

ON APPEAL
FROM THE SUPREME COURT OF
NEW SOUTH WALES
EQUITY DIVISION

IN PROCEEDINGS 292 OF 1973

QUEENSLAND MINES LIMITED

Appellant (Plaintiff)

ERNEST ROY HUDSON,

SAVAGE IRON INVESTMENTS PTY. LIMITED

and

INDUSTRIAL AND MINING INVESTIGATIONS PTY. LIMITED

Respondents (Defendants)

TRANSCRIPT RECORD OF PROCEEDINGS

PART I

Volume II

SOLICITORS FOR THE APPELLANT

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IN THE SUPREME COURT
OF NEW SOUTH WALES
EQUITY DIVISION

No. 292 of 1973

CORAM: WOOTTEN, J.

QUEENSLAND MINES LIMITED v, HUDSON & ORS.

SIXTH DAY: TUESDAY, 22ND OCTOBER, 1974

ERNEST ROY HUDSON
On former oath:

(Continuation of examination in chief.)

10

MR. STAFF: Q. Mr. Hudson, I want now to take you to what I call the fourth period, that is from 23rd May, 1964, to August of 1966. You agree that during that period Sir John Northcott, Mr. Ridgway, Mr. J.E. Roberts and yourself were directors of Queensland Mines? A. That is correct.

Q. During that period Sir John Northcott was also I think chairman of Kathleen Investments Australia Limited? A. Yes.

Q. And he had formerly been chairman of Mary Kathleen Investments? A. Yes.

20

Q. You were also on the Board of Kathleen Investments? A. Yes.

Q. And I think Mr. Roberts, was he, at that time? A. No. Yes, yes, I am sorry, he was, yes.

Q. During that period that I mention, May, 1964 to August, 1966, was it Sir John's custom to call in at your office, which was also Kathleen Investments' office, perhaps once a week? A. Yes.

Q. And to discuss affairs relating to Kathleen Investments, Queensland Mines, and your personal interests? A. Yes.

30

Q. Can you recall any of the conversations you had with him, any conversation you had with him in that period about the Savage River iron ore deposits? A. Well, he asked me -

HIS HONOUR: I think the witness has mentioned Sir John Northcott before.

MR. STAFF: Yes.

HIS HONOUR: So it might be relevant to what knowledge Sir John Northcott started with at this period.

MR. STAFF: Yes.

Q. Perhaps I can conveniently take you from the earlier period. You had mentioned earlier, as his Honour observed, that you had spoken to Sir John Northcott over the years from time to time? A. Yes.

Q. About the Savage River deposits? A. Yes.

Q. Can you tell his Honour when in your recollection 10 was the first of those conversations, approximately of course? A. It would be '61, early '61.

Q. What conversation do you recall then having had with Sir John? A. Well, I had told him that Stanhill had withdrawn and I had taken over the development of the Savage River and he offered to assist me in any way he could, and in fact when he went to London he saw the British Steel Corporation for me in '61 and a copy of the letter he wrote me is contained in the file. 20

Q. You told us about that the other day? A. He also once a week - he was very interested in it - would ask me how I was doing and how I was getting along and who I had seen; and he had offered, if I was to try and form a private company, to go on the Board.

HIS HONOUR: Q. What did you say about the letter he wrote to you? I did not catch it. A. He wrote me a letter and enclosed - there was some letter from the British Steel Corporation saying that they would be interested in low carbon steel produced by the Strategic Udy process. 30

MR. HUGHES: Is this letter available?

MR. STAFF: Yes, the letter is here somewhere.

WITNESS: And I think I sent a copy - I think I sent that letter to the Mines Department in Tasmania or I may have still had it. The impression I had would be that I sent it or a copy of it to the Mines Department, Mr. Symons. I am sure I sent it to Mr. Symons. It would be on the Mines Department file. That is the letter from the British Steel Corporation. 40

MR. STAFF: Q. Can you recall the approximate date when you sent it to Mr. Symons, Mr. Hudson? A. I beg your pardon.

Q. Can you recall the date approximately? A. I think Sir John went over about July, '61, and I suppose the letter would be August, September, 1961.

HIS HONOUR: Q. At and from the time of the formation of Queensland Mines, did Sir John Northcott hold any office in Australasian Oil Exploration Limited, the shareholder in Queensland Mines? A. No, sir, he held the office of Chairman of Kathleen Investments of which A.O.E. was a subsidiary.

10

MR. STAFF: Q. Now after 1961 what conversations can you recall having had with Sir John about the Savage River deposits, Mr. Hudson? A. As I said he would call in about once a week and spend about an hour with me and practically every week he asked me how I was going and he took an interest in what I was doing down there.

Q. What did you tell him when he asked you that question? A. And I would tell him what the position was at the relative time he asked me, but I could not recall conversations.

20

HIS HONOUR: Q. You have nominated the point of time at which Stanhill had withdrawn. Did he have any knowledge of the position prior to that? A. Yes, he knew I was doing work for Stanhill prior to that.

Q. In relation to the establishment of a steel industry? A. In relation to the steel industry for Stanhill, yes.

MR. STAFF: Q. I think in that 1961 period you were of course a director with Sir John on the Board of Kathleen Investments? A. I was the managing director.

30

Q. Of Kathleen Investments? A. Yes.

Q. And Sir John was the chairman of Kathleen Investments? A. Chairman; he used to come in and discuss the affairs of the company with me.

Q. Then throughout 1963 did the same situation continue, regular chats with Sir John? A. Yes, every week Sir John made a point of coming in to see me.

Q. And that continued up to the beginning of this period I call the fourth period, May, 1964 to August, 1966 and throughout? A. Sir John died at a period of time in '66.

40

Q. But up till his death the same habit continued, the same sort of inquiry was made of you, "What are

you doing and how are you going"? A. He would come in and sit down and have a chat about everything I was doing for Kathleen Investments, for A.O.E., and Queensland Mines and myself. It was a general discussion right through.

Q. And regularly he made the inquiry about the Savage River? A. Yes.

Q. And you told him what the current position was? A. I told him the position about the Savage River and of course in September-October, 1961, I obtained leave of absence from Kathleen Investments, Mary Kathleen Investments, to go overseas to try and find someone to take Stanhill's place. 10

HIS HONOUR: Q. Do you know whether that was dealt with by the Board? A. I mentioned it to the Board, sir, and asked for leave of absence.

MR. STAFF: Q. When you mentioned it did you indicate the purpose of the visit you were about to make? A. Yes. 20

Q. What can you recollect telling the Board - that is the Board of Kathleen Investments? A. Well, the Board of Kathleen Investments, "I am the managing director. I want to go away for two or three months", and I applied for leave of absence. I told them the purpose for which I wanted to go away but I could not recollect the detailed conversation.

Q. What was the purpose that you mentioned? A. The purpose was to go over to America and England, around the world to see if I could get someone to take Stanhill's place after its withdrawal. 30

Q. Mr. J.E. Roberts in the period May, 1964 to August, 1966 was on the Board of Queensland Mines with you? A. He was not on the Board of Queensland Mines.

Q. I beg your pardon? A. Mr. Roberts was not on the Board of Queensland Mines.

MR. HUGHES: I thought Mr. Hudson said so earlier this morning. Perhaps that was in answer to an unintentionally misleading question. 40

MR. STAFF: I certainly suggested it to Mr. Hudson and I thought he assented to it. He seems to have been appointed on 22nd May.

WITNESS: I am sorry, what period are you talking about, Mr. Staff?

MR. STAFF: Q. I am talking about the period May, 1964, 22nd May, 1964 to August, 1966? A. Yes, he was director of Queensland Mines at that stage, sorry. I got my periods mixed up there.

Q. You recall that in an earlier period he had been secretary of Kathleen Investments? A. Yes, he was in 1961, '60, '61.

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Q. At that time did you see Mr. Roberts with some degree of regularity? A. Yes, two or three times a week.

Q. And did you have discussions with him in relation to various companies' affairs, that is in 1961? A. I had discussions with Mr. Roberts that Stanhill had withdrawn from the operation in Tasmania and that I had taken it over to see if I could get it going, and I recollect his reply to me was that I was crazy, that Rio Tinto had retired from it and it wouldn't be any good.

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Q. Did Mr. Roberts have some association with Rio Tinto to your knowledge? A. No, but he had a great respect for them.

HIS HONOUR: Q. Did he ever hold office in Australasian Oil Exploration? A. Oh yes, he did, sir. The directors of Australasian Oil Exploration became the same directors of Kathleen Investments at a certain period of time.

Q. Do you know when that was? A. Well, I would have to have a look at the records.

30

MR. STAFF: Q. You of course had discussions with Mr. Roberts about the affairs of the companies with which you were each associated, did you, in 1961? A. Yes, well, Mr. Roberts and I were fairly close friends at that relative time and we had frequent discussions. He knew I was going overseas, knew what I was doing, what the purpose of going overseas was; and, you know, when you meet a man and you are fairly friendly with him, you generally discuss - and he was interested in what I was doing and how I was going down the Savage River so that over a period of a couple of years he would have been just as well informed as anybody about it.

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Q. In that period, 1961, did you have discussions with Mr. Roberts about the affairs of Mary Kathleen

Investments? A. Well, he was secretary and I was managing director.

Q. So that the answer was you did? A. We did, yes.

Q. And did you have discussions about the affairs of A.O.E.? A. Yes.

Q. And what about Queensland Mines? A. Yes, yes.

Q. In the period May, 1964 to August, 1966, when Mr. Roberts was a director of Queensland Mines, did you have any discussion about the Savage River iron ore deposits with him? A. Well, yes, I had always discussed the matter with Mr. Roberts. 10

Q. Can you tell us what you recollect of any discussion you had in that period, 1964 to 1966, with Mr. Roberts? A. I couldn't recollect any persistent discussion I had with him. I know he knew I was going overseas. I spoke to him about when I was going overseas to further the Savage River project and generally he was kept fairly well informed the whole time as to what the position was, what was going on down there, who was interested, who was not interested, and generally I would say he was fully advised as to what I was doing and what steps I was taking. 20

Q. I want to recall to you that in June of 1963 you made the first agreement with Pickands Mather, do you remember? A. That is right, yes.

Q. During 1964 and in the following year there were various amendments to that agreement? A. That is right. 30

Q. Did you have any discussion with Mr. Roberts about those Pickands Mather arrangements? A. I told Mr. Roberts about Pickands Mather arrangements but I don't think I had any discussions with him about any amendments to the agreement. I told him that an option had been given or taken by Pickands Mather.

Q. Do you recall that in 1966, I think it was, that option was exercised? A. That is right.

Q. Did you have any discussion with Mr. Roberts about that fact? A. Well, about that time there was an article in the Sydney paper about it and at the next Board meeting of Kathleen Investments, of which Mr. Roberts was a member, they all congratulated me in finally being able to bring the matter to a success, at a Board meeting before the meeting started. That was following a statement in the 40

paper. I specifically recollect that. It might have appeared in the Financial Review.

Q. (Approaches witness) Mr. Hudson, I show you an article which appeared in the Financial Review of 5th November, 1965. Do you recall seeing that article? A. That was the article, yes.

Q. And that is the one you were speaking of, was it? A. That is the one I was speaking about. Could I read that again? That is the one, yes. 10

Q. And page 6, to which reference is made in that article, is of the same issue immediately following in this folder? A. That is right.

MR. STAFF: I would tender those two pages. I might say a series of Press cuttings, which I propose to tender in due course, have been collected in one folder which we thought might be convenient for your Honour. I wondered whether it might be convenient to mark them by a number with an identifying letter or something of that sort, since they are in the one folder. I do not mind if they are taken out but we had thought it might be convenient to collect them that way. 20

(Press cuttings from the Financial Review of 5th November, 1965 admitted without objection and marked Exhibit 72.)

HIS HONOUR: I think if those various press cuttings can ultimately be tendered in the book form where they are fixed, I will simply add them to Exhibit 72, and this book, or whatever part of this book is admitted, will just be Exhibit 72. 30

MR. STAFF: Q. The other director of Queensland Mines during the period May, 1964 to August, 1966, was Mr. Ridgway? A. Yes.

Q. Was that the Mr. Ridgway, the geologist of whom we have heard a good deal? A. That was the same Mr. Ridgway who was working with me down the Savage River who previously had been geologist for Queensland Mines.

Q. And we may take it, I suppose, that you had frequent discussions at least about geological and technical questions with Mr. Ridgway concerning the Savage River? A. Well, he was present at the conversation with me with Mr. Korman on 18th and 20th February. 40

Q. Which year? A. 1961.

Q. And over the years following you had had frequent and continuous contact with him? A. Well, he was my geologist down there and I would be in contact with him frequently and spending days together down the Savage River.

Q. Did you keep him aware of what was happening, apart from in geological matters and metallurgical matters? A. Once he knew that Queensland Mines - that Stanhill had retired and I had taken it over, he just carried on on the basis that I had taken it over and I would start to employ Ridgway. 10

HIS HONOUR: Q. I think you said yesterday he was in your full-time employment? A. Full-time employment.

Q. He was not working with anyone else? A. He was a consultant, appointed a consultant for Queensland Mines from 1st January, 1961, and his services were dispensed with as consultant and he was appointed on a salary of 1000. I think it is in the minutes; and I terminated his services in July of '61. He never received any payment as a consultant from Queensland Mines. 20

Q. Before or after that date? A. After 31st December. He didn't get paid as a consultant for the period from 1st January to July. There is an entry in Queensland Mines' book which shows his salary was agreed at the rate of a thousand for that period. Then in the books it is reversed, showing that Mr. Ridgway never got any funds at all for that period. He became in full time employment with me and remained as geologist and consultant geologist in charge right up to the time of his death about four years ago. 30

Q. And how did he come to become a director of Queensland Mines in 1964? A. Well, he was of course the geologist concerned with the uranium part of it and when Kathleen Investments purchased Factors' shares he was put on the Board of Queensland Mines because of his knowledge of Anderson's Lode because he had been the geologist and did supervise that work. 40

MR. STAFF: Q. In August of 1967 Mr. Ridgway, I think ceased to be a director of Queensland Mines, Sir Alex Reid became a director and the Board then consisted until 30th August, 1968 of Sir Alexander Reid, Mr. Roberts, Mr. Dowling, Mr. Ferguson, Mr. Tilley and yourself, do you remember? A. Could you repeat that, Mr. Staff?

Q. I suggest from 17th August - A. It is very difficult for me to isolate years and dates.

Q. I appreciate that. Would you like to see the minute? A. I would like to see some reference to who in fact were the directors at the relevant period of time. It would help me.

Q. Would you look at a minute for 17th August, 1967 (shown to witness). A. What date?

Q. 17th August, 1967.

10

HIS HONOUR: Isn't it, 1966?

MR. STAFF: I am sorry.

Q. I think in August, 1966, Mr. Hudson, Sir John Northcott died, did he? A. Yes.

Q. Do you remember? A. Yes.

Q. And I think from then you, Mr. Roberts and Mr. Ridgway continued as the only directors of Queensland Mines until, I suggest to you, August 17th, 1967? A. Yes.

Q. Now did you find the minute of 17th August, 1967? A. Wednesday, 1st August, 1967.

20

Q. 17th, I am suggesting to you? A. Yes. What was your question?

Q. What I was asking you was whether on August 17th, 1967, the Board became Sir Alexander Reid, Mr. Roberts, Mr. Dowling, Mr. Ferguson, Mr. Tilley and yourself? A. Yes, that would be correct. Sir Walter Mitchelmore was appointed alternate to Sir Alex Reid.

MR. HUGHES: I did not hear.

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MR. STAFF: Sir Walter Mitchelmore was appointed alternate director for Sir Alex Reid.

Q. Mr. Hudson, for convenience would you have a look at the list which the officer will show you and tell me whether that, to the best of your recollection and belief, records the members of the Board of Queensland Mines at the dates and for the periods set out? A. That is correct, yes.

(Chronological list of directors of Queensland Mines admitted without objection and marked Exhibit 73.)

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Q. Now, Mr. Hudson, in the period following Sir John Northcott's death in August 1966 until August of 1967 when the composition of the Board changed, did you continue to have discussions about the Savage River deposits with Mr. Ridgway and Mr. Roberts in much the same way as you have described you had earlier? A. Well, Mr. Ridgway was backwards and forwards. Mr. Roberts I would see at least a couple of times a month and we would have the normal discussions. 10

Q. Let me go to the next period from 17th August, 1967 to 30th August, 1968, that being the period when Sir Alex Reid, Mr. M.R.L. Dowling, Mr. Ferguson and Mr. Tilley joined you and Mr. Roberts on the Board? A. Yes.

Q. I think during that period August, 1967 to August, 1968, the directors of Queensland Mines were identical, were they not, with the directors of Kathleen Investments? A. That is correct. 20

Q. For some years prior to August, 1967 some of those gentlemen had been on the Board of Kathleen Investments, had they? A. Mr. Dowling Mr. Alex Reid, Mr. C.P. Tilley.

Q. And yourself? A. And myself.

Q. What about Mr. Roberts? A. I beg your pardon?

Q. Mr. Roberts? A. Yes, Mr. Roberts.

HIS HONOUR: Mr. Staff, I am not clear as to the relationship between or the roles of Mary Kathleen Investments and Kathleen Investments Australia. 30

WITNESS: It was just a change of name, sir.

MR. STAFF: Q. It was the same company with a change of name? A. Yes.

Q. And I think during the relevant years Australasian Oil Exploration was a subsidiary of Kathleen Investments? A. Yes.

Q. Wholly owned, was it? A. I beg your pardon?

Q. Was it wholly owned? A. No, it owned about between I should say 93-per cent of the shares.

Q. And the shareholding in Queensland Mines was, from about 1964 onwards, owned by A.O.E. 49-per cent and Kathleen Investments the balance; Kathleen Investments the balance? A. As from what date? 40

Q. As from about 1964? A. Yes, when Kathleen Investments bought the shares, yes. Could I have an adjournment?

(Short adjournment.)

UPON RESUMPTION:

Q. Mr. Hudson, I was directing your attention to the period from the time Sir Alexander Reid became director of Queensland Mines and Mr. Dowling, Mr. Ferguson and Mr. Tilley joined you and Mr. Roberts on the Board. That is August, 1967 to August, 1968? A. Yes. May I say this? They were the same directors as the directors of Mary Kathleen Investments with the exception that Mr. Ferguson had taken the place of Dr. Leward who had died. So that of the directors at that time, myself, Mr. Dowling, Mr. Roberts, Sir Alex Reid, Mr. Tilley, had been the original directors in Kathleen Investments. Mr. Nichol had not been and was a new director. 10 20

Q. Now Mr. Dowling was a member of Patrick Partners, Stock Brokers, was he not? A. That is correct, yes.

Q. And a man of considerable business interests in corporate affairs in Sydney and elsewhere in Australia to your knowledge? A. Correct.

Q. What was Mr. Ferguson's general area of activity to your knowledge? A. Well, he was somehow associated with Mr. Dowling and was a director of a number of companies with which Mr. Dowling was associated. 30

Q. And Mr. Tilley? A. Mr. Tilley was an accountant from Adelaide. He had been the chairman of A.O.E. before I took over as chairman.

Q. That is back in the fifties? A. I beg your pardon?

Q. Back in the 1950's? A. Back in the 1950's, yes.

Q. And Sir Alex Reid? A. Sir Alex Reid had been a director of A.O.E. before I took over as chairman and he came on to the Board, the initial Board of Kathleen Investments. 40

Q. Where did Sir Alex Reid live? A. He lived in Western Australia. He was Chancellor of the Western Australian University.

Q. Do you remember, if I may go back a little bit, in late 1966, John Darling and Company submitted a study of the Savage River project to a number of companies including Kathleen Investments? A. That is correct.

Q. And that was a study for the purpose of interesting or seeking to interest companies in a share and debenture participation? A. That is right.

10

Q. In the development and promotion of the Savage River project. Would you look at the document which I show you or the officer will show you and tell me whether that is a copy of the study which was submitted to Kathleen Investments? A. Yes.

MR. STAFF: I think perhaps the most significant part of it is on page 4, the first paragraph commencing near the top of page 4, a reference to royalties payable to Industrial Mining Investigations.

HIS HONOUR: And the reference to Kathleen Investments on the first page too.

20

(Statement about Northwest Iron prepared by Darling and Company Limited, undated, admitted without objection and marked Exhibit 74.)

MR. STAFF: Q. Mr. Hudson, was the feasibility study, Exhibit 74, discussed at Board meetings of Kathleen Investments? A. Oh yes, it was fully discussed. The feasibility study was checked and the matter fully discussed and brought before the Board.

30

Q. Can you remember who were the directors with whom it was discussed at the point of time at which discussion took place? A. The directors of Kathleen Investments at the point of time?

Q. Yes? A. They would be myself, Mr. Dowling, Mr. Ferguson, Mr. Tilley, and I think Sir Alex Reid was alive.

Q. On page 2 of the report, the summary to the report, there is a reference to various Australian companies which include "Ampol Petroleum and Kathleen Investments have agreed in principle to purchase parcels of shares"? A. Yes.

40

Q. Was there, before the report issued, discussion at Board level of Kathleen Investments about taking up shares in Northwest Iron? A. Yes, there had been some discussion for some time

beforehand. Of course Mr. Dowling wanted to underwrite the shares and I had numerous discussions with him about it and we tried to get a larger Australian equity interest in the matter than what was allowed, and discussions went on for two or three months relative to it before John Darling submitted the feasibility study. I had a lot of discussions with Mr. Dowling about - extensive discussions. The accountant at the -

10

MR. HUGHES: I cannot hear.

WITNESS: The accountant in the company went into the feasibility study. To the best of my recollection I advised against participation but not on the grounds of the thing itself but on the grounds, other grounds, about the desirability of Kathleen Investments putting so much money into this particular venture when it had other things in view. I don't say my objection was based on the investment itself but was based on the unappropriateness of the investment at that time and in any event the Board considered it. It was decided to invest about 1.5-million in ordinary and preferred stock as set out.

20

MR. STAFF: Q. In the study itself there is reference, you may remember, to royalties payable to Industrial Mining Investigations Pty. Limited? A. Yes.

Q. In the course of the discussions you have referred to, did you have any discussions with the directors of Kathleen Investments as to who was Industrial Mining Investigations? A. Well, they know ~~Industrial, they all knew that Industrial Mining~~ - (Answer struck out at direction of his Honour following objection by Mr. Hughes.)

30

WITNESS: Could I answer it another way?

MR. STAFF: Can you recall whether you had any discussion about the shareholders or controllers or identity of Industrial Mining Investigations at that time with the directors? A. Can I answer it in another way, Mr. Staff?

40

Q. Would you just answer my question? A. At what time? At that particular time?

Q. At the time when the discussions in relation to the - ? A. No, because discussions had gone on for years beforehand. They all knew I was getting - (Objected to).

Q. Mr. Hudson, you have told us about all the discussions you had in earlier years with various members and various people? A. Yes.

Q. Don't worry about it at this point of time.

A. The position, Mr. Staff, you see, I was going overseas quite frequently, and when I was going overseas sometimes I did work for Kathleen Investments and A.O.E. and other times I was doing work for myself, and I always advised the directors and got permission to spend a certain time doing my own work in relation to the Savage River ~~and-it-was public-property~~ - (Part of the answer struck out at direction of his Honour following an objection by Mr. Hughes that it was non-responsive to any question.) 10

HIS HONOUR: Just wait until you are asked another question, I think, Mr. Hudson.

MR. STAFF: Q. Mr. Hudson, did you at some point of time take from Kathleen Investments a sub-lease of premises in Australia Square in the name of Industrial Mining and Investigations Pty. Limited? A. Yes, Mr. Staff. 20

Q. Do you remember which year that was? A. Oh, it wouldn't be until '67 or '68.

Q. And at that time did you have any conversation with the directors of Kathleen Investments about Industrial and Mining Investigations and its shareholders or directors? A. Mr. Staff, it is impossible for me to say that at that time I did. I couldn't tell you. I can't recollect. Excepting this; that I did ask the directors whether I could lease from them, sub-lease from them, a section of the 37th Floor to use for my own business purposes, and the sub-lease was in the name, or the reference was in the name, of Industrial Mining Investigations. 30

HIS HONOUR: Q. I think you said yesterday that it was late 1969 when the move to Australia Square tower took place? A. Well, I wasn't too sure what the date was, sir.

Q. You are still not sure? A. I think if I said that yesterday it would be correct, what I said yesterday. Mr. Staff, looking at the minute before me I notice Sir Walter Mitchelmore was a co-director of Sir Alex Reid and at that period of time Sir Walter Mitchelmore was also director of Industrial Mining. 40

HIS HONOUR: Q. Was he a director of Kathleen Investments? A. He was alternate director to Sir Alex Reid.

Q. On Queensland Mines or both? A. And on Kathleen Investments. Sir Alex Reid found difficulty in coming over and Sir Walter Mitchelmore generally acted as the alternative at Board meetings.

MR. STAFF: Q. Mr. Hudson, would you look at the document entitled "draft" which the officer will show you. (Shown) A. Yes, Mr. Staff. 10

Q. Do you recall that document? A. Yes, Mr. Staff.

Q. Did you draft it, Mr. Hudson? A. I drafted it.

Q. And the handwritten alterations to it, are they in your handwriting? A. They are my handwriting.

Q. Can you recall when and the circumstances in which you drafted that document? A. Yes, in discussions with Mr. Symons in February, the early part of February - now I come to think of it, I think it was the second meeting I had with Mr. Symons and after I filed the application for a licence on 31st January, at that meeting. At the meeting I had with Mr. Symons on or about 31st January or on or about the time I filed the application for an exploration licence dated 31st January. 20

Q. And what did you do with this draft document? Did you give it to Mr. Symons? A. No, I am just explaining. You asked me to get the circumstances.

Q. Yes. A. Mr. Symons said to me that if any statement was to be made in respect of the issue of a licence, the statement would need to be made by the Premier and he said that they would not like statements made generally in connection with the matter, that it should be left to the Premier to make it most times, and I agreed with him that I would not make or see that no statement was made in respect of the licence that was to be issued unless I first cleared it with him so there would be no conflict with what was said by the Premier or what might be said by myself or by Stanhill. And on or about prior to 18th or 20th February when Mr. Korman came to see me and indicated that Stanhill might not be going ahead, I had drafted a formal notice, a notice in connection with the issuing of the licence which I intended to send to Stanhill for their approval. I had only got to the stage of a rough draft and made some notes 30 40

on it when Mr. Korman called in about 18th February and it was not continued with, and this is the rough draft I made with the alterations I made in connection with it at that relevant time.

(Draft statement prepared by Mr. Hudson in early 1961 tendered and marked Exhibit 75.)

MR. STAFF: Would you look at the letters from the Director of Mines to you dated the 19th April, 1963, and 1st May, 1963? A. Yes.

10

Q. Are they letters which you received in connection with the caveats that Dubar Trading Pty. Ltd. lodged about which you spoke yesterday?

A. That is correct.

(Letters dated 19th April, 1963, and the 1st May, 1963, from Mr. Symons to Mr. Hudson, tendered and marked Exhibit 76.)

(Copy letter, dated 22nd May, 1967, from Mr. Hudson to Mr. Symons, and annexure thereto, tendered and marked Exhibit 77.)

20

MR. STAFF: Might I ask your Honour's and my learned friend's approval to substitute the letter of the 16th August, 1962 from Industrial & Mining Investigations Pty. Limited, to Mr. Symons, for what is now Exhibit 41. Exhibit 41 is the first page of that letter. It might be convenient to substitute the letter from the Mines Department file, rather than duplicate page 1.

MR. HUGHES: I have no objection.

HIS HONOUR: The original letter from Mr. Hudson to Mr. Symons of the 16th August, 1962, will be substituted for Exhibit 41.

30

MR. STAFF: Q. Would you look at this letter, dated 4th July, 1961 more particularly the first paragraph on page 2? A. Yes.

Q. Is that a letter to which you referred in your evidence this morning as having written in relation to Sir John Northcott's activity on your behalf in England? A. No, the letter I referred to is a letter received by Sir John Northcott from the British Steel Corporation, which I sent to Mr. Symons.

40

Q. You make reference in the letter I show you to Sir John Northcott? A. I make a reference in that.

Q. I show you a letter headed United Steel Companies Limited. Do you know where that letter came from? A. That is the letter Sir John Northcott gave me, the letter from Mr. Saniter to the British Steel Corporation in reference to the new works they were going to put up at Rotham, and arose out of Sir John Northcott's discussions with the British Steel Corporation who had made inquiries of this person. But there should be another letter attached to that. 10

(Copy letter, dated 16th June, 1961, from United Steel Companies Ltd., to Mr. Saniter, tendered, and marked Exhibit "A44".)

(Letter dated 4th July, 1961 from Mr. Hudson to Mr. Symons tendered and marked Exhibit "A45".)

(Letter dated 1st June, 1961, from Mr. Pupulidy to Mr. Hudson, tendered and marked Exhibit 78.) 20

MR. STAFF: Q. One matter I had overlooked: Earlier in your evidence you told us that Factors Limited, was the 51% shareholder in Queensland Mines Limited, in the earlier years? A. Yes.

Q. And you said amongst the directors of Factors were Mr. Stanley Korman, Mr. Redpath and Mr. David Korman, and Mr. Burt was chairman of Factors?

A. Mr. Burt was Chairman of Factors, yes; the other three gentlemen were directors.

Q. You have told us of the number of conversations you had with Mr. Burt, but do you recall any particular conversation with Mr. Burt, which you had in relation to the Savage River or Tasmania? A. Yes, I do. 30

Q. When was that? A. During the discussions with Mr. Burt, round October, 1960, when I advised him that the company should be put into mothballs, he said to me, "What are you and Ridgway doing?". First of all, he asked me about this spun pipe. I said I had given Mr. Korman a report that I didn't regard it as satisfactory. He seemed to know quite a bit about it; I don't know how. He then said to me, "What are you and Ridgway doing down in Tasmania?", and I told him that Mr. Korman was now looking at the possibility of developing a steel industry in Tasmania, and we had gone down in connection with the Savage River deposits. He said to me, "Do you realise that neither Factors nor Queensland Mines, are to be in any way concerned in this matter?". I said I fully appreciated that. 40

*Q. There are two or three matters I want to ask you about the transcript. At page 176 you gave some evidence yesterday in which you said that your Queensland Mines salary, that is as managing director had not been paid after July and August, until you got September, October, November. You said "I think I received it somewhere in 1962"? A. Yes.

Q. I think you want to correct that? A. Yes, I want to correct that. The salary payable to me in October, November, December, was, in fact, paid in December. 10

MR. HUGHES: What year?

WITNESS: 1960.

HIS HONOUR: Q. In the year it was due? A. Yes. It would be in the year of 1960.

MR. STAFF: Q. What about salary after that period? A. The salary after that period including the retiring allowance, including the consulting fees, were paid over a period and finalising in 1964. There is a letter somewhere from the secretary of the company at some point of time, setting out the monies due to me and the arrears of monies. 20

Q. Would you look at this photocopy and tell me whether that is the letter you refer to? A. That in effect shows that in September, 1963, I received a cheque for £2,000, and at that date, the amount outstanding to me was £1,562.10.0.

(Letter dated 17th September, 1963, from Queensland Mines Ltd., to Mr. Hudson, tendered, marked Exhibit 79.) 30

**Q. I show you page 129 of the transcript, the second last answer. In the sixth line of that answer there is a reference to Blythe River? A. Yes.

Q. Is that answer correct, or do you want to correct it? A. No, the Blythe River - the Savage River, should be substituted for the Blythe River.

MR. HUGHES: That is just before "Is 35% higher"?

WITNESS: Yes.

*(See now page 270.) 40

** (See now pages 201/202.)

MR. STAFF: Q. You there intended to speak of the grade at the Savage River? A. Yes, that is right.

*Q. At page 138 and 139, in the answer to the first question on that page, the third line of the answer, there is a reference to the Savage River?
A. It should refer to the Blythe River.

Q. The references afterwards in that answer to the Savage River, are correct, are they? A. The prior questions and the subsequent questions relate to the Blythe River, not to the Savage River. 10

Q. Do you want to record your answer with Blythe River, substituted for Savage River, on each occasion Savage River is used in that part? A. Yes, I do.

**Q. There is one other reference at page 135, the answer in the middle of the page, where my friend and I are agreed "No, not with my co-directors of Queensland Mines. It had practically closed down. I had a connection with them at this stage". That should be "I had no connection with them at this stage"? A. Yes. 20

HIS HONOUR: That correction will be noted.

(Undated letter with date stamp 6th November, 1969, from Mr. Hudson to Mr. Symons, tendered and marked Exhibit "A46".)

Q. To your knowledge I think Mr. Ridgway died some years ago, did he not? A. Yes.

Q. And I think Mr. Burt also died some years ago?
A. Mr. Burt, yes.

Q. In recent months, did you make a number of inquiries as to the whereabouts of Mr. Stanley Korman? A. I did. 30

Q. Did you also instruct your solicitors to do so?
A. Yes.

Q. Were you given some addresses or did you get some addresses both in North America and in Israel?
A. Yes.

Q. At which you thought you might contact him?
A. Yes.

*(See now page 215.)

40

** (See now page 211.)

Q. Did you attempt to communicate with him at those addresses? A. I wrote to the Israel address.

Q. Have you heard anything of Mr. Korman in response to whatever inquiries you made? A. No - well, no, I have not. I have heard from --

Q. Second-hand? A. From his son and relatives to the whereabouts of Mr. Korman. I have not heard from Mr. Korman.

Q. Your inquiry was designed to seek to arrange for Mr. Korman to be interviewed and prospectively called as a witness in these proceedings? A. That would be so. 10

CROSS-EXAMINATION

*MR. HUGHES: Q. Do you remember telling your leading counsel (at page 91 of the transcript), that whatever may be the legal result you did not regard yourself at the time you instructed Mr. Palmer to make the report on Tasmanian and Western Australian ore deposits, as acting in any way for Queensland Mines? Do you remember telling Mr. Staff that? A. Yes, I do. 20

Q. And in giving that answer you, of course, were referring to the Palmer report that triggered off the initial approach to the Tasmanian Government? A. Yes.

Q. May we take it therefore, that in your initial approach to the Tasmanian Government, and in all your subsequent dealings with that Government, through its Department of Mines, and the Premier, you did not regard yourself at any stage as acting in any way for Queensland Mines? A. That is correct. 30

Q. May we take it therefore, further than that, that at no stage of your association with the Savage River project have you regarded yourself as acting in any way for Queensland Mines? A. Correct.

Q. May his Honour take it therefore, that as you did not regard yourself at any stage from the time of the commissioning of the Palmer Report on this, as acting for Queensland Mines in relation to the Savage River project, you never told any of your co-directors of Queensland Mines that you were acting for Queensland Mines in the project? A. That would be correct. 40

Q. So if, in fact, you were acting for Queensland Mines, contrary to what you say is your belief, your

*(See now pages 152/153.)

co-directors never knew about it? A. That would be correct. That is if I was, in fact, acting for Queensland Mines.

Q. If contrary to what you say is your belief, you were acting for Queensland Mines in this project your co-directors never knew about it? A. That would be correct.

Q. When were you admitted as a solicitor of the Supreme Court? A. Going back a bit -- I should think round about 1931, '32. 10

Q. When, if you ever gave it up, did you give up your practising certificate? When I say "give it up", when did you cease to renew your practising certificate? A. When did I --

Q. If you have ceased to renew your practising certificate -- A. I have not. I am still a practising solicitor.

Q. Are you still engaged in actual practice. A. No. 20

Q. When did you give up your practice? A. 1958.

HIS HONOUR: Q. According to the Law Almanac you were admitted on 21st November, 1933? A. Yes.

MR. HUGHES: Q. You ceased active practice in 1958? A. I ceased actively acting in practice late in 1958.

Q. May we take it that over the years of your practice it fell to your lot to act for companies involved in litigation? A. Yes.

Q. Many times, may we take it? A. Not so much in companies. There were not very many companies, other than the major companies in Broken Hill. It was mainly individuals. 30

HIS HONOUR: Q. Did you act for any of the major companies in Broken Hill? A. I have acted for them at different times. I also acted for the Water Board, and people like that. I acted for them, I have acted against them.

MR. HUGHES: Q. May his Honour take it that it was part of your common stock of professional knowledge that if a managing director of a company writes on his company's letterhead as such, committing that company to contractual expenditure, then in all probability if the company is sued on the basis 40

of the managing director's letter the company will be held liable. A. Yes, I should imagine.

Q. Has that always been part of your basic common stock of professional knowledge? A. If you --

Q. Has it always been part of your basic common stock of professional knowledge? A. Yes.

*Q. Do you remember yesterday telling his Honour (at page 178) that at the meeting of the directors of Queensland Mines held on 27th April, 1961, at which there was a discussion about the disposal of some motor vehicles, a jeep or a landrover, or both, you told your co-directors that you had entered into an arrangement with Dubar to assist in the finance? Do you remember telling his Honour that? A. That I told the directors on 27th April --

Q. Yes. A. No, I don't think that I did.

HIS HONOUR: Actually this is something he says he said after the meeting, - "After the meeting Mr. Redpath asked".

MR. HUGHES: Q. Do you remember Mr. Staff asking you this question yesterday - you can take it I am reading exactly from the transcript -

"When you asked whether you might buy the jeep, did you indicate in what capacity you were making that request? A. I said I wanted to buy a jeep for use in the Savage River, and after a meeting Mr. Redpath asked me how I was getting on about the matter. David Korman was present and I told him the then position, that I was trying to carry on to get someone to replace Stanhill and that I had entered into an arrangement with Dubar to assist in the finance."

A. Yes.

Q. "I told him roughly what was transpiring down there. I told him that I was drilling and I was continuing with the drilling, that the Government had allowed me to carry on the licence for the purpose of trying to get the company originally envisaged formed, that I did not have any luck about that, but I was spending a bit of money on drilling myself."

Do you remember that answer? A. Yes.

Q. When you referred in that answer to the fact that you had entered into an agreement with Dubar

*(See now page 272.)

to assist in the finance you meant to convey, did you not, to Mr. Redpath and to Mr. David Korman, that you had made an arrangement with Dubar to get finance to assist in the exploration of the Savage River exploration licence? A. Yes.

Q. Do you remember giving evidence last week about the course of the negotiations between yourself and Dubar that led to the making of the Dubar Deed of 12th May, 1961? A. Yes.

10

Q. You never disclosed to any of your co-directors of Queensland Mines that you had made the Dubar agreement? A. I did not disclose to them I had made the Dubar Agreement. I did disclose to them I had made arrangements to enter into an agreement with Dubar.

Q. But you never disclosed to them the detailed terms of that agreement? A. No, I did not.

Q. When you were speaking to your co-directors after the meeting of the 27th April, 1961, did you tell them that Dubar was going to take an interest in the Savage River licence? A. No.

20

+Q. Any arrangement for the provision of finance for developing the Savage River licence was not come to until 12th May, when the Deed was executed, was it? A. No, that is correct. Can I reflect for a moment?

Q. Yes, if you would like to have the question read? A. I am reflecting on your question.

Q. If you want to reflect on it I invite you to ask for it to be read again so you can reflect adequately? A. I don't want it read; just casting my mind back. Could you ask your question again?

30

(Question marked + read back by court reporter.)

Q. Do you understand the question? A. Yes, I understand. At this stage my recollection was -- No, I think I will say to that question, as far as I can recollect, that would be the position.

HIS HONOUR: I am not very clear what the question means. Does it mean there was no prior oral discussion or arrangement?

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MR. HUGHES: Your Honour recalls the evidence of Mr. Hudson, that the inclusion of E.L. 4 and E.L. 5 was a last minute matter, when the deed was

presented for inclusion it was amended by hand. I don't want there to be any misunderstanding or possibility of misunderstanding about the import of that question. Mr. Hudson said he understands it. For more abundant precaution I would not mind if he would like it read again so he can give it the fullest consideration.

HIS HONOUR: I would like it read again.

(Question marked + read back by court reporter.) 10

HIS HONOUR: You were specifically distinguishing between the Savage River, and the Blythe River in that question?

MR. HUGHES: Yes. (To witness) Take your time to reflect.

WITNESS: I have been trying to, Mr. Hughes. The deed itself I think was drawn up by Murphy & Moloney and it was brought to my office and it was initialled; but at just what period of time prior to that I had discussion with Mr. Dickinson in regard to the Savage River coming into being I am not sure, I can't recollect. My general impression was that it was within a day or two of the amendment to the deed, but it could have been an earlier period. 20

*MR. HUGHES: Q. May I assist to refresh your recollection. Do you remember you were shown that answer at the bottom of page 129, the long paragraph, and you amended part of that answer by substituting "Savage", for "Blythe"? A. Yes.

*Q. The question Mr. Staff put to you which you answered, towards the bottom of page 129, was: 30

"Q. Having initially started as discussions about Blythe River, tell us how they then developed, and what they were?"

Do you remember that question? A. No, I would like to look at the transcript. (Transcript shown to witness.)

MR. HUGHES:

"Having initially started as discussions about Blythe River, tell us how they then developed and what they were? A. In May - an agreement was drawn up ready for execution, In May, Mr. Dickenson said to me that they would like to consider the possibility of exporting the high grade ore from the Savage River. I 40

*(See now page 201.)

have to explain that, I will say this. The average grade of ore at the Blythe River is 35% higher as against, say, Western Australia, 65 to 68. But on the surface of a magnetite ore body it becomes oxidised with the air and can go as high as 64/65%, it converts itself to haemetite. It was not known just what the amount of ore was on the Savage River of higher grade or what the impurities were contained in it. Mr. Dickenson suggested to me that from the point of view of export, they should extend the arrangement they had made to the possible export of ore, from the Blythe, from the Savage River, and I agreed on condition that they would contribute up to 30,000, not only towards the cost of developing the Savage River - the Blythe River, but the Savage River." 10

A. Yes. 20

Q. May we take it in the light of that answer it was not until some time in May, 1961, that you first discussed with the representatives of Dubar any proposal that funds provided by them should be made available for the proving of the Savage River area?

A. No, I won't agree with that. I will agree that if you look at that statement as it is --

Q. The answer you have just given -- A. The implication is that I did not discuss the question of their involvement in a financial position with the Savage River until on or about the date of the execution of the deed. 30

Q. That is the plain implication of your answer?

A. Yes.

Q. And that plain implication is the truth?

A. Speaking from the best of my recollection --

Q. Is it the truth, or not? A. I could not tell you at this stage just when the arrangement -- in a matter such as that it was a developing thing. Someone says something to you, and then another few days you say something else, and so it goes up and it develops over a period of time. 40

*Q. When you gave that answer at the foot of page 129 -- A. When I gave --

*Q. I am going to complete my question. When you gave that answer, at the foot of page 129, which you

*(See now pages 201/202.)

consulted from the transcript, you were very specific in your statement that it was in May that Mr. Dickenson raised the Savage River deposits with you, and in your statement that you agreed to give them an interest in the Savage River deposits on condition that they would contribute up to 30,000 not only towards the cost of developing the Blythe River, but the Savage River; you were very specific in that statement? A. I agree with you.

10

Q. And it is not just a matter of implication, is it; it is a matter of expressed statement in that passage of the transcript? A. I agree.

Q. I want to know whether that statement is true or untrue? A. I don't think it is completely true.

Q. Is it false? A. Well, I should say - is black white? It is true or false. I think it is false to a certain extent.

Q. Of course, if it is true, it falsifies your evidence that you told Mr. Redpath and Mr. David Korman on 27th April --? A. That is correct.

20

Q. And that is the difficulty, is it not?
A. I don't see the difficulty.

*Q. You agree with me quite specifically, however, that if what you have said at the foot of page 129 is the truth, what you have said about the information you gave to Mr. David Korman and Mr. Redpath on 27th April is not the truth? A. I will agree.

Q. In your dealing with Mr. Symons of the Tasmanian Department of Mines were you at all times seized with the importance of being utterly candid in your negotiations with him? A. Yes.

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+Q. And as a professional man you would have regarded it, would you not as quite improper to be a party at any stage of your discussions with Mr. Symons to concealing the truth? A. Can I answer this --

Q. I would have thought the question could be simply answered yes or no? A. If you are talking legally or commercially.

40

Q. Is there a difference between commercial candor and legal candor? A. Sometimes there is.

Q. You say as a commercial man it is legitimate

*(See now pages 201/202.)

to be lacking in truthfulness, whereas if you are acting under a legal hat, it is not? A. No, I did not mean that at all.

Q. May we come back to the question, and I invite you to answer it yes or no, if you can; the question about which you paused.

(Question marked + read back by Court Reporter.)

WITNESS: I would regard it as improper.

MR. HUGHES: Q. And you did not conceal the truth in your dealings with Mr. Symons, did you? A. I did not -- 10

Q. Conceal the truth in your dealings with Mr. Symons? A. I did not conceal the truth in my dealings with Mr. Symons.

Q. From August, 1960 onwards, is that right?
A. That would be so.

Q. If there had been any statement in a document prepared by somebody else other than you and submitted to Mr. Symons in connection with the project, that you knew to be untrue, you knew at the time that it would have been your duty to bring the true position to Mr. Symons' notice? A. If the document was a document by somebody else? 20

Q. Yes? A. And I was not in a position, my relationship with the person I was talking to was not such that I was under an obligation to disillusion him about someone else's document, I may not consider I should disillusion him.

Q. You have told his Honour that you recognised you had a duty of candor to Mr. Symons? A. That is correct. Then we got on to a hypothetical question. 30

*Q. And your duty of candor included disabusing his mind of any false impression that he may have obtained from a document submitted to him which you knew to be false? A. Could you let us get down -- I want to have a look at the document you are referring to. If we are talking hypothetically or if we are talking specifically --

Q. We will be very specific soon. I would like you - unless there is any objection by my learned friend, and there has been no objection - to listen to that question read from the transcript and answer it? 40

(Question marked * read back by Court Reporter.)

WITNESS: It would depend on the circumstances, who wrote the letter and what the document was.

Q. But you were down there to see Mr. Symons as the negotiator in connection with the project?

A. Yes.

Q. You were Mr. Korman's negotiator, according to your evidence? A. That is correct.

Q. And you had with you, when you went to see Mr. Symons for the first time in Hobart, a draft of Mr. Korman's letter dated 26th September, 1960? 10

A. I did not have it when I first went to see Mr. Symons.

Q. You had it at some stage when you went to see Mr. Symons? A. I had it when I went to see Mr. Symons at a period subsequent to 26th September.

Q. You would deny, would you, that that document was your draft? A. Yes.

Q. You would deny, would you, that you represented it to Mr. Symons as your draft? A. Yes. 20

Q. You know the document I am talking about, the draft letter that turned up in the Mines Department File? A. That is correct.

HIS HONOUR: Exhibit "AT".

MR. HUGHES: Q. (Exhibit "A6", letter of 26th September, 1960, shown) You swore in your answer to interrogatories that you saw that letter or a copy of that letter at or about the time it was sent. Do you remember saying that? A. Yes, I did.

Q. May we take it you discussed that letter, Exhibit "A6", with Mr. Korman before it was sent? 30

A. No.

Q. Didn't you? A. No.

Q. Didn't he show you a copy of it before it was sent? A. No.

Q. When he showed you a copy he did so at or about the time the letter is dated, is that right?

A. No.

Q. Are you sure? A. I received a copy of the letter.

Q. When? A. At or about the time it was written. 40

Q. You received that copy from Mr. Korman?

A. From Mr. Korman or from his Secretary. Someone sent it to me.

Q. Did you read the letter when you received it?

A. Yes.

Q. After you had received the letter did you have any discussion with Mr. Korman about any of its contents? A. No.

Q. You did not say to Mr. Korman words to this effect, "Hey, look at what you have written in the second paragraph"? A. No. 10

Q. "You know that is a load of nonsense"; you didn't say anything like that? A. No.

Q. Or words to that effect? A. No.

Q. May we take it that you regarded what Mr. Korman said in the second paragraph as being substantially accurate? A. I did not regard it as accurate in relation to Queensland Mines Limited, but it could have been accurate in regard to the expenditure by Stanhill. 20

Q. If you did not regard it as accurate in relation to Queensland Mines you had a duty as a director of Queensland Mines to correct the record for Queensland Mines, did you not? A. To whom would I have a duty?

Q. To Mr. Korman or Mr. Symons, or both.

HIS HONOUR: I think there may be some ambiguity as to whether you meant correct it to a person or whether you have a duty to a person.

MR. HUGHES: Q. If at the time you read that letter you recognised that it contained a substantial inaccuracy in relation to the position of Queensland Mines - A. Yes. 30

Q. You knew it was your duty then and there to draw that inaccuracy to the attention of the writer of the letter? A. I knew I had a duty -

Q. Yes, to set the record straight to the writer of the letter? A. The writer of the letter would know that that was incorrect, and my pointing it out to him would not have been of any effect. 40

Q. You did not suggest to Mr. Symons that the second paragraph was incorrect, did you? A. I did.

Q. When? A. When I saw him. And in the initial stages I told Mr. Symons, the original letter that I wrote to see Mr. Symons on Queensland Mines letter-head.

Q. Did you in conversation at any time with Mr. Symons draw his attention to the second paragraph of the letter Exhibit "A6" and say, "That reference to Queensland Mines expending all that money is just not true", or words to that effect? A. No. I did not say that, but I did say to Mr. Symons that the reference to the 100,000 was not spent by Queensland Mines but could have been spent by Stanhill. 10

Q. Do you remember giving some evidence about your conversations with Mr. Symons apropos this letter, in answer to Mr. Staff? A. I beg your pardon?

Q. Do you remember giving some evidence the other day about a conversation with Mr. Symons in which this letter was before you both? A. I don't recollect I was asked any questions in relation to this letter being before us both. 20

Q. You are telling his Honour now that in a conversation with Mr. Symons you told him specifically that the reference to Queensland Mines in the second paragraph of that letter, Exhibit "A6", was incorrect? A. I do not say I told him specifically, but in my first interview with Mr. Symons I made it quite clear to him what Queensland Mines' position was, that it was based on uranium. I made it quite clear to Mr. Symons that Stanhill had been looking to establish a steel industry, and Mr. Symons was under no illusions or could not have been under any illusions when he received this letter from Mr. Korman that the second paragraph saying that Queensland Mines had expended £100,000 under instructions from Stanhill -- it doesn't say that Queensland Mines had expended it; it says "Queensland Mines Limited under instructions from the company, Stanhill Consolidated, has expended £100,000". There is no suggestion in that letter that Queensland Mines had spent £100,000 of this money. 30 40

Q. There is a suggestion in this letter though that Queensland Mines "Under instructions from this company had during the last eighteen months at a cost of approximately £100,000 made an economic study" etc.? A. It is not suggested in the letter that Queensland Mines had spent the money.

Q. Did you regard those statements that you have just read as being true or false? A. I did not 50

regard the statement of 100,000 as being entirely false. I did regard the statement "Queensland Mines under instructions from this company" as being false.

Q. You knew it was false when you first saw that letter? A. I knew it was false, that particular part.

Q. And you knew when you first saw that letter that the statement that Queensland Mines had made an economic study of known iron and coal deposits throughout the Commonwealth of Australia and New Zealand was false? A. Mr. Hughes, I know you are not trying to deceive me, but you are leaving out the words "Under instructions from this company". 10

Q. You knew, did you not, when you first saw that letter that the statement, "Queensland Mines Limited under instructions from this company has during the last eighteen months made an economic study of known iron and coal deposits throughout the Commonwealth of Australia and New Zealand" was false? A. I knew it was false to say that Queensland Mines Limited under instructions from Stanhill - I do not regard the rest of the paragraph in relation to expenditure as false, although I did regard it as excessive. 20

(His Honour stated that if Mr. Hudson should again feel unwell or desire to sit shorter hours he should discuss this matter with his counsel and appropriate arrangements could be made.)

(Luncheon adjournment.) 30

ON RESUMPTION:

MR. HUGHES: Q. (Exhibit "A6" shown.) Do you remember being asked by Mr. Staff about the sentence commencing the second paragraph of that letter?

A. I would like you to read it.

*Q. You were asked at page 112,

"Q. You see, Mr. Hudson, the sentence commences 'Queensland Mines had during the last eighteen months, at a cost of approximately £100,000 made a study.' You were managing director of Queensland Mines?" 40

That was the question? A. Yes.

Q. Do you remember answering:
"I knew that was wrong"? A. Yes.

*(See now page 177.)

Q. You knew it was wrong in the sense of being untrue? A. Yes.

Q. May I take you to the second part of paragraph two of this letter. Do you see it says, "Queensland Mines has recommended that such an industry could best be established in Tasmania using iron ore from the Savage River deposits"? A. That is correct.

Q. "But that a detailed investigation of the various problems, including methods of treatment associated with the establishment of such an industry, should first be undertaken over a period of eighteen months to two years at an estimated cost of £750,000". Do you say you knew that the attribution to Queensland Mines of those two recommendations was incorrect? A. Yes. 10

Q. So you knew that the second part of paragraph two of this letter was untrue? A. Yes.

Q. And you knew that when you saw Mr. Symons in Hobart in October? A. Yes. 20

Q. You said before lunch that you knew you had a duty to be candid in your dealings with Mr. Symons? A. Yes.

*Q. Do you remember telling Mr. Staff (at the top of page 112) that you did not have any discussions with Mr. Symons about that statement in the opening four or five lines of the second paragraph of this letter? A. Yes.

Q. May we take it that you also refrained from discussing the second part of the second paragraph of that letter in your dealings with Mr. Symons, the parts attributing to Queensland Mines two recommendations? A. Could I answer this way, Mr. Hughes? It is not that I discussed the recommendations, but I did not discuss with Mr. Symons the fact that it was not Queensland Mines. 30

Q. I want to take you to the third paragraph of this letter: "Queensland Mines Limited has arranged for the technical advice and assistance of a large overseas steel organisation during the initial stages of the investigation and subsequently from management and control during the early years of production". Do you say you knew that statement to be false? A. Yes. 40

Q. And totally false? A. I knew it to be false, yes.

*(See now page 177.)

Q. And you knew it to be totally false? A. Totally false, yes.

HIS HONOUR: Q. That had not been done either by Queensland Mines or by you? A. No.

MR. HUGHES: Q. You knew then that that statement in Mr. Korman's letter was nothing short of a blatant lie? A. Well --

Q. Did you know it was a lie? A. I do not put it in that sense, Mr. Hughes. In my first discussions with Mr. Symons I made it quite clear to him that it was Stanhill and not Queensland Mines involved. Now the only thing that has happened in this letter is that Stanhill has used the name Queensland Mines instead of itself. The facts relative contained in the letter are facts that Stanhill had done. So the only thing wrong with the letter is the interposition of companies; but Queensland Mines had not done it, nor was the statement correct, but in fact Stanhill had done it. So it did not seem to me, as far as the Mines Department was concerned, I did not think it was very relevant to them that it was Queensland Mines or Stanhill. 10 20

HIS HONOUR: Q. Wasn't it relevant whether a recommendation came from a mining company or a finance company? A. Yes, I think that would be relevant. It would be relevant.

MR. HUGHES: Q. Will you agree that inasmuch as the second and third paragraphs of this letter attributed to Queensland Mines Limited the making of an economic study and the making of two recommendations and the arranging for technical advice and assistance of a large overseas steel organisation, those paragraphs were telling lies? Will you agree with that? A. You started your question with "Do you agree --" 30

Q. Yes. Do you agree? A. I don't think you answered --

Q. I don't want you to be in any doubt about what I am putting? A. I do agree they are false. 40

Q. But will you agree they were not only false but consciously false? (Objected to.)

HIS HONOUR: I think you could frame the question better, Mr. Hughes.

MR. HUGHES: Q. You knew, did you not, that as at the date of this letter, 26th September, 1960,

Mr. Korman had not made any arrangements for technical advice and assistance of a large overseas steel organisation? A. I did not.

Q. You did not? A. I did not know, Mr. Hughes, to be quite candid. I had my doubts.

Q. You always had your doubts about Mr. Korman, didn't you? A. No, I did not. I had a great respect for Mr. Korman on many occasions.

Q. But you had doubts about him? A. No, I didn't always have doubts about Mr. Korman. 10

Q. When did you start to have doubts about him?
A. It is hard for me to tell you the specific time, but from one or two things I heard when I was down at his office created doubts in my mind.

Q. When was that, what year? A. It was near the 1961 year.

Q. The beginning of the year? A. I could not tell you at this point of time.

*Q. You said in answer to my learned friend (at the top of page 112) that you refrained from too much discussion with Mr. Symons on the second paragraph of this letter, Exhibit "A6"? A. That is correct. I had my doubts about it. 20

Q. You still refrained from discussing the second paragraph with Mr. Symons? A. I did, yes.

Q. And you still refrained from doing so because you knew the references to Queensland Mines were false? A. No, not for that reason.

Q. You didn't know the reference to Queensland Mines -- A. I knew that was false. 30

Q. You knew that could not conceivably be true?
A. But I refrained, not on that account, but on the account that I did not know and doubted whether Stanhill had made arrangements. I did not -- to be quite candid, I did not refrain because of the statement of Queensland Mines, although it was, in fact, false.

Q. And known to you to be false? A. Yes, known to me to be false. 40

Q. Do you think it is consistent with your

*(See now page 177.)

admitted duty of candor to have refrained from pointing out to Mr. Symons references to Queensland Mines in this letter that you knew to be false? A. Mr. Hughes -

Q. Will you answer that? A. In my first discussion -- I am answering your question. In my first discussion with Mr. Symons I left him in no doubt that it was not Queensland Mines, it was Stanhill; the statements contained in this letter referring to Queensland Mines were obviously false, but they are not necessarily false in relation to the company making application for the licence, namely Stanhill. To me it was embarrassing. I agree with that. 10

Q. It was embarrassing to you? A. Embarrassing to me.

Q. Because while you knew that the statements in their references to Queensland Mines were false, you did not want to put Mr. Korman away and shown to be the perpetrator of a falsehood? A. To me the question - 20

Q. Did you understand that question? A. Yes.

Q. What is the answer? A. I will answer it this way. To me whether it was Stanhill or Queensland Mines was quite irrelevant to Mr. Symons.

Q. Will you agree that in your first conversation with Mr. Symons in September, 1960 you referred in the conversation to Queensland Mines Limited?

A. Oh yes, I told him what Queensland Mines was doing.

Q. Will you agree that you were well aware in your conversation with Mr. Symons in October, 1960 when this letter, Exhibit "A6", was in Mr. Symons' possession - will you agree that during the course of your conversation with Mr. Symons in October, 1960 when this letter was discussed between you - A. Yes. 30

Q. - those paragraphs, the second and third paragraphs, were, if accepted by the recipient calculated to create the impression that Queensland Mines Limited had an active interest in the project? A. If accepted. 40

Q. Yes, if accepted? A. If accepted.

Q. And you did nothing in that October conversation to disabuse Mr. Symons' mind of the falsehoods in the second and third paragraphs of that letter? A. Of course, it was not accepted by him.

Q. Would you just answer my question. You did nothing in your October conversation with Mr. Symons to point out the falsehoods that were in the second and third paragraphs? A. I did nothing to point out the falsehoods to Mr. Symons because he had already known that they were false.

Q. That is not the substance of the explanation you gave to Mr. Staff the other day as to your failure to correct the falsehoods, is it? A. I don't know. If I wasn't asked the question by Mr. Staff I would not -- 10

*Q. Do you remember being asked this question at page 112:

"Q. The opening four lines, five lines of it or so, Mr. Hudson, and the reference to Queensland Mines; did you have any discussion with Mr. Symons about that statement? A. No, I didn't. I did point out to Mr. Symons that Stanhill had spent a lot of money on its investigations but I refrained from too much discussion on that second paragraph". 20

Do you remember giving that answer? A. Yes, that is quite right. It is true.

Q. And the truth of the matter is you refrained from any discussion on that second paragraph?
A. Yes.

Q. Did you not? A. Mr. Hughes, I am going to point out that under instructions from this company, Stanhill; and there is no implication in this letter it was Queensland Mines. 30

Q. You pointed that out several times before lunch? A. And you continue to ignore the fact.

Q. I was reading from your counsel's own questions?
A. Will you reframe your question again and read the whole of the five lines you are referring to first.

*Q. I am reading your own counsel's questions from the top of page 112 of the transcript:

"Q. The opening four lines, five lines of it or so, Mr. Hudson, and the reference to Queensland Mines; did you have any discussion with Mr. Symons about that statement?" 40

Do you remember being asked that question? A. Yes, I do.

*(See now page 177.)

Q. And your answer was "No, I didn't"? A. No, I didn't. That is correct.

Q. And you say:

"I did point out to Mr. Symons that Stanhill had spent a lot of money on its investigations but refrained from too much discussion on that second paragraph."

Is that your answer? A. Yes.

Q. The truth of the matter is you refrained from any discussion on that second paragraph in your October meeting with Mr. Symons? A. I refrained from any discussion other than the amount of money that Stanhill might have expended. 10

Q. And you did not know how much money Stanhill had expended? A. No, I didn't know.

*Q. Do you remember being asked this question by his Honour (at page 112):

"Q. Do I understand your position to be that at no stage did Queensland Mines spend any money at all of its own on anything to do with iron ore?" 20

Do you remember being asked that question? A. I do.

Q. And you answered: "That is so, sir"? A. That is so.

Q. You answered: "That is so, sir". Do you remember Mr. Staff immediately went on to ask you this question:

"Q. Mr. Hudson, you had that discussion with Mr. Symons? A. I didn't like that reference and I kept away from it." 30

A. That is correct.

Q. When you said that you were referring to the second and third paragraphs of the letter? A. I was referring to the second and third paragraphs of the letter.

Q. And you didn't like them because you thought they were rather snide? A. I don't know that you can say they were snide, because if you look at the thing itself it said that Queensland Mines under instructions from Stanhill. Now I knew that was incorrect. I wasn't sure about the 100,000 being expended; and I certainly didn't know, I had doubts 40

*(See now page 177.)

about the technical advice and assistance; and from that point of view I refrained from commenting.

