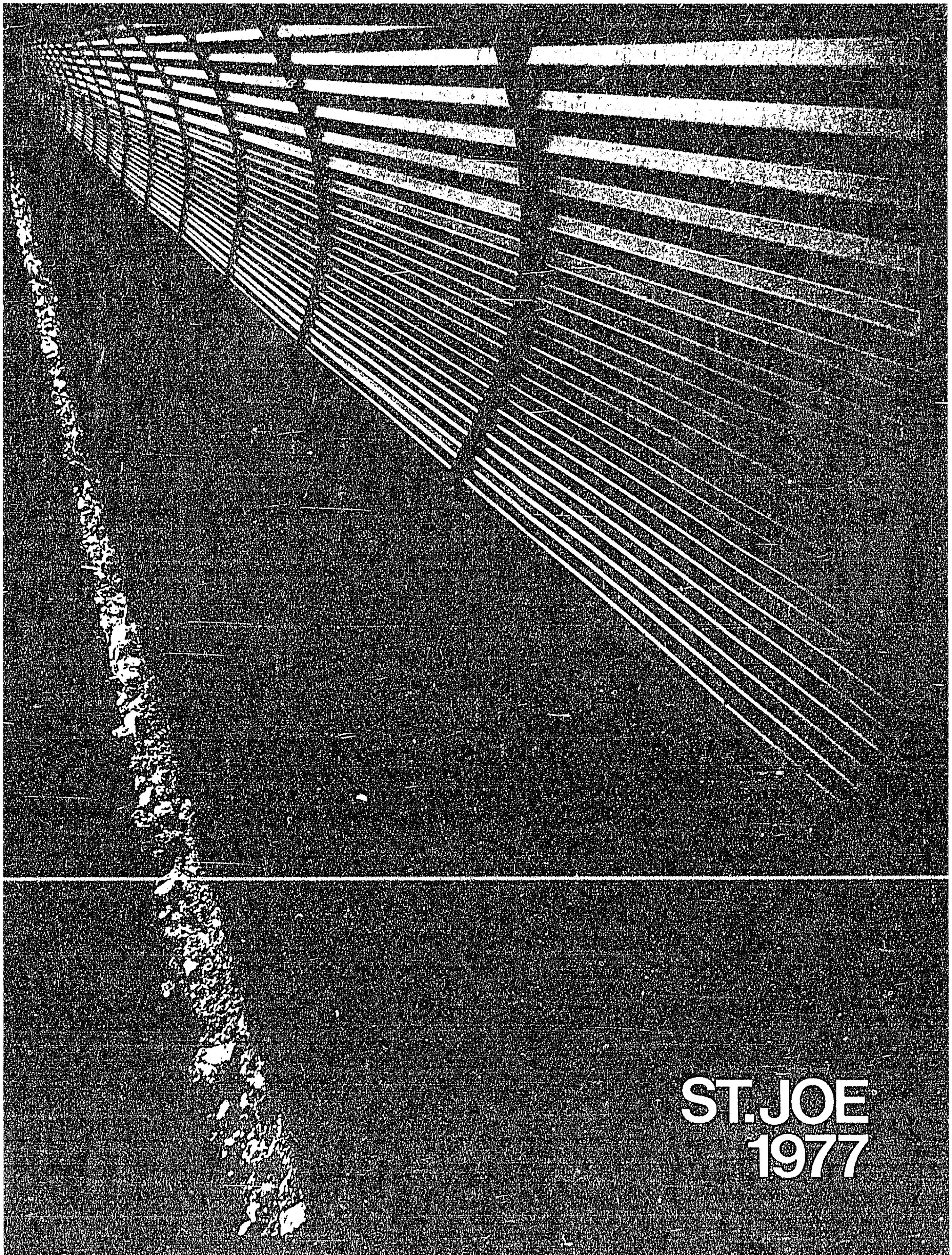

ST. JOE 1977

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ST. JOE MINERALS CORPORATION

On the cover: A conveyor belt at the new Sprouse Creek, West Virginia, preparation plant delivers cleaned coal to the storage silos. The complex is Massey's newest facility.

St. Joe Minerals Corporation is an expanding natural resource and energy company with significant interests in three areas:

Minerals: St. Joe Lead Company operates the largest lead smelter in the United States and has mining facilities in the New Lead Belt in Missouri. St. Joe Zinc Company's zinc smelter is also the largest in the United States and its mines are located in the Balmat-Edwards area of Upper New York State. St. Joe also has an interest in iron ore through its Pea Ridge mine and pelletizing plant in Missouri.

St. Joe's overseas mining properties include lead, zinc and copper complexes in Latin America and Australia plus exploratory and development projects for a variety of other minerals throughout the world.

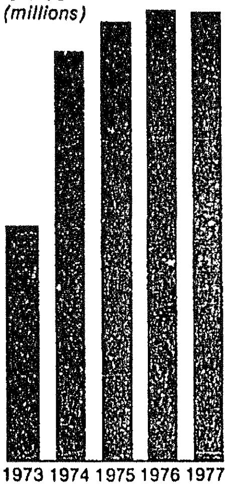
Coal: A.T. Massey Coal Co., Inc. operates 39 coal mines and 13 cleaning plants in 4 states. Massey has, in recent years, expanded its brokered coal business and is currently a large exporter of coal from the United States.

Oil and Gas: St. Joe's oil and natural gas interests are owned and managed by three subsidiaries. St. Joe Petroleum Corporation is St. Joe's principal vehicle for petroleum exploration and development outside the United States and Canada. CanDel Oil Ltd., St. Joe's Canadian oil and gas subsidiary, holds interests in Canada and internationally. Coquina Oil Corporation, acquired in 1977, has combined the management of St. Joe's domestic petroleum operations with its own properties and projects, currently in 8 states.

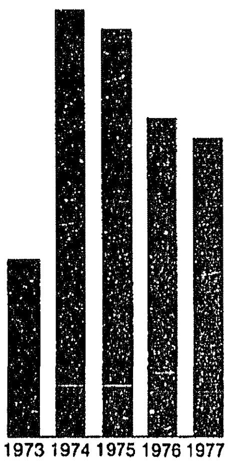
The 1977 St. Joe Annual Report presents the men in charge of running these St. Joe operations. These men have profit responsibility for their companies and will set the pace of their growth. Their comments on current operations, outlooks and philosophy will set the tone for St. Joe's expansion in the future.

FINANCIAL HIGHLIGHTS

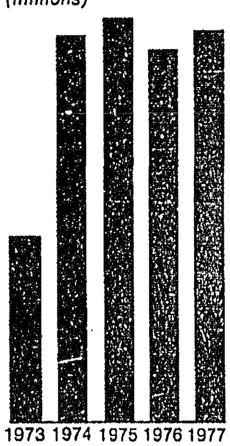
Sales
(millions)



Earnings Per Share



Funds Provided From Operations
(millions)



	1977	1976*	% Change
Net sales	**$791,280,000**	$791,408,000	—
Nonrecurring items	**$ 33,723,000**	—	—
Income taxes	**$ 42,786,000**	$ 39,472,000	+8.4
Net income	**$ 67,757,000**	$ 71,894,000	—5.8
Dividends	**$ 28,687,000**	$ 26,594,000	+7.9
Net income per share	**$3.03**	$3.23	—6.2
Dividends per share	**$1.30**	$1.27½	+2.0
Shares of common stock outstanding December 31	**22,357,520**	22,290,642	+0.3
Number of shareholders	**20,071**	19,851	+1.1
Shareholders' equity	**$469,181,000**	$428,927,000	+9.4
Shareholders' equity per share	**$20.99**	$19.24	+9.1

**1976 is restated for pooling-of-interests.*

TO THE SHAREHOLDERS

During 1977, St. Joe completed the decentralization of its major operations into four profit centers—lead, zinc, coal and oil and gas. In this report a number of St. Joe's top managers discuss, in their own words, their jobs and the challenges and opportunities they see ahead. Below, John C. Duncan, Chairman and Chief Executive Officer, and D. Broward Craig, President, give the overview.

1977 results

Craig: St. Joe's 1977 results, as shown in the financial highlights table, were not as good as those of 1976. Sales were almost identical at $791.3 million, but net income per share dropped 5.8%, despite the inclusion of roughly 81¢ a share from non-recurring items, such as the sale of 80% of a coal property to Austrian interests and the termination of our Meramec iron ore joint venture with Bethlehem Steel.

In the fourth quarter, earnings followed the trend for the year and were down by 24%, or 66¢ per share, compared to 87¢ in the fourth quarter of 1976. Fourth quarter results included 6¢ per share of a non-recurring nature, consisting of gains from termination of the iron ore joint venture with Bethlehem Steel Corporation, offset in part by a write-down of certain Canadian mineral properties. These special items caused the tax rate for the fourth quarter and the year to rise to 46% and 39%, respectively. The coal strike and reduced prices in the zinc industry were the primary factors adversely affecting this quarter.

For the year as well, the big problems were zinc and coal. In the zinc market a combination of slow industrial demand and a flood of imports drove prices down some 6¢ a pound during the year. In coal, it was weather, labor and demand—freeze-ups in the winter, floods in the spring, wildcat strikes in the summer, tne United Mineworkers' strike in December and a tail-off in steelmaking.

Fortunately the lead business, bolstered by strong demand for batteries, ran at record levels. And our oil and gas business, though still relatively small, continues to have good potential.

Reorganization

Duncan: One of the most important events of 1977 was the decentralization of our lead and zinc businesses. Formerly, our mining operations, both lead and zinc, were under one manager and our smelting operations, both lead and zinc, were under another—and the overall profit and loss responsibility didn't really come together until it reached the President's desk. Now we have two separate companies, St. Joe Lead Company, headquartered in St. Louis, and St. Joe Zinc Company, headquartered in Pittsburgh, each headed by an outstanding young man.

A great problem of the mining industry has been the failure to develop profit-and-loss-oriented top management. Now we have presidents for each of our industries. And I expect them to bring in the other young members of their teams, so they, too, will learn to see their business in profit and loss terms.

Following the acquisition of Coquina Oil Corporation of Midland, Texas, last March, we have consolidated our domestic oil and gas operations under Coquina's management.

In a move that strengthens our corporate office, Broward Craig, who had been Executive Vice President, was named President last May and I became Chairman. Given our rate of growth, size and future plans, St. Joe really needs at least two experienced executives with appropriate titles and authority to deal with a widening range of complex business matters.

With the new decentralization, Broward and I have more time to look hard at the long-term direction of the company.

In addition, there's an awful lot of work to do in Washington. We're also more involved with shareholders, with the analysts and with the investment community generally.

At the same time, we still have to be assured that everything is being run well. This involves periodic visits to each operating unit. We must know our people, and make sure that the operations are well-managed. I don't think the top management of a company, at least one our size, can delegate this responsibility.

Financial strength; internal development

Craig: St. Joe's balance sheet is very strong, and that's the main reason we have high bond ratings. Our long-term debt-to-equity ratio is 15% and our total debt-to-equity ratio is 25%. We have a relatively small amount of long-term debt, almost half of which consists of tax-free pollution control revenue bonds. We have significant additional general borrowing power, as well as the ability to do special project financing.

I'm enthusiastic over the fact that we now have some building blocks with which to make significant strides. For example, our coal business can really get much bigger. Our oil and gas base is tiny and has been a little slow blossoming, but it has to be considered a growth area. Our future in metals depends very much on finding and developing new ore bodies through exploration and on developing new or improved products using the metals we produce. In 1978, we will continue the high level of exploration of recent years, looking in the U.S. and in selected overseas areas for such minerals as uranium, copper, gold, lead, zinc, silver and some of the industrial minerals. The successes of recent years, such as the Australian Woodlawn zinc-copper-lead-silver deposit, the Pachon copper deposit in Argentina and the possible El Indio gold-copper-silver ore body in Chile, need to be repeated to make St. Joe an increasingly significant and profitable mining entity.

In product research and development, St. Joe was the leading developer of nonantimonial lead alloy and strip for battery grids, resulting in the maintenance-free lead-acid storage battery. The construction of a commercial lead strip manufacturing plant at our lead smelter is an outgrowth of this development. We are actively involved in expanding zinc markets through and with the aid of our research and development group, including one-sided galvanizing, super-plastic zinc products and the now-operational zinc dust plant.

In addition, our subsidiary, Energy Research Corporation, has developed silver-zinc propulsion battery systems for U.S. Navy underwater vehicles; is working on nickel-zinc batteries for U.S. mobile missile defensive systems and for automobile propulsion; and has various fuel cell production and development contracts relating to use in power plants and total energy systems. Most of ERC's contracts are with agencies of the U.S. government, but the fruits of its research can ultimately have an impact in private industry.

St. Joe strategy

Duncan: As far back as 1970-71, our strategy was to take a narrowly based lead and zinc company and diversify it. Energy was an obvious area. It had a different business cycle than non-ferrous metals. We made our first acquisition in oil in May 1972 and in coal in January of 1974.

Looking ahead, we would like to see St. Joe double in sales and earnings over the next five years.

