NINETIETH ANNUAL REPORT TO THE STOCKHOLDERS

1953

St. Joseph Lead Co.

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 10, 1954.

Proxies will be solicited commencing on April 7, 1954.

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.

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*
CHARLES R. INCE	*Vice President*
R. J. MECHIN	*Vice President*
ROBERT BENNETT	*Secretary*
JAMES G. COLVIN	*Asst. Treasurer and Asst. Secretary*

United States Division Managers

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

South American Executive Officers

DONALD B. MCGILVRA Vice Pres. Cia. Minera Aguilar, S.A.	EDUARDO M. HUERGO Pres. Sulfacid, S.A.	PEDRO AGUIRRE Pres. Cia. Metalurgica Austral, S.A.

Transfer Office . . . . 250 PARK AVENUE, NEW YORK 17, N. Y.

Registrar . . . . CITY BANK FARMERS TRUST COMPANY, NEW YORK 5, N. Y.

ST. JOSEPH LEAD COMPANY

To the Stockholders:

We are pleased to submit a report of the Company's operations for the year 1953, including the consolidated balance sheets at December 31, 1953 and December 31, 1952, and the summaries of consolidated net income and earned surplus for the years ended on those dates, for St. Joseph Lead Company and Subsidiaries. Similar statements for Compania Minera Aguilar, S.A., shown in Argentine pesos are also included.

Earnings and Taxes

At the beginning of 1953, lead was selling at 14¾¢ per pound, but by April it had declined to 12¢; then a slow recovery followed to 14¢ in July. However, in September it decreased to 13½¢ where it remained to the end of the year. The downward trend in zinc was continuous, starting the year at 13¢ per pound, it declined to 10¢ per pound by September, where it held for the balance of the year. These declining prices, caused by the extraordinarily large imports of both metals which flooded our markets, had an adverse effect on the company's earnings. The fourth quarter's earnings were further affected by the provisions for additional Federal Income and Excess Profits taxes for 1953 and previous years, in the total amount of $798,477. The 1953 consolidated net income, after all charges, was $6,300,342, as compared with $9,638,455, in 1952. This is equivalent to $2.32 per share on the 2,716,222 shares presently outstanding, compared with $3.55 in 1952 on a similar number of shares.

The provision for Federal and State income taxes in 1953 amounted to $4,344,733 which is equivalent to $1.60 per share, as against $5,667,894, or $2.09 per share the previous year.

As there was no further need for the Reserve for Deferred Prospecting, Development and Exploration amounting to $483,000, or for the Reserve for Contingencies of $800,000, they were restored to Earned Surplus at December 31, 1953.

Since it is believed that providing for depreciation on approximately 60% of the property covered by Certificates of Necessity at the 20% rate permitted under the law was too rapid, the rate was changed in November to 8%, retroactive to January 1, 1953. Because of this change, the provision for depreciation during 1953 will be $274,580 less than it would have been if the deduction for accelerated amortization had been continued. As the Company will continue to claim accelerated amortization for income tax purposes, an additional reserve for Federal taxes in the amount of $138,204 has been provided. This reserve will be applied against a possible increase in taxes because of the lower depreciation charges after the expiration of the five-year period, when the accelerated amortization is discontinued.

The table below gives a record of the company's earnings for the ten-year period ended December 31, 1953. 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 $294,340 U. S. dollars received in 1947, $69,574 in 1951 and $69,874 in 1952, as permission to convert the remaining peso dividends has not been obtained from the Argentine authorities.

TEN-YEAR EARNINGS 1944-1953

Year	*Consolidated Net Income*	*After Income Taxes of*
1944	$ 5,171,421	$ 1,756,920
1945	4,829,815	1,164,905
1946	5,807,131	1,923,373
1947	12,537,761	4,479,659
1948	9,636,737	3,776,836
1949	8,564,436	2,889,925
1950	12,211,615	7,976,468
1951	13,577,237	13,819,817
1952	9,638,455	5,667,894
1953	6,300,342	4,344,733

World Markets for Lead and Zinc

It was pointed out to stockholders in the 1952 Annual Report that starting about April of that year, the European producers and consumers realized that a shortage of lead and zinc no longer existed and commenced to reduce their accumulation of both metals by exports to the United States. This situation continued during the year 1953 as shown by the following table of U. S. imports:

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

	1953	1952	1951
Lead	555,000	637,307	265,886
Zinc	749,000	568,476	397,679

In spite of large consumption in this country, it was obvious that imports of this magnitude could not be absorbed without a drastic reduction in the price structure. The low levels reached in September had the effect of discouraging offerings to the United States from foreign sources and imports were reduced during the last quarter of the year. However, the United States will continue to remain a very desirable market for foreign producers. Your Company has therefore, joined with other companies mining lead and zinc in the United States in requesting relief from the flood of unneeded imports. The Administration and Congress are now giving consideration to a number of proposals, such as import quotas, domestic subsidies, additional purchases for government stockpiling, and tariff adjustment. The existing tariffs on both metals are hardly more than nominal and do not begin to compensate domestic producers for the difference in labor rates, which are a part of our high standard of living. We believe that an adjustment upwards in lead and zinc tariffs would in no sense prevent importation of the metal we need, but would result in a sufficient increase in the American price to maintain domestic production at approximately the 1951 level.

The following figures show for the year 1953, the sources of supply of lead and zinc in the United States, and their consumption by industries as compared with 1952:

LEAD

	1953 (Est.)	1952 (Final)
Available Supply:		
U. S. Mine Production	335,000	390,000
From scrap	435,000	435,000
Imports	555,000	637,000
Total Supply	1,325,000	1,462,000
Consumption:		
Batteries	385,000	351,000
Ethyl gasoline	162,000	147,000
Cables	146,000	143,000
Construction (pipe, sheets, etc.)	110,000	110,000
Paint	82,000	75,000
Other uses	300,000	304,000
Total Consumption	1,185,000	1,130,000

The lead surplus in 1952 of 332,000 tons was mainly absorbed by shipments to Government stockpile, but in 1953 practically the entire tonnage of unused imports was reflected by increases in stocks at producer's plants.

ZINC

	1953 (Est.)	1952 (Final)
Available Supply:		
Recoverable U. S. Mine Production	537,000	666,000
Less-Used to make pigments	97,000	91,000
Recoverable domestic zinc available to metal smelters	440,000	575,000
Scrap zinc	50,000	55,000
Imports of concentrates (Recoverable zinc content)	458,000	404,000
Total	948,000	1,034,000
Add-Imports of slab zinc	235,000	115,000
Total zinc metal available	1,183,000	1,149,000
Consumption:		
Galvanizing	404,000	378,000
Zinc-Base Alloys	302,000	237,000
Brass	177,000	156,000
Rolled Zinc	54,000	51,000
Other	38,000	31,000
Total Consumption	975,000	853,000
Exports	18,000	58,000
Total zinc metal consumed and exported	993,000	911,000

As in the case of lead, the 1952 surplus of 238,000 tons went to increased inventories and Government stockpile, but in 1953 producer stocks absorbed the unneeded tonnage.

Dividends

Cash dividends of 75 cents per share were paid during the first three quarters of 1953, and 50 cents per share in the fourth quarter, making a total of $2.75 per share for the year. The following is a record of cash dividend payments for the ten-year period through 1953:

DIVIDENDS 1944-1953

Year	*Amount*	*Per Share*
1944	$3,950,912	$2.00
1945	3,950,912	2.00
1946	3,950,912	2.00
1947	5,926,368	3.00
1948	6,420,232	3.25
1949	6,420,232	3.25
1950	6,420,232	3.25
1951	8,023,749	3.25
1952	7,776,373	3.00
1953	7,468,290	2.75

Cash and U. S. Government Securities

The Company's cash and U. S. Government securities position amounted to $14,521,292 at December 31, 1953, which is $12,793,111 less than the corresponding total at the end of the previous year. Capital expenditures accounted for approximately $4,788,000 of this decrease. The acquisition of a 40% interest in the Brunswick Mining and Smelting Corporation Limited cost $2,342,000, and an increase in inventories of approximately $4,170,000, accounted for most of the balance.

Net Working Capital

The consolidated net working capital (cash resources, receivables and inventories, minus current liabilities) was $25,413,178 at December 31, 1953, as compared with $31,793,325 at December 31, 1952. A summary of the principal items accounting for the changes during 1953 are as follows:

Net working capital at January 1, 1953		$31,793,325
Additions:		
Net income after all charges		6,300,342
Charges to income for depreciation, depletion, other reserves and other items which did not affect working capital		1,917,974
		$40,011,641
Deductions:		
Dividends paid	$7,468,290	
Capital expenditures	4,788,011	
Investment in Brunswick Mining and Smelting Corporation Limited stock	2,342,162	14,598,463
Net working capital at December 31, 1953		$25,413,178

Construction and Expansion Program

The three-year expansion program which started in 1951, was about 90% completed by the end of 1953. Capital expenditures since 1945 are shown in the table below:

COMPARATIVE CAPITAL EXPENDITURES

Year	*Lead Belt*	*Josephtown*	*Edwards-Balmat*	*Total*
1945	$ 10,414	$ 3,096	$197,358	$ 210,868
1946	66,195	699,645	54,374	820,214
1947	830,993	5,316,460	151,968	6,299,421
1948	469,093	1,776,183	81,590	2,326,866
1949	774,658	147,536	160,553	1,082,747
1950	903,776	177,071	929,617	*2,010,464
1951	2,549,327	564,768	685,128	*3,799,223
1952	3,793,396	1,768,048	90,896	*5,652,340
1953	3,972,871	720,665	94,475	4,788,011

* Includes items capitalized by agreement with the Internal Revenue Service applicable to prior years amounting to $635,491 in 1950, $559,920 in 1951 and $151,784 in 1952.

Anti-Trust Suit

On October 14, 1953, the United States commenced a civil action against St. Joseph Lead Company and American Smelting and Refining Company in the U. S. District Court for the Southern District of New York, alleging violations of the Sherman Anti-Trust Act in the conduct of the lead business. The complaint recites numerous transactions extending over a period of many years. Insofar as they relate to St. Joseph Lead Company, the Company vigorously denies that it has in any way violated any of the anti-trust laws, and has filed an answer so stating.

Sales

Sales volume again declined in 1953, and totaled $88,002,426 compared with $105,211,886 in 1952. This decline was entirely due to lower metal prices, inasmuch as the combined tonnage of lead and zinc sold was higher than in the previous year. Lead sales from the Company's production showed a decrease in 1953 and amounted to 95,980 tons as compared with 98,848 tons in 1952, whereas sales of zinc content in slab zinc and zinc oxide increased from 89,414 tons to 103,009 tons in 1953. Approximately 61% of the gross earnings came from zinc and 39% from lead, in comparison with 50% for each in 1952, and 57% for zinc and 43% for lead in 1951.

