ghost has lingered on in various forms over the intervening years and can still cause some retrospective controversy. Despite Theodore never having held a direct shareholding interest in MML, the word “Mungana” has somewhat ironically become permanently associated with him. Maybe this was a result of the acrimonious events in 1931 when he was persistently

809 “McCormack Papers”, Appendix 2 and 2010 discussion with KH Kennedy.
greeted at Labor Party meetings by a chorus chanting, “What about M U N G A N A”. As an example, on the front page of the Financial Review on 3 February 1983 in an article about the possible resurrection of another mining operation at Mungana, the story commenced with a photograph of Theodore above the heading “Red Ted Theodore was just ahead of his time”. In a 1994 ABC documentary entitled Red Ted and The Great Depression, where the Mungana affair was briefly touched upon, the comment was made by the author, Niall Brennan, whose father had been Attorney-General in Scullin’s government, “Mungana was a fine word for political reasons … It was a beautiful word politically: it was used to the last drop of blood they could get out of it”. The historical adviser for that documentary was Ross Fitzgerald, who also quoted Brennan in Red Ted: The Life of EG Theodore, saying “the word ‘Mungana’ scrawled on a lavatory wall was enough to turn a vote”. Brennan alluded to the power of the myth of Mungana as follows: “And Mungana, you must appreciate, is a word that sounds bad. You can shout it in a crowd, and move the crowd”.

And what better way is there to expand the scope of any myth than by a proven story-teller becoming involved? In this case it was the well-known Frank Hardy, in his controversial and widely read 1950 novel, Power Without Glory. While many people could consider the perspective it provided was less reliable and more anecdotal, it should still be recognised. This book chronicled the influential life of one John West from Carringbush, who on virtually every page can be quickly identified as a semi-fictional representation of John Wren from Collingwood. Hardy’s book opened with a preface quotation from Horace, “let fiction meant to please be very near the truth”. This would be an apt phrase to apply to Hardy’s “fictional” report about Edward Thurgood and his involvement with West, who had helped him to win a Sydney federal by-election in 1927. The book outlined Thurgood’s involvement with Big Bill

812 Red Ted and the Great Depression, National Film and Sound Archive, Canberra, 1994, ID 262446.
814 Ibid., pp. 275-276.
MacCorkell in the Mulgara mine, in close proximity to the Queensland town of Chirraboo. In chapter 11, Hardy discusses a Royal Commission and outlines how West was able to assist Thurgood at the conspiracy trial, through influencing the judge and jurors. One of the reasons for seeking John West’s support was Thurgood’s belief that the trial was an orchestrated Nationalist conspiracy, designed to overthrow the new Summers Labor government, of which Thurgood was deputy-leader and Treasurer. West believed Thurgood’s financial plan for Australia was good for him personally and he became a firm advocate for Thurgood to become Prime Minister, a plan that was scuttled due to the landslide loss in late 1931.

Kennedy also privately advised that when he spoke with Hardy on the Mulgara topic he had responded, “I have used some licence”. As to John Wren’s possible “behind the scenes” influence during the conspiracy trial, Arthur Moore believed it was quite a possibility. Wren apparently made a visit to Brisbane ahead of the trial, soon after which one person, who had previously agreed to be a witness, became unavailable to testify.

**Challenging the Myths of Mungana**

It is timely that these identified myths should be challenged, even though some persons may interpret this analysis as raking over the coals of history. Yet, such a view provides a clear demonstration of just how incomplete, misunderstood or misinterpreted partial historical facts can so readily result in myths being perpetuated and then elevated to the status of facts.

**Myth No 1: The Chillagoe Mineral Province was one of the richest in the world**

The definitive 1964 analysis by de Keyser and Wolff on the geology and mineral resources of the Chillagoe region was discussed in detail in chapter 10. It clearly demonstrated that the Chillagoe Mineral Province played only a very minor role, even in Australia’s mineral industry while it basically became a supplier of silver and lead, not copper. As shown in Table 11, over

---

816 Ibid., pp. 344-345.
817 Ibid., pp. 570-577.
818 DE Moore, discussion with KH Kennedy, June 2010.
819 DE Moore, discussions with AE Moore, 1961-62.
the 60 year period to 1950 it produced only 20,575 tons of copper, 48,764 tons of lead and 5.520 million ounces of silver, with the majority supplied in the early period of private ownership. At no stage of its tortured history was the Chillagoe Mineral Province rich in comparison to other major Australian mining provinces, let alone being one of the richest in the world.

**Myth No 2: The Mungana leases were particularly rich**

The controversial decision in 1901 by the Chillagoe Company to try to address its obvious under-capitalisation by placing the perceived highly prospective Mungana leases into a separate affiliated company ensured that these leases would thereafter always be in the limelight. The very rich surface copper ore gave the elusive, but incorrect, impression that it would continue at depth. Instead, the ore source quickly narrowed and contained an increasing proportion of lower value, more difficult to treat lead minerals. Quite simply, there was always insufficient information available to make any realistic ore estimates, as the various experts later found, often electing to rely upon the 1917 estimate by Edward Rodda as the basis for valuation. Of particular relevance was the importance placed on the Lady Jane mine, which became a financial black hole – initially being closed in 1909 due to an inextinguishable fire which burned over a five year period. This was later compounded by the expenditure of a further £86,000 under government ownership. The mine only yielded a miserable two years supply of primarily lower value lead ore, costing a huge £8.4 per ton in capital costs alone for the government before operating losses were considered. The Mungana leases were never the rich bonanza many persons assumed they would be, apart from those few fortunate later shareholders in MMC who benefited from the government purchase irrespective of their viability.

**Myth No 3: There were no politicians involved in the Mungana leases following their option to – and then acquisition by – the government**

Edward Theodore’s political power base always came from the Chillagoe region. Mungana, as the principal mining location, was one of the first branches formed soon after the AWA was founded in 1907, before he was elected to parliament. As Theodore seems to have placed great emphasis on attending to the needs of his constituents despite then living in Brisbane, he surely would have made early close connections with, and have continuing information about, the Mungana mines. The separate operating and financial performance of both the Chillagoe
smelters and the Mungana mines were also consistently reported in the *Queensland Mining Journal* throughout the period from 1901 until their closure in 1914. The extent of his knowledge was clearly demonstrated in the evidence he gave in February 1917 before the Legislative Council select committee to report on the *Chillagoe and Etheridge Railways Purchase Bill*, where he several times mentioned Mungana. 821 If there had been no restriction to the initial acquisition terms acceptable to the Legislative Council the leases probably would have conceivably been included in the December 1918 initial acquisition, even recognising that by then they were owned by the two person MMS.

Within a year of providing that evidence, it has clearly been proven that McCormack as Speaker became deeply involved through the 50 per cent stake in MMS given to him by Fred Reid. Reid then quickly secured Theodore’s support for loan funds to MMS to purchase the former MMC assets on very favourable terms. This entity in late 1920 was converted into shares in the newly incorporated MML, with McCormack controlling 43 per cent of the shares. Whether by a stroke of luck, or much more likely by deliberate action, this transition was achieved just prior to Theodore securing the passage of the *Chillagoe-Etheridge Railway Act Amendment Act*. This act, which included a clause he had personally requested to enable acquisition of more mines and also to incorporate a royalty system for payment, enabled the Mungana leases to be accessed extraordinarily quickly.

Despite his apparent distance from the actual government decision makers, McCormack as a minister remained close to both his long-standing friend Theodore and also to Peter Goddard, general manager of the Chillagoe Enterprise. McCormack from very early on was aware of Goddard’s conflict of interest: he and Alfred Jones, in Theodore’s absence overseas, on 23 April 1920 signed the document that confirmed the permanent appointment of Goddard for three years. Theodore would also have learned about this conflict of interest and breach of employment terms, given his own later involvement as an undisclosed shareholder with Goddard in the small Argentum and Fluorspar mining ventures. Further, from some unspecified date in the early 1920s, all cabinet members including Theodore were apparently made aware of McCormack’s

---

declaration of a direct shareholding in MML, although it seems unlikely that he ever widely revealed the true extent of his involvement. The probable exception was Theodore.

Jones became the key person responsible for the government’s continuing investment in, and the performance of, the Chillagoe Enterprise. At no stage was there ever any direct evidence that he sought to challenge Theodore’s wishes in relation to this significant enterprise in his electorate, as the operating losses and capital investment in the Mungana mines escalated. Jones became a silent witness and a rubber stamp to all the key decisions. He endorsed the initiative by Theodore as Premier to suspend interest charges and write off £281,822 accumulated losses at September 1924, whilst he compliantly accepted Goddard’s deeply conflicted and unjustified recommendation to pre-pay the final Mungana royalties in June 1925. Further, Theodore had held an undeclared interest in both Fluorspar Mining Company and Argentum Mining Company, both entities receiving loans from the government approved by Jones: Theodore’s name only appeared on the share register in 1927 well after he had left the Queensland parliament.822 The evidence shows absolutely that McCormack had a direct and nominee involvement in the Mungana leases throughout the period 1918 to 1925. Theodore’s confirmed involvement was by virtue of his position and influence as both the Premier and local member, while Jones’ involvement was by way of benign compliance and neglect. These three politicians severally and at times collectively had a deep continuing involvement relating to the Mungana leases over many years.

**Myth No 4: The principal objective of the 1930 Royal Commission was to discredit Edward Theodore**

In the words of Warren Denning in *Caucus Crisis: The Rise and Fall of the Scullin Government*, “the [Chillagoe-Mungana Royal] Commission had been sitting for some time without attracting special notice, hidden away, as it was, in Queensland”.823 The fact that the Reid bankruptcy hearing, belatedly disclosing the full details of McCormack’s much greater beneficial shareholding in MML than had previously been revealed, occurred during the campaign for the surprise October 1929 federal election suddenly brought the Mungana issue into greater

---

822 I Young, *Theodore: His Life and Times*, p. 66.
823 W Denning, *Caucus Crisis*, p. 112.
prominence. However, the parliamentary query relating to shares in Mount Isa companies a few
days earlier was probably politically inspired to embarrass Theodore.

Those who spread this myth had no knowledge about, or appreciation of, the extent of
McCormack’s persistent lies and cover-up over many years. At the time that the Chillagoe-
Mungana Royal Commission was called, any potential involvement by Theodore was seen as
being peripheral, primarily in relation to his involvement in the Argentum Mining and Fluorspar
Mining projects: although there had been spasmodic rumours about Theodore possibly being
involved in other ways. The unforeseen facts unearthed by the Commissioner that Theodore
periodically received payments in close proximity to McCormack’s income from the Mungana
leases was a bombshell. Theodore’s immediate resignation as Treasurer sparked more loose
retrospective reinterpretation that he was always the intended target. For example, Denning’s
perception was that “Mungana was thrown into the public gaze by the Queensland Nationalist
Party with the definite object of removing him from active politics. Whatever may have been the
merits of this issue, the fact remained that it had been dragged from the forgotten past at a time
of great political and economic peril to Australia”. 824 That comment was incorrect.

