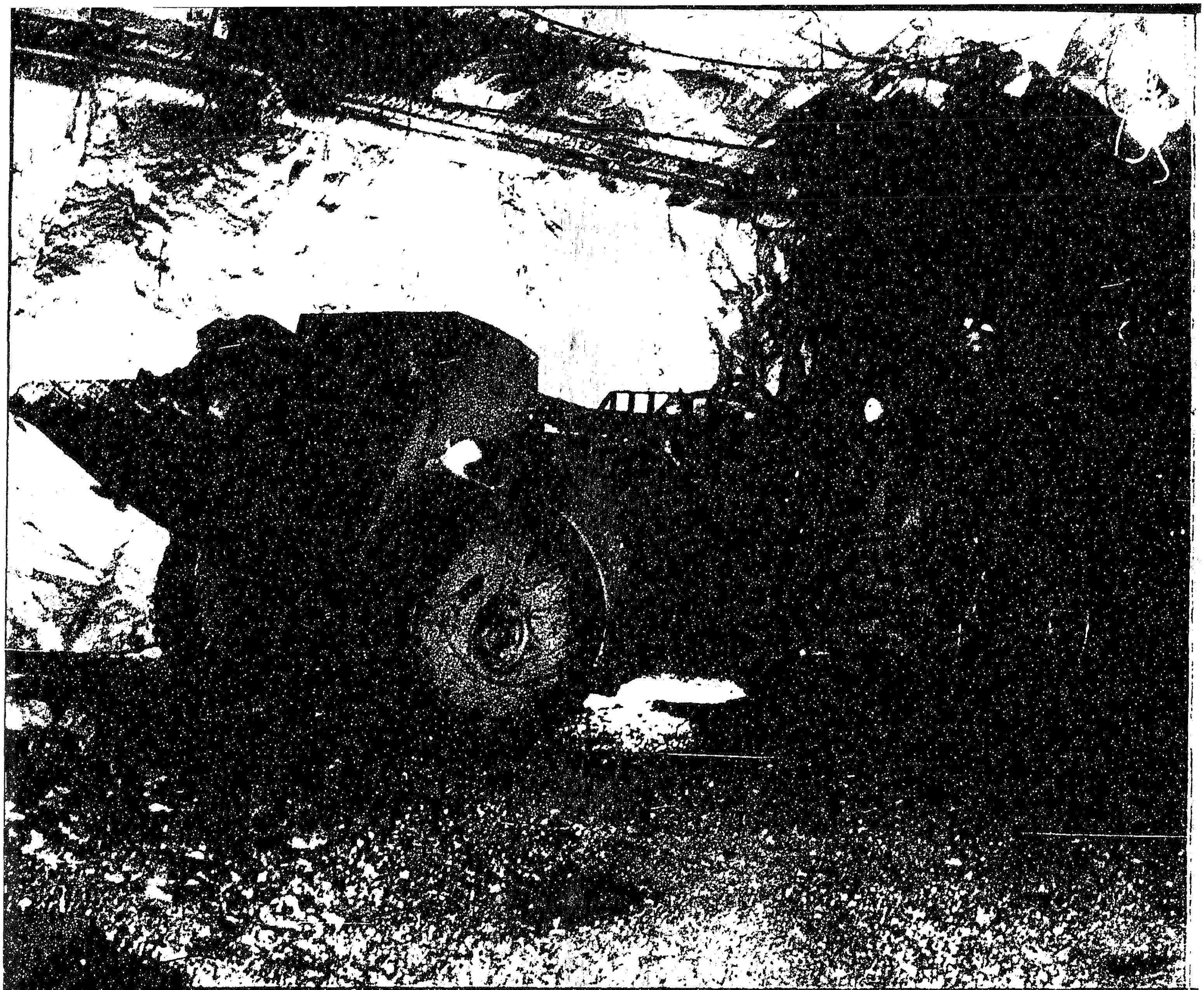
Annual report to the stockholders

ST. JOSEPH LEAD COMPANY

1962



Combination loader-hauler helps increase efficiency in underground mining operation at No. 27 Mine near Viburnum, Mo.

ANNUAL MEETING

The 1963 Annual Meeting of the Stockholders will be held Monday, May 13, at the Park Lane Hotel, 48th Street and Park Avenue, New York, at 11:00 a.m. All Stockholders are cordially invited to attend. If you are unable to attend, please vote by proxy. A proxy and proxy statement will be mailed to you on or about April 12, 1963.

Annual Report

To stockholders for the year ended December 31, 1962

St. Joseph Lead Company

ST. JOE

TRANSFER OFFICE
St. Joseph Lead Company, 250 Park Avenue, New York 17, N. Y.

REGISTRAR
First National City Trust Company, 22 William Street, New York 5, N. Y.

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General Counsel

DEBEVOISE, PLIMPTON, LYONS & GATES
320 Park Avenue
New York 22, N. Y.

Auditors

HASKINS & SELLS
Two Broadway
New York 4, N. Y.

St. Joseph Lead Company

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

EXECUTIVE OFFICE
250 Park Avenue, New York 17, N. Y.

BOARD OF TRUSTEES

		Year Elected
Andrew Fletcher	*Chairman*	1921
C. Merrill Chapin, Jr.	*Retired Vice President, St. Joseph Lead Company*	1933
George I. Brigden	*Retired Vice President, St. Joseph Lead Company*	1944
Francis Cameron	*President*	1953
Bernard F. Desloge	*Vice President, Minerva Oil Co., St. Louis, Missouri*	1953
Eli Whitney Debevoise	*Debevoise, Plimpton, Lyons & Gates, 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
Charles R. Ince	*Vice President—Sales*	1958
Joseph Pursglove, Jr.	*Vice President, Consolidation Coal Co., Pittsburgh, Pa.*	1959
Plato Malozemoff	*President, Newmont Mining Corporation*	1961
Guido F. Verbeck, Jr.	*Senior Vice President, Morgan Guaranty Trust Company of New York*	1961
Elmer A. Jones	*Division Manager, St. Joseph Lead Company*	1963

EXECUTIVE COMMITTEE

Andrew Fletcher, *Chairman*

George I. Brigden — Francis Cameron — Eli Whitney Debevoise

EXECUTIVE OFFICERS

Andrew Fletcher, *Chairman*

Francis Cameron, *President*
Charles R. Ince, *Vice President—Sales*
Robert H. Ramsey, *Vice President*
Lawrason Riggs III, *Vice President*
John R. Englehorn, *Assistant to the President*
James G. Colvin, *Treasurer*
Donold K. Lourie, *Secretary*
William L. Murphy, Jr., *Comptroller*
William J. Elliott, *Assistant Secretary*
Edward P. Merrell, *Assistant Treasurer*

Manager of Explorations

Norman H. Donald, Jr.

United States Division Managers

Mines

Elmer A. Jones, Southeast Missouri
Marshall G. Jones, Edwards-Balmat, N. Y.

Smelters

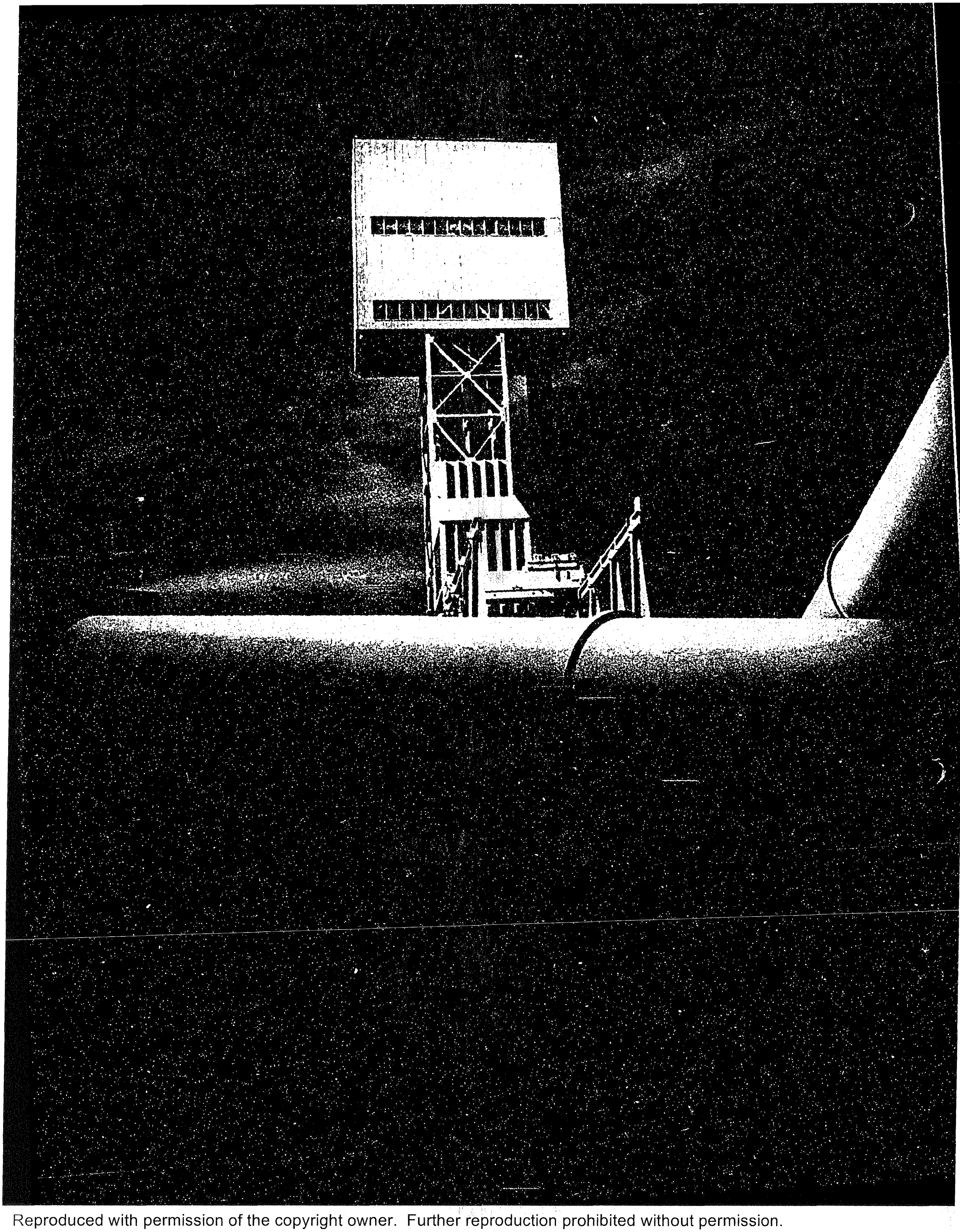
John W. Sherman, Herculaneum, Missouri
John G. Wehn, Josephtown, Pennsylvania

Cia. Minera Aguilar, S. A., Argentina

Wing L. Lew, *Managing Director*

Cia. Minerales Santander, Inc.

