**Saint Joseph Lead Company Annual Report -- 1952**
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EIGHTY-NINTH ANNUAL REPORT TO THE STOCKHOLDERS

# 1952

# St. Joseph Lead Co.

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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 11, 1953.

Proxies will be solicited commencing on April 7, 1953.

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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*

| | | |
|---|---|---|
| CLINTON H. CRANE | *Chairman* | 1911 |
| DANIEL K. CATLIN | *President, Catlin Company, St. Louis, Missouri* | 1912 |
| 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 | *Chairman, Executive Committee, J. P. Morgan & Co. Incorporated* | 1944 |
| GEORGE I. BRIGDEN | *Vice President and Treasurer* | 1945 |
| H. DEWITT SMITH | *Vice President, Newmont Mining Corporation* | 1948 |
| JOHN A. HOLMES | *St. Louis, Missouri* | 1948 |
| GEORGE H. LOVE | *President, Pittsburgh Consolidation Coal Company* | 1948 |
| JOHN R. SHEPLEY | *Vice President, St. Louis Union Trust Company* | 1950 |
| JOSEPH DESLOGE | *St. Louis, Missouri* | 1951 |


## *Executive Officers*

| | |
|---|---|
| CLINTON H. CRANE | *Chairman* |
| 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* |
| R. J. MECHIN | *Vice President* |
| ROBERT BENNETT | *Secretary* |
| CHARLES FLEIG | *Asst. Treasurer and Asst. Secretary* |
| JAMES G. COLVIN | *Asst. Treasurer and Asst. Secretary* |

## *Division Managers*

### MINES

B. FRANKLIN MURPHY
Southeast Missouri

MARSHALL G. JONES
Edwards-Balmat, N. Y.

### SMELTERS

GEORGE F. WEATON
Josephtown, Pennsylvania

WILLIAM T. ISBELL
Herculaneum, Missouri

## *South America*

DONALD B. MCGILVRA
Cia. Minera Aguilar, S. A.

EDUARDO M. HUERGO
Sulfacid, S. A.

RAIMUNDO LOPEZ
Cia. Metalurgica Austral, S. A.

| | |
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# ST. JOSEPH LEAD COMPANY

*To the Stockholders:*

We are pleased to submit a report of the Company's operations for the year 1952 including the consolidated balance sheets at December 31, 1952 and December 31, 1951, and the summaries of consolidated net income and earned surplus for the years ended on those dates, for St. Joseph Lead Company and Domestic Subsidiaries, in U.S. dollars, and similar statements for Compania Minera Aguilar, S.A., shown in Argentine pesos.

## Earnings

During the first six months of 1952, with a strong demand for both lead and zinc and prices averaging slightly over 17¢ per pound for both these metals, earnings were $6,657,513.35. However, in the second half of the year, the situation changed abruptly and sharp declines took place in the prices of these metals due to liquidation of foreign production in U.S. markets. Prices at the end of the year had dropped to 14¾¢ per pound for lead and 12½¢ per pound for zinc.

The steel strike affected the demand for both lead and zinc, but principally the latter. A strike of 2½ months' duration at our zinc properties in Northern New York, as well as the Herculaneum lead smelter shutdown for a five-week period for improvements, also affected earnings, with the result that the Company's 1952 consolidated net earnings after all charges, were $9,638,455.33, as compared with $13,577,236.65 in 1951. This is equivalent to $3.55 per share on the 2,716,222 shares presently outstanding, compared with $5.00 in 1951 on a similar number of shares.

Federal and State taxes on income in 1952 amounted to $5,667,893.74, which is equivalent to $2.09 per share, as against $13,819,817.14 or $5.09 per share the previous year.

The table below compares the record of the Company's earnings for the ten-year period ended December 31, 1952. These earnings do not include the earnings of Compania Minera Aguilar, S.A., which are shown separately in this report, except to the extent of dividends in the amount of the $294,339.62 U.S. dollars received in 1947, $69,573.70 in 1951 and $69,874.09 in 1952, as permission to convert the remaining peso dividends has not been obtained from the Argentine authorities.

### TEN-YEAR EARNINGS 1943-1952

| *Year* | *Consolidated Net Income* | *After Income Taxes of* |
|---|---|---|
| 1943 | $ 4,033,973.90 | $ 1,690,262.17 |
| 1944 | 5,171,420.93 | 1,756,920.46 |
| 1945 | 4,829,814.71 | 1,164,905.10 |
| 1946 | 5,807,131.34 | 1,923,372.78 |
| 1947 | 12,537,760.84 | 4,479,658.67 |
| 1948 | 9,636,736.92 | 3,776,835.97 |
| 1949 | 8,564,435.64 | 2,889,925.30 |
| 1950 | 12,211,614.75 | 7,976,467.90 |
| 1951 | 13,577,236.65 | 13,819,817.14 |
| 1952 | 9,638,455.33 | 5,667,893.74 |



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## World Markets for Lead and Zinc

In the Company's Annual Report for 1951, stockholders were warned that the unrealistically low ceiling prices established in the United States had created an abnormal situation in the distribution of lead and zinc in international trade. The inevitable readjustment of this condition was started in 1952. During the second quarter of the past year, it became apparent to the European and British producers, consumers and dealers that an excess supply of both metals had been accumulated in their markets. Almost overnight, foreign markets changed from buyers to sellers. In Great Britain, where the Government had established bulk buying on the part of the Ministry of Supply, with prohibition of private trading, it was suddenly decided to reduce especially heavy accumulations of both metals.

