

gold rush

HOW I MADE, LOST AND
MADE A FORTUNE

JIM RICHARDS



FREMANTLE PRESS

CONTENTS

Author's Note	7
Prologue	9
Chapter 1 First Strike	13
Chapter 2 Mining Time	20
Chapter 3 Paying the Price	38
Chapter 4 Gold Fever	50
<i>Map of Central and South America</i>	60
<i>Map of Central America</i>	61
Chapter 5 Lost Cities of the Maya	62
Chapter 6 The Mosquito Coast	73
<i>Map of Guyana</i>	90
Chapter 7 Four Problems	91
Chapter 8 Gold Rush	105
Chapter 9 Diamond Rush	140
Chapter 10 Tepui Treasure	175
Chapter 11 The Reckoning	214
<i>Map of Australia</i>	234
Chapter 12 How to Find a Gold Mine	235
<i>Map of Laos</i>	259
Chapter 13 Heart of Darkness	260
<i>Map of Indonesia</i>	300
Chapter 14 The Big Con	301
Chapter 15 Black Gold and Pink Diamonds	312
Chapter 16 The Float	332

Epilogue	351
Appendix A Gold Properties	354
Appendix B A Brief History of Gold	356
Appendix C Top 10 Gold Nuggets	358
Appendix D Top 10 Gold Rushes	360
Acknowledgements	362
About the Author	364

AUTHOR'S NOTE

This is a true story. The people are not composites, they are real. The actual order of events has, on occasion, been changed. Sometimes a journey was taken in a different direction or manner from that described (e.g. up the river as opposed to down the river): this is to enable the account to better flow. Also to assist the narrative, a couple of the characters were encountered in different places from those portrayed. Some names and details have been altered to protect privacy.

To address the knotty issue of translating historical prices to present-day value, I have chosen a solution which is appropriate for this book. Historical prices are converted to their equivalent weight in gold (in ounces) using the gold price of that time. This weight of gold is then multiplied by US\$1,200 (approximation of the gold price per ounce at the time of writing) to give the current price equivalent in US dollars. All prices are in US dollars unless otherwise stated.

More recent prices (over the last twenty-five years) have been increased to allow for inflation to give more contemporary values.

Weight of gold is stated in ounces (the traditional unit). Grade of gold is given in grams per tonne (industry standard); alternatively, where extremely high grades are described, ounces per tonne is used, which was a common unit historically and is still used today.

PROLOGUE

There is always a way.

Anonymous

I was stuck solid. Upside down inside a pothole at the bottom of a fast-flowing river – and my air supply was giving out. With rising panic I started to struggle, but this just made it worse as I packed myself in even tighter. Suddenly I was getting no air at all. I sucked and sucked on my mouthpiece: nothing. How the hell had it come to this?

*

Over millions of years, quirks of geology created a small number of fabulously rich gold occurrences at places that are now famous, such as Northern California, Ballarat in Australia and the Klondike in Canada. In these special places, gold nuggets littered the surface. Bonanza gold deposits built up to carpet rivers until they were speckled with yellow. When the first prospectors arrived, they could win vast riches in hours.

That is how gold rushes start.

Gold is portable, anonymous and permanent. This makes it the ultimate currency. These unique physical properties have rendered it desirable to human beings for millennia. Gold has caused wars and the destruction of entire civilisations, yet it can also be used to express love and beauty.

In AD 1533, during the conquest of South America, the Inca Emperor Atahualpa tried to buy his life from the Portuguese conquistador Pizarro by filling a room full of gold. Pizarro took the bounty and murdered Atahualpa anyway. Gold can do that to people.

Gold is rare. All of the gold ever mined in world history would fit into a 20-metre cube that would easily fit under the first section of the Eiffel Tower. More than half of this gold has been produced in the last fifty years and the production rate is increasing.

The metal is dense and malleable, conducts electricity and has an attractive yellow lustre that does not tarnish. Gold has limited industrial uses, mainly in electronics and dentistry. Most gold mined every year ends up as jewellery, coins or bars.

Gold can be trusted, whereas governments cannot. An ounce of gold would buy roughly the same amount of bread today as it did in ancient Rome. No other currency has stood that test of time. You cannot counterfeit an ounce of gold.

