PRESIDENT'S ANNUAL REPORT

TO

STOCKHOLDERS

OF THE

ST. JOSEPH LEAD COMPANY

FOR THE YEAR

1941

ST. JOSEPH LEAD COMPANY

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

Executive Offices, 250 Park Avenue, New York

EXECUTIVE OFFICERS

CLINTON H. CRANE,
President

IRWIN H. CORNELL,
Vice-Pres., and Sales Manager

ANDREW FLETCHER,
Vice-Pres., and Treasurer

C. MERRILL CHAPIN, JR.,
Vice-President

EDWARD V. PETERS,
Vice-President

GEORGE I. BRIGDEN,
Secretary and Comptroller

ROBERT BENNETT,
Asst. Secretary and Asst. Treasurer

CHARLES FLEIG,
Assistant Secretary

JAMES G. COLVIN,
Assistant Comptroller

STOCK TRANSFER OFFICE

250 Park Avenue,
New York

REGISTRAR

City Bank Farmers Trust Company,
New York

ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

The attack of Japan upon our Nation, followed by the declaration of war by Germany and Italy, has marked 1941 as a year of transition from peace time operations to the necessities of war time production. Your Company has given our Government full cooperation and assistance—it will continue to do so.

The stockholders should appreciate that their mines are now being worked beyond their economic capacity and that investments are being made in plant and equipment which may be of little future value. But whatever may be our individual views on the economic considerations, there can be no doubt that our immediate responsibility is to obtain maximum production of lead and of zinc, both vitally needed for a successful conclusion of the war.

Consolidated Earnings

The consolidated net income for the year ended December 31, 1941 after all charges amounted to $4,893,455.18 as compared with $5,111,941.70 for the previous year. The Federal income and excess-profits taxes increased from $1,305,670.04 in 1940 to $2,740,699.45 in 1941.

The comparative consolidated earnings for the ten years ended December 31, 1941 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.
1932	*$287,881.11	$1,011,845.62	...	*$1,299,726.73	$1,606,310.78
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

* Loss.

** 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.

On page 8 are given the comparative figures of prices, production, sales and stocks.

Dividends

A dividend of fifty cents per share was paid on the tenth day of March, June, September and December, 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 1932 through 1941:

Year	Amount	Per Share	Year	Amount	Per Share
1932	$292,569.75	$.15	1937	$4,889,198.50	$2.50
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

Financial Information

The consolidated balance sheets as of December 31, 1941 and December 31, 1940 of St. Joseph Lead Company and Subsidiaries, and the related Summaries of Consolidated Net Income and Surplus for the years ended December 31, 1941 and December 31, 1940 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, whose 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 $3,000,000.00 U. S. Treasury Tax Anticipation Notes and $125,000.00 par value of Federal, State and Municipal securities. The latter are not available for sale, being on deposit with New York, Pennsylvania and Missouri Industrial Compensation Commissions and the United States Department of the Interior.

Capital expenditures by the St. Joseph Lead Company and consolidated subsidiaries amounted to $672,761.68 in 1941 in comparison with $1,024,578.24 in 1940, $274,632.31 in 1939, and $442,787.44 in 1938.

During 1941, the Company liquidated the balance of its liability to the Metropolitan Life Insurance Company for annuities under the Retirement Plan for Salaried Employees covering service prior to December 1, 1940. This balance amounted to $778,141.69. In accordance with the Company's policy, pensions and retirement expenditures are included in operating expenses.

Cash funds accumulated through realization of depleting assets were paid by Compania Minera Aguilar, S. A. to its Parent Company, Aguilar Corporation, which applied such funds, to the extent of $849,785.03, pro-rata at a premium, to retire a portion of its outstanding capital stock. From this source, St. Joseph Lead Company received $684,152.79. The Company increased its ownership in Aguilar Corporation from 89% to 90% by purchasing additional shares of preferred and common stock from another stockholder for $46,100.33.

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. In order to simplify accounting, this firm also handled the 1941 audit of the Argentine operations. The Accountants' Certificate addressed to the stockholders is given on page 12 of this report.

