Mines, Ltd., a company formed ostentatiously for the development of a gold deposit near Dryden, Ontario.

What the actual value of the property is no one can say. Many who have examined it regard it as well worthy of development. Mr. Frank C. Loring of Toronto, Mr. R. T. Cornell of Ricketts & Co., New York, and Mr. James Bartlett, of the Ontario Bureau of Mines staff, have examined the property and they report favorably on the surface showings. There is some high-grade ore, and there may be a lot of it. Under the circumstances a good price might reasonably be demanded, provided the prospective buyer were given an opportunity of thoroughly testing the property before exercising his option. Without being permitted to first do some development work, few experienced mining men would consider paying $50,000 for a very promising undeveloped gold property. Assuming some such price as the present market value of the Rognon prospect let us turn to the Rognon prospectus.

The prospectus shows that the directors of the Rognon Gold Mines, Limited, are J. E. Murphy, A. D. Clark, A. G. Kirby and Samuel J. Maddin, of Toronto, and Ernest J. Rognon, of Dryden, Ontario. The consulting engineer is Mr. P. Kirkegaard, of Toronto. Mr. Rognon is the discoverer of the property, and president of the Dryden Board of Trade. The Toronto gentlemen are well and favorably known. The list of directors is such as to inspire confidence.

The literature inviting subscriptions is being sent out by the Ontario Bond Corporation, Ltd., a company incorporated in Toronto on May 20, 1916, with a capital of $40,000, "to carry on a financial and mining business and to buy, sell and deal in shares, bonds, debentures and securities of all kinds." The moving spirit is Mr. A. G. Penman, of Toronto, who has had some previous experience in the financing of mining companies, being associated with the flotation of the Otisse and Cobalt Silver Mountain companies some years ago. He is credited with being a salesman of great ability, and has, since his Cobalt ventures, been successfully selling real estate.

The capitalization of Rognon Gold Mines, Limited, is $2,500,000. The par value of the shares is $1. There has been issued to each of the four vendors of the property, Ernest G. Rognon, Melvina B. Rognon, Peter Kirkegaard and Samuel Maddin, 500,000 shares, making a total of 2,000,000 shares paid for the property. Of the remaining 500,000 shares, called treasury shares, 100,000 is now offered to the public at par.

From this it might be deduced that the promoters consider that $100,000 is the sum required to develop the property. They appeal to the public for the necessary funds. In exchange for the money, which is to be the entire working capital, they offer 100,000 shares, while the vendors get 2,000,000 shares. Any earnings from the $100,000 subscribed by the public would be divided between holders of vendors' and treasury shares in the ratio of twenty to one.. If the operation of the mine proved very profitable and yielded a net profit of say $1,050,000 during the life of the mine, the buyers of the 100,000 shares of treasury stock would be entitled to $50,000, while the holders of the 2,000,000 vendors' shares would get the $1,000,000.

Now such a share of profits can scarcely be expected to induce even the most careless investor. Such an offer might be expected to be unsuccessful and scarcely worthy of notice. The Rognon promoters have, however, provided another feature. Not content with offering the public such a handsome share of the possible profits, the Rognon promoters announce that they have entered into an agreement with the Imperial Trusts Co. whereby the money subscribed by the public will be returned at the end of fifteen years, without interest, if the mining company does not make a profit of several million dollars in that time. This arrangement is called a guarantee and much attention is directed to it by the promoters. This guarantee feature is not new. It is frequently used successfully in selling property that would be unsaleable without the addition of some special features.

To the promoters of the Rognon the guarantee feature doubtless appealed as one which would give investors more confidence. To utilize it without cost to themselves they propose to sell to the public more shares than would otherwise be necessary so that part of the money can be deposited with the Trust Company so that a guarantee can be given that an amount equal to that subscribed will be returned at the end of fifteen years. As $100,000 is wanted for the treasury and a similar sum will be needed for deposit with the Trust Company it will be necessary to sell about 200,000 shares. To pay the expenses of organizing and selling, more shares must be sold. The public will, under this plan, provide the money necessary for the treasury and to pay the Trust Company for its guarantee. The vendors will contribute no money but will part with about 100,000 shares of their 2,000,000 shares to obtain the necessary funds for the guarantee. What agreement exists between the vendors, the mining company, the Trust company and the promoters, the public is not supposed to enquire. The Provincial Secretary would do well to investigate.

The prospectus states that an option on 100,000 shares of treasury stock granted to the Ontario Bond Corporation and a contract of employment of an engineer are the "only material contracts." If that is so we would be very much surprised. It would indicate a scarcely credible laxity on the part of the Imperial Trust Company.

Money must be paid the Imperial Trust Company for its guarantee. Money must be paid the Ontario Bond Corporation for its services. The money is to be supplied by the public, and yet we are told that the contracts between the Trust company, the salesmen and the vendors are not material contracts.