St. Joseph Lead Co.

NINETY-THIRD

ANNUAL REPORT

TO THE STOCKHOLDERS

1956

ST. JOSEPH LEAD COMPANY

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ANNUAL REPORT

to the

STOCKHOLDERS

for the

YEAR ENDED DECEMBER 31

1956

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Registrar
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ST. JOSEPH LEAD COMPANY

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

EXECUTIVE OFFICES . 250 PARK AVENUE . NEW YORK, 17, N. Y.

Executive Officers

CLINTON H. CRANE	*Chairman*
ANDREW FLETCHER	*President*
C. MERRILL CHAPIN, JR.	*Vice President*
FRANCIS CAMERON	*Vice President*
GEORGE I. BRIGDEN	*Vice President and Treasurer*
CHARLES R. INCE	*Vice President and Sales Manager*
R. J. MECHIN	*Vice President*
ROBERT H. RAMSEY	*Secretary*
JAMES G. COLVIN	*Comptroller and Asst. Treasurer*
WILLIAM J. ELLIOTT	*Asst. Secretary*
EDWARD P. MERRELL	*Asst. Treasurer*
DONOLD K. LOURIE	*Asst. Secretary*

United States Division Managers

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

Consultant

GEORGE F. WEATON

Cia. Minera Aguilar, S. A.

Argentina

DONALD B. MCGILVRA . . . . *Vice President*

HIGHLIGHTS

	1956	1955
Sales of metals, etc.	$119,909,612	$121,497,456
Taxes on income	$5,280,519	$6,478,177
Net income (after taxes)	$10,291,357	$12,729,820
Dividends paid	$8,148,666	$8,148,666
Shares of capital stock outstanding	2,716,222	2,716,222
Per share on capital stock:		
Taxes on income	$1.94	$2.38
Net income	$3.79	$4.68
Dividends	$3.00	$3.00
Current assets	$49,625,248	$47,421,282
Current liabilities	$11,383,335	$13,805,252
Net current assets	$38,241,913	$33,616,030
Cash	$6,515,084	$7,210,350
Short term marketable securities	$18,000,000	$20,000,000
Capital expenditures	$3,527,931	$2,230,305
Number of employees	5,213	5,101
Number of stockholders	13,219	11,263

ST. JOSEPH LEAD COMPANY

To the Stockholders:

The Ninety-third Annual Report of St. Joseph Lead Company covering the year ended December 31, 1956, is submitted herewith. Consolidated Balance Sheets as of December 31, 1956 and 1955, together with Summaries of Consolidated Net Income and Earned Surplus for each year for St. Joseph Lead Company and Subsidiaries, are included herein. Similar statements for Cia. Minera Aguilar, S. A. are also included. The accounts of these companies have been audited by Haskins & Sells, Certified Public Accountants, and their certificates are appended.

World Markets for Lead and Zinc

Lead was stronger than zinc statistically through 1956. Not only was consumption close to the previous year's level but there was less over-production. Abroad, the use of the metal was practically unchanged while in this country the drop was a negligible one to around 1,185,000 tons—the third highest figure on record. On the other hand, world consumption of zinc fell below the 1955 rate; the decline in the United States of approximately 10% to about 1,000,000 tons was due to lower automobile production and the effects of the mid-year steel strike; in the United Kingdom the lower rate was also due to the recession in the motor industry and credit shortage, which resulted in nearly 14% less zinc being taken by the die casting and brass industries.

Production of lead and zinc was higher here and abroad in 1956, the gain in output amounting to about 5% for each of the two metals. In the United States the increase in mine production can be chiefly attributed to fewer work stoppages; the higher prices which prevailed were offset by increased costs resulting from higher wage rates, increased transportation charges and more expensive fuel and supplies. A feature of the year's production figures was the all-time high output of U. S. zinc smelters at 1,063,000 tons.

Prices were remarkably firm throughout the year with the domestic market for zinc at 13.5¢ per pound, up 10% from 1955, and lead at 16¢, an increase of 6%. Abroad, the London Metal Exchange prices, which fluctuate daily, moved within narrow ranges and at no time did the differential from the U. S. price threaten the stability of quotations here. The apparent paradox of firm prices in the face of higher production and lower consumption is easily explained—the U. S. Government removed the metal surpluses from the world markets. Domestic zinc smelters and lead refineries are estimated to have delivered 160,000 and 75,000 tons, respectively, to the stockpile during 1956. In addition, considerable tonnages of zinc, and a sizable quantity of lead produced outside of the United States were also delivered to the Government. While domestic stockpiling appears to be nearing its tonnage objectives and may terminate, the barter program, under which U. S. perishable agricultural surpluses are traded for non-perishable strategic materials of foreign origin, should continue to be a major factor in keeping the lead and zinc markets in balance. The billions of dollars invested in surplus farm commodities should enable our Government to continue such barter trades almost indefinitely. However, no long-term goals have been announced for this program, and the U. S. mining industry awaits with interest whatever clarification may be forthcoming from Washington to substantiate the Administration's announced policy of assuring a healthy mining industry.

Income and Taxes

During 1956, after provision for all charges, the Company earned $10,291,357 as compared with $12,729,820 in 1955. Based on 2,716,222 shares of capital stock outstanding, earnings per share were $3.79 for 1956 compared with $4.68 for 1955. The 1956 earnings were adversely affected during the second and third quarters by the steel strike and by the changeover to new models in the automotive industry. The higher earnings for 1955 reflected a non-recurring sale of 17,007 tons of lead and 1,436 tons of zinc from inventory. Dividends received from Cia. Minera Aguilar, S. A. and other foreign affiliates amounted to $756,878 in 1956, as compared with $754,188 in 1955.

Approximately 47% of the gross earnings of the Company came from zinc and 53% from lead, in comparison with 46% for zinc and 54% for lead in 1955.

The earnings per share by quarters were as follows:

	1956	*1955*
First Quarter	$1.08	$1.24
Second Quarter	.78	1.24
Third Quarter	.85	.89
Fourth Quarter	1.08	1.31
Total	$3.79	$4.68

The provision for Federal and State taxes on income was $5,280,519 which is equivalent to $1.94 per share, as against $6,478,177 or $2.38 per share for the previous year.

Audits of the Company's Federal income tax returns by the Internal Revenue Service have been completed through the year 1954, resulting in an unpaid liability of $247,000 for expenses disallowed, which the Company is contesting. The Company has filed suit against the U. S. Government to obtain a refund of the taxes paid on percentage depletion disallowed on the sales of lead produced from remilled tailings during the years 1949 to 1953, inclusive. The total amount involved is approximately $712,000 exclusive of interest, and has not been set up on the books.

The table below gives a record of the Company's earnings for the ten-year period ended December 31, 1956:

TEN-YEAR EARNINGS 1947-1956

Year	*Consolidated Net Income*	*After Income Taxes of*
1947	$12,537,761	$ 4,479,659
1948	9,636,737	3,776,836
1949	8,564,436	2,889,925
1950	12,211,615	7,976,468
1951	13,577,237	13,819,817
1952	9,638,455	5,667,894
1953	6,300,342	4,344,733
1954	7,523,503	4,628,764
1955	12,729,820	6,478,177
1956	10,291,357	5,280,519

Sales

The total sales in 1956 amounted to $119,909,612 which is 1.3% lower than the comparable figure of $121,497,456 for 1955. Lead sales from St. Joe's production were lower than in the previous year and amounted to 137,772 tons as compared with 155,755 tons in 1955. Sales of zinc content in slab zinc and zinc oxide were slightly lower than in 1955 and were 132,652 tons as compared with 136,723 tons.

The table on Page 13 shows the tonnage of lead and zinc production, purchases and sales for each of the last ten years.

Dividends

A total of $3.00 per share was paid during 1956, in four quarterly dividends of 75¢ each. The same amount was paid in 1955. The following is a record of the cash dividend payments for the ten-year period through 1956:

DIVIDENDS 1947-1956

Year	*Per Share*	*Amount*
1947	$2.18	$5,926,368
1948	2.36	6,420,232
1949	2.36	6,420,232
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

* After giving effect to 10% stock dividend paid June 10, 1952, and 25% December 11, 1950.

Working Capital

The financial condition of the Company remains strong. Current assets at the end of the year were $49,625,248—current liabilities $11,383,335. Thus the Company had $4.36 of current assets for each dollar of current liabilities at the close of the current year. Net working capital (cash resources, receivables and inventories, minus current liabilities) was $38,241,913 at December 31, 1956, compared with $33,616,030 at December 31, 1955, an increase of $4,625,883. A summary of the principal items responsible for the changes during 1956, is as follows:

Net working capital at January 1, 1956		$33,616,030
Additions:		
Net income after all charges		10,291,357
Charges to income for depreciation, depletion, other reserves and other items which did not affect working capital		3,086,307
Sale of investments including 95,000 shares of The New Jersey Zinc Company Stock		5,437,827
		$52,431,521
Deductions:		
Dividends paid	$8,148,666	
Capital expenditures	3,527,931	
Investment in Brunswick Mining and Smelting Corporation Limited 5% Income Bonds due 1968	1,575,000	
Other Investments and Advances	(248,661)	
Payment to Trustee Under Retirement Plan	1,186,672	14,189,608
Net working capital at December 31, 1956		$38,241,913

Financing

95,000 shares of the Company's investment in The New Jersey Zinc Company stock were sold in 1956 to assist in financing the 100,000 kw coal-fired steam power plant now under construction on property adjacent to the Josephtown zinc smelter, and estimated to cost approximately $18,000,000. In addition, arrangements have been made with the Pittsburgh Consolidation Coal Company to borrow $8,500,000 on the Company's 3⅞% Notes at the rate of $2,000,000 per month, beginning July 1, 1957. These notes are to be repaid in twenty semi-annual installments, the first payment to commence not later than eighteen months after the completion of the power plant. At the time of payment of any semi-annual instalment, any number of additional instalments may be repaid at face value.

Capital Expenditures

Last year approximately $3,528,000 was invested for construction of new facilities as compared with $2,230,000 in 1955. Approximately two-thirds of the expenditures for construction in 1956 were made at the Josephtown zinc smelting division, in connection with increasing the slab zinc production capacity at this plant from 10,000 tons to 12,000 tons per month.

Engineering is progressing satisfactorily and all major equipment has been contracted for, so that the first unit of the Company's Josephtown power plant should be placed in operation April 15, 1958, and the second unit a month later. Construction will be slower than originally estimated because of the Westinghouse strike. It is believed that about $12,600,000 will be expended on the power plant in 1957, and that capital additions for the other divisions will approximate $2,000,000. Therefore, from present indications, it is estimated that total capital expenditures for the year 1957 will be $14,600,000.