Q. You regarded the second and third paragraphs of this letter as false pieces of puffing, did you not? A. Well, yes.

Q. And because you regarded them as false pieces of puffing at the time of your discussion with Mr. Symons, you did not like them, did you? A. I didn't like them, Mr. Hughes, no. 10

Q. And that was the reason, wasn't it? A. Of course.

Q. And yet you remained mute? A. I beg your pardon?

Q. And yet you remained - you refrained from any discussion, knowing that these allegations were false pieces of puffing? A. Because I had already explained to Mr. Symons the position at the prior meeting and he knew they were puffing.

Q. Had you ever had any discussion with Mr. Korman, Mr. Stanley Korman, prior to 26th September, 1960? 20

A. Oh, yes.

Q. I am sorry, you will have to wait for me to finish the question. I am going slowly because I want to give you every opportunity of understanding it. I appreciate the long sojourn in the witness box imposes a strain. Had you had any discussion with Mr. Stanley Korman prior to 27th September, 1960, which gave you any ground for believing that he had arranged for technical advice and assistance from a large overseas steel organisation? A. Could you repeat the first part of that? 30

Q. Had you had any discussion with Mr. -? A. No, I had no discussion other than - can I just - other than to his statement to me, but I had not discussed it with him.

Q. And the identity of the steel organisation had not been discussed between you and Mr. Stanley Korman? A. No, it had not, Mr. Hughes. The position - if I - 40

Q. I will come to my next question. You made it quite plain to Mr. Symons, did you not, from your very first discussion, that Queensland Mines Limited, as its name implied, was a mining company? A. That is so.

Q. And you gave Mr. Symons a reasonably detailed account, did you not, in your very first discussion with him -? A. Not a detailed account.

HIS HONOUR: Wait for the end of the question, please.

MR. HUGHES: Q. Did you not give in your very first discussion with him, to Mr. Symons, a reasonably detailed account of Queensland Mines' activities in relation to Anderson's Lode? A. Well, I don't think it was detailed but I did give him sufficient information for him to understand what we had been drilling at Anderson's Lode. 10

Q. You gave him, did you not, sufficient information about Queensland Mines to convey the impression that Queensland Mines Limited had some experience, practical experience, in the field of mining? A. Mr. Symons already knew me and I was managing director of Queensland Mines. He knew me as a lawyer. 20

Q. He also knew you as somebody who, in Broken Hill, had been interested in mining ventures?
A. An entrepreneur in mining.

Q. He knew you, and please do not think there is anything in this critical? A. No, he knew me as interested in mining, yes.

Q. Could I come back to my specific question. Will you agree that in your very first discussion with Mr. Symons, you gave him enough information about Queensland Mines Limited to convey the impression that it was a company that had some experience, practical experience, in mining? 30
A. Yes, Mr. Hughes, yes.

Q. And you knew during this discussion, this initial discussion which you had with Mr. Symons, that that was a relevant piece of information for him to have, didn't you? A. I would have thought so.

Q. Now, I want to come to another matter if I may. You remember telling me, Mr. Hudson, that it was some time in 1961 that you began to have suspicions about Mr. Korman's integrity. Do you remember saying that? A. I said that, Mr. Hughes, yes. 40

Q. Now you knew of course from at least May 1959 that Mr. Korman, Stanley Korman, was, in relation to his various companies, not a good payer, didn't you? A. Yes, I was aware of that.

Q. You knew he was a bad payer, didn't you?

A. Well, I knew, in fairness to Mr. Korman, Mr. Hughes, I knew that the companies controlled by Mr. Korman were bad payers.

Q. Bad payers? A. Yes.

Q. And that knowledge you had, did you not, from May 1959 onwards, through the whole course of your dealings with him? A. No, not from May, 1959.

Q. Don't you remember that it was in May 1959 or shortly afterwards that Mr. Palmer told you that he had not been paid his expenses in connection with his New Zealand trip? A. Yes, that is a specific matter, but you asked me generally in regard to other companies. I knew that in certain instances some of the companies were bad payers but don't forget that Mr. Korman controlled a whole industrial empire and when you are talking generally or specifically, I became aware generally at a later period of time that the companies controlled by him were bad payers and otherwise - I think he worked on a proposition; probably, you don't pay anything until you have to. 10 20

Q. Not very satisfactory for the people with whom you are doing business? A. Sometimes they find it advantageous, I suppose, but generally not. I became aware of it after he took over Rockmans.

Q. When was that? A. That would be near the end of '60.

HIS HONOUR: Q. After he took over what? A. Rockmans. 30
It was a big chain store that was finally purchased and they worked on the proposition that, by paying their accounts within 30 days, they got a 10% discount and that was their profit. It reversed the other way when Mr. Korman took over.

MR. HUGHES: Q. You knew, did you not, by the end of 1960 that Mr. Korman's empire was in trouble with the credit squeeze? A. No, I didn't.

Q. Didn't you? A. No.

Q. At all events you knew, did you not, by 20th February, 1961, that Mr. Korman's companies were in trouble because of the credit squeeze? A. Mr. Korman saw me on the 18th and 20th February and told me he was having liquidity problems and that was the first knowledge I had that the company was having liquidity problems. 40

Q. So will you agree that you knew by 18th February or 20th February at the latest -? A. I knew on that day.

Q. On the 20th? A. Yes.

Q. Will you agree with me that you knew on the 20th that because of liquidity problems, Mr. Korman's companies could not pay their debts as they fell due? A. I didn't know that.

Q. You knew he was having trouble in meeting his obligations, didn't you? A. What obligations? 10

Q. Obligations to pay monies? A. Mr. Hughes, it is a very general statement, but you are talking about a company that had loans of 40 millions. We are not talking about rolling-over loans. The same thing would happen with my line out here; and you are not talking about payment of accounts. You are talking about roll-over loans of millions of pounds.

Q. You knew by February, 1961, by 20th February, 1961, that Mr. Korman's companies were behind in their payments to Queensland Mines, didn't you? A. No, I didn't. 20

Q. Didn't you? A. No.

Q. You knew before February, 1961, that Mr. Palmer had trouble getting his account paid? A. I knew Mr. Palmer had trouble getting his account paid.

Q. That was an instance of Mr. Korman being a bad payer, wasn't it? A. Well, it was Factors really. 30

Q. Factors or whoever? A. Yes.

Q. And Mr. Korman told you, did he not, on 20th February, 1961, that he probably would not be able to go ahead with the Savage River iron ore project? A. He told me that, Mr. Hughes.

Q. And he told you that the reason why he probably would not be able to go ahead was that he was suffering from liquidity problems? A. That is quite correct.

Q. And you knew that part of his suffering from liquidity problems - you knew on the occasion of this conversation of 20th February, 1961, did you not, that part of his liquidity problem was reflected in inability to meet financial obligations, 40

debts? A. I didn't know it specifically, Mr. Hughes, because I was still pressing to go ahead with it.

Q. But you had a suspicion that he was in trouble meeting his debts, didn't you? A. Well -

Q. Or his companies' debts? A. It wasn't just like that, Mr. Hughes.

Q. It was partly like that, wasn't it? A. No; Mr. Holt, at that time the Treasurer, brought in a statement that interest on loans weren't income tax deductible and the credit squeeze which followed and high interest rates - I knew, or I didn't know just how much Stanhill had borrowed. I didn't know until I studied the Murphy Report and I saw in there that Stanhill had loans of £40 million which, taking the value in those days to the value today, would be a terrific sum of money, and when he talked of liquidity problems I don't relate his liquidity problems to not enough money to pay a specific small debt. I related it to the general inability to raise finance, or what we call roll-over loans. 10 20

Q. Now you knew, did you not, as a result of your conversation with Mr. Korman, Stanley Korman, on 20th February, 1961, that his willingness to fund future expenditure incurred by Queensland Mines in connection with the Savage River project would be conditional upon his decision to go ahead with the project? A. No, I didn't, because talking about refunding \$12,000 -

Q. I am not talking about that. Perhaps you did not understand my question. You knew, did you not, as a result of your conversation with Mr. Stanley Korman on 20th February, 1961, that his willingness in the future to meet future expenditure on the project would be dependent upon his making a decision to go ahead with the project? A. Would you repeat that question? 30

(Question read.)

WITNESS: Yes, Mr. Hughes.

MR. HUGHES: Q. And you knew as a result of that conversation with him on 20th February, 1961, that it was doubtful in the extreme, having regard to what he said to you in the conversation, that he would be going on? A. No. 40

Q. What? A. No, Mr. Hughes.

Q. You knew there was at least a substantial doubt

about his future intention of going on with the project, didn't you? A. I knew there was a doubt.

Q. You knew, did you not, that it was probable that he would not go on with the project? A. I think I will answer that again. I thought there was a doubt.

Q. Well, I will put it to you quite specifically as I want a specific answer. Did you think as a result - or did you believe as a result of your conversation with Mr. Stanley Korman on 20th February, 1961, that it was probable that he would not go on with the project? A. No. 10

Q. And if you had ever said otherwise that would be false, would it? If you have ever said otherwise from your last answer, anything different from your last answer, that would be a falsehood, would it? Would you answer that question Yes or No? A. I don't know, Mr. Hughes, whether it would.

Q. What? A. I don't know whether it would. You see, I said to you there was a doubt in my mind and whether the doubt was there - but the question of the assessment of probabilities is another matter. 20

Q. When you went to see Mr. Symons in Hobart on 23rd February, 1961, did you tell Mr. Symons the truth? A. I told Mr. Symons what Mr. Korman had told me.

Q. What I am asking you is did you tell him the truth? A. I told him the truth.

Q. Did you tell him that Mr. Korman had indicated to you that he probably would not proceed with the project? A. Words to that effect. 30

Q. So your belief was, was it, at 20th February, 1961, that probably Mr. Korman would not proceed with the iron ore project on the Savage River?

A. You mean I believe it was, Mr. Hughes? I don't quite -

*Q. I will put the question more clearly. Do you remember giving evidence, page 124 just below half way down, in answer to your own leading counsel, do you remember being asked this question, "You saw Mr. Symons and received the licence. Did you have a conversation with Mr. Symons about this matter of liquidity?" Answer: "Yes, I told Mr. Symons the conversation I had with Mr. Korman. 40

*(See now page 194.)

I told him that Mr. Korman had indicated he probably would not proceed with it"? A. That is correct, yes.

Q. "And that I would get a final answer from him in a very short period of time"? A. That is correct, Mr. Hughes.

Q. And did what you told his Honour in the answer I have just read as having been said by you to Mr. Symons, reflect your belief at the time you saw Mr. Symons on 23rd February about Mr. Korman's intentions? A. That would reflect my view. 10

Q. So that when you told me a few minutes ago that it was not your belief as a result of the conversation with Mr. Korman on 20th February that he probably would not proceed with the project, that answer was incorrect, wasn't it? A. No, I object to that.

(Objected to; question read.)

HIS HONOUR: There seems to be another possibility. I do not think I can say what it is. Question disallowed in that form. 20

MR. HUGHES: Q. Do you agree that several minutes ago the substance of one of your answers to me was to the effect that you did not believe, as a result of your conversation with Mr. Stanley Korman on 20th February, that he probably would not go ahead with the Savage River project? A. Mr. Hughes, I said I had a doubt whether he would go ahead. Whether you find a great difference between "probability" and "doubt", I don't know; but to me as a witness here and answering your question, the margin between the word "probability" and the word "doubt" is very, very small, and I am talking of ten years ago. 30

+Q. I appreciate that. I am talking about evidence that you gave a few days ago. Mr. Hudson, if you had a doubt as to Mr. Korman's future intention in relation to the project as a result of your conversation with him on 20th February, it follows, does it not, that you had a doubt as to whether future expenditure incurred by Queensland Mines in developing the area or proving the area would be met by any of Mr. Korman's companies? A. There was no question, if Mr. Korman wasn't going ahead, that Queensland Mines would be spending any future money. 40

Q. I will just come to my question again.

(Question read marked +)

WITNESS: If I said that, I said it without understanding.

HIS HONOUR: You did not say that.

MR. HUGHES: Q. You are being asked it. A. There wouldn't be any further expenditure by Queensland Mines if Mr. Korman wasn't proceeding.

Q. That is not an answer to my question and I will ask that the question be read again. A. I will try and answer it.

10

HIS HONOUR: I think that probably is an answer. Probably you have to insert the words "if any" to get your question answered.

MR. HUGHES: Q. If you had a doubt as a result of your conversation with Mr. Korman on 20th February that he intended to develop the Savage River area, it follows, does it not, that you had a doubt that future expenditure, if any, by Queensland Mines on the area would be reimbursed by any of Mr. Korman's companies? A. If any?

20

Q. Yes? A. I would have a doubt, yes. Can I -?

Q. No, you will answer my question. I am sorry Mr. Hudson. A. All right.

Q. On 6th March, 1961, did you have a doubt as to Mr. Korman's future intentions in relation to the development of the area? A. I had not - I had the same doubt on 6th March as I had -

Q. On 20th February? A. On the 20th.

Q. Nothing had happened in the meantime to remove that doubt, had it? A. Nothing had happened.

30

Q. Or to diminish that doubt? A. That is correct.

Q. Now you recall, don't you, that in a letter dated 6th March, 1961, which forms part of Exhibit "AO", you committed Queensland Mines under your signature, over your signature as managing director of Queensland Mines, to certain costs in respect to a future drilling programme on the Savage River area? A. Are you using the word "committed"?

40

Q. I am. A. I didn't believe I was committing Queensland Mines. In the letter of 6th March I wrote and said that Queensland Mines would be responsible.

Q. And you appreciated when you wrote that letter, did you not - would you like the letter in front of you? A. I remember the letter quite well.

HIS HONOUR: This is the letter to Associated Diamond Drillers you are referring to?

MR. HUGHES: Yes.

Q. You recall that that letter was written by you as managing director of Queensland Mines Limited?

A. Yes, yes.

10

Q. And it started off by saying, "I acknowledge receipt of your letter of 3rd instant and confirm arrangements whereby this company will be responsible for the company's present drill at Savage River and under the same terms and conditions as applied to the Mines Department of South Australia who took over responsibility from Rio Tinto? A. That is correct.

Q. And you went on to say, "Mr. Ridgway, our geologist, will supervise the present drill in place of Rio Tinto"? A. That is correct.

20

Q. And "our" of course referred to Queensland Mines Limited, didn't it? A. I beg your pardon?

Q. The word "our", o-u-r, in the sentence of the letter I have just read to you, referred to Queensland Mines Limited, didn't it?

HIS HONOUR: Q. "Our geologist"? A. "Our geologist" referred to -

MR. HUGHES: Q. Queensland Mines' geologist?

A. Mr. Ridgway wasn't the geologist of Queensland Mines at the date of that letter.

30

Q. Whether he was or not -

MR. HUGHES: Perhaps in fairness to the witness, although he has rejected the offer of the text of the letter being in front of him, I think it ought to be in front of him.

(Witness shown Exhibit "A0".)

Q. You see the second paragraph, "Mr. Ridgway, our geologist"? A. That is correct, yes.

Q. Now the word "our" in the context of that letter

40

could only refer to Queensland Mines Limited, couldn't it, to anyone reading the letter? A. To anyone reading the letter.

Q. In its natural sense? A. In its natural sense, would have thought that.

Q. And indeed you intended Mr. Bolton to read the letter in its natural sense, didn't you? A. Yes, I intended him to read it.

Q. And you went on to refer to a discussion you had had with Rio Tinto? A. That is correct. 10

Q. And then you finish by saying, "I will communicate with you in the course of the next few weeks and make an appointment for yourself and Mr. Skavass, to visit the site in company with Mr. Ridgway and myself to discuss future drilling"? A. That is correct.

Q. Now will you agree that anyone reading that letter in the sense in which you meant it to be understood, namely, its natural sense? A. Yes. 20

Q. Would take it that you on behalf of Queensland Mines were making a contractual commitment to Mr. Bolton's company to meet certain drilling costs? A. I was making a contractual obligation to meet the cost of the drill if it went ahead.

Q. And you were making that contractual obligation so as to bind Queensland Mines, weren't you? A. That is correct.

Q. And you appreciated when you wrote the letter that that was exactly what you were doing, didn't you? A. Yes. 30

*Q. So you appreciated when you wrote that letter that if drilling should start and Mr. Korman withdrew as a backer, Queensland Mines would be obliged to meet out of its own resources the drilling costs incurred? A. No.

Q. Didn't you? A. No.

Q. You told his Honour earlier in substance, didn't you, that you had a doubt? A. You had two or three questions, answers in that question, Mr. Hughes. 40

MR. HUGHES: I will have the question read again and you realise it has not been objected to.

Q. Do you understand from your experience as a solicitor, if a question is not objected to you are obliged to answer it?

HIS HONOUR: If a witness feels a question is misleading, he is entitled to say so.

(Question read marked *)

HIS HONOUR: That may be ambiguous in one sense. I think you mean it would be under an obligation. The words you used might imply that it would in fact happen that way. 10

MR. HUGHES: If that was Mr. Hudson's understanding, I withdraw it.

Q. You appreciated when you wrote that letter that if drilling should start and if Mr. Korman should withdraw as a backer, your company, Queensland Mines Limited, would be under a contractual obligation to meet the drilling costs? A. Yes, that reply does not answer that first question or prior question because you then used the words "out of its own resources". 20

Q. You are drawing a distinction, are you? A. I am drawing a distinction, yes.

Q. Of course if Mr. Korman withdrew as a backer, he would not be funding you with resources, would he? A. Why not?

Q. Queensland Mines? A. He could quite easily refund them.

Q. I am not talking about refunding, I am talking about future costs if Mr. Korman were to withdraw as backer; he would be withdrawing, would he not, from any obligation to meet future costs after his withdrawal? A. No, I don't think so. 30

Q. Really? A. He would be liable up to any commitment that has been made up to the date of his withdrawal.

Q. Precisely. So that if drilling were to start after Mr. Korman had withdrawn as a backer, on the terms of this letter as you knew it at the time you wrote it, Queensland Mines would be liable to pay for drilling costs? A. If the circumstances outlined in your question took place, yes. 40

HIS HONOUR: Q. The last words you had from Mr. Korman were that he did not think he would be able

to go on with it, weren't they? A. Yes, that was on 18th February, sir, or thereabouts, between 18th and 20th.

MR. HUGHES: Q. And you still want his Honour to understand, do you, that nothing you did between August 1960 up to and including 6th March, 1961 in relation to the proving and development of this area was done by you on behalf of Queensland Mines?

A. Yes, I do.

10

Q. Even though, as you concede, you committed Queensland Mines Limited on the face of this letter as a principal to meet future drilling costs?

A. I did not.

Q. You did not? Where on the face of this letter is there any reference to Queensland Mines Limited?

A. You used the words "future drilling costs"?

Q. Yes. A. The reference to that letter is to one drill hole.

Q. I will amend my question and put it again to accord with the amendment you have suggested. It is quite clear, isn't it, on the face of this letter that you committed Queensland Mines vis-a-viz Associated Diamond Drillers to liability as a principal in respect of a particular drill hole mentioned in the first paragraph of that letter? A. I committed Queensland Mines to an obligation to pay Associated Diamond Drillers for that drill if it started.

20

Q. Yes. A. Yes.

Q. And you knew that you were committing it on the face of that letter, that is Queensland Mines, on the face of that letter as a principal vis-a-viz Associated Diamond Drillers? A. I was not committing it as a principal.

30

Q. What? A. I was not committing it as a principal.

Q. Mr. Hudson - ? A. To the recipient of the letter -

Q. Yes. A. To the recipient of the letter, it would have been assumed by the recipient that Queensland Mines was being responsible for the drill, whether as principal or in some other capacity, I don't know.

40

Q. Will you agree that the first paragraph of this letter of 6th March, 1961 is accurate to the

extent in as much as it refers to a confirmation of oral arrangements previously made? A. Yes.

Q. So may we take it that in your conversation with Mr. Bolton and prior to 6th March, 1961, you orally committed Queensland Mines to certain drilling costs as a principal? A. Not as a principal.

Q. You committed Queensland Mines to pay, didn't you? A. I committed Queensland Mines to pay for the drill hole if it commenced, yes. 10

Q. You see this letter of 6th March, 1961 omits any reference to Queensland Mines Limited occupying an agency position, doesn't it? A. Well -

Q. Doesn't it? A. It omits any reference, yes. It omits any reference but on the other hand there had been discussions between Mr. Bolton and myself.

Q. Did you give a true and full account of those discussions in the evidence you gave yesterday?

A. I didn't give a full account. I told Mr. Bolton there was a company to be formed to carry out the drilling and that company would be going on to do extensive drilling. 20

Q. And the company to which you referred - ?

A. So he knew. It is all right.

Q. The company to which you referred, the only company other than Queensland Mines to which you referred in your conversation with Mr. Bolton, was a company not yet formed, wasn't it? A. It was a company not yet formed, yes.

Q. So you knew as part of your basic stock of legal knowledge that if a person or a company commits itself contractually on behalf of a company not yet formed, that person or company so committing itself is doing so as a principal, didn't you? A. In these circumstances Queensland Mines was not committing itself as a principal. 30

HIS HONOUR: Q. Wasn't the whole purpose of that letter to tell Associated Diamond Drillers -

A. To carry out the payment of the -

Q. Wasn't the whole purpose to tell Associated Diamond Drillers that they could look to Queensland Mines for payment? A. They could look to Queensland Mines to pay the amount of money. No question of that. 40

Q. Irrespective of whether companies were formed or not? A. Yes.

MR. HUGHES: Q. And that was for the purpose of giving Associated Diamond Drillers quite properly some feeling of security before they embarked on the drilling programme? A. Oh yes, yes, they asked for it.

Q. They asked for it? They asked for a commitment by Queensland Mines, didn't they? A. They didn't ask for a commitment by Queensland Mines.

Q. You gave them one anyway? A. I gave them one. 10

HIS HONOUR: Q. They wanted to know who they could look to? A. Mr. Bolton said to me that his company did not like to work for an individual and preferred to have a commitment by a company.

MR. HUGHES: Q. So you thought it perfectly proper to commit Queensland Mines Limited to an "as principal" liability? A. I didn't commit Queensland Mines as a principal.

Q. In your dealings with Associated Diamond Drillers you committed Queensland Mines Limited, did you not, to an "as principal" liability to pay for certain drilling costs? A. I committed Queensland Mines to pay for certain costs of the drill. 20

Q. You knew when you wrote that letter - ?
A. But in doing so I knew -

Q. Just a minute. When you wrote that letter you knew, did you not - ? A. I knew what?

Q. When you wrote that letter of 6th March, 1961 you knew, did you not, that if drilling was done in terms of the first paragraph of that letter by Associated Diamond Drillers? A. Yes. 30

Q. And they were not paid? A. That is right.

Q. Queensland Mines would be liable to an action?
A. No question at all. They could be sued and liable for it.

Q. Would you agree that at the time you wrote that letter of 6th March, 1961 you were well aware that Mr. Korman's empire, if I can use that expression to cover all his companies, was in financial straits? A. No. 40

Q. Will you agree that you knew in March 1961 that they were in financial ombarrassment? A. No.

Q. You thought that everything in the garden was lovely, did you? A. I did not.

Q. You knew there was some trouble, didn't you, financially, when you wrote that letter of 6th March, 1961? A. I knew they were having liquidity problems.

Q. And liquidity problems are generally reflected in difficulty in meeting financial obligations, aren't they? A. Not necessarily.

Q. But quite probably? A. Not necessarily. 10

Q. But quite probably? A. Probably.

Q. What? A. I don't think liquidity problems relate to meeting individual financial responsibilities, no.

Q. Lack of liquidity means unavailability of funds to pay debts doesn't it, in common ordinary English? A. Well, not necessarily.

Q. But quite probably? A. If you are talking about lack of funds to repay a large loan or things like that, it is not related only to payment of debts. It is related to quite a number of other factors such as loan funds and meeting interest on large loan funds and things like that. But in general I suppose you can say lack of liquidity is in a sense inability to meet the obligations that the company has, financial obligations. 20

Q. That is what I wanted you to say. Thank you. Mr. Hudson, do you think on reflection that you in agreeing to the terms of the Dubar deed, that is Exhibit "Y" dated 12th May, 1971 - I am sorry, 1961 - I will reframe the question so it will not be confusing. Do you think on reflection, and I would like you to have time to reflect if you wish it, that you behaved altogether honourably as a director of Queensland Mines Limited when you agreed to the terms of the Dubar deed? A. Yes. 30

Q. What? A. Yes. Yes, I do.

Q. You do? There is nothing about the terms of the deed to which you agreed that makes you have a passing doubt as to the propriety of your conduct in relation to that deed, is there? A. Not at all, nothing. 40

Q. Not at all? At the time when that Dubar deed

was entered into you knew, did you not, that Stanhill, that is Stanhill Consolidated, was insolvent? A. I did not.

Q. Didn't you? A. No.

MR. HUGHES: May I have the original interrogatories, your Honour, which will be with the court file which were sworn by Mr. Hudson

Q. And while they are being obtained, would you like time to reflect on that answer because I do not want you to be caught unawares, you see. I do want to give you an opportunity of considering that answer? A. The words were whether Stanhill was insolvent. That was your question. 10

Q. By the way was it a considered answer when you gave it? Was the answer you gave - ? A. I understood your question to be did I know at the time of the execution of the deed that Stanhill was not solvent.

Q. Yes, that was my question. I will put it to you again. I will ask you to consider it again. Did you not know at the time when you executed the Dubar deed on 12th May, 1961 that Stanhill Consolidated was insolvent? A. I did not know it was insolvent. I did have some suspicion that it would become insolvent. I did not know the facts of the case to justify me in drawing a conclusion it was insolvent, but I was definitely of the view that it had grave liquidity problems and could probably not meet its debts, but at that relevant time I would not have known whether it was insolvent or not. 20 30

Q. At that time, that is 12th May, 1961? A. I knew it was having problems and may not ever get over them.

Q. I want to be quite specific? A. I suppose it is because I am a lawyer you are saying did I regard a company as insolvent at a particular time?

Q. Yes. A. I regarded the company as probably going on the way to liquidation with an inability to meet its debts, but whether it was or was not insolvent at that particular time, I couldn't tell. 40

Q. To put it shortly, you did not believe at the time of the execution of the Dubar deed on 12th May, 1961 that Stanhill Consolidated was insolvent, is that right? A. I didn't know whether it was insolvent. I knew it would have problems in meeting its accounts but I didn't know that it was in fact insolvent.

Q. When you swore the original answers to your interrogatories did you give careful consideration to those answers? A. Yes.

Q. Did you do so because you appreciated the importance - ? A. I appreciated, I fully appreciated the importance.

Q. Do you remember being asked this question 16(e) "In respect of paragraph 9 of the deed, what expenses had previously been incurred by the plaintiff". Do you remember being asked that question? A. I would have to see what the expenses referred to. 10

Q. (Approaches witness.) "In respect of paragraph 9 thereof", that is paragraph 9 of the Dubar deed? A. I see, yes. Yes, that is right.

Q. "What expenses have previously been incurred by the plaintiff". You see that? A. Yes.

Q. And your answer was this, was it not, "The expenses previously incurred by Queensland Mines Limited referred to in clause 9 are the monies paid by Queensland Mines Limited on behalf of Stanhill Consolidated referred to in the answers to various other interrogatories, which expenses had not been refunded by Stanhill Consolidated to Queensland Mines Limited? A. That is right. 20

HIS HONOUR: Wasn't this deleted?

MR. HUGHES: I am relying on the original answer for the purpose of cross-examination. The answers were altered pursuant to discussions between counsel because they were in certain respects non-responsive to the questions, but only because of that, because the plaintiff took the view to make out a prima facie case in part on interrogatories. 30

HIS HONOUR: It does not appear on the basis of the document that it now appears that the witness did swear to those words, but you say that he did.

MR. HUGHES: And then it was subsequently altered. If there is any doubt I will go to the -

Q. This is your affidavit, page 45 of the document, part of the court file, swearing to the truth of the interrogatories that were administered to you including interrogatory 16(e). Is that right, Mr. Hudson? A. That is correct. 40

HIS HONOUR: But there is no way for me to tell

whether that alteration was made before or after it was sworn.

MR. HUGHES: Your Honour, I have got the sworn answer unamended.

MR. STAFF: There is no issue on that, the alteration.

HIS HONOUR: What is the document I have got?

MR. HUGHES: Your Honour has the amended one, the amended answer.

HIS HONOUR: There is nothing on it that says it is amended. 10

MR. HUGHES: They were filed as an amended answer, your Honour, re-sworn.

Q. Your answer to interrogatory 16(e) in the answers in the original form was, "The expenses previously incurred by Queensland Mines Limited referred to in clause 9 are the monies paid by Queensland Mines Limited on behalf of Stanhill Consolidated referred to in the answers to various other interrogatories, which expenses had not been refunded by Stanhill Consolidated to Queensland Mines Limited" and your answer went on to say, did it not, "Stanhill Consolidated being at the date of the deed insolvent and thus not in a position itself to re-imburse Queensland Mines Limited". That was your answer in its original form, wasn't it? A. That is correct. 20

Q. And you gave that answer, did you not, for the purpose of reflecting your knowledge of things as they were when you signed the Dubar Deed? A. That is correct.

Q. So will you agree in the light of that answer that you did know at the date of the deed, the Dubar deed, 12th May, 1961, that Stanhill Consolidated was then insolvent and was not then in a position itself to re-imburse Queensland Mines Limited for expenditure previously incurred? A. I agree I made that statement, Mr. Hughes. 30

Q. And was it the truth? Was it the truth or was it false? A. Substantially true.

Q. So you knew at the date of the Dubar deed, 12th May, 1961, that Queensland Mines Limited had no useful recourse against Stanhill Consolidated Limited for monies that Queensland Mines Limited had laid out on the investigation of this iron ore project on the Savage River? A. If you would leave out the word - you used the word "no". 40

Q. Useful recourse against Stanhill Consolidated?
A. Against Stanhill Consolidated, yes, Mr. Hughes.

Q. And you knew at the time you executed the Dubar deed, did you not, that as a director of Queensland Mines Limited you had a duty to Queensland Mines Limited to see to the best of your ability that Queensland Mines Limited was kept out of pocket no longer than necessary for those expenses that it had incurred? A. That is correct, Mr. Hughes. 10

Q. And with that knowledge you deliberately assented, did you not, to the terms of clause 9 of that deed? A. May I have a look?

Q. I will withdraw that question. You knew what was in the deed when you signed it, didn't you?
A. Well, yes, I would.

Q. And do you remember anything about clause 9?
A. Well, it is very difficult for me at this stage to talk about numbers of clauses in a deed. If you refer me to what is in clause 9, - 20

Q. Yes, I will now. Do you remember that clause 9 read this way:

"All moneys, shares, incomes and other benefits received from the sale or disposition of any exploration licences, leases or mining rights now acquired or hereafter to be acquired by Hudson shall be charged in the first instance with repayment to the company (that is Dubar) of such moneys as shall have been paid by it under the terms of this deed and after payment of such moneys in full shall be charged with repayment of expenses previously incurred by Queensland Mines Limited and/or Hudson and Stanhill Consolidated." 30

A. That is right.

Q. What? A. That is right.

Q. That is what you committed yourself to, wasn't it? A. That is correct.

Q. And at that time you were managing director of Queensland Mines Limited, weren't you? A. What is the date of that? 40

Q. 12th May, 1961? A. No.

HIS HONOUR: He ceased to be managing director on 15th March.

MR. HUGHES: Q. I am sorry, you were a director, weren't you? A. I was a director.

Q. And you have stated earlier in answer to some previous questions I put to you, you knew when you executed that deed that Queensland Mines Limited was out of pocket? A. That is correct.

Q. In respect of expenditure that you say it incurred for Stanhill, that is correct? A. Yes.

Q. And with that knowledge you were prepared, were you, occupying the position of a director of Queensland Mines Limited, to agree to postpone Queensland Mines' right to indemnity out of a fund that was set up under this agreement, to a prior right of Dubar. (Objected to; withdrawn.) 10

Q. You would agree, would you not, Mr. Hudson, that it would be nothing short of reprehensible for a director of a company, in this case Queensland Mines, when making an agreement with a third party for his own advantage, to put his own company, that is Queensland Mines, second in the queue for repayment, thus preferring Dubar. That would be reprehensible, wouldn't it? A. I don't think what you are talking about has any relation to the duties of a director to Queensland Mines. The amount of debt was owed by Stanhill. This deed talks to profits that might arise from a transaction between myself and Dubar, and if there were any profits Dubar first, who put up the money, would get their money back first. 20 30

Q. And Queensland Mines would wait until that had happened? A. But there was no reason why Queensland Mines should ever be - there was no obligation to pay Queensland Mines by Dubar or by myself.

Q. But you had an obligation, didn't you? A. I had no obligation to pay them.

Q. Would you listen to my question and don't interrupt me before I finish asking it. You had an obligation as a director of Queensland Mines to act honestly and with due diligence in the interests of that company, didn't you? A. That is correct. 40

*Q. And you had an obligation, did you not, not to put yourself in a position where your own personal interests conflicted with your duty as a director of that company? A. I wasn't putting myself in a position -

Q. Would you answer my question. I am asking you whether you agree that you had such a duty?

A. No, I don't.

Q. Don't you? A. No, because I had no obligation to pay the Debt to Queensland Mines.

Q. I am just putting to you a general proposition. You may not like it but - ? A. If you are putting it in general terms, put it in general terms, but don't try to refer to it specifically.

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Q. Perhaps the question can be read so that the witness can appreciate that it was being put in general terms?

(Question marked * read.)

Q. That company being Queensland Mines? A. Is that question asked in general terms and not specifically to the Dubar agreement?

Q. I should have thought it was apparent from the face of the question that it was asked in general terms and let me reassure you that it is? A. If you assure me on that stage, I will agree with you.

20

Q. And will you agree that in clause 9 of this agreement you agreed with Dubar in substance that if there were profits from the joint venture constituted by the deed, Dubar would be repaid its expenses first and before Queensland Mines Limited was repaid its previously incurred expenses?

A. In relation to that instance, yes.

Q. And you think that was perfectly proper?

A. Perfectly proper.

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Q. Perfectly proper? A. Perfectly. More than proper, Mr. Hughes.

Q. Positively saintly, is that what you are putting? You are putting that it was really saintly? A. Yes, almost to that extent.

Q. And you are putting that proposition even though you have agreed with me, have you not, Mr. Hudson that you knew at the time when you made that deed that Queensland Mines had no useful recourse against Stanhill Consolidated because of the latter company's insolvency, to recover the previously incurred expenses? You knew that, didn't you?

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A. I thought it was unlikely.

Q. Highly unlikely, will you agree? A. Unlikely.

Q. Because of the fact of insolvency, will you agree? A. Well, I don't know.

Q. You don't know? Look you swore, did you not - ?

A. Yes, all right. I have grave doubts and for the reason being that I put in the clause if Stanhill had paid Queensland Mines, they would pay it to Stanhill.

Q. Would you repeat that again? A. I was not completely freeing myself from the proposition that Stanhill would have paid Queensland Mines. 10

Q. But what you were committing yourself to vis-a-viz Dubar was this: That if there were any profits out of this joint venture between Dubar and yourself, those profits would be applied preferentially? A. Yes.

Q. In favour of Dubar, and only secondly and subject to Dubar's preferential right in favour of re-imbursing Queensland Mines, is that right? A. Yes.

Q. And you think that is saintly, do you? A. I think it is more than proper. 20

Q. More than proper? A. Yes.

Q. This was an agreement into which you were entering for your own advantage, wasn't it? A. Well, yes.

Q. For your own financial gain, wasn't it? A. Yes.

Q. And you thought that this prospect at the time was a most attractive prospect, the Savage River prospect, didn't you? A. No. 30

Q. Didn't you? A. Didn't think it was attractive.

Q. When did you first think it was attractive? A. Never thought it was terribly attractive.

Q. Really? A. I thought it was worthwhile looking at it.

Q. Did you ever think it was attractive at any time? A. Well, I thought it was worthwhile looking at it and examining it.

Q. But you deny that at any time during 1960-61 you thought it was attractive? A. Mr. Hughes, you look at a mining or a mine - 40

Q. I just want you to answer my question? A. It could be attractive. It looked attractive at that stage because of its nearness to a Harbour and things like that, provided it had the ore resources and I suppose in that sense its nearness, the cheapness of transportation, it would be attractive if the ore was there, yes.

Q. In assenting to the proposition that clause 9 of the deed really represents saintly behaviour on your part - ? A. I would like to - that was said in the heat of the moment. 10

Q. You want to withdraw that? A. It was proper, more than proper.

Q. More than proper? A. Yes, I don't regard myself as a saint, Mr. Hughes.

Q. I shall not comment, Mr. Hudson, in asserting that clause 9 is more than proper, do you have in mind the proposition, "first come first served"? A. Mr. Hughes - 20

Q. Do you have it in mind? A. I was making - obviously the person who put in the money, it had no obligation to Queensland Mines and no reason why it would not have got its money back first.

Q. Mr. Hudson, you were not offering - you did not go to Queensland Mines on 12th May, 1961 and say "Here is your £2,500", did you? A. No, of course I didn't. Why should I?

Q. Why should you? You thought "To hell with that idea. I am going to go ahead and make what I can out of this for myself". Is that right? A. No, you are quite wrong, Mr. Hughes. 30

Q. At least you were thinking to yourself, "I am going to go into this and make what I can out of this for myself", weren't you? A. Mr. Hughes, only one company in a hundred is successful and you go into propositions - you don't go into them that you are going to make money. Invariably you go into them and lose money. It is one in a hundred that is successful and you don't go thinking when you are going into a mining proposition, "I am going to make money". You give it a go and give it a try as a gamble. 40

Q. You didn't go into the Dubar agreement with the objective of losing money, did you? A. Well, it wasn't my money; it was theirs.

Q. You went into it with the hope of making money for yourself, didn't you? A. There is always a hope, yes.

Q. And you knew if you made money out of it, such success, financial success as might be derived from the project, would be in part dependent on expenditure incurred by Queensland Mines Limited in the initial stages, didn't you? A. No, I didn't.

Q. Do you mean that the £2,500 that Queensland Mines Limited was out of pocket was to you just a flea bite, not worth worrying about? A. It hadn't done anything towards finding out anything about the Blythe River. 10

Q. Except put up money? A. It put up Ridgway's expenses of going and having a look at it.

Q. You said the Blythe River. Were you meaning to convey Queensland Mines had not put up any money for the Savage River prior to this deed? A. Queensland Mines had not put up any money. It had paid money on behalf of Stanhill for the Savage River. 20

Q. Money out of its own bank account? A. Yes.

Q. And you knew at the time you executed this deed that if this project should happen to be successful, its success would be in part dependant on the money that Queensland Mines, albeit a small amount, had provided? A. I didn't consider that at the time.

Q. You didn't consider it? A. No.

Q. I would like you to explain to his Honour why you say that it was more than proper for you as a director of Queensland Mines in the one hat and as a joint venturer on your own account under another hat to make a commitment to postpone the accrual of any indemnity to Queensland Mines out of the profits of the venture to a preferential right to Dubar. What made that more than proper? A. Well, I was Chairman of A.O.E. and I had responsibility to A.O.E. to see that all the monies - the capital of Factors was paid towards the development of uranium. I had believed at all times until just before then that any payments made on behalf of Stanhill were recouped. I found out they were not. I felt that I had probably been lax in not seeing that they had been properly paid and my belief was: Well, if anything came of this, let it be paid back to Queensland Mines to overcome the deficiency of Stanhill. Now at that stage I really thought it 30 40

was 2,500. At a later stage I found that the 2,500 was also 1,300 from New Zealand but I thought there was £2,000 had been spent by Queensland Mines which it may not be refunded by Stanhill and if anything came out of it, this proposition, I was making provision that it be repaid, but I was not prepared at this stage to go down and put in the money myself.

Q. Even though you were claiming the venture for yourself? A. Even though?

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Q. Even though you were claiming the venture as a venture to which you were beneficially entitled?
A. I didn't get that last bit.

Q. You were not prepared to put money back into Queensland Mines yourself even though you were proceeding on the basis that this venture was your own? A. No, no, I certainly was not. It was not the type of thing that you would put money into at the relevant time.

Q. You thought it was quite all right to let Queensland Mines carry the outgoings that it had already incurred without any reimbursement for the time being? A. Could have been reimbursed by the Liquidator, could have been reimbursed in other senses.

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Q. You knew that was highly unlikely at the time?
A. Actually, it didn't go into liquidation until 1963.

Q. You knew it was insolvent at the time?
A. Insolvent means you are not in a position to pay your debts as they fall due, yes. It doesn't mean you are insolvent - you are insolvent one day and you might be solvent when you get your pay the next week.

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Q. You know insolvency means inability to pay debts? A. As and when they fall due.

Q. Out of your money when they fall due? A. As and when they fall due.

(Witness stood down.)

(Further hearing adjourned to 10 a.m. on Wednesday, 23rd October, 1974.)

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IN THE SUPREME COURT
OF NEW SOUTH WALES
EQUITY DIVISION

No. 292 of 1973

CORAM: WOOTTEN, J.

QUEENSLAND MINES LIMITED v. HUDSON & ORS.

SEVENTH DAY: WEDNESDAY, 23RD OCTOBER, 1974

ERNEST ROY HUDSON
On former oath:

WITNESS: Could I ask a question before the proceedings start?

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HIS HONOUR: Yes.

WITNESS: I am not able to speak to counsel and I would like to make an amendment to the depositions, the relevant part being on page 129.

MR. HUGHES: 129?

WITNESS: 129, mentioning, "What happened next in relation to that discussion?"

HIS HONOUR: Yes?

WITNESS: I would like to refer your Honour to the deed of 12th May which has been produced.

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HIS HONOUR: First of all, is there an error? Is this a matter of drawing attention to an error in the transcript or do you wish to correct something that you said?

WITNESS: I wish to correct something.

HIS HONOUR: That you said?

WITNESS: That I said.

HIS HONOUR: Proceed to do it, go ahead, make the correction.

WITNESS: I would like to have the word "the Savage River" and "the Blythe River", the "Savage River" inserted in the fourth line which would then read, "For the development of the Savage and the Blythe River".

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HIS HONOUR: "To see whether it was possible to export the ore"?

WITNESS: Yes.

HIS HONOUR: You are satisfied that if you make that alteration it would express what you now wish to say, or do you want to add anything by way of explanation?

WITNESS: I would like to add this: the deed of 12th May, 1961 provided that the company, Duval, to advance the sum of £30,000 to cover the expenditure on the Savage River for the following three months.

MR. HUGHES: The following three months? I am sorry, I did not catch the words.

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WITNESS: On the Savage River up to an amount of £30,000 and also in respect to the Blythe River on me obtaining some title thereto.

HIS HONOUR: The question in relation to which you have made the alteration, Mr. Hudson, seems to have been answered at the time in relation to the earlier part of the discussions with Mr. Dickinson and then in the second question after that you went on to discuss the later discussions in which the Savage River was added. Are you now wishing to say that the Savage River was discussed at the beginning or ---

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WITNESS: That the Savage River was discussed at the beginning and the provision in the deed of 12th May was that £30,000 had to be spent on the development of the Savage River as well as the Blythe River. It was part of the original arrangement as set out in the deed, that the Savage River licences were added to the deed only on 12th May.

MR. HUGHES: I did not catch those last words.

WITNESS: The Savage River licence, the licence, exploration licence in respect of the Savage River, was added to the deed on 12th May. Clause (1) of the deed provided that, "Hudson shall continue to hold exploration licences EL4/61 and EL5/61 in his own right and shall hold all further exploration licences, leases or other mining rights granted under the Mining Act of Tasmania to him or to anyone else or any other person during the course of the investigation in relation to the Savage River iron ore deposits and on the export of iron ore from Tasmania, in trust for himself and the company in equal shares".

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HIS HONOUR: But then later in the document an amendment was made.

WITNESS: At 12th May prior to the execution of the document, clause (1) was amended or not amended itself but the EL4 and EL5 were added to the deed in respect of clause (8), in respect of clause (10).

HIS HONOUR: Do I understand you correctly - this is what you seem to me to be saying and I would just like to be sure that it is correct - that throughout the discussions with Mr. Dickinson from the beginning the Savage River as well as the Blythe River was included in the discussions?

WITNESS: Yes.

HIS HONOUR: But notwithstanding that they had been included in the discussions, the Savage River or the interest of Duval in the Savage River was omitted from the document and that an amendment was then made before the document was executed to include the interest of Duval in the Savage River that had been discussed from the beginning. Is that correct? 10

WITNESS: No, sir. The discussion from the beginning was that Duval should put up £30,000 to enable me to continue my expenditure on the Savage River without Duval having any interest in the Savage River.

HIS HONOUR: Yes? 20

WITNESS: And that at a later stage, namely on 12th May, he then acquired an interest by amendment to the deed.

HIS HONOUR: I see.

WITNESS: But the original discussion was in consideration of me granting him a half interest in the Blythe River area, which I was then applying for, he would cover my expenses up to £30,000 in the Savage River as well as the Blythe River.

HIS HONOUR: I see. 30

WITNESS: And I think there is evidence already been given that out of the moneys supplied by Mr. Duval, I spent an amount of £12,000.

HIS HONOUR: But that was after the deed had been amended to give him an interest in the Savage River?

WITNESS: But I would have been entitled under the deed - the original arrangement was I could have spent that money without the amendment.

MR. HUGHES: Without what?

HIS HONOUR: Without the amendment. 40

WITNESS: Without the amendment. The recitals in the deed make the position clear as to what the intention was.

HIS HONOUR: Does that complete the matters you wish to draw attention to?

WITNESS: That completes the matters I wish to draw attention to.

(Continuation of cross-examination.)

MR. HUGHES: Q. You agree, don't you, that the effect of the amendment that you have made to the *answer on page 129 this morning is to falsify the evidence that you gave in chief? You agree with that, don't you? A. Could you ---? 10

Q. Will you agree that the amendment that you have made at your own instigation this morning to the answer to which you drew attention on page 129, is to falsify the evidence that you gave in chief on the *lower half of page 129? Have you got the transcript? A. I agree, I agree.

Q. You agree? A. Yes.

Q. It makes a mockery of that evidence in chief, doesn't it? A. It does, yes. 20

Q. And will you agree, Mr. Hudson, that your evidence in chief in this case was given after you had spent days in conference with counsel? A. Yes, I would agree with that.

Q. During the course of which conferences the most detailed attention was given to the various effects that you say took place in relation to this litigation? A. I won't agree with that.

Q. Won't you? And of course your consideration of this matter overnight that has led you to propose this amendment to your evidence, makes a mockery of your evidence in chief? A. I don't think it makes a mockery. 30

Q. You have just agreed it does, haven't you?

A. It makes a mockery of the evidence in relation *to that page 129.

Q. That is what I meant. You will agree, won't you, that the consideration that you have given to this evidence overnight was prompted by the realisation that came to you yesterday during the course of cross-examination, that if what you said on the *lower part of page 129 was true about the course of the negotiations with Dickinson, then it necessarily followed that what you said about your supposed disclosure to your fellow directors of Queensland Mines 40

*(See now page 201.)

on 27th April, 1961 was false. Do you agree with that? A. Not entirely, Mr. Hughes, because I think I said that negotiations had taken place at the time of 27th April but I agree that it appears to be a contradiction.

Q. A dilemma? A. A dilemma, yes.

Q. And this amendment that you have indicated this morning appears to you, does it not, to be a way out of the dilemma? A. No, Mr. Hughes, it does not. 10

Q. It does in fact, if it is believed ---
A. I beg your pardon?

Q. This evidence that you have given this morning at your own instigation, seeking to amend what you *said on page 129, is in fact to your knowledge a way out of the dilemma if it is believed? A. No, Mr. Hughes; in conformity with my instructions to counsel at initial stages.

Q. I beg your pardon? A. It is in conformity with my instructions to counsel, my statements to counsel. 20

Q. But not in conformity with what you said on oath? A. But not in conformity with what I said on this occasion. I agree with that.

Q. What I am putting to you for your consideration is will you agree if the evidence that you have given by way of an amendment at your own instigation this morning is believed, it is a way out of a dilemma posed by your earlier evidence? A. I don't agree on that entirely. 30

HIS HONOUR: Just a moment. I think the question is creating difficulties because the words "way out" may be a term - perhaps if you mean a "resolution".

MR. HUGHES: I will put it that way.

Q. Will you agree that if the evidence that you have given by way of amendment at your own instigation this morning is accepted by his Honour, it resolves a dilemma posed by your earlier evidence in this case? A. I would say partly so, Mr. Hughes, but on the other hand the deed speaks for itself. 40

Q. When did you first meet Mr. Stanley Korman? I do not want the date, but if you can give us some idea of the year? A. Oh, it would be October, November, 1958.

Q. And may we take it that over the period of *(See now page 201.)

your business association with him you became thoroughly familiar with his signature? A. Yes. No, I didn't, Mr. Hughes. I will correct that. I never actually saw his signature because he never wrote letters to me and never ever did I see Mr. Korman's signature until after the case was issued.

Q. After the ---? A. After the writ was issued.

Q. Why did you answer my question in the first instance affirmatively if you had never seen his signature? A. Well, I remembered I had seen it after the writ was issued. 10

Q. And then became thoroughly familiar with it, did you? A. I didn't become thoroughly familiar with it. It was a declaration signed by Mr. Korman submitted to the Companies Act (sic), was shown to me at a stage during the preparation of the brief in defence and the signature on the declaration that went to the Companies Department was identical to the signature that was signed on another document, that is the letter of 31st January. 20

Q. I think you mean 26th September? A. Or 26th September, yes.

Q. Mr. Korman's letter? A. That is right, yes. There was some question in my mind as to whether he signed it.

Q. That letter? A. That was his signature.

Q. There was a question in your mind as to whether he signed that letter of ---? A. It didn't look like his signature, Mr. Hughes. 30

Q. But did you not see that letter purporting to be signed by Mr. Korman when you went down to see Mr. Symons in October, 1960? A. Yes.

Q. You saw that letter then, didn't you? A. Yes.

Q. And you then accepted it without reservation?
A. I accepted it without reservation.

Q. As a letter written by Mr. Korman? A. Yes.

Q. And you acted on that basis in your dealings with Mr. ---? A. I beg your pardon?

Q. You acted on the basis that the letter of 26th September, 1960 ---? A. Was signed by Mr. Korman. 40

Q. Yes? A. Yes, Mr. Hughes.

Q. So you have never had any reservations, have you, as to the fact ---? A. I never had any reservations until I received the interrogatories and the question was asked was it Mr. Korman's signature, and I then looked at the document and to me it seemed not to be Korman.

Q. On the basis of some other signature that you had seen? A. No, looking at the document itself on the 26th.

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Q. But you had looked at the document yourself before? A. Yes, but I had accepted it without any question, but when I was asked in the interrogatories was it his signature, I realised that I had not seen his signature other than on that letter, and took steps to try and verify whether it was his or was not. It was some time after I answered the interrogatories we were able to get a declaration signed by him and lodged with the Companies Office to verify that in fact it was his signature.

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*Q. I want to come to another matter if I may. Will you agree that from the time when the Palmer investigation of Tasmanian and West Australian iron ore resources was commissioned, and onwards thereafter, you never told any of your co-directors in A.O.E. that you were acting in any way on behalf of Queensland Mines in your activities relating to Tasmanian iron ore resources? A. I told my co-directors that I was investigating - could I have the question again?

Q. If you would like, I am quite happy to have the question read.

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(Question marked * read.)

WITNESS: No, I would not have told them.

MR. HUGHES: Q. And will you agree with me ---

A. Could I qualify that? I would not have told them officially.

Q. What? A. I would not have told them officially but I might have had conversations with individual directors, but I made no reference at any directors' meeting to that fact.

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Q. You made no reference in any discussion with your co-directors of A.O.E. that Queensland Mines had been active through you in negotiating or undertaking other activities in relation to the Tasmanian iron ore resources on the Savage River, did you?

A. I had told directors of A.O.E. that I was carrying out investigations in New Zealand and in Tasmania.

Q. But you did not tell them that you were carrying out those investigations on behalf of Queensland Mines, did you? A. No.

Q. And you did not tell them at any time that you had acted in any way on behalf of Queensland Mines in making the investigations or undertaking other activity connected with the Savage River deposits? Would you like the question again? A. No, I know what the question is. I couldn't recollect at this stage whether in general terms I may or may not have advised them, but officially from the point of view of getting any direction or making any resolution from the A.O.E. Board, I would not have suggested to the A.O.E. Board. I could have in various discussions - I have no specific recollection - have referred to my activities in New Zealand and in Tasmania. 10

Q. But, Mr. Hudson, do you not want his Honour to understand as being your persistent attitude in relation to your position in all those activities that you were never representing Queensland Mines in any of them? A. In fact I was not. I do want his Honour to understand that. I have said that I was not in fact acting for Queensland Mines in respect of any of these other matters. 20

Q. So may we take it that you never told your co-directors of A.O.E., either officially or unofficially, that you were acting for Queensland Mines in your activities in relation to Tasmania? A. I could have, Mr. Hughes. I would not say I did not. 30

Q. You would not say you did not? A. I may have referred in general terms to what I was doing or I may have referred in general terms to Queensland Mines doing certain things. I could have.

Q. You could have but you don't recall? A. But I don't recollect.

HIS HONOUR: Q. How could you have referred to Queensland Mines doing things in view of what you say the position was? A. Well, I answer this question, sir, that A.O.E. had a 49-per cent interest in Queensland Mines. It was paying no money. It was getting - all the money was paid by Factors. A.O.E. was at no time committed to supplying additional money except in respect of the Scal lease. I could have, at times when talking about the activities of Queensland Mines, have indicated that I in general terms may be - might have even said that Queensland Mines in general terms was carrying out investigations in New Zealand for instance. But to the directors of A.O.E., they would not - it was never suggested that 40 50

Queensland Mines as such would be interested in the terms of commitment in regard to moneys in respect of anything like that. I could have in general terms identified myself with Queensland Mines.

Q. Mr. Hudson, would you please accept from me the invitation, and I am sure his Honour will not mind me saying this, if you feel that you would like not to go on for a while, just say so. A. No, I am quite all right.

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HIS HONOUR: That applies at any stage during the hearing, Mr. Hudson. You have been in the box a long time and I know it is tiring.

WITNESS: No, I am quite all right.

HIS HONOUR: If at any stage -

WITNESS: If I do -

MR. HUGHES: Q. Let me try and approach the matter this way and get the position quite clear, Mr. *Hudson. (Refers to page 197 of transcript, third question on the page.) Do you remember me asking you whether his Honour might take it that as you did not regard yourself at any stage from the time of the commission of the Palmer Report on this, that is Tasmanian iron ore, as acting for Queensland Mines in relation to the Savage River project, you never told any of your co-directors of Queensland Mines that you were acting for Queensland Mines in the project. Do you remember me asking you that question yesterday? A. I don't specifically, Mr. Hughes, but if you -

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Q. (Approaches witness.) Just to get it in its setting, it was the very beginning of the cross-examination, do you remember, and I will just read that run of questions:

"Q. Do you remember telling your leading counsel that whatever may be the legal result you did not regard yourself at the time you instructed Mr. Palmer to make the report on Tasmanian and Western Australian ore deposits, as acting in any way for Queensland Mines? Do you remember telling Mr. Staff that? A. Yes."

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and the next question I put to you:

"Q. And in giving that answer you of course were referring to the Palmer Report that triggered off the initial approach to the Tasmanian Government? A. Yes.

Q. May we take it therefore that in your initial approach to the Tasmanian Government and in all your subsequent dealings with that Government through its Department of Mines and the Premier, you did not regard yourself at any stage as acting in any way for Queensland Mines? A. That is correct."

A. That is correct.

Q. Then I went on to ask you: 10

"Q. May we take it therefore further than that, that at no stage of your association with the Savage River project have you regarded yourself as acting in any way for Queensland Mines?

A. Correct.

Q. May his Honour take it therefore that as you did not regard yourself at any stage from the time of the commissioning of the Palmer Report on this, as acting for Queensland Mines in relation to the Savage River project, you never told any of your co-directors of Queensland Mines that you were acting for Queensland Mines in the project? A. That would be correct." 20

A. That is correct.

Q. What I am putting to you, and I will go back to the table now, what I am putting to you is simply this: in the light of those answers will you not agree that you did not tell your co-directors of A.O.E. at any time that you, in your dealings with this project, were acting for Queensland Mines? 30

A. I would agree, Mr. Hughes.

Q. And will you also agree by the same token that you never told any of the directors of Factors Limited that in any of your dealings with the Savage River project you were acting in any way on behalf of Queensland Mines? A. That is correct.

Q. Of course, as well as Factors and A.O.E. as shareholders in Queensland Mines, there were a few signatory shareholders, weren't there? A. There were ---? 40

Q. A few signatory shareholders? A. Oh, they would be the solicitors. I don't know at what time a transfer was taken from them.

Q. Will you agree that if at any time during which the Savage River prospect was under consideration or the subject of activity, there were other

shareholders of Queensland Mines apart from A.O.E. and Factors, those other shareholders were not told that in your dealings in connection with the projects you were acting in any way for Queensland Mines?

A. If there were other shareholders I would agree with you.

Q. I will cross to another matter now. You referred in your evidence-in-chief, Mr. Hudson, to the *reputation of Queensland Mines Limited, page 79. Do you remember that? A. Relative to exploration at Mount Isa, Mr. Hughes, wasn't it? 10

Q. Yes? A. Yes, I remember that.

Q. It was a reference to a conversation that you had with Mr. Burt? A. That is correct.

Q. In which you expressed to him the view that it would be very unwise not to take advantage of the company's reputation? A. That is correct.

Q. And will you agree that in the mining world the reputation of a company is important? A. Yes, I would agree with that. 20

Q. Particularly, will you agree, is it important when you are dealing with Government authorities?

A. I would agree with that.

Q. And more particularly will you agree that it is singularly important, the reputation of the company, when you are dealing with Government authorities for the purpose of acquiring exploration or mining rights? A. I would agree with that.

Q. And in 1960 it was your considered and totally honest opinion, was it not, that Queensland Mines Limited had a good reputation in the mining world? 30

A. My referring to the discussions with Mr. Burt and the reputation of Queensland Mines was a reputation it had gained as an explorer in the Mt. Isa district.

Q. I appreciate that. I am sorry to hark back to it, but my specific question to you is this: That in 1960 at the time you approached Mr. Symons it was your considered and honest opinion that the company's performance at Mt. Isa had gained it a good reputation in the mining world? A. Not in the mining world, Mr. Hughes. 40

Q. Well, in the exploration world? A. At Mt. Isa.

Q. At Mt. Isa? A. Yes.

* (See now pages 135/136.)

Q. And it was with that consideration in mind, was it not, that you regarded it as both relevant and proper to give an outline to Mr. Symons in your initial conversation with him in Hobart of the exploratory activities of Queensland Mines in Mt. Isa? A. Yes, I would agree with that.

HIS HONOUR: Q. You said after you gave that evidence that the company did in fact look at a number of mining prospects; a tin mine, a copper mine in the Gulf of Carpentaria, some uranium mines further east, a silver lead show, a few things like that. Do you know whether any - you say they were all turned down. Could you tell me whether any of those are dealt with in the minutes of the company? A. No. 10

Q. You could not tell me or you know they are not? A. Well, no, I don't think so, sir. I would say they are not.

Q. They would have simply been ---? A. They were simply matters you look at. They are no good and you don't bother about them, but there was no action taken. 20

Q. They were done simply by you as managing director without taking them to the Board, is that the position? A. Well, they were actually done by Mr. Ridgway, sir, excepting one occasion.

Q. But wouldn't he get authority from you? A. He got authority from me, yes, sir.

Q. So, so far as authority went, it rested with you and did not go to the Board? A. Yes, it rested with me, sir, within the limits of the authority set by Mr. Burt. 30

Q. Set by Mr. Burt? A. Yes.

MR. STAFF: There is perhaps in the minute of 15th January, 1960, what might be regarded as a reference, Q13.

HIS HONOUR: Yes, although that sounds as though it was directed to establishing his authority vis-a-vis third parties.

MR. HUGHES: Q. Generally speaking, Mr. Hudson, when any new proposal was submitted to Queensland Mines, your practice was to look at it yourself, was it not? A. No, Mr. Hughes. 40

Q. You relied on Queensland Mines' retained geologist, did you? A. Yes.

Q. But not exclusively of looking at some prospects yourself? A. Some I have looked at, Mr. Hughes. If I was in Mt. Isa and the opportunity was there, I would do so. If I was not, Mr. Ridgway would go up and have a look.

Q. I want to come to Exhibit "A1". I would like the witness, if I may say so, your Honour, to have it in front of him because there are rather detailed questions about it. (Shown to the witness.) Now will you agree, Mr. Hudson, that that letter on its face, understood in its ordinary meaning, was apt to create the impression that Queensland Mines Limited had some interest as an organiser or entrepreneur in connection with the surveys and recommendations in relation to iron ore resources? A. No, Mr. Hughes, I think the interpretation of the first paragraph of that letter does not imply the suggestion of being an entrepreneur and so on. 10

Q. Or an organiser? A. No, I don't think it implies that. 20

Q. Of course at the time you wrote that letter it was in your mind, was it not, as a relevant factor that Queensland Mines Limited was a mining company whereas Stanhill Consolidated Limited was a finance company? A. I don't think so, Mr. Hughes, in view of the fifth paragraph of the letter.

Q. The one referring to Mr. Korman? A. Yes.

Q. What I am really putting to you is that the fifth paragraph of the letter rather underlines the probability, does it not, that when you wrote this letter you had in mind the distinction between Queensland Mines Limited as a mining company and Stanhill Consolidated Limited as a company engaged in finance? A. No, I won't agree, Mr. Hughes. 30

Q. You have given his Honour to understand in some earlier evidence you gave that you regarded the use of Queensland Mines' letterhead and your signature as Managing Director to this letter as inappropriate? A. That is correct. 40

Q. You mean it is inappropriate in hindsight, do you? A. I beg your pardon?

HIS HONOUR: Q. You said "No", didn't you, in answer to that question? A. I beg your pardon?

Q. I thought you said, "No", in answer to that question, is that correct? A. No, I think, sir, I said that the use of the company's letterhead on reflection at this time I regarded as inappropriate. I did say that.

MR. HUGHES: Q. That is a view based on hindsight?