Francis Cameron, *President*



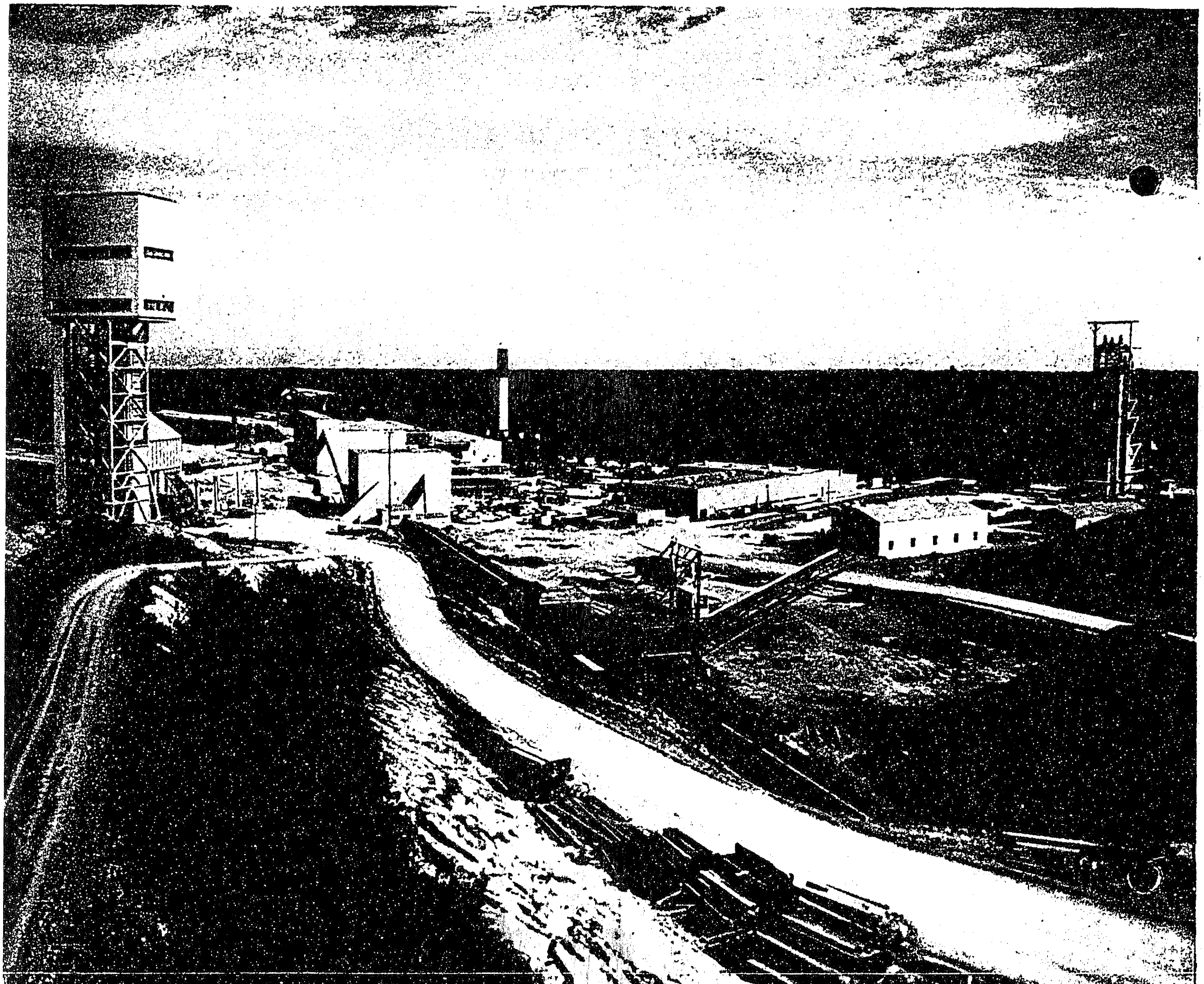
St. Joseph Lead Company

Years' Highlights

	1962	1961
Sales of metals, etc.	$67.667.063	$70,688,751
Federal income taxes	$506.502	$1,846,444
Net earnings, (after taxes) and special credit—1962	$4.319,873	$6.332,196
Dividends paid:		
Cash	$2,717.622	$2,717,247
Stock	10%	—
Shares of capital stock outstanding	2,989.382	2,717,322
Per share on capital stock:		
Taxes on income	$0.17	$0.62*
Net earnings (and special credit—1962, $0.51)	$1.44	$2.12*
Dividends	$1.00	$1.00
Current assets	$46.823.524	$54,787.270
Current liabilities	$ 8,753.333	$11.276.912
Net current assets	$38,070.191	$43.510,358
Ratio of current assets to current liabilities	5.35 to 1	4.86 to 1
Long-term debt	$21.802.383	$23,092,857
Cash	$4.269.022	$2.934,495
Short-term marketable securities	$21,773,537	$22,278,696
Capital expenditures	$3.146.917	$2,431.188
Number of employees	3,703	3,871
Number of stockholders	8,986	9,740
Stockholders' investment in the business:		
Total	$84.578.892	$82.967.539
Per share	$28.29	$27.75*

* *Adjusted to reflect 10% stock dividend paid December 21, 1962.*

Headframe of ore-hoisting shaft at Pea Ridge, Mo., iron ore project of Meramec Mining Company. Structure at top of headframe contains the most modern ore hoists in America. Tubes crossing photograph are housing for ore conveyors, about 9 ft. in diameter.



Progress at iron ore project of Meramec Mining Company includes completion of ore hoisting shaft (left) and men and materials shaft (right). Between headframes are: Secondary crushing plant and mill building (left); pelletizing furnaces and stack (near center); stacker for crushed ore storage (foreground); warehouse and shops (center background). Project should enter production late in 1963, eventually reaching 2,000,000 tons of high grade pellets annually.

March 22, 1963

To the stockholders:

EARNINGS

Net earnings in 1962, together with special credit, were $4,319,873 equaling $1.44 per share on 2,989,-382 shares outstanding December 31, 1962, which reflects the 10% stock dividend paid December 21, 1962. Earnings for the year 1961 were $6,332,196 and equaled $2.33 on 2,717,322 shares outstanding as of December 31, 1961, or $2.12 on the new number of shares. The decline in earnings was principally due to (1) a lead price that was approximately 12% lower than the previous year, (2) a strike called by the United Steelworkers of America which on July 27, closed down all Southeast Missouri lead operations, (3) a non-recurring profit in 1961 from the sale of the Company's investment in the Brunswick Mining and Smelting Corporation Limited. Partially offsetting the above was an increase in dividend income from foreign investments and a specal credit from the settlement of the Company's income tax returns for the years 1949 through 1959 which resulted in capitalization of certain items previously expensed, tax adjustments, etc.

Charges Against Income

In 1962, $176,297 in shaft sinking and development expenditures at the Company's Viburnum lead-zinc project were charged against current earnings as were similar expenditures of $2,115,297 at Meramec Mining Company iron ore project in which the Company has a 50-50% ownership with the Bethlehem Steel Company. The total charges against earnings of $2,291,594 compares with a total of $2,162,627 in 1961. Since 1956, the total Viburnum charges after eliminating disallowances by the Internal Revenue Service amounted to $4,-039,113. Since 1957, St. Joe's share of the Meramec charge-offs with similar disallowances being eliminated total $5,937,089.

It is now estimated that the cost of mine development at the Meramec project in 1963, prior to the commencement of production, will amount to approximately $6,000,000—of which sum the Company's share will be one-half or about $3,000,000. It is also expected that about $500,000 will be spent in sinking and developing the new No. 29 shaft at Viburnum this year.

As similar expenditures for new mines and facilities can be expected in future years, the Trustees and the Company's auditors have approved the following change in accounting for such expenditures. The Company, as in the past, will continue to deduct these expenditures for Federal income tax purposes. However, commencing January 1, 1963, the Company will adopt the practice of a number of other mining companies and, for financial accounting purposes, capitalize shaft sinking and development expenditures on new ventures, including the Meramec and Viburnum projects, reduced by amounts equal to the current tax reductions. The excess of such expenditures over the amounts so capitalized will be charged against current earnings.

METAL MARKETS

Domestic demand for lead and zinc was satisfactory during 1962 with consumption up 6% and 10% respectively, over 1961. U. S. consumption of zinc in 1962 was the second highest in the history of the industry, only surpassed by the peak year of 1955. Unfortunately foreign production again exceeded demand and therefore world prices did not reflect the improved domestic situation. The lead price started the year at 10.25¢ and ended it at 10¢, while zinc declined from 12¢ to 11.5¢ at the year's end. However, on the yearly average zinc fared better than lead, rising to 11.625¢ as compared to 11.542¢ the previous year, while lead declined from 10.871¢ to 9.631¢.

The action of the lead market was particularly disappointing as demand both here and abroad justified higher price levels. Free World stocks were reduced by 90,000 metric tons but, nevertheless, the London Metal Exchange declined to a post World War II low of £50 per ton in August. The lack of constructive action by the United Nations Lead and Zinc Study Group in attaining any voluntary curtailment of production and the threat of liquidation of U. S. Government stockpiles, were primarily responsible for the unfavorable prices of the world market, and inadequate tariff and quota protection precluded an improvement in the U. S. price structure. Zinc prices likewise were affected and the decline to a low of £63 per ton reflected over-production abroad which resulted in a reported increase in foreign metal stocks of 30,000 metric tons.

STOCKPILING

During 1962 much public attention was focused on the Federal Government's stockpile of strategic materials and metals. Your Company's principal interest of course is in the stockpiles of lead and zinc metal, whether or not they are now in surplus, and whether or not and by what means such surplus stocks should be reduced.

No quarrel has been raised with the concept that stockpiles of certain basic raw materials such as lead and zinc are in the national interest. The only question has been as to the tonnage deemed desirable to protect the industrial security of the United States in the event that foreign and domestic sources of these materials are cut off or eliminated.

