PRESIDENT'S ANNUAL REPORT

TO

STOCKHOLDERS

OF THE

ST. JOSEPH LEAD COMPANY

FOR THE YEAR

1942

ST. JOSEPH LEAD COMPANY

Incorporated March 25, 1864, under the Laws of the State of New York

Executive Offices, 250 Park Avenue, New York

STOCK TRANSFER OFFICE

250 Park Avenue,
New York

REGISTRAR

City Bank Farmers Trust Company,
New York

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

In compliance with the request of the War Department, there is omitted from this report all information pertaining to production, stocks and such data as might be of interest to our enemies. Your Company has worked closely with the various Government Departments, and all the sales, which amounted to $51,360,604.63 and were the largest in the Company's history, have been subject to approval of the War Production Board and the pricing policies of the Office of Price Administration.

Consolidated Earnings

The consolidated net income for the year ended December 31, 1942 after all charges amounted to $5,655,625.61 as compared with $4,893,455.18 for the previous year. The net income for 1942 is after providing $5,499,604.80 for Federal income and excess profits taxes which is an increase of $2,758,905.35 over the $2,740,699.45 provided during 1941. The 1942 tax provision is after deducting from the total amount payable, the ten per cent post-war excess profits tax credit of $398,154.14 provided in the 1942 Revenue Act.

The comparative consolidated earnings for the ten years ended December 31, 1942 are shown below:

Year	Income after Interest but before Other Deductions	Provision for— Depreciation	Provision for— Fed. Inc. Taxes	Net Income before Depletion, Etc.	Provision* for Depletion, Etc.
1933	$1,316,485.60	$1,022,922.73	..	$293,562.87	$1,461,310.72
1934	1,936,908.95	1,121,960.66	$78,862.23	736,086.06	1,548,604.47
1935	2,005,781.59	1,072,013.14	35,502.59	898,265.86	412,043.61
1936	4,473,237.08	1,063,605.02	307,944.03	3,101,688.03	590,686.46
1937	10,035,885.12	1,055,575.37	1,329,491.03	7,650,818.72	522,873.57
1938	2,873,815.43	1,059,034.49	173,922.80	1,640,858.14	309,601.68
1939	7,586,972.10	1,058,924.04	672,485.97	5,855,562.09	562,654.53
1940	8,287,597.10	1,064,639.12	1,305,670.04	5,917,287.94	805,346.24
1941	9,070,705.65	994,436.94	2,740,699.45	5,335,569.26	442,114.08
1942	12,633,212.55	939,993.43	5,499,604.80	6,193,614.32	537,988.71

* Includes abandoned leases for the years 1933 to 1937 inclusive and provision for obsolescence of the Doe Run Mill for the years 1935 to 1937 inclusive.

Dividends

Quarterly dividends of fifty cents per share were paid on the tenth day of March, June, September and December 1942 making a total of two dollars per share for the year. These dividend distributions, aggregating $3,911,360.00, were paid entirely out of the surplus earnings of the Company accumulated after February 28, 1913 and are, therefore, subject to Federal income taxes.

The following is a record of dividends for the years 1933 through 1942:

Year	Amount	Per Share	Year	Amount	Per Share
1933	....	....	1938	$1,955,680.00	$1.00
1934	$586,701.30	$.30	1939	3,911,360.00	2.00
1935	782,269.30	.40	1940	4,400,280.00	2.25
1936	1,955,676.90	1.00	1941	3,911,360.00	2.00
1937	4,889,198.50	2.50	1942	3,911,360.00	2.00

Financial Information

The consolidated balance sheets as of December 31, 1942 and December 31, 1941 of St. Joseph Lead Company and Subsidiaries, and the related Summaries of Consolidated Net Income and Surplus for the years ended on those dates, are submitted herewith as a part of this report. All subsidiaries of the St. Joseph Lead Company are included in these statements with the exception of Aguilar Corporation and its foreign subsidiary, which statements are shown separately.

No future commitments have been made for the purchase and sale of commodities which would have a material effect on the financial position of the Company.

The Company owns $6,000,000 of U. S. Treasury Tax Savings Notes and $4,000,000 U. S. Treasury Certificates and Savings Bonds. The Company also owns $156,000 par value U. S. Treasury, State and Municipal securities which are on deposit with New York, Pennsylvania and Missouri Industrial Compensation Commissions and the United States Department of the Interior.

Capital expenditures by St. Joseph Lead Company and consolidated subsidiaries amounted to $1,369,261.33 in 1942 in comparison with $672,761.68 in 1941.

