NINETY-FIRST ANNUAL REPORT TO THE STOCKHOLDERS

1954

St. Joseph Lead Co.

PROXIES FOR ANNUAL MEETING

This Report is sent to Stockholders of the Company in advance of the solicitation by the Board of Trustees of proxies for the Annual Meeting of Stockholders to be held on May 9, 1955 at 11 A.M.

Proxies will be solicited commencing on April 7, 1955.

NINETY-FIRST ANNUAL REPORT

1954

St. Joseph Lead Company

250 PARK AVENUE
NEW YORK 17, N. Y.

Transfer Office

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

Registrar

CITY BANK FARMERS TRUST COMPANY
22 William Street, New York 5, N. Y.

TABLE OF CONTENTS

ST. JOSEPH LEAD COMPANY

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

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

Executive Officers

CLINTON H. CRANE	*Chairman*
ANDREW FLETCHER	*President*
C. MERRILL CHAPIN, JR.	*Vice President*
FRANCIS CAMERON	*Vice President*
GEORGE I. BRIGDEN	*Vice President and Treasurer*
CHARLES R. INCE	*Vice President*
R. J. MECHIN	*Vice President*
ROBERT BENNETT	*Secretary*
JAMES G. COLVIN	*Asst. Treasurer and Asst. Secretary*

United States Division Managers

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

Consultant

GEORGE F. WEATON

Cia. Minera Aguilar, S.A.

Argentina

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

ST. JOSEPH LEAD COMPANY

To the Stockholders:

We are pleased to submit a report of the Company's operations for the year 1954, including Consolidated Balance Sheets as of the end of 1954 and 1953, together with Summaries of Consolidated Net Income and Earned Surplus for the years ended December 31, 1954 and 1953, for St. Joseph Lead Company and subsidiaries. Similar statements for Compania Minera Aguilar, S.A., are also included. The accounts of these companies were audited by Haskins & Sells, Certified Public Accountants, and their certificates are included in this report.

World Markets for Lead and Zinc

On May 28, 1954 the U. S. Tariff Commission recommended an increase in the import duties on lead and zinc. On August 20, 1954 President Eisenhower rejected the Tariff Commission's recommendation and announced as a substitute an expanded program of buying these two metals for the Government stockpile. The President's message on the subject assured the lead and zinc industries that he recognized that the domestic miners had been unduly injured by excessive imports, and announced that continued study would be given to the problem to determine whether the increased stockpile purchases were the proper solution.

The experience with stockpiling over the past six months has proven of limited value for the American mining industry. Miners in the United States are grateful for the strengthening of the domestic market prices of both lead and zinc due to the purchase by the Government of excess stocks, but it must be recognized that domestic production is still decreasing. Lead and zinc producers throughout the world have greatly benefited by the U. S. stockpiling program, and current quotations on the London Metal Exchange, have reached levels which many observers believe to be higher than required to bring out the necessary production, and probably are adversely affecting consumption.

The stockpile program has the important defect in that it fails to provide any restraint on the large imports of lead and zinc ores and metals which continue to enter our domestic market. President Eisenhower's Cabinet Committee on Minerals Policy has recognized "that a strong, vigorous and efficient domestic mineral industry is essential to the long-term economic development of the United States", and Washington has further stated that the market prices of lead and zinc must be at levels "that are sufficient to maintain an adequate domestic mobilization base". Your Company has advocated the best solution to be moderate stockpiling coupled with a program of assistance in the form of restoration of higher tariff or import taxes, as having the following advantages:

It would have the immediate effect of establishing U. S. prices at a higher level than the rest of the world.

It would aid the American miner who needs help, but not over-stimulate the production from foreign mines.

Due to the higher U. S. prices the foreign producer would continue to market a portion of his production in our country because he could afford to pay the increased duty and still net the same world market price. The United States would continue to receive sufficient imports to meet the requirements of our manufacturers and consumers.

The regular flow of lead and zinc ores and metal among Nations would still be subject to conditions of supply and demand and the automatic laws of the marketplace, which are fundamental to our economy. As a consequence we avoid the serious risks and objections attached to artificial schemes such as international cartels, subsidies, and other forms of governmental experiments.

