ST. JOSEPH LEAD CO.

NINETY SEVENTH ANNUAL REPORT TO THE STOCKHOLDERS

1960

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 8, 1961 at 11 A.M.

Proxies will be solicited commencing on April 7, 1961.

97th Annual Report

To stockholders for the year ended December 31, 1960

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.

TABLE OF CONTENTS

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.

ST. JOSEPH LEAD COMPANY

HIGHLIGHTS

	1960	1959
Sales of metals. etc.	$79,634,096	$86,179,208
Federal income taxes	$326,930	$1,518,318
Net earnings (after taxes)	$2,972,068	$6,263,076
Dividends paid	$2,717,222	$2,716,222
Shares of capital stock outstanding	2,717,222	2,716,222
Per share on capital stock:		
Taxes on income	$0.12	$0.56
Net earnings	$1.09	$2.30
Dividends	$1.00	$1.00
Current assets	$45,178,167	$50,098,983
Current liabilities	$ 7,485,650	$ 7,456,767
Net current assets	$37,692,517	$42,642,216
Ratio of current assets to current liabilities	6.04 to 1	6.72 to 1
Long-term debt	$26,800,000	$27,650,000
Cash	$4,047,224	$3,759,785
Short-term marketable securities	$9,545,000	$18,552,000
Capital expenditures	$5,802,333	$8,766,756
Number of employees	4,171	4,263
Number of stockholders	10,651	11,812
Stockholders' investment in the business:		
Total	$79,349,540	$79,064,194
Per share	$29.20	$29.11

TO THE STOCKHOLDERS:

Lead and Zinc Markets

Demand for lead and zinc in the United States decreased during 1960 with the decline in overall economic activity. Lower consumption, coupled with inventory liquidation by consumers, resulted in increased stocks of both metals in the hands of producers. Although prices were stable throughout most of the year at 13¢ for zinc and 12¢ for lead, they were sustained at this level only because two of the larger domestic zinc smelters and a large lead producer were closed by long strikes. With the settlement of these strikes, prices of both lead and zinc were reduced during December by 1¢ a pound. The average price of lead in 1960 was 11.948¢ a pound, New York, against 12.211¢ in 1959. Zinc registered a gain in 1960 of 1½¢ per pound to an average of 12.946¢, East St. Louis basis, as compared with the previous year's 11.448¢. This improvement in zinc reflected a strong demand for the metal outside the United States, with consequent lower offerings of foreign metal in this country.

Despite continuance for a second year of quotas on metal and ore imports, it became clear during 1960 that with lower rates of consumption, quotas were not restrictive enough to maintain domestic production at present levels of lead and zinc prices. The Tariff Commission recommended to the President on October 1 that quotas be neither decreased nor removed. At hearings early in the year, held at the request of Congress, the Tariff Commission heard a strong case made by domestic producers for closing loopholes in the present quota regulations that allow manufactured items to undermine the quota's effectiveness. Although not all the members of the Commission concurred, a recommendation was made that duties on both lead and zinc be increased and that compensatory increases be made in tariffs on manufactured items. Congress did not act on this recommendation, although bills were introduced embodying the Commission's suggestions. Late in the last session of Congress, a Small Mining Subsidy Bill cleared both Houses but was vetoed by the President.

A Small Mining Subsidy Bill has again been submitted to the new Congress. New legislation has also been introduced to increase tariffs on lead and zinc imports, but it is too early to say whether the new Congress and Administration will act favorably.

The United Nations Lead and Zinc Study Group met twice during the year to consider measures to establish and maintain a balance in the world's production and consumption of lead and zinc. This organization, comprised of representatives of governments of 25 major lead-zinc producing or consuming countries, concluded in 1960 that the position of both metals outside the United States was sufficiently strong to warrant no restrictions on world production. However, with excess supplies that exist in the United States and appear to be developing abroad, it is believed that at the forthcoming meeting of this Group in March at Mexico City, action may be taken to achieve a more favorable balance between supply and demand of lead and zinc.

In the long run, we expect consumption of lead and zinc, both here and abroad, to continue to increase under stimulus of population growth and discovery of new applications. Growth abroad may possibly be more rapid owing to more rapidly expanding foreign economies. Although the United States is no longer the principal producer of lead, it is the largest consumer of both lead and zinc. On balance, it must import a substantial part of its requirements, but there exist large latent reserves in the United States that could be brought into production if adequate protection were provided against foreign competition.

Earnings

Net earnings for the year 1960 were $2,972,068 and equaled $1.09 per share on 2,717,222 shares outstanding in comparison with $6,263,076 or $2.30 per share on 2,716,222 shares outstanding for the year 1959.

Lower earnings were due in part to a decline in sales of 13% in lead and 3% in zinc. Also, shaft sinking and development expenses at the Meramec and Viburnum projects totaled $2,740,632 and were charged to income, an amount $1,022,602 greater than similar charges in 1959. Dividend income from foreign investments was also 17% lower.

Lead sales from Company production declined from 113,778 tons in 1959 to 98,654 tons in 1960, a decrease of 15,124 tons. Sales of zinc content of metal and oxide showed a 3,598 ton decrease, from 135,144 tons in 1959 to 131,546 in 1960.

A further factor contributing to lower earnings was that the tonnages of zinc concentrates, both purchased and mined from the Company's properties, exceeded the tonnage of concentrates used to produce the metal sold during the year. In accordance with the Company's long-established accounting practice, all metal sales are considered to have been made of metal produced from the higher priced purchased concentrates before the lower cost Company mined concentrates are taken into consideration. This practice, due to the large tonnage of purchased concentrates, resulted in the gross profit being approximately $1.250.000 lower. The entire zinc concentrate inventory at the end of 1960, therefore, is valued at the lower cost of Company-produced concentrates. This lower cost basis will be reflected in earnings as inventories are reduced.

In 1960 approximately 74% of the gross earnings of the Company came from zinc and 26% from lead, compared with 58% and 42% in 1959.

Comparative earnings for each of the last ten years are as follows:

Ten-Year Earnings—1951-1960

Year	*Consolidated Net Earnings*	*After Federal Income Taxes of*
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
1960	2,972,068	326,930

Taxes on Income

The provision for Federal income taxes was $326,-930, which is equivalent to $0.12 per share as compared with $1.518,318 or $0.56 per share for 1959.

As indicated in earlier Annual Reports, the Company has filed 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 as assets. The Company's right to such deductions is conceded, but the exact amount refundable has not been fixed. That amount is subject to the final outcome of pending litigation with respect to 1949, in which the Company has established in the Federal District Court its right to a refund in the full amount claimed for that year. The Government may decide to appeal from this decision. In any event, it is expected that the refunds allowed will be reduced by some $325,000 through the disallowance of other deductions for the years involved, principally for accelerated amortization of defense facilities. However, the full amount of any amortization that is disallowed will in later years be deductible as depreciation.

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

Dividends

A dividend of $1.00 per share was paid on the capital stock during 1960 consisting of four quarterly payments of $0.25 per share, the same payment as 1959.

On February 14, 1961, the Board of Trustees declared a dividend of $0.25 per share payable March 10, 1961, to stockholders of record February 24, 1961.

The following is a record of cash dividend payments for the past ten years on the basis of 2,716,222 shares for the period 1951 through 1959 and 2,717,222 shares for the year 1960 after giving effect to the stock dividends of 25% paid December 11, 1950, and 10% paid June 10, 1952.

Dividends—1951-1960

Year	*Per Share*	*Amount*
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
1960	1.00	2,717,222

Long-Term Debt

At December 31, 1960, the long-term debt of the Company was $26,800,000 in comparison with $27,650,000 as of December 31, 1959. Two semi-annual instalments on the 3⅞% notes of $425,000 each were paid on July 1 and December 31 thereby reducing the liability on these notes to $7,225,000 of which the instalment due July 1, 1961, is shown as a current liability and $6,800,000, due after one year, as a long-term debt.

Under the Company's Credit Agreement with its banks, the Company has borrowed $7,000,000 at 4% and $13,000,000 at 4½%, repayable in instalments of $1,428,571 due on January 15 and July 15 of each year commencing January 15, 1962. The Credit Agreement requires the maintenance of not less than $20,000,000 in working capital and prevents the Company from declaring cash dividends which, taken with aggregate dividends paid since December 31, 1957, would exceed the sum of 75% of net earnings since that date, plus $6,000,000. At December 31, 1960 working capital amounted to $37,692,517 and there were $7,766,852 of accumulated earnings free from the prohibition against dividends.

Working Capital

At December 31, 1960 current assets were $45,178,167 and current liabilities $7,485,650, a 6 to 1 ratio.

Net working capital (cash resources and inventories minus current liabilities) was $37,692,517, a decrease of $4,949,699 from the previous year. A summary of the principal items causing these changes is as follows:

Sources of Increase:	
Net earnings	$ 2,972,068
Depreciation and depletion	3,766,920
Exercise of stock option	30,500
Total	$ 6,769,488
Sources of Decrease:	
Capital expenditures	$ 5,802,333
Cash dividends	2,717,222
Investments:	
Meramec Mining Company	1,616,994
Compania Minerales Santander	150,000
Brunswick Mining & Smelting Corp. Ltd.	125,000
Reduction in long-term debt	850,000
Increase in deferred charges, etc.	457,638
Total	$11,719,187
Net decrease in working capital during 1960	$ 4,949,699

Capital Expenditures

Capital expenditures for the last ten years, together with an estimate for the year 1961, are shown in the following table:

Comparative Capital Expenditures

Year	Lead Belt	Viburnum	Josephtown Zinc Plant	Josephtown Power Plant	Edwards-Balmat	Oil and Gas Leases	Total
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 . .	706,272	$ 17.593	2,171,031	$ 633,088	6,000	--	3.533,984
1957 . .	348,436	119.561	2,185,953	11.803,420	233.000	239,503	14,929,873
1958 . .	437,876	1.780.623	423,990	8,796,219	3.250	43.752	11,485,710
1959 . .	484,128	6.754.589	721,355	806.684	—	—	8,766,756
1960 . .	399,211	5.051.851	188,118	--	81,368	81,785	5,802,333
1961 (Est.)	1.145.000	575.000	445,000	--	—	—	2,165,000

Southeast Missouri

The mines and mills of the Lead Belt operated on a five-day week basis without interruption throughout the year.

Ore milled during 1960 totaled 5,635,423 tons as compared with 5,290,638 tons in 1959 when the properties operated on a four-day week basis for the period February 16 to August 6, and on a five-day basis the rest of the time.

The pig lead and slab zinc equivalent of concentrates produced were 103,875 tons and 2,963 tons respectively as compared with 100,289 tons and 97 tons for the year 1959. On a two-furnace operation throughout the year, the Herculaneum smelter produced 98,447 tons of pig lead in comparison with 91,742 for the year 1959. Slab zinc produced from blast furnace slag was 2,056 tons for the year.

District 50 of the United Mine Workers of America attempted to replace our current union, the Oil, Chemical and Atomic Workers International Union AFL-CIO, but were defeated in a run-off election held on January 20, 1961. Employee relations remained harmonious throughout the year.