United States Operating Information

Although at the beginning of the year, it was felt that the lead production outside the United States would be sufficient to insure against any shortage, the war so greatly increased the demand that, upon request of our Government, the Southeast Missouri properties were placed in October on a six day week instead of five days. In order to maintain this schedule and to be prepared, if necessary, to operate the mills seven days per week, priorities have been received and orders placed for approximately $1,500,000.00 for the equipment and material needed for increased development work.

The production from the two zinc mining properties located in Northern New York, which were already operating in 1940 on a six day week schedule, was increased during 1941 by approximately 5½% and steps are being taken to obtain somewhat greater output.

Your Company has taken constructive steps to increase its zinc smelting facilities which are vitally needed due to the German seizure of a large portion of the world zinc smelting capacities. At the electro-thermic smelter and sulphuric acid plant located at Josephtown, Pennsylvania, expenditures for plant and equipment have totalled $1,142,288.60 during the past two years. These expenditures have enabled the smelter to produce approximately 66% more zinc metal equivalent per month, the present capacity being 5,000 tons against 3,000 tons per month in 1939. Provided priorities are obtained, the production should be somewhat further expanded.

Arrangements have been made to place the Block "P" zinc and lead mine, located at Hughesville, Montana, in production during the first quarter of 1942. This property was closed down in 1932 because of low metal prices. The expenditures during 1941 for rehabilitation amounting to $155,805.72 have not been capitalized but were charged to deferred operating expense.

In the Joplin area, it was necessary to shut down the Jarrett mine of Kansas Explorations, Inc. due to exhaustion of its ore reserves. The Ritz mine, located in Oklahoma, was operated at full production during the year; two adjoining 40 acre tracts have been leased, which should tend to lengthen the operation of this relatively short lived mine. The new Snapp property was placed in production in July with satisfactory results and an encouraging future ore reserve outlook.

The 1941 development work in the lower levels of the Sheep Ranch mine, a small gold property in California, was most disappointing. It is probable that, due to lack of ore, this mine will be closed down in 1942.

The Exploration Department diamond drilled an area in Maine and one in Vermont, examined a prospect in California and a mine in Oregon, and also studied the possibilities of a number of properties that were offered during the year. The results were not encouraging and no properties were accepted. It is believed that the premium price of 9.25 cents per pound for over-quota lead production and 11.00 cents per pound for zinc, which have been guaranteed for the next two and one-half years by the Government, will greatly increase the number of properties that will be brought to the Company's attention.

South American Operating Information

The Aguilar mine, located in the Province of Jujuy, Argentina, was operated at the rate of approximately 900 metric tons of ore per day. The comparative production, sales and inventory tonnages are as follows:

	Lead Concentrates (in metric tons)			Zinc Concentrates (in metric tons)		
Year	Production	Sales	Stocks at End of Year	Production	Sales	Stocks at End of Year
1936	10,467	9,409	1,058	7,548	5,276	2,272
1937	19,709	19,782	985	12,116	6,250	8,138
1938	29,836	28,816	1,873	29,478	4,467	33,149
1939	36,728	33,307	5,294	42,250	26,179	49,220
1940	36,866	*35,778	6,382	65,032	†36,182	78,150
1941	27,867	31,193	3,056	65,939	116,021	28,068

* Does not include 5,000 metric tons of lead concentrates sold for future delivery.

† Does not include 5,038 metric tons of zinc concentrates sold for future delivery.

The 1941 capital expenditures amounted to 644,696.34 pesos which is equivalent to $151,354.28 at the rate of exchange prevailing during the months of such expenditures.

Although The Metals Reserve Company, a company owned by the United States Government, has requested that consideration should be given to increasing the Aguilar output of lead and zinc concentrates, until additional railroad facilities have been made available by the Argentine authorities, efforts will be confined to the improvement of operating efficiencies, as even the present output has not been moved by the railroad.

The Consolidated Balance Sheets of Aguilar Corporation and Subsidiary at December 31, 1941 and December 31, 1940, together with Summaries of Consolidated Net Income and Deficit for the years ended on those dates are submitted as a part of this report and will be found on pages 9 to 11. 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

* Loss.

