



By Ralph Keeler

THE MINING COMPANY

(Continued)

Probably the most important step in the organization of a mining enterprise, so far as the mining investor is concerned, is its "promotion". The general public seldom hears of a mining project in the first place until it is in the organization stage. Until the owners or operators of a group of claims on which valuable minerals have been found come to the stage of needing further funds, they are usually very close-mouthed about their discovery—from that point on, however, they are ordinarily quite optimistic. Again, after funds have been raised to carry on mining and milling, the public hears but few details of operation. As a rule, operators are reluctant to discuss the statistics of their plants. Sometimes the results are not up to previous estimates, and the miners are not anxious to air their troubles. In other cases, the profits may be far in excess of those anticipated, and the operators may wish to buy more of the stock before the general public knows of their good fortune. Whatever the reasons may be, it is true the world over that almost invariably the only time the investing public is interested in detailed

information about a mining project is during its promotion. The layman is seldom familiar with the many technical details of mining, nor is there any reason why he should be.

Mining promotion is the act of organizing a mining company, raising money for a mining project, and in general setting the stage for a mining operation. Mining promotion is an essential and entirely legitimate part of the organization of a company, but, as in anything else, only when it is carried out honorably and for the purpose of financing the undertaking, and not for the purpose of lining the promoter's pockets with the money of gullible investors. Unfortunately it has been comparatively easy for unscrupulous promoters in the past to take advantage of the general ignorance of the public as far as mining was concerned, to raise money on imaginary veins and ore bodies, and often through the sale of stock in companies which existed in his imagination alone. Every gold rush and mining stock boom that the world has ever experienced has provided a field

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for the activities of such men, and the aftermath of every such boom has found scores of victims with handsomely-engraved stock certificates to remind them that all is not gold that glitters in the imagination of smooth-tongued stock salesmen.

It is, of course, utterly impossible to protect an investor against his own lack of common sense. During the hysteria of a stock boom, such as that from which the Philippines is now recovering, most of the public, including businessmen with years of experience in successful management of their own affairs, throw their hard-won knowledge away and are often more gullible than those with little or no experience in finance.

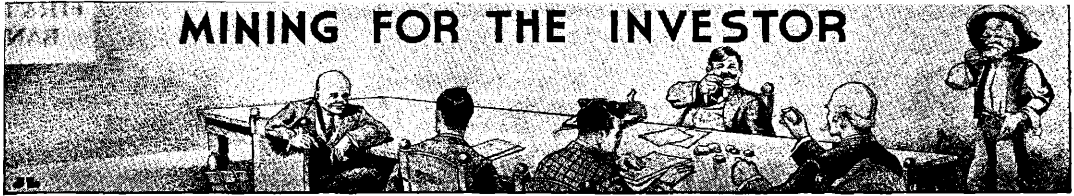
There are, however, several danger signs about which the potential investor in mining stocks should be warned. These are: the extravagant use of 'big names'; extravagant promises of wealth; new and unusual metallurgical or mining schemes; the old gag of the mine that was abandoned years ago but has since been found of fabulous value and has been bought from the un-knowing owners; the use of the names of established companies to infer similar richness. The payment of high salaries and fees to promoters at the very start of the organization of a company is in itself an indication that most of the funds collected will never get beyond the promoters' pockets. The reputations of the promoters and engineers should be good—while it is not necessarily true that "once a thief always a thief" it is not usually wise to trust your money to a person who has abused such confidence before.

Almost every kind of chicanery known was practised during the stock promotion boom in the Philippines. Many honest and otherwise intelligent men permitted the use of their names in the floating of phoney mining companies; the names of many others were used

without the consent or knowledge of their owners. One company went so far as to feature a full-length picture of President Manuel L. Quezon in a whole-page advertisement in the Manila papers, insinuating that the project had his endorsement. Needless to say, the newspapers, and the company itself heard from Malacañan before the ink on the advertisement was hardly dry—and the offense was not repeated. Some 25 or 30, if not more members of the National Assembly became directors of various mining companies, and their names were used in sales talks. For a while a new mining company without at least half a dozen assemblymen on its directorate was a novelty. One prominent and ambitious assemblyman engaged in mine promotion on his own account, and did right well in selling stock in some half dozen companies—all of which are now defunct. Politics and mining seldom mix—not more than two or three of the "mining" assemblymen are now connected with successful mining enterprises. The name of a former governor general of the Philippines was much used during this period, and it is reported he went to a near-by southern country to promote a Philippine mining company.

One group of companies was formed to exploit property in an area where gold had never been found, and on which several prominent engineers had already made adverse reports. In spite of the fact that among the original organizers of this group were two ex-convicts, and that nowhere in the world had gold been found in similar formations, several hundred thousand pesos were invested in the companies by leading Manila businessmen. The consulting engineer, a man whose record was one of incompetence almost to the point of a criminal negligence, drew nearly ₱3,000 a month for a year—it is not to be wondered that his reports were al-

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ways most encouraging! Finally, when an honest engineer was engaged to build a mill, the truth of the matter, became known. At once the promoters explained the lack of values in the assays by saying that the gold was different from most gold in that it could not be recovered by ordinary assaying! It might be well to note here that if the assayer can't find gold in the sample, there is but little chance of its being found by any other method.