On the basis that attack was better than defence, Theodore himself was responsible for
substantially enhancing the myth, shown in the following extract at the start of his previously
unreported 3 October 1930 Cremorne speech, which included several demonstrable historical
inaccuracies:

Now if I were a spent force in politics; if I were ineffective in public life; if I were not the
champion of the Labour movement, you would not have heard of any Mungana inquiry.
Apparently there are people among our opponents who believe that if you cannot destroy
a man in a fair political fight then there are other less honourable ways of proceeding
against him, and if the worst comes to the worst you can always appoint a Royal
Commission. You need not formulate any charge against him; you need not bother too
much about the kind of evidence you will bring; but you must get the right man to preside

824 Ibid., p. 42.
over the Commission and trust to him to bring in a report that your opponent is a
dishonest man and a blackguard, and you can leave it at that.825

This myth grew as the lead-up to the 1931 civil conspiracy trial developed a much stronger
political tone, with Theodore thereafter always being the prime target, while McCormack’s far
greater involvement was virtually ignored. While McCormack on several occasions had lived in
Theodore’s shadow, this was probably the only occasion when it worked to his benefit. This
perception was later enhanced by the highly inappropriate and totally inaccurate comment by
Neil Macgroarty during the 1932 state election campaign that “the Mungana case smashed the
Labor Party in Australia almost beyond mending”.826 The analysis at the end of chapter 7 clearly
shows that the call for a Royal Commission was never directed at Theodore, but at McCormack
from 1926 onwards. This myth about it being directed against Theodore, while totally incorrect,
somewhat remarkably endures. Probably in part this is because there has been a tendency for
many analysts and historians to view the Royal Commission and the conspiracy trial conjointly,
whereas they were entirely separate events. The only reason that the focus shifted to Theodore
was the revelation of his receipt of consistent payments from 1920 to 1926 equating to around 50
per cent of McCormack’s receipts from the Mungana leases. As a consequence of the Royal
Commission, Theodore thereafter did become the prime target for both the Crown and the
federal opposition in a strategy that did not succeed. However, that comment is incorrect in
relation to the Royal Commission.

Myth No 5: The not guilty verdict at the 1931 conspiracy trial finally cleared Theodore of any
involvement in the Mungana affair

There is no doubt that the unexpected revelations against Theodore in the Royal Commission
report gave great encouragement to the federal Nationalist opposition, then led by John
Latham.827 As shown in chapter 9, the trial before Sir James Blair ultimately was decided within
extremely narrow terms of reference: that all four co-defendants had collectively conspired to
defraud the state of £30,000. The case essentially rested on evidence provided to the Royal

825 EG Theodore, 3 October 1930 Cremorne speech, pp. 1-3.
826 Daily Standard, 1 June 1932.
827 Latham Papers. NLA, MS 1009, Folder 46.
Commission, following the amendment to the *Crown Remedies Act*. It was also not executed in a manner that enabled Theodore and McCormack to be cross-examined. Given these circumstances, the not guilty verdict by the jury was probably inevitable. Yet, the fact that none of the defendants – each of whose involvement differed widely – were found to have defrauded the government defied logic and any overall sense of justice.

For a case that had generated such strong political passions the outcome did not remove the taint of corruption, as confirmed by the responses of those who have written about it. In his generally compassionate approach towards Theodore’s involvement in the Mungana affair, Fitzgerald acknowledged that “Certainly the taint of Mungana stayed with Theodore until his death in 1950, and well beyond”.828 This view was repeated by Johnston in *Famous Court Cases*.829 Young acknowledged that “Theodore was mistaken that the verdict cleared him, for the assertions of corruption persist today”.830 Most historians concur that the shadow of the case remained with Theodore for the rest of his life, so it did not clear his name.

**Myth No 6: The Mungana affair was responsible for Theodore’s political downfall**

By far the greatest contributory factor in ending Theodore’s political career was his high profile public conflict with Jack Lang, particularly after Lang had regained power in NSW in late October 1930. Lang was extremely determined to pursue his overseas debt repudiation policy unilaterally, irrespective of internal and external opposition to it, as was clearly shown at the February 1931 Premiers’ conference, the first he had attended since 1927. This conflict was probably inevitable at some stage, but its intensity increased when Theodore moved to NSW to be parachuted into a Sydney seat. His arrival in NSW was equivalent to an occupation of “Lang’s territory”.

In retrospect, probably Theodore’s two big mistakes were not to devote the necessary time and energy to win the seat of Herbert at the 1925 federal election, losing by only 268 votes and then not to seek another seat in Queensland. In both instances, he would have become a Queensland member, close to his very strong AWU support base, and would not have invaded Lang’s

---

829 R Johnston, *Famous Court Cases*, p. 65.
830 I Young, *Theodore: His Life and Times*, pp. 144-145.
territory. The loss delayed not only his planned transfer to federal politics by 15 months, but it also deferred any bid for the leadership. Conceivably, he could even have been elected leader after the 1928 election. However, such a chain of events would not have altered the circumstances that led Moore to call the Royal Commission, or its conclusions. At the time the Commission was called, the prime objective was to finally seek the truth about McCormack’s involvement, with Theodore’s role at best being seen as peripheral.

The myth that the Mungana affair led to Theodore’s political downfall is incorrect, but it was widely used to advantage by his political opponents particularly within the Labor Party. Yet it is also at times used by historians in a cursory fashion. In 2013, Ruth Kerr writing in the *Queensland History Journal* about the Chillagoe-Mungana story said: “It was the focus of a political scandal in the 1920s which ended the political careers of two Queensland Premiers, Edward G Theodore and William McCormack”.831

**Myth No 7: There was no financial benefit to Edward Theodore from the State’s acquisition and operation of the Mungana leases**

In addition to Theodore’s clear position of overall political influence in some of the early phases of the Chillagoe Enterprise, the most critical and sensitive question has long been, “Did Theodore have any direct or indirect financial involvement?” The major task relates to finding sensible and sustainable reasons for the timing and amount of McCormack’s continuing payments to Theodore from 1920 to 1926, about which no detailed or convincing explanation was ever given by either person and will now never be known. However, some facts provide very clear and compelling indicators.

As shown in Figure 10 in chapter 7, McCormack’s first payment of £750 in cash to Theodore was made in October 1920 just 15 days after he received the £1,500 profit distribution from the original MMS and prior to sale of the leases to MML. It was this exceptionally large cash payment, equivalent to around $56,000 today, which provides the crucial link to there being an implied unwritten contingent interest between Theodore and McCormack relating to the Mungana leases: MML dividends were not then involved. Despite McCormack’s declaration of

that payment and the amount being deposited into his account, Theodore later declared that he received no proportion of that money. It is equally significant that there were no transactions in 1921: McCormack received no income from the Mungana leases, so there was no payment to Theodore. Transactions resumed in 1922, when £1,600 was paid in April, 16 days after McCormack received a total of £2,086 through the inaugural MML dividends directly and through his three sisters. Theodore did not disclose this large receipt by cheque in 1922. However, he acknowledged that he only received payments from McCormack from 1923 onwards, described in the following unconvincing manner: “Nobody surely can say because one receives money from another that that in itself is a criminal thing”. It is relatively easy to draw the obvious conclusion that there was some verbal understanding between McCormack and Theodore that they should share in any income from McCormack’s then secret involvement in the Mungana leases. The failed attempt by McCormack to prevent his bank account being subpoenaed, followed by the subsequently revealed concerns by his legal advisers, show just how plausible that conclusion was. When the rarely accessed “McCormack Papers” in Appendix 2 are fully read it is clear that Theodore was acutely aware behind the scenes of the dangers inherent in McCormack’s payments to him being discovered as the Royal Commission progressed, so he had ample time to plan his response. He had already shown during the 1928 Commonwealth Royal Commission his sensitivity and reluctance about aspects of his personal financial details.

The Commissioner, having surprisingly uncovered the payments from McCormack to Theodore, offered one reasonable conclusion. Theodore, on the other hand, failed to even try to explain adequately the reasons for these payments. He rarely even spoke apart from the following generalised comments in his 3 October 1930 Cremorne speech, which marked his return to public life:

There had been certain transactions between Mr McCormack and myself. On one side there was an amount that Mr McCormack received from Mungana and on the other side an amount that I had received from Mr McCormack. From that Mr Campbell tries to

---

832 EG Theodore, 3 October 1930 Cremorne Speech, p. 22.
833 Ibid.
make out that I received from the Mungana Company and from that he makes the imputation that I have participated in the Mungana profits …

At least they might have asked me, if they were doubtful about these transactions, to have given evidence upon them. I have had many business transactions with Mr McCormack and with other people too. I have been engaged in mining investments, in the backing of prospectors and claim holders, that kind of thing for 25 years past in Queensland. I have been concerned in a perfectly legitimate way, personally interested in I think I can truthfully say scores of mining propositions, mostly in North Queensland. Does anyone condemn a public man for that? Is a man because he is a Labour man or a public man not to utilise his resources in ways as long as it is legitimate and bona fide? I have never at any rate held myself under any obligation to refrain from investment of that kind. I have had business transactions with McCormack, and apart from business transactions I have had transactions of a political nature where both of us have been trusted leaders of the Labor Party, and prominent men in the conduct of campaigns and have handled political funds.834

Presumably he was relying on the premise that guilt had to be proven: by failing to be cross-examined he neatly relied on that defence without ever having to submit to detailed questioning under oath. However, as Theodore never held a direct shareholding in MML he could always truthfully state that he never owned an interest in the Mungana leases. This does not however explain why he received the initial £750 from McCormack before MML was established and before the Mungana leases were formally offered to the government. In the absence of any real attempt to explain the payments from McCormack, it is very reasonable to conclude that Theodore did hold some contingent financial interest in the Mungana leases, probably through some verbal understanding with his long-standing friend and colleague.

It is also quite curious why those writing about Theodore’s life really did not try harder to form their own conclusions about these payments by objectively assessing the cheque details disclosed in the Royal Commission report. Irwin Young made no analysis at all. Ross Fitzgerald in the 1989 book, *Labor in Queensland from the 1880s to 1988*, made a generalised criticism of the

---

834 Ibid., pp. 20-23.
allegation against McCormack and Theodore, saying: “Neither the Royal Commission nor historian KH Kennedy in 1978 produced any concrete evidence to substantiate the charges against Theodore”. 835 Five years later in his lengthy biography of Theodore, Fitzgerald did list the transactions and correctly noted that only two of the payments to Theodore amounted to exactly half of McCormack’s receipts, but did not comment that the total received was extremely close to 50 per cent of McCormack’s Mungana receipts. Fitzgerald takes refuge in the comment: “The documents only showed that McCormack gave certain sums to Theodore over a period of years. Anything more in relation to them was, and is, pure inference and conjecture … The credits to Theodore’s account were certainly paid by McCormack. Beyond this their nature was unclear. Perhaps they were a payment for a personal loan”. 836 Given the large cash component, that possibility seems most unlikely. His view may have changed over the years, as in 2013 Fitzgerald recounted the following conversation, in an article in the Weekend Australian headed, “Vengeance and scandal that stole Red Ted’s chance to tackle top job”:

Shortly before his death a friend asked, “Was it true about Mungana, Ted?”

Theodore reportedly replied: “There is no more beautiful sight than Sydney Harbour on an autumn afternoon.” 837

His son, John, was interviewed by Kennedy at North Sydney in 1971, in the presence of Theodore’s last private secretary. He apparently indicated that his father may have acted corruptly in relation to his receipt of payments from McCormack. 838 While the myth about Theodore receiving no financial benefit from McCormack originating from the Mungana leases cannot be refuted absolutely, based on the overwhelming balance of evidence there must be a very high probability that this myth is incorrect.

It seems that most people were not prepared to even consider the overall facts, so took refuge in the myth that the main objective of the Royal Commission must have been to “get Theodore”.

---

837 Weekend Australian, 13 April 2013.
838 KH Kennedy, private communication, 9 October, 2013.
They were reluctant to consider that a person with such a distinguished career and a high reputation could have entered into such an arrangement. The key obviously lay in the nature of the relationship with McCormack which extended back over a 24 year period.

* * * * *

This systematic challenge to all the myths has served to highlight what can happen when strong emotions and assumptions swamp rational analysis of the facts. The consequence of the focus on Theodore resulted in William McCormack, his friend and the principal politician responsible for becoming involved in the Mungana scandal, still hidden by Theodore’s large shadow. The clear overall conclusion is that Theodore possessed a somewhat rare combination of entrepreneurial flair, particularly in relation to the mining industry, coupled with a commitment to state-owned business enterprises when they provided employment in his electorate. For reasons still unexplained he “stepped over the line” and accepted secret payments from his colleague which should have been divulged, as this involved the state’s public funds which were never in the same category as any other private investments. The Mungana scandal tarnished Theodore’s political career and his claim to greatness.

