WESTERN MINER, EASTERN INVESTOR

Interesting Article on Attitude of Each to Each.

The prejudice which a number of years ago existed against mining, or, perhaps, more properly, against mining investments, is gradually wearing away. There was good cause for the existence of such a prejudice, for many men invested their means in mining stocks without careful investigation and were easily persuaded on account of the promise of fabulous returns in a short time. Stories were told of fortunes made in a day. Sharp promoters were everywhere selling stock and in many cases on false reports.

Investors were themselves very largely to blame in this matter, for they put their money into mining stocks with a sort of feeling of "here goes," and the result often was that the investment was gone with the promoter. It would seem strange that so many men who were careful in making other investments should put their money into mining stocks without careful investigation.

It is true that many men have lost large fortunes as well as smaller sums through mining investments. It is also true that many investors can recall heavy losses made through the purchase of real estate in western town lots and in southern plantations. It is doubtful whether the losses in mining stocks are greater than the proportionate losses through investments in other industries.

One consideration which contributed to the feeling of prejudice was the fact that an investment in mining stocks seemed to partake of the nature of gambling, for very often the investor received large returns from almost nothing. There is this difference, however, between such gains and the gains which result from gambling—in the latter case, what A wins, B loses; in mining, what the miner gains is so much taken from nature and added to the wealth of the world. It may be true that an investment of $100 in a prospect, which perhaps showed no evidence of the immense amount of wealth hidden beneath the surface, will lead to a find of more than $1,000,000. The gain which the miner makes, however, is not on account of the losses suffered by someone else. The gain is clean and contributes so much to the world's wealth and also to the happiness of the miner and others of mankind.

I have said that this feeling of prejudice is wearing away. Men have been investigating methods of mining. They have been studying the ways in which men have risen from positions in the tunnel, drift or shaft to positions of wealth and honor, and perhaps to a seat in the United States senate. Such cases are not infrequent, and, if one will examine the list of men who may count their wealth by millions today, he will find many of them who have received their largest returns from the hidden mineral resources of nature.

Science has done much to improve the conditions of mining and the extraction of metals from the ores, so that now the risk which attaches to investments of this class of securities, whether in the form of mines or mining stocks, is not nearly so great as it was a short time ago. In fact, the risk is no greater than it is in many other legitimate enterprises of the country.

A well known banker has said that the money invested in mining equals the amount of money invested in banking, but the former pays much larger dividends. There is undoubtedly more money lost in speculating in corn, wheat and real estate than in mining. It is estimated that the annual dividends on the nominal capitalization of mining companies amounts to more than thirteen per cent. It is no wonder, therefore, that during this year there has been such an inquiry for good investments in mines and mining stocks.

The interest of the western miner and the eastern investor should be one; namely, mutual benefit. The prospector blazes the way for the profitable investment of capital and for the work of the miner. The prospector is a poor man and so is the miner. These men may have a group of good claims worth now only a few hundred dollars, or perhaps a few thousand dollars. The claims might never be worth any more if the development depended on the labor of the miner, which is his only capital. It costs money to sink a shaft to the depth of 1000 feet. The expense of such work is from $10 to $50 per foot. Stations must be cut at different levels; crosscuts must be run to the ledge, and drifts have to be run to block out the ore in the veins. Sometimes thousands of dollars are needed for pumps to handle the water. The pumps of the Ontario mines cost more than $1,000,000. Nearly $500,000 and years of patient work were required to make a Daly-West, which has paid since October, 1898, the good sum of $1,609,000 in dividends, and is now distributing forty cents a share per month, or $72,000 to the fortunate stockholders.

Not many years ago one, who has become rich in mining was developing a group of claims in Tintic district. A friend of his said: "Bill, I am sorry to see you putting your money into the hole in the ground in that place, as you never will find anything."

Bill kept on working, however, and developed the Centennial Eureka, which has paid $2,750,000 in dividends.

This is the history of the Ontario mine, which has paid nearly $14,000,000 in dividends, and also of the Silver King, which has paid in the last eight or nine years more than $5,000,000 in dividends and is now distributing $100 000 every month to the stockholders. During the last year the Silver King paid $1,300,000 to its stockholders and will turn out the same amount this year. In fact, we may say that all the great mines of the country were at one time only prospects, which could be bought for a few hundred dollars. The miners sought capital for development. The owners and the investors in the treasury stocks of these companies have become wealthy.