Capital expenditures since 1947 are shown in the following table:

COMPARATIVE CAPITAL EXPENDITURES

Year	*Lead Belt*	*Josephtown*	*Edwards-Balmat*	*Total*
1947	$ 830,993	$5,316,460	$151,968	$6,299,421
1948	469,093	1,776,183	81,590	2,326,866
1949	774,658	147,536	160,553	1,082,747
1950	903,776	177,071	929,617	*2,010,464
1951	2,549,327	564,768	685,128	*3,799,223
1952	3,793,396	1,768,048	90,896	*5,652,340
1953	3,972,871	720,665	94,475	4,788,011
1954	817,306	208,499	99,938	*1,125,743
1955	459,013	1,769,847	1,445	2,230,305
1956	723,865	2,798,066	6,000	3,527,931

* Includes items capitalized by agreement with the Internal Revenue Service applicable to prior years amounting to $635,491 in 1950, $559,920 in 1951, $151,784 in 1952 and $92,938 in 1954.

Southeast Missouri

The mines and mills of the Lead Belt again operated without interruption throughout the year. Ore and chat milled were slightly less than in the previous year and totaled 7,195,413 tons as compared with 7,398,730 tons in 1955. Because of the lower grade ore being mined, lead content, on a 90% basis, also showed a slight decrease from 101,932 tons to 100,707 tons. Zinc recovered in 1956 was 3,152 tons as compared with 3,746 tons in the previous year.

The Indian Creek property in Washington County, now in its third year, reached full capacity operation at 2,000 tons of ore per day in the early months of the year.

New ore developed at the Southeast Missouri properties in 1956 approximated the tonnage mined during the year.

Pig lead production at the Herculaneum smelter was approximately the same as in the previous year, and amounted to 98,380 tons, in comparison with 99,286 tons in 1955, and slab zinc produced at this plant from blast furnace slag was 2,856 tons and 1,846 tons for 1956 and 1955 respectively.

Edwards-Balmat

The mines and mills of this division operated throughout the year without interruption. Zinc concentrate production reached a record high of 107,653 dry tons, and lead concentrates totaled 2,791 dry tons, compared with 101,796 tons and 1,679 tons respectively in 1955. All zinc concentrates produced were shipped to Josephtown and the lead concentrates to Herculaneum.

The effect of large-scale construction programs at the nearby St. Lawrence River Seaway is being felt at this New York State division in relation to the availability of labor.

Josephtown

This smelter again operated on a full-time basis throughout 1956, and zinc content of oxide and metal produced totaled 134,023 tons as compared with 136,355 tons the previous year.

Very satisfactory sales of specification zinc metal were made to the steel companies for use in their new continuous galvanizing lines. We had spent in previous years large sums in modifications of process and equipment to be ready to supply this type of slab zinc.

Employee Relations

Labor relations throughout the year were harmonious and there were no work stoppages. The number of employees at the end of 1956 was 5,213 compared with 5,101 at the end of 1955. At December 31, 1956 more than 60% of our employees had over 10 years of service and about 17% had been employed for more than 25 years.

In line with the general industry experience, wages and salaries at all divisions were increased during the year. Total payrolls in 1956 were the highest in the Company's history and amounted to $25,682,126 compared with $23,818,704 in 1955. In addition to these payments, the Company made substantial payments for employee benefits such as retirement annuities, group life insurance and hospitalization.

Progress in New Areas

Exploration for new properties continues both in the United States and abroad. In 1956, exploration parties were active in Missouri, Portuguese East Africa, Canada, Argentina, Peru and Colombia. In the following areas, their work has gone far enough to permit mention of results.

In Missouri, a promising new lead prospect has been discovered in Washington County. Extensive drilling is planned for this area beginning in the Spring of 1957.

Also in Missouri, three centers of iron ore deposition have been discovered about 40 miles northwest of Bonne Terre as the result of an air-borne magnetometer survey in 1951 and subsequent exploration work. One of these, known locally as the Pea Ridge deposit, has been drilled sufficiently to indicate the probability of a very large tonnage of commercial grade iron ore at a depth between 1,400 and 3,000 feet below the surface. The other two bodies in the same general area have been drilled less extensively, but are considered as of definite interest. In February, 1957, Bethlehem Steel approached us with a proposal to form a joint 50/50 company to exploit the Pea Ridge deposit. Under the suggested arrangement, St. Joe would take the major responsibility of operating the mine and Bethlehem would supply the major financing, their knowledge of iron ore beneficiation, and a market for the product. We are actively studying this interesting proposal on the basis of an annual output of 2 million tons. Five years of construction and mine preparation would probably be necessary for such a large-scale enterprise before reaching the production stage. The value to St. Joe, and to Missouri, of another large-scale center of mining near the spot where we have worked for 93 years, is obvious.

In Peru, during September, 1956, an agreement was reached with the Santander Mining Company of Delaware, whereby certain mining claims in Peru would be turned over to a new company to be named Compania Minerales Santander, Inc., a Delaware corporation, for 40% of its capital stock. St. Joe will own 60% of the capital stock of the new company, and has agreed to invest, in part as a loan, not to exceed $1,500,000 for the construction of a power plant, a 500-ton per day mill and to place the property in initial operation as an open pit undertaking. Adequate reserves of a copper-lead-zinc ore have been developed to justify such an investment. A management contract has been entered into with Administradora de Minas, S. A., a Peruvian company with operating experience in that country, who will supervise operations. It is expected the property will come into production by the middle of 1958.

Oil Exploration

Development of the Harris Ranch leases, Crockett County, Texas, owned jointly by Continental Oil and ourselves, is continuing.

The net amount expended for oil exploration in 1956 was $301,203 as compared with $49,701 in 1955, after deducting income from the sale of oil amounting to $319,933 and $136,955 for these years respectively. During the year, nine wells were completed, thereby bringing the total producing wells on these leases to fifteen, with one shut-in gas well. It is estimated that our proven oil reserves amounted to approximately 3,306,000 barrels at December 31, 1956. An additional well, authorized in 1956, was being drilled at the end of the year, and has since been completed as a producing well.

The total net cost of our oil program over the past five years, after taking credit for tax savings, amounted to $1,470,481. This entire amount has been written off with the exception of $220,216.

Compania Minera Aguilar, S. A.

Net income of Compania Minera Aguilar, S. A. for the year 1956 reached an all-time high and was 59,040,989 pesos after deducting special appropriations for replacement and rehabilitation of capital assets amounting to 34,830,650 pesos. This was 12,255,499 pesos higher than in the previous year when the net income was 46,785,490 pesos after deducting special appropriations of 23,588,438 pesos.

Cash and marketable securities at December 31, 1956 were 209,886,503 pesos, an increase of 7,414,002 pesos over the previous year. Cia. Minera Aguilar, S. A. transferred dividends of $589,171 to the St. Joseph Lead Company during the year, which was approximately 35% of the earnings when expressed in the equivalent U. S. dollars.

Lead and zinc concentrate production for 1956 in metric tons as compared with 1955, is shown below:

	1956 Tons	*1955 Tons*
Lead Concentrates	30,334	27,879
Zinc Concentrates	42,366	42,204

The rehabilitation program for the mine and mill, which began in 1954, has been completed.

Mine prospecting and development continues encouraging. Cordial labor relations were maintained, contrary to the general trend in the country. Costs were satisfactory considering the continued inflationary trend.

Geological exploration in various parts of Argentina was carried on and some work of this nature was also done in Peru by the Cia. Minera Aguilar staff. Two copper prospects in Argentina were dropped after rather extensive work had been done on the more promising one.

Sulfacid, S.A., had its best year to-date, although plagued by a shortage of zinc concentrates due to inadequate railroad facilities.

Operating conditions and metallurgical results at Austral, S.A., continued to make marked improvement. A most capable, young technical staff has been built up.

Progress in the overall rehabilitation of Argentina has been disappointing to-date. Continuing inflation and the unfavorable trade balance, coupled with the problems of lack of fuel, power, and adequate transportation, greatly retards the much-to-be-desired economic recovery. Labor remains recalcitrant, and along with the great percentage of the people, has not learned that the key to recovery is increased productivity, not higher wages and less work.

Brunswick Mining and Smelting Corporation Limited

During the year, St. Joe advanced $1,575,000 to Brunswick Mining and Smelting Corporation Limited on its 5% Income Bonds due in 1968. This brings the total advanced at December 31, 1956, to $3,500,000. Expenditures by Brunswick during the year were about $1,711,000.

Metallurgical research in 1956 centered on three alternative methods for handling New Brunswick ores, and was carried on at Bathurst, at Josephtown and at the Battelle Institute, Columbus, Ohio. These programs were as follows:

1. Selective flotation to produce lead, zinc, copper and iron concentrates for sale.
2. Selective flotation of a copper and an iron concentrate and bulk flotation of a lead-zinc concentrate for treatment in a new type of furnace developed in England.
3. Direct roasting and leaching of the ore or a concentrate followed by separate recovery of copper, lead, zinc and iron by more or less conventional methods.

Anti-Trust Suit

In the last three Annual Reports, the stockholders were advised that the United States had commenced a civil action against St. Joseph Lead Company and American Smelting & Refining Company in the United States District Court for the Southern District of New York, alleging violations of the Sherman Anti-Trust Act in connection with the lead business of each of the defendants. The stockholders were also advised that the Company vigorously denies that it has in any way violated the anti-trust laws and that the Company stated this position in an answer filed to the Government's complaint. There were no major developments in 1956.

President's Report to Employees

A copy of the President's Report to Employees for the year 1956 will be found under the flap of the rear cover of this report.

Mine La Motte Corporation

The net income for 1956 for the Mine La Motte Corporation (50% owned) was $155,695, after deducting expenses amounting to $183,690, in connection with the development program, including the sinking of a new shaft. No dividend was declared as it is believed the available cash will be needed to complete this program.

Deferred Profit Sharing Plan

At the Annual Meeting of Stockholders on May 14, 1956, the Profit Sharing Plan for Salaried Employees of St. Joseph Lead Company adopted by the Board of Trustees, was approved. Under the Plan, the Company contributes an amount equal to 3 percent of its consolidated net income for each year or 10 percent of the aggregate salaries of its members, whichever is less, but such contributions may be made only to the extent that they do not reduce the consolidated net income below $2.00 per share.

The Company's contribution to the Plan for the year 1956 amounted to $308,741 and was paid to the Trustee in January of 1957. This is equal to 3 percent of the consolidated net income and amounted to approximately 6½% of the aggregate salaries for the year of all employees eligible to participate under the Plan. Of the 662 salaried employees participating, 592 elected to have their share invested in the St. Joe Stock Fund, 51 in the General Fund. and 19 will receive cash because of death, retirement or severance of employment.

Stockholders

It is interesting to note from the table below, that at December 31, 1956 we had 13,219 stockholders of record, which represents an increase of 5,334 stockholders since 1947.

