PRESIDENT'S ANNUAL REPORT

TO

STOCKHOLDERS

OF THE

ST. JOSEPH LEAD COMPANY

FOR THE YEAR

1933

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

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

BOND INTEREST and PRINCIPAL

Payable at
Messrs. J. P. Morgan & Company,
New York

ST. JOSEPH LEAD COMPANY

250 Park Avenue, New York City

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

In order that the Stockholders may have a general picture of the operations of the St. Joseph Lead Company and its Subsidiaries for the fiscal year ended December 31, 1933, the following is submitted:

Comparative Annual Figures

The effect of the low metal prices and sales is reflected in the following comparative yearly figures:

Year	1928	1929	1930	1931	1932	1933
Total United States Refined Lead Figures in tons						
Production, Primary Smelters	819,604	817,721	688,787	478,591	342,137	374,153
U. S. Shipments only	702,721	727,271	637,384	429,949	317,261	347,156
Stocks at end of year	33,618	54,900	103,247	151,380	176,157	203,061
Price f.o.b. St. Louis						
Lead cents per lb.	6.133	6.646	5.456	4.007	3.055	3.652
Zinc cents per lb.	6.027	6 512	4.556	3.640	2.876	4.029
Production						
Tons of ore mined	4,833,194	5,750,412	5,999,813	4,465,794	3,233,172	2,652,944
Tons of lead concentrates	204,181	245,958	243,614	196,481	147,242	114,651
Tons of lead content 100% basis	148,568	178,181	177,935	141,999	107,096	84,440
Tons of zinc concentrates	45,928	60,475	86,795	63,348	34,677	34,741
Tons of zinc content 100% basis	27,361	35,115	50,064	37,056	20,020	19,880
Pig Lead Sales, Including Lead Content in Concentrates Sold						
Tons of St. Joe production	136,640	160,490	137,502	105,262	81,467	72,462
Tons of Purchased lead sold	52,342	61,399	82,221	69,085	53,473	47,988
Total	188,982	221,889	219,723	174,347	134,940	120,450
Lead Stocks in tons, including 90% of lead content in concentrates	16,271	22,042	51,107	77,134	93,990	99,374
Consolidated Earnings						
Profit from operations	$7,815,038.98	$11,954,769.82	$5,809,486.42	$1,974,485.73	$ 203,909.10	$1,782,282.02
Deduct interest and expense on bonds	—	—	—	352,265.72	491,790.21	465,796.42
Gross Income	$7,815,038.98	$11,954,769.82	$5,809,486.42	$1,622,220.01	*$ 287,881.11	$1,316,485.60
Deduct Provision for Depreciation	1,050,348.88	1,268,935.08	1,319,064.38	1,149,702.39	1,011,845.62	1,022,922.73
Federal Income Taxes	455,623.88	883,938.98	390,314.61	—	—	—
Total Deductions	$1,505,972.76	$ 2,152,874.06	$1,709,378.99	$1,149,702.39	$1,011,845.62	$1,022,922.73
Net Income before Depletion	$6,309,066.22	$ 9,801,895.76	$4,100,107.43	$ 472,517.62	*$1,299,726.73	$ 293,562.87
Provision for Depletion—1933 includes Abandoned Leases, $190,323.42	$1,775,803.27	$ 2,264,740.04	$2,566,469.67	$1,886,589.04	$1,606,310.78	$1,461,310.72
Dividends Paid to Stockholders						
St. Joseph Lead Company	$5,851,335.00	$ 5,851,374.75	$5,851,386.00	$2,438,079.75	$ 292,569.75	—
Minority Interests in Subsidiaries	$ 76,253.00	$ 70,305.00	$ 128,865.00	$ 14,618.75	—	—

* Deficit.

Financial Condition

The financial position of the St. Joseph Lead Company and subsidiary companies is shown by the accompanying Consolidated Balance Sheets as of December 31, 1933 and 1932. The United States Government, State and Municipal securities owned as at the close of the year totaled $3,205,086.24, including Reconstruction Finance Corporation Notes amounting to $89,086.24. All are short term Government issues, with the exception of $31,000 State of New York Bonds, and $55,000 New York City Notes. The total market value on December 31, 1933 was $3,194,097.49.