A. On hindsight, yes, Mr. Hughes.

Q. You thought it was perfectly appropriate at the time, didn't you? A. I didn't think it was inappropriate.

Q. I beg your pardon? A. I could not have thought it was inappropriate.

Q. Will you agree with this, that at this time, namely, 16th August, 1960, you in your various activities were wearing what I might call, without any intent of causing offence, a number of hats?

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A. That is correct.

Q. There was the Queensland Mines hat, there was the Mary Kathleen hat, is that right? Those two; there was your own personal hat? A. Yes.

Q. Because you had your own interests; there was your A.O.E. hat? A. Yes.

Q. Were there any other hats? A. Yes, Pacific Island Mines.

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Q. Any other? A. Oh well, I did have a private company, some private companies, but I think that is embraced in my own activities, yes.

Q. Would you agree with this proposition; that the fact that you occupied quite properly these diverse and different positions, made it incumbent upon you to exercise care to don the right hat when you were writing a letter? A. I would agree on that, Mr. Hughes.

Q. And would you agree that the need for care was always present in your mind? A. I would say - yes, I would agree with that.

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Q. And its presence in your mind was based not only on your commercial experience but on your legal experience, wasn't it? A. I would agree with that.

*Q. Now you said at page 106 (the middle of the page, your Honour), speaking of this letter of 16th August, 1960, and I will read the whole answer to you because I do not want to get it out of context.

You were asked by my learned friend, Mr. Staff, "Can you tell his Honour -". I think it is fairer to show the witness the transcript, your Honour.

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A. I have a copy of the depositions here.

*(See now page 169.)

*Q. Could I invite you to look at page 106?

A. That is the question following -

Q. About a quarter of the way -? A. - your statement "I did not hear that".

Q. That is right. The question was an invitation to you to tell his Honour in what circumstances you came to write the letter of 16th August, 1960, which is Exhibit "A1", and your answer started off:

"Well, looking back now of course I realise it is inappropriate to have used a letterhead of Queensland Mines." 10

And then you went on after my interruption:

"Looking back now I realise it was inappropriate to use the letterhead of Queensland Mines at that time, but the considerations I would have had in view were that Queensland Mines was a subsidiary of Factors and been financed by Factors, that Stanhill controlled Factors and generally I didn't see anything particularly wrong at that relevant time although at the present time I do realise it was inappropriate. I notice I did refer in the second last paragraph that 'Mr. S. Korman of Stanhill Consolidated and the writer would like to interview you relative'" 20

I just want to ask you a few questions about that answer? A. Yes.

Q. Would you tell his Honour please why in hindsight you regard the use of the Queensland Mines letterhead and your signature as managing director of Queensland Mines as inappropriate? A. Well, yes, it would have been more appropriate to have used a letterhead of Stanhill Consolidated. 30

Q. And such a letterhead would have been freely available to you if you had wanted it? A. No, it was not available to me.

Q. But you could have asked for it? A. I could have asked for it.

Q. And you did not? A. I did not. 40

Q. And you were on terms of mutual trust at this stage with Mr. Korman, weren't you? A. Yes.

HIS HONOUR: Q. Did you have any personal note paper?

A. I beg your pardon?

*(See now page 169.)

Q. Did you have any personal notepaper? A. I had personal note paper, yes, sir.

MR. HUGHES: Q. My question to you was, and I do not suggest for one moment that you have sought not to answer it, my question to you was this: Why do you now regard the use of that letterhead and the use of your signature as inappropriate? And your answer, if I may say so, went along the lines of saying, "Well, it would have been more appropriate to do something else"? A. Yes. 10

Q. Could I get you, please, to tell his Honour the reason or reasons why you now regard the use of this letterhead as inappropriate? A. The reasons being, Mr. Hughes, that I was seeking an interview on behalf of Stanhill Consolidated.

Q. Yes? A. I was acting under instructions from Stanhill Consolidated in writing to the Department of Mines and to me, in looking back now, what I said, it was inappropriate that I should have used Queensland Mines. The more appropriate thing to have done would have been to have used Stanhill's letterhead and if, as his Honour no doubt had in mind, if I did not have such a letterhead, to have used my own letterhead. 20

Q. But would you agree with me that really the reason why you regard now the use of this letterhead and of your signature as managing director as having been inappropriate is simply this: that the use of that letterhead and your signature as managing director were likely to convey to the recipient of the letter that Queensland Mines had some active interest in the project? A. No, in view of the first and fifth paragraphs I don't think so, Mr. Hughes. 30

Q. But would you not agree ---? A. But I concede that it could have had some impression on the recipient of the letter, some impression on the recipient of the letter that Queensland Mines was some way involved in the matter.

Q. Precisely? A. Yes. 40

Q. And that is why basically you regard the use of that letterhead now in hindsight as inappropriate, isn't it? A. Yes, I think now looking at it in hindsight it was inappropriate.

Q. For that reason, for the reason that you have just given -

MR. STAFF: I think you gave it, not the witness, Mr. Hughes.

MR. HUGHES: Q. For the reason that I have just put to you---? A. With the exception that it would depend how the recipient read the first and fifth paragraphs.

Q. I just want to ask you another question or two *about that answer that I read from page 106. You said to his Honour in answer to my learned friend, Mr. Staff, that you did not - that is did not at the time - I think I should be more explicit. Do you remember the part of the answer that I read to you which said: 10

"Looking back now I realise it was inappropriate to use the letterhead of Queensland Mines at that time, but the considerations I would have had in view were that Queensland Mines was a subsidiary of Factors and been financed by Factors, that Stanhill controlled Factors and generally I didn't see anything particularly wrong at that relevant time." 20

Now when you gave that last part of your answer, "and generally I didn't see anything particularly wrong", were you telling his Honour what you saw at the time you wrote the letter? A. What do you mean in reference to what I saw?

Q. I am taking your own words from your answer, "and generally I didn't see anything particularly wrong". Do you see those words? A. I said, "But the considerations I would have had in mind were so-and-so and so-and-so". For instance, I would not have used the letterhead of A.O.E, or Kathleen Investments. 30

Q. But, Mr. Hudson, you have got the answer in front of you, haven't you? A. Yes, I have got it.

Q. I am drawing your attention if I may to the words, "and generally I didn't see anything particularly wrong at that relevant time"? A. That would be so, Mr. Hughes.

Q. Well, did you see anything at all wrong at that relevant time? A. I don't think I saw anything wrong at that relevant time. It would have been nicer if it had been written on Stanhill letterhead but I didn't see anything wrong. 40

Q. Nicer in the light of after events? Now you **gave some evidence at page 114. Would you turn to page 114, Mr. Hudson please? A. Yes, Mr. Hughes.

*(See now page 169.)
**(See now page 180.)

Q. "Did you regard yourself as having any authority from Australasian Oil Exploration to commit Queensland Mines to a mining enterprise in Tasmania?"

A. My instructions were specifically the other way."

Then his Honour asked: "Q. Instructions from whom?" and you answered, or perhaps if I may say so without disrespect, non-answered, "The other way". Then you went on to say:

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"From the directors. In fact it was winding up. It had lost I think a capital of five million on exploration."

You see those answers? A. Yes.

Q. Would you agree with those, Mr. Hudson - when do you say that you received this instruction from the directors of A.O.E. that you have referred to in those answers? A. Well, I was chairman of directors of A.O.E. At the relevant time I took over the chairmanship the company was insolvent.

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Q. When was that? A. That would be in '58, '59, and it had claims against it totalling £367,000.

Q. But, Mr. Hudson, A.O.E. was not insolvent, was it? A. Not insolvent?

Q. I am sorry, I will have to complete my question?
A. Yes, it was insolvent.

HIS HONOUR: Wait for the end of the question.

MR. HUGHES: Q. I am going slowly, Mr. Hudson, because it is a difficult case and I do not want you to be confused. A. I am sorry, Mr. Hughes.

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Q. A.O.E. was not insolvent, was it, in late 1960 or early 1961? A. No, it was not insolvent, in 1960 or 1961. As a matter of fact things were quite - had taken a change.

Q. Buoyant, yes; the company had ample cash resources in late 1960, early 1961, did it not?

A. I wouldn't say ample, but I had been disposing of assets and I had successfully defended the writ for 367,000. Then we commenced selling all the assets of the company and were getting into funds at that period.

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Q. When do you say that you received this instruction from the directors of A.O.E., if you did receive one, that Queensland Mines must not be committed to any mining enterprise in Tasmania? A. Well,

when I took over the chairmanship, Mr. Hughes, the position with A.O.E. was extremely bad, so much so that none of the other directors of Kathleen Investments would come on the Board and I nominated my own Board and took over control of the company and successfully over a period of ten years satisfactorily resisted claims against it, and finally I think by the sale of various assets, put it in funds to the extent of a million dollars.

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Q. When was that happy position reached? A. Oh, the final would be about 1968, '69, '70.

Q. But at all events will you agree that A.O.E. was in funds, although not to that extent, in late 1960? A. In late 1960 A.O.E. was in funds. It was gradually getting into more and more funds as I was selling assets.

Q. You may have misunderstood what I was trying to get from you and I will come to it another way. I will come to it in this way: you said in your answer *in answer to a question from his Honour at page 114 - would you look at the question again? A. Yes, I have looked at the question.

20

Q. The substance of what you said, reading the three answers in the middle of the page, was that you had instructions from the directors of A.O.E. not to commit Queensland Mines to a mining enterprise in Tasmania? You see that?

HIS HONOUR: He did not quite use those words. The question was put to him and he said his instructions were specifically the other way.

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MR. HUGHES: But then he said "from the directors".

HIS HONOUR: Yes, meaning the instruction may have been in more general terms.

MR. HUGHES: I see what your Honour means.

Q. Mr. Hudson, accepting his Honour's correction as I do to my former question, will you agree that in *substance what you said there at page 114 was that you had instructions from your co-directors of A.O.E. that precluded you from committing Queensland Mines from any expenditure on a mining venture in Tasmania? A. Yes, Mr. Hughes.

40

Q. What I am asking you is when were those instructions given to you? A. When I took over the chairmanship of A.O.E. ---

*(See now page 180.)

Q. In about 1958? A. There were discussions as to the policy of the company and what was to be done, because it was at a stage where on the face of it you had to consider almost liquidation, and it was decided as a policy that all exploration activities would be discontinued, that we dispose of the assets of the company while defending the various claims against the company, and that also continued right through with A.O.E. with the exception that as and when moneys came in resulting from the sale of various assets, they were invested, surplus funds were invested, and at a later stage when there were more funds available A.O.E. then proceeded to purchase shares in another company called Coffs Harbour and which it sought control of that company but it did not itself enter into any exploratory activities. As you recollect in the evidence, A.O.E. when I took over did not even have the money to exercise the option on Anderson's Lode and this is what brought about the original arrangements with Mr. Korman.

Q. Mr. Hudson, would you agree that if the instructions that you have described were current and in force at the time you wrote the letter of 16th August, 1960, Exhibit "A1"? A. Yes.

Q. There would have been something very wrong or particularly wrong about writing that letter on Queensland Mines letterhead as managing director?
A. I don't quite see that, Mr. Hughes. I don't quite agree with you for the following reasons: You will recollect that A.O.E. was not contributing any capital towards Queensland Mines. All capital was being contributed by Factors and I was not committing A.O.E. to any commitment whatsoever. It had a 49 per cent interest in the company. It was under no obligation to commit any further moneys to the company other than in regard to the Scal which was done by subsequent agreement, and I would not agree with you that in writing this letter on Queensland Mines Limited, I was in any way committing A.O.E.

Q. Mr. Hudson, before going back to the correspondence I am prompted by your last answer to ask you some questions on a subject to which I am tempted for the moment to divert. Do I understand the substance of part of your evidence given in chief to be that certain expenses incurred in connection with the New Zealand investigation, the New Zealand investigation about iron sands, were paid out of Queensland Mines' bank account? A. Yes.

Q. And the money that went into that bank account and out of which the obligations in connection with the New Zealand investigation were paid, was money that had been provided by means of calls made on

Factors, is that right? A. That is correct, Mr. Hughes.

Q. Now do you say that the instructions that you had from the A.O.E. Board were in their nature such as to preclude the commitment of any funds in which A.O.E. had an equity interest through its shareholding in another company to an exploration in New Zealand? A. Yes, Mr. Hughes.

Q. But you will agree with this, will you not, that when calls were made on Factors by Queensland Mines Limited and paid, those calls became moneys of Queensland Mines Limited in which A.O.E. as a 49 per cent shareholder of Queensland Mines, had an equity interest? A. I agree. 10

Q. So you must agree, must you not, in the light of that last answer that in truth, moneys in which A.O.E. had an equity interest by virtue of its shareholding in Queensland Mines, were paid by Queensland Mines in connection with the New Zealand investigation? A. No, I don't agree. 20

Q. Why not? A. They were paid out on behalf of Stanhill to be refunded by Stanhill.

Q. That is so but they never were, were they?

A. Well, not by Stanhill.

Q. Or anyone else? A. Yes.

Q. Who? A. Duval.

Q. Three years later? A. That is so, yes.

Q. But do you tell his Honour that moneys provided to you by Dubar were used to defray expenses in connection with the New Zealand iron ore investigation? A. I will tell his Honour that in looking at the books of Queensland Mines, the £2000 received by Dubar were credited against the expenses incurred by Queensland Mines on behalf of Stanhill. 30

A. I will tell his Honour that in looking at the books of Queensland Mines, the £2000 received by Dubar were credited against the expenses incurred by Queensland Mines on behalf of Stanhill.

Q. I am asking you a specific question? A. And is shown in the books of the company.

*Q. I will come back to the line of inquiry I was pursuing a minute or two ago. Moneys paid to Queensland Mines pursuant to calls by Factors or calls made upon Factors were in fact paid by Queensland Mines in connection with the New Zealand Investigation, weren't they? A. The moneys were paid out in connection with certain expenses on behalf of Stanhill. 40

Q. Look, you have said that and if I may say so -
A. Mr. Hughes, I keep to what I say.

Q. Yes, and I am keeping to the question that I
am asking you? A. In fact they were paid out on
behalf of -

Q. I am asking you for a specific answer to my
question which will, with his Honour's permission
which I ask for, be read from the notes.

(Question marked * read.)

10

Q. The answer is "Yes", isn't it? A. No, be-
cause you are using the word "paid".

HIS HONOUR: Q. They were paid at that time, were
they not? A. And to me that means that they could
be paid either as a principal, an agent or a guaran-
tor, and provided you are prepared to accept the
interpretation that it was paid on behalf of Stanhill,
I will agree with you. But if you are giving to the
word "paid" the interpretation that it was paid by
Queensland Mines as principal, I don't agree with you. 20

MR. HUGHES: Q. Mr. Hudson, let us get down to some
basic -? A. I mean, we are working on the word
"paid".

Q. Perhaps over-working. Let me get down to some
basic principles with you for the purpose of explor-
ing the subject matter if I may. Will you agree with
this simple proposition: that if call moneys are
paid to a company by a shareholder, those moneys be-
come part of the capital of the company making the
call? A. I agree. 30

Q. Will you agree that in this case from time to
time Queensland Mines made calls on Factors pursuant
to Factors' liability to pay calls on shares? A. I
agree.

Q. Will you agree that the moneys so called were
in part paid into Queensland Mines imprest account in
Sydney? A. I agree.

Q. Will you agree that the moneys from time to
time paid out of that imprest account in Sydney were
paid by - I will leave out the word "by Queensland
Mines" - were used to defray expenses incurred in
New Zealand? A. I will agree to the word "used". 40

Q. And will you agree in the light of your several
earlier answers to the simple propositions that I
have been endeavouring to put to you, that the moneys
so used were part of the capital of Queensland Mines?
A. I agree.

Q. And will you agree that the part of the capital of Queensland Mines so used was capital in which A.O.E. had, by virtue of its shareholding in Queensland Mines, an equity interest? A. I agree.

Q. And would you agree that some moneys --?
A. Would you repeat that part?

Q. I am sorry, I had not completed my question, but I did pause unduly, I will agree. Will you agree that you in 1963 authorised the payment out of Queensland Mines' Sydney imprest account of certain expenses that had been incurred in connection with Mr. Palmer's investigation of the Nowa Nowa project? 10
A. I agree.

Q. Will you agree that the payment of those expenses came out of a bank account, namely the Sydney imprest account, that was funded at the relevant time by call money from Factors? A. I agree.

Q. Do you say that in 1963 the instruction from your A.O.E. co-directors that precluded you from undertaking mining prospects other than Anderson's Lode was still current? A. Yes, unless a proposition was put to the Board and it specifically agreed on it. 20

Q. The Nowa Nowa project was a proposition that arose in 1960, wasn't it? A. The Nowa Nowa proposition arose in 1960.

Q. And there was no authorisation from the Board of A.O.E. in connection with that proposition, was there? A. No. 30

Q. Will you agree in the light of your last several answers that in 1963 you authorised the use of capital funds in which A.O.E. had an equitable interest as a shareholder of Queensland Mines - I will put the question again. Will you agree that in 1963 the use of Queensland Mines' funds that you authorised in connection with discharging the Nowa Nowa liability, was a use that was completely contrary to the instructions that you say were given to you by the A.O.E. Board? A. No. 40

Q. You don't? First of all, let us take it back step by step. The funds, and I want to shorten it if I can, the funds that were used to pay Palmer's expenses in connection with the Nowa Nowa prospect were funds in which A.O.E. as a shareholder in Queensland Mines had an equity interest, weren't they? A. I believe so.

Q. You have already agreed that that is so,

haven't you, in answer to my earlier questions?

A. You are talking about 1963, Mr. Hughes?

Q. Yes, so you agree with that proposition, do you? A. I believe so.

Q. You have agreed - ? A. Although I have some reservations that any call was made on Factors.

Q. In what year? A. After the year 19--, in the year 1963.

Q. Even if no call was made as you suggest may have been the case, in 1963 any moneys in the imprest account of Queensland Mines in Sydney were moneys that had their source in calls previously made on Factors, weren't they? A. No, I don't think so. I don't agree entirely. I believe that in general I think they were moneys supplied by Factors but in what manner and what way I don't know. There was a period of time at which I had ceased to be managing director. I had ceased to attend - or was a director. I was not attending any directors' meetings. 10 20

Q. Of what company? A. Of Queensland Mines.

Q. But you have told his Honour that you authorised the payment of this amount in connection with - ?

A. What amount?

Q. The amount that was due to Palmer in connection with his Nowa Nowa investigation? A. I have said I used -

Q. But you agreed? A. I authorised, all right, but the question you asked me was did I know those moneys came from calls made by Factors, and I simply said to you I don't know. 30

Q. But you said earlier that you did, and that they had? A. I did earlier, Mr. Hughes, when I was managing director of the company and had other positions, but at the time in 1963 Mr. Stanley Korman I think was chairman of the company.

(Short adjournment.)

MR. HUGHES: Q. Mr. Hudson, I want to come now to the letter dated 9th February, 1961, Exhibit "A5". You might like to refamiliarise yourself with it?

A. I have. 40

Q. As appears from its date, that letter was written on the very same day as you had your interview in Hobart with Mr. Symons, in the course of which interview you handed him your application dated 31st January, 1961? A. Yes.

Q. It is apparent, is it not, from the use of the word "confirm" in the first line of that letter that you were referring to a conversation or part of a conversation you had with Mr. Symons in his office on 9th February, 1961? A. Well, it would refer to a conversation I had with Mr. Symons; whether it was on 9th February, I don't know.

Q. Will you agree that it is most likely, having regard to the chain of events, including the fact that you were in Hobart on 9th February? A. Yes. 10

Q. - and handed him the licence application on that date, that what you were confirming in the first paragraph of this letter Exhibit "A5" was something that you had said in a conversation with Mr. Symons on that very day? A. Yes, I will agree.

Q. Will you also agree that it was apparent to you in the course of this conversation you had with Mr. Symons on 9th February, 1961 that he was concerned to know who was going to pay the drilling contractor? A. Yes. 20

Q. Will you also agree that he was concerned to satisfy himself before recommending the granting of any exploration licence, not only that the drilling contractor would be paid but that the organisations or people involved in the exploration programme were professionally reliable people? A. Could you read that question?

(Previous question read back by court reporter.)

A. It is rather two questions involved in that, Mr. Hughes. 30

Q. I will break it up. Will you agree that it was apparent to you from your conversation with Mr. Symons on 9th February that he was concerned to be satisfied before he would recommend the granting of the licence to the Minister that the drilling contractor would be paid? A. He was concerned that if a licence was granted that the obligations of the Department at that time in relation to the drill that had been arranged, that it would be paid for. 40

Q. In other words, it was known to you as a result of what he said to you on 9th February, 1961 that he was concerned to know that the drill would be paid for before, he would grant or recommend the granting of a licence? A. I don't know whether the last part of your question was in Mr. Symons' mind or not, but I would think myself that that would be in his mind.

Q. What I am putting to you for your consideration is that you deduced that it was in his mind from his conversation? A. I think I can answer your question just as favourably to you if I say this, that if a licence was granted it would relieve the Mines Department of the obligation for the drill, and he was at that stage interested or concerned if the licence was granted that the Mines Department obligation in respect to the drill was terminated. 10

Q. That is sufficient for my purposes; thank you. Will you also agree that you gather from the conversation you had with him on 9th February, 1961 that he was concerned to satisfy himself before recommending the granting of the licence that the people or organisation connected with the proposed programme of exploration would be reputable and reliable people? A. He would need to be and was concerned that the persons to whom he granted a licence were capable of complying with the terms and conditions of the licence and were responsible companies or persons, yes. 20

Q. Will you agree that it was because of your knowledge that those various considerations were in Mr. Symons' mind that you in conversation with him orally committed Queensland Mines Limited to accepting full responsibility for all costs and expenses in connection with the new drill hole? A. I don't know whether in the course of my conversation with Mr. Symons, I can't recollect whether I committed Queensland Mines, but I did make a commitment that the costs of the drill would be borne by the people who were getting the licence, and that would be the commitment I made. Whether I used the words "Queensland Mines" or not at that stage I could not recollect. But, in fact, I subsequently did write this letter of 9th February. 30

Q. Will you agree in the light of the fact that you chose to use the word "confirm" in the first paragraph of that letter, it is most likely that in your conversation with Mr. Symons on 9th February you specifically committed Queensland Mines Limited to the responsibility that is mentioned in the first paragraph of that letter? A. No, I don't agree. I don't think you can take the first paragraph of that letter as indicating that I agreed that the person who would be responsible for the drilling was Queensland Mines. I don't agree that that was the position. 40

Q. Whatever was said in the conversation will you agree that the plain meaning of the first paragraph of that letter was that you were committing Queensland Mines to full responsibility for all costs and expenses in connection with the new drill hole? A. Yes. 50

Q. You told us in the course of examination in chief at the bottom of page 120 that it was your invariable practice when returning from Hobart to Sydney to break your journey in Melbourne overnight?

A. That is correct.

*Q. At the top of page 121 you were asked:

"Q. And you did that again? A. I invariably came into Melbourne, stayed the night, saw Mr. Korman and came back the next day."

10

A. That is correct.

Q. You were then asked:

"Q. Can you remember anything particularly about your discussion with Mr. Korman on the occasion after you had handed in the application form for the iron deposits? A. I told him that my understanding of the position was that he would have the licence granted, it would be granted, and that there were no other persons interested".

20

A. That is correct.

Q. That answer must refer, must it not, to a conversation with Mr. Korman on 9th February or at the latest 10th February before you returned to Sydney?

A. Yes.

Q. In the light of your last answer will you agree that the letter of 9th February, 1961 must have been typed either in Hobart or in Melbourne? A. No, I don't agree. I would agree with you, Mr. Hughes, if I had not noticed that the letter was received at the Mines Department on 13th February.

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Q. But it must be dated the date it was written?

A. I would assume so.

Q. And on 9th February you were not in Sydney, were you? A. I couldn't be sure of that. I did say it was my usual practice, and to the best of my recollection and belief I did get off; I did see Mr. Korman on 9th February.

Q. I don't want to labour the point, but you specifically stated at the top of page 121 that on the occasion of your return journey to Sydney after you handed him the application for licence on 9th February you stopped overnight in Melbourne and spoke optimistically to Mr. Korman about the prospects? A. What did I say - I didn't say that I

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*(See now page 189.)

stayed in Melbourne that specific night. The answer to the question which I then gave was "I invariably came into Melbourne, stayed the night, saw Mr. Korman, and came back the next day".

Q. And then you went on? A. I didn't say I specifically stayed that night.

Q. But you went on in answer to the very next question:

"Q. Can you remember anything particularly about your discussion with Mr. Korman on the occasion after you had handed in the application form for the iron deposits? A. I told him that my understanding of the position was that he would have the licence granted, it would be granted, and that there were no other persons interested". 10

Was any stock of Queensland Mines letterhead kept in Melbourne? A. No.

Q. Or in Hobart? A. There would be. Yes, there would be at the Melbourne office. 20

Q. In the Melbourne office? A. And looking at this letter now, this letter is the letterhead of the office in Melbourne.

Q. So it was written in Melbourne? A. Well yes, if you look at the letterhead.

Q. You now agree specifically, do you, that the letter was written in Melbourne on 9th February? A. Yes, I would agree. I am sorry, I had not noticed it was not a Canberra letterhead. 30

Q. Of course, you will agree that you regarded this letter of 9th February, 1961, Exhibit "A5", as a significant letter? A. I regarded it as a significant letter, yes.

Q. So to use the colloquial expression, you allowed me to use before, it was a letter with respect to which you were conscious of the need to be wearing the right hat? Will you agree with that? A. Yes.

HIS HONOUR: Q. And you would specifically have had to ask for Queensland Mines notepaper, would you not? A. I think so. I would have, because I notice the notepaper is the Melbourne notepaper, and I would have been at Queensland Mines office to have got that letterhead. 40

Q. Was that office in the Stanhill building?

A. No, it was in St. Kilda Road.

MR. HUGHES: Q. Where was the Stanhill building?

A. Queens Street.

Q. May we take it you were in the Stanhill building talking to Mr. Korman on 9th February? A. I was.

Q. So this was an occasion when, if you had felt that the Stanhill hat was the right hat to wear, you only had to ask Mr. Korman while you were in his office for some of Stanhill notepaper? A. I will agree. 10

HIS HONOUR: (Referring to letter in Mines Department file.) Q. Isn't this letterhead exactly the same letterhead as you always used with all the addresses of the company on it? A. I am sorry, sir. I only saw the Melbourne office. Can I have a look?

Q. In the centre it has the registered office at Canberra; then on the left it has the Melbourne office and the Sydney office. Then it says it is written from Sydney above 9th February, 1961? 20

A. Yes. I am sorry, Mr. Hughes. When I saw the top of that letter, I automatically thought it was a Melbourne letterhead. I realise now that it was not a Melbourne letterhead because the word "Sydney" is typed.

HIS HONOUR: Q. No, it is printed? A. Printed, yes.

HIS HONOUR: The other letters in the file on Queensland Mines notepaper are on identical notepaper. 30

MR. STAFF: Exhibit 27 has Melbourne notepaper on it.

MR. HUGHES: If one compares Exhibit "A5" with Exhibit 27, which is Mr. Phillip's receipt for £2,500, it does appear there is a difference between the notepaper on which Exhibit "A5" is written and what seems to be Melbourne office notepaper used in March, 1962.

Q. In all events do you adhere to the evidence *you gave at the bottom of page 120 commencing with the third last question on the page and at the top of **page 121 down to Mr. Staff's question which is contained in the fifth paragraph on that page, "Q. Then you came back to Sydney? A. Yes."? A. To the best of my recollection, yes. 40

Q. On that basis it must follow that leaving
*(See now page 188.)
**(See now page 189.)

aside any question of notepaper, that letter of 9th February, 1961 was signed by you either in Melbourne or in Hobart? A. No, I don't agree.

Q. If the evidence to which you have adhered is correct you were not in Sydney on 9th February, 1961, were you? A. I could have been.

Q. How could you be in Sydney on 9th February, 1961? A. It depends what plane I came back to Sydney on.

10

Q. I want to be quite explicit about this. You have told me to the best of your recollection you are adhering to evidence which I have specified at the *bottom of page 120 and the top of page 121? A. That is so, that I ---

Q. Which includes evidence that you stayed overnight? A. I don't think it does.

HIS HONOUR: It would be consistent with it, for example, that he stopped off in Melbourne and talked to Mr. Korman and came on to Sydney at the same time.

20

*MR. STAFF: He did say at the foot of page 120 "practically every time".

MR. HUGHES: Q. At the top of page 121: "and you did that again? A. I invariably came into Melbourne, stayed the night, saw Mr. Korman and came back the next day".

HIS HONOUR: Does it really matter whether he stayed overnight or not?

MR. HUGHES: Certain inferences would be open if the letter was written in Melbourne, your Honour.

30

HIS HONOUR: It is written on Sydney notepaper apparently.

MR. HUGHES: Q. Did you carry around with you Queensland Mines, Sydney, notepaper in your brief case or your luggage? A. No. Could I point out it was not received in the Mines Department till 13th February.

Q. Before I leave the dealings you had with Mr. Symons, did you tell Mr. Symons that Mr. Ridgway was employed by Queensland Mines as its geologist? A. No.

40

Q. Who was so employed at the time, was he not, in 1961 prior to the granting of the licence?

A. He was so employed up to December, 31st of 1960.

* (See now page 189.)

HIS HONOUR: Q. Of 1960, you said? A. To 31st December, 1960.

MR. HUGHES: Q. He was employed as a consultant geologist thereafter during 1961? A. Yes.

Q. By Queensland Mines? A. By Queensland Mines.

Q. Will you agree that Mr. Ridgway's name was mentioned by you in your discussions with Mr. Symons?
A. Oh yes, he would have been.

Q. Will you agree that in the course of those discussions you indicated to Mr. Symons that Mr. Ridgway would be engaging himself in the exploration programme on the Savage River? A. At what relevant point of time are you talking about? 10

Q. Let us take February, 1961? A. In February, 1961 I would have - I don't specifically recollect, but there is no reason why I would not have told Mr. Symons.

Q. Would you look at Exhibit "A12"? The letter dated 15th March, 1961 written by you or signed by you over Queensland Mines letterhead? A. Yes. 20

Q. By the time you wrote that letter you had been told a week previously by Mr. Korman that Stanhill was definitely not going on with the Savage River project? A. That is right.

Q. So at that time you knew that any arrangement whereby Queensland Mines or yourself were doing work for Stanhill in relation to the project had come to an end? A. Would you put that in singles instead of doubles? 30

Q. Will you agree that when you wrote that letter you were fully conscious of the fact that any arrangement whereby you, you as Mr. Hudson, were to do work for Stanhill in connection with the Savage River project had come to an end? A. I was.

Q. You were fully conscious - if I may put the question to you this way, and I hope to put it fairly - you were fully conscious that any possible occasion for using Queensland Mines letterhead in connection with the project had come to an end if ---
A. Not necessarily so, because I was going down, I was making the point to go and inform Mr. Symons that that was the position. 40

Q. Will you agree that if Queensland Mines was never involved in any way in this project, as you say, it was most inappropriate to use Queensland

Mines letterhead for the purpose of writing the letter Exhibit "A12" after 8th March, 1961? A. I would agree it is inappropriate but I say again that the same considerations were in my mind as existed in regard to the prior letters written on Queensland Mines. In my view I had not terminated Stanhill's association with the matter with Mr. Symons; but I agree with you entirely it was inappropriate to use Queensland Mines letterhead.

10

Q. If, in fact, it was inappropriate, as you say it was, the fact that it was so must have been present in your mind, must it not, having regard to the evidence that you have already given this morning of your consciousness of the need to wear the right hat?
A. What cap - it is a difficult one, Mr. Hughes, because at that relative time I didn't have a cap.

Q. You were hatless, were you?

HIS HONOUR: Q. You were about to take one off?

A. I was about to take one off.

20

MR. HUGHES: Q. If you were about to take the hat off, you had your personal notepaper in the office, did you not? A. Yes; but then that again would have been inappropriate, wouldn't it?

Q. Do you say you were fully conscious during the whole of the month of April, 1961 of the fact that Queensland Mines Limited had no interest in or involvement in the Tasmanian iron ore project? A. Yes.

* Q. If in truth that was your state of mind it would be quite impossible to provide any rational explanation, would it not, for your writing, if you did, to Strategic Materials Corporation in your capacity as Managing Director of Queensland Mines in connection with the Savage River? A. Can I have a look at the document you refer to?

30

Q. I would like your answer to that question first. Perhaps the question could be read? A. What you are saying is that on --- on what date? You are asking a hypothetical question.

Q. Yes, I am asking a hypothetical question and I want you to understand it, and unless I am told I can't ask it, I want you to answer it.

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(Questioned marked asterisk read back by court reporter; objected to; admitted.)

WITNESS: Would you read the question again?

MR. HUGHES: I withdraw the question, and I will rephrase it.

Q. Given that your state of mind through the month of April, 1961, was that Queensland Mines then had no involvement in or interest in the Savage River project, it would be very difficult to reconcile the fact that in April, 1961, a letter was written by you to Strategic Materials Corporation, if you did so, with your professed state of mind, would it not? A. If a letter was consciously written to anybody after that date and eliminated any possibility of error, I would agree with you. 10

Q. I show you from the Mines Department file a photostat of a letter which is part of Exhibit "A14", it is a letter from Strategic Materials Corporation dated 13th April, 1961. May I invite your attention to the way that letter is addressed. It is addressed, is it not --- A. It is addressed to me ---

Q. Managing Director? A. As Managing Director of Queensland Mines.

Q. And it is a letter that was in response to a letter that you had written to Strategic Materials Corporation dated 7th April, 1961 addressed to Dr. Udy? A. That would be correct. 20

Q. Will you agree, looking at the document that is in front of you, that is the photostat of the letter of 13th April, 1961, that your letter to Dr. Udy of 7th April, 1961 must have been signed by you as Managing Director of Queensland Mines? A. No.

Q. You won't? A. No.

Q. Had you ever met Mr. Pupulidy before your letter to him of 7th April, 1961? A. I had never met Mr. Pupulidy until October of --- wait a minute. Yes, I had met --- I had not met Mr. Pupulidy at the date of that letter of April 13th, 1961. 30

Q. Had you spoken to him? A. I had not spoken to him.

Q. Will you agree that your letter to Mr. Pupulidy of 7th April, 1961, to which the letter of 13th April, 1961, part of Exhibit "A14", refers, was a letter written by you on Queensland Mines letter-head? A. No, I don't. 40

Q. When did you last see that letter of 7th April, 1961? A. I could not possibly tell you.

Q. Would you look at the first letter in Exhibit "A14"? Do you see what Mr. Pupulidy says to Mr. Symons? Would you just read it yourself? A. It says, "On the same day that we received your letter of February 17" - (that is that they received a

letter from me on February 17th) - "an enquiry from Mr. E.R. Hudson of Queensland Mines Limited arrived indicating an identical interest. Further more, on April 13th, we heard again from Mr. Hudson suggesting a visit by a technical representative. Our reply and other details developed on the basis of the information you supplied is enclosed and self-explanatory".

Q. Won't you agree looking at those two documents that there is a very high degree of probability that you, when you communicated to Dr. Udy by letter dated 7th April, 1961, did so as Managing Director of Queensland Mines Limited? A. No, it seems to me the probability is otherwise. 10

Q. Are you suggesting Mr. Symons represented you to Dr. Udy or Strategic Materials ----? A. I am not suggesting anything. I am suggesting I wrote to Dr. Udy on April 17th, February 17th - "and on April 3rd we heard again from Mr. Hudson".

Q. I think you are getting confused. The letter which is now in front of you which is the first document forming part of Exhibit "A14", is an original letter from Mr. Pupulidy on Strategic Materials Corporation letterhead? A. To the Director of Mines. 20

Q. And he said, "On the same day that we received your (that is Mr. Symons') letter of 17th an enquiry from Mr. E.R. Hudson of Queensland Mines Limited arrived indicating an identical interest"? A. That is February 17th.

Q. Yes? A. But you are asking me in respect of a letter of April --- 30

Q. Will you agree you did write to Mr. Pupulidy on or about February 17th or shortly prior to February 17th? A. No, I don't agree with that, because Mr. Symons was in touch with Mr. Udy. Unless I saw the letter I would not agree.

Q. Could you tell his Honour, if you have an explanation how Mr. Pupulidy could be describing you in correspondence as Managing Director of Queensland Mines Limited if you had not told him that you were? A. Can you show me where it describes me as Managing Director of Queensland Mines? 40

Q. Yes. Would you look at the letter of April 13th, the address. How is it addressed? Would you read it out to his Honour, please? It is addressed to Mr. E.R. Hudson, is it not? A. I am sorry, yes.

Q. Would you read it out to his Honour? A. I am sorry, yes; Queensland Mines.

Q. It is more than that; Mr. E.R. Hudson ---

A. Managing Director of Queensland Mines. That is correct. I am sorry.

Q. You had written to Mr. Pupulidy a letter to which the letter of 13th April, is a reply? A. I had written to Mr. Pupulidy on 17th February.

Q. And again you had sent him a communication dated 7th April? A. No; on April 13th.

Q. In fairness to yourself would you read the first paragraph of Mr. Pupulidy's letter to you of 13th April? Read it aloud, if you like? A. "On receipt of your communication of April 7th addressed to the following cable". 10

Q. Will you agree first that you sent Dr. Udy or Strategic Materials Corporation the letter dated 17th February, 1961 in connection with the Savage River project? A. I would agree with that, yes.

Q. Would you also agree that you sent to him a letter dated 7th April, 1961 in connection with the same project? A. Yes. 20

Q. Will you agree on a consideration of the two letters forming part of Exhibit "A14", namely a letter of 13th April addressed to you as Managing Director of Queensland Mines from Mr. Pupulidy, and the letter dated 14th April from Mr. Pupulidy to Mr. Symons, that you must in one or both of the letters of 17th February and 7th April, 1961 describe yourself as Managing Director of Queensland Mines? A. No. I don't agree, because he could have been replying to my letter of 17th February. 30

Q. If he was replying in that letter of 13th April, 1961 to a letter from you of 17th February, 1961 it follows, does it not, that you must have described yourself in your letter of 17th February, 1961 as Managing Director of Queensland Mines Limited?

A. In my letter of 17th February?

Q. Yes? A. I don't think it necessarily follows that I did so.

Q. In your letter of 7th April? A. Of April 7th. 40

MR. HUGHES: I accept that. I call for the letter of 7th April, 1961 --- (not produced).

Q. That letter of 7th April, 1961 has been in your possession at some time, has it not? A. It would have been in my possession around that relevant time, 1961, obviously; a copy of it would have been.

Q. Would you be good enough, if his Honour permits me to make this request of you, to look in your papers to see whether a copy of that letter is there?

A. I assure you, Mr. Hughes, that every document in the office has been gone through. I can assure you the letter is not there.

(Luncheon adjournment.)

ON RESUMPTION:

Q. Before the luncheon adjournment I think we had got to the point where you agreed that in a letter you wrote to Strategic Materials Corporation on or about 17th February, 1961 you wrote as Managing Director of Queensland Mines? A. It would appear so. 10

Q. If, as you say, Queensland Mines is not involved or interested in the Savage River project at all, what earthly reason was there for writing to that American Corporation in that capacity? A. Well, it is impossible for me to recollect now, you appreciate; but at that particular time I was undertaking a lot of work. Frequently, when you are busy like that the staff bring letters to you to sign and they want to get away, and you sign your name to anything. I don't know, I could have consciously done it, I could have unconsciously done it; and at this point of time I could not recollect. I don't even recollect signing the letter. 20

HIS HONOUR: Q. In February, 1961 you were doing all your correspondence about this matter on Queensland Mines notepaper, were you not. You were certainly writing to Mr. Symons on it? A. I was certainly writing to Mr. Symons, yes. 30

MR. HUGHES: Q. In March you were doing the very same thing, writing in connection with the Savage River project on Queensland Mines letterhead as is indicated by the letters of 6th March to Associated Diamond Drillers and 15th March to Mr. Symons?

A. That is correct.

Q. Will you agree then that up to 15th March --- A. I think I will concede that although I have not a specific recollection, that on the balance of facts it would appear I would have written a letter about 17th February to Strategic Udy and signed it as Managing Director. 40

Q. Thank you for that concession. I think you really made it before. Your explanation of being under pressure and signing anything that was put in front of you without question does not really quite stand with the very fair concession that you made to

me before the luncheon adjournment during this morning's cross-examination --- A. Mr. Hughes -

HIS HONOUR: Would you wait for the question, Mr. Hudson.

MR. HUGHES: Q. That you, wearing a number of hats, appreciated both as a lawyer and as a commercial man the necessity of putting on the right hat at any relevant time. You will agree with that? A. I completely agree with you. I simply said that in a busy office sometimes errors are made. But I have also conceded to you now that the probabilities are, looking at the facts, that I did sign the letter on 17th February to Strategic Udy as Managing Director of Queensland Mines, and consciously did it. 10

Q. With a purpose, will you agree? A. Well, I don't know what purpose you mean. If you will spell out the purpose that you -

Q. I will put a purpose to you to see whether you agree with it. The necessity of communicating with Strategic Materials Corporation arose because Mr. Symons, before the application for an exploration licence had been granted, suggested to you that you should communicate with that corporation, is that right? A. I would think that would be correct. 20

Q. This corporation was a corporation with which you had had no previous dealings? A. I had no previous dealings with it.

Q. Having regard to Mr. Symons' attitude expressed in his advice to you that you should communicate with this corporation about processing techniques --- A. Yes. 30

Q. - did it not appear to you that it would serve the purposes of the venture well that the approach to the American Corporation should be made in the name of a mining company? A. No, I don't think so, because a mining company, Strategic Udy, had been in touch with Mr. Symons who, to use a colloquial expression, was sold on Strategic Udy as a method of direct reduction. It was simply they were the facts of the case. 40

Q. Let me put to you another aspect of your correspondence from 16th August, 1960 up to 15th March, 1961. There is, is there not, during that period of time a consistent pattern in your correspondence, namely a pattern that you used Queensland Mines letterhead and used your description as Managing Director in your letters, excepting, I think, the 15th March letter? A. Yes, I will agree with that.

Q. Given that pattern, will you agree on reflection that you adopted that pattern of conduct because it seemed to you at the time Queensland Mines Limited did have a real involvement in this venture? A. No.

Q. You have told his Honour that you met Mr. Korman, I think, first of all in 1958? A. Yes.

Q. Would it be correct to say that over the ensuing period of time with which we are concerned in this case you developed ----

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HIS HONOUR: Mr. Hughes, are you going on to a new matter?

MR. HUGHES: I was for the moment.

HIS HONOUR: It has just occurred to me - I don't know whether you had it in mind - that Exhibit "A7" was relevant to some of the questions you were asking.

MR. HUGHES: Q. I show you a letter dated 1st May, 1961 on Queensland Mines letterhead Exhibit "A7", and it is signed "Yours faithfully, Queensland Mines, E.R. Hudson". Do you see that? A. Yes.

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Q. Do you notice the way you expressed yourself in the second last paragraph on page two of the letter - "I assume that if we accept your offer of a demonstration your organisation is prepared to issue a feasibility report if demonstration is successful". Do you see that? A. Yes.

Q. In that context, "We" can only refer to Queensland Mines Limited? A. I don't agree, if you look at the rest of the letter.

Q. In the context of this letter what other organisation but Queensland Mines can be understood as being referred to by the use of the word "we" in the second last paragraph, to the reader of the letter? A. "I am proceeding with the formation of an investigation company for the purpose of carrying out further development and consideration of a suitable method of treatment", and then later on "I have decided to forward..."

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Q. When was this company set up? A. I was referring to Industrial & Mining Investigations.

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Q. Just remind me; when was it set up? A. It was set up in 1960. It was capitalised at a much later time.

Q. Leaving aside capitalisation, Industrial & Mining Investigations had been formed in the year

before the year of which this letter was written?

A. That is correct.

Q. What you have written in the second paragraph "I am proceeding with the formation of an investigating company for the purpose of carrying out further development and consideration of a suitable method of treatment" would be quite inappropriate as a reference to Industrial & Mining Investigations? A. Yes, I agree with you. On further reflection I think it refers to the question that I was trying to set up New Zealand Iron & Steel - not New Zealand, Tasmanian Iron & Steel. 10

Q. And, of course, that company was never formed?

A. No, it was not formed; but that letter is dated 1st May.

Q. But you would agree, would you not, that in referring to yourself in the first person in that letter written on Queensland Mines letterhead is a reference that could only be reasonably understood by the recipient of the letter as a reference to you on behalf of Queensland Mines Limited. You must agree with that, must you not? (No answer.) 20

Q. You can have the question again, if you like?

A. I remember your question. No, I can't agree with you entirely, because to the recipient how you would interpret clause two as that I had obtained a lease and was proceeding with the formation of an investigation company, how you would interpret it I can't say. I wouldn't like to say how he interpreted it. 30

Q. You would certainly agree that the interpretation I put to you is at least a reasonable interpretation? A. No, I don't agree entirely. I think there is considerable doubt raised by how anyone interpreted it. But as far as I was concerned I think the second paragraph of the letter does govern the rest of the contents of the letter.

HIS HONOUR: Q. You did not just write the letter on Queensland Mines notepaper, you signed it for Queensland Mines? A. I signed it for Queensland Mines. 40

MR. HUGHES: Q. Really that must be a significant element in the problem of interpreting this letter, must it not? A. I would agree.

Q. And you would agree on reflection that the only reasonable interpretation of that letter, having regard to the way you signed it under the name Queensland Mines and on its notepaper, was that you

were speaking for Queensland Mines? A. I agree the recipient would interpret it that way.

Q. Would you agree the recipient would be quite unreasonable in interpreting it in any other way, having regard to what is in the letter? A. No, I think if the recipient got the letter as it is like that, I agree with you he would probably interpret it in the way you suggest.

Q. At that stage, the stage when this letter was written, your negotiations with Dubar were far advanced, were they not? A. They were under operation - wait a minute. No they were not. 1st May; they were far advanced. 10

Q. On 1st May you were 11 days away from the execution of the Dubar deed, Exhibit "Y"? A. That is quite correct, yes.

Q. If you, having regard to the currency and the near completion of those negotiations, genuinely believed on 1st May, 1961 that Queensland Mines had no interest in this venture, you would have avoided it at all costs? A. Avoided --- 20

Q. You would have avoided it at all costs, writing that letter of 1st May, 1961 in the form and with the signature that you employed. Won't you agree with that? Would you like the question again? A. No, I remember. Yes, I suppose if I consciously looked at the letter I would agree.

Q. And you had every reason, having regard to the state of the Dubar negotiations, consciously to look at that letter before you signed it? A. I said to you I often signed letters without giving them much consideration. 30

Q. You are explaining this letter in the light of that last answer as a slip, are you? A. No, I don't state it, but the possibility does arise. At this stage I could not recollect.

Q. Let me put to you a chain of letters written by yourself, all on Queensland Mines notepaper and signed on behalf of Queensland Mines, either as Managing Director or under the name Queensland Mines - do you follow me? A. Over a certain period of time. 40

Q. Over a certain period of time. Sixteenth August, 1960? A. Up to and inclusive of 15th March.

Q. And 1st May, 1961? A. If you are referring to this letter -

Q. I don't want to confuse you. You agree, do you not, that there is a course of letters written under your signature extending in point of time from 16th August, 1960 through to 1st May, 1961 in connection with the Savage River? A. No, I don't agree with that, I agree there is a course of letters extending from August, to 15th March, and then there was a letter on Queensland Mines letterhead dated 1st May. But talking about - there is a gap there, is there not? 10

Q. What do you describe as the gap? A. There is a gap between 15th March and 1st May.

HIS HONOUR: There is a letter of 18th April, 1961 to Mr. Symons on plain paper.

MR. HUGHES: I will close the period at 15th March.

MR. STAFF: There are two to Mr. Korman.

MR. HUGHES: Q. You have the letter of 16th August, 1960; you have got the letter of--- A. 9th February. 20

Q. 9th February, 1961? A. And 6th March.

Q. You have got the letter of 6th March, 1961; you have got the letter of 15th March, 1961? A. That is right. And there is another one I think we referred to this morning. There was another letter I think that we referred to this morning.

Q. To you, 17th February, 1961? A. No. I thought there was another letter you referred to this morning dated -- I might have been mistaken.

Q. I think you may be thinking of Udy's letter of 13th April? A. No. I thought there was another letter sometime in February. I might be wrong. 30

Q. February, 17th, as to which you agree with me you signed it as your letter to Udy of 17th February, 1961 which you agreed you signed as Managing Director of Queensland Mines? A. Yes.

Q. The correspondence I want you to specifically consider are these: 16th August, 1960; 9th February 1961; 6th March, 1961; 17th February, 1961 and 15th March, 1961? A. Yes. 40

Q. Five letters, all of them in their own ways important letters will you agree? A. All important letters, yes.

Q. All signed by you in such a way as to indicate

plainly that you were signing them as Managing Director of Queensland Mines on behalf of that company. Will you agree with that? A. All of them were signed by me as Managing Director of Queensland Mines.

HIS HONOUR: All of them - not the one of 15th March, that was not signed ---

MR. HUGHES: Not signed under the title Managing Director.

HIS HONOUR: And, in fact, Mr. Hudson had ceased to be 10
Managing Director that day.

MR. HUGHES: Q. Take those five letters, whether you signed as Managing Director or not, they were all signed in such a way as to indicate you were signing on behalf of Queensland Mines Limited, were they not?

A. I don't think I will admit that in respect to the letter of 16th August, where I referred in the 3rd or 4th paragraph to Mr. Stanley Korman.

Q. But you signed that letter as Managing Director of Queensland Mines? A. I signed them as 20
Managing Director.

Q. Take that letter out for the purpose of my investigation. That leaves us with four letters; 7th February, 1961; 6th March, 1961; 17th February, 1961; and 15th March, 1961. A. Could you refresh me on 17th February?

Q. That is the one as to which you agree with me you had written to Udy and signed it as Managing Director of Queensland Mines.

HIS HONOUR: We have not got a copy of it but we infer the existence of it from Udy's reply. 30

WITNESS: Yes.

MR. HUGHES: Q. So there are four letters signed in such a way as to indicate that you were signing them on behalf of Queensland Mines Limited? A. I would like to see the contents of that letter to Strategic Udy, in the first instance. I would like to see the contents of that. But it is obvious to me that I did sign the first letter to Strategic Udy as Managing Director of Queensland Mines; but what were the inferences contained in the letter I don't know. 40

Q. The overwhelming inference when you signed the letter as Managing Director of the company is that you are writing the letter as the voice of the company? A. Not necessarily.

Q. Well, highly probable? A. Highly probable.

Q. I don't want to fence around with too many minute points, but I want to ask you whether you are really asking his Honour to accept that in so signing those letters you did so by mistake or by way of slip? A. I am not suggesting that at all, nor have I suggested it.

Q. There was one part of your evidence in which I think you were dealing with the letter of the ---

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A. You asked me a question about letters and I said that in a busy office it is often possible where you get a number of letters for letters to be placed before you at a time when you just sign them, and there could be made a slip; nor did I suggest nor I have suggested at anytime that the letters you referred to were done by way of slip; I could suggest in relation to this letter of 1st May. I gave what considerations were in my mind at the time.

Q. I will come back to your relations with Mr. Korman. Did you over the years until the crash of the Korman empire, form a close business relationship with him? A. Yes, I did. When you mean "close business relationship", I formed a close relationship with Mr. Korman. I had nothing to do with Stanhill and the other companies. I operated as a separate adviser to him, but I was not personally involved in any of the business of Factors or Stanhill or the other number of subsidiaries; but I did form a very close association with him.

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Q. You did tell us yesterday that there came a stage in the course of this close association where you began to develop suspicions about him. Do you remember that? A. I recollect.

Q. What is your best recollection as to when you began to develop those suspicions? A. In point of time?

Q. In point of time. Please don't think I am asking you for a date or even a month; a year will do. Or by reference to an event? A. I really could not say at this stage, but I did hear a conversation once that made me suspicious.

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Q. What was the substance of what you heard?
A. The raising of monies by way of debenture without a trustee.

Q. You gave evidence in answer to my learned *friend, Mr. Staff, the last two questions on page 83 and over on to page 84 down to the second last

*(See now pages 142 and 143.)

question on that page. Would you read that to yourself so that you know what I am going to ask you about. Would you read the last two questions on page *83 and the answers, and then read page 84 down to the second last paragraph on that page? A. Yes.

Q. Would it be correct to say that in May, 1959 the success that you have since then achieved financially did not seem to be within your reach? A. Could you ---

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Q. As a result of your labours and initiative in various mining ventures you achieved over the years since 1959/60 a good deal of financial success, did you not? A. No, I didn't really.

Q. Your position in May, 1959 was not as prosperous financially as it later became, was it? A. I was a very wealthy man in 1959, in today's terms.

Q. Did you understand this arrangement that you say you made with Mr. Korman at his request to be an arrangement with him personally or between yourself and Stanhill Consolidated Limited? A. I regarded it as between myself and Stanhill Consolidated.

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Q. So that I can be sure we are talking about the same thing, I am referring to the arrangement that you say was made in May, 1959? A. April or May.

Q. April or May, that you referred to in the second last answer on page 83? A. That is right.

Q. You say you understood that arrangement to be made by Mr. Korman --- A. As Chairman of Stanhill.

Q. And so far as he was concerned on behalf of Stanhill? A. So far as he was concerned.

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Q. Was any document ever brought into being to record the arrangement? A. No.

Q. Was there any provision in the arrangement relating to the payment of such expenses as you might incur in discharging your retainer? A. Only at a later stage when I saw Mr. Korman, when he told me to charge any expenses to the imprest account to be adjusted in Melbourne.

Q. That is the imprest account of Queensland Mines?
A. That is right.

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Q. At the time when Mr. Korman made this arrangement with you he knew, of course, that you were Managing Director of Queensland Mines Limited?
A. Oh yes. Yes, he knew that.

Q. Up to this point of time - I am talking of April/May, 1959 when this approach was made to you by Mr. Korman - your mutual association had been so far as you were concerned solely on the basis of your position in Queensland Mines Limited? A. Up to that time, yes.

Q. On reflection, don't you think that one view of this arrangement could well be and reasonably be that he was dealing with you in your capacity as Managing Director of Queensland Mines Limited? 10

A. No.

Q. Did he say anything to you to make it clear to you that this was a personal assignment, an assignment personal to you? A. Yes, that was the basis of the conversation.

Q. He knew you were a very busy man, did he not?

A. I beg your pardon.

Q. He knew you were a very busy man? A. Well, I wasn't all that busy at that relevant time. 20

Q. You will agree that it was somewhat quixotic to knock back an offer of 10,000 a year and say, "I will be happy with 7,500"? A. Well, it may seem strange to you, but I still did not want to commit myself too much. I was doing my own work.

Q. But you were committing yourself anyway, weren't you? A. I was committing myself. It depends on the salary as to how far you are working yourself.

Q. According to your evidence the substance of the arrangement was that you would do such investigations as he asked you to carry out? A. That is correct. 30

Q. So far as you knew he might ask you to carry out one a week or one a year? A. Well, in the initial stages I asked how much time was involved and he said one or two days a week. I agree that it then became almost four or five days a week.

Q. If what you say is correct your contractual commitment to Mr. Korman was to perform for him up to a reasonable limit any investigations that he gave you to do? A. That is correct. 40

Q. Really there was no question about reserving the extent of your commitment by proposing a reduction in the offered salary? A. In my way of thinking at the time there was.

Q. Correct me if I am wrong, but do I understand you correctly to have said the other day that you

never received a penny piece of this retainer fee?

A. I never received a penny piece.

Q. Do I understand correctly that you never asked for a penny piece of this retainer fee? A. No, I didn't.

Q. Yet you seem to have done a lot of work?

A. A terrific lot of work, yes.

Q. You did not regard Mr. Korman as a suitable object for charity, did you? A. I certainly did not. 10

Q. I suppose, if I may say so without disrespect to you or to the profession to which we both belong, you have always taken the view that the labourer is worthy of his hire? A. Yes. I won't comment on that.

Q. You contracted for a hire, if his Honour is to believe what you have said about this arrangement?

A. I beg your pardon?

Q. You contracted for a hiring rate, if his Honour is to accept what you have said about this arrangement? A. Yes. 20

Q. And you exerted a great deal of effort? A. I did; a great deal of effort.

Q. A great deal of effort, involving a lot of your time? A. A great deal of time, a great deal of research; a great deal of time.

Q. Involving a great deal of travel on your own part? A. Yes, it involved a fair amount of travel.

Q. Involving a great deal of your energies?

A. Yes. 30

Q. In terms of physical effort and emotional effort? A. Yes.

Q. It was a pretty tough assignment, was it not, having regard to the multitude of the investigations that Mr. Korman, you say, gave you to do? A. Yes. It was a very tough assignment, as it turned out, yes.

Q. Really all these considerations add up, do they not, to make the strongest case for your entitlement to the agreed reward? A. Yes.

Q. Would you agree that if a disinterested viewer of this relationship from outside were to take a slightly suspicious view of events --- A. I don't know about suspicious --- 40

Q. I have not finished the question. Would you agree that if an objective observer viewing this relationship from outside in terms of your account of it, were to take a slightly suspicious view of events as you recounted them, he might think that the fact you did not claim the reward for this enormous amount of work might indicate you did not have the arrangement at all? A. Well, it depends whether the person was then living and associated with the Korman set-up, whether they had knowledge of the circumstances. If you isolate the thing from all its surrounding circumstances and you looked at it as you are looking at it now, it would seem quite strange. 10

Q. Bordering on the absurd? A. Not necessarily bordering on the absurd, but it would seem strange.

Q. There is one element of this relationship, which you say was a relationship between Stanhill Consolidated and you personally, that I want to throw into the scales for your consideration, and I do it by way of putting this question. The fact is, is it not, that virtually the whole of your expenses incurred in executing the various assignments that Mr. Korman gave you to do were met out of monies in the Queensland Mines imprest account? A. I am unable to say that. 20

Q. Do you suggest that the position was otherwise?
A. It could have been otherwise, yes.

Q. But do you recall ---? A. You said "All". 30

Q. No, I said, "virtually all". That is the fact, is it not, that virtually all your expenses such as travelling expenses incurred in executing what you say was this personal assignment for Mr. Korman's company, Stanhill, were met out of the Queensland Mines imprest account? A. No.

Q. A large number of them were, were they not?
A. Yes, a number.

HIS HONOUR: Q. What happened to the rest of them?
A. Sir, I used to generally pay most of my expenses myself, because the reason for that was wherever I went I worked for one company or more. If I went to Brisbane I worked for A.O. & E. and Queensland Mines. If I went down to Melbourne I would be doing work for Kathleen subsidiaries in respect of M.K.U. And it was my habit at varying periods to prepare a statement of account, dissect the proportions of my travelling and other expenses between the relative companies, and to send them the account; and I would receive a cheque back for them. 40 50

I would think a lot of my expenses were not paid out of the imprest account.

MR. HUGHES: Q. But a lot were? A. And a lot were.

HIS HONOUR: Q. If they were not paid out of it they were then paid to you by ---? A. I would receive a cheque from Factors.

Q. Or from Kathleen Investments? A. Yes.

Q. Or from A.O. & E.? A. Yes.

MR. HUGHES: Q. Did you ever receive a cheque from Stanhill Consolidated? A. I couldn't say. 10

Q. For expenses, I mean, incurred in carrying out the assignments that you say were entrusted to you on behalf of Stanhill Consolidated? A. I could not say at this point of time, but generally I think I didn't, generally.

Q. Insofar as the expenses were paid by Factors, those expenses were funded by call made by Queensland Mines on Factors? A. I don't know.

HIS HONOUR: Q. If the expenses were exclusively for the iron ore investigations they were paid out of the Queensland Mines imprest account? A. Not always, no. 20

Q. Where else would they have been paid from if -?
A. That could have been paid from Factors' main account in Melbourne. It was generally not always my practice to pay wages or to pay all my travelling expenses from the imprest account; I did on occasion in respect to certain specific matters, on other occasions the accounts were prepared and sent down for the approval of the directors. 30

MR. HUGHES: Q. Directors of what company? A. Of the appropriate company. I would send them to Mr. Phillips.

Q. I think you gave evidence at one stage that Mr. Palmer drew to your attention that his account for visiting New Zealand in May, 1959 had not been paid? A. That is correct.

Q. You drew that matter to Mr. Korman's attention?
A. Yes.

Q. And he said to you, "Why don't you pay it out of the imprest account?" and he was referring to Queensland Mines imprest account? A. Yes.

Q. I suppose you regarded that as a most improper suggestion, did you? A. No.

Q. Why not, if, in fact, Mr. Palmer's investigation was for one of Stanhill's proposed ventures?

A. Because you have left out the rest of the conversation which says that the matter would be adjusted in Melbourne by Mr. Carrodus.

Q. In other words, you thought it all right to let Stanhill use Queensland Mines as its banker, is that right? A. I don't think you can express it that way. 10

Q. Well, why not? What Mr. Korman was asking you to do was to meet accounts in respect of investigations that were Stanhill Investigations if your story is to be believed, and not Queensland Mines Investigations is that not right? A. That is correct.

Q. And he was actually asking you, in the face of your pointing out to him that he was not paying an account on time or anywhere near on time he was actually asking you to pay the account out of monies standing to the credit of a Queensland Mines bank account? A. That is correct. 20

Q. And promising you that sometime there would be a reimbursement? A. That is correct.

Q. In other words, will you not agree that that was nothing short of getting credit from Queensland Mines for expenditure on a Stanhill Investigation? A. That is correct, it could be expressed that way. 30

Q. And that is a fair expression of the situation, is it not? A. If you isolate the whole complex of the companies, Factors, and disregard the fact that one is a subsidiary.

Q. What was a subsidiary of what? A. Queensland Mines was a subsidiary of Factors, which was controlled by Korman. If you isolate it away and put it into the direct terms as you put it, the answer is yes.

