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NINETY-FOURTH ANNUAL REPORT TO THE STOCKHOLDERS

1957

St. Joseph Lead Co.

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ST. JOSEPH LEAD COMPANY

NINETY-FOURTH

ANNUAL REPORT

to the

STOCKHOLDERS

for the

YEAR ENDED DECEMBER 31

1957

Transfer Office
ST. JOSEPH LEAD COMPANY
250 Park Avenue, New York 17, N. Y.

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New York 4, N. Y.

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ST. JOSEPH LEAD COMPANY

INCORPORATED MARCH 25, 1864, UNDER THE LAWS OF THE STATE OF NEW YORK

EXECUTIVE OFFICES · 250 PARK AVENUE · NEW YORK 17, N. Y.

Board of Trustees

		Year Elected
CLINTON H. CRANE	New York, N. Y.	1911
IRWIN H. CORNELL	Vice President, Cornell Iron Works, New York, N. Y.	1913
ANDREW FLETCHER	President	1921
*HENDON CHUBB	Chubb & Son, New York, N. Y.	1928
C. MERRILL CHAPIN, JR.	Vice President	1933
ARTHUR M. ANDERSON	Member Board of Directors and Executive Committee, J. P. Morgan & Co. Incorporated	1944
GEORGE I. BRIGDEN	Vice President and Treasurer	1945
H. DeWITT SMITH	Consulting Engineer, New York, N. Y.	1948
FRANCIS CAMERON	Vice President	1953
BERNARD F. DESLOGE	St. Louis, Missouri	1953
ELI WHITNEY DEBEVOISE	Debevoise, Plimpton & McLean, New York, N. Y.	1954
JAMES W. McAFEE	President, Union Electric Company of Missouri, St. Louis, Missouri	1954
DAVID R. CALHOUN	President, St. Louis Union Trust Company	1957

*Resigned February 10, 1958 and replaced by Charles R. Ince, Vice President

Executive Officers

ANDREW FLETCHER	President
C. MERRILL CHAPIN, JR.	Vice President
FRANCIS CAMERON	Vice President
GEORGE I. BRIGDEN	Vice President and Treasurer
FELIX EDGAR WORMSER	Vice President
CHARLES R. INCE	Vice President and Sales Manager
R. J. MECHIN	Vice President
ROBERT H. RAMSEY	Asst. Vice President
JAMES G. COLVIN	Comptroller and Asst. Treasurer
DONOLD K. LOURIE	Secretary
WILLIAM J. ELLIOTT	Asst. Secretary
EDWARD P. MERRELL	Asst. Treasurer

United States Division Managers

MINES	SMELTERS
ELMER A. JONES Southeast Missouri	JOHN G. WEHN Josephtown, Pennsylvania
MARSHALL G. JONES Edwards-Balmat, N. Y.	WILLIAM T. ISBELL Herculaneum, Missouri

Consultant

GEORGE F. WEATON

Cia. Minera Aguilar, S. A.
Argentina

DONALD B. McGILVRA	Vice President

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HIGHLIGHTS

	1957	1956
Sales of metals, etc.	$106,869,864	$119,909,612
Taxes on income	$4,001,842	$5,280,519
Net income (after taxes)	$8,026,273	$10,291,357
Dividends paid	$5,432,486	$8,148,666
Shares of capital stock outstanding	2,716,222	2,716,222
Per share on capital stock:		
Taxes on income	$1.47	$1.94
Net income	$2.95	$3.79
Dividends	$2.00	$3.00
Current assets	$42,707,719	$49,726,746
Current liabilities	$ 9,148,775	$11,383,335
Net current assets	$33,558,944	$38,343,411
Long term debt	$8,500,000	—
Cash	$5,433,389	$6,515,084
Short term marketable securities	$8,740,000	$18,000,000
Capital expenditures	$14,929,873	$3,533,984
Number of employees	5,076	5,213
Number of stockholders	14,267	13,219

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St. Joseph Lead Company

TO THE STOCKHOLDERS:

WORLD MARKETS FOR LEAD AND ZINC

The stability in price which the lead and zinc market had enjoyed for fifteen months, was abruptly terminated in May of 1957, following the cessation of Government bartering of surplus agricultural commodities for strategic materials. Without this support to absorb the large foreign metal surpluses, and facing a declining trend in consumption, the market for both metals immediately reacted to the law of supply and demand.

Lead continues to be imported at needlessly high rates with 517,000 tons entering the U. S. in 1957, compared with 460,000 in 1956. The available domestic supply of 1,341,000 tons in 1957 was therefore over two hundred thousand tons in excess of the 1,122,000 tons consumed. Moreover, in the case of zinc, the surplus was 355,000 tons, because of the record high imports of 792,000 tons. The domestic zinc consumption of 934,000 in 1957 was only slightly less than the 1956 record consumption of 1,018,000 tons.

The St. Joseph Lead Company believes that it is to the benefit of the United States to stem the unparalleled flood of unneeded imports which has brought distress to mining communities and threatens to impair the further development of our latent mineral resources. Although there has been a slight improvement in the London Metal Exchange, lead is still selling at around 9 cents per pound and zinc at 8 cents, in comparison with present U. S. prices of 13 and 10 cents a pound. To maintain a prosperous domestic mining industry, the Administration in its proposed 1957 legislation, suggested that "peril points" of 17 cents for lead and 14.5 cents for zinc were desirable, above which no duty or import tax would be payable. As both metals can be produced more cheaply outside the United States than inside, it is hoped that the Tariff Commission and Congress will at long last take the necessary constructive steps to protect the domestic mining industry from excessive imports.

EARNINGS

The net earnings of St. Joseph Lead Company and Consolidated Subsidiaries for the year 1957 as shown on Page 15 were $8,026,273, which is equivalent to $2.95 per share on the 2,716,222 shares of capital stock outstanding. This compares with $10,291,357 and $3.79 per share on a similar number of shares in 1956. The most important reason for the lower earnings was the decrease in the prices of lead and zinc, although a drop of 16,200 tons in pig lead sales was a contributing factor. Slab zinc sales were approximately 2,800 tons higher than in the previous year. The price of lead which had remained at 16¢ per pound throughout the entire year 1956, dropped to 15½¢ on May 9, 1957, to 15¢ on May 16th, and an additional 2¢ in three subsequent drops, until December 2nd when it reached 13¢, where it remained at year end. Zinc followed more or less the same pattern, the price being 13½¢ per pound during the previous year, dropped to 12¢ on May 6, 1957, and an additional 2¢ in four subsequent decreases until it reached 10¢ on July 1, 1957. The 1957 earnings were materially improved by the increase in dividends received from Cia. Minera Aguilar, S.A. and other foreign affiliates which amounted to $1,782,169 in 1957, as compared with $756,878 in 1956.

Approximately 58% of the gross earnings of the Company came from zinc, and 42% from lead,

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in comparison with 47% for zinc and 53% for lead in 1956.

The earnings per share by quarters were as follows:

	1957	1956
First Quarter	$1.01	$1.08
Second Quarter	1.11	.78
Third Quarter	.52	.85
Fourth Quarter	.31	1.08
Total	$2.95	$3.79

Comparative earnings for each of the last ten years are shown in the table below:

TEN YEAR EARNINGS 1948—1957

Year	Consolidated Net Income	After Income Taxes of
1948	$ 9,636,737	$ 3,776,836
1949	8,564,436	2,889,925
1950	12,211,615	7,976,468
1951	13,577,237	13,819,817
1952	9,638,455	5,667,894
1953	6,300,342	4,344,733
1954	7,523,503	4,628,764
1955	12,729,820	6,478,177
1956	10,291,357	5,280,519
1957	8,026,273	4,001,842

SALES

The total sales in 1957 amounted to $106,869,864, which is 11% lower than the comparable figure of $119,909,612 for 1956. Lead sales from St. Joe's production were lower and amounted to 121,550 tons as compared with 137,772 tons in 1956. Sales of zinc content in slab zinc and zinc oxide were slightly higher than in 1956, and amounted to 135,499 tons as compared with 132,652 tons.

The table on Page 14 shows the tonnage of lead and zinc production, purchases and sales for the ten-year period ended December 31, 1957.

DIVIDENDS

Cash dividends of $2.00 per share were paid during the year consisting of 75¢ per share on March 8th, 50¢ on June 10th, and 37½¢ each on September 10th and December 10th. Cash dividends of $3.00 per share were paid during 1956 in four quarterly payments of 75¢ per share each. The following is a record of the cash dividend payments for the ten-year period through 1957:

DIVIDENDS 1948—1957

Year	*Per Share	Amount
1948	$2.36	$6,420,232
1949	2.36	6,420,232
1950	2.36	6,420,232
1951	2.95	8,023,749
1952	2.88	7,776,373
1953	2.75	7,468,290
1954	2.00	5,432,076
1955	3.00	8,148,666
1956	3.00	8,148,666
1957	2.00	5,432,486

*On the basis of 2,716,222 outstanding shares, which gives effect to 25% December 11, 1950 and 10% stock dividend paid June 10, 1952.

TAXES ON INCOME

The provision for Federal and State taxes on income was $4,001,842 which is equivalent to $1.47 per share, as compared with $5,280,519 or $1.94 per share for the previous year.

The Federal income and excess-profits tax returns of the Company have been audited by the Internal Revenue Service through the year 1954. As the result of their audit, the Company has an unpaid liability of $247,000 for expenses disallowed which is being contested.

In the last Annual Report, stockholders were advised that the Company had filed suit against the U. S. Government to obtain a refund of the taxes paid on percentage depletion disallowed on the sales of lead produced from remilled tailings during the years 1949 to 1953 inclusive. The total amount involved is approximately $712,000, exclusive of interest. The claims have not been set up on the Company's books. The suit is still pending, and the Government has requested suspension of further proceedings in order that it may be determined whether and to what extent an administrative refund should be made in the light of recent Treasury decisions.

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FINANCING FOR 100,000 K.W. JOSEPHTOWN POWER PLANT

In the 1956 Annual Report the stockholders were advised that arrangements had been made with the Pittsburgh Consolidation Coal Company to borrow $8,500,000 on the Company's 3⅞% Notes, at the rate of $2,000,000 per month beginning July 1, 1957. This borrowing was consummated on November 1, 1957. The Notes are to be repaid in twenty semi-annual instalments, the first payment to commence not later than eighteen months after the completion of the power plant, to be known as the George F. Weaton Station. As it is estimated that the power plant will be completed on or about July 1, 1958, the first semi-annual instalment of $425,000 will be due January 1, 1960.

WORKING CAPITAL

As of December 31, 1957 current assets were $42,707,719 and the current liabilities $9,148,775; thus the Company had $4.67 of current assets for each dollar of current liabilities at the close of the current year. The net working capital (cash resources, receivables and inventories, minus current liabilities) was $33,558,944 at December 31, 1957, a decrease of $4,784,467.

A summary of the principal items responsible for the changes during 1957 is as follows:

Sources of Increase:	
Net Income	$ 8,026,273
Long Term Notes Payable	8,500,000
Depletion, Depreciation and Abandonments	2,935,632
Decrease in Deferred Charges, etc.	210,457
Total	$19,672,362
Decreases due to:	
Cash Dividend Paid	$ 5,432,486
Capital Expenditures	14,929,873
Investment in Brunswick Mining & Smelting Corporation Ltd. 5% Income Bonds	2,125,000
Other Investments and Advances	1,969,470
Total	$24,456,829
Net Decrease in Working Capital During 1957	$ 4,784,467

CAPITAL EXPENDITURES

Expenditures for fixed capital additions in 1957 totaled $14,929,873 as compared with $3,533,984 in the previous year. Of this amount $11,803,420 covered expenditures for construction of the new 100,000 K.W. Power Plant at Josephtown, Pennsylvania, and $2,185,953 repre-

COMPARATIVE CAPITAL EXPENDITURES

Year	Lead Belt	Josephtown Zinc Plant	Josephtown Power Plant	Edwards-Balmat	Oil and Gas Leases	Total
1948	$ 469,093	$1,776,183	—	$ 81,590	—	$ 2,326,866
1949	774,658	147,536	—	160,553	—	1,082,747
1950	903,776	177,071	—	929,617	—	2,010,464
1951	2,549,327	564,768	—	685,128	—	3,799,223
1952	3,793,396	1,768,048	—	90,896	—	5,652,340
1953	3,972,871	720,665	—	94,475	$ 92,804	4,880,815
1954	817,306	208,499	—	99,938	—	1,125,743
1955	458,947	1,769,847	—	1,445	6,776	2,237,015
1956	723,865	2,171,031	$ 633,088	6,000	—	3,533,984
1957	467,997	2,185,953	11,803,420	233,000	239,503	14,929,873

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sented the cost of increasing the slab zinc production capacity from 10,000 to 12,000 tons per month at the Josephtown Zinc Smelter.

Construction of the Power Plant is progressing on schedule and it is expected that the first unit will be placed in operation around May 15, 1958, and the second unit a month later. It is estimated that about $7,600,000 will be expended on the Power Plant in 1958 and that capital additions for the other divisions will approximate $500,000, exclusive of expenditures at Viburnum and Pea Ridge which are separately commented upon in this Report.