During the year certain investments in stocks of other mining companies were sold, and the appreciation between the December 31, 1932 market value and cost, together with the increase in the market value of the securities not sold, resulted in an increase in the reserve for contingencies, as in prior years the writing down to market value had been charged against this reserve.

Lead Operations

The year 1933 was a very difficult one for the Lead Belt Community of Southeast Missouri by reason of the failure of many of the local banks, and the necessary curtailment of production. The lead inventory has been accumulated due to the Company's policy of maintaining employment at the highest possible level.

The 50% time basis was reduced to 25% on April 1, increased to 33⅓% on May 27, to 37% on August 28, and to 50% on October 1, 1933. The 10% wage reduction of April 1, 1932 was restored on July 1, 1933. The 20% salary reduction was reinstated 10% on July 1 and 10% on October 1, 1933. The existing wage rates are 20%, and the salary rates 28% below those of 1930.

The cooperation of the Union Electric Light and Power Company has been most helpful in working out a suitable power basis for the curtailed production schedules.

The Block "P" Mine in Montana was maintained throughout the year on a watchman basis.

Zinc Operations

At the Edwards and Balmat Mines the 50% time basis was increased on August 1 to 73%. On June 5 the 5% wage reduction of April 1 was reinstated and on July 1 the 10% salary reduction was also restored. During the year the new and larger No. 2 shaft at Balmat was completed and all ore is now being hoisted at this shaft, resulting in more efficient mining operations. Modifications installed in the mill flow sheet have increased recoveries of zinc and pyrite. Stockholders will be pleased to hear that in August the Balmat Mine was awarded First Prize for Metal Mines in the United States in the Safety First Contest carried on under the auspices of the United States Bureau of Mines.

The electro-thermic zinc smelter and acid plant at Josephtown was also operated on a curtailed basis. On July 30 the 12½% wage reduction of April 1, 1933 was reinstated and on August 1, the 12½% salary cut was restored. An encouraging increase in sales of St. Joe zinc oxide has resulted from development of new grades of this product for the rubber and paint industries. The electric furnaces have proved their eminent suitability for the production of lead free zinc-oxide.

The mines and mills of the Kansas Explorations, Inc., were not operated during the year due to the small demand for zinc products. The entire inventory of stored zinc concentrates, amounting to 4,142 tons, was sold.

Miscellaneous

The increased price for newly mined gold has greatly benefited the Atlanta Mine operations. Although the development work in the lower level has not been encouraging, the life of the property has been extended through the leasing of the adjoining Monarch property.

Titles to ten additional groups of claims around the Aguilar Mine have been granted by the Argentine governmental authorities. This entire property is being maintained on a watchman basis, pending an improvement in world conditions.

There has been a slight decrease in the number of stockholders during the last year. The comparative share holdings are as follows:

Year	Number	20-less	20-99	100-199	200-over
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

Although the 1933 United States shipments of lead to consumers was greater than in 1932, the increase has been of no practical benefit to the lead miners, as the production of lead from scrap has greatly increased; for example, that from battery plates alone, has increased from about 93,000 tons for 1932 to an estimated amount of 133,000 tons in 1933. The lowest price for lead as well as the lowest mine production was in February. In looking back over the year, it is apparent, that general business was better than in 1932, that a balance between production and consumption in the lead industry has not been obtained, that the amount of lead consumed in the country is very much below normal in all lines, and particularly in the electrical industry, which has almost ceased to buy lead for cable covering, and which in normal times is one of the big uses of lead.

It is hoped and expected that business conditions will be better in 1934 than in 1933, and that in cooperation with the National Industrial Recovery Administration, it may be possible for the lead industry to improve its statistical position, as well as its earnings.

Notice of Annual Meeting

Your attention is called to the accompanying Notice of Annual Meeting, and that the date is March 8, 1934, approximately one month earlier than usual. If you are unable to be personally present, please sign and promptly return the enclosed postal proxy.