The number of stockholders of record since 1947, and a classification of their holdings, are as follows:

A TEN-YEAR RECORD OF STOCKHOLDER CLASSIFICATION

Year	*Total*	*19 or less*	*20-99*	*100-199*	*200-Over*
1947	7,885	1,834	3,021	1,735	1,295
1948	7,823	1,834	3,135	1,611	1,243
1949	7,993	1,847	3,123	1,747	1,276
1950	8,435	1,794	3,443	1,943	1,255
1951	9,023	1,907	3,705	2,076	1,335
1952	10,182	2,146	4,235	2,346	1,455
1953	10,657	2,257	4,424	2,485	1,491
1954	10,497	2,165	4,305	2,511	1,516
1955	11,263	2,105	4,830	2,740	1,588
1956	13,219	2,718	5,727	3,243	1,531

Conclusion

The diligence of our employees and the support of our stockholders contribute to our strong financial position and the results accomplished. We express our sincere thanks and appreciation.

CLINTON H. CRANE
Chairman

ANDREW FLETCHER
President

New York, March 20, 1957

UNITED STATES
LEAD AND ZINC STATISTICS

LEAD

	1956 (Est.)	1955 (Final)
Available Supply:		
U. S. Mine Production	348,000	338,000
From scrap	500,000	502,000
Imports of concentrates and bullion (Pb content)	196,000	178,000
Metal imports (net)	282,000	293,000
Total	1,326,000	1,311,000
Adjustment for changes in Stocks at Smelters and Refineries	— 8,000	+ 51,000
Total Lead Metal Available	1,318,000	1,362,000
Consumption:		
Batteries	366,000	380,000
Ethyl gasoline	196,000	165,000
Cables	134,000	121,000
Construction	121,000	120,000
Pigments	115,000	128,000
Other uses ...	268,000	295,000
Total Consumption	1,200,000	1,209,000
Surplus	118,000	153,000

ZINC

	1956 (Est.)	1955 (Final)
Available Supply:		
Recoverable U. S. Mine Production	540,000	515,000
Less—used to make pigments	114,000	116,000
Recoverable domestic zinc available to Metal Smelters	426,000	399,000
Scrap zinc	70,000	66,000
Imports of concentrates (Recoverable zinc content)	526,000	478,000
Imports of slab zinc	245,000	196,000
Total	1,267,000	1,139,000
Adjustment for changes in Stocks at Smelters	+ 28,000	+ 83,000
Total Zinc Metal Available	1,295,000	1,222,000
Consumption:		
Galvanizing	423,000	451,000
Zinc Base Alloys	348,000	431,000
Brass	124,000	146,000
Rolled Zinc	46,000	52,000
Other	46,000	40,000
Total Consumption	987,000	1,120,000
Exports	10,000	18,000
Total zinc metal consumed and exported	997,000	1,138,000
Surplus	298,000	84,000

ST. JOSEPH LEAD COMPANY

LEAD AND ZINC STATISTICS

Lead

Year	*Lead Concentrates Produced from Company's Mines*	*Lead Concentrates Purchased*	*Pig Lead Equivalent of Produced and Purchased Concentrates*	*Pig Lead Production*	*Lead Sales St. Joe Smelter Production*	*Purchased Lead Sales*
1947	164,867	34,573	132,561	130,935	129,621	32,257
1948	126,589	25,453	98,566	93,838	92,536	32,963
1949	156,301	49,580	136,219	131,802	121,333	32,596
1950	169,354	38,951	137,058	141,595	153,933	58,217
1951	158,579	27,792	121,431	112,754	115,873	32,032
1952	157,037	39,726	128,141	128,691	125,718	34,907
1953	160,625	38,294	129,281	130,430	122,062	45,130
1954	164,171	39,373	133,932	129,766	123,273	59,806
1955	162,552	43,100	136,668	138,796	155,755	56,345
1956	158,861	44,353	136,921	137,429	137,772	61,522

Zinc

Year	*Zinc Concentrates Produced from Company's Mines*	*Zinc Concentrates Purchased*	*Slab Zinc Equivalent of Produced and Purchased Concentrates*	*Slab Zinc Production Including Toll*	*Zinc Content of Oxide and Metal Sales from Smelter Production*	*Purchased Zinc Sales*	*Sulphuric Acid Sales*
1947	71,595	53,737	65,124	60,982	60,616	44,152	106,306
1948	66,697	78,170	71,781	76,051	75,977	40,755	129,068
1949	70,952	81,946	79,769	86,314	71,116	41,702	124,621
1950	75,290	72,444	75,238	98,443	94,028	59,198	157,036
1951	82,217	47,659	71,077	99,602	89,047	54,540	156,861
1952	69,173	103,769	98,680	108,959	89,414	45,528	162,712
1953	104,744	112,991	126,968	121,592	103,009	49,513	174,715
1954	109,547	61,640	105,610	111,021	117,611	49,931	147,076
1955	109,303	111,868	134,012	138,201	136,723	65,822	183,609
1956	114,138	126.164	146,897	136,879	132,652	48,672	190,004

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1956 and 1955

ASSETS

	December 31, 1956		*December 31, 1955*	
CURRENT ASSETS:				
Cash	$ 6,515,084		$ 7,210,350	
U. S. Government, State, and Municipal short term securities	18,000,000		20,000,000	
Accounts receivable—trade	10,049,388		8,411,916	
U. S. Government—claims for income tax refunds	380,765		376,533	
Other accounts receivable	569,827		374,804	
Inventories (valuation not in excess of market)—(Note 1):				
Finished lead, zinc, etc.	2,425,706		2,120,778	
Lead, zinc, etc., in process and concentrates	5,092,910		3,551,083	
Materials and supplies (less reserve for slow-moving items—1956, $22,852; 1955, $21,837)	6,591,568	$49,625,248	5,375,818	$47,421,282
ADVANCES:				
Compania Minera Aguilar, S. A.	$ 57,833		$ 95,034	
Sulfacid, S. A. Industrial	13,814		1,175	
Compania Metalurgica Austral-Argentina, S. A. Comercial	29,851	101,498	24,670	120,879
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: 1956, 100,000 shares, 5.1% owned; 1955, 195,000 shares, 9.9% owned)	5,724,028		11,161,854	
Brunswick Mining and Smelting Corporation Limited (at cost)—(Note 6):				
1,600,000 shares—40% owned	2,339,758		2,339,758	
5% income bonds, due July 1, 1968	3,500,000		1,925,000	
Sundry securities, loans, etc. (at cost, less reserve, $200,000)	420,309	11,984,097	437,000	15,863,614
CAPITAL ASSETS (Note 4):				
Mining properties and mineral rights:				
Appraised value as of March 1, 1913	$13,500,000		$13,500,000	
Less allowance for depletion	13,500,000	—	13,500,000	—
Appreciation arising from revaluation subsequent to March 1, 1913	$ 3,500,000		$ 3,500,000	
Less allowance for depletion	3,500,000	—	3,500,000	—
Additions subsequent to March 1, 1913 (at cost)	$22,067,818		$21,877,896	
Less allowance for depletion	19,752,538	2,315,280	19,497,366	2,380,530
Land, buildings, plant and equipment (at cost)	$50,582,695		$47,556,345	
Less allowance for depreciation	33,229,179	17,353,516	30,876,597	16,679,748
Total capital assets, net		$19,668,796		$19,060,278
MISCELLANEOUS ASSETS:				
U. S. Government, State, and Municipal securities on deposit with State departments (at amortized cost)	$ 836,589		$ 798,771	
Cash and marketable securities (at amortized cost)—Fire insurance fund (see contra)	234,439	1,071,028	214,653	1,013,424
DEFERRED CHARGES:				
Oil and natural gas expenditures in suspense	$ 120,636		$ 156,009	
Deferred past service annuities (Note 5)	1,837,607		650,935	
Deferred exploration expenses	598,578		687,542	
Other deferred charges	312,740	2,869,561	247,704	1,742,190
TOTAL		$85,320,228		$85,221,667

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

Consolidated Balance Sheets, December 31, 1956 and 1955

LIABILITIES

	December 31, 1956		December 31, 1955	
CURRENT LIABILITIES:				
Accounts payable	$ 6,351,793		$ 7,215,612	
Wages payable	467,411		384,252	
Accrued taxes:				
Federal income (Note 7)	4,248,591		5,820,233	
Other	315,540	$11,383,335	385,155	$13,805,252
DEFERRED FEDERAL INCOME TAXES—related to accelerated amortization of emergency facilities		1,046,032		738,985
RESERVES:				
Injury claims and workmen's liability insurance	$ 603,951		$ 568,142	
Employees' life insurance and retirement	399,576		384,431	
Fire insurance (see contra)	234,439	1,237,966	214,653	1,167,226
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
SURPLUS:				
Earned	$26,334,179		$24,191,488	
Capital	18,156,491	44,490,670	18,156,491	42,347,979
Total Stockholders' Equity		$71,652,895		$69,510,204
TOTAL		$85,320,228		$85,221,667

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

Summaries of Consolidated Income

For the Years Ended December 31, 1956 and 1955

		1956		1955
NET SALES OF METALS, METAL PRODUCTS, ETC.		$119,909,612		$121,497,456
COST THEREOF (exclusive of depreciation and depletion)		100,284,356		99,042,562
GROSS PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION		$ 19,625,256		$ 22,454,894
DEDUCT:				
Selling, general and administrative expenses	$1,937,453		$1,749,589	
Exploration:				
New mine examination and development expenses	166,740		75,107	
Oil and natural gas expenses, net	301,203		49,701	
Past service annuities (Note 5)	349,130	2,754,526	195,550	2,069,947
NET PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION		$ 16,870,730		$ 20,384,947
OTHER INCOME:				
Dividends:				
Compania Minera Aguilar, S. A. (Note 2)	$ 589,171		$ 754,188	
The New Jersey Zinc Company	185,625		243,750	
Other	291,037		57,180	
Interest, etc. less charges	284,534	1,350,367	376,685	1,431,803
		$ 18,221,097		$ 21,816,750
DEDUCT:				
Depreciation of plant and equipment	$2,394,049		$2,328,105	
Depletion of mines	255,172	2,649,221	280,648	2,608,753
		$ 15,571,876		$ 19,207,997
PROVISION FOR TAXES ON INCOME:				
Federal normal tax and surtax	$4,887,038		$6,096,210	
Federal income taxes—deferred—related to accelerated amortization of emergency facilities	307,047		289,033	
State income taxes	86,434	5,280,519	92,934	6,478,177
NET INCOME FOR THE YEAR		$ 10,291,357		$ 12,729,820
EARNED PER SHARE ON THE 2,716,222 SHARES OUTSTANDING		$3.79		$4.68

Summaries of Consolidated Earned Surplus

For the Years Ended December 31, 1956 and 1955

	1956	1955
EARNED SURPLUS AT BEGINNING OF THE YEAR	$ 24,191,488	$ 19,610,334
NET INCOME FOR THE YEAR	10,291,357	12,729,820
	$ 34,482,845	$ 32,340,154
CASH DIVIDENDS PAID DURING THE YEAR, $3 per share	8,148,666	8,148,666
EARNED SURPLUS AT END OF THE YEAR	$ 26,334,179	$ 24,191,488

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

Notes to Financial Statements

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

2. The remittances of past profits from Argentina are subject to certain restrictions. 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. Accordingly, the financial statements of St. Joseph Lead Company and subsidiaries do not include such dividends not so converted as follows:

	Argentine paper pesos December 31 1956	1955
In bank in Argentina	5,423,857	5,463,249
Invested:		
Compania Metalurgica Austral-Argentina, S. A. Comercial Capital stock (40.5% owned)	9,720,000	9,720,000
Sulfacid, S. A. Industrial—Capital stock (1956, 27.1% owned; 1955, 28.6% owned)	8,240,000	8,240,000
Due from Compania Minera Aguilar, S. A.—Dividends declared not paid, less Argentine income tax withheld—1956, 4,514,160 pesos; 1955, 4,754,070 pesos	47,357,857	51,104,212
Total	70,741,714	74,527,461

St. Joseph Lead Company together with Compania Minera Aguilar, S. A. own 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 19-21.