Defining precise limits beyond which further accumulation becomes surplus leads to endless argument. The following facts appear pertinent:

1. The Government stocks of lead and zinc, now regarded by some as surplus, were acquired at the request of Congress by purchase in the open market without offering special incentives and without preferences being given to any particular supplier.
2. It is unquestionably expensive to the Government to store and supervise these stocks, although lead and zinc metal do not deteriorate in storage.
3. In a nuclear conflict, foreign sources of metals would suddenly become unavailable, and domestic smelters might very well be greatly hampered, if not actually destroyed. The stockpiles would then become, if anything, too small rather than too large, in view of the nation's complete dependence on them to supply metal requirements for reconstruction.
4. Even if it were decided to dispose of stockpiles regarded as surplus, it is virtually impossible to do this without severely injuring both domestic and foreign producers of these metals. This is a fact which was demonstrated when Great Britain and other countries disposed of much smaller metal stocks in recent years.

Finally, appropriate size and possible disposal of stockpiles are complicated problems deserving much greater study than they have hitherto been given, and in no case should the authority over them be transferred from the hands of Congress where it is now and where it belongs.

SALES

(excluding purchased lead and zinc)

St. Joe's lead sales in 1962 amount to 112,990 tons, in comparison with 108,431 for the previous year. The 1962 zinc sales totaled 113,035 tons as compared with 153,494 for the year 1961. Because of the strike at all Southeast Missouri mines the supply of lead concentrates for the Herculaneum smelter was materially reduced and only 77,156 tons of pig lead were produced during the year. As a result, there was a decrease in lead inventories amounting to 35.834 tons for the year.

PERCENTAGE OF GROSS EARNINGS

In 1962 approximately 94% of the gross earnings of the Company came from zinc and 6% from lead as compared to 74% for zinc and 26% for lead in 1961. The low earnings from lead operations were the direct result of the lower lead selling price and of a strike by employees which forced the suspension of all lead mining operations in Missouri from July 27 through the balance of the year.

DIVIDEND INCOME

The Company's income from foreign and domestic dividends was $3.588.027, in comparison with $1,634.422 in 1961. Included in 1962 was an interim dividend of $1.094,001 paid out of current earnings of a foreign subsidiary. This will affect the amount of dividend income on foreign investments that may be received in 1963.

Comparative Earnings

A statement of comparative earnings for the last ten years is as follows:

Year	Consolidated Net Earnings	After Federal Income Taxes of
1953	$ 6,300,342	$4,283,768
1954	7,523,503	4,545,190
1955	12,729,820	6,385,243
1956	10,291,357	5,194,085
1957	8,026,273	3,884,706
1958	3,986,880	699,564
1959	6,263,076	1,518,318
1960	2,972,068	326,930
1961	6,332,196	1,846,444
1962	4,319,873*	506,502

*Includes special credit, $1,532,241.

TAXES ON INCOME

The provision in 1962 for United States and foreign income taxes was $506.502, which is equivalent to 17¢ per share. This compares with a 1961 provision of $1,846.444, or 68¢ per share, which included a tax of $491.428 on the profit from the sale of the Company's investment in Brunswick Mining and Smelting Corporation Limited.

Following the successful termination of the Company's suit for a refund of federal income taxes for the year 1949. referred to in the 1961 report, the Company's income tax liabilities for the years 1949 through 1959 have been settled. The settlements involved a net refund of $670,668 of taxes for the years 1949 through 1954 and a tax deficiency of $1,496,949 for the years 1955 through 1959. The latter deficiency was brought about principally by the capitalization of items which had previously been treated as expenses; the disallowance of deductions for accelerated amortization of emergency facilities, which will result in increased depreciation deductions in later years; and the adjustment of depreciation allowances through lengthening of service lives of certain properties.

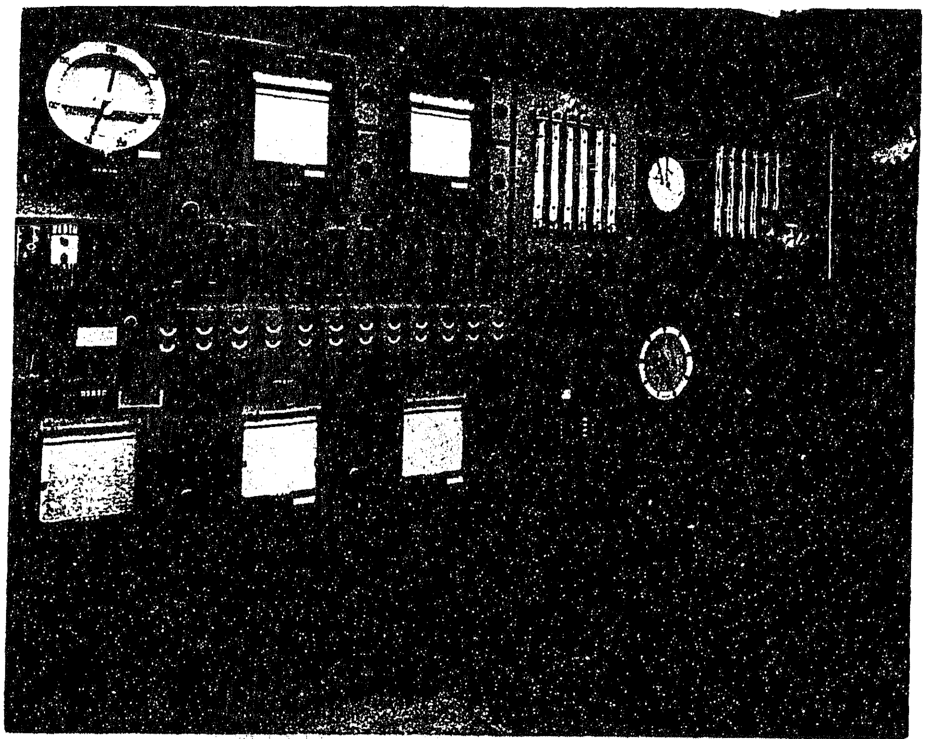
As a result of these settlements, and the related capitalization of items previously treated as expenses. a Special Credit of $1.532.241 was added to the Company's 1962 earnings.

LONG-TERM DEBT

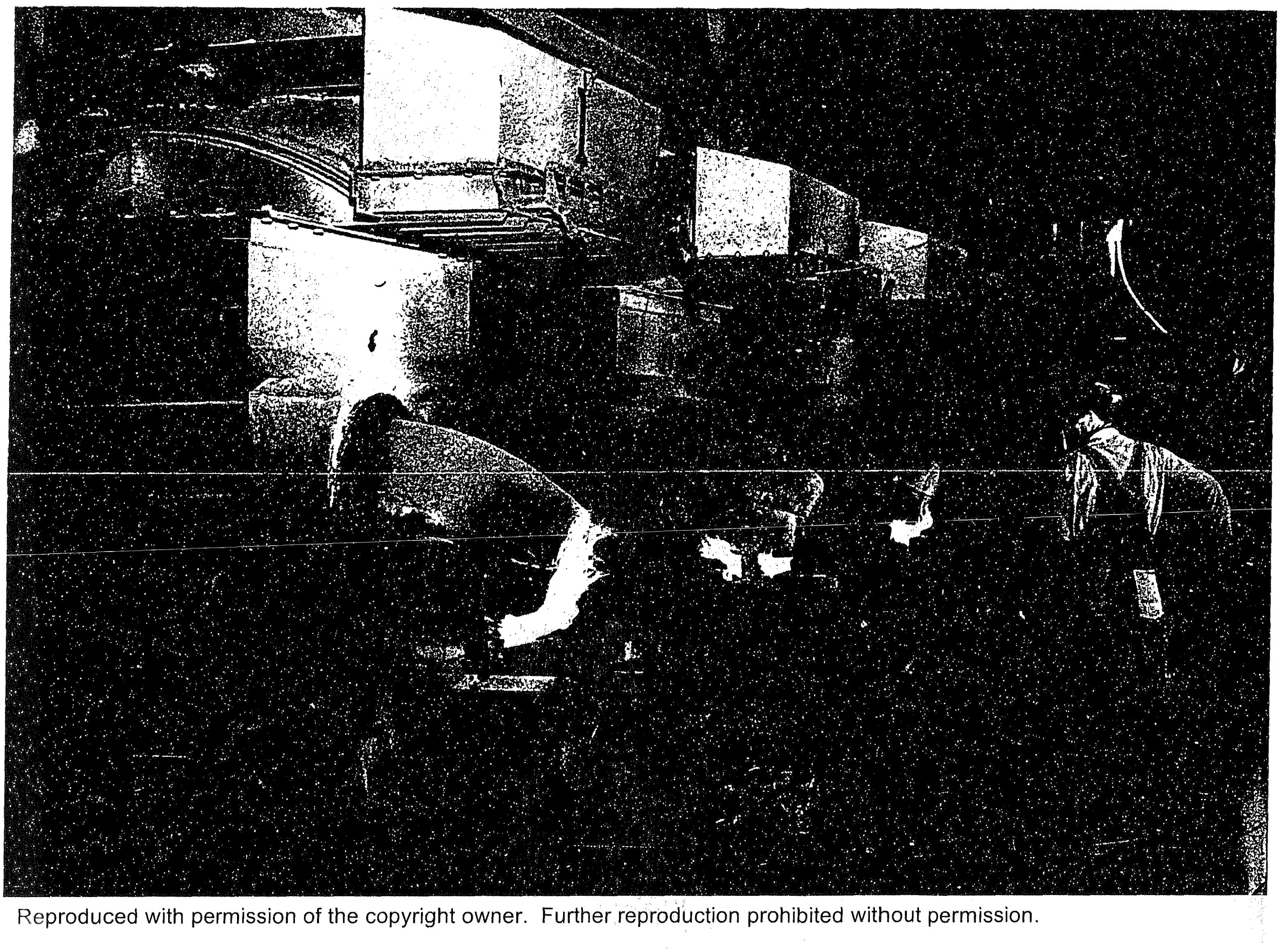
At December 31. 1962, the long-term debt was $21.802.381. in comparison with $23,092,857 as of December 31. 1961. Two semi-annual installments on the 3⅞% notes of $125.000 each were paid on July 1 and December 31. 1962, reducing liability on these notes to $5.525.000. The installment due July 1. 1963 is shown as a current liability and $5.100.000 due after one year, as a long-term debt.

Under the Company's Credit Agreement with its bankers, the Company has borrowed $7,000,000 at 4% and $13.000.000 at 4½%. repayable in semi-annual installments of $1,428.571 beginning Jan-

Control room in new bag house (dust collecting equipment) at Lead Smelter. Herculaneum, Mo., makes possible nearly automatic cleaning of 350,000 cu. ft. per min. of smelter gases from sinter plant and blast furnaces.



