PRESIDENT'S ANNUAL REPORT

TO

STOCKHOLDERS

OF THE

ST. JOSEPH LEAD COMPANY

FOR THE YEAR

1935

ST. JOSEPH LEAD COMPANY

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

EXECUTIVE OFFICERS

CLINTON H. CRANE,
President

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

ANDREW FLETCHER,
Vice-Pres., and Treasurer

C. MERRILL CHAPIN, JR.,
Vice-President

E. V. PETERS,
Vice-President

H. B. McGOWN,
Secretary

ROBERT BENNETT,
Assistant Secretary

GEORGE I. BRIGDEN,
Assistant Secretary

STOCK TRANSFER OFFICE
250 Park Avenue,
New York

REGISTRAR
City Bank Farmers Trust Company,
New York

ST. JOSEPH LEAD COMPANY

250 Park Avenue, New York City

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

The Consolidated Balance Sheets as of December 31, 1935 and December 31, 1934 of St. Joseph Lead Company and Subsidiaries and the related Summaries of Consolidated Net Income and Surplus for the years ended on the above dates are submitted herewith as a part of this report.

The Consolidated Income of $933,768.45 for the year ended December 31, 1935 before depletion, abandoned leases, obsolescence of the Doe Run Mill and income taxes, shows an increase of $118,820.16 over the previous year. Although slightly higher prices were obtained from the sales of lead and zinc, the resultant profit was largely offset by a decrease in the profit from our Atlanta Gold property.

A net profit of $486,199.77 after all deductions is shown for 1935 compared with a net loss of $812,534.33 for the previous year. The large difference between the two periods is primarily due to the change in the method of computing depletion explained in the semi-annual report to stockholders covering the first six months of 1935 and has resulted in a charge against current earnings of $303,009.11 instead of $1,395,041.35 which would have resulted from use of the former basis. No change was made or is contemplated in connection with the depreciation rates now being used on the Company's books. The Consolidated Earnings for the eight years ended December 31, 1935 are shown below:

Consolidated Earnings

Year	Income after Interest but Before Other Deductions	Provision for Depreciation	Provision for Income Taxes	Net Income before Depletion, Etc.	Provision** for Depletion, Etc.
1935	$2,005,781.59	$1,072,013.14	$ 35,502.59	$ 898,265.86	$ 412,043.61
1934	1,936,908.95	1,121,960.66	78,862.23	736,086 06	1,548,604.47
1933	1,316,485.60	1,022,922.73	....	293,562 87	1,461,310.72
1932	*287,881.11	1,011,845.62	....	*1,299,726.73	1,606,310.78
1931	1,622,220.01	1,149,702.39	....	472,517.62	1,886,589.04
1930	5,809,486.42	1,319,064.38	390,314.61	4,100,107.43	2,566,469.67
1929	11,954,769.82	1,268,935.08	883,938.98	9,801,895.76	2,264,740.04
1928	7,815,038.98	1,050,348.88	455,623.88	6,309,066.22	1,775,803.27

*Loss.

**Includes abandoned leases for the years 1933 to 1935 inclusive and provision for obsolescence of the Doe Run Mill for the year 1935.

Quarterly dividend distributions of $0.10 per share aggregating $782,269.30 were made to stockholders during the current year. These dividend distributions were paid out of Surplus earnings of the Company, accumulated after February 28, 1913 and are therefore subject to Federal Income surtax. The following is a record of dividends for the years 1928 to 1935 inclusive:

Dividends Paid to Stockholders

Year	St. Joseph Lead Company	Minority Interests in Subsidiaries	Year	St. Joseph Lead Company	Minority Interest in Subsidiaries
1935	$782,269.30	....	1931	$2,438,079.75	$ 14,618.75
1934	586,701.30	....	1930	5,851,386.00	128,865.00
1933	....	....	1929	5,851,374.75	70,305.00
1932	292,569.75	....	1928	5,851,335.00	76,253.00

On December 6, 1935, a further reduction was made in the Company's outstanding indebtedness when the $500,000 one-year 1½% note dated June 17, 1935 was paid. This note represented one of the bank loans made at the time of refinancing the $8,000,000 St. Joseph Lead Company Ten-Year Convertible 5½% Debenture Bonds due May 1, 1941, which were called for redemption and payment on June 18, 1935, at 105 and accrued interest. The Company's long-term indebtedness has therefore been reduced from $8,000,000 to $5,500,000 during 1935.