The United States with its large percentage of world consumption was the potential buyer for foreign sellers, with the result that U.S. imports increased as follows:

*Imports of Short Tons of Metal, Concentrates and Scrap — Combined Metal Content Basis*

| | 1951 | 1952 |
|---|---|---|
| Lead | 265,886 | 637,307 |
| Zinc | 397,679 | 568,476 |

The result of an increase of such magnitude in U.S. imports was the creation of a large surplus here, following closely on the heels of what had been an apparent shortage. Although with the exception of the period of the steel strike, U.S. consumption of lead and zinc remained at high levels, the supply available far outstripped demand and prices receded. The quoted markets have reached levels which have already closed down U.S. mines which accounted for possibly 15% of the country's production. Many other mines are facing losses and are threatened with closing. Your Company is actively supporting the adoption of a sliding scale U.S. tax on the importation of lead and zinc, as advocated by a virtually unanimous lead and zinc mining industry in this country. This tax would become effective only below a so-called parity price level established to correspond with the higher cost of production—labor and supplies—experienced by the American miner. For each one cent reduction below such parity price, it is suggested that a tax of approximately one cent be levied on imports, so that the lower the price, the higher the tax.

We believe that the result of adopting this proposal would be to provide a cushion against low levels ruinous to U.S. miners but to allow the importation of all the lead and zinc needed by the American consumers. No tax would be payable when lead and zinc prices were equal to, or above the parity prices. This country would continue to import large tonnages of both metals, and the natural working of supply and demand would establish a proper price level and one which would tend to be more stable as is desired by both consumers and producers. We believe that at a time in world's history when the defense needs of our country are of major importance, the Administration and Congress will deem it essential to insure continuance of lead and zinc mining within the country, rather than greater dependence on foreign supplies. We welcome the importation of the lead and zinc needed to supplement our own production, but oppose the importation of large surpluses which threaten to take the place of our own production by the shutting down of our mines.

## Lead and Zinc in the United States in 1952

The following figures in short tons, derived from partially estimated data, give a summary of the supply and consumption of lead and zinc in the United States during the year 1952, and make clear the surplus that existed in both metals:

LEAD

| | |
|---|---|
| Available Supply: | |
| U.S. Mine Production | 375,000 |
| From scrap | 435,000 |
| Imports | 637,000 |
| Total Supply | 1,447,000 |
| Consumption: | |
| Batteries | 386,000 |
| Ethyl gasoline | 155,000 |
| Cables | 147,000 |
| Construction (pipe, sheets, etc.) | 120,000 |
| Paint | 50,000 |
| Other uses | 315,000 |
| Total Consumption | 1,173,000 |

The lead surplus in 1952 estimated at 274,000 tons has been absorbed by increased inventories, but mainly by shipments to Government stockpile.



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## ZINC

Available Supply:

| | |
|---|---|
| U.S. Mine Production (85% of content) | 661,000 |
| Less-Used to make pigments | 100,000 |
| Recoverable U.S. zinc available to metal smelters | 561,000 |
| Scrap zinc | 65,000 |
| Imports of concentrates (85% of content) | 383,000 |
| Total recoverable smelter supply | 1,009,000 |
| Add-Imports of slab zinc | 115,500 |
| Total zinc metal available | 1,124,500 |

Consumption:

| | |
|---|---|
| Galvanizing | 380,000 |
| Zinc-Base Alloys | 233,000 |
| Brass | 154,000 |
| Rolled Zinc | 52,000 |
| Other | 31,000 |
| Total Consumption | 850,000 |
| Exports | 61,000 |
| Total zinc metal consumed and exported | 911,000 |

As in the case of lead, the surplus of 213,500 tons went to increased inventories and Government stockpile.

### Dividends

A 10% stock dividend was paid June 10, 1952, thereby increasing the Company's capital stock outstanding from 2,469,320 shares to 2,716,222 shares.

Cash dividends of 75 cents per share were paid during the first two quarters of 1952 on the number of shares outstanding before the 10% stock dividend was paid, and were continued at the same rate in the last two quarters on the increased number of shares. The following is a record of cash dividend payments for the ten-year period through 1952:

DIVIDENDS 1943-1952

| *Year* | *Amount* | *Per Share* |
|---|---|---|
| 1943 | $3,911,360.00 | $2.00 |
| 1944 | 3,950,912.00 | 2.00 |
| 1945 | 3,950,912.00 | 2.00 |
| 1946 | 3,950,912.00 | 2.00 |
| 1947 | 5,926,368.00 | 3.00 |
| 1948 | 6,420,232.00 | 3.25 |
| 1949 | 6,420,232.00 | 3.25 |
| 1950 | 6,420,232.00 | 3.25 |
| 1951 | 8,023,748.50 | 3.25 |
| 1952 | 7,776,372.75 | 3.00 |

### Working Capital

The Company's cash and U.S. Government securities' position decreased approximately $11,000,000 during 1952, however, this was to a great extent offset by an $8,600,000 reduction in current liabilities. The consolidated working capital (cash resources, receivables and inventories, minus current liabilities) was $31,793,324.13 at December 31, 1952, as compared with $34,132,716.27 at the end of the previous year. A summary of the changes during 1952 is shown below:

| | | |
|---|---|---|
| Working capital at beginning of 1952 | | $34,132,716.27 |
| Add—net income after all charges | | 9,638,455.33 |
| charges to income for depreciation, depletion and other reserves which did not affect working capital | | 1,723,609.94 |
| | | $45,494,781.54 |
| Less—dividends paid | $7,776,372.75 | |
| capital expenditures | 5,342,733.47 | |
| other items—net | 582,351.19 | 13,701,457.41 |
| Working Capital at December 31, 1952 | | $31,793,324.13 |



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**Construction and Expansion Program**

The expansion program originally designed to be completed over a ten year period and started in 1951, will be completed in three years in cooperation with the Government's desire to increase the facilities for the production of lead and zinc. About two-thirds of the estimated cost is covered by Certificates of Necessity which permit of accelerated depreciation over a five-year period.

The Balmat, New York zinc and the Hayden Creek, Missouri lead projects, as well as the new electrothermic zinc furnace at Josephtown, Pennsylvania, were completed in 1952, leaving the Indian Creek, Missouri and Herculaneum, Missouri lead projects still to be completed.

It is estimated that capital expenditures required to complete this program, and for other 1953 additions to plant and equipment, will approximate $4,500,000.