Although Missouri lead ore contains little silver. enough silver-bearing residues from zinc smelter at Josephtown are treated at Herculaneum to require refining in modernized equipment shown in operation here. These are retorts for distillation of impurities as one step in refining procedure which is conducted intermittently.



uary 15, 1962. The semi-annual installments due in 1962 were paid January 15 and July 15 reducing the liability to $17,142,857. Installments due January 15 and July 15, 1963 in the total amount of $2,857,-143 are included under current liabilities and the amount of $14,285,714 due after one year is shown as a long-term debt.

The Credit Agreement requires the maintenance of not less than $20,000,000 in working capital and restricts the declaring of cash dividends which, taken with aggregate dividends paid since December 31, 1957, would exceed the sum of 75% of net earnings since that date, plus $6,000,000. At December 31, 1962, working capital amounted to $40,927,333, after excluding from current liabilities installments of indebtedness under the Credit Agreement due within one year. There were $10,363,735 of accumulated earnings free from the prohibition against dividends.

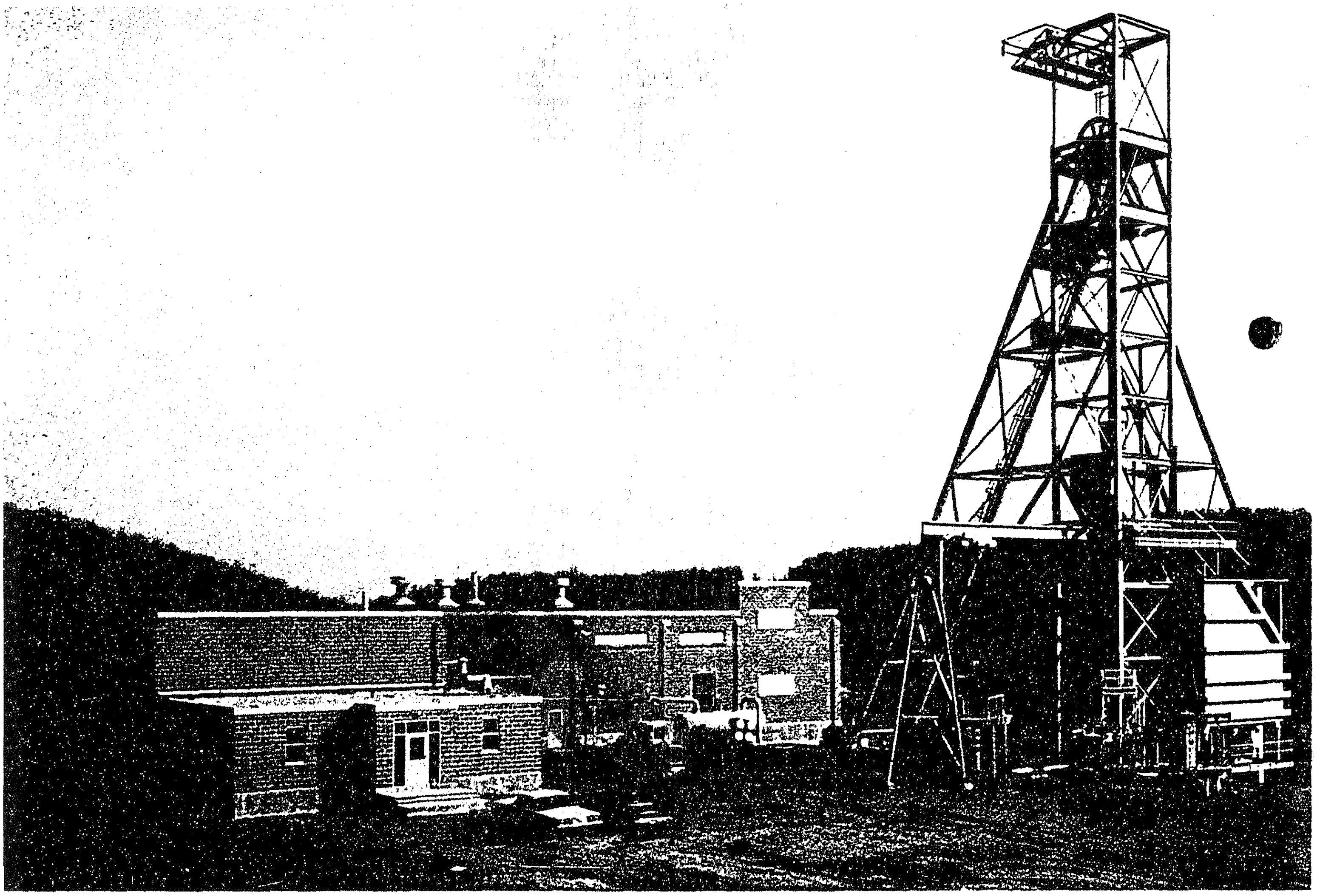
On January 9, 1962 the Company under its Credit Agreement with Bethlehem Steel Corporation borrowed $3,000,000 against its 4½% Notes. As collateral security for such loans, St. Joe has assigned to Bethlehem royalties to be received from Meramec Mining Company to the extent of $1,000,000 per annum. As royalties of $729,166 were due from Meramec Mining Company for the period June 1, 1962 to December 31, 1962, $583,331 of this amount was assigned as a payment against the loan in January, 1963. As of December 31, this amount is shown as a current liability while the balance, $2,-416,669, is shown as a long-term debt. Such royalty is included in the consolidated statement of earnings at $364,583 since 50% of such expenditures of Meramec is borne by St. Joe.

CAPITAL EXPENDITURES

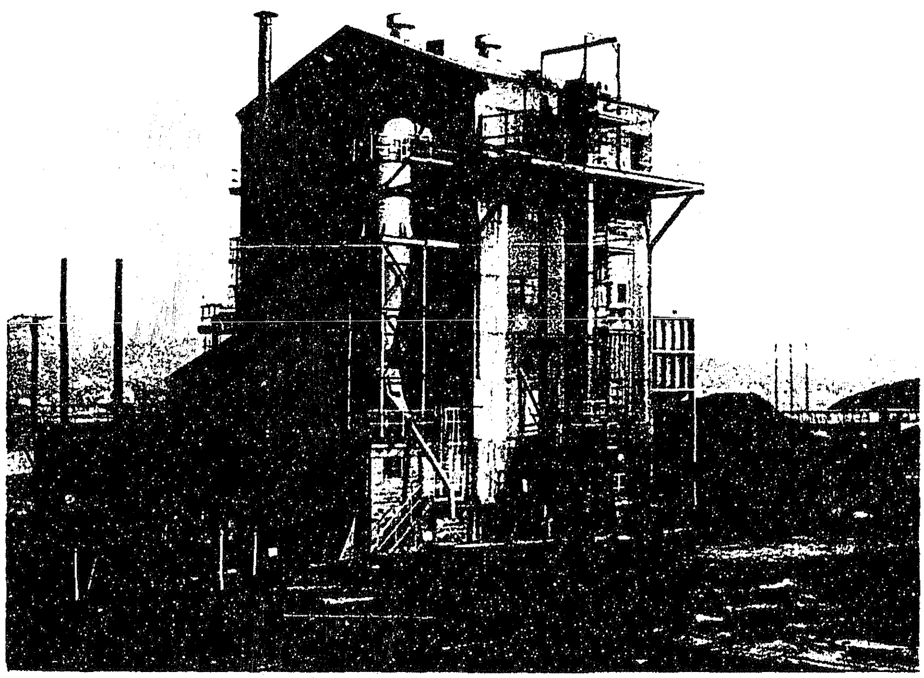
Capital expenditures for the last ten years, together with an estimate for the year 1963, are shown in the following table:

Comparative Capital Expenditures

Year	Lead Belt	Viburnum	Josephtown Zinc Plant	Josephtown Power Plant	Edwards and Balmat	Oil and Gas Leases	Total
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	706,272	$ 17,593	2,171,031	$ 633,088	6,000	—	3,533,984
1957	348,436	119,561	2,273,128	11,803,420	233,000	239,503	15,017,048
1958	437,876	1,879,115	570,297	8,896,219	3,250	43,752	11,830,509
1959	484,128	6,973,387	1,019,091	806,684	—	—	9,283,290
1960	399,211	5,162,174	188,118	—	81,368	81,785	5,912,656
1961	420,965	1,828,693	139,728	—	22,684	33,173	2,445,243
1962	867,143	1,378,487	680,703	—	35,813	184,771	3,146,917
Total	**$8,913,155**	**$17,359,010**	**$9,741,107**	**$22,139,411**	**$577,973**	**$682,564**	**$59,413,220**
1963 (Est.)	$ 390,000	$ 655,000	$ 310,000	—	$ 75,000	—	$ 1,430,000



Shaft-sinking and development began during 1962 at No. 29 Mine near Viburnum, Mo. (shown above). When in operation, No. 29 will complete a trio of mines sending ore to Viburnum Mill, where capacity will be increased to more than 6,000 tons per day. Center of gravity of Missouri mining operations will gradually shift in the direction of new mining areas in and near Viburnum.



New slag treatment plant for recovering coke and iron products from residue of zinc furnaces in Josephtown zinc smelter. Residue was formerly regarded as valueless but, when treated in this plant, yields 10% of its weight in usable coke, 15% in a saleable iron product, and the remainder is available for road construction and ballast.

DIVIDENDS

A cash dividend of $1.00 per share, in four quarterly payments of 25¢ per share. was paid during 1962 on the number of shares outstanding before the 10% stock dividend. the same as made for the year 1961.

In order that shareholders might benefit from the earnings that have been reinvested in the Company's business in the past years, a 10% stock dividend was authorized by the Trustees and was paid December 21. 1962. thereby increasing the Company's capital stock outstanding from 2,717.622 shares to 2,989.382 shares.

On February 19, 1963. the Board of Trustees declared a dividend of 25¢ per share on stock presently outstanding payable March 15. 1963, to stockholders of record March 1, 1963.

Below is the record of cash dividend payments for the past ten years and the number of shares outstanding at the end of each period.

Dividends 1953-1962

Year	Shares Outstanding	Per Share	Amount
1953	2,716,222	$2.75	$7,468,290
1954	2,716,222	2.00	5,432,076
1955	2,716,222	3.00	8,148,666
1956	2,716,222	3.00	8,148,666
1957	2,716,222	2.00	5,432,486
1958	2,716,222	1.00	2,716,222
1959	2,716,222	1.00	2,716,222
1960	2,717,222	1.00	2,717,222
1961	2,717,322	1.00	2,717,247
1962	2,717,622*	1.00	2,717,622

* Before 10% stock dividend.