CLINTON H. CRANE,
President.

New York, February 14, 1934.

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1933, and December 31, 1932

Assets	December 31, 1933		December 31, 1932	
Capital Assets:				
Ore reserves and mineral rights—				
March 1, 1913, appraised value plus subsequent additions at cost	$35,172,369.79		$35,362,638.15	
Less—Reserve for depletion	26,564,005.25	$ 8,608,364.54	25,715,277.46	$ 9,647,360.69
Appreciation arising from revaluation	$ 4,315,000.00		$ 4,315,000.00	
Less—Reserve for depletion	3,612,008.52	702,991.48	3,366,347.55	948,652.45
Total Ore Reserves and Mineral Rights		$ 9,311,356.02		$10,596,013.14
Shafts and underground equipment (at cost)	$ 4,581,269.50		$ 4,566,502.35	
Less—Reserve for depletion	3,296,932.87	1,284,336.63	3,120,334.33	1,446,168.02
Land, buildings, plant and equipment (at cost)	$20,369,493.65		$20,314,410.75	
Less—Reserve for depreciation	9,412,003.04	10,957,490.61	8,402,060.72	11,912,350.03
Railway construction—cost being refunded		186,745.00		198,775.00
Total Capital Assets		$21,739,928.26		$24,153,306.19
Investments and Advances:				
Aguilar Corporation (at cost—86% controlled December 31, 1933)	$ 1,515,000.00		$ 1,462,500.00	
Mine La Motte Corporation (at cost—50% owned)	805,484.63		805,484.63	
Stocks of other mining companies (at market)	147,752.00		114,310.88	
Sundry securities and loans (at cost)	432,136.17	2,900,372.80	439,068.93	2,821,364.44
Current and Working Assets:				
Cash on hand and in banks	$ 1,399,749.25		$ 1,760,108.10	
U. S. Gov't, State and Municipal Securities (at market)	3,194,097.49		1,896,000.00	
Notes and accounts receivable	1,107,550.59		808,838.32	
Notes receivable—employees	13,320.00		——	
Materials and supplies (at cost)	1,552,129.39		1,566,999.29	
Inventories of lead, zinc, etc. (at cost, less than market)	5,666,363.18	12,933,209.90	5,248,633.21	11,280,578.92
Cash in Closed Banks		45,640.72		6,153.60
Deferred Charges:				
Unamortized debt discount and expense	$ 188,861.85		$ 214,658.25	
Prepaid insurance, taxes, etc.	143,949.68	332,811.53	127,154.68	341,812.93
Total		$37,951,963.21		$38,603,216.08
Liabilities				
Capital Stock:				
Authorized—2,500,000 shares of $10.00 each	$25,000,000.00		$25,000,000.00	
Issued—1,996,798 shares	$19,967,980.00		$19,967,980.00	
Less—In Treasury, 46,332 shares	463,320.00		463,320.00	
Net	$19,504,660.00		$19,504,660.00	
Scrip outstanding	428.50	$19,505,088.50	428.50	$19,505,088.50
Minority Interest in Subsidiary Companies—				
Capital stock and proportion of surplus applicable thereto		85,306.69		91,918.97
Bonded Indebtedness:				
St. Joseph Lead Company Ten Year Convertible 5½% Gold Debenture Bonds due May 1, 1941	$ 9,752,300.00		$ 9,752,300.00	
Less—Bonds in Treasury	1,752,300.00	8,000,000.00	1,752,300.00	8,000,000.00
Current Liabilities:				
Accounts payable (including accrued taxes)	$ 1,039,157.94		$ 829,792.24	
Accrued wages	43,569.32		40,220.83	
Accrued interest on bonds in hands of public	73,333.35	1,156,060.61	73,333.33	943,346.40
Deferred Credits—				
Unrealized profit from sale of houses, etc.		89,686.93		97,150.02
Reserve for Contingencies		1,143,421.17		832,177.31
Surplus				
Earned	$ 7,269,407.83		$ 8,184,882.43	
Revaluation of Ore Reserves	702,991.48	7,972,399.31	948,652.45	9,133,534.88
Total		$37,951,963.21		$38,603,216.08

