Ninety-sixth

Annual Report

to the

Stockholders

ST. JOSEPH LEAD CO.

1959

ORGANIZATION CHANGES

The Board of Trustees announced the following organization changes effective February 16, 1960:

Having reached normal retirement age, the following resignations were accepted:

ANDREW FLETCHER, *President*
GEORGE I. BRIGDEN, *Vice President*
RENE J. MECHIN, *Vice President*
FELIX E. WORMSER, *Vice President*

Mr. Fletcher was elected Chairman of the Board of Trustees, an office which had not been filled since the retirement of the late Mr. Clinton H. Crane.

Francis Cameron, Vice President since May, 1946, was elected President.

Lawrason Riggs, III and Robert H. Ramsey, Assistant Vice Presidents, were elected Vice Presidents.

Mr. Brigden was appointed Financial Consultant and Mr. Mechin, South American Consultant.

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 9, 1960 at 11 A.M.

Proxies will be solicited commencing on April 8, 1960.

96th Annual Report

To stockholders for the year ended December 31, 1959

ST. JOSEPH LEAD COMPANY

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

REGISTRAR • FIRST NATIONAL CITY TRUST COMPANY, 22 William Street, New York 5, N. Y.

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General Counsel

Debevoise, Plimpton & McLean
20 Exchange Place
New York 5, N. Y.

Auditors

Haskins & Sells
Two Broadway
New York 4, N. Y.

ST. JOSEPH LEAD COMPANY

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

EXECUTIVE OFFICE
250 PARK AVENUE • NEW YORK 17, N. Y.

BOARD OF TRUSTEES

		Year Elected
IRWIN H. CORNELL	*Vice President, Cornell Iron Works, New York, N. Y.*	1913
ANDREW FLETCHER	*Chairman*	1921
C. MERRILL CHAPIN, JR.	*Vice President*	1933
ARTHUR M. ANDERSON	*Member of the Directors Advisory Council of Morgan Guaranty Trust Company of New York*	1944
GEORGE I. BRIGDEN	*Financial Consultant, St. Joseph Lead Company*	1945
H. DEWITT SMITH	*Consulting Engineer, New York, N. Y.*	1948
FRANCIS CAMERON	*President*	1953
BERNARD F. DESLOGE	*Vice President, Minerva Oil Co., St. Louis, Missouri*	1953
ELI WHITNEY DEBEVOISE	*Debevoise, Plimpton & McLean, New York, N. Y.*	1954
JAMES W. MCAFEE	*President, Union Electric Company of Missouri, St. Louis, Missouri*	1954
DAVID R. CALHOUN	*President, St. Louis Union Trust Company*	1957
CHARLES R. INCE	*Vice President and Sales Manager*	1958
JOSEPH PURSGLOVE, JR.	*Vice President, Consolidation Coal Co., Pittsburgh, Pa.*	1959

EXECUTIVE COMMITTEE

ANDREW FLETCHER, *Chairman*

C. MERRILL CHAPIN, JR.
FRANCIS CAMERON
IRWIN H. CORNELL
H. DEWITT SMITH

EXECUTIVE OFFICERS

ANDREW FLETCHER, *Chairman*
FRANCIS CAMERON, *President*

C. MERRILL CHAPIN, JR., *Vice President*
CHARLES R. INCE, *Vice President and Sales Manager*
ROBERT H. RAMSEY, *Vice President*
LAWRASON RIGGS III, *Vice President*

JAMES G. COLVIN, *Treasurer*
DONOLD K. LOURIE, *Secretary*
WILLIAM L. MURPHY, JR., *Comptroller*
WILLIAM J. ELLIOTT, *Assistant Secretary*
EDWARD P. MERRELL, *Assistant Treasurer*

Manager of Explorations

NORMAN H. DONALD, JR.

United States Division Managers

Mines

ELMER A. JONES, Southeast Missouri
MARSHALL G. JONES, Edwards-Balmat, N. Y.

Smelters

JOHN G. WEHN, Josephtown, Pennsylvania
JOHN W. SHERMAN, Herculaneum, Missouri

Consultants

GEORGE I. BRIGDEN, *Financial*
WILLIAM T. ISBELL, *Research*
RENE J. MECHIN, *South American*

Cia. Minera Aguilar, S. A., Argentina

DONALD B. MCGILVRA, *President*

ST. JOSEPH LEAD COMPANY

HIGHLIGHTS

	1959	1958
Sales of metals, etc.	$86,179,208	$75,615,147
Federal income taxes	$1,518,318	$699,564
Net earnings (after taxes)	$6,263,076	$3,986,880
Dividends paid	$2,716,222	$2,716,222
Shares of capital stock outstanding	2,716,222	2,716,222
Per share on capital stock:		
Taxes on income	$0.56	$0.26
Net earnings	$2.30	$1.47
Dividends	$1.00	$1.00
Current assets	$50,098,983	$45,791,438
Current liabilities	$ 7,456,767	$ 5,786,183
Net current assets	$42,642,216	$40,005,255
Ratio of current assets to current liabilities	6.72 to 1	7.91 to 1
Long-term debt	$27,650,000	$23,500,000
Cash	$3,759,785	$3,898,721
Short-term marketable securities	$18,552,000	$10,785,000
Capital expenditures	$8,742,755	$11,485,710
Number of employees	4,263	4,581
Number of stockholders	11,812	13,315
Stockholders investment in the business:		
Total	$79,064,194	$75,517,340
Per share	$29.11	$27.80

TO THE STOCKHOLDERS:

Lead and Zinc Markets

Increased demand for lead and zinc in the United States during 1959 coupled with restrictions on imports due to the imposition of quotas, enabled smelters to reduce their stocks of both metals and resulted in an improvement of prices over the previous year's averages. Lead moved to an average price for the year of 12.211¢ per pound against 12.109¢ in 1958, which is admittedly not a marked improvement but nevertheless in the right direction. Zinc, on the other hand, registered a substantial gain of over 1¢ a pound to an average of 11.448¢ (10.309¢ in 1958), reflecting not only the better situation here, but a rise of nearly £ 16 on the London Metal Exchange. After a full year's operation under the quota system, it appeared that while the quota was not restrictive enough in the case of lead it may be with respect to zinc, particularly if consumption of both metals in the coming year should develop as anticipated from current business forecasts.

Unfortunately, the gain in the prices of the two metals did not improve the lot of the domestic miner. Lead production was lower than 1958 which, it may be recalled, was the lowest since the turn of the century, and zinc showed only a modest gain of less than 5% over the twenty-five year low of the previous year. In January, 1960, the Tariff Commission reviewed the quota system at the request of a Senate Committee. A strong case was made for closing the loopholes on manufactured items that threatened to undermine the effectiveness of the quotas. The possibility also arose of a recommendation for higher tariffs in lieu of quota restrictions. the inflexibility of which has been of concern to both consumers and the smelting industry.

Under the stimulus of population growth and new applications, the consumption of lead and zinc will continue to increase here and abroad, possibly at a higher rate abroad due to more rapidly expanding markets. While the United States is no longer the principal producer of lead and zinc, it possesses large latent reserves which can be developed and brought into operation if adequate protection is provided the domestic mining industry against lower cost foreign production.

Earnings

Consolidated net earnings were $6,263,076 for the year 1959 and equaled $2.30 per share, in comparison with $3,986,880, equaling $1.47 per share for 1958.

The improvement shown in earnings was due to increased metal sales and higher metal prices. Dividends from foreign investments were $506,000 less than in 1958.

Lead sales from Company production rose in 1959 from 87,562 tons to 113,778 tons, an increase of 26,216 tons, and sales of zinc content of metal and oxide increased from 127,630 tons to 135,144 tons, an increase of 7,514 tons. This gain in sales enabled us to reduce inventories of lead and zinc by 7,549 tons and 9,485 tons respectively.

In 1959, approximately 58% of gross earnings of the Company came from zinc and 42% from lead, in comparison with 67% for zinc and 33% for lead in 1958.

Comparative earnings for each of the last ten years are shown below:

Ten-Year Earnings—1950-1959

Year	*Consolidated Net Earnings*	*After Federal Income Taxes of*
1950	$12.211,615	$ 7.761,438
1951	13.577.237	13,454,339
1952	9.638.435	5,585.261
1953	6,300.342	4,283,768
1954	7.523.503	4,545.190
1955	12,729,820	6.385,243
1956	10,291.357	5.194,085
1957	8.026.273	3.884,706
1958	3.986.880	699.564
1959	6.263.076	1,518.318

Taxes on Income

The provision for Federal income taxes was $1,518,318, which is equivalent to $0.56 per share as compared with $699,564 or $0.26 per share for the previous year.

As indicated in the 1958 Annual Report, the Company has on file claims for refund of approximately $775,000 of Federal income taxes paid for the years 1949 through 1953, based on the ground that it was entitled in those years to deductions for percentage depletion on sales of metal produced from remilled tailings. These claims are not carried on the Company's books. The Internal Revenue Service has conceded in principle the allowability of such deductions, but the amount refundable has not yet been determined. In any event, it is expected that the claimed refunds will be reduced by some $275,000 through the disallowance of other deductions for the years involved, principally for accelerated amortization of defense facilities. However, the full amount of disallowed amortization will be deductible as depreciation in later years.

Adequate provision has been made on the Company's books to cover possible liability for taxes for years subsequent to 1953.

Dividends

Quarterly dividends of 25¢ per share were paid on the capital stock making the total $1.00 per share for the year, the same as in 1958. After payment of dividends of $2,716,222, the amount of net earnings reinvested in the Company was $3,546,854, or 57% of the net earnings. These retained earnings were used for partial financing of the new Viburnum project and for other capital investments.

On February 16, 1960, the Board of Trustees declared a dividend of 25¢ per share payable March 10, 1960 to stockholders of record February 26, 1960.

The following is a record of cash dividend payments for the ten-year period through 1959 on the basis of 2,716,222 shares outstanding. This table gives effect to the stock dividends of 25% paid December 11, 1950 and the 10% paid June 10, 1952:

Dividends—1950-1959

Year	Per Share	Amount
1950	$2.36	$6,420,232
1951	2.95	8,023,749
1952	2.88	7,776,373
1953	2.75	7,468,290
1954	2.00	5,432,076
1955	3.00	8,148,666
1956	3.00	8,148,666
1957	2.00	5,432,486
1958	1.00	2,716,222
1959	1.00	2,716,222

Long-Term Debt

The long-term debt of the Company which at the end of 1958 stood at $23,500,000 was increased $5,000,000 on March 6, 1959 by taking down the balance of our $20,000,000 ten-year Term Loan with the banks. This was done to fix the interest rate on the additional borrowing at 4½% and to provide funds needed for the Josephtown, Viburnum and Pea Ridge projects. The $8,500,000 of 3⅞% Notes have been reduced $850,000 by the payment at the close of business December 31, 1959, of the first semi-annual instalment of $425,000 and by the transfer to current liabilities of the $425,000 due July 1, 1960, thereby reducing the notes, due after one year, to $7,650,000.

Under the $20,000,000 Term Loan, $7,000,000 of which is at 4% and $13,000,000 at 4½%, the Company has agreed to repay $1,428,571 principal amount on January 15th and July 15th of each year commencing with January 15, 1962. The Loan Agreement requires the maintenance of not less than $20,000,000 in working capital and restricts the Company after December 31, 1957, from declaring cash dividends in excess of 75% of current earnings, plus $6,000,000. At December 31, 1959, the working capital amounted to $42,642,216, and $8,255,023 of retained earnings was free from restriction. The long-term debt at December 31, 1959 was $27,650,000.