WORKING CAPITAL

At December 31. 1962, current assets were $46,823,-524 and current liabilities of $8.753.334, a 5.35 to 1 ratio. The net working capital amounted to $38,-070,190, a decrease of $5,440.168 from the previous year. A summary of the principal changes in working capital follows:

Sources of Decrease:

Increase in Investments:	
Meramec Mining Company	$ 4,229,987
Compania Minerales Santander, Inc.	405,000
Capital expenditures	3,146,917
Reduction of long-term debt	4,290,476
Cash dividends	2,717,622
Increase in deferred charges, etc.	1,518,037
Total	**$16,308,039**

Sources of Increase:

Net earnings before special credit	$ 2,787,632
Special credit	1,532,241
Depreciation and depletion	3,538,848
Loan from Bethlehem Steel Corporation	3,000,000
Stock options exercised	9,150
Total	**$10,867,871**
Net Decrease in Working Capital during 1962	**$ 5,440,168**

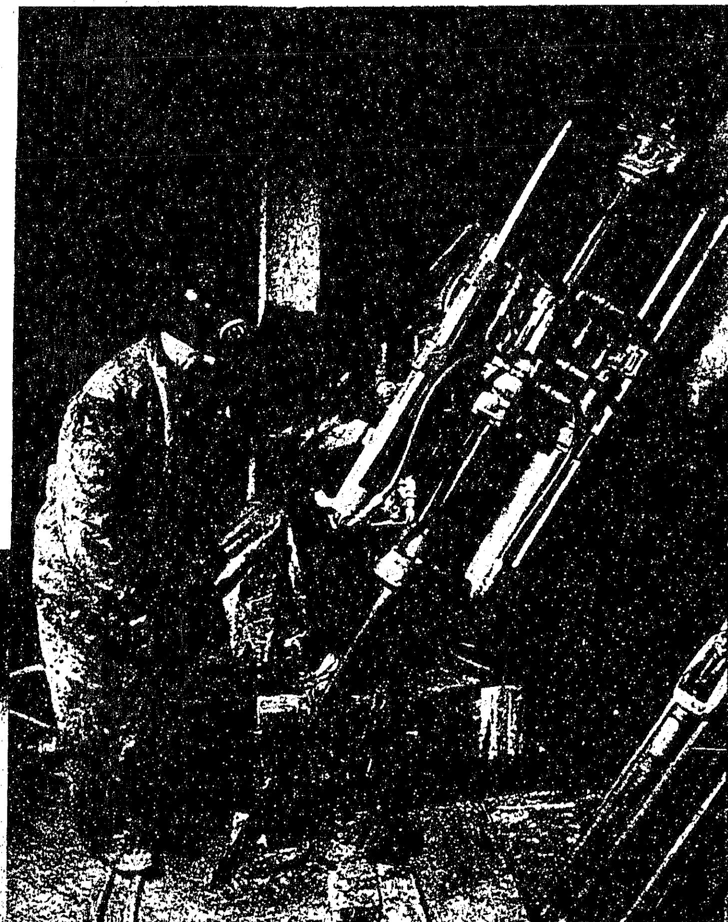
DOMESTIC OPERATIONS

Southeast Missouri

In an election held March 30, 1962, Lead Belt payroll employees elected the United Steelworkers of America AFL-CIO to represent them as bargaining agent, replacing the Oil, Chemical and Atomic Workers International Union AFL-CIO, who had decided not to contest the election.

Following a breakdown in negotiations, the Steelworkers called a strike on July 27, suspending all the Company's lead mining operations in Southeast Missouri. After a series of meetings, proposals and counter proposals, the Company made what it considered a fair offer in January, 1963 in a final effort to settle the strike. The Company made this offer

Continual underground exploration is carried on at mines of Edwards-Balmat Division. This recently purchased diamond drill can drill holes of over 1,000 ft. in depth in search for ore below deepest mining level.



At Viburnum Mill, construction began in 1962 for additional capacity to enable mill to treat 6,000 tons of ore daily brought in from No. 28 Mine located at mill, and outlying Mines Nos. 27 and 29. Note new fine ore bins on either side of central bins and partially completed conveyor galleries above them.

reluctantly because it would have meant that the Leadwood Mill and part of the Lead Belt Mines would not reopen. The Union Committee rejected the offer and presented a new set of demands which actually were in some respects more costly than the original demands made last July. These new demands were unacceptable to the Company. As this report is written the strike is still in effect, but negotiations under the sponsorship of the Federal Mediation and Conciliation Service are continuing with some prospects of early settlement.

Prior to the strike, the mills operated normally on a 5-day week basis. Ore milled during the period January 1. to July 27, 1962, totaled 2,990,481 tons including 611,828 tons from Viburnum as compared with 5,635,423 tons including 712,466 tons from Viburnum for the full year of 1961. The pig lead and slab zinc equivalent of concentrate production was 60,948 tons and 2,996 tons respectively, as compared with 98,126 tons and 6,201 tons for the year 1961.

Until October 8, when smelter operations were suspended, due to the lack of concentrates, the Herculaneum smelter operated normally on a two furnace basis producing 77,156 tons of pig lead as compared with the 1961 record production of 116,118. There was no production of slab zinc from blast furnace slag in 1962 or 1961. At present, the only activities at the smelter are the refining of purchased lead ingots, deferred maintenance work, and shipping pig lead.

Viburnum

Further expansion of the ore reserves in the Viburnum area of Washington, Crawford, and Iron Counties, Missouri, continued during 1962. The second shaft, known as No. 28, went on a production basis on January 1, 1962. Development work on the third production shaft, No. 29, has been suspended by the strike. The capacity of the mill was increased in 1962 to 6,000 tons of ore per day and until operations were suspended because of the strike, the mill processed 611,828 tons of ore.

Edwards-Balmat, New York

Operations of the mines and mills at this division were on a 40-hour week basis throughout the year producing 98,945 tons of zinc concentrates and 1,747 tons of lead concentrates, in comparison with 100,627 tons of zinc concentrates and 1,406 tons of lead concentrates in 1961. As in previous years, all production of zinc concentrates was shipped to the Company's zinc smelter at Josephtown, and the lead concentrates to the Company's lead smelter at Herculaneum.

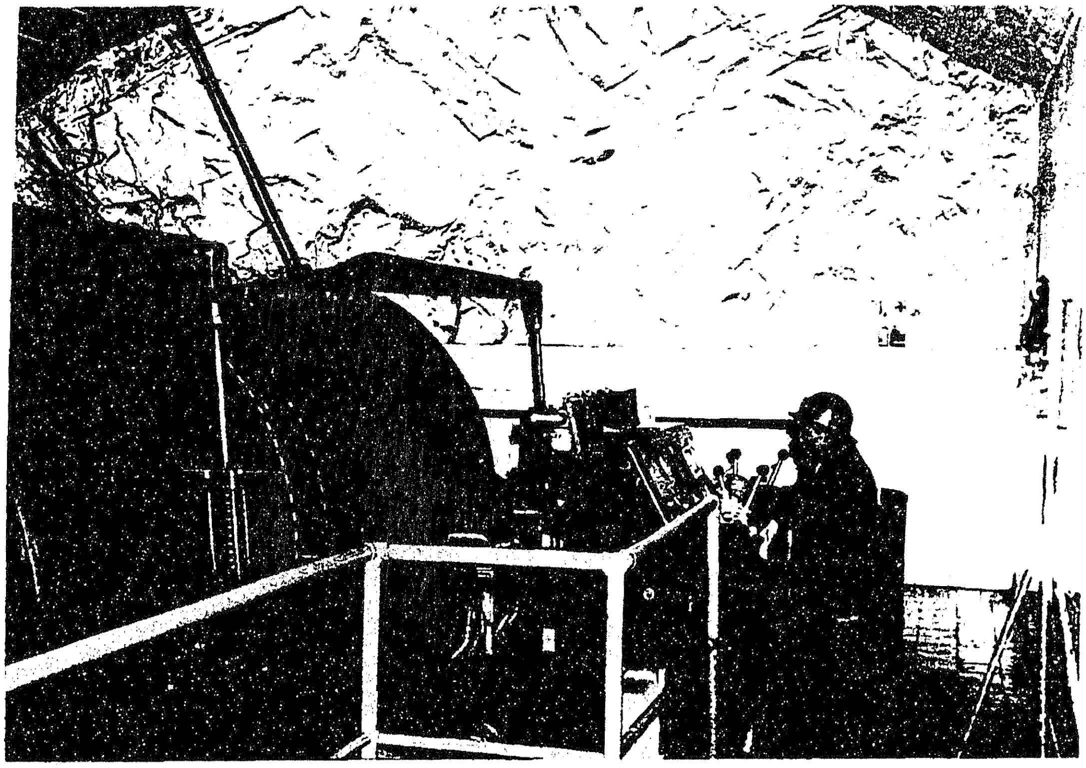
Josephtown, Pennsylvania

The Josephtown zinc smelter operated on a 48-hour-week basis during the entire year. The zinc content of metal and oxide production for the smelter reached a record high of 153,968 tons for 1962 as compared with 141,209 tons for 1961. The Research Department's continuing studies of furnace feed preparation and of furnace operation itself, together with improved techniques developed by the plant operating staff, have steadily increased the output of which each furnace is capable. The efficiency of metal production has improved steadily over the past 3 years, and further improvement is expected in 1963. Product research programs are under way to widen the markets for both zinc metal and zinc oxide produced by Josephtown.

Oil Leases—Crockett County, Texas

Net income from our joint working interest in the Ranch Strawn and West World units amounted to $314,820 for the year as compared to $319,550 for 1961. Allowable days of production in 1962 were 97 compared with 101 for the previous year. St. Joe's portion of sales was 105,187 barrels of oil, in comparison with 116,601 in 1961. During the year the West World Gas Products Plant was completed by Cities Service Petroleum Company at a cost of $909,711 in which St. Joe has an interest of 18.67% or an investment of $169,843. This plant was built to recover liquid products from gases pro-

Underground hoist on 8 level of Aguilar Mine in Northern Argentina is a thoroughly modern and efficient installation, enabling extension of mine to deepest levels. Despite difficult mining conditions, efficiency at Aguilar is steadily improving.



duced at both units before they are reinjected into the reservoir for pressure maintenance. Processing gas began in June but because of the lack of a satisfactory market the propane gas produced, which would normally represent 50% of the plant's products, is being pumped back into the ground for possible future recovery.