Comparative capital expenditures since 1945 are shown in the table below:

COMPARATIVE CAPITAL EXPENDITURES

| *Year* | *Lead Belt* | *Josephtown* | *Edwards-Balmat* | *Total* |
|---|---|---|---|---|
| 1945........ | $ 10,413.80 | $ 3,096.20 | $197,357.76 | $ 210,867.76 |
| 1946........ | 66,194.58 | 699,644.52 | 54,374.67 | 820,213.77 |
| 1947........ | 830,993.23 | 5,316,459.49 | 151,967.88 | 6,299,420.60 |
| 1948........ | 469,093.28 | 1,776,182.33 | 81,590.14 | 2,326,865.75 |
| 1949........ | 774,658.33 | 147,535.51 | 160,553.09 | 1,082,746.93 |
| 1950........ | 903,776.25 | 177,070.71 | 929,617.19 | *2,010,464.15 |
| 1951........ | 2,549,326.60 | 564,768.34 | 685,128.42 | *3,799,223.36 |
| 1952........ | 3,793,395.18 | 1,458,442.00 | 90,896.29 | *5,342,733.47 |

* Includes items capitalized by agreement with the Bureau of Internal Revenue applicable to prior years amounting to $635,491.24 in 1950, $559,919.67 in 1951 and $151,783.96 in 1952.

**Sales**

The decrease in sales in 1952 to approximately $105 million from $111 million, is due primarily to the decrease in the average price of lead to 16.04¢ per pound from 17.08¢, in the zinc price to 16.65¢ per pound from 18.48¢ and in the zinc oxide price to 15.39¢ per pound from 15.67¢.

From Company production, lead sales increased during 1952 from 97,308 tons to 98,848 tons, and the sales of zinc content in slab zinc and zinc oxide increased from 89,047 tons to 89,414 tons in 1952. Approximately 50% of the gross earnings came from zinc and 50% came from lead, in comparison with 57% and 43% respectively in 1951, and 53% and 47% respectively in 1950.

TEN-YEAR COMPARATIVE LEAD SALES AND STOCKS IN TONS

| *Year* | *Lead Sales St. Joe Production* | *Purchased Lead Sold* | *Total Lead Sales* | **Pig Lead Equivalent of Stock* |
|---|---|---|---|---|
| 1943........... | 157,659 | 45,242 | 202,901 | 23,716 |
| 1944........... | 155,806 | 46,799 | 202,605 | 16,683 |
| 1945........... | 139,934 | 48,483 | 188,417 | 25,824 |
| 1946........... | 131,664 | 33,872 | 165,536 | 10,048 |
| 1947........... | 108,440 | 53,438 | 161,878 | 11,546 |
| 1948........... | 77,011 | 48,488 | 125,499 | 16,483 |
| 1949........... | 90,653 | 63,276 | 153,929 | 30,125 |
| 1950........... | 127,803 | 84,347 | 212,150 | 11,850 |
| 1951........... | 97,308 | 50,597 | 147,905 | 16,031 |
| 1952........... | 98,848 | 61,777 | 160,625 | 17,063 |

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



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#### Southeast Missouri

Mines and mills in the Lead Belt operated without interruption during 1952. Ore and chat milled amounted to 7,102,098 tons, an increase from 6,641,833 tons in 1951, with a lead content, 90% basis, of 96,246 tons, a decrease from the 97,594 tons in the previous year. Costs were higher than in 1951 due to the increased cost of supplies and labor. New ore developed in 1952 once more slightly exceeded the tonnage of ore mined. Salaries and wages were increased 5% effective April 1, 1952. This increase, however, is approximately offset by the reduction in the lead bonus by reason of the drop in the price of lead from 19¢ to 14¾¢. For each 1¢ variation up or down in the New York price of lead, our Missouri employee earnings vary 25¢ per shift. It is believed that employee rates of pay in the Lead Belt compare favorably with those of other domestic mining companies.

At Herculaneum pig lead output increased to 66,168 tons from 45,198 tons in 1951, due to operating two blast furnaces over a longer period of time. Satisfactory progress was made on construction and improvement to increase the smelter's capacity to 100,000 tons of pig lead annually, effective January, 1954.

#### Edwards and Balmat

Production from this Division decreased to 63,470 tons of zinc concentrates in 1952 from 77,742 tons the previous year, as the properties were closed on July 1, 1952 by a strike called by the United Steelworkers, C.I.O. A satisfactory settlement was reached and production resumed on September 15, 1952. At Balmat the enlargement of the mill was completed during the year, raising the daily capacity of ore treated from 1,200 tons to 1,800 tons. The entire zinc production for the year of both mines was shipped to the Josephtown smelter.

#### Josephtown

Zinc content of the 1952 production at the Josephtown electrothermic smelter increased to 108,172 tons from 98,327 tons in 1951. This increase was primarily due to the completion early in the year of an additional electric furnace for slab zinc. Significant improvements were made in the designs of the metal furnaces and condensers, resulting in increased recoveries and lower costs. The earnings of employees at this Division, which include an incentive bonus based on tonnage produced and recovery of zinc, were maintained at levels comparing favorably to the increased rates granted to employees of the steel industry in the Pittsburgh District.

#### Oil Exploration

During the year, eighteen exploratory holes were drilled on relatively large blocks of acreage held jointly by St. Joe and associates. Sixteen of these test wells proved to be dry holes and were abandoned. One test well in Roosevelt County, Montana, on a 6,000-acre block, in which St. Joe holds 50% interest, encountered a showing of oil at 6,400 feet, and this test was completed as a productive well, but the well is temporarily shut in pending results of a geophysical study which is now being made of the area. In Crockett County, Texas, on a 4,542-acre block, in which St. Joe likewise has a 50% interest, a showing of wet gas was obtained, and this area is also being resurveyed.

Further drilling will be done in the Montana area during the coming year, and possibly on the Crockett County block.