In the audit of the books by Messrs. Haskins & Sells, verification of inventories was again made by physical tests of the quantities shown by the records as being on hand. This firm also handles the audit of the Argentine operations. The Accountants' Certificate addressed to the stockholders is set forth on page 8 of this report.

United States Operating Information

Throughout the year 1942, all lead and zinc properties of the Company were operating at full capacity, and due to the sincere efforts of our employees, the production standards set by the Governmental Authorities were fulfilled and costs maintained at reasonably satisfactory levels. Although the mines are still being worked beyond their economic capacity, the development work during the year was very satisfactory, and the tonnage of proven ore is greater than it has ever been. The Block "P" property located at Hughesville, Montana, which was placed in production in May, and certain of the smaller mines owned by Kansas Explorations, Inc. in the Tri-State area were operated on a curtailed basis due to shortage of manpower. The Sheep Ranch mine, a small gold property in California, was closed down in June, due to exhaustion of ore.

South American Operating Information

Operations at the Aguilar Mine in Argentina were curtailed in the last quarter of the year to the amount of lead necessary to take care of Argentine requirements because ships were not available for exporting lead. The actual tonnage of lead concentrates was larger than in the previous year because of the greatly improved mill recoveries.

The 1942 capital expenditures amounted to 473,963.86 pesos which is equivalent to $108,227.23 at the rate of exchange prevailing during the months of such expenditures.

The Consolidated Balance Sheets of Aguilar Corporation and Subsidiary at December 31, 1942 and December 31, 1941, together with Summaries of Consolidated Net Income, etc. for the years ended on those dates, are submitted as a part of this report and will be found on pages Nos. 9 to 11. In 1942, the income before depletion was less than in 1941 as no lead concentrates were exported.

The comparative consolidated earnings since the property was placed in operation are as follows:

Year	Income after Interest but before Other Deductions	Provision for Depreciation	Net Income before Depletion	Provision for Depletion On Cost	Provision for Depletion On Appreciation
1936	$ 192.78	$115,340.41	*$115,147.63	$ 35,143.18	$ 322,584.30
1937	998,294.21	130,214.52	868,079.69	63,407.60	579,914.66
1938	807,923.50	149,105.03	658,818.47	73,447.08	671,733.70
1939	930,981.17	175,793.81	755,187.36	100,082.61	915,337.33
1940	867,790.12	193,667.52	674,122.60	121,188.16	1,108,320.38
1941	938,733.60	207,305.29	731,428.31	127,786.09	1,168,708.13
1942	809,173.70	216,780.14	592,393.56	80,718.97	738,240.88

* Loss.

Although Metals Reserve Corporation has been unwilling to purchase any lead concentrates or to assign ships for lead export, it has purchased all zinc concentrates, which will be produced at Aguilar for the period November 1942 through May 1943 plus such additional tonnage from accumulated stocks as the Argentine State Railway may be able to handle during these months.

Stockholders

The number of stockholders of record on December 31st of each year since 1933 and a classification of their holdings are as follows:

Year	Number	19 or Less	20-99	100-199	200-Over
1933	5,145	1,511	1,684	835	1,115
1934	5,300	1,549	1,712	873	1,166
1935	5,304	1,491	1,748	911	1,154
1936	5,560	1,483	1,851	1,000	1,226
1937	5,992	1,571	2,038	1,139	1,244
1938	6,463	1,719	2,213	1,227	1,304
1939	6,586	1,695	2,260	1,337	1,294
1940	6,697	1,772	2,263	1,371	1,291
1941	6,858	1,751	2,393	1,417	1,297
1942	7,065	1,697	2,547	1,528	1,293

General

The Stockholders are again reminded that the net value of the capital assets set forth on the accompanying Consolidated Balance Sheets are depleted and depreciated figures based on appraised values as of and after March 1, 1913 or on cost as stated. They do not indicate the present day values or prospective future values of the Company's property, plant and equipment, as such values could be arrived at only by current estimates which would vary from time to time depending on the price of metals, rate of production, cost of labor and other factors. Although the appraised value of areas owned on March 1, 1913 have been entirely written off the Company's books by depletion deductions, ore is still being mined from these areas at a profit, and probably will be for years to come.