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*
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
1953	95,980	71,212	167,192	23,510

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

Southeast Missouri

The mines and mills in the Lead Belt operated without interruption during 1953. Ore and chat milled amounted to 6,860,627 tons, a decrease from 7,102,098 tons in 1952, with a lead content, 90% basis, of 98,036 tons, an increase from the 96,246 tons in the previous year. New ore developed in 1953 approximated the tonnage mined.

The Indian Creek project, in Washington County, was virtually completed by the end of the year, and a limited production approximating 500 tons per day, is now being treated. The tonnage will gradually be expanded to the 2,000-ton per day capacity, as underground development proceeds. The Indian Creek Mine and Mill Plant represents an investment of approximately $6,000,000 and is believed by your Management to be a most modern and efficient plant.

At the Herculaneum smelter, pig lead output decreased to 65,899 tons, from 66,168 tons in 1952. The construction program to increase the smelter's capacity to 100,000 tons of pig lead annually, was about 90% completed in 1953. Commencing in January 1954 arrangements have been made to handle the additional tonnage, at the expiration of the thirty-year contract with the American Smelting and Refining Company. Under the new 5-year contract with that company, all production in excess of 100,000 tons lead content will continue to be smelted at East Alton, Illinois. The dismantling and rebuilding of the zinc furnace is now under way.

Edwards and Balmat

Production at this Division increased to 99,374 tons of zinc concentrates in 1953 from 63,470 tons the previous year. The large increase is in part due to the full operation of the new mill facilities at Balmat, which were completed in 1952, and because of the two-and-one-half months' strike in that year. The entire zinc production of both these mines was shipped to the Josephtown Smelter.

Josephtown

Zinc content of the 1953 production at the Josephtown electro-thermic smelter increased to 121,265 tons from 108,172 tons in 1952.

Employee Relations

Employee relations at all divisions continued to be very satisfactory throughout the year. The number of U. S. employees at December 31, 1953 was 5,017 compared with 5,159 at the end of 1952.

Oil Exploration

In the Harris Ranch Block, Crockett County, Texas, jointly owned with Continental Oil Company, two producing wells were completed during the year, and the third well was completed early in 1954. Harris "C" #2 is producing from the Strawn horizon, with an allowable under the Texas Railroad Commission of approximately 139 barrels per day. Harris "D" #1 well, on the same lease block, has an allowable of about 105 barrels per day. Harris "C" #3 well is still under test, and no allowable for this well has been set. This well, while productive, is disappointing, especially when considered with a well drilled by Humble-Continental on adjoining acreage to the Northeast which was non-productive. The high gas-oil ratio is responsible for the low allowables on these wells, and this will probably continue until a market for the gas and condensate can be established.

On the West Poplar Block, Roosevelt County, Montana, a tract of approximately 6,000 acres, also jointly held with Continental, a second test well, Fast #2, was completed. Neither the Fast #1 nor the Fast #2 wells, on production tests, came up to the original expectations, and both wells have been shut in as being non-commercial under present conditions.

A test well drilled jointly with Continental, in Cameron Parish, Louisiana, was abandoned as a dry hole, and the large lease block which had been acquired in this area, has been surrendered.

It is expected to continue the oil exploration program during 1954, but at a considerably reduced rate of expenditures.

Foreign Exploration

During the year your Company's wholly owned Canadian subsidiary, Leadridge Mining Company Limited was successful in developing a substantial orebody on a group of claims in the Bathurst District of New Brunswick, Canada owned jointly with Anacon Lead Mines Limited and M. J. Boylen et al. Subsequently, these properties together with other holdings owned jointly with the M. J. Boylen interests were consolidated with the Brunswick Mining and Smelting Corporation Limited through the exchange of properties for shares. Leadridge Mining Company Limited now owns 40% of the issued capital stock of Brunswick, the book cost of which, including certain shares purchased for cash, stands at $2,342,162. Leadridge Mining Company Limited is committed to loan Brunswick up to $7,500,000 (Canadian funds) as needed for development and equipment and St. Joseph Lead Company has agreed to make $7,500,000 (U. S. funds) available to Leadridge for this purpose. This loan may be subordinated to other indebtedness of Brunswick not to exceed $17,500,000 (Canadian funds) on terms and conditions satisfactory to Leadridge. Brunswick holds eight groups of claims, totaling 642 claims, on which there are now two known orebodies. The solution of a complicated metallurgical problem is being aggressively followed, and a 400-foot auxiliary shaft, and the stripping of a portion of the original Brunswick discovery, will be undertaken in 1954.

Developments at the property of Nord Africaine du Plomb, in which your Company has approximately a 17½% interest, continued to place in sight, additional reserves. During the year 1953, the plant operated at approximately 40% of the 1,000-ton mill capacity. Earnings were used to liquidate the exploration and equipment debt.

Compania Minera Aguilar, S.A. and Associated Companies

Compania Minera Aguilar's net profit of 32,890,744 Argentine pesos was the highest in the Company's history and was earned after deducting depreciation and special reserves of 14,123,960 pesos and income and excess profits taxes of 32,203,096 pesos. This compared to a net profit of 19,265,733 pesos in 1952.

Cash and marketable securities increased approximately 40,305,253 pesos during the year. Receivables increased about 11,892,620 pesos, primarily due to Compania Metalurgica Austral's inability to sell the zinc they produced. Inventories of concentrates increased moderately.

There were only minor changes in the production of approximately 20,000 metric tons of lead and 32,000 metric tons of zinc concentrates, as compared to last year. The potential ore reserve position of the Aguilar Mine improved markedly. Several new mining properties were examined, two of which gave promise and are being given further study.

In August, the Central Bank of Argentina approved the total amount of exchange necessary for the rehabilitation program for the mine and mill, and have agreed to issue the exchange permits when all requisitions are in the bank's hands. Aguilar has now complied with this requirement.

Operations of Sulfacid, S.A., were geared to the tonnage of sulphuric acid which could be sold, supporting about half capacity. A modest profit is anticipated. The administration and operating organization of Sulfacid are excellent. We are looking for ways in which to put this talent into productive effort in other or similar fields.

Handicapped by a low volume of sales, mounting stocks of metal, bad labor relations and shortage of spare parts, Compania Metalurgica Austral suffered an unprofitable year. A change in management was effected late in the year, and a program of reorganization has been started.

Stockholders

The number of St. Joseph Lead Company stockholders of record on December 31 of each year since 1944, 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*
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
1953	10,657	2,257	4,424	2,485	1,491

President's Report to Employees

A copy of this Report for the year 1953 is enclosed, as it contains photographs of our operations and emphasizes the desirability of maintaining high efficiency. Four representative St. Joe advertisements, two for lead and two for zinc, have been reprinted to stress the importance of selling our products.

Conclusion

We wish to express our sincere appreciation to all our employees for their loyal and efficient efforts during the past year and for the continued support of our stockholders.

CLINTON H. CRANE
Chairman

ANDREW FLETCHER
President

New York, March 17, 1954

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Summaries of Consolidated Income

For the Years Ended December 31, 1953 and 1952

		1953		1952
Net Sales of Metals, Metal Products, Etc.		$88,002,426		$105,211,886
Cost Thereof (exclusive of depreciation and depletion)		74,035,998		85,855,464
Gross Profit from Operations Before Depreciation and Depletion		$13,966,428		$ 19,356,422
Deduct:				
Selling, general and administrative expenses	$1,324,933		$1,584,016	
Exploration:				
New mine examination and development expenses	596,352		985,984	
Oil and natural gas expenses, net	825,819		1,298,811	
Past service annuities (Note 5)	195,550	2,942,654	195,550	4,064,361
Net Profit from Operations Before Depreciation and Depletion		$11,023,774		$ 15,292,061
Other Income:				
Dividends:				
The New Jersey Zinc Company	$ 536,250		$ 585,000	
Mine La Motte Corporation (Note 3)	360,000		360,000	
Compania Minera Aguilar, S. A.	—		69,874	
Other dividends, interest, etc. less charges	336,466		493,328	
Items previously expensed, capitalized by agreement with the Internal Revenue Service	204,687	1,437,403	151,784	1,659,986
		$12,461,177		$ 16,952,047
Deduct:				
Depreciation of plant and equipment (Note 7A)	$1,589,237		$1,485,122	
Depletion of mines	226,865	1,816,102	160,576	1,645,698
		$10,645,075		$ 15,306,349
Provision for Taxes on Income:				
Federal normal tax and surtax	$4,199,581		$5,433,202	
Federal excess profits tax (Refund)	(54,017)		152,060	
Federal income taxes—deferred—related to accelerated amortization of emergency facilities (Note 7A)	138,204		—	
State income taxes	60,965	4,344,733	82,632	5,667,894
Net Income for the Year		$ 6,300,342		$ 9,638,455
Earned Per Share on the 2,716,222 Shares Outstanding		$2.32		$3.55

Summaries of Consolidated Earned Surplus

For the Years Ended December 31, 1953 and 1952

		1953		1952
Earned Surplus at Beginning of the Year		$17,403,855		$ 24,924,064
Net Income for the Year		6,300,342		9,638,455
Reserve for Contingencies and Reserve for Deferred Prospecting, Development, and Exploration Restored to Earned Surplus		1,283,000		—
		$24,987,197		$ 34,562,519
Deduct:				
Cash dividends paid during the year	$7,468,290		$7,776,373	
Stock dividend paid during the year	—	7,468,290	9,382,291	17,158,664
Earned Surplus at End of the Year		$17,518,907		$17,403,855

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

Consolidated Balance Sheets, December 31, 1953 and 1952

ASSETS

	December 31, 1953		*December 31, 1952*	
CURRENT ASSETS:				
Cash	$ 4,521,291		$ 5,434,402	
U. S. Government securities	10,000,000		21,880,000	
Accounts receivable—trade	4,120,238		6,092,035	
U. S. Government—claims for income tax refunds	441,718		264,393	
Other accounts receivable	228,208		539,163	
Inventories (valuation not in excess of market)—(Note 1):				
Finished lead, zinc, etc.	6,267,705		2,923,848	
Lead, zinc, etc., in process and concentrates	3,178,316		2,715,367	
Materials and supplies (less reserve for slow-moving items—1953, $92,964; 1952, $127,586)	5,504,829	$34,262,305	5,144,058	$44,993,266
ADVANCES:				
Compania Minera Aguilar, S. A.	$ 55,374		$ 181,600	
Sulfacid, S. A. Industrial	644		636	
Compania Metalurgica Austral-Argentina, S. A. Commercial	31,300	87,318	25,946	208,182
INVESTMENTS:				
Compania Minera Aguilar, S. A. (at nominal valuation—99.9% owned, not consolidated)—(Note 2)	$ 1		$ 1	
Mine La Motte Corporation (at nominal valuation—50% owned)—(Note 3)	1		1	
The New Jersey Zinc Company (195,000 shares at cost, less non-taxable dividends—9.9% owned)	11,161,854		11,161,854	
Brunswick Mining and Smelting Corporation Limited (1,600,000 shares at cost—40% owned)—(Note 7D)	2,342,163		—	
Sundry securities, loans, etc. (at cost, less reserve, $200,000)	963,825	14,467,844	690,956	11,852,812
CAPITAL ASSETS (Note 4):				
Mining properties and mineral rights:				
Appraised value as of March 1, 1913	$13,500,000		$13,500,000	
Less allowance for depletion	13,500,000	—	13,500,000	—
Appreciation arising from revaluation subsequent to March 1, 1913	$ 3,500,000		$ 3,500,000	
Less allowance for depletion	3,500,000	—	3,500,000	—
Additions subsequent to March 1, 1913 (at cost)	$21,610,956		$21,482,188	
Less allowance for depletion	18,968,952	2,642,004	18,742,086	2,740,102
Land, buildings, plant and equipment (at cost)	$45,619,701		$41,140,014	
Less allowance for depreciation	27,279,318	18,340,383	25,853,813	15,286,201
Total capital assets, net		$20,982,387		$18,026,303
MISCELLANEOUS ASSETS—U. S. Treasury, State and Municipal securities on deposit with Federal and State departments (at amortized cost)		826,209		827,895
DEFERRED CHARGES:				
Oil and natural gas expenditures in suspense	$ 91,716		$ 515,542	
Deferred past service annuities (Note 5)	1,042,036		1,237,586	
Deferred exploration expenses	699,952		640,482	
Other deferred charges	287,953	2,121,657	85,678	2,479,288
TOTAL		$72,747,720		$78,387,746