#### Foreign Exploration

Exploration was carried on, on the Amax and Aurora Concession areas at Beaverlodge Lake, Saskatchewan, until December 1952. Although several narrow uranium ore intersections were found by the drilling program, it was not believed that these discoveries would offer the basis for establishing an operation that would be of interest to us. Accordingly, options on these properties have been surrendered.

Interest has been aroused by the discovery of a large sulphide ore-body containing lead, zinc and



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copper, by the Brunswick Mining & Smelting Company in the area south of Bathurst, New Brunswick. Leadridge Mining Company Limited, a wholly-owned Canadian subsidiary, has obtained a 40% interest in one group of claims in this general area, and a 90% interest in two other large claims groups. Investigation work on these claims will be carried on during the current year.

Your company has been active in the past year in investigating opportunities for the acquisition of properties which, it is hoped, might represent substantial reserves. Such investigations have been carried on alone and with associated groups, both in Canada and elsewhere, and this policy will be continued. Particular attention has been given to deposits of non-ferrous base metals.

**Compania Minera Aguilar, S.A. and Associated Companies**

In an attempt to halt the inflationary spiral which has plagued Argentina for several years past, the Central Bank imposed drastic credit restrictions shortly after mid-year. Two successive years of drought contributed materially to the economic plight of the country. The result was that by September, a depression was definitely in progress.

No satisfactory arrangement could be worked out for obtaining sufficient foreign exchange to rehabilitate the underground and milling equipment, although the acquisition of a new diesel engine and generator alleviated the critical situation in regard to power.

In 1952, the Aguilar mill treated 200,734 metric tons of ore and produced 23,064 metric tons of lead concentrates and 30,366 metric tons of zinc concentrates. The comparative figures for 1951 were 199,904 metric tons, 26,219 metric tons and 30,704 metric tons, respectively. There was a considerable increase in stocks of lead concentrates by the end of the year.

Since it continues to be difficult to determine the U.S. dollar value of the Argentine peso, due to the existing multiple exchange rates, the financial statements are again being submitted in pesos. Because of existing conditions, it was again deemed necessary to set aside a special reserve for replacement and rehabilitation of fixed assets totaling 12,758,164.29 pesos which is the same as in 1951.

Net earnings after deducting the special reserves, Argentine income and excess profits taxes of 20,300,000.00 pesos, and all charges with the exception of depletion, amounted to 19,265,733.28 pesos, in comparison with 17,460,624.54 pesos in 1951. Due to continuing large ore reserves, no deduction for depletion was made from 1952 earnings.

During the year 1952, St. Joseph Lead Company with pesos received from Compania Minera Aguilar, S.A., purchased at par, an additional 600 shares of the latter's investment in Sulfacid, S.A., and an additional 400 shares of Compania Metalurgica Austral, with the result that St. Joseph Company at December 31, 1952, owned 28.6% and 40.5% respectively of the capital stock of these companies. At the end of the year, St. Joseph Lead Company and Cia. Minera Aguilar, S.A. owned a total of 50% of Sulfacid, S.A. and 42.5% of Cia. Metalurgica Austral.

The Sulfacid and Austral companies experienced difficulties in selling their products during the last four months of the year, particularly the latter company. Production figures for Sulfacid were 25,118 metric tons of 98% sulphuric acid in 1952, and 27,614 metric tons in 1951. For Austral, the comparison is 7,835 metric tons of slab zinc produced in 1952, and 4,780 metric tons in 1951. The earnings for both associated companies will be nominal for the year in question.

The over-all excellent harvest for 1952-53, which will greatly improve Argentina's ability to earn foreign exchange, gives some hope of a general business improvement toward the middle of 1953.



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**Stockholders**

The number of St. Joseph Lead Company stockholders of record on December 31 of each year since 1943, 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* |
|---|---|---|---|---|---|
| 1943............ | 7,530 | 1,848 | 2,758 | 1,634 | 1,290 |
| 1944............ | 7,432 | 1,812 | 2,797 | 1,586 | 1,237 |
| 1945............ | 7,434 | 1,756 | 2,772 | 1,639 | 1,267 |
| 1946............ | 7,581 | 1,778 | 2,865 | 1,641 | 1,297 |
| 1947............ | 7,885 | 1,834 | 3,021 | 1,735 | 1,295 |
| 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 |

**Conclusion**

We desire to again express appreciation for the loyalty of St. Joe employees and the continued support of our stockholders.

CLINTON H. CRANE
*Chairman*

ANDREW FLETCHER
*President*

New York, March 16, 1953



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## *Summaries of Consolidated Net Income*

*For the Years Ended December 31, 1952 and 1951*

| | | *1952* | | *1951* |
|---|---|---|---|---|
| NET SALES | | $105,211,886.27 | | $110,834,083.13 |
| COST OF SALES (exclusive of depreciation and depletion) | | 85,855,464.48 | | 81,179,560.78 |
| GROSS PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION | | $ 19,356,421.79 | | $ 29,654,522.35 |
| Deduct: | | | | |
| Selling. general and administrative expenses | $1,584,015.89 | | $ 1,506,335.54 | |
| Exploration: | | | | |
| New mine examination and development expenses (1951 formerly in cost of sales) | 985,984.20 | | 666,555.38 | |
| Oil and natural gas expenses | 1,298,810.38 | | — | |
| Past service annuities (Note 5) | 195,550.35 | 4,064,360.82 | 612,854.52 | 2,785,745.44 |
| NET PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION | | $ 15,292,060.97 | | $ 26,868,776.91 |
| OTHER INCOME: | | | | |
| Dividends: | | | | |
| The New Jersey Zinc Company | $ 585,000.00 | | $ 585,000.00 | |
| Mine La Motte Corporation (Note 3) | 360,000.00 | | 360,000.00 | |
| Compania Minera Aguilar, S. A. (Note 2) | 69,874.09 | | 69,573.70 | |
| Other dividends, interest, etc. less charges | 493,327.45 | | 423,257.65 | |
| Items previously expensed, capitalized by agreement with the Bureau of Internal Revenue | 151,783.96 | $ 1,659,985.50 | 559,919.67 | 1,997,751.02 |
| | | $ 16,952,046.47 | | $ 28,866,527.93 |
| PROVISION FOR: | | | | |
| Depreciation (including amortization of emergency facilities — 1952, $270,479.52; 1951, $22,147.48) | $1,485,121.86 | | $ 1,326,432.99 | |
| Depletion | 160,575.54 | 1,645,697.40 | 143,041.15 | 1,469,474.14 |
| | | $ 15,306,349.07 | | $ 27,397,053.79 |
| PROVISION FOR TAXES ON INCOME: | | | | |
| Federal normal tax and surtax | $5,433,201.68 | | $ 10,321,918.14 | |
| Federal excess profits tax | 152,059.67 | | 3,132,420.84 | |
| State income taxes | 82,632.39 | 5,667,893.74 | 365,478.16 | 13,819,817.14 |
| NET INCOME FOR THE YEAR | | $ 9,638,455.33 | | $ 13,577,236.65 |
| EARNED PER SHARE ON THE 2,716,222 SHARES OUTSTANDING December 31, 1952 | | $3.55 | | $5.00 |