3. The Company's equity in the net assets of Mine La Motte Corporation, as shown by audited financial statements, was $589,728 and $511,881 at December 31, 1956 and 1955, respectively, and its equity in the net income for the years then ended was $77,847 and $204,094, respectively.

4. The net value of the capital assets as shown in the consolidated balance sheets does not indicate the present value of the companies' property, plant and equipment, as such value could be arrived at only by current estimates which would vary from time to time depending on the price of metals, rate of production, cost of labor, and other factors.

5. The Company has a Retirement Plan for Salaried Employees and a Pension Plan for Payroll Employees, 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 sheets. Both plans are non-contributory and all past service costs have been funded. As of January 1, 1956, the Retirement Plan for Salaried Employees was amended and $1,535,800 was paid to the Trustee to cover additional past service cost. Prior to 1952, the Company deferred past service annuity cost so that such payments would have no effect on net income over the subsequent years of the 10-year period they were deductible for income tax purposes. The payment of $1,535,800 made in 1956, is to be amortized over a 10-year period for both reporting and tax purposes. Current annual cost of both the Retirement Plan and the Pension Plan aggregated approximately $593,000 and $390,000 in 1956 and 1955, respectively.

6. Leadridge Mining Company Limited, a wholly-owned subsidiary, is committed to loan Brunswick Mining and Smelting Corporation Limited, a 40% owned company, up to $7,500,000 (Canadian funds) as needed for development and equipment. St. Joseph Lead Company has agreed to make $7,500,000 (U. S. funds) available to Leadridge for this purpose. The loan may be subordinated to other indebtedness of Brunswick not to exceed $17,500,000 (Canadian funds) on terms and conditions satisfactory to Leadridge. At December 31, 1956 Leadridge held $3,500,000 of Brunswick's 5% income bonds purchased under the commitment.

7. Reference is made to the text of this report relative to the companies' Federal income taxes, financing, capital expenditures, Anti-Trust suit, and Profit Sharing Plan.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

TO THE STOCKHOLDERS OF ST. JOSEPH LEAD COMPANY:

We have examined the consolidated balance sheet of St. Joseph Lead Company and its subsidiaries as of December 31, 1956 and the related summaries of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and summaries of consolidated income and earned surplus, with the notes to financial statements, present fairly the financial position of St. Joseph Lead Company and its consolidated subsidiaries at December 31, 1956 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 28, 1957

Summaries of Income

For the Years Ended December 31, 1956 and 1955

		1956 Argentine paper pesos (Note 1)		1955 Argentine paper pesos (Note 1)
NET SALES OF LEAD AND ZINC CONCENTRATES, ETC.		227,667,142		177,340,943
COST THEREOF (exclusive of depreciation and depletion)		74,125,093		54,922,293
GROSS PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION		153,542,049		122,418,650
DEDUCT:				
Selling, general and administrative expenses	4,778,207		5,875,415	
Taxes, other than taxes on income	11,623,169	16,401,376	1,913,115	7,788,530
NET PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION		137,140,673		114,630,120
INCOME CREDITS:				
Dividends (including dividends from partly-owned companies—1956, 1,154,062; 1955, 121,640)—(Note 3)	7,994,084		4,957,801	
Interest (including interest from partly-owned companies—1956, 108,055; 1955, 173,596)	1,966,956		2,180,413	
Other, less charges	125,820	10,086,860	702,432	7,840,646
		147,227,533		122,470,766
DEPRECIATION OF PLANT AND EQUIPMENT (Note 2)		4,853,290		3,030,113
		142,374,243		119,440,653
PROVISION FOR ARGENTINE INCOME AND EXTRAORDINARY PROFITS TAXES		48,502,604		49,066,725
NET INCOME FOR THE YEAR BEFORE SPECIAL APPROPRIATION FOR REPLACEMENT AND REHABILITATION OF CAPITAL ASSETS		93,871,639		70,373,928
SPECIAL APPROPRIATION FOR REPLACEMENT AND REHABILITATION OF CAPITAL ASSETS (Note 2)		34,830,650		23,588,438
NET INCOME FOR THE YEAR (after special appropriation)		59,040,989		46,785,490

Summaries of Unappropriated Earned Surplus

For the Years Ended December 31, 1956 and 1955

		1956 Argentine paper pesos (Note 1)		1955 Argentine paper pesos (Note 1)
SURPLUS AT BEGINNING OF THE YEAR		79,335,037		63,267,765
ADD—NET INCOME FOR THE YEAR (after special appropriation)		59,040,989		46,785,490
TOTAL		138,376,026		110,053,255
DEDUCT:				
Dividends declared or paid during the year:				
Cash	18,600,000		29,760,000	
Capital stock	37,200,000		—	
Appropriations:				
For acquisition of capital stock held in treasury	2,800,000		—	
Statutory reserve	942,210	59,542,210	958,218	30,718,218
SURPLUS AT END OF THE YEAR (after charging deficits aggregating pesos 6,395,000 against capital surplus)		78,833,816		79,335,037

NOTES:

(1) Reference is made to Note 1 to the accompanying balance sheets.
(2) Reference is made to Note 4 to the accompanying balance sheets.
(3) Reference is made to Note 6 to the accompanying balance sheets.

COMPANIA MINERA AGUILAR, S. A.

Balance Sheets, December 31, 1956 and 1955

ASSETS

	December 31, 1956 Argentine paper pesos (Note 1)		December 31, 1955 Argentine paper pesos (Note 1)	
CURRENT ASSETS:				
Cash	40,112,969		32,480,363	
Marketable securities:				
Argentine Government (at cost)	68,346,915		78,885,277	
Other (at cost, less reserve—1956 and 1955, 3,213,871)	101,426,619		91,106,861	
Accounts receivable—trade (less reserve—1956 and 1955, 4,111,400)	23,153,263		7,883,121	
Due from partly-owned company—trade	12,123,470		5,127,790	
Other accounts receivable, etc.	5,333,351		4,818,324	
Inventories:				
Lead and zinc concentrates (at average cost, or less, exclusive of depreciation and depletion —valuation not in excess of market)	52,648,580		40,853,150	
Materials and supplies (at average cost or less)	49,843,083	352,988,250	32,829,036	293,983,922
INVESTMENTS (Note 2):				
Sulfacid, S. A. Industrial (at cost—1956, 22.9% owned; 1955, 21.4% owned)	7,824,375		6,155,000	
Compania Metalurgica Austral-Argentina, S. A. Comercial (at cost—2.8% owned)	673,000	8,497,375	673,000	6,828,000
CAPITAL ASSETS (Notes 3 and 4):				
Mining properties and mineral rights:				
Cost, including exploration and development prior to the commencement of operations	4,396,077		4,384,038	
Less allowance for depletion	3,502,941	893,136	3,502,941	881,097
Appreciation arising from valuation in 1935	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		10,639,093		10,627,054
Land, buildings, plant and equipment (at cost)	67,859,003		49,346,332	
Less allowance for depreciation	22,816,590	45,042,413	18,006,737	31,339,595
Total capital assets, net		55,681,506		41,966,649
DEFERRED CHARGES		1,633,846		499,276
TOTAL		418,800,977		343,277,847

NOTES:

(1) At December 31, 1956 and 1955, the quoted free rate of exchange for a peso was approximately 2.7 cents.

(2) The Company together with St. Joseph Lead Company own 50% of Sulfacid, S. A. Industrial and 43.3% of Compania Metalurgica Austral-Argentina, S. A. Comercial.

(3) The net value of the capital assets as shown in the above balance sheets does not indicate the present value of the Company's property, plant and equipment, as such value could be arrived at only by current estimates which would vary from time to time depending on the price of metals, rate of production, cost of labor, and other factors.

(4) Ore reserves have been estimated by the directors to exceed appreciably those indicated by former surveys. Had depletion been provided for units sold in each of the years 1956 and 1955 based on the average book values of ore reserves and the quantities of ores on hand and remaining in the properties as so estimated the amounts would have been approximately Argentine paper pesos 390,000 and 320,000, respectively, and net income for both years would have been correspondingly less. However, no depletion has been provided since 1950, as the

Balance Sheets, December 31, 1956 and 1955

LIABILITIES

	1956	1955	December 31, 1956 Argentine paper pesos (Note 1)		December 31, 1955 Argentine paper pesos (Note 1)	
Current Liabilities:						
Accounts payable—trade			8,213,242		7,055,249	
Due to St. Joseph Lead Company (including dividends payable — 1956, 47,357,857; 1955, 51,104,212)			49,523,719		54,549,200	
Due to partly-owned company			3,580,930		2,210,780	
Wages payable			2,074,023		2,937,869	
Accrued Argentine income and other taxes			36,852,227		38,471,537	
Other accounts payable			1,744,275	101,988,416	1,686,771	106,911,406
Deferred Credits—Unearned interest, etc.				23,324		17,720
Reserves:						
Replacement and rehabilitation of capital assets (Note 4)			115,110,950		80,280,300	
Employees' compensation under Argentine social laws			14,375,332		12,490,142	
Accidents			8,239,189		6,078,784	
Other			14,876,999	152,602,470	13,753,717	112,602,943
Stockholders' Equity:						
Capital Stock—Nominal value of 80 Argentine paper pesos each:	*1956*	*1955*				
Authorized	2,500,000	500,000				
Issued	1,000,000	500,000	80,000,000		40,000,000	
Less in Treasury	70,000	35,000	5,600,000		2,800,000	
Outstanding	930,000	465,000		74,400,000		37,200,000
Surplus:						
Capital surplus arising from 1935 valuation of ore reserves (remainder after transfer of pesos 48,000,000 to stated value of capital stock)				1,446,736		1,446,736
Earned surplus:						
Appropriated:						
For acquisition of capital stock held in treasury			5,600,000		2,800,000	
Statutory reserve			3,906,215		2,964,005	
Unappropriated (after charging deficits aggregating pesos 6,395,000 against capital surplus arising from reduction in stated value of capital stock—Note 5)			78,833,816	88,340,031	79,335,037	85,099,042
Total Stockholders' Equity				164,186,767		123,745,778
Total				418,800,977		343,277,847

Notes Continued:

amounts thereof were not considered to be material. A special appropriation of 34,830,650 Argentine paper pesos for replacement and rehabilitation of capital assets has been made out of income for the year 1956. Similar special appropriations were made out of income in the preceding five years aggregating 80,280,300 Argentine paper pesos.

