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President's Report

Tarasca Gold Mining Company of Mexico

SUBMITTED AT THE

Annual Meeting of Stockholders

November 20, 1903

PRESIDENT'S REPORT TO STOCKHOLDERS TARASCA GOLD MINING COMP'Y OF MEXICO.
SUBMITTED AT ANNUAL MEETING, NOV. 20, 1903.

In submitting this, my Annual Report to Stockholders, I desire to offer in explanation that I have not endeavored to cover in this Report more than a general summary of conditions at the property and in the office, feeling satisfied that the Annual Reports of Superintendent Barnett and Treasurer Martin, together with accompanying mining engineer's special report, give fully and correctly all the details necessary to enlighten fully all stockholders upon the real condition of the Company and the mines.

I am satisfied that a close examination of the Superintendent's report, with that of the Treasurer, will convince every stockholder that under the difficulties of securing labor, which have been experienced by our Superintendent during the past year, that the work accomplished has been all that could have been expected, and at a cost in conformity with good mining, and further, I am sure, that few companies are able to make a better showing to their stockholders for the sum of money expended in like territory.

WHAT DEVELOPMENT PROVES.

While I am pleased to say that the property to-day is in such excellent shape that any engineer cannot help but see a great producer in the ledges already opened up, I am disappointed that we have not been able to secure the help necessary to have placed it upon a dividend paying basis as soon as was expected.

DELAYS ENCOUNTERED.

Four months ago instructions were given our Superintendent to more than double the force of miners employed upon the property, and had he been able to secure this help, we would at least have been in a position to make a shipment large enough to enable us to pay at least one good dividend before the end of the year,—although I am not satisfied that it is to the best interests of the stockholders to have such shipments made, for the reason that it is a great waste of our ore, as by shipping we practically lose \$24.00 per ton in freight and working charges, which we can save, upon the erection of a plant of our own, which we must have to make these mines as big producers as we all wish them to become.

If it is the intention of the company to erect a plant, is it not wisdom to devote all our resources toward blocking out more ore, rather than wasting time and money in sacking and shipping?

RECENT TRIAL SHIPMENT.

Twenty tons shipped this month and sold at a net profit of nearly \$2,000, as shown by our Superintendent's report, proves both that we have the pay ore, and that by shipping it, we lose nearly \$25.00 per ton, which is in itself a handsome profit, if saved to the Company.

Many mines of merit have been bankrupted by injudicious and hasty attempts at forcing a dividend.

By pushing development rapidly, and beginning the erection of a plant for treating our ore on the ground, the same to be completed by the time our water pipe line, mentioned in accompanying report, is finished, we can at once begin the payment of steady dividends, which will be permanent, and those stockholders who may, perhaps, be disappointed now at the delay in dividends will be more than satisfied, and in the end will commend our good judgment.

I agree with Superintendent Barnett and Mining Engineer Bethune in their recommendations that it will be necessary to furnish better accommodations for miners before we can hope to keep a full force of men at the mines.

A SUMMARY.

Summing up the situation, as I see it, the TARASCA GOLD MINING COMPANY OF MEXICO have a magnificent mining property, thoroughly equipped with first-class machinery for modern mining, with over two hundred and fifty thousand dollars' worth of ore in sight now, which, treated on the ground, will net the Company nearly \$150,000,—while, if we are compelled to ship this ore, the additional cost for freighting and smelter treatment will eat up a large part of the profit.

Such being the case, I would respectfully recommend that the Superintendent be instructed to proceed with the development of the "Ubarbo" and "La Carrena" veins, sinking another 100 feet on the "Ubarbo," and blocking out the ore on the three-hundred-foot level, as has been done on the two-hundred-foot, and, as soon as practicable, begin the erection of a pipe line to the property from Rio Lieta, thereby securing the necessary water for all milling purposes.

At the same time, consider the erection of a roasting and leaching plant, which is proven by exhaustive tests to be the most advantageous for our use.

ESTIMATED COST OF PLANT.

Following is an estimate of the cost of a plant, which will treat fifty tons of our ore per day, at a profit of not less than \$25.00 per ton:

Crushers and rolls.....	(gold) \$10,000.00
Four reverberatory furnaces, 16 ft. wide, 50 ft. long, 4 hearths to each furnace, 1 man at each hearth, made of brick or stone, each \$1,000.....	(gold) 4,000.00

The following lixivation plant is a good one:

REDWOOD TANKS.

Five 20-ft. diam by 5-ft. staves for leaching vats; one 20-ft. diam. by 5-ft. staves for solution reservoir (or masonry one); eight 10-ft. diam. by 6-ft. staves for receiving sulphides (high and low grade); one 8-ft. high by 12-ft. diam. iron tank with fittings for making lye; two 4-ft. high by 12-ft. diameter redwood tanks for lye reservoir; 1 steam pump to throw 50 tons of water per hour; lumber, gearing, foundations, fittings, masonry, etc.	\$ 5,000.00
One salt mill	100.00

Total cost of plant.....	\$19,100.00
Mining: With such a plant, running expenses of crude ore sent to the mill would be approximately... (Mex.)	\$ 3.00
Crushing: Rockbreaker and mill	(Mex.) 1.25
Roasting: Wood, \$8.00 (Mex.) a cord, 10 per cent. salt, each man at each hearth of furnace 150 cents (Mex.) for 1250 pounds ore, about.....	(Mex.) 6.00

Total (Mex.) \$10.25
Or gold \$ 4.90

ORE IN SIGHT.