Q. Stanhill Consolidated had only 26 per cent of Factors, did it not? A. It had an option, I understand. I am not too sure, but it had an option to cover 51 per cent. It had four directors on the Board. 40

Q. From the time of that conversation in 1959 that concerned the question of payment of Mr. Palmer's expenses for his New Zealand investigations, you

carried out Mr. Stanley Korman's request that the expenses of the investigations that he commissioned on behalf of Stanhill should be paid out of the imprest account of Queensland Mines? A. Not all the expenses, but certain expenses.

Q. May I invite your attention in relation to that *last answer, in fairness to you, to page 90. I invite your attention to the paragraph in the middle of the page:

10

"Q. What did he tell you about that account, the unpaid one?"

Do you see that? A. Yes.

Q. Would you read it to yourself? A. Yes, I have read that.

Q. And his instruction to you included this, did it:

"in future pay any matter on which you are concerned, working for me, out of the imprest account and send it down to Melbourne and let Carrodus pay it"?

20

A. That is correct.

Q. And you acted accordingly? A. I acted accordingly.

MR. STAFF: I just mentioned to my friend that, subject to his approval and your Honour's, I would suggest that this might be an appropriate time to suspend the cross-examination this afternoon.

MR. HUGHES: I agree.

HIS HONOUR: There is no other matter you wish to go on with?

30

MR. STAFF: I have some Press cuttings which I could tender and perhaps get those out of the way.

(Witness stood down.)

MR. HUGHES: There will be an objection to the Press cuttings generally on the basis of the relevance to any issue, but your Honour gave a ruling the other day that I think covers their admission subject to objection.

HIS HONOUR: Subject to any objection you may wish to make as we go through, I will make this file of cuttings Exhibit 72. In other words, I will add the *(See now page 151.)

40

other cuttings in the book and make them Exhibit 72, and you may draw my attention to whatever you think appropriate, Mr. Staff.

(File of Press cuttings marked Exhibit 72.)

MR. STAFF: Frankly, I had thought that it might be convenient if your Honour was to glance through them at some point of time, or at anything in particular if it were mentioned in address. It is rather the general coverage.

HIS HONOUR: But there is no particular one with particular significance? 10

MR. STAFF: There is no particular significance. It is just the general effect of the whole, and they have not been selected with any particular emphasis in mind.

(Mr. Staff informed his Honour that the early papers were Tasmanian ones, then followed by a batch of Melbourne papers. The second one in the file related to the Hobart "Mercury". The "Advocate" referred to was the Burnie "Advocate".) 20

(Supplement of 6th March, 1968, added to Exhibit 72.)

(Booklet on the Savage River project admitted without objection and marked Exhibit 80.)

(Further hearing adjourned to 10 a.m. on Thursday, 24th October, 1974.)

IN THE SUPREME COURT
OF NEW SOUTH WALES
EQUITY DIVISION

No. 292 of 1973

CORAM: WOOTTEN, J.

QUEENSLAND MINES LIMITED v. HUDSON & ORS.

EIGHTH DAY: THURSDAY, 24TH OCTOBER, 1974.

(Errata in transcript:

- * Page 197, last two questions should read,
"... common stock of professional knowledge".
- * Page 226, 4th question from the foot, should read, "... given to the various events". 10
- * Page 241, last question should read, "... that you gathered from the conversation ..."
- * Page 254, last question should read, "... as a suitable object for charity ...")

ERNEST ROY HUDSON
On former oath:

(Continuation of Cross-examination.)

MR. HUGHES: Q. Mr. Hudson, will you agree that in the events that happened, namely the withdrawal from the venture of Stanhill on 8th March, 1961, and the fact that drilling commenced on 14th March, 1961, Associated Diamond Drillers never carried out any drilling on behalf of Stanhill Consolidated Limited? 20
A. Yes.

Q. Have you always been conscious of that fact?
A. Yes.

Q. So that if you asserted to the contrary of that fact, such an assertion would have been untrue to your knowledge, would it not? A. It would be untrue, yes. 30

Q. To your knowledge? A. To my knowledge, yes.

Q. And there would be no excuse for such an untruth if you perpetrated it, would there?
A. Except if a statement was made between 14th and 21st when I saw Mr. Symons and told Mr. Symons that Stanhill had withdrawn.

Q. But the fact is, as you have readily agreed this morning, that at no stage did Associated Diamond Drillers carry out any drilling work on behalf of
*(See now pages 302, 345, 367, 387, respectively.) 40
393. E.R. Hudson, xx

Stanhill by reason of Stanhill's retirement from the scheme on 8th March. You have agreed with that, haven't you? A. I have agreed to that. That is a fact; but the final retirement of Stanhill as far as the Mines Department was concerned, and I suppose in my own mind, was 21st March when I informed the Mines Department.

Q. But - A. But I in fact knew as and from the 8th that Stanhill would not be carrying out that drill. 10

Q. And you have known ever since 8th March, haven't you, that Associated Diamond Drillers did not carry out any drilling for Stanhill? A. Yes, I have known that.

Q. I am bound to put to you your answer to interrogatory No. 20, 20(h), and I think it would be fairest to Mr. Hudson if he had the document. The amended interrogatories will do for this purpose, your Honour.

HIS HONOUR: The original one will do also, will it? 20

MR. HUGHES: Yes. (Shown to the witness.)

Q. I invite you, Mr. Hudson - A. Which one?

Q. - to go to interrogatory No. 20, page 30?

A. Yes, Mr. Hughes.

Q. I invite your attention to page 30, 20(h); Question: "On whose behalf was Associated Diamond Drillers -" A. Would you wait a minute?

Q. I am sorry, take your time. Look at 20(g) to get the context. You see the question? A. Yes.

Q. "Was Associated Diamond Drillers Pty. Ltd. carrying out any drilling work in respect of the Savage River project". Answer: "Yes"? A. Yes. 30

Q. The next question, "On whose behalf was Associated Diamond Drillers carrying out such work". You see that? A. Yes.

Q. And you see your answer? A. Yes.

Q. "On behalf of Stanhill Consolidated Limited, later on behalf of me personally, later on behalf of me and Dubar Trading Pty. Ltd., and later on behalf of Industrial & Mining Investigations Pty. Ltd.?" 40
A. Yes.

Q. "As the second defendant was then named"?
A. Yes.

Q. Now that answer, will you not agree, is in part at least, in part untrue? A. It is untrue in regard to the first para, yes.

Q. And in view of your concession to me earlier this morning that you have always been conscious of the fact, that you have always been - I will put the question again. In view of your concession to me this morning? A. Yes.

Q. That you have always been conscious of the fact that Associated Diamond Drillers did not do any drilling for Stanhill, have you any explanation to offer for the false statement in answer 20(h) which asserts that drilling was done by Associated Diamond Drillers on behalf of Stanhill Consolidated Limited? Have you any explanation to offer to his Honour for that false statement? A. No explanation at all, Mr. Hughes. 10

Q. And I regret having to put this to you but it is my duty; that statement was deliberately false, wasn't it? A. No, Mr. Hughes. 20

Q. You remember telling me yesterday, Mr. Hudson, that you gave the most serious and concentrated attention to the answers to these interrogatories? A. I did. I'm not sure but I would have and did give that attention.

Q. In that situation how could it possibly come about that you could make that false statement? A. I could not explain it, Mr. Hughes.

Q. Will you agree that an objective observer might be driven to conclude that if you had no explanation to offer in the witness box, the explanation probably is that you made that false statement because of an undue desire to associate Stanhill with this venture to the fullest possible extent for the purpose of advancing your own defence? (Objected to.) 30

Q. Now, Mr. Hudson, you have told his Honour that you have no explanation for that falsehood. I am bound to put this to you. You made that false statement, didn't you, Mr. Hudson, because you knew it suited your case to make it? A. Because what, Mr. Hughes? 40

Q. You knew it suited your case to make it? A. I don't think it does suit my case to any great extent.

Q. Doesn't it? Your case, your case, is in part that Queensland Mines never had any involvement in this venture, isn't it? A. That is correct.

Q. And a false statement that Associated Diamond Drillers undertook drilling on behalf of Stanhill serves to support that part of your case, does it not? A. Not at a stage when Stanhill had already retired.

Q. Oh, but the purport of that false answer is to indicate that Stanhill was still in and had not retired, isn't it? A. There would be other parts of the interrogatories, Mr. Hughes, which would indicate otherwise. 10

Q. Just let me concentrate on that answer, the false answer. The purport of that false answer is to convey the impression, is it not, that Stanhill was still in the venture when the drilling commenced? A. Taking the statement on its own without reference to the rest of the interrogatories, it would create that impression.

Q. And how does the rest of the interrogatory remove that impression? A. Well, I think the rest of the interrogatories indicate the date that Stanhill retired. 20

Q. I do not want to pass by that question and go to my next question without giving you and your own Counsel an opportunity of pointing out where, anywhere in the rest of the interrogatories, the date of the retirement of Stanhill is indicated. I am not aware of it myself but I may be wrong? A. Well, I might be wrong too, Mr. Hughes; page 4 VI(1) (b).

Q. Neither in VI (1)(b) nor in VI(2)(b) on page 4 is there any indication that at the date when drilling commenced, which was 14th March, Stanhill had retired, is there? A. I thought 8th March was mentioned somewhere in the interrogatories. I am sure that there is a statement in the - can I just wait a minute? There must be a statement in the interrogatories that I saw Mr. Korman on 8th March. (Witness peruses documents.) I can't see any. 30

Q. I do not think there is. Look, I do not want to take any longer on this but having looked at the interrogatories and having found no reference to 8th March as the date of Stanhill's retirement, will you agree that there is just no explanation that you can offer for the falsehood that I have drawn your attention to and that you have admitted? A. There is no explanation I can offer, Mr. Hughes. 40

Q. I will take you if I may to interrogatory No. 13? A. At what page are you referring to?

Q. Page 19, the bottom of the page, the second

last question 13(a)(i) "Who employed the drilling company?" You see that question? A. Yes.

Q. You see the answer? A. Yes.

Q. Read it out, would you? A. "Who employed the drilling company?" "Answer: In the first instance Associated Diamond Drillers were engaged by me on behalf of Stanhill, later by me on my own behalf, later on behalf of me and Dubar Trading Company and later by Industrial & Mining Investigations Pty. Limited, the second defendant as then called". 10

Q. Will you agree that in the light of events as they happened, you never engaged Associated Diamond Drillers on behalf of Stanhill Consolidated Limited? A. No, I don't agree.

Q. You don't? You assert, do you, that it is true to allege as you have, true to say that you engaged Associated Diamond Drillers on behalf of Stanhill Consolidated? A. In my mind, yes, Mr. Hughes.

Q. (Exhibit "AO" shown to the witness.) I would like you to read in your own time, taking as much time as you want, the context of that letter to refresh your recollection of it, the letter of 6th March, 1961 by you as Managing Director of Queensland Mines Limited to Mr. Bolton of Associated Diamond Drillers? A. Yes. 20

Q. Let me know when you have perused it? A. I have read it.

Q. Do you remember me asking you some questions about that letter the day before yesterday? A. Yes, I do remember, Mr. Hughes. 30

*MR. HUGHES: Page 215 is the part of the transcript I am going to, your Honour. Perhaps Mr. Hudson might be allowed, I certainly do not mind, if he consults his own copy.

Q. Have you got your own copy? A. No, I have not.

(Copy of transcript handed to the witness.)

Q. I would invite your attention, Mr. Hudson, to the question about two-fifths of the way down page 215: 40

"Q. Did you give a true and full account of those discussions in the evidence you gave yesterday" -

*(See now page 329.)

those were your oral discussions with Mr. Bolton on 27th February:

"A. I didn't give a full account. I told Mr. Bolton -"

A. Wait a moment until I pick it up.

Q. About two-fifths of the way down, "Did you give a true and full account?" Do you see that question?

HIS HONOUR: Q. The sixth question? A. Yes, I see that. 10

MR. HUGHES: Q.

"Did you give a true and full account of those discussions in the evidence you gave yesterday?
A. I didn't give a full account. I told Mr. Bolton there was a company to be formed to carry out the drilling and that company would be going on to do extensive drilling."

A. That is correct.

Q. "Q. And the company to which you referred -?" 20

Then you interposed and said:

"A. So he knew. It is all right.

Q. The company to which you referred, the only company other than Queensland Mines to which you referred in your conversation with Mr. Bolton, was a company not yet formed, wasn't it? A. It was a company not yet formed, yes."

You see that answer? A. Yes.

Q. "Q. So you knew as part of your basic stock of legal knowledge that if a person or a company commits itself contractually on behalf of a company not yet formed, that person or company so committing itself is doing so as a principal, didn't you? A. In these circumstances Queensland Mines was not committing itself as a principal." 30

Now, Mr. Hudson -? A. Yes.

Q. Your explanation to me as to why you did not regard this letter forming part of Exhibit "AO", the letter of 6th March, 1961, as committing Queensland Mines, was that in your conversation with 40

Mr. Bolton that preceded the writing of the letter, you had indicated to him that the drilling was to be done by a company intended to be formed. That was your explanation, wasn't it? A. I didn't deny that the letter, Mr. Hughes, created an obligation on Queensland Mines.

Q. I appreciate that. But you did deny, didn't you, that you intended to commit Queensland Mines Limited as a principal? A. Yes, I did deny that. 10

Q. And in your evidence under cross-examination to me, you sought to support that denial, did you not, by referring to the fact as you allege that in your conversation with Mr. Bolton you made it clear to him that the drilling was to be done on behalf of a company to be formed? A. Yes, I did, Mr. Hughes.

Q. And you have never said, have you, in your evidence here that you said to Mr. Bolton that the drilling was being commissioned by Stanhill? You have never said that up to date, have you? A. No, I said it was to be by a company to be formed, Mr. Hughes. 20

Q. In the light of what you say you said to Mr. Bolton, will you not agree that the first part of your answer to interrogatory No. 13 (i) is false? (Objected to; question read; allowed.) A. Could I have a look at ---

Q. Have a look at 13 (i) again, page 19 and over on page 20, the bottom of page 19 and the top? A. No, I don't think it is a lie. 30

Q. I didn't say "a lie". I said "false"? A. No, I don't think so excepting you are referring a question given in respect of a different thing to discussion with Mr. Bolton. I have given evidence that Stanhill was the person that went down and applied for the licence, that I received a licence on behalf of a company to be formed, and that Stanhill was putting up 50,000 in the first three months and I don't believe that the statement (i), taken itself, is incorrect. I believe if you are suggesting - if you put that statement against the statement made to another person in a different context in the correspondence - but I don't agree that the statement in the interrogatory is false. 40

Q. The context, Mr. Hudson, in which you made the statement to Mr. Bolton that the drilling was to be done for a company to be formed, was the context of your retaining Mr. Bolton's company to do the drilling, wasn't it? A. Mr. Hughes -

*Q. Is that right? A. Mr. Hughes, I think I can answer in my own way. The company to be formed, Stanhill were to contribute £500,000 to it and when I was talking of the company to be formed and in view of Stanhill's guarantee to put up the 50,000 in the first three months, in my mind when I was engaging Queensland Mines I was engaging them because I held the licence as agent for the company to be formed and for Stanhill, that I was acting on behalf of Stanhill. 10

Q. Is this what you say, that you were committing Queensland Mines as a principal with a guarantee from Stanhill behind them? A. I didn't say that at all.

Q. That is the effect of what you are saying, isn't it? A. It is not the effect of what I am saying.

(Question marked * read.)

HIS HONOUR: Q. Is that what you meant to say? A. No, "Queensland Mines" should be "Associated Diamond Drillers". 20

MR. HUGHES: I am obliged to my friend for pointing it out but I had not regarded it as a slip actually, but it is a matter for argument.

Q. I want to come back to Nowa Nowa if I may. You say, do you, that the Nowa Nowa investigation was one that Mr. Korman commissioned you to do on behalf of Stanhill in your personal capacity, is that right? A. Yes, sir, well, he didn't commission me. He commissioned Mr. Palmer. 30

Q. Through you? A. He asked me to get Mr. Palmer. I didn't have anything to do with the examination of it.

Q. What was that? A. I didn't have anything to do with the examination of it.

Q. But insofar as Mr. Korman asked you - A. To get Mr. Palmer.

Q. - to procure Mr. Palmer to do the investigation, he was invoking his rights under the retainer arrangement, wasn't he? A. Quite right. 40

Q. If I may I will invite your attention to some passages in the transcript about this matter. The **first one is page 99. Would you go to 99, Mr. Hudson? A. Yes.

**(See now page 159.)

Q. Now the second question on the page, you see it reads, "Did you some time later in 1960 find yourself concerned with some iron ore deposits in Victoria called the Nowa Nowa deposits"? A. One minute, Mr. Hughes, until I pick that up. Yes, that is correct.

Q. Are you suggesting that it was not 1960 but 1959? A. No, I am not.

Q. I am only drawing your attention to the evidence so that you will know what I am asking you about: 10

"Q. Did you some time later in 1960 find yourself concerned with some iron ore deposits in Victoria called the Nowa Nowa deposits? A. I think it was rather later than that.

Q. When would you place it to your recollection, Mr. Hudson? A. I think it would be nearer the end of 1960 to my recollection. I think it would be closer to the end of 1960."

A. That is correct.

Q. In the next answer you described the proposition and you said in the middle of the page that you subsequently got a report from Mr. Palmer, you see that? A. Yes. 20

Q. And then you were shown a copy of a letter from Mr. Palmer - I am sorry, you were shown a copy of the report? A. Yes.

Q. In the witness box, and you were asked did you pass that on to Mr. Korman and you said you did. Do you see that? A. Yes.

Q. "Q. In relation to that matter did you regard yourself as being concerned in it in your office as director or managing director of Queensland Mines? A. No." 30

Then you were asked:

"Q. Did you some time later in the next year have a conversation with Mr. Palmer about his account in respect of that document or that report, that inquiry? A. Mr. Palmer told me that his account - that he had sent his account to Stanhill and it had not been paid." 40

A. Yes.

Q. "Q. Did you say anything? A. I said, 'Well, send the account to me and I will see that it is paid'."

A. Yes.

Q. "Q. Did you subsequently get an account? A. I subsequently got the account but there was not sufficient money in the imprest account to pay it. I think I finally paid it in 1963."

And his Honour asked:

"Q. Do you mean you paid it from the imprest account in 1963?"

You see that? A. Yes.

Q. Now I will show you, if I may, Exhibit 23? 10
A. Yes.

Q. Will you agree, looking at the page of Exhibit 23 that I have shown you, April, 1961, that you authorised payment of Mr. Palmer's account out of the Queensland Mines imprest account on or about 10th April, 1961? A. Well, I am looking at a statement of 1963 here.

Q. I am sorry, I beg your pardon. I withdraw that question. Will you agree, looking at that page of Exhibit 23, the cash book, that you authorised the payment of Mr. Palmer's account in respect of his Nowa Nowa investigation and report on or about 10th April, 1963? A. I paid Mr. Palmer's account on or about 10th April, 1963 from the imprest account. 20

Q. At that time Stanhill was to your knowledge in receivership, wasn't it? A. No.

Q. Or in liquidation? A. I don't think so, Mr. Hughes.

Q. At that time at all events Stanhill was to your knowledge quite unable to meet its debts? A. Yes. 30

Q. And it is the fact, is it not, that that payment out of the imprest account of Mr. Palmer's expenses in the Nowa Nowa investigation was not refunded to Queensland Mines? A. By Stanhill.

Q. Or anyone else, will you agree? A. No, it was refunded by Dubar.

Q. Refunded by Dubar? A. Yes, to the best of my knowledge.

Q. To the best of your knowledge? Have you got any piece of paper that shows it was refunded by Dubar in your voluminous documents? A. My accountant possibly has, Mr. Hughes. 40

Q. Possibly has? If it was not refunded by Dubar,

it was refunded by no-one else, was it? A. I don't know, Mr. Hughes. I had little or practically nothing to do with the accounts and just what transpired between Factors and Stanhill I wouldn't know.

Q. Mr. Hudson -? A. I know that millions of pounds were involved and just what the final outcome of what took place between the liquidation of Stanhill and the going into receivership of Factors, I would have no knowledge about.

10

Q. Mr. Hudson - A. I just don't know, Mr. Hughes.

Q. May I suggest to you that on reflection you will agree that it was not refunded by Dubar because your association with Dubar had ended by April, 1963, hadn't it? A. In March, 1962 Dubar paid an amount to Queensland Mines of 2,500 which they stated were their out-of-pockets in respect of New Zealand and Tasmania.

Q. New Zealand and Tasmania? A. Yes.

Q. Nowa Nowa was neither in New Zealand nor Tasmania, was it? A. Well, no, but probably it was included in the accounts.

20

Q. It would have been most improper, would it not, for you to have asked Dubar to pay under this deed or to countenance the payment by Dubar under this deed of Stanhill's expenses in respect of investigating some prospect in Victoria? A. Mr. Hughes, there is no question at all that any money was paid under that deed. The evidence is that Dubar went down and entered into some transaction with these companies in 1962 in order to gain advantage against me. Now there is no suggestion - no moneys arose out of the Dubar agreement because there were never any profits arose out of it.

30

Q. Mr. Hudson, won't you agree that it was not proper for you to authorise the payment of Mr. Palmer's fee for the Nowa Nowa investigation out of the Queensland Mines imprest account, having regard to the circumstances that Stanhill was to your knowledge at the time, as you have agreed, quite unable to meet its liabilities? A. Mr. Hughes, perhaps you didn't quite appreciate it. When you asked me did I authorise it, I said I paid it. I didn't say I authorised it.

40

Q. I see. A. I think perhaps you might be ---

Q. You deny, do you, that you ever authorised the payment? A. I would not have paid Mr. Palmer's account in '63 unless under specific instructions

because I was no longer managing director of Queensland Mines.

Q. Do you deny that you authorised the payment of Mr. Palmer's account in respect of the Nowa Nowa investigation? A. I deny that I authorised the payment of Mr. Palmer's account in '63.

Q. In respect of the Nowa Nowa investigation?

A. In respect of the Nowa Nowa investigation, but my authorisation came from Melbourne, not from the Sydney office.

10

HIS HONOUR: Q. When you say you paid it, what did you actually do? A. I physically had a cheque drawn on the Queensland Mines imprest account and handed to Mr. Palmer.

*MR. HUGHES: Q. If you have ever said in your evidence in this case that you in 1963 authorised the payment out of Queensland Mines' Sydney imprest account of certain expenses that had been incurred in connection with Mr. Palmer's investigation of the Nowa Nowa prospect, that statement would have been false, would it? A. Look, we are splitting hairs.

20

Q. No, we are not splitting hairs. I am putting a question to you, and do you want the question read so that you will fully understand it?

(Question marked * read.)

WITNESS: Yes and no, Mr. Hughes, in the sense that you are directing questions to me now, in that sense that statement would be incorrect.

MR. HUGHES: Q. Will you agree - and please consult *page 239 of the transcript? A. I haven't got it, Mr. Hughes.

30

Q. Have a look at mine? (Shown to the witness.) You see the question just below the middle of the page, the eighth question and your answer? A. That is so, Mr. Hughes. I did say that.

Q. Was that true or false? A. I beg your pardon?

Q. Was what you said there "I agree", in answer to my question, true or false? A. Yes, true.

Q. True? You did authorise the payment then?

A. I did authorise the payment out of the imprest account.

40

Q. On your own initiative, didn't you? A. No.

*(See now page 364.)

Q. You had instructions from Melbourne? A. I had instructions from Melbourne.

Q. From whom? A. I don't know. From Mr. Phillips, the secretary, or one - or someone in the office down there, Mr. Carrodus or Mr. Phillips.

Q. Somebody in Stanhill? A. And Factors office.

Q. At Factors? A. Yes.

Q. And you knew at the time that you received that authorisation that the company or companies from which you were receiving it were in deep financial trouble, didn't you? A. Yes, I knew. 10

Q. And you knew at the time, at the time you received that authorisation, that it was highly unlikely that either of the companies concerned, either Factors or Stanhill, would ever repay any outgoings by Queensland Mines in respect of those expenses, didn't you? A. Mr. Hughes, can I put it this way? I probably suspected so, but I had no knowledge of the financial mix-up of the Stanhill Group and just how they were adjusting their accounts between themselves. I do know for instance that I think the inter-company accounts between Factors and Stanhill would run into a couple of million. 20

Q. You say, do you, that you knew there was a mix-up but you did not know the details of it? A. I knew there was a complete mix-up and I didn't know the details of it.

Q. And you knew both companies were in deep trouble financially? A. Oh yes, I knew. 30

Q. And having that knowledge do you tell his Honour that you thought it proper to act on an authorisation from these companies, one or the other or both of them, to commit Queensland Mines to an expenditure in respect of Mr. Palmer's expenses to something that Queensland Mines, according to your evidence, had nothing to do with. Do you think that was proper? A. Having relation to the fact that Queensland Mines was a subsidiary of Factors and it is not an unusual practice for subsidiaries to pay accounts on behalf of somebody else - as a matter of fact I think my salary in Kathleen Investments was paid by A.O.E. - I didn't think there was anything wrong with it at the time. 40

Q. It didn't cross your mind that it might be a bit unfair to A.O.E., the shareholder that you were, according to your evidence representing on the Board of Queensland Mines? Did that cross your mind?

A. It could have been, it could have been unfair to A.O.E.

Q. Grossly unfair, wasn't it? A. No, I don't say it would be grossly unfair. It could have been unfair to A.O.E.

Q. And it was in the events that happened, wasn't it? A. No, Mr. Hughes, in the events that happened, no, I don't, it wasn't in the events that happened.

Q. Do you think on reflection that it might have been prudent in your position as a director of Queensland Mines to refuse to act on that authorisation that you say came from Melbourne, having regard to your position as a representative of the A.O.E. shareholders on the Board of Queensland Mines? A. Well, put it this way; it is hard to say now, Mr. Hughes, just what the relevant circumstances were. If you look at it from the point of view that it was a subsidiary of Factors and my representing A.O.E., I probably should have been more diligent, put it that way, having had the suspicions about the financial position of the company. But the amount itself was not great. 10 20

Q. You are referring to the comparatively small amounts, are you? A. Well yes, I don't know what the account is now.

Q. £71? A. I thought it was more than that.

Q. Maybe £71/8/6? A. That is right.

Q. You do not suggest the smallness of the amount has any bearing on the propriety or otherwise of the transaction? A. If it would have been, say, ten thousand your action would have been very different to an account of ten thousand to an account of, say, £71. 30

Q. Are you suggesting it is all right to play fast and loose with £71 but not with ten thousand?

A. In circumstances such as those which existed, yes.

Q. You were playing fast and loose, were you not?

A. No. 40

Q. Even though it was only £71? A. I was not playing fast and loose. I have admitted to you that having regard to the obligation to A.O. & E. and to the circumstances, that I probably should have been more diligent in making further enquiries as

to the relevant position between Factors and Stanhill.

Q. Who kept the journal of Queensland Mines in Sydney? A. It was kept by my secretary in Sydney. It was ordered once a month or once every second month by Mr. Phillips, secretary of Factors.

Q. I will show you an entry on folio 26 of this journal, Exhibit 24, in a minute, but may we take it that this journal was kept by your secretary under your supervision? A. No, I didn't supervise it. 10

Q. But if there were any unusual problems that arose in relation to the journalising of particular expenses, may we take it that she referred to you? A. No, not always. Mr. Phillips came up quite regularly.

Q. Sometimes to you? A. Sometimes.

Q. Long prior to 1963 Queensland Mines had an interest in investigations with respect to the establishment of a blue metal industry in Brisbane, did it not? A. Queensland Mines had no interest in it, and you have the minute book or you did have the minute book of Australasian Oil & Exploration on your table the last few days. If you look at a minute in that minute book about the relevant time you will see that A.O. & E. and Stanhill had an arrangement in respect of blue metal. 20

Q. Queensland Mines - A. Had no interest.

Q. But Queensland Mines carried out investigations, did it not? A. Not entirely. 30

Q. But to some extent? A. Some; A.O. & E. did the other.

Q. Queensland Mines had a part in the investigation into the blue metal industry prospect? A. It paid some of the preliminary accounts in respect of the investigation and A.O. & E. paid some of the preliminary accounts, and in the minute book of A.O. & E. you will see that it was an arrangement between Stanhill and A.O. & E.; because, as I have indicated before, there was to be no extension of Queensland Mines' activities. 40

Q. Will you agree that at some stage Queensland Mines carried out investigations in respect of the establishment of a blue metal industry in Brisbane? A. No. I think you would probably describe it this way, Mr. Hughes - and I am being quite fair

to you in relation to it - that there was initially to be four thousand spent before we formed the company.

Q. Who is "we"? A. A.O. & E. and Stanhill; and certain expenses in reference to the preliminary obtaining of title to the area in question and other matters which would be equally borne between the parties, that I have received instructions from Stanhill in the same way as the iron ore, to charge Stanhill's preliminary amounts through the imprest account for recoupment by Stanhill; and this is what took place. The matter itself was referred in the minutes of A.O. & E. 10

Q. Did the transactions you have just described in your last answer take place during 1960 and prior to December 1960? A. You are taxing my memory a bit. It would be prior to 1960, I would think. Yes, it would be about just after mid-1960, I would think.

Q. Will you agree that in the way the transactions involving Palmer's expenses of investigating Nowa Nowa prospects were treated in the books of Queensland Mines, he was treated as a creditor of Queensland Mines in respect of expenses, blue metal survey fees? A. I have no recollection of that. 20

Q. I invite your attention to p.20 of Exhibit 24, the item just about half way down that page, "blue metal survey fees, £158/4/6"? A. I am quite sure it would not refer to Mr. Palmer. To the best of my recollection they don't refer to Mr. Palmer. 30

Q. Don't commit yourself to anything before I ask you a question because I am going to show you some other documents. I show you folio C5 of the ledger part of Exhibit 22. Do you see there "Blue metal expenses J20"? A. Yes.

Q. "£158/4/6"? A. Yes.

Q. There is a posting of that amount which I have drawn your attention to on folio 20 of the ledger to "blue metal s/fees"? A. Yes.

Q. A reference to journal 20? A. Yes. 40

Q. Will you go to the left hand column of folio C5 in sundry creditors ledger. Do you see some illegible words, and then "survey fee, £71/8/6". That is the amount of Palmer's expenses, is it not? A. That is Nowa Nowa, isn't it?

Q. Precisely? A. I agree that is Nowa Nowa but it is not survey fees.

Q. It was posted survey fees, was it not? It was posted to blue metal - A. Looking at the account that you submit to me now it appears that Palmer's account of £71/8/6 which was paid out of the imprest account - what is that?

MR. STAFF: May 1971.

WITNESS: Those books have been altered at some subsequent time. 10

MR. HUGHES: Q. Let us look at journal 26, "sundry creditors, Palmer, blue metal survey/fees"? A. Yes.

Q. Reference to the ledger C5? A. Yes.

Q. That is under date July 1963? A. That is right.

Q. Looking at those entries will you agree what happened was that Palmer's Nowa Nowa expenses were first of all paid out of the Queensland Mines imprest account - that is common ground is it not? A. That is common ground. 20

Q. Secondly, in the books of Queensland Mines those expenses were written off against blue metal survey expenses? A. I am not going to commit myself in making statements in respect to ledger sheets that I had nothing to do with and in respect of entries which it is quite apparent on the face of it were made many years after the event.

Q. But journal 26 was not - A. What journal 26 says - some amendments were made to the journal in 1971 and Mr. Palmer's account in respect of £71/8/6 was referred to Sydney blue metal survey fees; that is what it says - to Sydney blue metal survey fees. 30

Q. Would you look at journal 26, folio 26, part of Exhibit 24. There is a posting in that journal to C5 of the ledger? A. The posting there is two words I can't decipher in the beginning and A.G. Palmer, blue metal survey fees. The preceding 2 words before it I can't decipher.

Q. That entry reflects this imprest account payment of April 10th, 1963, does it not? A. With what? 40

Q. That entry you have just read in the journal reflects the imprest account payment of £71/8/6

in April, 1963, does it not? This one from Exhibit 23 - A. What is this --

Q. The Sydney journal? A. Wait a minute. There was only one journal kept in Sydney.

Q. And that is it, is it not? A. No, I don't think so.

Q. Don't you remember you having already identified it in the course of your long examination in chief? A. I have identified this book (indicating). 10

Q. The journal? A. You have been putting to me that this document, Exhibit 24, is the imprest account journal.

Q. The private journal? A. That is not the imprest account journal.

Q. Exhibit 24 is the private journal? A. The private journal of Queensland Mines which was probably kept in Melbourne.

Q. Kept in Melbourne? A. Yes.

Q. During 1960 did you have a close association with Sir John Northcott in business? A. Only as my chairman. 20

Q. As your chairman? A. That is all.

Q. But you used to discuss business matters a lot together, did you not? A. He came in frequently to see me, yes. We were close business friends, can I put it that way.

Q. You knew where he lived? A. I knew he lived on the North Shore.

Q. You knew he lived in Water Street, Wahroonga? A. No, I didn't. 30

Q. Do you remember telling us that in December or in late 1960 Mr. Burt conveyed to you a suggestion that Factors would be interested in disposing of its shares in Queensland Mines? Do you remember that? A. In what period of time?

Q. 1960? A. Yes.

Q. Was that late in 1960? A. At this respective time I could not say. It would be in 1960. I think it was Mr. Redpath that approached me. In 1959 Mr. Burt approached me. In 1960 Mr. Burt again - 40

I think it was Mr. Redpath, I am not sure - I don't think it was Mr. Burt in 1960.

Q. You think it was Mr. Burt in 1960? A. No, I don't.

*Q. Would you look at page 104 of the transcript, the long answer in the middle of the page;

"A. Mr. Burt who was always dissatisfied with Queensland Mines argued with me that I could not get a contract and I at that stage thought I could and he then said he was prepared to buy the shares." 10

That means sale? A. Didn't I specifically later correct that? I did, I think.

Q. It was corrected. You went on to say:

"That was in '59. Again in '60 when it was decided to put the company into mothballs, I was again asked would I buy the shares, would Mary Kathleen buy the shares, and I said I would refer it back to my Board and we decided to do a feasibility study and that ran over until 19- the end of the year and then before it came before the Board we were into '61 in which the same economic conditions applied then, the credit squeeze, as now, and the Mary Kathleen Board decided it would not proceed to the purchase of shares in that later offer, would not proceed with it. It would not make an offer." 20

Do you remember that? A. Yes. 30

Q. Will you agree with me that Mr. Burt was the person who made to you a suggestion in 1960 on behalf of Factors that his company desired, due to the credit restrictions to sell its 51% in Queensland Mines? A. Could I reply in regard to that as to what was said? That was in 1959. Again in 1960 when it was decided to put the company in mothballs I was again asked would I buy the shares. I didn't say Mr. Burt asked me.

Q. I am asking you, going beyond what you said there, will you agree that in 1960 Mr. Burt, then chairman of Factors, indicated to you at a conference that the company, Factors, desired, due to the credit restrictions, to dispose of its 51% interest in Queensland Mines? A. It could have been, Mr. 40

*(See now page 166.)

Hughes. Candidly, at this point of time I don't recollect whether it was Mr. Redpath or Mr. Burt, or whether both.

Q. I appreciate what you say? A. But I was asked.

(Short adjournment.)

Q. Before the adjournment I was asking you about the suggestion that came from Factors in 1960 that their shares in Queensland Mines should be sold to Kathleen Investments? A. Yes. 10

Q. I think we had got to the stage where you said you could not really remember whether it was Mr. Burt or Mr. Redpath who approached you with the suggestion? A. Yes.

Q. Will you agree that whoever it was who approached you, the approach was made at a conference at which it was indicated to you that the desire to sell the shares to Kathleen Investments was due to the credit restrictions? A. I can't recollect.

MR. STAFF: I beg your pardon? 20

MR. HUGHES: I will put the question again.

Q. Will you agree that the suggestion by Factors that it should sell its interest in Queensland Mines to Kathleen Investments was made at a conference of some sort? A. I could not recollect. I know the suggestion was made and I carried out a feasibility study, but I can't recollect.

Q. Will you agree you wrote a letter to Sir John Northcott dealing with the proposal and the feasibility of it? A. I could not recollect. 30

Q. You deny you wrote such a letter? A. No, I would not deny it.

MR. HUGHES: May I have the document which was produced on subpoena ducus tecum the other day, the document about which your Honour made a ruling that it should not be made available to the other side for inspection? While that document is being obtained would you look at this entry in the minute book of Kathleen Investments Limited (shown to witness). Is that a minute of a meeting of the directors of Kathleen Investments held early in 1961 at which you made a report on the feasibility? 40

WITNESS: It would appear so.

MR. HUGHES: Q. Of the proposal that Kathleen Investments should purchase Factors' shares in Queensland Mines?

HIS HONOUR: Q. What is the date of the meeting?

A. The date of the meeting is 9th February 1961.

MR. HUGHES: Q. Does reading that minute help to bring back to your mind the fact that you did write a report to Sir John Northcott about the proposal?

A. I would have made a managing director's report in relation to the matter and my report would have been directed to the chairman of the company for the time being. 10

(Minutes of Kathleen Investments Australia Limited dated 9th February, 1961, tendered and marked Exhibit "AU".)

Q. You said you would have made a report to your chairman, Sir John Northcott, about the Factors' proposal? A. Yes.

Q. Would you look at this document and tell his Honour whether that is a copy of the report that you made? A. It is a draft of a report, made by me, yes. 20

Q. Your draft? A. Looking at the terms and the writing of it I would think so.

Q. The price indicated by Mr. Burt as the asking price for the sale of these shares was 500,000 pounds, was it not? A. That is correct.

Q. He told you that he would not start negotiations anywhere else until - A. I can't recollect that. 30

Q. Do you remember Mr. Burt indicated a price of 500,000 pounds and stated negotiations would not be made elsewhere until A.O. & E. rejected the offer? A. Would not be made elsewhere?

Q. Yes. A. It was not able to under the agreement.

Q. That is right. You said in this draft report, "I consider the price a reasonable one"? A. That is correct.

Q. And that reflected your view? A. The feasibility was based on that price. 40

Q. You went on to say "Q.M.L. will have some 20/25,000 pounds in cash". You remember saying that? A. Yes.

Q. And you said immediately after that, "and the company has, during the last year, carried out investigations in respect of both the establishment of a blue metal industry in Brisbane and a detailed investigation in regard to the establishment of a new steel industry both in New Zealand and in Australia"?

A. Yes, that is in that report.

Q. You go on to say, "It was my intention to put Q.M.L. on to an income earning basis to maintain it until such time as Anderson's Lode could be brought into production, but in view of Factors' decision, I have decided to capitalise Q.M.L.'s interest in these two projects"? A. That is what the report says.

10

Q. The two projects you were referring to in that paragraph of the report were the blue metal industry project in Brisbane and the project for the establishment of a new steel industry both in New Zealand and in Australia? A. That is so.

20

Q. Did you go on to say in this report of yours: "In regard to the blue metal industry in Queensland I estimate Q.M.L. will receive a share issue somewhere between 30/40,000 pounds during the next four months and it is probable during next year it will receive an interest equivalent to some 30/40,000 pounds for its investigations into the steel industry"? A. That is in the report.

Q. That is what you said, is that right? That is what is in your report, is it not? A. I beg your pardon?

30

Q. That is what is in the report? A. That is so.

Q. The report was intended by you for the guidance of your chairman and fellow directors in Kathleen Investments was it not? A. That is a draft report.

Q. Yes, the draft report that you compiled and from which I have been reading, was intended by you was it not, for the guidance of your chairman and later your fellow directors in Kathleen Investments Limited? A. The matter put to the Board of Kathleen Investments was solely in relation to the uranium.

40

Q. You drafted this report for a purpose, did you not? A. I drafted the report, yes.

Q. For a purpose? A. For a purpose of submitting it to the chairman, yes.

Q. And the last thing you would have wished to

do in drafting such a report for your chairman was to make any misleading or untrue statements, would you agree? A. That would be correct.

Q. So may we take it that what you said in your report reflected your belief or beliefs about relevant matters at the time you drafted the report? A. When I made the draft of the report it reflected what I was saying, yes.

Q. It reflected what you believed, did it not? 10
A. You want to read the rest of the report.

Q. I am going to read it right through; I am just asking you this general question. Do you agree that what you wrote in this draft report reflected your belief at the time you drafted it about the relevant facts? A. No, I don't agree.

Q. You don't agree? A. No.

Q. Are you suggesting you said in the report something which you did not believe to be true?
A. In that draft report there were statements made 20 which, in fact, were untrue.

Q. Were they untrue to your knowledge?
A. Obviously.

Q. You were prepared to lie in a report to your chairman of directors? A. I didn't submit that report to the chairman; what I submitted to the chairman was completely something else.

Q. Have you seen it lately? A. No, I have not seen the final report but I know what went before the Board. 30

HIS HONOUR: Is there a date on the document, Mr. Hughes?

MR. HUGHES: Q. You drafted this report about which I have been cross-examining you, on 1st December, 1960? A. Yes, that would be correct.

(Draft report of Mr. Hudson dated 1st December, 1960, tendered and marked Exhibit "AV".)

MR. HUGHES: I will wait for the photostat copy of the document to arrive before I cross-examine Mr. Hudson on the document. 40

HIS HONOUR: There was cross-examination yesterday based on a premise that Mr. Hudson saw Mr. Symons in Hobart on 9th February. I was just trying to

look at the origin of that for fixing that date. It seems to go back to the fact there is a date stamp. In fact, it appears from the minutes of Kathleen Investments that Mr. Hudson was in Sydney at 12 noon on 9th February.

MR. HUGHES: There is the date stamp and Mr. Symons' oath that that was the date.

HIS HONOUR: I think the way it came out, he deduced it from the date stamp and not from any recollection. 10

MR. HUGHES: If the minute is right as to the date of the meeting -

HIS HONOUR: It would seem to rule out that day as being the day Mr. Hudson was in Tasmania.

MR. HUGHES: Q. I want to come back to something I was asking you about this morning. I show you the ledger, Exhibit 22. Do you remember this morning you said that there was a date here, July 1971, suggesting that that indicated that some of the entries relating to Mr. Palmer's Nowa Nowa expenses were written up long after you were managing director of the company or long after the events of payment? A. If that date is correct. 20

Q. I am asking you to reconsider; that date is July 31st and the year is 1963, is it not? Don't think I am criticising you for having thought it was July, 1971, but I just want to get your agreement as to the fact as it appears from the book? A. Of course, this is an entry from the prime journal into the ledger, and the dates don't have much significance. But I think it is capable of both interpretations. 30

Q. The prime journal entry for the entry in the ledger sundry creditors C5 of Exhibit 22 is journal folio 20, is it not, which is in the same handwriting. I am suggesting that the handwriting - A. The person that made this up appears to have put that in (indicating).

Q. Yes, the person who entered the blue metal survey fees entry of folio 20 of the journal, Exhibit 24, is the person, having regard to the identity of the handwriting, will you agree - A. Yes. 40

Q. - who entered up the entry July 31st at folio C5 of Exhibit 22? A. Yes, I will agree.

Q. Could you identify that writing for me?

A. No, I could not, because those are the two books that were kept in Melbourne.

Q. This book, Exhibit 23, was kept in Sydney, was it not, Q.M.L.? A. That one was kept in Sydney.

Q. And according to folio 101 of that book the Nowa Nowa expenses of Mr. Palmer were paid on 10th April, 1963? A. That is correct.

Q. Out of the Queensland Mines' imprest account? A. That is correct.

10

HIS HONOUR: The copies of the draft report are now available, Mr. Hughes.

MR. HUGHES: The course I propose to adopt with Mr. Hudson is to let Mr. Hudson have that, together with Exhibit "AV" in front of him. I have a magnifying glass here should it become necessary to look at some of the more obscure pages.

Q. You have told us this was a draft prepared by you of a report for your chairman of directors, Sir John Northcott? A. I believe so.

20

Q. May his Honour take it that in preparing that draft you did not set out to write falsehoods? A. I didn't.

HIS HONOUR: You did not set out to write falsehoods?

WITNESS: What do you mean by that?

*MR. HUGHES: Q. I will put it to you in simpler terms. May his Honour take it that when you prepared this draft report, Exhibit "AV" for your chairman, you did not set out to say things that you did not believe to be true? A. I did not set out -

30

Q. I will avoid the double negative -

HIS HONOUR: Let the witness have a chance to -

MR. HUGHES: Perhaps the questions could be read.

(Question marked with asterisk read back by court reporter.)

WITNESS: In preparing the draft I might have.

MR. HUGHES: Q. I beg your pardon? A. In preparing the draft report I could have.

MR. HUGHES: Q. You could have? A. Yes. It is a draft report.

Q. In preparing this draft report you did not set out to write untruths, did you? A. I did not set out to write untruths.

Q. May his Honour take it therefore that what you wrote in this draft report prepared for your chairman was believed by you at the time to be true? A. No.

10

Q. Are you telling his Honour that you wrote statements in this draft report that you believed as you wrote them to be untrue? A. In drafting the report I did make statements which were not true, that I believed to be untrue, or knew to be untrue.

Q. Did you regard that as a very commendable course of conduct? A. Well, it is factual information up to a certain extent.

Q. And you were concerned to present the facts in their true light when you were drafting this report, were you not? A. In regard to the purchase of the shares, I was.

20

Q. And in regard to other relevant matters weren't you doing so too? A. What relevant matters are you referring to?

Q. Anything that is in this report? A. The first page of the report contains information which is untrue.

Q. Does it contain information that was believed by you to be untrue when you wrote it? A. I probably dictated it in a hurry.

30

Q. Did you believe what you dictated and was embodied on the first page of your draft report to be true when you dictated it? A. I knew it was not true.

Q. So you knew you were committing to paper a lie, did you? A. I was committing to paper in this draft record information that was not true.

Q. Would you come to my question, please. You knew when you dictated this draft report, the first page of it in particular, that you were committing to paper information which was a lie; is that what you are saying? A. In the draft report, yes.

40

Q. And this was a draft report for the guidance of your chairman? A. It was not a final report.

Q. Wasn't it a rather funny little game to be telling lies in a draft report? A. Mr. Hughes, it is all right to say those things, but you suddenly call in a girl and you run out a draft report and you correct it later.

Q. You were very conversant, were you not -
A. I beg your pardon?

10

Q. You were very conversant, were you not, with the affairs of Queensland Mines Limited at the time you dictated this draft? A. Of course I was.

Q. You were very conversant with the position, if any, of Queensland Mines in relation to the iron ore investigations in New Zealand and Tasmania?
A. Well, at the time of this report investigations on the iron in New Zealand had been terminated and practically commenced in Tasmania.

Q. And you were familiar with Queensland Mines' position in relation to all those investigations at the time you drafted this report? A. I was aware of it, yes.

20

Q. At the time you drafted this report there was no occasion for you to commit to paper a lie, was there? A. No occasion.

Q. I will take you through the first page and will you tell his Honour as I go through which are the lies, if any. The first paragraph reads, "Recently at a conference with Mr. Burt, chairman of directors, Factors Limited, he indicated his company desired, due to credit restrictions, to dispose of its 51% interest in Queensland Mines Limited". Was that statement true or false when you drafted it? A. I have no recollection whether it was true or false. I said I would not know whether it was Mr. Burt or Mr. Redpath.

30

Q. However, there was no motive for you to tell a lie about that, how the offer had come about?
A. I don't think so.

40

Q. "In pursuance of the contract between A.O. & E. and Q.M.L. Factors are unable to sell unless first offering the property to A.O. & E." Was that true or false? A. That is correct.

Q. The third paragraph reads, "Another important condition in the agreement is that Factors are

responsible for finding one million pounds by debentures carrying interest of 10% for the purchase and installation of plant". Was that true or false?
A. That is correct.

Q. The fourth paragraph reads, "Mr. Burt indicated a price of 500,000 pounds and stated negotiations would not be made elsewhere until A.O. & E. rejected the offer." Was that true or false? A. I have no specific recollection, but I see no reason why it would not be true. 10

Q. The fifth paragraph says, "I consider the price a reasonable one". Was that statement true or false?
A. It would be true at the time.

Q. I come now to the 6th paragraph. The first statement in the 6th paragraph is, "Q.M.L." - and that is Queensland Mines, is it not? A. Yes.

Q. "Q.M.L. will have some 20/25 thousand pounds in cash" was that true or false? A. I would not like to say at that time. Let me think. It had uncalled capital. It would not have had cash at that stage of that amount. It would have had uncalled capital of that amount or probably a little bit more, up to 30,000, but it would not have had cash at that time. 20

Q. May I draw your attention to the fact that the statement is cast in the future tense, "Q.M.L. will have some 20/25,000 pounds in cash"? A. That would be referring to possibly to the calling up of uncalled capital, I suppose. 30

Q. May we take it that in dictating that statement you intended to express the truth as you saw it, that particular statement, "Q.M.L. will have some 20/25,000 pounds in cash"? A. I would have intended to express that.

Q. Express the truth as you saw it? A. It was a draft report - I may have checked it later but at that stage when I wrote this draft it is roughly what I thought, yes. I believed it when I wrote it.

Q. The next part of the 6th paragraph is, "And the company has during the last year, carried out investigations in respect of both the establishment of a blue metal industry in Brisbane and a detailed investigation in regard to the establishment of a new steel industry, both in New Zealand and Australia". Was what I have just read to you true as you believed at the time, or false as you believed at the time?
A. It certainly was not true in respect of 40

carrying it out in its own right, because I referred you in regard to the blue metal to a minute of A.O. & E. this morning, and the arrangements in regard to blue metal were between A.O. & E. and Stanhill. I think I used the words roughly or in the sense of identifying myself with Queensland Mines that I would carry out these investigations, but obviously at the time I was well aware that the company had not carried out investigations of blue metal industry as a principal. It could only have carried it out, the only connection it had was paying some expenses of Stanhill. 10

Q. What I am asking you is what was your belief at the time? A. I would view the facts.

Q. So that when you said that "Queensland Mines had, during the last year, carried out investigations in respect of the establishment of a blue metal industry in Brisbane" you were saying something that you knew to be false, were you? A. Well, I don't know. I was probably identifying myself having done this work with Queensland Mines, probably in that sense, and it had no relation to the decision as to the value of the purchase of the shares. It is loose wording. 20

Q. The value of the Queensland Mines assets were relevant to a consideration of what would be a proper purchase price for the shares in that company, were they not? A. There was no suggestion that the value of the shares would have been influenced by what was said in that paragraph of that letter; and the feasibility that was carried out, which should be in the files, was a feasibility completely in regard to the development of Anderson's Lode and discovery. 30

Q. I just want to get your position quite clear about this paragraph we are dealing with. Do you say you said things in that paragraph that you knew to be lies at the time you were dictating that paragraph? Take as much time as you like to think of the answer to that question? A. I don't think you can put it entirely in that light. I knew what the position was in regard to blue metal. I knew what the position was in regard to New Zealand and the other things. I knew Queensland Mines was not acting as principal or had any interest in it. And I suppose you can regard it as writing the report with a bit of puffing to explain what Queensland Mines had been doing, probably in reference to myself. 40 50

Q. May his Honour take it that in drafting this report you had no motive whatsoever for consciously

mis-stating the facts? A. In relation to the matter to be considered by Kathleen Investments I had no motive at all.

Q. Will you agree that in nothing that you wrote in this draft report did you have any motive for consciously mis-stating facts? A. I think I was giving a history rather than mis-stating facts.

Q. If you were giving history - A. Or rather involving what Queensland Mines had been doing. 10

Q. If you were giving a history did you have any motive to tell what you knew to be a false history? A. As I said to you, it is a draft report that I did, and I don't know what the final report was. I would have dictated it generally running down the history of the company, but it would not have affected any decision to be made by -

HIS HONOUR: Q. You have not answered the question, Mr. Hudson. You were asked if you had any motive for telling a falsehood when you were writing it? 20
A. No.

MR. HUGHES: Q. May we take it from your last answer that when you wrote this draft report or dictated this draft report you gave the history as you believed it to be in fact? A. No, because it is quite obvious that it was not the fact.

Q. Did you not believe the history that you gave, including the history that you gave in the 6th paragraph of this document, Exhibit "AV", to be true history when you wrote it? A. No, I did not. 30

Q. If you did not have a belief in its truth what motive did you have for telling a lie? A. I don't know. I suppose a few puffing -

Q. Puffing? A. Filling a report up. But I had no motive nor did -- the facts contained in that report are untrue, in fact.

Q. In all respects are they untrue? A. It was not untrue I suppose in relation to Queensland Mines will have some 20/25,000 in cash, that is not untrue. 40

Q. Otherwise all this paragraph is a tissue of falsehood, is it? A. You can put it your way if you like, a falsehood. It was untrue.

Q. Coming to the next paragraph, "It was my intention to put Q.M.L. on to an income earning

basis to maintain it until such time as Anderson's Lode could be brought into production". Was that a true statement? A. Yes.

HIS HONOUR: Q. What did it mean, Mr. Hudson? What did you mean by saying your intention was to put Q.M.L. on an income earning basis? A. I was hoping that when we went into blue metal industry Queensland Mines would be able to get on an income tax basis. Mr. Burt of Factors was not agreeable to any extension of the company's activities and as a result thereof it was decided that a separate company would be formed between A.O. & E. and Stanhill who would take over the blue metal. My original intention was to get Queensland Mines to do it, that could have brought income in the meantime. 10

Q. Were you referring to the blue metal and the steel industry? A. No, the blue metal.

MR. HUGHES: Q. Would you agree that Queensland Mines' leg-in to participation or possible participation in a blue metal industry consisted in the fact that that company had conducted investigations into the project? A. No. In my discussions with Mr. Burt before we went into - before I went into it for A.O. & E., the only information I had was a statement made by Mr. Ridgway to Mr. Korman and at conference with Mr. Korman and said I would investigate it. Some discussion took place about doing it when in view of Mr. Burt's objection it was decided that Mr. Stanhill (sic) and I, we would do it. But that decision was arrived at before any action was taken in respect of the development of the blue metal. 20 30

Q. Returning to the 7th paragraph of this draft report, you say that the first part of that paragraph from the beginning down to the words, "into production" reflected the truth? A. Are you referring to the paragraph, "It was my intention ... into production"?

Q. Yes, that part. Was that true? A. That is right, yes. 40

Q. I go on to the second part of it "in view of Factors' decision, I have decided to capitalise Q.M.L.'s interest in these two projects". Do you see that? A. Yes.

Q. The two projects, of course, were the blue metal project and the project for the establishment of a steel industry in New Zealand and Australia, were they not? A. They would refer to those two projects.

Q. In other words, the projects referred to as these two projects are the projects specified in the preceding paragraph, are they not? A. They would be, yes.

Q. In saying that you had decided to capitalise Q.M.L.'s interest in these two projects, were you telling the truth? A. No. I don't know actually what I meant by that.

Q. Would you go to the next paragraph, "In regard to the blue metal industry in Queensland I estimate Q.M.L. will receive a share issue somewhere between 30/40,000 pounds during the next four months". Did you, in fact, estimate that such a share issue would eventuate, as you said in the draft? A. It is very hard for me to say what was in my mind at the time. The company was to be set up by A.O. & E. and Stanhill. I may have estimated that once we set the company up a share interest would be offered to Queensland Mines, but I would not like to say that. At this stage I could not recollect just what I meant by that. 10 20

Q. In the context of the two paragraphs, the paragraphs starting "It was my intention" and the next paragraph, won't you agree the share issue you were referring to in connection with blue metal was a share issue by way of capitalisation of Queensland Mines' already existing interest in the project? A. No, I don't think it was meant by that. I think what I had in mind at the time, that if the A.O. & E./Stanhill company had got going and was lucrative we probably would have made a share issue to Stanhill. 30

HIS HONOUR: Q. Do you mean a free share issue?

A. No. We offered them an interest, not a free share issue. It is very difficult for me to say and I certainly would not like to bind myself down to any recollection distinctly of what I meant.

MR. HUGHES: Q. Won't you agree with the suggestion that the plain meaning of what you wrote in your draft was that Queensland Mines was going to get, so you estimated, shares with an issue price of 30/40,000 pounds in connection with its interest arising out of investigations into the blue metal industry project? A. No, that would not be correct. 40

Q. When you drafted this report did you have any motive falsely to represent what you estimated in regard to Queensland Mines' possible future share 50

entitlement? A. I was anxious to put Queensland Mines on an income basis and wanted it to go into blue metal, but that was refused, and the company then went ahead between A.O. & E. - the company was formed, or it was going to be formed, between A.O. & E. and Stanhill. Each of us were to put in 2,000 pounds preliminary expenses. On the formation of the company if investigations had proceeded satisfactorily and it was going to be an economic position, I think what I had in mind at that stage was to offer to Queensland Mines a share issue in the new company. 10

Q. I go back to my question - A. I don't want to be dogmatic about it, Mr. Hughes, because it is too long ago.

Q. Would you please see if you can answer my question briefly. Did you have any motive for falsely representing in this draft report your state of mind or estimation as to the possibility of Queensland Mines receiving a share interest in respect of the blue metal industry? A. No. 20

(Luncheon adjournment.)

ON RESUMPTION

Q. Before the luncheon adjournment I was asking you questions about the 8th paragraph on page 1 of the draft report of 1st December, 1960, the paragraph which commences, "In regard to the blue metal industry". Do you remember that? A. Yes.

Q. And you told his Honour something about the possible share issue that Queensland Mines would get in relation to the blue metal project. I now want to ask you about the next part of the paragraph, the part which reads, "And it is probable during next year it will receive an interest equivalent to some 30/40,000 pounds for its investigations into the steel industry". You will agree, will you not, that if that forecast "it is probable" etc., if it was believed by you to be a probably true forecast, the share issue to which you were referring was to be a promoter's share issue, was it not? A. No. 30 40

Q. You were suggesting in that part of the 8th paragraph that it was probable that Queensland Mines would receive a share issue equivalent to some 30/40,000 pounds for its investigations into the steel industry? A. That is what the draft says. I believed that if one of Mr. Korman's enterprises that he was embarking on through me were successful

that he would have made an offer, participating offer, to Queensland Mines and/or A.O. & E. to participate in a share issue in any successful venture.

Q. Was that belief founded upon discussions that you had had with Mr. Korman? A. No, it was a belief that I had that I could not induce but agree with Mr. Korman that he would give some advantage to either A.O. & E. or Factors in respect of a participating interest. 10

Q. Or Queensland Mines? A. Either Queensland Mines or A.O. & E. And if my recollection is correct I referred this matter to one or other of the Boards on that basis.

Q. So it was your expectation, was it, when you first approached the Tasmanian Mines Department by means of your letter dated 16th August, 1960 and thereafter during the course of your negotiations with that department for the licence, that Queensland Mines would be a beneficiary if the project got off the ground by means of getting shares in the company that would run the project? A. No. 20

Q. When do you say this belief that Queensland Mines would get shares or might get shares for its investigations into the steel industry, when did that belief first go into your mind? A. When the New Zealand venture was going ahead I was under the belief that if it was successful that Stanhill would invite either A.O. & E. or Queensland Mines, or both, to take up a participating interest in any company that was to be formed. That was my belief. I had not discussed the matter with Mr. Korman, but it did seem reasonable I could persuade him to do so, if I thought the investment was satisfactory. 30

Q. And it seemed to you to be reasonable you could persuade him to do so in the light of the fact that Queensland Mines had made money available to pay expenses connected with that investigation? A. No. 40

HIS HONOUR: Q. Or in the light of the bank that Queensland Mines had carried out investigations? A. No, in the light of the fact I was doing the work for Stanhill.

Q. You do say in the document it will receive an interest for its investigations? A. I do say in the document, yes.

MR. HUGHES: Q. I want to come to the next paragraph, "Factors at a cost of some 220,000 pounds" -

HIS HONOUR: Before you do that, Mr. Hughes.

Q. You say it was not because Queensland Mines had expended money and it was not because Queensland Mines had carried out investigations which you thought you might persuade Mr. Korman to make the issue. What was the reason? A. I was doing work for him, I was very friendly with him and I anticipated that if one of these things went successfully he would invite us to come in and take a participating interest. 10

Q. Invite "us"? A. Invite Queensland Mines and/or A.O. & E.

Q. Why? A. Well, the association, or my association.

MR. HUGHES: Q. Why, if as you say Queensland Mines had nothing to do with these investigations, either in Tasmania or in New Zealand, should you believe that Mr. Korman would make available shares to Queensland Mines rather than to you? A. I didn't say to me. 20

Q. I say why should he, in your belief, be likely to be in favour of allotting shares to Queensland Mines when Queensland Mines, according to you, had not done anything in connection with these investigations? A. To start with, Queensland Mines was an associated company, and if one of these things were successful there was no reason why he should not allot to Queensland Mines - and I was more particularly interested if it was successful to getting some allotment to A.O. & E., to be candid. 30

Q. May I bring you back to the statement in the 7th paragraph, the paragraph beginning, "It was my intention to put Q.M.L. on to an income earning basis"? A. Yes.

Q. I want to invite your attention to the statement that you had decided, in view of Factors' decision, to capitalise Queensland Mines' interest in the two projects, namely the blue metal project and the steel industry projects. Do you have in mind what I am going to ask you about? That statement, "I have decided to capitalise Queensland Mines' interest in these two projects". There is in that statement, is there not, the unequivocal assertion - whether it was true or false, leave 40

aside for the moment - that Queensland Mines Limited had an interest in the steel project? A. I don't know. You are asking me to look back a long time. I don't know what is actually meant by "I have decided to capitalise Queensland Mines' interest in these two projects". This is a draft document. If you show me the original document I presented to the Board, perhaps I can tell you.

Q. I am not in a position to comply with your invitation? A. Candidly, I don't think it makes much sense, the paragraph. 10

Q. There is one thing that does make sense, and that is, whatever you meant by the use of the word "capitalise" you were clearly asserting in this draft that Queensland Mines Limited had an interest in the steel project, were you not?

A. What steel project?

Q. Would you mind going to the 6th paragraph and see whether you can find an answer? A. I am looking at the date of the letter. 20

Q. 1st December, 1960? A. Yes.

Q. That was a time during which the negotiations with the Tasmanian Government were current, were they not? A. It was at a time before I knew I could even make an application for the licence.

Q. I will come back to my question and invite you, please, to answer it. First December, 1960, is a date that falls within a period during which the negotiations with the Tasmanian Government were on foot, is that not so? A. It falls within a period in which the negotiations with the Tasmanian Government had commenced, yes. 30

Q. You would readily agree that the reference in the 6th paragraph of the letter to the establishment of a new steel industry both in New Zealand and in Australia refers inter alia to the Tasmanian project? A. Not necessarily so.