The Consolidated Balance Sheet of St. Joseph Lead Company and Subsidiaries, as of December 31, 1935, shows a ratio of current assets to current liabilities of 12.16 to 1. At the close of the year the Company owned $528,000 par value of United States Government, State and Municipal securities of which $442,000 were United States Government securities, $31,000 in New York State bonds and $55,000 New York City bonds. The New York State and New York City bonds, together with $12,000 of United States Government securities, are on deposit with the New York and Missouri State Industrial Compensation Commissions. In addition, $10,000 United States Government securities are on deposit with the United States Department of the Interior as security for performance of a mining lease on Indian Land.

The stockholders are again reminded that the net value of the Capital Assets set forth on the accompanying Consolidated Balance Sheets are depleted and depreciated figures based on appraised values at March 1, 1913 as to properties owned at that date and on cost as to subsequent additions; and they do not necessarily indicate the present day values or prospective future values of the Company's property, plant and equipment, as such values could be arrived at only by current estimates which would vary from time to time depending on the price of metals, rate of production, cost of labor and other factors. Although the appraised value of the areas owned on March 1, 1913 have been entirely written-off the Company's books by depletion deductions, ore is still being mined from these areas at a profit and probably will be for years to come. Of the $4,315,000 appreciation arising from revaluation of ore reserves after March 1, 1913 only $384,963.21 of the said book value remained undepleted on December 31, 1935.

Lead Operations

The Company's Southeast Missouri properties were operated throughout the year on a curtailed basis. On June 1, 1935 the schedule of twelve working days in each four week period, which had been in effect since November 1, 1934, was reduced to a ten day basis, and this rate was maintained through the remainder of the year. The Missouri smelter at Herculaneum was operated continuously during the year on a one furnace basis although on October 13, 1935 a six instead of a seven day week was adopted. In spite of the fact that these properties were operated on a curtailed basis, lead stocks increased 5,845 tons during 1935 bringing the total of Missouri lead on hand at December 31, 1935 to 108,829 tons.

The Rivermines Mill of the Doe Run Lead Company was temporarily closed down in August 1934. During the year 1935 it was decided that this shut-down should be continued permanently, and all usable equipment is being transferred to the Federal Mill of the St. Joseph Lead Company, as it was found that the Doe Run Lead Company production could be more effectively handled by that unit. A provision for obsolescence of $100,000 a year, beginning with 1935, will be charged against current earnings until the property has been written off. This provision is in addition to the regular provision for depreciation.

Arrangements are being made to liquidate the Doe Run Lead Company, a wholly owned subsidiary of St. Joseph Lead Company, during the early part of 1936.

During the year ten additional suits were filed against the Company for occupational diseases claimed to have been caused by breathing dust in our Southeast Missouri mines. At the close of 1935, 123 suits amounting to $1,957,500 had been filed and were pending as compared with 113 suits, totaling $1,915,000 on December 31, 1934. No suits had been tried during the current year. The Company denies all liability in connection with these cases, for reasons set forth in the Annual Report for the year 1934.

Zinc Operations

The Balmat and Edwards properties located in northern New York were operated continuously throughout the year on slightly less than a full time schedule.

The Josephtown Zinc Smelter in Pennsylvania continued to treat a substantial portion of the output of the Edwards and Balmat mines to meet the demand for "St. Joe" zinc oxide from the rubber and paint industries.