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

Consolidated Balance Sheets, December 31, 1953 and 1952

LIABILITIES

	December 31, 1953		December 31, 1952	
CURRENT LIABILITIES:				
Accounts payable	$ 4,146,897		$ 5,887,345	
Wages payable	291,678		494,393	
Accrued taxes:				
Federal income and excess profits (Note 6)	4,126,386		6,421,920	
Other	284,166	$ 8,849,127	396,283	$13,199,941
DEFERRED CREDITS:				
Deferred Federal income taxes—related to accelerated amortization of emergency facilities (Note 7A)	$ 138,204		$ —	
Deferred income from services, etc.—Compania Minera Aguilar, S. A.	—	138,204	265,804	265,804
RESERVES:				
Injury claims and workmen's liability insurance	$ 526,137		$ 471,162	
Employees' life insurance and retirement	396,625		389,022	
Excess cost of replacing inventories	—	922,762	56,242	916,426
CAPITAL STOCK AND SURPLUS:				
CAPITAL STOCK:				
Authorized, 5,000,000 shares of $10.00 each	$50,000,000		$50,000,000	
Issued, 2,737,636.85 shares	$27,376,369		$27,376,369	
Less in treasury, 21,413.95	214,140		214,140	
Outstanding, 2,716,222.9 shares		27,162,229		27,162,229
SURPLUS:				
Earned	$17,518,907		$17,403,855	
Capital	18,156,491		18,156,491	
Reserves:				
Deferred prospecting, development, and exploration	—		483,000	
Contingencies	—	35,675,398	800,000	36,843,346
Total Capital Stock and Surplus		$62,837,627		$64,005,575
TOTAL		$72,747,720		$78,387,746

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

Notes to Financial Statements

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

2. The transfer of funds from Argentina is subject to restriction. 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 (U. S. $69,874) was so converted in 1952. Accordingly, the financial statements of St. Joseph Lead Company and subsidiaries do not include dividends of Compania Minera Aguilar, S. A. not so converted as follows:

	Argentine paper pesos	
	December 31	
	1953	*1952*
In bank in Argentina	1,983,749	983,749
Invested:		
Compania Metalurgica Austral-Argentina, S. A. Commercial: Bonds	2,000,000	3,000,000
Capital stock (1953, 40.5% owned; 1952, 40.5% owned)	9,720,000	8,100,000
Sulfacid, S. A. Industrial—Capital stock (28.6% owned)	8,240,000	8,240,000
Due from Compania Minera Aguilar, S. A.—Dividends declared not paid	31,361,313	15,509,721
Total	53,305,062	35,833,470

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 $296,131 and $398,877 at December 31, 1953 and 1952, respectively. The dividends received from Mine La Motte Corporation in each of the years 1953 and 1952 ($360,000) exceeded the Company's equity in the net income of those respective years by $102,746 and $5,446.

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 $424,000 and $462,000 in 1953 and 1952, respectively. 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 subsidiaries have been examined by the Internal Revenue Service through the year ended December 31, 1950 and all assessments and adjustments have been settled. Examination of returns filed for the years 1951 and 1952, 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 following:
   - A—Amortization of property covered by Certificates of Necessity and deferred Federal income taxes related thereto. (See earnings and taxes.)
   - B—The companies' construction and expansion program.
   - C—Anti-Trust suit.
   - D—Commitment as to loan to Brunswick Mining and Smelting Corporation Limited. (See Foreign Exploration.)

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 subsidiaries as of December 31, 1953 and the related summaries of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and summaries of consolidated income and earned surplus, with the notes to financial statements, present fairly the financial position of St. Joseph Lead Company and its subsidiaries at December 31, 1953 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the change, which we approve, referred to in Note 7A to the financial statements) on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York,
February 27, 1954

COMPANIA MINERA AGUILAR, S. A.

Balance Sheets, December 31, 1953 and 1952

ASSETS

	December 31, 1953 Argentine paper pesos (Note 1)		*December 31, 1952 Argentine paper pesos (Note 1)*	
CURRENT ASSETS:				
Cash	39,548,816		10,298,731	
Marketable securities—at cost:				
Argentine Government	17,747,948		7,608,654	
Other (less reserve 3,300,000)	7,544,464		6,628,590	
Accounts receivable—trade (less reserve—1953, 4,111,400; 1952, 2,281,800)	16,018,850		12,990,698	
Due from partly-owned company—trade	31,261,907		22,233,527	
Other accounts receivable, etc.	1,582,493		1,746,405	
Inventories:				
Lead and zinc concentrates (at average cost, or less, exclusive of depreciation and depletion—valuation not in excess of market)	30,281,739		26,373,053	
Materials and supplies (at average cost or less)	19,616,451	163,602,668	20,573,156	108,452,814
INVESTMENTS (Note 2):				
Sulfacid, S. A. Industrial (at cost—1953 and 1952, 21.4% owned)	6,157,000		6,157,000	
Compania Metalurgica Austral-Argentina, S. A. Commercial (at cost—1953, 2.8% owned; 1952, 2% owned)	676,000	6,833,000	396,000	6,553,000
CAPITAL ASSETS (Notes 3 and 4):				
Mining properties and mineral rights:				
Cost, including exploration and development prior to the commencement of operations	4,384,038		4,384,038	
Less allowance for depletion	3,502,941	881,097	3,502,941	881,097
Appreciation arising from valuation in 1935	49,446,736		49,446,736	
Less alowance for depletion	39,700,779	9,745,957	39,700,779	9,745,957
Total mining properties and mineral rights, net		10,627,054		10,627,054
Land, buildings, plant and equipment (at cost)	29,681,777		25,073,008	
Less allowance for depreciation	13,234,603	16,447,174	11,897,325	13,175,683
Total capital assets, net		27,074,228		23,802,737
DEFERRED CHARGES		3,661,365		3,629,057
TOTAL		201,171,261		142,437,608

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, 1953 and 1952, the quoted free rate of exchange for a peso was approximately 7 cents.

(2) The Company was contingently liable at December 31, 1953 and 1952 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.

COMPANIA MINERA AGUILAR, S. A.

Balance Sheets, December 31, 1953 and 1952

LIABILITIES

	December 31, 1953 Argentine paper pesos (Note 1)		December 31, 1952 Argentine paper pesos (Note 1)	
Current Liabilities:				
Accounts payable—trade	3,897,494		701,720	
Due to St. Joseph Lead Company (including dividends payable — 1953, 31,361,313; 1952, 15,509,721)	32,070,796		17,989,464	
Due to partly-owned company	4,618,054		8,070,395	
Wages payable	2,198,647		1,869,825	
Accrued Argentine income and other taxes	26,366,331		18,509,618	
Other accounts payable	1,489,620	70,640,942	1,419,762	48,560,784
Deferred Credits:				
Deferred sales, etc.		—		120,561
Reserves:				
Replacement and rehabilitation of capital assets (Note 4)	38,303,011		25,516,329	
Employees' compensation under Argentine social laws	6,689,638		3,128,371	
Accidents	1,263,683		820,411	
Other expenses	6,767,104	53,023,436	1,075,013	30,540,124
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		40,000,000	
Less in treasury, 35,000 shares	2,800,000		2,800,000	
Outstanding 465,000 shares		37,200,000		37,200,000
Surplus:				
Capital surplus arising from 1935 valuation of ore reserves (remainder after transfer of pesos 48,000,000 to stated value of capital stock)		1,446,736		1,446,736
Earned surplus:				
Appropriated:				
For acquisition of capital stock held in treasury	2,800,000		2,800,000	
Statutory reserve	1,346,022		958,757	
Unappropriated (after charging deficits aggregating pesos 6,395,000 against capital surplus arising from reduction in stated value of capital stock—Note 5)	34,714,125	38,860,147	20,810,646	24,569,403
Total Capital Stock and Surplus		77,506,883		63,216,139
Total		201,171,261		142,437,608

Notes Continued:

(4) Ore reserves have been estimated by the directors to exceed appreciably those indicated by former surveys. Had depletion been provided for units sold in each of the years 1953 and 1952 based on the average book values of ore reserves and the quantities of ores on hand and remaining in the properties as so estimated the amounts would have been approximately Argentine paper pesos 260,000 and 230,000, respectively, and net income for both years would have been correspondingly less. However, no depletion was provided in either year, or in 1951, as the amounts thereof were not considered to be material. A special appropriation of 12,786,682 Argentine paper pesos for replacement and rehabilitation of capital assets has been made out of income for the year 1953. A similar charge amounting to 12,758,164 was made against income in each of the preceding two years.

(5) The net profit since beginning operations, pesos 92,496,647 (earned surplus at December 31, 1953 pesos 38,860,147 plus dividends declared pesos 60,031,500 and less aggregate deficits transferred to capital surplus pesos 6,395,000) represents aggregate net profits of pesos 132,197,426 (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.

COMPANIA MINERA AGUILAR, S. A.