(5) The net profit since beginning of operations, pesos 246,136,531 (earned surplus at December 31, 1956 pesos 88,340,031 plus dividends declared pesos 164,191,500 and less aggregate deficits transferred to capital surplus pesos 6,395,000) represents aggregate net profit pesos 400,948,260 (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 and rehabilitation of capital assets aggregating pesos 115,110,950.

(6) In accordance with standard practice in Argentina, stock dividends received have been credited to income at par. Amounts so credited during the year ended December 31, 1956 totaled approximately pesos 6,400,000.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

ST. JOSEPH LEAD COMPANY:

We have examined the balance sheet of Compania Minera Aguilar, S. A. (incorporated and doing business in Argentina) as of December 31, 1956 and the related summaries of income and unappropriated earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

A special appropriation of 34,830,650 Argentine paper pesos for replacement and rehabilitation of capital assets has been made out of income for the year. Officers of the Company explain that lack of dollar exchange has prevented acquisition of necessary equipment and supplies for adequate replacement and maintenance, with the result that related expense accounts and net income have not been burdened with amounts which otherwise would have been charged thereagainst; in addition, progressive currency inflation has greatly increased the replacement values of capital assets. In our opinion accepted accounting principles require that charges for maintenance be made against income only in the year of expenditure or other definite determination, and that charges for major replacements be capitalized. Similar special appropriations were made out of income in the preceding five years aggregating 80,280,300 Argentine paper pesos.

In our opinion, except as described in the preceding paragraph the accompanying balance sheet and summaries of income and unappropriated earned surplus, with the footnotes thereon, present fairly the financial position of Compania Minera Aguilar, S. A. at December 31, 1956 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

February 11, 1957.

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 13, 1957 at 11 A.M.

Proxies will be solicited commencing on April 12, 1957.

1956 OUR PLANS TAKE SHAPE

PRESIDENT'S REPORT TO EMPLOYEES
ST. JOSEPH LEAD COMPANY, NEW YORK

GRADING SITE FOR NEW POWER PLANT, JOSEPHTOWN, PA.

CONDENSED REPORT OF OPERATIONS 1956

Aside from higher production costs, our Company's performance in 1956 was most encouraging. Our plans for the future, to which I referred in last year's report, are indeed taking shape. As you read through this report, you will note mention of new processes and new equipment being tried, of a new project underway in Peru, of a prospect under investigation in Colombia, large iron orebodies being explored in Southeast Missouri, construction going ahead on our new power plant at Josephtown, and a serious effort being made in all our operations to increase efficiency and hold down costs.

Operating results for 1956 are shown on the opposite page. Our earnings for the year were lower than in 1955, the result of a combination of higher costs of production and reduced metal sales.

Although 1956 was a good year for St. Joe, as our earnings were the second highest in the last five years, there are elements of danger in the current lead-zinc situation which deserve your close attention, and I shall outline them later in this report. In 1956, we were able to sell all the lead and all but about 3,000 tons of the zinc we produced, but we could not match the sales total of 1955, when we disposed of a large tonnage of metal out of our inventories. The steel strike in 1956 and a lower level of activity in the automobile industry, reduced our metal sales.

We should all realize, however, that our earnings would have been still lower if the U. S. Government had not supported lead and zinc prices by stockpiling these two metals. By buying surplus metal in the U. S., and by bartering surplus agricultural commodities for foreign metals, our Government in 1956 acted to support world prices of lead and zinc. That is the reason, and the only reason, why prices of lead and zinc were stable throughout the year. I consider this so important to our Company and to you that I should like to discuss it at a little greater length farther on in this report.

In addition to the summary of operating results shown opposite, there is available full financial information in the Company's Annual Report. If you do not receive a copy of the Annual Report as a stockholder in St. Joe, you are encouraged to ask your supervisor for one. We hope that by reading this President's Report, you will have a better appreciation of our problems and the part your efforts can play in overcoming them.

	1956	1955
We Sold:		
Pig lead, tons	199,294	212,100
Slab zinc equivalent, tons	181,324	202,545
Sulphuric acid, tons	190,004	183,609
We Received:		
From sales	$119,909,612	$121,497,456
From our investments	$1,308,751	$1,343,606
From other sources	$361,549	$225,151
Our gross income totalled	$121,579,912	$123,066,213
We Paid in Taxes:		
Federal and State	$5,280,519	$6,478,177
We Earned as Net Income:	$10,291,357	$12,729,820
Of which, we paid as dividends	$8,148,666	$8,148,666
And kept for use in the business	$2,142,691	$4,581,154
We Earned Per Share of Stock:	$3.79	$4.68
We paid taxes per share of:	$1.94	$2.38
We paid dividends per share of:	$3.00	$3.00
Our Current Assets (at year's end)	$49,625,248	$47,421,282
Our Current Liabilities (at year's end)	$11,383,335	$13,805,252
Number of Our Employees	5,213	5,101
Number of Our Stockholders	13,219	11,263
Shares of Our Stock Outstanding	2,716,222	2,716,222

What We Face as Lead and Zinc Miners

ALTHOUGH all lead-zinc producing companies benefited in 1956 from the price stability induced by the Government's stockpile and barter-purchase programs, this benefit is gained at the cost of great uncertainty as to the future. Unquestionably, if the Government were to stop its purchase programs, we in the United States would again undergo a flood of lead and zinc imports, perhaps even greater than in the past. Lead and zinc prices would again be forced down, and only the lowest-cost domestic producers could survive.

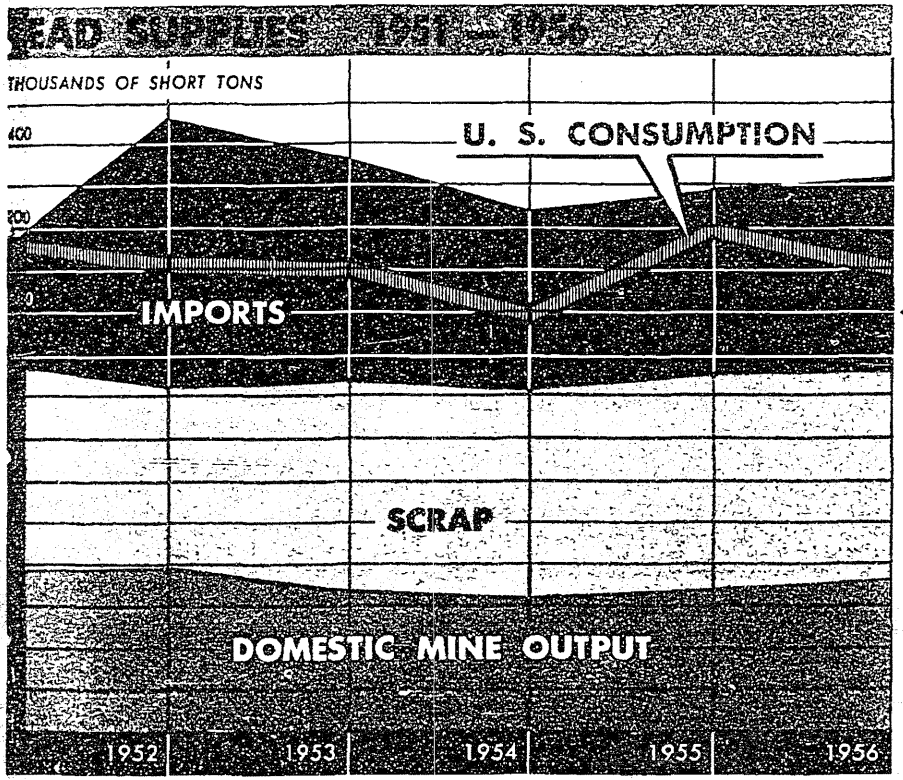
It is unfortunate but true that lead and zinc can be produced more cheaply outside the United States than inside. Most foreign mines can operate at a lower cost in part because of lower wage scales, but more particularly because they have access to higher grade ores than do mines in the United States. We know this to be true because St. Joe operates mines both in the United States and abroad. We can not eliminate this situation; we can only do our best to adjust to it and to protect ourselves.

The tables on page 5 show lead and zinc supply and consumption in the United States for 1955 and 1956. Note that in 1956 domestic mine output rose only 4% as compared with 1955, despite the encouragement to domestic mines supposed to be furnished by the stockpile program. Note also that imports of zinc in 1956 increased 24.7% over 1955. There was a surplus in the United States in 1956 of 298,000 tons of zinc, largely made up of unneeded imports.

These figures make it clear that if the over-supply of lead and zinc had not been taken up by the Government stockpile, surpluses of these metals would have depressed prices in the United States. It is true that the stockpile program has encouraged foreign miners to increase production because they have the assurance of a market in the United States.

Therefore, although it was intended to benefit domestic miners, the Government stockpile and barter program has obviously benefited foreign miners as much or more. The Government regards the domestic lead and zinc industry as an important element in the nation's "mobilization base." It is difficult to see how a program can strengthen the mobilization base when it places domestic producers at the mercy, economically, of a Government purchasing program. It is obvious that stockpile buying can not continue forever. When it ends, we earnestly hope that the Government will have some solution ready for the problem it will thus create for us. Our Company has long advocated a tax which would be applied to imports of lead and zinc only when such imports are unneeded in the United States and would add to surplus thus depressing prices. A Government policy to replace stockpiling as an aid to the domestic lead and zinc industry has been promised for early 1957. It remains to be seen how effective it will be.