The following figures show, for the year 1954, the source of supply of lead and zinc in the United States and their consumption by industries, as compared with 1953:

LEAD

	1954 (Est.)	1953 (Final)
Available Supply:		
U. S. Mine Production	317,000	342,000
From scrap	472,000	486,000
Imports	459,000	547,000
Total Supply	1,248,000	1,375,000
Consumption:		
Batteries	337,000	368,000
Ethyl gasoline	162,000	162,000
Cables	127,000	147,000
Construction (pipe, sheets, etc.)	102,000	107,000
Paint	118,000	130,000
Other uses	254,000	288,000
Total Consumption	1,100,000	1,202,000
Surplus	148,000	173,000

ZINC

	1954 (Est.)	1953 (Final)
Available Supply:		
Recoverable U. S. Mine Production	465,000	547,000
Less-Used to make pigments	70,000	96,000
Recoverable domestic zinc available to metal smelters	395,000	451,000
Scrap zinc	61,000	50,000
Imports of concentrates (Recoverable zinc content)	378,000	434,000
Total	834,000	935,000
Add-Imports of slab zinc	150,000	235,000
Total zinc metal available	984,000	1,170,000
Consumption:		
Galvanizing	400,000	407,000
Zinc-Base Alloys	278,000	307,000
Brass	105,000	178,000
Rolled Zinc	46,500	55,000
Other	37,500	39,000
Total Consumption	867,000	986,000
Exports	25,000	18,000
Total zinc metal consumed and exported	892,000	1,004,000
Surplus	92,000	166,000

Earnings and Taxes

The net income for St. Joseph Lead Company and subsidiaries for the year 1954, was $7,523,503, a 19½% increase over the $6,300,342 reported for 1953. On the basis of the 2,716,222 shares of capital stock outstanding, this amounts to $2.77 per share in 1954, as compared with $2.32 per share the previous year. The higher earnings were primarily due to the increase in the prices of lead and zinc during the last half of 1954. These higher prices were the direct result of the Government's stockpiling program, which increased the lead price from a low of 12.5 cents per pound in February, to 15 cents in October, while zinc rose during the same period from 9.25 to 11.5 cents per pound. The year-end prices of lead and zinc were 15 cents and 11.5 cents respectively.

The earnings per share in each quarter in 1954, as compared with 1953 were as follows:

	1954	*1953*
1st Quarter	$ .40	$ .74
2nd Quarter	.61	.88
3rd Quarter	.82	.57
4th Quarter	.94	.13
Total	$2.77	$2.32

The provision for Federal and State income taxes in 1954 amounted to $4,628,764, which is equivalent to $1.70 per share, as against $4,344,733, or $1.60 per share the previous year.

Settlement of the Company's U. S. Corporation Income and Excess Profits Taxes for the year 1952 together with claims for refunds for the years 1944 through 1951 has been reached with the Internal Revenue Service. These settlements resulted in a net overpayment by the Company of $19,091, exclusive of interest.

The table below shows earnings for the ten-year period ended December 31, 1954. This table does not include earnings of Cia. Minera Aguilar, S.A. which are shown separately in this report, except to the extent of dividends on which exchange was granted, in the amount of $294,340 U. S. dollars received in 1947, $69,574 in 1951 and $69,874 in 1952. Permission has not been obtained from the Argentine authorities to convert any portion of the remaining peso dividends amounting to 75,385,747 pesos at December 31, 1954.

TEN-YEAR EARNINGS 1945-1954

Year	*Consolidated Net Income*	*After Income Taxes of*
1945	$ 4,829,815	$ 1,164,905
1946	5,807,131	1,923,373
1947	12,537,761	4,479,659
1948	9,636,737	3,776,836
1949	8,564,436	2,889,925
1950	12,211,615	7,976,468
1951	13,577,237	13,819,817
1952	9,638,455	5,667,894
1953	6,300,342	4,344,733
1954	7,523,503	4,628,764

Sales

Total sales, including purchases by the Government under the new expanded stockpiling program, amounted to $95,003,072 in 1954, compared with total sales of $88,002,426 in 1953, an increase of 7.96%. Lead sales from the Company's production showed a slight increase in 1954 and amounted to 97,875 tons as compared with 95,980 tons in 1953, whereas the sales of zinc content in the slab zinc and zinc oxide increased from 103,009 tons to 117,611 tons in 1954. Approximately 56% of the gross earnings of the Company came from zinc and 44% from lead, in comparison with 61% for zinc and 39% for lead in 1953, and 50% for each in 1952.