Summaries of Income

For the Years Ended December 31, 1953 and 1952

		1953 Argentine paper pesos (Note 1)		1952 Argentine paper pesos (Note 1)
NET SALES OF LEAD AND ZINC CONCENTRATES, ETC.		118,832,414		87,352,445
COST THEREOF (exclusive of depreciation and depletion)		33,452,552		25,085,221
GROSS PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION		85,379,862		62,267,224
DEDUCT:				
Selling, general and administrative expenses	2,373,248		2,062,752	
Taxes, other than taxes on income	5,101,555		3,669,397	
Provision for doubtful accounts receivable	1,829,600	9,304,403	2,281,800	8,013,949
NET PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION		76,075,459		54,253,275
INCOME CREDITS:				
Interest (including interest from partly-owned companies—1953, 1,650,724; 1952, 1,243,901)	1,896,828		1,475,718	
Other	1,299,194	3,196,022	623,286	2,099,004
		79,271,481		56,352,279
INCOME CHARGES:				
Provision for depreciation of marketable securities	—		2,800,000	
Other	53,681	53,681	43,476	2,843,476
		79,217,800		53,508,803
DEPRECIATION OF PLANT AND EQUIPMENT (Note 2)		1,337,278		1,184,906
		77,880,522		52,323,897
PROVISION FOR ARGENTINE INCOME AND EXCESS PROFITS TAXES		32,203,096		20,300,000
NET INCOME FOR THE YEAR BEFORE SPECIAL APPROPRIATION FOR REPLACEMENT AND REHABILITATION OF CAPITAL ASSETS		45,677,426		32,023,897
SPECIAL APPROPRIATION FOR REPLACEMENT AND REHABILITATION OF CAPITAL ASSETS (Note 2)		12,786,682		12,758,164
NET INCOME FOR THE YEAR, LESS SPECIAL APPROPRIATION		32,890,744		19,265,733

Summaries of Unappropriated Earned Surplus

For the Years Ended December 31, 1953 and 1952

		1953 Argentine paper pesos (Note 1)		1952 Argentine paper pesos (Note 1)
SURPLUS AT BEGINNING OF THE YEAR		20,810,646		18,403,575
ADD—NET INCOME FOR THE YEAR, LESS SPECIAL APPROPRIATION		32,890,744		19,265,733
TOTAL		53,701,390		37,669,308
DEDUCT:				
Dividends declared or paid during the year	18,600,000		16,507,500	
Appropriation to statutory reserve	387,265	18,987,265	351,162	16,858,662
SURPLUS AT END OF THE YEAR (after charging deficits aggregating pesos 6,395,000 against capital surplus)		34,714,125		20,810,646

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.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

250 PARK AVENUE
NEW YORK

ACCOUNTANTS' CERTIFICATE

ST. JOSEPH LEAD COMPANY:

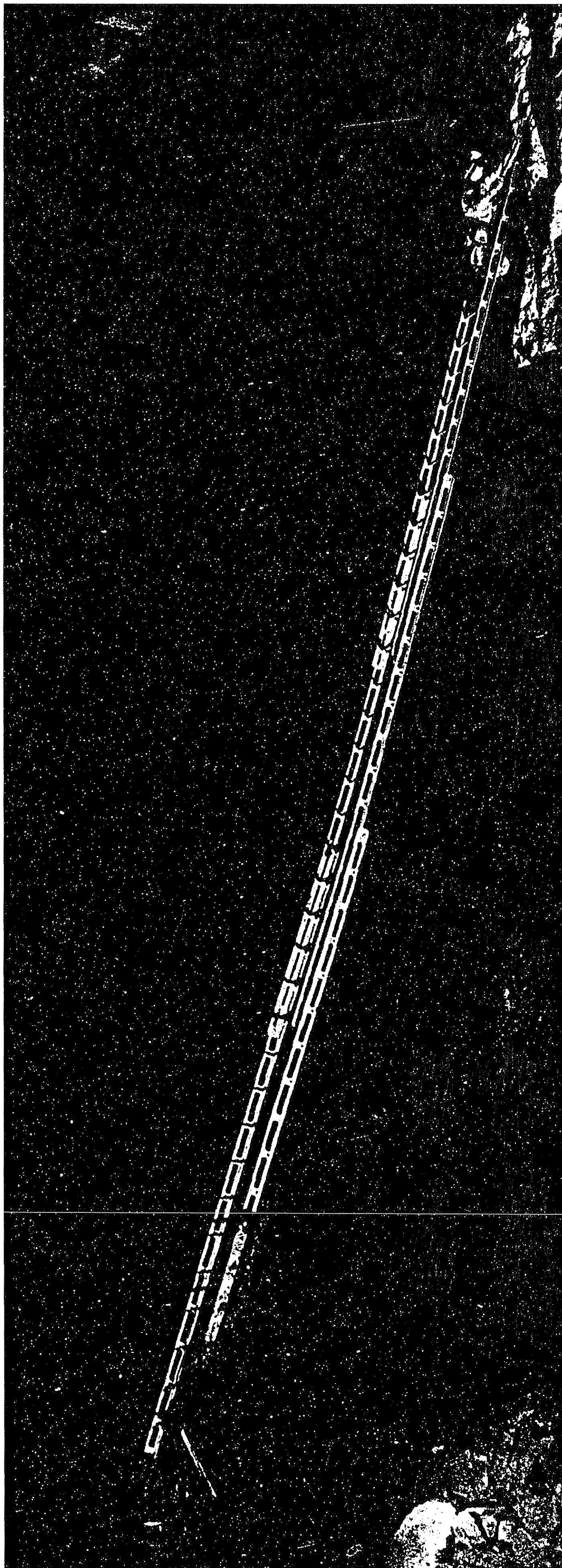
We have examined the balance sheet of Compania Minera Aguilar, S. A. (incorporated and doing business in Argentina) as of December 31, 1953 and the related summaries of income and unappropriated earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

A special appropriation of 12,786,682 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 amounting to 12,758,164 Argentine paper pesos was made against income in each of the preceeding two years.

In our opinion, except as described in the preceding paragraphs the accompanying balance sheet and summaries of income and unappropriated earned surplus, with the footnotes thereon, present fairly the financial position of Compania Minera Aguilar, S. A. at December 31, 1953 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 17, 1954



THE PRESIDENT'S REPORT

TO THE

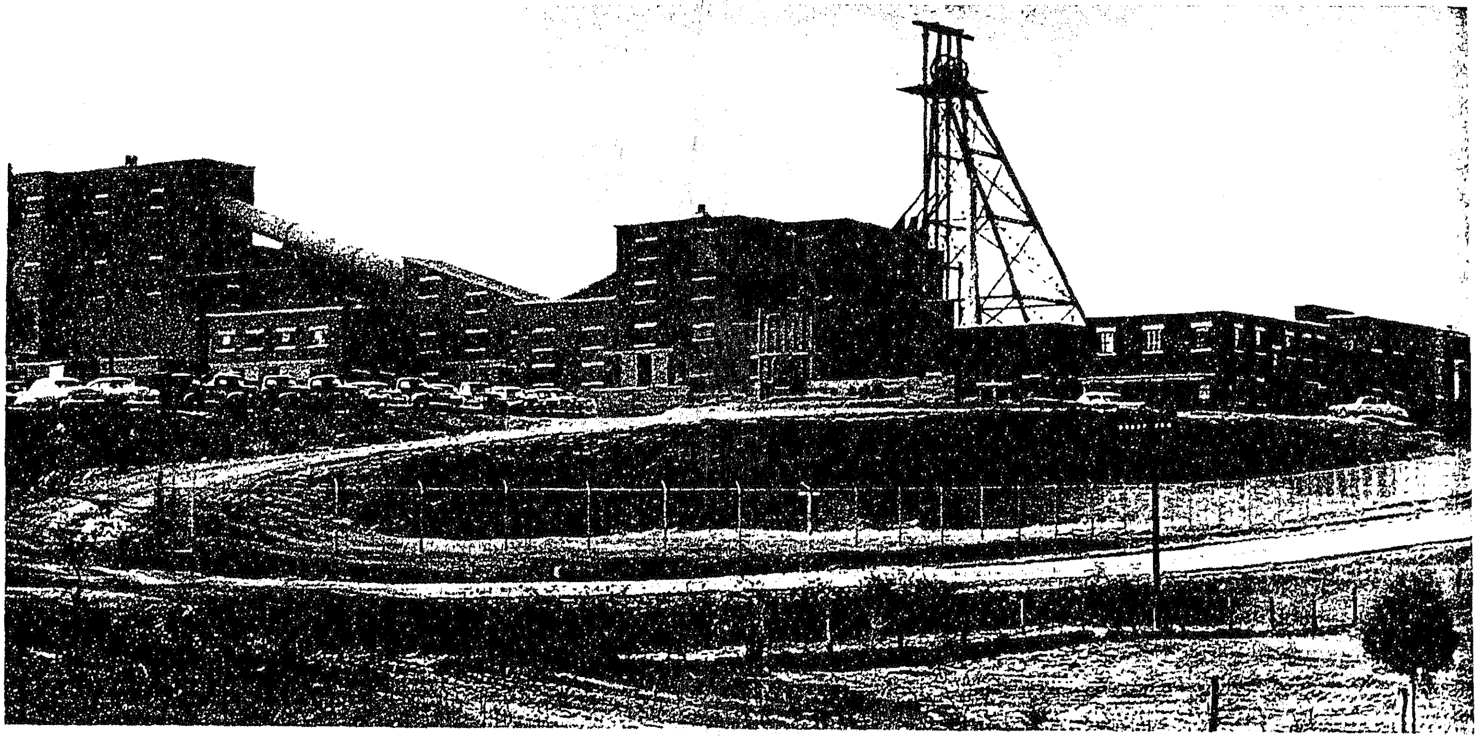
EMPLOYEES

OF

ST. JOSEPH LEAD COMPANY

AND SUBSIDIARIES

1953



The new Indian Creek Mill, Missouri

PRESIDENT'S REPORT

To all St. Joe Employees and their Families:

In the opening paragraphs of my 1952 Report to you, I said:

"The lead and zinc markets in 1952 were excellent examples of inept government efforts to stabilize markets in an international commodity. It will be recalled that upon the outbreak of the Korean War, the United States Government established ceiling prices for both metals—a procedure not generally followed by other countries, where much higher prices prevailed. The effect was the creation in 1951 of an artificial domestic shortage, and unnecessary accumulation in the European markets. In my last report to you, I said:

'Before long we must anticipate a return to international competitive markets, and at that time we should be in such an advantageous position that, come what may, the continuity of our operations will be assured. Curtailment of production, because of non-competitive costs, and resultant lower employment are tragedies we must seek to avert.'

Present prices for lead and zinc indicate that foreign imports, plus domestic production, are in excess of consumption demands."