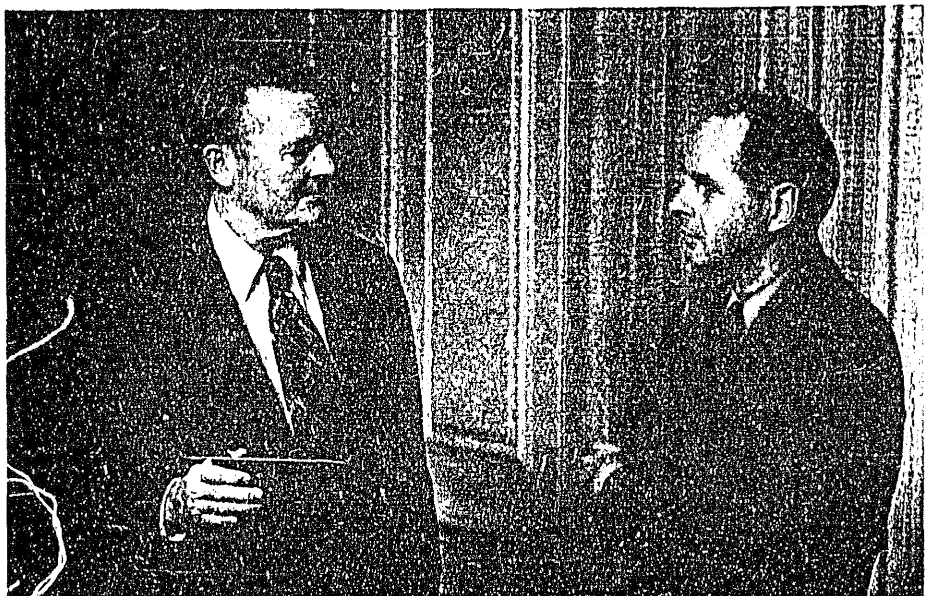
Moreover, we would hope to have additional acquisitions, mergers or joint ventures. Despite current problems, we could conceivably get into the copper business. I hope we will find a way into precious minerals—gold, silver, diamonds. And there's always the possibility that we will make a major change in the direction of the company. We could, for example, get into renewable resources, such as forest products.

Today, the natural resources industry faces innumerable problems which result from attacks by every facet of government: environmental expenditures, potential price controls, possible loss of the depletion allowance, vastly increased paperwork and related expense, etc. It seems as if everything the government does transfers income away from the basic producer and puts it in the hands of the consumer. Companies that are in restaurants or retailing don't have the same regulation problems, don't have the same taxation problems and do have increasingly affluent customers buying from them. In the end, our society still depends on the basic industries to sustain our extraordinary standard of living; the fact is that basic industries are not generating the capital necessary to modernize their plants today.

Capital program

Craig: We spent about $146 million in 1977 and plan to spend $175 million in 1978. The scope of our program is presented on pages 4 and 5. With minor exceptions, the program is on target. The big areas of expenditure for both 1977 and 1978 are coal and petroleum. The domestic metals operations will not require much capital other than for complying with increasingly stringent and elusive environmental control standards; of course, our active work in developing new technology for converting ore to metal may ultimately result in putting new capital into zinc and lead. Overseas, on the other hand, metals development projects are active in Australia, Argentina and Chile.

In 1978 the Woodlawn project in Australia is scheduled to begin production. The $88 million mine-mill facility is a three-way joint venture with Phelps Dodge Corporation and Australian Mining & Smelting Ltd. The highly mineralized deposit is estimated to contain over 10 million tons of ore, averaging 9.1% zinc, 3.5% lead, 1.8% copper and 1.8 ounces of silver per ton.



John C Duncan, Chairman and Chief Executive Officer — D. Broward Craig, President

In 1980 we should start getting significant cash flow from the Buchan oilfield in the North Sea, where St. Joe and CanDel together have a 28% interest. In that year, we should also get the benefit of meaningful production from the Marrowbone coal project in West Virginia.

Dividend policy

Duncan: As I recall, the day I became president in May 1971, the directors cut the dividend. That was because St. Joe followed a typical mining dividend policy—when you make big profits, you pay them out. If you don't make money, you cut the dividend. It was a proper policy for a company that saw itself primarily as a mining company.

But, now we look at St. Joe as a long-term basic resources company. As such we have many uses for our capital. Our approach to dividends is to try to establish a rate that is consistent with what we expect our long-term earning pattern to be. We hope to improve the dividend little by little over the years. We do not, however, expect to pay out a high percentage of our earnings as long as we can continue to find good projects to give us a high return for our shareholders.

Future outlook

The business community is accused by many of displaying a lack of confidence in the future, witness the poor performance in the stock market and the relatively low level of capital spending. We do not share this apparent lack of confidence in the future of the U.S. economy. Therefore, our capital investment program for 1978 will be a record $175 million. This highlights our feeling that the direction the company is following, i.e., developing, principally, additional energy resources and, secondly, nonferrous markets, is the correct one for the shareholders.

In the short run, 1978 could be a difficult year, requiring the company to borrow the capital required to support the expanded investment program. The extended coal strike will not only affect our earnings, but, if it continues, it may affect the ability of our customers to operate their facilities and, in turn, to buy our other products. Also there is no immediate relief in sight for the zinc industry. On the other hand, we expect an excellent year for lead in 1978 and sharply higher earnings from our growing oil and gas business.

John C. Duncan

John C. Duncan
Chairman and Chief Executive Officer

D. Broward Craig

D. Broward Craig
President

February 17, 1978

TIMETABLE OF MAJOR PROJECTS AND DEVELOPMENTS

A pair of charts on page 15 shows how St. Joe has made capital expenditures during the past four years and projects how it will make additional expenditures during the next four years

Included here is a project timetable which summarizes the Corporation's present plans for certain projects over the next four years. It shows the many steps involved in bringing a project from the prospect stage to production. Each succeeding step is based on the

1977

Oil and Gas Coquina Oil Corporation was acquired and assumed U.S. operations of St. Joe Petroleum. Two development wells completed on Greens Creek gas field in Mississippi. One development well completed and one well drilling in South Timbalier field offshore Louisiana. Two development wells and one exploratory well completed offshore Texas. Farm-out arrangement consummated on Kansas acreage; 65-well program initiated. Five development wells completed on Texas North Gin Field; and 10 wells producing. Completion of 4 development wells in Foster Conger Field in Texas and 27 wells producing. Lease acreage up to over 60,000 gross acres.

CanDel participated in drilling 84 wells in Alberta and British Columbia. Farm-in agreement consummated to earn 25% interest in 177,000 acres in Central Alberta.

U.K. Buchan Field development began with template positioned and first of 5 development wells drilling. Exploration drilling on adjacent Block 21/6 begun.

Coal Capacity raised 500,000 tons to 12 million tons. Sprouse Creek plant put into production in September. 80% of Virginia Crews complex sold. Initial production from Sun Coal Company in Colorado. Denver office opens and begins evaluations.

Minerals Exploratory shaft began at Carthage, Tennessee zinc property. 2,000 TPY unit of zinc dust plant at Monaca, Pennsylvania completed.

Continued construction of permanent road to Pachon copper ore body in Argentina. Citicorp and Morgan Guaranty retained to prepare project financing plan. Foreign investment contract signed with Chilean Government for potential investment in El Indio copper/gold/silver property in the Andes. Additions to land position negotiated and preliminary drilling and sampling completed.

Secured exploration concessions for alluvial diamond prospect (Alto Colte) in Brazil and negotiated surface rights; initial bulk sampling accomplished.

Woodlawn mine/mill construction proceeded on schedule and on budget in Australia.

1978

Oil and Gas Development of North Gin Field, Texas and Grassland Field, Wyoming to continue. Coquina to participate in drilling 75 prospects. Three wells to go on production in Greens Creek Field, Mississippi. South Timbalier, offshore Louisiana, goes into production late in year. Development and exploratory programs to continue in Kansas, Gulf of Mexico, Texas, Wyoming and other areas of the U.S.

CanDel to participate in 60 wells in Alberta and British Columbia involving development of existing properties and exploration of deeper basin area of Central Alberta. Waterflood facilities at Cessford expected to be completed in second half of year, with substantial increases in production volumes.

Four development wells to be drilled in Buchan Field plus one satellite well in flank area of field. Contracts awarded for sub-sea completion facility. Exploratory wells completed on Block 21/6. Another well to be drilled on Block 21/2 (St. Joe interest 4.5%) to appraise discovery made on Block in 1975. In Netherlands sector North Sea, gas appraisal drilling on Block P/6 will continue. Exploration drilling planned on Block Q/7 following separate structure gas discovery made in 1973.

Coal 1.2 million tons added to annual capacity, bringing total to 13.2 million tons. Increases stem from Sprouse Creek, Sun Coal and Virginia Crews (20% owned). Marrowbone preparation plant construction commences, with small raw coal production from mines.

Minerals Delineation of reserves at Carthage, Tennessee zinc property scheduled for completion, and if sufficient reserves are found, additional expenditures will be made. Zinc dust plant goes on-stream and capacity is raised to 4,000 TPY by year-end. 30,000 TPY lead strip mill construction begins to meet demand for maintenance-free batteries. Plant located at Herculaneum, Missouri.

Anticipated issuance of mining promotion law in Argentina leads to formal negotiations for investment conditions on Pachon project. Financing plan scheduled to be completed.

El Indio gold property further delineated. Extensive sampling, assaying and bench mill testing to develop data for a feasibility study. Metallurgical research continues on processing of high-arsenic ore. Preliminary exploration continues on northern extension of El Indio.

Extensive bulk-sampling program continues on Alto Colto diamond prospect in Brazil.

Woodlawn scheduled for completion by mid-year, with mining of 3,000 tons of ore per day to produce zinc, copper, silver and lead concentrates. San Juan gold project in California delayed awaiting environmental clearances.

assumptions that exploration and development activities will continue to yield positive results and that there will be no materially adverse change in other matters affecting the viability of the project. Thus, shareholders should keep in mind that the projects described may be modified, delayed, or even terminated as a result of adverse geological or mining results or changes in prices, costs, operating conditions or governmental regulations. Despite this degree of uncertainty, we believe that the inclusion of a step by step description of these projects will give shareholders a greater appreciation of the Corporation's activities and its present plans for these projects.

1979

Oil and Gas Coquina continues exploration and development program in U.S.

CanDel to increase participation in exploratory and development programs in Alberta and British Columbia. Water-flood facilities in production at Cessford. Gas processing facilities should be completed in newly contracted areas.

Development wells to be completed in Buchan Field. Main production installations to be made in August, and field brought onstream late in the year. Appraisal drilling continues on Blocks 21/2, P/6 and Q/7.

Coal Additional 600,000 tons of capacity from Marrowbone, Sun Coal, Tug River and Sprouse Creek, to be added, bringing total capacity to 13.8 million tons per year. Marrowbone preparation plant scheduled for completion mid-year, to have ultimate capacity of 4 million tons per year in mid-1980s.

Minerals If conditions warrant, work on second shaft; surface plants and mill commences at Carthage zinc property.

Zinc dust capacity raised to 6,000 tons per year if demand warrants.

[illegible] 000 TPY lead strip mill at [illegible]

[illegible] engineering and design com- [illegible] continued development work and [illegible] Exploration continues [illegible]

1980

Oil and Gas Coquina continues domestic oil and gas exploration and development program.

CanDel continues to expand Canadian program with production anticipated at Rainbow, Redcliffe and Deep Basin areas of central Alberta.

Buchan Field in full production with St. Joe —CanDel share estimated at 13,400 barrels per day. Development drilling on Blocks 21/2 and P/6 continues. Appraisal drilling continues on Block Q/7.

Coal Plans call for 1.7 million tons of additional production capacity, bringing total annual capacity to 15.5 million tons. Major additions to capacity from expansion of Marrowbone, Omar, Sun Coal, Robinson-Phillips, Sprouse Creek and Tennessee Consolidated Coal. Steam and metallurgical coal balance expected to remain constant at 58%–42%.

Minerals Underground development and surface construction to continue at Carthage zinc project.

Production starts at Herculaneum lead strip mill.

[illegible] pro- [illegible]

[illegible] mine/mill commences at El Indio. Continued exploration and development of northern extension.

1981

Oil and Gas Both Coquina and CanDel continue expanded exploratory and development programs. Buchan Field should achieve full yearly production capability. Development drilling on Block 21/2 continues, with completion expected in 1982. Block P/6 gas development drilling continues. Appraisal drilling continues on Block Q/7.

Coal Coal capacity at Marrowbone is raised 1.1 million tons, bringing total annual capacity to 16.6 million tons. This is an increase of 38% over 1977 capacity levels.

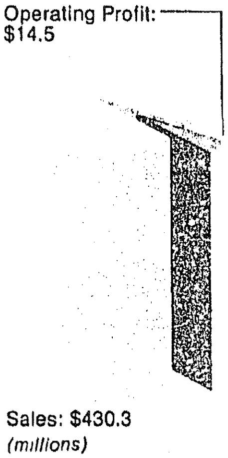
Minerals Completion scheduled for Carthage zinc project with capacity estimated at 50,000-75,000 tons of zinc in concentrates per year.

Completion of engineering design and initiation of construction of Pachon mine/mill/smelter complex.

El Indio mine/mill construction continues with initial production expected by year-end.

COAL IN 1977

Coal is washed at the new Sprouse Creek, West Virginia, preparation plant which came on stream during the third quarter.



E. Morgan Massey, 51, is President of A.T. Massey Coal Company, Inc. He joined the firm in 1948 and has spent the entire period working in all facets of the operation.

The A.T. Massey Coal Company encompasses all of St. Joe's coal activities. Massey is a sales company—its subsidiaries and affiliates mine coal primarily in West Virginia, Kentucky, Tennessee and Colorado. Massey also functions as a sales agent for other producers and is a large exporter from the United States. In 1977, Massey produced 8.9 million tons of coal, compared with 10.5 million tons in 1976. Massey brokered an additional 4.6 million tons in 1977, compared with 5.0 million tons in 1976.

Massey's sales were $430.3 million for the year, compared with $456.0 million in 1976. Operating profit amounted to $14.5 million, down from $44.5 million. In addition $25.7 million of 1977's pre-tax income is the result of selling an 80% interest in the Virginia Crews property to a subsidiary of Voest-Alpine, A.G., an Austrian steel group.

Results were down Production, sales and operating profits were down in 1977, below our projections, for a number of reasons. A freezeup in January and February brought mining operations to a standstill for almost 20 days. Flooding in April closed three mines, resulting in 300,000 tons of lost production that month and 700,000 for the balance of 1977. Summer wildcat strikes in West Virginia lasted a total of 11 weeks. Finally, we were affected by the nationwide coal strike for three weeks in December. One bright spot was the performance of Tennessee Consolidated Coal Company. It had an excellent year, with sales of over 900,000 tons of coal, most of which was sold to Japan under long-term contract.