The table below shows the total tonnage of lead sold, together with pig lead stocks for each of the last ten years:

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 Stock*
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
1951	97,308	50,597	147,905	16,031
1952	98,848	61,777	160,625	17,063
1953	95,980	71,212	167,192	23,510
1954	97,875	85,204	183,079	33,361

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

Dividends

Cash dividends of 50 cents per share were paid quarterly during 1954, making a total of $2.00 per share for the year. The following is a record of cash dividend payments for the ten year period through 1954:

DIVIDENDS 1945-1954

Year	*Outstanding Shares*	*Per Share*	*Amount*
1945	1,975,456	$2.00	$3,950,912
1946	1,975,456	2.00	3,950,912
1947	1,975,456	3.00	5,926,368
1948	1,975,456	3.25	6,420,232
1949	1,975,456	3.25	6,420,232
1950	1,975,456	3.25	6,420,232
1951	2,468,846	3.25	8,023,749
1952	2,592,124	3.00	7,776,373
1953	2,715,742	2.75	7,468,290
1954	2,716,222	2.00	5,432,076

Cash Resources and Receivables

The Company's cash and short term investments amounted to $14,129,371 at December 31, 1954 and $14,521,292 at December 31, 1953.

During the year, accounts receivable increased from $4,120,238 to $10,109,075. This $5,988,837 increase is made up mainly of amounts due from the U. S. Government for lead and zinc sold for stockpiling.

Net Working Capital

The consolidated net working capital (cash resources, receivables and inventories, minus current liabilities) was $29,514,554 at December 31, 1954, as compared with $25,413,178 at December 31, 1953, an increase of $4,101,376 during the year. A summary of the principal items accounting for the changes during 1954 is as follows:

Net working capital at January 1, 1954		$25,413,178
Additions:		
Net income after all charges		7,523,503
Charges to income for depreciation, depletion, other reserves and other items which did not affect working capital		3,676,173
		$36,612,854
Deductions:		
Dividends paid	$5,432,076	
Capital expenditures	1,125,743	
Investment in Brunswick Mining and Smeling Corporation Limited 5% Income Bonds due 1968	300,000	
Other Investments and Advances	240,481	7,098,300
Net working capital at December 31, 1954		$29,514,554

Capital Expenditures

Expenditures for property, plant and equipment in 1954, were $1,125,743 compared with $4,788,011 in 1953. It is estimated that for 1955 they will approximate $1,700,000. The three-year expansion program which started in 1951, was completed during 1954. Capital expenditures since 1945 are shown in the following table:

COMPARATIVE CAPITAL EXPENDITURES

Year	*Lead Belt*	*Josephtown*	*Edwards-Balmat*	*Total*
1945........	$ 10,414	$ 3,096	$197,358	$ 210,868
1946........	66,195	699,645	54,374	820,214
1947........	830,993	5,316,460	151,968	6,299,421
1948........	469,093	1,776,183	81,590	2,326,866
1949........	774,658	147,536	160,553	1,082,747
1950........	903,776	177,071	929,617	*2,010,464
1951........	2,549,327	564,768	685,128	*3,799,223
1952........	3,793,396	1,768,048	90,896	*5,652,340
1953........	3,972,871	720,665	94,475	4,788,011
1954..... .	817,306	208,499	99,938	*1,125,743

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

Southeast Missouri

The mines and mills in the Lead Belt again operated without interruption during 1954. Ore and chat milled increased to a total of 7,182,035 tons in 1954, from 6,860,627 tons the previous year, with a lead content, 90% basis, of 97,599, a slight decrease from the 98,036 tons for the previous year. New ore developed during the year approximated the tonnage mined.

The new Indian Creek property in Washington County, operated throughout the year on an average of approximately 600 tons of ore per day. The tonnage is gradually expanding and 1,000 tons per day is at present being treated. It is expected that by the fourth quarter of 1955, the 2,000-ton per day capacity will have been reached.

Because of the economies to be effected, the Hayden Creek mill has been abandoned, and the ore produced from this mine is being trucked to the Leadwood mill. The Hayden Creek mill will be dismantled, and the residual value written off and charged to expenses in equal amounts over the years 1954, 1955 and 1956.

With the completion of the increase in the Herculaneum Smelter capacity to 100,000 tons of pig lead annually, the output rose during 1954, from 65,899 tons for 1953 to 91,736 tons.

