ST. JOSEPH LEAD COMPANY

EIGHTY-SEVENTH ANNUAL REPORT TO STOCKHOLDERS

for the

Year Ended December 31, 1950

PROXIES FOR ANNUAL MEETING

This Report is sent to Stockholders of the Company in advance of the solicitation by the Board of Trustees of proxies for the Annual Meeting of Stockholders to be held on May 14, 1951.

Proxies will be solicited commencing on April 6, 1951.

ST. JOSEPH LEAD COMPANY

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

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

Board of Trustees

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Division Managers

MINES	SMELTERS	SOUTH AMERICA
B. FRANKLIN MURPHY Southeast Missouri	GEORGE F. WEATON Josephtown, Pennsylvania	DONALD B. MCGILVRA Aguilar Mine, Argentina
MARSHALL G. JONES Edwards-Balmat, N. Y.	WILLIAM T. ISBELL Herculaneum, Missouri	EDUARDO M. HUERGO Sulfacid and Austral Plants

Transfer Office	250 PARK AVENUE, NEW YORK 17, N. Y.
Registrar	CITY BANK FARMERS TRUST COMPANY, NEW YORK 5, N. Y.

To the Stockholders:

The 1950 consolidated net earnings after all charges were:

$12,211,614.75, which is equivalent to $4.94 per share on the 2,469,320 shares, outstanding after the 25% stock dividend paid December 11, 1950,

and compares with:

1949 consolidated net earnings of $8,564,435.64 and $3.47 per share, on a similar number of shares.

Federal and State taxes charged to earnings in 1950 amounted to $7,976,467.90 or $3.23 per share, including $907,718.71 or 37 cents per share applicable to prior years; in comparison with $2,889,925.30, and $1.17 per share in 1949.

The table at the bottom of this page shows the comparative earnings for the ten-year period ended December 31, 1950, which do not include the separately shown earnings of Compania Minera Aguilar, S.A., except to the extent of the $294,339.62 dividend received in 1947. The increased dollar earnings, not only of the St. Joseph Lead Company but also of other companies, during the 1947-1950 period reflect the worldwide inflation that has been experienced since the end of World War II, and are not large when measured by the lower purchasing power of the dollar.

Lead

At the beginning of 1950, lead was in ample supply and sold at 12 cents per pound, New York. Subsequently, it declined to a low of 10.5 cents in

TEN-YEAR EARNINGS 1941-1950

Year	*Consolidated Net Income*	*After Income Taxes of*
1941	$ 4,893,455.18	$2,794,624.92
1942	5,655,625.61	5,543,393.35
1943	4,033,973.90	1,690,262.17
1944	5,171,420.93	1,756,920.46
1945	4,829,814.71	1,164,905.10
1946	5,807,131.34	1,923,372.78
1947	12,537,760.84	4,479,658.67
1948	9,636,736.92	3,776,835.97
1949	8,564,435.64	2,889,925.30
1950	12,211,614.75	7,976,467.90

March, because the Government's lead stockpiling program was drawing to an end and extraordinarily large tonnages of foreign lead were being sold in the United States. In fact, the largest volume of lead ever imported arrived in 1950, stimulated by the devaluation of foreign currencies and the desire of foreign governments to procure dollars. Had world conditions remained normal, grave injury to the domestic lead mining industry would have resulted from such unprecedented imports. Fortunately for the American lead miner, the Mexican Trade Agreement was abrogated at the end of the year, and as of January 1, 1951 the duty on lead ore was increased from ¾ cents per pound to 1½ cents per pound, and on metal from 1$\frac{1}{16}$ cents to 2⅛ cents per pound, restoring the modest rates established by the Tariff Act of 1930. The St. Joseph Lead Company will continue to urge the development of domestic resources through proper tax laws, tariffs and long-range incentives, as our Nation should not be dependent upon imports. We have repeatedly recommended a graduated tariff with the highest protection at low prices, and no protection above a price which is fair to United States miners.

In 1950, it is estimated that production from domestic mines will total 430,000 tons, from scrap about 400,000, and imports will amount to at least 552,000 tons. The available supply would therefore approximate 1,382,000 tons, whereas consumption, without regard for stockpiling, will total about 1,290,000 tons. For the previous year, the comparative final figures were 404,000, 384,000 and 382,000 tons respectively. The total supply was 1,170,000 and consumption 875,000 tons. After stockpiling, the consumption and supply for both years were approximately in balance.

The ten-year comparative St. Joseph Lead Company's sales and stocks, expressed in tons, are shown in the table at the bottom of the page.