Denning described Theodore in the following terms: “Mr Theodore must remain an enigma in politics, mainly because the faults he possessed were not the faults of an ordinary man”.839 Kennedy’s comment that Theodore “was a giant in Labor mythology, but much of his character and career remains enigmatic” is still accurate, including with regard to his financial relationship with McCormack.840 Other biographers have reached somewhat mixed conclusions. Denning in Caucus Crisis did not offer a final verdict on the affair, upon which he commented in the following terms, after incorrectly implying that the Queensland Nationalist government had waited to use the Mungana Commission at a vital strategic point when Scullin was leaving for England:

839 W Denning, Caucus Crisis, p. 40.
Had Mr Theodore been Prime Minister when the Mungana charges were brought, the Labor Government almost certainly would have been thrown into election; and that might have cleared the air to the eventual benefit of the party and all concerned.841

The following sentences, written by Sykes in “Theodore’s Scandal”, probably provide the best perspective of those who have written about Theodore: “Theodore was undeniably a man of great ability. In history he remains that most compelling of figures, a great man streaked by a flaw. Other great men have had far worse flaws.” He went on to add: “The real losers from Mungana were the Australian people, who lost the one man who might have steered them out of the Great Depression sooner. Theodore remains the best prime minister Australia never had”.842

These quotations serve to highlight how just myths become accentuated — and perpetuated. It is quite correct to associate Theodore with the Mungana scandal, but wrong to blame that saga for his catastrophic loss at the 1931 election: Lang Labor carried that responsibility. The word, “Mungana”, has evolved to become short-hand for Theodore’s involvement in the lengthy and complex Chillagoe-Mungana story, Theodore being by far the most prominent of the three Queensland Premiers involved. By challenging all the myths, the accurate Chillagoe-Mungana story must always start with, and primarily focus on, his close friend, William McCormack, the politician directly involved in the Mungana leases from 1917. As for Arthur Moore, he enabled the truth to emerge, despite the criticism that his role has at times subsequently engendered.

---

841 W Denning, *Caucus Crisis*, p. 34.
842 T Sykes, “Theodore’s Scandal”, p. 249.
STATEMENT OF WILLIAM McCORMACK

To

The Honourable J.L. Campbell

By way of preface I desire to say that I do not propose to touch herein upon any matters political, or to discuss the policy of the Government of which I was a member in relation to its enterprises at Chillagoe, as I consider they should not be the subject of a public inquiry.

I am at present residing at Sydney in the State of New South Wales.

I was elected as a member of the Legislative Assembly of Queensland for the Cairns electorate in 1912.

Prior to that date, I had at times followed the occupation of a miner in different districts in Queensland, including the Chillagoe District, in which I lived and worked for several years. That district is part of the Cairns Hinterland.

I continued as the member for Cairns until I resigned my seat in February 1930.

I became Speaker of the Legislative Assembly of Queensland in 1915 and held that office continuously until October 1919, when I became Home Secretary. I held various Ministerial Offices until 1925, when in consequence of the resignation of the late W.N. Gillies I became Premier which position I held until May 1929, when I resigned owing to my party being defeated at the elections held in that month.

The only terms of reference of this inquiry in which it appears to me that I am in any way concerned, are those relating to the mineral leases numbers 556, 557, 558 and 559 situated at Mungana on the Chillagoe Gold and Mineral Field, and which include those generally known as “Girofla” and “Lady Jane”, all of which hereinafter referred to collectively as the “Mungana leases”.

Apart from my interest in the Syndicate that held the Mungana leases and the Company formed to take them over I was not either directly or indirectly associated or interested with Reid in any other venture or proposition; and I had no monetary association or interest of any kind whatever with Messrs. Goddard or Dunlop.

Some of the records of the Syndicate and the Company have, I understand, in the course of time, been destroyed and in compiling my statement I have had to depend to some extent upon my memory only.

I know Frederick Reid formerly of Chillagoe. He was well and favourably known to me for a number of years. He was a practical miner and smelter hand, and had been in charge of mining and smelting operations at Cardross. He called on me while in Brisbane and informed me
that he had some time previously applied in the ordinary way, under the Mining Acts, for the leases embracing the “Girofla” and “Lady Jane” Mines, and his application had been approved of. He proposed that I should join him in the venture of working the leases on equal shares – sharing losses and profits equally.

The leases in question and other areas were originally taken up by Mr John Moffat and others, but in pursuance of “the Mareeba to Chillagoe Railway Act of 1897” they became part of the leases granted under that Act. At a later period they were transferred to an entirely separate Company known as the Mungana Mining Company, but the obligation imposed by the Act remained. The sole obligation consisted of the payment of a yearly rental much higher than for ordinary leases, but the lessees were relieved of labour conditions. Section 26 of that Act provided that if the owners at any time should fail, for the space of three months, to pay the rent reserved, the leases should forthwith be absolutely forfeited – the forfeiture being automatic in that event.

The rent payable on the 1st January 1917 was not paid and on or about the 1st April 1917 the areas subject to the Mungana leases reverted to the Crown. Other lands of the Company were also forfeited for non-payment of rent. Being a proclaimed gold and mineral field the various areas then became available to be taken up under the Mining Acts.

The Mungana Mining Company had carried on a very vigorous mining policy for many years, but for some years prior to 1917 it did no work of any kind on these leases. Valuable buildings, winding engines and very expensive pumping machinery originally costing upwards of £60,000 had been erected and installed on the property and during the years of idleness remained there. This machinery was still on the leases when Reid took them up. Under the Queensland Mining Laws this machinery remained the property of the late lessees, even though the leases had been forfeited.

I understand that shortly after becoming available certain of the Company’s ground which had been forfeited for non-payment of rent, was taken up by W.H. McCleland and party, who did some work on the surface and then abandoned the areas. At a later date Reid, in like manner applied for the leases of “Girofla” and “Lady Jane” and eventually his application was granted.

This was the position when Reid approached me to join him in the venture.

I had some practical knowledge of the properties as I had at times in my mining days, worked on the areas when they were worked by the former lessees. I knew that in the course of the company’s operations a large body of valuable ore had been worked in the “Lady Jane” mine, but owning to extensive “creeps” in the limestone country it had been lost, and later a fire had occurred which prevented the exploitation of this rich ore body.
After consideration I agreed to join Reid on the basis above mentioned. I subsequently prepared a declaration of trust for Reid’s signature by which he acknowledged that he held the “Lady Jane” and “Girofla” leases for himself and myself in equal shares. The document was in the form prescribed for such purposes which appears in the Regulations issued under the Mining Acts.

I presented the document to Reid for signature and he signed it.

From time to time, as and when requested to do so by Reid, I paid to him one-half of the money required to meet the expenses of holding and working the areas. My contributions were comparatively small as the Syndicate succeeded in paying its way at an early stage and shortly afterwards operations became profitable. Reid and I carried on mining under the name of Mungana Mining Syndicate. Reid was in full charge of mining operations and Mr D. C McDiarmid, Solicitor, then of Chillagoe, acted as Solicitor and Secretary for the Syndicate and kept its accounts. I left the management of the affairs of the Syndicate and of the Company, which acquired its assets, entirely in the hands of Messrs. McDiarmid and Reid. They were the directors of the Company. From time to time I visited Chillagoe and made no attempt to conceal my interest in the Syndicate. Many people in the district were aware of my interest in the property.

Shortly after acquiring the leases, Reid entered into negotiations with the Mungana Mining Company, through its Secretary in Melbourne (who was subsequently its liquidator) for the purchase of some of the plant above mentioned.

Eventually, Reid purchased from A.J. Draper & Co., Cairns, (Agent for the Liquidator) certain machinery and plant at the “Lady Jane” and “Girofla” mines for £2800.00. The whole of this amount was borrowed by Reid, on behalf of the Syndicate, from the State Government through the Mines Department on the same terms as funds are in similar cases made available by the Department to others for development of mining propositions. Reid’s application was dealt with on its merits. I did not approach the Department in this matter and used no influence to have the loan granted. Prior to making the advance the Department caused the plant to be inspected by the Chief Inspector of Machinery, who valued and reported on it. This was about July 1918.

In August 1919, Reid obtained an option from Mr. Draper to purchase certain other plant belonging to the former lessees valued at £1200. At this time I was not in a position to advance any money for the proposition so I informed Reid that if he made the advance he should have the first call for repayment, with interest, upon the moneys of the Syndicate arising either from working the properties, or from a flotation or sale. This additional plant was, with Reid’s consent, purchased by Mrs. Reid who paid therefor £1200, or thereabouts. She at the same time gave the Syndicate, for a period of six months, the option to purchase the plant from her at, I think, the price she had paid, plus interest at 8 per cent. Reid also installed on the areas some machinery, his own private property an accumulation of some years.
These matters caused a disagreement between Reid and myself at a later date. He claimed that he was, in consequence of this purchase and the machinery he personally supplied, entitled to a greater interest in the Syndicate than I, and I taking up the position that he (or Mrs Reid) was merely a preferential creditor for the amount paid and interest and he for the value of the machinery he supplied personally. The question of Reid’s position owing to the machinery he supplied personally still remained unsettled when the Syndicate was converted into a limited company. In the meantime I think Mrs. Reid had received payment of the moneys she advanced.

Shortly after acquiring the leases Reid wrote to Mr. E.J.J. Rhodda, then in Sydney, the former Manager of the Company, which previously worked the mines for a report upon the properties. Mr. Rhodda gave a most favourable report, expressing a very high opinion of the possibilities of the areas, among other things stating that he valued the ore in the “Lady Jane” area that was lost owing to the “creeps” and fire, at the sum of £675,000 according to prices then prevailing, provided the ore body could again be located. He also expressed the opinion that exploratory work would disclose further valuable ore bodies in the “Girofla”. Reference may be made to Mr. Rhodda’s report to the Syndicate.

The Syndicate confined its attention to the “Girofla” mine and almost immediately located a large new body of ore near the surface. This development completely transformed the appearance of that mine. The opening of the Chillagoe Smelters provided a market for the ore produced, and the operations of the Syndicate became very profitable. A rough balance sheet of the Syndicate was forwarded to me which showed that a working profit of some thousands of pounds had resulted and a dividend absorbing £3000 was declared. I then received the sum of £1500. I was also given to understand that a large portion of the profit from the sale of “Girofla” ore, was used in an attempt to unwater the “Lady Jane” mine, a task that eventually proved to be beyond the resources of our small Syndicate. At this time the Mungana leases were the principal source of supply of silver-lead ore. The copper furnaces were kept going with ore from the Government mine at Einasleigh.

The results obtained by the Syndicate attracted considerable attention and as a result about the middle of 1919 certain communications regarding the granting of an option to purchase the properties passed between Mr. Reid and Mr. Alexander Macdonald of the Mammoth Copper Mining Company, who represented influential financial interests in Scotland. Negotiations also took place while Mr. Macdonald was in Queensland. I was informed by Reid that he had been advised by Mr. Macdonald that Mr. Henry Allen of Glasgow of the Allen Shipping Line, and a member of the financial group for whom he was acting, had cabled instructions to obtain an option to purchase the Syndicate’s assets and then to return to Scotland with a view to assisting in the flotation. As far as I recollect, an option was granted on the following terms:-

Price – £26,000, payable one half in cash, and one half in shares in the proposed company, provided that company found not less than £50,000 for unwatering and working capital. If the working capital was less than £50,000 the purchase price was to be £30,000.
payable £18,000 in cash and £12,000 in shares, the Syndicate to liquidate all debts owing by it at the time of transfer.