Capital expenditures since 1948 are shown in the table on Page 7.

DEFERRED PROFIT SHARING PLAN

Under the Deferred Profit Sharing Plan for Salaried Employees, which was established as of January 1, 1956, contributions by the Company are 3% of the consolidated net income, or 10% of the aggregate salaries of the eligible employees, whichever is less. However, no contribution shall be made which would result in the consolidated net income after such contribution being less than $2.00 per share. For the year 1957 the Company's contribution amounted to $240,788 representing 3% of the consolidated net income. This is equal to 4.83% of the aggregate yearly salaries of the 685 employees entitled to participate under the Plan; 652 elected to have their shares invested in the St. Joe Stock Fund which holds only St. Joe stock.

SOUTHEAST MISSOURI

The mines and mills of the Lead Belt were again operated without interruption throughout the year. Ore and chat milled were slightly in excess of the previous year and totaled 7,301,266 tons as compared with 7,195,413 tons in 1956. The lead content on a 90% basis, of the ore and chat milled also showed a slight increase from 100,707 tons to 103,502 tons. Zinc recovered in 1957 was 2,716 tons as compared with 3,152 tons in the previous year. A 6,000 ton curtailment measure, necessitated by continued increase in inventories, was placed in effect March 10, 1958.

Pig lead production at the Herculaneum Smelter was practically the same as in the previous year and amounted to 98,473 tons in comparison with 98,380 tons in 1956. The slab zinc produced at this plant from blast furnace slag was 2,062 tons and 2,856 tons for 1957 and 1956 respectively. Production was reduced from a two-furnace to a one-furnace basis on March 1, 1958. The slag furnace will not be operated until the demand for zinc improves.

EDWARDS-BALMAT, NEW YORK

The mines and mills at this division operated continuously throughout the year. Zinc concentrate production again reached a record high of 117,513 dry tons and lead concentrates totaled 1,951 tons compared with 107,653 tons and 2,791 tons respectively in 1956. As in previous years, all zinc concentrates produced were shipped to the Josephtown Smelter and the lead concentrates to the Herculaneum Smelter. Operations at this division were reduced by approximately 20% on February 3, 1958.

JOSEPHTOWN, PENNSYLVANIA

The Josephtown Smelter again operated on a full-time basis throughout 1957, and zinc content of oxide and metal produced reached an all-time high of 149,492 tons as compared with 134,023 tons for the previous year.

On January 1, 1958 the slab zinc production at this smelter was reduced from the December rate of slightly over 12,000 tons per month to 9,500 tons per month, and on March 1st was further reduced to approximately 8,000 tons per month.

LABOR RELATIONS

Labor relations throughout the year were harmonious and there were no work stoppages.

The total number of employees at the end of 1957 was 5,076 compared with 5,213 at the end of 1956. At December 31, 1957 approximately

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65% of our employees had over 10 years of service and about 17% had been employees for more than 25 years. Compensation to all employees totaled $27,832,266 in 1957 compared with $25,682,126 in 1956. The Company also paid for employee benefits such as retirement annuities, Group Life Insurance and hospitalization.

PROGRESS IN NEW AREAS

Viburnum Project—Drilling on the three lead prospects in the Viburnum area located in Washington, Crawford and Iron Counties, Missouri, which began in the spring of 1957 continues to expand the encouraging picture. A total of 276 diamond holes were drilled in 1957, and of this number 180 were in conjunction with Defense Minerals Exploration Administration. As of December 31, 1957, the Company was contingently liable to this governmental agency for the repayment of advances in the amount of $154,379 in connection with the exploration contracts. These advances represent one-half the cost of certain drilling in the area and are to be repaid without interest, from the income when the properties are placed in production, at the rate of 5% of the gross value of the ore mined. Expenditures in this area totaled $692,739 for the year, of which $439,194 was for land purchase and prospecting, and $253,645 was spent in preparation and equipment for the new No. 27 Shaft. It is estimated that approximately $1,450,000 will be spent on this project during 1958.

Pea Ridge Project—The Meramec Mining Company was incorporated on June 20, 1957 in Missouri to exploit the Pea Ridge iron ore deposit located about forty miles northwest of Bonne Terre, Missouri. This company is owned jointly by Bethlehem Steel and ourselves. St. Joe is to take the major responsibility of operating the mine. Upon request, Bethlehem will loan us on our 4½% Notes, 80% of St. Joe's half of the expenditures necessary to place the property in operation. It is estimated that the cost for an installed capacity of 2 million tons of finished product will approximate 30 million dollars. The construction and mine preparation necessary for such a large-scale enterprise will take about five years.

During 1957, Bethlehem and St. Joe each advanced a total of $661,573 to Meramec Mining Company. Of this amount, $285,594 of shaft sinking and development costs was written off against current St. Joe income, and the balance, $375,979 was set up as an investment in Meramec Mining Company. Under the program for 1958, it is estimated that expenditures for the year will total $1,470,000 ($735,000 each by Bethlehem and St. Joe).

Santander, Peru—In accordance with an agreement with the Santander Mining Company of Delaware, in September, 1956, certain lead-zinc mining claims in Peru were turned over to a new company incorporated in Delaware on January 7, 1957, named Compania Minerales Santander, Inc., in exchange for 40% of its authorized stock. At December 31, 1957 St. Joseph Lead Company had acquired a 60% interest in the new company and had advanced a total of $1,165,000 on the project. Under a supplemental contract with Santander Mining Company, St. Joe agreed to increase its maximum investment from $1,500,000 to $1,700,000 for development and equipping the property and will receive an additional 2½% interest in the company. Construction of the hydro-electric power plant and a 500-ton per day mill will be completed in 1958.

North Africa—Societe Nord Africaine du Plomb (NAP) and Societe Algerienne du Zinc (ALZI) both owned 17.15% by St. Joe, have mining operations near the Algerian-Moroccan border, south of Oujda, Morocco. Due to political disturbances in the area, production was suspended during the period December 11, 1956 to February 14, 1957. Since operations were resumed, no further interruption has been experienced. During the year St. Joe received $249,890 in dividends from NAP and $262,564 from ALZI, making a total from these two companies of $512,454.

The liquidation of Societe de Developpement Minier (SDM) a Moroccan holding company owned 35% by St. Joe and 65% by Newmont Mining Cor-

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poration, was completed in 1957 by the distribution of its holdings of Societe des Mines de Zellidja stock (about 1.34% owned), and the stock of Omnium de Valeurs Agricoles Industrielles et Minieres (about 1.38% owned), a French investment company holding a portfolio of international securities. The December 31, 1957 market value of the securities received by St. Joe is estimated at $437,987; we also received $49,116 in dividends from SDM during 1957. In 1958 the remaining 40 million francs owned by SDM will be distributed, and our share of these francs when converted into U. S. dollars, will be approximately $33,000.

OIL EXPLORATION

During the year five additional producing wells were completed in the Harris Ranch Leases, Crockett County, Texas, owned jointly by Continental Oil Co. and ourselves, thereby bringing the total of producing wells on these leases to 20, with one shut-in gas well. It is estimated that our share of the recoverable reserves as of December 31, 1957, is 2,548,368 bbls. of oil and 16,818 million cubic feet of gas, which compares with 2,193,539 bbls. and 12,214 million cubic feet of gas at December 31, 1956.

The oil royalties received during 1957 totaled $603,704 which compares with $319,933 for the previous year. During the current year expenditures for exploration and drilling were $378,713, and for gas injection and well equipment, etc., $239,503. In 1956, $621,136 was expended for drilling and exploration. No additional drilling is planned for 1958.

CIA. MINERA AGUILAR, S.A.

The earnings for the year were the highest in the company's history and amounted to 66,645,892 pesos (which is equivalent at the free rate of exchange to about 1,800,000 U. S. dollars) after setting aside reserves for replacement of machinery and equipment, etc., of 35,431,700 pesos. These earnings show an increase of 12.9% over the 59,040,989 pesos reported for 1956, after deduction for reserves of 34,830,650 pesos. During 1957, current dividends converted into U. S. dollars amounted to $1,169,819 which compares with $589,171 the year previous. Mine prospecting and development continues encouraging. The mine is in excellent condition as to staff, reserves and future possibilities, but the economic and political outlook for the near future in Argentina continues disturbing.

Sulfacid, S.A.'s successful pilot plant development for an electrolytic zinc smelter was the highlight of 1957. However, final decision as to proceeding with an 18-metric-ton per day commercial plant will be determined after the immediate political situation in Argentina is clarified. Earnings for this company, which has an installed capacity of 40,000 metric tons of sulphuric acid per year, will be higher than in 1956, but no dividends were declared in order that financing of the new plant can be handled with a minimum of borrowing. The fertilizer output was restricted by economic conditions. In 1957, $28,553 was received from the conversion of dividends declared in previous years. St. Joe with Aguilar have a 50% ownership in this company.

Although plagued by power shortages, Austral, S.A. produced over 8,800 metric tons of zinc, and its operating results were very much better than in the previous year, primarily because of the installation of the new Josephtown-type condensers and the continued improvement on the part of the technical staff. Fifty percent of a previously "blocked" dividend was released by the Central Bank and $22,227 was received by St. Joe in December, 1957. St. Joe with Aguilar own 43.3% of this company's outstanding capital stock.

BRUNSWICK MINING AND SMELTING CORPORATION LIMITED

During 1957 St. Joe advanced $2,125,000 to Brunswick Mining and Smelting Corporation Limited on its 5% Income Bonds due in 1968. This brings the total advanced to December 31, 1957 to $5,625,000.

Expenditures by Brunswick during the year were about $2,353,000 and covered the following:

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Mining: The No. 2 production shaft was sunk to a depth of approximately 800 feet at the year end.

Milling: An intensive program of flotation research was pursued throughout the entire year. Pilot Mill Test No. 27 was successfully completed. This test demonstrated that ore from the north end of the No. 12 orebody could be treated in a production flotation concentrator.

Design: A practical flowsheet for the design of a production mill was devised. The General Engineering Company drew up site plans, plant layout comparisons and estimated costs for the construction of a tidewater concentrator and auxiliary buildings. The Canadian National Railway made a survey of the rail routes from projects 6 and 12 to the mill plant site.

Roast-Leach: Research work carried out at Josephtown has developed what appears to be an interesting method for the treatment of raw ore or a low-grade concentrate, by a roast-leach procedure which results in excellent recoveries of copper, zinc, lead and iron. Certain problems relating to solution purification have not as yet been solved for a production unit, nor the economics of the process studied.

At the Brunswick Board meeting held January 14, 1958, a budget of $447,000 was adopted for the year 1958, which involves a continuation of laboratory work plus shaft sinking through March 31, 1958, and the maintenance of the property thereafter on a "watchman" basis.

ANTI-TRUST SUIT

In the last four Annual Reports, the stockholders were advised that the United States had commenced a civil action against St. Joseph Lead Company and American Smelting & Refining Company in the United States District Court for the Southern District of New York, alleging violations of the Sherman Anti-Trust Act in connection with the lead business of each of the defendants. The stockholders were also advised that the Company vigorously denies that it has in any way violated the antitrust laws and that the Company stated this position in an answer filed to the Government's complaint.

On October 11, 1957, American Smelting & Refining Company accepted a Consent Decree in settlement of the case against it. St. Joseph Lead Company, however, has not accepted a decree, and the action is still pending against the Company. At the request of the Government, the case has been marked off the trial calendar of the Court, subject to restoration to the calendar on 30 days' notice by either party. At this time it is impossible to predict when the case will go to trial.

ORGANIZATION CHANGES

Since publication of the Company's 1956 Annual Report, several changes have taken place in the membership of the Board of Trustees and in the officers of the Company:

At the Annual Meeting on May 13, 1957, Mr. Clinton H. Crane who had served the Company as Chairman of the Board of Trustees for ten years, and as President of the Company for thirty-four years, at his request was not re-elected Chairman, but continues as a Trustee. The Board did not elect a Chairman to succeed Mr. Crane.

On November 11, 1957, the Board of Trustees accepted with regret the resignation of John R. Shepley as Trustee. Mr. Shepley, a former Vice President of the St. Louis Union Trust Company, had been a member of our Board since 1950, and is retiring from active business. David R. Calhoun, President of the St. Louis Union Trust Company succeeded Mr. Shepley as Trustee on that date.

On February 10, 1958, the Board of Trustees accepted with regret the resignation of Hendon Chubb of the firm of Chubb & Sons, New York, who had been a member of our Board since 1928. Mr. Charles R. Ince, Vice President and Sales Manager of St. Joseph Lead Company, succeeded Mr. Chubb as a Trustee.

On June 17, 1957, Felix E. Wormser rejoined the Company as a Vice President after having served four years in Washington, D. C. as Assistant Secretary of the Interior for Mineral Resources.

At the Organization Meeting of the Board of Trustees following the Annual Meeting on May 13, 1957, Robert H. Ramsey, formerly Secretary of

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the Company, was appointed Assistant Vice President, and Donold K. Lourie, formerly Assistant Secretary, was appointed Secretary of the Company.