Q. Most probably so, would you agree? A. I don't know, Mr. Hughes. I don't want to be trying to deny suggestion. You have got to recollect that at that time I was trying to set up a steel industry in Victoria. You are asking me, looking at the draft document on 1st December, 1960, that is 14 years ago, to try and interpret what my intentions were at that time and what the references were at that time, and candidly I am not going to say one way or the other because I don't know. 40

WITNESS: The development of the steel industry -

MR. HUGHES: Q. In New Zealand and Australia?

A. - in Victoria was much more advanced.

Q. Victoria never came to anything, did it?

A. Nor did Tasmania.

Q. The Savage River? A. Not in regard to a steel industry. I am still trying, Mr. Hughes, after fourteen years.

Q. The gaining of the exploration licence and the attempt to gain it were part of the endeavour, part of the operation designed to produce a steel industry in part of Australia, weren't they? A. That is correct. 10

Q. And will you not agree with me, Mr. Hudson, not to mince words, that it is just playing with words to suggest that the reference in the sixth paragraph of that report, draft report, to the establishment of a new steel industry in New Zealand and Australia was not a reference that included the Savage River project? A. It could have been a reference to include the Savage River. 20

Q. And won't you admit that it was? A. I won't.

*Q. At all events this letter, when you read the sixth paragraph and the eighth paragraph together - I am sorry, the sixth paragraph, the seventh paragraph and the eighth paragraph together, contains a plain assertion, doesn't it, that Queensland Mines Limited had an interest in a project for the establishment of a new steel industry somewhere in Australia? 30
A. Repeat that question again?

(Question marked * read.)

WITNESS: No, it didn't. Are you using the word "plain"?

MR. HUGHES: Yes.

WITNESS: No.

MR. HUGHES: Q. Well, I will leave out the word "plain" and can I ask you this; would you agree that reading those paragraphs of the letter together, of the report together, there is an assertion that Queensland Mines Limited had an interest in a project for the establishment of a steel industry somewhere in Australia? A. No, I don't agree, having relation to the last three lines in the eighth paragraph. 40

Q. What about the statement that you had decided to capitalise Queensland Mines' interest in these two projects? Isn't that an assertion that Queensland Mines Limited had an interest in a project for the establishment of a steel industry somewhere in Australia? A. Mr. Hughes, it just doesn't make sense.

Q. I don't care whether it makes sense or not.

A. No, I don't think it does, because what interest or what would have been the position in reference to your case as to what money should have been spent up to December 1st which one would bother capitalising? 10

Q. You see, won't you agree that if you believed that Queensland Mines had an interest in a project for establishing a steel industry in Australia, that project might turn out to be worth capitalising, that interest might be worth while capitalising, might not it? A. But, Mr. Hughes, are you serious about that question? 20

Q. I am serious about every question I put to you. A. All right; no.

Q. You don't think I am here to play a game, do you? A. No, I don't but I think if you are talking about capitalising something at a particular time that is not even in existence -

Q. But if there was - ? A. I mean, it just doesn't work out. That is all.

Q. I am asking you about your own words, "I have decided to capitalise Queensland Mines Limited's interest in these two projects". They were your own words, weren't they? A. With the qualification that I say that this is a rough draft prepared by me. With that qualification I used those words but when you look at the facts, Mr. Hughes, you just could not capitalise anything in respect of Tasmania at that relevant time. 30

Q. Mr. Hudson, what you are saying to his Honour, if you look at the words in the light of the case you have been making here and accepting that the case you are trying to make here is true, then it is difficult to understand? A. No, accepting your case. 40

Q. At all events, when you said you had decided to capitalise Queensland Mines' interest in these two projects, were you saying something that represented the truth as to your then state of mind? A. No, I don't think it was the truth and I think

it was just a rough draft and I couldn't tell you what my state of mind was at the time because it just doesn't fit into any facts.

Q. Will you agree that your statement in the seventh paragraph of this draft report that you had decided to capitalise Queensland Mines Limited's interest in a steel project in Australia happens to fit in very neatly with the circumstance that you wrote a number of letters on Queensland Mines' letterhead in connection with the Tasmanian project and signed them as managing director of Queensland Mines Limited? A. No, I don't agree with you at all, Mr. Hughes. Having relation to the date of that document and the date of the letters, I don't agree with you. 10

Q. The significance of the date of the letter is simply this, isn't it: the date falls within a period during which the negotiations with the Tasmanian Government were on foot? A. The letters you referred to me are documents that took place after 1st December. 20

Q. And before, too. What about the letter of 16th August, 1960? A. The letter in which I said I was going down to see the Tasmanian Government or would be coming down with Mr. Korman of Stanhill was prior to that date.

Q. Now would you please tell his Honour whether you want him to understand that in referring to an interest of Queensland Mines in a steel project in Australia, you were drafting a little fairy tale for your chairman of directors? A. When you draft, yes, I often draft things and then completely change. It has been my practice all my time as a lawyer to do rough drafts and alter them. I dictated things quickly and then amended the drafts accordingly, and to me those things you are putting to me just don't fit into the facts of the case, so either I was deliberately making a misstatement if this document ever got to the chairman of facts that did not exist, or I was just roughly drafting a statement without much relation to the facts of it until I amended it. 30 40

Q. But you were intimately conversant with all the relevant facts, weren't you? A. I was conversant. That is why it doesn't make sense, a lot of the letter.

Q. And being intimately conversant with all of the relevant facts, surely you would not have embarked

upon manufacturing a fairy tale, would you? A. I wasn't manufacturing a fairy tale. I was just drafting a letter which I would have altered at a later stage.

Q. And will you agree with me - ? A. Look, some of the facts in this letter are so contrary to what are known facts, particularly in regard to the blue metal. It must have been known to me. It just doesn't tie up or make sense.

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Q. Nevertheless this is a very inconvenient document to emerge in your case, isn't it?

A. I beg your pardon?

Q. A very inconvenient document from your viewpoint to emerge in this case? A. Yes, most inconvenient.

HIS HONOUR: Q. What known facts do you say about the blue metal is it inconsistent with? A. There had already been a decision made with the A.O.E. Board to go into a new company with Stanhill in connection with the blue metal and I am not sure of the date but I would think the decision was made by the A.O.E. Board somewhere in October-November of 1960 and there should be a reference in the minute book to it.

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Q. Why is that inconsistent with what is in the letter? A. Well, if A.O.E. and Stanhill were setting up a new company to undertake an investigation into blue metal, this is not inconsistent with the suggestion that Queensland Mines would be offered a participating interest, but Mr. Hughes has been suggesting to me other suggestions.

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Q. I am just saying what is there in the letter that is inconsistent with the known facts about the blue metal? A. There is nothing inconsistent with that part of it, sir.

MR. HUGHES: Q. Mr. Hudson, do you say - ? A. The known facts, that could be true.

Q. Do you say - I just want to get something clear - do you say that in relation to the blue metal project, Queensland Mines did no work at all and only advanced money? A. All the work was done by A.O.E. which is at Mermaid Beach and where Queensland Mines -

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Q. And no work was done by Queensland Mines?
A. Mr. Redpath went out on occasions to do something and his costs for going out were charged separately.

Q. And that was the only effort by Queensland Mines on that project, was it? A. As far as I can recollect, Mr. Hughes, yes.

Q. (Approaches witness.) I show you the minute book of A.O.E., minutes of meeting of 29th June, 1960 - I am sorry, 13th October, 1960. The first page of the minutes is open here. This is a meeting at which you are recorded as having been present, isn't it? A. Yes.

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Q. As chairman? A. Yes.

Q. And of course you were also managing director?
A. That is right.

Q. I invite your attention to two references to Queensland Mines, the first one - and I will read it onto the notes:

"Mr. Hudson advised that Queensland Mines Limited was being mothballed as there appeared to be no immediate prospect in the uranium market. Queensland Mines Limited had already expended £200,000 and Factors were not happily disposed towards further investments in other projects."

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That is what you advised your Board, wasn't it?
A. That is right.

Q. Was that true? A. Yes.

Q. Mr. Hudson, the minute goes on:

"Stated however that Stanhill Limited were favourably disposed to other investments which he had in mind."

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Do you see that? A. Yes.

Q. Did you so report? A. Yes.

Q. And you so reported because you regarded that statement as a matter of interest to your co-directors of A.O.E.? A. That is correct.

Q. A.O.E. being a 49-per cent shareholder in Queensland Mines? A. That is correct.

Q. Would you go on to look at the next bit and I will read it onto the notes:

"Blue metal. Mr. Hudson suggested that Stanhill and A.O.E. should jointly purchase

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for £12,500 a property described as Portion 64, County of Stanley, Parish of Moggill, Brisbane. This property contained a vast deposit of blue metal which Queensland Mines was at present drilling."

Stopping there, is that what you reported? A. That is what I reported.

Q. Was it the truth? A. I believe it was drilling under an arrangement with Collins. 10

Q. I am just asking you whether it was the truth that Queensland Mines was drilling the blue metal. That can be answered Yes or No? A. Yes.

Q. That report makes a mockery, doesn't it, of your evidence that Queensland Mines had nothing to do with the blue metal project in Brisbane apart from advancing some money, a mere mockery, will you agree? A. No, it doesn't actually.

Q. Doesn't it? Tell us why? A. Well, I am speaking from recollection. When it was decided, and we had an option over this property, that Collins and Company, a subsidiary or an offshoot of Pioneer Concrete, had asked that we put down two drills at their expense in order to enable them to determine whether they could be interested in the property in conjunction with their own property which they owned next door. Now, that is the best of my recollection. The drilling was two drills costing £500 each and the amount of the two drills were paid by Collins and Co. to Queensland Mines, but I am speaking from memory to a large extent over this. 20 30

Q. Could I just have the minute book back?
A. It could be on the other hand that A.O.E. and Queensland Mines were doing some drilling on the property. At this time I couldn't recollect the true facts.

Q. But you were talking to your co-directors, were you not, of A.O.E. in this report you made about blue metal at the meeting of 13th October, 1960 about the blue metal project as one in which Queensland Mines was actively interested, weren't you? A. I think the word was "drilling". 40

Q. Yes, and that indicates an interest over and above the mere advancing of money? A. Well, Mr. Hughes, in fairness I just can't remember too much about the whole thing.

(Minutes of 13th October, 1960 of the Board of Directors of A.O.E. relating to Queensland Mines and to blue metal admitted without objection and marked Exhibit "AW".)

Q. Now I want to shorten the cross-examination on this document, Mr. Hudson, as much as I can. Would you tell his Honour, and for this purpose study the document if you wish to, whether in it, in the balance of it, there are any other statements that you say were untrue to your knowledge when you made them, apart from those statements that you have already indicated to his Honour you did not believe to be true? You might like to mark the relevant paragraphs if there are any? A. Yes, in the sixth paragraph on page 3. 10

Q. Page 3? That is the one that starts "Q.M.L. paid the option monies"? A. Yes.

Q. What is untrue there? A. Well, it was 40,000. "As well as 5000 towards the purchase of Scal" and the purchase of Scal was 10,000. 20

Q. There is an error as to the amount? A. Errors in the amount.

Q. That was simply a mistake, wasn't it? A. That was on the same line as the other.

Q. What? A. On the same line as the other statements.

Q. You didn't deliberately mis-state the figure, did you? A. No, I was doing a quick rough draft. Then the last paragraph on page 4. 30

Q. "Real estate and other fixed assets in Q.M.L. are of approximately £20,000 value"? A. Yes, that is correct.

Q. What? A. I referred you to it, that is correct.

Q. That is true? A. That is correct.

Q. I am only asking you to point out any -
A. Other than those errors there, I can't see any, Mr. Hughes.

Q. Mr. Hudson, may I approach you with his Honour's permission with a document not yet in evidence but produced on subpoena, I think, Queensland Mines Limited's Melbourne cash book. May I draw your attention to Folio CB1 and an entry under 24th June, 1959, "Purchase Anderson's lease". Is that right? 40

"Purchase Anderson's lease £44,999"? A. Yes, I always thought it was 40,000.

Q. Apparently it was 45 as you said in the letter, wasn't it? A. Yes, near enough to it.

Q. As you said in your draft report? A. I'm sorry, I think in prior evidence here during the hearing I said it was 40,000.

Q. I only wanted to show that you had not made a mistake? A. No, well, I think during the course of these hearings 40,000 was the sum mentioned, Mr. Hughes. 10

Q. So that the position is that the only paragraphs in this draft report that happen to depart from the truth, according to you, are the sixth, seventh and eighth on page 1, is that right? A. And the other reference I made about the Scal.

Q. About the Scal? A. Yes.

Q. Which one was that? I don't think you did make a reference? A. It is in the same paragraph in reference to the 45,000, Mr. Hughes. 20

Q. The position about the Scal was that you paid ten? A. Ten.

Q. And five was refunded, is that right? A. I beg your pardon?

Q. The position about the Scal was that Queensland Mines paid ten and had five-thousand refunded by Factors, isn't that right? A. No, no, I'm sorry, that is not the true position. The true position is that Factors paid ten and 5,000 was credited to A.O.E. 30

Q. So that five - ? A. Was debited to A.O.E.

Q. So that five-thousand was debited to Queensland Mines? A. That is correct.

Q. So in substance your reference in that paragraph on page 3 to the cost of the - ?
A. That would be correct.

Q. - of the Scal lease would be correct? A. I am sorry, looking at it that way it would be correct.

Q. So just to get the position perfectly clear, what you are telling his Honour is that the only 40

mistakes in this draft report are mis-statements made in the sixth, seventh and eighth paragraphs on page 1? A. That is correct, Mr. Hughes.

Q. Otherwise would you agree, making allowance for due modesty, that the report or the draft report is a masterly and accurate exposition of a most intricate situation? A. No, I would not agree with that, Mr. Hughes. I don't think it was a masterly report.

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Q. Now, Mr. Hudson, you have referred in some detail during the course of your evidence in chief to the very considerable expenses that you say you incurred personally? A. Yes.

Q. In developing the Savage River project?
A. Yes.

Q. Including a lot of travelling overseas and finding money for investigation and so forth?
A. Yes.

Q. Looking at the other side of the coin it would be true to say, would it not, that the two companies that are defendants in this case, and you through them, have derived from the project very considerable profits? A. Could you repeat that?

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Q. It would be true to say, would it not, that the two companies that are defendants in this case, and yourself through them, have derived from the project very considerable profits? A. As and from '68, Mr. Hughes, yes.

Q. As and from '68? A. Yes.

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Q. And have your profits come to you exclusively through dividends in one or the other of the two defendant companies? A. That is right.

Q. And those dividends started to be declared in '68, is that right? A. I wouldn't like to say that, Mr. Hughes, but one of the defendant companies would have been receiving royalties as and from '68.

Q. Could you give his Honour a rough estimate of the total amount of royalties received by the two companies in connection with this Savage River project? An approximation will do? A. The total amount received to the best of my recollection by the companies is approximately three-million on which ordinary income tax, company tax has been paid, on which dividends are being paid to me and I paid income tax on dividends.

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Q. What is the totality of the dividends received by you? A. I beg your pardon?

Q. What is the totality approximately of the dividends received by you from the interest you claim in the project through your companies?

A. Mr. Hughes, I couldn't tell you but I will be calling my accountant and he can give that information, and I estimate that I broke even in October, 1973.

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Q. In which company at the present time - ?

A. Savage River Mines gets all the dividends now.

Q. Savage River Mining gets all the royalties from the two mining companies? A. That is correct.

Q. And has since when? A. Mr. Hughes, I am pretty hazy about these things. I leave it to others, you see, and I think my accountant will probably be giving evidence and you can get that; but I would think from the day, if it has been given in evidence, from the day Savage River Mines was incorporated. I don't mean from the day it received dividends straightaway, but as and from the date of incorporation all dividends would be payable into Savage River Mines. I think that is the position but if you don't mind me saying this -

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Q. I will leave the details to your accountant but I must ask you this question. Have you as managing director of Savage River any intention of declaring a dividend in the near future? A. As managing director of - ?

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Q. Savage River? A. I am not the managing director.

Q. You are chairman, are you? A. But it would be the intention of Savage River to declare some dividends.

Q. Out of the royalties? A. Out of the royalties.

Q. When in the ordinary course would the next dividend be declared? A. I couldn't tell you.

Q. When was the last one declared? A. I'm sorry, I couldn't tell you.

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Q. Would your accountant be able to tell you?

A. Yes, I still do a major lot of exploration.

Q. I am not criticising you for not knowing?

A. And I just couldn't tell you. They tell me

occasionally I have got some money in the bank and that is about it, Mr. Hughes, but Industrial and Mining did receive dividends up to the stage at which Savage River - and it was changed into the Savage River because we wanted to develop the rest of the deposit which is held by Industrial Mining and still developing, and so if we were able to develop the rest of the deposit, we were not interfering with the rest of the dividends and that was the purpose; so up to some stage it went into Industrial Mining and at the present time it is going into Savage River Mines. 10

Q. You knew of course, didn't you, that when drilling commenced on the Savage River project in March, 1961, and during the course of that drilling, for some time drilling reports were being sent to the Department of Mines. You knew that? A. Up to '64.

Q. Up to '64? A. Yes. 20

Q. And you at all times knew, did you not, that those drilling reports were being sent to the Department of Mines? A. I beg your pardon?

Q. You were at all times aware up to 1964 that the drilling reports being sent to the Department of Mines were reports that showed the drilling as being done by Associated Diamond Drillers for Queensland Mines? A. On the face of it, yes.

Q. On the face of it? A. Yes. Could I, Mr. Hughes, I don't want to cut you down, make this - the drilling reports as such are issued by the men drilling. They are of no geological value and their purpose is to enable the company to make up its accounts. It shows the amount of drills done during the week, the amount of casing used and other things, but geologically it is of no value. 30

Q. I was not really concerned about that aspect of the matter but I want to ask you this: you at no time told the Department of Mines during the currency of the despatch to that Department of the drilling reports that the reference in the drilling reports to Queensland Mines was incorrect, did you? A. I probably didn't. I didn't worry much about them. They were sent to the Department of Mines so that they were satisfied that we were complying with our obligation with the drilling, but they didn't give any geological information. 40

Q. Just one other matter. Will you agree that in his connection, in the course of his connection with

the Savage River project, Mr. Korman never indicated to you that he envisaged funding the whole of the capital for the company that might eventually be formed to conduct the steel industry? A. Did he envisage finding 100,000,000?

Q. He never told you that, did he? A. No.

Q. It was always well-known to you that if the project developed to the stage where a steel mill or steel mills were to be built, then an enormous funding operation would have to be undertaken, involving the public, Stanhill to a minor extent and some foreign corporation, is that right? 10

A. I hadn't contemplated what might happen, but I would say this: that if a project of that nature was to get under way, it would have to be a substantial amount of equity in overseas capital funding. It would not be possible for any one company - I don't know what Mr. Korman thought about his company but I didn't contemplate that Mr. Korman would do it himself and there was always this question of this steel industry in America. 20

Q. At the stage of Mr. Korman's interest in the project, his intended role before his retirement was that of an entrepreneur, wasn't it, getting the investigatory project on foot? A. Not exactly. You recollect when we were discussing the capitalisation of the company that was to be formed in Tasmania, the nominal capital was 200,000,000.

Q. Dollars? A. I beg your pardon? 30

Q. 200,000,000? A. That was to be the nominal capital and if you assume that that was in Mr. Korman's mind to - 200,000,000 to be the capital of that company that was going to - the company that was going to spend 100,000,000 on the steel, just what he had in mind I couldn't say. The only information I could gain from that was the initial capital or proposed initial capitalisation of the company.

Q. When Mr. Korman left you say, do you, that you found yourself in the position where you had lost a promoter? A. I beg your pardon? 40

Q. Lost a promoter? A. No, I didn't say that at all.

Q. Isn't that the effect of your story? When I say "your story", please don't think I am being offensive? A. No, it is not the effect of my story.

Q. Mr. Korman was going to provide, according to

you, 500,000 out of a paid capital for the investigating company of a £1,000,000? A. No, he was not providing it for me.

Q. I am not suggesting it was to you? A. You said that. You said "He was going to provide for you 500,000 out of the proposed company". That is what you said to me.

Q. I withdraw the question. Mr. Korman's intention as communicated to you was that he would provide £500,000 of the initial paid-up capital of the operating company, wasn't it? A. Yes, well, the operating company was to have 200,000,000 and it was to be issued up to 1,000,000 to begin with, of which Mr. Korman was to put in half a million. 10

Q. When Mr. Korman left you found yourself under the necessity of seeking to replace him as a promoter and entrepreneur in the exercise, didn't you? A.No, Mr. Hughes.

Q. You say that Mr. Korman had no intended entrepreneurial role in this exercise, investigatory - ? A. No, I don't think he did. 20

Q. You say you were the promoter? A. I beg your pardon?

Q. You say you were the promoter? A. No, I didn't say he was the promoter, I didn't say I was the promoter. You are using the words, not me.

Q. Every enterprise has to have a promoter?
A. No, not necessarily. It depends what you mean by "promoter". If you are referring, and I assume that what you have got in your mind is promoter's profits, if you are referring to - every company is promoted or brought into existence by an individual, yes, in that sense. 30

Q. Let me use a more neutral term. I won't say "promoter"; I will say "organiser". You regarded yourself as the organiser of this investigatory project for the Savage River, did you? A. No fear.

Q. You were doing all the leg work, weren't you?
A. Look, Mr. Hughes, I wasn't interested in any way financially or otherwise in what Mr. Korman was going to do, going into a 100,000,000 steel company. If he wanted to do those things, that was him. 40

Q. Anyhow, it was quite clear to you that Stanhill never envisaged finding the whole of the capital for itself, either for the investigatory stage or for

the ultimate stage of production? A. The position is fully outlined in the application for the licence, fully outlined in the conditions of the licence. It was to be 500,000 by Mr. Korman, 25,000 by some overseas organisation and 25,000 by the Australian public. Now the original capital was 200,000,000. Just how and in what way that was going to be obtained or otherwise I couldn't tell you, Mr. Hughes. I hadn't got anywhere near that stage of thinking. 10

Q. Why did you delay so long before telling Mr. Bolton that he was sending the accounts to the wrong company? A. Well, it didn't seem to matter very much and I didn't delay all that long.

Q. You delayed about from May 1961 till about February, 1962, didn't you? A. As I pointed out I was away nearly three months and there weren't all that number of accounts received.

Q. Nevertheless they were coming to your knowledge before you went away, weren't they? A. They were coming in, yes. There is no significance in that. 20

Q. No significance? A. No.

Q. No more significance than those sixth, seventh and eighth paragraphs of your draft report to Sir John Northcott, is that what you say? A. Well, Mr. Hughes, I paid for them all.

Q. Would you agree with this: throughout the whole of the period of your occupancy or periods of your occupancy of the office of managing director of Queensland Mines, you were paid periodically the salary stipulated in the terms of your appointment? A. What are you referring to, Mr. Hughes. 30

Q. On each of the occasions when you were appointed chairman, managing director of Queensland Mines, a salary was stipulated, wasn't it? A. When I was appointed in the first instance I was paid at the rate of £5000 per annum. When I was re-appointed in July I was paid at the rate of £7,500 per annum.

Q. Plus travelling and entertainment? A. I never drew that. I always continued my normal practice of charging actual out-of-pockets and travelling, and at no time did I draw the 2500. 40

Q. But you drew actual? A. I beg your pardon?

Q. You drew actual out-of-pockets? A. I just drew actual out-of-pockets.

Q. Please do not think there is any hint of criticism in this but I just want to get your agreement to the proposition that you were paid by Queensland Mines in accordance with the contract you had with them for your duties as managing director?

A. I was paid - well, I was not paid. I was periodically paid.

Q. Periodically paid? A. In accordance with the contract excepting that there was a balance sum not paid at the time that Kathleen Investments took over. I can't recollect what it was but there were some funds still owing. 10

Q. Now, Mr. Hudson, just one more matter and literally the last. Your appointment as chairman of directors of Queensland Mines was terminated, was it not, at a meeting of the Board of Directors of that company held on 24th August, 1971? A. That is correct.

Q. There was a motion at that meeting for your removal as chairman and for the appointment of Mr. Milner in your place as chairman? A. Yes, at that particular meeting I had collapsed and was taken into my office, and while I was collapsed and in my office being attended to by a doctor, the Board proceeded to go ahead and appoint Mr. Milner and got control of the company. 20

Q. And there were subsequent Court proceedings in which you challenged the validity of your removal? A. I challenged the validity of it. 30

Q. And your challenge failed? A. My challenge failed.

(Re-examination reserved.)

(Witness stood down.)

(Six letters from Industrial and Mining Investigations to Mr. Symons dated 26th June, 1962, 20th March, 1963, 26th March, 1963, 8th April, 18th April, and 23rd April, 1963 admitted without objection and marked Exhibit 81.) 40

(Mr. Staff handed to his Honour a copy of the Melbourne Age in connection with the cutting, Exhibit 15, certified by the New South Wales librarian. Added to Exhibit 15.)

(Certified copy of a page of the Sydney Morning Herald of 29th January, 1960, referring to the Stanhill Iron and Steel advertisement added to Exhibit 13.)

ADDISON GORDON PALMER

Sworn and examined:

MR. STAFF: Q. Mr. Palmer, your name is Addison Gordon Palmer, you live at 8 Harston Avenue, Mosman?

A. That is correct.

Q. I think you are a consulting engineer by occupation? A. That is so. 10

Q. You have been carrying on that profession for many years now? A. That is right.

Q. I think you first became associated in consulting work with Mr. Hudson as far back as about 1956? A. That is right.

Q. And you did some work for him then in relation to some interests of his in Broken Hill, did you?

A. Yes, that is so.

Q. What sort of interests were the subject matter of that work, Mr. Palmer? A. Well, the first matter was some areas that he had north of the North Broken Hill Mine at Broken Hill and he asked me to have a look at those. 20

Q. Don't worry about the detail but it was concerned with those; he asked you to do some work in relation to them and give him a report, did he?

A. That is right.

Q. At that time you knew him as a solicitor practising in Broken Hill? A. Yes. 30

Q. After that occasion can you recall how long it was before you had any further contact with him?

A. Well, I was doing consulting work for Mr. Hudson intermittently till 1957 and I used to see him from time to time in his office in Sydney and I think it was June, 1958, that he joined the Board of Directors of a company of which I was consulting mining engineer, Pacific Island Mines, and he was a director of Pacific Island Mines from June, 1958 to September, 1962. 40

Q. Over those years you did some work, a deal of work for that company, did you? A. Yes, I did.

Q. Now during 1959, do you recall any conversation with Mr. Hudson concerning other consulting work?

A. Yes, early in 1959 he mentioned to me that he was associated with the Kormans, Stanley Korman.

(Objected to; allowed.)

HIS HONOUR: I think the circumstances in which Mr. Palmer came to carry out what he did is of some relevance to the case.

MR. STAFF: Q. Could you tell us what that conversation was now, Mr. Palmer? A. Well, he said he was associated with Stanley Korman and the Korman Group of companies, and he said they were looking for - they were becoming interested in mining. These were not the exact words but as far as I can recollect the words to this effect, that they were becoming interested in mining and did I know of any large mining proposition that might interest them, and I said to him that as there had been some publicity in the newspapers at the time about the New Zealand iron sands, that they might be interested in having a look at those. 10 20

HIS HONOUR: Q. Were you asked to recommend any particular type of mining or just any large mining proposition? A. As far as I recall, your Honour, it was a large mining proposition but they could have - Mr. Hudson could have specified an iron and steel mining and production operation but I can't really remember the exact words.

MR. STAFF: Q. Now was there any more to that conversation at that point of time? A. No, I can't remember that there was any more. I think it was quite a brief conversation and I didn't expect to hear any more about it. 30

(Witness stood down.)

(Further hearing adjourned to 10.00 a.m. on Monday, 28th October, 1974.)

IN THE SUPREME COURT
OF NEW SOUTH WALES
EQUITY DIVISION

No. 292 of 1973

CORAM: WOOTTEN, J.

QUEENSLAND MINES LIMITED v. HUDSON & ORS.

NINTH DAY: MONDAY, 28TH OCTOBER, 1974

MR. HUGHES: Before my learned friend, Mr. Staff, commences, there is one subject matter of small compass about which I want to ask Mr. Hudson some questions, although I had indicated the other day I had no further questions. 10

ERNEST ROY HUDSON
Recalled on former Oath:

MR. HUGHES: Q. Do you recall on Thursday I asked you a number of questions about the Blue Metal proposal that you mentioned in your draft report, dated 1st December, 1960? Do you remember those questions? A. Yes.

Q. You told his Honour that some people called Collins or a firm called Collins had done some drilling on that blue metal prospect? A. No, it was done for Collins. 20

Q. Was that at Moggill in Brisbane? A. Harts and Moggill. I think Harts and Moggill are the same thing. It is in the parish ---

Q. Of Moggill? A. I think so.

Q. You wish it to be understood, do you not, that Queensland Mines Limited to your belief never at any time had an interest in that blue metal prospect? A. That is so. 30

Q. May I invite your attention to part of Exhibit "E", that is the minutes of Queensland Mines Limited (minute book shown). Would you turn to the minutes of 13th February, 1962, page Q22. At 13th February, 1962, you were managing director of A.O. & E.? A. I was.

Q. You would agree in that capacity you had a duty in any negotiations in which that company was involved to protect its interests as best you could? A. That is so. 40

- *Q. Would you agree that that duty was as it were accentuated in case - any negotiations in which A.O.&E. was involved Queensland Mines had an interest, as it were, on the other side of the fence?
A. Could you repeat the question?

(Question marked * read back by court reporter).

WITNESS: I would agree I had a duty, yes.

- Q. Would you turn to page Q23. I invite your attention to the item Blue Metal. It says "It was resolved to accept an offer of £2,000 from Australian Oil & Exploration Limited for purchase of the interest, if any, that Queensland Mines Limited might have in Blue Metal Projects at Southport and Moggill".
A. Yes. 10

Q. You were a party to that resolution, were you not? A. Well, in this way: there was a resolution passed, but the minute itself was made up by the secretary.

Q. You are not denying that the resolution was passed? A. Yes, I would. 20

Q. You would? A. Yes - not in respect that there was a resolution about it, but the wording I deny.

Q. The substance of the resolution was that Queensland Mines would accept an offer of £2,000 for such interests as it had in the Southport and Moggill Blue Metal Prospects? A. It says here, "For the purchase of the interests, if any".

Q. Yes. Do you agree that the minute sets out the substance of the resolution? A. No, I don't.

Q. You say the minute is false, do you? A. I don't. There was a resolution passed, but the wording of the resolution - I didn't see it until I looked at the book at a subsequent time. The phrasing of the resolution was a matter for the secretary. 30

Q. You saw the minute at a subsequent time though, this particular minute? A. Within the last year.

Q. If that minute is accurate, assume it is accurate, the position was that you were, as a director of A.O.&E., sitting in the board room of Queensland Mines, when Queensland Mines agreed to sell the interest, if any, that it had in the Southport and Moggill projects to A.O.&E. for £2,000, were you not?
A. The position is this, that the arrangement was that a new company was to be formed by A.O.&E. and 40

Stanhill, and I had been given instructions for each of us to put in £2,000 towards preliminary expenses. I had been instructed by Mr. Korman to debit the preliminary expenses of £2,000 from Stanhill to the imprest account and that would be taken up and adjusted in Melbourne. After Mr. Gladstones came in and wanted to adjust the affairs of the company, at that stage the amount of - an amount paid on behalf of the Blue Metal, on behalf of Stanhill, had not been repaid by Stanhill. I agreed at the meeting -- 10
Before I go on: I was informed that Stanhill did not want to go ahead and I agreed to pay on behalf of A.O.&E. the amount of £2,000 to cover the liability of Stanhill in respect of the Blue Metal, and at a subsequent time A.O.&E. sent a cheque for £2,000. I think I then ascertained, either before or after the cheque, that the accounts that should have been met by Stanhill, by Queensland Mines on behalf of Stanhill, had not been paid. And under instructions from Melbourne, I presume from Mr. Gladstones, certain outstanding accounts which had not previously been met within the scope of £2,000 were paid at a later date. 20

Q. By whom? A. Through the imprest account as given instructions to do so.

Q. Of Queensland Mines? A. Yes. After I had paid £2,000 to Queensland Mines Melbourne account.

Q. Didn't A.O.&E. pay £2,000 for something?
A. Yes, it paid its proportion of the expenses and it paid the extra £2,000 that Stanhill did not put in. 30

Q. Was this a time, according to your earlier evidence, when there was an instruction by the A.O.&E. Board, not to engage in ventures without specific approval? A. At that particular time it was referred to the A.O.&E. Board, and they agreed to go ahead with it basically because the value of the real estate was equivalent to the value of the Blue Metal quarry. But I had been given instructions it was not to be brought into operation unless the board gave full consideration to it. 40

Q. Would you agree that in your capacity as a director of A.O.&E. you could not properly countenance the payment of money for the purchase of some interest, if any, that Queensland Mines had in the Moggill Prospect unless you were satisfied that Queensland Mines did have such an interest? A. No, I don't agree with you.

Q. You thought it was all right as a director of A.O.&E. to pay out money for what might be nothing?
A. I don't agree with you.

Q. Indeed, if that minute is correct, you were sitting in the boardroom of Queensland Mines occupying as well a position as director of A.O.&E., and countenancing an arrangement whereby A.O.&E. paid money for something that you knew it could not get, is that right? A. No. We were paying £2,000 for Stanhill's interest.

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Q. Who was "We" in that context? A. A.O.&E.

Q. That is not what the minute says, is it?
A. No, it does not.

Q. By whom were the minutes kept at that time?
A. Mr. Phillips.

RE-EXAMINATION

MR. STAFF: Q. Would you look at page Q24, the minutes of the meeting of directors of Queensland Mines Limited, held on 6th June, the next meeting?
A. Yes.

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Q. Do you see under the heading Blue Metal - you were not present at that meeting? A. I was not present at that meeting.

Q. Can you tell his Honour what the blue metal leases referred to in that minute? A. I beg your pardon?

Q. Can you tell his Honour what the blue metal leases were that that minute refers to? A. There were two lots of leases. There was one at - actually they were not leases; the one at Brisbane was a real estate proposition, and then there is a small lease at Southport from the Southport Council for a shilling a week subject to royalty on production.

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Q. In whose name did the lease at Southport stand at this point of time June, 1962? A. A.O.&E. Can I qualify that? At the time that I ceased to be a director of A.O.&E. in 1971, it was in the name of A.O.&E.

Q. I think you may have misunderstood my question. What I asked you was, at the 6th June, 1962, the date of this minute, you see some documents, relating to Blue Metal leases, were signed with the common seal of the company, that is Queensland Mines?
A. The original lease at Southport was negotiated

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by Mr. Ridgway and he had got it in the name of Queensland Mines, and I had referred the matter to the directors, I think, on 27th April indicating a mistake had been made, and they told me to dispose of it the best way I could.

Q. Following the 6th June, was it transferred to A.O.&E.? A. I believe so, yes.

Q. Would you look at page Q20, the minute of 27th April, 1961. Do you see under the heading of Future Operations, numbered paragraph 4 a reference to blue metal lease? A. Yes, that is the position. 10

Q. Is that the lease? A. That is the lease at Southport we are referring to.

HIS HONOUR: Q. That is the lease at Southport? A. Southport, the lease from the Shire Council, at Southport.

MR. STAFF: Q. To the best of your belief is that the lease referred to in the minute of 6th June, 1962, at page Q24? A. £2,000 was not paid in respect of that lease -- 20

Q. No? A. -- but that was the same lease referred to in the subject minute.

(Witness retired and excused subject to recall).

MR. STAFF: May I tender a schedule called Savage River Iron Investments Pty. Limited, Tasmanian Iron Ore receipts? It is a schedule which I said I would provide for my learned friend.

MR. HUGHES: I adopt the course of letting the document go in without objection on the basis that the accountant is going to be called. 30

MR. STAFF: I do not intend calling my accountant.

MR. HUGHES: In that case, I must withdraw my consent.

MR. STAFF: I had not intended, having regard to the cross-examination, calling the accountant. I had offered to provide this schedule for my learned friend.

HIS HONOUR: If it is objected to, I cannot accept it. 40

MR. HUGHES: I refrained from cross-examining Mr. Hudson about it because Mr. Hudson said "My accountant will tell you all about it".

HIS HONOUR: If he is not being called, you can ask to further question Mr. Hudson, Mr. Hughes.

MR. HUGHES: I regret having to prolong the matter, but I will have to take the matter further. My junior informs me that at an earlier stage of the case schedules were put in relating to Mr. Ridgway's expenses on the basis that the accountant would be called to explain them.

MR. STAFF: I certainly don't recall that.

HIS HONOUR: I have got the impression in my mind that the accountant was going to be called, but I do not remember now exactly what I got it from. What was the earlier matter your junior has reminded you of, Mr. Hughes? 10

MR. HUGHES: It was after I cross-examined on the draft report. It starts at the bottom of page 286, the third last question.

HIS HONOUR: That is not what Mr. Darvall was referring to?

MR. HUGHES: No. If your Honour would look at page 287, the fourth question on the page "What is the totality approximately of the dividends received by you from the interest you claim in the project through your companies? A. Mr. Hughes, I couldn't tell you ...". 20

HIS HONOUR: I am not really concerned with that fact. It seems to me if you have been misled on that, your only remedy is to recall Mr. Hudson. I was interested in the other point raised by Mr. Darvall that some earlier exhibits had gone in on the basis of the statement that the accountant would be called. 30

MR. STAFF: I will undertake to call the accountant if my friend wants me. I was simply seeking to save time by calling unnecessary witnesses. I undertake to call Mr. Salier at some appropriate time.

MR. HUGHES: I do not wish to ask Mr. Hudson any further questions.

MR. STAFF: I withdraw the tender of the document.

ADDISON GORDON PALMER
Recalled on former Oath:

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MR. STAFF: Q. Mr. Palmer, we had not got very far on Thursday, but you had taken us to the point where you had a conversation with Mr. Hudson, in which he had asked you some questions about major mining

prospects and steel industry prospects. Following that conversation did you some short time later speak again with Mr. Hudson? A. Yes, on 16th February. I have a diary which stated that I discussed the question of ---

MR. HUGHES:: Is that 1959?

MR. STAFF: 1959.

WITNESS: --- The question of fees for the New Zealand investigation with Mr. Hudson, and the heading in my diary --- (Objected to) 10

Q. Have you got your diary there? A. Yes, in my bag.

Q. Before you go to your diary could you tell us whether you recall independently of your diary anything that occurred in that conversation?

A. Well, I think he probably rang me about the 16th or on the 16th, or the day before and said words to the effect that "The Kormans want you to go to New Zealand and carry out an investigation of the iron sands deposits. Would you come and see me?". And on the 16th I obviously saw Mr. Hudson and discussed the matter of fees with him. 20

Q. (Diary shown to the witness). With the aid of your diary, can you recall anything more of the conversation you had with Mr. Hudson on the 16th?

A. No, I cannot recall anything. He probably said that "when you arrive in New Zealand, report to Mr. Hill Korman at Holeproof, New Zealand, in Auckland".

Q. Do you remember whether he said anything to you about person or persons or organisations for whom you were being asked to do the work? A. Well, 30

Factors' name was obviously mentioned because it is in this diary. And I think that Factors, he may have said "You are going over for Factors", or he might have said, "Factors will be paying the bill", but I cannot remember exactly. I have the idea, and I could be wrong, that Factors did have an interest in the Holeproof Industries mill or was about to acquire an interest in the Holeproof mill and consequently they did have a New Zealand connection. 40

Q. Following that conversation did you then go to New Zealand? A. Yes.

Q. Can you recall, without the aid of your diary, when that was? A. Well, it was the 24th February.

Q. I think, in fact, you have looked through your diary in recent times? A. Yes, I had.

Q. Before coming to court? A. I had.

Q. Is it the diary that enables you to fix the dates with precision? A. No, my accounts enable me -- actually I didn't find the diaries until, I think it was the weekend before last, but I had, I knew the date of the visit from my account in my files. 10

Q. You recall that you visited New Zealand, or you went there on 24th February. How long were you there? A. Till 8th March.

Q. Did you go alone or with -- A. I went alone.

Q. When you got there whom did you see?
A. Mr. Hill Korman.

Q. You knew him as an executive of Holeproof Industries, New Zealand? A. That is correct.

Q. Did you then have some discussion with Mr. Hill Korman? A. Well, I can't remember exactly, but we would have done; and I remember him asking me to see various Government people including Ministers, particularly the Minister for Mines, Mr. Hackett. 20

Q. You did so whilst you were there, did you?
A. I beg your pardon?

Q. You saw such people whilst you were there?
A. Yes, I did.

Q. And generally made an investigation into the iron sand resources? A. That is correct. 30

Q. When you returned to Australia, did you prepare a written report? A. I did.

Q. What did you do with that? A. When that was completed, I submitted it to Mr. Hudson, and at the same time, I wrote to Mr. Redpath at Stanhill Pty. Limited, advising that I was forwarding amongst other things this report per Mr. Hudson.

Q. (Exhibit "M" shown to the witness). Is that the report or a copy of the report that you prepared and sent? A. In connection with the New Zealand matter - No, this is the one on Western Australia.

Q. (Exhibit 5 shown). That is the New Zealand report, is it? A. Yes, that is correct.

Q. Exhibit "M" is a report you subsequently did in relation to Western Australia? A. Yes.

Q. Following delivery of your report, Exhibit 5, do you recall making a trip to Melbourne, in connection with the same matter? A. Yes, that is correct. 10

Q. Did you go alone, or with anyone? A. I think I went with Mr. Hudson, but on the other hand I may have met him there.

Q. Do you remember whom you saw in Melbourne apart from Mr. Hudson? A. Mr. Redpath.

Q. You did not meet Mr. Korman? A. No, I didn't meet Mr. Korman.

Q. Do you recall having some conversation with Mr. Redpath and Mr. Hudson, in Melbourne, about the New Zealand matter? A. Although my report was not forwarded to Mr. Redpath till later I must have forwarded a draft report to Mr. Redpath, because he had read the report, and told me that he spent quite a lot of time reading it, and he told me at the meeting on 21st, 22nd April; and the report obviously was discussed. 20

Q. The detail of the discussion you cannot now remember? A. Well, the main points discussed were - they wanted to go ahead, but how did they get the areas? The question of applying for the areas which was the key to the whole situation was undoubtedly discussed. 30

Q. Was any other topic discussed that you can recall? A. No, I can't recall any other matter.

Q. Have you any note in your diary about the visit to Melbourne? A. Yes, it is noted in my diary.

Q. What is the note you have? A. The first note on 21st April, 1959, is headed "Stanhill" and the note is "In Melbourne re directors' meeting, New Zealand iron sands". And on the 22nd April it is headed, "Stanhill", again, and it says, "Returned from Melbourne". 40

Q. Do you recall anything being said about Stanhill during the course of that visit, anything said by anyone else? A. No, I can't recall it. It was at the office of Stanhill.

Q. Have you any notes in your diary about your trip to New Zealand?

Q. From 24th February to 8th March? A. Yes, I have.

Q. What have you there? A. On 24th February the heading is "Factors", and it says, "Left for New Zealand in afternoon, arrived Auckland". On 25th February it says "Factors". Saw Korman and Moore at Holeproof. Left for Wellington, arrived Wellington". 10

Q. Have you entries on succeeding days up to the 8th of some of those days? A. Yes, I have, but the entries simply say that I was in New Zealand, without any detail of whom I was seeing.

HIS HONOUR: Q. When you read your note about 21st April, there was a reference to a directors' meeting? A. Yes. 20

Q. Were you yourself present, at a directors' meeting? A. No, there was not a directors' meeting. As far as I can remember, Mr. Redpath was present and Mr. Hudson, and myself. I can't remember anyone else being present.

Q. What is the meaning of the reference to the directors' meeting in your diary? Do you know? A. No, your Honour, except that I was meeting one of the directors; but there was not a formal directors' meeting at all. 30

Q. At which you were present? A. No.

MR. STAFF: Q. Do you recall before going down on 21st April any discussion with anyone in which the purpose of your visit was indicated to you? A. I was told by Mr. Hudson I was required to go to Melbourne on those dates, with a view to discussing the next move in the New Zealand matter.

Q. Before you went down was anyone in particular mentioned with whom you would have that discussion? A. As far as I can remember I was to meet Mr. Redpath and Mr. Korman, and Mr. Hudson would be present also. 40

Q. I think, in fact, you did not meet Mr. Korman?
A. No, I have never met Mr. Stanley Korman.

Q. Is there anything else you can recall about that discussion in Melbourne? A. Well, the main reason of the discussion was the next move in New Zealand, and I was instructed obviously at that meeting, because of a subsequent letter I wrote, to prepare an application for New Zealand iron sands and a proposal for the investigation of the iron sands.

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Q. At any time in your discussions which led up to your visit to New Zealand on 24th February or thereafter, up till the time you returned from Melbourne in April, do you recall Queensland Mines Limited's name being discussed in connection with New Zealand iron sands? A. No, I can't recall Queensland Mines' name being discussed during that period.

Q. Shortly after you returned to Sydney, do you recall having sent an account for work you had done?
A. That is correct.

20

Q. Have you a copy of your account? A. Yes, a copy is in my bag.

Q. Would you extract for us your account, and any accompanying documents? (Two documents produced).
A. There is a schedule of expenses attached to it.

(Account of Mr. Palmer, dated 28th April, 1959 tendered and marked Exhibit 82)

Q. (Exhibit 82 shown to witness). On the second sheet, that is the sheet headed Preliminary Investigation New Zealand Iron Sand Resources, at the foot of the page there are three notations. Are they notations which you made at the time or subsequently? How did they come to be on the document? A. They were made at the time of the submission of the account, when it was typed.

30

Q. I am not quite sure what the indications are. For your accommodation in Auckland you show nothing in respect of it. The notations indicate that it was paid by Holeproof New Zealand? A. Yes. As far as I can recall all the accommodation accounts were paid by Holeproof New Zealand.

40

Q. Then you indicate your accommodation in Melbourne was paid by Mr. Hudson? A. Well, I couldn't be sure whether he paid it. I didn't pay it and I was with him and I assume he ---

Q. You assume it? A. That is correct.

Q. At any rate, you did not pay anything?
A. I didn't pay it.

Q. And the other one is "Air fare, Sydney to Auckland, and Return"? A. No, I don't know for sure who paid that. Stanhill was the one I had in my mind and I put Stanhill down. 10

Q. It could have been anybody? A. Yes.

Q. But that is your belief at the time? I am going back a little bit, but on 24th April did you write a letter to Mr. Redpath, a copy of which you have there? A. Yes.

Q. And you sent it with some enclosures, did you?
A. Yes.

(Letter from Mr. Palmer, to Mr. Redpath dated 24th April, 1959, with enclosures, tendered, marked Exhibit 83). 20

Q. In the letter to the Minister for Mines, New Zealand, you spoke of "My principals". Do you recall that? A. Yes I recall that.

Q. Had you whilst in New Zealand in February and March identified to anyone, to whom you spoke who your principals were? A. No, I did not.

Q. You preserved, as it were, anonymity?
A. That is correct.

Q. Is that the reason why you used the expression "my principals" in the letter, which is annexed to that which you sent to Mr. Redpath? A. Yes. 30

HIS HONOUR: Q. Did you have instructions to keep the names of your principals confidential? A. Yes, I did, your Honour.

MR. STAFF: Q. Did you on or about the 2nd June, receive the letter together with the cheque mentioned therein (shown to the witness)? A. Yes, I did.

Q. On 5th June, 1959, did you write the letter, and enclose a receipt with it, an almost illegible copy of which I show you? Perhaps you might have a better copy? A. I have the letter that I forwarded acknowledging, forwarding the receipt. I printed out a copy of the receipt by hand. (Copy receipt produced).

(Letter from Factors to Mr. Palmer, dated 2nd June, 1959, and reply dated 5th June, 1959, tendered, and marked Exhibit 84).

10

Q. Can you recall at any time up to the date when you sent out your account, any discussion with anyone, about the person or the organisation to whom it should be sent? A. I would have been instructed by Mr. Hudson to forward the account to Stanhill Pty. Limited.

Q. You cannot place the time of that conversation?

A. It would be shortly before the date the account was actually sent out.

Q. After your visit to Melbourne, and the sending of the letters to which we have already referred to, what was the next thing that happened, that is about the end of April, early May 1959, in connection with the iron sands investigation? A. The letter which I prepared in Sydney, was forwarded to Mr. Redpath, and it was obviously forwarded on to Mr. Hackett in New Zealand, and the arrival of that letter brought a fairly prompt reaction from Dr. Sutch.

20

Q. Dr. Sutch was the secretary of the Industries and Commerce Department in New Zealand? A. Yes, that is correct. And Dr. Sutch sent me a cable, advising the Minister for Industries & Commerce in New Zealand, was holding a meeting of all parties interested in the development of New Zealand iron sands.

30

Q. Is that a copy of the cable which you received? (Shown to witness). A. That is correct.

Q. Did you then receive a letter dated the same date from Dr. Sutch? A. That is correct.

40

Q. Would you look at this document (Letter and enclosure shown)? A. That is correct.

(Cable dated 1st May, 1959, from Dr. Sutch to Mr. Palmer, tendered, marked Exhibit 85).

(Letter dated 1st May, 1959, from the Department of Industries & Commerce, to Mr. Palmer, and enclosed Press statement, tendered, marked Exhibit 86).

Q. Did you then write a letter to Dr. Sutch dated 5th May (copy shown)? A. Yes, that is correct.

(Letter from Mr. Palmer, to Dr. Sutch dated 5th May, 1959, tendered and marked Exhibit 87).

Q. On the same day did you write to Mr. Redpath, at Stanhill Pty. Limited (Copy shown)? A. Yes, I did. 10

(Letter from Mr. Palmer, to Mr. Redpath, dated 5th May, 1959, tendered, marked Exhibit 88).

Q. Your last letter of 5th May, referred to a letter from Mr. Redpath of the 28th April. Is that the letter referred to (copy shown)? A. Yes, that is correct.

(Letter from Mr. Redpath to Mr. Palmer, dated 28th April, 1959, tendered, marked Exhibit 89). 20

Q. Then did you write a further letter to Mr. Redpath on the 6th May? (Copy shown). A. Yes.

(Letter from Mr. Palmer to Mr. Redpath, dated 6th May, 1959, tendered and marked Exhibit 90).

Q. After that exchange of correspondence, did you next have some conversation with Mr. Hudson, during May about a further visit to New Zealand? A. Yes, that is correct. 30

Q. Have you any entry in your diary which enables you to place that conversation? A. No, I have no entry of that.

Q. What can you recall of that conversation?

A. Well, simply that probably he said, "Mr. Stanley Korman wants us to go to New Zealand, and attend the Minister's Conference".

Q. Did you travel with Mr. Hudson to New Zealand?

A. Yes. 40

Q. And attend that conference? A. Yes, we did.

Q. When was that? A. The conference was on 20th May, 1959.

Q. Have you any entry in your diary about that?

A. Yes, on the 20th May I have a heading, "Stanhill", and then "Minister's meeting in Wellington".

Q. You travelled by air, of course? A. Yes.

Q. Do you recall whether you paid your own expenses or whether you were provided with a ticket? A. Well, the accommodation as I recall would have been paid by Holeproof New Zealand. The air fare, I think that that was arranged by Mr. Hudson. 10

Q. You were in New Zealand for a number of days, were you? A. That is correct.

Q. Can you tell us how many? A. We left on 18th May and came back on the 22nd May.

Q. During that time you attended the conference with a number of other people interested in the proposal? A. Yes, that is right.

Q. Do you remember whether there was anyone there whom you had previously met in Australia and New Zealand other than Government representatives. 20

A. No, I believe Mr. Hudson and I were the only ones present.

Q. In connection with that visit or during the course of it was there any discussion of Queensland Mines Limited, as a company interested in participating --- A. I cannot recall Queensland Mines being named at all.

Q. You recall you had previously received a letter from Mr. Redpath on Queensland Mines' letterhead? A. That is right. 30

Q. Apart from that occasion, up to this point of time, that is while you were in New Zealand at the conference, had you ever heard of Queensland Mines Limited, as interested in the New Zealand iron sands proposal? A. No. Queensland Mines, as far as I can recall --- From - my knowledge of Queensland Mines had been based on what I had read in the newspapers. I seem to recollect that Factors took up a 51% interest in Queensland Mines and I think this was prior to my visit to New Zealand. I do subscribe or did subscribe to the mining service of the Sydney Stock Exchange and that would have also been recorded in there. 40

Q. But in relation to the New Zealand iron sands discussions did you ever hear anything of Queensland Mines as being an interested party? A. No, I can't recall Queensland Mines' name being mentioned.

Q. I don't want to take you through the Minister's conference, but you attended it and I suppose you had discussion with other people who were there?

A. Yes, that is right.

Q. And then you and Mr. Hudson came back to Australia? A. That is correct.

10

Q. I think you told us you personally did not pay your own accommodation expenses, they were paid by --- A. They were usually paid by Holeproof New Zealand.

Q. At some time did you also attend a conference with a New Zealand Prime Minister, Mr. Nash?

A. Yes, I did.

Q. Can you place that occasion? A. Well, I thought it may have been the second New Zealand visit, on the 18th to 22nd May, but I rather think that that was incorrect. I had no record in the diary of that meeting, and I think that it may have taken place on the third visit in 1960, March, 1960.

20

Q. You are unable to place it in terms of date?

A. No, I cannot place the exact date.

Q. Do you recall who was present on that occasion?

A. Mr. Hill Korman was present, Mr. Hudson and Mr. Redpath.

Q. Anyone else? A. Well, there could have been a Mr. Taft. I can't swear to that, but I have an idea he may have been there, also.

30

Q. And, of course, the Prime Minister and some Government officials? A. Yes. The Prime Minister was there, and I think one other, his secretary, possibly.

Q. What was the subject matter of that discussion?

A. The development of an iron and steel industry in New Zealand.

Q. Do you recall whether or not you paid your own expenses of travelling to New Zealand or accommodation, on that occasion? A. This is the third visit you are speaking of?

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Q. Yes. A. I would hope to check in my accounts.

Q. Before we go to that, during the course of that Prime Minister's conference, do you recall any discussion of Queensland Mines Limited in relation to the New Zealand iron sands? A. No, I cannot recall any. It could have been mentioned, but I just can't recall that it was mentioned.

Q. Do you recall any discussion of principals in relation to the proposal of the Prime Minister?

A. I think at that time it must have been realised that the Korman group, the Kormans in the Korman group were interested, because Mr. Hill Korman was present at the meeting, and he was, of course, well-known, I think, in Parliamentary circles. 10

Q. After your return from the May visit, did you send an account in respect of that visit? A. Yes.

Q. Have you a copy of it there? A. Yes, I have.

Q. The first item in respect of which the charge was £110, was simply a charge for your time?

A. Yes, that is correct. 20

Q. And you are adding to it travelling expenses, from Surfers Paradise? A. That is correct.

Q. Does that enable you to say that other expenses associated with your trip were paid by other people?

A. That is right. Those expenses in the account related to the plane fare from Sydney to Auckland, Surfers Paradise, to Sydney and return.

(Account of Mr. Palmer, dated 4th June, 1959, tendered and marked Exhibit 91).

Q. Did you thereafter receive payment of that account? A. Yes, I received payment. 30

Q. Did you send a receipt in respect of that?

A. Yes, I sent a receipt.

Q. To whom did you send that? A. Factors Limited.

Q. Have you a copy of the receipt there?

A. Yes, I have.

Q. Have you a copy of any letter which you received with a cheque in payment? A. I must have done, but I seem to have misplaced it; but obviously Factors paid the account, because the receipt was made out to them. 40

Q. Did you make out the receipt yourself?

A. I made the receipt out, yes.

Q. Your practice is to make out the receipt to the actual person who is paying it? A. Yes.

(Receipt of Mr. Palmer, dated 28th September, 1959 tendered, marked Exhibit 92).

Q. The photocopying that is on the top of the page is a photocopy of a carbon, is it? A. Yes.

Q. When was the photocopy made, approximately? 10

A. About three weeks ago, I think.

Q. Have you the document? A. I have got the original.

Q. Is that a carbon in a book of -- A. That is right.

Q. Have you got the original here? A. I have got a carbon original. (Document produced).

(Abovementioned carbon copy tendered, marked Part of Exhibit 92),

Q. Subsequent to your June account and payment of it, did you have a further conversation with Mr. Hudson, about the New Zealand proposal in 1959? 20

A. Well, I used to see Mr. Hudson at fairly frequent intervals in his O'Connell Street office, mainly to see what progress was being made on this matter. As far as I can recall there was nothing it was very hard to get any positive decisions from the New Zealand Government. At the time it was a Labor Government and they were very keen on New Zealand control, and certainly a New Zealand majority shareholding, and possibly even Government control; and the latter seemed to be getting bogged down, if I can use the expression. 30

Q. You had some discussion with Mr. Hudson, about these things? A. Yes, I did.

Q. In that state of affairs, was there any discussion about alternatives? A. Yes, there was.

Q. When was this? A. This would be sometime prior to October, 1959; probably early, about early October, 1959. 40

Q. Can you recall anything of the conversation you had with Mr. Hudson about such an alternative?

A. Well, yes. I remember speaking to him. We discussed the difficulties of getting anything concrete from the New Zealand Government, and Mr. Hudson said words to the effect, "Are there any alternatives to the New Zealand, from the aspect of setting up a steel industry?" About this time the Western Australian Government had called for tenders, for the export, for the mining of iron ore despoits in Western Australia, and there was some publicity given at the time to iron ore deposits in Western Australia. And I suggested perhaps they might, the Kormans might be interested in having a look at the iron ore deposits of Western Australia, and also if they did that, to investigate the possibility of developing a pigment industry based on illuminite in Western Australia, and also the possibility of establishing an iron and steel industry in Tasmania, based on Tasmanian iron ore deposits.

Q. Did you say whereabouts in Tasmania the deposits were? A. I could well have done. I was aware of where the iron ore deposits were in Tasmania.

Q. Where was that? A. Savage River had been receiving publicity in technical journals which I subscribe to, so I was well aware of the Savage River.

Q. Was there anything more in that conversation? A. Well, there may have been, but I can't recall. They were the main features of it.

Q. What was Mr. Hudson's response? A. He said he would refer the matter to the Kormans.

Q. Did you hear something more from him shortly afterwards about that subject matter? A. Yes. He said they wanted me to carry out these investigations in Western Australia, and Tasmania, which I agreed to do. I went to Perth early in October, as I remember.

Q. In those conversations was there any discussion about Queensland Mines Limited, as a principal? A. No, Queensland Mines' name could have been mentioned. In fact, it obviously was mentioned at some stage because my account was submitted to Queensland Mines for this particular investigation. But I can't recall Queensland Mines' name being mentioned as a principal.

Q. Or having any interest in the project in that context? (Objected to).

HIS HONOUR: Q. Do you recollect any reference at all to Queensland Mines? A. There must have been a mention of Queensland Mines because ---

Q. But do you recollect it? When you examine your accounts, you say you find you sent your account to it, and there must have been a reason for that. But do you recollect any conversation? A. I don't recollect anything in a conversation, but it must have been mentioned because in addition to the accounts I have a notebook in which there is a reference, a notebook I used on this investigation in which there is a reference to Queensland Mines. 10

Q. But you have no independent recollection of what was said about it? A. No, your Honour.

MR. STAFF: Q. You went to Western Australia about 6th October? A. Yes, that is correct.

Q. Have you a reference to that in your diary? A. Yes, I have.

Q. What is the reference? A. On the 6th October, there is a notation, "Factors. Left for Perth". 20

Q. Have you a note in your diary of when you left Western Australia? A. Yes. On 20th October there is a notation "Factors. Left Perth for Melbourne and Hobart".

Q. In between the 6th and the 20th, have you other references in your diary to what you were doing? A. No, there is no reference in this diary. I would have kept notes of what I was doing, possibly on foolscap paper, foolscap pad, and on such a pad I would put what date. (Objected to). 30

Q. You told us you have entries in your diary on the 6th and the 20th and nothing else in between? A. Yes, that is right.

Q. Would your diary also record a visit to Tasmania? A. Yes, that is correct.

Q. What date is that? A. 21st to the 23rd October.

Q. What entries have you got there? A. On the 21st I have "Factors. Arrived Hobart". There is no entry on the 22nd, but I was in Hobart. And on the 23rd I have "Factors. Left Hobart for Sydney". 40

Q. When you returned, you compiled a report? A. Yes, that is right.

Q. Which you identified earlier as Exhibit "M"?

A. Yes, that is right.

Q. To whom did you deliver that report? A. To Mr. Hudson.

Q. Where -- to the office in O'Connell Street?

A. Yes, it would have been there.

Q. Do you remember any discussion with him at the time of delivery? A. Well, I think he probably asked me what did I think of the prospects, and I probably discussed them in general terms. But I remember in particular I was rather keen on the possibilities for developing a pigment industry based on the illuminite sands in Western Australia. I said I felt that that was probably the most immediately favourable of the three prospects discussed in the report.

10

Q. Subsequent to that, do you recall any further discussion with Mr. Hudson, or anybody else, about Tasmanian Iron ore? A. No, I cannot recall anything further because after I submitted the report, I really didn't have anything more to do with the Tasmanian or Western Australian projects.

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Q. At the end of the discussion which you had with Mr. Hudson did he say anything to you? A. He noted my remarks on the possibility of establishing a pigment industry and he said he would draw Mr. Korman's attention to the matter. And I did have a subsequent conversation with Mr. Hudson, and I asked him what did they feel about the prospects of establishing the pigment industry, and he said that they didn't appear to be particularly interested in it and were not going to proceed with it at all.

30

Q. You sent in an account for your work in connection with the visit to Western Australia and Tasmania? A. Yes, that is correct.

Q. Have you a copy of it there? A. Yes.
(Document produced).

(Account of Mr. Palmer to Queensland Mines, dated 5th February, 1960, and annexure tendered, and marked Exhibit 93).