Higher production anticipated In 1978, despite the United Mine Workers strike, we expect to produce significantly more coal tonnage. Earnings should improve in the steam coal sector because we've negotiated a number of new contracts with electric utilities that have built-in escalation clauses. But the market for metallurgical coal is in bad shape, and we cannot forecast any substantial improvement in profitability for our metallurgical mines.

Forces affecting industry President Carter may want to double coal production, but in the real world we are facing tremendously increased costs from operating restrictions. The predicted growth just hasn't occurred. What has happened is that the productivity of coal mining industry has dropped during the last decade from over 20 tons per man day to about 8½ tons per man day as a result of governmental restrictions and environmental regulation, together with the union's internal strife and resulting wildcat strike syndrome.

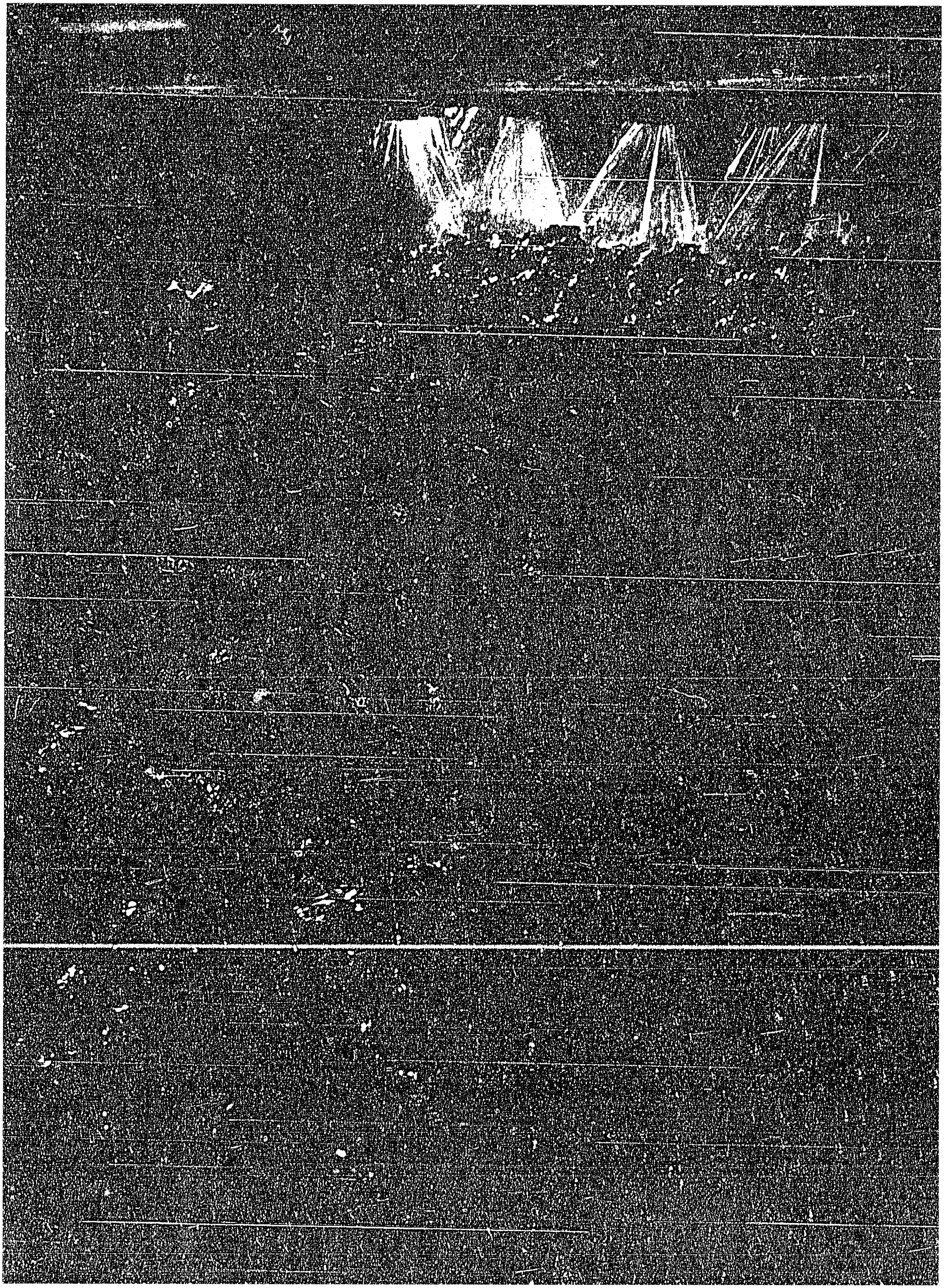
We have contracts that assure our utility customers a permanent supply of steam coal at the lowest possible cost, but, at the same time, provide us with a virtually built-in profit. So, we are not at the mercy of the fluctuations of the spot market. Steam coal accounts for 63% of our output, and all of it is sold under long-term contract.

Careful acquisition program We have been careful to acquire only high-grade metallurgical or steam coal properties. As a result, almost 100% of our acquired properties are backed up with long-term commitments.

Sale of property In 1977, we sold 80% of our Virginia Crews coal property to a subsidiary of Voest-Alpine. The United States has the highest quality metallurgical coal in the world, and many European steel concerns have either acquired or are actively seeking a position here. Voest wanted to acquire not only a coal reserve but also some mining know-how in the United States. Therefore, it retained Massey to operate the mines and sell the coal.

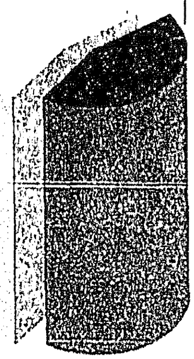
It's possible we can make a similar arrangement with other firms. We prefer to sell coal on contract, but if the customer is determined to own a producing U.S. mine, then we are not adverse to selling equity or joint venturing a portion of our metallurgical reserves.

Export market outlook As for the export market, most of it is metallurgical coal for the steel industry and the 1978 outlook is less than bright. However, to supplement our traditional market areas of Asia and South America, we are looking to a number of countries where there is potential. Currently, we're selling to some 14 different countries.



LEAD AND IRON PELLETS IN 1977

Bubbles formed in a flotation cell at the Viburnum, Missouri, concentrating mill carry lead particles to the surface for recovery.



John A. Wright, 35, is President of St. Joe Lead Company. He was previously Vice President—Sales for the parent corporation and joined St. Joe in 1971 from International Paper Company.

St. Joe Lead Company, presently the nation's largest lead producer, operates five mine and four mill complexes in Southeastern Missouri, and a smelter in Herculaneum, Missouri. St. Joe Lead is also responsible for the Pea Ridge Mine, an iron mine and pelletizing complex in Sullivan, Missouri, which was shut down in December 1977.

In 1977 St. Joe's mines produced 342,573 tons of lead concentrate (316,570 tons in 1976). Lead metal produced in 1977 was 228,780 tons compared to 222,483 tons in 1976. Sales were $147.3 million, up from $115.9 million, because of higher prices, and operating profits rose to $66.0 million from $39.5 million.

Prices benefit During 1977 we benefited from a steady increase in lead prices, from 26¢ per pound to 33¢ per pound. A number of complex variables created this extraordinary demand. The severe winter of 1976-77 used up battery inventories, and throughout 1977 our battery customers were replacing inventories. Also during 1977, lead inventories were reduced due to several work stoppages at other operations, resulting in record low inventories for all lead producers. In the world market, the Soviet Union, Japan and China were unusually active buyers.

Maintenance-free battery success An important contributor to the increased demand for lead is the success of the maintenance-free battery and its requirement for primary lead. This, combined with a cold winter, a good year for automobile sales and increased worldwide demand for lead, produced our best year ever.

Looking ahead to 1978, we see the battery market, which takes nearly 80% of our product, operating at peak levels. We see further growth for the maintenance-free battery. For the 1978 model year, all General Motors' cars will have maintenance-free batteries and we believe that in the next several years all major automobile manufacturers will switch to maintenance-free systems.

St. Joe pioneered the lead-calcium-tin alloy that is predominantly used in maintenance-free batteries. Our further development of precision wrought alloys enables the high speed production of longer-lasting battery grids, replacing the cast grid produced that uses secondary lead. The net effect has been a doubling of our potential share of the battery segment of the lead market.

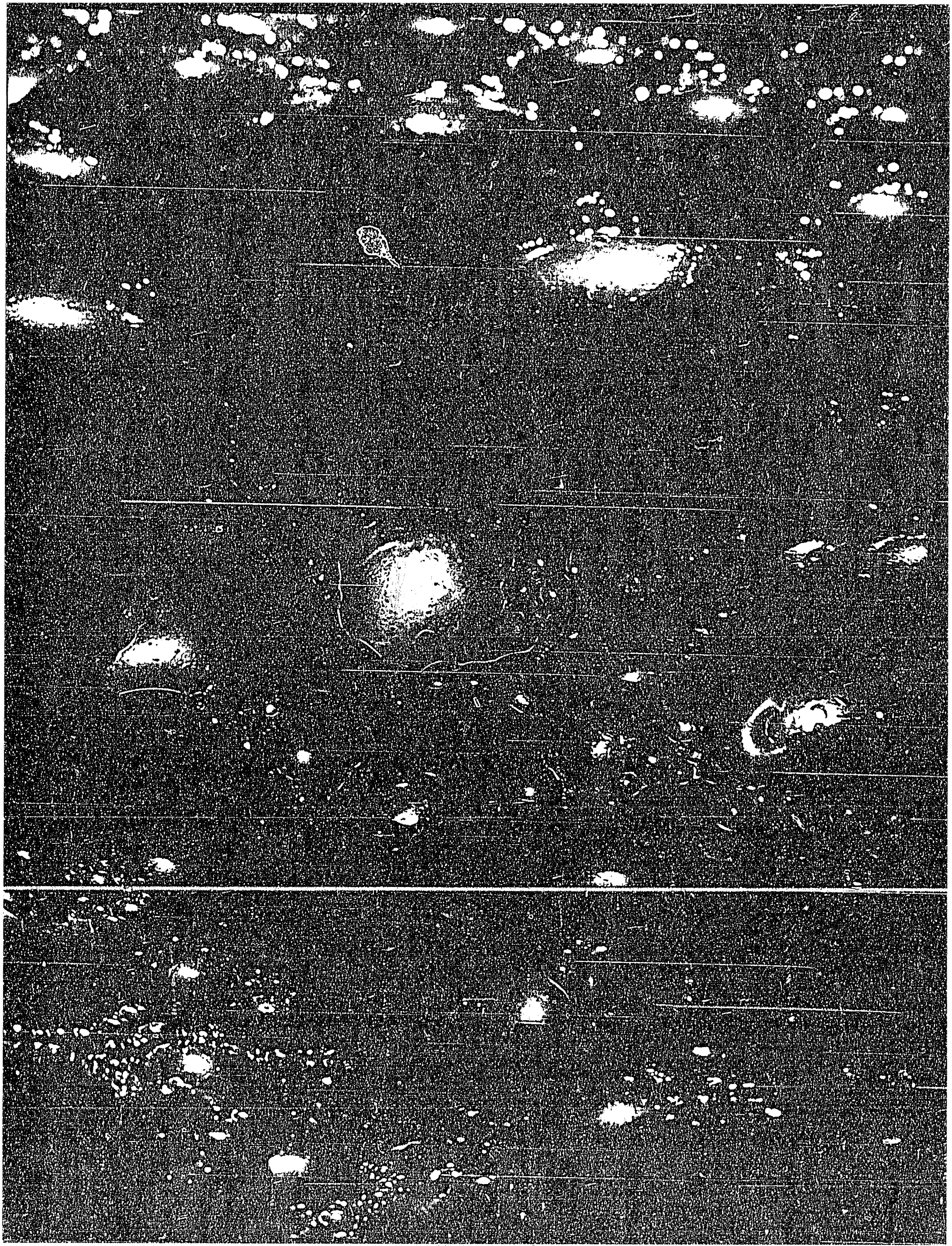
We look forward to supplying a significant portion of the demand for wrought lead alloys and assisting the battery industry in its conversion to the maintenance-free system. As a result, we are planning the construction of a commercial wrought lead strip plant in conjunction with the needs of several customers.

Tetraethyl lead market The tetraethyl lead market has been slowly declining, and in 1977 accounted for about 10% of our sales compared with 17% a few years ago.

Problems and opportunities in 1978 We are proceeding as fast as possible on a new lead smelting process that will be environmentally acceptable and economically sound, but it is going to be expensive. We predict that in the next five years, just to keep even with environmental costs mandated by present legislation will require significant capital investment. As good citizens we intend to make the environment as clean as possible but in line with maintaining a profitable business.

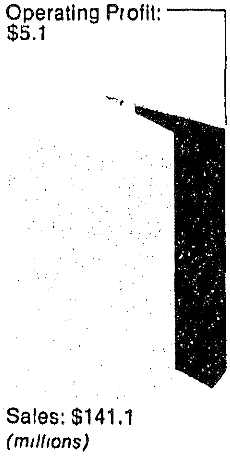
Meramec terminated The Meramec joint venture was terminated at the request of our co-venturer, Bethlehem Steel Corporation. Due to steel import problems and large stockpiles of iron ore pellets, Bethlehem felt it could not utilize the pellets produced at Meramec. Bethlehem assumed all employee and benefit plan liabilities relating to the termination and will pay St. Joe $21.9 million as a termination settlement. The mine, pellet plant and equipment reverted to St. Joe, which assumed the costs of closing down the facility. We are keeping the mine and plant maintained while we determine the next step.

The future Looking at St. Joe Lead Company for the future, our challenges are to find new and diversified markets for lead, solve problems of complying with environmental regulations and continue to find innovative ways to keep costs down. This will require increasing emphasis on research and development.