Working Capital

Net working capital (cash resources, receivables and inventories minus current liabilities) increased $2,636,961 during the current year. Current assets at the year end were $50,098,983 which is 6.7 times the current liability of $7,456,767. A summary of the principal items comprising the changes during 1959 is as follows:

Sources of Increase:	
Net earnings	$ 6.263,076
Long-term notes payable to banks	5,000,000
Depletion, depreciation and abandonments	3.334,649
Decrease in deferred charges, etc.	969,092
Total	$15.566.817
Decreases due to:	
Cash dividends paid	$ 2.716.222
Capital expenditures	8.742,755
Investment in Brunswick Mining & Smelting Corporation Ltd. 5% Income Bonds	70.000
Reduction in 3⅞% Notes due after one year	850.000
Advances to Meramec Mining Company	464,071
Investment in Compania Minerales Santander, Inc.	30,000
Other investments and advances	56.808
Total	$12.929,856
Net Increase in Working Capital During 1959	$ 2.636,961

Cash and Marketable Securities

Cash and short-term marketable securities which were $14,683,721 at the beginning of the year, increased to $22,311,785 at December 31, 1959. The increase was in part due to our having borrowed $5,000,000 from the banks in early 1959 and to the reduction in inventories during the year.

Capital Expenditures

In 1959 the Company invested $8,742.755 in construction of new facilities and on improvement of plant and equipment as compared with $11,485,710 the previous year. Capital expenditures for the last ten years together with an estimate for the year 1960 are shown in the table below.

Southeast Missouri

Due to the buildup of excessive inventories, production of lead was curtailed in Missouri. The work week was cut from five to four days on February 16. The five-day week was reinstated on August 6. Ore milled during 1959 totaled 5,290,638 tons as compared with 5,969,304 tons in 1958. The pig lead equivalent of the lead concentrates produced was 92,869 tons in comparison with 96,146 tons the previous year. Zinc concentrate production for the year was negligible.

Pig lead production at the Herculaneum smelter was 91,742 tons in comparison with 86,035 tons in 1958. The two-furnace operation reinstated on May 1, 1958, continued throughout 1959. The zinc slag furnace at this plant was not operated during the current year.

Comparative Capital Expenditures

			Josephtown				
Year	*Lead Belt*	*Viburnum*	*Zinc Plant*	*Power Plant*	*Edwards-Balmat*	*Oil and Gas Leases*	*Total*
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	$ 92,804	4.880,815
1954	817,306	—	208,499		99,938	—	1.125.743
1955	458,947	—	1.769,847	—	1,445	6,776	2.237,015
1956	723.865	-	2.171,031	$ 633,088	6,000	—	3,533,984
1957	385,319	$ 82,678	2.185,953	11,803,420	233,000	239.503	14,929.873
1958	677,695	1,540,804	423,990	8,796,219	3.250	43.752	11,485,710
1959	340.353	6,874,363	721,355	806,684	—	-	8,742,755
1960 (Est.)	257.000	3,170,000	—	—	85,000	-	3.512.000

Pig lead produced at Federal, Illinois under our toll contract with American Smelting and Refining Company was only 9,736 tons in 1959 as compared with 30,764 tons in 1958, because of the cancellation of the toll contract on May 15, 1959.

Employee relations in St. Joe's Southeast Missouri plants remained harmonious throughout the year.

Edwards-Balmat, New York

The increase from a five-day to a six-day basis, which was placed in effect on January 5, continued until a strike on July 1, when the entire property was closed down. On November 2, settlement was reached and work was resumed on a six-day work week basis. Because of the strike, zinc concentrate production at this division decreased from 98,753 dry tons and lead concentrates from 979 tons in 1958 to 81,086 tons and 789 tons, respectively in 1959. As in previous years, all zinc concentrates produced at this division were shipped to the Company's Josephtown smelter, and the lead concentrates to Herculaneum.

Josephtown, Pennsylvania

The 44-hour week basis at our Josephtown smelter, which went into effect November 2, 1958, continued until November 1, 1959, when the work week was increased to 48 hours. This caused production to increase from 9,500 tons of zinc per month to approximately 11,500 tons per month. The zinc content of metal and oxide production at this smelter was 128,670 tons in 1959, in comparison with 122,774 tons the previous year.

The construction of a Special High Grade Zinc refining column was completed in July, and production, at the rate of 1,800 tons per month, began in early August. This addition puts St. Joe in a position to produce any and all grades of zinc. The die casting industry which shows an excellent potential for growth, uses Special High Grade Zinc exclusively.

Wage increases at this division were made on January 1, 1959.

Mine La Motte Corporation

This corporation, which is a 50% owned affiliate, owns a lead mine in St. Francois County, Missouri. Due to depressed conditions in the lead market, this property was placed on a standby basis in February, 1959 upon completion of development of the new orebody. There are no immediate plans to place this mine in production.

EMPLOYEE RELATIONS

Employment and Payrolls

At the end of 1959 the Company and its subsidiaries employed 4,263 men and women, a decrease of 318 from the 1958 figure. Of this number more than 18% of our employees have had over 25 years of service, and 55% have been employed between 10 and 25 years. During the year employees received direct salaries and wages amounting to $22,670,522 which is 4½% less than the $23,755,404 reported for 1958. This decrease was due principally to the curtailed work schedule during 1959 in the Missouri Lead Belt and the 3 month work stoppage at the Edwards-Balmat Division.

Pension Program

Our program consists of two non-contributory plans, a Retirement Plan for Salaried Employees and a Pension Plan for Payroll Employees. A total of 2,816 employees is covered by these plans. During 1959 the Company contributed $780,000 to Morgan Guaranty Trust Company as Pension Fund Trustee, which was charged against current earnings, and retired employees received payments of $331,550. At the year end, 822 former employees were receiving pensions as compared with 780 at the end of 1958.

To improve the Pension Plan for Payroll Employees and to alleviate certain hardships which were inherent in the old Plan, the Board of Trustees in October authorized a revision in the Plan effective for service with the Company after January 1, 1960. The additional cost of this revision is estimated by our Actuary to be approximately $268,500 per year.

The cost of past service under both plans has been entirely funded through contributions to the Trustee.

Deferred Profit Sharing Plan

Under the Deferred Profit Sharing Plan for Salaried Employees, which was established as of January 1, 1956, contributions by the Company are 3% of the consolidated net earnings or 10% of the aggregate salaries of eligible employees, whichever is less. However, no contribution shall be made which would result in the consolidated net earnings after such contributions being less than $2.00 per share. For the year 1959, the Company's contribution amounted to $187.892 and represented 3% of the consolidated net earnings. This is equal to 3.61% of the aggregate yearly salaries of the 682 employees who participate under the Plan.

Stock Option Incentive Plan

Under a stock option plan adopted by stockholders in 1958. 130.000 shares of the Company's unissued capital stock were reserved for issuance and sale to officers and other key employees under 60 years of age. at a price not less than the market price at the time such options are granted. On September 24, 1958. options were granted on 35.500 shares at $30.50 per share, and on September 22, 1959 on 9.700 shares also at $30.50 per share, thereby bringing the total of the two grants at December 31, 1959 to 45.200 shares. These options become exercisable to the extent of 25% annually on the anniversary date of each grant. Any part of an option unexercised at the end of five years from date of grant becomes void. During 1959 no options were exercised.

PROGRESS IN NEW AREAS

Viburnum Lead Project

Further expansion of the ore reserves in the Viburnum area of Washington, Crawford and Iron Counties. Missouri. continued during 1959, but poor weather delayed construction work during the early months. However, progress since the middle of May has been satisfactory and barring any serious interruption, construction of the first 3,000-ton unit of the 6,000-ton mill should be completed and the property placed in initial operation in May, 1960.

Expenditures in this area for 1959 amounted to $8,024,907 of which $6,874.363 was charged to capital and $1,150.544 of shaft sinking and development expense was written off against current income. It is estimated that approximately $3,890,000 will be expended on this project during 1960, and that $3,170,000 will be capitalized and $720,000 charged to income.

Pea Ridge Iron Project

The Pea Ridge iron ore property which is located about 40 miles northwest of Bonne Terre, Missouri, is operated by the Meramec Mining Company owned jointly (50% each) by Bethlehem Steel and St. Joe. Good progress on this project was made until the property was closed by a strike of the United Steelworkers of America. CIO, on April 21, 1959. From that date until December 14th, building construction and shaft sinking were held in abeyance due to the unwillingness of construction labor to cross the Steelworkers' picket line. This seven months' strike will postpone the starting of operations until May 1963.

At the end of the year, the service shaft of the mine (shaft #1) reached a depth of 1.681 feet and the main ore hoisting shaft (shaft #2) which had been collared and the foundations poured for the headframe in 1958. reached a depth of 439 feet.

Construction of the branch railroad to connect with the Missouri Pacific Railroad main line is progressing satisfactorily, but due to the strike, completion will not be required for incoming freight until early 1961.

During 1959, Bethlehem and St. Joe each advanced a total of $1.023.016 of which $464,071 was set up by St. Joe as an additional investment in Meramec Mining Company and $558,945 of shaft sinking and development expenses together with $8.541 of deferred charges were written off against current earnings.

During 1960. construction of the permanent service facilities and buildings which was started in 1959. will continue as well as shaft sinking and underground development of the orebody. Under the 1960 program it is estimated that expenditures on this project will amount to $6.130,000 ($3,065.000 each by Bethlehem and St. Joe) and of this amount, St. Joe will charge approximately $2,065.000 to investment account and $1.000.000 against current earnings as a development expense.

Under our agreement with Bethlehem. St. Joe can borrow on its 4½% Notes, 80% of its 50% share of the expenditures on the project. To date no funds have been borrowed under this agreement.

NORTH AFRICA

Societe Nord Africaine du Plomb (NAP) and Societe Algerienne du Zinc (ALZI), both owned 17.15% by St. Joe, have mining operations on the Algerian-Moroccan border, south of Oujda, Morocco. Two strikes adversely affected the operations of ALZI. The mine produced 99,538 metric tons of ore in 1959 in comparison with 151,000 metric tons in 1958. This production was treated at the NAP mill. Although ore reserves decreased during 1959 by approximately the tonnage mined, they are estimated to be sufficient at the year's end to cover about three years of full scale operations. Six drill holes some 4,000 feet north of the present mining area have indicated the presence of interesting mineralization. Further exploration work is expected to be done in 1960.

NAP has acquired a controlling interest in a new Moroccan company which will undertake exploration in the Alhucemas region of Northern Morocco.

OIL EXPLORATIONS

Crockett County, Texas

Income from oil royalties from our joint venture with Continental Oil Company in the Harris Ranch Leases amounted to $432,469 in comparison with $460,718 in 1958. The reduction in royalties is due to curtailment in the number of days of production allowed by the Texas Railroad Commission. The allowable of 12 days per month at the beginning of the year decreased until it reached 9 days a month, which was in effect during the months of July through November when it was increased to 10.

It is estimated that our share of the recoverable reserves as of December 31, 1959, is 1,962,404 bbls. of oil and 15,166 million cubic feet of gas compared with 2,184,034 bbls. and 15,476 million cubic feet of gas at December 31, 1958. On July 1st, the Harris Ranch Leases were made a part of two newly formed unitized operations.

Southwest Louisiana

Under a farmout agreement, test wells completed on four lease blocks were negative. It was, therefore, decided to abandon these lease blocks as rentals become due and write off $87,400 to exploration expenses.

CANADA

Brunswick Mining and Smelting Corporation Limited

Brunswick (40% owned) which suspended operations April 1, 1958, continued on a shutdown basis throughout 1959. Expenditures during 1959 amounted to $80,355. St. Joe advanced $70,000 to Brunswick on its 5% Income Bonds due 1970, to cover the cash required. This brings the total advanced to December 31, 1959 to $6,085,000.