STOCKHOLDERS

The number of stockholders of record since 1948, and a classification of their holdings, are as follows:

A TEN-YEAR RECORD OF STOCKHOLDER CLASSIFICATION

Year	Total	19 or less	20-99	100-199	200-Over
1948	7,823	1,834	3,135	1,611	1,243
1949	7,993	1,847	3,123	1,747	1,276
1950	8,435	1,794	3,443	1,943	1,255
1951	9,023	1,907	3,705	2,076	1,335
1952	10,182	2,146	4,235	2,346	1,455
1953	10,657	2,257	4,424	2,485	1,491
1954	10,497	2,165	4,305	2,511	1,516
1955	11,263	2,105	4,830	2,740	1,588
1956	13,219	2,718	5,727	3,243	1,531
1957	14,267	3,082	6,210	3,359	1,616

PRESIDENT'S REPORT TO EMPLOYEES

It is believed that the stockholders will be interested in the 1957 President's Report to Employees which is enclosed under the flap of the rear cover of this report.

MINE LA MOTTE CORPORATION

The net loss for 1957 for Mine La Motte Corporation (50% owned) was $292,520 after charges for shaft sinking and development expenditures of $254,112.

The sinking of a shaft in the new orebody is about completed and it is expected that mining operations will start during the first six months of 1958.

CONCLUSION

In concluding this report, I wish to take this opportunity to express the Management's appreciation to both our stockholders and our employees for their loyal support.

New York, March 11, 1958

Andrew Fletcher
President

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UNITED STATES LEAD AND ZINC STATISTICS

Lead

	1957 (Est.)	1956 (Final)
Available Supply:		
U. S. Mine Production	334,000	353,000
From scrap	490,000	507,000
Imports of concentrates and bullion (Lead content)	192,000	197,000
Metal imports (net)	325,000	263,000
Total Lead Metal Available	1,341,000	1,320,000
Consumption:		
Batteries	361,000	371,000
Ethyl gasoline	170,000	192,000
Cables	114,000	134,000
Construction	117,000	125,000
Pigments	116,000	120,000
Other uses	244,000	268,000
Total Consumption	1,122,000	1,210,000
Surplus	219,000	110,000

Zinc

	1957 (Est.)	1956 (Final)
Available Supply:		
Recoverable U. S. Mine Production	313,000	331,000
Add—used to make pigments	112,000	116,000
Recoverable domestic zinc available to Metal Smelters	425,000	447,000
Scrap zinc	72,000	72,000
Imports of concentrates (Recoverable zinc content)	527,000	525,000
Imports of slab zinc	265,000	245,000
Total Zinc Metal Available	1,289,000	1,289,000
Consumption:		
Galvanizing	356,000	439,000
Zinc Base Alloys	370,000	360,000
Brass	110,000	124,000
Rolled Zinc	41,000	47,000
Oxides	21,000	19,000
Other	25,000	20,000
Total Consumption	923,000	1,009,000
Exports	11,000	9,000
Total zinc metal consumed and exported	934,000	1,018,000
Surplus	355,000	271,000

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Lead

Year	Lead Concentrates Produced from Company's Mines	Lead Concentrates Purchased	Pig Lead Equivalent of Produced and Purchased Concentrates	Pig Lead Production	Lead Sales St. Joe Smelter Production	Purchased Lead Sales
1948	126,589	25,453	98,566	93,838	92,536	32,963
1949	156,301	49,580	136,219	131,802	121,333	32,596
1950	169,354	38,951	137,058	141,595	153,933	58,217
1951	158,579	27,792	121,431	112,754	115,873	32,032
1952	157,037	39,726	128,141	128,691	125,718	34,907
1953	160,625	38,294	129,281	130,430	122,062	45,130
1954	164,171	39,373	133,932	129,766	123,273	59,806
1955	162,552	43,100	136,668	138,796	155,755	56,345
1956	158,861	44,353	136,921	137,429	137,772	61,522
1957	163,079	46,309	140,617	137,940	121,550	62,392

Zinc

Year	Zinc Concentrates Produced from Company's Mines	Zinc Concentrates Purchased	Slab Zinc Equivalent of Produced and Purchased Concentrates	Slab Zinc Equivalent of Smelter Production	Zinc Content of Oxide and Metal Sales from Smelter Production	Purchased Zinc Sales	Sulphuric Acid Sales
1948	66,697	78,170	71,781	76,051	75,977	40,755	129,068
1949	70,952	81,946	79,769	86,314	71,116	41,702	124,621
1950	75,290	72,444	75,238	98,443	94,028	59,198	157,036
1951	82,217	47,659	71,077	99,602	89,047	54,540	156,861
1952	69,173	103,769	98,680	108,959	89,414	45,528	162,712
1953	104,744	112,991	126,968	121,592	103,009	49,513	174,715
1954	109,547	61,640	105,610	111,021	117,611	49,931	147,076
1955	109,303	111,868	134,012	138,201	136,723	65,822	183,609
1956	114,138	126,164	146,897	136,879	132,652	48,672	190,004
1957	123,417	105,604	144,011	151,554	135,499	56,613	204,255

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ST. JOSEPH LEAD COMPANY
AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME
For the Years Ended December 31, 1957 and 1956

	1957	1956
Net Sales of Metals, Metal Products, Etc.	$106,869,864	$119,909,612
Cost of Sales, Etc.—Exclusive of items deducted below	91,664,115	100,284,356
	$ 15,205,749	$ 19,625,256
Other Income:		
Dividends:		
Compania Minera Aguilar, S. A.	1,169,819	589,171
Other — domestic and foreign	873,060	476,662
Income from oil royalties	603,704	319,933
Other income less charges	639,177	284,534
Total	$ 18,491,509	$ 21,295,556
Deduct:		
Selling, general and administrative expenses	$ 2,119,410	$ 1,937,453
Exploration:		
New mine examination and development expenses	561,676	166,740
Oil exploration and drilling expenses	378,713	621,136
Past service annuities (Note 5)	349,130	349,130
Depreciation (including abandonments in 1957)	2,701,217	2,394,049
Depletion	234,415	255,172
Interest on long-term debt	118,833	—
Total deductions	$ 6,463,394	$ 5,723,680
Net Income Before Taxes on Income	$ 12,028,115	$ 15,571,876
Provision for Taxes on Income:		
Federal income taxes	$ 3,884,706	$ 5,194,085
State income taxes	117,136	86,434
Total taxes on income	4,001,842	5,280,519
Net Income for the Year	$ 8,026,273	$ 10,291,357
Earned Per Share on the 2,716,222 Shares Outstanding	$2.95	$3.79

STATEMENT OF CONSOLIDATED EARNED SURPLUS
For the Years Ended December 31, 1957 and 1956

	1957	1956
Earned Surplus at Beginning of the Year	$ 26,334,179	$ 24,191,488
Net Income for the Year	8,026,273	10,291,357
	$ 34,360,452	$ 34,482,845
Cash Dividends Paid During the Year (1957, $2 per share; **1956,** $3 per share)	5,432,486	8,148,666
Earned Surplus at End of the Year	$ 28,927,966	$ 26,334,179

The accompanying notes to financial statements are an integral part of the above statements.

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ST. JOSEPH LEAD COMPANY

AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS, DECEMBER 31, 1957 AND 1956

ASSETS

	December 31, 1957		December 31, 1956	
Current Assets:				
Cash	$ 5,433,389		$ 6,515,084	
U. S. Government, State, and Municipal short-term securities	8,740,000		18,000,000	
Accounts receivable—trade	7,364,867		10,049,388	
U. S. Government—claims for income tax refunds	480,201		380,765	
Other accounts receivable (including advances to affiliates)	657,717		671,325	
Inventories (valuation not in excess of market)—(Note 1):				
Finished lead, zinc, etc.	8,480,703		2,425,706	
Lead, zinc, etc., in process and concentrates	4,999,026		5,092,910	
Materials and supplies	6,551,816	$42,707,719	6,591,568	$49,726,746
Investments:				
Compania Minera Aguilar, S. A. (at nominal valuation —99.9% owned, not consolidated)—(Note 2)	$ 1		$ 1	
Mine La Motte Corporation (at nominal valuation—50% owned)—(Note 3)	1		1	
The New Jersey Zinc Company (at cost, less non-taxable dividends, 100,000 shares—5.1% owned)	5,724,028		5,724,028	
Brunswick Mining and Smelting Corporation Limited (at cost)—(Note 6):				
1,600,000 shares—40% owned	2,339,758		2,339,758	
5% income bonds, due July 1, 1968	5,625,000		3,500,000	
Compania Minerales Santander Inc.—Investments and advances (at cost—60% owned)	1,165,000		—	
Meramec Mining Company—Investments and advances (at cost—50% owned)	375,979		—	
Sundry securities, loans, etc. (at cost, less reserve, $200,000)	848,800	16,078,567	420,309	11,984,097
Capital Assets (Note 4):				
Mining properties and mineral rights:				
Appraised value as of March 1, 1913 and appreciation from subsequent revaluation	$17,000,000		$17,000,000	
Less allowance for depletion	17,000,000	—	17,000,000	—
Additions subsequent to March 1, 1913 (at cost)	$22,326,393		$22,067,818	
Less allowance for depletion	19,986,953	2,339,440	19,752,538	2,315,280
Land, buildings, plant and equipment (at cost)	$52,075,683		$49,949,607	
Less allowance for depreciation	35,151,075	16,924,608	33,229,179	16,720,428
Power plant—under construction		12,436,509		633,088
Total capital assets, net		$31,700,557		$19,668,796
Miscellaneous Assets:				
U. S. Government, State, and Municipal securities on deposit with State departments (at amortized cost)	$ 836,184		$ 836,589	
Cash and marketable securities (at amortized cost)—Fire insurance fund (see contra)	229,054	1,065,238	234,439	1,071,028
Deferred Charges:				
Oil and natural gas expenditures in suspense	$ 195,745		$ 120,636	
Deferred past service annuities (Note 5)	1,488,477		1,837,607	
Deferred exploration expenses	778,170		598,578	
Other deferred charges	313,222	2,775,614	312,740	2,869,561
Total		$94,327,695		$85,320,228

The accompanying notes to financial statements are an integral part of the above balance sheets.

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ST. JOSEPH LEAD COMPANY

AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS, DECEMBER 31, 1957 AND 1956

LIABILITIES

	December 31, 1957		December 31, 1956	
Current Liabilities:				
Accounts payable	$ 5,790,821		$ 6,351,793	
Wages payable	544,426		467,411	
Interest accrued on long-term debt	118,833		—	
Accrued taxes:				
Federal income (Note 7)	2,451,115		4,248,591	
Other	243,580	$ 9,148,775	315,540	$11,383,335
Long Term Notes:				
3⅞% notes due in semi-annual installments of $425,000 each, commencing January 1, 1960		8,500,000		—
Deferred Federal Income Taxes—related to accelerated amortization of emergency facilities		1,222,247		1,046,032
Reserves:				
Injury claims and workmen's liability insurance	$ 581,730		$ 603,951	
Employees' life insurance and retirement	399,207		399,576	
Fire insurance (see contra)	229,054	1,209,991	234,439	1,237,966
Stockholders' Equity:				
Capital Stock, par value $10 per share:				
Authorized 5,000,000 shares				
Outstanding—2,716,222.5 shares (after deducting 21,414.35 shares in treasury)		27,162,225		27,162,225
Surplus:				
Earned	$28,927,966		$26,334,179	
Capital	18,156,491	47,084,457	18,156,491	44,490,670
Total Stockholders' Equity		$74,246,682		$71,652,895
Total		$94,327,695		$85,320,228

The accompanying notes to financial statements are an integral part of the above balance sheets.

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NOTES TO FINANCIAL STATEMENTS

1. Inventories of lead, zinc, etc. (finished, in process, and concentrates) are valued at cost determined substantially on last-in, first-out (LIFO) method, exclusive of depreciation and depletion. Materials and supplies are valued at average cost.

2. The remittances of dividends of corporations in Argentina made available to stockholders prior to June 30, 1955 are subject to certain restrictions. It is the practice of the Company to record dividends received or receivable from Compania Minera Aguilar, S. A. and associated companies as they are converted into U. S. dollars. Accordingly, the financial statements of St. Joseph Lead Company and consolidated subsidiaries do not include such dividends not so converted as follows:

	Argentine paper pesos	
	December 31	
	1957	1956
In bank in Argentina	3,191,126	5,423,857
Invested:		
Compania Metalurgica Austral-Argentina, S. A. Comercial—Capital stock (40.5% owned)	9,720,000	9,720,000
Sulfacid, S. A. Industrial—Capital stock (27.1% owned)	8,240,000	8,240,000
Due from Compania Minera Aguilar, S. A. — Dividends declared not paid, less Argentine income tax withheld—1957, 4,273,898 pesos; 1956, 4,514,160 pesos	43,641,946	47,357,857
Total	64,793,072	70,741,714

St. Joseph Lead Company together with Compania Minera Aguilar, S. A. own 43.3% of Compania Metalurgica Austral-Argentina, S. A. Comercial and 50% of Sulfacid, S. A. Industrial.