More than ever in today's uncertain times, gold is considered worth holding in its own right as a physical store of value. For much of the last two centuries, finance was underpinned by the gold standard, which directly linked paper money to an equivalent weight in gold. Every country has now abandoned this gold standard, the USA being the last to do so in 1971, and doomsayers predict the return of high inflation as a result of the undisciplined printing of paper money where there is not the gold to back it up.

The quest for gold is unrelenting. Every year, miners produce in the region of 80 million ounces of gold, worth around \$96 billion. About a quarter of this gold comes from 15 million small-scale miners who, in turn, support a further 100 million people.

The miners take the gold from one hole in the ground and the bankers put it back into another hole. It is the journey in between that is the interesting bit.

People continue to join gold rushes in ever more remote locations. A recent rush to La Riconada in Peru, where gold is mined from under glaciers, has put 30,000 people onto the side of a mountain at over 5,000 metres, creating the highest city in the world. Ongoing gold rushes in West Africa, Indonesia and Brazil still attract modern-day fortune hunters, dreaming and scheming for profit and adventure.

*

All this goes some way to explaining how I came to be trapped, upside down, in a South American river with my air supply cut off. I had left my ordered life as a young army officer in the UK to follow a dream that had become an obsession: to strike it rich in a modern-day gold rush. I had come to South America because that's where the gold rush was.

I shared a common purpose with the countless thousands of other people who had chased gold rushes throughout history. The aim was to make a lot of money – quickly.

This is my story: a tale of adventure, disaster and skulduggery, where vast fortunes could be made or lost based upon luck or persistence. There are plenty of screw-ups, nightmare encounters, relationship problems and mad characters from my experiences in various gold and diamond rushes around the world. And yes, there are potholes packed like jewellers' boxes with gold and diamonds too.

Mining is messy, some of it is destructive and at times it is downright lethal. But the industry also supports a vast web of otherwise impoverished and marginalised people. Some of these people I have known, respected and loved. You will meet a few of them in this book.

There is only one rule in a gold rush: you have to turn up. So my quest moves from diving for diamonds in the piranha-

infested rivers of South America to discovering a fabulously rich gold mine in Western Australia; from getting caught up in the world's biggest ever gold-mining scam in Indonesia to accidentally starting my own gold rush in the war-torn jungles of Laos.

To find the gold, I first had to find myself. I needed to dig deep and discover the resilience and fortitude required to overcome the solitude, remoteness, disease and violent criminals – to come out on top.

Joining a gold rush is an act of self-belief. In the face of overwhelming odds, I had to believe that I would find the gold I was seeking; why else would I go?

To sustain that self-belief for an extended period, I had to grow. In my case, from an inquisitive but ineffective boy into a fit and determined man, and then from that man, I hope, into a more insightful, rounded and potent individual.

But should you go through all of the sacrifice, adversity and hardship of joining a gold rush today (and you can), and should you be one of the lucky few to actually find something – be careful. Gold can do strange things to you. It can magnify a weakness in your character, it can corrupt your values and it can persuade you to do terrible things. This was the moral dimension to my journey.

Would I own the gold, or would the gold own me?

CHAPTER 1 FIRST STRIKE

How you react to chance, luck and random events is a defining factor in prospecting. My introduction to gold mining was the result of one such fortuitous encounter. This occurred when I was aged seventeen, in the prosaic setting of the school dinner queue. I glanced at the noticeboard, and saw displayed the following opportunity:

Gold Mine in West Wales
Summer Vacation Work
See Mr Hamer

I did not know that the course of my entire future lay in that modest sign.

One of my favourite places was my local museum in Cardiff, where I had often lingered over the gold artefacts and coins. So I already knew that I liked gold, or at least the idea of it. I saw Mr Hamer and signed up – to my surprise I was the only one who did.

The job also looked like a better option than staying at home with my parents when my school report arrived. Dad was never impressed by my academic progress at my boarding school – Christ College, in Brecon, Wales. It was fair enough: he was a brilliant and successful surgeon who saved people's lives; I was

a dreamy and unsuccessful teenager who sat around reading adventure books.