Early in 1960, Brunswick Mining and Smelting reached an agreement in principle with Sogemines Ltd. of Montreal to bring the Brunswick zinc and lead mine, located in the Province of New Brunswick, Canada, into initial production at the rate of 2,000 tons of ore per day. Under the agreement, Sogemines will undertake certain check drilling, will study further the detailed estimates of plant and operating costs and will secure confirmation from the Canadian authorities of the proposed Bathurst harbor development and railroad construction. If satisfied, then Sogemines will enter into a 15-year contract for the purchase of Brunswick's concentrate production and will provide $7.5 million of the $17.5 million believed necessary to bring the mine into production. St. Joe will purchase additional 5% Income Bonds beyond the $6,085,000 already purchased to fulfill its purchase obligation of $7.5 million. The remainder of the funds will be obtained by Sogemines from outside sources.

SOUTH AMERICAN OPERATIONS

Argentina

Cia. Minera Aguilar, S.A. (99.9% owned) operates a lead-zinc-silver mine in the Province of Jujuy, Argentina. Due to increased sales, the peso earnings for 1959 amounted to 166,538,682 pesos. The equivalent dollar earnings computed at the free rate of exchange at the year end, which reflect the depreciation in the dollar value of the peso, were approximately $1,990,000 in comparison with $1,324,000 the previous year.

The property operated without interruption throughout the year and produced 60,291 metric tons of zinc concentrates and 28,483 metric tons of lead concentrates in comparison with 54,643 metric tons and 28,128 metric tons, respectively, in 1958. All concentrates were sold in Argentina. The mill again treated a record tonnage of crude ore.

Argentina's austerity program has not been fully successful. Good progress has been made in the drive for self-sufficiency in oil. At the end of 1959, orders for concentrates were at a low for many years and metal sales were practically non-existent. Argentina's return to prosperity requires a strict adherence to true austerity.

Sulfacid, S.A. (50% owned affiliate of Aguilar) showed earnings of approximately 24,000,000 pesos but no dividends were declared in order to conserve the cash for financing the new 18-ton per day electrolytic zinc plant. The new cadmium recovery plant is operating. A brief shutdown occurred at the end of the year and continued during the early part of January, 1960 because of full storage tanks and a slowdown in shipping orders.

Cia. Metalurgica Austral-Argentina, S.A. (43.3% owned affiliate of Aguilar). Operations were adversely affected by shutdowns caused by the government-owned company, Petroquimica, which furnishes Austral power, first due to extensive repairs to the power plant and second because of a lengthy strike. As a result production decreased from 8,900 metric tons of zinc in 1958 to 7.408 metric tons in 1959. Profits were approximately 30,000.000 pesos. Sales outlook for the immediate future is discouraging.

Peru

Cia. Minerales Santander, Inc. (66.9% owned) in which St. Joe's investment amounted to $2,135,000 at December 31, 1959, operates a lead-zinc mine in the Peruvian Andes. This mine was initially placed in production in late December, 1958 and produced 5,864 dry short tons of lead concentrates and 21,865 dry short tons of zinc concentrates during 1959, which were sold in the European market. This company showed a net profit of $244,936 for the year after writing off development expenses in the amount of approximately $80,091.

ANTI-TRUST SUIT

In the last six Annual Reports, the stockholders have been advised concerning the civil action commenced by the United States in 1953 against St. Joseph Lead Company and American Smelting and Refining Company in the United States District Court for the Southern District of New York, alleging violations of Sections 1 and 2 of the Sherman Antitrust Act in connection with the lead business of each of the defendants. The stockholders were also advised that St. Joe, in an answer filed to the Government's complaint, had vigorously denied that it had in any way violated the antitrust laws.

In 1957, American Smelting and Refining Company accepted a consent decree in settlement of the case against it, but St. Joe has continued to contest the suit. In March, 1958, the Government amended its complaint to make The Bunker Hill Company a co-defendant with St. Joe, and in February, 1959, further amended its complaint to exclude, among other things, all allegations of violation of Section 2 of the Sherman Act. The trial of the remaining charges of violation of Section 1 of the Sherman Act was completed in November, 1959. As of March 7, 1960, the Court had not announced its decision.

ANNUAL MEETING

The 1960 Annual Meeting of Stockholders will be held on Monday, May 9th, at the Park Lane Hotel, 48th Street and Park Avenue, New York, at 11:00 a.m. All stockholders are cordially urged to attend. If you are unable to be present, please vote by proxy. A proxy and proxy statement will be mailed to you on or about April 8th.

Annual Report to Employees

A copy of the Annual Report to Employees for the year 1959 will be found under the flap of the rear cover of this report. The photographs and additional operating comments may be of interest to stockholders.

Stockholders

At December 31, 1959, there were 11,812 registered stockholders compared with 13,315 the previous year. A classification of stockholders at the end of 1959 is as follows:

	Stockholders	*Percent*	*Shares Held*	*Percent*
Men	4,165	35.26	521,422	19.20
Women	4.362	36.93	426,654	15.71
Joint Accounts	2,026	17.15	118,898	4.38
Fiduciaries	492	4.17	303,663	11.18
Insurance Companies	147	1.24	204,796	7.54
Brokers and Security Dealers	248	2.10	691,861	25.47
Nominees	172	1.46	249,695	9.19
Institutions and Others	200	1.69	199,233	7.33
Total	11,812	100.00	2,716.222	100.00

In Memoriam

All of his associates were saddened by the death on December 4, 1959 of George F. Weaton. Mr. Weaton was Division Manager of the Josephtown, Pennsylvania, Zinc Smelting Division from its inception in 1928 until November, 1954, when he was transferred to the New York Office as a consultant.

His pioneering efforts in developing the Company's electrothermic smelter to its present pre-eminence, coupled with the establishment of the Company's new Josephtown Power Station which appropriately bears his name, have been outstanding contributions to the Company.

Mr. Weaton had retired from active employment with the Company at the end of 1958, after over 37 years of valued service.

Conclusion

Sincere appreciation is expressed to all employees for their loyal and efficient efforts during the past year and to our stockholders for their continued support.

Andrew Fletcher

Chairman

Francis Cameron

President

New York, March 15, 1960.

LEAD (In Short Tons)

	1959 (Est.)	1958 (Final)
Available Supply:		
U. S. Mine Production	253,000	267,000
From scrap	468,000	369,000
Imports of concentrates and bullion (Lead content)	139,000	202,000
Metal imports (net)	277,000	371,000
Total Lead Metal Available	1,137,000	1,209,000
Consumption:		
Batteries	357,000	313,000
Ethyl gasoline	162,000	159,000
Cables	61,000	75,000
Construction	128,000	120,000
Pigments	111,000	96,000
Other uses	266,000	223,000
Total Consumption	1,085,000	986,000
Surplus	52,000	223,000

ZINC (In Short Tons)

	1959 (Est.)	1958 (Final)
Available Supply:		
Recoverable U. S. Mine Production	417,000	412,000
Less—used to make pigments	103,000	91,000
Recoverable domestic zinc available to Metal Smelters	314,000	321,000
Scrap zinc	53,000	47,000
Imports of concentrates (Recoverable zinc content)	422,000	462,000
Imports of slab zinc	157,000	195,000
Total Zinc Metal Available	946,000	1,025,000
Consumption:		
Galvanizing	339,000	381,000
Zinc Base Alloys	369,000	317,000
Brass	129,000	101,000
Rolled Zinc	41,000	41,000
Oxides	18,000	13,000
Other	30,000	15,000
Total Consumption	926,000	868,000
Exports	12,000	2,000
Total zinc metal consumed and exported	938,000	870,000
Surplus	8,000	155,000

LEAD *(In Short Tons)*

Year	Lead Concentrates Produced from Company's Mines	Lead Concentrates Purchased	Pig Lead Equivalent of Produced and Purchased Concentrates	Pig Lead Production	Pig Lead Sales Including Sales Under Agency Contracts
1950	169,354	38,951	137,058	141,595	212,150
1951	158,579	27,792	121,431	112,754	147,905
1952	157,037	39,726	128,141	128,691	160.625
1953	160,625	38,294	129,281	130,430	167,192
1954	164,171	39.373	133,932	129,766	183,079
1955	162,552	43,100	136,668	138,796	212,100
1956	158,861	44,353	136,921	137,429	199,294
1957	163,079	46,309	140,617	137,940	183,942
1958	149,624	25,102	119,489	116,799	139,131
1959	143,167	8,300	106,678	101,478	164,084

ZINC *(In Short Tons)*

Year	Zinc Concentrates Produced from Company's Mines	Zinc Concentrates Purchased	Slab Zinc Equivalent of Produced and Purchased Concentrates	Slab Zinc Equivalent of Smelter Production	Zinc Content of Oxide and Metal Sales from Smelter Production	Zinc Sales Including Sales Under Agency Contracts
1950	75,290	72,444	75,238	98,443	94,028	216,234
1951	82,217	47,659	71,077	99,602	89,047	211,401
1952	69,173	103,769	98,680	108,959	89,414	208,240
1953	104,744	112,991	126,968	121,592	103,009	224,228
1954	109,547	61,640	105,610	111,021	117,611	197,007
1955	109,303	111,868	134,012	138,201	136,723	249,431
1956	114,138	126,164	146,897	136,879	132,652	238,676
1957	123,417	105,604	144,011	151,554	135,499	260,868
1958	99,523	84,987	120,515	122,774	127,630	218,391
1959	81,292	104,493	121,138	128,670	135,144	220,941

Statement of CONSOLIDATED EARNINGS

For the Years Ended December 31, 1959 and 1958

	1959	1958
Net Sales of Metals, Metal Products, Etc.	$86,179,208	$75,615,147
Cost of Sales, Etc.	72,967,543	67,287,253
	$13,211,665	$ 8,327,894
Other Income:		
Dividends:		
From foreign investments	2,104,014	2,610,073
From domestic investments	172,850	152,870
Interest from investments	594,295	111,037
Income from oil royalties	432,469	460,718
Other income less charges	137,901	210,738
Total	$16,653,194	$11,873,330
Deduct:		
Selling, general and administrative expenses	$ 2,114,233	$ 2,047,716
Shaft sinking and development expenses		
Meramec and Viburnum Projects	1,718,030	1,220,035
Oil exploration and operating expenses	153,021	82,977
Other exploration and development expenses	132,521	302,427
Past service annuities (Note 5)	265,040	265,025
Depreciation and abandonments	3,200,352	2,621,376
Depletion	134,296	133,357
Interest on indebtedness	1,154,307	513,973
Total deductions	$ 8,871,800	$ 7,186,886
Earnings Before Federal Income Taxes	$ 7,781,394	$ 4,686,444
Provision for Federal Income Taxes	1,518,318	699,564
Net Earnings for the Year (1959, $2.30 per share; 1958, $1.47 per share)	$ 6,263,076	$ 3,986,880
Retained Earnings at Beginning of the Year	30,198,624	28,927,966
	$36,461,700	$32,914,846
Cash Dividends Paid During the Year ($1 per share)	2,716,222	2,716,222
Retained Earnings at End of the Year (Note 7)	$33,745,478	$30,198,624

Minor reclassifications have been made in 1958 figures to conform with 1959.

See notes to financial statements.