In June, the Korean conflict, coupled as it was with prospective intensification of rearmament, the further inflation of world currencies, and the desire to invest in commodities, sharply increased the demand for lead and the price gradually rose to 17 cents per pound, New York, by October. This 17-cent price remained in effect until the end of the year, although higher prices have prevailed in European markets. The average monthly price for 1950 was considerably below the previous year's, being 13.296 cents per pound, New York, in comparison with 15.364 cents for 1949.

Military requirements for lead are not large, but the greatly increased plant expansions under

TEN-YEAR COMPARATIVE LEAD SALES AND STOCKS IN TONS

Year	*Lead Sales St. Joe Production*	*Purchased Lead Sold*	*Total Lead Sales*	**Pig Lead Equivalent of Stocks*
1941	155,475	60,241	215,716	20,767
1942	178,561	67,152	245,713	15,896
1943	157,659	45,242	202,901	23,716
1944	155,806	46,799	202,605	16,683
1945	139,934	48,483	188,417	25,824
1946	131,664	33,872	165,536	10,048
1947	108,440	53,438	161,878	11,546
1948	77,011	48,488	125,499	16,483
1949	90,653	63,276	153,929	30,125
1950	127,803	84,347	212,150	11,850

* Includes purchased lead and estimated recoverable lead in concentrates together with other lead stocks in process of refining at smelters.

the rearmament program will consume lead, and in addition, lead may have to carry part of the load now borne by copper, zinc, tin and aluminum. Increased production in the United States is therefore desirable.

Zinc

It was unfortunate that the Munitions Board decided to suspend their stockpiling program in 1949 when ample metal was available and the metal had declined to a low of 9 cents per pound. The 128,000 tons delivered in 1950 to stockpile, coupled with the 849,000 tons shipped to domestic consumers, and the 18,000 tons exported, totaled 995,000 tons, in comparison with a production of 910,000 tons. The scarcity increased the price of slab zinc from 9.75 cents per pound at the beginning of the year to 17.5 cents per pound by September. This price prevailed throughout the remaining months of 1950, even though the world price and sales made in the domestic market of imported metal were considerably higher.

The monthly 1950 average price for Prime Western zinc was 13.866 cents per pound, St. Louis, in comparison with 12.144 for 1949. To maintain the present smelter output of slab zinc, approximately 850,000 tons of zinc in concentrates are needed, and around 130,000 tons are required for pigments, a total of 980,000 tons. The domestic concentrate production might increase to 680,000 tons of zinc content from the 1950 output of 610,000, but unless worldwide price controls are accepted, which is believed improbable, it will be difficult to increase the imports to 300,000 tons of zinc content from last year's figure of 260,000, because concentrates are being sold in the foreign market at a higher price than domestic smelters can pay under the prevailing slab zinc price of 17.5 cents per pound. Although Government controls on inventories are in effect, and restrictions of civilian use have already been issued, the outlook for the zinc supply to domestic consumers in 1951 is not too favorable.

Financial Comments

In connection with the Consolidated Balance Sheets as of December 31, 1950 and December 31, 1949 for the St. Joseph Lead Company and Domestic Subsidiaries, and the Summaries of Consolidated Net Income and Earned Surplus for the years ended on those dates, which are submitted as part of this report, the following should be given consideration:

The net income for 1950 does not include a dividend of 6,505,380 pesos received from Compania Minera Aguilar, S. A., nor did the 1949 and 1948 earnings reflect the receipt of similar dividends of 3,717,360 pesos and 2,325,000 pesos, respectively. These dividends, amounting to a total of 11,708,927.15 pesos after deduction of the Argentine withholding taxes, are shown at zero value on the balance sheets, as to date permission has not been received from the Argentine authorities to convert the pesos into dollars and transfer the proceeds to the United States. Temporarily, 5,005,562.50 of these pesos have been invested in debenture bonds of Compania Metalurgica Austral, Argentina, S. A.

It is believed that the various technical requirements of the $125 million credit extended to Argentine banks have been fulfilled, and that a major portion of the following advances to Aguilar and its associated companies will be repaid shortly:

	December 31, 1950	*December 31, 1949*
Compania Minera Aguilar, S. A. . .	$ 254,307.55	$ 273,374.67
Sulfacid, S. A.	856,324.30	809,277.21
Compania Metalurgica Austral, Argentina, S. A.	1,064,061.44	1,564,320.73
Total . .	$2,174,693.29	$2,646,972.61

The increase in sales in 1950 to approximately $104 million from $83 million for the previous year is in part due to the increase in lead sales from 90,653 tons to 127,803. The change in metal prices, which amounted to a decrease of approximately 2 cents per pound for lead in 1950, and an increase for zinc of 1.8 cents per pound from the 1949 average prices, affected the distribution of the Company's earnings between lead and zinc. In 1950, approximately 55% of gross earnings came from zinc and 47% from lead, in comparison with 42% and 58%, respectively, in the previous year.