ZINC IN 1977

Zinc flame from an American Process zinc oxide furnace at the St. Joe smelter in Monaca, Pennsylvania.



James L. Broadhead, 42, is President of St. Joe Zinc Company. He has served as Vice President—Development and Secretary and General Counsel of St. Joe Minerals Corporation.

St. Joe Zinc Company operates the largest zinc mine and largest zinc smelter in the United States. St. Joe's mines, in 1977, produced 166,493 tons of zinc concentrates containing 96,897 tons of metal compared with 161,647 tons of concentrates containing 95,345 tons of metal in 1976. The smelter at Monaca, Pennsylvania took all of the Balmat-Edwards output plus additional purchased feed materials and produced 175,260 tons of various grades of zinc metal and zinc oxide. Zinc sales totaled $141.1 million in 1977 ($158.4 million in 1976). Operating profit was $5.1 million ($15.9 million in 1976).

Industry problems The domestic zinc industry has serious problems; shipments of U.S. producers have fallen more than 30% since 1973 even though consumption is nearly twice domestic capacity. The primary cause of these excessively low operating levels has been a flood of foreign-produced zinc.

In recent years, the U.S. economy has been stronger than most foreign economies and, as a consequence, foreign zinc producers have shipped their excess metal supplies to our marketplace without regard to normal supply/demand relationships. In effect, they are exporting their unemployment here. These foreign producers have virtually unrestricted access to the U.S. market, while American producers confront restrictions on their exports and investments abroad. Some foreign producers also enjoy subsidies, special tax arrangements and other forms of governmental assistance that are not available to American zinc producers.

The problems faced by U.S producers have been intensified by a decline in U.S. consumption attributable, in part, to a decrease in die-cast zinc automotive parts, low levels of industrial construction, more efficient galvanizing processes and inroads by competing materials. The average 1978 domestic passenger vehicle, for example, uses about 20 pounds less zinc than its 1973 counterpart.

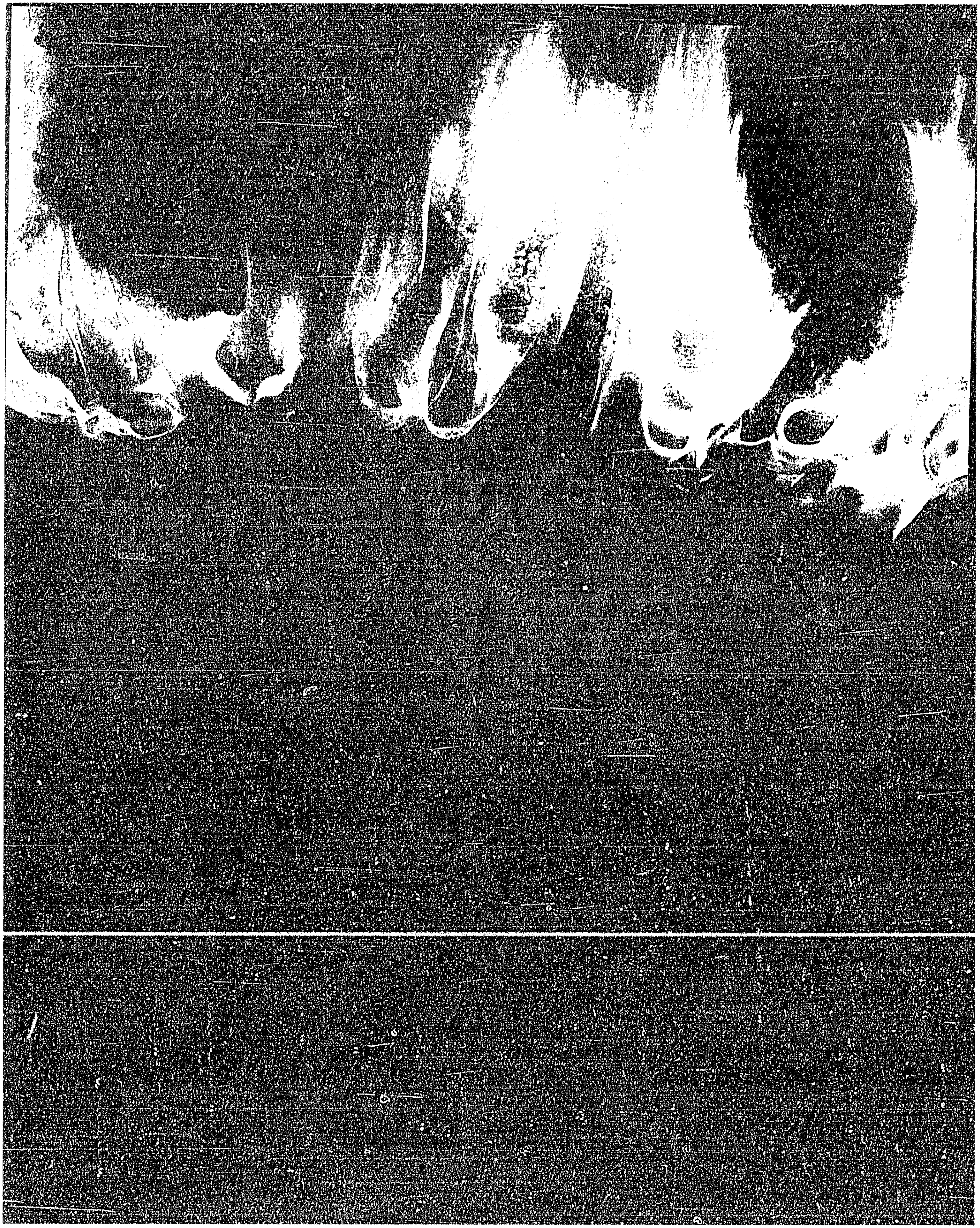
Result of problems The net effect of these conditions has been to reduce sales volume, prices and profits for all domestic producers. St. Joe is especially affected because it is not a low cost producer. Our smelter was built almost 50 years ago and employs a labor-and energy-intensive process. Our current price of 30½¢ per pound of Prime Western zinc is the lowest it has been since 1973 and, without a higher price, the Zinc Company will almost certainly be unprofitable in 1978. Because of these adverse business conditions, we were forced in early March to schedule a substantial reduction in staff and operating personnel.

St. Joe's advantages More than any other zinc producer, we are well-respected for our customer-oriented approach. St. Joe is a reliable producer of high quality products to which we add a multiple of extra services. In addition, our zinc metal product mix is oriented towards galvanizing, which is the largest potential area for increased zinc usage.

A comprehensive plan My major objective this year is to analyze thoroughly the industry and our role in it and to formulate a comprehensive plan of action to maximize the return on the invested capital of St. Joe. For that purpose I am giving my staff the opportunity to take responsibility and to exercise judgment. This approach encourages new ideas and motivates people.

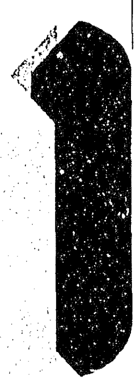
Action taken We have taken steps to improve our situation: an overall planning group has been formed to evaluate problems and opportunities; the management structure of the smelter has been changed and a study group formed to devise methods of improving the facilities; a marketing department has been created to inform architects, engineers and designers that galvanized steel offers superior corrosion resistance at the lowest cost over the total expected life of a project; and, working through the Lead-Zinc Producers Committee, St. Joe has participated in instituting an action under the 1974 Trade Act seeking relief from excessive foreign imports.

Future aims This is not a healthy industry at present, and we have our share of its problems. We assure you, however, that we are addressing our best efforts to their solution with a view to returning zinc to its former status as a profitable and important part of St. Joe.



OIL AND GAS IN 1977

Exploring for oil from a platform in the Gulf of Mexico offshore Texas.



L. Chase Ritts, Jr., 57, is President of St. Joe Petroleum Corporation. Prior to joining St. Joe in 1972, Mr. Ritts, with twenty-five years in the oil and gas industry, had been president of subsidiaries of Standard Oil of Indiana and Union Carbide Corporation.

Pomeroy Smith, 54, is Chairman and Chief Executive Officer of Coquina Oil Corporation. He was a founder of the company in 1969 and has 24 years of experience in the industry.

Smiley Raborn, 62, is Chairman and Chief Executive Officer of CanDel Oil Ltd. He has been with CanDel since its inception in 1950, and involved in the oil industry since 1932.

St. Joe's oil and gas business consists of St. Joe Petroleum Corporation, operating internationally; CanDel Oil Ltd., a 94.4% owned Canadian subsidiary; and Coquina Oil Corporation of Midland, Texas, which was acquired in March 1977.

During 1977 these subsidiaries together produced from the U.S. and Canada an average of 5,412 barrels of oil per day and 78,516,000 cubic feet of gas per day, and had total oil and gas sales of $42.2 million, up from $38.3 million in 1976.

Total funds provided from operations of the group increased to $28.7 million in 1977 from $23.7 million in 1976, resulting mostly from increased oil and gas prices as production volumes remained about the same.

However, operating profits for the group declined from $15.7 million in 1976 to $11.1 million in 1977. Although CanDel had a good year in 1977 with increased revenues and operating profits as well as reserve additions that offset production, recent year-end engineering studies reduced reserves significantly on St. Joe's properties transferred to Coquina. This, in addition to Coquina's increased administrative costs relating to its move out of drilling fund programs, resulted in charges against income that depressed the over-all group's operating profit for 1977.

Mr. Ritts

Outlook good Although the group's 1977 financial results did not meet expectations, the next several years are anticipated to be increasingly profitable. Production increases in the U.S. and Canada are projected from a number of properties that have development potential, from new reserve discoveries, and from the North Sea, beginning late in 1979.

Reserves As a result of the downward reserve adjustments and production during the year, the group's 1977 North American oil and gas reserves stand at 18,328,709 barrels of oil and 400,771,520 mcf of gas as compared with 1976 reserves of 19,342,977 barrels of oil; 446,879,812 mcf of gas.

Coquina merger With the Coquina merger in March 1977, St. Joe's oil and gas activities have achieved increased organizational strength to capitalize on opportunities in the U.S.

As a result, the group's capital expenditures for 1978 are projected at $74 million, up from $48 million in 1977. This provides for a strong exploration effort in Canada, for Coquina's plans to evaluate and develop numerous prospects in the key U.S. producing areas, and for a portion of development funds to bring our North Sea Buchan Field on production.

North Sea involvement Our major stake in the international area is in the U.K. sector of the North Sea, a high-cost, difficult operating area, but also an area with large fields, high production volumes and potentially attractive profits.

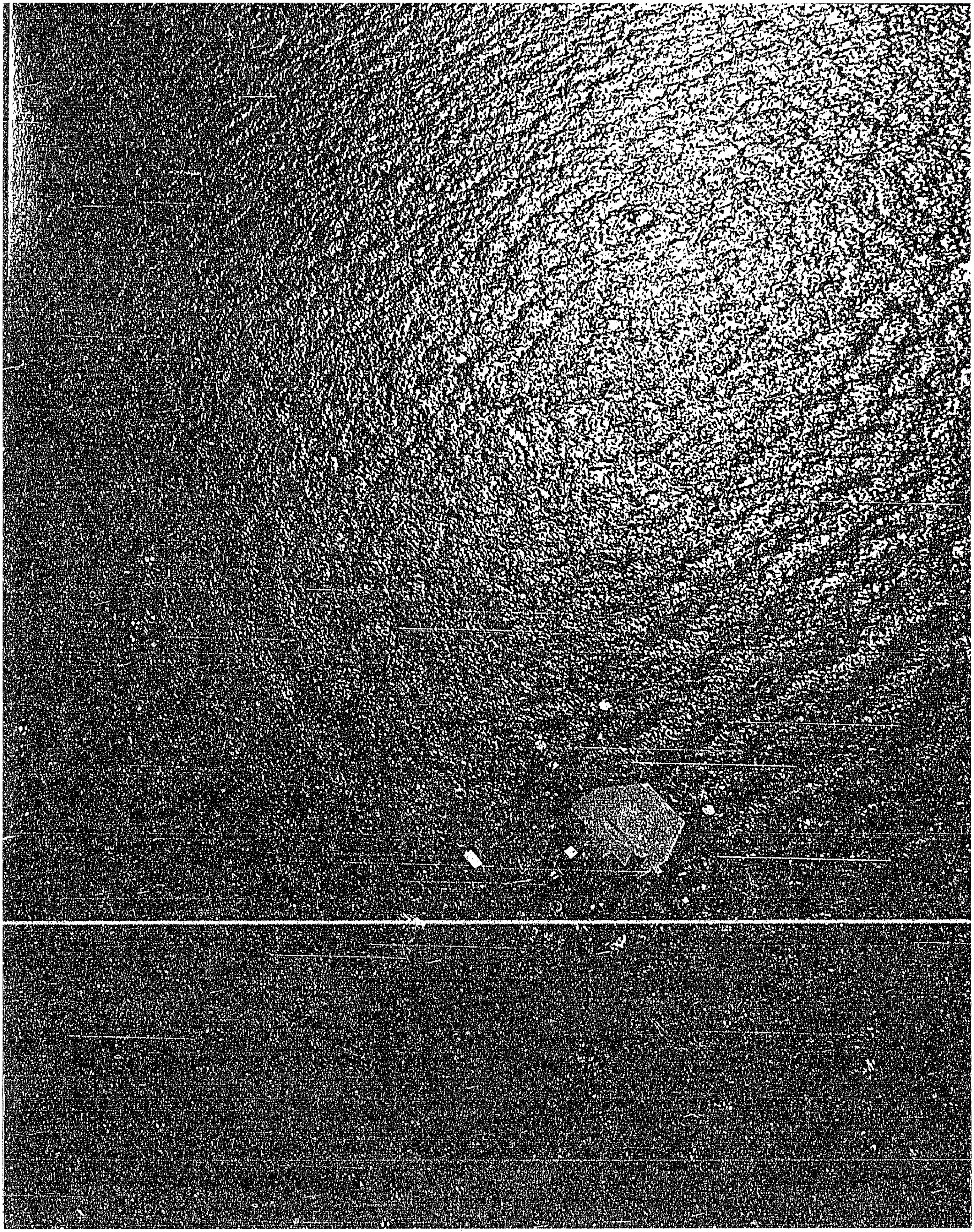
St. Joe and CanDel each have a 14% interest in the Buchan Field, discovered by our Transworld group in 1974. Last spring, British Petroleum acquired a 54% interest in the venture and has taken over management of the project. During 1977 work began on the subsea production facility, the second such installation in the North Sea. The first development well drilled through a sea floor template has been completed and successfully tested. When the field is in full production in 1980, St. Joe and CanDel should receive about $30 million of cash flow during the first full year.