CONSOLIDATED BALANCE SHEET

December 31, 1959 and 1958

ASSETS

	December 31, 1959		December 31, 1958	
Current Assets:				
Cash	$ 3,759,785		$ 3.898,721	
U. S. Government. State. and Municipal short-term securities	18,552,000		10,785.000	
Accounts receivable—trade	6,783,939		6.375,094	
U. S. Government—claims for income tax refunds	480,201		480.201	
Other accounts receivable	394.223		363.991	
Inventories (valuation not in excess of market)—(Note 1):				
Finished lead, zinc, etc.	8,906,894		12.463,391	
Lead, zinc, etc., in process and concentrates	5,089,362		5.211,103	
Materials and supplies	6.132.579	$ 50,098.983	6.213.937	$ 45.791.438
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 (at cost, less non-taxable dividends, 100,000 shares—5.1% owned)	5,724,028		5.724.028	
Brunswick Mining and Smelting Corporation Limited (at cost)—(Notes 6 and 7):				
1,600,000 shares—40% owned	2,339,758		2,339,758	
5% income bonds, due July 1, 1970	6,085.000		6.015.000	
Compania Minerales Santander, Inc.—Investments and advances (at cost—66.9% owned)	2,135,000		2,105,000	
Meramec Mining Company—Investments and advances (at cost—50% owned)	1,267,518		803,447	
Sundry securities, loans, etc.—including advances to affiliates (at cost, less reserve, $200.000)	841,590	18,392.896	948.800	17.936.035
Capital Assets (Note 4):				
Mining properties and mineral rights (at March 1, 1913 appraised value plus subsequent additions at cost)	$40,211,170		$39,706,773	
Less allowance for depletion	37,254,607	2,956,563	37,120.310	2.586,463
Land, buildings, plant and equipment (at cost)	$61,490,474		$54,223,308	
Less allowance for depreciation	39,255,543	22,234,931	37.182,180	17.041,128
Power plant (at cost)	$22,039,411		$21.232.727	
Less allowance for depreciation	1.604,822	20,434.589	502.852	20.729.875
Total capital assets, net		$ 45,626,083		$ 40.357.466
Miscellaneous Assets:				
U. S. Government, State, and Municipal securities on deposit with State departments (at amortized cost)	$ 965,720		$ 835.779	
Cash and marketable securities (at amortized cost)—Fire insurance fund (see contra)	275,881	1,241,601	241.804	1.077.583
Deferred Charges:				
Deferred past service annuities (Note 5)	$ 958,412		$ 1,223,452	
Deferred exploration expenses	892,491		846,154	
Oil and natural gas expenditures in suspense	120,635		210,844	
Other deferred charges	218,637	2,190.175	236,113	2.516.563
Total		$117,549,738		$107,679,085

See notes to financial statements.

LIABILITIES

	December 31, 1959		December 31, 1958	
Current Liabilities:				
Accounts payable	$ 5,616.907		$ 4,545,318	
Wages accrued	341,323		462,542	
Long-term debt due within one year	425.000		—	
Interest accrued on long-term debt	—		164,687	
Accrued taxes:				
Federal income (Note 7)	841,434		343,063	
Other	232.103	$ 7,456,767	270,573	$ 5.786,183
Long-Term Debt (Note 7):				
3⅞% notes due in semi-annual instalments of $425,000 commencing January 1, 1960	$ 7,650,000		$ 8.500,000	
Notes payable to banks due in semi-annual instalments of $1,428,571 commencing January 15, 1962 ($7,000,000 at 4% and $13,000,000 at 4½%)	20.000.000	27,650,000	15.000.000	23.500,000
Deferred Federal Income Taxes—related to accelerated amortization and depreciation		2.106.510		1,684.140
Reserves:				
Injury claims and workmen's liability insurance	$ 586,813		$ 545,497	
Employees' life insurance and retirement	409,573		404,121	
Fire insurance (see contra)	275.881	1.272.267	241,804	1,191.422
Stockholders' Equity:				
Capital Stock, par value $10 per share: Authorized 5,000,000 shares Outstanding—2,716,222.5 shares (after deducting 21,414.35 shares in treasury)		27,162.225		27,162.225
Other Capital—representing principally excess of amount of stock dividends over par value of capital stock		18.156,491		18,156,491
Retained Earnings (Note 7)		33,745,478		30,198,624
Total Stockholders' Equity		$ 79.064,194		$ 75,517.340
Total		$117.549,738		$107.679,085

See notes to financial statements.

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. Materials and supplies are valued at average cost.

2. It is the practice of the Company to record dividends received or receivable from Compania Minera Aguilar, S. A. and associated companies as they are converted into U. S. dollars. Unconverted dividends as of December 31, 1958 and dividends declared in 1959 were converted during 1959. Compania Minera Aguilar, S. A. owns 43.3% of Compania Metalurgica Austral—Argentina, S. A. Comercial and 50% of Sulfacid, S. A. Industrial. Financial statements of Compania Minera Aguilar, S. A., are included herein on pages 20-22.

3. The Company's equity in the net assets of Mine La Motte Corporation, as shown by audited financial statements of that company was $213,623 and $264,317 at December 31, 1959 and 1958, respectively. Its share of the net loss for the years then ended was $50,694 and $179,151, respectively.

4. The net value of the capital assets as shown in the consolidated balance sheet 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.

   Mining properties and mineral rights include $17,000,000, which has been fully depleted, representing March 1, 1913 appraised values.

5. The Company and its domestic subsidiaries have a Retirement Plan for Salaried Employees and a Pension Plan for Payroll Employees, covered either by a contract with an insurance company or by funds deposited with a Trustee, no part of which is reflected in the accompanying consolidated balance sheet. Both plans are non-contributory and all past service costs have been funded. The deferred past service cost is being amortized over a 10-year period. Current annual costs of both the Retirement Plan and Pension Plan aggregated approximately $780,000 and $875,000 in 1959 and 1958, respectively. For additional information as to the Company's Pension Program reference is made to the text of this report.

6. Leadridge Mining Company Limited, a wholly-owned subsidiary, was liquidated in 1959 and its investment in Brunswick Mining and Smelting Corporation was taken over by St. Joseph Lead Company, which assumed the subsidiary's commitment to loan Brunswick Mining and Smelting Corporation, a 40% owned company, up to $7,500,000 (Canadian funds) as needed for development and equipment. Under this commitment $6,085,000 had been loaned at December 31, 1959 in exchange for an equal amount of 5% Income Bonds of Brunswick. The loan may be subordinated to other indebtedness of Brunswick not to exceed $17,500,000 (Canadian funds).

7. Reference is made to the text of this report relative to the companies' taxes on income, long-term debt, stock option incentive plan, Viburnum lead project, Pea Ridge iron project, Brunswick Mining and Smelting Corporation Limited, and anti-trust suit.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 4

ACCOUNTANTS' REPORT

To the Stockholders of St. Joseph Lead Company:

We have examined the consolidated balance sheet of St. Joseph Lead Company and its consolidated subsidiaries as of December 31, 1959 and the related statement of consolidated earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings, with the notes to financial statements, present fairly the financial position of St. Joseph Lead Company and its consolidated subsidiaries at December 31, 1959 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

February 16, 1960.

BALANCE SHEET December 31, 1959 and 1958

ASSETS

	December 31, 1959 Argentine paper pesos (Note 1)		December 31, 1958 Argentine paper pesos (Note 1)	
Current Assets:				
Cash	75,895,726		78,403,581	
Marketable securities:				
Argentine Government (at cost)	14,000.000		14,739,038	
Other (at cost, less reserve—1959 and 1958, 19,493,471)	114,162,878		108,802,190	
Accounts receivable—trade (less reserve—1959, 7,037,000; 1958, 3,232,906)	57,551,570		36,704,854	
Due from partly-owned company—trade	23,257,664		16,562,455	
Other accounts receivable, etc.	7,210,476		12,359,003	
Inventories (at average cost or less—not in excess of market):				
Lead and zinc concentrates	185,558,755		106,735,354	
Materials and supplies	133,285,157	610,922,226	89,316,917	463,623,392
Investments:				
Sulfacid, S. A. Industrial (at cost—50% owned)	20,428,902		7,825,000	
Compania Metalurgica Austral-Argentina, S. A. Comercial (at cost—43.3% owned)	8,746,356	29,175,258	673,000	8,498,000
Capital Assets (Notes 2, 3 and 4):				
Mining properties and mineral rights:				
Cost, including exploration and development prior to the commencement of operations	4,400.598		4,396,077	
Less allowance for depletion	3,502,941	897,657	3,502.941	893,136
Appreciation arising from valuation in 1936	49,446,736		49,446,736	
Less allowance for depletion	39,700,779	9,745.957	39,700,779	9.745.957
Total mining properties and mineral rights, net		10,643,614		10,639,093
Land, buildings, plant and equipment (at cost)	170,514,197		90.405,712	
Less allowance for depreciation	56,846,283	113.667,914	35,979,647	54,426,065
Construction in progress		15,250,055		34,435,368
Total capital assets, net		139,561,583		99,500,526
Deferred Charges		6,515,966		2,893.624
Total		786,175,033		574,515,542

Notes:

(1) The quoted free rate of exchange for a peso was approximately 1.2 cents at December 31, 1959 and 1.4 cents at December 31, 1958.

(2) The net value of the capital assets as shown in the above balance sheet 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.

(3) 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 year 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 not have been significant and net earnings would not have been materially affected. Accordingly, no depletion has been provided since 1950. A special appropriation of 65,246,200 Argentine paper pesos for replacement of capital assets has been made out of earnings for the year 1959. Similar special appropriations were made out of earnings in the preceding eight years aggregating 187,873,400 Argentine paper pesos.

(4) In prior years, it was the Company's policy to charge development expense with the cost of underground construction work

LIABILITIES	December 31, 1959 *Argentine paper pesos (Note 1)*		December 31, 1958 *Argentine paper pesos (Note 1)*	
Current Liabilities:				
Accounts payable—trade	5,772,132		15,773,916	
Due to St. Joseph Lead Company (including, in 1958, dividends payable of 27,681,946)	4,724,585		29,335,950	
Due to partly-owned company	23,558,999		10,564,959	
Wages accrued	6,078,064		4,335,373	
Accrued Argentine income and other taxes	92,667,509		48,021,987	
Other accounts payable	5,477,784	138,279,073	3,821,068	111,853,253
Advance from St. Joseph Lead Company		13,505,116		14,066,358
Deferred Credits—Unearned interest, etc.		140,198		81,207
Reserves:				
Replacement of capital assets (Notes 3 and 4)	270,537,942		187,873,400	
Employees' compensation under Argentine social laws	19,844,743		16,290,646	
Accidents	20,817,511		14,322,127	
Other	21,705,481	332,905,677	18,952,265	237,438,438
Stockholders' Equity:				
Capital Stock—Nominal value of 80 Argentine paper pesos each:				
Authorized 2,500,000 shares				
Issued—1,375,000 shares		110,000,000		110,000,000
Other Capital—arising from 1936 valuation of ore reserves (remainder after transfer of pesos 48,000,000 to stated value of capital stock)		1,446,736		1,446,736
Retained earnings:				
Appropriated for statutory reserve	8,293,926		6,432,953	
Unappropriated (after charging deficits aggregating pesos 6,395,000 against capital surplus arising from reduction in stated value of capital stock—Note 5)	181,604,307	189,898,233	93,196,597	99,629,550
Total Stockholders' Equity		301,344,969		211,076,286
Total		786,175,033		574,515,542

Notes Continued:

carried out. During 1959, the Company decided to capitalize amounts so written off amounting to pesos 24,791,580, and depreciation thereon for prior years at the rate of 8% per annum amounting to pesos 7,373,238 was added to the allowance for depreciation. The net amount so adjusted, pesos 17,418,342, has been added to the reserve for replacement of capital assets. The effect of this change was to increase net earnings for 1959 by pesos 3,461,879 being the difference between the amount capitalized and the depreciation thereon.