Amounts Capitalized

Comparative capital expenditures by St. Joseph Lead Company and Domestic Subsidiaries for improvements and additions to plant and equipment are shown in the table below.

In addition to capital expenditures, the maintenance and exploration postponed during World War II have resulted in abnormal operating expense during the last four years. The properties of your Company are now in satisfactory condition from the standpoint both of operating costs and of ore reserves.

Increased Pension Base

Following the stockholders' approval in May 1950, the Trustees of the St. Joseph Lead Company authorized an increase in the pension base from $60 to $80 per month, and the cost for past service was funded through annuities purchased from the Metropolitan Life Insurance Company and payments made to J. P. Morgan & Co., Incorporated, Trustee for the Payroll and Salaried Pension Plans. In November, the Trustees approved the recommendation of the management to increase the pension base from $80 to $100 per month, and in line with the procedure followed by other industries, it was decided to charge to operating expense over a ten-year period, the increased pension cost.

COMPARATIVE CAPITAL EXPENDITURES

Year	*Lead Belt*	*Josephtown*	*Edwards-Balmat*	*Total*
1945.......	$ 10,413.80	$ 3,096.20	$197,357.76	$ 210,867.76
1946.......	56,194.58	699,644.52	54,374.67	810,213.77
1947.......	830,993.23	5,316,459.49	151,967.88	6,299,420.60
1948.......	469,093.28	1,776,182.33	81,590.14	2,326,865.75
1949.......	774,658.33	147,535.51	160,553.09	1,082,746.93
1950.......	903,776.25	177,070.71	931,955.14	*2,012,802.10

* Includes expenses capitalized by the Bureau of Internal Revenue for the years 1944 to 1948 inclusive totaling $635,491.24.

Construction and Expansion Program

The stockholders are urged to read the President's 1950 Report to the Employees, copy of which has been sent to each stockholder, as it covers in some detail the ten-year program of 1950-1960 that your management is now endeavoring to complete in three years in cooperation with the Government's desire to increase the facilities for production of lead and zinc, which metals are needed for rearming our Nation. It is believed that the Company's cash and investment in short-term U. S. Government securities of approximately $29 million will be sufficient to finance the $15 million program without resort to borrowing.

Southeast Missouri

Mines and mills in the Lead Belt operated without interruption during the entire year 1950. Continued improvement in operating efficiency and in lowering of costs was shown, reflecting both better personnel relationships and the effect of the modernization program which has been under way since the war. Development of new ore in operating mines remained in balance with the rate of mining. The indication by drilling, of substantial tonnages of low-grade zinc-lead ore in the Desloge and adjacent mine areas, led to a decision to convert a portion of the Desloge mill capacity from the retreatment of tailings.

The Indian Creek orebodies, discovered as a result of the exploration campaign on lands adjacent to but outside of the Lead Belt proper, occur in a mineralized zone located approximately thirty miles northwest of Bonne Terre in Washington County, Missouri. 9,000 acres in this area have been acquired by purchase, or are held under option, and diamond drilling has established sufficient ore to warrant the equipping of the property by 1953 with a 2,000-ton per day mill.

In 1951, a 2,000-ton per day sink-float plant is to be built for the handling of the conglomerate lead ore from the new Hayden Creek deposit, and increased efficiency of the Federal Mill will be obtained by installing five large rod mills to replace existing rolls and screens.

The smelter at Herculaneum operated satisfactorily throughout the year, continuing to treat approximately one-third of the lead concentrate production from Company mines. The modernization program, which was mentioned in the last report, was continued, and further additions to the lead smelter are planned, as well as the construction of a new zinc slag furnace plant. These new facilities will be completed in 1953, when the smelter is expected to have a capacity sufficient to produce 100,000 tons of lead metal annually.

Balmat and Edwards

Production from this Division increased to 72,548 tons of zinc concentrates in 1950 from 69,876 in 1949. Employee relations at this Division continue to be most satisfactory.

Plans for increasing the Balmat Mill capacity from 1,200 to 1,800 tons per day by 1952 were completed and the construction work started. The 875-foot service shaft to supply facilities for working the new northern orebodies was down 217 feet, and the main underground haulageway on the 900-foot level was 84% completed. The 7,500 KVA sub-station to handle these increased facilities has been placed in operation.

Development at depth in the 400-ton per day Edwards Mine has been most encouraging.

Josephtown

The zinc content of the 1950 production at the Josephtown electrothermic smelter increased to 97,428 tons from 86,314 in 1949.