Financial statements of Compania Minera Aguilar, S. A. are included herein on pages 20-22.

3. The Company's equity in the net assets of Mine La Motte Corporation, as shown by audited financial statements, was $443,468 and $589,728 at December 31, 1957 and 1956, respectively. Its share of the net loss for the year 1957 was $146,260 as compared with its share of the net income for the previous year of $77,847.

4. The net value of the capital assets as shown in the consolidated balance sheets does not indicate the present value of the companies' property, plant and equipment, as such value 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.

5. The Company and its domestic subsidiaries have a Retirement Plan for Salaried Employees and a Pension Plan for Payroll Employees, covered either by a contract with an insurance company or by funds deposited with a Trustee, no part of which is reflected in the accompanying consolidated balance sheets. Both plans are non-contributory and all past service costs have been funded. The deferred past service cost is being amortized over a 10-year period. Current annual costs of both the Retirement Plan and the Pension Plan aggregated approximately $800,000 and $593,000 in 1957 and 1956, respectively.

6. Leadridge Mining Company Limited, a wholly-owned subsidiary, is committed to loan Brunswick Mining and Smelting Corporation Limited, a 40% owned company, up to $7,500,000 (Canadian funds) as needed for development and equipment. St. Joseph Lead Company has agreed to make $7,500,000 (U. S. funds) available to Leadridge for this purpose. The loan may be subordinated to other indebtedness of Brunswick not to exceed $17,500,000 (Canadian funds) on terms and conditions satisfactory to Leadridge. At December 31, 1957 Leadridge held $5,625,000 of Brunswick's 5% income bonds purchased under the commitment.

7. Reference is made to the text of this report relative to the companies' taxes on income, financing—power plant, capital expenditures, deferred profit sharing plan, Viburnum project, Pea Ridge project (Meramec Mining Company) and anti-trust suit.

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HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

To the Stockholders of St. Joseph Lead Company:

We have examined the consolidated balance sheet of St. Joseph Lead Company and its consolidated subsidiaries as of December 31, 1957 and the related statements of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statements of consolidated income and earned surplus, with the notes to financial statements, present fairly the financial position of St. Joseph Lead Company and its consolidated subsidiaries at December 31, 1957 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

February 21, 1958.

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COMPANIA MINERA AGUILAR, S. A.

BALANCE SHEETS, DECEMBER 31, 1957 AND 1956

ASSETS

	December 31, 1957 Argentine paper pesos (Note 1)		December 31, 1956 Argentine paper pesos (Note 1)	
Current Assets:				
Cash	56,442,277		40,112,969	
Marketable securities:				
Argentine Government (at cost)	67,660,694		68,346,915	
Other (at cost, less reserve — 1957, 19,493,471; 1956, 3,213,871)	95,879,601		101,426,619	
Accounts receivable—trade (less reserve—1957 and 1956, 4,111,400)	29,995,086		23,153,263	
Due from partly-owned company—trade	9,123,078		12,123,470	
Other accounts receivable, etc.	17,838,102		5,333,351	
Inventories:				
Lead and zinc concentrates (at average cost, or less, exclusive of depreciation and depletion—valuation not in excess of market)	71,876,642		52,648,580	
Materials and supplies (at average cost or less)	72,258,074	421,073,554	49,843,083	352,988,250
Investments (Note 2):				
Sulfacid, S. A. Industrial (at cost—22.9% owned)	7,825,000		7,824,375	
Compania Metalurgica Austral-Argentina, S. A. Comercial (at cost—2.8% owned)	673,000	8,498,000	673,000	8,497,375
Capital Assets (Notes 3 and 4):				
Mining properties and mineral rights:				
Cost, including exploration and development prior to the commencement of operations	4,396,077		4,396,077	
Less allowance for depletion	3,502,941	893,136	3,502,941	893,136
Appreciation arising from valuation in 1935	49,446,736		49,446,736	
Less allowance for depletion	39,700,779	9,745,957	39,700,779	9,745,957
Total mining properties and mineral rights, net		10,639,093		10,639,093
Land, buildings, plant and equipment (at cost)	82,807,017		67,859,003	
Less allowance for depreciation	28,736,073	54,070,944	22,816,590	45,042,413
Total capital assets, net		64,710,037		55,681,506
Deferred Charges		2,033,988		1,633,846
Total		496,315,579		418,800,977

Notes:

(1) At December 31, 1957 and 1956, the quoted free rate of exchange for a peso was approximately 2.7 cents.

(2) The Company together with St. Joseph Lead Company own 50% of Sulfacid, S. A. Industrial and 43.3% of Compania Metalurgica Austral-Argentina, S. A. Comercial.

(3) The net value of the capital assets as shown in the above balance sheets does not indicate the present value of the Company's property, plant and equipment, as such value 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.

(4) Ore reserves have been estimated by the directors to exceed appreciably those indicated by former surveys. Had depletion been provided for units sold in each of the years 1957 and 1956 based on the average book values of ore reserves and the quantities of ores on hand and remaining in the properties as so estimated the amounts would have been approximately Argentine paper pesos 390,000 for each year and net income for both years would have been correspondingly less. However, no depletion has been provided since 1950, as the amounts thereof were not considered to

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BALANCE SHEETS, DECEMBER 31, 1957 AND 1956

LIABILITIES

	December 31, 1957 Argentine paper pesos (Note 1)		December 31, 1956 Argentine paper pesos (Note 1)	
Current Liabilities:				
Accounts payable — trade	8,011,489		8,213,242	
Due to St. Joseph Lead Company (including dividends payable—1957, 43,641,946; 1956, 47,357,857	44,569,876		49,523,719	
Due to partly-owned company	7,759,326		3,580,930	
Wages payable	2,556,479		2,074,023	
Accrued Argentine income and other taxes	50,217,263		36,852,227	
Other accounts payable	2,696,884	115,811,317	1,744,275	101,988,416
Deferred Credits—Unearned interest, etc.		1,093		23,324
Reserves:				
Replacement of capital assets (Note 4)	150,542,650		115,110,950	
Employees' compensation under Argentine social laws	15,523,421		14,375,332	
Accidents	10,583,939		8,239,189	
Other	16,730,500	193,380,510	14,876,999	152,602,470
Stockholders' Equity:				
Capital Stock—Nominal value of 80 Argentine paper pesos each:				
Issued (1957: 1,375,000; 1956: 1,000,000)	110,000,000		80,000,000	
Less in Treasury (1957: 96,250; 1956: 70,000)	7,700,000		5,600,000	
Outstanding (1957: 1,278,750; 1956: 930,000)		102,300,000		74,400,000
Surplus:				
Capital surplus arising from 1935 valuation of ore reserves (remainder after transfer of pesos 48,000,000 to stated value of capital stock)		1,446,736		1,446,736
Earned surplus:				
Appropriated:				
For acquisition of capital stock held in treasury	7,700,000		5,600,000	
Statutory reserve	5,093,535		3,906,215	
Unappropriated (after charging deficits aggregating pesos 6,395,000 against capital surplus arising from reduction in stated value of capital stock—Note 5)	70,582,388	83,375,923	78,833,816	88,340,031
Total Stockholders' Equity		187,122,659		164,186,767
Total		496,315,579		418,800,977

Capital stock shares:

	1957	1956
Authorized	2,500,000	2,500,000
Issued	1,375,000	1,000,000
Less in Treasury	96,250	70,000
Outstanding	1,278,750	930,000

Notes Continued:

be material. A special appropriation of 35,431,700 Argentine paper pesos for replacement of capital assets has been made out of income for the year 1957. Similar special appropriations were made out of income in the preceding six years aggregating 115,110,950 Argentine paper pesos.

(5) The net profit since beginning of operations, pesos 312,782,423 (earned surplus at December 31, 1957 pesos 83,375,923 plus dividends declared pesos 235,801,500 and less aggregate deficits transferred to capital surplus pesos 6,395,000) represents aggregate net profit pesos 503,025,852 (after deducting depletion computed on cost) against which has been charged depletion computed on appreciation aggregating pesos 39,700,779, and special appropriations for replacement of capital assets aggregating pesos 150,542,650.

(6) In accordance with standard practice in Argentina, stock dividends received have been credited to income at par. Amounts so credited during the years ended December 31, 1957 and 1956 totaled approximately pesos 5,500,000 and 6,400,000, respectively.

(7) Under a contract for the purchase of a mine hoist, the Company is contingently liable to make payments aggregating approximately U.S. $209,500 which, at the free rate of exchange prevailing at December 31, 1957, was equivalent to approximately 7,750,000 Argentine paper pesos.

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COMPANIA MINERA AGUILAR, S. A.

STATEMENT OF INCOME

For the Years Ended December 31, 1957 and 1956

	1957 Argentine paper pesos (Note 1)	1956 Argentine paper pesos (Note 1)
Net Sales of Lead and Zinc Concentrates, Etc.	269,751,194	227,667,142
Cost Thereof—exclusive of items deducted below	82,128,886	74,125,093
	187,622,308	153,542,049
Other Income:		
Dividends (including dividends from partly-owned companies—1957, 939,000; 1956, 1,154,062)—(Note 3)	7,681,862	7,994,084
Interest (including interest from partly-owned companies—1957, 230,821; 1956, 108,055)	1,977,032	1,966,956
Other, less charges	1,669,358	125,820
Total	198,950,560	163,628,909
Deduct:		
Selling, general and administrative expenses	6,656,413	4,778,207
Taxes, other than taxes on income	1,846,585	11,623,169
Adjustment of book value of marketable securities to lower of cost or market	16,279,600	—
Depreciation (Note 2)	6,027,709	4,853,290
Total Deductions	30,810,307	21,254,666
Net Income Before Taxes on Income	168,140,253	142,374,243
Provision for Argentine Income and Extraordinary Profits Taxes	66,062,661	48,502,604
Net Income for the Year before Special Appropriation for Replacement of Capital Assets	102,077,592	93,871,639
Special Appropriation for Replacement of Capital Assets (Note 2)	35,431,700	34,830,650
Net Income for the Year (after special appropriation)	66,645,892	59,040,989

STATEMENT OF UNAPPROPRIATED EARNED SURPLUS

For the Years Ended December 31, 1957 and 1956

	1957 Argentine paper pesos (Note 1)	1956 Argentine paper pesos (Note 1)
Surplus at Beginning of the Year	78,833,816	79,335,037
Add—Net Income for the Year (after special appropriation)	66,645,892	59,040,989
Total	145,479,708	138,376,026
Deduct:		
Dividends declared or paid during the year:		
Cash	43,710,000	18,600,000
Capital stock	27,900,000	37,200,000
Appropriations:		
For acquisition of capital stock held in treasury	2,100,000	2,800,000
Statutory reserve	1,187,320	942,210
Total Deductions	74,897,320	59,542,210
Surplus at End of the Year (after charging deficits aggregating pesos 6,395,000 against capital surplus)	70,582,388	78,833,816

Notes:

(1) Reference is made to Note 1 to the accompanying balance sheets.
(2) Reference is made to Note 4 to the accompanying balance sheets.
(3) Reference is made to Note 6 to the accompanying balance sheets.

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HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

St. Joseph Lead Company:

We have examined the balance sheet of Compania Minera Aguilar, S. A. (incorporated and doing business in Argentina) as of December 31, 1957 and the related statements of income and unappropriated earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

By reason of progressive currency inflation, a special appropriation of 35,431,700 Argentine paper pesos for replacement of capital assets has been made out of income for the year. Similar special appropriations were made out of income in the preceding six years, aggregating 115,110,950 Argentine paper pesos. In our opinion, accepted accounting principles require that such appropriations be set aside out of retained earnings.

In our opinion, except as described in the preceding paragraph the accompanying balance sheet and statements of income and unappropriated earned surplus, with the footnotes thereon, present fairly the financial position of Compania Minera Aguilar, S. A. at December 31, 1957 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

February 11, 1958.

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PROXIES FOR ANNUAL MEETING

This Report is sent to Stockholders of the Company in advance of the solicitation by the Board of Trustees of proxies for the Annual Meeting of Stockholders to be held on May 12, 1958 at 11 A.M.

Proxies will be solicited commencing on April 11, 1958.