(5) The net earnings since the beginning of operations, pesos 571,379,733 (retained earnings at December 31, 1959, pesos 189,898,233, plus dividends declared, pesos 387,876,500, and less aggregate deficits transferred to capital surplus, pesos 6,395,000) represents the aggregate net earnings of pesos 864,200,112 (after deducting depletion computed on cost) against which has been charged depletion computed on appreciation aggregating pesos 39,700,779 and special appropriations for replacement of capital assets aggregating pesos 253,119,600.

(6) In accordance with standard practice in Argentina, stock dividends received have been credited to earnings at par. Amounts so credited during the years ended December 31, 1959 and 1958 totaled approximately pesos 12,800,000 and 12,400,000, respectively.

Statement of Earnings For the Years Ended December 31, 1959 and 1958

	1959 Argentine paper pesos (Note 1)	1958 Argentine paper pesos (Note 1)
Net Sales of Lead and Zinc Concentrates, Etc.	472,726,446	283,660,278
Cost Thereof	113,805,136	85,366.900
	358.921.310	198,293,378
Other Income:		
Dividends (Note 6)	15,141,489	15,813,986
Profit (loss) from sale of marketable securities	4,557,002	(315,093)
Interest	482,993	899,668
Other, less charges	2,773,527	3,592,350
Total	381.876,321	218,284,289
Deduct:		
Selling, general and administrative expenses	19,671,685	9,127,880
Taxes, other than taxes on income	6,246,191	4.352,147
Depreciation (Note 3)	13,701,994	7,245,571
Total Deductions	39,619,870	20,725,598
Earnings Before Taxes on Income and Special Appropriation	342,256,451	197,558,691
Provision for Argentine Income and Extraordinary Profits Taxes	111,116,568	67,524.314
Earnings before Special Appropriation	231,139,883	130,034,377
Special Appropriation for Replacement of Capital Assets (Note 3)	65,246,200	37,330,750
Net Earnings for the Year (after special appropriation)	165,893,683	92,703,627

See notes on accompanying balance sheet.

Statement of Unappropriated Retained Earnings

For the Years Ended December 31, 1959 and 1958

	1959 Argentine paper pesos (Note 1)	1958 Argentine paper pesos (Note 1)
Unappropriated Retained Earnings at Beginning of the Year	93,196,597	70,582,388
Add:		
Net Earnings for the year (after special appropriation)	165,893,683	92,703,627
Restoration of earnings appropriated in prior years for acquisition of capital stock held in treasury	—	7,700,000
Total	259,090,280	170,986,015
Deduct:		
Dividends declared or paid during the year:		
Cash	75,625,000	68,750,000
Capital stock	—	7,700,000
Appropriation for statutory reserve	1,860,973	1,339,418
Total Deductions	77,485,973	77,789,418
Unappropriated Retained Earnings at End of the Year (after charging deficits aggregating pesos 6.395,000 against capital surplus)	181,604,307	93,196,597

See notes on accompanying balance sheet.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 4

ACCOUNTANTS' REPORT

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, 1959 and the related statements of earnings and unappropriated retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

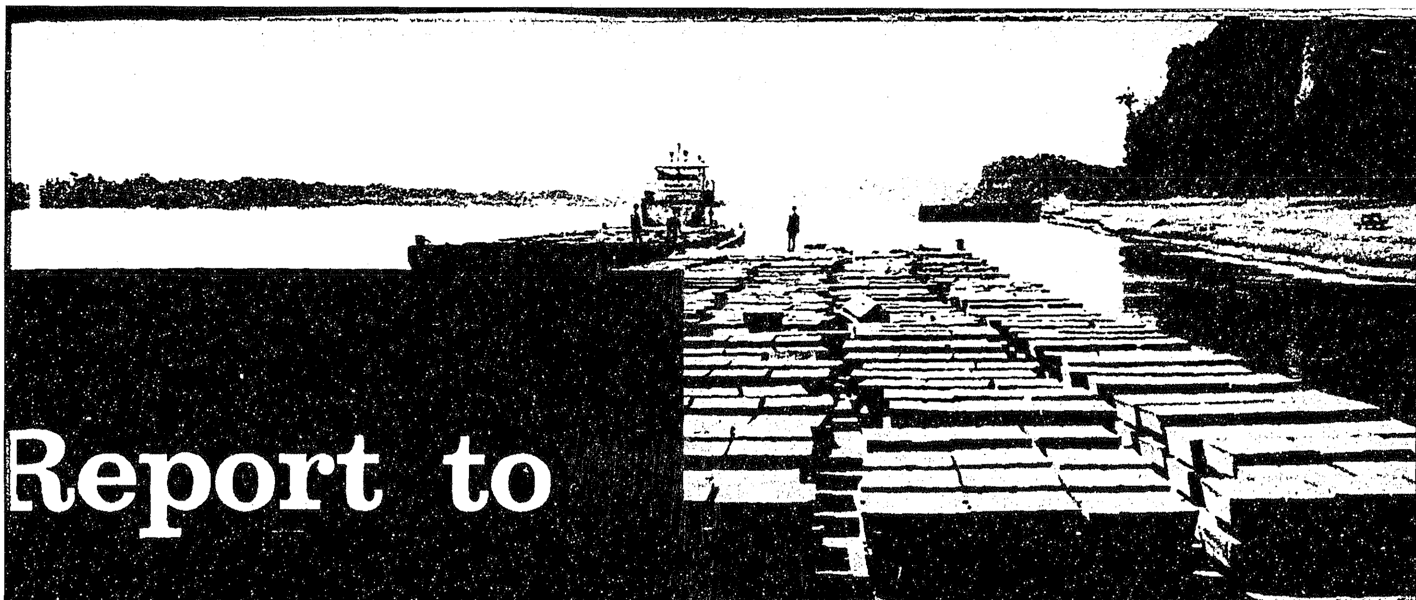
By reason of progressive currency inflation, a special appropriation of 65,246,200 Argentine paper pesos for replacement of capital assets has been made out of net earnings for the year. Similar special appropriations were made annually out of earnings in the preceding eight years, aggregating 187,873,400 Argentine paper pesos. In our opinion, accepted accounting principles require that such appropriations be set aside not out of earnings for the year but out of retained earnings.

In our opinion, except as described in the preceding paragraph the accompanying balance sheet with the footnotes thereon, and statements of earnings and unappropriated retained earnings present fairly the financial position of Compania Minera Aguilar, S. A. at December 31, 1959 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied (except for the change in the method of accounting for underground construction explained in Note 4 to the Balance Sheet) on a basis consistent with that of the preceding year.

HASKINS & SELLS

February 16, 1960.

Report to Employees

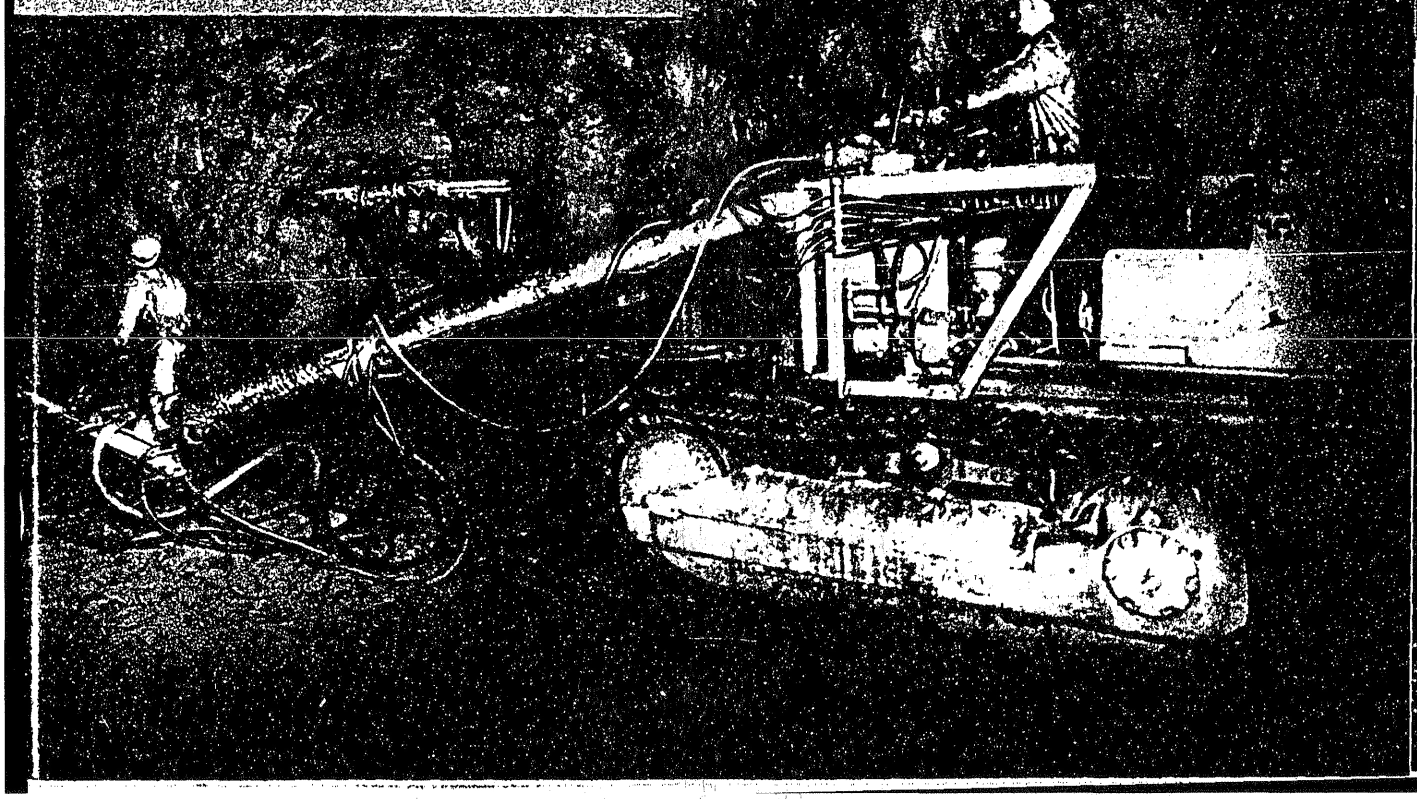


Barge shipment on Mississippi of one-ton lead ingots from Herculaneum smelter cuts transport costs

ST. JOSEPH LEAD CO.