Miscellaneous Operations

The mill on the Company's short lived gold property at Atlanta, Idaho, operated at full time throughout the year on ore from the mine and on old tailings.

The Block "P" mine in Montana remained closed throughout the year.

The Robinson mine of the Kansas Explorations, Inc., located in the Tri-State District was sold to the American Zinc Lead & Smelting Company on August 12, 1935 and has been placed in production by that company. Although the Kansas Explorations, Inc., did not operate any of its mines during the year, a small income was derived from royalties received from milling the Dardenne tailings pile by sub-lessees.

Construction work on the Aguilar Corporation property, located in the Province of Jujuy, Argentina, is completed and the mill was placed in operation on February 5, 1936. Due to improved conditions in the world metal markets it has been decided to increase the capacity of the mill from 200 to 400 tons of ore per day, but milling on the 400 ton basis will not commence until about July 1936.

Of the numerous mining properties offered to the Company during 1935 only four were considered worthy of examination and these were turned down after inspection was made.

General

Under date of May 31, 1935 the New York Stock Exchange certified its approval for listing and registration of the Company's Capital Stock under the Securities Exchange Act of 1934. Registration of our stock was therefore effective as of July 1, 1935 at the termination of temporary registration.

There were no general wage or salary increases at any division or in the New York Office during 1935.

The Comparative share holdings for December 31 of each year for the last five years are as follows:

Year	Number	19 or Less	20-99	100-199	200-Over
1935	5,304	1,491	1,748	911	1,154
1934	5,300	1,549	1,712	873	1,166
1933	5,145	1,511	1,684	835	1,115
1932	5,360	1,584	1,796	875	1,105
1931	5,063	1,784	1,349	831	1,099

CLINTON H. CRANE,
President.

New York, February 21, 1936.

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

Comparative Annual Statistics

Year	Tons of U. S. Refined Lead Stocks At End of Year	Average Lead and Zinc Prices in Cents Per Lb. Lead F.O.B.St.Louis E.& M.J. Average	Lead F.O.B.St.Louis St. Joe Average	Zinc F.O.B.St.Louis E.& M.J. Average
1935	222,306	3.915	3.878	4.328
1934	235,457	3.724	3.700	4.158
1933	203,061	3.735	3.652	4.029
1932	176,157	3.042	3.055	2.876
1931	151,653	4.049	4.007	3 640
1930	103,247	5.384	5.456	4 556
1929	54,900	6.660	6.646	6.512
1928	33,618	6.131	6.133	6.027

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Production in Tons

Year	Ore Mined N. Y. and Mo.	Lead Concentrates	Pig Lead Equivalent	Zinc Concentrates	Slab Zinc Equivalent
1935	3,382,403	133,044	92,611	47,214	22,857
1934	3,269,864	124,240	86,060	46,353	22,389
1933	2,652,944	114,651	78,248	34,741	16,898
1932	3,233,172	147,242	99,242	34,677	17,017
1931	4,465,794	196,481	131,586	63,348	31,498
1930	5,999,813	243,614	164,886	86,795	42,554
1929	5,750,412	245,958	165,114	60,475	29,848
1928	4,833,194	204,181	137,673	45,928	23,257

Note: In previous years the lead and zinc content of the respective concentrates has been shown, whereas in the above table the estimated recoverable metal is set forth under the headings "Pig Lead Equivalent" and "Slab Zinc Equivalent."