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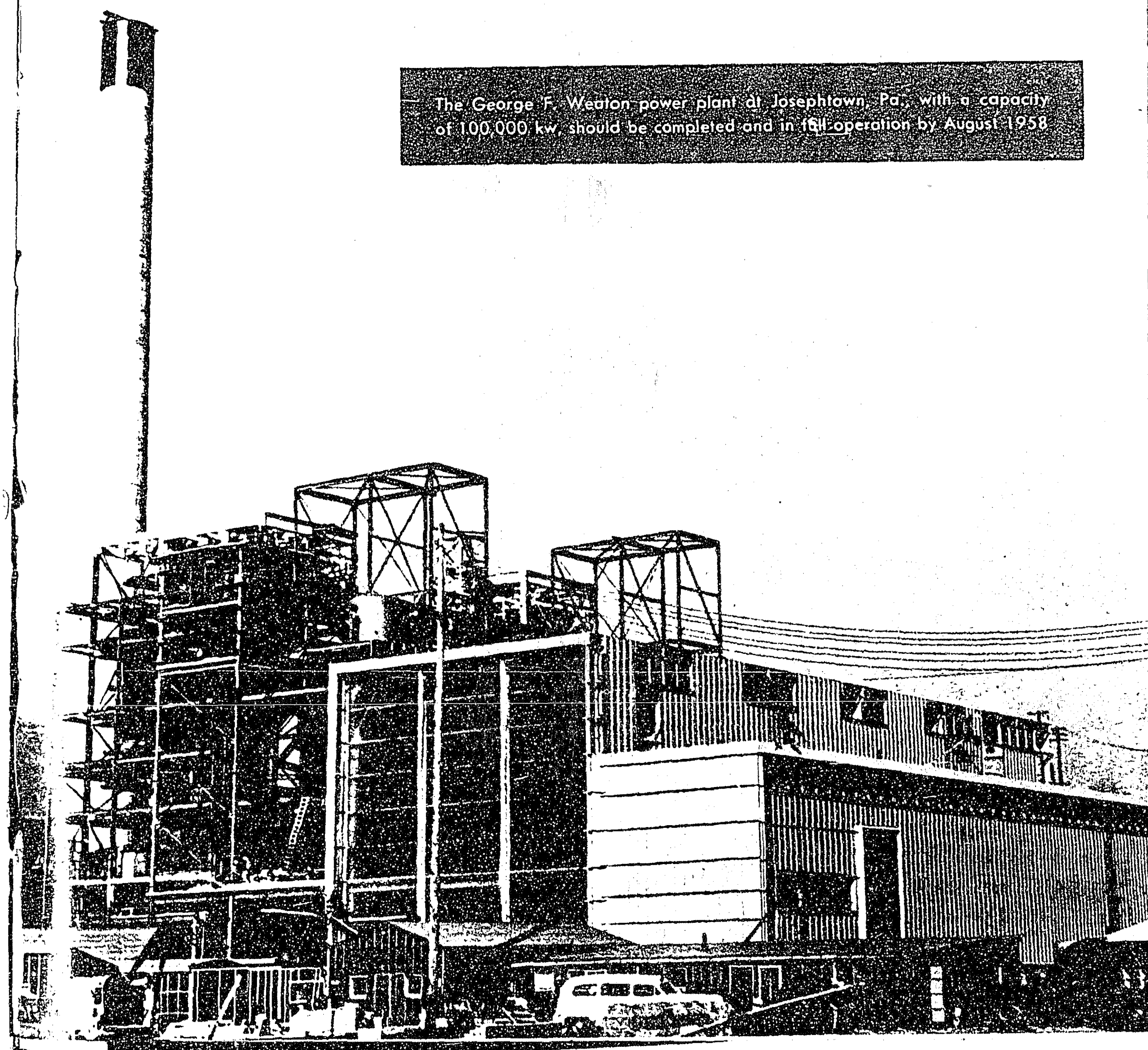
1957 Out of Plans into Action PRESIDENT'S REPORT

TO EMPLOYEES OF THE ST. JOSEPH LEAD COMPANY

The George F. Weaton power plant at Josephtown, Pa., with a capacity of 100,000 kw, should be completed and in full operation by August 1958



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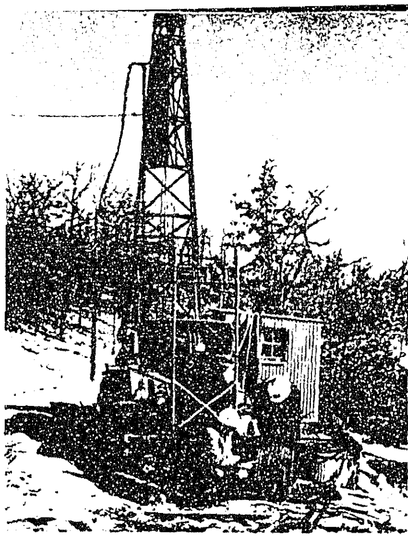
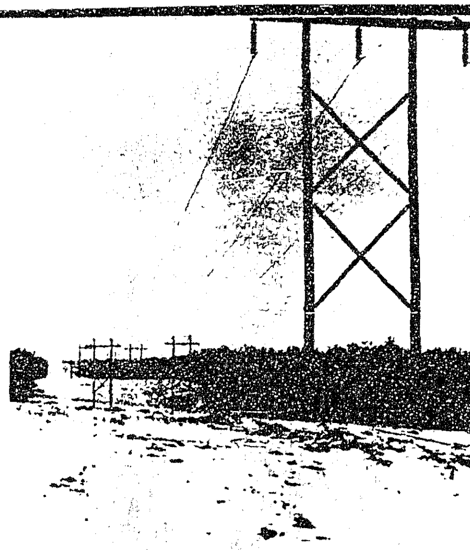
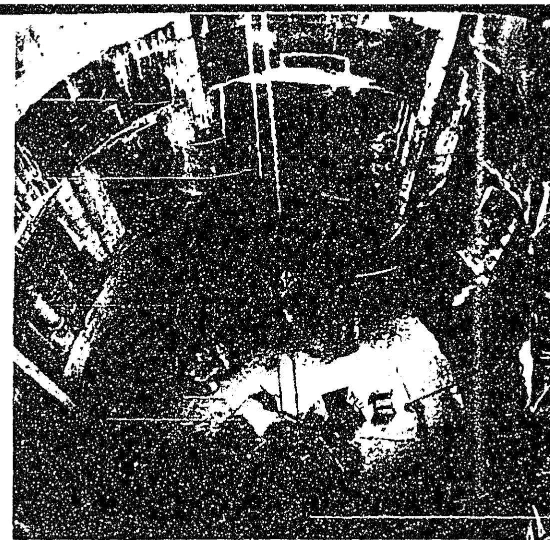


CORE DRILL seeks Pea Ridge iron ore . . .



NEW POWER LINE feeds Pea Ridge area . . .



WORK CAGE, sinking first Pea Ridge shaft . . .

Condensed Report of

1957 Operations . . .

DECLINING METAL PRICES in 1957 cut seriously into the incomes of all metal producers. St. Joe's earnings suffered accordingly, although the decline in our income was less drastic than that experienced by most domestic producers. From mid-1957 on, our earnings trended downward steeply, and about 72% of our net profit for 1957 was produced in the first half of the year. St. Joe did not at once show the full effect of the plunge in metal prices that began in May, 1957, only because substantial tonnages of our lead and zinc had already been sold at prices previously in effect. In addition, we received during the first half of 1957 over $1,500,000 in dividends, principally from our operations in Argentina and North Africa.

Lead and zinc prices held at 16c per lb. and 13½c per lb. respectively until early in May, 1957. Prices then declined sharply, and throughout the second half of the year, they held to about their present levels of 13c for lead and 10c for zinc, even though the world prices have been lower than 9c for lead and 8c for zinc. Until last May, the United States Government had supported metal prices by taking surplus metal off world markets. Prices promptly dropped when this support was withdrawn.

Actually, consumption of lead and zinc, both in the United States and throughout the world, was at a high level throughout 1957. The trouble is caused by over-production of metal and by the efforts of foreign producers to sell their surplus production to the United States. In 1957, there were thrown on U.S. markets 169,000 tons of lead and 257,000 tons of zinc in excess of the quantities needed by U.S. industry despite the continuing high level of consumption. All of this excess lead and zinc is represented by imports.

There is no possibility of meeting this kind of competition from abroad except through Government regulation. We have repeatedly advocated in recent years the establishment of an import tax that would become effective only when U.S. prices of lead and zinc dropped below reasonable "peril points." Legislation to establish this type of protection was offered by the Administration early in 1957, but Congress failed to approve it. Thereafter, the industry sought relief through the Tariff Commission and is now awaiting the Commission's decision as to recommending that tariffs on lead and zinc be increased.

We know that in the long run consumption of lead and zinc is bound to increase, nevertheless, we will not find 1958 as easy sledding as was 1957. Our problems will increase from now on rather than decrease, and in the remainder of this Report, I shall outline what we must do to solve them.

If you wish full financial information in addition to the summary

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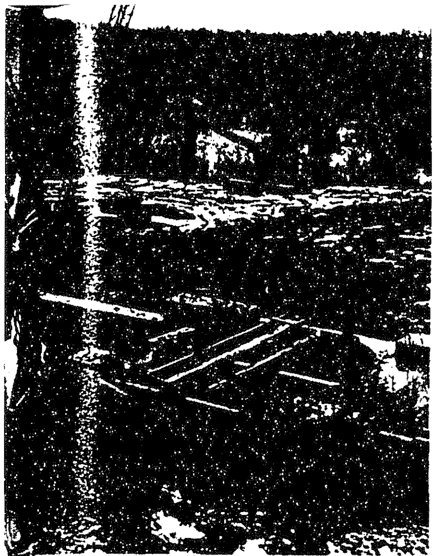
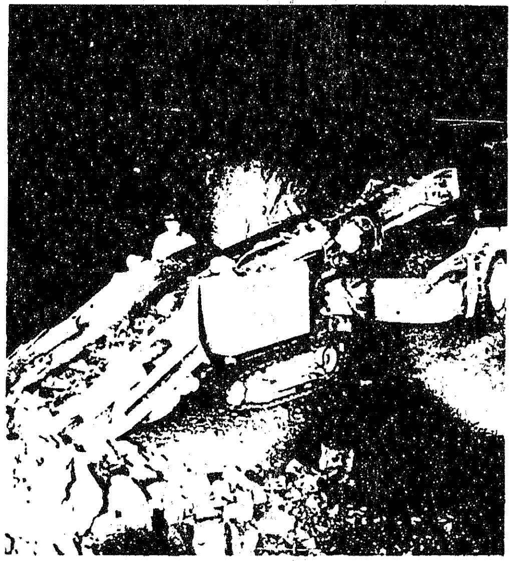


FIRST SHAFT, new Viburnum lead area . . .



FAST LOADING and haulage in Lead Belt . . .

SCRAPER and diesel truck, Indian Creek

	1957	1956
We Sold:		
Pig lead, tons	183,942	199,294
Slab zinc equivalent, tons	192,112	181,324
Sulphuric acid, tons	204,255	190,004
We Received:		
From sales	$106,869,864	$119,909,612
From our investments	$2,623,910	$1,308,751
From other sources	$661,850	$361,549
Our gross income totaled	$110,155,624	$121,579,912
We Kept in Reserve:		
To replace worn-out plants and equipment	$2,701,217	$2,394,049
To replace depleted ore reserves	$234,415	$255,172
We Paid:		
In wages, salaries, supplies, and other production costs	$91,664,115	$100,284,356
In sales, administrative, exploration, and pension fund costs	$3,527,762	$3,074,459
In taxes, Federal and State	$4,001,842	$5,280,519
We Had Left:		
A net income amounting to	$8,026,273	$10,291,357
Of which, we paid as dividends to our stockholders	$5,432,486	$8,148,666
And kept for use in the business	$2,593,787	$2,142,691
Our net earnings, per share of stock, amounted to	$2.95	$3.79
Our dividend payments, per share of stock, amounted to	$2.00	$3.00
Our Current Assets (at year's end)	$42,707,719	$49,726,746
Our Current Liabilities (at year's end)	$9,148,775	$11,383,335
Number of Our Employees	5,076	5,213
Number of Our Stockholders	14,267	13,219
Shares of Our Stock Outstanding	2,716,222	2,716,222

ou :re encouraged to ask your supervisor for a copy of St. Joe's Annual Report

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With Metal Prices Depressed . . .

. . . and likely to remain so for some time, we in St. Joe face the absolute necessity of increasing the efficiency of our production and cutting our costs. In this section of the Report, I would like to outline why this is so and suggest what we can do, and are doing, to keep our operations profitable.

Some industries, principally manufacturing, can easily adjust their sales or their prices to meet shifting market conditions. By doing a better selling job or by reducing prices, or both, they can maintain their rate of income, or even increase it, in bad times. Much as we would like to do the same, it is beyond our power to adopt the same methods. If consumers of metals decide to stop buying and to use up the stocks of metal they already have, it is almost impossible to make them change their minds. By the same token, a reduction in price does not always guarantee increased sales. Why then do we not simply keep our prices at a high level and ride out the storm?

With lead and zinc freely available from abroad at prices that can always be placed substantially below the domestic level, it would be useless for us to attempt to hold a price much higher than that of the imported metal. We are all aware, domestic and foreign producers alike, that we are now selling lead and zinc much more cheaply than its production costs warrant, but until production is again in balance with supply, there is no possibility of raising our selling prices.

In last year's Report, we expressed the earnest hope that the Federal Government would have a ready solution for the problem it would create when it suspended its metal purchasing programs. This solution was presented in 1957 in the form of the Administration's long-range mineral policy, but Congress failed to enact the necessary legislation.

