

Gold Mining Situation at the Outset of 1934

Projects need the implementation of competent management under unassailable one-man control

The mining share market in the Philippines has undergone material deflation, but new projects organizing find little hardship in raising capital. This is much as it should be. Prospects deserve capital for their thorough exploration, while stocks are a speculation until the mines behind them are developed and regular dividends, warranted by the present and prospective richness of the mines, are being paid.

It is probably a delusion, even, to believe that every mine of proved richness will pay shareholders well. This because successful mining is an exacting business task over which good management must have unquestioned control.

Such a contract made Balatoc the world's prize dividend-yielding gold mine; such a contract is starting a 150-ton mill at Ipo February 15, thus developing gold lands within 30 miles of Manila; and such a contract may redeem other projects from troubled desuetude.

With 40 gold companies listed in November, and many more in the field now, it would seem that opportunities for operating companies should abound. But no one should toy with such a company's offers unless its management rested unassailable in a single man; and it would be far less essential to know this man was competent than to know that he was honest, with no personal concern in how your shares might rise or fall on the market while he gave himself to the task of mining your gold. There is now no doubt that these islands can raise all needed capital for preempting and prospecting gold properties, if not for all needs of mining. Nevertheless, the industry stands in need of more adequate implementation.

The implementation needed is competent, unassailable management: such management as operating companies could provide. All other adjuncts to the industry abound, and some, such as shops in which to trade shares, perhaps abound too plentifully. However, the heyday of blind speculation seems to have passed; reference to the share prices as of December 29 shows a moderated interest among speculators at the close of the year. But for every new exploration, purses still open readily; on the whole the industry is in a healthy state.

One of the better companies (with first rate mineral prospects, but without a mill) recently had this experience: The manager urged a certain policy, his shareholders voted it down and ordered a policy to be followed directly opposed to it. So there the manager is, unless he can right himself—ordered to carry out a policy his judgment doesn't approve. Such situations may cause many of the companies to come awfully croppers, and it will be the misbelieving shareholders that take the fall.

Naturally, there must be a deal of learning from experience, the one way in which man seems able to learn anything. There will be good mines that should yield dividends but won't—miners where the management is bothered by quibbling shareholders or meddling directors.

Experience with such mines will be costly and effective; and it is therefore a reasonable expectation that more than one stock now far above par (on the volume and value of ore found) will slump more than once before reaching the regular, dependable dividend status of a really prime stock.

Unassailable management is vital. This can't be impressed too firmly. Secondly, successful mining is a business art. This too can't be impressed too firmly.

In all cases where claims made on the names of these men are not fulfilled by the event, their professional repute will suffer.

Another constant factor in the share market ought to have the effect of inclining the public to subscribe for stocks of development and exploration companies as a more conservative speculation than shares actively traded in, shares of companies that have not, or have hardly, reached a definite producing status. This factor is the *inside* information about the real facts behind stock flurries, information only obtained by men who follow the market closely; who obtain it ahead of the public, and purchase or sell all the time in zones of safety. Thus when there was a favorable turn in the fortune of a company in the development stage, in the first week of January, men following the market closely knew and took advantage of this before the general public could possibly do so. What seems badly needed in the daily press is a mining gossip column where tips on actualities could be published hot. Such a column ought to balk many unloading schemes, and at the same time keep the public more nearly in step with the market.

It is mining that needs encouragement here, the backing of projects with subscriptions to their capital, while the share-traders can well puddle their own caecoes. There are now a great many people in the Philippines who own mining shares they have bought more as investments than to gamble with. If this comment assists them in any way in protecting their interests it will serve its purpose. Of course, when a man can, he ought to ascertain what may be behind a stock he is inclined to buy. Sometimes he can't, sometimes he can. If, for instance, any reader will turn back to our own description of the mineralized zone of the Philippines, he will find that it *excludes definite districts where gold projects have been floated*, where others are contemplated. It was based on the best scientific information obtainable; if you followed it, you could hardly lose much by omitting to back projects in other places in the islands, since even if these places do turn up some recoverable gold they can hardly turn up much of it. More specifically, the mineralized zone is definitely traceable; deposits far outside of it are accidental.

Old miners also go much on whether a mining field was anciently worked or is still being gophered, and whether there were ancient or recent placers; for modern mining is mainly the going over of old workings with better tools, going deeper and milling cleaner. If canny miners prefer projects covering old workings, green-horns should prefer them exclusively. So at the outset of 1934 there are at least a few gold-posts in Philippine gold mining. As they increase, money is bound to flow more freely into the industry.

PHILIPPINE GOLD STOCKS

December 29, 1933

	Buyers	Sellers	Sales
Ambauctor...	.07 1/2	60	.08
Antanok...	.57	—	—
Arok...	.09	12	—
Arok Central...	.11	13	12
Paguro Gold...	.35	—	34 1/2
Balatoc...	24.00	26.00	—
Brengat Consolidated...	20.00	27.50	—
Brengat Exploration...	.25	.27	—
Bugnet Gold...	—	.21	—
Big Wedge...	—	.21	—
Equitable...	.08	11 1/2	—
Fortuna...	—	110.00	—
Golden Coin...	—	—	—
Gold Creek...	3.50	—	—
Gold River...	.28	.30	.28
Gold Wave...	.11	.11	—
Golden Eagle...	—	.95	—
Ipo...	2.70	3.20	—
Leonor...	—	4.10	—
Midas Gold...	—	3.50	—
Mindoro...	—	.29	—
Mountain Gold...	—	.25	—
Madayman...	—	—	—
Padral...	—	3.30	—
Placer Mines...	7.00	10.00	7.75
Salatoc...	11	15	16
Shelvin...	6.25	6.25	5.50
Southern Cross...	1.70	—	—
States Group...	—	13	—
Suyoc Consolidated...	.83	.89	—
Suyoc Mines...	—	—	—
Universal Exploration...	—	.20	—
Virac Exploration...	—	—	—
Zamboanga...	.11	—	—
United Paracale...	—	.21	—

For the effective implementation of management, it is possible that the voting trust might be used. Groups of shareholders might form such trusts, which in turn could put through airtight contracts with operating companies. For anxious shareholders the device of the voting trust is worth looking into. In every company it should be possible to vote a controlling number of shares as a block: this is what is meant by unassailable management, and the voting trust used to procure it in other corporations could also procure it in mining.

Another odd thing heard of, affecting the share market, is the exploitation of names. Men who have built up names for themselves in the mining industry associate themselves with new enterprises. This is good, it will surely benefit the industry. It is better than good if the experienced men so employed are given *carte blanche* and have the business ability to discharge their responsibilities well. But it would be best to let these men be known by their works in the good old biblical fashion. Instead of this, their names are often touted in the market; and this advertising, at a period prior to actual production at the mines, boosts the stock—just as if that might the real purpose of it.