1 9 5 9

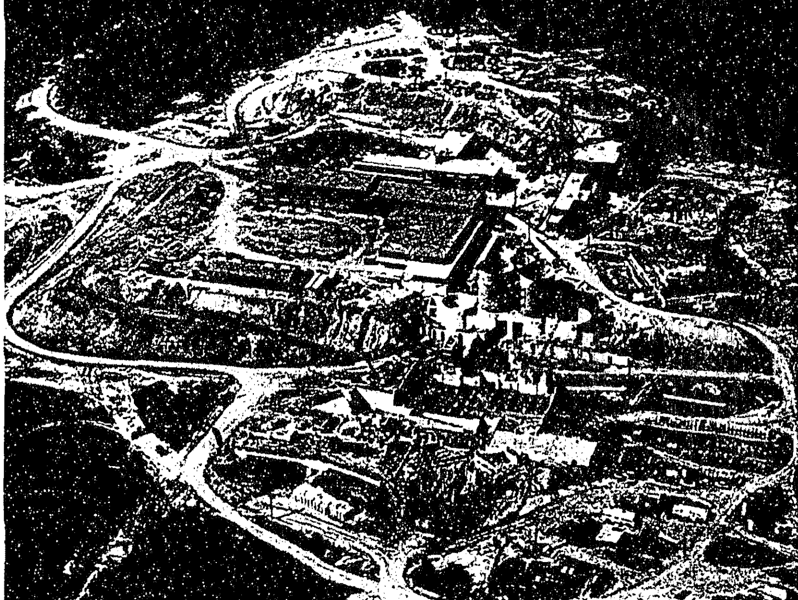
Faster, more efficient drilling achieved with drill jumbo in new No. 27 mine, Viburnum Project, Missouri



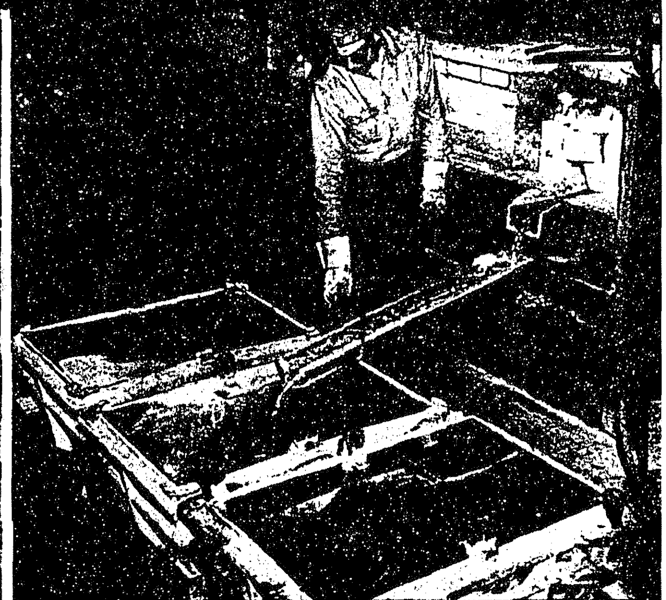
ST. JOE in Building

Andrew Fletcher
CHAIRMAN OF THE BOARD

Francis Cameron
PRESIDENT



WITH NEW PROJECTS • Viburnum, modern efficient lead producer now nearing completion, is example of successful search for new mining areas
Photo by Walker, Missouri Resources Div.



WITH NEW PROCESSES • Continuous overflow casting of h purity zinc in 2,500-lb. ingots typifies development of new te niques to improve known processes

Report to Employees

To all employees of St. Joseph Lead Company and their families:

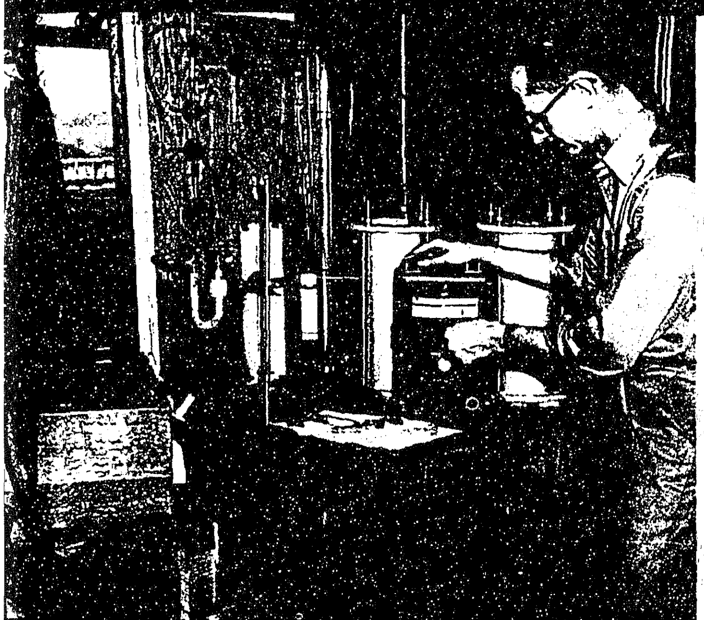
THE REPORTS that have gone to you in recent years have had a great deal to say about the difficult position of the lead and zinc mining industry in the United States. Because St. Joseph Lead Company is the largest miner of lead in the United States, and one of the foremost producers of zinc, you might well be concerned, not only about St. Joe's fortunes this past year, but about how well the Company may do in the next few years. The four photographs shown above summarize the basis for our belief that St. Joe and you, as well, have an excellent opportunity to build a better future than we have known in the past. You will find details elsewhere in this Report.

Our Record in 1959

A glance at the next page will show you that the Company's performance in 1959 was reasonably satisfactory. St. Joe's earnings rose to just over $6,000,000 in 1959 from about $4,000,000 in 1958. The reasons for this increase in earnings are two-fold: first, imports of lead and zinc from abroad were curtailed by the imposition of quotas on imports established by the Federal Government in October of 1958, which tended to stabilize the metal

1959 . . . .

for a Strong Future



ITH INCREASED RESEARCH • One of Company's many research programs is test of coke reactivity as part of furnace charge study aimed at better metallurgy, lower costs

WITH INCREASED EFFICIENCY • Lightweight airleg drill and carbide bits improve drilling efficiency. This is high-grade zinc ore in Balmat mine

prices, especially zinc; and second, consumption of both lead and zinc in the United States increased about 11% in 1959 over 1958. These factors combined to increase our sales, and we were able to sell about 7,500 tons of lead and 9,500 tons of zinc from the stocks of metal we had been unable to sell in 1958 and 1957. If an employee wishes additional financial information, and is not a stockholder, a copy of the Report to Stockholders can be obtained upon request to his manager.

Has the Federal Government Helped?

For several years past, this Report to St. Joe employees has mentioned the urgent need of the lead and zinc industry for at least a minimum of Government help, which we in St. Joe have believed should take the form of adequate tariff protection to equalize the competitive positions of domestic and foreign producers, necessitated in part by the lower ore grade of the United States mines, and higher wage costs resulting from the higher standard of living of our employees.

Following lengthy investigation and debate, several alternative proposals, among which were higher tariffs, were rejected by the Administration or by Congress in 1958, and a system of quotas on imports of lead and zinc was established in October of that year. Although the quotas appear to have curtailed imports, much of the drop in imported pig

	1959	1958
We Sold:		
Pig lead, tons	164,084	139,131
Slab zinc, equivalent, tons	179,478	174,083
Sulphuric acid, tons	176,607	171,938
We Received:		
From sales	$86,179,208	$75,615,147
From our investments	2,865,986	3,045,286
From other sources	575,543	500,150
Our gross income totaled	89,620,737	79,160,583
We Kept in Reserve:		
To replace worn-out plants and equipment	3,200,352	2,621,376
To replace depleted ore reserves	134,296	133,357
We Paid:		
In wages, salaries, supplies, and other production costs	72,967,543	67,287,253
In exploration and in developing new orebodies	1,850,552	1,522,462
In sales, administrative, pension fund, and other costs	2,532,294	2,395,718
In Federal income taxes	1,518,318	699,564
In interest on long-term debt	1,154,307	513,973
We Had Left:		
A net income amounting to	6,263,076	3,986,880
Of which, we paid as dividends to our stockholders	2,716,222	2,716,222
And kept for use in the business	3,546,854	1,270,658
Our net earnings, per share of stock, amounted to	2.30	1.47
Our dividend payments, per share of stock, amounted to	1.00	1.00
Our Current Assets (at year's end)	50,098,983	45,791,438
Our Current Liabilities (at year's end)	7,456,767	5,786,183
Our Net Working Capital (at year's end)	42,642,216	40,005,255
Number of Our Employees	4,263	4,581
Number of Our Stockholders	11,812	13,315
Shares of Our Stock Outstanding	2,716,222	2,716,222

HIGHLIGHTS of our financial position for 1959, as compared with 1958, are shown above. Note that lead sales rose substantially, but zinc sales increased by only about 5,000 tons. However, the price of zinc averaged 1¢ a lb. higher in 1959 than in 1958, whereas the average price of lead was practically unchanged. Gross income was higher for 1959, but so were taxes, interest charges, and production costs. Considering the obstacles we faced in 1959, this is a good record, but we can, and must, do still better in future years

IMPORTS of lead and zinc eased somewhat their strangleho[ld] on domestic markets in 1959, as the data opposite sho[w]. Quotas, imposed on imports by the Federal Government, we[re] responsible. Note, however, that quotas failed to accomplis[h] their stated objective of increasing U. S. mine output of le[ad] and zinc, in fact, domestic mine output of both metals actual[ly] declined. Domestic miners expect to do better in 1960, pa[r]ticularly in zinc.

ead and the metal content of concentrates has been offset by greatly expanded imports of "manufactured" lead and zinc products, a device to which oreign producers have resorted in order to escape quota restrictions. Quotas have definitely failed to accomplish the primary objective, which was to increase output of domestic lead and zinc mines in the United States. Production of lead and zinc from domestic mines actually declined in 1959, as compared with 1958.

As this report was being written, the question of aid to U. S. lead-zinc mines was again being investigated in Washington. Hearings were held in January, 1960, before the U. S. Tariff Commission, under a mandate from Congress to determine what was needed to promote "a sound and stable" U. S. lead-zinc mining industry. Again, as so often in the past, there appears some hope that out of these hearings might come the kind of tariff protection that the domestic industry really needs.

How We Can Help Ourselves

Every St. Joe employee must share the responsibility of trying to keep our Company strong, especially if Government help is denied. The following paragraphs outline what the Management of your Company is doing to build that strength into its future.

We Will Conduct Research

St. Joe's research activities fall into three general areas, with the objective of improving our present techniques and widening the usefulness and the sales of our products. Typical activities in these three areas are as follows:

1. Research on Better Methods

At Josephtown, metallurgical research is aimed at improving smelting techniques by studies of process fundamentals. Greater knowledge of the basic chemistry of two leach plant circuits has increased cadmium recovery substantially. In addition, this research has made it possible to convert cadmium residue into commercial metal. A program of basic research on furnace charge preparation continues to be emphasized as the most profitable tool for cutting costs and improving metal recovery.

At Herculaneum, research programs cover improved blast furnace charging arrangements, methods of improving the grade of matte by-product and of cutting the quantity of dross produced.

In Missouri, research in mining methods and milling procedures continues to contribute to the continual drive to cut operating costs.

2. Joint Research Programs

With the objective of increasing the usefulness of lead and zinc, the Company is supporting, in association with domestic and foreign producers, the Joint Research Programs sponsored by the Lead Industries Association and the American Zinc Insti-

LEAD . . . . the domestic situation . . . . ZINC

LEAD	1959 (Estimated)	1958
	SHORT TONS	
From domestic mines	253,000	267,000
Scrap	468,000	369,000
Imports (net) .	416,000	573,000
Supply (not incl. stock)	1,137,000	1,209,000
Consumption . .	1,085,000	986,000
Surplus or (deficit) .	52,000	223,000

ZINC	1959 (Estimated)	1958
	SHORT TONS	
From domestic mines*	314,000	321,000
Secondary sources . . .	53,000	47,000
Imports (ore and metal)	579,000	657,000
Supply (not incl. stock)	946,000	1,025,000
Consumed and exported	938,000	870,000
Surplus or (deficit) .	8,000	155,000

*After deducting ores used for pigment production tute. There is not space here to give details of the many programs now financed by this joint research, but they may be summarized as follows:

In 1960, about $360,000 will be spent in lead research programs aimed at increasing the usefulness of this metal, for example: as a coating on structural steel, as a component of ceramic products, as a powder in the rapidly expanding powder metallurgical field, as cable sheathing, and many others. The cable field is one in which lead has suffered greatly through competition from plastics, but improved methods of continuous extrusion of lead-covered cable, which the Joint Research Program has developed, give promise of helping lead regain some of its lost position.