Two or three important facts must always be considered. The prospects should be well located and the management of the mining company should be capable and honest. However capable the management may be, if it is dishonest, investors stand a chance to lose. The management of a mining company may be honest, but at the same time it may be incapable of developing a mining property and be extravagant in the expenses of development. If, however, the management is capable and honest, a well located property will very likely become a good producing mine, and if the management is capable, it implies that a good selection of property would be made.

True, the best of mining men may sometimes be mistaken. One man cannot see further into the ground than another. It may take much longer to develop the property than was anticipated. Oftentimes men give up and abandon the property, feeling that they are on the wrong track and that it is no use to go any further. The last cent of money may have been spent and the last shot put in with a feeling that the work must be given up and all that had been put in lost, but it has not unfrequently happened that this last shot opened the door to the great treasury vault. Many thousands of dollars were spent in the development of one of the mines of Tintic district and it was about to be abandoned, when a fortunate shot opened the way to an ore body, from which nearly $2,000,000 in dividends have been taken.

There are several forms of investments. The capitalist who has much idle money can buy a mine already well developed. He has to pay for this, however. He prefers to invest his money in this way rather than to buy for a few hundred dollars a group of prospects, which may be developed into a good paying mine at less than a quarter of the cost of the investment he is making in the mines. Only large capitalists or strong syndicates can handle such investments.

Another form of investment is that of dividend-paying stocks. If a stock has recently come to dividends and if the dividends are being earned by the mine, the stock is a good investment for those who have money that they wish to put out for the purpose of securing a regular income. The investor should remember, however, that the average life of a mine is not more than seven to ten years. Some companies extend their life and greatly increase their profits by buying adjacent properties. The Silver King, the Daly-West and other companies of this state have done this.

Another class of investment is found in the cheap treasury stock of a new company. This is the method used by many western miners for securing capital for development. A company is organized and the property is deeded to the company for a certain amount of stock. The balance of the stock, from one-fifth to two-thirds, is put into the treasury to be sold, often at a very low figure, for the purpose of securing funds for development. Persons who have small means are frequently able to make such investments prove very profitable to themselves.

Only a few years ago the treasury stock of the Swansea company was selling at ten cents a share. An investment of $10 secured 100 shares. In six years the investor would have received in dividends a little more than $300. He could have sold out one year ago for $400. Thus his investment of $10 would in six years time have amounted to more than $700.

This is not an unusual case, but a fair sample. After the stock had begun paying dividends, it reached $1 a share. Some bought the stock at this figure. A period of dullness came and some of the stockholders were obliged to sell out their stock and realize only fifty cents a share. Of course, they lost on the investment. The one who held on, however, was able to realize a handsome profit, even though he paid $1 a share.

It is sometimes questioned whether the treasury stock of a company which has but recently been organized on a group of claims is worth twenty-five cents a share. Suppose the capitalization to be 1,000,000 shares, this price makes the estimated value of the property $250,000. Of course, the prospects could not be sold at this figure, but it must be understood that the $250,000 represents the price of the property after two-thirds of the proceeds from the sale of the treasury stock have been expended in developing the mine, which might then be worth $1,000,000.

The investor is too often anxious to secure returns almost immediately. Sometimes one person may invest in a mining stock at the early price and hold onto it for a year or more; another will come in at the close of this time and buy the stock at the same figure. A short time after, an ore body is found and the mine comes to dividends. Other investors think that their stock should produce large returns soon. When such an investment is made, the buyer should wait patiently for the development of the property into a mine, and if the investment has been carefully made he is almost sure to receive large returns.

It is true that often "wild-cats" are turned loose upon the country. The western miner, however, is not more to blame than the eastern promoter for setting these animals loose. Companies are formed by such promoters on prospects which may or may not have a good showing. The par value of the stock is put high and then the price is put low. The investor, himself, is not altogether blameless, though he may be unaware of his part. One of the first questions he asks is: "What is the par value of a mining stock?" It this is $10 a share and he is getting the stock for from twenty-five cents to $1 a share, he thinks he is getting from $9 to $9.75 for nothing.

Promoters, both eastern and western, make note of this and act accordingly.

The questions which should be asked are: "Is the property well located?" "What is the number of shares?" "Is the management capable and honest?"

If the investor would always take pains to find out where he is putting his money, there would be less danger from "wild-cats."

In conclusion, I may say that there is no form of investment which is so convenient for the man who has little means. No other investment offers the opportunities that a good investment in a well chosen mining stock offers. With a realization of the common interests between the eastern investor and the western miner, there would be less complaint, more profits and greater prosperity and happiness.—W. H. Tibbals, Ph. D., of Salt Lake, in United States Journal for Investors.