Edwards-Balmat, New York

This division produced 123,160 tons of zinc concentrates and 1,221 tons of lead concentrates during 1960 as compared with 81,086 tons of zinc concentrates and 789 tons of lead concentrates in 1959 when the entire property was closed down for the period July 1 to November 2 on account of a strike.

As in previous years, all zinc concentrates produced at this division were shipped to the Company's Josephtown smelter and the lead concentrates to the Company's Herculaneum smelter.

Josephtown, Pennsylvania

The Josephtown smelter operated on a basis of 48 hours per week during the entire year. On January 1, 1961 the work week was reduced to 44 hours, and on March 1, 1961 a further reduction to 40 hours per week was made. The effect of these reductions was to curtail zinc production from approximately 12,000 tons per month to 9,000 tons per month.

The zinc content of the metal production for the smelter was 146,732 tons for the year as compared with 128,670 tons for 1959.

With a Special High Grade zinc refining column that was put into operation in 1959, the Company is able to produce all grades of zinc.

Mine La Motte Corporation

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

EMPLOYEE RELATIONS

Employment and Payrolls

At the end of 1960 the Company and its subsidiaries employed 4,171 men and women compared with 4,263 at the end of 1959. Of this number 15% of our employees had over 25 years of service and 62% have been employed between 10 and 25 years. Direct salaries and wages paid during the year amounted to $24,803,687 which is 9.4% more than the total of $22,670,522 reported for 1959. The principal reason for the increase was that in 1959 the Lead Belt worked four days a week for the period February 16 to August 6, and the Edwards-Balmat operations were closed down by a strike from July 1 to November 2, 1959.

Pension Program

This program consists of two non-contributory Plans, a Retirement Plan for Salaried Employees and a Pension Plan for Payroll Employees. A total of 2,884 employees are covered by these Plans. In 1960 the Company contributed $1,049,557 to The Pension Trust Fund of the Plans and this amount was charged against current earnings, with retired employees receiving payments of $355,782. At the end of the year, 819 former employees were receiving pensions as compared with 822 at the end of 1959. The cost of past service under both Plans has been entirely funded through contributions to the Fund.

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 the eligible employees, whichever is less. However, no contribution can be made which would result in the consolidated net earnings after such contribution being less than $2.00 per share. As the Company's consolidated earnings were less than $2.00 per share in 1960, no contribution was made.

Stock Option Incentive Plan

Under a stock option incentive plan approved 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 were granted. Outstanding options at December 31, 1960 were as follows:

Date of Grant	*Number of Shares*	*Option Price*
September 24, 1958	34,500	$30.50
September 22, 1959	9,700	30.50
Total	44,200	

The options may be exercised in equal annual instalments on the anniversary date of each grant. Any part of an option unexercised at the end of five years from date of the grant becomes void. During 1960 no additional options were granted; one for 1,000 shares was exercised and 84,800 shares remained available for future grants.

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 1960. Shaft No. 27 and the first 3,000-ton unit of the 6,000-ton mill were completed and the property brought into production on July 15. Since then and until the end of the year, 228,759 tons of ore were milled. Present plans call for the completion of the work on the No. 28 Shaft to bring it into production during 1961. However, the sinking of No. 29 Shaft and the installation of the second 3,000-ton unit in the mill have been postponed pending improvement in the general business outlook.

Expenditures in this area for 1960 amounted to $6,554,260 of which $5,051,851 was capitalized and $1,502,409 of shaft sinking and development expense written off against current income.

It is estimated that $880,000 will be expended on this property during 1961 of which $575,000 will be capitalized and $305,000 charged against income.

Meramec Mining Company

Good progress was made during the year by Meramec Mining Company owned jointly (50% each) by Bethlehem Steel and St. Joe, on the Pea Ridge iron project located about 40 miles northwest of Bonne Terre, Missouri.

At the end of the year the service shaft of the mine (Shaft No. 1) and the main hoisting shaft (Shaft No. 2) had reached depths of 2,274 feet and 1,882 feet, respectively.

The warehouse, machine shops and office building have been completed and are now in use. The Missouri Pacific Railroad spur running from Cadet, Missouri to the mine and plant site, a distance of about 26 miles, has also been completed enabling incoming freight to be brought by rail.

During 1960 Bethlehem and St. Joe each advanced a total of $2,774,637 of which $1,616,994 was set up by St. Joe as an additional investment in Meramec Mining Company and $1,157,643 of shaft sinking and development expenses, together with $80,580 of deferred charges, were written off against current earnings.

In 1961, construction of permanent buildings will continue, as well as shaft sinking and development of the underground ore bodies. Under this program it is estimated that the 1961 expenditures will approximate $9,600,000 ($4,800,000 each by Bethlehem and St. Joe) and of this amount St. Joe will charge approximately $3,458,000 to its investment account in Meramec and $1,342,000 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.

OIL LEASES

Crockett County, Texas

Principally because of the more stringent proration which was put into effect by the Texas Railroad Commission allowing 104 days of production in 1960 as compared with 123 days in 1959, the income from royalties from our joint venture with Continental Oil Company in the Harris Ranch Leases was $336,812 compared with $432,169 in 1959.

It is estimated that our share of the recoverable reserves as of December 31, 1960 were 1,758,878 bbls. of oil and 12,587 million cubic feet of gas in comparison with 1,962,404 bbls. of oil and 15,166 million cubic feet of gas as of December 31, 1959.

NORTH AFRICA

St. Joe owns 17.15% of both Societe Nord Africaine du Plomb (NAP) and Societe Algerienne du Zinc (ALZI) which have mining operations near the Algerian-Moroccan border. The mines operated without interruption throughout the year and produced 124,187 metric tons of ore in comparison with 99,538 metric tons in 1959.

CANADA

Brunswick Mining and Smelting Corporation Limited

Brunswick (40% owned) suspended operations April 1, 1958 and has remained on a stand-by basis throughout the year. Expenditures during 1960 amounted to $113,974. To cover the cash required, St. Joe advanced $125,000 to Brunswick on its 5% income bonds due in 1970, this brings the total advanced to December 31, 1960, to $6,210,000.

An agreement between the Corporation and Sogemines Limited to bring the Brunswick properties into production at a rate of 2,000 tons of ore per day, has not been signed by Brunswick. The Corporation is currently studying the feasibility of operating a smelter in the Province of New Brunswick.

SOUTH AMERICAN OPERATIONS

Argentina

Cia. Minera Aguilar, S.A. (99.9% owned) operates a lead-zinc-silver mine in the Province of Jujuy, Argentina. The net earnings for the year 1960 were 156,827,400 pesos compared with 165,893.683 pesos for 1959. The equivalent dollar value of these earnings computed at the free rate of exchange as of December 31, 1960, were $1,882,000 and $1,990,000 respectively.

While sales of lead and zinc concentrates decreased in Argentina during the year, by exporting concentrates and sinter to the European markets, Aguilar earnings were maintained near the 1959 level.

The property operated without interruption throughout the year, producing 52.298 metric tons of zinc concentrates and 24,590 metric tons of lead concentrates in comparison with 60,291 metric tons and 28,483 metric tons respectively, in 1959.

The austerity program in Argentina has succeeded in maintaining a stable value of the peso in 1960 and has held back the increase in cost of living to around 15%, but the problems of excessive government expenditures and rehabilitation of the railroads remain to be solved. Provided the present degree of economic and political stability can be maintained, the outlook will continue hopeful.

Sulfacid, S.A. (50% owned affiliate of Aguilar) operates a sulphuric acid plant at Rosario, Argentina. Sales of sulphuric acid were 30.262 metric tons in 1960 compared with 30,912 metric tons in 1959. Net earnings for the year 1960 were approximately 31,300,000 pesos compared with 27.125,589 pesos for the year 1959. No dividends were declared because of the necessity to conserve cash in order to finance the new 18-ton per day electrolytic zinc plant.

Cia. Metalurgica Austral-Argentina, S.A. (13.3% owned affiliate of Aguilar) operates a zinc smelter at Comodoro Rivadavia, Argentina. Sales were 6.381 metric tons of slab zinc in 1960 as compared with 6.973 metric tons in 1959. Because of a decline in industrial activity in Argentina, sales of zinc were adversely affected with the result that net earnings for the year 1960 were about 11,000,000 pesos as compared with 20,136.915 pesos in 1959.

Peru

Cia. Minerales Santander, Inc. (68.04% owned) in which St. Joe has a $2.285,000 investment, operates a lead-zinc open pit mine in the Peruvian Andes. During the year 5.067 short dry tons of lead concentrates and 32,720 short dry tons of zinc concentrates were produced and sold in the U. S., Europe and Japan. Similar production for the year 1959 was 5.864 and 21,865 short dry tons respectively. The company showed a net profit of $149,519 in 1960 after writing off $122,649 of development expenses, in comparison with a net profit of $244,936 for the year 1959 after a write off of development expenses of $80,091.

Toward the end of the year it was decided to increase production approximately 12½% to provide greater efficiency. It was also decided to increase the rate of stripping waste, speed up completion of the camp and provide adequate working capital. Necessary funds are being furnished through an agreement under which St. Joe will purchase up to $500,000 of Santander's debentures and common stock.

ANTI-TRUST SUIT

As stated in the Report for the First Quarter of 1960, the United States District Court found on April 7, 1960, that the Bunker Hill-St. Joe contract, covering sales of Bunker Hill lead on a commission basis, was in violation of Section 1 of the Sherman Antitrust Act. On July 11, 1960, the Court entered a Final Judgment, effective December 31, 1960, ordering St. Joe and Bunker Hill to cancel the contract. In addition to certain injunctive provisions normally included in antitrust judgments under Section 1, the Judgment also prohibited St. Joe from selling primary lead produced by Bunker Hill or any other person engaged in the United States in the production or sale of primary lead, other than such lead produced for St. Joe under toll contracts or purchased by St. Joe from other producers under certain limited circumstances.

No appeal was taken from this Judgment by Bunker Hill or by St. Joe.

Pursuant to this Judgment, the lead sales contract with Bunker Hill was terminated effective December 31, 1960. Bunker Hill terminated at the same time its contract with St. Joe under which St. Joe had sold Bunker Hill zinc.

ANNUAL MEETING

The 1961 Annual Meeting of the Stockholders will be held Monday, May 8, at the Park Lane Hotel, 48th Street and Park Avenue, New York, at 11:00 a.m. All stockholders are cordially invited to attend. If you are unable to attend, please vote by proxy. A proxy and proxy statement will be mailed to you on or about April 7th.

ORGANIZATION CHANGES

Since the announcements in the last Annual Report, the following changes have been made in the Board of Trustees and Officers of the Company.

Mr. C. Merrill Chapin, Jr., after 37 years of continuous service with the Company, retired as of November 1, 1960 as Vice President and member of the Executive Committee. Mr. Chapin continues as a member of the Board of Trustees.