The thirty-year contract with the American Smelting and Refining Company which expired January 14, 1954, was superseded by a five-year contract. Under the new contract, all production in excess of 100,000 tons of lead content per year, with a minimum of 3,000 tons of concentrates per month, will continue to be smelted at their East Alton, Illinois plant.

The rebuilding of the larger zinc furnace at Herculaneum is progressing satisfactorily and is expected to be completed early in the second quarter of 1955.

Edwards and Balmat, New York

As a result of a full year's operation of the new mill facilities at Balmat, a production record for crude ore was established in 1954. The combined production at this division increased to 103,479 tons of concentrates from 99,374 tons the previous year. The entire zinc production was shipped to our Josephtown, Pennsylvania Smelter.

Josephtown, Pennsylvania

The decrease in the demand for zinc which began in the last quarter of 1953 and culminated at the end of the first quarter of 1954, resulted in increased stocks of metal. Because of low prices and continuous accumulation of stocks, zinc metal production at Josephtown was reduced in February to approximately

5,500 tons per month. With the improvement in prices and demand, production was increased in May and reached 9,500 tons in December. During the last six months of 1954 stocks at this Division were substantially reduced, and amounted to 10,980 tons at December 31, 1954.

Employee Relations

Employee relations at all Divisions continued to be very satisfactory throughout the year. St. Joe's safety record continues to be excellent.

The number of U. S. employees at December 31, 1954 was 5,000, approximately the same as in 1953. Of this total 963 employees have over twenty-five years' service.

Employee earnings are supplemented by fringe benefits, including retirement and disability income, group life insurance and hospitalization. The past service pension liability has been completely funded.

Oil Exploration

The net amount expended for oil exploration in 1954 was $331,982 as compared to $825,819 in 1953, after deducting income from sales of oil amounting to $113,329 and $20,340 for these years respectively. At the beginning of 1954 there were two producing wells "C" #2 and "D" #1, in the Harris Ranch Block, Crockett County, Texas jointly owned with Continental Oil Company, and one well "C" #3, shut-in until means of disposing of the excess gas can be developed. During the year, three additional jointly owned wells were drilled and a fourth authorized on the same lease block—

The Harris "C" #4, an exploratory test on the Northwest portion of the acreage was a dry hole. The Harris "C" #5 South of the producing wells encountered a showing of both oil and gas but was not completed as a producing well. An attempt to complete this well as a producer will be made at some future date.

The Harris "C" #6, 2,250 feet north of the "C" #4, was completed as an excellent commercial well, but has an allowable under the Texas Railroad Commission of only approximately 120 barrels per day due to the necessity of flaring the large amount of gas. The drilling of the Harris "D" #2 well located approximately 2,500 feet east of the "C" #6 was commenced January 7, 1955. Production is from the Strawn horizon.

On the West Poplar Block, Roosevelt County, Montana, a tract of approximately 6,000 acres, also jointly held with Continental, a third test well known as the Landon #1 well was completed as a dry hole at the depth of 6,560 feet. It was plugged and abandoned on November 24, 1954.

Cia. Minera Aguilar, S.A. and Associated Companies

Net income of Cia. Minera Aguilar, S. A. for the year 1954, the highest in the company's history, was 47,813,405 pesos, 45% greater than the 32,890,744 pesos reported for 1953. These earnings were after the following deductions:

	1954	*1953*
Depreciation and Special Reserves	20,242,001 pesos	14,123,960 pesos
Income and Excess Profits Taxes..	45,935,919 "	32,203,096 "
Total	66,177,920 pesos	46,327,056 pesos

Cash and marketable securities at December 31, 1954, were 175,847,042 pesos, an increase of 111,005,814 pesos over the previous year. St. Joseph Lead and Aguilar have 197,790,791 pesos invested in Argentine securities and in cash deposits. The modernization program to permit of efficient, full production at Aguilar is progressing satisfactorily.

During 1954 approximately $300,000 of equipment was purchased in the United States and $530,000 is under order. Foreign exchange is being made available in the Central Bank of Argentina shortly after the equipment arrives in that country. Development work during the past year continues encouraging. Two mining prospects are being drilled by Compania Minera Aguilar, S. A., and a third is being negotiated.