Mine La Motte Corporation

This corporation which is a 50% owned affiliate, owns a lead mine in Madison County, Missouri. Due to depressed conditions prevailing in the lead industry, this mine, idle since 1959, has been allowed to flood after all usable equipment had been salvaged.

MERAMEC MINING CO.

The Pea Ridge iron ore property which is located about 40 miles northwest of Bonne Terre is operated by the Meramec Mining Company, owned jointly (50% each) by Bethlehem Steel and St. Joseph Lead. During the year, there was completed approximately 30% of the underground development work necessary to bring the mine into production at a capacity of 12,000 tons of ore per day. All of the major surface installations are approaching completion with the exception of the mill which at year end was about 75% completed and the pellet plant (including stacking and loading facilities) which was approximately 20% completed.

In 1962, Bethlehem and St. Joe each advanced a total of $6,287,444 of which $4,229,987 was set up by St. Joe as an additional investment in Meramec Mining Company and $2,115,297 of shaft sinking and development expenses together with $57,840 of deferred charges, were written off against current earnings.

In 1963, further development will continue as well as the expected completion of the construction of the mill and most of the pellet plant. It is expected that under this program expenditures for 1963 will approximate $17,160,000, of which St. Joe's portion will be $8,580,000. First production is expected in the latter part of the fourth quarter of 1963.

Spectacular surroundings characterize Santander Mine at 14,500 ft. in Peruvian Andes. Shown above are mill building with new rod mill in foreground, which has increased capacity to 700 tons of ore daily. Staff houses are at left, garage, shops and warehouse in center, lake for tailings in background.

FOREIGN OPERATIONS

Argentina

CIA. MINERA AGUILAR, S. A. (99.9% owned) operates a lead-zinc-silver mine in the Province of Jujuy in Northern Argentina. Net earnings for 1962 were 288,887,086 pesos compared with 214,138,244 pesos for 1961. The equivalent dollar value of these earnings computed at the free rate of exchange as of December 31, 1962 and 1961 was $2,166,653 and $2,569,659 respectively.

The mine operated without interruption through 1962, producing 30,041 metric tons of lead concentrates and 50,807 metric tons of zinc concentrates. In 1961, 28,409 metric tons of lead concentrates and 50,434 metric tons of zinc concentrates were produced.

Politically, Argentina is still in a state of suspense that began with the ousting of President Frondizi in April, 1962. Elections have been promised for June, 1963, but increased tension is developing as the time approaches. There is reasonable hope for continued stability.

Economically, industrial activity in Argentina slowed markedly in the latter half of the year, but there was a resumption of confidence in late December when a new economic team was brought into the Government. The peso strengthened somewhat, and as this report is written, there are some indications of firmness in the Government's approach to basic economic problems of an unbalanced budget, labor disputes, and continuing inflationary pressure.

The Aguilar mine is in an excellent position with proven ore reserves higher than they have ever been in the 27-year history of the operation. Staff positions at all levels are competently handled, and no insurmountable labor problems have presented themselves. The outlook for Aguilar itself is excellent.

SULFACID, S. A. (50% owned affiliate of Aguilar) operates a sulfuric acid plant and an electrolytic zinc plant. The latter began production in November, 1962. Sales of sulfuric acid were only 23,522 tons in 1962 compared with 31,546 in 1961. Markets are being developed gradually for the Special High Grade zinc produced by Sulfacid, but until the economy picks up again, this is an extremely difficult task. Technologically, the new zinc plant is working excellently. Net earnings for Sulfacid for 1962 were approximately 19,500,000 pesos as compared with 12,334,220 pesos in 1961.

Cia. Metalurgica Austral-Argentina, S. A. (43.3% owned affiliate of Aguilar) operates a zinc smelter at Comodoro Rivadavia in Patagonia which produced 10,547 metric tons of Prime Western zinc in 1962 as compared with 8,722 metric tons in 1961. A sharp curtailment in zinc demand during the latter part of 1962 resulted in sales of only 6,821 metric tons in comparison with 12,953 metric tons for the previous year. Net earnings for the year were about 11,303,000 pesos compared with 11,567,257 for the year 1961.

Peru

Compania Minerales Santander, Inc. (100% owned) operates an open pit lead-zinc mine in the Peruvian Andes in which, as of December 31, 1962, St. Joe's investment was $3,542,607.

For the year 1962, the Company had a loss of $245,700 after provision for interest payments $124,973, depreciation $278,838 and depletion $100,621, in comparison with a profit of $22,776 for 1961. Factors in this loss were depressed metal prices and the need for higher than normal development expense to expose sufficient ore to mine economically. Development costs for 1962 were $432,088 of which $222,791 was charged against earnings and $209,297 deferred, as compared with development expenses for 1961 of $216,226 of which $207,749 was charged against earnings and $8,477 deferred.

The mill is now operating at about 700 tons of ore per day and the property should show a small profit when the stripping rate returns to normal about mid-year. During the year, 8,823 short dry tons of lead concentrates and 29,356 short dry tons of zinc concentrates were produced, compared with 6,744 and 37,806 short dry tons respectively for 1961.

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. The mines produced 103,600 metric tons of ore in 1962, in comparison with 130,300 metric tons in 1961.

Because of the disturbed political situation in Algeria, exploration work at ALZI has been curtailed and the remaining known ore reserves are being rapidly depleted. Consideration is being given to a consolidation of ALZI and the adjoining Ain Arko property and the eventual liquidation of NAP.

RESEARCH

The Expanded Research Program of the Lead Industries Association and the American Zinc Institute was established approximately five years ago in 1958. This research effort, sponsored by domestic as well as foreign lead and zinc producers, already has contributed in a concrete manner to the preservation and expansion of existing markets for the two metals. This category of work is of a continuing nature. However, most of these industry supported projects involve the use of lead or zinc for entirely new markets and several of these have reached a point where commercial development seems feasible. Some of these projects lend themselves to an industry-wide market development effort. This is being accomplished with a large measure of cooperation on the part of St. Joe. Other projects lend themselves to individual company effort—St. Joe is alert to this opportunity and is organized in such a manner that it can capitalize effectively and quickly on this research. This same Company organization is pursuing several proprietary research and development projects, all of which are directed toward furthering the Company's effort to expand its profitability base into fabricated and semi-fabricated products of lead and zinc. The pursuance of this goal certainly will require future capital expenditures for physical assets. Further, it undoubtedly will involve cooperative ventures with companies possessing specialized skills.

EMPLOYEE RELATIONS

Employment and Payrolls

At the end of the year 1962, the Company and its subsidiaries employed in the United States 3.703 men and women. including 1.500 on strike. compared with 3.871 at the end of 1961. Of this number. more than 24% have over 25 years of service and 58% have been employed between 10 and 25 years. During the year the employees received direct salaries and wages amounting to $18.792.736 which is 16.8% or $3.805.653 lower than the amount of $22.598.389 received in 1961. The principal reason for the decline in wages is the strike which has cost the employees involved. including those laid off at Herculaneum. approximately $3,000.000.

Pension Program

The Company's pension program consists of two non-contributory plans, a Retirement Plan for Salaried Employees. and a Pension Plan for Payroll Employees. A total of 2.971 employees are presently covered by these Plans.

In 1962. the Company contributed $939,017 to the Pension Trust Fund of the Plans. and the amount was charged against current earnings. During 1962. retired employees received a total of $457.701. At the end of the year. 920 former employees were receiving pensions as compared with 886 at the end of 1961. The cost of past service under both Plans has been entirely funded through contributions to the Fund.

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 earnings. or 10% of the aggregate salaries of the eligible employees. whichever is less. However. no contribution can be made which would result in the consolidated net earnings after such contribution being less than $2.00 per share based on the capital stock outstanding as of the effective date of the Plan. The limitation that no contribution can be made to the Plan which would result in the consolidated net earnings being less than $2.00 per share is subject to adjustment to take into account any stock dividends. stock splits. changes in par value. or similar changes in the capital stock of the Company. As a 10% stock dividend was declared November 20. payable December 21. 1962. the $2.00 limitation is reduced to $1.818 per share.

As the Company's consolidated net earnings for the year were less than $1.818 per share in 1962. no contribution was made.

Stock Option Incentive Plan

Under the Stock Option Incentive Plan approved by the stockholders in 1958. 130.000 shares of the Company's unissued stock was reserved for issuance and sale to officers and other key employees under 60 years of age. at a price not less than the market price at the time the options were granted. Due to the 10% stock dividend declared November 20. payable December 21. 1962. the total amount so reserved was increased to 142,860 shares after the elimination of the stock dividend applicable to options exercised totaling 1.400 shares.

Outstanding options at December 31. 1962 adjusted to reflect the 10% stock dividend both in the number of shares and the option prices were as follows:

Date of Grant	*Number of Shares*	*Option Price*
September 24. 1958	37.950	$27.73
September 22. 1959	9.900	27.73
April 9. 1961	11.825	27.39
Total	59.675	

The options may be exercised in equal annual installments on the anniversary date of each grant. Any part of an option not exercised at the end of five years from the date of the grant becomes void. During 1962, no additional options were granted, and three for 100 shares each were exercised. At December 31, 1962, there remained available for future grants 81,785 shares.

ORGANIZATION CHANGES

At a meeting of the Board of Trustees held on February 19, 1963, the resignation of Mr. Irwin H. Cornell as a member of the Board and of the Executive Committee was accepted with profound regret. Mr. Cornell, formerly Vice President and Sales Manager until his retirement in 1948, was elected to the Board of Trustees on December 12, 1913 and after 50 years as a member resigned because of ill health. At the same meeting, Mr. Elmer A. Jones, Division Manager of the Southeast Missouri lead operations was elected to fill the vacancy caused by the resignation of Mr. Cornell.