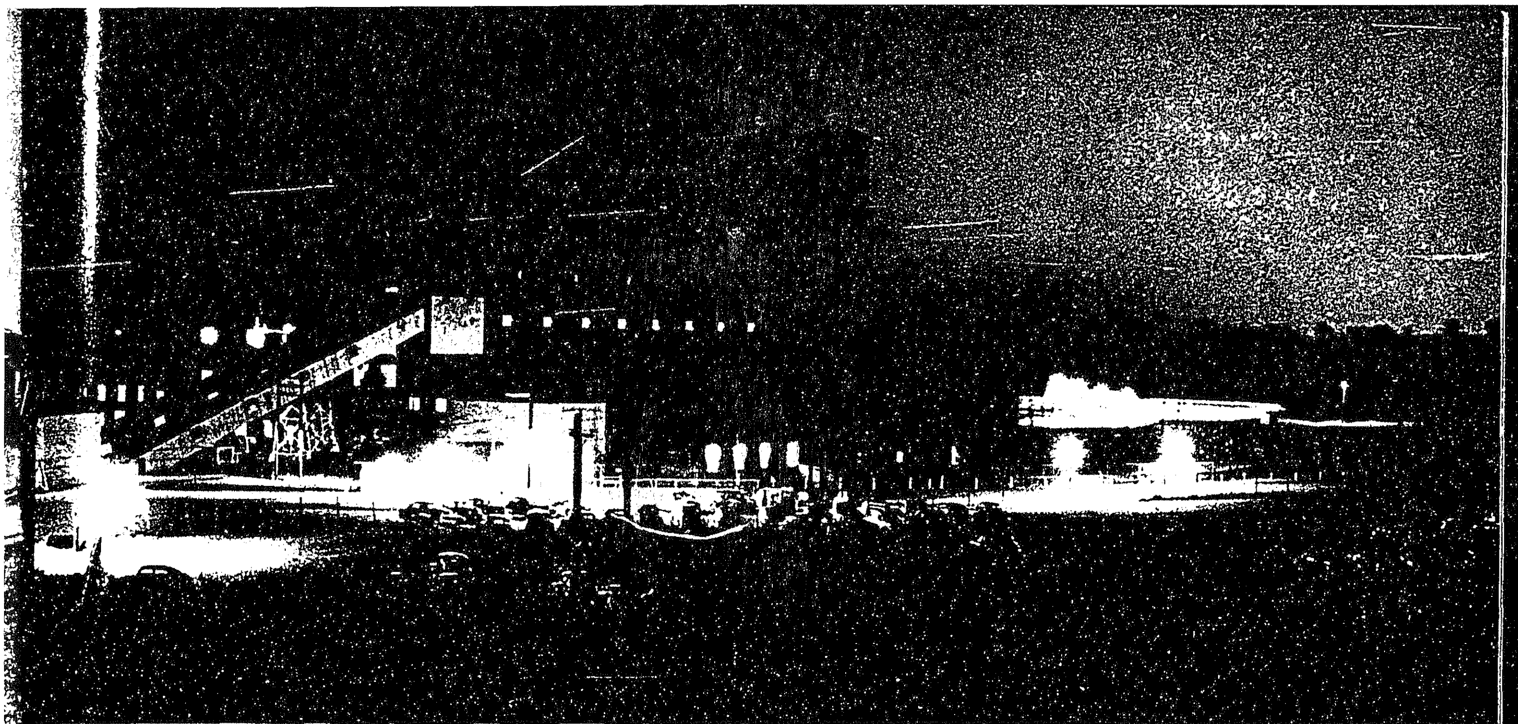
The correctness of these statements was unfortunately very evident in 1953.

We witnessed the results of the previous Administration's ill-advised over-stimulation of lead and zinc production, not only in this country but throughout the free world. The truce in Korea merely hastened the time when the folly of this policy was clear to all. The demand and consumption of lead and zinc in the United States during the last two years have been excellent. Prices, however, have been forced down by March 1, 1954 to the disastrous levels of 9.25 cents per pound for zinc and 12.5 cents per pound for lead by continued imports of unneeded metal, as shown by the following comparative figures:

COVER PICTURE

"Safety First"

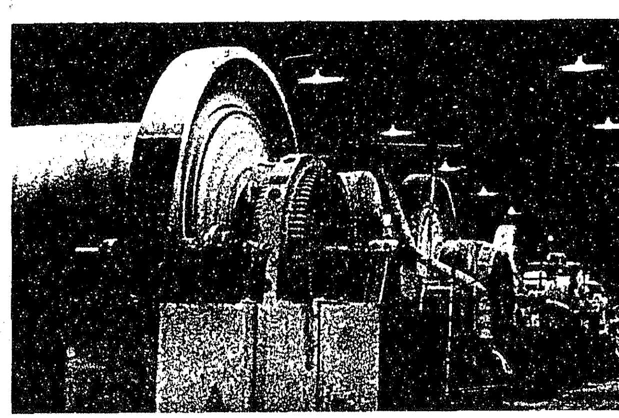
Inspecting a mine pillar from a caterpillar-mounted extension ladder.

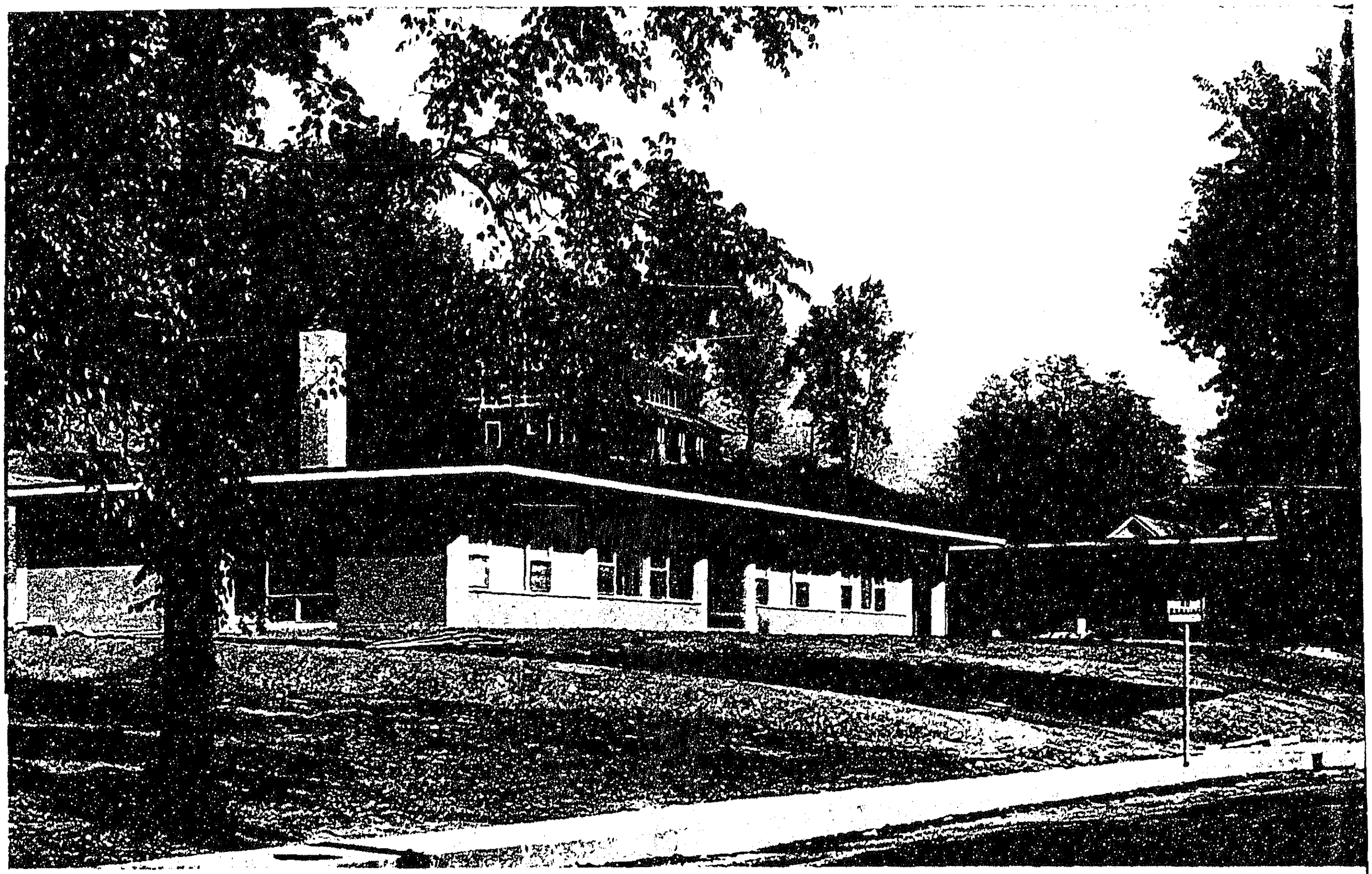


Night Shift, Federal Mill, Missouri

In short tons	1953 (Est.)	1952 (Final)
LEAD		
From domestic mines	335,000	390,000
Scrap	435,000	435,000
Imports	555,000	637,000
Available supply	1,325,000	1,462,000
Consumption	1,185,000	1,130,000
Unneeded metal	140,000	332,000
ZINC		
From domestic mines	440,000	575,000
Secondary sources	50,000	55,000
Imports	693,000	519,000
Available supply	1,183,000	1,149,000
Consumed and exported	993,000	911,000
Unneeded metal	190,000	238,000

New Federal Rod Mills





New office, Herculaneum, Missouri

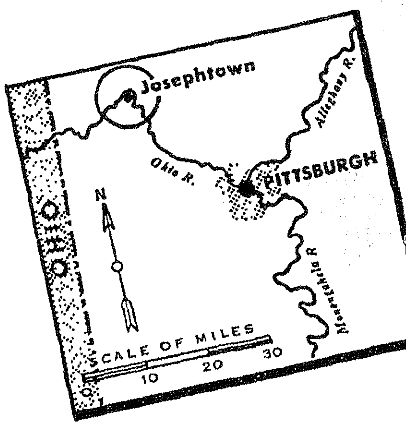
The U. S. Government purchased very much less lead and zinc for stockpiling purposes in 1953 than in 1952. The flood of imports has recently lessened but only at the cost of lowering U. S. prices to a point where few domestic mines can operate at a profit. The seriousness of the situation is realized by many members of Congress and local consumers—as well as by the miners. At the beginning of 1954, the unsold stocks in the hands of domestic producers have reached the very high levels of approximately 81,000 tons of pig lead and 181,000 tons of slab zinc, but fortunately stocks in the hands of consumers are at a minimum.