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Q. Subsequently, in 1960, I think you had carried out some investigation in relation to iron deposits in Victoria for Nowa Nowa deposits? A. Yes, that was December, 1960.

Q. Have you got your 1960 diary? A. Yes.

Q. Have you any notes in relation to Nowa Nowa?

A. No, there is no reference to Nowa Nowa.

Q. Do you recall any conversation you had with Mr. Hudson about Nowa Nowa, and the inquiries you made there? A. There must have been a conversation at which I was instructed to go to Melbourne and investigate these deposits.

Q. How long were you engaged in connection with that visit? A. That was only a very brief matter. I think I spent one day in Melbourne and I was referred to - I have forgotten the name, it is recorded in my report - he held the leases over these deposits, and I obtained certain information from him, and also I had Government reports on the deposits and I had enough information to prepare a report which I submitted.

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Q. You did submit a report, that is Exhibit 11 (shown)? A. Yes, that is the report.

Q. Do you remember anything of the conversation you had with Mr. Hudson, which led to the preparation of that report? A. No, I cannot recall anything definite.

20

Q. Can you recall anything about persons or companies for whom you were to do it? A. Well, he may have mentioned Queensland Mines, because the account was addressed to Queensland Mines, or he may have mentioned Queensland Mines afterwards, as the company to which my account should go.

Q. You have got no recollection one way or the other? A. No. The report was addressed to E.R. Hudson, not to any company.

30

Q. You sent in an account. Would you look at the top sheet of Exhibit 12 (shown). A. Yes, that is right.

Q. Would you then look at the other two documents, which are contained in that Exhibit? A. Yes.

Q. And the third one? A. Yes.

Q. Looking at those, can you recollect anything about the accounts, or any discussions that you had with Mr. Hudson, or anybody else, concerned with the company's name? A. Yes. Well, I would have asked Mr. Hudson to whom I should send the account.

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HIS HONOUR: Q. Are you going on your recollection, or are you drawing an inference? A. It is actually from the document.

Q. You don't remember anything about that?

A. No, I don't. I am going on the document. Mr. Hudson must have told me --- (Objected to; objection withdrawn).

MR. STAFF: Q. Looking at the first document in that exhibit, dated 14 December, addressed to "The Secretary, Stanhill Consolidated Limited, Care of E.R. Hudson, Esq."? A. Yes. 10

Q. Looking at that, are you able to recollect anything about the circumstances in which you were led to send the document so addressed? A. No, I can't recollect anything. I must have been told to submit it to that company, because that is the first time I ever addressed anything to that company.

Q. Looking at the next document, which bears the same date, the 14th December, it has a hand-written notation on it? A. Yes, that is right. 20

Q. Is that your handwriting? A. Yes.

Q. Could you read it? A. It says "Submitted March, 1963, as instructed, E.R. Hudson", and my initials.

Q. Having read that, and looked at the addressee of the account, does it enable you to recall anything about the circumstances in which you sent that second document? A. I can't recall anything that was said, but Mr. Hudson must have said, "We submit the account to Queensland Mines". 30

Q. Have you any recollection as to whether the one you sent earlier had been paid or not? A. No, it had not been paid.

Q. Would you look at the third sheet? Is the handwriting also yours at the foot of that? A. Yes, that is right.

Q. Looking at the handwriting, does that assist you to recollect anything relating to the circumstances in which the third sheet was prepared? A. Actually the one that is third here, was the second. The first account was addressed to Stanhill Consolidated on 14th December, 1960. The account was not paid, and I probably mentioned to Mr. Hudson 40

that the account had not been paid and he said - he must have said "We submit the account to Queensland Mines". And that account was re-submitted to Queensland Mines on 8th May, 1961.

Q. How do you fix the 8th May, as the date?

A. That is the date on the top of the account, the second account?

Q. Can you recall when you wrote the words, "Replace Stanhill account as instructed by E.R. Hudson"; that is the one dated the 8th May?

10

A. That is right; 8th May, 1961. That is the second submission.

Q. Do you remember when you wrote those words in handwriting on it? A. No, I cannot recall when I wrote those but it would have been, I would think, at the time the account was submitted.

Q. You have not recently written them on?

A. Oh no, no.

Q. And they have not been written on since you were consulted about this case? A. No, they have not.

20

Q. The third sheet, dated the 14th December, addressed to the Secretary, Queensland Mines Limited, you say was the third in point of time? A. Yes, that was submitted in March, 1963, although I did have the 14th December, 1960. I think possibly when I was typing it - I was doing my own typing - I typed from the original account and automatically put in the 14th December, 1960.

Q. Could you tell us when the words, "Submitted March 1963, as instructed E.R. Hudson", were written on it in handwriting? A. They would have been written when the account was submitted.

30

(Short adjournment).

MR. STAFF: Q. I think you did some work in relation to one other matter for Mr. Hudson in 1960, one other than you have talked about so far. Do you recall an inquiry or some investigation about spun pipe? A. Yes.

Q. Can you tell us when approximately you carried out work in relation to that subject matter? A. I think that commenced about the time I visited New Zealand for the third time and that was from 18th March to 30th March, 1960.

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Q. Have you a reference to that matter in your diary? A. Yes I have.

Q. When is the reference? A. The first reference is on 18th March, 1960.

Q. What is the reference? A. It is headed "Factors. Left for New Zealand in connection with setting up steel plant".

Q. Have you a number of references following that? A. Yes I have.

Q. Over what period? A. From 18th March to 30th March. 10

Q. How are those references entitled? A. From 19th March to 29th March the note is simply "Factors, New Zealand". On the 30th the note is "Factors, New Zealand. Return from New Zealand". Then there is a list of expenses I incurred in New Zealand.

Q. That is what year? A. 1960.

Q. Can you recall any discussion you had with Mr. Hudson or anyone else associated with Kormans about that subject matter? A. I think before I went to New Zealand on 18th March I would have discussed - Mr. Hudson would have discussed the matter with me and apparently they were still, the Kormans, Mr. Hudson, were still discussing the question of a steel industry with the New Zealand Government. I was not involved actually. I had very little to do with New Zealand between my second visit and the third visit. 20

Q. Besides your diaries to which you have referred you kept a technical diary? A. I would have had technical notes. I used to use a foolscap pad. I have that with me, and again seeing various officials and people in the department of D.S.I.R., as they called it, the government research body. I would make notes on this pad. 30

Q. Have you in the last little while searched your records for those sort of records, pads and records? A. Yes. There are only a few fragments left. Naturally after all these years I have not kept the complete material. 40

Q. In the course of your search did you come across a notebook in which you had some notes relating to the subject matters we have discussed this morning? A. Yes I did.

Q. Have you got that there? A. I have.

Q. Can you recall a circumstance in which you made the notes which you found in that book?

A. I think that they were made while I was travelling from Perth to Hobart via Melbourne and I quite probably made them on the plane coming across because they start after notes that were made while I was in Perth, and the notes that I believe I made on the plane coming across were points I had to discuss at the Mines Department in Hobart. 10

Q. Did you travel across alone? A. Yes.

Q. Do you recollect that you did in fact in Tasmania have some discussions with people in the Mines Department? A. Yes I did.

Q. Do you recall whether you used in the course of those discussions the notes which you made in the notebook you have? A. Could you repeat that?

Q. Do you recall whether you used during the course of those discussions any of the notes which you had made? A. Yes, I used the notes as a guide of what I was going to discuss. I probably had the notebook in front of me. 20

Q. Can you recall the source of the information which formed the basis of your notes? A. The notes were merely items or a list of things, a list of information that I had to obtain from the Mines Department to use in this report that would have to be prepared.

Q. The question I asked you, and I do not want to press you if you have no recollection, just say so. Have you any recollection of the source from which you had obtained the material which is noted down or matters which are noted down in your notebook? 30

A. The information that I required is shown by these things, I obtained most of the mining information from Mr. Johnson, the Assistant Director of the Mines Department.

Q. That is the extent of your recollection is it?

A. Yes. There were other officials I interviewed in the Hydro Electric Authority and there were other lesser officials in the Mines Department I interviewed and there is a list of people in the report but Mr. Johnson was the principal person. 40

Q. I think in the notebook there is a reference to Queensland Mines? A. Yes.

Q. Can you recollect the source of the information upon which that note relating to Queensland Mines is based? A. I cannot remember just how it got in there but I assume that Mr. Hudson possibly said that if it would help to use the name of Queensland Mines in connection with these iron ore deposits in Tasmania.

Q. Have you any recollection of whether you did in fact speak to anyone in Tasmania along the lines of the notes made? A. I would have discussed the list of headings in the notebook with Mr. Johnson but I do not recollect mentioning the name of Queensland Mines. In fact I rather doubt that I did use the name of Queensland Mines because subsequent letters from the Director, Mr. Symons, to me, he again referred to the matter of the principals, my principals, and in a letter I had from an officer of the Hydro Electric Commission in Tasmania the question of subsidised power was discussed. In this letter he said the government would need to know the names and the backgrounds of my principals. 10 20

HIS HONOUR: Q. You told me that you went to New Zealand and you had instructions not to disclose your principals? A. That is right.

Q. What was the position when you went to Tasmania? A. I can't remember the exact discussion but I didn't as far as I can recall disclose any names.

Q. But you thought you had a conversation with Mr. Hudson in which he had suggested you could use the name of Queensland Mines? A. That is correct. 30

Q. Is that the only thing you can say about your instructions to mention or not mention people in Tasmania? A. I cannot expand on that any more.

MR. STAFF: Q. I think on another occasion in 1960 you spent some little time in Melbourne in relation to mines and steelworks in Melbourne? A. That is correct.

Q. You visited Melbourne with Mr. Hudson did you? A. That is correct. 40

Q. And had a conference with some people down there? A. That is right.

Q. Who were the people with whom you had the conference? A. There was a firm of consulting engineers, Thomas Carey & Sons I think the name was.

Q. Had you had a discussion with Mr. Hudson about going down there? A. I would have done yes.

Q. Can you recall anything of that discussion?
A. The matter to be discussed with these consultants was the New Zealand steel pipe project.

Q. Are you able to place a date on that visit?
A. I would have it in my ---

Q. You have a note in your diary? A. I have it somewhere on an account.

Q. Have you any date in the diary? A. I think I have, yes. It was 11th April, 1960 and the heading is "Factors. Consulting Thomas Carey & Sons re estimates with New Zealand pipe factory, Melbourne". 10

Q. Can you recollect what occurred in Melbourne in relation to that visit? You saw Thomas Carey?
A. That is right.

Q. With Mr. Hudson? A. With Mr. Hudson, and I vaguely remember discussing the matter of the costs in setting up a pipe manufacturing plant, or general costs. We may have mentioned we were interested in setting up a plant in New Zealand. I have forgotten. 20

Q. Do you recollect any company's name or any person's name being mentioned as a principal? A. No, I don't recollect any name.

Q. Did you subsequently send an account in relation to that visit and the New Zealand visit on the 18th to 30th May, 1960 for your other enquiries and report, do you recall? A. Yes, I sent an account.

Q. Have you a copy of that there? A. Yes I have. 30

Q. Is that dated 30th May? A. Yes.

Q. Do you recall the circumstances in which you came to address it as you did. Do you recall any conversation? A. I don't recall any conversation but Mr. Hudson obviously instructed me to submit it to Queensland Mines.

Q. At the time did you exercise any discretion of your own as to the person to whom you would submit an account? A. No. As far as I can remember I always referred the matter to Mr. Hudson and I asked, "To whom shall I send the account?". 40

(Document tendered).

HIS HONOUR: Q. The second document is a receipt is it? A. Yes. Perhaps I should not have included that.

(Account of 30th May, 1960 and receipt of 6th June, 1960 tendered and marked Exhibit 94).

MR. STAFF: Q. Might I have the two diaries, 1959 and 1960? Would you look at your 1960 diary for May. You have there some reference under the heading "Queensland Mines"? A. Yes.

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Q. Over what dates? A. 8th May, 9th May, 10th May, 11th May, 1960.

Q. Can you tell us looking at those to what subject matter those notes relate? A. That was all concerned with the Queensland Pipe Project.

HIS HONOUR: Q. You said Queensland? A. I am sorry, the New Zealand Pipe project. Apparently I was obtaining various basic data for Mr. Hudson, cost figures and other things of that nature.

MR. STAFF: Q. Whereabouts were you? A. That would be in Sydney.

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Q. Have you any recollection of any discussion which led you to make those notes under the heading "Queensland Mines"? A. No, I have no recollection of any discussion.

CROSS-EXAMINATION

MR. HUGHES: Q. May I just see the diary? May we take it that when you were doing work for a client it was your custom in keeping the diary to note the name of the person you understood to be the client alongside a brief summary of the work you had done? A. That was the usual way I did it.

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Q. Have a look at the entry in your diary for the 6th May, 1960, that is on the left hand side of the page opposite to the entries for the 8th and 9th May, 1960? A. Yes.

Q. Do you see "Pacific Island Mines"? A. Yes.

Q. You recorded briefly some work you had done for that company? A. Yes.

Q. You put the name "Pacific Island Mine" because at the time you made the entry you regarded Pacific Island Mines as your client? A. That is right.

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Q. I suppose the reference to the person whom you regarded as your client in relation to any particular work was to assist you with your accounting?

A. That is right.

Q. May we take it that when you put "Queensland Mines Limited" as the client in relation to the entries of the 8th and 9th May you did that because of what Mr. Hudson had told you? A. Yes, I didn't regard Queensland Mines as the principal but that was the name that was used.

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Q. You regarded Queensland Mines as the client didn't you, your client? A. It was a name being used in connection with this work but I didn't regard it as the principal.

Q. You put Queensland Mines' name in your diary in relation to entries of the 8th and 9th May because you regarded that company because of what Mr. Hudson had told you as your client, didn't you?

A. I didn't regard it as the client. The client was in my view the Kormans.

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Q. Why put Queensland Mines Limited if Kormans were the client? Would you tell his Honour that?

A. I had already been told to send the account to Queensland Mines.

Q. That is the best indication you can get as a consulting professional that your client was Queensland Mines is it not? A. No, I regarded the Kormans as principals in all this. My reason for regarding them as principals was this ---

Q. I am not asking you that. I will come to another question. Have you spoken to Mr. Hudson recently before giving evidence in this case?

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A. The last time I spoke to Mr. Hudson I think was about six or seven weeks ago when he mentioned this case was coming on and he asked me to get in touch with Mr. Kevin Broadley of Freehill & Hollingdale.

Q. Would you be good enough to show me the notebook in which there was reference to Queensland Mines? It is the document from which the witness refreshed his memory. (Objected to; question allowed).

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Q. Is the notebook open at the page which you were asked to look at by my learned friend?

A. That is right.

Q. May we take it that you prepared the notes on this page of the notebook as an aide memoire?

A. That is right.

Q. An aide memoire to assist you in your investigations? A. That is right.

Q. And you prepared these notes as an aide memoire in case you had to have discussions with Government officials? A. It was not a question of in case, I had to have discussions with them.

Q. I may have put it too lightly. You went to Tasmania did you not knowing that you would have to have discussions with Government officials?

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A. That is right.

Q. You went to Tasmania knowing that in your discussions with Government officials you would have to expose to them such facts as were relevant to the investigation as you were carrying it out?

A. That is right.

Q. You knew when you went to Tasmania with this aide memoire that you might be required in discussions with Government officials to indicate who your principal was? A. That I might be required to indicate to them that Queensland Mines was interested in developing the iron ore sources.

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Q. Will you agree that the first paragraph of this aide memoire in this notebook was based on information given to you by Mr. Hudson? A. I think it must have been. I cannot recall any definite conversation but the note is there.

Q. The information must have come from Mr. Hudson?

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A. Yes.

Q. It could not have come from anyone else?

A. No.

Q. And your note is "paragraph 1" a one with a circle around it, "Queensland Mines' interest in developing the iron and steel industry, the company's capital resources". That is what you wrote?

A. That is right.

Q. You wrote that about Queensland Mines Limited?

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A. That is correct.

Q. Before you went to Tasmania with this aide memoire you had been briefed by Mr. Hudson as to Queensland Mines Limited capital resources, had you not? A. I presume he would have told me there was substantial backing for the company.

Q. Have you refreshed your recollection in the witness box from any pages in your 1959 diary dealing with your visit to Tasmania in order to investigate the Savage River prospect?

HIS HONOUR: You confine your question to looking at the document while he was in the witness box?

MR. HUGHES: That will be my first question.

Q. Did you while in the witness box refer to your 1959 diary for the purpose of refreshing your recollection for giving evidence about any aspect of your visit to Tasmania to investigate the Savage River prospect, in that year? A. No. There is very little in the diary. 10

Q. Would you show me please the pages from which you refreshed your recollection in the witness box in the 1959 diary? A. I have not got the diary.

Q. Did you have it while you were in the witness box? A. Yes, I had the diary here.

Q. Would you just indicate to me so I may look at that, with his Honour's leave, those pages of the diary for 1959 from which you refreshed your recollection while you were giving evidence in the witness box or from which you read while giving your evidence? A. This is from the 6th October until the 23rd October, 1959. 20

Q. Coming back to this notebook, particularly with reference to the paragraph which I read, "Queensland Mines' interest in developing iron and steel industry. Company's capital resources". When giving your evidence in chief you told his Honour in reply to my learned friend you thought it was possible that you had made that note because Mr. Hudson had given you authority to use the name of Queensland Mines if it should be helpful in the discussions? A. Yes, that could have been the case. 30

Q. You have had wide experience have you not in the mining and engineering field as a consultant?
A. I have over the years.

Q. At this time in 1959 you were aware of course that when you were dealing with a Government department in relation to a prospect it could at times be helpful from your client's point of view if that client was a company that enjoyed a substantial reputation in the mining field? A. Yes, I think that the Mines Department in Tasmania could have been - this was 40

before I actually spoke to the officials at the department. I had the name of Queensland Mines there and if I thought it would be helpful to mention the name Queensland Mines in securing those areas.

Q. Would you have used it? A. I would have used it but in the course of conversation with the officials I do not think I used the name of Queensland Mines at all.

Q. Do you say that before you went to Western Australia in 1959 to investigate the iron ore resources there Mr. Hudson indicated to you you should go on to Tasmania after you had done your work in Western Australia? A. Did he indicate to me? 10

Q. Yes. A. Before I went to Perth, in discussions with Mr. Hudson, the only targets of the interest was I think decided by me, because Mr. Hudson had asked me whether there was anywhere else apart from New Zealand and I think I was the one who named Western Australia and Tasmania. 20

Q. Do you remember that before you went to Western Australia in 1959 to investigate the iron ore situation there, you requested Queensland Mines for an advance on account of your expenses? A. I do not remember requesting Queensland Mines for money.

Q. Did you request Mr. Hudson for an advance? A. I could have done, yes.

Q. Do you remember you got £150? A. That is the figure in the account? 30

Q. Yes. A. Yes.

Q. That was paid to you was it not by Queensland Mines? A. I don't recall who paid it. It was probably paid by cheque. Who paid, I don't recall.

Q. Have a look at Exhibit 93 and the schedule, if you would. Would you agree looking at the statement of account addressed to the Secretary, Queensland Mines and the schedule, it is perfectly apparent that the advance you received on account of your expenses before you went to Western Australia was paid to you by Queensland Mines Limited. (Objected to; question withdrawn). 40

HIS HONOUR: Q. Do you have any other memory about the matter having looked at the document?

A. Looking at the document I believe I would have said to Mr. Hudson before I left for Perth, could they advance some expenses in connection with the trip and I was apparently given cash of £150. I don't know whether that was paid by cheque or physical cash but after I came back from Perth I probably asked Mr. Hudson to whom was I to address the account and he would have said to Queensland Mines. My diary on this period records either Stanhill or Factors. I do not think Queensland Mines comes into it. He would have said, "Address your account to Queensland Mines" and £150 was drawn before I probably spoke to Mr. Hudson about the account.

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(Page of Mr. Palmer's notebook headed "Mines Department, Tasmania", tendered and marked Exhibit "AX").

RE-EXAMINATION

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MR. STAFF: Q. Are there in the notebook which has been tendered other pages recording material that you noted on the flight over from Perth to Tasmania, that is other pages other than the one you have indicated? A. No. I think they are the only pages, the ones that are marked.

Q. The only pages, plural? I think Mr. Hughes referred you to only one page? A. I am not sure whether it goes into the next page or not, the list of items I had to discuss.

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Q. Perhaps you had better have a look? A. Yes, it goes into the next page.

Q. Only one page? A. Yes, it is on the front and back of one page and there are ten points.

(Two pages of Mr. Palmer's notebook one headed "Mines Department, Tasmania" and following page headed "Mines Department" tendered and marked Exhibit "AX").

Q. You said to my friend there was a reason why you regarded the Kormans as principals. Do you remember that? A. Yes.

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Q. What was that reason? A. It really dates back to my first visit to Tasmania. The name given to me ---

MR. HUGHES: Q. Tasmania or New Zealand? A. I beg your pardon - New Zealand - was Factors which I had in my diary and when I returned from New Zealand I commenced writing my report and I apparently sent a draft down to Stanhill Pty. Limited, Mr. Redpath and following receipt of that draft he asked Mr. Hudson, or Mr. Hudson and I would be asked to come down and discuss it and from that there was a definite result in that they were going to proceed and they asked me to draft out an application and proposal for the New Zealand Government which I did. In that proposal a company called New Zealand Iron and Steel Investigations Pty. Limited was to be formed with an immediate capital of £NZ250,000 and this firm would be subject to the Government guaranteeing to the company to be formed, New Zealand Iron and Steel Investigations, rights over the New Zealand iron sands. Had the Government given those guarantees and the company had been formed I would have regarded New Zealand Iron & Steel Investigations as the principal. Until that occurred I regarded Kormans as principals.

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MR. STAFF: Q. What about once you got to Tasmania and Western Australia? A. With Tasmania the same thing applied. What I apparently did when talking to Mr. Johnson, the assistant director, without apparently mentioning the names of any principals I must have told him that I was involved in a project in New Zealand, in which a proposition had been submitted to the Government and I must have given him some details in general terms to outline the proposals which were submitted to the New Zealand Government. He said to me --- (Objected to; allowed)

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Q. I am not asking you to tell us any reasons which you now think of, I am asking you what were your reasons or reason at the time for you regarding Kormans as principals, if you did so regard them at the time, that is at the time you were making these enquiries both in New Zealand and Tasmania?

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A. I regarded them as principals because I believed the principal would be the holder of the areas and that applied both to New Zealand and Tasmania and there appears a paragraph in my report on page 13 (Objected to)

Q. I just want for the moment the reasons which you referred to ---

HIS HONOUR: Q. What reasons you then had. You have already told us a number of them in the circumstances when you went to New Zealand. You are being asked whether there are any more? A. I don't quite understand the question now.

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Q. At the time you went to Tasmania you thought the Kormans were your principals? A. Yes.

Q. Why did you then think that? What happened prior to your going to Tasmania that made you think the Kormans were your principals? A. The pattern had been set in New Zealand. The Kormans were going to form this New Zealand Iron & Steel Investigations Pty. Limited.

Q. You told us about New Zealand. There is no need to go over it. Were you just assuming Tasmania would follow the same pattern? A. Yes, because when talking to Mr. Johnson there is noted --- (Objected to) 10

Q. You are not remembering that? A. I am not remember.

MR. STAFF: I would seek leave if it be necessary to ask the witness about this conversation with Mr. Johnson.

MR. HUGHES: I would object to it. I do not object to leave being granted, I would not object simply because it is something which may have been possibly not covered in chief but I object on the ground of relevance. 20

HIS HONOUR: We have the dealings with the Mines Department in Tasmania and I think this falls into the same category. I will allow you to ask it.

MR. STAFF: Q. Do you recollect what discussion you had with Mr. Johnson? A. Yes.

MR. HUGHES: Q. In Western Australia. A. Tasmania.

MR. STAFF: Q. He was the Assistant Director of Mines in Tasmania? A. Yes, that is correct. 30

Q. I think the discussions you had in Tasmania were with him were they? A. That is correct.

Q. You have a recollection of a particular discussion?

MR. HUGHES: He says he has not.

WITNESS: No, I can remember discussing this matter with him.

MR. STAFF: Q. Do you say you have knowledge of the discussion? A. In my report. Perhaps I could read this paragraph. 40

HIS HONOUR: Q. Which report is this? A. It is a report on Tasmania.

MR. STAFF: Exhibit "M".

HIS HONOUR: Q. You have a copy there? A. Yes.

MR. STAFF: Q. What is the passage to which you refer? A. On page 13 of that report in the last paragraph.

Q. You have a particular recollection of the discussion with Mr. Johnson have you? A. I can remember discussing it with Mr. Johnson.

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Q. Tell us as best you can remember what you said to Mr. Johnson and what Mr. Johnson said to you, whatever it is you can remember? A. I said I was investigating the possibility of - it was recorded in these notes I was investigating possibilities of establishing the iron and steel industry in Tasmania and I remember asking what Government assistance would be available and what co-operation could be expected from the Government. I could not help remembering what a different attitude there was in Tasmania to the attitude there was in New Zealand. There were always obstacles put in the way and you could not get anything definite from the Government. In Tasmania the attitude was quite different. Mr. Johnson was very receptive and I presumably had a talk to him about New Zealand and that I quite likely said ---

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HIS HONOUR: Q. Are you really deducing this from the last paragraph in your report? A. No, I am speaking about New Zealand to him.

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MR. STAFF: Q. We know it is difficult. Do you recall what is your recollection of what you said to him about New Zealand? A. I can't recall the exact details of course but I do not believe I disclosed the name of the principals but I mentioned New Zealand. I recall mentioning New Zealand to him. I think I must have discussed the proposition that was put up to the New Zealand Government in broad terms.

Q. What do you mean? A. His reaction to that was apparently as I stated here, that such a proposition would receive favourable consideration from the Tasmanian Government. I would not have put that in the report if that had not been what

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A.G. Palmer, re-x

he said. When the Kormans apparently decided to proceed I just assumed they'd put up a similar proposition in Tasmania as to what they did in New Zealand.

(Witness retired)

(Further hearing adjourned until 10 a.m. Tuesday, 29th October, 1974).

IN THE SUPREME COURT
OF NEW SOUTH WALES
EQUITY DIVISION

No. 292 of 1973

CORAM: WOOTTEN, J

QUEENSLAND MINES LIMITED v. HUDSON & ORS.

TENTH DAY: TUESDAY, 29TH OCTOBER, 1974

IAN REDPATH
Sworn and examined

MR. STAFF: Q. Your name is Ian Redpath? A. Yes.

Q. You live at No. 9 Florence Court, Isle of Capri, 10
Surfers Paradise? A. Number 8.

Q. What is your present occupation? A. Company
director.

Q. I think in 1958 you were a director of Factors
Limited, as well as of Stanhill Consolidated Limited?
A. Yes.

Q. And other companies in the Stanhill group?
A. Yes.

Q. I think you were also then managing director
of Stanhill Consolidated? A. Yes. 20

Q. You continued to hold office as managing dir-
ector of Stanhill Consolidated until when, approx-
imately? A. Sometime in 1961, I think.

Q. During the same period you continued to be a
director of that company and of Factors, did you?
A. Yes.

Q. At a later point of time you became a direc-
tor of Queensland Mines Limited? A. Yes.

Q. Together with Mr. Hudson, and Mr. David
Korman? A. Yes. 30

Q. Until when did you hold that office of direc-
tor? Do you remember? A. Yes. I think until
late 1961.

Q. I think during that period when you were a
director of Queensland Mines Limited you were the
Chairman also? A. Yes, that is so.

Q. Do you recall in whose favour you resigned
as a director of Queensland Mines? A. Yes,
Mr. Gladstones'.

Q. You knew him as being an accountant then practising in Melbourne? A. That is correct.

Q. Do you recall towards the end of 1958 meeting with a number of other people, during which meeting a discussion took place about the formation of a company to take out a mining proposition known as Anderson's Lode? A. Yes.

Q. Do you recall who was present at that meeting, or rather who you can recall as having been present? 10

A. It was in late 1958. There was Mr. Stanley Korman, Mr. Hudson; there was Mr. Stan Thomas, Mr. David Korman and Mr. Korman's secretary, Miss Hunter. They are the ones that come to mind anyway.

Q. Who was Mr. Thomas? A. Mr. Thomas was an associate of Mr. Korman, they had business ventures together. And he was also at some stage an executive in Chevron Queensland Limited.

Q. Do you recall in what capacity Mr. Hudson was there? A. Yes, as a director of the firm A.O. & E. 20

Q. Can you tell us so far as you can recollect what discussion took place. I know it is difficult, but as best you can recall it? A. Mr. Hudson proposed that Factors Limited take an interest in Anderson's Lode, in the Mt. Isa area, that it had prospects for uranium, and it required finance for the development of the ore body, drilling and testing; and that A.O. & E. held the leases, and would be prepared to take a minority interest in the company if Factors were to provide the necessary finance for this development of uranium; and that there were long-term prospects for the sale of the uranium oxide; and that he felt that the co-operation of the Queensland University, that a suitable extraction process could also be worked out with some financial assistance. The meeting did decide that Factors would consider, possibly consider, the formation of a company in which it would have a 51% interest, and A.O. & E. a 49% interest; and that Factors would consider finding, I think, an amount up to initially about £250,000 to do the development work; and that if the development was successful, and a uranium contract was won, then Factors would be obliged to find, I think, a total of £1,000,000 to bring the mine into operation. 30 40

Q. Is there anything more that you recollect about that discussion? A. Yes, we were interested to know that Mr. Hudson himself would be available to at least supervise the necessary work that would have to be done because there was no expertise on the Factors Board in that direction; and 50

that Factors' financial commitment would not exceed a certain figure which I believe was in the order of a quarter of a million pounds, unless a contract was won which justified the mining of the ore body. I think they were the main features in my mind at the time.

Q. Do you recall Mr. Hudson saying anything about his own availability? A. Yes, only that he was not interested in any full-time occupation at all. He would be available to get the thing going, and to generally oversee it. I can recall him commenting that he was looking forward - not his exact words, but I got the impression - to partial retirement from the busy scene. He even said something about taking his yacht to the islands somewhere, and cruising around there, having a good holiday. 10

Q. Following that meeting, was a company, in fact, formed? A. Yes.

Q. Was that Queensland Mines Ltd.? A. Yes, that is correct. 20

Q. In that company we have heard Factors held 51% of the capital and A.O. & E. 49%? A. Yes.

Q. Do you recall that in relation to the formation of that company an agreement was entered into between a number of parties? A. Yes.

Q. (Exhibit 2 shown.) Could you just glance over that document. Is that the agreement which was executed in relation to the formation of Queensland Mines? A. Yes. 30

Q. I think, in fact, your signature appears as one of the directors attesting and affixing the seal? A. Yes, that is so.

Q. In the discussions which preceded the making of this agreement or which led to the settlement of its terms, can you recall any discussion between any of the interested people, and if so, whom, about what was to be the scope of the business of Queensland Mines? A. Yes. From the point of view of Factors Limited, the scope at this point of time was strictly limited to the development of Andersons Lode, the finding of a suitable process of extracting the uranium oxide therefrom, and the obtaining of a contract for the sale of uranium. 40

Q. Can you recall any particular discussion with any particular person in which that matter was spelt out? A. This was discussed amongst the directors of Factors Ltd. I am not sure if they were

all present at the material time, but I know that shortly thereafter the chairman of Factors in particular took a keen interest to make sure these principles were followed, that is, limiting the activities of Queensland Mines to the development of Anderson's Lode, initially, which was later extended to include the Scal Lease, nearby.

Q. You referred to the chairman of Factors. Who was he? A. Mr. Burt. 10

Q. We have heard he was a solicitor in Melbourne?
A. Yes.

Q. Had he, for a long time, been a member of the Factors Board? A. Yes.

Q. After the company, Queensland Mines Ltd., was formed you and Mr. David Korman were two of the three directors on that Board? A. Yes.

Q. For some years? A. Yes.

Q. I think you attended most of the Board meetings, did you? A. Yes. 20

Q. Do you recall whether there was ever any proposal discussed at a Board meeting of Queensland Mines, about any extension of the scope of the business of Queensland Mines from the original scope that you have mentioned? A. No. Scal lease was the only extension, if you can refer to it as such, from the original conception put to us by A.O. & E. I can recollect some intrusion of the blue metal proposal at some stage or other which I can't quite recall how it got into it, but somehow it did come up, a small business involving a blue metal deposit; but nothing of any great significance. 30

Q. So far as you can recollect, did the Board of Queensland Mines ever authorise any other extension of business of the Company other than you have mentioned?
A. No.

Q. So far as you can recollect, did you at any time become aware of any extension, other than those you have mentioned, of the business of Queensland Mines?
A. No. 40

HIS HONOUR: Q. What is the position about the control of Factors at this time? A. The control of Factors Ltd. was in the hands of the Korman family by virtue of the shareholding in Factors Ltd. owned by Stanhill Consolidated Ltd. Stanhill Consolidated Limited's shareholding was at that time approximately 60% in the hands of the Korman family.

Q. Stanhill Consolidated was the Korman family company? A. Yes, except that they still had it as a public company, qualified under the requirements 50

of the Stock Exchange, as to shareholding, but the family held as many shares as were practicable and still leave it as a public company.

MR. STAFF: Q. In your answer you did refer to the Korman family holding 60% of the capital of Factors Ltd? A. And Stanhill Consolidated Ltd. had a big shareholding in Factors Ltd. so it was through Stanhill Consolidated that the Korman family indirectly controlled Factors Ltd.

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Q. Do you recall whether Stanhill Consolidated or the Korman family had a majority of the capital of Factors Ltd? A. Not to my knowledge.

HIS HONOUR: I am sorry, what was that again?

MR. STAFF: I asked whether the Korman family or the Stanhill group had a majority of the shareholding in Factors.

WITNESS: I thought your last question was, did the Korman family have a majority shareholding in Factors Ltd. - and that I am not aware of, but through Stanhill Consolidated Ltd., the Korman family did have a controlling interest in Factors Ltd. Apart from the shares that Stanhill Consolidated Ltd. owned in Factors I know members of the family individually through their private companies held shares in Factors Ltd. too, so I would not know the total control, but it was enough to have a majority of Stanhill Consolidated who were directors on the Board of Factors Ltd.

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HIS HONOUR: Q. You mentioned a figure of 60%-odd shareholding of Factors. A. The 60% was the family's holding in Stanhill Consolidated Limited shares.

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Q. You did not mention a figure in regard to -
A. Factors, no.

MR. STAFF: I think Mr. Redpath did say, when he was speaking of 60%, I think he had already corrected that.

WITNESS: That was an error, if I did that. The history was that the Korman family developed Stanhill Consolidated Ltd. as their main public company, holding public company. Through that they had shares in Factors Ltd. and Factors Ltd., in turn, had shareholdings in several other companies, and one of them, of course, was Queensland Mines.

40

MR. STAFF: Q. Factors Ltd. also had a substantial

shareholding in Holeproof New Zealand? A. Yes, that is correct.

Q. Do you recall whether or not Stanhill Consolidated, apart from the shares it held in Factors, also held options over shares in Factors Ltd? A. Yes, they did.

Q. Was that a substantial number of options?

A. Yes, it was designed to ensure that their percentage interest in Factors would at all times remain approximately the same, no matter how many shares Factors issued to the public for one purpose or another. 10

Q. In those years, when you were a director of Factors the Korman interests had control of the Board of Factors? A. Yes.

HIS HONOUR: You were one of their nominees? A. Yes.

MR. STAFF: Q. I think Mr. Burt was not? A. No, Mr. Burt was an original director of Factors, previously known as Automobile Finance Company at the time they were taken over virtually. 20

Q. In the initial stages of the formation of Queensland Mines and shortly thereafter, do you recall some discussion between the directors of Queensland Mines and others with Mr. Hudson about establishing a Sydney office for Queensland Mines? A. Yes.

Q. What do you recollect of such a matter?

A. That a Sydney office will be - I recall it was in Castlereagh Street, I feel confident that was the address - and it was a fairly nominal amount of money, I think about £12 a week, for the rental of it. But also I believe it was to have an account at one of the banks, probably the Bank of New South Wales, for small items of money to be paid out from time to time. 30

Q. Do you remember who was authorised to operate on that account? A. Yes, Mr. Hudson.

Q. We have heard that following the formation of Queensland Mines it got to work with the development of drilling, and the development of Anderson's Lode? A. Yes. 40

Q. And later, some drilling of the Scal Lease? A. Yes.

Q. After some time do you remember discussions with others of your directors in Factors and with

Mr. Hudson about prospects for uranium contract, a sale contract being obtained? A. I can remember that the prospects seemed rather poor.

Q. Do you remember in particular discussions with Mr. Burt or Mr. Hudson, or both of them, about that matter? A. Yes. Well, after at the time when the drilling was either complete or substantially underway and the contract did not appear imminent, discussions were had along the lines of closing it down or keeping it in mothballs, to use a loose term, with the minimum of expenditure. 10

Q. Do you remember with whom you had those discussions? A. Well, initially with Mr. Hudson; and I recall having a couple of discussions with Mr. Burt along those lines.

Q. Can you recall anything of the discussions which you had with Mr. Burt? A. Yes. Mr. Burt was constantly opposed to the whole mining venture and he was anxious to see expenditure kept to an absolute minimum. He wanted to know if there was any prospect of selling off the deposit when it became apparent the contract may be a long way off for the sale of uranium. I recall to that end I made some inquiries. I called on the chairman of two different companies; Mary Kathleen Uranium, Mr. Blake Pelly; also the head of Conzinc Rio Tinto. I was unable to effect any sale of our interest in Anderson's Lode, and we were quite anxious to close it up with the minimum of expenditure, especially after the credit squeeze of November 1960 started to take effect. 20 30

Q. Taking you back somewhat to the early days, or even prior to the formation of Queensland Mines, do you recall having any conversation with Mr. Stanley Korman in which there was discussion about steel industry? A. Prior to the formation of Queensland Mines?

Q. Prior to the formation? A. Oh, yes.

Q. When was that and what was discussed? A. It was after, it would have been, I should think, in the early part of 1958, because I returned from approximately 3 years in the United States in late, the latter part of 1957. So I don't think it could have been before about 1958. But it was substantially before Queensland Mines was formed; at least a year, I should think. 40

Q. Would you tell us what you can recollect of that discussion? A. Mr. Korman said that he would like to establish an iron and steel industry in 50

Australia or New Zealand. He told me he had engaged a Mr. Ridgway, a Geologist, who he told me was previously employed with the Queensland State Government, and he had asked him to do a survey initially of Queensland to see if he could pinpoint any likely deposits of iron ore; he further told me this was being done at that time through one of his private companies, I think Dominion Pty. Limited, which was not a listed company and I think Mr. Stan Thomas was a joint shareholder with Mr. Korman in that company. 10

Q. Do you remember anything more at this stage or is that the substance of the conversation? A. Well, from time to time Mr. Korman stated his quite intense desire to get into the steel industry. He did occasionally tell me of the work Mr. Ridgway was doing. Initially he was studying all the Government reports and I think there was some mountain, I can't remember its name, in the northern part of Queensland, that he thought was prospective; it later on turned out to be unsuitable. And I think it was through Mr. Ridgway that Mr. Korman met, or heard of Mr. Hudson. Yes, he was unable to find anything suitable at that time, and I think he had asked Mr. Ridgway what other things could he come up with, and this is how Mr. Hudson came into the picture. 20

Q. Those conversations you have just spoken of were all before you had ever met Mr. Hudson?
A. Yes.

Q. And before Queensland Mines was formed?
A. Yes. 30

Q. Do you remember meeting a Mr. Palmer, a Geologist? A. Yes, I think I must have met him. The name cropped up a few times, and I think I must have met him, but I have no clear recollection of him.

Q. Can you recollect approximately when you heard his name crop up in the way you mention it?
A. Yes. It would have been the early part, I think, of 1960.

Q. Do you remember his name in connection with any particular subject matter? A. Yes. Initially it came up in connection with New Zealand iron sands, and a report that he had been asked to prepare by Mr. Korman. 40

Q. Did you first hear his name in discussion with Mr. Korman? A. Yes.

Q. Did Mr. Korman give you a copy of the report which Mr. Palmer prepared? A. Not initially. I do recall the report, and I think I read it when I

was brought into the New Zealand picture more fully later on. I did go over to New Zealand, at a later date in connection with negotiations with the Government on New Zealand iron sands and I think I read his report prior to going to New Zealand, or on the plane going to New Zealand.

Q. When was that, approximately? A. It would have been towards the middle of 1960 or between March and June of 1960, I think, to pinpoint it as accurately as I can at this stage. 10

Q. How was it that you came to go to New Zealand for that purpose? A. Mr. Korman was obviously satisfied that the report, that the geological information had good prospects. His brother, Hillel Korman, was resident in New Zealand managing the - it would have been known as Korman Textiles then or possibly they had already changed their name to Holeproof Industries; and he had carried the work a little further up to Government level to see if an iron and steel industry was established, what terms and conditions would be imposed by the Government, and what benefits, of course, would accrue to such an industry. And the Korman Brothers decided that the timing was right to visit the various Government officials and have representatives of the Factors and Stanhill Board over there to follow the matter through, because obviously if an industry was to evolve out of this in steel, it would have been, I think, at that time, 150 million to 200 million pounds, or quite an astronomical figure anyway, and we would obviously have to get the best possible basis with the Government and their co-operation to carry it out. 20 30

Q. Prior to going to New Zealand, had you had a discussion with Mr. Stanley Korman? A. Yes.

Q. About the matters you have just mentioned?
A. Yes.

Q. How was it then that you came to go to New Zealand? Was that your decision? A. Oh no, it was his decision. 40

Q. Do you remember what he said to you? A. Yes. He said that the groundwork had been prepared, he felt there were good prospects for an iron and steel industry in New Zealand and it was necessary for myself and a Mr. Carrodus to go over and investigate all the aspects, political, and financial in the case of Mr. Carrodus, and to meet the Government members and the heads of departments who would be responsible for this, and to see if a 50

satisfactory agreement could be entered into with the Government; and that was our main -

Q. What was the function of Mr. Carrodus? Who was Mr. Carrodus? A. Mr. Carrodus was executive director of Factors Ltd., was secretary of Stanhill Consolidated Ltd., and was virtually the finance director or controller of the group, the Korman group of companies.

Q. In the conversations you had with Mr. Korman before you went to New Zealand on this occasion was there any mention of Queensland Mines Ltd? A. No, none whatsoever. 10

Q. Can you recall whether Mr. Korman said anything to you about the capacity in which you were to go to New Zealand? A. No, it would not have been necessary for him to say that.

Q. Can you recollect in what way the expenses associated with your travel and accommodation were met on that trip; that is, by whom? A. No, I can't except that I would have thought at the time they would be paid either by Factors Ltd. or Stanhill Consolidated Ltd. because obviously our intention, if we were successful with the New Zealand Government, would have been to float a company; and knowing the New Zealand Government's attitude, it would have to be a company which they or their nominees would have a fair sort of shareholding, and in which Stanhill and Factors would take an interest, and all these initial expenses would ultimately end up in the prospectus of the new company to be re-imbursed to whoever promoted it. 20 30

HIS HONOUR: Q. Had Dominion Pty. Ltd. dropped out of the picture by then? A. Yes, Dominion Pty. Ltd. was playing no active part in the New Zealand iron sands to the best of my knowledge, sir. They may have, without my knowledge, but I don't recall them playing any part.

Q. You only recollect them in connection with the Queensland investigations? A. Yes, the iron investigation in Queensland. 40

MR. STAFF: Q. Before you went to New Zealand did you have some discussion with Mr. Stanley Korman, about the proposal to float a company if the New Zealand proposal went on? A. Yes, and he said he had had preliminary discussions with Walter P. Ham, Melbourne underwriters, and that he was confident if a suitable agreement could be reached with the New Zealand Government he would have London and New York interests who would come in behind a 50

float of a public company for underwriting purposes, for the steel industry in New Zealand.

Q. In relation to the New Zealand visit, was Mr. Hudson's name mentioned between you and Mr. Korman? A. Yes, to the extent that Mr. Hudson had examined the reports that had been prepared by Mr. Palmer and had had either one or two visits to New Zealand, following up on the reports and satisfying himself about them and the local conditions; and that he in turn felt that the time was right for a conference with Government officials on the matter. 10

Q. You went over to New Zealand. Did anyone else go with you? Did you meet some others in New Zealand? A. Yes. Mr. Carrodus travelled with me to New Zealand; and we met Mr. Hillel Korman and Mr. Hudson - I think we met Mr. Hudson in New Zealand on this occasion.

Q. In general terms, what did you do in New Zealand? A. We had conferences initially with Mr. Korman and Mr. Hudson. 20

Q. Which Mr. Korman? A. Mr. Hillel Korman.

Q. I think he was living in New Zealand? A. Yes, he was resident in Auckland, New Zealand. He told us what he thought the political climate was, and the basis of approach that should be made to the firstly, I think, the head of the Department of Trade, Dr. Sutch - I recall meeting him - and that emphasis would have to be given on a New Zealand content for any company to be formed for this purpose; benefits for New Zealand would have to be spelt out quite clearly if we were going to get any co-operation from the Government there; and not so much that an Australian company was coming in to more or less take over what perhaps they should do themselves. 30

Q. Did you return to Australia, having made some assessment for yourself of the situation? A. Yes.

Q. Did you report back to Mr. Stanley Korman? A. Yes. We reported back, Mr. Carrodus and I reported back with some degree of confidence on the whole matter, and that if the Government lived up to what we believed they had told us, then we could start considering the type of prospectus that would need to be evolved and all the preliminary technical work that would have to go into it. 40

Q. Have you any recollection, either prior to going to New Zealand or after your return, of any New Zealand proposals being discussed at Board

level, that is at a Board meeting, of any of the companies of which you were a director? A. No, I don't.

Q. Do you recollect any of the proposals which involved Dominion Pty. Ltd., having been discussed at Board level of any of the companies of which you were a director? A. No, I cannot recall.

Q. In your experience of the administration of affairs of Stanhill Consolidated, and Factors Ltd., what was Mr. Stanley Korman's practice in relation to discussion of proposals at Board level? A. His practice on new projects or take-overs was to present them as near as possible fait accompli; here was the package, he had worked it out, and the directors should consider it; and he would like them to accept it - this was his attitude. He very rarely thought aloud too much at Board meetings on future possibilities. He would, rather, have them neatly wrapped up and say - in several cases he actually brought them as completed, and then had the task of merchandising them to the directors. 10 20

Q. Following your return to Australia, from New Zealand, and your report to Mr. Korman, did you have any further connection or association with New Zealand iron sands proposals? A. Very little, because we got word back from Mr. Hillel Korman, that they - well, from our point of view had reneged on certain vital matters; that they wanted more and more of the proposal under the control of New Zealanders and New Zealand Government; and it didn't seem a practical thing to take to the general public or to invite overseas financiers into. And at that stage I have no further clear recollection of taking any further part in it. 30

Q. Have you any recollection of being concerned subsequently with any further proposal related to iron ore or the steel industry; or some aspect of one or the other? A. There were several smaller matters that cropped up, I think, during 1960, and perhaps into 1961 which involved one firm, E.M.P. I think was its name, the three initials. Mr. Taft, I think, was the owner of that business. 40

Q. What do you recollect about that? A. Not much that impressed me. Mr. Korman for some reason or other seemed to feel it was a leg in to the iron industry; I felt it was too small and trivial. I also recall that Mr. Korman asked Mr. Hudson to do a report on it - I think it was E.M.P. - and if I recollect properly and correctly on this, the directors of Stanhill Consolidated did consider a report that Mr. Hudson had prepared, 50

which was rather negative about the whole business, and they rejected any idea to move into it.

Q. I think you have been able to find some copies of minutes of Stanhill Consolidated Ltd? A. Yes.

Q. Minutes of meetings held in the years 1959 and 1960? A. Yes.

Q. Which you brought along with you. I show you a photocopy of minutes of a meeting held on 15th September, 1959, at which you and Mr. Korman, and I think some other members of the Board were present? A. Yes. 10

Q. Do you recognise the people shown as being present, as being members of the Board at that stage? A. Yes.

Q. Or substitutes or alternates? I show you on folio 214, page 3 of those minutes, under item 11, E.M.P. Pty. Ltd. a record of the discussion, together with the resolution? A. Yes.

Q. Do you recollect some such discussion taking place? A. Yes. 20

Q. At a meeting of Stanhill? A. Yes, I do.

Q. No doubt you do not recollect the date? A. Yes, only approximately.

(Minutes of meeting of directors of Stanhill Consolidated Ltd. dated 15th September 1959, tendered, marked Exhibit 95.)

Q. I show you a further minute of the meeting of directors of Stanhill Consolidated, held on 29th April, 1960. I think it is 1960, the date does not seem to appear, but there are references in the Item Combination of Minutes of Meeting, in 1960. I direct your attention to Item 7 at the foot of the first page, under the heading of "E.M.P. Pty. Ltd. Proposals", and again over to the second page? A. Yes. 30

Q. Is that another minute relating to the matter you spoke of? A. Yes.

Q. In connection with E.M.P.? A. Yes, that is so. 40

Q. Would you look at the next item, No. 8, under the heading "New Zealand Iron & Steel Industry"? A. Yes.

Q. Do you recollect making a report to the effect of that? A. Yes.

Q. As recorded in there? A. Yes. I can recall a brief report was made, yes.

Q. And it was your report? A. Yes.

Q. It is described as the managing director's? A. That is correct.

(Minutes of meeting of directors of Stanhill Consolidated, dated 29th April, 1960, concerning E.M.P. Pty. Ltd., and New Zealand Iron and Steel Industry, tendered, marked Exhibit 96.) 10

Q. I show you minutes of a meeting of directors of Stanhill Consolidated, held on 9th June, 1960. Again you were present at that meeting? A. Yes.

Q. I direct your attention to items 5 and 6; item 5 being under the heading "E.M.P. Proposal", and item 6 under the heading "New Zealand Iron & Steel Industry". Looking at item 5, does that enable you to recall there was discussion about the E.M.P. proposal on that occasion? A. Yes. 20

Q. Can you recall anything of the discussion, other than what is recorded in the minutes? A. No, nothing further.

Q. Having looked at item 6 can you recollect that occasion? A. Yes.

Q. Or any discussion? A. Yes, it was a report from Mr. Hillel Korman which embodied this changed attitude of the New Zealand Government and raising various difficulties to which I referred. And the Board agreed that Mr. Korman's attitude was right, mainly, not to bargain any further on that. 30

(Minutes of meeting of directors of Stanhill Consolidated Ltd. dated 9th June, 1960, concerning E.M.P. Pty. Ltd., and New Zealand Iron and Steel Industry, tendered, marked Exhibit 97.)

Q. I show you a minute of the meeting of directors of Stanhill Consolidated, held on 5th July, 1960. Again you were present with other directors of the company as shown? A. Yes. 40

Q. I refer you to paragraph - I think it is paragraph 4, although the punch hole seems to have punched out the four. Looking at those minutes do

they enable you to recollect anything of the discussion that day about E.M.P. or New Zealand Iron & Steel Industry? A. Yes. The E.M.P. matter was simply deferred again. And Mr. Hillel Korman finally reported there, that there was no hope of us entering a steel venture in New Zealand due to the New Zealand Government's attitude. In fact, they had gone a step further at that stage and said they wanted it wholly owned by the New Zealand Government. 10

(Minutes of meeting of directors of Stanhill Consolidated Ltd. dated 5th July, 1960, concerning E.M.P. Pty. Ltd. and New Zealand Iron & Steel Industry, tendered, marked Exhibit 98.)

Q. I show you minutes of meeting of directors of Stanhill Consolidated held on the 4th August, 1960. You were present with other directors named, were you? A. Yes.

Q. I direct your attention to paragraph 5, under the heading "E.M.P. Proposition". Looking at that does that enable you to recall some discussion that took place on that occasion? A. Yes. 20

Q. What was that? A. The committee briefly reported on the situation; I think it was a somewhat negative report; and they had apparently asked for, either the committee or Mr. Korman, had asked Mr. Hudson to prepare a report; and it was decided at this meeting, that the Board would act in conformity with Mr. Hudson's recommendations when received. 30

(Minutes of meeting of directors of Stanhill Consolidated Ltd. dated 4th August, 1960, concerning the E.M.P. proposition, tendered, marked Exhibit 99.)

Q. I show you minutes of the meeting of directors of Stanhill Consolidated Ltd. held on the 4th October, 1960. Again you were present with those named as being present? A. Yes.

Q. I direct your attention to paragraph 11 under the heading "E.M.P. Proposition" on pages 2 and 3? A. Yes. 40

Q. Having looked at that, do you recall the discussion that took place on that day, about that proposition? A. Yes.

Q. What was it? A. To the effect that the report indicated that Stanhill Consolidated Ltd. should not take any further interest in the E.M.P. proposition.

Q. Whose report was it? A. A report by Mr. Hudson.

(Minutes of meeting of directors of Stanhill Consolidated Ltd. dated 4th October, 1960, concerning the E.M.P. proposition, tendered, marked Exhibit 100.)

Q. I show you copy of minutes of a meeting of directors of Stanhill Consolidated Ltd. held on 15th February, 1960. You are not shown as present. Can you recognise the signature on those minutes? 10

A. Yes. I signed that as acting chairman in the absence, I presume, of Mr. Korman at the time.

Q. At the next meeting? A. Yes.

Q. Would you look at paragraph 10 under the heading "Iron Sands New Zealand"? A. Yes.

Q. I cannot ask you about the discussion? A. No.

Q. But you signed that? A. Yes.

Q. Following confirmation of the minutes? A. Yes. I signed the minutes at the next meeting. 20

(Minutes of meeting of directors of Stanhill Consolidated Ltd. dated 15th February, 1960, concerning iron sands New Zealand, tendered, marked Exhibit 101.)

Q. In the years 1959, 1960 and 1961, whilst you were on the Board of Stanhill Consolidated, or of Factors, were you aware that certain expenses relating to the New Zealand iron sands investigation were paid out of moneys to the credit of the Queensland Mines account in Sydney? A. No, I was not aware at that time. 30

Q. Did you discover that some years later?
A. Considerably later, yes.

Q. Whilst you were on the Board of Queensland Mines Ltd. were you aware in general terms that that had been done? A. No.

Q. Or that Queensland Mines Ltd. had, in fact, defrayed some of the expenses concerned with the New Zealand investigations? A. No.

Q. In any way? A. No. 40

Q. Whilst you were a member of the Queensland Mines Board, were you aware that that company had

defrayed any of the expenses connected with Tasmanian, the Savage River - ? A. No.

Q. - iron ore inquiries? A. No.

Q. Did you ever become aware of that fact?

A. Yes, much later.

Q. Can you recall approximately when you became so aware? A. I think in the report on the affairs of Factors Ltd. and its subsidiaries, by Mr. Murphy.

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HIS HONOUR: Q. Who was Mr. Murphy? A. He was an investigator appointed by the Victorian Government, to inquire into the affairs of Factors after it went into receivership.

Q. That was approximately what year? A. That would have been 1963, 1964, in that era, approximately. But the report came out considerably after his appointment, I think. It might have been 2 years after his appointment that the report came out, even later.

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MR. STAFF: Q. It was a report into the affairs of Factors Ltd. and other companies connected with the group? A. Yes.

Q. I suggest to you the report came out - it has a date on the front, 1965, 1966? A. That would accord with my recollection, yes.

Q. You gave evidence before - A. Mr. Murphy.

Q. Mr. Murphy, along with a lot of officers and former officers of the group? A. Yes.

Q. Do you recall an occasion on which you were present with Mr. Korman when he had a telephone conversation with some person whom you believed to be Mr. Hudson? A. Yes. Well, he often phoned Mr. Hudson in my presence.

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Q. Can you remember a particular occasion which might stick in your mind for a particular reason, related to salary? A. Oh, yes.

Q. Would you tell his Honour approximately when that conversation occurred? A. It would have been towards the middle of 1959, I should think.

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Q. Where were you? A. I was sitting in Mr. Korman's office, in Queen's Road, (sic) in Melbourne.

Q. What do you recollect hearing Mr. Korman say? And I will ask you subsequently what he said to you?

A. He was inviting Mr. Hudson to be, as I took it, retained anyway - (Objected to.)

Q. So far as you can recollect, tell us what he said? You can only say what he said into the telephone? A. He said that he would pay Mr. Hudson £10,000 for an ensuing period - I couldn't say just what that period was - as a consultant to him and his group.

10

Q. Do you recollect Mr. Korman saying anything more? A. Yes. He told me after the conversation - (Objected to.)

Q. Can you tell his Honour how it is that this conversation, which you say overheard, sticks in your mind? (Objected to; pressed; disallowed.)

Q. Can you recall being aware in the years 1959, 1960 or 1961, of activities in which Mr. Hudson was engaged in connection with any of the companies with which you were associated? A. Yes. I mentioned E.M.P. He was investigating a spun pipe process, I think, in New Zealand, the manufacture of pipes under some European patent, which Mr. Korman had asked him to look into. Another matter I do not think related to steel, but I clearly recollect him being asked by Mr. Korman to ascertain from the directors of Howard Smith whether they would be amenable to a take-over proposition.

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Q. Was there anything else? A. Yes. There was an investigation of scrap metal industry in Victoria, and I was present when he asked Mr. Hudson to do a report for him on the availability of scrap iron and steel in particular, with a view to making - and at the same time inquiring into the manufacture of reinforcing rods, I think that had something to do with it.

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Q. You said "He asked him"? A. Mr. Korman asked Mr. Hudson to investigate the availability of scrap iron and steel, and whether this could be developed into the nucleus of an iron industry, anyway. And he did mention the possibility of manufacturing reinforcing rods, which I think were fairly scarce at that time in the building industry.

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Q. Is there anything else that comes to your mind? A. Yes, that such an industry could be established at Broadmeadows, because he had industrial land available out there, and would this be a suitable sight.

Q. Do you recollect some time seeing or becoming aware of an advertisement which was inserted in a newspaper in relation to the proposed steel industry or steel project at Broadmeadows? A. Yes. There was an advertisement for skilled technicians of some kind, I think metallurgists, and that a plant would be established in the Broadmeadows area.

Q. (Exhibit 13 shown.) Is that an advertisement which you recollect seeing? A. Yes "Stanhill Iron & Steel (a subsidiary of Stanhill Consolidated Limited)" for metallurgists and mechanical engineers for a factory at Broadmeadows. 10

Q. Having seen it, do you recollect anything about the circumstances in which it came to be published? A. Only that it was round about the time that Mr. Hudson had been asked by Mr. Korman to do a survey for the scrap metal availability, and the possibility of starting in a relatively small way in the steel industry. It was about that time. 20

Q. Did you have anything to do with the publication of it? A. No.

Q. The insertion of it? A. No.

Q. Do you know who did? A. Mr. Korman personally supervised this advertisement.

Q. Do you recall having had any discussion with him about it at the time? A. Only after I saw it. I simply said that I felt it was very premature.

Q. Did he say anything to you in reply, that you can recall? A. Yes, he did. He said something which is left in my mind, that it was promoting his industrial land at Broadmeadows. I gained the impression that this was a two-pronged thing. One, he was always keen to have a steel industry, so he was anticipating things in that direction; but secondly, it would not do any harm to his industrial site development out at Broadmeadows. 30

Q. Whose land was it? Who owned the land? A. Several companies, all of which were controlled by Mr. Korman. Some were private companies, I think Dominion was one of them, and others were subsidiaries of certain of the public companies in that area. 40

Q. Of the Stanhill Group? A. Stanhill Group, yes.

Q. Did Queensland Mines own any land out there? A. No.

Q. Do you recall any other activity which you became aware Mr. Hudson was pursuing? A. On behalf of our group or - ?

Q. Any of the companies of which you were a director, and with which you were associated? A. That is all I can recollect at the moment.

Q. Do you recall the name Nowa Nowa? A. Yes; vaguely. I cannot associate it with anything.

Q. Does the name Savage River recall anything? 10
A. Oh, yes.

Q. Can I just recall to you the Savage River as a subject matter. Will you tell us so far as you recollect when you first became aware of the Savage River iron ore deposits? A. During the second half of 1960 I would say I first heard about it.

MR. STAFF: Might I ask whether Mr. Broadley might be permitted to take out of court the Register of Directors of Queensland Mines and Kathleen Investments. We wanted to photocopy them and have a number of copies and I want to tender the information at a later point of time. 20

HIS HONOUR: These documents are not tendered?

MR. STAFF: They have been documents produced on subpoena so they are in the custody of the court.

HIS HONOUR: Is there any objection?

MR. HUGHES: No.

HIS HONOUR: Very well.

MR. STAFF: Q. In what circumstances did you first become aware of these deposits, that is the Savage River deposits? A. Mr. Korman told me I think that he had had a discussion with Mr. Hudson about iron ore deposits in Tasmania and that they warranted investigations. It would be the second half of 1960 some time I would say. 30

Q. Where did you have that discussion? A. In Mr. Korman's office.

Q. Did you at that time as managing director of Stanhill Consolidated work in the same building as Mr. Korman? A. Yes. 40

Q. When he first mentioned that matter to you did he mention Queensland Mines Limited? A. No.

Q. Can you recollect any more of the conversation you had, if there was any more, or whether there was any more conversation at that initial discussion?

A. No, nothing further I can recollect at the first discussion.

Q. Round the same time did you have any discussion with Mr. Hudson about that subject matter?

A. Shortly after that discussion with Mr. Korman, Mr. Hudson told me he was having a report prepared on Tasmania and it later became known to me as Savage River with regard to iron and steel. He told me he had been down there at a later date again and that he had commissioned the report to be done.

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Q. Do you recollect when approximately those conversations took place? A. No, only in that latter half of 1960 I would say. I cannot pin-point it exactly.

Q. Did you hear about a visit to Tasmania that Mr. Korman made? A. Yes,

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Q. Stanley Korman? A. Yes. He went to Tasmania. He told me he was meeting I believe the Premier at that time of Tasmania and that he was taking a fellow director of Stanhill Consolidated with him. I believe it was Mr. Strange, and met Mr. Hudson there, was going with Mr. Hudson.