## *Summaries of Consolidated Earned Surplus*

*For the Years Ended December 31, 1952 and 1951*

| | | *1952* | | *1951* |
|---|---|---|---|---|
| EARNED SURPLUS AT BEGINNING OF THE YEAR | | $ 24,924,063.96 | | $ 19,370,575.81 |
| ADD—NET INCOME FOR THE YEAR | | 9,638,455.33 | | 13,577,236.65 |
| TOTAL | | $ 34,562,519.29 | | $ 32,947,812.46 |
| DEDUCT: | | | | |
| CASH DIVIDENDS PAID DURING THE YEAR | $7,776,372.75 | | $ 8,023,748.50 | |
| STOCK DIVIDEND PAID DURING THE YEAR | 9,382,291.20 | 17,158,663.95 | — | 8,023,748.50 |
| EARNED SURPLUS AT END OF THE YEAR | | $ 17,403,855.34 | | $ 24,924,063.96 |

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



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## *Consolidated Balance Sheets, December 31, 1952 and 1951*

### ASSETS

| | *December 31, 1952* | | *December 31, 1951* | |
|---|---|---|---|---|
| **Current and Working Assets:** | | | | |
| Cash | $ 5,434,401.71 | | $ 8,517,057.16 | |
| U. S. Government securities | 21,880,000.00 | | 30,000,000.00 | |
| Accounts receivable—trade | 6,092,035.09 | | 7,273,305.64 | |
| U. S. Government—claims for income tax refunds | 264,392.53 | | 38,104.44 | |
| Other accounts receivable | 539,162.34 | | 786,737.15 | |
| Inventories (valuation not in excess of market)—(Note 1): | | | | |
| Finished lead, zinc, etc. | 2,923,848.35 | | 948,145.14 | |
| Lead, zinc, etc., in process and concentrates | 2,293,203.92 | | 2,562,265.74 | |
| Purchased lead and zinc concentrates, etc. | 422,163.06 | | 136,384.82 | |
| Materials and supplies (less reserve for slow-moving items—1952 and 1951, $127,585.91) | 5,144,058.25 | $44,993,265.25 | 5,656,058.83 | $55,918,058.92 |
| **Advances:** | | | | |
| Compania Minera Aguilar, S. A. | $ 181,600.26 | | $ 203,402.09 | |
| Sulfacid, S. A. Industrial | 636.16 | | 140,426.93 | |
| Compania Metalurgica Austral-Argentina, S. A. Commercial | 25,946.06 | 208,182.48 | 60,296.00 | 404,125.02 |
| **Investments:** | | | | |
| Compania Minera Aguilar, S. A. (at nominal valuation—99.9% owned, not consolidated)—(Note 2) | $ 1.00 | | $ 1.00 | |
| Mine La Motte Corporation (at nominal valuation—50% owned)—(Note 3) | 1.00 | | 1.00 | |
| The New Jersey Zinc Company (195,000 shares at cost, less non-taxable dividends—9.9% owned) | 11,161,854.60 | | 11,161,854.60 | |
| Sundry securities, loans, etc. (at cost, less reserve, $200,000.00) | 690,955.74 | 11,852,812.34 | 637,775.85 | 11,799,632.45 |
| **Capital Assets (Note 4):** | | | | |
| 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 | — |
| Appreciation arising from revaluation subsequent to March 1, 1913 | $ 3,500,000.00 | | $ 3,500,000.00 | |
| Less reserve for depletion | 3,500,000.00 | — | 3,500,000.00 | — |
| Additions subsequent to March 1, 1913 (at cost) | $21,482,188.50 | | $21,045,805.30 | |
| Less reserve for depletion | 18,742,086.43 | 2,740,102.07 | 18,581,510.89 | 2,464,294.41 |
| Shafts and underground equipment (at cost) | $ 7,204,720.49 | | $ 5,666,444.47 | |
| Less reserve for depreciation | 4,497,016.04 | 2,707,704.45 | 4,433,515.24 | 1,232,929.23 |
| Land, buildings, plant and equipment (at cost) | $33,935,293.83 | | $30,427,776.98 | |
| Less reserve for depreciation | 21,356,797.61 | 12,578,496.22 | 19,987,428.82 | 10,440,348.16 |
| Total capital assets, net | | $18,026,302.74 | | $14,137,571.80 |
| **Miscellaneous Assets** — U. S. Treasury, State and Municipal securities on deposit with Federal and State departments (at amortized cost) | | 827,895.03 | | 845,336.11 |
| **Deferred Charges:** | | | | |
| Oil and natural gas expenditures in suspense | $ 515,542.13 | | $ — | |
| Deferred past service annuities (Note 5) | 1,237,586.20 | | 1,433,136.55 | |
| Deferred exploration expenses | 640,482.30 | | 533,368.11 | |
| Other deferred charges | 85,677.67 | 2,479,288.30 | 132,236.74 | 2,098,741.40 |
| **Total** | | $78,387,746.14 | | $85,203,465.70 |