Lead Sales and Stocks at End of Year in Tons

Year	Lead Sales St. Joe Production	Purchased Lead Sold	Total Lead Sales	*Pig Lead Equivalent of Stocks
1935	87,077	41,714	128,791	108,849
1934	84,964	39,566	124,530	103,918
1933	72,462	47,988	120,450	100,453
1932	81,467	53,473	134,940	96,484
1931	105,262	69,085	174,347	78,390
1930	137,502	82,221	219,723	51,536
1929	160,490	61,399	221,889	22,163
1928	136,640	52,342	188,982	16,397

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

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Summaries of Consolidated Net Income

For the Years Ended December 31, 1935 and 1934

	1935		1934	
Gross Sales (Including Royalty Earnings—1935, $18,963.79; 1934, $34,757.14)		$15,286,698.04		$14,333,442.42
Cost of Sales (Exclusive of Depreciation and Depletion)		12,524,602.98		11,569,011.27
Gross Profit from Operations before Depreciation and Depletion		$ 2,762,095.06		$ 2,764,431.15
Deduct:				
Selling, General and Administrative Expenses	$ 450,803.05		$ 429,293.47	
Capital Stock and Miscellaneous other taxes	30,558.54	481,361.59	14,361.71	443,655.18
Net Profit from Operations before Depreciation and Depletion		$ 2,280,733.47		$ 2,320,775.97
Other Income:				
Interest	$ 41,213.56		$ 41,671.08	
Dividends	5,950.00		11,125.00	
Profit on Sale of Investments, net	1,683.87		26,418.30	
Miscellaneous	674.25	49,521.68	2,715.03	81,929.41
Gross Income before Depreciation and Depletion		$ 2,330,255.15		$ 2,402,705.38
Interest and expense on bonds and notes		324,473.56		465,796.43
Income before Depreciation, Depletion and Other Deductions		$ 2,005,781.59		$ 1,936,908.95
Provision for Depreciation		1,072,013.14		1,121,960.66
Income before Depletion and Other Deductions		$ 933,768.45		$ 814,948.29
Depletion and Other Deductions:				
Provision for:				
Depletion	$ 303,009.11		$ 1,476,607.36	
Obsolescence of the Doe Run Mill	100,000.00		—	
Federal Income Taxes	35,502.59		78,862.23	
Abandoned leases written-off	9,034.50	447,546.20	71,997.11	1,627,466.70
Net Income for the Year before deducting Minority Interest		$ 486,222.25		*$ 812,518.41
Deduct—Proportion of Net Income Applicable to Minority Interest		22.48		15.92
Net Income for the Year		$ 486,199.77		*$ 812,534.33

*Net Loss.

Summaries of Consolidated Surplus

For the Years Ended December 31, 1935 and 1934

	1935		1934	
Surplus at Beginning of the Year (Including Revaluation of Ore Reserves—1935, $394,982.57; 1934, $702,991.48)		$ 6,506,185.03		$ 7,972,399.31
Add:				
Net Profit for the Year		486,199.77		* 812,534.33
Credit arising from acquisition of Minority Interest in the Doe Run Lead Company		—		32,782.15
Total		$ 6,992,384.80		$ 7,192,647.13
Deductions:				
Adjustment of inventories applicable to prior years	—		$ 99,760.80	
Redemption premium including unamortized debt discount and expense on St. Joseph Lead Company 5½% Bonds called for payment June 18, 1935	$ 551,098.78		—	
Cash Dividends paid during the year	782,269.30	1,333,368.08	586,701.30	686,462.10
Surplus at End of the Year (Including Revaluation of Ore Reserves—1935, $384,963.21; 1934, $394,982.57)		$ 5,659,016.72		$ 6,506,185.03

*Net Loss.

Note: The provision for depletion for the year ended December 31, 1935, amounting to $303,009.11 is $1,092,032.24 less than would have resulted from computations on the basis used prior to January 1, 1935.

ST. JOSEPH LEAD CO[illegible]N.