The wisdom of the large purchases of zinc concentrates mentioned in last year's report was substantiated, as due to higher prices prevailing in the European market, we were unable to continue the purchase of 4,000 tons per month of foreign concentrates. This caused a reduction in stocks of company-owned concentrates by 13,549 tons. The supply of this material at the smelter amounted to 56,388 tons at the end of the year, and is valued on the Company's books at approximately $29 per ton, in comparison with the present market value of around $115.

Exploration

In Southeast Missouri and in the Balmat area, exploration of properties adjacent to these operations continued throughout 1950 with satisfactory results. Outside of the United States, prospects in Canada and in New Caledonia were investigated, but no options were exercised.

In French Morocco, exploration activities in association with Zellidja and the Newmont Mining Corporation continue.

Dividends

The following is a record of cash dividends for the years 1941 through 1950.

DIVIDENDS 1941-1950

Year	*Amount*	*Per Share*
1941	$3,911,360.00	$2.00
1942	3,911,360.00	2.00
1943	3,911,360.00	2.00
1944	3,950,912.00	2.00
1945	3,950,912.00	2.00
1946	3,950,912.00	2.00
1947	5,926,368.00	3.00
1948	6,420,232.00	3.25
1949	6,420,232.00	3.25
1950	6,420,232.00	3.25

Compania Minera Aguilar, S. A. and Associated Companies

Under present conditions in Argentina, it is difficult to determine the value of the peso, because conversion from pesos into dollars cannot be made. Therefore, the 1949 procedure of only giving peso figures is again followed for 1950.

The Aguilar Mine operated throughout 1950 at approximately 60% of the installed mill capacity because of lack of power and adequate rail facilities. 174,398 metric tons of ore were milled, and 23,777 metric tons of lead concentrates and 24,900 metric tons of zinc concentrates were produced. The inventory of unsold zinc concentrates consists of approximately 50,902 metric tons at the mill and the Tres Cruces rail head, and 29,427 metric tons at the Borghi acid plant.

The 1950 profits after all charges, but before setting aside a depletion reserve, were 10,961,445.32 pesos, in comparison with 8,829,039.65 pesos for the previous year.

The sulphuric acid plant owned by Sulfacid, S. A., which has a capacity of approximately 40,000 metric tons per year, and the fertilizer unit were placed in operation during 1950. It is hoped that in 1951 operating efficiency, as well as earnings, will be greatly improved, as the results to date have not been satisfactory. Aguilar owns 47.1% of Sulfacid, S. A.

Although construction of the 12,000-ton per year electrothermic zinc smelter at Comodoro Rivadavia owned by Compania Metalurgica Austral, S. A. was completed in 1950, initial operation will not be possible until the early part of 1951, due to lack of power. Aguilar owns approximately 38% of this company, and the St. Joseph Lead Company holds five million of its peso debenture bonds.

Stockholders

The number of St. Joseph Lead Company stockholders of record on December 31st of each year since 1941 and a classification of their holdings are as follows:

A TEN-YEAR RECORD OF STOCKHOLDER CLASSIFICATION

Year	*Total*	*19 or Less*	*20-99*	*100-199*	*200-Over*
1941.	6,858	1,751	2,393	1,417	1,297
1942.....	7,065	1,697	2,547	1,528	1,293
1943.....	7,530	1,848	2,758	1,634	1,290
1944...........	7,432	1,812	2,797	1,586	1,237
1945...........	7,434	1,756	2,772	1,639	1,267
1946...........	7,581	1,778	2,865	1,641	1,297
1947...........	7,885	1,834	3,021	1,735	1,295
1948...........	7,823	1,834	3,135	1,611	1,243
1949	7,993	1,847	3,123	1,747	1,276
1950...........	8,435	1,794	3,443	1,943	1,255

We wish to express appreciation for the confidence and support of our stockholders, and for the cooperation so wholeheartedly given by each employee throughout 1950. Once again the Nation is arming in defense of its freedom, and once more we will take a constructive part in the program. With properties in excellent condition, plans for increased facilities well under way, and morale high, our stockholders and employees can face the critical period ahead with confidence in the ability to discharge our responsibilities.

CLINTON H. CRANE
Chairman

ANDREW FLETCHER
President

New York, March 21 1951.