In the adjoining block to the east, where St. Joe has a 4.5% working interest, appraisal drilling continues to delineate an oil discovery that could have commercial potential similar to the Buchan Field.

Other active areas In the Dutch sector of the North Sea, previous gas discoveries should generate revenues in 1980-82.

Mr. Smith

1977 as transition year 1977 was a year of transition for Coquina as we joined St. Joe and assumed the operation of St. Joe Petroleum (U.S.) Corporation's domestic properties. These include



OIL AND GAS (continued)

175 wells and more than 250,000 acres of oil and gas leases. Also in 1977, we decided to discontinue the public exploration programs through which Coquina had been operating. The transition into St. Joe has gone smoothly and Coquina's staff is happy to be part of this diversified and aggressive company.

Concentration of efforts Coquina's management has decided to concentrate its efforts on developing high quality drilling prospects and accumulating acreage. Coquina's acreage inventory at the end of 1977 included about 85 prospects in 11 states, with over 600,000 acres.

1978 expectations up Although our drilling activity was at a low level in 1977, we expect a substantial increase in exploration in 1978. Coquina's staff of over 100 includes 13 geologists and geophysicists who cover most of the major exploration provinces in the domestic United States.

Mr. Raborn

1977 record for CanDel Record results were achieved for CanDel in 1977, largely through improved well-head prices. Production was similar to 1976, but 1978 should prove to be an excellent year. We have 115 employees here in Canada, including over 45 with technical expertise in oil and gas.

Successful drilling ratio CanDel's drilling success ratio was excellent and additions to proven reserves again exceeded production on a barrel equivalent basis. We participated in the drilling of 84 wells in Alberta and British Columbia. Capital expenditures are projected at record levels for the coming year and all programs will continue to accelerate. Included in our exploration plans is a major search for natural gas in the promising deep basin area of Alberta, through a farm-in agreement to earn a 25% interest in 177,000 acres.

Canadian oil problems The problems that beleaguered the Canadian oil industry in 1974 resulting from confrontation between the Federal and Provincial governments over control of natural resources have abated. Some questions remain pertaining to markets for production, but we believe they will be answered soon. The business climate for the oil industry is reasonably stable here in Canada and CanDel should continue to prosper.

LATIN AMERICA IN 1977

Leroy K. Wheelock, 52, is Vice President in charge of Latin American operations and investments. He joined St. Joe in 1965 after being with Engineers Joint Council and C. Tennant Sons & Co.

St. Joe's subsidiaries conduct extensive exploration, development and production activities in Argentina, Chile, Peru and Brazil. Expenditures for worldwide metals exploration in 1977 came to $10.8 million, compared with $8.7 million in 1976.

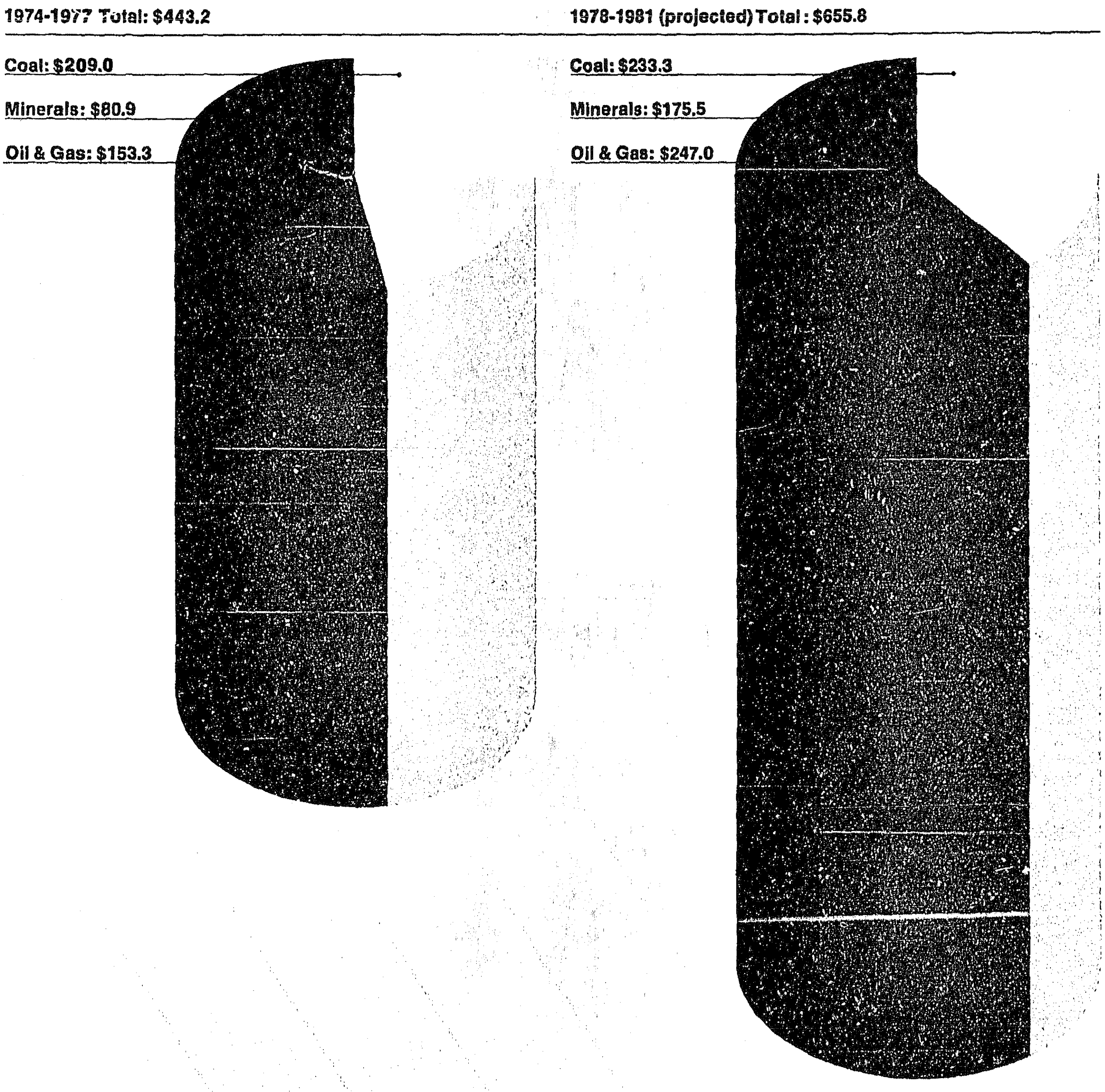
In 1977 St. Joe received $4.3 million from Latin American operations. St. Joe's Argentine subsidiary, Compania Minera Aguilar, S.A., produced 46,707 tons of lead/silver concentrates and 85,723 of zinc concentrates (46,582 and 89,287 respectively, in 1976). In Peru, our subsidiary, Compania Minerales Santander, Inc., produced the following tons of concentrates: zinc, 37,481; lead, 2,056; copper, 1,999 (comparable 1976 data was 44,089, 3,159, 2,008).

Opportunities in Latin America There are substantial opportunities for natural resource development in Latin America, and in recent years there has been a shift toward more favorable acceptance of foreign source investments. Various countries have established reasonable rules for such investments, particularly Argentina and Chile, where we now have interesting potential projects. Brazil also offers a favorable climate.

Aguilar outlook good Compania Minera Aguilar operates the largest non-ferrous metal mine in Argentina. With gradual improvement in the Argentine economic and political climate since the change in government in 1976, the operations and financial results of Aguilar have also improved, following a period of regulatory controls and runaway inflation. Despite the current depressed zinc market, we anticipate continued satisfactory earnings for 1978.

Santander results not improved Results from Compania Minerales Santander have been much less satisfactory in recent years. Although the present Peruvian administration has been revising some of the past policies which discouraged investment, obstacles remain to a favorable climate. Peru's grave financial crisis has made foreign exchange unavailable. Mine production has been below capacity for the past two years but improvement is expected in 1978. These conditions, coupled with depressed world zinc prices, will probably not enable Santander to be profitable in 1978.

CAPITAL EXPENDITURES
(millions)



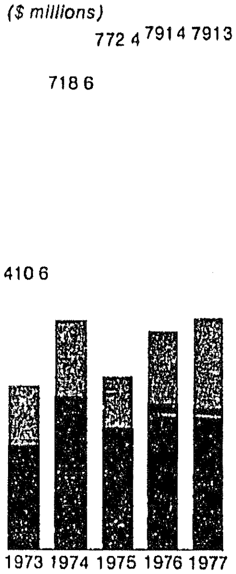
For the years ended December 31, 1977 and 1976	1977	1977 vs 1976 Increase (Decrease)	1976*	1976 vs 1975 Increase (Decrease)	1975*†	1974*†	1973*†
	(In thousands except per share data)						
Net Sales	**$791,280**	$ (128)	$791,408	$ 19,042	$772,366	$718,592	$410,582
Costs and Expenses:							
Cost of sales	**619,150**	4,991	614,159	40,589	573,570	520,245	321,201
Depletion, depreciation and amortization	**53,610**	9,746	43,864	8,411	35,453	27,527	19,246
Administrative and selling	**28,712**	5,897	22,815	3,266	19,549	16,201	11,381
Exploration	**12,922**	7,053	5,869	2,133	3,736	2,320	2,336
Research	**3,580**	531	3,049	(231)	3,280	3,149	1,954
Interest	**7,506**	814	6,692	1,984	4,708	5,236	4,028
Amortization of goodwill	**1,510**	(42)	1,552	50	1,502	1,599	1,039
Total Costs and Expenses	**726,990**	28,990	698,000	56,202	641,798	576,277	361,185
Income From Operations	**64,290**	(29,118)	93,408	(37,160)	130,568	142,315	49,397
Other Income:							
Dividends from unconsolidated subsidiaries	**4,349**	(3,603)	7,952	5,952	2,000	—	4,697
Interest, royalties, etc.	**8,181**	(1,825)	10,006	(225)	10,231	7,585	5,483
Income Before Nonrecurring Items	**76,820**	(34,546)	111,366	(31,433)	142,799	149,900	59,577
Nonrecurring Items	**33,723**	33,723	—	(6,504)	6,504	—	—
Income Before Income Taxes	**110,543**	(823)	111,366	(37,937)	149,303	149,900	59,577
Income Taxes	**42,786**	3,314	39,472	(17,994)	57,466	53,913	20,387
Net Income	**$ 67,757**	$ (4,137)	$ 71,894	$ (19,943)	$ 91,837	$ 95,987	$ 39,190
Per Share of Common Stock:							
Net income	**$3.03**		$3.23		$4.14	$4.33	$1.79
Cash dividends	**$1.30**		$1.27½		$1.17½	$ .97½	$ .76¼
Average Number of Shares of Common Stock Outstanding	**22,332**		22,257		22,184	22,152	21,860

Income Taxes:
A reconciliation between the statutory Federal income tax rate of 48% and the Corporation's income taxes follows:

	1977	1976	1975	1974	1973
48% of income before income taxes	**$ 53,061**	$ 53,456	$ 71,665	$ 71,951	$ 28,596
Statutory depletion	**(13,932)**	(16,848)	(17,175)	(16,805)	(6,029)
Investment tax credits	**(7,090)**	(3,819)	(2,953)	(2,117)	(1,969)
DISC	**—**	3,456	(622)	(1,798)	(577)
State income taxes	**3,154**	3,089	2,867	1,453	545
Capital gains	**(4,802)**	(393)	(403)	(329)	(172)
Minimum tax	**3,921**	1,607	308	128	493
Foreign operation losses where benefits cannot be currently utilized	**4,158**	682	270	366	107
Other—net	**4,316**	(1,758)	3,509	1,064	(607)
Income taxes	**$ 42,786**	$ 39,472	$ 57,466	$ 53,913	$ 20,387
Effective income tax rate	**39%**	35%	38%	36%	34%

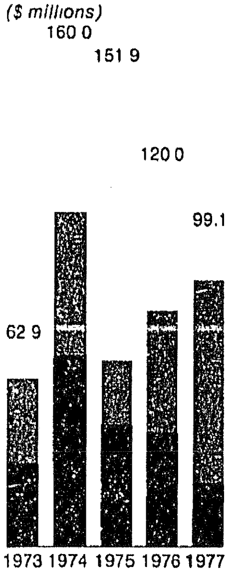
†The comparative income statement data for the years 1973 through 1975 are not covered by Auditors' Opinion.
**Restated for pooling-of-interests.*
Pages 19, 21 and 23 to 30 are an integral part of these financial statements.

Net Sales—Product Line
($ millions)



Coal ■ Oil & Gas
■ Lead ■ Iron Pellets
■ Zinc ■ Other

Operating Profit—Product Line
($ millions)



Sales

Sales of $791.3 million during 1977 were almost identical to the 1976 level of $791.4 million. Coal sales declined 5.6% (from $456.0 million to $430.3 million) as a result of lower volume. Metals sales increased 7.3% (from $297.1 million to $318.8 million), because of higher lead prices and improved iron pellets volume. This was partially offset by lower prices for zinc and zinc oxide. Oil and gas sales increased by $3.9 million or 10.2% over 1976.