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



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## *Consolidated Balance Sheets, December 31, 1952 and 1951*

**LIABILITIES**

| | *December 31, 1952* | | *December 31, 1951* | |
|---|---|---|---|---|
| **CURRENT LIABILITIES:** | | | | |
| Accounts payable | $ 5,887,345.17 | | $ 5,722,151.24 | |
| Wages payable | 494,393.20 | | 326,088.29 | |
| Accrued taxes: | | | | |
| Federal income and excess profits (Note 6) | 6,421,919.70 | | 15,022,892.64 | |
| Other | 396,283.05 | $13,199,941.12 | 714,210.48 | $21,785,342.65 |
| **DEFERRED INCOME FROM SERVICES, ETC.—COMPANIA MINERA AGUILAR, S. A.** | | 265,803.76 | | 265,477.35 |
| **RESERVES:** | | | | |
| Injury claims and workmen's liability insurance | $ 471,161.57 | | $ 475,250.20 | |
| Employees' life insurance and retirement | 389,021.82 | | 387,381.01 | |
| Excess cost of replacing inventories | 56,242.33 | 916,425.72 | 146,521.53 | 1,009,152.74 |
| **CAPITAL STOCK AND SURPLUS:** | | | | |
| CAPITAL STOCK: | | | | |
| Authorized December 31, 1952, 5,000,000 shares; December 31, 1951, 2,500,000 shares—$10.00 each | $50,000,000.00 | | $25,000,000.00 | |
| Issued December 31, 1952, 2,737,636.85 shares; December 31, 1951, 2,490,704.85 shares | $27,376,368.50 | | $24,907,048.50 | |
| Less in treasury December 31, 1952, 21,413.95 shares; December 31, 1951, 21,384.35 shares | 214,139.50 | | 213,843.50 | |
| Outstanding December 31, 1952, 2,716,222.9 shares; December 31, 1951, 2,469,320.5 shares | | 27,162,229.00 | | 24,693,205.00 |
| SURPLUS: | | | | |
| Earned | $17,403,855.34 | | $24,924,063.96 | |
| Capital | 18,156,491.20 | | 11,243,224.00 | |
| Reserves: | | | | |
| Deferred prospecting, development, and exploration | 483,000.00 | | 483,000.00 | |
| Contingencies | 800,000.00 | 36,843,346.54 | 800,000.00 | 37,450,287.96 |
| Total Capital Stock and Surplus | | $64,005,575.54 | | $62,143,492.96 |
| **TOTAL** | | $78,387,746.14 | | $85,203,465.70 |

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. Reference is made to the text of this report relative to the transfer of funds from Argentina. It is the practice of the Company to record dividends received or receivable from Compania Minera Aguilar, S. A. as they are converted into U. S. dollars, of which pesos 991,728.71 (U. S. $69,874.09) was so converted in 1952. Accordingly, the financial statements of St. Joseph Lead Company and domestic subsidiaries do not include dividends of Compania Minera Aguilar, S. A. not so converted as follows:

| | *Argentine paper pesos* | |
|---|---|---|
| | *December 31* | |
| | *1952* | *1951* |
| In bank in Argentina | 983,749.00 | 983,749.00 |
| Invested: | | |
| Compania Metalurgica Austral-Argentina, S. A. Commercial: Bonds | 3,000,000.00 | 4,000,000.00 |
| Capital stock (1952, 40.5% owned; 1951, 38.5% owned) | 8,100,000.00 | 7,700,000.00 |
| Sulfacid, S. A. Industrial – Capital stock (1952, 28.6% owned; 1951, 26.5% owned) | 8,240,000.00 | 7,640,000.00 |
| Due from Compania Minera Aguilar, S. A. – Dividends declared not paid | 15,509,721.04 | 935,908.23 |
| Total | 35,833,470.04 | 21,259,657.23 |

Financial statements of Compania Minera Aguilar, S. A. are included herein on pages 14-16.

3. The Company's equity in the net assets of Mine La Motte Corporation, as shown by audited financial statements, was $398,876.52 and $404,322.65 at December 31, 1952 and 1951, respectively. The dividends received from Mine La Motte Corporation in each of the years 1952 and 1951 ($360,000) exceeded the Company's equity in the net income of those respective years by $5,446.14 and $52,826.58.

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 has a Retirement Plan for Salaried Employees and a Pension Plan for Payroll Employees, both of which are non-contributory. All past service costs have been funded. Current annual costs of both plans aggregated approximately $462,000 a year in 1952 and 1951. It is the practice of the Company to defer past service annuity cost payments in amounts equivalent to the estimated future tax reductions resulting therefrom.

6. The Federal income and excess profits tax returns of St. Joseph Lead Company and domestic subsidiaries have been examined by the Bureau of Internal Revenue through the year ended December 31, 1943 and all assessments and adjustments have been settled. Examination of returns filed for the years 1944 to 1951, inclusive, is now in progress, and in connection therewith, certain tentative adjustments have been accepted and are reflected in the financial statements.