Consolidated Balance Sheets, December 31, 1950 and 1949

ASSETS

	December 31, 1950		*December 31, 1949*	
Current and Working Assets:				
Cash	$14,231,347.24		$ 6,554,521.98	
U. S. Government Securities	15,000,000.00		7,000,000.00	
Accounts receivable — trade (less reserve — 1950, $1,760.77; 1949, $1,678.94)	7,735,737.37		5,580,148.86	
U. S. Government—claims for income tax refunds	173,833.04		625,185.45	
Other accounts receivable	336,710.92		177,770.97	
Inventories (valuation not in excess of market):				
Finished lead, zinc, etc. (at cost, exclusive of depreciation and depletion)	872,093.45		3,503,396.11	
Lead, zinc, etc., in process and concentrates (at cost, exclusive of depreciation and depletion)	2,474,588.57		4,269,639.07	
Purchased lead and zinc concentrates, etc. (at cost)	28,535.00		117,344.79	
Materials and supplies (at cost, less reserve for slow-moving items — 1950, $122,561.53; 1949, $97,920.14)	4,293,068.29	$45,145,913.88	4,199,369.54	$32,027,376.77
Advances (Note 1):				
Compania Minera Aguilar, S. A.	$ 254,307.55		$ 273,374.67	
Companies partly-owned by Compania Minera Aguilar, S. A.:				
Sulfacid, S. A. Industrial	856,324.30		809,277.21	
Compania Metalurgica Austral-Argentina, S. A. Commercial	1,064,061.44	2,174,693.29	1,564,320.73	2,646,972.61
Investments:				
Compania Minera Aguilar, S. A. (99.9% owned — not consolidated)	$ 1.00		$ 1.00	
Mine La Motte Corporation (at nominal valuation—50% owned)—(Note 2)	1.00		1.00	
The New Jersey Zinc Company (195,000 shares at cost, less non-taxable dividends—9.9% owned)	11,161,854.60		11,187,662.85	
Sundry securities, loans, etc. (at cost, less reserve, $200,000.00)	553,702.46	11,715,559.06	541,313.43	11,728,978.28
Capital Assets (Note 3):				
Ore reserves and mineral rights:				
Appraised value as of March 1, 1913	$13,500,000.00		$13,500,000.00	
Less reserve for depletion	13,500,000.00	—	13,500,000.00	—
Appreciation arising from revaluation subsequent to March 1, 1913	$ 3,500,000.00		$ 3,500,000.00	
Less reserve for depletion	3,500,000.00	—	3,500,000.00	—
Additions subsequent to March 1, 1913 (at cost)	$20,892,283.40		$20,324,233.61	
Less reserve for depletion	18,438,469.74	2,453,813.66	18,035,790.08	2,288,443.53
Shafts and underground equipment (at cost)	$ 4,979,546.30		$ 4,768,101.95	
Less reserve for depreciation	4,380,209.25	599,337.05	4,299,777.82	468,324.13
Land, buildings, plant and equipment (at cost)	$27,695,053.20		$26,572,899.86	
Less reserve for depreciation	18,747,158.74	8,947,894.46	17,440,866.04	9,132,033.82
Total capital assets, net		$12,001,045.17		$11,888,801.48
Miscellaneous Assets:				
U. S. Treasury, State and Municipal securities on deposit with Federal and State departments (at amortized cost)	$ 801,412.62		$ 729,098.41	
Dividends of Compania Minera Aguilar, S. A. — (Note 1)—see contra (1950, pesos 6,703,364.65, and pesos 5,005,562.50 temporarily invested in Compania Metalurgica Austral-Argentina, S. A. Bonds; 1949, pesos 5,740,241)	—	801,412,62	—	729,098.41
Deferred Charges:				
Deferred past service annuities (Note 4)	$ 588,613.99		$ 672,702.00	
Prepaid insurance, taxes, etc.	151,620.55	740,234.54	170,693.75	843,395.75
Total		$72,578,858.56		$59,864,623.30

Notes:

(1) Reference is made to the text of this report relative to the transfer of funds from Argentina.

(2) The Company's equity in the net assets of Mine La Motte Corporation, as shown by audited financial statements, was $457,149.23 and $528,267.55 at December 31, 1950 and 1949, respectively.

Consolidated Balance Sheets, December 31, 1950 and 1949

LIABILITIES

	December 31, 1950		December 31, 1949	
CURRENT LIABILITIES:				
Accounts payable	$ 6,606,464.22		$ 4,853,762.45	
Wages payable	295,077.03		262,522.41	
Accrued Taxes:				
Federal income and excess profits (Note 5)	7,781,236.75		3,004,262.69	
Other	426,770.06	$15,109,548.06	261,009.96	$ 8,381,557.51
DEFERRED CREDITS:				
Deferred income from services, etc. — Compania Minera Aguilar, S. A.	$ 114,612.82		$ —	
Unearned treatment charges, etc.	686.39		7,539.27	
Dividends of Compania Minera Aguilar, S. A.— (Note 1)—see contra (1950, pesos 11,708,927.15 and 1949, pesos 5,740,241, after deducting Argentine tax thereon of pesos 838,812.85 and pesos 302,119 respectively)	—	115,299.21	—	7,539.27
RESERVES:				
Injury claims and workmen's liability insurance	$ 433,336.66		$ 410,336.61	
Employees' life insurance and retirement	330,669.82	764,006.48	266,567.85	676,904.46
CAPITAL STOCK AND SURPLUS (Note 6):				
CAPITAL STOCK:				
Authorized, 2,500,000 shares of $10.00 each	$25,000,000.00		$25,000,000.00	
Issued, 1950, 2,490,704.85 shares; 1949, 1,996,840.85 shares	$24,907,048.50		$19,968,408.50	
Less in treasury, 21,384.35 shares	213,843.50		213,843.50	
Outstanding, 1950, 2,469,320.5 shares; 1949, 1,975,456.5 shares		24,693,205.00		19,754,565.00
SURPLUS:				
Earned	$19,370,575.81		$29,382,841.06	
Capital	11,243,224.00		378,216.00	
Reserves:				
Deferred prospecting, development, and exploration	483,000.00		483,000.00	
Contingencies	800,000.00	31,896,799.81	800,000.00	31,044,057.06
Total Capital Stock and Surplus		$56,590,004.81		$50,798,622.06
TOTAL		$72,578,858.56		$59,864,623.30