Sales in 1976 increased 2.5% over the 1975 level. Coal sales declined 9.9% (from $506.1 million to $456.0 million) as a result of lower prices. Metals sales increased 25.1% (from $237.5 million to $297.1 million) due to improved lead and zinc volumes and higher lead prices. This was partially offset by lower zinc prices and lower iron pellets volume. Oil and gas sales increased by $9.6 million or 33.2% over 1975.

Costs and Expenses

Cost of sales in 1977 increased slightly over the 1976 level. Unit cost increases occurred in all metals products, as well as in coal because of inflation and, in the case of coal and zinc, lower sales volume.

Cost of sales in 1976 increased by 7.1% over the 1975 level. While unit costs of sales of lead and zinc decreased as a result of improved volume, the greater volume itself caused total cost of sales to increase. Unit production costs for coal increased because of inflation but were offset by lower purchased coal costs.

Depletion, depreciation and amortization have increased in the 1975 to 1977 period, as capital spending has increased. Capital spending has been concentrated in the areas of expanding and modernizing coal operations and in oil and gas exploration and development.

The increase in administrative and selling expense is due to inflation and the increased scope and complexity of the Corporation's operations.

Exploration expense increases reflect both the Corporation's expanded mineral exploration program and the fact that the Corporation does not capitalize such costs but, rather, expenses them as incurred.

Interest expense has increased in the 1975 to 1977 period principally as a result of higher levels of borrowings. Average short-term borrowings have increased from $11.5 million in 1975 to $43.0 million in 1977, and long-term borrowings have increased from $51.9 million at the end of 1975 to $71.1 million at the end of 1977.

Other Income

Dividends from the Corporation's unconsolidated Argentine subsidiaries were $4.3 million and $3.8 million in 1977 and 1976, respectively. These dividends reflect continued profitability by such subsidiaries. No dividends were received from the Corporation's Peruvian subsidiary in 1977, due to unprofitable operations and currency exchange restrictions. Dividends from this subsidiary were $4.2 million and $2.0 million in 1976 and 1975, respectively.

Nonrecurring Items

Nonrecurring items in 1977 include pre-tax gains aggregating $33.7 million, resulting from the sale of an 80% interest in three coal subsidiaries, the termination of the Meramec joint venture operation and a write-down of certain Canadian mineral properties. Nonrecurring items in 1975 consisted principally of the sale by CanDel of its Athabasca tar sands and Saskatchewan properties.

STATEMENTS OF CONSOLIDATED FINANCIAL POSITION

December 31, 1977 and 1976	**1977** (In thousands)	1976*
Current Assets:		
Cash and marketable securities	**$ 31,148**	$ 46,138
Trade accounts receivable	**86,299**	91,971
Inventories	**87,527**	82,018
Prepaid expenses and other current assets	**45,444**	19,169
Total current assets	**250,418**	239,296
Current Liabilities:		
Notes payable	**40,410**	32,644
Long-term debt—current portion	**5,947**	9,025
Accounts payable and accrued liabilities	**83,949**	86,975
Income taxes	**33,677**	16,831
Total current liabilities	**163,983**	145,475
Working Capital	**86,435**	93,821
Noncurrent Assets:		
Investments	**7,251**	4,878
Property—net	**481,546**	412,344
Goodwill	**25,680**	27,190
Deferred charges and other assets	**15,177**	19,701
Total noncurrent assets	**529,654**	464,113
Total Assets Less Current Liabilities	**616,089**	557,934
Noncurrent Liabilities:		
Long-term debt—less current portion	**71,090**	60,519
Deferred income taxes	**56,365**	51,718
Liability for employee benefits	**8,550**	6,235
Minority interest	**10,903**	10,535
Total noncurrent liabilities	**146,908**	129,007
Excess of Assets Over Liabilities	**$469,181**	$428,927

Shareholders' Equity:

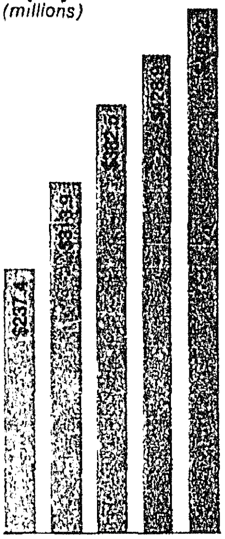
Preferred stock, par value $50 per share; authorized, 1977—2,000,000 shares; 1976—1,000,000 shares; none issued

Common stock, par value, 1977—$1 per share; 1976—$10 per share:

	Shares **1977**	Shares 1976	**1977**	1976*
Authorized	**60,000,000**	25,000,000		
Issued	**23,250,214**	23,250,214	**$ 23,250**	$232,502
In Treasury—at cost	**892,694**	959,572	**(9,887)**	(10,628)
Outstanding	**22,357,520**	22,290,642		
Other capital			**209,641**	—
Retained earnings			**246,177**	207,053
Total Shareholders' Equity			**$469,181**	$428,927

**Restated for pooling-of-interests.*
Pages 19, 21 and 23 to 30 are an integral part of these financial statements.

Shareholders' Equity
(millions)



Marketable Securities

Marketable securities are stated at cost which approximates market.

Inventories

Inventories, which are stated at the lower of cost (principally the last-in, first-out "LIFO" method) or market, comprise the following:

	1977	1976
	(In thousands)	
Finished metals	**$ 24,082**	$ 26,591
Coal	**8,710**	7,838
Metals in process and concentrates	**19,553**	14,809
Raw materials and supplies	**35,182**	32,780
Total	**$ 87,527**	$ 82,018

The current cost of LIFO inventories at December 31, 1977 and 1976 exceeds the related LIFO values by $26,169,000 and $33,830,000, respectively.

Property

Property (at cost) comprises the following:

	1977	1976
	(In thousands)	
Mining properties and mineral rights	**$ 9,246**	$ 13,526
Mine development	**40,956**	30,135
Oil and gas properties, including exploration and development thereon	**214,361**	171,682
Land, buildings, plant and equipment	**500,661**	447,793
Total	**765,224**	663,136
Less accumulated depletion, depreciation and amortization	**(283,678)**	(250,792)
Property—net	**$481,546**	$412,344

Foreign Operations

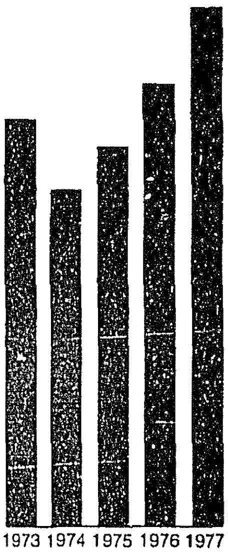
The Corporation's subsidiaries operating in Argentina (Compania Minera Aguilar, S.A.) and Peru (Compania Minerales Santander, Inc.) are carried in investments at cost or less, and are excluded from the consolidated financial statements primarily because of unsettled economic conditions and currency exchange restrictions. Dividends from such subsidiaries are recognized in income as they are remitted to the Corporation.

STATEMENTS OF CHANGES IN CONSOLIDATED FINANCIAL POSITION

For the years ended December 31, 1977 and 1976	**1977**	1976*
	(In thousands)	
Funds Provided:		
Operations:		
Net income	**$ 67,757**	$ 71,894
Add (deduct) items not requiring (providing) working capital:		
Depletion, depreciation and amortization	**53,610**	43,864
Deferred income taxes	**4,647**	8,077
Writedown of properties	**9,633**	—
Cancellation of debt	**(5,667)**	—
Exploration projects abandoned	**2,128**	795
Amortization of goodwill	**1,510**	1,552
Other	**2,683**	2,256
Total From Operations	**136,301**	128,438
Disposals of property (excluding gains of $37,723,000 in 1977)	**15,376**	4,702
Proceeds from long-term debt	**23,234**	29,454
Proceeds from stock options exercised	**1,184**	1,117
Total Funds Provided	**176,095**	163,711
Funds Applied:		
Cash dividends	**28,687**	26,594
Additions to property	**146,104**	107,904
Property of companies acquired	**—**	7,827
Reduction of long-term debt	**6,996**	20,834
Other—net	**1,694**	7,249
Total Funds Applied	**183,481**	170,408
Decrease in Working Capital †	**$ (7,386)**	$ (6,697)
Analysis of Decrease in Working Capital:		
Cash and marketable securities	**$ (14,990)**	$ (58)
Trade accounts receivable	**(5,672)**	3,097
Inventories	**5,509**	5,621
Prepaid expenses and other current assets	**26,275**	4,752
Notes payable	**(7,766)**	(19,054)
Long-term debt—current portion	**3,078**	(1,273)
Accounts payable and accrued liabilities	**3,026**	(7,980)
Income taxes	**(16,846)**	8,198
Decrease in Working Capital	**$ (7,386)**	$ (6,697)

†The net assets of companies acquired in 1976 included a working capital deficit of $6,682,000.
**Restated for pooling-of-interests.*
Pages 19, 21 and 23 to 30 are an integral part of these financial statements.

Long-term Debt
(millions)



Long-Term Debt

Long-term debt at December 31, 1977 and 1976 was as follows:

	1977	1976
	(In thousands)	
Pollution control financing (a)	**$34,059**	$28,798
$20,000,000 Eurodollar credit and guaranty agreement payable in ten equal semiannual installments from January 1981 through July 1985 at 1% above the London Interbank Offered Rate ("LIBO") (7½% at December 31, 1977) (b)	**1,500**	—
$10,000,000 Eurodollar credit and guaranty agreement payable in ten equal semiannual installments from February 1981 through August 1985 at 1% above LIBO (b)	**900**	—
$10,000,000 loan agreement payable in ten equal semiannual installments from December 1979 through June 1984 at 8% to June 1982, thereafter at 128% of prime rate(b)	**6,900**	—
$15,000,000 loan agreement payable in monthly installments (subject to certain minimum and maximum amounts) from October 1978 through September 1982 from 72% of the proceeds of Coquina's oil and gas sales at prime rate to September 1978, thereafter ½% above prime rate (7¾% at December 31, 1977), not to exceed 11% (b)	**15,000**	15,000
Note payable to bank at ½% above prime rate payable through 1982	**4,294**	—
4½% notes payable, due 1984 (cancelled in 1977)	—	6,667
6% to 8% notes payable through 1980 to former stockholders of acquired companies	**1,900**	5,946
8% to 8½% notes payable through 1979	**2,691**	5,143
8½% mortgage note payable through 1983	**2,007**	2,513
Notes payable to banks (various rates and maturities)	**5,096**	3,338
Other notes (various rates and maturities)	**2,690**	2,139
Total	**77,037**	69,544
Less current portion	**(5,947)**	(9,025)
Long-term debt	**$71,090**	$60,519

(a) This liability represents the portion of the proceeds from pollution control revenue bonds expended for pollution control facilities at the Corporation's lead and zinc smelters. The Corporation has agreed to make sufficient payments to Trustees in order to pay all amounts due on the following bonds:

Beaver County (Pennsylvania) Industrial Development Authority 6% bonds dated May 1, 1977, due May 1, 2007 .... $21,100,000

State Environmental Improvement Authority (Missouri) 5.75% bonds dated December 15, 1973, due December 15, 1998 .... $ 7,000,000

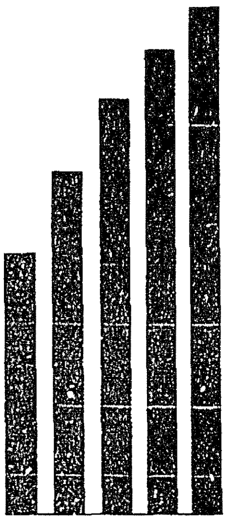
Beaver County (Pennsylvania) Industrial Development Authority 5.60% bonds dated December 1, 1972, due December 1, 1997 .... $22,500,000

The bonds are subject to optional redemption commencing in 1982 and mandatory redemption in 1988.

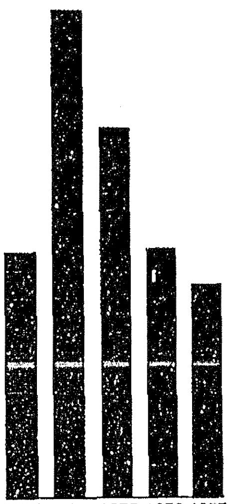
For the years ended December 31, 1977 and 1976	Common Stock Par Value Per Share 1977—$1; 1976—$10 Issued	In Treasury At Cost	Other Capital	Retained Earnings	Total Shareholders' Equity
			(In thousands)		
Balance, December 31, 1975, as previously reported	$221,659	$ (11,496)	—	$162,339	$372,502
Adjustment in connection with the pooling-of-interests with Coquina (1,084,342 shares issued)	10,843			(835)	10,008
Balance, December 31, 1975, as adjusted	232,502	(11,496)	—	161,504	382,510
Net income				71,894	71,894
Cash dividends:					
St. Joe				(26,400)	(26,400)
TCC				(194)	(194)
Employee stock options exercised (78,369 shares issued from treasury)		868	$ 249		1,117
Adjustment in connection with the pooling-of-interests with Coquina			(249)	249	
Balance, December 31, 1976	232,502	(10,628)	—	207,053	428,927
Net income				67,757	67,757
Cash dividends				(28,687)	(28,687)
Employee stock options exercised (66,878 shares issued from treasury)		741	443		1,184
Transfer to other capital in connection with reduction in par value from $10 to $1	(209,252)		209,252		
Adjustment in connection with the pooling-of-interests with Coquina			(54)	54	
Balance, December 31, 1977	$ 23,250	$ (9,887)	$209,641	$246,177	$469,181

Pages 19, 21 and 23 to 30 are an integral part of these financial statements.