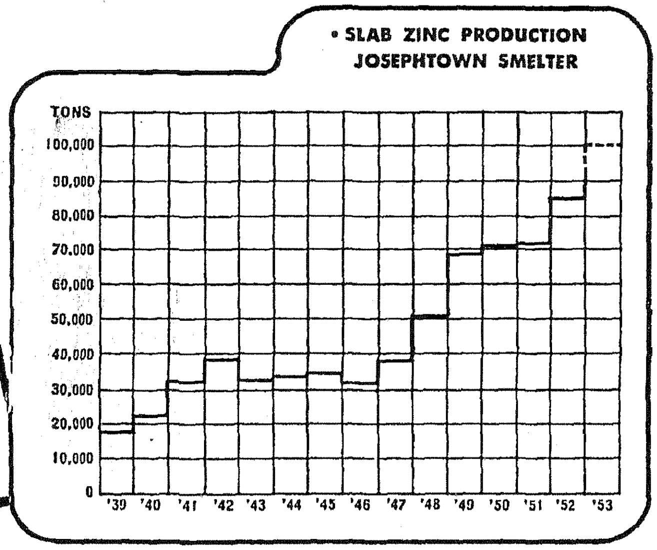
Advertisements

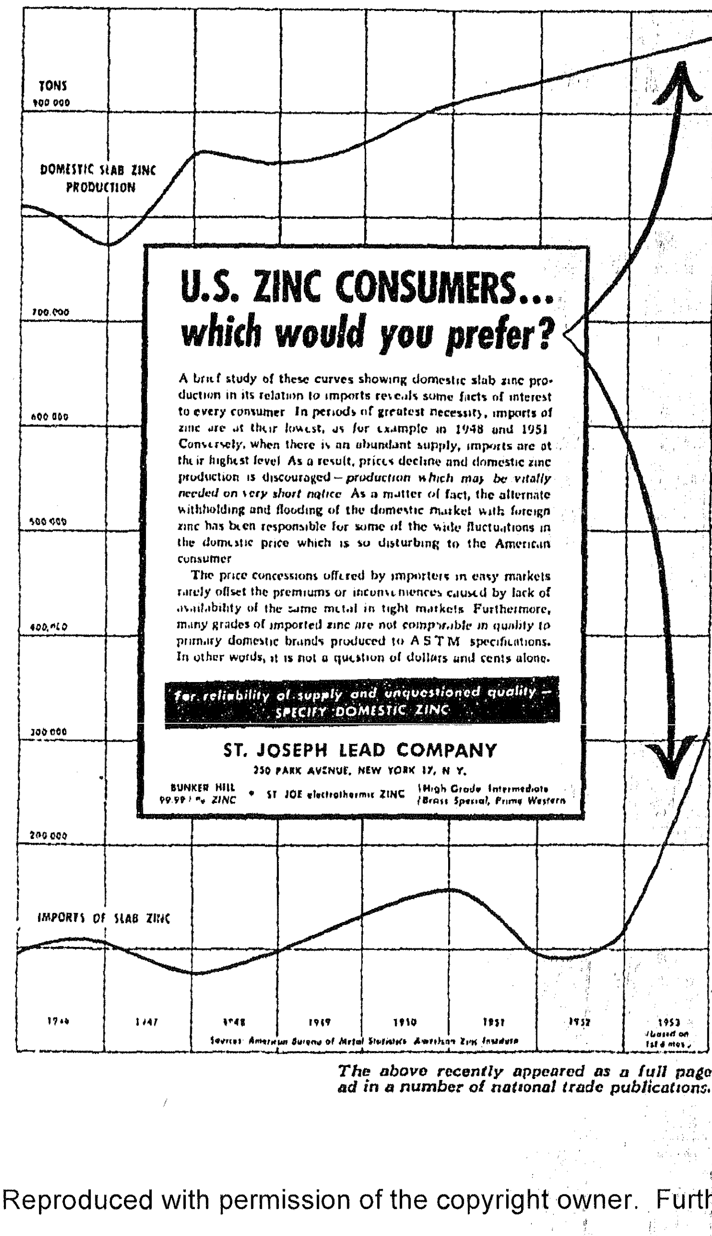
Four representative St. Joe advertisements, two for lead and two for zinc, are included in this Report to emphasize that under present conditions, it is just as important to sell our products as to produce them.

"CHRISTMAS 1953"
Josephtown Auditorium

"For reliability of supply and unquestioned quality — SPECIFY DOMESTIC ZINC"







The above recently appeared as a full page ad in a number of national trade publications.

A major factor in domestic zinc supply is the St. Joseph Lead Company's electrothermic smelter at Josephtown, Pa. Constructed in 1930, the smelter's annual slab zinc production is now in excess of 100,000 tons and — based on the current expansion program — will continue to rise. This steady growth of production is the direct result of two factors: 1 — The strategic location of the plant to major consuming centers. 2 — The consumers' confidence in the quality of St. Joe Zinc and the integrity of the producer in dealing with his customers.

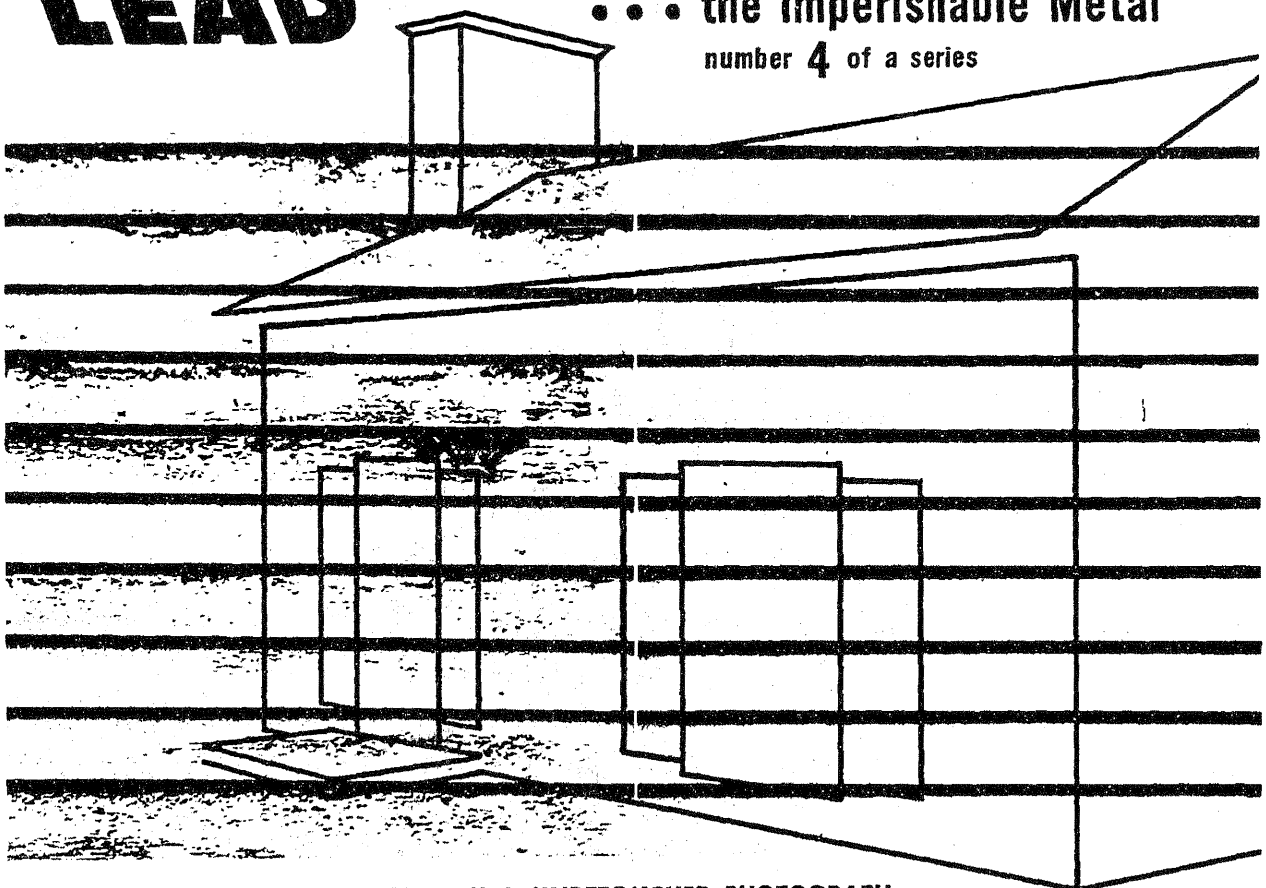
ST. JOSEPH LEAD COMPANY
250 Park Avenue • New York 17, N. Y.

HIGH GRADE • INTERMEDIATE
BRASS SPECIAL • PRIME WESTERN

ST. JOE
electrothermic
ZINC

LEAD . . . the Imperishable Metal

number 4 of a series



AN ACTUAL, UNRETOUCHED PHOTOGRAPH

2 years after using a low-grade paint | 2 years after using white-lead paint

PAINTING PROBLEM?

QUESTION *What's wrong with the paint-job on the left?*

ANSWER *Little or no white lead in it!*

REASON *During the war, lead was restricted in use for paint. Post-war industrial demand created shortages of the metal, but today:*

LEAD, the imperishable metal is now available to provide durability in your paint. Do not forget that 80% of the cost of painting a building is labor and it is cheaper in the long run to buy a paint that lasts and even years later offers excellent repaint surfaces.

You're money ahead when you paint with White Lead

ST. JOSEPH LEAD COMPANY, 250 PARK AVE., NEW YORK 17, N. Y.

Balmat, Northern New York

Earnings

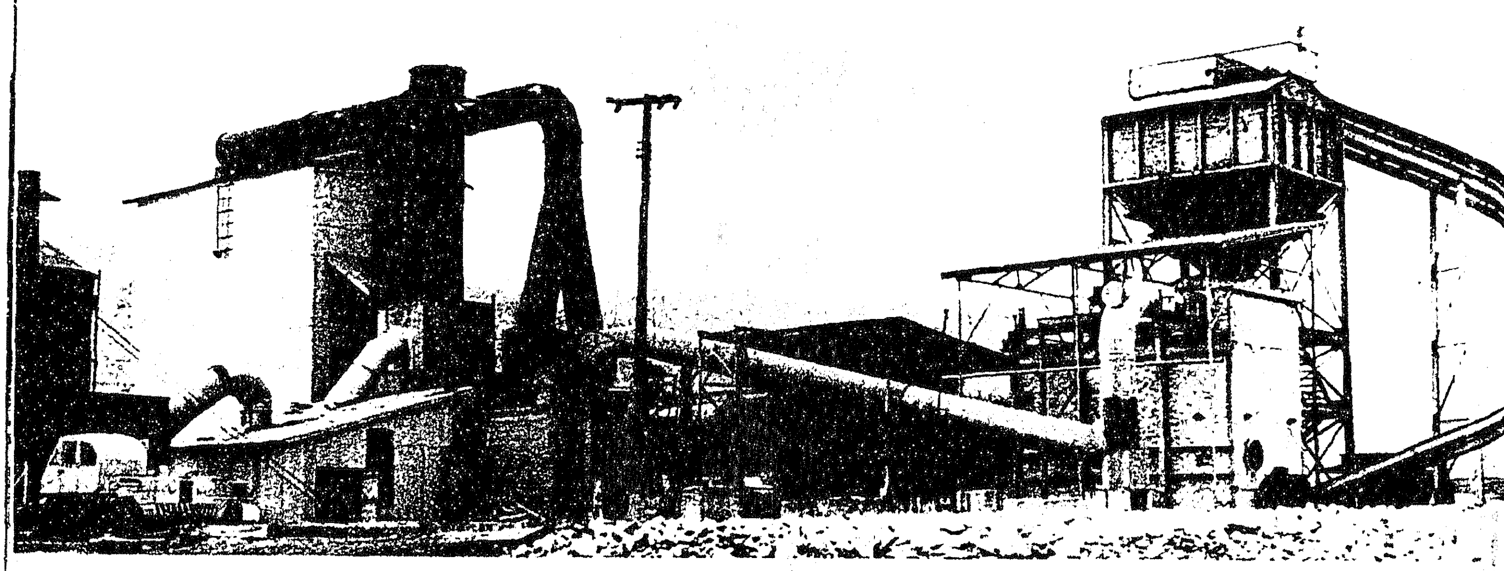
Reflecting the very much lower metal prices, sales for 1953, including Bunker Hill lead and zinc sold on a commission basis, amounted to $88 million, in comparison with $105 million in 1952 and $111 million in 1951. Earnings after taxes were equivalent to $2.32 per share, in comparison with $3.55 per share in 1952 and $5.00 in 1951. Taxes amounted to $1.60, $2.09 and $5.09 per share, respectively, for each of the three years. Stockholders received dividends of $2.75 per share in 1953, in comparison with $3.00 per share in 1952 and $3.25 per share in 1951.