7. Reference is made to the text of this report relative to the companies' plant expansion program.



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**HASKINS & SELLS**

CERTIFIED PUBLIC ACCOUNTANTS

250 PARK AVENUE
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 domestic subsidiaries as of December 31, 1952 and the related summaries of consolidated net 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 summaries of consolidated net income and earned surplus, with the notes to financial statements, present fairly the financial position of St. Joseph Lead Company and its domestic subsidiaries at December 31, 1952 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

New York,
February 28, 1953



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## *Balance Sheets, December 31, 1952 and 1951*

**ASSETS**

| | *December 31, 1952* *Argentine paper pesos (Note 1)* | | *December 31, 1951* *Argentine paper pesos (Note 1)* | |
|---|---|---|---|---|
| CURRENT AND WORKING ASSETS: | | | | |
| Cash | 10,298,730.58 | | 20,632,234.20 | |
| Marketable securities—at lower of cost or market quotation value: | | | | |
| Argentine Government | 7,608,653.84 | | 7,624,220.09 | |
| Other | 6,628,590.24 | | 8,670,666.06 | |
| Accounts receivable—trade (1952, less reserve 2,281,800.00) | 12,990,698.40 | | 4,703,177.15 | |
| Due from partly-owned company—trade | 22,233,526.95 | | 12,508,310.26 | |
| Other accounts receivable, etc. | 1,746,404.84 | | 1,672,421.88 | |
| Inventories: | | | | |
| Lead and zinc concentrates (at average cost, exclusive of depreciation and depletion—valuation not in excess of market) | 26,373,052.96 | | 10,480,841.30 | |
| Silver, at estimated value | — | | 1,581,291.00 | |
| Materials and supplies (at average cost or less) | 20,573,156.32 | 108,452,814.13 | 15,479,572.18 | 83,352,734.12 |
| INVESTMENTS (Note 2): | | | | |
| Sulfacid, S. A. Industrial (at cost — 1952, 21.4% owned; 1951, 23.5% owned) | 6,157,000.00 | | 6,757,000.00 | |
| Compania Metalurgica Austral-Argentina, S. A. Commercial (at cost—1952, 2% owned; 1951, 4% owned) | 396,000.00 | 6,553,000.00 | 797,000.00 | 7,554,000.00 |
| CAPITAL ASSETS (Notes 3 and 4): | | | | |
| Ore reserves and mineral rights: | | | | |
| Cost, including exploration and development prior to the commencement of operations | 4,384,038.36 | | 4,384,038.36 | |
| Less reserve for depletion | 3,502,940.87 | 881,097.49 | 3,502,940.87 | 881,097.49 |
| Appreciation arising from valuation in 1935 | 49,446,736.14 | | 49,446,736.14 | |
| Less reserve for depletion | 39,700,779.13 | 9,745,957.01 | 39,700,779.13 | 9,745,957.01 |
| Total ore reserves and mineral rights, net | | 10,627,054.50 | | 10,627,054.50 |
| Land, buildings, plant and equipment (at cost) | 25,073,007.72 | | 18,659,764.73 | |
| Less reserve for depletion | 11,897,324.97 | 13,175,682.75 | 10,714,607.53 | 7,945,157.20 |
| Total capital assets, net | | 23,802,737.25 | | 18,572,211.70 |
| DEFERRED CHARGES | | 3,629,057.21 | | 63,927.39 |
| TOTAL | | 142,437,608.59 | | 109,542,873.21 |

NOTES:

(1) The financial statements have been prepared in Argentine paper pesos instead of U. S. dollars because of current exchange restrictions. At December 31, 1952 and 1951, the quoted free rate of exchange for a peso was approximately 7 cents. Reference is made to the text of this report relative to the transfer of funds from Argentina.

(2) The Company was contingently liable at December 31, 1952 and 1951 for subscriptions to additional shares of capital stocks amounting to pesos 900,000.

(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.



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## *Balance Sheets, December 31, 1952 and 1951*

**LIABILITIES**

| | *December 31, 1952 Argentine paper pesos (Note 1)* | | *December 31, 1951 Argentine paper pesos (Note 1)* | |
|---|---|---|---|---|
| CURRENT LIABILITIES: | | | | |
| Accounts payable—trade | 701,719.90 | | 726,896.01 | |
| Due to St. Joseph Lead Company (including dividends payable—1952, 15,509,721.04; 1951, 935,908.23) | 17,989,464.03 | | 3,730,333.77 | |
| Due to partly-owned company | 8,070,394.96 | | 5,108,436.51 | |
| Wages payable | 1,869,825.14 | | 1,214,377.99 | |
| Accrued Argentine income and other taxes | 18,509,617.63 | | 21,772,695.33 | |
| Other accounts payable | 1,419,762.12 | 48,560,783.78 | 287,889.89 | 32,840,629.50 |
| DEFERRED CREDITS: | | | | |
| Deferred sales, etc. | | 120,561.56 | | 16,332.04 |
| RESERVES: | | | | |
| Replacement and rehabilitation of capital assets (Note 4) | 25,516,328.58 | | 12,758,164.29 | |
| Employees' compensation under Argentine social laws | 3,128,371.24 | | 2,233,332.37 | |
| Accidents | 820,410.87 | | 459,988.17 | |
| Other expenses | 1,075,013.20 | 30,540,123.89 | 776,520.76 | 16,228,005.59 |
| CAPITAL STOCK AND SURPLUS: | | | | |
| CAPITAL STOCK: | | | | |
| Authorized and issued—500,000 shares of a nominal value of 80 Argentine paper pesos each | 40,000,000.00 | | 40,000,000.00 | |
| Less in treasury, 35,000 shares | 2,800,000.00 | | 2,800,000.00 | |
| Outstanding 465,000 shares | | 37,200,000.00 | | 37,200,000.00 |
| SURPLUS: | | | | |
| Capital surplus arising from 1935 valuation of ore reserves (remainder after transfer of pesos 48,000,000.00 to stated value of capital stock) | | 1,446,736.14 | | 1,446,736.14 |
| Earned surplus: | | | | |
| Appropriated: | | | | |
| For acquisition of capital stock held in treasury | 2,800,000.00 | | 2,800,000.00 | |
| Statutory reserve | 958,757.57 | | 607,595.08 | |
| Unappropriated (after charging deficits aggregating pesos 6,395,000.00 against capital surplus arising from reduction in stated value of capital stock—Note 5) | 20,810,645.65 | 24,569,403.22 | 18,403,574.86 | 21,811,169.94 |
| Total Capital Stock and Surplus | | 63,216,139.36 | | 60,457,906.08 |
| TOTAL | | 142,437,608.59 | | 109,542,873.21 |

NOTES CONTINUED:

(4) Ore reserves have been estimated by the directors to exceed appreciably those indicated by former surveys and for this reason no provision for depletion was made during the years 1952 and 1951. Had depletion been provided for these years on the same basis as formerly, the amount would have been approximately pesos 3,000,000 in each year. Special appropriations have been made out of income for each of the years 1952 and 1951 of pesos 12,758,164.29 for the replacement and rehabilitation of capital assets.