Consolidated Balance Sheet [illegible]ec

ASSETS

	December 31, 1935		December 31, 1934	
Capital Assets:				
Ore reserves and mineral rights:				
Appraised value as of March 1, 1913	$13,500,000.00		$13,500,000.00	
Less Reserve for depletion	13,500,000.00	—	13,500,000.00	—
Additions subsequent to March 1, 1913 (at cost)	$21,428,204.03		$21,561,701.18	
Less Reserve for depletion	14,106,279.21	$ 7,321,924.82	13,971,309.64	$ 7,590,391.54
Appreciation arising from revaluation subsequent to March 1, 1913	$ 4,315,000.00		$ 4,315,000.00	
Less Reserve for depletion	3,930,036.79	384,963.21	3,920,017.43	394,982.57
Total Ore Reserves and Mineral Rights, net		$ 7,706,888.03		$ 7,985,374.11
Shafts and underground equipment (at cost)	$ 4,987,367.22		$ 5,020,171.57	
Less Reserve for depreciation	3,635,766.34	1,351,600.88	3,621,430.47	1,398,741.10
Land, Buildings, Plant and Equipment (at cost)	$19,356,694.79		$19,946,429.18	
Less Reserve for depreciation	10,760,125.56	8,596,569.23	10,273,009.95	9,673,419.23
Railway construction—cost being refunded		150,410.00		166,835.00
Total Capital Assets, Net		$17,805,468.14		$19,224,369.44
Investments and Advances:				
Aguilar Corporation (at cost—86% owned)	$ 1,890,000.00		$ 1,515,000.00	
Mine La Motte Corporation (at cost—50% owned)	818,653.66		816,653.66	
Kadco Corporation (at cost—50% owned)	100,000.00		100,000.00	
Stocks of other mining companies (at lower of cost or market)	294,627.00		156,352.00	
Sundry securities and loans (at cost, less reserve $200,000.00, December 31, 1935; at cost December 31, 1934)	226,048.32	3,329,328.98	431,777.06	3,019,782.72
Special Deposit:				
For Bonds called but not presented for payment, including premium and interest (See Contra)		15,447.44		—
Current and Working Assets:				
Cash on hand and in banks	$ 1,421,702.12		$ 1,746,157.83	
Federal, State, and Municipal Securities, including deposits with Federal and State departments—1935, $108,000; 1934, $96,000 (market quotation value—December 31, 1935, $539,028.53; December 31, 1934, $3,361,438.50)	526,615.99		3,361,438.50	
Notes and accounts receivable (Trade)	1,441,786.32		984,343.68	
Notes receivable—employees	—		235.22	
Due from subsidiaries not consolidated	2,945.51		54,869.83	
Other Notes and Accounts Receivable	44,141.00		45,728.30	
Inventories of lead, zinc, etc. (at cost, less than market)	6,986,366.16		6,376,024.32	
Materials and supplies (at cost, less reserve for slow-moving items, $200,000.00)	1,426,968.49	11,850,525.59	1,504,748.79	14,073,546.47
Cash in Closed Banks		32,473.68		41,698.37
Deferred Charges:				
Unamortized debt discount and expense	—		$ 163,065.45	
Prepaid insurance, taxes, etc	$ 172,104.12	172,104.12	179,005.84	342,071.29
Total		$33,205,347.95		$36,701,468.29

Notes:

The net value of the Capital Assets shown in the abo[illegible]lanc ments included in the text of this report.

The Parent Company is contingently liable as guaran[illegible] cert American Subsidiary of Aguilar Corporation, which guara[illegible]oun at December 31, 1934.

The Missouri occupational disease suits filed against t[illegible]. Jos the President's Annual Report to Stockholders for the curr[illegible]ar, reasons set forth in the President's Annual Report to Stoc[illegible]lder