Lead and zinc concentrate production for 1954 in metric tons as compared with 1953, is shown below:

	1954	*1953*
Lead Concentrates	22,581 Tons	19,768 Tons
Zinc Concentrates	36,240 "	31,797 "

Operations of Sulfacid, S. A., continue to be managed in an excellent manner. As the sulphuric acid market in Argentina was depressed throughout the year, only a nominal profit was earned by this company.

Cia. Metalurgica Austral, S. A., made excellent progress in all phases of its operations, and a satisfactory profit was earned through the sale of current production and accumulated zinc inventories.

We continue to be optimistic as to the future of our operations in Argentina.

Other Foreign Interests

Progress on the Brunswick Mining and Smelting Corporation Limited's property at New Brunswick, Canada, 40% owned, continues to be satisfactory. The pilot mill erected on the property, began operations on February 10, 1955. An auxiliary shaft on the #12 orebody has been completed to a depth of 412 feet, with stations cut at 200 feet and 350 feet. Drifting on the 350-foot level to outline the orebody and to obtain ore for the pilot plant testing, is in progress. The plotting and mapping of the orebodies have resulted in a considerable increase in the expected grade and ore tonnage. Study of the transportation and harbor facilities is under way.

The property of Societe Nord Africaine du Plomb in which your company has approximately a 17½% interest, operated throughout the year 1954 at about 40% of capacity. New ore developed at this property kept pace with the tonnage mined.

Board of Trustees

The following two changes in the Company's Board of Trustees occurred during the year 1954:

Mr. Eli Whitney Debevoise, a member of the New York law firm of Debevoise, Plimpton & McLean, was elected by the Board of Trustees on February 8, 1954, to fill the vacancy caused by the resignation of Mr. Robert Bennett whose normal retirement date was November, 1954.

Mr. James W. McAfee, President of the Union Electric Company of Missouri, was elected by the Stockholders on May 10, 1954, in place of Mr. Daniel K. Catlin who had been a member of the Board of Trustees since 1912. Mr. Catlin had informed the Board he would prefer not to be renominated for a further term.

The following resolution was adopted upon Mr. Catlin's retirement:

WHEREAS Daniel K. Catlin has been a member of the Board of Trustees of the St. Joseph Lead Company continuously since 1912, and during these forty-two years of service he rarely missed a meeting; and

WHEREAS his friendship, loyalty, wise counsel and progressive outlook have been of inestimable assistance to the Board and benefit to the Company; and

WHEREAS the Board received with deep regret Mr. Catlin's decision to decline renomination for re-election as a member of the Board;

BE IT RESOLVED that the Trustees, on the occasion of Mr. Catlin's retirement from the Board, express to him their sincere appreciation for his loyal and effective service to the Company over the past forty-two years, and, with the assurance of their warm and abiding friendship, extend to him their best wishes for continuing good health, happiness and prosperity.

FURTHER RESOLVED that the Secretary forward to Mr. Catlin a copy of the foregoing resolution.

Anti-Trust Suit

In last year's Annual Report, the stockholders were advised that the United States had commenced a civil action against St. Joseph Lead Company and American Smelting and Refining Company in the U. S. District Court for the Southern District of New York, alleging violations of the Sherman Anti-Trust Act in the conduct of the lead business. Stockholders were also advised that insofar as the complaint relates to St. Joseph Lead Company, the Company vigorously denies that it has in any way violated the Anti-trust laws. Other than filing an answer stating our position, there have been no changes except that the case has been noticed for trial, which may occur in 1956.

President's Report to Employees

A copy of the President's Report to Employees for the year 1954, will be found under the flap of the rear cover of this report. The photographs and additional operating comments may be of interest to the stockholders.

Stockholders

The number of St. Joseph Lead Company stockholders of record on December 31, of each year since 1945 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*
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
1951	9,023	1,907	3,705	2,076	1,335
1952	10,182	2,146	4,235	2,346	1,455
1953	10,657	2,257	4,424	2,485	1,491
1954	10,497	2,165	4,305	2,511	1,516

Conclusion

We wish again to express our sincere appreciation to all employees for their loyal and efficient efforts during the past year, and for the continued support of our stockholders.