It appears then that the lead and zinc industries face a continuance of low prices and excess supplies until unprofitable operation abroad, or tariff protection, diminishes the flood of imports. We cannot count entirely on Government help, even though our problem is largely of the Government's making. What then should be our course? Should we adopt the suggestions of some of our critics and simply abandon domestic mining and leave the domestic consumers entirely at the mercy of foreign suppliers? I feel sure that one need not have worked with St. Joe for very long in order to realize that that course is farthest from our thoughts. Our efforts to solve this problem for St. Joe, and for the industry, will take the following three directions:

1. We will work actively for a more equitable tariff protection that will encourage needed imports, but will prevent the damage of unneeded imports under which we are now suffering.

2. We will work actively and with determination to find still more effective ways of reducing costs and increasing productive efficiency throughout our mines, mills, and smelters.

3. We will proceed vigorously with the new projects we now have in hand, such as the Meramec iron project and the Viburnum lead project in Missouri, and will keep alert to every other opportunity that promises to maintain or increase our earnings and to preserve the continuity of St. Joe as a living, growing entity, profitable for its employees and its shareholders alike.

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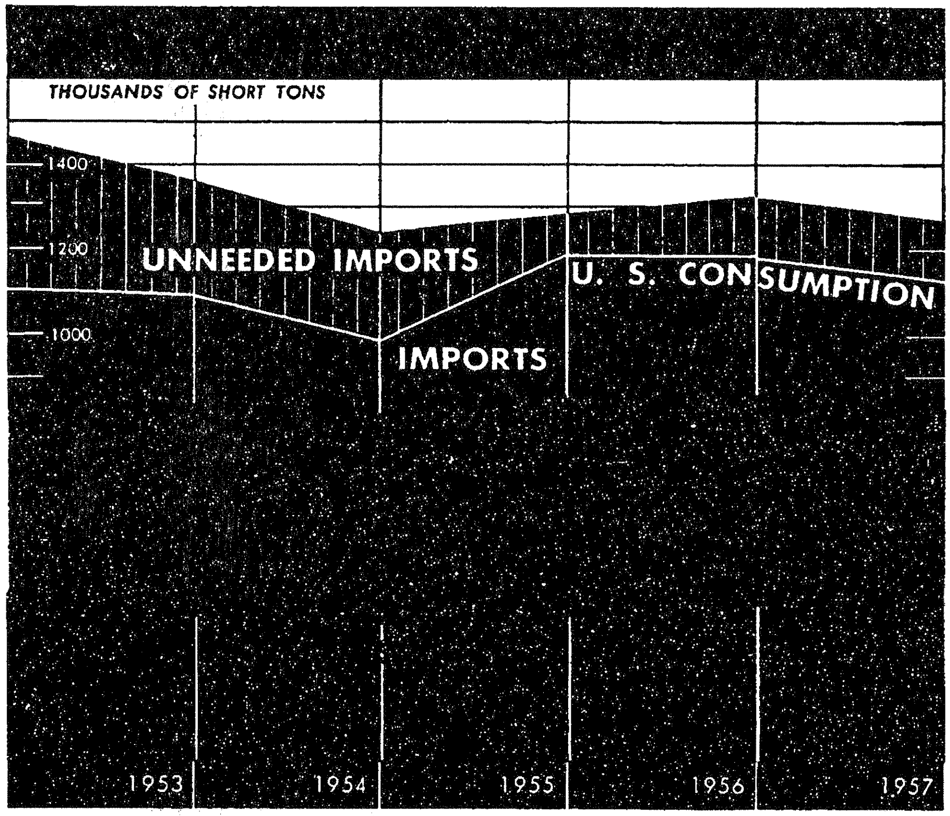
LEAD

The Domestic Situation

	1957 EST.	1956
	SHORT TONS	
From domestic mines	334,000	353,000
Scrap	490,000	507,000
Imports	517,000	460,000
From producers' metal stocks.	(50,000)*	(8,000)*
Available supply	1,291,000	1,312,000
Consumption ..	1,122,000	1,210,000
Surplus	169,000	102,000

*Denotes increase in stocks

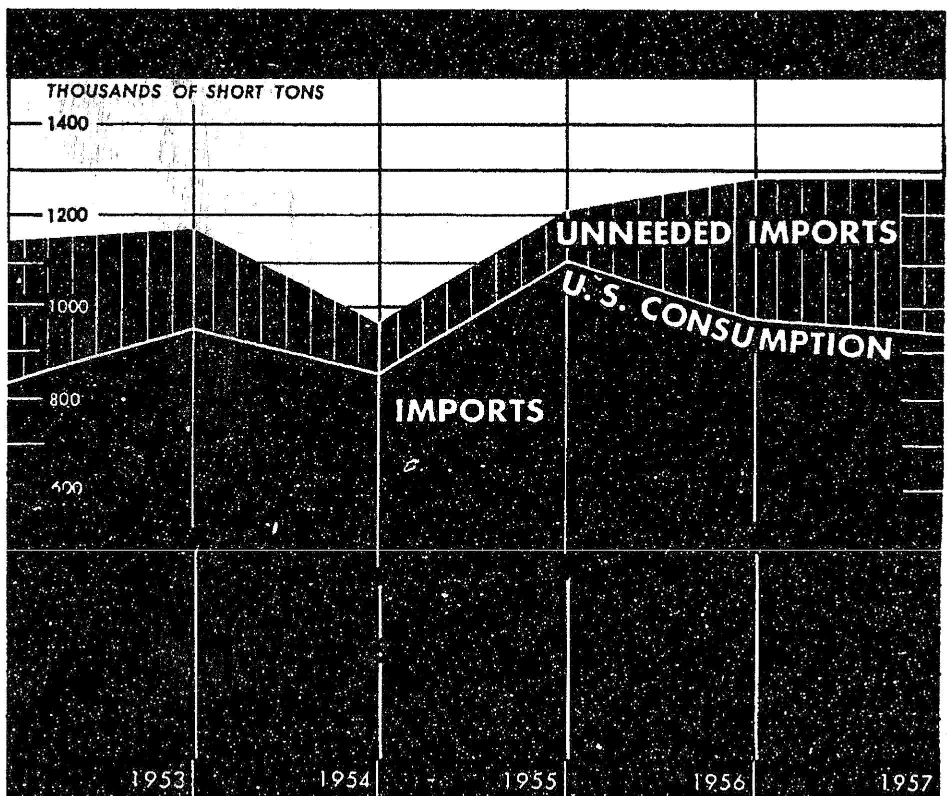


ZINC

The Domestic Situation

	1957 EST.	1956
	SHORT TONS	
From domestic mines*	425,000	447,000
Secondary sources	72,000	72,000
Imports (Ore and metal)..	792,000	770,000
From producers' metal stocks.	(98,000)	(28,000)
Available supply	1,191,000	1,261,000
Consumed and exported ...	934,000	1,018,000
Surplus	257,000	243,000

*Less zinc used for pigments



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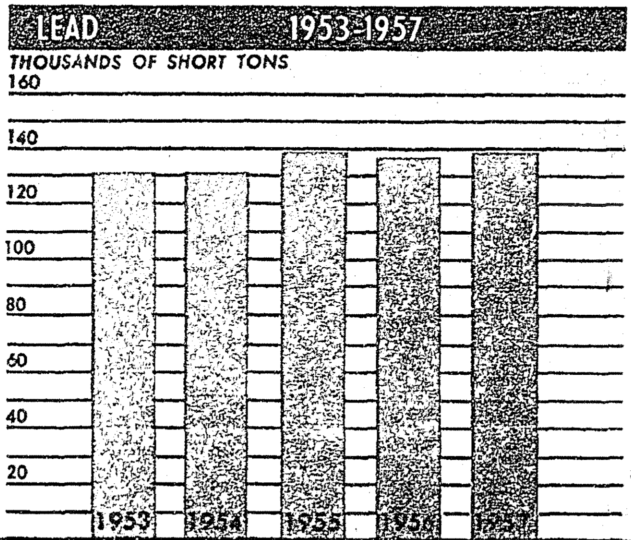
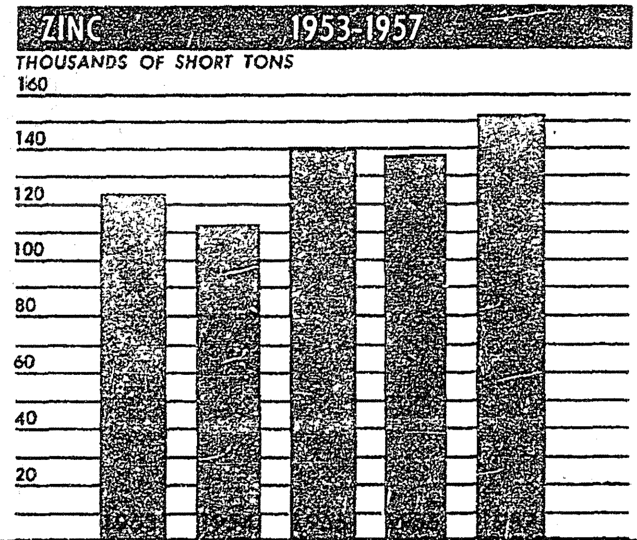




ST. JOE'S ANNUAL PRODUCTION

LEAD—ST. JOE PRODUCTION AND SALES

SHORT TONS	1957	1956
Lead concentrates:		
From Company's mines	163,079	158,861
Purchased	46,309	44,353
Pig lead produced	137,940	137,429
Pig lead sales:		
From smelter	121,550	137,772
Purchased pig lead	62,392	61,522

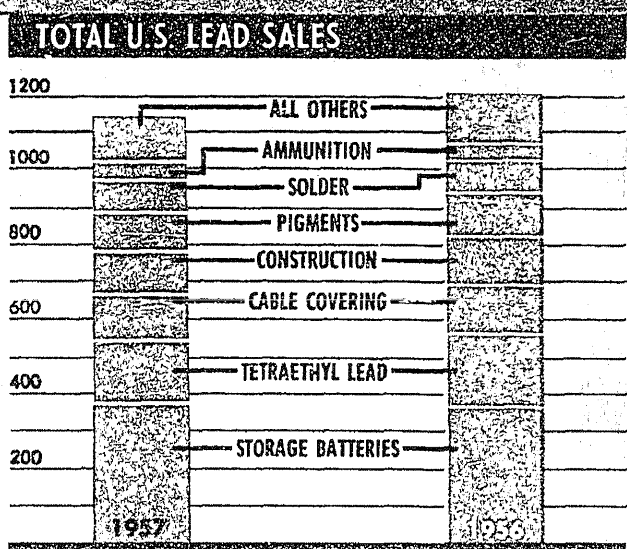
In 1957, we could not sell all the lead we produced, largely owing to pressure of lower-priced imported metal. Note below how consumption, except for storage batteries, declined slightly in 1957.

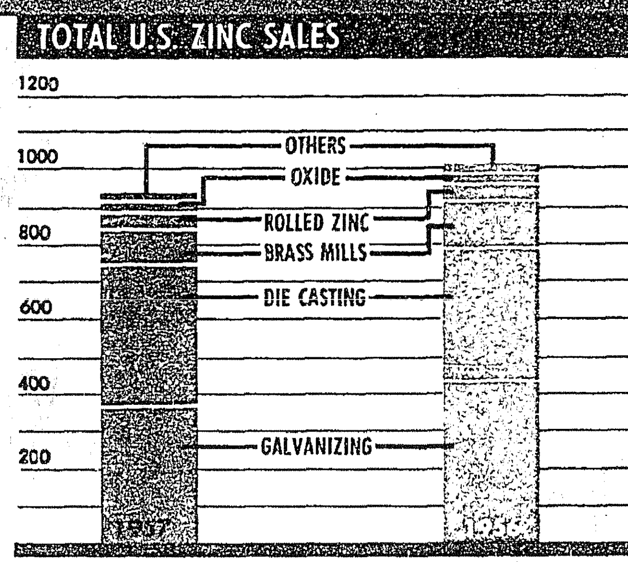
ZINC—ST. JOE PRODUCTION AND SALES

SHORT TONS	1957	1956
Zinc concentrates:		
From Company's mines	123,417	114,138
Purchased	105,604	126,164
Slab zinc equivalent of:		
All concentrates	144,011	146,897
Smelter production	151,544	136,879
Sales, oxide and metal	135,499	132,652
Purchased slab zinc	56,613	48,672
Sulfuric acid sales	204,255	190,004

In 1957, zinc sales also fell short of production under pressure of imports. Note below how die-casting consumption increased, galvanizing declined.