Shareholders' Equity Per Share



Return on Shareholders' Equity*



**Based on net income divided by average shareholders' equity.*

(b) These liabilities represent the amounts drawn down under the above agreements. The agreements contain covenants relating to maintenance of financial ratios, borrowings, declaration of cash dividends, etc. The Corporation and Coquina pay a ½ % annual commitment fee on the unused portions of such agreements.

At December 31, 1977 approximately $45,000,000 of Coquina's assets were pledged as collateral to secure the borrowings under its line of credit agreement.

The amounts of long-term debt payable in each of the four years subsequent to December 31, 1978 are $8,005,000 in 1979, $7,614,000 in 1980, $8,056,000 in 1981 and $6,413,000 in 1982.

Interest expense relating to long-term debt was $4,636,000 and $4,374,000 for 1977 and 1976, respectively.

Short-Term Debt (Notes Payable)
Information relating to the Corporation's short-term borrowings in 1977 and 1976 follows:

	1977	1976
	(In thousands)	
Balance at end of year	**$40,410**	$32,644
Maximum amount of short-term borrowings outstanding at any month end during the year	**56,723**	41,652
Average short-term borrowings outstanding during the year	**43,001**	29,686
Weighted average interest rate on average short-term borrowings during the year (a)	**6.3%**	6.9%
Weighted average interest rate on short-term borrowings at end of year	**7.3%**	6.3%

(a) Calculated by dividing average short-term borrowings outstanding during the year by related interest expense.

The Corporation has informal arrangements with various banks to maintain average cash balances of approximately 10% of its unused lines of credit. At December 31, 1977 and 1976 such unused lines of credit aggregated $50,000,000.

Coquina has a line of credit agreement with a bank aggregating $22,000,000, of which $7,000,000 is for short-term borrowings and $15,000,000 is for long-term borrowings (see long-term debt for noncurrent portion, repayment terms and collateral agreement). At December 31, 1977 the unused portion of such line of credit amounted to $2,000,000.

Stock Option Plans

The Corporation's qualified Stock Option Incentive Plan, which was adopted in 1967, expired in 1977 except with respect to outstanding options. Under this plan key management employees were granted options to purchase the Corporation's common stock at fair market value on date of grant. Options granted become exercisable one year after date of grant at the rate of 25% each year.

The Corporation also has a non-qualified Stock Option Plan, adopted in 1972, for its key management employees. Options granted under this Plan are exercisable at prices which may be less than fair market value but not less than par value at date of grant; these options expire ten years from date of grant. Options granted become exercisable one year after date of grant at the rate of 25% each year. Options granted to date have been at fair market value at date of grant.

In connection with the acquisition of Coquina, the Corporation assumed the Coquina stock options outstanding at the acquisition date. The assumed options provide for the purchase of 46,364 shares of the Corporation's common stock.

A summary of shares issuable under options outstanding during 1977 and 1976 follows:

	1977	1976
	Number of Shares	
Options outstanding at beginning of year	**746,506**	583,955
Granted or assumed	**256,164**	256,200
Exercised	**(66,878)**	(78,369)
Cancelled or expired	**(30,040)**	(15,280)
Options outstanding at end of year	**905,752**	746,506

Shares under option at December 31, 1977 are exercisable at prices of $13.01 to $40.25 per share.

The number of shares reserved for the granting of additional options under the non-qualified Stock Option Plan amounted to 106,900 at December 31, 1977.

CanDel has an Employees' Stock Option Plan whereunder 200,000 shares (approximately equal to 5% of CanDel's outstanding shares) were reserved for purchase by its officers and employees at fair market value on date of grant. As of December 31, 1977, options were outstanding to purchase 146,550 shares at prices of $5.75 to $16.25 per share. Options to purchase 7,650 and 6,850 shares were exercised in 1977 and 1976, respectively.

Pension and Profit Sharing Plans

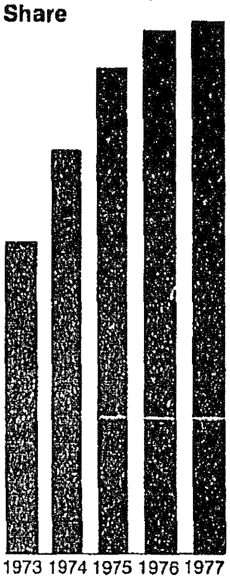
Pension expense for all plans, including amortization of prior service costs over periods of five to thirty years, was $10,598,000 in 1977 and $8,532,000 in 1976. Aggregate unfunded prior service pension costs of the companies was $36,531,000 at December 31, 1977. The actuarially computed values of vested benefits of certain plans exceeded the total market values of the related pension funds by $26,825,000 at December 31, 1977.

The Corporation has a deferred profit sharing plan for salaried employees. Annual contributions to the plan are based on a formula involving consolidated net income and aggregate salaries of eligible employees. Profit sharing expense was $2,399,000 in 1977 and $2,113,000 in 1976.

Minority Interest

Minority interest includes $8,000,000 of 8% cumulative preferred stock of Martin County Coal Corporation, a subsidiary of Massey. Dividends are paid quarterly and are deducted from other income.

Dividends Per Share



Acquisitions

During 1977 and 1976, in transactions accounted for as poolings-of-interests, the Corporation acquired all of the capital stock of the following companies in exchange for its common stock:

Year	Company	Common Shares Issued
1977	Coquina Oil Corporation	1,084,342
1976	Tennessee Consolidated Coal Company	971,300

In connection with the pooling-of-interests with TCC, 72,848 shares remain in escrow pending resolution of certain contingencies.

The accompanying financial statements for the year ended December 31, 1976 have been restated to give effect to the pooling-of-interests with Coquina. A reconciliation of net sales and net income previously reported by the Corporation to those appearing in the statement of consolidated income for the year ended December 31, 1976 follows:

	Net Sales	Net Income
	(In thousands)	
As previously reported	$778,331	$68,748
Effect of pooling-of-interests	13,077	3,146
As restated	$791,408	$71,894

The pooling-of-interests with Coquina increased 1977 net income by approximately $189,000 ($.01 per share) for the period in such year prior to acquisition. The pooling-of-interests with TCC increased 1976 net income by approximately $4,600,000 ($.21 per share) for the period in such year prior to acquisition.

Nonrecurring Items

In September 1977, Massey sold 80% of its interest in three coal subsidiaries for $33,683,000 in cash. The gain on the sale before provision for income taxes was $25,689,000.

In December 1977, the Corporation and Bethlehem Steel Corporation terminated their joint venture operation of Meramec Mining Company. As a result of the termination of the joint venture, ownership of the mine and plant reverted to the Corporation and operations were suspended pending an evaluation of future economic conditions. In addition, the Corporation wrote down its carrying value in Meramec by $5,633,000 to an estimated realizable value and provided $4,200,000 for maintenance costs expected to be incurred during the suspension period. Bethlehem has cancelled $5,667,000 in notes issued to it by the Corporation and will pay the Corporation $16,200,000 in cash during 1978. The foregoing resulted in a gain before provision for income taxes of $12,034,000.

In December 1977, the Corporation wrote down certain Canadian mineral properties by $4,000,000.

Closing Year-end Stock Prices*

**Adjusted for the two-for-one stock split paid July 15, 1975*

Income Taxes

Income taxes for the years ended December 31, 1977 and 1976 are comprised of:

	1977	1976
	(In thousands)	
Current:		
Federal	**$32,613**	$21,883
Investment tax credits	**(7,090)**	(3,819)
Foreign	**6,550**	7,390
State	**6,066**	5,941
Total current	**38,139**	31,395
Deferred:		
Federal	**2,693**	7,912
Foreign	**1,954**	165
Total deferred	**4,647**	8,077
Total	**$42,786**	$39,472

Deferred income taxes for the years ended December 31, 1977 and 1976 relate to the following timing differences:

	1977	1976
	(In thousands)	
Accelerated depreciation	**$1,952**	$2,141
Write-off of exploration and development as incurred	**6,807**	4,262
DISC	**(102)**	3,354
Liability for employee benefits	**(1,076)**	(996)
State income taxes	**(1,429)**	(922)
Other—net	**(1,505)**	238
Total	**$4,647**	$8,077

Commitments and Contingent Liabilities

The Corporation is contingently liable as guarantor of leases to Quemetco, Inc. (a company sold in 1972), under which rental payments approximate $315,000 per year for the initial lease term ending in 1997. RSR Corporation, the purchaser of Quemetco has agreed to indemnify the Corporation against any loss which may be suffered as a result of such contingent liability.

In connection with the acquisition of certain foreign oil exploratory rights, the Corporation is contingently liable for future payments aggregating $6,667,000.

Coquina is contingently liable for notes payable of partnerships relating to oil and gas exploration programs of approximately $2,971,000. In addition, under the terms of agreements relating to certain of Coquina's oil and gas programs, Coquina may be required to purchase partnership interests based on a fair value formula.

(In thousands)

	Coal	Lead	Zinc	Iron	Oil and Gas	Other	Total
Net Sales:							
1977:							
Domestic Operations	$223,360	$143,429	$139,464	$25,884	$ 18,867	$ 3,500	$554,504
Foreign Operations [1]	—	—	—	—	23,321	1,063	24,384
Export Sales [2]	206,914	3,851	1,627	—	—	—	212,392
Total	$430,274	$147,280	$141,091	$25,884	$ 42,188	$ 4,563	$791,280
1976:							
Domestic Operations	$217,859	$110,464	$157,636	$21,395	$ 16,878	$ 1,368	$525,600
Foreign Operations [1]	—	—	—	—	21,413	—	21,413
Export Sales [2]	238,178	5,418	799	—	—	—	244,395
Total	$456,037	$115,882	$158,435	$21,395	$ 38,291	$ 1,368	$791,408
Operating Profit [3]:							
1977:							
Domestic Operations	$ 14,474	$ 66,009	$ 5,138	$ 2,835	$ 1,212	$ (193)	$ 89,475
Foreign Operations [1]	—	—	—	—	9,908	(227)	9,681
Total	$ 14,474	$ 66,009	$ 5,138	$ 2,835	$ 11,120	$ (420)	99,156
Unallocated Income/Expense							11,387
Income Before Income Taxes							$110,543
1976:							
Domestic Operations	$ 44,549	$ 39,539	$ 15,922	$ 4,706	$ 6,879	$ (428)	$111,167
Foreign Operations [1]	—	—	—	—	8,857	—	8,857
Total	$ 44,549	$ 39,539	$ 15,922	$ 4,706	$ 15,736	$ (428)	120,024
Unallocated Income/Expense							(8,658)
Income Before Income Taxes							$111,366
Assets at December 31 [4]:							
1977:							
Domestic Operations	$241,459	$111,069	$153,424	$13,576	$ 89,124	$28,969	$637,621
Foreign Operations [1]	—	—	15,765	—	115,873	10,813	142,451
Total	$241,459	$111,069	$169,189	$13,576	$204,997	$39,782	$780,072
1976:							
Domestic Operations	$225,385	$104,447	$132,207	$16,782	$ 80,923	$13,776	$573,520
Foreign Operations [1]	—	—	6,331	—	108,209	15,349	129,889
Total	$225,385	$104,447	$138,538	$16,782	$189,132	$29,125	$703,409
Depletion, Depreciation and Amortization:							
1977	$ 22,475	$ 5,163	$ 5,617	$ 1,410	$ 18,447	$ 498	$ 53,610
1976	$ 17,993	$ 4,999	$ 5,277	$ 1,249	$ 14,139	$ 207	$ 43,864
Capital Expenditures:							
1977	$ 62,375	$ 2,621	$ 29,716	$ 696	$ 48,094	$ 2,602	$146,104
1976	$ 52,055	$ 2,082	$ 9,928	$ 576	$ 49,693	$ 1,397	$115,731

(1) Principally Canadian operations.

(2) Export sales in 1977 were 42% to Japan, 32% to Europe, 18% to South America and 8% other. Export sales in 1976 were 38% to Japan, 44% to Europe, 15% to South America and 3% other.

(3) Operating profit is calculated as net sales plus/minus all items of income/expense directly associated with the business segment. In computing operating profit, none of the following items have been added or deducted: corporate overhead expenses, exploration, interest income/expense, dividends from unconsolidated subsidiaries, income taxes and sundry income/expense.

(4) Identifiable assets by industry are those assets that are used in the Corporation's operations in each segment of business. Corporate assets included under the caption "Other" are $32,760,000 and $18,238,000 for 1977 and 1976, respectively.

Principles of Consolidation
The consolidated financial statements include the accounts of the Corporation and all subsidiaries except those operating in South America (see foreign operations). All significant intercompany transactions and balances are eliminated.

The comparative income statement data for the three years ended December 31, 1975 are presented for information only, and, as such, do not include all note information and related statements of changes in consolidated financial position for such years.

Exploration and Development
Oil and Gas
Costs related to the exploration and development of oil and gas properties are capitalized by certain broad areas of interest under the full-cost method of accounting. Such costs include land and lease acquisition costs, geological and geophysical expenditures and costs of drilling productive and non-productive wells. Pending the discovery of commercial reserves in any area of interest, exploration and development expenditures are amortized generally over five years. When commercial reserves are discovered, the unamortized expenditures are depleted on the unit-of-production method based upon estimated recoverable reserves in the area of interest; when areas of interest are abandoned, the unamortized expenditures are charged to expense.

Coal
Development costs of specific coal properties when expected to be significant are capitalized in mine development and depleted on the unit-of-production method. Significant lease acquisition costs are capitalized in mining properties and mineral rights and depleted on the unit-of-production method.

Metals
Costs incurred for exploration of metals are generally expensed as incurred. Development expenditures to bring new mineral properties into production, comprising substantially all surface mine development expenditures and initial underground installations, are capitalized and charged to expense on the straight-line method over 20 years. Subsequent maintenance and underground development expenditures are charged to expense.