Stockholders

The number of stockholders of record on December 31st of each year since 1931 and a classification of their holdings are as follows:

Year	Number	19 or Less	20-99	100-199	200-Over
1932	5,360	1,584	1,796	875	1,105
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

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 has 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 undepleted book value by the estimated tonnage of ore in the mines and applying the unit value thus determined to the tonnage sold. This change results in a considerably lower provision for depletion than in years prior to that date.

Clinton H. Crane,
President.

New York, February 18, 1942.

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Summaries of Consolidated Net Income

For the Years Ended December 31, 1941 and 1940

	Year ended December 31, 1941		1940	
Net Sales		$42,647,811.11		$38,507,829.10
Cost of Sales (exclusive of depreciation and depletion)		32,859,532.94		29,153,371.25
Gross Profit from Operations before Depreciation and Depletion		$ 9,788,278.17		$ 9,354,457.85
Deduct:				
Selling, general and administrative expenses	$ 789,802.95		$ 748,953.94	
Capital stock and miscellaneous taxes	108,028.04	897,830.99	73,815.05	822,768.99
Net Profit from Operations before Depreciation and Depletion		$ 8,890,447.18		$ 8,531,688.86
Other Income (*Deductions):				
Profit on sale of real estate, etc	$ 142,358.06		$ 86,952.91	
Interest, dividends, etc.	91,825.88		18,190.45	
Loss on sale of stocks	—	234,183.94	*294,836.57	*189,693.21
Income before Depreciation, Depletion, and Income and Excess Profits Taxes		$ 9,124,631.12		$ 8,341,995.65
Provision for Depreciation		994,436.94		1,064,639.12
Income before Depletion and Income and Excess Profits Taxes		$ 8,130,194.18		$ 7,277,356.53
Provision for Depletion and Income and Excess Profits Taxes:				
Depletion	$ 442,114.08		$ 805,346.24	
Federal normal income taxes, etc. (including in 1941, $87,833.55 applicable to prior years)	1,500,890.04		1,050,924.66	
Federal excess profits taxes (including in 1941, $158,395.65 applicable to prior years)	1,239,809.41		254,745.38	
State income taxes	53,925.47	3,236,739.00	54,398.55	2,165,414.83
Net Income for the Year		$ 4,893,455.18		$ 5,111,941.70

Summaries of Consolidated Surplus

For the Years Ended December 31, 1941 and 1940

	Year ended December 31, 1941	1940
Surplus at Beginning of the Year (including surplus from revaluation of ore reserves—1941, $94,774.86; 1940, $313,327.67)	$10,606,133.99	$ 9,894,472.29
Additions:		
Net income for the year	4,893,455.18	5,111,941.70
Total	$15,499,589.17	$15,006,413.99
Deductions:		
Cash dividends paid during the year	3,911,360.00	4,400,280.00
Surplus at End of the Year (including surplus from revaluation of ore reserves—1941, $78,171.80; 1940, $94,774.86)	$11,588,229.17	$10,606,133.99

Notes:

(1) All subsidiaries of the parent company, with the exception of Aguilar Corporation and its foreign subsidiary, are included in the above summaries. The equity of St. Joseph Lead Company in the net income of Aguilar Corporation and its foreign subsidiary, not included in the above summaries, before provision for depletion of ore reserve values in excess of cost, was $543,453.76 for the year 1941 and $489,893.72 for the year 1940; after provision for depletion of ore reserve values in excess of cost, St. Joseph Lead Company's portion of the net losses of said subsidiaries was $515,846.98 for the year 1941 and $504,097.34 for the year 1940. 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, 1941 and 1940 amounted to approximately $169,000.00 and $293,000.00, respectively.

(2) For a statement relating to payments by the Company under the Pension and Retirement Plans, see comments in the text of this report on page 2.