NY AND SUBSIDIARIES

ecember 31, 1935, and 1934

LIABILITIES

	December 31, 1935		December 31, 1934	
Capital Stock:				
Authorized, 2,500,000 shares of $10.00 each	$25,000,000.00		$25,000,000.00	
Issued, December 31, 1935, 1,996,801 shares; December 31, 1934, 1,996,798 shares	$19,968,010.00		$19,967,980.00	
Less in Treasury—41,127 shares	411,270.00		411,270.00	
Outstanding, December 31, 1935, 1,955,674 shares; December 31, 1934, 1,955,671 shares	$19,556,740.00		$19,556,710.00	
Scrip outstanding	398.50	$19,557,138.50	428.50	$19,557,138.50
Minority Interest in Subsidiary Company:				
Capital Stock and Surplus		512.94		490.46
Long Term Indebtedness of St. Joseph Lead Company:				
Ten-Year Convertible 5½% Debenture Bonds maturing May 1, 1941, called June 18, 1935 at 105 (Less Bonds in Treasury $1,752,300.00)	—		$ 8,000,000.00	
Ten-Year 4% Debenture Notes due June 1, 1945	$ 3,000,000.00		—	
Five-Year 3% Note Payable—Bank, due June 17, 1940	2,500,000.00	5,500,000.00	—	8,000,000 00
Redemption Account:				
St. Joseph Lead Company, Ten-Year Convertible 5½% Debenture Bonds called June 18, 1935, including premium and interest (See Contra)		15,447.44		—
Current Liabilities:				
Accounts Payable (Trade)	$ 828,443.61		$ 795,379.54	
Wages Payable	60,113.88		60,657 68	
Accrued Interest on Notes and Bonds	12,708.33		73,333.38	
Accrued Taxes (including Income Taxes)	73,272.80	974,538.62	466,761.39	1,396,131.99
Deferred Credits:				
Unrealized profit from sale of houses, etc		80,968.69		86,764.29
Reserves:				
For Injury Claims and Workmen's Liability Insurance	$ 147,945 80		$ 118,469.12	
For Employees' Life Insurance and Retirements	635,898.33		421,895.59	
For Contingencies	633,880.91	1,417,725.04	614,393.31	1,154,758 02
Surplus:				
Earned	$ 5,274,053.51		$ 6,111,202 46	
Revaluation of Ore Reserves	384,963.21	5,659,016.72	394,982.57	6,506,185.03
Total		$33,205,347.95		$36,701,468.29

alance Sheets should be considered in the light of the com-

certain bank loans of Cia. Minera Aguilar, S. A., the South nounted to $406,200.00 at December 31, 1935, and $21,200.00

. Joseph Lead Company and Subsidiaries, as mentioned in ar, are being defended, and all liability is denied for the lders for the year 1934.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

22 EAST 40TH STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

St. Joseph Lead Company:

We have made an examination of the consolidated balance sheets of St. Joseph Lead Company (incorporated in New York) and its subsidiary companies as of December 31, 1935 and 1934, and of the related summaries of consolidated net income and surplus for the years 1935 and 1934. In connection therewith, we made a review of the accounting methods and examined or tested accounting records of the companies and other supporting evidence in a manner and to the extent which we considered appropriate in view of the system of internal accounting control.

All subsidiary companies controlled by your company were examined by us with the exception of the Cia. Minera Aguilar, S. A., the South American subsidiary of Aguilar Corporation, which subsidiary has been audited by Messrs. Price, Waterhouse, Peat & Company to December 31, 1935.

Effective January 1, 1935, the tonnage remaining in the various properties was re-estimated by engineers of your company, and depletion for the year, based on the estimated units, was computed on sales instead of on production as theretofore.

Physical inventories are taken by employees of the companies at varying dates during the year, and in substantiation of inventory quantities as of December 31, 1935 and 1934, we have accepted certificates from officials of the companies. The cost of inventories of lead, zinc, etc., does not include either depletion or depreciation.

In our opinion, subject to the foregoing and to the realizable value of investments and advances, the accompanying consolidated balance sheets and related summaries of consolidated net income and surplus, with the footnotes thereon, fairly present, in accordance with accepted principles of accounting consistently followed by the companies, their financial condition at December 31, 1935 and 1934, and the results of their operations for the years ended those dates.

HASKINS & SELLS

New York, February 21, 1936.

ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1935