Due to the additional ore which had been developed through prospecting, or made available by reason of the improvement in mining practices, the basis of determining depletion was changed as of January 1, 1935, by dividing the then undepleted book value by the estimated tonnage of ore in the mines at that date and applying the unit value thus determined to the tonnage sold. This change resulted in a considerably lower provision for depletion than in years prior to that date, and the basis adopted in 1935 has, with minor exceptions, been consistently used for subsequent depletion computations.

CLINTON H. CRANE,
President.

New York, March 8, 1943.

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Summaries of Consolidated Net Income

For the Years Ended December 31, 1942 and 1941

	Year ended December 31, 1942			1941
Net Sales		$51,360,604.63		$42,647,811.11
Cost of Sales (exclusive of depreciation and depletion)		37,860,360.69		32,859,532.94
Gross Profit from Operations before Depreciation and Depletion		$13,500,243.94		$ 9,788,278.17
Deduct:				
Selling, general and administrative expenses	$ 719,382.97		$ 789,802.95	
Capital stock and miscellaneous taxes	156,456.07	875,839.04	108,028.04	897,830.99
Net Profit from Operations before Depreciation and Depletion		$12,624,404.90		$ 8,890,447.18
Other Income:				
Profit on sale of real estate, etc.	$ 23,925.35		$ 142,358.06	
Interest, dividends, etc.	28,670.85	52,596.20	91,825.88	234,183.94
Income before Depreciation, Depletion, and Taxes on Income		$12,677,001.10		$ 9,124,631.12
Provision for Depreciation		939,993.43		994,436.94
		$11,737,007.67		$ 8,130,194.18
Provision for Depletion		537,988.71		442,114.08
		$11,199,018.96		$ 7,688,080.10
Provision for Taxes on Income:				
Federal excess profits taxes (including in 1942 $8,991.97 and in 1941 $158,395.65 applicable to prior years)	$3,990,533.39		$1,239,809.41	
Federal normal income and surtaxes (including in 1942 $249,816.86 and in 1941 $87,833.55 applicable to prior years)	1,907,225.55		1,500,890.04	
	$5,897,758.94		$2,740,699.45	
Deduct post-war excess profits tax refund	398,154.14		—	
	$5,499,604.80		$2,740,699.45	
State income taxes	43,788.55	5,543,393.35	53,925.47	2,794,624.92
Net Income for the Year		$ 5,655,625.61		$ 4,893,455.18

Summaries of Consolidated Surplus

For the Years Ended December 31, 1942 and 1941

	Year ended December 31, 1942	1941
Surplus at Beginning of the Year (including surplus from revaluation of ore reserves—1942, $78,171.80; 1941, $94,774.86)	$11,588,229.17	$10,606,133.99
Add net income for the year	5,655,625.61	4,893,455.18
Total	$17,243,854.78	$15,499,589.17
Deduct cash dividends paid during the year	3,911,360.00	3,911,360.00
Surplus at End of the Year (including surplus from revaluation of ore reserves—1942, $56,098.98; 1941, $78,171.80)	$13,332,494.78	$11,588,229.17

Note:

All subsidiaries of the parent company are included in the above summaries with the exception of Aguilar Corporation and its foreign subsidiary, the consolidated income and surplus (deficit) statements of which appear on page 9.