At a meeting of the Board of Trustees on February 14, 1961 the resignation of Mr. H. DeWitt Smith as a member of the Board and of the Executive Committee was accepted with profound regret. Mr. Smith had served as a member of the board since February 1948 and is retiring because of ill-health. At the same meeting, Mr. Plato Malozemoff, President of Newmont Mining Corporation, was elected a Trustee to fill the vacancy caused by the resignation of Mr. Smith. At the same meeting, Mr. George I. Brigden and Mr. Eli Whitney Debevoise were elected members of the Executive Committee.

At the meeting of the Board of Trustees held March 14, 1961, the resignation of Mr. Arthur M. Anderson was accepted with profound regret. Mr. Anderson had served as a member of the Board since August 1944 and, like Mr. Smith, is retiring because of ill health. At the same meeting, Mr. Guido F. Verbeck, Jr., Senior Vice President, Morgan Guaranty Trust Company of New York, was elected a Trustee to fill the vacancy caused by Mr. Anderson's resignation.

Annual Report to Employees

A copy of the Annual Report to Employees for the year 1960 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, 1960 there were 10,651 registered stockholders compared with 11,812 the previous year. A classification of stockholders at the end of 1960 is as follows:

	Stockholders	*Percent*	*Shares Held*	*Percent*
Men	3,924	34.96	496,517	18.28
Women	4,011	37.66	391,329	14.40
Joint Accounts	1,690	15.87	128,815	4.74
Fiduciaries	515	4.84	298,633	10.99
Insurance Companies	35	.33	106,209	3.91
Brokers & Security Dealers	197	1.85	446,536	16.43
Nominees	241	2.26	618,820	22.77
Institutions and Others	238	2.23	230,363	8.48
	10,651	100.00	2,717,222	100.00

Conclusion

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

Chairman

President

New York, March 17, 1961

LEAD *(In Short Tons)*	**1960** *(Est.)*	**1959** *(Final)*
Available Supply:		
U. S. Mine Production	244,000	256,000
From scrap	440,000	418,000
Imports of concentrates and bullion (Lead content)	146,000	139.000
Metal imports (net)	208,000	269,000
Total Lead Metal Available	1,038,000	1.082,000
Consumption:		
Batteries	347,000	381,000
Ethyl gasoline	164,000	160,000
Cables	60,000	62,000
Construction	116,000	135,000
Pigments	98,000	104,000
Other uses	241,000	249,000
Total Consumption	1.026.000	1.091.000
Surplus or (deficit)	12.000	(9.000)

ZINC *(In Short Tons)*		
Available Supply:		
Recoverable U. S. Mine Production	432,000	425,000
Less—used to make pigments	83.000	108.000
Recoverable domestic zinc available to Metal Smelters	349,000	317,000
Scrap zinc	48.000	58,000
Imports of concentrates (Recoverable zinc content)	450.000	499.000
Imports of slab zinc	121.000	157.000
Total Zinc Metal Available	968.000	1,031,000
Consumption:		
Galvanizing	355.000	361,000
Zinc Base Alloys	321.000	389,000
Brass	97.000	129,000
Rolled Zinc	36,000	43,000
Oxides	16,000	18,000
Other	36.000	16,000
Total Consumption	861.000	956,000
Exports	75.000	12,000
Total Zinc Metal Consumed and Exported	936,000	968,000
Surplus	32.000	63,000

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
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
1960	147,879	13,656	114,328	98,447	131,852

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 Sales Including Sales Under Agency Contracts	Sulphuric Acid Sales
1951	82,217	47,659	71,077	99,602	143,587	156,861
1952	69,173	103,769	98.680	108,959	134,942	162,712
1953	104,744	112,991	126,968	121,592	152,522	174.715
1954	109,547	61,640	105,610	111,021	167.512	147,076
1955	109,303	111,868	134,012	138,201	202,515	183,609
1956	114.138	126,164	146.897	136.879	181.324	190,001
1957	123,417	105,604	144,011	151.554	192.112	204,255
1958	99,523	84,987	120,515	122,774	174.083	171,938
1959	81,292	104,493	121,138	128,670	179,478	176,607
1960	128,762	134,773	173,016	148,788	158,276	186,722

Statement of CONSOLIDATED EARNINGS

For the Years Ended December 31, 1960 and 1959

	1960	1959
Net Sales of Metals, Metal Products, Etc.	$79,634,096	$86,179,208
Cost of Sales, Etc.	68,985,713	72,967,543
	$10,648,383	$13,211,665
Other Income:		
Dividends:		
From foreign investments	1,750,080	2,104,014
From domestic investments	241,750	172,850
Interest from investments	546,318	594,295
Income from oil royalties	336,812	432,469
Other income less charges	5,269	137,901
Total	$13,528,612	$16,653,194
Deduct:		
Selling, general and administrative expenses	$ 2,142,523	$ 2,114,233
Shaft sinking and development expenses Meramec and Viburnum Projects	2,740,632	1,718,030
Oil development and operating expenses	76,789	153,021
Other exploration and development expenses	140,197	132,521
Past service annuities (Note 5)	190,511	265,040
Depreciation	3,647,485	3,200,352
Depletion	119,435	134,296
Interest on indebtedness	1,172,042	1,154,307
Total deductions	$10,229,614	$ 8,871,800
Earnings Before Federal Income Taxes	$ 3,298,998	$ 7,781,394
Provision for Federal Income Taxes	326,930	1,518,318
Net Earnings for the Year (1960, $1.09 per share; 1959, $2.30 per share)	$ 2,972,068	$ 6,263,076
Retained Earnings at Beginning of the Year	33,745,478	30,198,624
	$36,717,546	$36,461,700
Cash Dividends Paid During the Year ($1 per share)	2,717,222	2,716,222
Retained Earnings at End of the Year (Note 7)	$34,000,324	$33,745,478

See notes to financial statements.

CONSOLIDATED BALANCE SHEET

December 31, 1960 and 1959

ASSETS

	December 31, 1960		December 31, 1959	
Current Assets:				
Cash	$ 4,047,224		$ 3,759,785	
U. S. Government, State, and Municipal short-term securities	9,545,000		18,552,000	
Accounts receivable—trade	4,836,888		6,783,939	
U. S. Government—claims for income tax refunds	480,201		480,201	
Other accounts receivable	353,672		394,223	
Inventories (valuation not in excess of market)—(Note 1):				
Finished lead, zinc, etc.	10,927,952		8,906,894	
Lead, zinc, etc., in process and concentrates	9,172,403		5,089,362	
Materials and supplies	5,814,827	$ 45,178,167	6,132,579	$ 50,098,983
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	6,210,000		6,085,000	
Compania Minerales Santander, Inc.—Investments and advances (at cost—68.04% owned)—(Note 3)	2,285,000		2,135,000	
Meramec Mining Company—Investments and advances (at cost—50% owned)—(Note 7)	2,884,512		1,267,518	
Sundry securities, loans, etc.—including advances to affiliates (at cost, less reserve, $200,000)	780,036	20,223,336	841,590	18,392,896
Capital Assets (Note 4):				
Mining properties and mineral rights (at March 1, 1913 appraised value plus subsequent additions at cost)	$40,849,816		$40,211,170	
Less allowance for depletion	37,374,042	3,475,774	37,254,607	2,956,563
Land, buildings, plant and equipment (at cost)	$66,145,786		$61,490,474	
Power plant (at cost)	22,039,411		22,039,411	
Total	$88,185,197		$83,529,885	
Less allowance for depreciation	44,117,067	44,068,130	40,860,365	42,669,520
Total capital assets, net		$ 47,543,904		$ 45,626,083
Miscellaneous Assets:				
U. S. Government, State, and Municipal securities on deposit with State departments (at amortized cost)	$ 965,338		$ 965,720	
Cash and marketable securities (at amortized cost)—Fire insurance fund (see contra)	283,068	1,248,406	275,881	1,241,601
Deferred Charges:				
Deferred exploration expenses	$ 1,255,567		$ 892,491	
Deferred past service annuities (Note 5)	767,901		958,412	
Oil and natural gas expenditures in suspense	120,635		120,635	
Other deferred charges	207,960	2,352,063	218,637	2,190,175
Total		$116,545,876		$117,549,738

See notes to financial statements.

LIABILITIES

	December 31, 1960		December 31, 1959	
Current Liabilities:				
Accounts payable	$ 4,891,421		$ 5,616,907	
Wages accrued	384,625		341,323	
Long-term debt due within one year	425,000		425,000	
Accrued taxes:				
Federal income (Note 7)	1,494,304		841,434	
Other	290,300	$ 7,485,650	232,103	$ 7,456,767
Long-Term Debt (Note 7):				
3⅞% notes due in instalments of $425,000 on January 1 and July 1	$ 6,800,000		$ 7,650,000	
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	26,800,000	20,000,000	27,650,000
Deferred Federal Income Taxes—related to accelerated amortization and depreciation		1,630,802		2,106,510
Reserves:				
Injury claims and workmen's liability insurance	$ 605,560		$ 586,813	
Employees' life insurance and retirements	391,256		409,573	
Fire insurance (see contra)	283,068	1,279,884	275,881	1,272,267
Stockholders' Equity (Note 7):				
Capital Stock, par value $10 per share: Authorized 5,000,000 shares Outstanding—1960, 2,717,222.5 shares; 1959, 2,716,222.5 shares (after deducting 21,414.35 shares held in treasury)		27,172,225		27,162,225
Other Capital—representing principally excess of amount of stock dividends over par value of capital stock		18,176,991		18,156,491
Retained Earnings		34,000,324		33,745,478
Total Stockholders' Equity		$ 79,349,540		$ 79,064,194
Total		$116,545,876		$117,549,738

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. as they are converted into U. S. dollars. 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 at December 31, 1960, was $213,759 and in its net earnings for the year then ended $136. The Company's equity in the net assets of Compania Minerales Santander, Inc., and advances to that company at December 31, 1960 totalled $2,553,387 and the equity in its net earnings for the year then ended was $101.733.

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 $1,019,557 and $780,000 in 1960 and 1959, respectively.