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1941 and 1940

ASSETS

	December 31, 1941		December 31, 1940	
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)	$21,352,876.44		$21,242,952.67	
Less reserve for depletion	16,358,106.33	$ 4,994,770.11	15,932,595.31	$ 5,310,357.36
Appreciation arising from revaluation subsequent to March 1, 1913	$ 4,315,000.00		$ 4,315,000.00	
Less reserve for depletion	4,236,828.20	78,171.80	4,220,225.14	94,774.86
Total ore reserves and mineral rights, net		$ 5,072,941.91		$ 5,405,132.22
Shafts and underground equipment (at cost)	$ 5,265,561.18		$ 5,233,264.01	
Less reserve for depreciation	4,347,419.14	918,142.04	4,198,852.66	1,034,411.35
Land, buildings, plant and equipment (at cost)	$18,696,387.00		$18,534,033.08	
Less reserve for depreciation	12,951,876.09	5,744,510.91	12,407,000.29	6,127,032.79
Railway construction—Cost being refunded		11,780.00		26,435.00
Total capital assets, net		$11,747,374.86		$12,593,011.36
Investments and Advances:				
Aguilar Corporation (1941, 90% owned; 1940, 89% owned)—(Note 2)	$ 137,759.72		$ 775,812.18	
Mine La Motte Corporation (at cost—50% owned)	672,450.00		730,484.63	
Sundry securities, loans, etc. (at cost, less reserve, $200,000.00)	299,127.27	1,109,336.99	279,644.27	1,785,941.08
Current and Working Assets:				
Cash on hand and in banks	$12,751,361 05		$12,400,614 17	
Federal tax anticipation notes	3,000,000.00		——	
Notes and accounts receivable—trade (less reserve—1941, $18,933.02; 1940, $19,880.26)	3,623,105.43		2,584,797.75	
Other notes and accounts receivable	79,566.96		58,046.33	
Inventories (valuation not in excess of market):				
Finished lead, zinc, etc. (at cost, exclusive of depreciation and depletion)	756,621.44		798,140.05	
Lead, zinc, etc., in process (at cost, exclusive of depreciation and depletion)	647,775.00		910,123.03	
Purchased lead and zinc (at cost)	1,284,917.62		1,291,818.15	
Materials and supplies (at cost, less reserve for slow-moving items—1941, $112,919.15; 1940, $111,496.16)	2,644,242.20	24,787,589.70	2,080,203.72	20,123,743.20
Miscellaneous Assets:				
Federal, State and Municipal securities on deposit with Federal and State departments (at amortized cost; market quotation value—1941, $139,941.88; 1940, $142,690.00)	$ 121,061.19		$ 120,815.89	
Cash in closed banks	17,875.42	138,936.61	18,508.75	139,324.64
Deferred Charges:				
Deferred operating costs	$ 169,094.48		$ 7,579.39	
Prepaid insurance, taxes, etc.	190,811.67	359,906.15	142,267.68	149,847.07
Total		$38,143,144.31		$34,791,867.35

Notes:

(1) The net value of the capital assets shown in the above consolidated balance sheets should be considered in the light of the comments included in the text of this report on page 4.

(2) All subsidiaries of the parent company, with the exception of Aguilar Corporation and its foreign subsidiary, are included in the above consolidated balance sheets. The decrease in the amount at which the investment in Aguilar Corporation is stated, from $775,812.18 at December 31, 1940 to $137,759.72 at December 31, 1941, is explained in the text of this report on page 2. The equity of St. Joseph Lead Company in the net income of Aguilar Corporation and its foreign subsidiary, since acquisition, not included in the above consolidated balance sheets, before provision for depletion of ore reserve values in excess of cost, was $2,708,316.38 at December 31, 1941 and $2,083,580.14 at December 31, 1940; after provision for depletion of ore reserve values in excess of cost, St. Joseph Lead Company's portion of the net losses of said subsidiaries, since acquisition, was $1,390,201.70 at December 31, 1941 and $1,058,396.50 at December 31, 1940. Gross profit, before depreciation and depletion, of the foreign subsidiary on its