ASSETS

	December 31, 1942		December 31, 1941	
Capital Assets (Note 1):				
Ore reserves and mineral rights:				
Appraised value as of March 1, 1913	$13,500,000.00		$13,500,000.00	
Less reserve for depletion	13,500,000.00	—	13,500,000.00	—
Additions subsequent to March 1, 1913 (at cost)	$20,951,173.56		$21,352,876.44	
Less reserve for depletion	16,381,153.99	$ 4,570,019.57	16,358,106.33	$ 4,994,770.11
Appreciation arising from revaluation subsequent to March 1, 1913	$ 3,500,000.00		$ 4,315,000.00	
Less reserve for depletion	3,443,901.02	56,098.98	4,236,828.20	78,171.80
Total ore reserves and mineral rights, net		$ 4,626,118.55		$ 5,072,941.91
Shafts and underground equipment (at cost)	$ 5,512,517.37		$ 5,265,561.18	
Less reserve for depreciation	4,338,584.50	1,173,932.87	4,347,419.14	918,142.04
Land, buildings, plant and equipment (at cost)	$19,100,719.62		$18,696,387.00	
Less reserve for depreciation	13,267,796.91	5,832,922.71	12,951,876.09	5,744,510.91
Railway construction—Cost being refunded		—		11,780.00
Total capital assets, net		$11,632,974.13		$11,747,374.86
Investments and Advances:				
Aguilar Corporation (at cost—90% owned)	$ 137,759.72		$ 137,759.72	
Mine La Motte Corporation (at cost—50% owned)	550,000.00		672,450.00	
Sundry securities, loans, etc. (at cost, less reserve, $200,000.00)	232,354.81	920,114.53	299,127.27	1,109,336.99
Current and Working Assets:				
Cash on hand and in banks	$ 9,229,880.32		$12,751,361.05	
U. S. tax anticipation notes (at cost)	6,000,000.00		3,000,000.00	
U. S. Treasury certificates and savings bonds (at cost)	4,000,000.00		—	
Notes and accounts receivable—trade (less reserve—1942, $17,825.73; 1941, $18,933.02)	3,985,471.51		3,623,105.43	
Other notes and accounts receivable	92,458.31		79,566.96	
Inventories (companies' products at cost, exclusive of depreciation and depletion; purchased products at cost; and materials and supplies at cost, less reserves, 1942, $68,623.63; 1941, $112,919.15—valuations not in excess of market)	5,697,252.28	29,005,062.42	5,333,556.26	24,787,589.70
Miscellaneous Assets:				
U. S. Treasury, State and Municipal securities on deposit with Federal and State departments (at amortized cost; market quotation value—1942, $176,650.00; 1941, $139,950.00)	$ 157,186.08		$ 121,061.19	
Post-war excess profits tax refund	398,154.14		—	
Cash in closed banks	5,842.83	561,183.05	17,875.42	138,936.61
Deferred Charges:				
Deferred operating costs	$ 251,756.84		$ 169,094.48	
Prepaid insurance, taxes, royalties, etc.	163,411.73	415,168.57	190,811.67	359,906.15
Total		$42,534,502.70		$38,143,144.31

Notes:

(1) The net value of the capital assets as shown in the above consolidated balance sheets does not indicate the present value of the companies' property, plant and equipment, as such values could be arrived at only by current estimates which would vary from time to time depending on the price of metals, rate of production, cost of labor, and other factors.

(2) All subsidiaries of the parent company are included in the above consolidated balance sheets with the exception of Aguilar Corporation and its foreign subsidiary, the consolidated balance sheets of which appear on pages 10 and 11. The ownership by St. Joseph Lead Company of Aguilar Corporation is represented by 8,020

LIABILITIES

	December 31, 1942		December 31, 1941	
Capital Stock:				
Authorized, 2,500,000 shares of $10.00 each	$25,000,000.00		$25,000,000.00	
Issued, 1,996,840.35 shares	$19,968,403.50		$19,968,403.50	
Less in treasury, 41,160.35 shares	411,603.50		411,603.50	
Outstanding, 1,955,680 shares	$19,556,800.00		$19,556,800.00	
Scrip outstanding	5.00	$19,556,805.00	5.00	$19,556,805.00
Current Liabilities:				
Accounts payable	$ 2,541,752.42		$ 2,657,077.80	
Due to subsidiary not consolidated	201,221.60		440,071.51	
Wages payable	111,927.04		105,563.45	
Accrued taxes:				
Federal income and excess profits	5,613,994.23		2,618,888.74	
Other	320,794.89	8,789,690.18	253,505.20	6,075,106.70
Deferred Income		1,953.44		1,895.17
Reserves:				
For injury claims and workmen's liability insurance	$ 188,738.27		$ 164,751.02	
For employees' life insurance and retirement	354,882.48		446,418.70	
For contingencies	309,938.55	853,559.30	309,938.55	921,108.27
Surplus:				
Earned	$13,276,395.80		$11,510,057.37	
Revaluation of ore reserves	56,098.98	13,332,494.78	78,171.80	11,588,229.17
Total		$42,534,502.70		$38,143,144.31

Notes Continued:

shares of the preferred and 80,764 shares of the common stocks of that company. Gross profit, before depreciation and depletion, of the foreign subsidiary on its sales to St. Joseph Lead Company of products which remained in the inventories of the latter at December 31, 1942 and 1941 amounted to approximately $25,000 and $169,000, respectively.