6. The Company has a 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 $6,210,000 had been loaned at December 31, 1960 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, Meramec Mining Company, 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, 1960 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, 1960 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, 1961

BALANCE SHEET December 31, 1960 and 1959

ASSETS

	December 31, 1960 *Argentine paper pesos (Note 1)*		December 31, 1959 *Argentine paper pesos (Note 1)*	
Current Assets:				
Cash	29.155.497		75,895.726	
Marketable securities:				
Argentine Government (at cost)	4.000.000		14.000.000	
Other (at cost, less reserve—1960 and 1959, 19.493.471)	123.236,374		114,162,878	
Accounts receivable—trade (less reserve—1960, 5.604.573; 1959, 7.037.000)	55.755.276		57,551,570	
Due from partly-owned company—trade	74.387,523		23.257,664	
Other accounts receivable, etc.	9.411,596		7.210.476	
Inventories (Notes 3 and 4):				
Lead and zinc concentrates	199,097,858		185.558,755	
Materials and supplies	143.649.766	638.693.890	133.285.157	610.922.226
Investments (Note 5):				
Sulfacid, S. A. Industrial (at cost—50% owned)	20.428.902		20.428.902	
Compania Metalurgica Austral-Argentina, S. A. Comercial (at cost—43.3% owned)	8.746.356	29.175.258	8.746.356	29.175.258
Capital Assets (Notes 2 and 4):				
Mining properties and mineral rights:				
Cost, including exploration and development prior to the commencement of operations	4.401.217		4,401,217	
Less allowance for depletion	3.803 619	597,598	3,502,941	898,276
Appreciation arising from valuation in 1936 and revaluation in 1960	101,936,190		49,446,117	
Less allowance for depletion	43,356.416	58,579,774	39,700.779	9,745,338
Total mining properties and mineral rights, net		59,177,372		10,643,614
Land, buildings, plant and equipment:				
Cost	209,124,684		185,764,252	
Less allowance for depreciation	58,350.687	150,773,997	56,846,283	128,917,969
Appreciation arising from revaluation in 1960	341,248,636		—	
Less allowance for depreciation	28.600,408	312,648,228	—	—
Total land, buildings, plant and equipment, net		463,422,225		128,917,969
Total capital assets, net		522,599,597		139,561,583
Deferred Charges		7,454,807		6,515,966
Total		1,197,923,552		786,175,033

Notes:

(1) The quoted free rate of exchange for a peso was approximately 1.2 cents at December 31, 1960 and at December 31, 1959.

(2) As of January 1, 1960 capital assets were subject to a revaluation as permitted by Argentine Law No. 15,272. The total appreciation of pesos 393,738,090 was applied to mining properties and mineral rights (pesos 52,489,454) and to land, buildings, plant and equipment (pesos 341,248,636); concurrently an equal amount was credited to other capital—arising from revaluation. At their revalued amount, net capital assets are still considered to be stated at less than present values.

Following the principle of Law No. 15,272, depletion of the original cost and of the 1936 valuation of mining properties and mineral rights, discontinued since 1950, has been recommenced. Depletion and depreciation of the amounts of 1936 and 1960 appreciation on revaluation charged against earnings in 1960 totaled pesos 32,256,045.

Application of the foregoing for tax purposes has resulted in a reduction of 1959 and 1960 income and extraordinary profits taxes of pesos 36,927,138, credited against the total of such taxes shown in the 1960 statement of earnings.

Following the practice of prior years, a special appropriation of pesos 46,679,556 for replacement of capital assets has been made

LIABILITIES

	December 31, 1960 *Argentine paper pesos (Note 1)*		December 31, 1959 *Argentine paper pesos (Note 1)*	
Current Liabilities:				
Accounts payable—trade	6,476,015		5,772,132	
Due to St. Joseph Lead Company	5,032,782		4,724,585	
Due to partly-owned company	40,839,327		23,558,999	
Wages accrued	6,232,366		6,078,064	
Accrued Argentine income and other taxes	18,164,261		92,667,509	
Other accounts payable	6,223,963	82,968,714	5,477,784	138,279,073
Advance from St. Joseph Lead Company		10,386,498		13,505,116
Deferred Credits—Unearned interest, etc.		1,188,512		140,198
Reserves:				
Replacement of capital assets (Note 2)	317,217,498		270,537,942	
Employees' compensation under Argentine social laws	22,153,315		19,844,743	
Accidents	28,760,840		20,817,511	
Other	28,412,717	396,544,370	21,705,481	332,905,677
Stockholders' Equity:				
Capital Stock—Nominal value of 80 Argentine paper pesos each:				
Authorized 2,500,000 shares				
Issued—1960, 2,375,000 shares; 1959, 1,375,000 shares		190,000,000		110,000,000
Other Capital (Note 2):				
Arising from 1936 valuation of mining properties and mineral rights (remainder after transfer of pesos 48,000,000 to stated value of capital stock)	1,446,736		1,446,736	
Arising from 1960 revaluation of capital assets	393,738,090	395,184,826	—	1,446,736
Retained earnings:				
Appropriated for statutory reserve	11,000,000		8,293,926	
Unappropriated	110,650,632	121,650,632	181,604,307	189,898,233
Total Stockholders' Equity		706,835,458		301,344,969
Total		1,197,923,552		786,175,033

Notes Continued:

out of earnings for the year 1960. Similar special appropriations were made out of earnings in the preceding nine years aggregating pesos 253,119,600.

(3) In 1960 the basis for costing substantially all inventories was changed from average cost to last-in, first-out (LIFO), such a change being permitted by modifications in the Argentine tax laws. Inventory reductions caused by this change amounted to pesos 95,210,198 and have been charged against cost of sales in 1960.

(4) The revaluation of capital assets in terms of Argentine Law No. 15,272 and the change in the basis of costing inventories described in Notes (2) and (3) above have had the effect of reducing the net earnings for the year by approximately pesos 40,300,000, after taking into account the net decrease in 1960 taxes and the recovery of 1959 taxes brought about by the application of that Law.

(5) Reference is made to page 11 of this report relative to operations of the Company's two affiliates, Sulfacid, S.A. Industrial and Compania Metalurgica Austral-Argentina, S.A. Comercial.

(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, 1960 and 1959 totaled approximately pesos 17,800,000 and 12,800,000 respectively.

Statement of Earnings For the Years Ended December 31, 1960 and 1959

	1960 *Argentine paper pesos (Note 1)*	1959 *Argentine paper pesos (Note 1)*
Net Sales of Lead and Zinc Concentrates, Etc.	594.265.789	472,726.446
Cost Thereof (Note 3)	325.160.898	113.805,136
	269.104.891	358.921,310
Other Income:		
Dividends (Note 6)	20,916,057	15,141,489
Profit from sale of marketable securities	25,056,919	4,557,002
Interest	2,917,069	482,993
Other, less charges	5.511.646	2.773,527
Total	323,506,582	381,876,321
Deduct:		
Selling, general and administrative expenses	21,987,274	19,671,685
Taxes, other than taxes on income	30,464,216	6,246,191
Depreciation and depletion (Note 2)	34.841.170	13,701,994
Total Deductions	87.292.660	39.619,870
Earnings Before Taxes on Income and Special Appropriation	236.213.922	342,256,451
Provision for Argentine Income and Extraordinary Profits Taxes, Net (Note 2)	32.706.966	111,116,568
Earnings before Special Appropriation	203,506.956	231,139,883
Special Appropriation for Replacement of Capital Assets (Note 2)	46.679,556	65,246,200
Net Earnings for the Year (after special appropriation) (Note 4)	156,827.400	165,893,683

See notes on accompanying balance sheet.

Statement of Unappropriated Retained Earnings

For the Years Ended December 31, 1960 and 1959

	1960 *Argentine paper pesos (Note 1)*	1959 *Argentine paper pesos (Note 1)*
Unappropriated Retained Earnings at Beginning of the Year	181.604,307	93,196,597
Add—Net Earnings for the year (after special appropriation)	156.827.400	165.893.683
Total	338.431.707	259.090,280
Deduct:		
Dividends paid during the year:		
Cash	145.075,000	75.625.000
Capital stock	80,000,000	—
Appropriation for statutory reserve	2.706.075	1.860,973
Total Deductions	227.781.075	77.485,973
Unappropriated Retained Earnings at End of the Year	110.650,632	181,604,307

See notes on accompanying balance sheet.

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, 1960 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.

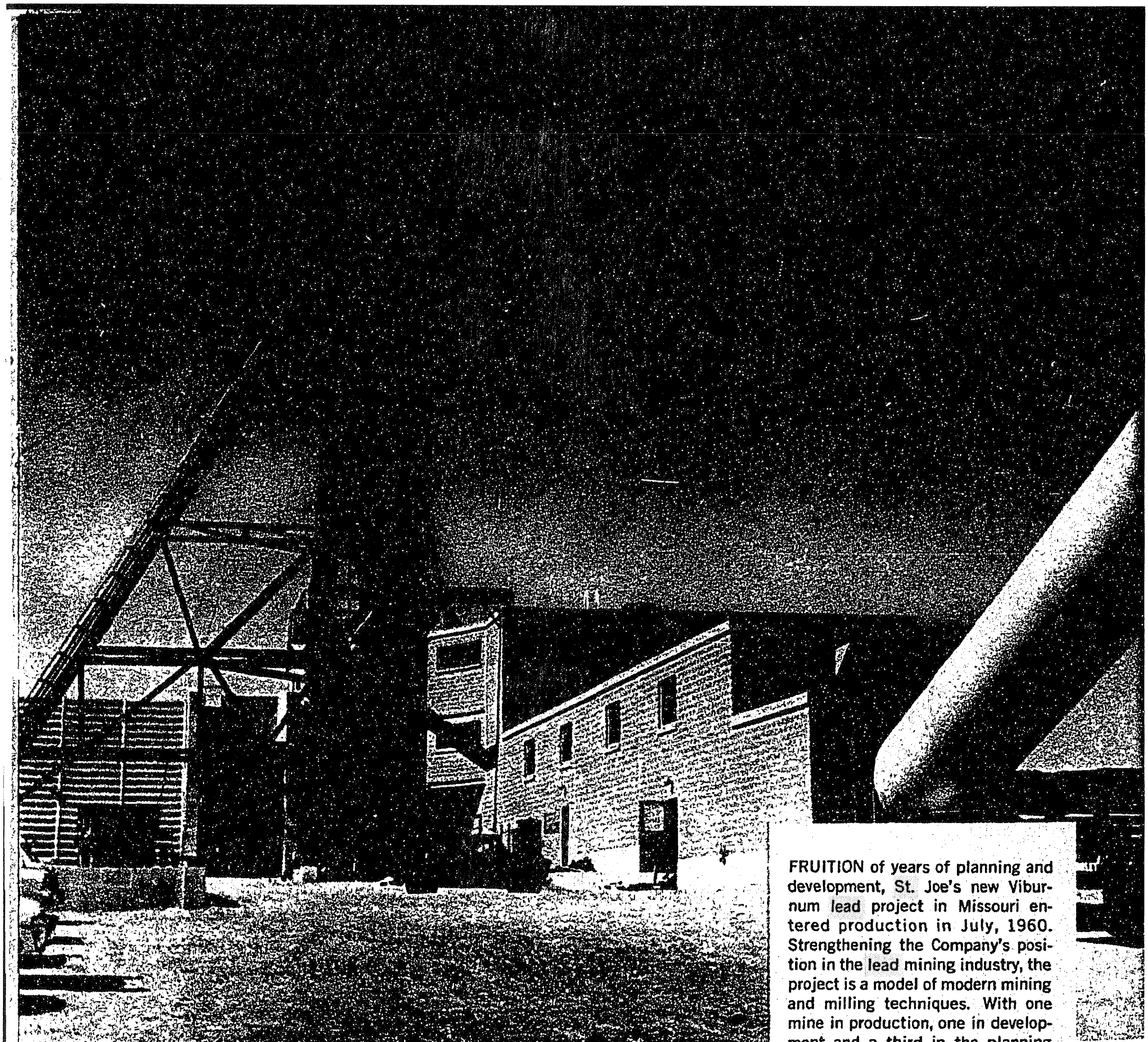
During the year 1960 a special appropriation of 46,679,556 Argentine paper pesos for replacement of capital assets was made out of net earnings for the year. Similar special appropriations were made annually out of earnings in the preceding nine years, aggregating 253,119,600 Argentine paper pesos. In 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, 1960 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in Argentina and applied (except for the changes in the methods of accounting for capital assets and for inventories explained in Notes 2, 3 and 4 to the Balance Sheet) on a basis consistent with that of the preceding year.