Additional financial and other information is given in the 90th Annual Report to Stockholders, and you are again urged to ask your Division Manager for a copy, if you are interested and are not a stockholder.

St. Joe Production (in short tons)	*1953*	*1952*
Lead concentrates from St. Joe properties	160,625	157,037
Pig lead equivalent of St. Joe concentrates	102,865	100,592
Pig lead produced (incl. lead in purchased concentrates)	130,430	128,691
Zinc concentrates from St. Joe properties	104,744	69,173
Zinc (slab zinc equivalent, incl. zinc in purchased concentrates)	121,592*	108,959*
* Including metal from toll concentrates	8,204	8,697

St. Joe Sales from Smelter Production (in short tons)		
Pig lead sales	122,062	125,718
Slab zinc equivalent of oxide and metal	103,009*	89,414*

* Not including toll zinc deliveries.



New Zinc Fuming unit, Moundsville, West Virginia

OPERATING INFORMATION

Lead Belt, Missouri

The average tonnage of ore and chat milled per operating day was 26,695. The 13 percent reduction in operating cost per ton of ore mined and milled is encouraging. In Southeast Missouri the new Indian Creek Mill was dedicated on October 7, 1953; operations may not be increased from the present average of 500 tons of ore per day to 2,000 until the latter part of 1954 or early 1955, when the new ventilation shaft and 1,900-foot drift will have been completed.

Herculaneum, Missouri

At Herculaneum, the new office has been finished. During 1954 the fifth new sintering unit, as well as the baghouse, will be completed. Capacity will then be approximately 100,000 tons of lead a year. The probability of operating with two blast furnaces for a major portion of the year, should be a great help in stabilizing employment. Some progress was made in the rebuilding of the zinc slag furnace, but completion is not expected until the latter part of 1954.

At the end of the year the tonnage of unsold pig lead at Herculaneum and at Alton for the account of the Company, amounted to 12,875, which is in addition to the 10,509 tons of lead in concentrates.

Balmat-Edwards, Northern New York

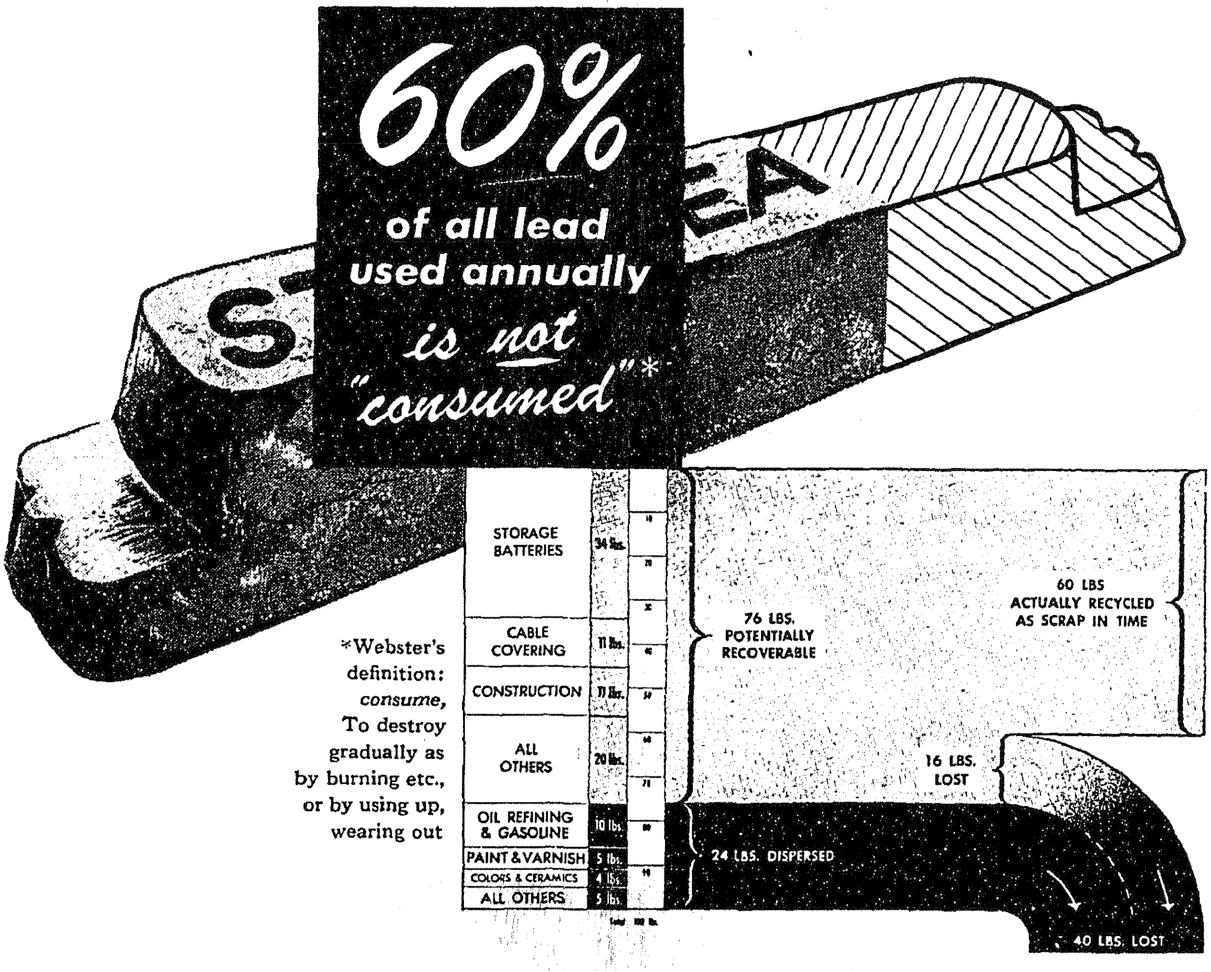
With the first full year's production using the increased capacity of the Balmat mill, a record output of approximately 100,000 tons of zinc concentrates was obtained at this Division.

Josephtown, Pennsylvania

The outstanding output of 121,265 tons of slab zinc equivalent was obtained as a result of even further improvements in recoveries of the electric furnaces and condensers, and because of the installed increased capacity. As the unsold inventory of slab zinc amounted to 21,088 tons at the end of the year, it was necessary to curtail the output from the October-November record of an average 300 tons per day to 200 effective February 1, 1954.

Oil

Three producing wells were drilled in the 4,542-acre block in Crockett County, Texas, in which St. Joe has a 50% interest. In Roosevelt County, Montana, the two wells were shut down as not being commercial under existing conditions; additional acreage has been leased in order to round out the 6,000-acre block. We expect to continue the oil exploration program, but at a considerably less expenditure than in 1953.



Source: "Accumulation & Conservation of Metals in Use," a paper by Charles W. Merrill, U. S. Bureau of Mines.

THE imperishable nature of lead, the most durable of the common metals, makes the descriptive term "consumer" an anomaly when applied to many users of this versatile metal. In the case of some of its most important applications, it may be said that the metal is "on loan" for varying periods of time to do a specific job, after which it is reclaimed and resold to perform its useful work again. For example, as the graph shown here indicates, the largest amount of lead used in the United States – about 34 lbs. out of every 100 – goes into storage batteries, where its unique electrochemical properties make it an indispensable component. At the same time, the metal's imperviousness to the corrosive attack of sulfuric acid makes storage batteries the country's chief source of secondary lead. Approximately 80% of the lead used in the manufacture of storage batteries returns to the market within a period of between two to three years.

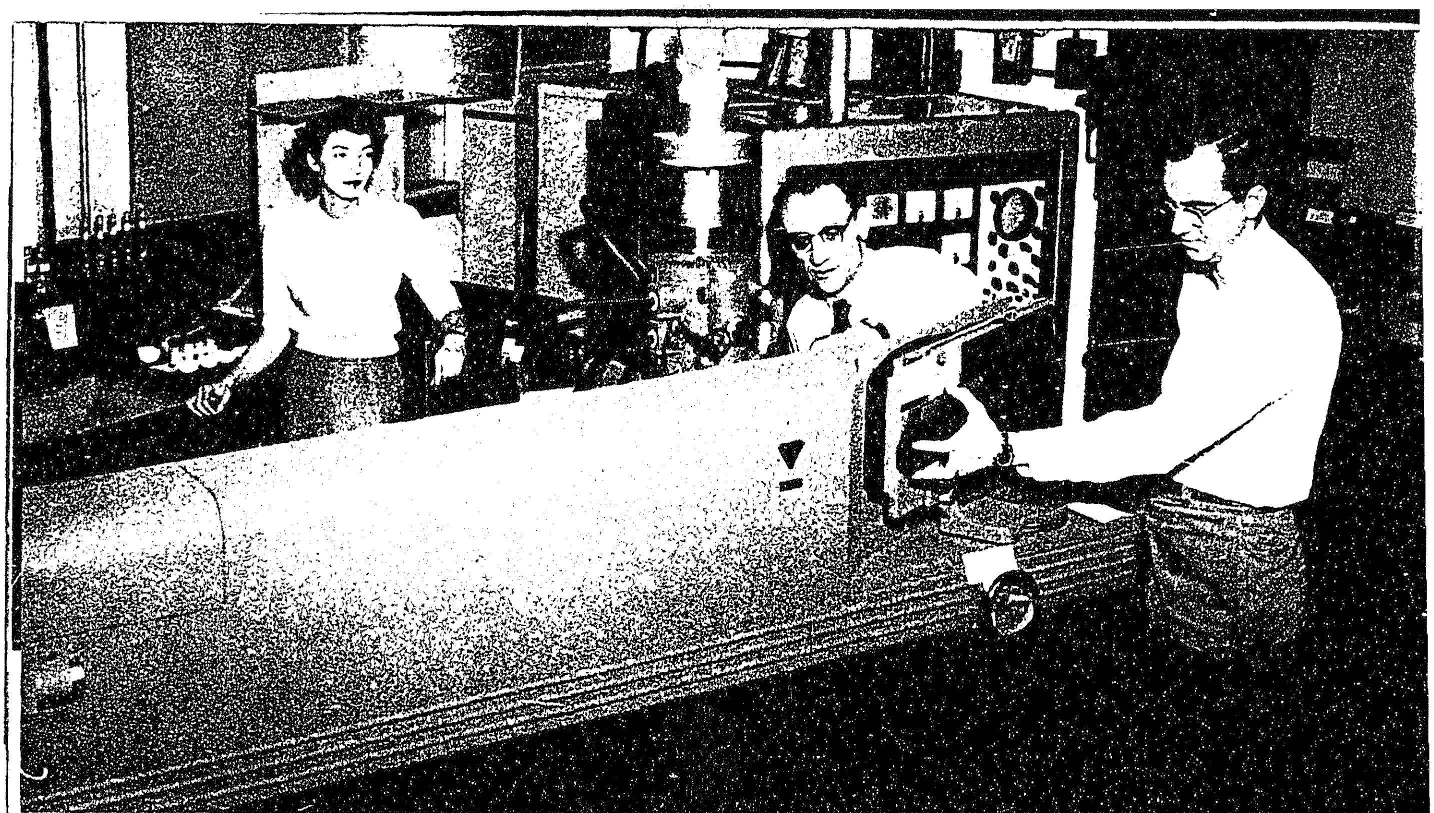
Since lead is practically immune to attack by universally encountered corrosive agents, such as the atmosphere, soil, sea water, as well as many highly corrosive liquids – principally sulfuric acid – it has the highest recurrent-use-factor among the common metals. Using the figures on the graph as a base, the optimum recovery of lead from all uses averages 60%. This means that of the more than 1,000,000 tons of lead used annually in the United States; about 600,000 tons can be reclaimed and sold for reuse at the highest relative proportion of the primary price of any of the common metals.