STOCKHOLDERS

At December 31, 1962, there were 8,986 registered stockholders, compared with 9,740 the previous year. A classification of stockholders at the end of 1962 is as follows:

	Stockholders	Percent	Shares Held	Percent
Men	3,093	34.42	479,024	16.02
Women	3,388	37.70	380,289	12.72
Joint Accounts	1,466	16.31	95,031	3.18
Fiduciaries	452	5.03	150,051	5.02
Insurance Companies	17	.19	176,440	5.90
Brokers and Security Dealers	175	1.96	392,897	13.14
Nominees	230	2.56	1,049,663	35.12
Institutions and Others	165	1.83	265,987	8.90
	8,986	100.00	2,989,382	100.00

Chairman

President

Lead and Zinc Statistics

LEAD IN SHORT TONS

	1962 (Est.)	1961 (Final)
Available Supply:		
U. S. mine production	237,000	262,000
From scrap	471,000	476,000
Imports of concentrates and bullion (lead content)	126,000	133,000
Metal imports (net)	228,000	213,000
Total Lead Metal Available	1,062,000	1,084,000
Consumption:		
Batteries	401,000	368,000
Ethyl gasoline	170,000	164,000
Cables	56,000	60,000
Construction	121,000	117,000
Pigments	98,000	99,000
Other uses	234,000	219,000
Total Consumption	1,080,000	1,027,000
Surplus or (deficit)	(18,000)	57,000

ZINC IN SHORT TONS

	1962 (Est.)	1961 (Final)
Available Supply:		
Recoverable U. S. mine production	506,000	464,000
Less—used to make pigments	97,000	91,000
Recoverable domestic zinc available to metal smelters	409,000	373,000
From scrap	55,000	55,000
Imports of concentrates (recoverable zinc content)	322,000	305,000
Imports of slab zinc	130,000	125,000
Total Zinc Metal Available	916,000	858,000
Consumption:		
Galvanizing	390,000	382,000
Zinc-base alloys	400,000	342,000
Brass	132,000	129,000
Rolled zinc	42,000	41,000
Oxides	19,000	18,000
Other	27,000	19,000
Total Consumption	1,010,000	931,000
Exports	38,000	50,000
Total Zinc Metal Consumed and Exported	1,048,000	981,000
Deficit	132,000	123,000

Lead and Zinc Statistics

LEAD IN SHORT TONS

Year	*Lead Concentrates Produced from Company's Mines*	*Lead Concentrates Purchased*	*Pig Lead Equivalent of Produced and Purchased Concentrates*	*Pig Lead Production*	*Pig Lead Sales Including 1953-1960 Sales Under Agency Contracts*
1953	160.625	38.294	129,281	130.430	167.192
1954	164,171	39.373	133.932	129.766	183.079
1955	162,552	43.100	136.668	138,796	212.100
1956	158.861	44.353	136,921	137,429	199.294
1957	163.079	46,309	140.617	137.940	183.942
1958	149.624	25.102	119.489	116,799	139,131
1959	143.167	8,300	106.678	101.478	164,084
1960	147.879	13.656	114,328	98.447	131,852
1961	139.817	4,927	102,587	116,148	108,447
1962	86.375	4,453	65.119	77.156	112.857

ZINC IN SHORT TONS

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 Sales Including 1953-1960 Sales Under Agency Contracts*	*Sulphuric Acid Sales*
1953	104.744	112.991	126.968	121.592	152,522	174.715
1954	109.547	61,640	105.610	111,021	167.542	147.076
1955	109.303	111.868	134,012	138,201	202.545	183.609
1956	114,138	126.164	146.897	136.879	181.324	190.004
1957	123.417	105,604	144,011	151,554	192,112	204.255
1958	99.523	84,987	120,515	122,774	174.083	171.938
1959	81.292	104,493	121,138	128.670	179.478	176,607
1960	128.762	134.773	173.016	148,788	158.276	186.722
1961	111,598	100,858	139,521	141.209	162.005	194.327
1962	104,080	151.150	160,058	153.968	147.744	189.866

STATEMENT OF

Consolidated Earnings

for the years ended December 31, 1962 and 1961

		1962	1961
Net Sales of Metals, Metal Products, Etc.		$67.667.063	$70.688.751
Cost of Sales, Etc.		58.027.842	58.009,385
		9.639.221	12.679.366
Other Income:			
Dividends:			
From foreign investments		3,360.152	1.406.547
From domestic investments		227.875	227.875
Interest income		716.672	448,442
Income from sale of oil		314.820	319.550
Income from royalties. Meramec Mining Company—net		364.583	—
Profit from sale of investment in Brunswick Mining and Smelting Corporation Limited		—	1.965.711
Other income less charges		235.381	79.111
Total		14.858.704	17.126.602
Deduct:			
Selling, general and administrative expenses		2.400.464	2.118.555
Strike and shutdown expense		1.844.107	—
Shaft sinking and development expenses Meramec and Viburnum Projects		2.291.594	2,162.627
Operating expenses—oil properties		78.406	54,283
Other exploration and development expenses		114.574	141.575
Past service annuities (Note 6)		153.580	153,580
Depreciation		3.402.232	3.052.207
Depletion		136.616	128.400
Interest on indebtedness		1.142.997	1.136.735
Total deductions		11.564.570	8.947.962
Earnings Before Income Taxes		3.294.134	8.178.640
U. S. and Foreign Income Taxes		506.502	1.846.444
Net Earnings for the Year (1962. $0.93 per share; 1961. $2.12 per share, based on 2.989.382 shares outstanding December 31. 1962)		2.787.632	6.332.196
Special Credit—capitalization of items previously expensed, tax adjustments, etc., as a result of settlement of Company's Federal income tax returns for the years 1949 through 1959 (Note 4)		1.532.241	—
Net Earnings for the Year and Special Credit (1962. $1.44 per share)		4.319.873	6.332.196
Retained Earnings at Beginning of the Year		37.615.273	34,000.324
		41.935.146	40.332.520
Dividends Paid During the Year:			
Cash ($1.00 per share)	$2,717.622	—	2.717.247
Stock (10%)	6.576.640	9.294.262	—
Retained Earnings at End of the Year		$32.640.884	$37.615.273

See notes to financial statements.

Consolidated Balance Sheet

December 31, 1962 and 1961

ASSETS

	December 31, 1962		December 31, 1961	
Current Assets:				
Cash	$ 4.269.022		$ 2,934.495	
Marketable securities	21.773,537		22.278,696	
Accounts receivable—trade	5.106.737		6,031,037	
U. S. Government—claims for income tax refunds	271.268		480.201	
Other accounts receivable	1.362.442		575.608	
Inventories (Note 1):				
Lead, zinc, etc.	8.382.086		16.377.764	
Materials and supplies	5.658.431	$ 46.823.524	6.109.469	$ 54.787.270
Investments and Advances (Note 2)		19.811.855		15.204.189
Property, Plant and Equipment (Note 3)	134.782.968		131.151.068	
Less allowance for depreciation and depletion	87,685,447	47,097,521	84,427.146	46.723.922
Other Assets:				
Securities on deposit with Governmental agencies	964.575		964.956	
Cash and marketable securities—Fire Insurance Fund (see contra)	329.550	1.294.125	290.345	1,255.301
Deferred Charges:				
Deferred exploration charges	2.018.370		1.411.002	
Other deferred charges	851.913	2.870.283	916.479	2.327.481
Total Assets		$117,897.308		$120,298.163

LIABILITIES

	December 31, 1962		December 31, 1961	
Current Liabilities:				
Accounts payable and accrued liabilities	$ 4,289,074		$ 5,503,237	
Long-term debt due within one year (Note 4) . . .	3,865,474		3,282,143	
Federal income taxes (Note 4)	598,785	$ 8,753,333	2,491,532	$ 11,276,912
Long-Term Debt (Note 4)		21,802,383		23,092,857
Deferred Federal Income Taxes—related to accelerated amortization and depreciation		1,339,633		1,639,014
Reserves:				
Injury claims and workmen's liability insurance . .	737,417		658,097	
Employees life insurance and retirements	356,101		373,399	
Fire insurance (see contra)	329,550	1,423,068	290,345	1,321,841
Stockholders' Equity (Notes 4 and 5):				
Capital stock, par value $10 per share:				
Authorized—5,000,000 shares				
Outstanding—1962, 2,989,382.5 shares; 1961, 2,717,322.5 shares (after deducting shares in Treasury; 1962, 21,416.35; 1961, 21,414.35) . . .	29,893,825		27,173,225	
Other Capital—representing principally excess of amount of stock dividends over par value of capital stock	22,044,183		18,179,041	
Retained Earnings	32,640,883	84,578,891	37,615,273	82,967,539
Total Liabilities		$117,897,308		$120,298,163

Notes to financial statements

1. Inventories of lead, zinc. etc. (finished, in process, and concentrates) are valued at cost (not in excess of market), determined substantially on last-in. first-out (LIFO) method. Materials and supplies are valued at average cost.

2. The carrying value of investments in the consolidated balance sheet. which are stated at cost, or cost less non-taxable dividends (as to The New Jersey Zinc Company stock) or at nominal values of $1 as to two companies (see below). do not indicate the current values of such investments. The following is a summary of investments and advances:

Subsidiaries not Consolidated:	
Compania Minera Aguilar. S. A.	$ 1
Compania Minerales Santander. Inc. (capital stock—$899.071. debentures—$2.363.536. and advances —$280.000)	3.542.607
Other	100
Fifty-Percent Owned Companies:	
Meramec Mining Company (capital stock — $2.500 and advances — $9,813.908)	9.816.408
Mine La Motte Corporation (capital stock—$1 and advances—$150.000)	150.001
Other Securities. Loans. Etc.:	
The New Jersey Zinc Company—100.000 shares capital stock	5.721.028
Sundry securities. loans. etc.. less reserve of $200,000	578.710
	$19.811.855

The financial statements of Compania Minera Aguilar. S. A. are included herein on pages 28 to 31. Dividends received or receivable from the subsidiary are recorded as they are converted into U. S. dollars.

The net assets of Compania Minerales Santander, Inc. and its liability to the Company on debentures and advances totaled $3.945.307 at that date, and its net loss for the year then ended was $245.700.

Reference is made to the comments on page 16 of this report related to Meramec Mining Company.

The Company's equity in the net assets of Mine La Motte Corporation at December 31, 1962 was $281.992 and its equity in the corporation's net earnings for the year then ended was $3.565.

3. Mining properties and mineral rights include $17.-000.000. which has been fully depleted, representing March 1, 1913 appraised values. and subsequent additions at cost. All other properties are stated at cost.

   The net value of property, plant and equipment as shown in the consolidated balance sheet does not indicate the present value of these assets, 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. Reference is made in the text of this report relative to earnings. charges against income, taxes on income. long-term debt (including the amount of retained earnings available for dividends) and stock option incentive plan.

5. On December 21. 1962. the Company issued 271.-762 shares of Capital Stock as a 10% stock dividend. The excess of the fair market value of the dividend. determined at $24.20 a share. over the par value of the shares issued. which excess was $3.859.020. was credited to Other Capital.

6. 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 sheet. 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 Pension Plan aggregated $939.017 and $944,152 in 1962 and 1961. respectively.