The accounting for capital assets and related depletion and depreciation (including the charges to earnings of appropriations for replacement of capital assets) as described in Note 2 to the Balance Sheet differs from that normally accepted in the United States. However, in all other material respects the accompanying financial statements, in our opinion, have been prepared in conformity with accounting principles generally accepted in the United States.

HASKINS & SELLS

February 28, 1961

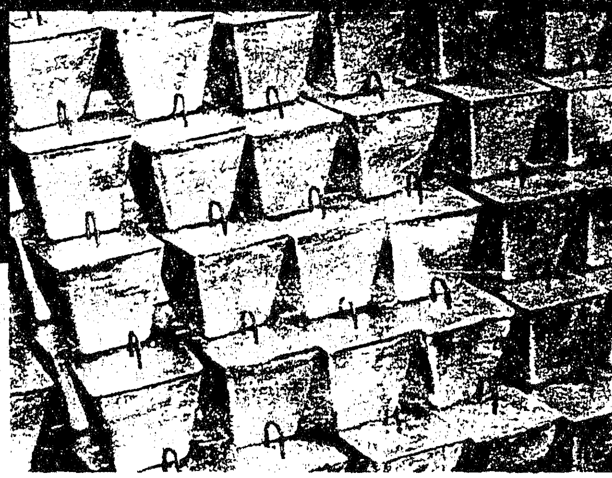


FRUITION of years of planning and development, St. Joe's new Viburnum lead project in Missouri entered production in July, 1960. Strengthening the Company's position in the lead mining industry, the project is a model of modern mining and milling techniques. With one mine in production, one in development and a third in the planning stage, the Viburnum mill is now operating at a rate of 3,000 tons per day. Eventual expansion to 6,000 tons is expected. Shown here are the crushing plant at the mill and the headframe of one of the mines

REPORT TO EMPLOYEES—1960

ST. JOE ST. JOSEPH LEAD COMPANY, NEW YORK

1960 Showed Progress Despite Disappointments



LEAD ALLOY in 1000-lb. ingots—a new St. Joe product—meets a trade need

employees of St. Joseph Lead Company and their families

From the viewpoint of profit, 1960 was a year of disappointment for St. Joe, as it was for many American corporations. As a glance at the opposite page will show, our earnings declined to $1.09 per share of common stock from 1959's $2.30 per share.

A slump in the year's metal sales hurt us in two ways: first, by reducing our income, and secondly by leaving us with large stocks of unused zinc and lead concentrates and unsold zinc and lead metal. In addition, our earnings were reduced still farther by what we paid out in 1960 for shaft sinking and mine development at our new mining properties, Viburnum and Pea Ridge.

We did much, however, to strengthen our various Divisions; we brought the new Viburnum lead property into production; we made satisfactory progress at the Pea Ridge iron ore project; our foreign operations performed better than expected. It was not, in short, an entirely gloomy year. This report gives you the facts on both the bright and the dark side of the St. Joe picture for 1960.

SALES

Declining general business activity results in reduced sales of both lead and zinc

At the end of 1959 we had every reason to hope for a good year in 1960. With the settlement of the steel strike, business forecasts were in agreement that no decline was in prospect.

Only one element was lacking to fulfill the optimism of these forecasts. Consumers in the United States lacked purchasing power for many capital goods purchases that the forecasters had counted on. Sales of automobiles were lower than anticipated, as were sales of major appliances. This slowed steel companies' sales, and thus had an adverse effect on almost every other American business because the rate of activity in steel influences all manufacturers. Instead of a ready flow of buying orders, salesmen in almost every line of activity, including our own, met increasing resistance as in-

What We Made . . . and How We Spent It

	1960	1959
We Sold:		
Pig lead, tons	131,852	164,084
Slab zinc, equivalent, tons	158,276	179,478
Sulphuric acid, tons	186,722	176,607
We Received:		
From sales	$79,634,096	$86,179,208
From our investments	2,508,255	2,865,986
From other sources	371,974	575,543
Our gross income totaled	82,514,325	89,620,737
We Kept in Reserve:		
To replace worn-out plants and equipment	3,647,485	3,200,352
To replace depleted ore reserves	119,435	134,296
We Paid:		
In wages, salaries, supplies, and other production costs	68,985,713	72,967,543
In exploration and in developing new orebodies	2,880,829	1,850,552
In sales, administrative, pension fund, and other costs	2,409,823	2,532,294
In Federal income taxes	326,930	1,518,318
In interest on long-term debt	1,172,042	1,154,307
We Had Left:		
A net income amounting to	2,972,068	6,263,076
Of which, we paid as dividends to our stockholders	2,717,222	2,716,222
And kept for use in the business	254,846	3,546,854
Our net earnings, per share of stock, amounted to	1.09	2.30
Our dividend payments, per share of stock, amounted to	1.00	1.00
Our Current Assets (at year's end)	45,178,167	50,098,983
Our Current Liabilities (at year's end)	7,485,650	7,456,767
Our Net Working Capital (at year's end)	37,692,517	42,642,216
Number of Our Employees	4,171	4,263
Number of Our Stockholders	10,651	11,812
Shares of Our Stock Outstanding	2,717,222	2,716,222

THE DOMESTIC SITUATION

LEAD	1960 (Estimated) Short tons	1959 Short tons
From domestic mines	244,000	256,000
Scrap	440,000	418,000
Imports (net)	354,000	408,000
Supply (not incl. stock)	1,038,000	1,082,000
Consumption	1,026,000	1,091,000
Surplus or (deficit)	12,000	(9,000)

ZINC	1960 (Estimated) Short tons	1959 Short tons
From domestic mines*	349,000	317,000
Secondary sources	48,000	58,000
Imports (ore and metal)	571,000	656,000
Supply (not incl. stock)	968,000	1,031,000
Consumed and exported	936,000	968,000
Surplus or (deficit)	32,000	63,000

*After deducting ores used for pigment production

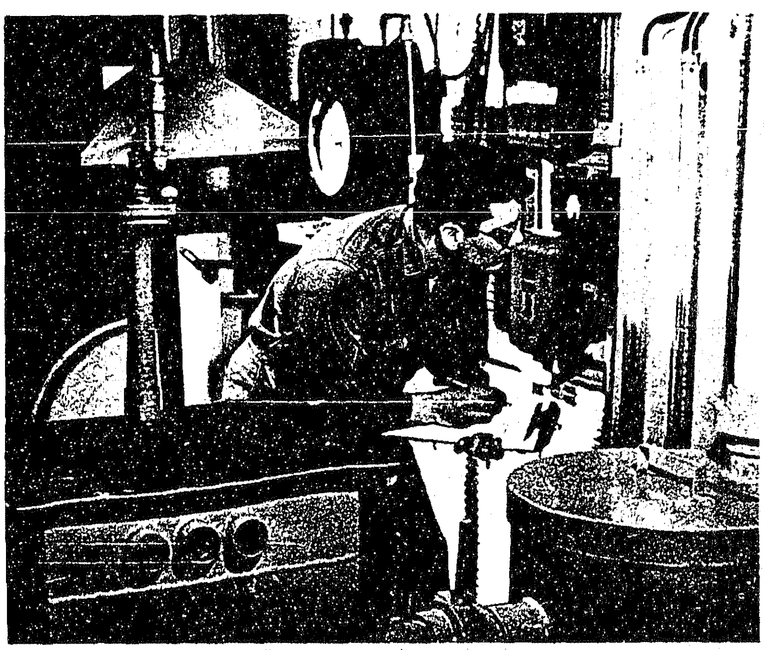
ventories of unsold goods began to climb.

Thus, by the spring of 1960, it became clear that we would have to revise our sales estimates downward, and that any improvement in business activity would certainly be delayed until the end of the year.

Consumption of lead in 1960 declined about 5% below that of 1959. Along with this decline, lead consumers used up their stocks of metal instead of buying more, with the result that smelters of lead, like St. Joe, found their own stocks of unsold metal increasing. Every lead-consuming industry used less metal in 1960 than in 1959, with the exception of the manufacturers of tetraethyl lead, the anti-knock fluid added to gasoline. Consumption here increased 3.4%, largely because of the introduction of a new type of fluid containing a higher percentage of lead. Consumption of lead for storage batteries was down a little, owing to the spreading use of compact cars, which use smaller batteries than the larger 1959 automobiles.

It is interesting to note that there was even a slight increase in consumption of lead for cable covering, a circumstance largely due to the efforts of the Joint Research Program of the Lead and Zinc Industries. In general, however, our lead sales declined from the first quarter of the year, improved somewhat in the third quarter, but showed no great improvement during the remainder of the year.

PROCESS IMPROVEMENTS are constantly being sought. Here a Josephtown technician checks effect of varying chemical composition on properties of zinc sinter for furnace feed



PROSPECTING is faster with this air-powered down-the-hole drill rig developed by St. Joe. It can put down a 700-ft. hole and may replace six churn drills

Zinc suffered as well. Instead of the increase in consumption for which we had hoped in 1960, total consumption for the year was off by about 10%. The bright spot in the industry was the 16% increase in the production of zinc-coated steel by the relatively new continuous galvanizing process, now in use by most major steel companies. Consumption of die-cast zinc declined, largely because of the increased production of compact cars which carry less zinc than the larger models. Consumption declined in other zinc-consuming industries.

Our employees, particularly at Josephtown and Balmat and Edwards, will be pleased to know that St. Joe zinc sales declined much less than did zinc consumption generally. We did better than the industry average simply because the new refinery at Josephtown enabled us to offer Special High Grade zinc in addition to our regular grades. Thus we sold considerable zinc that would otherwise have gone into our stockpile.

EARNINGS

Lower sales meant lower profits. Also part of earnings had to be plowed back

Reduced sales meant lower earnings. In addition we received a somewhat smaller income from foreign investments than in 1959, but there were two additional factors that materially reduced our net earnings.