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1941 and 1940

LIABILITIES

	December 31, 1941		December 31, 1940	
Capital Stock:				
Authorized, 2,500,000 shares of $10.00 each	$25,000,000.00		$25,000,000.00	
Issued, 1941, 1,996,840.35 shares; 1940, 1,996,840.25 shares	$19,968,403.50		$19,968,402.50	
Less in treasury, 1941, 41,160.35 shares; 1940, 41,160.25 shares	411,603.50		411,602.50	
Outstanding, 1,955,680 shares	$19,556,800.00		$19,556,800.00	
Scrip outstanding	5.00	$19,556,805.00	6.00	$19,556,806.00
Current Liabilities:				
Accounts payable—trade	$ 2,657,077.80		$ 1,646,555.40	
Due to subsidiary not consolidated	440,071.51		175,610.27	
Wages payable	105,563.45		144,191.53	
Accrued taxes:				
Federal income and excess profits	2,618,888.74		1,346,687.79	
Other	253,505.20	6,075,106.70	181,275.58	3,494,320.57
Deferred Credit:				
Unrealized profit from sale of houses, etc.		1,895.17		12,543.67
Reserves:				
For injury claims and workmen's liability insurance	$ 164,751.02		$ 219,485.92	
For employees' life insurance and retirement	446,418.70		592,638.65	
For contingencies	309,938.55	921,108.27	309,938.55	1,122,063.12
Surplus:				
Earned	$11,510,057.37		$10,511,359.13	
Revaluation of ore reserves	78,171.80	11,588,229.17	94,774.86	10,606,133.99
Total		$38,143,144.31		$34,791,867.35

Notes Continued:

sales to St. Joseph Lead Company of products which remained in the inventories of the latter at December 31, 1941 and December 31, 1940 amounted to approximately $169,000.00 and $293,000.00, respectively. Aguilar Corporation was in arrears in dividends on its $7.00 cumulative preferred stock (80% owned by St. Joseph Lead Company at December 31, 1941 and 79% owned at December 31, 1940) in the amounts of $771,716.75 and $1,030,393.00 at December 31, 1941 and December 31, 1940, respectively.

(3) St. Joseph Lead Company and the foreign subsidiary of Aguilar Corporation were contingently liable at December 31, 1941 to refund to customers the sales price, $1,406,935.95, 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, 1940 in the amount of $827,779.87.

(4) For a statement relating to payments by the Company under the Pension and Retirement Plans, see comments in the text of this report on page 2.

U. S. REFINED LEAD STOCKS, LEAD AND ZINC PRICES

Comparative Annual Statistics

Year	Tons of U. S. Refined Lead Stocks At End of Year	Average Lead and Zinc Prices in Cents Per Lb. Lead F.O.B. St. Louis E. & M. J. Average	Lead F.O.B. St. Louis St. Joe Average	Zinc F.O.B. St. Louis E. & M. J. Average
1932	176,157	3.042	3.055	2.876
1933	203,061	3.735	3.652	4.029
1934	235,457	3.724	3.700	4.158
1935	222,306	3.915	3.878	4.328
1936	171,856	4.560	4.534	4.901
1937	129,131	5.859	6.015	6.519
1938	115,902	4.589	4.598	4.610
1939	58,777	4.903	4.942	5.110
1940	40,926	5.029	4.986	6.335
1941	20,185	5.643	5.617	7.474

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Production in Tons

Year	Ore Mined	Lead Concentrates	Pig Lead Equivalent	Zinc Concentrates	Slab Zinc Equivalent
1932	3,233,172	147,242	99,242	34,677	17,017
1933	2,652,944	114,651	78,248	34,741	16,898
1934	3,269,864	124,240	86,060	46,353	22,389
1935	3,382,403	133,044	92,611	47,214	22,857
1936	3,804,451	147,160	101,999	54,590	26,400
1937	5,536,952	212,827	146,274	71,031	34,519
1938	3,816,637	157,188	107,600	60,797	29,606
1939	5,255,960	202,003	138,307	74,681	38,188
1940	6,209,863	225,041	154,281	85,571	44,406
1941	6,192,805	219,819	149,035	88,236	45,907

Lead Sales and Stocks at End of Year in Tons

Year	Lead Sales St. Joe Production	Purchased Lead Sold	Total Lead Sales	*Pig Lead Equivalent of Stocks
1932	81,467	53,473	134,940	96,484
1933	72,462	47,988	120,450	100,453
1934	84,964	39,566	124,530	103,918
1935	87,077	41,714	128,791	108,849
1936	126,846	47,776	174,622	83,575
1937	160,091	38,930	199,021	72,969
1938	97,865	50,782	148,647	79,775
1939	172,481	39,347	211,828	46,173
1940	178,111	60,199	238,310	30,737
1941	155,475	60,241	215,716	20,767

* Includes purchased lead and estimated recoverable lead in concentrates together with other lead stocks in process of refining at smelters.