NATION'S USE—BY INDUSTRIES





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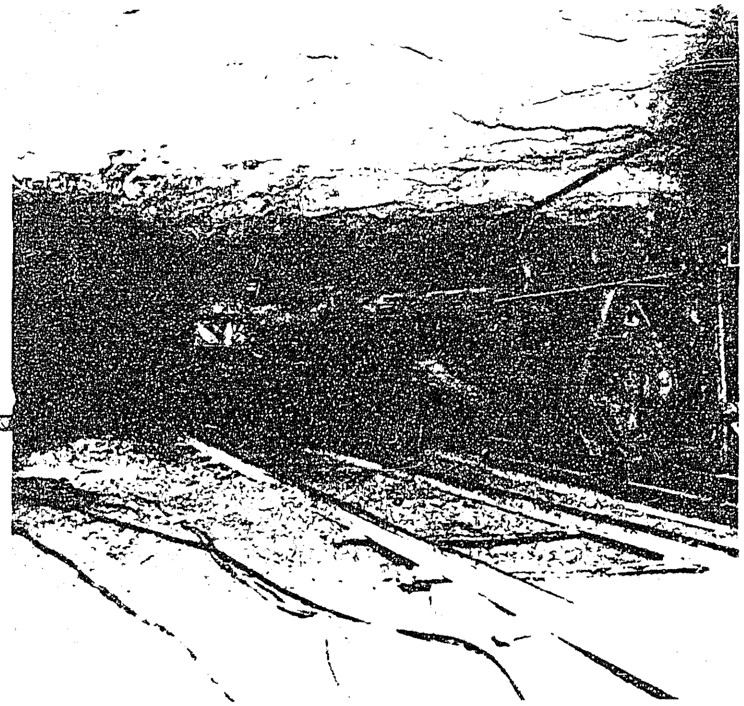
INGENIOUS USE of mechanical mucker in inclined Balmat No. 2 shaft has increased speed of shaft sinking



In 1957

Our Operating Divisions . . .

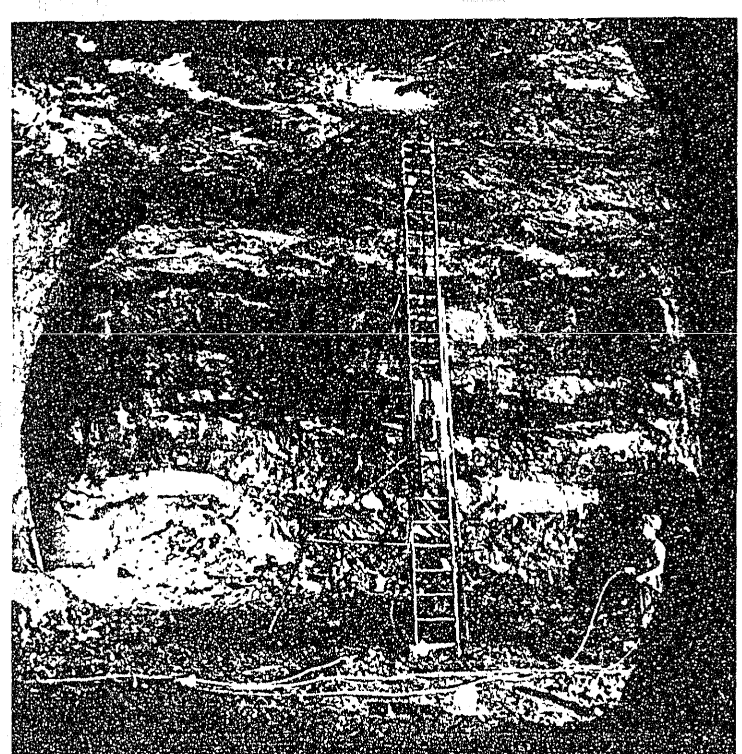
. . . put into action plans for several new projects that are aimed at cutting costs of production, at developing new sources of production, or at launching St. Joe in a new field, that of iron ore production. Progress on these new projects is described later in this Report. In this section, I would like to touch on the efforts made at various divisions last year to increase productive efficiency and to cut operating costs.

SOUTHEAST MISSOURI

In the face of rising costs and falling metal prices, the Southeast Missouri division redoubled its efforts to increase efficiency and cut costs. By the end of 1957, 48.9% of all mining was being done with trackless equipment. Four overhead loaders and 16 diesel trucks were purchased for use underground. Development work had to be curtailed slightly, and certain high-cost operations were discontinued.

Net result of these efforts was an increase of 3.58% over 1956 in tons of ore produced per total man-shift worked. Grade of ore mined was 0.03% higher than

IMPROVED DRILL RIG for faster and safer drilling of jackhammer prospect holes in back of high stopes in Lead Belt



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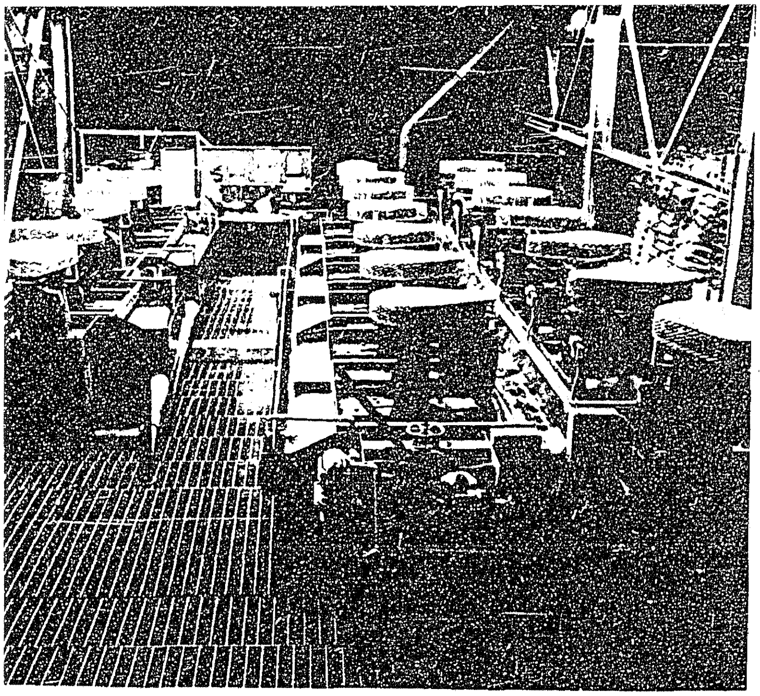
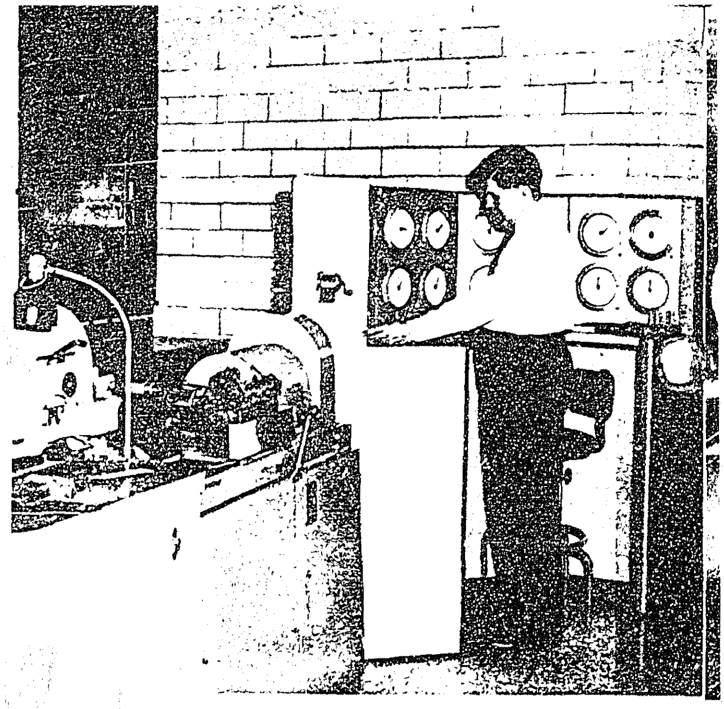


NEW MECHANICAL FLOTATION MACHINES under test in Balmat mill in effort to raise zinc recovery, reduce costs



DIALS OF JOSEPHTOWN'S SPECTROPHOTOMETER show analysis of special alloys, thus enabling better control, faster production

in 1956, and cost per ton of pig lead produced was slightly lower than in 1956. Tons of ore milled per man-shift in the mills increased 4.91%, and recovery was up 0.30%.

At Indian Creek, larger trucks for underground haulage and improved loading ramps enabled maintaining a production of 2,100 tons per day and increased efficiency that yielded an increase of 8.54% in tons of ore per man-shift over 1956.

At Mine La Motte, No. 26 shaft was completed, and development of the mine began. Several improvements in the mill, including a new zinc circuit, were put into effect.

BALMAT-EDWARDS

Over 9,000,000 tons of crude ore have been produced at the Balmat mine since operations began in 1929. To insure continued production, new sources of ore must be acquired. Zinc mineral rights were purchased on about 3,000 acres of land during 1957, about 1,600 acres of which are in the vicinity of the Balmat mine.

An improved shaft sinking method was developed in the Balmat No. 2 shaft where a mechanical shaft mucker is used in sinking the shaft below the 1900-ft. level. Inclined at 40°, this shaft had reached approximately 2,100 feet below the surface by the end of 1957. The bottom of the Edwards Countershaft, which services the Edwards mine below the 1500-ft. level, is over 3,100 feet below ground level.

In the Balmat mill, new mechanical flotation machines were installed late in 1957 at a cost of $67,000 in an effort to increase milling efficiency and cut operating costs. These new machines are treating half of the Balmat mill's tonnage, and careful evaluation will be made this year to determine by how much zinc losses can be reduced and how much saving in power and reagent cost can be made.

[illegible]

Increased efficiency was noted at Herculaneum, where a concerted effort on the part of the entire staff has been made to improve operations. For example, three new centrifugal blowers for the blast furnaces were installed to provide better furnace operation. Stocks of concentrate have been built up to allow more efficient scheduling and control of plant operation. Owing to depressed zinc prices, the electric zinc furnace was shut down in 1957, but its performance had been quite satisfactory, and it is available for use when the zinc market improves. It has a capacity of 13-15 tons of Prime Western Zinc per day.

[illegible]

A new furnace, No. 15, was completed early in 1957, which gave the Josephtown smelter a theoreti-

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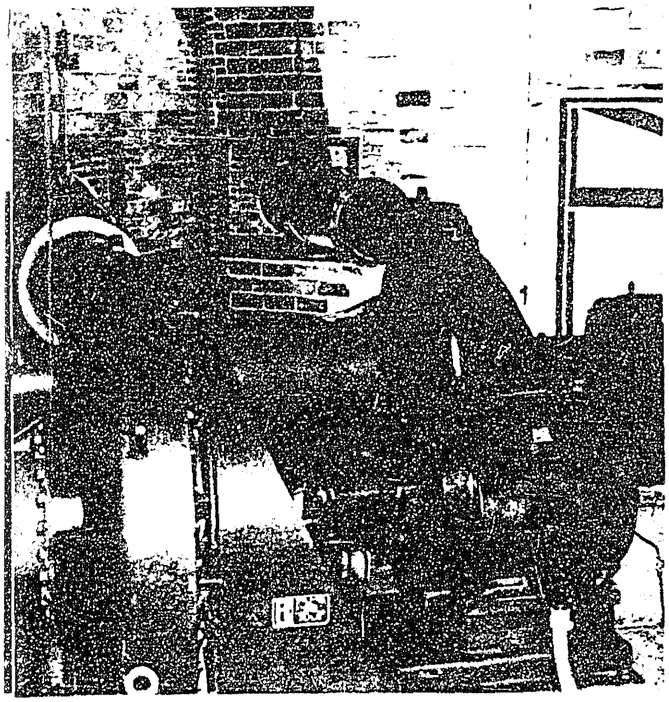
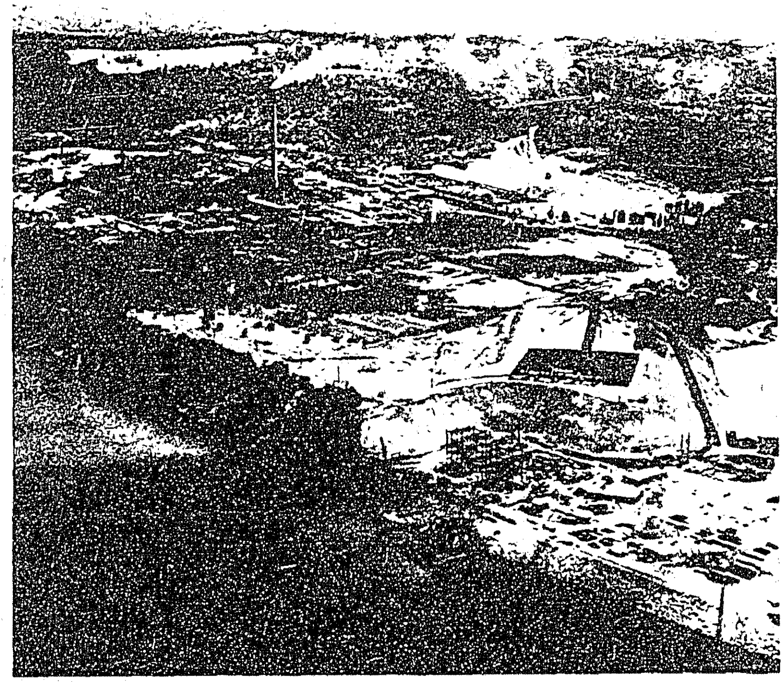


NEW BLOWERS AT HERCULANEUM smelter supply blast furnace air more efficiently, yielding improved furnace operation



CONSTRUCTION of George F. Weaton station (foreground) which should supply full power to smelter by August 1958

cal capacity of 11,500 tons of slab zinc per month, but efforts to increase productive efficiency had raised actual plant capacity to about 12,500 tons by the end of the year.