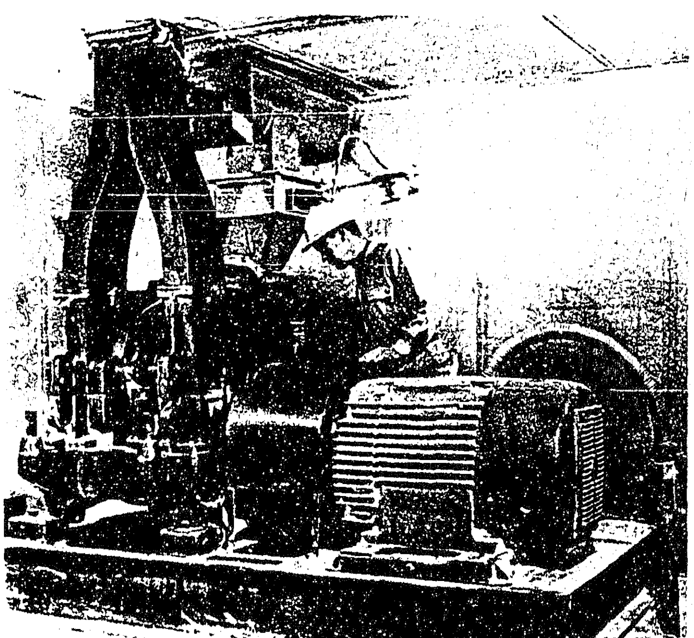
In 1960 we paid about $2,700,000 out of earnings for shaft sinking and mine development at the Viburnum lead properties and the Pea Ridge iron ore project, both in Missouri. This is like paying cash for a new automobile instead of buying it on the easy payment plan. It cut our earnings for 1960, but will benefit us greatly from the present saving in taxes and on interest payments in future years.

In addition, early in 1960 we contracted to purchase substantial tonnages of zinc concentrates in anticipation of sales of metal which never materialized.

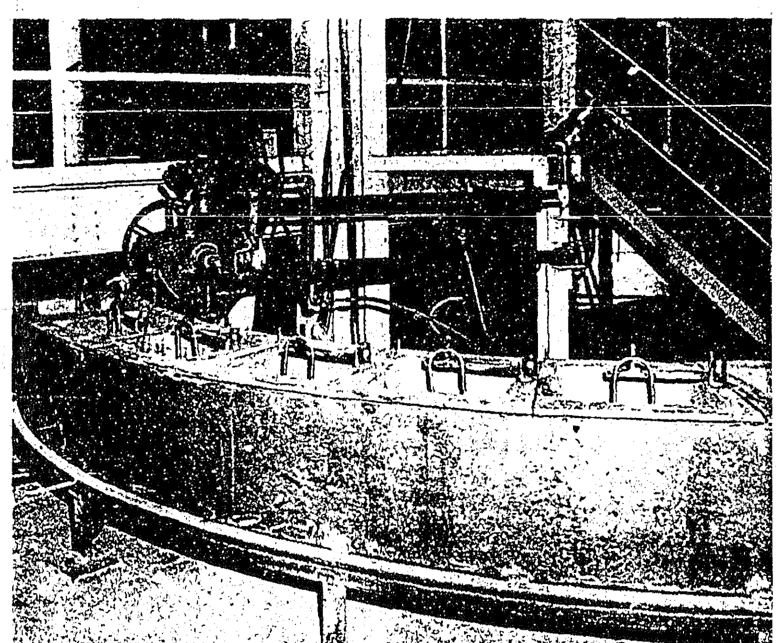
The basic problem, which involves the sales and, therefore, the earnings of domestic lead and zinc producers, is that production of both metals on a worldwise basis is in excess of consumption. Many producers, including St. Joe, have therefore curtailed production, either in 1960 or early in 1961, a measure that we hope will be temporary. Nevertheless, the outlook for any substantial increase in zinc and lead sales in the immediate future is not good. Our rate of sales is necessarily tied to the rate of general business activity, and any substantial increase is not yet in sight.

During 1960, legislative efforts to aid the domestic mining industry were unsuccessful. A bill to increase tariffs on imported lead and zinc died before being acted upon by Congress. A second bill, providing subsidies for small mining operations did pass Congress but was vetoed by President Eisen-

PULVERIZED ZINC OXIDE for use as pigment in the paint industry is prepared in this fine-grinding mill at Josephtown. Powdered oxide is drawn off by air separator directly into bags



EASY POURING of the new lead-antimony 1000-lb. ingots at Herculaneum smelter becomes possible with this swivel feed pipe and semi-circular rack

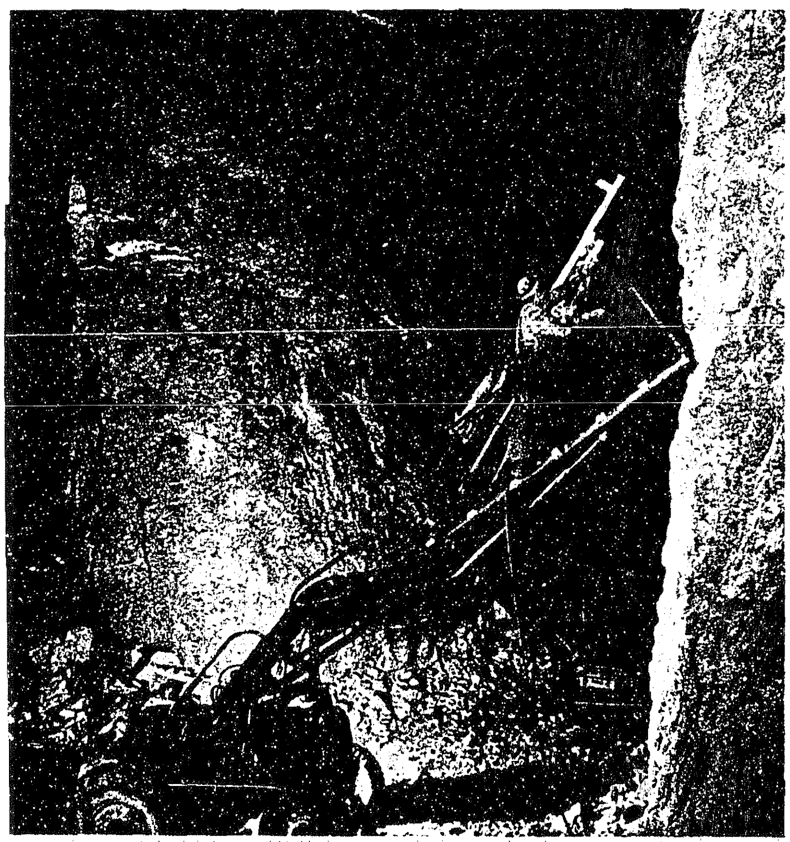


hower. The essence of our problem is still excessive imports of lead and zinc, which, although they declined in 1960 as compared with 1959, are still at an unnecessarily high level in view of domestic demand. We believe that an equitable tariff is the best solution, and if the Administration would accept the recommendations of the Tariff Commission, such legislation might be enacted. The present quota system, which is aimed at stimulating the domestic mining industry by restricting imports, has not proven effective in achieving its objective.

Efforts have been made to solve the problem on an international basis through the meetings of a United Nations study group representing all of the lead and zinc producing nations in the world. The United States is represented at these meetings by the State Department, aided by industry advisers. Some observers believe that at the next meeting of this group, scheduled for March 1961, some limitation on world production of lead and zinc may be established.

Lacking adequate tariff legislation or sufficient voluntary limitation of production, the domestic lead and zinc industry, and St. Joe, must expect continued low prices in 1961, sales at about the present level, and a continuing urgent need for maximum efficiency and careful planning throughout its operations.

SLABBING PILLARS in high stopes of the older Lead Belt mines in Missouri calls for ingenuity in providing a safe, efficient drilling platform. This converted loader does the job



OPERATING ECONOMIES are anticipated with this battery-powered fork-lift truck at Herculaneum. It carries a one-ton load of new-type linked ingots, strapped for shipment

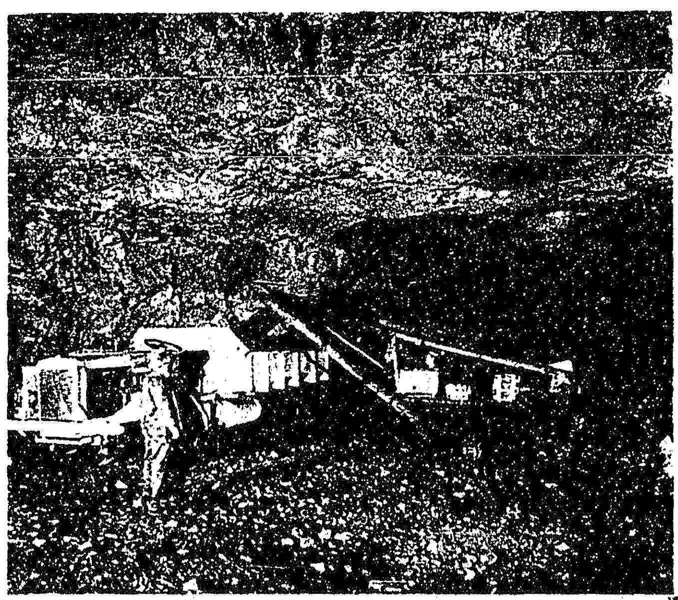
OUR DOMESTIC DIVISIONS

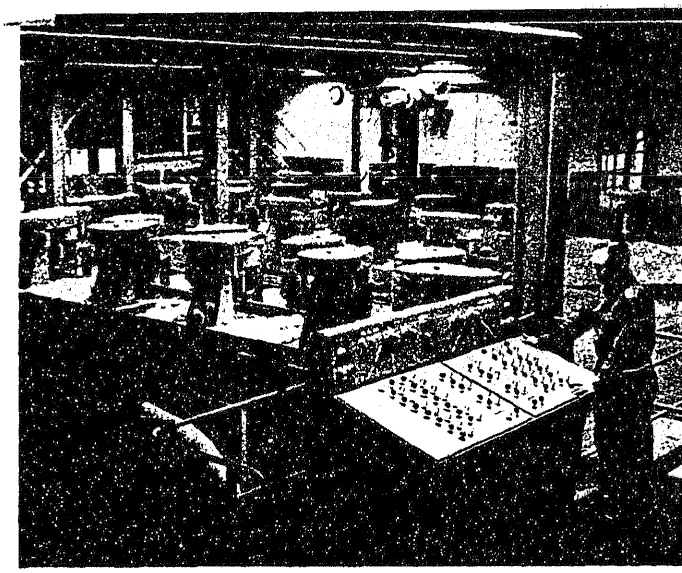
During 1960 each Division did its best within the limits of manpower and money available to improve technical efficiency and revise its operating procedures in line with the reduced demand for the Company's products. These efforts must be continued with increased emphasis in 1961.

SOUTHEAST MISSOURI

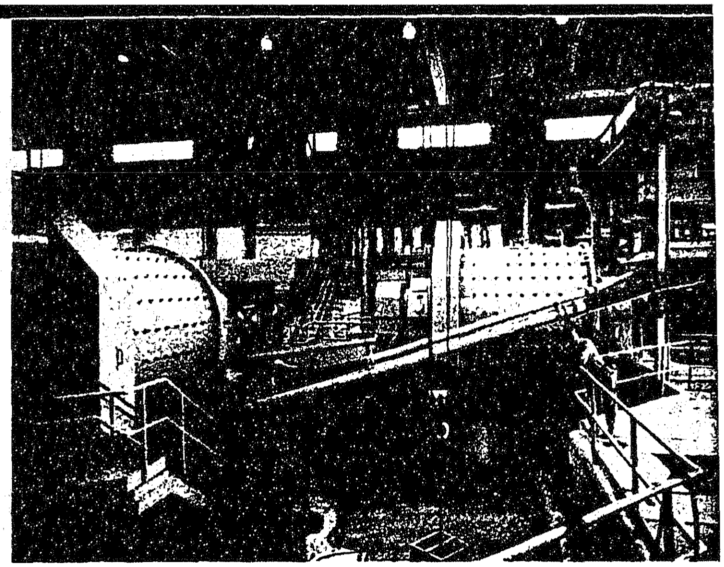
In the Lead Belt several changes were made to adjust to decreased demand for lead. A construction program at the Federal mill, begun in 1960 and to be completed in 1961, eliminated the old tables used for producing gravity

NEW DIESEL TRUCK contributes safe, fast haulage of 10-ton loads in the new Viburnum project mine. Shovel is old original St. Joe type, still tops in efficiency and endurance





CENTRAL CONTROL STATION in new zinc-flotation circuit at Balmat mill. New machines handle all mill feed more efficiently than the pneumatic equipment which they replaced.