This option was allowed to expire, and an extension was sought by Mr. Macdonald, but was not granted, because of exceptional developments in the “Girofla”.

As the operations of the Syndicate had developed into larger proportions than at first anticipated, I suggested to Reid, with a view to limiting our personal liability, and to getting capital to unwater the “Lady Jane” that the Syndicate be converted into a limited liability company. This was in 1919. Reid disagreed with me on the ground that a Syndicate would be more likely to sell or float to advantage than a small company. I did not insist upon my wishes being carried out at the time, but I brought the matter up again as I was desirous of having my interests put upon a proper basis, and the formation of a company would afford an opportunity of having this done. Eventually Reid consented, and a preliminary agreement setting out the basis of a sale of the properties from the Syndicate to a Company to be formed was drawn up in October 1920. Subsequently a Company called the Mungana Mines Limited was formed to take over the assets of the Syndicate, and was, on the 16th November 1920, registered in the Office of the Registrar of Joint Stock Companies at Brisbane.

This company had a nominal capital of £20,000 of 20,000 shares of £1 each. The Memorandum of Association provided that 10,000 shares should be allotted to Reid or his nominees as fully paid up in consideration of the sale of the assets to the company, the leases at that time being in Reid’s name only.

Then or shortly afterwards, I advised Reid and McDiarmid that I desired my holdings of shares to be divided so that my three sisters, Mary Ellen McCormack, Annie McCormack and Grace McCormack should be allotted 900 shares each, the balance to be allotted to me in my name. Apart from the shares signed for by the signatories (other than Reid) to the Memorandum and Articles of Association of the Company, I claimed one-half of the shares for myself or my nominees.

The allotment asked for by me was disputed by Reid, and at the outset only 388 shares were issued in my name. At a later period my sisters and I received scrip in the following proportions:- Annie McCormack 900 shares, Grace McCormack 900 shares, Mary Ellen McCormack 888 shares and William McCormack 788 shares. This left a balance in dispute of 1523 shares.

At this stage Reid informed me that he had given P.L. Goddard a present of 1250 shares. I strongly protested against this and it was done without any consultation with me. No further shares were transferred to me, although I frequently asked for a final arrangement. By way of compromise Reid later undertook to pay me any dividends accruing on 900 shares held by him but said he would not transfer these shares to me. He declined to transfer to me the remaining shares I claimed or to account to me therefor. The question of my not having paid half the value
of the machinery provided by Reid personally was again raised but the question was never really settled. Some argument ensued, but I did not pursue the matter further.

Reid carried out his undertaking to pay me the amount of dividends on the 900 shares, and to the best of my belief he paid or forwarded to me the dividends thereon from time to time after the dividends had been declared.

About the end of December 1920 or early in 1921 I was informed by Reid that he had discussed with the General Manager of the State Smelters, Mr P.L. Goddard a proposal for giving the Government an option over the assets of the newly formed Mungana Mines Limited, which had acquired the assets of the Syndicate. Reid told me that he had by letter in that month given the General Manager a firm offer for thirty days of purchasing the Company’s assets for £40,000 upon certain terms.

This offer was not accepted. Options on somewhat similar general lines were granted to the Government by agreements dated the 18th January 1920 and 4th June 1921.

The latter agreement provided for the Government to work the mines on tribute on a royalty basis with the right of purchase for £40,000.

Of the purchase price, £10,000 was payable in cash on the exercise of the option, after deducting any royalties then already paid by the Government and also the amount with interest advanced by the Mines Department for developmental work. The balance £30,000 was to be paid by way of royalty as the ore was produced, at the rate of 4% on the gross value of the metal contents of the ore, where such value did not exceed £5 per ton; and at the rate of 5% where the ore was of a higher grade.

Shortly after the commencement of the negotiations for the option of purchase by the government of the Mungana Mines the Department of Mines caused the Mungana leases to be inspected by its geologist, Mr. E.C. St. Smith and also by Mr. Horsley, Inspector of Mines. Their reports were favourable and were available when the option was granted to the State Smelters in 1921.

I disclosed to the Cabinet, of which I was then a member, that I was largely interested in the Company which owned the properties, and had been a member of the syndicate since 1917 and I strongly supported a proposal to obtain an independent report from a first class mining engineer. Later on, Mr. Poole, a member of the firm of Messrs. Julius Poole and Gibson of Sydney was, without reference to me, engaged by the Government to inspect and report on the property. I took no part in the selection of Mr. Poole and had no discussion or communication with him, either directly or indirectly regarding his inspection or report. Mr Poole had managed several large mining properties and was a mining engineer of high repute, and of undoubted integrity. His report to the Minister for Mines, which is dated the 27th January 1922 strongly recommended the Government to purchase the property.
I did not make any use of my position as a Minister to induce the Government to purchase the property, nor did I endeavor to influence any member of the Government or any of its officers to that end.

From the reports of the Government’s own officials and that of the independent expert employed, it appeared a good financial proposition for the Government to purchase the property.

Before deciding to purchase the Government worked the properties on tribute for upwards of one year.

After full consideration of all the circumstances, the Government decided to exercise its option of purchase, and accordingly entered into an agreement of purchase with Mungana Mines Limited on the 25th March 1922. I took no part whatever in this decision. Payments of purchase money in accordance with terms of the agreement were, from time to time, made by the Smelters to the Company. In the financial year 1924-5, the sum of £14,642 still remained unpaid by the Smelters on account of purchase money. This balance was paid in full although there would under the agreement, have been payable in that year by way of royalty the sum of £6,422. This payment was made on the recommendation of the General Manager of the Smelters, and approved of by the Minister for Mines without any suggestion on my part, and I disclaim all responsibility therefor.

From the time the Government first worked the Mungana Leases on tribute in 1921, until the State Smelters closed down the gross value of the ore obtained by the Government from the leases probably amounted to upwards of £500,000.

After the sale of its assets, dividends were from time to time declared and paid by Mungana Mines Limited. Income Tax, amounting to £4680 was paid by the Company upon the net profits made by it on the sale of its assets, and after payment of all charges, liquidation expenses, etc. the balance available was, I understood, distributed amongst the shareholders of the Company by way of dividend.

The dividends so received by me direct from the Company, amounted approximately to £2400, and by my three sisters as my nominees approximately to £8187. Reid also personally paid to me approximately £2740 being the dividends on 900 of the 523 shares which I mentioned above as being in dispute. My sisters duly accounted to me for the dividends they received, so that the dividends received by me from all sources for my interest in the company were approximately £13,327.

In conclusion I desire to draw attention to the staleness of the matters under consideration so far as I am concerned therein. They have been mentioned in Parliament in various sessions from 1922 to 1929 inclusive, and in the elections of 1926 my admitted ownership of an interest in the Mungana Mines Limited was made an issue of the campaign. Notwithstanding this, I
received the largest majority ever obtained in my electorate, and in addition the party I had the honor to lead won 43 out of 72 seats contested.

My health has caused me considerable anxiety during the last few years, and a constitutional weakness had been aggravated by the strain of controlling a Government during very difficult times. I shall, therefore, not be in attendance at the inquiry.

One of the matters into which the Commission is to enquire is, as to whether any of the many transactions mentioned in the Commission was “inexpedient in the public interests.” This would involve an inquiry into the policy of the Government (of which I was a member) irrespective of any question of impropriety. Such an inquiry is without precedent. This gives the inquiry a strong political complexion – its main purpose appears to me to be, not so much the elucidation of facts (most of which are already known to the public) as to besmirch me for political purposes. I, therefore, regret the less my inability to attend the Commission.

Dated at Sydney the 28th day of April 1930.

WM. McCormack

(Re-typed in April 2014 from “Mungana Papers” supplied in June 2010 by KH Kennedy. No amendment has been made to obvious grammatical or spelling errors, which could have occurred either in McCormack’s original statement or its later transcription.)
# EXTRACTS FROM “McCORMACK PAPERS”

<table>
<thead>
<tr>
<th>Date</th>
<th>Correspondence</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 May</td>
<td>V Macrossan to W McCormack</td>
<td>353-54</td>
</tr>
<tr>
<td>3 May</td>
<td>W McCormack to V Macrossan</td>
<td>355</td>
</tr>
<tr>
<td>5 May</td>
<td>W McCormack to V Macrossan</td>
<td>356</td>
</tr>
<tr>
<td>7 May</td>
<td>V Macrossan to W McCormack</td>
<td>357-58</td>
</tr>
<tr>
<td>13 May</td>
<td>V Macrossan to W McCormack</td>
<td>359</td>
</tr>
<tr>
<td>17 May</td>
<td>V Macrossan to W McCormack</td>
<td>360-61</td>
</tr>
<tr>
<td>22 May</td>
<td>V Macrossan to W McCormack</td>
<td>362</td>
</tr>
<tr>
<td>29 May</td>
<td>V Macrossan to W McCormack</td>
<td>363-65</td>
</tr>
<tr>
<td>4 June</td>
<td>W McCormack to V Macrossan</td>
<td>366-67</td>
</tr>
<tr>
<td>6 June</td>
<td>V Macrossan to W McCormack</td>
<td>368-69</td>
</tr>
<tr>
<td>14 July</td>
<td>W McCormack to V Macrossan</td>
<td>370</td>
</tr>
<tr>
<td>17 July</td>
<td>V Macrossan to W McCormack</td>
<td>371-72</td>
</tr>
<tr>
<td>18 July</td>
<td>W McCormack to V Macrossan</td>
<td>373</td>
</tr>
<tr>
<td>21 July</td>
<td>V Macrossan to W McCormack</td>
<td>374</td>
</tr>
<tr>
<td>24 July</td>
<td>V Macrossan to W McCormack</td>
<td>375</td>
</tr>
<tr>
<td>29 July</td>
<td>W McCormack to V Macrossan</td>
<td>376</td>
</tr>
<tr>
<td>30 July</td>
<td>V Macrossan to W McCormack</td>
<td>377-78</td>
</tr>
<tr>
<td>6 August</td>
<td>W McCormack to V Macrossan</td>
<td>379</td>
</tr>
<tr>
<td>19 August</td>
<td>W McCormack to V Macrossan</td>
<td>380</td>
</tr>
<tr>
<td>30 August</td>
<td>W McCormack to V Macrossan</td>
<td>381</td>
</tr>
<tr>
<td>10 September</td>
<td>V Macrossan to W McCormack</td>
<td>382</td>
</tr>
</tbody>
</table>

(These letters were obtained by KH Kennedy as part of the preparation of his PhD thesis, The Public Life of William McCormack, in 1973 and made available to the author in June 2010)
Dear Mr McCormack,

I am trying my hand at typing as the office staff had left by the time I returned to the office. After the day’s proceedings at the Inquiry, both your Counsel and I had a conference which kept me late.

Talking on the phone this morning was unsatisfactory, so I have decided to drop you a private note.

I think that failure to produce a certificate will put you in a worse light than need be the case, and in a position you should endeavor to avoid. Its absence may be to our detriment when we apply for an injunction to restrain the Commr. from requiring and the Bank from producing a copy of your Bank A/c. It seems to me a Court would look with less favor on an applicant for an injunction who deliberately, and without apparent excuse refrains from attending the Commn than one who is prevented from attending by illness. Our position will be quite difficult enough, even if we have a certificate, and we cannot afford to do without anything that may aid us in our resistance to production of the A/c.

McGill quoted an unfortunate statement of yours reported in ‘Hansard’ that others held a larger interest in the syndicate than you, and relies upon that to show the necessity for investigating you’re a/c to see whether you in turn divided up the dividends you received, and if so with whom. He intends if possible to have the a/c produced.