NOTES CONTINUED:

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

(4) The Company has a Retirement Plan for Salaried Employees and a Pension Plan for Payroll Employees, both of which are non-contributory. All past service costs have been funded except those applicable to an increase in the base from $80 to $100 effective October 1, 1950, which cost is being funded over 10 years, beginning in 1950, at approximately $113,000 a year. A portion of certain past service costs which had been funded previously is being written off over 10 years. Current annual costs of both plans aggregate approximately $340,000.

(5) The Federal income and excess profits tax returns of St. Joseph Lead Company and domestic subsidiaries have been examined by the Bureau of Internal Revenue through the year ended December 31, 1943 and all assessments and adjustments, except certain refunds, have been settled. Examination of returns filed for the years 1944 to 1948, inclusive, is now in progress. In connection therewith certain tentative adjustments have been accepted and are reflected in the financial statements.

(6) In 1950, pursuant to authorization of the Board of Trustees, a stock dividend of $15,803,648 ($32 for each one share issued for each four shares previously outstanding) was charged against Earned Surplus and $4,938,640 ($10 a share, the par value) and $10,865,008 ($22 a share) was credited to Capital Stock and Capital Surplus, respectively.

ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Summaries of Consolidated Net Income

For the Years Ended December 31, 1950 and 1949

		1950		*1949*
NET SALES		$103,871,428.61		$82,724,099.14
COST OF SALES (exclusive of depreciation and depletion)		82,351,469.37		69,427,888.52
GROSS PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION		$ 21,519,959.24		$13,296,210.62
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		1,363,629.86		1,135,661.58
NET PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION		$ 20,156,329.38		$12,160,549.04
OTHER INCOME:				
Dividends on The New Jersey Zinc Company stock (Note 1)	$ 559,191.75		$ 331,271.85	
Dividends on Mine La Motte Corporation stock (Note 2)	360,000.00		360,000.00	
Other dividends, interest, etc. less charges	337,733.05		250,247.47	
Expenses capitalized by the Bureau of Internal Revenue years 1944 to 1948 inclusive	635,491.24	1,892,416.04	—	941,519.32
		$ 22,048,745.42		$13,102,068.36
PROVISIONS FOR:				
Depreciation	$1,457,983.11		$1,352,547.77	
Depletion	402,679.66	1,860,662.77	295,159.65	1,647,707.42
		$ 20,188,082.65		$11,454,360.94
PROVISION FOR TAXES ON INCOME:				
Federal normal income and surtax (includes in 1950 $907,718.71 applicable to years 1944 to 1949, inclusive)	$6,973,739.30		$2,822,639.62	
Federal excess profits tax	787,698.53		—	
State income taxes	215,030.07	7,976,467.90	67,285.68	2,889,925.30
NET INCOME FOR THE YEAR		$ 12,211,614.75		$ 8,564,435.64
EARNED PER SHARE ON THE 2,469,320 SHARES OUTSTANDING DECEMBER 31, 1950		$4.94		$3.47

Summaries of Consolidated Earned Surplus

For the Years Ended December 31, 1950 and 1949

		1950		*1949*
EARNED SURPLUS AT BEGINNING OF THE YEAR		$ 29,382,841.06		$27,238,637.42
ADD NET INCOME FOR THE YEAR		12,211,614.75		8,564,435.64
Total		$ 41,594,455.81		$35,803,073.06
DEDUCT:				
Cash Dividends Paid during the Year	$ 6,420,232.00		$6,420,232.00	
Stock Dividend Paid during the Year	15,803,648.00	22,223,880.00	—	6,420,232.00
EARNED SURPLUS AT END OF THE YEAR		$ 19,370,575.81		$29,382,841.06

NOTES:

(1) The dividends received from The New Jersey Zinc Company are after deducting in the years 1950 and 1949 the non-taxable portions amounting to $25,808.25 and $204,978.15, respectively, which have been credited to the investment account.