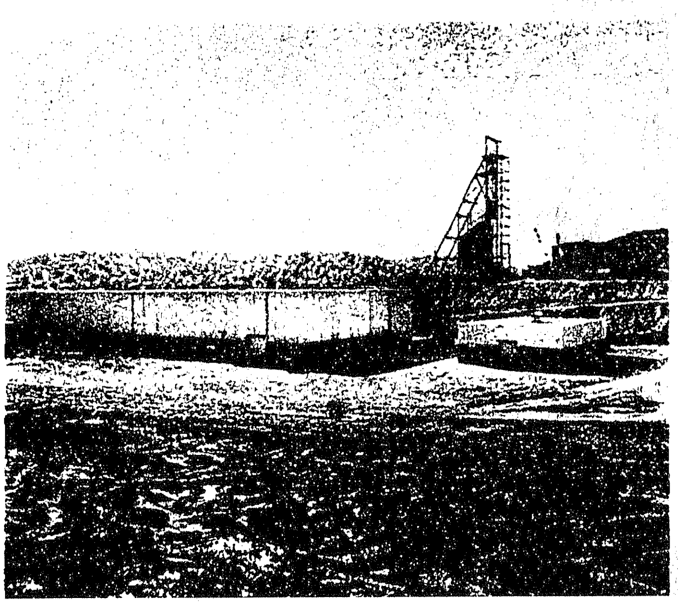
GRINDING BAY at Viburnum. Crushed ore goes through rod mill (left), then into cyclone separator. Fines go to flotation, coarse to ball mill (right)

concentrate and converted the mill to an all-flotation procedure. In addition, flotation circuits were added to produce a copper concentrate, and the mining program was revised to mine more of the copper-bearing ore from the Federal group of mines. This program is aimed at improving efficiency and reducing production of lead concentrate without a corresponding reduction in income, inasmuch as the copper concentrate will make up for the loss in lead.

At the Leadwood mill, circuits were added to permit production of a zinc flotation concentrate, and the mine program was revised to produce ore of higher grade in zinc. This had the same objective as the copper flotation development at Federal. At the end of the year both operations were approaching accomplishment of the desired objectives.

Mining and other research programs in the Lead Belt have yielded improved results in drilling, blasting, ground support, and in exploration for new ore. An example of the latter is a deep-drilling mechanism designed and built by the St. Joe staff. It is believed this new drill can replace six of the old-type churn drills used in surface exploration.

PROGRESS AT PEA RIDGE. Large building houses shops and warehouse. At right is carpenter shop. No. 1 Shaft (center) is used for exploration and development of the iron orebody.



HERCULANEUM

Flexibility also characterized Herculaneum's operations in 1960. Customer requirements have called for casting lead ingots in new sizes and shapes and also producing special lead alloys to special order. In addition, the refinery building was expanded in 1960 and two new 250-ton kettles installed. The silver refinery was rebuilt and construction was begun on a new baghouse, which is designed to filter 350,000 cubic feet of exhaust gas per minute. A third blast furnace was constructed of a new design that has proved so successful the two older furnaces will be modified in conformity with the new one when they reach the end of their present runs.

BALMAT EDWARDS

The zinc flotation circuit in the Balmat mill was improved in 1960 by complete conversion to mechanical flotation machines. A long series of tests had showed that the new machines offered savings in power and reagent costs, and would also yield a higher recovery of zinc. The new circuit was performing satisfactorily at the end of the year.

The safety records at both Balmat and Edwards showed general improvement in 1960, and were better than the national average of underground metal mines in both frequency and severity. The Edwards surface operations have now completed five years without a lost-time accident.

JOSEPHTOWN

Much research is done at Josephtown on a both short and long-term basis, the objective *being to improve operations and strengthen our* ability to meet competition. Research projects in 1960 centered on furnace charge preparation, improved furnace performance, and on improved residue recovery. The cadmium plant's improvements are well established and profitable. With customer requirements becoming stricter and more diverse, faster, more accurate, analytical techniques have been developed.

Scrap zinc materials made up a large part of the smelter feed in 1960. To handle this scrap, a new secondary materials plant was built, and became fully operative in July.

The zinc oxide department developed new grades, superior to our competition, for the paint industry, and a new grade was offered to rubber manufacturers. Research is now proceeding on improved quality of zinc oxide and on new uses for it.

At the close of the year, construction of additional refining capacity for Special High Grade zinc had made satisfactory progress, and plans were under way for production of additional types of zinc oxide, such as acicular and French process.

VIBURNUM

The Company's new lead mining property at Viburnum, Missouri, entered production as of July 15, 1960. Ore will eventually come from the three mines in the vicinity of Viburnum which will be serviced by Shafts Nos. 27, 28, and 29, with the mill being centrally located at Shaft No. 28. Ore is currently coming from Shaft No. 27, and development is proceeding at Shaft No. 28. The present rate of milling is 3,000 tons per day which will be eventually expanded to 6,000 tons per day when all three shafts are operational. Only preliminary work has yet been done at the site of Shaft No. 29. Both mining and milling operations at Viburnum are regarded by the mining industry generally as models of modern and efficient large-scale mining and milling. In both mine and mill every device that the St. Joe staff could develop or discover has been incorporated to increase efficiency or to make control easier and more nearly automatic.

Complete community facilities have been provided at the Viburnum townsite near Shaft No. 28 and the mill. A shopping center, school, and church have been constructed and are in active use.

PEA RIDGE

Shaft sinking and development work progressed all through 1960 at the Pea Ridge, Missouri, project of Meramec Mining Company in which St. Joe and Bethlehem Steel Company are equal shareholders. As of this writing the railroad into the *mine and plant site has been completed, and the* shop, warehouse, and office buildings are in use. The No. 1 Shaft reached a depth of over 2,000 feet by the end of 1960, and exploration drifts had begun to outline the orebody. This work was done largely by diamond drilling from the 1675-foot level and the ore is proving to be of the expected grade. The orebody has also measured up to expectations in tonnage. The No. 2 Shaft, which will be the main hoisting shaft, was approaching a depth of 1,800 feet at the end of the year. No particular difficulty had been encountered in sinking this shaft.

BALMAT-DESIGNED one-man loading gate can really be operated by one man. It provides fast, clean loading of cars on haulage levels of the Balmat mine in Northern New York State

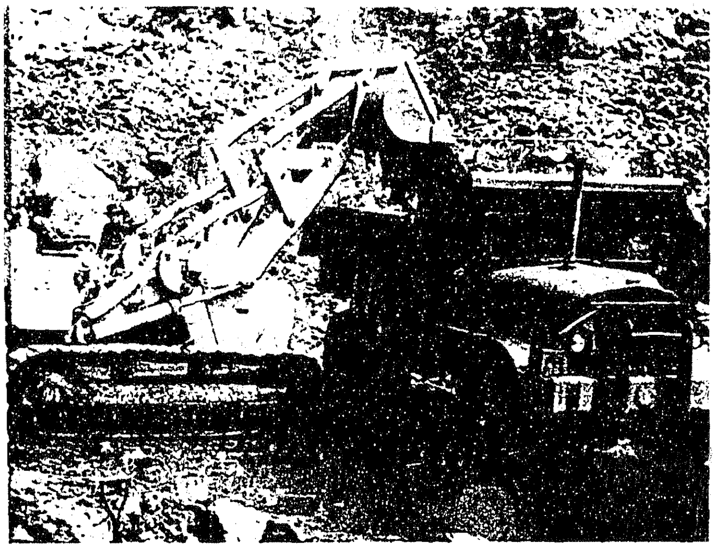
Shaft sinking and development expenses by St. Joe at the Pea Ridge and the Viburnum projects totaled about $2,740,000 in 1960, all of which was charged against 1960 earnings. It is expected that the Pea Ridge project will begin production by about the middle of 1963.

OIL OPERATIONS in the two unitized fields in west Texas in which we have a working interest yielded in 1960 a revenue to St. Joe of $336,812.

During the year improvements were made for the purpose of prolonging the productive life of the fields and maintaining low costs. These improvements included expanded water and gas injection facilities and field automation. No investment was made in oil exploration during 1960.

FOREIGN OPERATIONS

Aguilar's earnings maintained; production increased at Santander in Peru



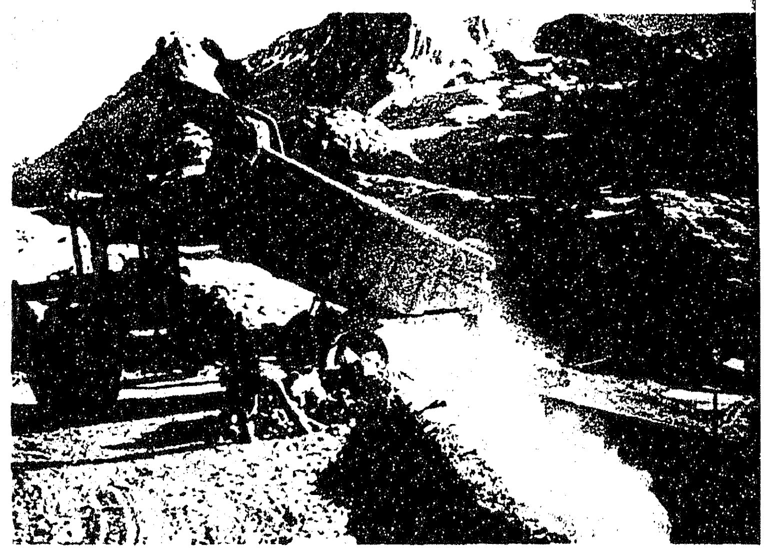
LOADING TRUCKS in Santander pit is tough job because of unusually abrasive, blocky ore. This front-end loader is replacing a shovel under repair in the hard-working shop

Cia. Minera Aguilar, S. A., showed earnings in 1960 of about 157,500,000 pesos, as compared with about 163,000,000 pesos in 1959. The peso remained stable throughout the year at about 82.6 to the dollar, and therefore the equivalent dollar earnings for 1960 are comparable to those for 1959.