Depreciation
Buildings, plant and equipment are depreciated essentially by the straight-line method over estimated lives (ranging from 3 to 50 years). Upon disposal of depreciable assets, their cost and related accumulated depreciation are cleared from the accounts and the resultant profit or loss is included in net income. Maintenance and repair expenditures are charged to expense as incurred; major renewals and betterments are capitalized.

Goodwill
Goodwill arising from acquisitions is amortized over appropriate periods not exceeding 40 years.

Pension Plan Costs
The Corporation and its subsidiaries have several pension plans (principally non-contributory) covering substantially all of their employees. Pension costs consist of normal costs and amortization of prior service costs over periods ranging from 5 to 30 years and are generally funded as accrued.

Income Taxes
Deferred Federal and Canadian income taxes are provided for the tax effects of items reported in different periods for financial and income tax reporting purposes relating principally to accelerated depreciation, and write-off for tax purposes of mineral and oil and gas exploration and development expenditures as incurred.

Deferred Federal income taxes ($3,456,000) on the accumulated earnings of a Domestic International Sales Corporation ("DISC") ($7,200,000 at December 31, 1976) were provided in 1976, since the Corporation no longer intends to postpone indefinitely the remittance of such earnings.

Deferred Federal income taxes on the accumulated undistributed earnings ($26,308,000 at December 31, 1977) of consolidated foreign subsidiaries are not provided because it is expected that such earnings will be reinvested by such subsidiaries.

Investment tax credits are applied as reductions of Federal income tax provisions in years in which they arise.

Net Income Per Share
Net income per share is computed based on the average number of shares of common stock outstanding during each year. The dilution in net income per share which would arise from the assumed exercise of stock options is not material.

Auditing Committee
The Corporation's auditing committee, which is composed of four outside members of the Board of Directors, meets a minimum of four times a year. The Committee has unrestricted access to the Corporation's independent auditors.

Oil and Gas Accounting Standard
In December 1977, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies" (the "Statement"). The Statement requires that effective with fiscal years beginning January 1, 1979, all companies engaged in oil and gas production adopt a prescribed form of the successful efforts method of accounting for exploration and development costs. The Corporation's present accounting policy with respect to exploration and development costs is to capitalize such costs under the full-cost method of accounting.

In order to conform to the provisions of the Statement, the Corporation will be required to retroactively restate its financial statements. However, due to the time required to accumulate the necessary data, it is not practical at this time to quantify the potential effect upon the Corporation's financial statements of applying the provisions of the Statement.

It is management's best judgment at the present time that the adoption of the standards required by the Statement will not have a significant effect upon either the Corporation's dividend policy or its ability to comply with covenants of its debt agreements.

Replacement Cost (Unaudited)
In compliance with rules and regulations of the Securities and Exchange Commission, the Corporation has calculated information related to the replacement cost of its productive capacity and the depreciation charges that would correspond with such replacement costs. Inventories and cost of sales have also been calculated on a replacement cost basis. The details of this information are available in the Corporation's 1977 Annual Report on Form 10-K to the SEC.

The Corporation establishes the sales prices of its products primarily on the basis of competitive market conditions, rather than directly on costs incurred. Consequently, the impact on the Corporation's earnings of increased costs arising from inflation is not readily determinable.

AUDITORS' OPINION

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK, NEW YORK 10004

The Shareholders of St. Joe Minerals Corporation:

We have examined the statements of consolidated financial position of St. Joe Minerals Corporation and consolidated subsidiaries as of December 31, 1977 and 1976 and the related statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were 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. We did not examine the financial statements for 1976 of certain consolidated subsidiaries which statements reflect total assets constituting 18%, and revenues constituting 5%, of the respective consolidated totals for such year. These statements were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such consolidated subsidiaries, is based solely upon the reports of the other auditors.

In our opinion, based upon our examinations and the reports of other auditors, the aforementioned consolidated financial statements present fairly the financial position of St. Joe Minerals Corporation and consolidated subsidiaries at December 31, 1977 and 1976 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

February 2, 1978

Haskins & Sells

Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for 1977 and 1976 follows:

Period	Net Sales	Gross Profit (In thousands)	Net Income	Net Income Per Common Share	Stock Prices* High	Stock Prices* Low
1977: 1st Qtr.	$205,004	$ 40,598	$11,064	$ .50	43¼	36½
2nd Qtr.	195,605	45,588	14,251	.63	44½	33⅞
3rd Qtr.	186,184	38,228	27,506	1.24	34⅞	29½
4th Qtr.	204,487	47,716	14,936	.66	35⅜	28¾
Year	$791,280	$172,130	$67,757	$3.03	44½	28¾
1976: 1st Qtr.	$179,100	$ 43,799	$18,287	$ .82	45¾	33½
2nd Qtr.	204,650	45,241	18,841	.85	50	40⅜
3rd Qtr.	197,060	42,945	15,389	.69	49	39⅛
4th Qtr.	210,598	45,264	19,377	.87	43⅛	33½
Year	$791,408	$177,249	$71,894	$3.23	50	33½

**Stock prices as reported on the composite tape by The Wall Street Journal.*

Fourth Quarter 1977 Transactions (Unaudited)

The Corporation received $2,000,000 in dividend income from its South American subsidiaries.

As explained in the note describing nonrecurring items, the Corporation realized a pre-tax gain of $12,034,000 as a result of the termination of the Meramec joint venture operation. In addition, the Corporation wrote down certain Canadian mineral properties by $4,000,000.

The above transactions caused a change in the Corporation's effective tax rate from 36% for the first nine months to 39% for the full year.

PRODUCTION AND FINANCIAL STATISTICS

(In thousands)

LEAD	Tons Concentrate Mined	Tons Metal Produced	Tons Metal Sold	Net Sales[2]	Operating Profit (Loss)[3]
1973	283,602	215,012	284,018	$ 97,543	$ 28,811
1974	339,976	230,873	281,424	127,316	47,369
1975	284,200	185,889	182,340	84,278	21,074
1976	316,570	222,483	237,177	115,882	39,539
1977	342,573	228,780	238,352	147,280	66,009

ZINC	Tons Concentrate Mined	Tons Metal Equivalent Produced	Tons Metal Equivalent Sold	Net Sales[2]	Operating Profit (Loss)[3]
1973	180,502[1]	231,085	281,657	$132,723	$ 18,044
1974	221,436[1]	223,968	245,603	201,633	52,681
1975	169,885	142,406	137,009	125,059	14,881
1976	161,647	206,844	186,431	158,435	15,922
1977	166,493	175,260	175,527	141,091	5,138

IRON	Long Tons Iron Pellets Produced	Long Tons Iron Pellets Sold	Net Sales[2]	Operating Profit (Loss)[3]
1973	814,796	813,405	$ 13,320	$ 1,593
1974	563,457	567,278	11,468	(2,686)
1975	756,133	779,009	27,410	9,901
1976	670,206	604,964	21,395	4,706
1977	545,942	699,382	25,884	2,835

COAL	Tons Produced Coal Sold	Tons Purchased Coal Sold	Net Sales	Operating Profit (Loss)[3]
1973	7,871,603	5,159,419	$153,117	$ 9,054
1974	8,924,342	4,639,264	357,009	54,490
1975	10,037,405	5,530,353	506,099	93,470
1976	10,457,336	5,034,598	456,037	44,549
1977	8,914,551	4,630,943	430,274	14,474

OIL & GAS	MCF Gas Sold	Bbls. Oil & Gas Liquids Sold	Net Sales	Operating Profit (Loss)[3]
1973	25,263,519	2,465,807	$ 13,879	$ 5,419
1974	24,654,378	1,787,301	20,746	8,857
1975	22,099,789	1,411,727	28,738	11,606
1976	21,212,166	1,531,392	38,291	15,736
1977	28,543,699	1,999,840	42,188	11,120

OTHER	Net Sales	Operating Profit (Loss)[3]
1973	$ -0-	$ -0-
1974	420	(713)
1975	782	1,008[4]
1976	1,368	(428)
1977	4,563	(420)

1. Includes 11,996 tons in 1973 and 8,072 tons in 1974 derived from purchased ore.
2. Net Sales includes by-products.
3. See Business Segment Information for definition of Operating Profit.
4. Includes nonrecurring adjustment to income.

ST. JOE MINERALS CORPORATION

Incorporated March 25, 1864, under the laws of the State of New York.
Corporate Headquarters:
250 Park Avenue,
New York, N.Y. 10017
(212) 953-5000

BOARD OF DIRECTORS

Gene K. Beare†
Director of Various Corporations

D. Broward Craig*
President

Bernard F. Desloge†
Vice President
Killark Electric Manufacturing Co.
Electrical fittings

John C. Duncan*
Chairman and
Chief Executive Officer

Warren E. Fenzi*
President
Phelps Dodge Corporation
Metal mining

William R. Grant*†
Vice Chairman
Endowment Management and
Research Corporation
Investment counselors

Arthur Howe, Jr.†
Educational Consultant

Wing L. Lew
Consultant

Robert V. Lindsay*
Executive Vice President
Morgan Guaranty Trust
Company of New York
Commercial banking

E. Morgan Massey
President and
Chief Executive Officer
A. T. Massey Coal Co., Inc.

Joseph V. McKee, Jr.
Chairman and President
National Union Electric Company
Electrical appliances

Smiley Raborn, Jr.
Chairman and
Chief Executive Officer
CanDel Oil Ltd.

Lawrason Riggs III
Former Chairman

L. Chase Ritts, Jr.
Vice President—Petroleum

CORPORATE OFFICERS

John C. Duncan
Chairman and Chief
Executive Officer

D. Broward Craig
President

James L. Broadhead
Vice President—Zinc

Charles R. Carlisle
Vice President

R. V. Cronin
Vice President

John W. Hanselman
Vice President—Administration

John C. Harned
Vice President

Peter B. Nalle
Vice President—Mining

L. Chase Ritts, Jr.
Vice President—Petroleum

Joseph G. Sevick
Vice President—Technology

Thomas N. Walthier
Vice President—Exploration

Leroy K. Wheelock
Vice President

John A. Wright
Vice President—Lead

Charles E. Barnett
General Counsel and Secretary

Harold T. Read
Controller

Robert A. Sherman
Treasurer

John T. Leyden
Assistant Vice President—Taxes

John L. Afton
Assistant Secretary

Paul Kershon
Assistant Controller

*Member of Executive Committee
†Member of Auditing Committee

EXPLORATION AND DEVELOPMENT

Thomas N. Walthier
Vice President—Exploration
J. W. Horton
Vice President, St. Joe American Corporation
Tucson, Arizona
Merwin Bernstein
International Exploration Manager,
Tucson, Arizona

RESEARCH AND DEVELOPMENT

Gardner L. Brown
Director—Corporate Research
Michael V. Rose
Director—Commercial Development

Stanley J. Kostman
Director—Corporate Development

ENVIRONMENTAL PLANNING

Gary E. Welch
Director—Corporate Environmental Planning

COMMUNICATIONS AND SHAREHOLDER INFORMATION

Robert W. Peckham
Director of Corporate Communications

Annual Meeting
The annual meeting of the Corporation will be held on May 8, 1978 at 10:30 A.M. at the Auditorium of the McGraw-Hill Building, 1221 Avenue of the Americas, New York, New York.

Stock Trading
The stock of St. Joe Minerals Corporation is traded on the New York, Midwest, Pacific Coast and Toronto stock exchanges. Its symbol is SJO.

Transfer Agents
Bankers Trust Company
Two Broadway, New York, New York 10004

National Trust Company, Limited
21 King Street East
Toronto, Ontario M5C 1B3

Registrars
Bankers Trust Company
Two Broadway, New York, New York 10004

Crown Trust Company
312 Bay Street
Toronto, Ontario M5H 2P4

Auditors
Haskins & Sells
Two Broadway, New York, New York 10004

AFFILIATE AND SUBSIDIARY EXECUTIVES

Coal

A. T. Massey Coal Co., Inc.—*Richmond, Virginia*
E. Morgan Massey, President and Chief Executive Officer

Tennessee Consolidated Coal Company—
Jasper, Tennessee
Paul V. Callis, President and Chief Executive Officer

Oil and Gas

CanDel Oil Ltd.—*Calgary, Alberta, Canada*
Smiley Raborn, Jr., Chairman and Chief Executive Officer

Coquina Oil Corporation—*Midland, Texas*
Pomeroy Smith, Chairman and Chief Executive Officer

St. Joe Petroleum Corporation—*New York, New York*
L. Chase Ritts, Jr., President

Minerals

St. Joe Lead Company—*Clayton, Missouri*
John A. Wright, President

St. Joe Zinc Company—*Pittsburgh, Pennsylvania*
James L. Broadhead, President

Cia. Minera Aguilar, S.A.—*Buenos Aires, Argentina*
Marco J. Rossetti, Managing Director

Cia. Minerales Santander, Inc.—*Lima, Peru*
Harold E. Waller, Jr., Vice President and General Manager

Energy Research Corporation—*Danbury, Connecticut*
Bernard S. Baker, President

Formet Technology Corporation—*Pittsburgh, Pennsylvania*
J. A. Young, President

Jododex Australia Pty. Ltd.—*Sydney, N.S.W., Australia*
Desmond F. O'Driscoll, Chairman

Mineracao Sao Jose Ltda.—*Rio de Janeiro, Brazil*
Jan D. Koene, Manager

Placer Service Corp.—*New York, New York*
Wiliam H. Breeding, President

St. Joe American Corporation—*New York, New York*
Thomas N. Walthier, President

St. Joseph Explorations Limited—*Toronto, Ontario, Canada*
Robert M. Ginn, Vice President

Copies of St. Joe's current Annual Report on Form 10-K to the Securities and Exchange Commission are available to shareholders upon written request to the Director of Corporate Communications, St. Joe Minerals Corporation, 250 Park Avenue, New York, New York 10017

St. Joe Minerals Corporation is an equal opportunity employer.

ST. JOE MINERALS CORPORATION
250 PARK AVENUE
NEW YORK, N.Y. 10017