CLINTON H. CRANE
Chairman

ANDREW FLETCHER
President

New York, March 12, 1955

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1954 and 1953

ASSETS

	December 31, 1954		December 31, 1953	
Current Assets:				
Cash	$ 4,129,371		$ 4,521,291	
U. S. Government and other short term securities	10,000,000		10,000,000	
Accounts receivable—trade	10,109,075		4,120,238	
U. S. Government—claims for income tax refunds	406,504		441,718	
Other accounts receivable	226,638		228,208	
Inventories (valuation not in excess of market)—(Note 1):				
Finished lead, zinc, etc.	5,712,455		6,267,705	
Lead, zinc, etc., in process and concentrates	4,016,935		3,178,316	
Materials and supplies (less reserve for slow-moving items—1954, $21,637; 1953, $92,964)	5,267,634	$39,868,612	5,504,829	$34,262,305
Advances:				
Compania Minera Aguilar, S. A.	$ 126,880		$ 55,374	
Sulfacid, S. A. Industrial	357		644	
Compania Metalurgica Austral-Argentina, S. A. Commercial	25,028	152,265	31,300	87,318
Investments:				
Compania Minera Aguilar, S. A. (at nominal valuation—99.9% owned, not consolidated)—(Note 2)	$ 1		$ 1	
Mine La Motte Corporation (at nominal valuation—50% owned)—(Note 3)	1		1	
The New Jersey Zinc Company (195,000 shares at cost, less non-taxable dividends—9.9% owned)	11,161,854		11,161,854	
Brunswick Mining and Smelting Corporation Limited (at cost)—(Note 7):				
1,600,000 shares—40% owned	2,339,758		2,342,163	
5% income bonds, due July 1, 1968	300,000		—	
Sundry securities, loans, etc. (at cost, less reserve, $200,000)	673,718	14,475,332	963,825	14,467,844
Capital Assets (Note 4):				
Mining properties and mineral rights:				
Appraised value as of March 1, 1913	$13,500,000		$13,500,000	
Less allowance for depletion	13,500,000	—	13,500,000	—
Appreciation arising from revaluation subsequent to March 1, 1913	$ 3,500,000		$ 3,500,000	
Less allowance for depletion	3,500,000	—	3,500,000	—
Additions subsequent to March 1, 1913 (at cost)	$21,726,677		$21,610,956	
Less allowance for depletion	19,216,718	2,509,959	18,968,952	2,642,004
Land, buildings, plant and equipment (at cost)	$46,113,811		$45,619,701	
Less allowance for depreciation	29,067,078	17,046,733	27,279,318	18,340,383
Total capital assets, net		$19,556,692		$20,982,387
Miscellaneous Assets:				
U. S. Treasury, State and Municipal securities on deposit with Federal and State departments (at amortized cost)	$ 799,780		$ 826,209	
Cash and marketable securities (at amortized cost)—Fire insurance fund (see contra)	194,475	994,255	—	826,209
Deferred Charges:				
Oil and natural gas expenditures in suspense	$ 74,153		$ 91,716	
Deferred past service annuities (Note 5)	846,486		1,042,036	
Deferred exploration expenses	621,838		699,952	
Other deferred charges	261,923	1,804,400	287,953	2,121,657
Total		$76,851,556		$72,747,720

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

Consolidated Balance Sheets, December 31, 1954 and 1953

LIABILITIES

	December 31, 1954		December 31, 1953	
CURRENT LIABILITIES:				
Accounts payable	$ 5,158,181		$ 4,146,897	
Wages payable	321,017		291,678	
Accrued taxes:				
Federal income and excess profits (Note 6)	4,577,711		4,126,386	
Other	297,149	$10,354,058	284,166	$ 8,849,127
DEFERRED CREDIT—Deferred Federal income taxes—related to accelerated amortization of emergency facilities		449,953		138,204
RESERVES:				
Injury claims and workmen's liability insurance	$ 533,271		$ 526,137	
Employees' life insurance and retirement (Note 5)	390,749		396,625	
Fire insurance (see contra)	194,475	1,118,495	—	922,762
STOCKHOLDERS' EQUITY:				
CAPITAL STOCK:				
Authorized, 5,000,000 shares of $10.00 each.				
Shares, December 31 — 1954 / 1953				
Issued 2,737,636.85 / 2,737,636.85	$27,376,369		$27,376,369	
In Treasury 21,414.35 / 21,413.95	214,144		214,140	
Outstanding 2,716,222.50 / 2,716,222.90		27,162,225		27,162,229
SURPLUS:				
Earned	$19,610,334		$17,518,907	
Capital	18,156,491	37,766,825	18,156,491	35,675,398
Total Stockholders' Equity		$64,929,050		$62,837,627
TOTAL		$76,851,556		$72,747,720