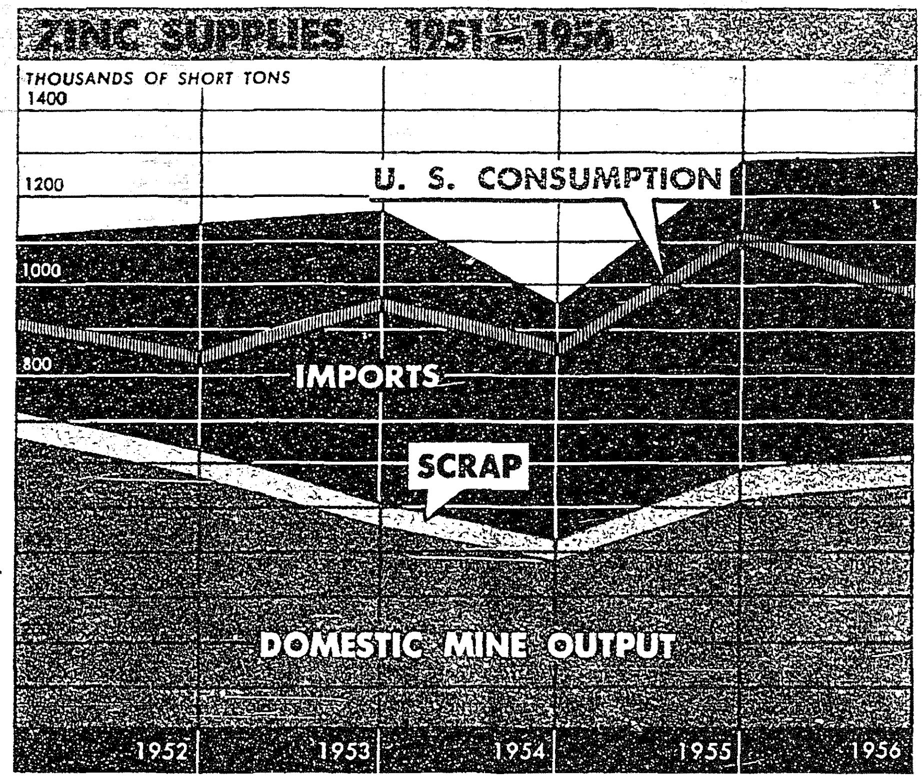
In the end, however, no Company as vigorous as St. Joe will sit and complain of a lack of Government assistance. Our best safeguard for the future is still our own strength and ingenuity in devising more efficient methods of getting out a greater tonnage of metals at a lower cost. There is no other way by which we can be sure of maintaining a continuously profitable operation and steady employment.



LEAD The Domestic Situation in 1956 (Est.) / 1955

	1956 (Est.)	1955
	SHORT TONS	
From domestic mines	348,000	338,000
Scrap	500,000	502,000
Imports	478,000	471,000
From producers' metal stocks	(8,000)*	51,000
Available supply	1,318,000	1,362,000
Consumption	1,200,000	1,209,000
Surplus	118,000	153,000

*Denotes increase in stocks

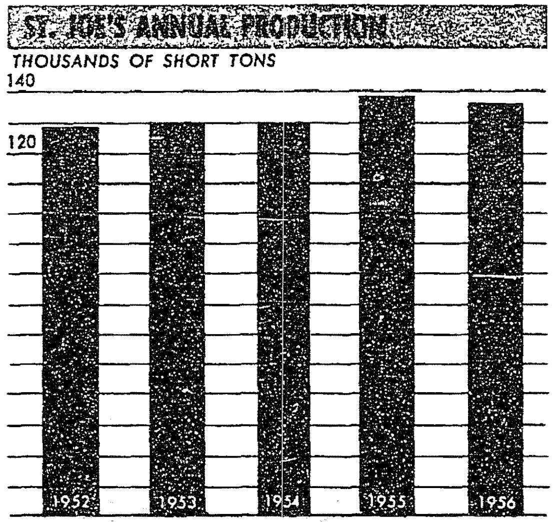


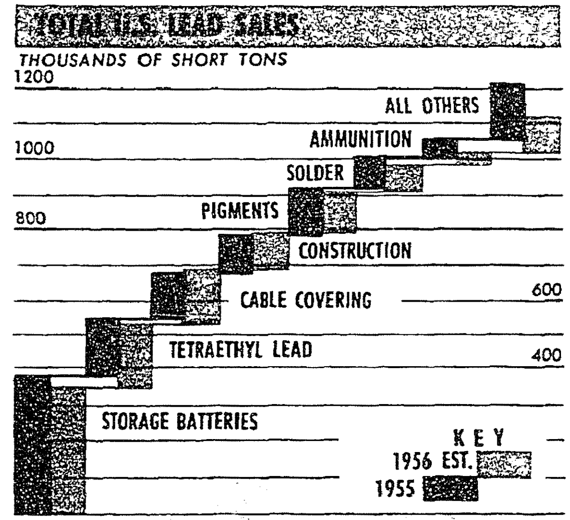
ZINC The Domestic Situation in 1956 (Est.) / 1955

	1956 (Est.)	1955
	SHORT TONS	
From domestic mines (Less zinc used for pigments)	426,000	399,000
Secondary sources	70,000	66,000
Imports	771,000	674,000
From producers' metal stocks	28,000	83,000
Available supply	1,295,000	1,222,000
Consumed and exported	997,000	1,138,000
Surplus	298,000	84,000

ST. JOE'S PRODUCTION AND NATION'S USE BY INDUSTRIES

LEAD



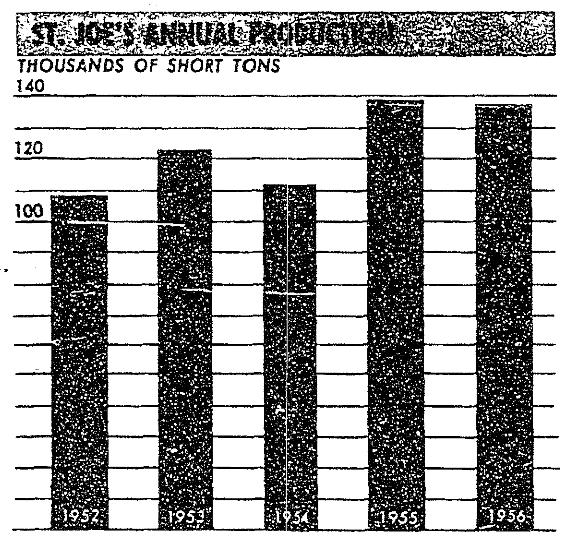


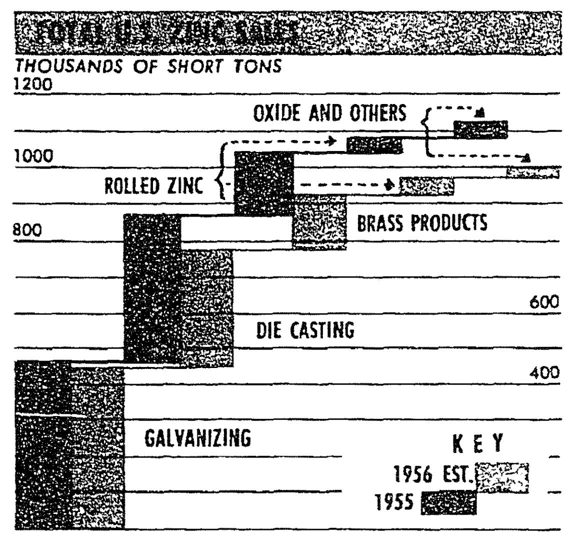
ST. JOE PRODUCTION AND SALES

	1956	1955
	SHORT TONS	
Lead concentrates:		
From Company's mines	158,861	162,55
Purchased	44,353	43,10
Pig lead produced	137,429	138,79
Pig lead sales:		
From smelter	137,772	155,75
Purchased pig lead	61,522	56,34

Pig lead sales for 1956 about equalled output. Sales in 1955 included 17,007 tons from inventory. Note increased use of lead for cable covering as shown in diagram at left.

ZINC





ST. JOE PRODUCTION AND SALES

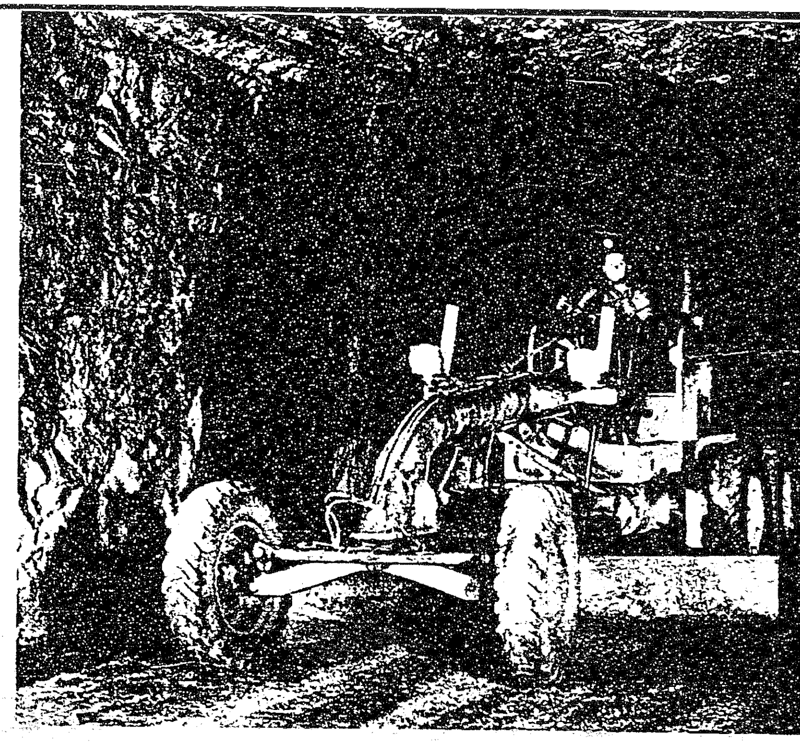
	1956	1955
	SHORT TONS	
Zinc concentrates:		
From Company's mines	114,138	109,303
Purchased	126,164	111,868
Slab zinc equivalent of:		
All concentrates	146,897	134,012
Smelter production	136,879	138,201
Sales, oxide and metal	132,652	136,723
Sulfuric acid sales	190,004	183,609

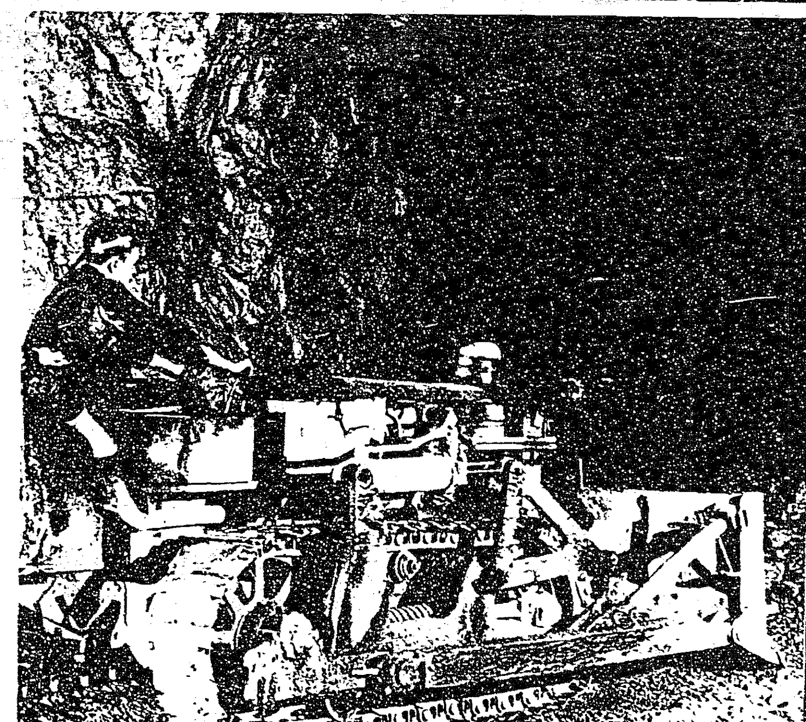
St. Joe's zinc production in 1956 exceeded sales by 3,621 tons. In 1955, sales exceeded output by 1,436 tons, which came from inventory. United States zinc consumption (see diagram at left) dropped about 10.6% in 1956 as against 1955.