*

In Great Britain, gold has been mined intermittently at a number of places, including Scotland, Cumbria, Devon and Cornwall. Helmsdale, north of Inverness in Scotland, was the site of a gold rush that took place in 1869, triggered by a prospector who had recently returned home from the Australian diggings. It was a brief affair, although at its peak there were around 600 diggers. You can still go to Kildonan Burn today and pan for gold.

Crawford Moor in southern Scotland was probably a much more significant producer. Mining occurred there mainly in the Middle Ages, so the amount of gold that was mined is unknown. All that remain are tantalising written records describing fine specimens of gold in quartz.

By far the greatest recorded gold production in the UK has come from the Dolgellau area in North Wales, where around 100,000 ounces (worth \$120 million at today's prices) have been produced since 1861. This includes gold from the famous St David's Mine in Clogau; since 1923 the wedding rings of the British Royal Family have been crafted from a single gold nugget from this mine.

*

I spent the summer of 1981 in the other Welsh gold-mining district, at Dolaucothi in West Wales, which is the site of the only known Roman gold workings in Britain. This area produced gold as recently as the 1930s, but when I arrived it was no longer an operating mine; the National Trust had transformed it into a tourist attraction.

Here, in this small and remote area, people over 2,000 years

ago had mined considerable amounts of gold using little more than water and muscle. My thoughts ran riot: just imagine what was still left!

My job was to guide tourists around the old mine workings and to provide an informative commentary for the hour-long tour. My only qualification for the job was that I was prepared to work for nothing. The other guides were all either geology or mining engineering students from Cardiff University.

A fellow guide and I set off with twelve tourists on one of our five tours for the day. We were all kitted out with miners' helmets and head torches. First up, we toured the tight tunnels and shafts of the modern underground workings from the 1930s. We then popped out of a small opening into the blazing sun and onto the side of a grassy hill. This was my favourite part of the tour: the old Roman gold workings. We crawled into one of the short adits (horizontal tunnels) and shone our miners' torches onto the roof. There were thousands of small pick marks hewn from solid rock by the original miners from the local Welsh tribe, the Demetae, who had dug out the tunnel by hand.

Like me, the tourists found it deeply moving to run their fingers over notches that felt as fresh as the day they were made some 2,000 years earlier. We all sensed that physical connection with the ancient miners and their impressive endeavour.

Back in the open air, I continued my spiel. 'The gold ore was found in quartz veins just below us, and to break up these hard veins, fire setting was used. This technique involved lighting fires against the area to be mined. Once the maximum heat was achieved, the hot rock was then instantly doused with water. This action fractured the rock, allowing it to be scraped out using hand tools.'

The tourists stared down the slope of the peaceful, green hillside trying to imagine this violent activity of long ago.

‘The ore was then crushed to allow the release of the fine gold particles. This crushing was done using waterwheel-powered, stone-tipped hammers. After crushing, the ore was stacked on the hillside and below were lain sheep’s fleeces. Water was released from the aqueduct-fed reservoirs you can see just above us, and this flushing water washed the ore over the fleeces. This process was called hushing.’

Hushing was used both for treating the ore and also for breaking up the hillside to assist in the mining or discovery of further ore. This extensive type of mining is well described by the Roman historian Pliny in his encyclopaedic book *Naturalis Historia*. Ironically, Pliny died in a geological event: the eruption of Vesuvius in AD 79.

‘The fine wool of the fleeces caught and retained the much heavier gold. The lighter waste was washed away.’ I was getting animated as I approached the punchline. ‘Once the process was complete, the fleeces were hung out to dry and then burnt. The ashes were retained and washed, with only the near-pure gold remaining. This widely used technique may have been what gave rise to the myth of the Golden Fleece.’

‘What happened to the sheep?’ asked a woman with a Birmingham accent.

‘Umm, no, no, madam. The fleeces had already been shorn from the sheep, it was just the wool they used.’ Her obtuseness shook my confidence, but I tried to recover.