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

Summaries of Consolidated Income

For the Years Ended December 31, 1954 and 1953

		1954		1953
NET SALES OF METALS, METAL PRODUCTS, ETC.		$95,003,072		$88,002,426
COST THEREOF (exclusive of depreciation and depletion)		78,854,619		74,035,998
GROSS PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION		$16,148,453		$13,966,428
DEDUCT:				
Selling, general and administrative expenses	$1,499,717		$1,324,933	
Exploration:				
New mine examination and development expenses	344,756		596,352	
Oil and natural gas expenses, net	331,982		825,819	
Past service annuities (Note 5)	195,550	2,372,005	195,550	2,942,654
NET PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION		$13,776,448		$11,023,774
OTHER INCOME:				
Dividends:				
The New Jersey Zinc Company	$ 243,750		$ 536,250	
Mine La Motte Corporation (Note 3)	100,000		360,000	
Other dividends, interest, etc. less charges	337,232		336,466	
Items previously expensed, capitalized by agreement with the Internal Revenue Service	161,548	842,530	204,687	1,437,403
		$14,618,978		$12,461,177
DEDUCT:				
Depreciation of plant and equipment	$2,218,945		$1,589,237	
Depletion of mines	247,766	2,466,711	226,865	1,816,102
		$12,152,267		$10,645,075
PROVISION FOR TAXES ON INCOME:				
Federal normal tax and surtax	$4,269,131		$4,199,581	
Federal excess profits tax (Refund)	(35,690)		(54,017)	
Federal income taxes—deferred—related to accelerated amortization of emergency facilities	311,749		138,204	
State income taxes	83,574	4,628,764	60,965	4,344,733
NET INCOME FOR THE YEAR		$ 7,523,503		$ 6,300,342
EARNED PER SHARE ON THE 2,716,222 SHARES OUTSTANDING		$2.77		$2.32

Summaries of Consolidated Earned Surplus

For the Years Ended December 31, 1954 and 1953

	1954	1953
EARNED SURPLUS AT BEGINNING OF THE YEAR	$17,518,907	$17,403,855
NET INCOME FOR THE YEAR	7,523,503	6,300,342
RESERVE FOR CONTINGENCIES AND RESERVE FOR DEFERRED PROSPECTING, DEVELOPMENT, AND EXPLORATION RESTORED TO EARNED SURPLUS	—	1,283,000
	$25,042,410	$24,987,197
CASH DIVIDENDS PAID DURING THE YEAR (1954, $2 per share; 1953, $2.75 per share)	5,432,076	7,468,290
EARNED SURPLUS AT END OF THE YEAR	$19,610,334	$17,518,907

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

Notes to Financial Statements

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

2. The transfer of funds from Argentina is subject to restriction. It is the practice of the Company to record dividends received or receivable from Compania Minera Aguilar, S. A. as they are converted into U. S. dollars (no dividends were so converted in 1954 and 1953). Accordingly, the financial statements of St. Joseph Lead Company and subsidiaries do not include dividends of Compania Minera Aguilar, S. A. not so converted as follows:

	Argentine paper pesos	
	December 31	
	1954	*1953*
In bank in Argentina	2,983,749	1,983,749
Invested:		
Compania Metalurgica Austral-Argentina, S. A. Commercial:		
Capital stock (40.5% owned)	9,720,000	9,720,000
Bonds	1,000,000	2,000,000
Sulfacid, S. A. Industrial—Capital stock (28.6% owned)	8,240,000	8,240,000
Due from Compania Minera Aguilar, S. A.— Dividends declared not paid, less Argentine income tax withheld—1954, 4,609,093 pesos; 1953, 3,493,885 pesos	48,832,905	31,361,313
Total	70,776,654	53,305,062

St. Joseph Lead Company together with Compania Minera Aguilar, S. A. own 43.3% of Compania Metalurgica Austral-Argentina, S. A. Commercial and 50% of Sulfacid, S. A. Industrial.

Financial statements of Compania Minera Aguilar, S. A. are included herein on pages 15-17.

3. The Company's equity in the net assets of Mine La Motte Corporation, as shown by audited financial statements, was $307,787 and $296,131 at December 31, 1954 and 1953, respectively. The Company's equity in the net income of Mine La Motte Corporation for the year 1954 exceeded dividends received by $11,656; in 1953 dividends received exceeded the Company's equity in net income by $102,746.