(3) St. Joseph Lead Company and the foreign subsidiary of Aguilar Corporation were contingently liable at December 31, 1942 to refund to customers the sales price, $939,056.71, of concentrates paid for by the customers and stored in Argentina, in the event any future Argentine law should prevent shipment thereof, and were similarly contingently liable at December 31, 1941 in the amount of $1,406,935.95.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

22 EAST 40TH STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

To the Stockholders of St. Joseph Lead Company:

We have examined the consolidated balance sheets of St. Joseph Lead Company (incorporated in New York) and its wholly-owned subsidiary companies, and of Aguilar Corporation (incorporated in Delaware—a majority-owned subsidiary—not consolidated) and its subsidiary, Compania Minera Aguilar, S. A. (incorporated under Argentine law) as of December 31, 1942 and the related summaries of consolidated net income and surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

In our opinion, the accompanying consolidated balance sheets and summaries of consolidated net income and surplus, with the footnotes thereon, fairly present as to St. Joseph Lead Company and its wholly-owned subsidiary companies, and as to Aguilar Corporation and its foreign subsidiary company (subject to final determination of liabilities for their taxes on income), the financial condition of the companies at December 31, 1942 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York, March 1, 1943.

AGUILAR CORPORATION AND SUBSIDIARY

Summaries of Consolidated Net Income

For the Years Ended December 31, 1942 and 1941

	Year ended December 31, 1942			1941
Net Sales (Including sales to St. Joseph Lead Company—1942, $115,974.39; 1941, $841,566.22)		$1,795,163.92		$3,402,908.73
Cost of Sales (exclusive of depreciation and depletion)		856,593.36		2,367,258.69
Gross Profit from Operations before Depreciation and Depletion		$ 938,570.56		$1,035,650.04
Deduct:				
Selling, general and administrative expenses	$122,981.05		$103,372.98	
Taxes	24,862.48	147,843.53	23,656.01	127,028.99
Net Profit from Operations before Depreciation and Depletion		$ 790,727.03		$ 908,621.05
Other Income		26,225.93		38,479.09
Total		$ 816,952.96		$ 947,100.14
Interest on indebtedness		7,779.26		8,366.54
Income before Depreciation and Depletion		$ 809,173.70		$ 938,733.60
Provision for depreciation		216,780.14		207,305.29
Income before Depletion		$ 592,393.56		$ 731,428.31
Provision for depletion computed on cost		80,718.97		127,786.09
Net Income for the Year before Provision for Depletion Computed on Appreciation of Ore Reserves		$ 511,674.59		$ 603,642.22
Provision for depletion computed on appreciation of ore reserves		738,240.88		1,168,708.13
Net Loss for the Year		$ 226,566.29		$ 565,065.91

Summaries of Consolidated Deficit

For the Years Ended December 31, 1942 and 1941

	Year ended December 31, 1942	1941
Deficit at Beginning of the Year	$1,522,846.13	$1,166,081.42
Add Net Loss for the Year	226,566.29	565,065.91
Total	$1,749,412.42	$1,731,147.33
Deduct:		
Adjustment as of January 1, 1941, resulting from change in method of determining provision for depletion	—	208,301.20
Deficit at End of the Year	$1,749,412.42	$1,522,846.13

Notes:

(1) Included in the above summaries are Aguilar Corporation and its only subsidiary, Compania Minera Aguilar, S. A. (a foreign corporation).

(2) The operations of the foreign subsidiary are included in the above summaries in U. S. dollars at the approximate average free rate of exchange for the year except as to provisions for depreciation and depletion which have been converted on the basis of the rates of exchange at which the balances in the related asset accounts are stated.

(3) No provision has been made in the above summaries for Argentine income taxes as the basis for assessment has not been agreed upon with the Argentine tax authorities, nor has provision been made therein for United States Federal income taxes, if any.

AGUILAR CORPORATION AND SUBSIDIARY

Consolidated Balance Sheets, December 31, 1942 and 1941

ASSETS

	December 31, 1942		December 31, 1941	
Capital Assets:				
Ore reserves and mineral rights:				
Cost, including exploration and development prior to the commencement of operations	$ 1,507,858.82		$ 1,507,858.82	
Less reserve for depletion	581,242.94	$ 926,615.88	500,523.97	$ 1,007,334.85
Appreciation arising from revaluation	$13,790,750.50		$13,790,750.50	
Less reserve for depletion	5,317,068.93	8,473,681.57	4,578,828.05	9,211,922.45
Total ore reserves and mineral rights, net		$ 9,400,297.45		$10,219,257.30
Land, buildings, plant and equipment (at cost)	$ 2,628,281.71		$ 2,520,054.48	
Less reserve for depreciation	1,186,933.21	1,441,348.50	970,153.07	1,549,901.41
Total capital assets, net		$10,841,645.95		$11,769,158.71
Current and Working Assets:				
Cash on hand and in banks	$ 207,104.31		$ 249,007.05	
Argentine Government treasury notes due January 24, 1942	—		94,339.62	
Accounts receivable—trade	183,609.59		124,796.88	
Due from St. Joseph Lead Company (Parent Company)	201,221.60		440,071.51	
Other accounts receivable	14,614.54		17,567.56	
Inventories (concentrates at cost exclusive of depreciation and depletion—valuation not in excess of market; silver at estimated value; materials and supplies at cost)	1,652,157.86	2,258,707.90	905,869.90	1,831,652.52
Goodwill		50,000.00		50,000.00
Deferred Charges		64,028.55		50,397.60
Total		$13,214,382.40		$13,701,208.83