As an example of the possibilities in this field, it is significant that the Douglas DC8 jet transport uses a plastic insulating sheet impregnated with lead to shield its passengers against the noise of the plane's four jet engines. In the construction of new buildings and in the installation of heavy machinery, lead pads are being used to lessen vibration.

In zinc, about $300,000 will be spent in 1960 on a wide variety of research projects covering every phase of zinc consumption. The objective in each one is to help the present consumer of zinc obtain a better product, or in new and more useful forms. An outstanding example of the benefit of the Joint Research Program is the definite increase in consumption in 1959 of zinc in die castings by the automotive industry, owing to the discovery of a means for improving the quality of nickel-chrome plating on zinc die castings.

3. Research on New Products

Apart from the Joint Research Program, St. Joe is carrying on several studies that can be more effectively conducted by the Company, itself, looking toward increased consumption of lead and zinc. A part of this effort has always been maintained at Josephtown as a service to our customers, particularly to purchasers of zinc oxide in the rubber industry and of zinc metal in the galvanizing fields. St. Joe is conducting studies of means of improving the physical properties of lead in order to widen its usefulness as an insulator against sound, vibration, and as a shield against the ill effects of nuclear radiation.

To sum up this whole matter of research, it is clear, and most encouraging, that lead and zinc, which have had such a long, if not glamorous, career of service in industry, still have areas of usefulness yet to be explored. It is conceivable that research is one of the major avenues by which the domestic lead-zinc industry may eventually gain a measure of freedom from its present urgent need for Government assistance.

We Can Develop New Projects

Viburnum. By now, everyone in St. Joe must be aware that in the Viburnum project in Missouri, the Company is developing what will be one of the best-

Headframe and mill of Balmat zinc mine in Northern New York

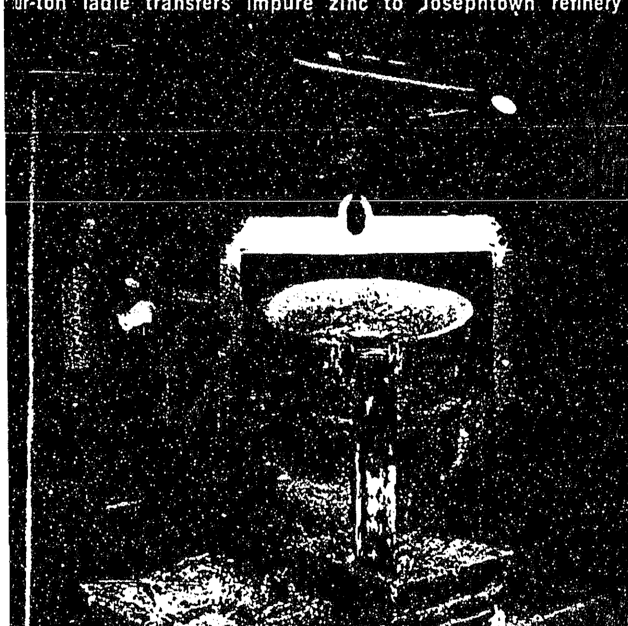
Roof-bolting in Balmat mine is safer, easier to install, than tim equipped and most efficient mining enterprises in the world. Viburnum should enter production the second quarter of this year, and as rapidly as possible will be brought up to a mining and milling rate of 3,000 tons of ore per day. As soon thereafter as seems desirable, or is feasible, production can be expanded still farther.

This is not to imply by any means that the starting of Viburnum will signalize the end of the Lead Belt. Far from it. There are many of the Lead Belt areas that have a prosperous career ahead of them, but some, where mining has been carried on for nearly a century, are approaching the end of profitable operation, because the cost of production is greater than the sales value of the lead. St. Joe can count itself extremely fortunate that through the capability and activity of its geologists and exploration crews, it has found in the Viburnum orebodies new reserves that will maintain employment and production in Southeast Missouri for many years to come. The housing, town-site and community facilities generally, are in keeping with what has been planned as one of the most up-to-date and efficient mining projects in the industry.

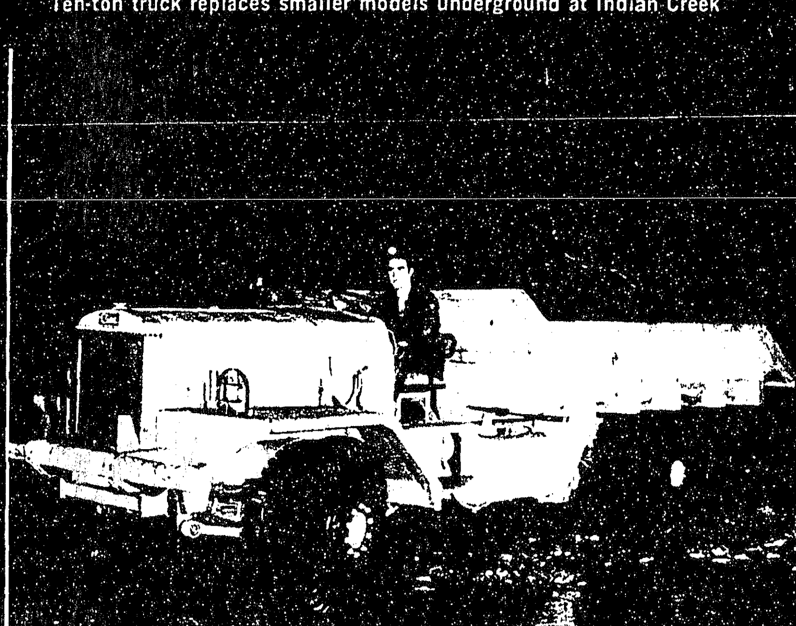
Meramec Mining Company. At Pea Ridge in Missouri, development of the iron ore project that we share on a 50-50 basis with Bethlehem Steel Company was halted in 1959 by a strike lasting from April until December. Shaft sinking and mine development are again underway, but the entrance of this property into production has probably been

Shaft-sinking with big drill cuts 52-in. core at Viburnum

ur-ton ladle transfers impure zinc to Josephtown refinery



Ten-ton truck replaces smaller models underground at Indian Creek



Progress at Pea Ridge, Mo., iron ore project includes No. 1 shaft (left) No. 2 shaft (right), shop—warehouse (center) and grading for railroad spur (foreground)

Photo by Walker, Missouri Resources Div.

Shaft-sinking at Pea Ridge is done faster with this drill jumbo mounted on sinking cage

postponed by about the duration of the shutdown, and will not therefore become a producer of iron ore until 1963.

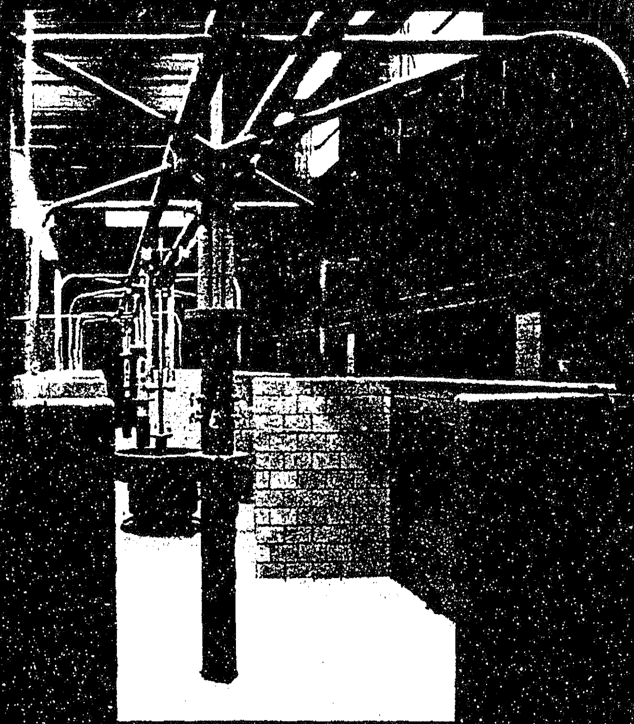
Other Projects. The oil venture that we share with Continental Oil Co. on the Harris Ranch leases in Texas yielded St. Joe an income of $432,469 in 1959, as compared with$460,718, in 1958. The reduction was due to the Texas Railroad Commission's having cut the number of days per month of production allowed our wells.

In addition to the foregoing projects, St. Joe has continually under study various proposals that could take the Company into both new mining fields and new industrial areas. Our objective in these studies is only to develop those enterprises that fit in with the Company's resources of manpower, ability, and finances, and that will become assured and long-lasting contributors to the Company's earning power.

We Can Improve Efficiency in Each Division

The possible closing of certain of the Lead Belt mines within a relatively few years, because of unprofitable operations, has put an added premium at those properties to increase efficiency and lower cost. But no Division can be free of the urgency of looking for, and finding, better methods at lower costs.

At Herculaneum, improvements are being made in the unloading trestles in order to handle efficiently the shipments of Viburnum lead concentrates, when they begin arriving in May or June, 1960. Additional kettles are being installed in the refinery, and an enlarged refinery building will improve operating conditions. A new storage dock is under construction to help solve the problem of stocking the many brands of lead now required to ll surface facilities for Viburnum Project are completely modern nd well designed, like this change room at No. 28 mine



Viburnum mill and No. 28 mine in background; shopping center and new houses along St. Joseph Ave. of townsite for Viburnum Project in foreground

satisfy customer demand. Consideration is being given to increasing the capacity of the smelter.

At the Edwards Division, a strike, also called by the Steelworkers, interrupted operations from July 1 through November 1, 1959, during which nothing was produced — 40,000 tons of needed zinc concentrates were lost, and over a half-million dollars in wages — everyone loses in a strike, including the consumer. During the operating periods before and after the strike, exploration was successful in maintaining the ore reserve position at both Balmat and Edwards. Early in 1960, major mechanical improvements were being installed in the Balmat mill. There was an improvement in the safety record at both the Balmat and the Edwards mines in 1959, as frequency and severity rates were well below those of 1958.

At Josephtown, interest centered on the new refinery, which uses a process to produce Special High Grade zinc of 99.99+% purity. Production of this grade enables St. Joe to supply its customers with any desired grade of zinc. Beginning production in July, 1959, well ahead of schedule, the refinery produced 8,267 tons of Special High Grade zinc in 1959.

An important improvement in the refinery's operation was the development of a continuous flow technique of casting high-purity zinc into 2,500-lb. ingots. In 1959, 5,485 tons of Special High Grade were shipped as 2,500-lb. ingots, this form having proven most acceptable to the consuming industry.

In the Southeast Missouri Mines, Indian Creek again led the Lead Belt in improved efficiency, largely because when the property was brought into production, more flexible methods of mining, ore transport, and milling were established. The new faster, high-capacity trucks used underground, both at Indian Creek and in the Lead Belt mines, have proven to be most satisfactory.

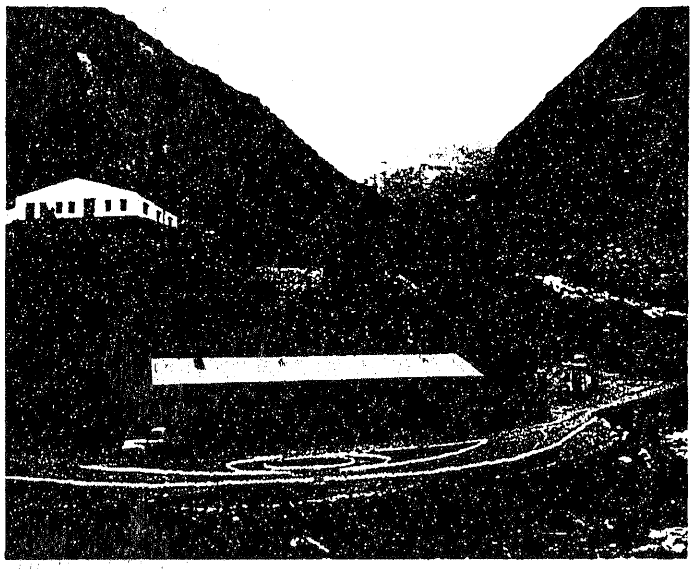
In the Leadwood mine, a method of roof support has been worked out using a mixture of coarse tailings and reclaimed chat. Use of this method in old stopes has apparently stopped the caving that threatened the Leadwood shops, and it also may provide a relatively inexpensive but effective means of pillar extraction in old workings.