Q. Do you recall when that was? A. Just towards the latter part of 1960, the latter half some time.

Q. When was that conversation in relation to the other conversations of which you spoke? A. Within a couple of months anyway I would say from the first conversation, later on.

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Q. Within a couple of months of the first conversation? A. That is right.

Q. You were of course at the time of these discussions I think chairman of directors of Queensland Mines Limited? A. Yes.

Q. As a director of that company did you authorise or say anything or assent to Queensland Mines Limited participation in these inquiries? A. No.

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Q. Was anything said by Mr. Hudson to you in relation to Queensland Mines having a part in those inquiries? A. No.

Q. Did Mr. David Korman have any discussion with you in relation to Queensland Mines having any part in the discussion? A. No.

Q. Did either Mr. Hudson or Mr. David Korman ever have any discussion with you about such subject matter? A. In relation to Queensland Mines?

Q. In relation to Queensland Mines? A. No.

Q. Did Mr. Stanley Korman ever at any time in relation to the Savage River matter discuss Queensland Mines with you as a potential or actual participant? A. No he didn't.

Q. Perhaps I would ask you this question; as a director of Queensland Mines had the subject matter of Queensland Mines interest or participation in the Savage River inquiries arisen, what would your attitude be? (Objected to; question disallowed.) 10

Q. I had got to the point where Mr. Stanley Korman had told you, I think you told us he had been in Tasmania? A. Yes.

Q. And had some discussion about the Savage River, matters associated with it? A. Yes.

Q. Did he tell you who he had seen in Tasmania? A. My recollection is that he saw the Premier in Tasmania. 20

Q. Can you recollect any more of the discussion which you had with Mr. Korman in which he told you what he had done or said? A. Yes. He said that he had told the Premier if the deposits he was interested in proved workable then he would be prepared to promote or undertake an iron and steel industry in Tasmania subject naturally to the Government's co-operation, all other factors being equal. 30

Q. Following that conversation did you hear anything more from anyone about Savage River and Tasmanian iron? A. Yes.

Q. When was the next occasion you can recall? A. The next occasion I can recall is Mr. Hudson telling me that he had obtained a lease or a permit of some kind subject to conditions which Mr. Korman and he had agreed upon with the Tasmanian Government. I believe he showed me what these conditions were. I think they might have even been an attachment to the licence which he showed me which was made out in his name. 40

Q. Anything more in that conversation? A. Yes, I think it was the latter part of 1960. Why I think it was the latter part of 1960 was that there were financial problems in my mind at the time and was anxious to know whether we could, whoever it was

to be, could carry out these undertakings that he had entered into on behalf of Mr. Korman.

Q. Was there some discussion between you and Mr. Korman about that matter? A. There was, yes.

Q. Did you subsequently have some discussion with Mr. Stanley Korman about it, that subject matter?

A. Yes, I had several discussions with Mr. Korman.

Q. Can you tell us approximately when in your recollection they took place either by reference to a year or some event? A. Yes, in relation to the announcement of what I call the credit squeeze in November 1960. It was after that. It could have been in December and probably also over January of 1961. 10

Q. What do you recollect of the conversations you had with Mr. Korman about this? A. What he had in mind with regard to sponsoring of the company of the size necessary to carry out the development and the deposit for a start and subsequently an iron ore steel industry, whatever emanated from the research. He was still reasonably confident in the earlier discussions that he could still organise this company and he even mentioned the name. I think it was Tasmania Iron & Steel Industry, some such name which he thought would please the Government and satisfy everybody concerned. I believe that some time in January he was having misgivings, January 1961. He told me that he had spoken to brokers. I am almost certain it was Mr. Hann he mentioned and they felt the timing would be inappropriate. He mentioned to me that the Government measures involving not only the credit restrictions but also non-allowance of interest on certain borrowings as a deduction for taxation calculations were throwing difficulties into the whole scheme and I know that by late January anyway of 1961 I could not see and I could not get any assurance from Mr. Korman that he had a way of sponsoring the company of the magnitude necessary for such a project. 20 30 40

Q. During that period, say January, while these discussions with Mr. Korman were going on, did you either Mr. Korman or without him have any discussion with Mr. Hudson about the same subject matter?

A. Yes, several discussions.

Q. Can you tell us what they were? A. My clearest recollection is Mr. Hudson wanting assurances from us, that is Mr. Korman and myself, that the requirements stipulated in the licence agreement with the Tasmanian Government could be met or reasonably met and if not whether reasonable modifications 50

could be put up to the Government which would satisfy them. As I say my recollection is I personally could not see any way of guaranteeing the undertaking and meeting those conditions.

Q. What did Mr. Korman say about that? A. Mr. Korman was sort of delaying the decision. He wanted to naturally keep his options open. He was having several negotiations. He said to me he had spoken to brokers, I think it was Walter P. Hann in Melbourne, and I would say he had spoken to other institutions with who he dealt with extensively and he was hoping time would go his way. 10

Q. Can you fix these discussions you have been telling us about in relation to an event, for instance the time when the licence was granted to Mr. Hudson. Was it before or after? A. No, these discussions were after the licence was granted to the best of my recollection because I knew the conditions of the licence in some outline as I recognised they were going to be onerous at that particular time. 20

Q. What do you recollect next happened in relation to the subject matter and the discussions you have spoken about? A. I recollect that we were unable to conform to the requirements of the licence and I recall Mr. Hudson saying that he would have to do whatever he possibly could to keep faith with the arrangements he had made with the Tasmanian Government, even if it meant bringing in other people to do the work, to carry it out. 30

Q. When he said that was Mr. Korman present?
A. Yes.

Q. What was Mr. Korman's reply, or did he reply?
A. Yes. What he said, again I can't say the exact words, was that at that time he was unable to do anything further and if a decision was needed there and then he could not do anything further in the matter. Mr. Hudson said he would have to do whatever he could even if it meant going outside to keep faith with the Tasmanian Government because he was personally involved in the negotiations. 40

Q. Did you say anything in reply to Mr. Hudson's statement? A. Only to agree with him.

Q. Can you recollect any further discussion with Mr. Hudson and Mr. Korman at about the same time or a little later? A. Later on, yes, I had a number of discussions mainly with Mr. Hudson. Mr. Korman became re-involved in the salvaging of his own ship and iron and steel dropped right out of the curriculum at this stage. Mr. Hudson, he from time to time 50

kept me informed of what he was trying to do. I recall at one time him saying he had mortgaged his home I believe and put certain private moneys into drilling works he was involved in in Tasmania to prove up the ore body.

Q. You were in communication with Mr. Hudson from time to time during 1961 were you? A. Yes.

Q. At any rate at some Board meetings of Queensland Mines? A. Yes, on other occasions too. 10

Q. Throughout that period did he from time to time tell you what he was doing in Tasmania? A. Yes he did.

Q. Were those discussions in context - (Objected to.)

Q. In what capacity did you have those discussions with him during 1961? A. I would say purely person to person capacity because we as Stanhill Consolidated and Stanley Korman personally had dropped right out of any possibility of participating in Tasmania. I think Mr. Hudson when we met at Board meetings, say when he was in Melbourne, elected to keep us up to date in the hope the position might change and we could come back into the picture. That was the impression I got from his approaches and discussions. 20

Q. I think you became aware towards the end of 1961, Mr. Hudson went overseas? A. Yes.

Q. And was away some time? A. Yes.

Q. About that time have you any recollection of any discussions by Factors Limited Board meetings about Tasmania or iron and steel at the Savage River or such subject matter? A. Nothing significant that I can recollect. 30

Q. Do you recollect Mr. Gladstones becoming the chairman of Factors? A. Yes I do.

Q. Can you recall about when that happened?
A. It would have been during 1961 I should think, either the latter part of that year or early 1962 when he was appointed to the Board of Factors Ltd. I think it would have been 1961 sometime anyway. 40

Q. (Approaching.) After Mr. Gladstones was appointed to the Board of Factors Ltd. I think he became chairman did he not, do you recollect?
A. Yes he did.

Q. Were you a director with Mr. Daley? A. Yes.

Q. Mr. Leon Korman? A. Yes, I think he was an ultimate.

Q. With Mr. David Korman? A. Either a director or an ultimate.

Q. Was Mr. Carrodus a director? A. Yes.

Q. Also Mr. Stanley Korman? A. Yes.

Q. And Mr. E.J.K. Thompson? A. Yes.

Q. I want to show you a photocopy of what I would suggest to you are the minutes of a meeting of directors of Factors Ltd. held on the 1st November, 1961, a photocopy of part of such minutes. Might I withdraw that. I thought that was the first of them. I substitute one of which I suggest is a photocopy of part of the minutes of a meeting held on the 4th October, 1960. 10

MR. HUGHES: Is this a photostat of the total minutes?

MR. STAFF: No it is not. 20

MR. HUGHES: I object. (Discussion ensued.)

HIS HONOUR: I will allow you to show it to him for the purpose of refreshing his memory.

MR. STAFF: Perhaps I should technically exhaust his recollection first having regard to the fact there has been an objection.

HIS HONOUR: You should not lead by telling him what you are showing him. He is the person who has to identify it.

MR. STAFF: I will go back and do it the long way. 30

Q. Do you have any recollection of anything that might have occurred at a meeting of directors of Factors Ltd. held on the 4th October, 1961?

A. No, it is pretty hard to remember back to a date like that.

Q. You may not even know whether a meeting was held on that date? A. No.

Q. Would you look at the document which the officer will show you? (Objected to.)

HIS HONOUR: I will permit you to go on with it but 40

it will be conditional upon the original minutes being proved and if that condition is not satisfied the evidence will be struck out.

MR. STAFF: Q. Would you look at the document which the officer shows you? A. 4th October, 1961.

Q. Having looked at it are you able to recollect that meeting of Factors being held which you attended on that day? I appreciate it is difficult. If you cannot recollect I do not want to press you into something you have no recollection of? A. I was trying to put together this date with this item, an extraction of the minutes of October 1961. I can recall Mr. Korman making a brief report to one or other of the boards about that time along these lines but I cannot say this would have happened on that day, if that is the question. 10

Q. You said to one or other of the boards?
A. Yes, either Factors Ltd. or Stanhill Ltd. without anything comprehensive; just a brief statement of what was happening. 20

Q. You recollect Mr. Korman making a report about October 1961? A. The latter part of 1961, yes.

Q. Can you recollect what Mr. Korman said in that report? It was an oral report? A. Yes.

Q. Can you recollect what he said? A. No, not precisely. Just that investigations were taking place in Tasmania re iron ore and possibly a steel project, along the lines that he was just conditioning the Board to the possibility of something coming up later more comprehensive about iron and steel. 30

Q. When do you place that? A. In the latter part of 1961. He did do this in Factors and/or Stanhill Consolidated. I can't remember which company but one or the other.

Q. Do you remember at what time approximately it was you resigned as director of Queensland Mines Limited? A. Early in 1962 I believe.

Q. You were present at the meeting at which you tendered your resignation? A. Yes, until my resignation was accepted and then I left the meeting. 40

Q. Whilst you were there was there another director appointed? A. I was aware Mr. Gladstones was to be appointed. I cannot say whether it was just after I left. I think it was after I left the meeting.

Q. Was he at the meeting at which you resigned?

A. Yes, he was present at that meeting.

Q. And he had pre-arranged with you for you to resign had he? A. Yes, and for him to become a director.

Q. Prior to your resignation had you had any discussion with Mr. Gladstones at a Factors meeting or otherwise in relation to Mr. Hudson and Savage River iron ore deposits? A. Yes, I had had a private discussion with Mr. Gladstones where he asked me if there were any assets in any of the companies or connected in any way with any of the companies which could be readily saleable to assist. 10

Q. When approximately? A. This would have been not long after he became chairman of Factors Ltd. I would say towards the end of 1961 or early 1962. That is as near as I can position it I think. We had a lengthy discussion about various assets of the company and their liabilities and during that discussion I did tell him of Mr. Hudson's investigations in Tasmania and he asked my opinion. I said, well, there were very onerous conditions attaching to it as far as I could see. There was a lot of money to be spent before any money could be made but it would be a good thing for him to have a discussion with Mr. Hudson to ascertain the exact position. I told him Mr. Hudson frequently asked if we still were able to come into this project in Tasmania and that we had consistently told him we couldn't and that Mr. Gladstones may in discussing it with Mr. Hudson form a different opinion or find a way in which it could be of some use to Factors Ltd. or to the Group. He said he would have such a discussion when he found the opportunity. 20 30

Q. That is the whole of your recollection of that discussion? A. That is the substance of it in connection with this matter.

Q. Was that the only discussion you had with him about Savage River so far as you can recollect? A. Yes, as far as I can recollect. 40

Q. Do you recollect any discussion at a Factors Board meeting other than those you mentioned late in 1961 or early in 1962 about Mr. Hudson, the Savage River or Queensland Mines in relation to it? A. I do not remember it in any significant sense, no. I have got a vague idea that it came up in a brief transitory matter but I cannot recollect anything of substance at any of the Factors Board meetings in regard to it. I think it was just mentioned in passing to the best of my recollection. 50

Q. Can you recollect who mentioned it - that is pushing you a bit far? A. If it was anybody it would be Mr. Gladstones following my discussion with him or Mr. Korman. I don't recall ever raising it because I never held out hope of it being of any value to the Group.

HIS HONOUR: Mr. Staff asked questions earlier as to whether there was anything that caused this Witness to recollect an occasion overhearing a phone conversation between Mr. Korman and Mr. Hudson. At that stage at my suggestion it was left on the basis when Mr. Hughes objected that the matter could be left to see whether or not Mr. Hughes challenged the particular matter. On reflection it seems to me that was not a satisfactory way for me to have dealt with it. 10

MR. HUGHES: I will withdraw the objection.

HIS HONOUR: I was going to over rule the objection. It is a matter that does go to the weight of the evidence and accordingly is something you will be permitted to ask. The objection no longer applies. 20

MR. STAFF: Q. If I can recall to you, Mr. Redpath, you gave some evidence of overhearing a conversation which you believed to be by Mr. Korman in your presence over the telephone? A. Yes.

Q. I asked you whether there was a particular matter that caused it to stick in your mind. Do you recall that evidence? A. Yes I do.

Q. Would you tell us what was the particular matter that caused that occurrence to stick in your mind? A. The particular matter at that time was that we never had in the Group any tangible arrangement that I was aware of between Mr. Hudson and ourselves. What worried me personally was that he was engaged to my mind simply on a retainer basis initially for six months at a fee of \$2,500. I was concerned that that time was running out or had run out and nothing had been done, and further Mr. Korman was constantly calling on him to do different things yet there was nothing to bind him in any way to the Group. 30 40

Mr. Korman mentioned to me he was going to have a conversation with Mr. Hudson along the lines of how much time could he give and the remuneration and he told me he was going to suggest a figure of £10,000 for partial services because he was aware and I was aware Mr. Hudson did not want to be tied down to full time work for the Group or for Queensland Mines or anybody else so I made sure I was 50

available when he had this conversation. My best recollection is it was over the phone on the first occasion and also Mr. Korman told me after the conversation Mr. Hudson, Mr. Hudson was hesitant, he didn't want the £10,000 and he particularly didn't want to be tied to more than two or three days a week. He was thinking it over and he would let him know.

HIS HONOUR: Q. You referred to a retainer that was running out at that time? A. Yes. 10

Q. What was that retainer, from whom? A. This particular one was from Queensland Mines Limited, an amount of £2,500 for six months for Mr. Hudson to oversee the drilling operations and the other two matters that were to be dealt with in Queensland Mines, the testing of the ore, finding a suitable process for extracting the uranium oxide and the uranium contract. Around the time of this conversation Mr. Korman had with Mr. Hudson, that was either running out or had run out and we had nothing financially to bind Mr. Hudson to the Group in any way which did not seem to be good business to me anyway. 20

CROSS-EXAMINATION

MR. HUGHES: Q. You may have made a mistake when you gave part of your last evidence and I would give you an opportunity of reconsidering it. You mentioned that Mr. Hudson at the time of this telephone conversation was on your understanding retained at a salary or retainer being \$2,500 a year? A. I meant pounds. 30

Q. Did you say also that this conversation between Mr. Stanley Korman and Mr. Hudson you overheard on the telephone was a conversation that occurred in the middle or towards the middle of 1959? A. Yes, within a month or two either side of that.

Q. It may have been June or July? A. Yes, it could have been.

Q. Will you agree that it was within your knowledge at this time that Mr. Hudson had been appointed managing director of Queensland Mines Limited back in January at a salary of £2,500 per annum, for six months? A. Yes. 40

Q. That was the £2,500, the annual rate but his appointment was for six months? A. No, I thought it was £2,500 for the six months.

Q. Your understanding at the time of this telephone conversation was that his remuneration for a

six months period as managing director was £2,500 for that six months? A. Yes.

Q. I was wrong in suggesting it was an annual rate. According to your understanding at the time of this telephone conversation that was the retainer that was then running out? A. Yes.

Q. And it was your understanding was it that Mr. Korman was anxious to persuade Mr. Hudson to accept a renewal of his appointment as managing director of Queensland Mines? A. Partially. 10

Q. Is that right? A. Partially yes, but also to reimburse him for other things he was doing.

Q. You know don't you that in July 1959 Mr. Hudson was re-appointed as managing director of the company, Queensland Mines Limited? A. Yes. I know he was re-appointed.

Q. That was the re-appointment that was being discussed was it not in this particular telephone conversation? A. The overall situation was being discussed of work Mr. Hudson would be required to do for the Group. 20

Q. As managing director of Queensland Mines?
A. That was only part of it.

Q. But you will agree won't you that within a very short time of that telephone conversation there was a Board meeting of Queensland Mines Limited held I suggest on the 23rd July 1959 at which Mr. Hudson was re-appointed managing director of that company at a salary of £7,500 per annum? A. Yes, I do recollect that. 30

Q. And it so happened that the telephone conversation between Mr. Korman and Mr. Hudson was a telephone conversation in which apparently according to your understanding the figure of £7,500 was agreed upon as Mr. Hudson's remuneration? A. No. All I heard was Mr. Korman put to him £10,000 remuneration for work he would be required to do for the Group including Queensland Mines.

Q. Including Queensland Mines? A. That was my clear understanding of it, and Mr. Korman told me afterwards Mr. Hudson was not amenable to the amount and he wanted to be sure that he would not be tied up for more than two or three days a week overall. 40

Q. It was your understanding was it at that time, I am talking about mid 1959, that the figure of £7,500 was mentioned and Mr. Hudson said he would

accept on the basis he would not be too much tied up so the figure did cover his work as managing director of Queensland Mines Limited. That was your understanding was it not? A. Are we talking about the telephone conversation?

Q. The telephone conversation in the light of the subsequent Board meeting of Queensland Mines?

A. The Board meeting of Queensland Mines determined his remuneration. I think it was around the time of this discussion on the phone at £7,500. I am not too sure how the figure was finally arrived at. The only figure I heard discussed was 10,000. Lots of matters were discussed as to what he would be expected to do. 10

Q. You told his Honour in answer to a question I put a few minutes ago in relation to the telephone conversation that you overheard, the proposition was that this figure of £10,000 and £7,500 is ultimately agreed. (Objected to; question withdrawn.) 20

Q. It was your clear understanding from what you heard of this telephone conversation with Mr. Korman subsequently was it not that this figure of £7,500 was a figure to cover inter alia Mr. Hudson's work as managing director of Queensland Mines? A. No, not at all. I understood Mr. Korman to be trying to arrive at some figure with Mr. Hudson for two or three days' work a week which would cover him for all of the requirements of the Group.

Q. Including Queensland Mines? A. I would say so, yes. That would have been my impression. 30

Q. In other words you are agreeing with me this figure, whatever it was ultimately agreed at, was a figure to cover Mr. Hudson's work for the Group, including Queensland Mines as a member of the Group?

A. Yes. The £10,000 paid to him was for all purposes in Mr. Korman's mind. There is no doubt about that.

HIS HONOUR: Q. At that stage you understood Mr. Hudson had not accepted and was going to think about it? A. Yes. Mr. Korman told me he had not accepted it, he wanted to think about it for a week or so, the amount of work involved. 40

MR. HUGHES: Q. You know it to be the fact do you not by virtue of your former position as director and indeed chairman of directors of Queensland Mines that Mr. Hudson was paid from the 1st July 1959 when his first appointment as managing director of the company was renewed, his salary of £7,500 per

annum by regular instalments? A. I would have believed that that should have followed on.

Q. That was your belief? A. That was my belief, yes.

Q. You also knew did you not - (Objected to; question withdrawn.)

Q. You knew it to be the fact did you not by virtue of your position as director of Factors and Stanhill Consolidated that Mr. Hudson personally was not receiving any money from either of those companies as remuneration for services? A. No. I believe he was not being remunerated from any of the public companies. 10

Q. It was your belief his only remuneration he had off the Group, including Queensland Mines, was the remuneration he received as managing director of Queensland Mines? A. No, this is not so. I thought he must also be receiving some funds from one of Mr. Korman's private companies. 20

Q. You didn't know? A. No, I didn't know. I had nothing to do with his private companies.

HIS HONOUR: Q. What made you think that? A. Because of the amount of investigation that Mr. Hudson was doing quite outside of Queensland Mines charter.

MR. HUGHES: Q. You didn't know who was paying for this investigation did you? A. No.

Q. It was not part of your duty to concern yourself with that matter? A. That is correct.

Q. Would it be correct to say that on the 12th November, 1960, that fateful day when the Treasurer's speech was given, the announcement of the withdrawal amongst other things of income tax deductibility for company borrowings, that those circumstances cast a long and dark shadow over the future of the Stanhill Group? A. Yes. 30

Q. And from the 12th November, 1960 it was apparent to you was it not, unfortunate as it was, that the future of the Stanhill Group was at serious risk? A. Yes. 40

Q. And of course part of the risk was this, was it not that because of the Group's heavy borrowings made perhaps quite properly in the faith that income tax deductibility on companies borrowings would be continued, the Group found itself in a position

where it was unable to raise more money, is that right? A. Yes.

Q. And it became apparent immediately upon the announcement of the restrictions did it not that this inability to raise further capital seriously jeopardised the Group's position or ability to pay its debts as they fell due out of its own moneys?

A. Yes.

Q. That was something that struck you like a bolt from the blue on the 12th November, 1960 - it was something that struck you on the 12th November, 1960? 10

A. Yes.

Q. So that from the outset of the credit restrictions it was apparent was it not that the future of the Savage River project as a project in which the Stanhill Group would be able to interest itself, that is Stanhill and Factors, was at serious risk?

A. Yes, at risk.

Q. And may we take it that in the ordinary course you very soon after the imposition of the credit restrictions in November 1960 informed Mr. Hudson of that fact? A. Well, within the ensuing three months I would have implied to him - I do not think I informed him in so many words - I told him of my interpretation of the difficulties involved and he had conferences with Mr. Korman who may or may not have been more optimistic than myself. 20

Q. Would you not agree that in all probability these discussions in which Mr. Hudson was appraised of the probable inability of the Group to further interest itself in Savage River took place very soon after the imposition of the credit squeeze before the end of 1960? A. Yes, within a few months, two or three months of the imposition of the credit restrictions. I would have said to Mr. Hudson it is creating difficulties that I cannot see beyond for a new venture like this. I am sure I put that to him but I am not saying this is precisely what Mr. Korman said to him, in the immediate post budget period. 30 40

Q. You were not present at all discussions? A. No, not at all of them.

Q. Did Mr. Hudson come to you very soon after the imposition of the credit squeeze, within a month, and ask you whether the Stanhill Group would, in view of the credit restrictions be able to go into this project if the licence were granted, I mean the Savage River project? A. There could have

been that scene. I cannot really again say precisely after 14 years. It was within a few months of it anyhow.

Q. You gave some evidence this morning about some discussions that you had with Mr. Hudson after the exploration licence for Savage River had been granted?

A. Yes.

Q. Are you certain whether those discussions were before or after the granting of the licence which he received? A. I could not say with certainty. I believe I knew some conditions attaching to the licence as to when it would officially emanate but whether I saw those attached to the licence or whether they were shown to me as what would be an attachment to the licence I cannot say precisely. But I have the feeling I had a discussion with Mr. Hudson after he had shown me the licence itself and probably some discussions before that as well. 10

Q. In your discussion with Mr. Hudson he gave you to understand that after the retirement of the Stanhill and Factors companies from the project he was acting personally in relation to the licence? 20

A. Yes, and endeavouring to get others to replace Factors, Stanhill and Korman.

HIS HONOUR: Q. During the period when you were chairman of directors of Queensland Mines who was responsible for keeping its books? A. Mr. Derrick Phillips.

Q. The secretary? A. The secretary of the company. 30

Q. The books of account I had in mind particularly? A. Yes, he would have been responsible for writing up the books of account.

Q. What other positions did he hold? A. He was secretary of Factors Limited, he could have been secretary of several other subsidiaries of Factors Limited but I am not aware of him holding any other position.

Q. Would he have written up the books personally or would he have used staff belonging to some other company? A. I think in Queensland Mines he would have written them up personally because there were not a lot of entries to be made and he may have of course employed somebody under him in Factors Limited. 40

Q. Look at Exhibit 24 which we are told is the journal of Queensland Mines. Look particularly at Folio 12. Can you tell me whether you know whose

handwriting that is? A. I could not be certain but it is presumably I think Mr. Phillips. I cannot be certain at this stage.

Q. You think it may be his handwriting? A. I am not certain that it is. It looks to me a bit like his writing, Mr. Phillips.

Q. He wrote them up without any reference to you?
A. Yes. I am not an accountant. I would not really be able to guide him much.

10

MR. HUGHES: The Witness was referring to Folios 12 and 13.

HIS HONOUR: I asked the Witness about Folio 12 in particular.

Q. If you look at the last four or five lines of writing on Folio 12. Would you mind looking at those and reading them for a moment. I want to ask you whether you know anything at all about the circumstances in which those entries would have been made?
A. Only in retrospect.

20

Q. What do you mean by that? A. I did see them in some reference I believe in Mr. Murphy's reports on Factors Limited and its subsidiaries. In retrospect to my knowledge or understanding of that they were lodged there as temporary advances and should have found a home in Factors ledger or Stanhill Consolidated Limited where they probably belong.

Q. It was something, whatever was the significance, done without reference to you or the Board of Queensland Mines? A. Yes it was.

30

Q. Or to any other Board you were on? A. That is right.

MR. HUGHES: Q. During your association with Queensland Mines Limited you knew a Mr. Salier, did you not? A. I cannot recollect I knew of him at that time.

Q. Was he not in the employ of Queensland Mines as an accountant? A. He could have been.

Q. I won't press you? A. I didn't know him at that time. I don't know.

40

RE-EXAMINATION

MR. STAFF: Q. When you formed your belief as you told Mr. Hughes you did that the future of Stanhill Consolidated was at risk in the credit squeeze did

you immediately proceed to announce that to all and sundry? A. No. It was at risk but it was not by any means gone at this stage.

Q. Was it something you wanted to see public knowledge at this stage? A. No, definitely not.

Q. When you recognise the potential implications of the credit squeeze and the non-deductibility of certain classes of borrowing, interest on certain classes of borrowing, did you have any belief as to what the impact of that on Queensland Mines in its capacity to carry on business might be? A. It did not bother me because our commitments in Queensland Mines were largely complete at this stage. Queensland Mines was a very small pawn in a big chess game. 10

Q. You said you were not aware of what Mr. Korman might have told Mr. Hudson about the prospects after the credit squeeze. Tell his Honour what was the nature and temperament of Mr. Korman in relation to the future generally? (Objected to; question allowed.) 20
A. He was always optimistic. I think that sums it up.

(Witness retired and excused)

(Luncheon adjournment)

NEIL McLEOD BARRELL
Sworn and examined

MR. STAFF: Q. Your name is Neil McLeod Barrell?
A. Yes.

Q. You are by profession a chartered accountant?
A. I am.

Q. Where do you live? A. 74A Burns Road, Wahroonga. 30

Q. You are a director of Dubar Trading Pty. Limited?
A. I was a director of Dubar Trading. I retired in May this year.

Q. You were also a director of Dubar Holdings Pty. Limited? A. Correct.

Q. And they are and have been over the years companies of which the principal shareholder has been Mr. Frank Duval? A. Correct.

Q. Do you recall on behalf of Dubar Trading Pty. Limited in 1961 participating in the execution of a 40

deed made between that company and Mr. E.R. Hudson?

A. Yes I do.

Q. Do you recall that certain negotiations took place which resulted in the execution of that document? A. Yes.

Q. (Showing Exhibit "Y".) Is that the document?

A. Yes.

Q. I think you executed it in fact on behalf of Dubar Trading Pty. Limited? A. That is correct.

10

Q. Subsequently to the execution of that document you heard that certain disputes arose between the company and Mr. Hudson? A. Yes.

Q. In relation generally to Savage River and Savage River iron ore deposits? A. Yes.

Q. I don't want to trouble you with the details but whilst they were unresolved so far as your company was concerned, did you come into possession of some information which suggested the existence possibly of rights in other people? A. Yes we did.

20

Q. Do you recall where you got that information?

A. I believe that we heard it from two sources, public views expressed in the press and also we at that time had a person called Ben Dickenson employed by us as a Geologist who investigated generally the geology and the technical side of the venture, and it was very confusing as to who may or may not have had rights.

Q. Can you tell us whether in particular you have any recollection of any person or companies whom you know or in that way learned may have some interest?

30

A. Yes I do. I made a specific inquiry on behalf of Dubar Trading and my chairman Mr. Frank Duval. I was executive director of the company. I made contact with Mr. Eric Feitz, a chartered accountant in Melbourne who was acting for the Korman Group as taxation expert or financial expert and I duly arranged to meet with Mr. Korman, Sir William Bridgford and Mr. Feitz.

Q. About what time was that, do you remember?

40

A. During 1961. I could not be specific on the date.

Q. In relation to the deed which I showed you earlier, or the document I showed you earlier, was it before or after? A. It would have been after the execution of the document.

Q. You saw these gentlemen you mentioned about the matter. Do you recollect what the discussion was you then had with them? A. Yes I do.

Q. Can you tell us what you recall of that discussion? A. It was very difficult to meet these gentlemen for a start. I met them at Mascot airport on their way in transit between either Melbourne or Sydney, Melbourne or Brisbane or Melbourne or Brisbane, I cannot remember which. I asked them directly what rights, if any, they had in the Savage River projects and Blythe River projects. 10

Q. Did anyone answer you? A. I think principally Mr. Korman did the talking.

Q. What did he say? A. He was quite extravagant with his claims when he thought that I represented a group that had some money.

Q. Can you recall anything he said? A. To be quite honest I am not sure of the exact amount he mentioned but it was certainly a big figure, a bigger figure than we would ever contemplate paying. 20

Q. Did he mention any person or company in connection with the discussion? A. Not being a member of the Stanhill Group in any way I was not sure of the composition of it. We talked about Stanhill, Factors, Queensland Mines and other companies throughout the Group but there was no specific claim made for any one company.

Q. Was there anything more before I leave that conversation which you recollect about this subject? A. Having heard this conversation I reported back to my Board as my duty was and we decided we would investigate it further. 30

Q. Did you then take some steps to make some further investigations? A. We certainly did.

Q. Did you then subsequently have another meeting in connection with the matter with someone else? A. Yes I did.

Q. Who were the people you met with? A. I was a member of Price Waterhouse & Company, as a trainee accountant where I qualified and through that association I heard of Mr. Gladstones getting an appointment within the Stanhill Group and I chose to make an appointment with him in Melbourne. 40

Q. You saw him in Melbourne did you? A. Yes I did.

Q. Did you have anyone with you? A. On the first occasion, no.

Q. Do you remember approximately when it was you saw him on the first occasion? A. It was either towards the end of 1961 or early 1962.

Q. What discussion did you have with him then?

A. I acquainted him with the conversation I had with Korman, Bridgford and Feitz at the meeting at Mascot and he explained to me he was not au fait with the complete details of this claim, if any, and would investigate it. 10

Q. Anything else on that occasion? A. He asked of our interest in coming to him.

Q. What did you say about that? A. That we had executed the participation agreement with Mr. Hudson, Dubar Trading had executed the document.

Q. Was there any further discussion by him or you about that agreement or what it provided? A. Not specifically. He then sought to I believe make inquiries as to where we stood and where he stood with the companies. 20

HIS HONOUR: Q. Can you fix the time of that interview in relation to anything? A. I believe it would have been towards the end of 1961 or may have been early February as I am not sure when he got his appointment in the Group.

Q. It was soon after he became - A. I think it was publicly announced he was involved with the Stanhill Group. 30

MR. STAFF: Q. I think inferentially you suggested there was another meeting you had with Mr. Gladstones? A. Yes.

Q. Was anyone present when you met on that second occasion? A. This I am not sure of. On this occasion we had taken Mr. Wells of Murphy & Moloney to Melbourne to advise us legally as Dubar Trading and whether he in fact attended the meeting or not I am not sure.

Q. He did go to Melbourne? A. He went to Melbourne with us, yes. 40

Q. Was there anyone else with you? A. Yes, on this occasion Mr. Dickenson was present in Melbourne.

Q. Where did you see Mr. Gladstones in Melbourne?

A. At the offices of Price Waterhouse & Company.

They may have been called Flack & Flack in those days but it is the same company.

Q. Can you fix a time when that discussion took place approximately? A. Without reference to correspondence I could not. I did write a letter back to Mr. Gladstones confirming the conference I had with him.

Q. Have you any recollection of the year? A. I would say 1962, early 1962.

10

Q. It was subsequently to the earlier discussion you mentioned, was it? A. It was.

Q. What can you recollect of the conversation that occurred on this occasion? A. We specifically asked that document or claims if any the Stanhill Group and associated companies had and were not given any positive information except Mr. Gladstones referred to someone outside the company or outside his own offices who we later found to be Mr. Phillips, I believe of Factors and he duly arranged an appointment with us and Mr. Phillips to make a settlement.

20

Q. Have you any other recollection or any further recollection of any other conversation on this occasion when you were there with Mr. Gladstones? A. We were endeavouring to find out what sort of document existed or what we were actually buying an interest or assignment of. Maybe Mr. Gladstones knew but he never exactly explained in great detail what we were purchasing other than we believed on our legal advice we were protecting our interests and buying whatever this interest may have been.

30

Q. There was some discussion about buying it on the one hand and selling on the other? A. Yes.

Q. Some interest? A. Yes.

Q. Had this question of purchase or sale arisen for the first time during the course of the second meeting? A. The amount was for the first time discussed at that meeting, the amount of money involved.

Q. Was it mentioned, money? A. I believe it would have been a higher figure than we paid. I don't recollect the exact figure. We agreed to a sum of £2,500.

40

Q. Can you recall anything else about what was said at that conversation. I do not want particulars in detail but anything you can recall?

A. There were obviously a lot of words spoken

both ways. I do remember at one stage when haggling about the price Mr. Gladstones said, "It must be something for your peace of mind to know you have got an assignment of these rights." We admitted this was so.

Q. Do you recollect any discussion about Mr. Hudson and his position? A. Yes, his name was mentioned on many occasions as he was the person with whom we had been associated and dealing. 10

Q. When you say "we"? A. Dubar Trading. If I refer to "we" I am referring to Dubar Trading backed up of course by the legal adviser who was Mr. Jewel Wells.

Q. At the end of the meeting I think you said earlier Mr. Gladstones arranged an appointment for you to meet with Mr. Phillips? A. He did, in St. Kilda Road. Here again, I am not sure of the address unless I refer to the letter.

Q. And can you recall whether anyone else but Mr. Gladstones was present on this occasion? 20

A. Yes, I am sure Mr. Wells was present, and I am not sure on this point, but I think at that stage Mr. Duval came to Australia and was also present.

Q. Just to let me get it clear, my question was directed to the second meeting about which you told us a good deal with Mr. Gladstones? A. Yes.

Q. Did you understand it to mean that? A. No, I thought you were referring to the meeting with Mr. Phillips in fact. 30

Q. As to the meeting with Mr. Phillips, your recollection is that Mr. Duval and Mr. Wells were present with you? A. Yes, I believe that was so.

Q. Mr. Phillips, and anyone else? A. No. To the best of my knowledge he was on his own. He had a previous conversation with Mr. Gladstones.

Q. That was where, did you say? A. At St. Kilda Road, Melbourne.

Q. What happened during the course of that meeting? A. It was more or less a cut and dried meeting as the consideration had been already settled with Gladstones, and it was merely a matter of paying the money over and getting the form of release which our advisers asked us to get, and I can recall Mr. Wells dictating the type of release he required for the money to be paid over, which was merely a letter really. 40

Q. That was typed up, was it? A. That was typed up, and signed by Mr. Phillips.

Q. You or one of your group handed over a cheque?
A. Yes, and we received this in return.

Q. (Shown Exhibit 27.) Would you look at the short document dated 20th March? There are two pages to that Exhibit. I think it is the second page, I am not sure, or the third page. I think there is a letter, and a second letter, dated 20th March, addressed to Dubar Trading, is that correct? A. Yes, that is correct. 10

Q. Is the document dated the 20th March, 1962 addressed to the secretary, Dubar Trading Pty. Ltd., the document you have referred to as being signed by Mr. Phillips? A. Yes, it is.

Q. That is the one you got on that particular occasion? A. On that particular day of settlement, yes.

Q. Having looked at the document and the date, are you able to fix the date of this meeting? 20
A. Yes, I would say the meeting would have been held on the 20th March, 1962.

Q. That was the form of document you spoke of as being dictated by Mr. Wells, is it? A. Yes. He suggested the wording that should go into the document.

Q. Having exchanged the cheque for the document, you came back to Sydney, I suppose, did you?
A. This I am not sure of because at that stage we were going between Melbourne and Hobart, and doing other things in relation to these deposits, and I could have either gone to Hobart, or back to Sydney. 30

Q. Anyway, a little later you recall having written a letter on behalf of your company to Mr. Hudson. Is that the letter which is the other document in Exhibit 27? A. Yes, that is dated 22nd March, and I wrote it.

Q. Following the writing of that letter, or at the time you wrote the letter of the 22nd March, did the difference which you told us earlier existed between you and Mr. Hudson still exist? A. Yes, they did. 40

Q. In that state of affairs you wrote the letter?
A. Yes.

Q. Subsequently were the differences reconciled?

A. We had several disagreements over the rights we may have held as Dubar Trading Pty. Limited. I think at one stage we even lodged caveats on the titles and decided to peg leases over Mr. Hudson, but subsequently Mr. Hudson reimbursed the money that we alleged we paid to his interest account relating to Savage River, and ultimately we acknowledged that our only interest would have been Lyall River (?) not in precise terms, but by acquiescing and not having more arguments. 10

Q. I think we have heard that in very recent times Dubar Trading Pty. Limited executed a deed in favour of Industrial and Mining Investigations Pty. Limited and Savage Iron Investments Pty. Limited, in relation to the general subject matter? A. I was not a party to that document, but I understand it was signed by the officers -

Q. You know generally? A. It was signed by the officers of that company. 20

CROSS-EXAMINATION

MR. HUGHES: May I see the documents. (Documents handed to Mr. Hughes.)

Q. When the original deed was made between Dubar and Mr. Hudson, Mr. Hudson said, did he not, that he owned the exploration licences the subject of the deed in his own right? A. That is correct. We understood that to be the position.

Q. He never hinted in any way that Queensland Mines had an interest, did he? A. No, he did not. 30

Q. You dealt with him in all good faith? A. Yes.

Q. On the basis that his word was true?
A. Correct.

Q. Never thereafter did Mr. Hudson tell you that Queensland Mines had an interest in either of those exploration licences, did he? A. No, he did not, but on the other hand -

Q. You made some inquiries? A. I made some inquiries, yes.

Q. It was as a precautionary measure, as a result of certain information you got as a result of those inquiries, that you handed over the £2500? 40
A. That is correct.

Q. Is it a fact that when you wrote to Mr. Hudson in your letter of the 22nd March 1962, which is part

of the Exhibit numbered 27, the one that you looked at in the box, you heard from Mr. Hudson? A. Yes, we did.

Q. He expressed very deep annoyance, didn't he?
A. He certainly did.

Q. He vented his annoyance upon you because according to his assertion when he discussed the matter with you, you have paid money for rights, possibly rights that other people did not possess according to him? A. Before answering that question would it be possible for me to look at some correspondence subsequent to that? 10

Q. I do not know. I do not know whether it is here or not. If correspondence is here and you want to look at it, I have no objection at all? A. It is a pretty long while ago to remember, and we corresponded backwards and forwards with one another.

Q. Would you like to look at that. (Shown.)

HIS HONOUR: Have you any other correspondence you are talking about or just that correspondence? 20

MR. HUGHES: There is later correspondence.

Q. There was some backwards and forwards shuffling with cheques after this, wasn't there? A. Yes.

Q. Is that what you want to have a look at?
A. Yes.

Q. We will get that for you. It is Exhibit 28. (Shown) I do not want to be discourteous to you but can I just have a look at that myself before you go through it? (Documents handed to Mr. Hughes.)

Q. You have a look at that, if you would. I forget the precise form of the question I asked you? 30
A. I am sorry for not answering.

Q. What I am suggesting to you is this, will you agree that when you told Mr. Hudson in your letter of the 22nd March that you had paid £2500 to Queensland Mines, he expressed his annoyance on the ground that you had paid, without reference to him, money for rights that they did not own? A. Yes, that is so. Could I make an explanation?

Q. First of all is that the substance of what he said to you? A. Yes, he was annoyed, there is no doubt about that. 40

Q. For that reason? A. Yes.

Q. For the reason I put to you? A. Yes.

Q. Would you agree with this, that when you saw Mr. Stanley Korman with Sir William Bridgford and Mr. Feitz late in 1961, after you made certain inquiries which you have indicated, it was Mr. Korman, was it, who did all the talking? A. It was. Sir William Bridgford was a very docile man, and Feitz was an adviser in the backdrop.

Q. He may not have been in the battlefield, but he was in business? A. He was in business, yes. 10

Q. All the talking was done by Mr. Korman at this meeting at the airport? A. Basically, yes.

Q. You said that Mr. Korman was quite extravagant in his claims? A. Yes. Mr. Korman on many occasions, both in the press and otherwise, made many claims of big sums of money.

Q. It was not surprising to you that he was opening his mouth wide? A. It certainly was not.

Q. Would you agree that his principal interest in this conversation seemed to be to get his hands on money by whatever representations it seemed convenient to him to make at the time? A. That is so. 20

Q. You said in your evidence in this conversation no specific claim was made for any one company? A. That is so.

Q. In fact, in substance, the claim was very non-specific altogether, wasn't it? A. It was. It could have been to Stanley Korman personally as far as I was concerned. 30

Q. You saw Mr. Gladstones twice? A. I did.

Q. Both times in Melbourne? A. Yes.

Q. The first time was towards the end of 1961 or early in 1962, you think? A. Yes. It would not have been before he received his appointment in the role of - I am not sure whether it was receiver-manager or director.

Q. Of Factors? A. Yes.

Q. Will you agree with me that in your conversation with Mr. Gladstones he was quite non-specific about the claim? A. He was. 40

Q. Or as to whether there was any claim at all?

A. I am sure on the first occasion he was not

aware of what claim they may have had, and as a senior member of the profession he had to investigate it.

Q. That £2500 was just a negotiated figure, wasn't it? A. It was.

Q. It did not bear any relationship to any other figure, did it? A. As far as we are concerned, no.

RE-EXAMINATION

MR. STAFF: Q. When you answered my learned friend that Mr. Hudson showed annoyance when he learned about the fact of the agreement made between Dubar and Mr. Gladstones from Queensland Mines, resulting in the document signed by Mr. Phillips, you asked whether you might make an explanation. Can you recall that? A. Yes, I do. 10

Q. What explanation did you want to make? A. Having been involved in mining ventures for some years with Mr. Duval, as a usual precaution you accept the facts given to you by a vendor, but as a purchaser you double check with Geologists and other technical people who have expertise in the field you have not got, and this was our approach to the project right from the start. 20

(Witness retired and excused.)

DOUGLAS EDWIN JOHN SALIER
Sworn and examined

MR. STAFF: Q. Your name is Douglas Edwin John Salier? A. Yes.

Q. You live at 5 Alto Avenue, Seaforth? A. Yes. 30

Q. You are an Associate of the Australian Society of Accountants. You have been since 1964, and you are currently a director of the second and third defendants and of other companies controlled by Mr. Hudson, and your duties have been in relation to those companies, in the fields of finance, taxation and accounting. I think you are also a director of Glass Containers Limited, a public company, and you were some five years prior to your present employment as group accountant for Kathleen Investments Australia Limited? A. Yes. 40

Q. As such, your prime responsibility was for the financial activities of that group? A. Yes.

Q. In that office, although you were not an employee or officer of Queensland Mines Limited, you had some association with Queensland Mines Finances?

A. Yes.

Q. You have done a deal of work in compilation of figures in connection with this case? A. Yes.

Q. For the purposes of this case? A. Yes.

Q. You are fairly familiar I think with the books and records of the defendant companies? A. Yes. 10

Q. And of Mr. Hudson? A. Yes.

Q. Leaving aside any familiarity which you gained with the accounting records of the plaintiff company in the course of preparing material to aid in the defence of this case by the company of which you are a director, did you have any familiarity or contact with the financial records of the plaintiff company relating to the years 1959 to 1963? A. No.

Q. Did you last week, at the request of Mr. Broadly, prepare a summary of royalties which have been received from the Savage River iron ore project by the defendant, Savage Iron Investments Pty. Limited? A. Yes. 20

Q. Would you look at the document which the officer will show you and tell me whether this is the compilation you made, whether this is your document? A. Yes.

Q. You made it from the records of the company, did you? A. I made it from records of the company.

(Summary tendered and without objection marked Exhibit 102.) 30

CROSS-EXAMINATION

MR. DARVALL: Q. (Shown Exhibit 23.) You have before you Exhibit 23, is that so? A. Yes.

Q. Would you look just inside the cover and you will see that schedule has been included. Is the compilation of that schedule your work? A. Yes.

Q. The purpose of compiling that schedule was to demonstrate the expenditure by Queensland Mines on iron investigation or iron and steel investigation (Objected to; allowed.) A. What I prepared before was purely to analyse, from the records that were available to me, what the contents of that ledger account were. 40

Q. The purpose was to analyse and find a total of the expenses paid by Queensland Mines, was it not?

A. No.

Q. In respect of iron and steel? A. If I can say, the total was already there. What I was doing was seeing what made up the total.

Q. Where did you get the total from? A. From the ledger.

Q. From the ledger? A. Yes.

10

Q. Did you go to the imprest cashbook to see whether you had picked up all the amounts relating to such expenditure? A. Yes.

Q. You did that carefully? A. Yes.

HIS HONOUR: When you say the imprest cashbook, you are referring to -

MR. DARVALL: I am referring to the imprest cashbook which is Exhibit 23, which is before the Witness at the moment, your Honour.

HIS HONOUR: That is the Sydney imprest account?

20

MR. DARVALL: The Sydney imprest account, yes.

Q. You went through that account carefully, did you? A. Yes.

Q. Would you kindly look at folio 5. You see on the 22nd July 1959 a payment of £104.18.9? A. Yes.

Q. American Travel Headquarters, ERH New Zealand Travel, I think it says? A. Yes.

Q. Did you include that figure in your schedule? A. No.

Q. Why not? A. It was not in the account, it was not posted to the account.

30

Q. That was posted to some other account, was it? A. Yes. Yes, it must have been, because this is what was posted to the iron account.

Q. You say "It must have been", Did you check the analysis of the journal posting? A. Yes.

Q. Of the imprest account? A. Yes.

Q. So on checking that you must have determined to which account that payment was charged? A. Yes.

Q. What account was it charged to? A. Could I check that, sir?

HIS HONOUR: If you cannot remember without checking.

WITNESS: I would like to check it, if I may.

MR. DARVALL: Q. It is Exhibit 24? A. I need the Melbourne account cashbook.

Q. Just perhaps before the Witness goes into these lengths I might be able to assist him. The position was, was it not, that the Sydney imprest account was a book of record outside the double-entry system of the company. It was an ancillary account? A. Yes, a subsidiary account. 10

Q. As such, it was necessary to transfer the figures from that book of prime entry to the ledger of the ordinary accounts? A. Yes.

Q. Which involved an analysis of the payments which were made through the imprest account? A. Yes.

Q. That analysis was then posted by way of the journal? A. No. 20

Q. Before you say "No" would you mind just looking at that journal? A. Yes.

Q. I think you may change the answer. Just look at the journal? A. Yes. I am looking at it.

Q. And compare it for one month's posting. You will see there are narrations there. I think on journal 20 for instance you will see there an analysis of debit and credit postings showing expenses for a given period? A. No. I am sorry, sir.

Q. (Approaching.) Journal 21? A. No. 30

Q. You see a date July 31st 1962. I only put this to you by way of illustration? A. Yes.

Q. You read the narration at the bottom? A. Yes.

Q. I am sorry, the dissection of accruals, I beg your pardon. I am sorry, it is not accruals, I misread it. It is dissection Sydney account, the 1st February 1962 to the 31st July 1962, is that not so? A. Yes.

Q. That is comprised of the total deposits and payments out by the imprest account at Sydney during that period? A. That period, yes. 40

- Q. It is a dissection, is that so? A. Yes.
- Q. In respect of each period of the imprest account there is a journal entry which takes up all the debit and credit entries by way of dissection?
A. No.
- Q. Is that so? A. No.
- Q. We have happened upon folio 14, and you see here 31st July, dissection of Sydney statements April to July 1961, is that so? A. Yes. 10
- Q. Those dissections add up to the debits and credits in the imprest account? A. For that period.
- Q. All the periods of the imprest account are so dissected, are they not? A. No.
- Q. What periods are not? A. Till I think October 1960 the expenses in this account - I am sorry, in the Sydney imprest account, were brought to account in the ledger by way of the Melbourne cash book.
- Q. By way of the Melbourne cashbook? A. Yes.
- Q. So the Melbourne cashbook was used in that instance as a journal, is that so? A. Well, it is a form of journal, Melbourne cash journal. 20
- Q. I show you here a book. Do you recognise that book as being the Melbourne cashbook for Queensland Mines? A. Yes.
- Q. Would you go to the entries to which you refer in respect of this account which is the ERH New Zealand Travel? A. Yes.
- Q. What account is that posted to (Approaching)?
A. Well, if I have to say for certain rather than - 30
I am almost sure, but I am not 100% sure. To be absolutely certain, you have to go through this and analyse -
- Q. You have to do a dissection? A. A dissection of this account.
- Q. Of the account in the imprest. You have to do a dissection of the payments in the imprest account, because they are summarised in the cashbook?
A. Yes, summarised in the cashbook.
- Q. What do you think it has been posted to? Can you say without doing that - (Objected to.) 40
- Q. Do you have some degree of certainty about the

posting of that amount? Do you want some paper?
Would you like some paper? A. I do not know
whether -

Q. Would you like some paper to make a calcul-
ation? A. Yes. It won't take me very long, I just
want to be sure. Do you mind if I make a tick in
this book?

MR. DARVALL: I think it would be preferable if you
would not.

10

HIS HONOUR: If you can avoid doing it.

MR. DARVALL: Q. Can you answer the question now?
A. Yes. It was analysed into the Melbourne cash-
book, the column Travel and Accommodation.

Q. It was charged against travelling and accommo-
dation, being an expense of Queensland Mines, is that
it? A. Well, I cannot say -

Q. It is the Queensland Mines cashbook you are
speaking of? A. It is.

Q. By the postings, it indicates to you that it
was charged in its ledger to travel and accommo-
dation? A. In its cashbook, yes.

20

Q. The cashbook indicates to you that it has been
so charged in the ledger, is that so? A. Yes, that
would be so.

Q. (Shown Exhibits 12 and 22.) Would you turn to
folio 20 of the journal, which is Exhibit 24?
A. Folio 20)

Q. Yes? A. Yes.

Q. You there find an entry which is credited to
sundry creditors and a debit to blue metal survey
fees, a total of £158.4.6? A. Yes.

30

Q. Would you trace those two entries for his
Honour into the ledger? A. Yes. It is hard to say
if it is a four or a five.

Q. Does that indicate there that there has been
a charge made against the blue metal survey fees,
that is the debit entry, isn't it? A. Blue metal
expenses.

Q. That is as a charge and expense, isn't it,
in the ledger? A. Yes.

40

Q. The other entry has raised a sundry creditor?
A. Yes.

Q. Is that so? A. Yes.

Q. Would you keep the sundry creditors portion open and would you turn to the journal, folio 26 and folio 101 of the cash imprest? A. Yes.

Q. Folio 101 of the cash imprest shows a payment of some £71.8.6, doesn't it? A. Yes.

Q. What is the notation alongside that payment? 10
A. "A.G. Palmer, Professional Services, Nowa Nowa Iron Ore, 14.12.60".

Q. What is the date of that payment? A. It would be the 10th April, 1963.

Q. Just in case there is any doubt cast later, that happens to be the left-hand side of the double page, but it is clearly a payment, is it not?
A. Yes.

Q. If you look at the right-hand side I think you will see the deposits; on the left hand side the payments? A. Yes. 20

Q. Is that payment then posted to the sundry creditors account and is it one of the portions which makes up the £158.4.6? A. Is it one of the -

Q. The two amounts to make up the £158.4.6 that you found in the ledger, posted to the ledger sundry creditors in folio 20? Mr. Salier are you looking at the ledger? A. Yes.

Q. If you look at the ledger in the sundry creditors, a creditor entry was raised of £158.4.6? 30
A. Yes.

Q. There is indication on that page, isn't there, that it is made up of two amounts, £71.8.6 and £86.16.0? A. I am sorry, I do not see that.

Q. (Approaching.) You have a figure there of £186.4.6 and you see two pencil lines indicating the two figures that make up that total? A. I am not trying to be difficult, but I would not say that that necessarily follows.

Q. If you add £71.8.6 to £86.16.0, you get £158.4.6? A. Yes. 40

Q. Is that so? A. Yes.

Q. You have a creditor's amount of £158.4.6?

A. Yes.

Q. You have two separate payments which make up that total amount? A. Correct. Two separate -

Q. Payments? A. Reversals.

Q. Those are payments, are they not, on the debit side? A. One is. May I look at the other one?

Q. Yes. They are payments, aren't they?

A. Well, the £86.16.0 is not, sir.

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Q. The £71.8.6 is? A. Yes.

Q. That is a payment? A. Yes.

Q. That is the payment of a sundry creditor which is raised as against a blue metal survey fee expense, the first entry I took you to on journal 20?

A. Well, can I have that question again? I am sorry.

Q. The payment of the £71.8.6 is the payment to a creditor, the creditor having been raised in the sundry creditors with the contra entry being the debit to blue metal survey fees? A. As I say, with respect, journal 29 does not say that.

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Q. We started off with journal 20? A. Yes.

Q. Which you followed into the two accounts?

A. That is correct.

Q. One was blue metal survey fees? A. Yes. That is correct.

Q. The other one was sundry creditors, wasn't it?

A. That is correct.

Q. A part of that payment you have now traced from the imprest account through the journal to the ledger in the sundry creditors, is that so? A. Well -

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Q. With A.G. Palmer, fees? A. I am sorry, but on my reading of the accounts I cannot agree with that.

Q. You cannot agree with that? A. No. Can I explain why, perhaps?

Q. Would you tell me why you do not agree with that? A. Because the journal on page 29 says J.26, survey fees blue metal £71.8.6. incorrectly debited

to sundry creditors as not in part payment of £158.4.6. J.20, should be mine development account.

Q. It is transferred from blue metal to mine development? A. In fact it has not been, but this is what the journal says.

Q. That has not been done? A. It says it is incorrectly debited to sundry creditors.

Q. But a sundry creditor has already been raised? A. I do not know whether a sundry creditor was raised incorrectly. 10

Q. What you are saying is that instead of being a sundry creditor to the credit entry, that it should be transferred - A. I am only saying what it says in the journal.

Q. What are you saying it should be transferred to? A. What the £71.8.6 should be transferred to?

Q. Yes.

HIS HONOUR: Do you mean what he is reading out from the book that it should be transferred to? 20

MR. DARVALL: Yes.

WITNESS: It says "Not in part payment of £158.4.6 (J.20), should be mine development account".

MR. DARVALL: Q. It should be in the mine development account? A. Yes.

Q. What is the journal entry which is made thereby? A. The journal entry that is made thereby is that the £158.4.6, whoever that creditor was -

Q. What are the debits and what are the credits? A. I am sorry? 30

Q. What are the debits and what are the credits? (Objected to.)

HIS HONOUR: Q. Continue with the answer you were giving? A. What I was saying, that the £158.4.6, which was raised in journal 20 from this journal entry, was never paid. The £72.8.6 was set off against it and the balance was reversed out of sundry creditors as a credit to mine development account, and why it was done, I cannot say.

MR. DARVALL: Q. You are looking at journal folio 29, and there is a debit entry there of £86.16.0 to sundry creditors? A. That is so. 40

Q. And a credit entry to mine development of £86.16.0? A. That is so.

Q. It would seem that that entry merely deals with the £86.16.0 portion of the £158.4.6, is that so? A. Well, I come back, if I may -

Q. There is a narration there? A. Yes, there is a narration there.

Q. Which seems to be inconsistent with the actual journal entry? A. It is not inconsistent to the extent that what that journal entry is doing is really reversing the raising or partly reversing the raising of that amount as a sundry creditor who obviously was never paid; if, in fact, it was a creditor. 10

Q. That is the £86.16.0? A. No. I say the £158.4.6 was never paid.

Q. The journal entry is in respect of £86.16.0, is it not? A. That is correct.

Q. And that transfers across the credit entry of £86.16.0 to the credit of mine development account? A. Yes. 20

Q. And thus reduces the total of expenditure in the mine development account? A. That is correct.

Q. So far as the £71.8.6 is concerned in the ledger, it has been taken in as a payment in the ledger of a sundry creditor? A. It has.

Q. Would you look at Exhibit 12. It is an account of Palmer for £71.8.6 in respect of Nowa Nowa, is that so? A. Yes. 30

Q. When you made out your schedule you did not take that amount into the total, did you? A. No.

Q. You don't pretend that the schedule or the analysis you took out covers all expenses directly or indirectly concerned with steel exploration? A. No.

Q. And you cannot say whether there are any other amounts, be they travel or professional fees, which have been paid which have not been included in your schedule? A. Yes. I know there are some. 40

Q. There are some others? A. Yes.

Q. In addition to the two I have just spoken of? A. Yes.

Q. Did you make any calculation as to the total of those other amounts? A. Yes.

Q. What was the total of the other amounts?

A. £700 and - I am speaking from memory now - if I could give a round figure, because I am speaking from memory; £700.

Q. £700? A. Yes.

Q. That did not include that Nowa Nowa figure?

A. No.

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Q. Or that New Zealand travel figure? A. It would have included the New Zealand figure.

Q. In the £700? A. I would think, yes.

Q. You cannot tell me with any degree of certainty?

A. Yes it would.

Q. Would you go to folio 15, of the imprest account. You will see an entry there, dated 1st October, 1959, for £150, payment to A.G. Palmer? A. Right.

Q. You did not include that amount in your schedule, did you? A. No.

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Q. Did you include that in your estimate of £700?

A. Yes.

Q. Did you have any paper on which you worked these out, these additional amounts? A. Yes.

Q. Have you got it here? A. No.

Q. Where is it? A. It is at my office.

Q. As a matter of accounting procedure, entries are put through or may be put through at the end of an accounting period raising an accrual of accrued expenses against the charge to be made in that year?

A. Yes.

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Q. And it is customary to reverse that entry at the opening of the succeeding year? A. Yes.

Q. Does the schedule which you produced of the Tasmanian iron ore receipts include all the receipts in respect of those mining leases, for Savage River? A. No.

Q. What amounts does it not include? A. It does not include the amount that was reimbursed, the exploration expenses reimbursed, which is shown on the other schedule of expenditure.

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Q. That is that schedule, expenditure, to which you referred? A. The big one, yes, - no, sorry.

Q. This is all the royalties, and option payments though, is it? A. Yes.

Q. Which company has received these payments?

A. The company now called Savage Iron Investments.

Q. All the way through? A. Yes.

Q. The other company, the third defendant Industrial and Mining Investigations, has not received any? A. No. 10

Q. To whom does Savage Iron Investments pay its dividends? A. Savage Iron Investments pays its dividends to Industrial and Mining Investigations.

Q. The total amount of the dividend? A. The total -

Q. The total amount of the dividend?

HIS HONOUR: Is that a question?

MR. DARVALL: Q. I am asking you is that the total amount of the dividends which is paid to Industrial and Mining Investigations? A. With the exception of the dividend on two shares. 20

Q. To whom was that paid? A. Mr. Hudson.

Q. Industrial and Mining Investigations Pty. Ltd. has been paying dividends in respect of these moneys received, is that so? A. Yes.

Q. To whom has it been paying those dividends?

A. To Mr. Hudson.

Q. To Mr. Hudson personally? A. Mr. Hudson personally; and in the last year to a company called Talbot Investments. 30

Q. Who are the shareholders in Talbot Investments?

A. Mr. Hudson.

Q. Anybody else? A. Well, I think from the share register that Mr. Lincoln Madden and myself hold a share each, but we hold that on trust.

Q. Whereabouts is that company incorporated? (Objected to; allowed.) Whereabouts is it incorporated? A. New South Wales.

Q. There are certain requirements under the 40

Income Tax Act that dividends should be paid before a certain date, are there not? A. Yes.

Q. As a director of the respective companies, can you tell me on what date it is necessary to pay the dividend - (Objected to.) - and avoid paying further tax, the undistributed profits tax. (Disallowed.)

HIS HONOUR: Q. The two unidentified entries referred to at the bottom totalling £2,968.14.10?

A. Yes.

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Q. Just speaking as an accountant, examining the books, what would you understand from the entry that you did find relating to those matters? A. Well -

Q. You perhaps can turn it up if you like?

A. No, I don't have to turn it up because I tried to understand that and from my point of view it is inexplicable without sort of speculating.

Q. I think it says they are expenses incurred and now transferred, is that right? A. Expenses incurred, now transferred; yes.