Notes:

(1) Included in the above consolidated balance sheets are Aguilar Corporation, a domestic holding company, and its only subsidiary, Compania Minera Aguilar, S. A., incorporated and conducting business in Argentina.

(2) Current assets, current liabilities, deferred charges and reserves of the foreign subsidiary are included in the above consolidated balance sheets in U. S. dollars at the closing quoted rate of exchange at December 31, 1942 and 1941, respectively (except in a few instances where original dollar values applicable to foreign transactions are used). Capital assets and related reserves and capital stock and capital surplus accounts reflect the approximate dollar equivalents at the rates prevailing at the dates of the transactions of which the balances in these accounts consist.

(3) The above consolidated balance sheets do not include liability for Argentine income taxes as the basis for assessment has not been agreed upon with the Argentine tax authorities, nor liability, if any, for United States Federal income taxes.

AGUILAR CORPORATION AND SUBSIDIARY

Consolidated Balance Sheets, December 31, 1942 and 1941

LIABILITIES

	December 31, 1942		December 31, 1941	
Capital Stock:				
Preferred stock—$7.00 cumulative shares without par value (entitled upon redemption or liquidation to $115.00 a share) Authorized 89,776 shares; issued 9,976 shares at a stated value of $1.00 a share	$ 9,976.00		$ 9,976.00	
Common stock—Shares without par value—authorized 248,070 shares; issued, 88,470 shares at a stated value of $.05 a share	4,423.50	$ 14,399.50	4,423.50	$ 14,399.50
Current Liabilities:				
Loans payable—bank	$ 185,878.19		$ —	
Accounts payable—trade	106,096.06		110,920.19	
Wages payable	16,711.90		20,611.46	
Accrued taxes (Note 3)	7,608.39		7,566.84	
Proceeds from sales of concentrates for future export	233,900.00		233,900.00	
Estimated expenses on concentrates held for future delivery	459,728.52		888,307.67	
Other accounts payable	7,464.68	1,017,387.74	4,577.48	1,265,883.64
Reserves:				
For possible additional freight on concentrates	$ —		$ 21,140.80	
For compensation and accidents	37,447.19		35,665.83	
For other expenses	17,607.20	55,054.39	10,012.00	66,818.63
Surplus:				
Capital surplus:				
Arising from revaluation of ore reserves by the subsidiary	$13,790,750.50		$13,790,750.50	
Arising from reductions by Aguilar Corporation in stated value of its capital stock, $1,758,278.50, less cost of its stock purchased in excess of stated values thereof, $1,672,075.81	86,202.69		86,202.69	
Total capital surplus	$13,876,953.19		$13,876,953.19	
Earned surplus (deficit):				
Surplus based on depletion computed on cost	$ 3,567,656.51		$ 3,055,981.92	
Deduct depletion computed on appreciation of ore reserves	5,317,068.93		4,578,828.05	
Earned surplus (*deficit)	$*1,749,412.42		$*1,522,846.13	
Remainder		12,127,540.77		12,354,107.06
Total		$13,214,382.40		$13,701,208.83

Notes Continued:

(4) Cumulative dividends on the $7.00 preferred stock have not been declared since its issuance, and at December 31, 1942 and 1941 amounted to $841,548.75 and $771,716.75, respectively.

(5) The foreign subsidiary and St. Joseph Lead Company were contingently liable at December 31, 1942, to refund to customers the sales price, $939,056.71, of concentrates paid for by the customers and stored in Argentina, in the event any future Argentine law should prevent shipment thereof, and were similarly contingently liable at December 31, 1941, in the amount of $1,406,935.95.

(6) Contingent liabilities also existed in respect of customs duties on materials and supplies imported into Argentina duty free, not yet officially exempted from duties. The Company does not anticipate that any loss will result from this source.

ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1942