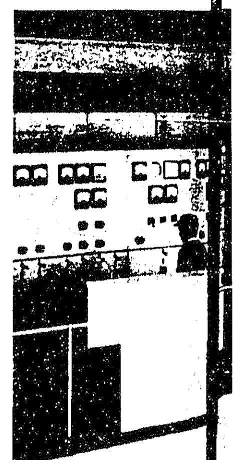
We Can Increase Our Activities Abroad

In Peru, St. Joe is a ⅔ partner in Cia. Minerales Santander, S.A., an open-pit lead-zinc property, where production began in December, 1958. Following start-up, difficulties were encountered because of an unusually heavy rainy season, and with certain mechanical and metallurgical problems, that have now been overcome. The mine is producing and milling nearly 500 tons of ore per day, and equipment is being installed to increase capacity to about 650 tons daily. The lead and zinc concentrates produced in 1959 were shipped to Europe. Elsewhere in Peru, St. Joe has investigated other promising mineral prospects, one of which was being diamond-drilled as this Report was written.

In Argentina, Cia. Minera Aguilar, S.A., showed earnings in 1959 of approximately 166,000,000 pesos, as compared with 1958 earnings of 93,000,000 pesos. Increased sales of lead and zinc plus higher metal prices, rising as the peso's value declined, were responsible. All of Aguilar's metal output is smelted, sold, and used inside Argentina. The equivalent dollar earnings of Aguilar were approximately $2,000,000 in 1959, compared with $1,325,000 for 1958.

A new hoist was delivered and installed in 1959, and relaxed import controls enabled the mine staff to obtain other badly-needed mechanical items. New ore discoveries continue to be made, and the Company is in excellent condition, from the point of view of ore reserves, mechanical equipment, housing and staff.





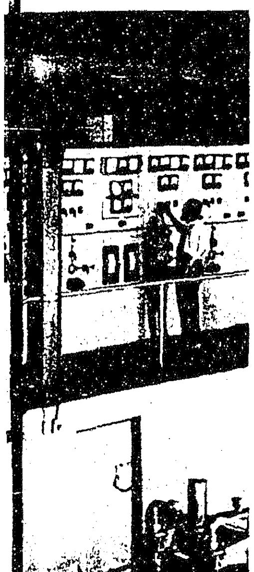
Argentina's austerity program has been only partially successful in reducing government budget deficits. However, good progress was made in the nation's drive for self-sufficiency in oil production. By the end of 1959, however, the austerity program had reduced bank credit and curbed industrial expansion to such an extent that a depression may result.

Sulfacid, S.A., (50% owned by Aguilar) showed earnings of about 24,000,000 pesos, but declared no dividends in order to conserve cash needed for the new 18-ton per day electrolytic zinc plant.

Cia. Metalurgica Austral (43.4% owned by Aguilar) suffered a long shut-down at its zinc smelter in Patagonia because the government-owned plant hat supplies power to Austral was closed by extensive repair work and a long strike. Production declined from 8,900 metric tons of zinc in 1958 to 7,408 tons in 1959. The current sales outlook is not encouraging.

Argentina is potentially one of the richest countries in South America. If the nation can realize this potential, Aguilar and its affiliates will benefit.

In North Africa, St. Joe has a 17.15% interest in each of two companies: one, Societe Algerienne du Zinc (ALZI), mined 99,538 metric tons of ore in 1959, assaying 25.4% zinc and 3.68% lead; this tonnage was treated in the mill operated by the other company, Societe Nord Africaine du Plomb (NAP).



Production is being expanded at Santander lead-zinc mine in Peru to 650 tons ore daily. Mill is in foreground

Santander power plant is at 9,000 ft. elevation at river junction. Cost of hydroelectric power here is extremely low

At Aguilar in Argentina, completion of electrical modernization program increases efficiency and lowers cost. New diesel power plant panel is shown here.

In Canada, St. Joe has a 40% interest in Brunswick Mining & Smelting Corporation, which owns large undeveloped lead-zinc orebodies near Bathurst, N.B. As in 1958, these properties remained dormant during 1959. On February 9, 1960, the Brunswick Board reached an agreement in principle with a group of Continental smelters which offered a long-term purchase contract and financing arrangement that may permit placing this property in production at the rate of 2,000 tons of ore per day in about three years.

To Sum It Up . . .

First, as to the outlook for 1960, it appears that the foreign producers of lead and zinc intend to relax the restrictions on their zinc output but to try to retain some control on lead. This action is being taken in expectation of increased consumption of zinc both in the United States and abroad. Our own opinion is that both zinc and lead consumption in the United States should increase about 10% in 1960, as compared to 1959, and that if a moderate increase in U. S. tariffs is not granted by Congress or the Administration, then the import quotas will continue.

Therefore, it appears that St. Joe can look forward to a reasonably good year in 1960. Zinc demand should hold up well, and even though the world lead production will be in excess of consumption, it is hoped that we may be able to make a further reduction in our large unsold lead stocks.

Beginning in late spring, the Viburnum project will enter production, which will give us the opportunity of gradually switching emphasis from some of our older and lower grade operations.

Finally, from the long-range point of view, as we hope this Report has indicated, St. Joe is developing opportunities for itself as a company and for its employees as individuals, through these means:

1. New projects, such as Viburnum and Meramec.
2. Research to find new production techniques and improve old ones.
3. Research to find new uses for lead and zinc and to broaden the scope of the old ones.
4. Constant search for new opportunities for St. Joe's resources of manpower and finance, here and abroad, in mining and in related fields.
5. Constant effort to improve operating efficiencies to improve our competitive position.

If you believe, as we do, in the capability of your Management and the value of the effort you and they are making, the outlook for St. Joe is bright.

Andrew Fletcher
CHAIRMAN

Francis Cameron
PRESIDENT

WHERE ST. JOE IS OPERATING

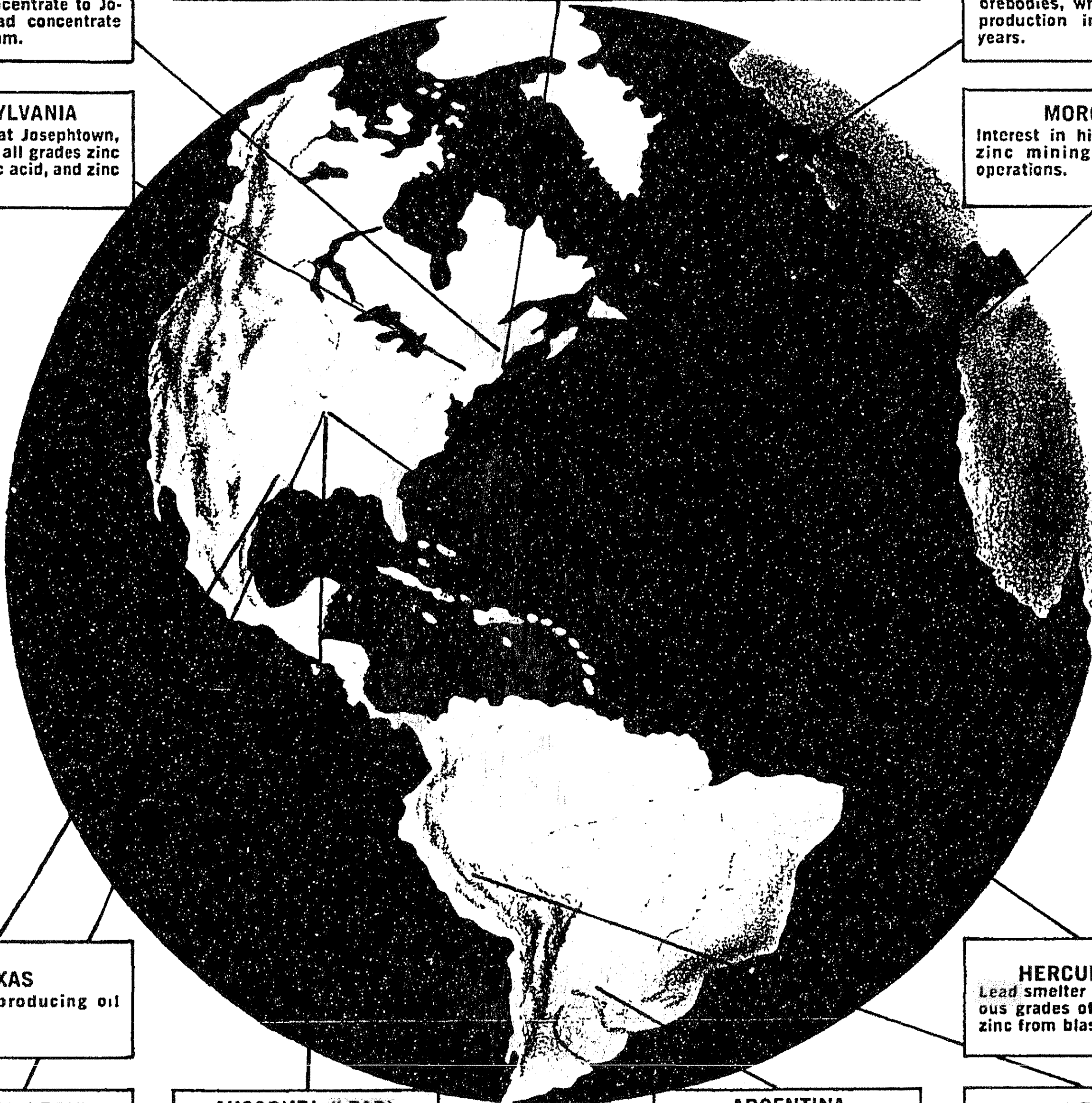
NORTHERN NEW YORK
Zinc mines and mills, shipping zinc concentrate to Josephtown, lead concentrate to Herculaneum.

NEW YORK CITY Company headquarters for administration, sales, and finance.

NEW BRUNSWICK
Interest in large lead-zinc orebodies, which may enter production in about three years.

PENNSYLVANIA
Zinc smelter at Josephtown, Pa., produces all grades zinc metal, sulfuric acid, and zinc oxide.

MOROCCO
Interest in high-grade lead-zinc mining and milling operations.



TEXAS
Interest in producing oil leases.

HERCULANEUM
Lead smelter producing various grades of pig lead, also zinc from blast furnace slag.

MISSOURI (IRON)
Meramec Mining Co. (50% owned) will enter production in 1963 at 2,000,000-ton annual capacity.

MISSOURI (LEAD)
Mining in Lead Belt since 1864. New properties at Indian Creek (1954) and Viburnum (1960).

ARGENTINA
Cia. Minera Aguilar, S.A., St. Joe affiliate, produces lead and zinc concentrates, also has interest in acid plant and zinc smelter.

PERU
Two-thirds' interest in open-pit mine, shipping lead and zinc concentrates to Europe.

ST. JOE ST. JOSEPH LEAD COMPANY, NEW YORK, N. Y.