Accountants' Report

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 4

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, 1962 and the related statement of consolidated earnings 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 statement of consolidated earnings, with the notes to financial statements, present fairly the financial position of St. Joseph Lead Company and its consolidated subsidiaries at December 31, 1962 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

March 6, 1963

Compania Minera Aguilar, S.A.

Balance Sheet

December 31, 1962 and 1961

ASSETS

	December 31, 1962 *Argentine paper pesos* *(Note 1)*		December 31, 1961 *Argentine paper pesos* *(Note 1)*	
Current Assets:				
Cash	76.909.762		287,280.890	
Marketable securities:				
Argentine Government (at cost)	6.756.850		14.000.000	
Other (at cost, less reserve—1962 and 1961, 19.493.471)	240.070.205		163.730.309	
Accounts receivable—trade (less reserve—1962, 12.834.535; 1961, 7.612.315)	112.199.721		64.421.934	
Due from partly-owned company—trade	35.149.101		19.761.683	
Other accounts receivable, etc.	22,617.132		13.573.573	
Inventories (Note 3):				
Lead and zinc concentrates	143.703.188		129.988.247	
Materials and supplies	279.141.938	916.547.897	169.933.145	862.689.781
Investments (Note 6):				
Sulfacid, S. A. Industrial—Investment and Advances (at cost—50% owned)	85.929.135		20.428.902	
Compania Metalurgica Austral-Argentina, S. A. Comercial (at cost—43.3% owned)	8.746.356	94.675.491	8.746.356	29.175.258
Capital Assets (Note 2):				
Mining properties and mineral rights, including exploration and development prior to the commencement of operations	63.133.687		63.133.687	
Less allowance for depletion from January 1, 1960	11.035.580	52.098.107	7.435.215	55.698.472
Land, buildings, plant and equipment	611.642.870		542,652,641	
Less allowance for depreciation from January 1, 1960	102.718.981	508.923.889	64.414.192	478.238.449
Deferred Charges		13.067.089		10.206.584
Total		1.585.312.473		1.436.008.544

Notes:

(1) The quoted free rate of exchange for a peso was approximately 0.75 cents at December 31, 1962 and 1.2 cents at December 31, 1961.

(2) As of January 1, 1960 capital assets were subject to a revaluation as permitted by Argentine Law No. 15.272. The total appreciation of pesos 393.738.090 was applied to mining properties and mineral rights (pesos 52,489.454) and to land, buildings, plant and equipment (pesos 341.248.636): concurrently an equal amount was credited to other capital—arising from revaluation. At their revalued amount, net capital assets are still considered to be stated at less than present value.

The method of revaluation in terms of the Law consists in deducting from original cost the accumulated depletion or depreciation to the date of revaluation, and adding to such net figure the amount of appreciation permitted by the Law. For accounting purposes in Argentina, the resulting total is the basis for providing depletion or depreciation which, under the terms of the Law, is calculated on the basis of extending the useful life originally assigned to each capital asset by fifty percent. Additions subsequent to the revaluation are being depreciated, over the estimated useful life previously assigned to each asset.

Accordingly, the capital assets at December 31, 1961 and 1962 are stated at the net aggregate amounts of costs, less depletion or depreciation to January 1, 1960, plus the amounts added for the revaluations at that date, and the allowances for depletion or depreciation are the amounts accumulated since the revaluation date.

LIABILITIES

	December 31, 1962 *Argentine paper pesos (Note 1)*		December 31, 1961 *Argentine paper pesos (Note 1)*	
Current Liabilities:				
Accounts payable—trade	62,436,612		18,041,609	
Due to St. Joseph Lead Company	4,662,990		3,871,543	
Due to partly-owned company	5,032,271		16,800,383	
Wages accrued	21,298,085		15,046,440	
Accrued Argentine income and other taxes	104,548,001		71,807,089	
Other accounts payable	10,840,980	208,818,939	54,025,176	179,592,240
Advance from St. Joseph Lead Company		7,859,578		7,559,349
Deferred Credits—Unearned interest, etc.		—		128,150
Reserves:				
Replacement of capital assets (Note 2)	434,220,312		364,448,627	
Employees' compensation under Argentine social laws	31,731,499		27,316,372	
Accidents	49,227,627		38,402,144	
Other	35,352,616	550,532,054	29,465,680	459,632,823
Stockholders' Equity:				
Capital Stock—Nominal value of 80 Argentine paper pesos each (Note 5):				
Authorized 5,000,000 shares				
Issued—1962, 4,700,000 shares; 1961, 3,325,000 shares		376,000,000		266,000,000
Other Capital (Notes 2, 4 and 5):				
Arising from 1936 valuation of mining properties and mineral rights (remainder after transfer of pesos 48,000,000 to stated value of capital stock)	1,446,736		1,446,736	
Arising from 1960 revaluation of capital assets (1962—remainder after transfer of pesos 106,400,000 to stated value of capital stock)	211,338,090		317,738,090	
Arising from shares received from other companies (1962—remainder after transfer of pesos 3,600,000 to stated value of capital stock)	15,396,115	228,180,941	3,924,781	323,109,607
Retained Earnings:				
Appropriated for statutory reserve	18,471,213		14,151,448	
Unappropriated	195,449,748	213,920,961	185,834,927	199,986,375
Total Stockholders' Equity		818,101,902		789,095,982
Total		1,585,312,473		1,436,008,544

Notes Continued:

Following the practice of prior years a special appropriation of pesos 69,771,685 for replacement of capital assets has been made out of earnings for the year 1962. Similar special appropriations were made out of earnings in the preceding eleven years aggregating pesos 347,030,285.

(3) With few exceptions, the inventories were valued on the LIFO basis.

(4) During the year the company discontinued its previous practice of crediting income with stock dividends received at par. Amounts so credited during 1961 amounted to approximately pesos 16,200,000 whereas, the par value of the stock dividends received during 1962, which have not been recorded, amounted to approximately pesos 61,000,000. Shares received from other companies as a result of their capitalizing the appreciation arising on revaluation of capital assets under Argentine Law No. 15,272 have, in accordance with the Law, been credited to Other Capital.

(5) During 1962, 1,375,000 shares of capital stock of pesos 80 each were issued to shareholders in proportion to their respective holdings. In this connection pesos 106,400,000 and pesos 3,600,000 were transferred to stated value of Capital Stock from Other Capital arising from 1960 revaluation of capital assets and shares received from other companies respectively.

(6) Reference is made to pages 17 and 18 of this report relative to operations of the Company's two affiliates, Sulfacid, S. A. Industrial and Compania Metalurgica Austral-Argentina, S.A. Comercial.

Compania Minera Aguilar, S. A.

STATEMENT OF Earnings

for the years ended December 31, 1962 and 1961

	1962 Argentine paper pesos (Note 1)	1961 Argentine paper pesos (Note 1)
Net Sales of Lead and Zinc Concentrates, Etc.	914.730.250	838.538.175
Cost Thereof (Note 3)	415.049.056	455.720.827
	499.681.194	382.817.348
Other Income:		
Profit on exchange	59.382.032	—
Dividends (Note 4)	5.359.250	23.327.802
Profit from sale of marketable securities	511.417	3.296
Interest	3.373.816	1.350.063
Other, less charges	14.181.654	16.581.510
Total	582.489.363	424.080.019
Deduct:		
Selling, general and administrative expenses	30.929.526	25,355,775
Taxes, other than taxes on income	16.759.954	9.974,468
Depreciation and depletion (Note 2)	42.583.865	36,533,456
Total Deductions	90.273.345	71.863.699
Earnings Before Taxes on Income and Special Appropriation	492.216.018	352.216.320
Provision for Argentine Income and Extraordinary Profits Taxes, Net	133.557.247	90.846,947
Earnings before Special Appropriation	358.658.771	261.369.373
Special Appropriation for Replacement of Capital Assets (Note 2)	69.771.685	47.231,129
Net Earnings for the Year (after special appropriation)	288.887.086	214,138.244

See notes on accompanying balance sheet.

STATEMENT OF UNAPPROPRIATED RETAINED EARNINGS

for the years ended December 31, 1962 and 1961

	1962 Argentine paper pesos (Note 1)	1961 Argentine paper pesos (Note 1)
Unappropriated Retained Earnings at Beginning of the Year	185.834.927	110.650.632
Add—Net Earnings for the year (after special appropriation)	288.887.086	214.138.244
Total	474.722.013	324.788.876
Deduct:		
Dividends paid during the year—cash	274,952,500	135.802.500
Appropriation for statutory reserve	4,319,765	3.151.449
Total Deductions	279,272,265	138,953.949
Unappropriated Retained Earnings at End of the Year	195.449.748	185.834.927

See notes on accompanying balance sheet.

Accountants' Report

DELOITTE, PLENDER, HASKINS & SELLS

AV. ROQUE SÁENZ PEÑA 788
BUENOS AIRES

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, 1962 and the related statements of earnings and unappropriated retained earnings 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 balance sheet with the footnotes thereon, and the statements of earnings and unappropriated retained earnings present fairly the financial position of Compania Minera Aguilar, S. A. at December 31, 1962 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in Argentina and applied (except for the change in method of accounting for stock dividends received explained in Note 2 to the balance sheet) on a basis consistent with that of the preceding year.

The accounting for capital assets and related depletion and depreciation, and for special appropriations out of earnings for replacement of capital assets, as described in Note 2 to the balance sheet differs from that normally accepted in the United States of America. However, in all other material respects the accompanying financial statements, in our opinion, have been prepared in conformity with accounting principles generally accepted in the United States of America.

DELOITTE, PLENDER, HASKINS & SELLS

February 12, 1963

PRODUCTS

LEAD

St. Joe Chemical Lead	St. Joe Caulking Lead
Herculaneum Common Lead	Special Alloys for Ammunitions, Cable and Tube Industries
Doe Run Super Refined Lead	

ZINC

Special High Grade Slab Zinc	Brass Special Slab Zinc
High Grade Slab Zinc	Prime Western Slab Zinc
Intermediate Slab Zinc	Continuous-Line Galvanizing Alloys

ZINC OXIDE

American Process—All Grades	French Process—All Grades

CADMIUM

SULPHURIC ACID

AGRICULTURAL LIMESTONE

COPPER CONCENTRATES

ST. JOE

New electrolytic zinc plant and power plant of Cia. Sulfacid, S. A., near Rosario in Argentina, appears in background with shops, laboratory and acid plant in foreground. Thoroughly modern, electrolytic zinc plant began producing 99.99% zinc metal in November 1962. Will eventually reach production of 18 tons of metal daily.

ST. JOE