AGUILAR CORPORATION AND SUBSIDIARY

Summaries of Consolidated Net Income
For the Years Ended December 31, 1941 and 1940

		Year ended December 31, 1941		1940
Net Sales (Including sales to St. Joseph Lead Company—1941, $841,566.22; 1940, $1,481,326.03)		$3,402,908.73		$2,612,023.14
Cost of Sales (exclusive of depreciation and depletion)		2,367,258.69		1,662,320.31
Gross Profit from Operations before Depreciation and Depletion		$1,035,650.04		$ 949,702.83
Deduct:				
Selling, general and administrative expenses	$103,372.98		$85,215.64	
Taxes	23,656.01	127,028.99	13,601.58	98,817.22
Net Profit from Operations before Depreciation and Depletion		$ 908,621.05		$ 850,885.61
Other Income		38,479.09		23,652.25
Gross Income before Depreciation and Depletion		$ 947,100.14		$ 874,537.86
Interest on indebtedness		8,366.54		6,747.74
Income before Depreciation and Depletion		$ 938,733.60		$ 867,790.12
Provision for depreciation		207,305.29		193,667.52
Income before Depletion		$ 731,428.31		$ 674,122.60
Provision for depletion computed on cost (Note 4)		127,786.09		121,188.16
Net Income for the Year before Provision for Depletion Computed on Appreciation of Ore Reserves		$ 603,642.22		$ 552,934.44
Provision for depletion computed on appreciation of ore reserves (Note 4)		1,168,708.13		1,108,320.38
Net Loss for the Year		$ 565,065.91		$ 555,385.94

Summaries of Consolidated Deficit
For the Years Ended December 31, 1941 and 1940

	Year ended December 31, 1941	1940
Deficit at Beginning of the Year	$1,166,081.42	$ 610,0[illegible]5.48
Add Net Loss for the Year	565,065.91	555,385.94
Total	$1,731,147.33	$1,166,081.42
Deduct:		
Adjustment as of January 1, 1941, resulting from change in method of determining provision for depletion (Note 4)	208,301.20	—
Deficit at End of the Year	$1,522,846.13	$1,166,081.42

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.

(4) Effective January 1, 1941, the method of determining provision for depletion of ore reserves and mineral rights was changed from the basis of tons of ore mined to the basis of tons of lead concentrates sold. If the basis in effect in 1941 had been in effect in 1940, net income for that year before provision for depletion computed on appreciation of ore reserves would have been $6,156.25 more and net loss for the year (after provision for depletion computed on appreciation of ore reserves) would have been $62,415.98 less.

AGUILAR CORPORATION AND SUBSIDIARY

Consolidated Balance Sheets, December 31, 1941 and 1940

ASSETS

	December 31, 1941		December 31, 1940	
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	500,523.97	$ 1,007,334.85	393,268.63	$ 1,114,590.19
Appreciation arising from revaluation	$13,790,750.50		$13,790,750.50	
Less reserve for depletion	4,578,828.05	9,211,922.45	3,597,890.37	10,192,860.13
Total ore reserves and mineral rights, net		$10,219,257.30		$11,307,450.32
Land, buildings, plant and equipment (at cost)	$ 2,520,054.48		$ 2,368,700.20	
Less reserve for depreciation	970,153.07	1,549,901.41	762,847.78	1,605,852.42
Total capital assets, net		$11,769,158.71		$12,913,302.74
Current and Working Assets:				
Cash on hand and in banks	$ 249,007.05		$ 388,133.95	
Argentine Government treasury notes due January 24, 1942	94,339.62		—	
Accounts receivable—trade	124,796.88		120,376.60	
Due from St. Joseph Lead Company (Parent Company)	440,071.51		175,610.27	
Other accounts receivable	17,567.56		11,068.00	
Inventories:				
Lead and zinc concentrates (at cost, exclusive of depreciation and depletion; less than estimated market)	155,609.28		593,543.63	
Silver (at estimated value)	60,815.73		24,314.01	
Materials and supplies (at cost)	689,444.89	1,831,652.52	549,161.89	1,862,208.35
Goodwill		50,000.00		50,000.00
Deferred Charges		50,397.60		30,881.78
Total		$13,701,208.83		$14,856,392.87