(2) The dividends received from Mine La Motte Corporation in each of the years 1950 and 1949 ($360,000) exceeded the Company's equity in the net income of those respective years by $71,118.32 and $41,520.25.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

250 PARK AVENUE
NEW YORK

ACCOUNTANTS' CERTIFICATE

TO THE STOCKHOLDERS OF ST. JOSEPH LEAD COMPANY:

We have examined the consolidated balance sheet of St. Joseph Lead Company and its domestic subsidiaries as of December 31, 1950 and the related summaries of consolidated net income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and summaries of consolidated net income and earned surplus, with the footnotes thereon, present fairly the financial position of St. Joseph Lead Company and its domestic subsidiaries at December 31, 1950 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York,

February 28, 1951

Balance Sheets, December 31, 1950 and 1949

ASSETS

	December 31, 1950 *Argentine paper pesos (Note 1)*		*December 31, 1949* *Argentine paper pesos (Note 1)*	
Current and Working Assets:				
Cash	12,592,832.39		10,425,300.54	
Argentine Government securities—at lower of cost or market quotation value	3,808,019.50		3,794,982.26	
Accounts receivable—trade	4,720,576.65		1,988,389.80	
Due from partly-owned companies:				
Trade	2,362,130.68		—	
Other	813.00		331,685.72	
Other accounts receivable, etc.	330,253.70		262,463.15	
Inventories:				
Lead and zinc concentrates (at cost, exclusive of depreciation and depletion—valuation not in excess of market)	5,946,654.96		4,428,866.58	
Silver, at estimated value	1,226,230.07		765,853.00	
Materials and supplies (at cost or less)	8,440,642.94	39,428,153.89	5,931,849.89	27,929,390.94
Investments (Note 2):				
Sulfacid S. A. Industrial (at cost—1950, 47.1% owned; 1949, 43.9% owned)	14,397,000.00		11,847,000.00	
Compania Metalurgica Austral-Argentina, S. A. Comercial (at cost—1950, 38% owned; 1949, 43.2% owned)	7,597,000.00	21,994,000.00	6,347,000.00	18,194,000.00
Capital Assets (Note 3):				
Ore reserves and mineral rights:				
Cost, including exploration and development prior to the commencement of operations	4,384,038.36		4,384,038.36	
Less reserve for depletion	3,502,940.87	881,097.49	3,290,443.07	1,093,595.29
Appreciation arising from valuation in 1935	49,446,736.14		49,446,736.14	
Less reserve for depletion	39,700,779.13	9,745,957.01	37,304,056.93	12,142,679.21
Total ore reserves and mineral rights, net		10,627,054.50		13,236,274.50
Land, buildings, plant and equipment (at cost)	15,549,029.40		13,683,297.15	
Less reserve for depreciation	9,868,548.10	5,680,481.30	9,127,858.06	4,555,439.09
Total capital assets, net		16,307,535.80		17,791,713.59
Deferred Charges		27,542.79		98,968.53
Total		77,757,232.48		64,014,073.06

Notes:

(1) The financial statements have been prepared in Argentine paper pesos instead of U. S. dollars because of current exchange restrictions. At December 31, 1950 and 1949, the quoted free rates of exchange for a peso were approximately 7 cents and 11 cents, respectively. Reference is made to the text of this report relative to the transfer of funds from Argentina.

(2) The Company was contingently liable at December 31, 1950 for subscriptions to additional shares of capital stocks amounting to pesos 1,800,000 and was similarly contingently liable at December 31, 1949 in the amount of pesos 3,300,000.