Of the several hundred companies formed from 1934 to 1936 in Manila, some 75 used the word term "Gold," in one form or other. Many of them incorporated the words Benguet, Balatoc, Itogon, Paracale, Masbate, another names significant in the legitimate mining industry of the Philippines.

One company appealed to the public with the argument that all of the school teachers were subscribing, and that consequently the company was bound to succeed. "ANNOUNCING the Company . . . Where most School Teachers are Investing. . . Invest your PESO in the WAY the teachers do." The advertisements of this firm read. "The existence of veins of minable value, the high altitude of the vein regions, the abundance of durable timbers, and the presence of sufficient water supply will make the mine productive if well explored in the most modern and scientific way," was the recommendation of the engineer.

Another company broke into the limelight with full-page advertisements in all the papers stating that a licensed mining engineer had examined the property and had reported that it contained 3,500,000 measurable tons of manganese, and that this report had been confirmed by three other engineers. The whole world uses but little more than that amount of manganese ore a year, so such a mine would indeed be worthy of investment. Unfortunately, the estimators were too free with their zeros, since the mine in question hasn't

produced enough ore to date to make up a single shipload—and isn't at all likely to in the future. The same company announced the discovery of more than a million tons of copper ore, similar amounts of asbestos and chromite—and with the same results.

The prospectus of another of the "prickly-heat" companies (as one engineer from the Western American camps termed them) had this naive announcement: "To Whom It May Concern: Since my childhood, it has always been my dream to do something to help others in any way I can. In joining the ——Mining Association, I had in mind two things, namely:—my boyhood dream to help, and—the promise of the——mining venture as evidence by the records herein presented for the consideration of the public. In inviting you to be a member of the——Mining Association it is my honest belief that someday, we may be compensated for our sacrifice," signed by a prominent politician. Needless to say, his boyhood dream is still just a dream.

The well-earned reputation of one of the leading American mining colleges was capitalized upon by one of its ambitious but not over-scrupulous alumni. Soon after the boom started he sent back to the States and engaged seven graduates from his alma mater, and formed a company. Making enthusiastic use of their degrees, he promoted a dozen or more companies, with his own group as managers. On each of them the report was essentially the same: "The mineralization was always good, the water and timber supply was excellent, and further exploration was recommended." This was continued until the cash ran out. Most of these engineers rebelled as soon as they discovered the set-up, and resigned—some of them, in spite of contracts, being forced to pay their own transportation home.

One enterprising chap in Manila suddenly announced through the press that he was fully equipped with divining rods of various types, and that he was prepared to locate anything from

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water pipes and buried treasure to gold, silver and miscellaneous metals underground. He had a beautiful set of aluminum divining rods, with shining mahogany handles. One rod was peculiarly suited for locating water, another couldn't miss on gold, and so on. He actually sold his services to several of the newer mining magnates, it was reported, although there is no record of any startling discovery.

Dozens of other examples could be given. Sharpers were able to succeed for a brief period in Manila because the general public had never gone through the trials and tribulations of a mining stock boom, and, in addition, were almost one hundred per cent uninformed of even the bare principles of mining.

In spite of the illegitimate companies, and of the failure of many enterprises honestly organized and fairly managed, the percentage of successes in the Philippines was as big as in mining booms in other sections of the world. At the end of 1936 there were 20 gold producers in the Philippines, with a monthly

output slightly under ₱4,000,000. At the end of 1938 there will be more than 30 plants in operation, with a monthly output not much under ₱6,000,000. The mining industry advanced steadily during the hectic boom days, and today is on a sound basis.

How can the investor tell a legitimate promotion when he sees one? If the engineers who have reported on the property have had years of experience and if they have a good reputation; if the predictions for the property are reasonable—that is to say optimistic but not wildly so; if the management of the company is in the hands of men experienced in the various technical details of mining; if the plan of action is conservative and reasonable; if the known or indicated ore reserves, as checked by more than one reliable engineer, are sufficient to indicate a reasonable return on the investment, then it is safe to assume that the promotion is on the up-and-up.

(To be continued)

SAN MAURICIO SUPERINTENDENT LEAVES ON VACATION

H. L. Barr, general superintendent of the San Mauricio Mining Company, left Manila on the TAI YIN with Mrs. Barr for a vacation trip to the United States. He plans to visit his home in Missouri as well as various other parts of the United States. Mr. Barr has been in charge of work at San Mauricio since the company first started operations in 1934.

During his absence in the States, T. L. White will be acting general superintendent.

The appointment of R. H. Canon as

assistant division manager of the southern division of Marsman & Company, in addition to his regular duties as general superintendent of the United Paracale Mining Company, has been confirmed. D. L. Gardner has been transferred from Paracale to Mambulao as geologist and chief engineer of the San Mauricio Mining Company.

Upon his return this month from vacation J. E. Fyfe will handle similar duties for the United Paracale Mining Company in addition to his work as division engineer for the southern division.