Apparently no one here has been instructed on behalf of a “third party” to resist inspection of his a/c and production to the Commr. Of relevant cheques etc if they should be called for. This should I think receive immediate attention.

Govt. servants provide bundles of official docts. from various Depts. The Registrar in Bankruptcy refused to produce the exhibits put in on Reid’s examination without an order of a Judge, so the Crown have to apply for the order. The SP.J advised the Regr that Campbell’s subpoena was not sufficient for the purpose. It rather surprised Campbell.
McDiarmid produced a copy of the declaration of trust. It is dated January 1918. **McD, Reid, Goddard, and Dunlop agreed without demur to produce copies of their Bank a/cs subject to the Crown paying the cost.** Goddard the first witness of importance only really commenced about 3 p.m. Most of his evidence will not concern us, but apparently we have to sit thro’ it. **He said Reid promised him shares prior to the conversion of the syndicate into a Coy. & that Reid stated the other person interested – you – would be made to contribute half of the £1250.**

Monday will be a holiday for Labour Day, so there will be no sittings on that day.

I hope on reconsideration you will make a further effort to obtain a cert. and forward it in time for use on Tuesday.

Yours faithfully,

VM
Hotel Windsor,

May 3rd, 1930.

Dear Mr Macrossan,

Yours to hand and noted. Re certificate, I cannot get a suitable one for general health reasons without undergoing a very rigid examination for some days. Then the M.D. may not be satisfied until a week’s observation in hospital so that makes it impossible. I will go through with it next week but that will be of little use to you I am still not disposed to allow McGill to broadcast my disability and I would willingly face any situation rather than that. If you and counsel think it inadvisable to seek an injunction without the certificate you have my authority to act as you think best under the circumstances.

My statement re other interests was made in the House and was meant to express the opinion that Reid had a number of people in the syndicate besides himself. The list of shareholders that appeared and were given shares for nothing led me to believe that others were in the syndicate on the Reid side. I think Reid told me at a later stage that there were a number of people who helped him.

The other matter mentioned by you has been attended to It would appear that the Commissioner will give the necessary instruction re my banking account. If he does, keep a close note of what is done and how the investigation is conducted. After they have done their damndest I may then be able to go to Brisbane and give evidence. The investigation may cause inferences to be drawn that I can explode but everything depends upon the inferences. I don’t desire to say any more at present on this matter.

I read McGill’s address and it reads like a critic in a political campaign. He is wrong when he says that I put no money into the concern. The books will show otherwise. The £100 he mentions was the Solicitors fees. I paid them and got a refund from the Company. That was years after the syndicate had been formed.

Yrs etc.

W. McCormack
Dear Mr. Macrossan,

I have your letter and noted contents. The suggestion to use the Bankruptcy case as a means of compelling me to come to Brisbane seems to be an abuse of the Court and surely the Courts would not allow such an action. I saw Evatt today and he is of opinion that the Bankruptcy Court would not be a party to doing so. He stated that a subpoena not issued bona-fide for the purpose of obtaining evidence relevant may be set aside. He asked that you look up the case Rex V Baines, 1909.1. Kings Bench 258.

I had been in Brisbane for 3 months and no action was taken to get my evidence and now action is taken for quite another purpose sudden attempt to re-open. The case would have to be again listed. However you will know the necessary action to take to prevent the use of the Bkty case for securing my presence at a different case. I am having a bad time and sleeplessness has again got me badly. The strain is a bit heavy and I keep getting new shocks such as this one. However I am not too bad but will probably finish up in Hospital and then may not care who wins the boat race. You do not mention anything about my statement. I expect you have been given no opportunity of getting it in.

In regard to continuing at the Commission I would suggest that you remain during the Brisbane sittings now that you have started. Two weeks should see you out or three at the most. You have to pay £10.10 per day after for Counsel. It’s a bit hot but no doubt he is away from other work. Anyway I must leave that in your hands but no purpose will be served in going to Cairns with the Commission. That is obvious now.

Certificates will probably be available when it is too late but I am doing my best in that way. Continue to address letters to same address. I may be in hospital but they will reach me.

Yours faithfully,

W. McCormack
The Hon. Wm. McCormack,
Hotel Windsor,
SYDNEY. N.S.W.

Dear Mr. McCormack,

Goddard finished his evidence today. Pending receipt of copies of his banking account, etc from the North when he will be further examined. St. Smith gave evidence in support to some extent of his valuation of the Mungana Mines before they were purchased by the Government. Reid was about half an hour in the box this afternoon. He will probably be there for days.

Mr. Fahey considers that a favourable opportunity has not yet presented itself to tender your statement.

The main matter concerning us in to-day’s proceedings was argument re the production by the Bank of copies of your account with relative cheques, deposit slips, etc. Yesterday a subpoena was served upon the Bank Manager. Copy is enclosed. The Bank referred the question of its position to its Solicitors, Messes, Feez Ruthning & Co. who took P.B. Macregor’s advice. This afternoon Macgregor attended before the Commissioner and expressed willingness to do as required by the Subpoena. Notwithstanding opposition by Fahey Campbell made an Order for compliance with the Subpoena. We were rather disappointed with MacGregor’s attitude and expected him to emphasise the fact that the Bank would not comply with the subpoena unless ordered to do so and it was clear that the Order was warranted in law. Macgregor stated that from the Bank’s instructions it appeared it would take about a week to have in readiness the material the commissioner requires. A cutting from this afternoon’s Telegraph of the day’s proceedings is enclosed. It gives some idea of what occurred, although it is far from being a full report. Mr. Fahey has drafted out roughly what he thinks we should claim if we apply to the Supreme Court for an Injunction. A copy of the draft is enclosed. Fahey personally thinks the result of our proposed application, if made, would not be satisfactory from our point of view and that owing to the amendments made in the official Inquiries Act of last year, of which you have a copy, the relevant material in the Bank’s possession will eventually be forthcoming. However, I told him that it was practically decided then in Sydney to apply to the Court to restrain the inspection and production. We shall, therefore, apply unless you wire me to the contrary. I should like to obtain your instructions by urgent wire by say 1 pm. Friday if practicable, and at all events at your earliest convenience as we cannot, of course, be sure that the Bank will take a week to procure the necessary material.

Before incurring the expense of applying for an injunction perhaps you may desire to discuss the position with Dr. Evatt. With regard to a customer’s right to the preservation of secrecy by the Bank in relation to the customer’s account reference may be made to Tournier V. National provincial Bank of England, (1924) I K.B. 481 (C.A.)

The only High Court decisions we have so far discovered relating to the powers of royal commissions are Clough V. Lahey 2 C.L.R. 139 and A.B. for Commonwealth V. CS.R. Co. 15 C.L.R. 182. The latter decision turned on a constitutional question but we do not see that any constitutional question arises in this case as the State legislature appears to be within its constitutional powers in passing
the Official Inquiries Acts. Your now being a resident in another State does not appear to make any difference.

Fahey thinks we should join the Bank as a defendant in any application. This would, of course increase the costs in case of failure. If we are unsuccessful in Queensland it is not easy to see how we could get to the High Court in time to be of any use to prevent the production and inspection. Any comments or suggestions that Dr. Evatt may make will be appreciated. With regard to the suggested move in the Bankruptcy proceedings – proof that the proceedings were not bona fide, but really only to secure your attendance at the Inquiry may present some difficulty, as the Trustee in the insolvency would no doubt proceed with your examination in bankruptcy if he applied for and obtained an Order.

I can quite understand the great strain under which you must at present be laboring as it must be an anxious time.

I am writing this letter rather hurriedly, after my return from attendance at the Inquiry, but trust it will be sufficient to keep you advised as to the present position.

Yours faithfully,

VM
The Hon. Wm. McCormack, 13th May 1930
Hotel Windsor,
SYDNEY.

Dear Mr. McCormack,

Re Inquiry

Mr. Jones completed his evidence this afternoon. Although at certain stages he was not very convincing on the whole he acquitted himself far better than I expected.

Your three sisters were called and gave evidence to the effect that they held shares as your nominees and handed to you the cheques received in respect of the dividends declared. I had them excused from further attendance so that one of them should be at liberty to proceed to Sydney.

Marshall, the former Under Secretary for Mines was in the box for about an hour before the Court adjourned. His is quite emphatic on the point that Reid’s application for the Lady Jane and Girofla Leases were dealt with entirely on their merits.

The court adjourned this afternoon until Friday morning. To-morrow our formal application for extension of the Injunction will be heard. Mr. Justice Douglas intends to refer it to the Full Court on Thursday next. It is understood the Court will consist of Webb, Henchman and Douglas JJ. Henchman will, I think, start off with a strong prejudice against us as he exercised, during the Racing Inquiry, the powers now claimed by Campbell.

The Bank’s Solicitor informed me to-day that it does not intend to appear on the application but will leave to the Crown the duty of showing that the Bank is compelled at law to produce the documents mentioned in the Subpoena and otherwise to comply therewith. I told the Bank’s Solicitor that I considered the attitude its representative had adopted before the Commissioner on Wednesday last left much to be desired, as its counsel showed an all too ready willingness to comply with the subpoena.

If it could be successfully contended that the Bank Manager who has been subpoenaed to produce certain documents has not the control of them, but that such control is in the hands of the Directors of the Bank, all of whom reside out of jurisdiction, our position would be strengthened.
During the day heard privately the disquieting news that four or five cheques on the account with the bank of N.S.W. amounting in all to about £3000 were, shortly after receipt of dividends, drawn in favour of a third party whose name appears on the actual cheques.

If this information is known to the Crown, and perhaps it is, a subpoena could be issued specifying the relevant cheques required to be produced or at all events they could be indicated in sufficiently general terms to identify them. In this event it would be hard to resist compliance with the Subpoena. However, we can only await results.

Yours faithfully,

VM

17th May 1930

Hon. Wm. McCormack Esq.,
Hotel Windsor,
SYDNEY.

Dear Mr. McCormack,

Re Inquiry

Mr D.J. O’Mara, who has been taking an interest in the proceedings on behalf of an undisclosed principal, suggested to our counsel, Mr. Fahey, that if the Full Court’s decision should go against us, that we should apply for leave to apply to the High Court, and that his principal would, he thought, be prepared to pay the cost of such appeal. Perhaps you could ascertain the foundation, if any for the suggestion, and wire instructions.

An appeal to the High Court would be too late for our purposes, unless the Full Court is prepared to continue the injunction pending a decision of the High Court. We would, of course, undertake to prosecute the appeal without delay, say, within a specified time or advise the Full Court immediately should it be decided not to proceed with the appeal. Before we could specify a time we would need to know the probable movements of the High Court, that is at what place an application could be made. Would you please ascertain the position from Dr. Evatt and wire me early on Monday. Whether I hear from you or not in the meantime, we shall, in order to give you time to consider the position, apply to the Full Court on the lines mentioned in this paragraph, should its decision be unfavourable.

I saw by the “Courier” this morning that our friend Campbell, intends leaving here for the North on Monday, 26th inst. to continue the hearing at Chillagoe. An appeal, therefore, to the Court, would not inconvenience the Commission to any great extent, as it is sure to be absent in the North for the best of a fortnight. On speaking to McGill yesterday afternoon he stated it had not then been decided whether Campbell would go to Chillagoe or not. Apparently he then came to a quick decision shortly after his conversation with me.
I do not think the expense entailed would justify your being represented by counsel. I have not heard whether Mr. Real will accompany the Commission, North. If you so think fit, it could no doubt be arranged that one of the local Solicitors in Cairns should attend the Commission to watch the proceedings on your behalf and put in an occasional word of wisdom for your benefit.

Campbell is, I understand, a bit put out at the interruption to his proceedings. He gets 30 guineas for each day he sits and only 5 guineas on other days, but he will make up the lost time later. It’s a pity he doesn’t take the huff properly and return home permanently.