ST. JOE'S OPERATING PROGRESS

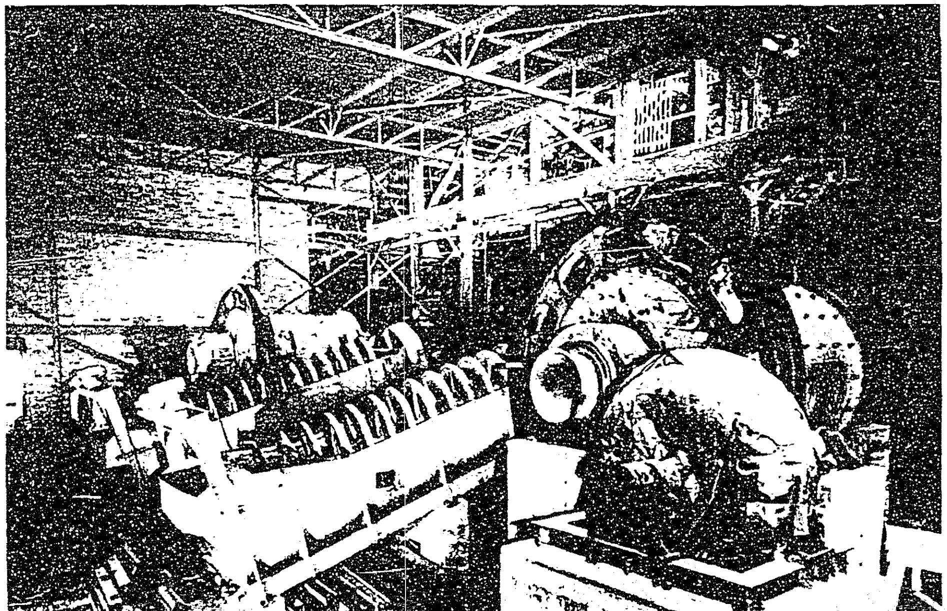
1956

ONE CAN NOT EMPHASIZE TOO STRONGLY the need for increased efficiency in our mining, milling, and smelting operations. Earlier in this report, it was pointed out that we face a dangerous situation in that shifting Government policies may again disturb domestic markets of lead and zinc. Our best defense against this threat is a continued attack on inefficiency, for we must recognize that lead and zinc are world commodities, that they can be produced more cheaply outside the United States than inside, and that, under pressure, foreign metal can always be sold in the United States more cheaply than can domestically-produced metal. The following paragraphs show the efforts that are being made toward increased efficiency and lowered cost in each division.



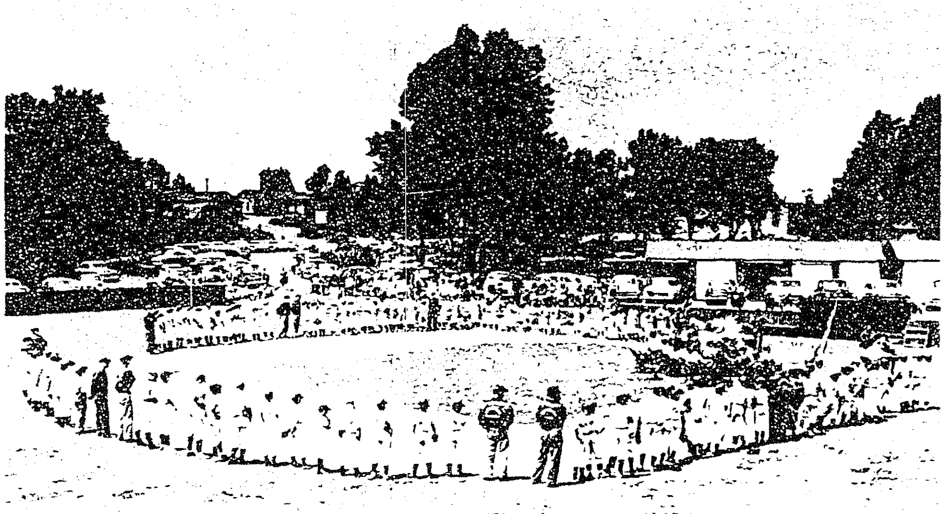


INDIAN CREEK MINE. Grading main line haulageway and (below) bulldozing ore



Installing two new rod mills and classifiers at Leadwood mill to cut grinding costs

Dedication ceremonies, Pee-Wee League ball park built by St. Joe for Balmat-Gouverneur teams



SOUTHEAST MISSOURI

The problem in Southeast Missouri is somewhat different than that in the other divisions. The lead content of the ore mined has steadily declined in recent years, and the problem is to increase efficiency, and total recovery of lead, in order to offset declining grade. Average recovery for the Lead Belt mills increased a little more than 1% in 1956 over 1955, and in addition, average grade of concentrate was up nearly 2%. In contrast, the grade of ore was down slightly, but enough so that the value of the lead "lost" by the decline in grade was slightly more than double the value of the lead "won" by the increased recovery. It is not easy to increase mill recoveries that are already exceptionally high, but this comparison will indicate the difficulty of the problem faced.

As a part of this effort to increase recovery throughout the Lead Belt, mechanical improvements in milling are constantly being made. Two new 9 x 12-ft. rod mills were installed in the Leadwood mill to increase grinding efficiency and cut grinding costs. Mechanical flotation machines have replaced air cells in several installations, because extensive tests demonstrated that the mechanical machines could reduce the lead in the tailings by about 0.02%.

Large-scale equipment, of the type used in outdoor work, has been adapted for underground use, as shown in the accompanying photographs. Trucks, bulldozers, road graders, in addition to the time-tested St. Joe shovel, are coming into greater use in order to increase productivity. Drilling methods are being studied by the mining research department, which has developed a more effective drift round and is working out a means of measuring stress in rocks as an aid in pillar removal. Mining costs have increased about in proportion to wage increases in 1956, but owing to increased indirect costs, the over-all cost of production has risen somewhat higher.

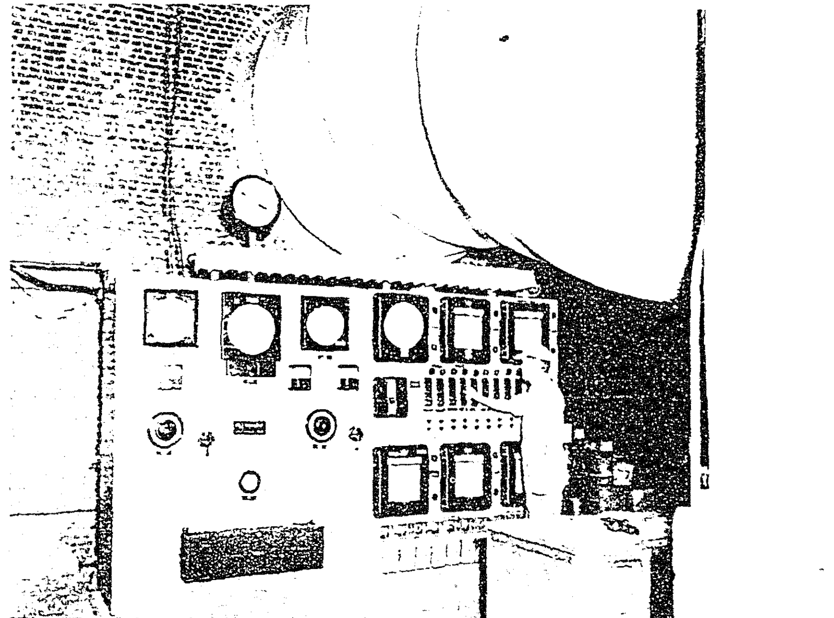
The mine at shaft #25 near Doe Run Junction, a new mining area, was equipped in 1956 and is now under development. At Indian Creek, production reached the original rated capacity of the mine and plant, and costs showed an encouraging decline as the year progressed.

HERCULANEUM All units continued satisfactory operation at the Herculaneum lead smelter, although a shortage of concentrates caused certain difficulties in handling the blast furnaces. Efforts will be made to correct this condition in 1957. The new zinc slag furnace showed continued improvement in operation, and engineering designs are nearly complete for a second such furnace. Last year, 57% of the lead tonnage produced at Herculaneum was cast in one-ton ingots, which has greatly simplified handling and shipping of the lead output. Refinery costs were decreased in 1957, but higher wage and coke costs resulted in a higher cost for blast furnace operation.

BALMAT-EDWARDS The mines and mills of this division again operated without interruption throughout the year. Total production was 107,653 dry tons of zinc concentrates and 2,791 dry tons of lead concentrates, compared with 101,796 tons and 1,679 tons respectively in 1955. The zinc concentrate tonnage is a record for the division.