In the estimate furnished of the ore now in sight and on the dump, as near as can be determined there are ninety-nine tons of \$30 to \$40 ore for every ton of \$300 ore, and if this is shipped and treated, it all must be sorted and sacked, and the ninety-nine tons of low grade, running \$30 per ton, will yield less than \$6 per ton net, as freight and treatment charges, the best that can be done, are about \$24, while by treating it at the mine, every ton of this \$30 ore can be mined and treated at a profit of \$25 per ton.

PROFIT COMPARISONS.

Such a profit on only the ore in sight now, as conservatively reported by Engineer Bethune and Superintendent Barnett, would give the following net result:

6234 tons at \$25 minimum net profit..... \$157,075.00

This amount distributed among the stockholders, would mean a dividend of 21 cents per share on each share of the 750,000 shares of stock issued and contracted for.

To treat this amount of ore, 6243 tons, at the rate of 50 tons per day, after the mill was in operation, would require one hundred and twenty-five days.

On the other hand, if the Company decide to ship all this ore, and the same could all be marketed within the same number of days, the following would be the result, estimated on the values given in Engineer Bethune's report, which, of course, are very conservative:

6243 tons at \$30 gross..... \$187,290.00

Expense: Treatment charges, freight, sorting, sacking, hauling, etc., 6243 tons at \$24..... 149,832.00

Leaving net balance \$ 37,458.00

Thus, it can be readily seen that by treating this ore ourselves we can distribute, within the next eight months, which is the time estimated to complete plant and mill the ore now in sight, the sum of \$157,075, or 21c per share in dividends, while if we rely upon shipping this ore we can distribute within a little less time the sum of \$37,468, or less than 5c per share, and waste nearly \$120,000 of the Company's resources.

This is my reason for counselling the erection of our own plant, which may possibly disappoint some of our shareholders who are expecting earlier dividends, but which will, in the end, prove so much to their advantage, as well as all other shareholders in the Company.

If the Company decides to accept my recommendations, with those of the Superintendent and Engineer's, the next thing to be considered is, where is the money coming from to cover this expense.

FINANCIAL CONDITION.

The Treasurer's report shows a cash balance on hand of something less than \$15,000, with about \$5,000 more that will be paid upon the present contracts in force within the next thirty days; in addition to these sums, the Treasurer's report shows a balance of 40,000 shares of the original stock, sold to installment purchasers, whose subscriptions have not been cancelled, although they have not been paid, for we have only been cancelling and selling the stock of those who have notified us of their desire to have it sold, saying that they were unable to pay.

DELINQUENT STOCKHOLDERS.

I think the time has now arrived when action should be taken upon these delinquents, and would recommend that they be notified immediately that all balances due must be paid within fifteen days from date, and as I have tried before to collect the sum mentioned as due and have failed, I am convinced that the parties mentioned as delinquent in the Treasurer's report will be unable to make such payments or demands; this will leave the Company in a position to find buyers for such forfeited shares, which I would further suggest be done at once in the following manner:

Offer this stock in equal amounts, say fifty shares each, to the present stockholders, who have paid as agreed (they now number about nine hundred) at the low price of 50 cents a share, which is less than half its present value, but it will be fair to sell it at that price where all have the same chance to secure their equal share. At least seven hundred of them, I am convinced, will easily take that amount at once, but if all do not, a sufficient number will want more than fifty shares, to immediately exhaust the supply. This will add to the present amount of cash in the Treasury the sum of nearly twenty thousand (\$20,000) dollars, making our cash on hand approximately \$40,000 before January 1st, without increasing the amount of treasury stock now contracted for, as shown by reports.

RECOMMENDATIONS.

If my recommendations are accepted, I would then advise the immediate expenditure of this money in the following manner:

Erect a treatment plant, with a daily capacity for treating fifty tons of ore, at a cost of approximately. \$ 20,000

Build proposed pipe line, from Rio Lieta to property, to cost approximately..... 10,000

Vigorously continue development of the mines, as recommended by Engineer Bethune and Superintendent Barnett, in their reports, and my estimate for doing the work outlined, will be less than.....\$ 6,000

Thus, by following these recommendations, I am confident the property will be able to distribute, during the year 1904, in dividends, the aggregate sum of at least \$250,000, or 35 cents per share on the entire number of shares issued, and this, without taking into consideration any of our ore, except that contained in the "Ubarbo" vein. Such dividends on the entire amount of stock issued, will unquestionably make every share worth \$10.00, without considering the increase in value as the other rich veins of the property are opened up during the same year, and add their share to the aggregate.

This excellent showing should satisfy every stockholder in the Company that he should be more than contented with the present bright future of this great property.

Respectfully submitted,

Hugo Reichenbach, Pres.