‘So, ladies and gentlemen, standing on this one hillside in Wales, the five basic principles of mining can be seen: discovery, extraction, crushing, treatment and recovery. Just think,’ I finished, ‘you could do that too: you could actually mine gold!’

‘Wouldn’t the National Trust object if you did?’ asked the same woman.

‘Well, yes, they would. I didn’t mean right here, but you could mine it *somewhere*,’ I said, somewhat exasperated. Talk about a literalist.

We made our way back down the hillside and ended the excursion at the grave of Ned, a tour guide who had died of malnutrition. At the top of Ned’s gravestone stood the none-too-subtle tip box emblazoned in bunting. A bad poet had written onto the slate:

*Here lies poor Ned, the best of geologists
He gave his life to guiding tourists
He wasn’t paid and never ate
Alas the tips stopped at his plate.*

A convincing eulogy to Ned followed and even the lady from Birmingham got the hint.

In fact, the National Trust that ran the mine did supply food and basic accommodation. So all the tips were naturally spent down at the Dolaucothi Arms pub, which served an excellent pint of dark mild.

Every night, drinking was combined with wild speculation about lost mines, gold rushes and nuggets. You could still actually make money out of gold mining? This was an enthralling thought, especially as I considered myself lucky just to be here, in this wonderful place, working for nothing. My teenage brain, alcohol and a crazy idea were combining and, through this intoxicating mix, I became hooked on the idea of gold mining, and I have been ever since.

*

On a quiet day I headed out with one of the geology students and an old gold pan to make our own humble discovery. The geology student seemed to know what he was doing and we

went down to the River Cothi just below the mine. This looked like a good place to search for alluvial (river) gold.

Gold is heavier than everything else in the river, so it is the first mineral to drop down from the flowing water and get caught in the bedrock. Just after a waterfall, we found a potential trap site that looked like a good spot. We dug a hole to the base of the river gravel and then exposed the bedrock. My student friend informed me that this boundary between the bottom of the gravel and the top of the bedrock was usually the best place for finding alluvial gold. We dug out the gravel at this interface and shovelled it onto a sieve that fitted over our gold pan.

Once the sieve was full, we lowered it and the gold pan together into the water and jiggled them up and down so the finer material fell through the sieve into the pan below.

We then checked the sieve for gold nuggets – no such luck. Then, with a circular movement of the pan, we washed the remaining fines (less than 2 millimetres in diameter), removing the lighter material. A final swirl left the remaining heavy fraction of black sand in a tail at the bottom of the dish.

‘Look, Jim. Look!’ cried out my friend excitedly, pointing into the pan.

Right at the end of the tail were five fine specks of gold, unmistakable even to the untrained eye.

The psychology of gold panning is strange: you start out believing you are going to find a large nugget and end up perfectly happy with a fine speck. Gold is like a homely fire; just seeing it lifts your spirits.

Our specks weighed roughly 0.02 of a gram. We would need to wash 1,555 pans to get an ounce of gold worth \$1,200. A strange queasy feeling developed just above my stomach, a mixture of eagerness and greed; we hadn’t found much gold,

but we *might* have. If I went somewhere else and kept looking, who knew what I would find?

It was the first of many lifetime technical successes – i.e. commercial failures – and I became obsessed by the idea of discovering gold. However, this was not an easily fulfilled aspiration in the UK, which did not have a single operating metal mine, far less a gold mine.

So how could I get a piece of the action?

Gold mining was all about rocks. If you wanted to study rocks, you studied geology. Simple. The geology students I worked alongside at Dolaucothi were my kind of people. They loved science, the outdoors and gold mines.

My panning friend had encouraged me. ‘You should do geology at university, Jim. There are lots of field trips to study rocks in exotic places. It’s science without the maths, and unlike physics there are plenty of girls on the course.’

Learning about the earth, its rocks, minerals and structure sounded fascinating to me. This new interest led to my reading every mining-related book I could find. This included *Men of Men*, in which Wilbur Smith vividly described the diamond rush at Kimberley in South Africa in the 1870s. The idea of finding and mining diamonds gripped me from that moment.

So in my final year at school, I applied to London University to study geology and was thrilled to win a place. Maybe this line of education would help me learn how to find my own gold.