With regard to your proposed attendance before the Commission – Campbell’s attitude, as occasionally displayed, appears to me to indicate that you already stand condemned, and possibly did so before he entered upon the Inquiry. Nothing you can say will, I think, be likely to alter his views. Explanations from you at this stage, no matter how strictly in accordance with fact, will not, I think, be accepted by him. Your attendance before the Commissioner would give your political opponents an opportunity they probably much desire of putting you in the pillory and subjecting you to unfair cross examination as Campbell is unlikely to endeavor to protect you.

A.J. Jones has sworn that you told your colleagues in the Government of your interest in the leases, that you urged the Government should not act on its own officials’ opinion, but should obtain the advice of an independent expert. Marshall’s evidence, so far, indicates that in his opinion, there was nothing unfair or underhand in refusing the application of the former lessees for re-instatement when they offered the rent overdue, in fact that the government had no option in the matter, and also that no favour was shown to Reid in granting his application. I have arranged for an interview with Marshall early on Monday morning to discuss his further evidence with him.

The evidence above mentioned, coming from them, is of more weight than if it came from you as they are not personally interested in the transaction and I do not see how you can improve upon it nor how you can make the transaction appear in a better light than it does at present.

Yours faithfully,

VM
22\textsuperscript{nd} May 1930

Hon. W. McCormack Esq.,
Hotel Windsor,
Castlereagh Street,
SYDNEY

Dear Mr. McCormack,

Re Inquiry

I received, this morning, your letter of the 20\textsuperscript{th} inst. and note that if the Full Court’s decision is adverse you desire us to appeal to the High Court. I have informed Mr. Fahey accordingly and have asked him to be prepared with the necessary request for the continuation of the Injunction whether we wholly fail or partially succeed so that we may, if possible, have a decision which will be of use in interpreting the sections relating to the commissioner’s powers.

The Inquiry was adjourned this morning about 12.45, sine die.

The Commissioner intends to proceed to Chillagoe to examine witnesses and expects to be absent for at least a couple of weeks.

If the decision of the Full Court is given to-morrow, or at an early date, this would enable us to obtain an expression of opinion from the high court in time to prevent the Bank manager from giving evidence, even if the Full Court declines to protect your interests by giving the Injunction pending the obtaining of the High court’s decision.

I was interested to read the probable explanation of the attitude of ever ready acquiescence adopted by the Bank on the application for production of the cheques, banking account, etc.
I have an uneasy feeling – perhaps I am wrong and I hope so – that the Crown might know what the Bank’s recent search for cheques, etc. disclosed. If my surmise is correct and Crown decided to make use of the information available it could overcome the difficulties we have raised by calling for specified cheques, etc. If it adopts this course, it would I think, be impossible to resist it.

Mr Fahey has thought it advisable up to the present, not to present your statement. When we know the result of the Commissioner’s investigations in the North the matter of presenting the statement will receive further considerations.

Yours faithfully,

VM
29th May 1930.

Hon. Wm. McCormack,
Hotel Windsor,
Castlereagh Street,
SYDNEY

Dear Mr. McCormack,

The particulars of the cheques drawn on your bank account and the deposit slips, production of which the Commissioner has required, have now been prepared. Time has not permitted of my going through them in much detail as the clerks have only just finished the work and I was anxious to post them by first mail.

I thought it better to have particulars of all the cheques and slips as in the event of your giving evidence Campbell may ask about any of them and it is well to be prepared.

I am enclosing herewith copies of:-

(a) The particulars abovementioned.
(b) An extract which shows the entries that appear to me to concern F. Reid, Mungana Mines Limited and Mr. Theodore.
(c) An additional copy of the extract for Mr. Theodore’s use in case you think it advisable to hand it to him.
(d) Your statement as finally revised.

Comment on the particulars does not appear to be necessary.

I do not know whether the Commissioner will allow Mr. Fahey or myself to go through the cheques etc. on your behalf with him so as to restrict publicity to those that really concern the matters in question. At all events we shall suggest this if you are not in attendance to make the suggestion yourself. In the meantime you might let me have any comment on the accounts that you think will be of assistance, particularly in regard to any cheques given to Politicians, and where any considerable sum has been drawn in cash, the reason therefor if you can at this late date remember.

If Mr. Theodore decides to attend he may desire to confer with some Counsel before giving evidence. As long as there is no conflict of interest between you and himself – and I do not know of any – there would seem to be no reason why he should not confer with Mr. Fahey and myself. He could not very well identify himself with the parties who are represented by Mr. Real although if he desires to confer with Mr. Real there will be no difficulty in arranging a conference. It seems unnecessary to incur – formally represented before the Commissioner an interview with Mr. Fahey beforehand should be helpful. It would also be an additional reason in support of a request for a contribution towards your costs. This is merely a suggestion for your consideration.

I am sending the copy of the statement in case you decide to give evidence. In that event it would be necessary to go into the matter in more detail and for you to read through the copy of the transcript of the shorthand notes of the evidence of the other witnesses. It would also be helpful for Mr. Theodore to
do likewise. A copy is available here; if you so desire it could be forwarded to you but we shall require it here again when the Commission resumes.

I have had several chats with Reid during the course of the proceedings since the first one in my office on the 28th ultimo. He seems unfavourably disposed towards yourself for some reason or other but more favourable to Mr. Theodore. Reid said if asked any questions regarding the non-registration of the Declaration of Trust he would say you kept the original and handed a duplicate only to him and asked him not to register it. The copy in McDiarmid’s possession is dated January 1918 so that is why the cheques etc. requested by Campbell are from 1918 onwards.

With regard to Mangan’s shares Reid is also at variance with your statement. I pointed out to him

(a) Goddard’s evidence was that Reid when informing him of his intention to present the shares to Goddard when the syndicate was floated into a company told him (Goddard) he would make the other party with him (meaning you) contribute half of the gift that Goddard thought at that time no arrangement had been made by Reid with the other party.

(b) That there was no necessity to make any presents of shares to any person in order to effect the sale as the Government appeared anxious to make the purchase.

(c) Reid had installed in the Mines a quantity of his own machinery an accumulation of years, the value of which was considerable but had never been determined, which would account for his retaining more than half the shares in the company.

These things appear to me to afford some corroboration of your statement that you did not know of the gift until after it had been made and then expressed strong disapproval of it, and that as Reid mad made the greater contribution in value to the Syndicate he had claimed and retained extra shares and you were not in a position to contest the matter with him but had been forced to contend yourself with registering a protest against his action.

After one of my conversations with Reid he had a word with Mr. Fahey and told him he thought he would be able to put the transaction in a more favourable light but subsequently said he had given his version in the bankruptcy case and partly in the present proceedings and could not depart from it. At one of the interviews Reid said he did not wish to have the machinery question raised in these proceedings and that he had short paid you about £200.00 in the dividends on the 900 shares held for you in his name and this squared off the value of the machinery. I pointed out to him that the value of the machinery was much more than that amount and the retention of it could not equalize the deficiency in your contributions to the Syndicate. By expressing himself as being under the impression that you did not contribute more than a few pounds to the Syndicate. Reid said that if questioned on the point he would say that you approved of a gift of shares to Mangan before they were actually given and the only dispute was as to the number of shares. He is disgruntled and appears unreliable.

I heard the Commissioner decided to go North because some valuable information was available there. I do not see that it can concern our side of the case.

I suppose you will discuss the matter with Dr. Evatt and make up your mind in a few days whether any advantage is to be gained by your giving evidence.
I have drawn attention of the extracts to the apparent deficiency in the receipts from Reid and Mungana Mines limited respectively. **You do not appear to have paid away to Mr. Theodore half your receipts from the Company (£10215/10/4) and Reid (£3660/9/8).** He appears to have received £6418/18/10 whereas his half would be £6938. Perhaps the cash items in the account make up some part of the deficiency and exchange may account for a small further amount.

**You will note on the last sheet of your statement we inserted £13,327 as approximately the total dividend received from Reid and the Company after the sale to the Government.** I can only trace £12,376.

The most satisfactory feature that a cursory glance through the account discloses is that you seem to show a profit on your transactions with the agents of the turf.

Yours faithfully,

VM
Dear Mr. Macrossan,

I have to acknowledge your letter together with the bank material giving particulars of my transactions for a period of eight years ending December 1925. I knew that some crossed cheques had been paid but I was surprised to see that all had been crossed except the £1600 one and the three that had been cashed. The £1600 passed through his bank account and the three amounts of £760, £100, and £140, were cashed.

The two cheques of £236-8-0 and £270, which appear in the list of dividends paid by the Company did not pass through my Banking a/c. They were paid to Reid in Chillagoe and used by him on our behalf in the purchase of a tin proposition known as the Marvel Tin Mine. I had forgotten this matter but was reminded here by ---------- when going over the amounts. A separate memo is enclosed explaining this. I also enclose a note re Reid’s under payment for dividends on the 900 shares held by him for me.

I am enclosing a detailed explanation of all my cheques and of Cash Deposits. The other deposits explain themselves. It is impossible at this late date to give you particulars of all the small amounts but I have been able to do so with the larger amounts. However I am of the opinion that the Commissioner will not be so interested in the amount I can explain as the cheques that I offer no explanation about except that I paid them to Theodore.

At the present time I have no intention of going up to give evidence. The other party has not yet informed me as to when he is going and if so what explanation he is going to give. If he does decide to go I will suggest that he may as well get the services of yourself and Counsel as you have all the details.

With regard to explaining my banking account to the Commissioner I am of the opinion that you must either explain all the details or none of them. It would be useless to explain every detail outside the cheques to Theodore and then refuse to explain the only ones that are apparently relevant to the inquiry.

You may consider it advisable to explain all other matters and say that you have no information as to why these amounts were paid to Theodore. I am in a difficult position in regard to this question and will try and have a yarn with you over the phone on Saturday night. You will understand my difficulty until I know exactly what he is going to do.
Usually Counsel is not allowed to be present to examine banking accounts but my absence complicates this attitude. You should object most strongly to McGill being present and if necessary point out that he is the Head of the Nat. Pol. Organization.

Comment re turf agents is not quite correct. All their cheques appear but many of mine do not appear as payable to them but the cash may have reached them. However some of the cash deposits were from racing so if I squared the ledger I am satisfied. I cannot say that I lost a great deal to them and if I go insolvent I will not be able to blame the books.

One item £650 explained as being paid to Blocksidge and Ferguson for purchase of my house is not the full purchase price. My Savings Bank a/c will show the balance as being paid by withdrawals from that source. One item – in deposits (a cheque from Beal I cannot recollect). He will give you the information when he looks it up.

Health is much better but lack of occupation after ten years of busy life is having a bad effect. Added to this is the strain inevitable under the circumstances, so you will understand I am still far from being my old self.

Drop a line before Saturday on the all important question as to whether you and Counsel consider you should appear and explain my banking affairs.

Yours faithfully,

(signed) W. McCormack

P.S. I don't think it advisable to put in any statement by me. The position has altered and at this stage no good purpose would be served.
6th June 1930.

The Hon. Wm. McCormack,
Hotel Windsor,
SYDNEY

Dear Mr. McCormack,

Re Inquiry

Your letter of the 4th inst. came to hand about 4p.m. yesterday but I was not able to get into touch with Mr. Fahey in time to let you have his views by to-day’s air mail.

I have since been through the material you forwarded and Mr. Fahey has done likewise.

I note your decision not to attend the Inquiry which seems the wisest course to adopt in the circumstances.

I also note your instructions to object to McGill going through the accounts, etc. Campbell will no doubt pick out from the recent judgment of the Full Court, of which you have a copy, such parts as best suit his own inclinations and act accordingly.