Argentina suffered a business recession early in 1960 and showed only small signs of recovery by the end of the year. This has caused a drop in demand for lead and zinc, and Aguilar's earnings would have suffered correspondingly had it not been possible to export substantial tonnages of zinc sinter and zinc concentrates to the European market. None of this material entered the United States. These exports will not be continued beyond the resumption of full business activity in Argentina and the commencement of operations in the new electrolytic zinc plant in which Aguilar has a 50% interest.

If President Frondisi can maintain political stability, and make a real attack on the problems of balancing the budget and the rehabilitation of Argentina's railroad system, Argentina's future could be quite bright. Aguilar, itself, is in an excellent position both as to ore reserves and competence of the entire staff.

Sulfacid, S. A., (50% owned by Aguilar) showed earnings of about 31,000,000 pesos in 1960 as compared with 27,000,000 pesos in 1959. The new electrolytic zinc plant was well along in construction by the end of the year and may enter production at a planned capacity of 18 tons per day by the end of 1961. The output of this plant, special high-grade zinc, should fill a growing need in Argentina's new automotive and appliance industries.



DUMPING TRUCKS in crusher pocket above Santander mill. Production is now at 15,000 tons per month, up 2000 tons from last year's level. Mountains are main range of the Andes

Cia. Metalurgica Austral, S. A., (43.3% owned by Aguilar) suffered from a drop in demand for slab zinc early in 1960, but sales were showing improvement by the year's end. Enthusiastic Argentine technical staffs at both Austral and Sulfacid made notable improvements in the processes at both acid plant and smelter during the year.

Cia. Minerales Santander, S. A. The open pit lead-zinc-silver mine in Peru, in which St. Joe has a more than two-thirds interest, was being equipped as 1960 ended to increase its mining and milling capacity from 13,000 to 15,000 tons of ore per month. Equipment was being purchased to increase the stripping rate in the pit, and camp facilities were being improved. In 1960, 155,757 tons of ore were milled for a production of about 5,000 tons of lead concentrate and 32,720 of zinc concentrate.

Santander's lead concentrates are now being smelted in Peru and in Germany, and except for a small tonnage of zinc concentrates that enters the United States under the prevailing quota, the bulk of the zinc concentrates is smelted in Belgium and Germany.

In 1961, additions to the power plant and to the mill should permit treatment of still greater tonnages of ore. The open pit is being diamond drilled in order to yield information that will aid both in conducting present mining operations and in planning for an eventual shift to underground mining several years from now.

NEW HOIST at Aguilar mine in Argentina. Hoist room is underground and new equipment opens way to deeper levels of mine, prolonging life of this property for many years

In North Africa where St. Joe has a 17.15% interest in two lead and zinc mining and milling companies, operations were gradually improving in 1960 and dividend income from these investments in 1961 should be somewhat higher than in 1960.

In Canada, as this is written, no decision has yet been reached as to the means of bringing into operation the properties of Brunswick Mining and Smelting Corporation in which St. Joe has had a 40% interest since 1954. Various alternatives were being considered.

NEW MARKETS

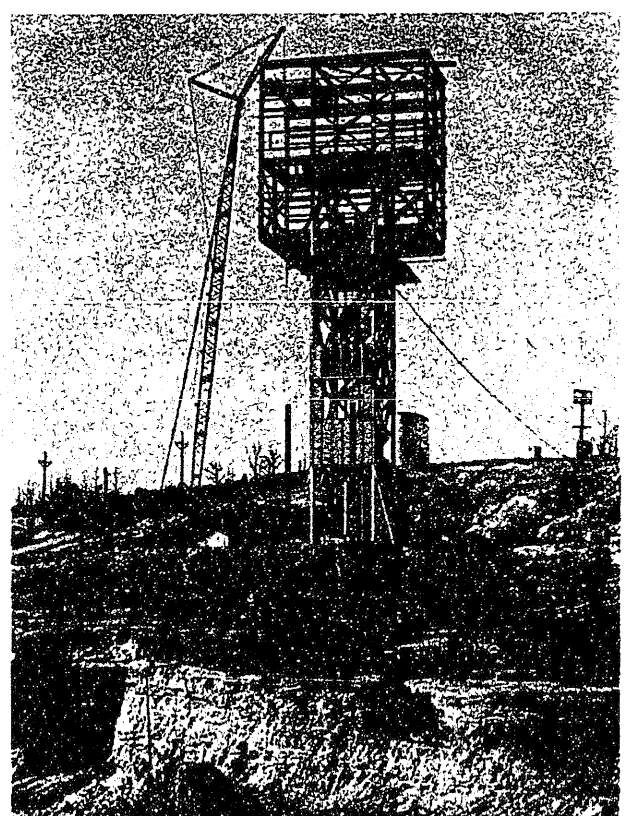
Competition from other materials forces lead and zinc to seek new uses in other fields

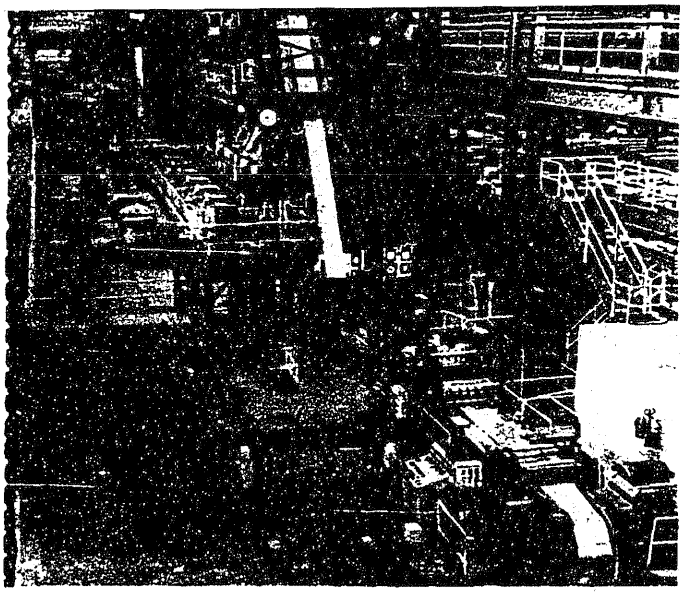
In the nearly 100 years of its corporate history, the St. Joseph Lead Company has regarded itself as solely a producer of primary lead, and, since 1936, of zinc. Our emphasis has constantly been on locating good orebodies and on mining, milling, smelting, and refining ore from them to best advantage.

However, in recent years, our reports to you have mentioned with increasing frequency our efforts to enlarge the usefulness of lead and zinc and to maintain, or increase, our sales of these metals against the competition, not only of other domestic and foreign metal producers, but of other materials, such as aluminum and plastics.

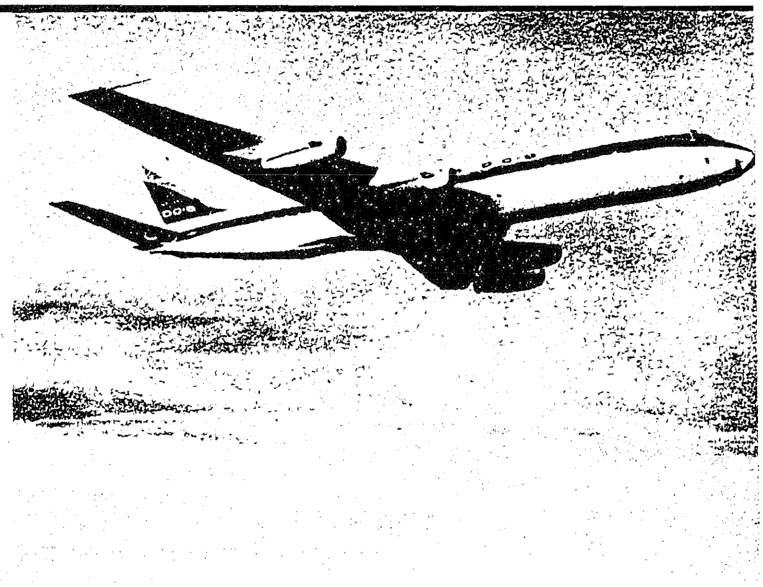
Furthermore, we will face in the future competition from technological developments that may cut deeply into existing markets for lead or zinc. Lead, for example, faces a threat some years hence in the

PENTHOUSE atop headframe of Pea Ridge Shaft No. 2 will enclose one of few tower-mounted friction-type hoists in U.S.A. It offers low first cost, low operating cost, maximum safety





CONTINUOUS STRIP of steel is coated with zinc in galvanizing process made possible by tailor-made zinc alloys St. Joe pioneered. Galvanizing is now industry's brightest prospect



ROAR OF THE JETS is silenced for passengers by a soundproofing envelope of lead-impregnated plastic that encloses cabin. St. Joe is actively seeking other new uses for lead

fuel cell, a source of electric power that would use neither lead-acid batteries nor leaded gasoline.

Obviously, our effort to meet competition must take at least two forms: first, we must continuously and relentlessly strive to keep production costs down and efficiencies high, because our most serious and immediate threat to profitable operation is the low selling prices of our metals. Secondly, we must expand our efforts to find new uses for lead and zinc, to determine what it is our customers need and want, and then provide them with it.

An excellent example in zinc is the great current growth in production of zinc-coated steel from continuous-line galvanizing units, a development first made possible by St. Joe's willingness and ability to provide tailor-made zinc alloys to steel companies.

Another example is a growing need in the construction industry for lead-impregnated plastic, or other bonding material, in sheet form to use as soundproofing. This use is so new that few details can be given, but potentially it offers an opportunity for lead that could be quite as attractive as the use of tailor-made alloys was for zinc. In addition, the construction industry uses large quantities of lead in mats under columns in buildings to dampen vibration.

St. Joe is actively seeking more such opportunities to expand the use of lead and zinc, both on its own and in association with other domestic and foreign lead and zinc producers through the Joint Expanded Research Program of the Lead Industries Association and the Zinc Institute. In the years ahead, you will find lead and zinc turning up in new markets, and you may find St. Joe turning up in new fields, of which iron ore mining at Pea Ridge will be only one.

THE OUTLOOK

The signs are multiplying that competition among metal producers, both domestic and foreign, in United States markets will steadily grow more severe, unless general business activity improves sufficiently to push metal consumption ahead of production, or unless favorable Government action is taken to curb excessive imports of lead and zinc. The immediate outlook is therefore probably one of meeting this tougher competition by continued effort to cut costs, increase efficiency, and through intensified research, to find ways of improving our present operations.

From the long range point of view, the lead-zinc industries are realizing for the first time that it is not enough simply to produce metals and offer them for sale. We must find new uses, and devise aggressive means of locating new markets for our metals and then satisfying them. It is true that a growing population will slowly expand the market for lead and zinc, but the opportunity is there for us to increase our sales at a greater rate than the population growth. It is an opportunity we intend to grasp.

Andrew Fletcher

CHAIRMAN

Francis Cameron

PRESIDENT

PEA RIDGE FROM A PLANE, late in 1960. Railroad enters near top of picture, Shaft No. 1 is at right with offices, shop and warehouse behind it. Shaft No. 2 (main ore hoist) is at left. Production is anticipated about mid-1963