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Q. And that does not convey anything in particular to an accountant? A. It conveys, I suppose, that expenses were incurred and posted to one account, and then transferred to another, but in those sort of journal entries, you usually have some sort of an explanation of how the amount was arrived at, or what exactly the expenses were, or something like that; and in this case there is no, nothing to say what the expenses were. That is what I meant to say, that is why I cannot identify it.

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Q. It has nothing to show the account previously charged? A. No, it shows the previous account was Mine Development, Anderson's.

Q. What have they been transferred to? A. They have been transferred to iron and steel expenses. That is what the ledger says - sorry, that is what the journal says; but the ledger has a different name.

Q. Would one expect there to be some other book of prime entry where one would find details of that?

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A. No. I must say this is what I originally looked at, and I am sure that the books of prime entry, that we have here, are the totality of the books.

RE-EXAMINATION

MR. STAFF: Q. The schedule which is with Exhibit 23,

is entitled "Ledger account, iron industry investigation expenses"? A. Yes.

Q. When you compiled it, did you compile it as an analysis of a particular thing? A. As an analysis of the ledger account.

Q. And that only? A. And that only, yes.

Q. Is that why you put the heading on it, Ledger account, iron industry investigation expenses?

A. Yes.

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Q. In compiling that sheet, you were not at all concerned with entries that might be found in another ledger sheet or elsewhere in the book? A. Not in compiling that sheet, no.

(Witness retired and excused)

(Melbourne cashbook of Queensland Mines Limited tendered by Mr. Darvall; objected to; pressed.)

HIS HONOUR: I will wait to rule on this till I get the transcript in the morning, and I can see what Mr. Salier said concerning the document.

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(Further hearing adjourned to Wednesday, 10 a.m., 30th October, 1974.)

IN THE SUPREME COURT
OF NEW SOUTH WALES
EQUITY DIVISION

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CORAM: WOOTTEN, J.

QUEENSLAND MINES LIMITED v. HUDSON & ORS.

ELEVENTH DAY: WEDNESDAY, 30TH OCTOBER, 1974.

HIS HONOUR: I have examined the transcript in relation to the last exhibit that was tendered, and I will admit the exhibit.

(Melbourne cash book of Queensland Mines Limited admitted and marked Exhibit "AY"). 10

WILLIAM DERRICK PHILLIPS
Sworn and examined:

MR. STAFF: Q. What is your full name? A. William Derrick Phillips.

Q. You live at 42, Kilby Road, North Kew, Victoria?
A. That is right.

Q. You are employed now by Dunlop Australia Limited? A. Yes.

Q. In its Melbourne head office? I think you are secretary also of a subsidiary of that company known as Factors Limited? A. That is right. 20

Q. You have been secretary of Factors Limited for many years? A. Yes.

Q. Going back to the time, at any rate, when it was controlled at board level by the Stanley Korman - Stanhill Consolidated group? A. Earlier than that.

Q. You ante-dated the Korman interests, in fact?
A. 1956.

Q. In the course of your duties as secretary of that company over the years did you have a good deal to do with the keeping of the financial records of Factors Limited? A. Yes. 30

Q. I think for a number of years you were also secretary of Queensland Mines Limited? A. Yes.

Q. And you discharged your duties as secretary of Queensland Mines Limited and of Factors Limited in the years, say, 1959 to 1963? A. Yes.

Q. And you discharged them in the main from an office in Melbourne? A. Yes.

Q. As secretary of Queensland Mines Limited did you also from time to time check some of the financial records of that company which were kept in Sydney? A. Yes.

Q. Did you have any regular practice in relation to the Sydney financial records? A. Yes. The Sydney records, it was an imprest account which was reimbursed from Melbourne; it may have been monthly or sooner if funds were required. They sent down the statements from Sydney which were reimbursed. In addition to that I paid a visit to Sydney at periodic periods to check through their accounts. 10

Q. In the main where were the financial records of Queensland Mines Limited written up? A. The ledger and the main cash book - in Melbourne.

Q. I think you have already told us that the financial records of Factors Limited were kept in Melbourne? A. Yes. 20

Q. In the same office as the records of Queensland Mines? A. Yes.

Q. And various financial records of other Korman group companies? A. Not necessarily in the same office. They were in Melbourne but not necessarily in the same office.

Q. Were some of the other companies in the office you occupied or not? A. Possibly Stanhill Consolidated records were there, but not all the time.

Q. In those years 1959 to 1963 you did a good deal of the clerical work of writing up the books, did you? A. Of the Queensland Mines books, yes. 30

Q. What about Factors Limited? A. Factors I did very little of.

Q. In relation to the financial records in the discharge of your duties were you responsible to any particular person? A. Well, we had a financial controller by the name of Carrodus, John Carrodus. He was virtually the man that I referred things to generally in our office. 40

Q. Relating to what company? A. He was an executive director of Factors. He was secretary of Stanhill Consolidated and he was regarded as the financial controller of the whole of the so-called Korman group.

Q. In the discharge of your various duties you regarded him as the person to whom you would refer in the ordinary course --- A. Yes.

Q. Have you seen Mr. Carrodus in recent years?
A. The last time I saw him was in America about three years ago.

Q. Was he then living in America? A. Yes.

MR. HUGHES: He still is.

MR. STAFF: Q. He still is? A. Yes, he is.

Q. I think you customarily attended meetings of directors of Queensland Mines Limited? A. Yes. 10

Q. And took the minutes of those meetings?
A. Yes.

Q. I think you also customarily attended meetings of Factors Limited? A. Yes.

Q. And kept the minutes of those meetings?
A. That is right.

Q. In general are you able to tell us whether you have any particular recollection of any meetings of Queensland Mines Limited and of the proceedings of them, without reference to the minutes? A. Memory over 12, 14 years - it can be hard. 20

Q. Yes, I know. A. I think possibly what I do know is on reference to minutes; just how much of it I do know from memory over that period, I just don't know, I just couldn't say.

Q. I suppose if you were shown particular minutes you may recall some matters from them? A. Yes.

Q. In the course of your attention to the financial records of Queensland Mines Limited did you become aware at some stage that moneys were being paid out of one or other of the accounts of Queensland Mines, that is, one of the bank accounts of Queensland Mines, which related to expenses incurred in connection with the investigation into the New Zealand Ironsands? A. There again this is possibly - I don't know whether it is from memory or whether it is from the fact of having seen the records since that it is refreshed. There was a payment made for air fares to New Zealand. 30 40

Q. In recent times you have looked again at the accounts? A. Yes.

Q. And some of the minutes of the companies?

A. That is right.

Q. But you are now aware there were some payments made out of Queensland Mines' bank account in respect of some New Zealand expenses? A. Yes.

Q. Are you now also aware that there were some accounts paid, expenses defrayed out of Queensland Mines' bank account in connection with inquiries into the Savage River Iron Ore Deposits? A. Yes, although I think if I was asked that three months ago I would have said no. My memory wouldn't have been too good.

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Q. Anyway you have become aware of that?

A. Yes.

Q. I take it you have looked at the ledger of Queensland Mines? A. Yes.

Q. The ledger sheet? A. The ledger sheet.

Q. I show you Exhibit 22. Is that a bundle of ledger sheets of Queensland Mines in the days 1959 to 1962 or thereabouts, 1963? A. Yes. I don't know whether it is the complete ledger, but certainly ---

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Q. They appear to be some of the ledger sheets?

A. Yes.

Q. Kept by Queensland Mines? A. Yes.

Q. Is some of the handwriting yours which you see there? A. The first page, yes.

Q. Would you go to the account entitled Iron Industry Investigation Expenses. Is the handwriting there your handwriting, or some of it? A. It all is.

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Q. Do you recollect anything of the circumstances in which you came to write up that ledger sheet, perhaps starting with the opening of it? A. I believe that with these accounts, when I came to write up the ledger, the first book, of course, would have been the cash book, the entries would have been perhaps some weeks or even a couple of months later, the ledger sheets would have been prepared and written up from the cash book. When I came to the first item that appears there in the cash book there was no appropriate account in the ledger in which it could be entered, and consequently I probably enquired of someone in the organisation

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as to what to do with it and was told for the moment to "put it into an Iron Ore Suspense Account which we will deal with at a later date".

HIS HONOUR: Q. Iron Ore Suspense Account? A. It is called Iron Ore Investigation Expenses.

Q. I wondered why you mentioned the word "Suspense"? A. A word that came to my mind, I suppose. If it is an account which is not regarded as something of a permanent nature it is called a suspense account.

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Q. Why did you not regard that as a permanent nature? A. For this reason, that I knew that Queensland Mines had been set up for the purposes of handling the uranium lode of Anderson's Lode, and that although there was no record in the minutes the chairman of Factors at that time, Mr. Burt, was very adamant that Factors' money was not to be spent on any other mining venture other than the uranium, Anderson's Lode. So that was why in my mind I knew the iron ore was not of a permanent nature for Queensland Mines.

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Q. When you say you knew it, you remember now you knew it at the time or are you reconstructing this from looking at books? A. No. In that particular case I quite clearly remember Mr. Burt's opposition to the whole thing.

MR. STAFF: Q. I think you said you believed you referred the question to someone? A. Yes.

Q. Have you any recollection as to whom that was? A. I would have thought in that particular case it would have been Mr. Redpath because he was the Factors director that was virtually the senior director of Queensland Mines from the Factors point of view.

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HIS HONOUR: Q. But you don't remember it? A. I don't remember it, no; not specifically.

MR. STAFF: Q. If it were not Mr. Redpath is there anyone else whom you --- A. Possibly Mr. Carrodus, but other than that I wouldn't know.

Q. I think you had attended all, or if not all, most of the board meetings of Queensland Mines? A. Yes.

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Q. Prior to opening this ledger sheet? A. Other than I think perhaps the first two meeting which were held before I was appointed secretary; it might have been two or three.

Q. Did you have a recollection when you opened the ledger sheet of what had occurred at those board meetings of Queensland Mines? A. Yes.

Q. In the course of performing your duties with Factors and Queensland Mines had you observed any practice which had grown up in relation to the payment of expenses by one or other companies relating to matters which were outside the scope of those companies' business? A. Yes, that happened on a number of occasions actually, particularly relating to air fares. In a lot of cases someone in the organisation would suddenly have to travel to America, to London or Perth or somewhere, and it quite often happened that the company where he was at the moment the decision was made, arranged the air bookings; and consequently charged it and paid through that company; and at a later date adjusted by the company to which the trip applied. 10

Q. Did you normally seek instructions from someone as to the way in which such expenses should be treated? A. Oh yes. 20

Q. When you sought directors as to how to treat the charge was it customary to get an explicit answer immediately? A. Not always. In a number of occasions - "We have not decided yet which company it belongs to" - it could have been the answer.

Q. Would, for instance, "for the time being open an account called so-and-so for a company called X" be an unusual reply to that? A. No, not in the circumstances under which the companies were operating. 30

Q. I think you are aware that by subsequent entries the expenses brought to account in the ledger sheet which I have shown you were transferred to an account in the ledger, I think, entitled Mine Development, Anderson's? A. Yes.

Q. Would you look at the ledger sheet. If you would like any other of the company's books I think we can provide them? A. I think to find the actual amount I require the journal --- I have found it now. 40

Q. Would you agree that the balance of the Iron Industry Investigation --- A. Iron Industry Investigation expenses.

Q. Yes, the balance of it was probably transferred at some point of time to the Mine Development, Anderson's account? A. Yes.

Q. Was there more than one transfer to that account from the Iron Industry Investigation Account or ---

A. No, there are two transfers, one at 31st July, 1960 and the other 31st July, 1961.

Q. The account Mine Development, Anderson's, was primarily for what purpose? A. That was an accumulation account of all expenses of development of that relating to Anderson's Lode, consisting of drilling and water expenses and all general expenses relating to the development of that particular mine.

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Q. Can you recall how it came about that the Iron Industry Development expenses were transferred to the Mine Development, Anderson's, account? A. I can't for sure recall, but my belief would be that at the balance date, which was 31st July ---

MR. HUGHES: Which year?

WITNESS: In each year - all the accounts - there was no profit and loss account in this particular set of accounts, and all expenses were capitalised in the Mine Development account until such time as the mine was to start producing when those expenses would then be a charge against the income from the production of the mine.

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MR. STAFF: Q. Could you recall whether those transfers were made according to a decision which you took or according to an instruction which you got from someone else? A. That is something I can't remember. It could quite probably be, I think, that at the time in completing the accounts - and the accounts generally had to be completed in a hurry - along with everything else they were transferred into the Development account to eliminate those accounts in the ledger.

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Q. Looking at the ledger and the journal were other accounts not related to Mine Development, Anderson's, account also transferred into the Mine Development accounts at balance date? A. I would think that was probably the only one that could be regarded as not being part of the development; the other items were all insurance, legal expenses, motor expenses, printing of stationery and things of that nature. I just noticed something here. Looking at these entries, the entry of the amount that went into that account in July 1960 has come out again and been transferred back to the Iron and Steel account in March 1961. So, in other words ---

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Q. That has the effect of reversing --- A. Yes. So, in other words, there is really only one transfer

of the whole amount to the Mine Development account; that was the one in July 1961.

HIS HONOUR: Q. Did that include the amount that had been taken out in March? A. Yes.

Q. It went back there? A. It ended up there. It could have been a £1,252 and £4,280, whereas there is only £4,280.

MR. STAFF: Q. You said it was transferred at 31st July 1961. That is the balance date, of course?

A. Yes.

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Q. But in the ordinary course you would expect the entry to be made at some later date, would you?

A. You mean although it is dated 31st July it was not physically done on 31st July? No, it would have been done some time in August.

HIS HONOUR: Q. Were all those entries made by you?

A. Yes.

Q. Have you any recollection of the circumstances in which you reversed the first entry? A. No. As a matter of fact, that was when I saw that journal entry here, it surprised me --- other than the fact there was another item transferred back at the same time, and it looks as though at that stage it was an endeavour to get all items that did not apply to the uranium into one particular account, because the amount transferred back was £2,968 which included the £1,252.

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MR. STAFF: Q. Have you any recollection whether the board of Queensland Mines authorised the transfer of those expenses in the way in which they were transferred? A. I have no recollection of that, no.

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Q. I suggest to you there is nothing in the minutes of the company to --- (objected to: Objection withdrawn).

Q. If there are no minutes contained in the minutes of Queensland Mines Limited recording an authority for the making of the transfer to which you have referred of the Iron Industry Investigation expenses to the Mine Development, Anderson's, ledger account, are you able to say whether, in fact, at any meeting of directors of Queensland Mines Limited such authority was given? A. I would think not. It is not a normal thing to have entries of that nature recorded in minutes.

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HIS HONOUR: Q. Or discussed at the board? A. No, it would not be a discussion at the board meetings.

MR. STAFF: Q. In your recollection was there any discussion about the authorisation of it by you with Mr. Hudson? A. I would not think so. I don't recall, but I wouldn't think so.

Q. As secretary of Queensland Mines Limited you told us you kept the minutes of the meetings of directors? A. Yes.

Q. Did you record all decisions made by the directors at meetings? A. Yes. 10

Q. Do you recall at a particular point of time having some conversation with a Mr. Barrell representing Dubar Trading Pty. Limited? A. Yes.

Q. Do you recall when that was, approximately? A. Some time in 1963, I think. I am not sure whether it is 1962 or 1963.

Q. So far as you can recall did you have more than one discussion or only one discussion? A. Unless I had a telephone call conversation, there was only one discussion. 20

Q. Prior to that discussion did you have a conversation with Mr. Gladstones? A. Yes. Mr. Gladstones was then chairman of Factors.

Q. At that time was he chairman also of Queensland Mines Limited, or don't you recollect? A. I don't know whether this was just prior to him becoming chairman of Queensland Mines or just after. He was chairman of Queensland Mines somewhere about that time. 30

Q. Would you tell us what the conversation was that you had with Mr. Barrell? A. Yes, it was something of this nature. I came to Sydney at the suggestion of Mr. Gladstones to see Mr. Barrell. I think Mr. Gladstones said something "They are talking about we have got some interest in iron in Tasmania. Go up and see what it's all about". I came to Sydney and I saw Mr. Barrell who was accompanied, I think, by Mr. Duval and Mr. Dickenson. They questioned me about any interest we have in the Savage River and I said, "At the time as far as I am concerned we have got no interest whatsoever. I am not aware of any interest that we have". They wanted to purchase whatever interest we had, and eventually they gave us a cheque for £2,500, I think it was, to purchase any interest that we might have; but I was quite definite in my mind that we had no interest. 40

HIS HONOUR: Q. Who was "we"? A. "We" would be primarily Factors and Queensland Mines; they were the two companies I was connected with.

MR. STAFF: Q. Would you look at the third sheet of Exhibit 27 (shown to witness). Is that your signature on that document? A. That is right.

Q. Where did you sign that document? A. I would think in Melbourne, but I don't know.

Q. Did you do anything with it after you signed it, that you can recollect? A. With the document, you mean? I presume I would have given it to or sent it to Dubar Trading or Mr. Barrell. I have got no recollection. It may have even been done in Sydney, but I don't know. 10

Q. Round about that time did somebody give you a cheque or send you a cheque? A. Yes.

Q. I think you said the cheque was for £2,500? A. Yes.

Q. Do you recall in whose favour the cheque was drawn? A. No. I do remember it was banked in Queensland Mines but I don't know in whose favour it was drawn. As a matter of fact, seeing this letter I am wondering whether it was done in Sydney when I was here, because if it had been done down in Melbourne I think I would have issued a Queensland Mines official receipt for it. 20

Q. Would you look at the letterhead? A. No, it was done in Victoria, because it has a Victorian stamp duty on it.

Q. And it is a Melbourne letterhead, is it not, the form of letterhead that was used in Melbourne? A. No, it is a blank sheet of paper, it is just on plain paper. The other heading is the Dubar Trading. 30

Q. It has got a Victorian duty stamp on it? A. Yes, it has got a Victorian duty stamp down on the left-hand corner.

Q. Would you look at the Melbourne cash book, Exhibit "AY" (shown to witness). Would you look at the entry under March 20th, 1962? A. Yes. 40

Q. Is the entry there made under the notation "Dubar Trading Company" and the following words, in your handwriting? A. Yes.

Q. When would that have been made? A. Well, the cash book would have been written up probably some time after 20th March, but somewhere, say, in the next week.

Q. What does the item say? A. "Dubar Trading Company. Repayment of out-of-pocket expenses and purchase of interest, if any, in Tasmanian Iron & Steel".

Q. That cheque was then banked to Queensland Mines' credit? A. Yes.

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Q. Do you remember how you dealt with it in the journal and the ledger? If you look again at the Mine Development, Anderson's, account you may be able to tell us in whose handwriting are the entries on the lower part of the sheet? A. That is the handwriting of a Mrs. George who prepared most of the cash book and ledger sheets on Factors, and at this time she was doing the Queensland Mines accounts as well.

Q. She was doing these under your supervision?
A. Yes.

20

Q. Do you see the entry in the bottom right-hand corner under March 20th? A. Yes.

Q. "By cash. Repayment" - A. "Repayment of expenses re Tasmanian Iron & Steel".

Q. Was that entry made with your authority?
A. I presume it would be, yes.

Q. You did tell us that prior to first speaking with Mr. Barrell you had a conversation with Mr. Gladstones? A. Yes.

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Q. What was that conversation? A. I think it was something to the effect, I think Mr. Gladstones said he had a phone call from Mr. Barrell asking or inquiring about mining of iron in Tasmania, "you had better go up to Sydney and see what it's all about" - that's as far as I can remember.

Q. Do you recollect whether, before you signed the receipt for the document part of Exhibit 27 which I showed you and before you received the cheque for £2,500 referred to in it, you had any other conversation with Mr. Gladstones? A. I don't recall.

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Q. One way or the other? A. No, I don't recall any conversation. I could have quite easily, but I don't remember whether I did or I didn't.

Q. Do you recall at any of the meetings of directors of Queensland Mines Limited which you attended, any discussion between directors about the Savage River iron ore deposits or Tasmanian iron ore deposits? A. There again, if I had been asked this three months ago, the answer is no. My attention was drawn to a minute late - could I say late, sometime 1963, about 1962 or 1963, but prior to that there is nothing at all.

Q. In the light of that fact and of your recollection generally are you able to say whether or not there was any discussion at any earlier point of time than the minute you referred to? A. I am quite sure there was not. 10

Q. In the course of your duties as secretary did you ever come into possession of any information indicating any concern or interest of Queensland Mines Limited in the Tasmanian or Savage River iron ore matter? A. No. I mean, I knew there were discussions on Savage River but I think they were well developed before I ever heard anything about them, and anything that I knew or heard didn't convey to me that Queensland Mines was ever to be interested in it. 20

Q. (Document shown) Is that a volume of minutes of meetings of directors of Factors Limited recording minutes from 12th January 1959 up to 12th May 1964? A. It is the Factors' minute book from 12th January 1959, but it is not complete up to May 1964; there is a gap from 14th December 1962 to 24th January 1964. The reason for that gap - I brought these with me from Melbourne this morning - the reason I didn't bring those pages in between, there was nothing in them whatever relating to Queensland Mines, and I only brought the latter pages because they related to the sale by Factors of its interest in Queensland Mines to Kathleen Investments. 30

Q. You were secretary throughout the period to which those minutes relate? A. Yes.

Q. And you kept the minutes? A. Yes. 40

Q. And recorded details of discussions and decisions of the board? A. Yes.

Q. Without asking you to identify every one, are they signed by the chairman of the appropriate meeting in each case? A. Yes.

Q. Would you look at Folio A103, the meeting of 4th October, 1961. Would you look at the signature of the chairman? A. Yes, Mr. Gladstones.

Q. Do you recognise that as Mr. Gladstones' signature? A. Yes.

Q. You see a minute recorded under the title "Queensland Mines Limited" in the body of the document? A. Yes.

(Minutes of meeting of directors of Factors Limited of 4th October, 1961 tendered and marked Exhibit 103.)

Q. Would you look at the minutes of the meeting of directors of Factors Limited held on 1st November, 1961, at Folio A105. Would you look at the signature of the chairman. Whose signature is that? A. Mr. Gladstones'. 10

Q. I go back to the previous minute of 4th October, 1961. Have you any recollection of any conversation which occurred in relation to the subject matter of that minute in the course of that meeting on 4th October, that is, apart from what is recorded in the minute? A. Not really.

Q. In respect of the matter recorded under Folio A105 in the minutes of the meeting of 1st November relating to Queensland Mines have you any recollection of the discussion other than what is --- 20
A. No. I would say at the second meeting, the one on A105, which was the meeting following the earlier one, the matter was deferred because Mr. Korman was not present at that meeting.

MR. HUGHES: At the meeting of 1st November?

WITNESS: 1st November, Mr. Korman was not present at that meeting - that is Mr. S. Korman, by the way. 30

(Minutes of meeting of directors of Factors Limited dated 1st November 1961 tendered and marked Exhibit 104.)

Q. Would you look at Folio A109, minutes of a meeting of directors of Factors Limited held on 6th December 1961, under the item "Queensland Mines Limited". Is the signature of the chairman of those minutes also that of Mr. Gladstones? A. Yes.

Q. Can you recollect anything more than is recorded in the minute about that discussion? 40
A. No.

(Minutes of meeting of directors of Factors Limited dated 6th December 1961 tendered and marked Exhibit 105.)

Q. Would you look at Folio A121, the minute of the meetings of directors of Factors Limited held on 7th March 1962. Again do you see the items under the heading "Queensland Mines Limited"? Is the signature that of Mr. Gladstones, as chairman?

A. Yes.

Q. Can you recall anything of the discussion there referred to other than what is recorded in the minutes? A. No.

(Minutes of meeting of directors of Factors Limited dated 7th March 1962 tendered and marked Exhibit 106.) 10

HIS HONOUR: Q. Mr. Phillips, this minute starts off "The secretary reported that" - is the whole of the minute a record of your report or only the first paragraph (document shown)? A. I would think "The secretary reported that a meeting had been held with Mr. Hudson" was the report. I don't think it necessarily follows that the other two paragraphs were in the report. 20

Q. They are not decisions of the board apparently?
A. No -- the whole thing is a report.

MR. STAFF: Q. Would you look at Folio A127, the minutes of the meeting of directors of Factors Limited held on 4th April 1962, again under the item "Queensland Mines Limited". Do you recollect anything more of the discussion or conversation at the meeting in relation to that matter other than appears in the minutes? A. No. That relates to the arrangements made with Duval Holdings. 30

Q. Is the signature of the chairman that of Mr. Gladstones? A. Yes.

(Minutes of meeting of directors of Factors Limited dated 4th April 1962 tendered and marked Exhibit 107.)

MR. STAFF: Your Honour, I propose to tender a series of minutes without asking Mr. Phillips particularly about them. It might be fairer to my friend if I identified them whilst Mr. Phillips is here. 40

(Minutes of meeting of directors of Factors Limited dated 12th January, 1959, Folio A24, tendered and marked Exhibit 108.)

(Minutes of meeting of directors of Factors Limited dated 15th April 1959, Folio A32, tendered and marked Exhibit 109.)

(Minutes of meeting of directors of Factors Limited held on 29th April, 1959, Item "Queensland Mines Limited" Folio A34, tendered and marked Exhibit 110.)

(Minutes of meeting of directors of Factors Limited held on 24th July, 1959 Folio A35 tendered and marked Exhibit 111.) 10

(Minutes of meeting of directors of Factors Limited held on 2nd November, 1959, Folio A42, tendered and marked Exhibit 112.)

(Minutes of meeting of directors of Factors Limited dated 29th March 1960, Folio A50, tendered and marked Exhibit 113.)

(Minutes of meeting of directors of Factors Limited dated 1st August, 1960 Folio A60, tendered and marked Exhibit 114.)

(Minutes of meeting of directors of Factors Limited dated 3rd October, 1960, Folio A64, tendered and marked Exhibit 115.) 20

(Minutes of meeting of directors of Factors Limited dated 28th October, 1960, Folio A67, tendered and marked Exhibit 116.)

(Minutes of meeting of directors of Factors Limited dated 7th February, 1961, Folio A71, tendered and marked Exhibit 117.)

(Minutes of meeting of directors of Factors Limited dated 17th April, 1961, Folio A78, tendered and marked Exhibit 118.) 30

(Minutes of meeting of directors of Factors Limited dated 30th May, 1961, Folio A84, tendered and marked Exhibit 119.)

(Minutes of meeting of directors of Factors Limited dated 21st June, 1961, Folio A88, tendered and marked Exhibit 120.)

(Minutes of meeting of directors of Factors Limited dated 5th July, 1961, Folio A93, tendered and marked Exhibit 121.) 40

(Minutes of meeting of directors of Factors Limited dated 24th July 1961, Folio A95, tendered and marked Exhibit 122.)

(Minutes of meeting of directors of Factors Limited dated 2nd August, 1961, Folio A96, tendered and marked Exhibit 123.)

(Minutes of meeting of directors of Factors Limited dated 8th September, 1961, Folio A100, tendered and marked Exhibit 124.)

(Minutes of meeting of directors of Factors Limited dated 10th January, 1962, Folio A116, tendered and marked Exhibit 125.)

(Minutes of meeting of directors of Factors Limited dated 7th February, 1962, Folio A118, tendered and marked Exhibit 126.) 10

(Minutes of meeting of directors of Factors Limited dated 24th January, 1964, Folio A254, tendered and marked Exhibit 127.)

(Minutes of meeting of directors of Factors Limited dated 5th March 1964, Folio A256, tendered and marked Exhibit 128.)

(Minutes of meeting of directors of Factors Limited dated 15th April 1964, Folio A264, tendered and marked Exhibit 129.) 20

(Minutes of meeting of directors of Factors Limited dated 12th May, 1964, Folio A272, tendered and marked Exhibit 130.)

MR. STAFF: Q. Mr. Phillips, would you look at the signature appearing above the typed word "Chairman" on Folio A24, minutes of 12th January, 1959, Exhibit 108 (shown to witness). Do you recognise the signature there appearing? A. Yes; Mr. Burt.

Q. Mr. Burt has been dead for some years? 30
A. Yes.

(Short adjournment.)

MR. HUGHES: I have had the advantage and the opportunity that your Honour gave me to read through the minutes Exhibits 108 to 130 and I have no objection to any of them. I understand my friend wants to add two more.

(A39, meeting of 11th September, 1959 and A43, meeting of 19th November, 1959 tendered and marked Exhibits 131 and 132.) 40

CROSS EXAMINATION

MR. HUGHES: Q. May his Honour take it that both in your capacity as secretary of Factors and in your capacity as secretary for Queensland Mines you were at all times scrupulously careful to record accurately the substance of discussions and resolutions at board meetings? A. Yes.

Q. At the meeting of directors of Factors held on 7th March, 1962 you reported that a meeting had been held with Mr. Hudson and Mr. Gladstones was now chairman of directors following the resignation of Mr. Redpath. You were reporting were you not on the substance of what had occurred at the meeting of Queensland Mines Limited directors held on 13th February, 1962. Have a look at Folio 121 of this minute being Exhibit 106 for the purpose of answering that question? A. I don't know whether that is referring to the Queensland Mines meeting or whether it is reporting on a discussion other than a board meeting.

Q. Have a look at Folio 23 of Exhibit "E" alongside Folio 121 of Exhibit 106. You will notice Folios 22 and 23 are minutes of a meeting of directors of Queensland Mines held in Melbourne on 13th February, 1962? A. Yes. I would say reading those two minutes the Factors minute is a report of what took place at Queensland Mines.

Q. Do you notice that in each of those minutes, that is to say the minute which is part of Exhibit "E", being Folio 23, that is the minutes of the Queensland Mines board meeting of 13th February and the minute folio 121 of Exhibit 106, there is a reference to promoters profit or lack of it. Do you see that? A. Yes.

Q. May we take it that you had a distinct impression which you recorded in the minute which is Folio 23 of Exhibit "E" of Queensland Mines board meeting of 13th February that Mr. Hudson asserted quite unequivocally at that board meeting that there was no question or possibility of any profit accruing to a promoter of the Savage River project? A. It would appear to read that, yes.

Q. What I am putting to you, please do not think I am criticising you, is in view of your statement at the outset of the cross-examination that you were scrupulously careful in dealing with these minutes that Mr. Hudson made a definite reference to the absence of any possibility of promoters profit in relation to the Savage River project? A. Yes. There certainly must have been mention of it otherwise it would not be there.

Q. Would you agree with this that the mention of it at the Queensland Mines board meeting of 13th February made such a distinct impression on your mind at the time that you reported Mr. Hudson's statement as to the absence of promoters profit to your directors on the board of Factors when you were reporting to them at the meeting of 7th March, 1962? A. I would be more inclined to think knowing what was in the Queensland Mines I simply referred to the same statement in the Factors meeting. I notice there I also said there was some forming of a company to develop the area. 10

HIS HONOUR: Q. Would you just refresh my memory by reading out the sentence? A. Queensland Mines - "there was no question of any promoters profits in the plan which envisaged the forming of a company to develop the area." I am not too sure what that means thinking back on that time.

MR. HUGHES: Q. Mr. Hudson was saying was he not there was nothing in it for any promoter? That is all it could mean would you agree? A. Yes, that is what it appears to mean. 20

Q. Do you remember telling this court this morning that you had a discussion with Mr. Barrell at the suggestion of Mr. Gladstones? A. Yes.

Q. And may his Honour take it that, I am not suggesting otherwise, in your discussion with Mr. Barrell you were completely frank and candid? A. Yes.

Q. Do I understand your evidence or part of your evidence this morning correctly as being that you said to Mr. Barrell, "As far as I am concerned we have got no interest"? A. Words to that effect, yes. 30

Q. The substance of what you said to Mr. Barrell was "As far as we are concerned we have got no interest"? A. Yes.

Q. In that context you mean by "we" Queensland Mines and Factors? A. That is right.

Q. And you had a very definite impression in your mind that that statement was correct at the time you spoke to Mr. Barrell? A. Yes. 40

Q. That impression resided in your mind at the time of your conversation with Mr. Barrell and after you had a discussion with Mr. Gladstones, your

chairman, about the matter? A. If Mr. Gladstones had asked me to go up there must have been some discussion. What it was I don't know.

Q. You can't remember? A. No.

Q. If Mr. Gladstones had suggested or in any way asserted to you Queensland Mines did have an interest in this project you would have been the last person in the world having regard to the careful habits you have got to go to Mr. Barrell and say "As far as we are concerned we have got no interest"? A. That is right. I would not have said we have got no interest if I thought we did have. 10

Q. You would not have said "As far as we are concerned we have got no interest" if Mr. Gladstones had hinted Queensland Mines had an interest? A. No. I think how this arose too, Mr. Gladstones had only joined the company at that time.

Q. I thought you put this conversation as having occurred some time early in 1962, correct me if I am wrong? A. Yes. I said I know now it was 1962. I said 1962 or 1963 this morning. 20

Q. I think the minutes disclose Mr. Gladstones had joined the Factors board as chairman either in July or August 1961, did they not? A. Yes.

Q. Can you remember? A. It was when Mr. Redpath retired.

Q. Can you pick up from the minutes the date when Mr. Gladstones joined the Factors board as chairman? A. Mr. Gladstones became chairman of Factors at the meeting of directors on 24th July, 1961. 30

HIS HONOUR: Q. Look at Exhibit 24, Folio 12, those last five lines. Are they in your handwriting? A. Yes.

Q. Can you explain those last five lines to me? A. It is a journal entry reading "Iron and steel expenses to Mine Development, Anderson's" the amount being £2,968.14.0." Expenses incurred now transferred New Zealand £1,620.4.5, Tasmania £1,348.10.5". Those would be the amounts that at that date were in the iron and steel expense account or iron and steel industry, whatever we called it, account and were transferred. They were in the Mine Development account at this stage and were transferred to the iron and steel expense account to clear any expenses other than uranium out of the Mine Development account. 40

Q. Do the books show in which way to the Mine Development account? A. Yes. The entry is in that ledger I was looking at this morning. The entry is there. You mean where they went in earlier?

Q. When were they incurred? Where is the record of their being incurred? A. I would have to look at the books.

Q. What books, that journal? A. No, they would have come through the cash book I would think.

Q. The Melbourne cash book? A. Yes.

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HIS HONOUR: Is anyone able to tell me this to save the witness looking for it? Is it apparent from the documents or not? (Showing Exhibit "AY") A. The only part I am aware of is that journal entry in J11 for £1,252. That is part of it.

Q. Is that £1,252 you refer to an original entry? A. That was the entry that was made at 31st July, 1960.

Q. Was not that transferred rather than the original entry? A. The entries in the iron account totalling that amount were original entries of 31st July, 1960. That was transferred to the Mine Development account, the total

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Q. Where are the original entries to be found? A. The original entries would be in the cash book, and I think looking at the ledger sheet for that particular page that will probably help me find the original entry. The amount of £1,252 is made up of 5 items with the original entry in the cash book on folios 7 and 8.

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Q. You were going to tell me of the five items? A. Yes. They are on cash book folio 7, an amount of £487.18.7, £100. The date of the first one £487.18.7 was 15th March, £100 was 31st March, £1.2.6, still on folio 7, was on 16th May, £405.10.0 on folio 8 on 14th June.

Q. What was it described as? A. New Zealand expenses.

Q. That is all that it says? A. That is all that is in the cash book, yes. 22nd July on folio 8 £278.15.6 that was also shown as New Zealand expenses.

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Q. And they total you say --- A. £1,252.1.10.
I am sorry, there is an adjustment. There was a
credit for an adjustment of £21.4.9 in that account.

Q. What is the total after the adjustment?
A. £1,252.1.10. We have not had an amount of
£438.4.6 have we?

Q. You have not mentioned that amount? A. It is
on folio 10, New Zealand expense. That amount I
gave you is a direct entry into the iron account,
£438. 10

Q. It should not be included? A. No, it would
not be included in these items in the journal entry.

Q. Are the other amounts that you have already
given me also separately entered in the ledger
account? A. Yes but they were items that made up
the £1,252 which was transferred to the other account.
In this entry they were transferred back to this
account again. They were the items that made up the
balance of £1,252 in that account.

Q. That transfer accounted for £1,252.1.10? A. Of 20
the £2,916.

Q. So you are looking for another £1,716.13.0 and
that £438.4.6 is not part of it? A. No, it is
already in that account.

Q. Is this likely to take long? A. I am not able
to find it. I certainly have not picked it up in
the first reading.

Q. Apparently other people who have looked at the
books cannot pick it up either. If you cannot pick
it up is there any explanation you can put? A. I 30
am sure there would have been a memorandum somewhere
at the time but it is not with the books.

Q. They could not be expenses which were charged
to some other company and then brought into the
books of this company? A. No. These items some-
where are in the Mine Development account and have
not been taken out. That entry is the removal of
the items from the Mine Development account. They
could not have got in the Mine Development account
without a prime entry somewhere. 40

MR. DARVALL: I think the witness is looking for
some further expenses. I think he has overlooked
the fact they appear in the journal being the prime
entries of the main system of accounts that include
payments made through the Sydney imprest account.

HIS HONOUR: Are you able to suggest some particular spot he should look?

MR. DARVALL: Mr. Salier had done his dissection which is the schedule to Exhibit 23 which show how the matters were made up. My cross examination of him was to show there were additional amounts which had not been included.

HIS HONOUR: After you cross-examined him I asked him about these amounts and he still could not explain it. Apparently you did not assist him by the cross-examination. 10

MR. DARVALL: I was not addressing his or my mind to the journal entry to which your Honour refers. He had done a dissection of the amounts in the account which is the schedule tucked into Exhibit 23 which is also marked Exhibit 23.

HIS HONOUR: He was still unable to identify these. He was still unable to identify them at the end of his evidence. I was seeing if this witness could. He seems to have identified £1,252 of that but not the balance. 20

Q. Is there any other book you want? A. No, I have got 3 books now.

Q. Perhaps rather than go on with that at the moment you might be kind enough to continue looking at it after you leave the box and then you can indicate through Mr. Staff whether you have been able to find anything further? A. Yes, I will do that.

MR. HUGHES: Q. (By leave) I will preface this question by reminding you about the conversation you had with Mr. Barrell in which you said in substance "As far as we are concerned we have not got an interest in the Savage River project." Do you recall that the money was paid over by Dubar, namely £2,500? A. Yes. 30

Q. On 20th March 1962? A. Yes, I know that date now from this morning.

Q. Do you recall that board meeting of Queensland Mines at which Mr. Hudson gave some information about Savage River on 13th February, 1963? A. Yes. 40

Q. May we take it that the evidence you have told his Honour about, the conversation with Mr. Barrell, took place shortly before 20th March, 1962? A. Yes. I don't know whether it was a month or within a week but it would not have been very long before.

Q. It would not have been very long before?

A. No.

Q. Would you agree that in all probability the conversation about which you told his Honour that you had with Mr. Barrell took place between 13th February, 1962 and 20th March, 1962? A. I would think so.

Q. That statement by Mr. Hudson which you have recorded in the minutes of the meeting of 13th February, 1962 of the Queensland Mines directors was a statement made by Mr. Hudson during the course of the meeting was it not? A. Yes, I would think so. 10

HIS HONOUR: Q. On the account you gave of your conversation with Mr. Barrell you succeeded almost reluctantly it sounds in getting £2,500 for nothing? A. That is the view I took, when we got the money. I thought we had £2,500, what for I didn't know.

Q. It was just forced on you? A. That is right.

Q. Did you report this to the board? A. I think I probably only reported it to Mr. Gladstones. I do not think it was recorded. It was recorded in one of the minutes we received an amount of £2,500. I thought we had something for nothing. 20

Q. The fact that you wanted the company to give a release of any rights it may have for £2,500, was that fact reported to the board, the board of Queensland Mines? There is reference to it in Factors. We have not seen any reference in the Queensland Mines minutes? A. If there is nothing in the minutes certainly I would say it has not been reported to the board. Although it was in the Queensland Mines cash book. 30

Q. Does that strike you as strange that you release the company's rights in a matter and get a sum like that that neither before or afterwards does it go to the board? A. I think probably on what I know now it would be.

Q. It would be strange? A. Yes, when the board would have to give the release.

Q. You cannot recollect any reason why it was not taken to the board? A. No, other than the fact that I do not think we had anything to release. 40

Q. It is rather hard to understand on your account of it what you got such a large sum for if you are insisting you had nothing to sell? A. I wish I

could remember a bit more about the conversation. There was certainly no suggestion from my side as to what the amount should be. It was the amount tendered to us. How they arrived at that amount I don't know.

Q. Is it possible there had been any prior discussions of the amount with Mr. Gladstones?

A. Not that I am aware of.

Q. You think you did all the negotiations?

A. As far as I know. I came to Sydney and I discussed the whole matter with them and at the end of the discussion they tendered, there again I am not sure whether I took it back in a cheque to Melbourne with me or whether it came in the mail. They tendered an amount of £2,500 for any interest we might have in it.

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Q. At an early stage in your evidence you used the word "suspense account" in regard to iron ore and I queried your use of it. You referred to it as a temporary account. Does the fact that you subsequently transferred all this expenditure to the Mines Development, Anderson's account, indicate that you had ceased to regard it as a temporary charge to Queensland Mines? A. That is what it indicates of course but whether that is what we thought I don't know. I am more inclined to think it was a balancing period and the account got automatically transferred along with other accounts which were transferred to the Mine Development.

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Q. You cannot shed any light on the question after the first transfer it was taken out and then put back in the next balancing period and left there?

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A. No. I can give a logical reason why it was taken out the first time. I cannot give a logical explanation as to why it came back the second time.

Q. What would be the logical explanation?

A. The first time it would be quite clear there was an effort being made in the accounts to separate anything that did not belong to uranium for the purpose of being reimbursed by whatever company was going to handle the other matter.

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Q. Is that the sort of thing you would simply do as a person in charge of the books without referring to anyone else? A. It is possible although I think in all probability I would have been asked to extract it.

RE-EXAMINATION

MR. STAFF: Q. Would you look at Exhibit 107 which is a minute of a meeting of Factors' directors held on 4th April, 1962, A127? A. Yes.

Q. Would you just read to yourself the report of the matter noted under "Queensland Mines Limited. The chairman reported ---"? A. Yes.

Q. Is that an accurate report of what the chairman said on that day so far as you are aware? A. Yes.

Q. And you see the chairman said that he had accepted an amount of £2,500? A. Yes. That would be probably following my report to him of what took place in Sydney. It was not for me, the final decision to accept the £2,500, that part would have been his decision. 10

Q. It is his decision and not yours? A. Yes.

Q. In any event he said on that day he had accepted £2,500? A. Yes.

Q. Would you also look at A121, Exhibit 106, a meeting of Factors held on 7th March. You see in the third paragraph under the heading "Queensland Mines Limited" what is reported there? A. Yes. 20

Q. You said, "Mr. Hudson had reported on the Tasmanian iron ore negotiations he had indicated that it did not seem likely there would be any promoters profit in the development? A. Yes.

Q. Is that your recollection of what he said having seen that minute? A. I would have to say it was otherwise I would not have put it in there. As to trying to remember back that far, I don't know. 30

HIS HONOUR: Q. You use a different phrase in the Queensland Mines minutes? A. Yes. In the other one it says there was no question of any promoters profit in the plan.

Q. Can you add anything at all from recollection as to which is more likely to be the words used?
A. I would think the Queensland Mines would have been, being the first one would have been a report of what took place.

MR. STAFF: Q. Making the record in either minute were you attempting to use the words that had been spoken or were you recording your own interpretation?
A. Generally speaking on minutes unless it was a resolution it would have been probably a summary of what I thought I had heard. 40

HIS HONOUR: If you would over the luncheon hour see if you can find that missing £1,716.13.0 you might indicate to Mr. Staff at 2 o'clock if you have had any success.

(Witness retired)

(Prospectus issued by the plaintiff dated 18th September, 1967 tendered and marked Exhibit 133).

(Certificate of conviction of Stanley Korman dated 26th October, 1966, tendered and marked Exhibit 134.) 10

(List of directors of Queensland Mines from date of incorporation up until 1967 with addresses at relevant periods of time tendered and marked Exhibit 135.)

(Two volumes of drilling reports by Associated Diamond Drillers Pty. Ltd. extending from March 1961 to about May of 1964 in one volume and from February 1963 to 1967 in the second volume tendered and marked Exhibit 136.) 20

(Letters dated 16th August, 1961, 14th December, 1962, 2nd January, 1963, 26th November, 1963, 10th February, 1964, 13th February, 1964, 23rd January, 1964, 10th July, 1964 and 10th July, 1964 between Industrial & Mining Investigations and Associated Diamond Drillers and Mr. Hudson tendered and marked Exhibit 137.)

(Letters dated 7th August, 1961, 7th September, 1961, 22nd August, 1961 and 31st October, 1961 between Tasmanian Department of Mines and Industrial & Mining Investigations tendered and marked Exhibit 138.) 30

(Mr. Staff applied for access to documents produced by Mr. Milner. His Honour stated the only document refused has since become an exhibit.)

MR. STAFF: Perhaps my learned friend would agree Exhibit "AV" was produced on subpoena duces tecum by Mr. Milner. 40

MR. HUGHES: It was.

MR. STAFF: Mr. Phillips did say he had been unable to identify anything further than he was when in the witness box. I do not know whether your Honour would like him to come back into the box.

W.D. PHILLIPS
on former oath

HIS HONOUR: Q. Having made your endeavour to find something in the books what can you say, if anything, about this balance of £1,716.13.0? A. I went through all the entries from the cash book and the journal into the mine development account and there are a number of entries which could be totals which were compiled from original sheets or perhaps in sheets of reimbursements to the imprest account. Whether there is anything in that I don't know but certainly none of the items that came into my account can be distinguished as anything other than development. 10

Q. You told us there was a practice within the group of companies that accounts may be paid in the first instance by one company and later charged to another. Might some of these accounts that had been identified have been paid in that way, first paid by another company and then debited to Queensland Mines? A. No, I would not think that would be the answer. 20

Q. I am not asking about the missing amount?
A. Any amounts that are identified there have not been paid by anyone other than by Queensland Mines.

Q. Is there something in the accounts which would show if the accounts were being charged after having first been paid by another company? A. If they were paid by another company, they would have to be put in a Queensland Mines cheque to that company and it would have shown in the Queensland Mines accounts. There would be no way of getting it from one company to another without actual payment. 30

Q. For example various items where you have just entries "New Zealand expenses", might those have been paid either directly or through another company? A. No, they would be probably paid, a couple I notice were paid from the imprest account in Sydney. There is an item, the first item in the cash book if I remember rightly is a payment by Queensland Mines to Factors reimbursing all the early expenses which Factors paid. 40

Q. Do you say that this £1,700 odd must be there somewhere but you just can't identify it? A. Yes, it must be there but it is apparently schedules that have been used to compile the main entry. We have not got the schedules. 50

Q. What do you mean by schedules? A. Schedules, when they send a schedule down from Sydney for reimbursement that would have been tabled out into various headings. There could have been a number of items making up the development account.

Q. In that event they would show in the Sydney imprest account? A. They should have.

Q. But didn't apparently? A. I don't know.

Q. You did not look at that? A. I have not seen the Sydney imprest account.

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Q. If that had not been through there what other possibilities are there? A. I don't know. I cannot think of where they could have come from.

Q. We have the Sydney imprest account cash book, that is Exhibit 23. Would you look at that and see if that assists you. If you look in the front of Exhibit 23 you will see there is a typewritten document which was compiled by Mr. Salier and he extracted items he could identify from the Sydney imprest account and they seem to include all the amounts that went to make up £1,252.1.10 to which you refer but apparently was unable to find the amounts that explain the £1,716? A. Yes. I don't know where they are. If they are not in the imprest account I don't know where they would be.

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Q. Take that book down and look at it and indicate again through Mr. Staff whether you can find them or not? A. Yes.

MR. DARVALL: Looking for £1,716.13.0 may be the wrong sum. It seems more likely the sum would be £2,968.14.10.

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HIS HONOUR: You are suggesting £1,252 is not part of £2,968?

MR. DARVALL: No. It is a closing entry for the previous year. It does not appear to have anything to do with this other entry.

HIS HONOUR: That is not Mr. Phillips' evidence apparently. It did appear to me when one looked at the ledger account, that is the figure of £5,000 odd on which Mr. Salier did this compilation, was the total of the ledger account, is not a figure which appears in the ledger account. The total that appears is a sum he mentioned less £1,252.

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MR. DARVALL: It appears at the end of 1960 there was a debit balance. To close that account at the end of the year, 31st July, a journal entry is put there transferring that balance so it is shown as part of development. There does not appear to be any reversing entry for that in the succeeding year.

HIS HONOUR: I thought Mr. Phillips said there was.

WITNESS: £1,252 is part of the amounts making up £2,700.

MR. DARVALL: It does not appear so from the books. 10

WITNESS: There is no doubt about that.

HIS HONOUR: Have a look; we are not looking for the total you suggest but any amounts that might go towards it.

MR. STAFF: Q. Can you tell his Honour what delay, what extent of delay in the ordinary course would occur between the entry being made in a book of prime entry and the time when that entry is posted for instance to the ledger? A. It depends on the size of the company really. In this case it could possibly not have been done until the end of the financial year or on a six-month basis. It is quite possible it would have stayed in the actual cash book until there was a call to prepare half-yearly or annual accounts. 20

(Witness retired)

(Schedule of directors of Kathleen Investments from incorporation until 1968 with addresses tendered; objected to; tender not pressed.) 30

(Letters dated 4th July, 1974, 10th July, 1974, 19th July, 1974, 19th July, 1974, 26th July, 1974, 31st July, 1974, 7th August, 1974, 16th August, 1974, 13th September, 1974 between Mallisons and Freehill Hollingdale & Page and Officer in Charge of Fraud Squad, Police Department, Melbourne, tendered; objected to.)

HIS HONOUR: I will defer that tender till 10 a.m. tomorrow and reserve your position, Mr. Hughes, if any difficulty arises on the way the tender is dealt with. 40

(Letter dated 11th October 1974 from the Crown Solicitor of Victoria to Registrar in Equity and two attached documents tendered and marked Exhibit 139.)

(Letter dated 11th October, 1974 from the Deputy Commissioner for Corporate Affairs, Melbourne, to the Registrar in Equity and enclosure, tendered and marked Exhibit 140.)

(Letter dated 14th October, 1974 from the Chief Commissioner's Office, Police Headquarters, Melbourne, to the Registrar in Equity and enclosure tendered and marked Exhibit 141.) 10

(Press cutting from "The Mercury" dated 22nd March, 1961, on Mines Department File, tendered: admitted subject to objection and marked Exhibit 142.)

(Case for the Defendant closed, subject to matters that are reserved.)

(Memorandum and Articles of Association of Queensland Mines Limited tendered and marked Exhibit "AZ".) 20

(Case for the Plaintiff closed.)

MR. HUGHES: Subject to the matters that are reserved I indicate there will not be any evidence in reply.

(Mr. Hughes addressed his Honour.)

WILLIAM DERRICK PHILLIPS
Recalled on former oath:

HIS HONOUR: Q. Mr. Phillips, what have you found?
A. Some of the figures I have taken out would have been some of the figures we had earlier, but I have arrived at a figure of £2,341. 30

Q. For what? A. For expenses which I consider would have been part of the amount that was transferred out.

Q. Part of the £2,968? A. Yes. £2,341 would include some of the amounts we have already listed in the £1,252.

Q. It includes all of that? A. I would think so, but I have not got the actual list of the £1,252 part of it to see which ones were the same, but there were a number of items in the imprest account which would have been part of it. 40

Q. What are they? A. I have made a list of them. There are quite a few of them. I will give you the folio numbers. (List handed to his Honour.) The numbers down the left-hand side are the folio numbers in the Imprest account cash book.

Q. Perhaps you might read the items onto the record, with such details as will help us find them again. A. On page 15 of Folio 15 an amount of £150 paid to Mr. Palmer, expenses Western Australian and Tasmania. Folio 17, £118.2.0 air fares for Mr. Palmer, visit to Western Australia and Tasmania. Folio 25, payment to Mr. Palmer, £487.18.7; I think that is one of the earlier ones. 10

Q. Yes, it was. A. Folio 27, expenses, New Zealand trip for Mr. Hudson, £100. That may have been one of the earlier ones too. Folio 29, £1.2.6. I know that was one of the earlier ones. Further expenses of Mr. Hudson, New Zealand, Folio 31, £100. Folio 33, New Zealand steel investigations, Mr. Palmer, £278.15.6. Folio 37 £1.0.8 for a publication on steel. A payment on Folio 37, T.M. Carey & Associates, professional fees, New Zealand, £426. 20

Q. That £426 was one of the items that was identified by Mr. Salier in the figures that he found, which, as I understood from his compilation, were quite separate from the amounts we are looking for? A. I would have to have a look at the other cash book sheets to see where it went to in the ledger.

Q. Would you go ahead for the moment? A. Folio 39, expenses related to entertainment in Sydney and New Zealand, £12.2.6. If you add the last two, £438.4.6 New Zealand expenses, and that does appear on the ledger in addition to the amounts we are looking for, and I should have had that ledger sheet with me when I was checking through. Folio 41, £6.3.0 for hotel accommodation. Folio 47, Hobart expenses, £70. 30

Q. That also appears on --- A. Folio 49, hotel accommodation, £36.18.0. The same folio three lots of air fares, £45.8.0, £60.2.0 and £44.8.0 for the air fares to Tasmania; and a further hotel accommodation of £40.0.7. On Folio 51, hotel accommodation £13.0.6. £60.17.11; Avis Rent-A-Car £32.13.4. C. Davis Limited, piping for the Burnie job, £38.5.6. Hotel accommodation £29.14.7, Folio 51. Expenses Burnie and Hobart £14.10.4. Avis Rent-A-Car £35.7.6. Hotel accommodation £24.13.6. That is up to the March period. I did not go beyond that. 40 50

Q. You have not checked to see whether any of those amounts may be included --- A. Not after that.

Q. --- in amounts separately posted to the ledger?
A. No.

Q. There are three amounts posted to the ledger. One is £17. There are two amounts - Sydney £320.2.8, Tasmanian expenses £412.19.7. It may be they cover the items that you --- A. It is possible. I would have to look at the ledger and the cash book to have a look at the reimbursement and how it is made, to see that. 10

Q. What was the total you said you discovered?
A. The total of all those items I have given you, I thought was £2,341.16.7. I might have made a mistake in addition.

MR. HUGHES: I have no questions.

MR. STAFF: Q. Would you look at the ledger account Iron Industry Investigation Expenses (shown to the witness). Do you see the first entry February 18th 1960, A.G. Palmer Investigations of Western Australia and Tasmania, £487.18.7? A. Yes. 20

Q. That is the same item you found in Folio 25?
A. Yes, it would be.

Q. And then --- A. £1,252 was, I think, accounted for.

HIS HONOUR: Q. The whole of the £1,252 was accounted for ---

MR. STAFF: I think there is a bit more than that.

HIS HONOUR: That was included in the £452 originally. 30

MR. STAFF: Q. For instance, on May 13th, E.R. Hudson expenses, New Zealand, £100, is another charge? A. Yes.

Q. Brought into that ledger account? A. £1.2.6 is another one.

Q. June 2nd, Palmer New Zealand Steel Investigation, £278.15.6. T.M. Carey & Associates £426, another one? A. That I don't know. I can't tell that without looking at the cash book.

HIS HONOUR: It is separately posted in the ledger. 40

MR. STAFF: Q. September 2nd, Australia, hotel, entertainment in New Zealand, £12.4.6. £70 cash, E.R. Hudson, expenses Hobart January 20th?

A. There is a £70 there, but some of these, unless I have a look at the actual cash book sheets I can't tell where they came from originally.

Q. In the Iron Industry Investigation there is an entry, February 19th, Hobart £70? A. Yes.

Q. And that comes into the ledger as dated January 20th? A. But if I could have a look at the other cash book on Folio 11 I could tell whether it is the same £70. 10

Q. While you are looking at that document --- the C. Davis pipe and Burnie job, March 13th 1961 is also posted on this account.

HIS HONOUR: What do you mean by saying it is posted to this account?

MR. STAFF: It is brought into the ledger account Iron Industry Investigation Expenses.

HIS HONOUR: But isn't our problem where it is brought in, whether it is brought in under any of these amounts we cannot identify or brought in on any other amounts? 20

WITNESS: The £70, that was posted to the Iron Industry account, so that is not one of them.

HIS HONOUR: I think the ones you have mentioned so far are the ones I pointed out while he was giving his evidence. I was interested to know whether you could account for any of the others.

MR. STAFF: I pointed to some. 30

HIS HONOUR: I think you have pointed to the same one so far.

MR. STAFF: Q. What about C. Davis pipe and Burnie job? A. £38.5.6.?

Q. Yes. A. It looks as if the items on Folio 49 that I gave have gone to Travelling Expenses in the ledger, that is a total of £288 roughly. Out of that reimbursement of paid cash there was £282.11.7 transferred to Travelling Expenses which, I think, in turn, would have gone back to Development. It forms a big item of part of £1,254, which was the whole month's travelling expenses. And that was all 40

transferred back to Mine Developments. So those items there, five items on Folio 49, would be part of the extra money we were talking about.

Q. But they are all the travelling expenses and accommodation for the month? A. Yes. They are in the ledger in Travelling, and at the balance date are transferred back to Mine Development.

Q. On Folio 51 you mentioned a series of items. Do they add up to £320.2.8? A. I can't pick up ---

HIS HONOUR: I have added it up but I don't get 8d; 10
it is 4d.

MR. STAFF: Q. On Folio 51 we have 479, Menai Hotel expenses, Tasmania, Ridgway £9; account Mr. Hudson £4.0.6 Wrest Point Hotel? A. The £9 and the £4.0.6 I added together and made it £13.0.6.

Q. £60.17.11 Wrest Point Hotel, Mr. Hudson. £1.0.8 Hughes Hire Service? A. I have not added that in.

Q. Avis Rent-A-Car Tasmania £32.13.4? A. Yes.

Q. Davis Pipe & Burnie job? £38.5.6? A. Yes. 20

Q. Menai Hotel and Wrest Point Hotel account J. Ridgway £25.3.6, £29.14.7? A. Yes.

Q. Expenses E.R. Hudson Burnie and Hobart £14.10.4? A. Yes.

Q. 493, A & A, E.R. Hudson Sydney-Hobart-Sydney £44.8.0? A. I missed that one.

Q. Avis Rent-A-Car E.R. Hudson £35.7.6; Wrest Point Hotel J.F.R. £24.13.6? A. Yes.

Q. Would you agree that if you exclude the item for Hughes Hire Service that adds up to £320.2.8? 30
This may shorten it. If you look at the Iron Industry Investigation ledger sheet of March you will see a posting £320.2.8? A. Yes.

Q. I suggest the items I mentioned add up to £320.2.8. It would be £1.10.0 short. There is another item I should have mentioned there?
A. Yes. There is an entry there in the journal, a debit to the Iron & Steel, £320.2.8 which could be those amounts.

W.D. Phillips, x

Q. I should have suggested to you that on March 29th on Folio 51 there is an item 501 Department of Mines, Tasmania, reports and charts, £1.10.0?

A. Yes, that is right.

(Witness retired and excused.)

(Mr. Hughes continued addressing.)

(Further hearing adjourned to 10 a.m.
Thursday, 31st October, 1974.)

IN THE SUPREME COURT
OF NEW SOUTH WALES
EQUITY DIVISION

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CORAM: WOOTTEN, J.

QUEENSLAND MINES LIMITED v. HUDSON & ORS.

TWELFTH DAY: THURSDAY, 31ST OCTOBER, 1974.

HIS HONOUR: Are there any evidentiary matters to be cleared up now?

MR. HUGHES: Mr. Jones has looked at the list my friend sought to tender yesterday and we do not object to their admission in evidence. 10

HIS HONOUR: That is the series of letters from Mallisons and Freehill, Hollingdale and Page?

MR. STAFF: I will add to this exhibit three telexes.

(Letters dated 4th July, 1974, 10th July, 1974, 19th July, 1974, 19th July, 1974, 26th July, 1974, 31st July, 1974, 7th August, 1974, 16th August, 1974, 13th September, 1974 between Mallisons and Freehill, Hollingdale and Page and Officer in Charge of Fraud Squad, Police Department, Melbourne together with telexes 1st July, 1974, 2nd July, 1974, 2nd July, 1974, 5th July, 1974 between Mallisons and Mr. Broadley tendered and marked Exhibit 143.) 20

(List of directors of Kathleen Investments Australia Limited with addresses and supplemental information tendered and marked Exhibit 144.) 30

(Adjourned to 2.15 p.m.)

RESUMING AT 2.15 P.M.

MR. STAFF: I hand your Honour copy of amended statements of defence from the various defendants.

MR. HUGHES: In that defence for the first time the defendant sought to make a case based upon assignment through Dubar. Your Honour reserved the cost of the amendment generally, to be argued at a later stage.

HIS HONOUR: I give leave to amend the statements of defence referring to all questions of costs. 40

MR. STAFF: The eighth paragraph, there is an error in the last line. The defendant says "The plaintiff has no interest to maintain." (submissions)

MR. STAFF: I tender summary certificate of Ernest Roy Hudson asking adjournment 5th April, 1961 to 3rd May, 1961, a summary of transactions on that account, omitted to tender earlier.

(Above document admitted marked Exhibit 145.)

I tender file of Savage River, and ask my friend to agree without proving, that this file was produced by Kathleen Investments. 10

(Discussion on tendering of files and permission for Mr. Hughes to peruse over the adjournment.)

MR. STAFF: There are two other files I ask my friend to agree, came from the Kathleen Investments.

MR. HUGHES: There is no problem about the three files coming from Kathleen Investments.

MR. HUGHES: I tender file with a brown cover excluding the first three pages and the five pages to which I have attached a court list as a flag on the five other pages which I do not tender. I ask my friend to agree produced by Mr. Downing on his behalf. 20

MR. HUGHES: That is agreed.

MR. STAFF: There is a paper marked "Dowling" on the front of the file.

(The above files being Savage River, Hudson Savage River, and the third a black hard-covered file.) 30

HIS HONOUR: I shall not deal with those tenders until tomorrow morning.

(Permission given to Mr. Hughes to have access to files as discussed.)

(Adjourned to Friday, 1st November, 1974.)