In order that transactions that are not relevant should not be made public it appears to Counsel and myself that we should offer to go through the cheques, deposits, etc. with the Commissioner. When the relevant ones have, to Campbell’s satisfaction, been picked out, we would intimate that we have no information to offer with regard thereto. Perhaps Campbell may decline our assistance and, of course, we cannot force it upon him.

If Theodore can satisfactorily explain the matter of his attendance, it would meet your purposes and his own, without the necessity of your attendance. If he can do this we shall be pleased to see him in attendance, but if not it would appear wiser to remain away. His failure to attend will not make the position worse and he will be spared some uncomfortable hours in the box.
If facts relating to the transaction are disclosed by means of cross examination the result would be more sensational than if Campbell merely comes to certain rather obvious conclusions by putting two and two together.

In addition to the Mungana transactions, explanations by Theodore are required in regard to some rather undesirable aspects of the dealings with the Argentum and Flourspar companies.

However, it seems to me that no explanations by yourself or Theodore can put the matter in a satisfactory light and any attempt to do the impossible will probably only result in further undesirable consequences. I think we must make up our minds that what can’t be cured must be endured. It would seem, therefore, that if Theodore’s political engagements should eventually prevent his being in attendance there should be no reason to regret the fact.

I understand privately from O’Mara, he has advised against the attendance.

I tried to get into touch with George Beal when I discovered the item relating to his own cheque but have not yet been able to do so. I was informed at his office some days ago that he was not expected to return until to-morrow.

Re Proposed ‘Phone conversation:- I shall not be at home to-morrow (Saturday) evening. I shall be available there on Sunday morning until 8.30 and on Sunday evening or on Monday morning until about 8.20. However, as we had no success at our last attempt to speak by telephone I am setting out my view rather plainly as so doing may obviate the necessity of speaking by ’phone.

I can well understand the difficulties that beset you at present.

The Inquiry should finish taking evidence during the coming week and the findings should not be long delayed thereafter so the end is pretty well in sight. There will be the usual nine days wonder and the public will then turn its attention to some other sensation. Once the strain is over you should quickly get back into your old form.

Yours faithfully,

VM

P.S. Since writing the above I have been informed by the Bank’s Solicitors that the Crown Solicitor has given notice that he requires the cheques, etc. to be produced on Monday next at 10 o’clock. I have heard unofficially, through the Justice Department, that it is likely Campbell will not take evidence on Monday or Tuesday next, but will be going through the documentary evidence, including the material from the Bank. All three counsel engaged on the Inquiry are engaged in certain High Court cases, which commences a Sittings here on Thursday next. They may, therefore, prevail on Campbell to adjourn the Inquiry during the Sittings of the Court, but at present there is no certainty of this being done.

VM
Dear Mr. Macrossan,

Statement of Accounts to hand and noted. The total costs appears to be about £1170. I am enclosing herewith a cheque for £200 as I have that amount immediately available in the Commonwealth Bank in Brisbane.

I have taken steps today to realise upon some Com. Stocks, and would be able to forward you the balance of £410 by this weekend. You will no doubt continue to act for me in case the Crown proceeds to indict.

Re Counsel I discussed the whole matter with Evatt and he is rather anxious to go up if the prosecution takes place. You might let me know what procedure is necessary to enable him to appear from another State. You could probably prepare the ground for such necessary action as he would go up at once. I am a little afraid of local Counsel and I certainly think timidity seems to be a strong point with both Real and Fahey. Perhaps they thought that the best policy but they did not know our friend Campbell.

Yours faithfully

(signed) W. McCormack
17th July 1930

The Hon Wm. McCormack,
Flat No. 10,
The Alexander,
Bayswater Road,
Darlinghurst,
SYDNEY N.S.W.
Dear Mr. McCormack,

Re Mungana

Contents of your letter of 14th inst. are noted. Formal receipt for the cheque is enclosed, with thanks.

I shall be pleased to act further for you should it be necessary.

In order to enable Dr. Evatt to appear on your behalf it would be necessary for him to be admitted as a Barrister in Queensland. The rules relating to admission of barristers appear in the Law almanac, of which I enclose a copy.

Dr. Evatt’s attention may be drawn to Rule 45, page 27. An admission fee is payable (See Rule 52 (ii), page 29). It is the same fee as is paid on the admission of a Queensland barrister in New South Wales. The Secretary to the Barristers Board is absent to-day, and I am, therefore, unable to ascertain the amount I think it is about 30 guineas. Dr. Evatt could get the information by inquiring in Sydney.

Application for admission may be made at any sitting of the Full court (See rule 48, page 28). The date of the sittings of the Full Court of the Criminal sittings in Brisbane for this year, appear on page 6.

The Full Court sittings always commence on a Tuesday and the Court also sits on the Friday following the first day of the sittings when admission may be moved.

The times mentioned in rule 45 may be abridged if the court or a Judge thinks fit and so orders.

You are no doubt aware that before a trial at a Criminal sitting, a hearing before a Police Magistrate takes place at which the Crown’s evidence is adduced.

It would not be necessary for Dr. Evatt to be present then, as it is merely a preliminary hearing and nothing much can be done before the Police Magistrate. The Police Magistrate commits the accused person for trial to the Criminal Sittings, if he considers the evidence discloses a prime facie case, that is discloses something which calls for an answer by the accused, otherwise he discharges him.

The evidence of the witnesses for the prosecution is taken down in writing and a copy thereof, free of charge, is handed to the accused person. A charge is made for copies of exhibits. After committal the Crown Prosecutor, and in cases of this nature, the Attorney General also would decide whether to present an indictment or not – what you probably know as filing a True Bill.
After the hearing in the Police court there would be time enough for you to decide whether Dr. Evatt’s attendance here would be required.

The earliest Sittings to which a committal could take place is fixed for the 15th September. As the nearest Full Court to that Sittings is fixed for the 2nd September, it would appear that Dr. Evatt would have to make two trips to Brisbane, one for admission and one on the trial. If he were present on the 2nd September or on Friday the 5th his admission could be moved. If he came returned by air he would lose but little time through his admission. There is, therefore, ample time to consider the pros and cons.

However, I still adhere to the opinion previously expressed, that a prosecution will not take place. The evidence available to the Commissioner will not be available before the Court, e.g. Reid could not be made to repeat his evidence that you concurred in the gift of shares to Goddard’s nominee, Mangan.

The evidence before the Commissioner is, I understand, still under consideration by the Crown Law Department and, no doubt, McGill as well.

I had a private interview this morning with O’Mara, in the course of which I was informed that my brother, Neal, has been retained on Theodore’s behalf.

I was told Theodore interviewed Moore and asked that the evidence given before the Commissioner should be reviewed by the Full Court. As there is no provision for this being done it would be necessary to introduce amending legislation if the request is granted. It is, I think, an unwise request as, if granted, all the evidence, including that which is inadmissible in Court of Law would be made available and the very best that could, I think, be hoped for would be a finding that certain persons were guilty of grave impropriety, at least.

It seems to me the best course is to press for a prosecution and have prayers said that the request be refused.

With regard to the cheques – I ascertained privately that they are still in the possession of the Crown in connection with the review of the evidence.

I suppose you noticed a defamatory article in last week’s issue of Smith’s Weekly. There is another in this week’s. It contains photographs of several of the relevant cheques, etc. in Theodore’s favour. The Crown Law Department confesses ignorance as to how the paper’s representative obtained access to the cheques and had photographs taken. Even if the cheques could now be obtained, the fact that there is a copy in existence would defeat the end I had in view.

Theodore has publicly confessed a desire of being given an opportunity of going into the box to give evidence before a Judicial Tribunal. In the event of a Criminal Prosecution his attendance in the box would not assist the defence.

I suppose it will be said the opportunity of gratifying his expressed desire now presents itself for he may institute proceedings against the newspaper for defamation and support his case by personally giving evidence to prove the untruth of the statements.

Yours faithfully, VM Encl.
10, Alexander,
Sydney
July 18th 1930.

Dear Mr. Macrossan,

Having completed the necessary financial arrangements to meet the cost of the Inquiry I am forwarding herewith cheque for the outstanding balance due to you of £410-0-0. The cheque is made payable to you personally but I suppose it makes no difference as he work has been performed by you and not by the firm.

Your remarks re Evatt noted. The matter can rest now until definite information is available re a prosecution. I can then get him to make the necessary arrangements if he will go. The circumstances outlined in your letter may alter his willingness as he thought one trip would accomplish the admission and then he could appear in the case. However, I will pass along the information. He is still away on vacation.

I have no knowledge of the actions of the other party as he did not consult me. I agree with you that the matter has now ended and the Crown will not risk the advantage gained politically by prosecuting unless they are sure of a win.

It is most unsatisfactory but it is politics.

Yours faithfully,

(signed) W. McCormack
21st July 1930.

The Hon. Wm. McCormack,
Flat No. 10,
The Alexander,
Bayswater Road,
Darlinghurst, 
SYDNEY. N.S.W.

Dear Mr. McCormack,

Re Inquiry

I have to acknowledge receipt of your letter of the 18th inst, enclosing cheque for £410.0.0 for
which I have to thank you. Formal receipt therefor is enclosed.

I was informed privately that the question of instituting criminal proceedings had been referred by
the Crown to Percy Hart for his opinion. If this is correct it will be a long time before we know the result
as his is very slow.

In ordinary Civil proceedings, e.g. for the recovery of a sum of money due as a debt, or by
way of damages, the issues are decided according to the weight of evidence produced by both sides;
but in Criminal cases the rule of law is, that the prosecution is required to prove the charge against
the accused person beyond all reasonable doubt. Quite frequently this case cannot be discharged
and so prosecutions are nipped before they have time to even bud. As it seems to me a hopeless task
in this case I shall be surprised if the Crown decides to launch a prosecution.

I shall keep you posted with any information that comes my way. As you say the position is
unsatisfactory.

In Saturday’s “Courier” a paragraph appeared to the effect that Theodore had a brief interview
with the Premier and the Attorney General and that Theodore subsequently stated that he had arranged for
a further conference on Monday afternoon when he had been promised a definite decision would be
made.

Premier wrote Theodore a private note this morning stating that the matter had now been
considered by Counsel who was working on the matter in seclusion and he hoped to be able to announce
the decision shortly. Percy Hart has not been in his chambers all day which points to the conclusion that
the rumour that his is being employed by the Crown is not without foundation.
Yours faithfully,

VM

VM/ERM

24TH July 1930.

Hon. Wm. McCormack,
No. 10 the Alexander,
Bayswater Road,
Darlinghurst,
SYDNEY.

Dear Mr. McCormack,

Re Mungana

I am enclosing a cutting from this morning’s Courier in which it is stated that the premier has decided that if a criminal prosecution does not lie, Civil proceedings will be instituted against Mr. Theodore for the recovery of the amount that he is alleged to have received from the transaction.

Mr. Theodore called upon me yesterday and let me know the result of his interviews with the premier. He has pressed strongly for Civil proceedings to be instituted in the event of the Crown deciding not to prosecute and not acceding to his alternative request to refer the matter to the local Full Court. Mr. Theodore expressed his intention of giving evidence on his own behalf. He believes that he can convince any unprejudiced jury that he had no interest in the Mungana Mines and received none of the proceeds of sale.

Owing to the difference in the rule of law relating to proof in Civil as compared with Criminal matters, to which I referred in my letter of the 21" instant, it appears to me Civil proceedings would lighten the difficulties of the Crown and correspondingly increase Mr. Theodore’s burdens as compared with the position in the event of a prosecution being instituted.

You will remember that the government announced at the beginning of the year that it could not very well ask any of the Queensland Judges to act as Commissioner. No doubt the same objection would apply in the case of Civil proceedings in this State.

By Section 75 (IV) of the Commonwealth Constitution an action between a State and resident of another State may be tried in the High Court. I therefore suggested to the Solicitor previously mentioned that he should draw Mr. Theodore’s attention to this for his consideration so that if he approves he may request the premier to institute the proceedings in the High Court. In that Court
he would certainly have a greater choice of counsel as the leading Counsel of all the States practice in it.