Several examples of improved operations follow:

1. Recording density meters helped simplify acid plant operation.

2. New-type cyclones reduced zinc losses and aided sinter plant operation.

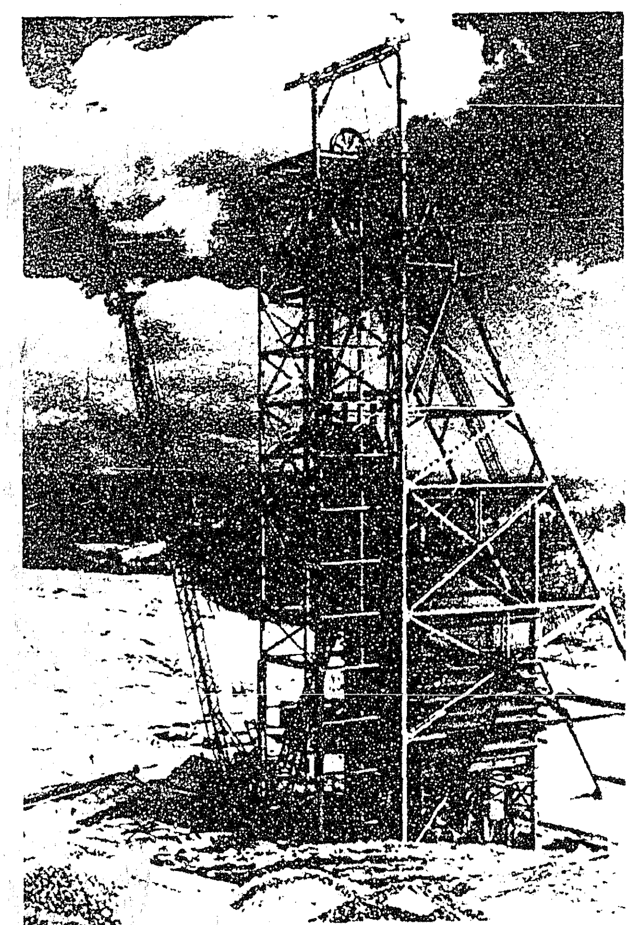
3. Aging of secondary material briquettes saves about $50,000 annually in handling costs.

4. Dross melting furnace helps extend furnace life about 10%.

5. Direct reading spectrophotometer for quick analyses has reduced need for special alloy re-melts with resulting savings of $30,000 to $35,000 annually.

6. Maintenance records system may reduce maintenance costs by about $100,000 per year.

The George F. Weaton Station, at Josephtown, one of the most efficient, exclusively industrial, coal-fired generating stations in existence, is expected to begin test operations in the second quarter of 1958. The high level of efficiency expected of the installation is exemplified by the primary steam conditions of 1,800 p.s.i. and 1,000° F. Operating and maintenance staffs from Josephtown's organization are now being trained. The saving in power costs when the plant is in operation is expected to be substantial.



HEADFRAME FOR SHAFT to handle men, supplies, and waste rock at Pea Ridge iron project near Sullivan, Missouri

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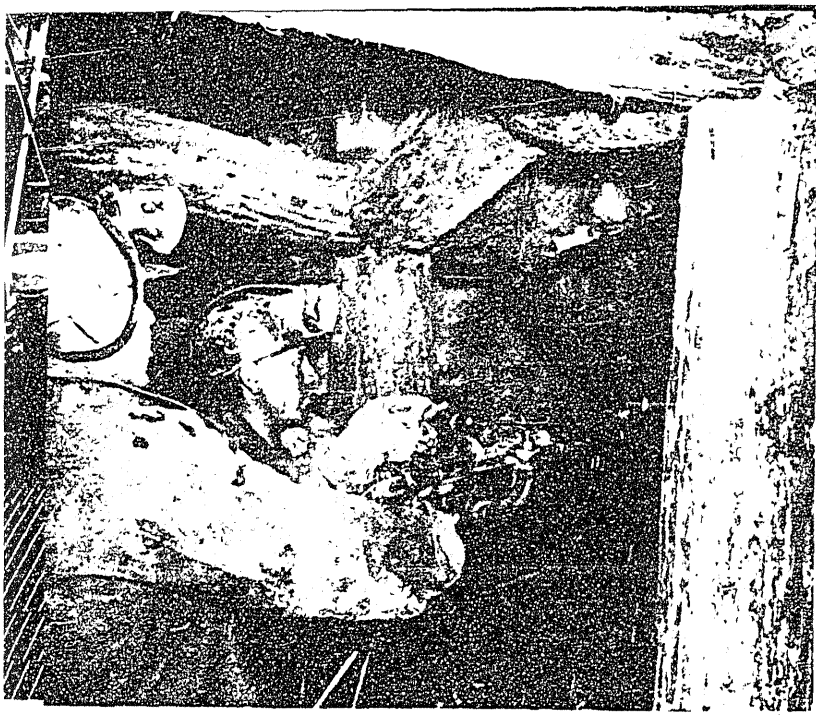

SQUARE-SETTING at Aguilar in Argentina handles much of mine output, owing to difficult ground conditions

SANTANDER lead-zinc project in Peru is now stripping orebody, building mill. Road leads from mine (right) to mill (left)

FOREIGN OPERATIONS

In Argentina, the earnings of Cia. Minera Aguilar again set a new record of 66,645,892 pesos after deducting special reserves for the replacement of capital assets totaling 35,431,700 pesos. In 1956, the comparable figures were 59,040,989 pesos and 34,830,650 pesos respectively. The dollar equivalents of the net earnings at the free rate of exchange existing at the end of each year were $1,801,240 and $1,574,426, respectively. St. Joe received dividends from Aguilar in 1957 amounting to $1,169,819, the 1956 receipts were $589,171.

Ore reserve outlook at Aguilar continues excellent; prospecting and development have been most encouraging. The staff is one of the strongest we have ever had; the transportation problem has been much improved; labor relations continue most cordial. However, the lack of firm economic and political leadership and the continued growth in nationalistic thinking in Argentina is most discouraging from the short-range point of view.

Sulfacid, S.A., at Borghi in Argentina, had its best year to date, financially, and also made good progress in pilot plant work for a proposed electrolytic zinc plant.

Cia. Metalurgica Austral, Argentina's electrothermic zinc smelting plant, set a record for production and earnings in 1957. The major improvement was the installation of new St. Joe condensers.

In Canada, pilot plant work for Brunswick Mining & Smelting Corp. to develop a milling flowsheet producing selective concentrates of copper, lead, zinc, and pyrite was successfully completed by mid-December, 1957. Preliminary design studies for layout of a 2,000-ton per day concentrator, a lead smelter, and dock facilities were begun, but owing to the depressed lead and zinc markets, no decision had been made by the end of 1957 to proceed with construction.

In North Africa, at two of the three North African properties in which St. Joe has an interest, political disturbances in the area caused suspension of production for only two weeks in 1957, in January. Production at all three continued uninterruptedly throughout the remainder of the year. As the result of St. Joe's 17.15% interest in two of these companies, Societe Nord Africaine du Plomb and Societe Algerienne du Zinc, we received dividends of $512,454 in 1957.

[illegible]

On the Harris Ranch properties in Texas, our joint venture with Continental Oil Co. in petroleum production produced in 1957 a net royalty to St. Joe of $603,704. Total royalties from oil since the beginning of the venture are $1,194,259. As of the end of 1957, there have been 24 wells drilled on the Harris Ranch property, with 20 of them producing, one shut-in, and only 3 dry and abandoned. St. Joe also has a joint venture with Cerro de Pasco in exploring for petroleum in Southwestern Louisiana.

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PROGRESS on Our New Projects

New Lead-Zinc District and a Major Iron Ore Producer Brighten our Outlook

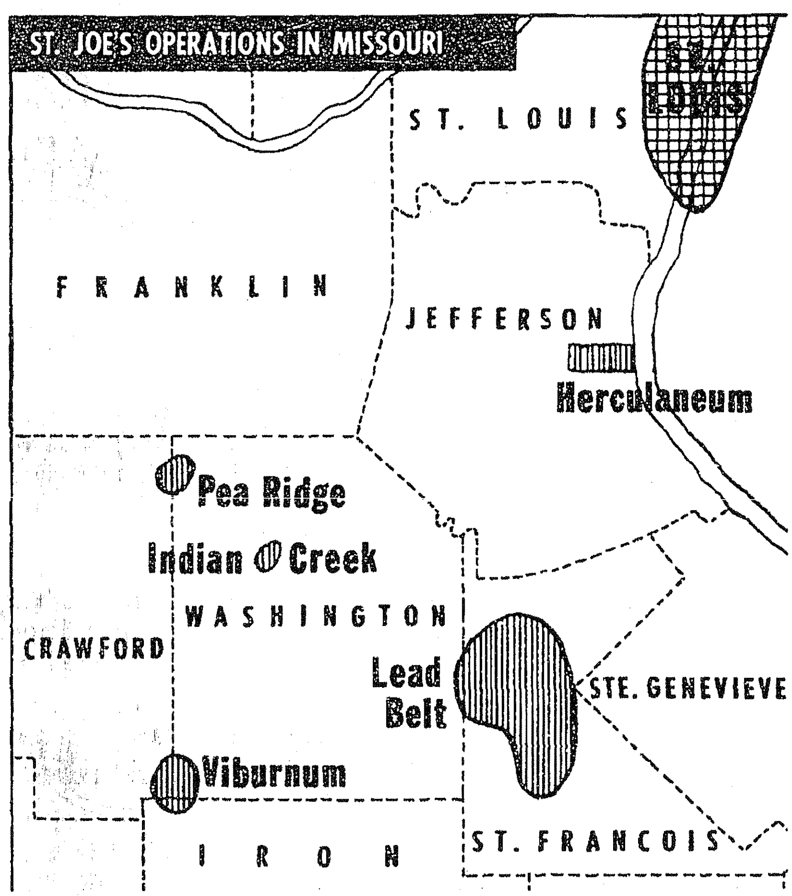
Near Viburnum, where Washington, Crawford, and Iron Counties join, St. Joe is developing what appears to be an outstanding lead discovery. The first pay hole was drilled in Crawford County in 1955, and at present there are 9 diamond drills and 20 churn drills exploring the area. Development plans for the area began early in 1957. Work on the No. 27 shaft started in September. As maps from the aerial surveys become available, they will be used in planning other shaft sites, the mill site, tailing disposal area, power lines, roadways, and a townsite.

Preliminary work at No. 27 shaft is on schedule, and full-scale shaft-sinking should begin about the first of March, 1958.

At Pea Ridge, additional drilling during 1957 has indicated resources of iron ore that confirm the estimates on which the project was established. This iron ore will be developed and mined by a new company, Meramec Mining Company, to be owned (50% each) by ourselves and Bethlehem Steel Corp. With an eventual capacity of 2,000,000 tons of iron ore annually, the project is expected to enter production in the latter part of 1962.

The project will require building 23 miles of track from near Cadet on the main line of the Missouri Pacific to Pea Ridge, and the possible erection of dock facilities for loading barges on the Mississippi River. The town of Sullivan is near enough to the property so that no new townsite need be built. Union Electric Company has completed two 138,000-volt transmission lines to the plantsite.

In Peru, progress at the new Santander project has been most satisfactory. At the end of 1957, stripping had begun at the open pit, and construction had started at the mill and camp. The road between the power plant and the mine is complete, and work at the power plant is well underway. All machinery is purchased, and the greater part of it has arrived in Peru.



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. . . is crowded with critical problems which can brighten or darken our outlook depending on how they are resolved. We have a measure of control of only a part of them.

On a long-range basis, growth and progress for our Company seem assured, both because of the inevitable eventual increase in demand for lead and zinc and because of the efforts our Company and our industry will make to encourage widening use of these metals. St. Joe's attention has been and will continue to be directed toward improving our Company's position in its industry.

As for 1958, all present indications point toward a consumption of lead and zinc that will certainly be no higher, and possibly somewhat lower, than in 1957. Since the first of this year, general business conditions in the U.S. have been quieter than last year, and even should they pick up later, the average for the year will probably not equal 1957.

The large surpluses of both metals which exist today in the U.S. will tend to delay price increase even should tariff relief be granted the lead and zinc industries. Prices may strengthen over the next year as world surpluses of metals are reduced, but this improvement will not come rapidly unless some entirely unforeseen political upset occurs which would suddenly increase demand for metals.

In our planning for both the immediate and the long-term future, we cannot count on sudden surges in demand. We must base our estimates and our efforts on only moderate price increases and never lose sight of the fact that the only sure weapon we have against shrinking profits is our ability to increase the efficiency of our operations and cut production costs. You have made strong and sincere efforts this past year to use this weapon ever more capably. I must ask even more of you in the year ahead.

PRESIDENT

NEW YORK • MARCH 11, 1958

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