Balance Sheets, December 31, 1950 and 1949

LIABILITIES

	December 31, 1950 Argentine paper pesos (Note 1)		*December 31, 1949* Argentine paper pesos (Note 1)	
CURRENT LIABILITIES:				
Accounts payable—trade	2,046,909.88		933,523.65	
Due to St. Joseph Lead Company (including dividends payable—1950, 6,725,178.15; 1949, 3,531,492)	9,567,367.11		5,259,482.62	
Wages payable	747,304.11		349,253.43	
Accrued Argentine income and other taxes	8,014,378.81		3,506,611.01	
Other accounts payable	277,856.67	20,653,816.58	125,670.65	10,174,541.36
DEFERRED CREDITS:				
Deferred sulphur sales, etc.		816,063.18		—
RESERVES:				
Employees' compensation under Argentine social laws	1,593,018.94		1,053,241.31	
Accidents	217,899.15		220,885.42	
Other expenses	319,153.09	2,130,071.18	250,348.75	1,524,475.48
CAPITAL STOCK AND SURPLUS:				
CAPITAL STOCK:				
Authorized and issued—500,000 shares of a nominal value of 80 Argentine paper pesos each	40,000,000.00		40,000,000.00	
Less in treasury, 35,000 shares	2,800,000.00		2,800,000.00	
Outstanding, 465,000 shares		37,200,000.00		37,200,000.00
SURPLUS:				
Capital surplus arising from 1935 valuation of ore reserves (remainder after transfer of pesos 48,000,000.00 to stated value of capital stock)		1,446,736.14		1,446,736.14
Appropriated earned surplus:				
For acquisition of capital stock held in treasury	2,800,000.00		2,800,000.00	
To statutory reserve	440,530.57		304,274.37	
Earned surplus (after charging deficits aggregating pesos 6,395,000.00 against capital surplus arising from reduction in stated value of capital stock—Note 4)	12,270,014.83	15,510,545.40	10,564,045.71	13,668,320.08
Total Capital Stock and Surplus		54,157,281.54		52,315,056.22
TOTAL		77,757,232.48		64,014,073.06

NOTES CONTINUED:

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

(4) The net profit since beginning operations, pesos 22,879,545.40 (earned surplus at December 31, 1950, pesos 15,510,545.40 plus dividends declared pesos 13,764,000.00 and less aggregate deficits transferred to capital surplus, pesos 6,395,000.00) represents aggregate net profits of pesos 62,580,324.53 (after deducting depletion computed on cost) against which has been charged depletion computed on appreciation aggregating pesos 39,700,779.13.

Summaries of Net Income

For the Years Ended December 31, 1950 and 1949

		1950 *Argentine paper pesos (Note 1)*		1949 *Argentine paper pesos (Note 1)*
Net Sales		36,447,392.40		25,174,247.27
Cost of Sales (exclusive of depreciation and depletion)		13,417,155.03		10,473,044.88
Gross Profit from Operations before Depreciation and Depletion		23,030,237.37		14,701,202.39
Deduct:				
Selling, general and administrative expenses	1,199,818.28		899,692.65	
Taxes, other than taxes on income	3,017,712.44	4,217,530.72	2,086,133.14	2,985,825.79
Net Profit from Operations before Depreciation and Depletion		18,812,706.65		11,715,376.60
Other Income (after charges—1950, pesos 85,487.56; 1949, pesos 25,545.15)		81,259.83		796,784.33
		18,893,966.48		12,512,160.93
Provision for:				
Depreciation	756,521.16		642,147.95	
Depletion computed on cost	212,497.80		164,285.46	
Depletion computed on appreciation of ore reserves	2,396,722.20	3,365,741.16	1,852,944.54	2,659,377.95
		15,528,225.32		9,852,782.98
Provision for Argentine Income and Excess Profit Taxes (Note 2)		7,176,000.00		3,040,973.33
Net Income for the Year		8,352,225.32		6,811,809.65

Summaries of Unappropriated Earned Surplus

For the Years Ended December 31, 1950 and 1949

	1950 *Argentine paper pesos (Note 1)*	1949 *Argentine paper pesos (Note 1)*
Surplus at Beginning of the Year	10,564,045.71	7,580,193.04
Add—Net Income for the Year	8,352,225.32	6,811,809.65
Total	18,916,271.03	14,392,002.69
Deduct:		
Dividends declared or paid during the year	6,510,000.00	3,720,000.00
Earned surplus appropriated to statutory reserve	136,256.20	107,956.98
Total	6,646,256.20	3,827,956.98
Surplus at End of the Year (after charging deficits aggregating pesos 6,395,000.00 against capital surplus)	12,270,014.83	10,564,045.71

Notes:

(1) Reference is made to Note 1 to the accompanying balance sheets.

(2) Argentine income taxes are being paid under protest and claims for refund filed wherein depletion is based on the 1935 appreciated value of proven ore reserves instead of on cost thereof.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

250 PARK AVENUE
NEW YORK

ACCOUNTANTS' CERTIFICATE

ST. JOSEPH LEAD COMPANY:

We have examined the balance sheet of Compania Minera Aguilar, S. A. (incorporated and doing business in Argentina) as of December 31, 1950 and the related summaries of net income and unappropriated earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

It has been the consistent practice of the Company to record depletion of ore reserves and mineral rights on the basis of tons of ore mined as used in the Company's reports for tax and other purposes to the Argentine Government rather than on the more generally accepted basis of tons of products sold.

In our opinion, the accompanying balance sheet and summaries of net income and unappropriated earned surplus, with the footnotes thereon, present fairly the financial position of Compania Minera Aguilar, S. A. at December 31, 1950 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles (except as described in the preceding paragraph) applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York,
February 28, 1951