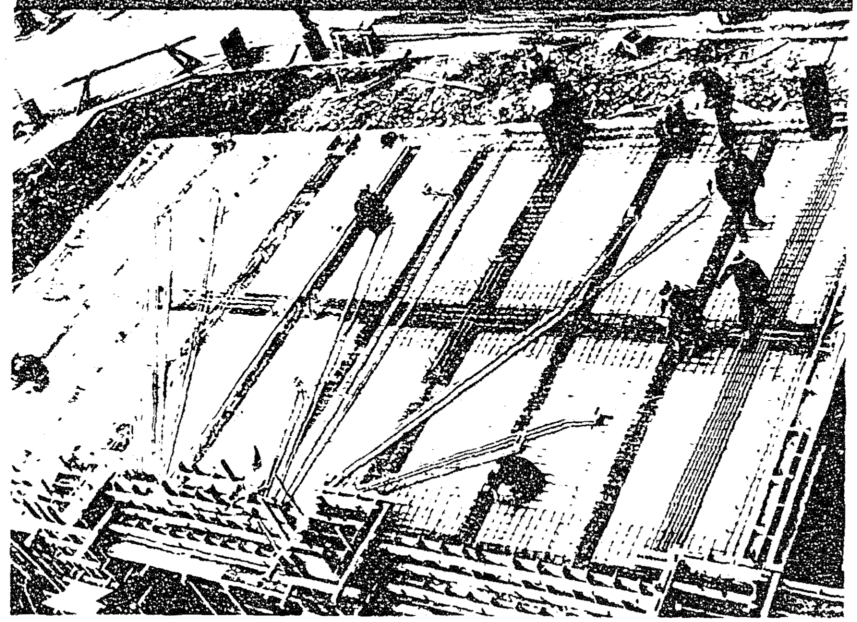
A completely equipped baseball diamond, on a properly reduced scale, was provided in 1956 for use of Pee-Wee League teams in the Balmat-Gouverneur area. The dedication ceremonies are pictured at the left.

JOSEPHTOWN Grading and preparation of the site was completed in 1956 as the first step in the construction of the new 100,000 K.W. power plant, planned in 1955. This is part of the program to decrease costs and to increase Josephtown's production of slab zinc to 12,000 tons per month in 1957 from the present rate of 10,000 tons per month. Construction is now underway in the roaster, the sinter, and the furnace plants, and it will be largely completed in 1957. Among various improvements being tested at Josephtown is the new continuous casting machine which when completed, will provide almost automatic casting and palletizing of slab zinc.



Instrument panel in bag house, Herculaneum smelter, aids efficient operation

Building foundation for additional furnaces at Josephtown, bringing total to 16 furnaces

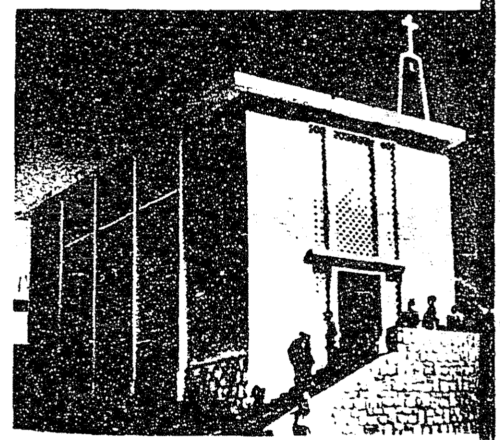


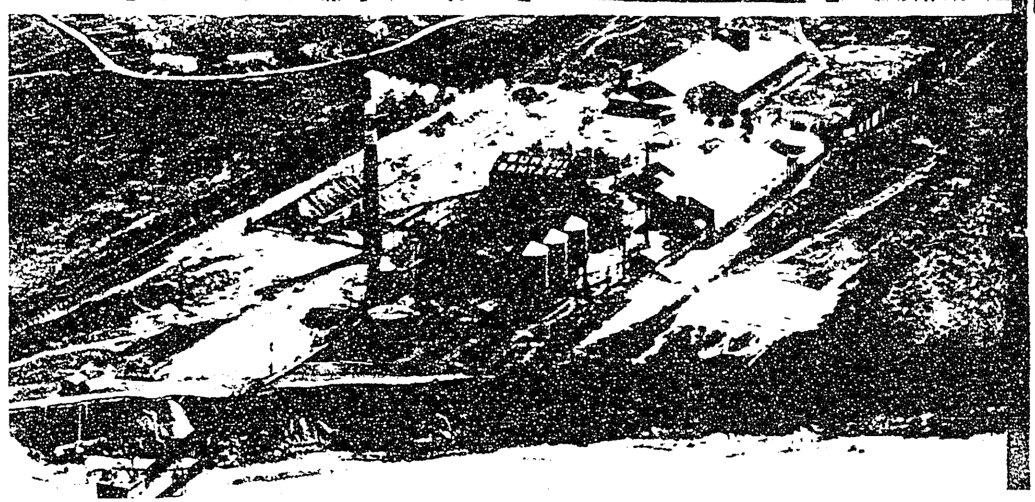
FOREIGN OPERATIONS

In Argentina, the earnings of the Aguilar Company in 1956 reached an all-time high of 59,040,989 pesos after deducting special appropriations for replacement of capital assets amounting to 34,830,650 pesos. This compares with earnings of 46,785,490 pesos in 1955 after deducting appropriations of 23,588,438 pesos. A dividend from Cia. Minera Aguilar S.A., received by St. Joe in 1956, amounted to $589,171 which is roughly 35% of the equivalent U.S. dollar earnings—the 1955 dollar transfer was $754,188. These dividends are affected by Argentina's political and economic problems, involving foreign exchange, and therefore, do not reflect the true earning capacity of Cia. Minera Aguilar S.A.

The rehabilitation program for the mine and mill, begun in 1954, was completed. Prospecting and development continue encouraging at the mine. Very cordial labor relations were maintained, contrary to the general trend in the country. Costs were satisfactory, considering the continuing inflation. The sulphuric acid plant, 50% owned by Aguilar, had its best year to date in 1956. Good progress was made at Borghi for the proposed electrolytic zinc plant there. Operating conditions and results at the Austral zinc smelter continue to make marked improvement. By contrast, progress in the overall rehabilitation of Argentina has been disappointing. Inflation continues, the problem of importing fuel still exists, and the loan of $125,000,000 recently granted by the Export-Import Bank is only a part solution to the problem of railroad rehabilitation.

Dividends from two North African companies in which St. Joe has an interest totaled $151,789 in 1956. The political unrest in Algeria and Morocco has dis-





(Top) Site in high Andes where Cia. Minerales Santander will build 500-ton mill. (Center left) Many of Aguilar's employees have come, as has this family, from Bolivia. Main campsite and mill in background. (Center right) New church at Aguilar is part of community relations program. (Bottom) Progress at Borghi zinc smelter in Argentina includes plans for electrolytic zinc plant.

turbed mining operations, but the French, who are the principal owners and managers of the companies, believe that the interference with production will not be too severe.

In Canada, Brunswick Mining & Smelting Corp., in which St. Joe has a 40% interest and for which it has management responsibility, continued to develop its copper-lead-zinc orebodies near Bathurst, New Brunswick, and to carry on metallurgical research work. Two pilot plant runs were made during 1956, one on selective flotation and one on bulk flotation, and preliminary designs were begun of the general plant area. Several months' work must yet be done before a final flowsheet can be drawn or a choice be made between milling and a roasting-leaching process to treat the ore directly. Much original research work has been done on this latter technique during the past year at the Josephtown zinc smelter. By the end of 1956, the total expenditure on the Brunswick project had reached $5,560,000, and production is still at least two years away. I mention this to emphasize to you the cost and difficulty of launching a modern, large-scale mining enterprise.

OIL

DEVELOPMENT continues at the Harris Ranch leases in Texas, owned jointly by the Continental Oil Company and St. Joe. Nine additional producing wells were completed in 1956, and two were completed in 1957, bringing the present number of producing wells on these leases to 17, with one shut-in gas well. These leases bring a substantial royalty, and it is expected that income from this source will increase with increasing production and higher prices. A joint exploration effort between St. Joe and the Cerro de Pasco Co. will search for oil in southern Louisiana in 1957.

PROGRESS . . .

IN NEW AREAS

EXPLORATION for new properties continues both in the United States and abroad. In 1956, exploration parties were active in Missouri, Portuguese East Africa, Canada, Argentina, Peru, and Colombia. In the following areas, their work has gone far enough to permit mention of results.

IN MISSOURI, a promising new lead prospect has been discovered in Washington County. Extensive drilling is planned for this area beginning in the Spring of 1957.

ALSO IN MISSOURI, three centers of iron ore deposition have been discovered about 40 miles northwest of Bonne Terre as the result of an airborne magnetometer survey in 1951 and subsequent exploration work. One of these, known locally as the Pea Ridge deposit, has been drilled sufficiently to indicate the probability of a very large tonnage of commercial grade iron ore at a depth of between 1,400 and 3,000 feet below the surface. The other two bodies in the same general area have been drilled less extensively, but are considered as of definite interest. In February 1957, Bethlehem Steel approached us with a proposal to form a joint 50/50 company to exploit the Pea Ridge deposit. Under the suggested arrangement, St. Joe would take the major responsibility of operating the mine and Bethlehem would supply the major financing, their knowledge of iron ore beneficiation, and a market for the product. We are actively studying this interesting proposal on the basis of an annual output of 2 million tons. Five years of construction and mine preparation would probably be necessary for such a large-scale enterprise before reaching the production stage. The value to St. Joe, and to Missouri, of another large-scale center of mining near the spot where we have worked for 93 years, is obvious.

OUTSIDE the United States, our Company has begun new projects in Peru and in Colombia. In Peru, we have joined with Santander Mining Company to form a new company, Cia. Minerales Santander, Inc., in which we have a 60% interest, and which will spend approximately $1,500,000 to build a power plant, a 500-ton per day mill, and place the property in operation as a producer of copper, lead, and zinc concentrates. The Santander project should come into production in the latter half of 1958.

IN COLOMBIA, a mining concession has been granted a new Company, Cia. Minera San José, Inc. (San José being Spanish for St. Joseph), in which St. Joe has an 88% interest, for exploring a promising lead outcrop not far from Bogota. By the end of 1956, a cross-cut had been started through the vein, and exploration will continue in 1957.

OUTLOOK FOR 1957

BALANCING all the economic factors one can observe, it appears that lead consumption should be about the same in 1957 as in 1956. Zinc consumption reached the near record total of almost 1,000,000 tons in 1956. If automobile sales hold up well, and if recent increases in consumption of zinc for galvanizing are maintained, zinc sales in 1957 should be in the neighborhood of those for 1956.

One could be more confident of the outlook if he knew what the Government intended to do in regard to its policy of aiding domestic lead and zinc miners. The present indication is that stockpiling and the barter deals for the two metals will continue into 1957, but we can not be sure for how long. If the present program is continued, or if a new and effective policy replaces it, one can expect a continuance of the stable markets for lead and zinc experienced in 1956.

As you have seen in reading this report, our plans for strengthening St. Joe have taken shape in 1956, and in 1957 they should develop into action on an ever-widening front. We must not, however, allow our interest in new projects and new properties to divert our attention from the fact that our major interest still is in maintaining profitable operations at the four basic divisions that are the mainstay of the Company. The outlook for St. Joe is written not on this page, but in the efforts each one of us will make next year toward keeping costs down and constantly increasing the efficiency of our operations.

NEW YORK, MARCH 20, 1957

Andrew Fletcher

PRESIDENT