

Coco Grove Operating Plans

(as reported to the stockholders by J. B. Stapler, manager of the Southern Division of Marsman & Co., Inc. at the Annual Meeting.)

"You have read the report for 1938 which covers the more important operating results. There are, however, one or two points which I would like to discuss.

"There still appears to be a lack of understanding by some individuals regarding, why monthly productions vary within rather wide limits.

"As this variation will continue throughout the existence of Coco Grove, Inc., it would be somewhat of a relief to get this fact clear in the minds of all, and do away with the fear that if production is down for a few months, that the property is exhausted or that the dredges are falling apart, or any other five or ten dire possibilities, which came to us in frenzied telephone calls or which are rumored on the Escolta; resulting in considerable unnecessary mental agony to everyone concerned.

"We have published several articles in magazines and newspapers dealing with this subject, in an effort to inform the stockholders of the basic facts and reasons. Also that gold dredging is quite different from lode mining in every respect, especially in the production routine.

"This does not mean that the values in the deposit are uncertain—very much to the contrary—the contained values and yardage in a placer deposit, actually can be, and are, at Coco Grove, more accurately tested and determined than the values and tons in a lode mine.

"There are certain placer deposits, such as several in California, where gold values are evenly distributed throughout the entire mass of the gravel. This is because the gold has been transported a long distance from its source and thereby thoroughly mixed with the gravel. In such deposits, monthly productions vary but little.

"This is not the case at Coco Grove, which is of the residual type, in which the gold has been moved only a short distance from its source and is therefore distributed very unevenly throughout the deposit, both horizontally and

vertically, resulting in areas of very high gold concentration which in turn grade off sharply to gravel containing quite low gold values. The high gold concentration has been brought about by favorable catchment conditions in the old stream beds and are therefore very irregular in size and distribution throughout the old land surface, which is now covered completely with gravel, sand and clay up to a depth of 70 feet.

"The dredges obviously follow a pre-arranged schedule and dig on a definite line, so must take the high value areas and the low value areas without choice, going to the limits of pay on each traverse. All yardage along that line must be worked at the time, as when a dredge moves into a new cut, it does not pay to return to ground which has been left on the limits.

"It should therefore be quite clear and understandable that when the dredges are digging in a rich area, that monthly productions will be high, and when they are digging in low value areas, that the monthly productions will be lower. I might add at this point that since February 1928, every month has shown a satisfactory operating profit. The highest month was April with a production of P418,926.34, and the lowest month was September with a production of P94,155.83.

"This production is not haphazard affair or accomplished by chance. At the beginning of each year a carefully prepared budget of estimated expenditures, together with a production schedule, is prepared by the Managers and presented to your directors for their approval. The production schedule is based on the anticipated total yardage which the dredges will handle and the average value per cubic yard of the reserves. The program for the two dredges is then worked out so that as near as possible, the high and low value sections to be dredged during the year will compensate each other, thereby in the end, producing the total production set for the year.

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"On this basis, the total production for 1939, as estimated, will be approximately ₱2,400,000.00, and the overall average recovered value will be ₱.57 per cubic yard. During 1939 there will be times when we will be working gravel averaging as high as ₱6.00 per cubic yard with corresponding high monthly production, and others when gravel will average only ₱.25 per cubic yard with corresponding low monthly production, but barring unforeseen delays, the final outcome will be approximately the figure noted.

"I have covered this matter in considerable detail and hope that the reasons for the variations have been somewhat clarified.

"I call to your particular attention that the 1939 program includes fore-shore dredging and also later in the year the moving of one of the dredges into the Malaguit section of your property. All this will call for very specialized work, requiring the maintenance of a safe anchorage to harbor the dredges in case of stormy weather, the digging and maintenance of maneuvering channels which will be done by the recently purchased suction dredger "Rotterdam", and lastly, the addition of floating plant equipment capable of satisfactorily accomplishing these requirements, which include a 350 H.P. tug and 400-ton barge.

"The annual report mentions the difficulties we have experienced with roller bearings and that the necessary changes in equipment to standard type bearings will be made during the year. Although the cost of these changes will be paid for by the manufacturers, yet all this is not such a simple matter as it sounds. Items of equipment, some weighing as much as 250 tons in one piece, have to be handled off the dredges and back into position again. Such routine cannot be done overnight and must be accomplished with considerable care and precession, all of which takes time.

"The schedule also calls for the dredge 'Anne Petronella' to pass

through the provincial highway bridge, which fortunately had reached such a stage of disrepair that it will have to be torn down and renewed at that particular time. This same dredge has also to cut through the foot bridge to Malaguit and the United Paracale Mining Company causeway with incident temporary rerouting of our 6,600 and 2,300-volt main power lines.

"I mention all of these to give an idea of a few of the problems involved and also to show you why there are going to be several months in 1939 when the production will be very low. In fact, we will be very fortunate to have any. But I hasten to add that the total for the year will be the ₱2,400,000 stated previously, as all these circumstances have been taken into consideration in the schedule. Only unexpected difficulties such as a major breakdown or unusually severe weather conditions might affect the final outcome. This, however, is no different than in any other mining operation.

"Now, in relation to the reserve. A number of people apparently do not realize that we have large areas on the Coco Grove property which have not yet been tested and are therefore not included in the proven values and yardages as stated in the report.

"These untested areas contain at least 25,000,000 yards. How much of this yardage will be commercial can only be proven by testing, but a number of additional years dredging is definitely indicated by scout holes in the renewed drilling program which has been in progress since the 1st of this year.

"We are also at the moment carrying forward test work on two other very large deposits in the Islands and have other projects in view.

"In conclusion therefore, your company is in the best operating condition and also financial position since the start of development and we feel confident can look forward to a very profitable future."