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, 1941 and 1940, respectively (except in a few instances at December 31, 1941 where original dollar values applicable to foreign transactions were 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, 1941 and 1940

LIABILITIES

	December 31, 1941		December 31, 1940	
Capital Stock:				
Preferred stock—$7.00 cumulative shares without par value (entitled upon redemption or liquidation to $115.00 a share):				
1941—Authorized 89,776 shares; issued 9,976 shares at a stated value of $1.00 a share	$ 9,976.00			
1940—Authorized 94,059 shares; issued 14,259 shares at a stated value of $49.00 a share			$ 698,691.00	
Common stock—Shares without par value—authorized 248,070 shares; issued, 88,470 shares at a stated value —1941, $.05 a share; 1940, $1.00 a share	4,423.50	$ 14,399.50	88,470.00	$ 787,161.00
Current Liabilities:				
Loans payable—bank	$ —		$ 429,229.71	
Accounts payable—trade	110,920.19		122,406.24	
Wages payable	20,611.46		19,008.36	
Accrued taxes (Note 3)	7,566.84		2,684.47	
Proceeds from sales of concentrates for future export	233,900.00		311,047.47	
Estimated expenses on concentrates held for future delivery	888,307.67		354,220.84	
Other accounts payable	4,577.48	1,265,883.64	3,436.31	1,242,033.40
Reserves:				
For possible additional freight on concentrates	$ 21,140.80		$ —	
For compensation and accidents	35,665.83		31,152.06	
For other expenses	10,012.00	66,818.63	8,151.11	39,303.17
Surplus:				
Capital surplus:				
Arising from revaluation of ore reserves (of which $13,387,254.16 was transferred by the subsidiary to its capital stock account)	$13,790,750.50		$13,790,750.50	
Arising from reduction in stated value of capital stock—$768,478.50 in 1941 and $989,800.00 in 1940, less cost of stocks purchased in excess of stated values thereof—$845,502.03 in 1941 and $826,573.78 in 1940	86,202.69		163,226.22	
Total capital surplus	$13,876,953.19		$13,953,976.72	
Earned surplus (deficit):				
Surplus based on depletion computed on cost	$ 3,055,981.92		$ 2,431,808.95	
Deduct depletion computed on appreciation of ore reserves	4,578,828.05		3,597,890.37	
Earned surplus (*deficit)	$*1,522,846.13		$*1,166,081.42	
Remainder		12,354,107.06		12,787,895.30
Total		$13,701,208.83		$14,856,392.87

Notes Continued:

(4) Cumulative dividends on the $7.00 preferred stock have not been declared since its issuance, and at December 31, 1941 and 1940 amounted to $771,716.75 and $1,030,393.00 respectively.

(5) The foreign subsidiary and St. Joseph Lead Company were contingently liable at December 31, 1941, to refund to customers the sales price, $1,406,935.95, 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, 1940, in the amount of $827,779.87.

(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, and from additional railroad freights on concentrates sold but not delivered which may be imposed if special tariff arrangements with the Argentine State Railways which expired on December 31, 1941 are not renewed. The Company does not anticipate that any loss will result from these sources.

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, 1941 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 the financial condition of St. Joseph Lead Company and its wholly-owned subsidiary companies, and of Aguilar Corporation and its foreign subsidiary company at December 31, 1941 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices, which were applied on a basis consistent with that of the preceding year except for the change in method of computing depletion of ore reserves for the foreign subsidiary of Aguilar Corporation, as explained in Note 4 on the related summaries of consolidated net income and deficit, which change we approve.

HASKINS & SELLS

New York, February 18, 1942.

ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1941