Summaries of Consolidated Income and Surplus

For the Years Ended December 31, 1933 and 1932

	December 31, 1933	December 31, 1932
Profit from Operations:		
Before interest and expense on Funded Debt, Depreciation and Depletion	$ 1,732,207.99	$ 123,479.76
Other Income:		
Interest—Net	$ 42,273.72	$ 73,427.26
Dividends	2,500.00	2,725.00
Miscellaneous	5,300.31	4,277.08
Total Other Income	$ 50,074.03	$ 80,429.34
Gross Income:	$ 1,782,282.02	$ 203,909.10
Deduct—Interest and Expense on Funded Debt	465,796.42	491,790.21
Income Before Depreciation, Depletion and Abandoned Leases	$ 1,316,485.60	*$ 287,881.11
Add—Provision for Depreciation	1,022,922.73	1,011,845.62
Income Before Depletion and Abandoned Leases	$ 293,562.87	*$ 1,299,726.73
Add—Provision for Depletion	$ 1,270,987.30	$ 1,606,310.78
Abandoned Leases	190,323.42	——
Total Deductions	$ 1,461,310.72	$ 1,606,310.78
Net Loss	$ 1,167,747.85	$ 2,906,037.51
Deduct—Proportion of Net Loss Applicable to Minority Interests	6,612.28	12,015.35
Loss for the Period	$ 1,161,135.57	$ 2,894,022.16
Surplus at Beginning of Period, Including Revaluation of Ore Reserves	9,133,534.88	12,027,557.04
Surplus at End of Period, Including Revaluation of Ore Reserves	$ 7,972,399.31	$ 9,133,534.88

* Deficit.

CERTIFICATE

St. Joseph Lead Company:

We have made an examination of the consolidated balance sheets of St. Joseph Lead Company and its subsidiary companies as of December 31, 1933 and 1932, and of their summaries of consolidated income and surplus for the years ended on those dates. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence, and made a general review of the income and operating accounts for the years 1933 and 1932, and verified the cash balances, but, under the terms of our engagement, we did not make a complete verification of the cash transactions for those years.

All subsidiary companies controlled by your company were examined by us with the exception of the South American subsidiary of Aguilar Corporation, which South American subsidiary was audited by Messrs. Price, Waterhouse, Faller & Company.

The inventories of lead, zinc, etc., are valued at cost, which is less than market, not including depreciation and depletion, and were not verified by us as to quantities.

In our opinion, subject to the foregoing, the accompanying consolidated balance sheets and related summaries of consolidated income and surplus fairly present their financial condition at December 31, 1933 and 1932, and the results of their operations for the years ended on those dates, and have been prepared in accordance with consistent application of their system of accounting and with accepted accounting principles.

HASKINS & SELLS.

New York, February 14, 1934.

ST. JOSEPH LEAD COMPANY
250 PARK AVENUE, NEW YORK

NOTICE OF ANNUAL MEETING

February 14, 1934.

To the Stockholders of the

ST. JOSEPH LEAD COMPANY:

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Stockholders of St. Joseph Lead Company will be held at the office of the Company, No. 250 Park Avenue, Borough of Manhattan, City of New York, on Thursday, March 8, 1934, at eleven o'clock in the forenoon, for the following purposes:

To elect eleven Trustees to serve until the next Annual Meeting.

To elect two Inspectors of Election to serve at the next election of Trustees of the Company.

To consider and approve the President's Annual Report to Stockholders, and the acts of the Trustees and Officers of the Company as therein described and as reported at said Meeting.

To consider and transact such other business as may properly come before said Meeting.

For the purpose of this Meeting all persons who were Stockholders of record at the close of business on the 26th day of February, 1934, and no others, shall be entitled to vote at said Meeting.

H. B. McGOWN,
Secretary.

IMPORTANT

If you do not expect to be personally present at the Meeting, please sign the enclosed postal proxy and return it promptly.

ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1933