Mr Theodore intends leaving for the South tomorrow so perhaps you may hear from him on his return.

Yours faithfully,

VM

No. 10 Alexander,
Bayswater Rd.
July 29th 1930

Personal

Dear Mr Macrossan,

Latest advices are to the effect that the Government proposes to proceed by writ against Theodore for damages or compensation. At the present time no one seems to know exactly how proceedings are to be instituted and it seems difficult to see how they propose to act. Moore states that no further action is contemplated against myself. I have that from one of the persons attending the sugar conference at Canberra. In effect he states that Theodore is asking for action and as no one else asks for it he is not concerned with doing anything. It is all very interesting but unsatisfactory.

I have not consulted Evatt so far as I have nothing to submit. He returned from the Mountains on Saturday last and he wonders how action is to be taken against Theodore.

I am proposing to give up the Flat here and intend visiting the Northern Rivers for a week or so. I will keep you informed of my whereabouts in case any action on my part is necessary. I suppose that I would be a witness in a case against Theodore and if so I may have to wait around for a time. I must do something to occupy myself with and will not hang on unless compelled to.

My address will be here until Friday next.

Yours faithfully,

W. McCormack
Hon. Wm. McCormack,  
Flat No. 10,  
The Alexander,  
Bayswater Road,  
Darlinghurst,  
SYDNEY. N.S.W.

Dear Mr. McCormack,

Re Mungana

Your letter of the 29th inst. arrived this afternoon. In to-day’s “Courier” an announcement was made that Hart had advised against a prosecution and that the Premier had stated Civil proceedings would be commenced against Mr. Theodore. No information is given as to how the claim for return of the money alleged to have been received by him is to be framed and I have heard nothing on the subject. However, on the assumption that Theodore’s statement in the House that he had no interest in the mines, is correct, it appears to me the most likely basis, if Theodore alone is to be sued, would be to claim that the moneys paid by you to him were in the nature of a bribe or secret commission or profit, received by him in breach of his duties as a member of the government and its agent for the purposes of the sale.

It is a well known rule of law that an agent must not, without the knowledge of the principal – in this case the government – acquire any profit or benefit from his agency, other than that contemplated y the principal. The rule applies in spite of the fact that the agent has done his best under the circumstances, or that the principal has, in fact received the benefit the principal contemplated from the transaction.

I noticed in the “Daily Mail” last week a report of a statement alleged to have been made by Dr Evatt that civil proceedings could not be taken against Mr. Theodore until after the criminal prosecution.
The rule which no doubt Dr. Evatt had in mind is that, where an injury amounts to an infringement of civil rights, and at the same time to a felony, the right of redress by action is suspended until the party inflicting the injury has been prosecuted and public justice thus vindicated. It appears to me the rule would not necessarily apply to proceedings on the lines above suggested and in any event it is not clear that it would apply to proceedings at the instance of the Crown. In one of the latest cases, of which I am aware, (Smith v Selwyn (1914) 3 K.B. 98 C.A.), it was stated it is in the power of the Court to grant a stay, and it is the duty of the Court to consider in each case, whether in the circumstances, it will grant a stay, where it sees the claim is based upon a felony alleged to have been committed by the defendant. The rule was also considered in Tyler & Sons v. Cork City council (1921) 2 I.H. 8 C.A.). In the present case it is admitted that the evidence available does not warrant a prosecution and Mr. Theodore has personally requested, in consequence, that civil proceedings should be instituted against him. He, therefore, could not very well raise the point now on his own behalf.

I understand that Mr. Theodore claims that the moneys paid to him had no reference to any interest of his in the mines, but for the most part represented the price of various shares purchased by you from him from time to time and also certain advances by you to him for election expenses and other political purposes. In order to substantiate a defence of this kind it would appear that your evidence would be essential for Mr. Theodore’s case. However, we shall no doubt hear more anon.

As you propose visiting the Northern Rivers shortly possibly you may extend the trip to Brisbane and if so I shall no doubt see you then.

The next Civil Sittings is fixed for the 8th Sept. next, but it appears unlikely that an action could be brought on in that time. The following sittings here will be on 10th November, before Mr. Justice Webb. On the other hand it is possible, as mentioned in a previous letter, to have the proceedings in the High court. This will, of course, be a matter for the State Government’s own decision.

Yours faithfully,
VM
Dear Mr. Macrossan,

I have your letter of even date and have noted the matters mentioned therein. I suppose we will now have to await the Attorney General’s pleasure.

It is not yet apparent how or who they propose to take action against. I fancy they will take it against all parties mentioned unless they adopt the course mentioned by you. The opinion published in the papers did not come from Dr. Evatt but was an interview given by his younger brother. The Dr. agrees that action may be taken by the Crown even though the time ordinarily accepted at law has expired.

**If action is taken against Theodore by himself in the first instance Evatt will appear for him in conjunction with someone in Brisbane. In the event of this course being adopted I would appear as a witness and would probably then have to fight the case again on my own behalf if they succeed against him.** My visit to the Northern Rivers was in connection with a desire to purchase a place that is for sale but I am not sure what to do in the matter until I know how things go. However I will surely be in Brisbane at an early date and we can then discuss the pro and cons of the probabilities.

Address letters to the above.

Yours faithfully,

W McCormack
Dear Mr. Macrossan,

I expected to be in Brisbane this week end but circumstances have arisen that will keep me here for a further ten days. I gather from the newspaper reports that the Crown Law Department and Hart are still engaged on the Mungana case but that no action will be taken until amending legislation has been passed by Parliament.

The serious financial position of Australia is over-shadowing all other things here and it is only a miracle that will prevent default in London. Niemeyer is not disposed to offer any solution other than stating the position. Scullin is breaking down under the strain and now feels the loss of Theodore. If Scullin leaves without some arrangement being made to meet the position there will be a panic in this state.

Should the Crown issue a writ against me before my return to Brisbane you may accept service on my behalf. I am not sure that I advised you previously on this matter.

Yours faithfully,

W. McCormack
August 30th 1930

Dear Mr. Macrossan,

I have your letter together with the copy of the amending legislation now before the Queensland Parliament. The government apparently are going to remove any disabilities that may preclude it from having its revenge. I fully realize that the Crown can persist in its purpose until it ruins the individual no matter what the final result of the Courts may be.

As I cannot cure it I suppose I must endure it. I see Dr. Evatt quite frequently of late but I have not discussed the proposed action as no purpose can be served until we know exactly the grounds upon which action is to be taken.
I was up in Lismore this week but I did not go on to Brisbane because I had made arrangements to return here for the week end. I intend going along with the arrangements to establish myself so that I may have occupation. The future must then look after itself.

Yours faithfully,

W. McCormack

V. Macrossan, Esq.
Macnish, Macrossan & Dowling,
109 B Queen Street.

10th September 1930.

Hon. Wm. McCormack Esq.,
Hotel Mansions,
SYDNEY. N.S.W.

Dear Mr. McCormack

As I noticed in yesterday’s “Courier”, the report of an interview with Mr. Alexander Macdonald, I got into touch with him at the Gresham Hotel and arrangement with him to call. He called this morning, when we discussed at some length, the options held by him from Reid in respect of the Mungana leases.

Amongst other things Macdonald stated that he definitely arranged for the underwriting of £50,000 of the capital of the Company he proposed forming to take over the leases. Mr. Allan of
Glasgow was one of the underwriters for £25,000, and for the present he preferred not to disclose the name of the other underwriter.

Macdonald expressed his willingness to give evidence as to the options, also as to his opinion of the value of the property, if required.

He promised to collate the correspondence and other records in his possession, relating to the matters in this lapse of time that his records would be far from complete. When he has collected his papers we are to have further discussion with a view to ascertaining precisely to what extent he can be of assistance in the proceedings about to be instituted by the Crown.

I noticed from to-day’s paper that the third reading of the Bill to amend the Crown Remedies Act had now been passed and no doubt it will be assented to without delay so that the Crown should be in a position to launch its proposed proceedings at last.

The Premier is reported to have stated in the course of his speech in the House last night that “Although counsel, whose opinions had been obtained were definitely against criminal proceedings being taken, they suggested that there was a reasonable chance of civil action succeeding.”

In the course of his remarks the Attorney General is reported to have said: - “The substance of the civil action would be that men conspired together to get money from the Crown.”

We will now have to await developments.

Yours faithfully,

VM
BIBLIOGRAPHY

GOVERNMENT PUBLICATIONS

Commonwealth
Commonwealth Parliamentary Debates (CPD)
Commonwealth Parliamentary Papers (CPP)

Queensland
Queensland Government Mining Journal
Queensland Parliamentary Debates (QPD)
Queensland Parliamentary Papers (QPP)

STATISTICAL MATERIAL


Reserve Bank of Australia Inflation Calculator.

ARCHIVAL MATERIAL

“Addresses by Counsel, Royal Commission into Chillagoe-Mungana etc.”, QSA, Series ID 15310, Item ID 92033.

Anstey Papers, NLA, Canberra, MS 6245.

Bedford Papers, NLA, Canberra, MS 76.

“Briefs and Papers of the Mungana Mines/Chillagoe Smelters Case”, QSA, Series ID 5172, Item ID 840368, 840370, 840375, 840377, 840379, 840380, 840383, 840384, 840385, 840390, 840391, 840394, 840395 & 840397.

“Examination of Fred. Reid in Bankruptcy Jurisdiction”, QSA, Series ID 4508, Item ID 1669900.

Latham Papers, NLA, Canberra, MS 1009, Folder 46.

“Transcript of Evidence, Royal Commission into Chillagoe-Mungana etc.”, QSA, Series ID 15309, Item ID 92030, 92031, 92032 & 92034.

QPP, 1930, 1, Report of Royal Commission appointed to Inquire into and Report upon Certain Matters Relating to Mungana, Chillagoe Mines etc.

QPP, 1930, I, “Terms of Reference, Royal Commission into Chillagoe-Mungana etc.”.

Theodore Papers, NLA, Canberra, MS 7222, Boxes 1 & 2.

NEWSPAPERS AND JOURNALS

Advocate, Brisbane

Argus, Melbourne

Australian Mining Standard, Melbourne

Brisbane Courier

Courier Mail, Brisbane

Daily Mail, Brisbane

Daily Standard, Brisbane

Labor Daily, Sydney

Sydney Morning Herald

Telegraph, Brisbane

Toowoomba & Darling Downs Gazette

Truth

INTERVIEWS AND DISCUSSIONS

Michael Ahern, former Queensland Premier

Selwyn Cornish, Economic Historian

Rod Grant, retired Metallurgist

The late Kett Kennedy, Historian and Author
Ruth Kerr, Historian and Author

John McGill, Queensland District Judge

The late Bruce McPherson, former Queensland Supreme Court Judge and Author

Jeffrey Miles, former ACT Supreme Court Chief Justice

John Nethery, practising Geologist, based at Chillagoe

David Russell QC, Barrister

Kevin Wolff, retired Geologist and Author

ARTICLES AND MANUSCRIPTS


JD Kerr, “North Queensland Mining Railways’ in KH Kennedy (ed.), *Readings in North Queensland Mining History*, vol. 1, James Cook University, Townsville, 1980.


J Wegner, “The Etheridge”, *Studies in North Queensland History*, No. 13, James Cook University, Townsville, 1990,


**BOOKS**


R Bedford, *Naught to Thirty Three*, 1944.


**UNPUBLISHED Theses**


**Australian Dictionary of Biography**


OTHER SOURCES

Annual Reports of Mungana (Chillagoe) Mining Company Limited.

Mining Heritage Places Study: Northern and Western Queensland, 2009.