(5) The net profit since beginning operations, pesos 59,605,903.22 (earned surplus at December 31, 1952, pesos 24,569,403.22 plus dividends declared pesos 41,431,500.00 and less aggregate deficits transferred to capital surplus pesos 6,395,000.00) represents aggregate net profits of pesos 99,306,682.35 (after deducting depletion computed on cost and special appropriations for replacement and rehabilitation of capital assets) against which has been charged depletion computed on appreciation aggregating pesos 39,700,779.13.



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## *Summaries of Net Income*

*For the Years Ended December 31, 1952 and 1951*

| | | 1952 Argentine paper pesos (Note 1) | | 1951 Argentine paper pesos (Note 1) |
|---|---|---|---|---|
| NET SALES (including in 1951, sales to St. Joseph Lead Company 4,174,244.19) | | 87,352,444.69 | | 81,531,456.27 |
| COST OF SALES (exclusive of depreciation and depletion) | | 25,085,220.62 | | 23,647,713.55 |
| GROSS PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION | | 62,267,224.07 | | 57,883,742.72 |
| DEDUCT: | | | | |
| Selling, general and administrative expenses | 2,062,752.23 | | 1,519,350.57 | |
| Taxes, other than taxes on income | 3,669,397.13 | | 6,715,714.85 | |
| Provision for doubtful accounts receivable | 2,281,800.00 | 8,013,949.36 | — | 8,235,065.42 |
| NET PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION | | 54,253,274.71 | | 49,648,677.30 |
| INCOME CREDITS: | | | | |
| Interest (including interest from partly-owned companies—1952, 1,243,901.46; 1951, 356,545.37) | 1,475,718.46 | | 520,174.30 | |
| Other | 623,286.17 | 2,099,004.63 | 231,101.82 | 751,276.12 |
| | | 56,352,279.34 | | 50,399,953.42 |
| INCOME CHARGES: | | | | |
| Adjustment of book value of marketable securities to lower of cost or market | 2,800,000.00 | | 500,000.00 | |
| Other | 43,475.53 | 2,843,475.53 | 44,554.22 | 544,554.22 |
| | | 53,508,803.81 | | 49,855,399.20 |
| PROVISION FOR DEPRECIATION (Note 2) | | 1,184,906.24 | | 857,098.88 |
| | | 52,323,897.57 | | 48,998,300.32 |
| PROVISION FOR ARGENTINE INCOME AND EXCESS PROFITS TAXES | | 20,300,000.00 | | 18,779,511.49 |
| NET INCOME FOR THE YEAR BEFORE SPECIAL APPROPRIATION FOR REPLACEMENT AND REHABILITATION OF CAPITAL ASSETS | | 32,023,897.57 | | 30,218,788.83 |
| SPECIAL APPROPRIATON FOR REPLACEMENT AND REHABILITATION OF CAPITAL ASSETS (Note 2) | | 12,758,164.29 | | 12,758,164.29 |
| NET INCOME FOR THE YEAR, LESS SPECIAL APPROPRIATION | | 19,265,733.28 | | 17,460,624.54 |

## *Summaries of Unappropriated Earned Surplus*

*For the Years Ended December 31, 1952 and 1951*

| | | 1952 Argentine paper pesos (Note 1) | | 1951 Argentine paper pesos (Note 1) |
|---|---|---|---|---|
| SURPLUS AT BEGINNING OF THE YEAR | | 18,403,574.86 | | 12,270,014.83 |
| ADD—NET INCOME FOR THE YEAR, LESS SPECIAL APPROPRIATION | | 19,265,733.28 | | 17,460,624.54 |
| TOTAL | | 37,669,308.14 | | 29,730,639.37 |
| DEDUCT: | | | | |
| Dividends declared or paid during the year | 16,507,500.00 | | 11,160,000.00 | |
| Appropriation to statutory reserve | 351,162.49 | 16,858,662.49 | 167,064.51 | 11,327,064.51 |
| SURPLUS AT END OF THE YEAR (after charging deficits aggregating pesos 6,395,000.00 against capital surplus) | | 20,810,645.65 | | 18,403,574.86 |

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.



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**HASKINS & SELLS**

CERTIFIED PUBLIC ACCOUNTANTS

250 PARK AVENUE
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, 1952 and the related summaries of net 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.

Ore reserves have been estimated by the directors to exceed appreciably those indicated by former surveys, and for this reason no provision for depletion was made during the years 1952 and 1951. Had depletion been provided for these years on the same basis as formerly the amount would have been approximately 3,000,000 Argentine paper pesos in each year, and net income for both years would have been correspondingly less.

A special appropriation of 12,758,164.29 Argentine paper pesos for replacement and rehabilitation of capital assets has been made out of income for the year. Officers of the Company explain that lack of dollar exchange has prevented acquisition of necessary equipment and supplies for adequate replacement and maintenance, with the result that related expense accounts and net income have not been burdened with amounts which otherwise would have been charged thereagainst. In our opinion accepted accounting principles require that charges for maintenance be made against income only in the year of expenditure or other definite determination, and that charges for major replacements be capitalized. A similar charge of 12,758,164.29 Argentine paper pesos was made against income for the preceding year.

In our opinion, except as described in the preceding paragraphs the accompanying balance sheet and summaries of net income and unappropriated earned surplus, with the footnotes thereon, present fairly the financial position of Compania Minera Aguilar, S. A. at December 31, 1952 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

New York,
February 28, 1953

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