No better testimony would be required to justify naming lead "The Imperishable Metal."

ST. JOSEPH LEAD COMPANY

The Largest Producer of Lead in the United States

250 PARK AVENUE, NEW YORK CITY 17, NEW YORK



Spectrograph, Josephtown Research Laboratory, Pennsylvania

Foreign Operations

The Aguilar mine and mill, located in northern Argentina, produced 19,768 metric tons of lead concentrates and 31,797 metric tons of zinc concentrates in 1953, in comparison with 23,064 and 30,366 in 1952, respectively. Earnings amounted to approximately 33 million pesos after setting up reserves for plant and rehabilitation of 14 million and 32 million taxes, which is equivalent to around 1.65 million U. S. dollars at an exchange rate of 5 U. S. cents per peso. St. Joe received no income in 1953 from this operation, because of continuing governmental exchange restrictions. The comparative earnings, after reserves and taxes in 1952, were approximately 19 million pesos.

The sulphuric acid and fertilizer plant at Borghi, Argentina, in which St. Joe-Aguilar own a 50% interest, continued to show very satisfactory operating efficiency, but earnings were nominal due to low sales.

An extensive reorganization of staff and operating procedure was found necessary at the Comodoro Rivadavia zinc smelter in southern Argentina. St. Joe-Aguilar have a 43% ownership in this plant. It is hoped that with the improved conditions in that country, coupled with the supervision of the Borghi staff, the results in 1954 will be greatly improved.

The Nord Africaine mine, situated in Algeria just over the border from Morocco, operated at approximately 400 tons of lead-zinc ore per day, with satisfactory earnings, which were used to reduce debt. St. Joe has an approximate 17½% ownership in this operation.

The Leadridge Mining Company Limited, a wholly-owned St. Joe Canadian subsidiary, consolidated its interests in the Bathurst area of New Brunswick, Canada, with the Brunswick Mining and Smelting Corporation Limited, Anacon Lead Mines Limited, and certain of the M. J. Boylen interests through the exchange of properties for shares of the Brunswick Mining and Smelting Corporation Limited. Leadridge now owns 40% of the issued capital stock of Brunswick, and will take an active part in the handling of these extensive ore reserves.

1954 OUTLOOK

With world production of lead and zinc being greater than consumption, with foreign-mining costs being less than domestic, and with the large tonnage of unsold metal in the hands of U. S. producers, it is doubtful if we can expect much higher prices in our local markets, unless the Administration or Congress is willing to stem the tide of unneeded imports. In the last six months many domestic consumers have realized that for their own good, as well as for the protection of our Nation, it is inadvisable to depend on foreign sources for most of their requirements. I am hopeful that in 1954 a solution will be found for maintaining an output from domestic mines at approximately the level that existed prior to 1952. In the meanwhile, however, the safe course for us in St. Joe to follow is

Continue to increase our operating efficiency.

We have been in the mining business for 90 years and have successfully survived difficult times in the past. The experience so gained can now be used to good advantage.

Fortunately, our mines, mills and smelters are in excellent physical condition since the modernization and expansion programs undertaken at all Divisions have now been practically completed. We employees can be grateful to the stockholders for the excellent "tools" that have been made available during the past seven years, because of the additional $26 million capital investment in our United States properties.

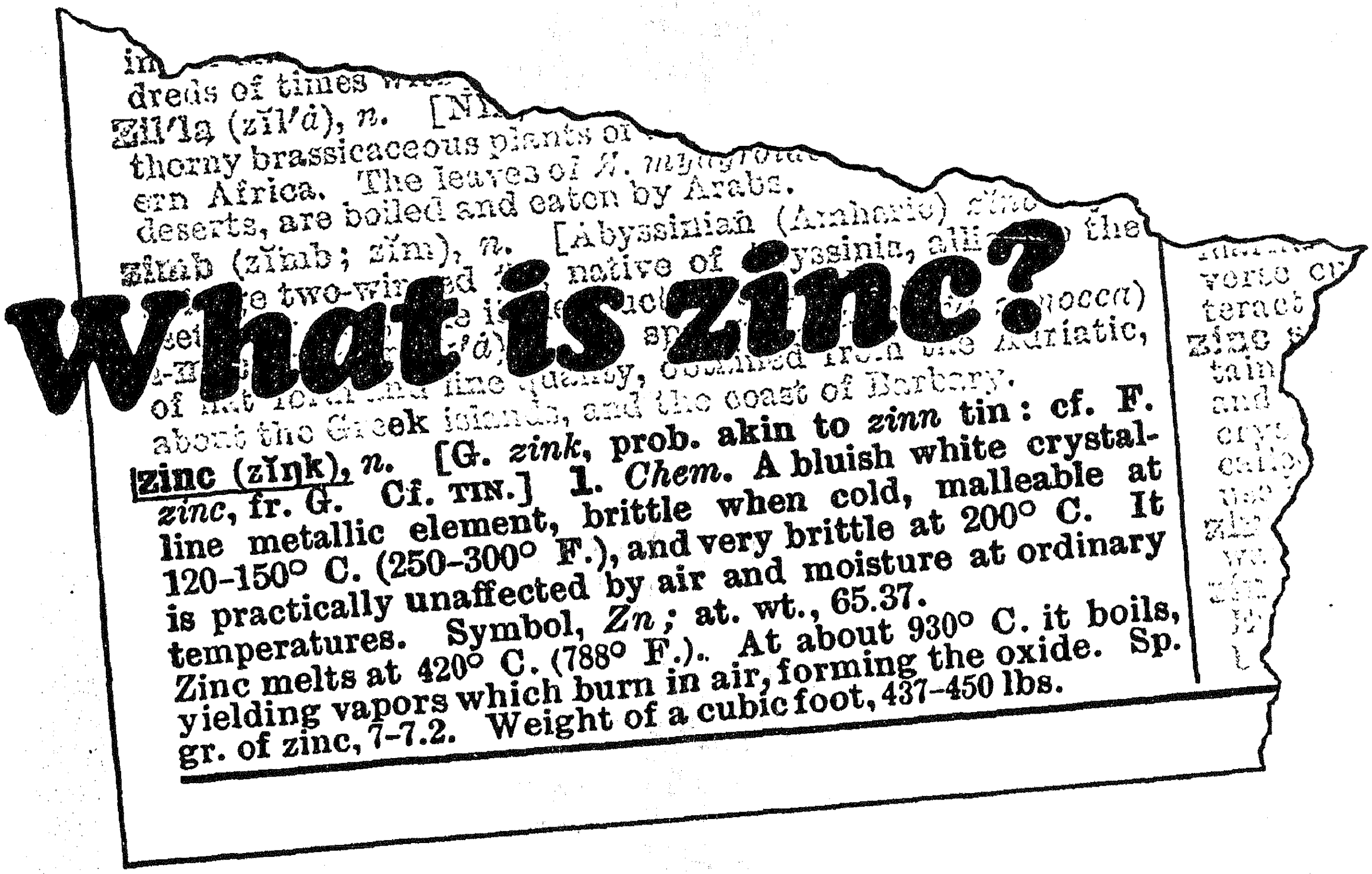
Fortunately, also, our management staff is a well-balanced group of "old-timers" with low metal price experience, and younger men with enthusiasm and new ideas.

I do not believe that our country is facing a serious depression. We are in a period of readjustment, the earlier completion of which was forestalled by the Korean War. Given a chance, the enterprise, courage and vision of our people will surmount the immediate problems, and our Nation will continue to offer the freedom that each of us desires.

Andrew Fletcher

President.

New York, March 17, 1954.



The average man probably knows little of the metal's wide application and its many useful functions. For zinc is frequently used in conjunction with other metals, and then its identity may be more or less concealed. For example, the great volume of iron and steel products which are galvanized, i.e. zinc-coated, as protection against corrosion, has for many years accounted for the metal's largest single use. In brass, of which it is an essential constituent, the zinc is invisible. Zinc oxide, which is particularly important as a paint pigment and as a rubber ingredient, is a white, fine powder which gives no hint of its relationship to the base product. Zinc alloy die castings which, incidentally, are now beginning to crowd galvanizing as the chief outlet for zinc, are frequently covered with a variety of beautiful finishes for purely decorative purposes.

In galvanizing, the spangled appearance of the zinc coating may also be decorative, but its chief purpose is to protect iron and steel products against corrosion. For this purpose, zinc is superior to all other metals. According to the U.S. Bureau of Standards, zinc forms "by far the best" protective metallic coating for the rust-proofing of iron and steel. Due to its low melting point, it is a comparatively simple matter to secure a tight bond between the zinc coating and the iron or steel base. Moreover, as iron stands below zinc in the electro-chemical series, a coating of zinc provides iron and steel with perfect electrolytic protection against rust. The electropositive metal, ZINC, suffers corrosion while protecting the electronegative metal, IRON. The effect is that corrosion goes on with the zinc exclusively; the iron is not corroded provided any zinc is left on its surface. It is because of these inherent properties that zinc takes precedence as the ideal protective agent for iron and steel products.

ST. JOSEPH LEAD Company
250 PARK AVENUE, NEW YORK 17, N. Y.
ELdorado 5-3200

ST. JOE
Electro-Thermic **ZINC**
HIGH GRADE • INTERMEDIATE
BRASS SPECIAL • PRIME WESTERN