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

5. The Company has a Retirement Plan for Salaried Employees and a Pension Plan for Payroll Employees, partly covered by contract with an insurance company and partly with funds deposited with a Trustee, no part of which is reflected in the accompanying consolidated balance sheets. Both plans are non-contributory and all past service costs have been funded. Current annual costs of both plans aggregated approximately $411,000 and $424,000 in 1954 and 1953, respectively. It is the practice of the Company to defer past service annuity cost payments in amounts equivalent to the estimated future tax reductions resulting therefrom.

6. The Federal income and excess profits tax returns of St. Joseph Lead Company and subsidiaries have been examined by the Internal Revenue Service through the year ended December 31, 1952; all assessments and adjustments have been settled.

7. Leadridge Mining Company Limited, a wholly-owned subsidiary, is committed to loan Brunswick Mining and Smelting Corporation Limited, a 40% owned company, up to $7,500,000 (Canadian funds) as needed for development and equipment. St. Joseph Lead Company has agreed to make $7,500,000 (U. S. funds) available to Leadridge for this purpose. The loan may be subordinated to other indebtedness of Brunswick not to exceed $17,500,000 (Canadian funds) on terms and conditions satisfactory to Leadridge. During the year 1954 Leadridge purchased $300,000 of Brunswick's 5% income bonds under the commitment.

8. Reference is made to the text of this report relative to the companies' capital expenditures and Anti-Trust suit.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

TO THE STOCKHOLDERS OF ST. JOSEPH LEAD COMPANY:

We have examined the consolidated balance sheet of St. Joseph Lead Company and its subsidiaries as of December 31, 1954 and the related summaries of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; it was not practicable to confirm receivables from the United States Government but we have satisfied ourselves with respect to such receivables by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheet and summaries of consolidated income and earned surplus, with the notes to financial statements, present fairly the financial position of St. Joseph Lead Company and its subsidiaries at December 31, 1954 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

February 23, 1955

Summaries of Income

For the Years Ended December 31, 1954 and 1953

		1954 Argentine paper pesos (Note 1)		1953 Argentine paper pesos (Note 1)
NET SALES OF LEAD AND ZINC CONCENTRATES, ETC.		169,445,333		118,832,414
COST THEREOF (exclusive of depreciation and depletion)		51,617,348		33,452,552
GROSS PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION		117,827,985		85,379,862
DEDUCT:				
Selling, general and administrative expenses	3,000,114		2,373,248	
Taxes, other than taxes on income	4,172,503		5,101,555	
Provision for doubtful accounts receivable	—	7,172,617	1,829,600	9,304,403
NET PROFIT FROM OPERATIONS BEFORE DEPRECIATION AND DEPLETION		110,655,368		76,075,459
INCOME CREDITS:				
Interest (including interest from partly-owned companies—1954, 691,920; 1953, 1,650,724)	1,924,738		1,896,828	
Other, less charges	1,411,219	3,335,957	1,245,513	3,142,341
		113,991,325		79,217,800
DEPRECIATION OF PLANT AND EQUIPMENT (Note 2)		1,853,149		1,337,278
		112,138,176		77,880,522
PROVISION FOR ARGENTINE INCOME AND EXCESS PROFITS TAXES		45,935,919		32,203,096
NET INCOME FOR THE YEAR BEFORE SPECIAL APPROPRIATION FOR REPLACEMENT AND REHABILITATION OF CAPITAL ASSETS		66,202,257		45,677,426
SPECIAL APPROPRIATION FOR REPLACEMENT AND REHABILITATION OF CAPITAL ASSETS (Note 2)		18,388,852		12,786,682
NET INCOME FOR THE YEAR, LESS SPECIAL APPROPRIATION		47,813,405		32,890,744

Summaries of Unappropriated Earned Surplus

For the Years Ended December 31, 1954 and 1953

		1954 Argentine paper pesos (Note 1)		1953 Argentine paper pesos (Note 1)
SURPLUS AT BEGINNING OF THE YEAR		34,714,125		20,810,646
ADD—NET INCOME FOR THE YEAR, LESS SPECIAL APPROPRIATION		47,813,405		32,890,744
TOTAL		82,527,530		53,701,390
DEDUCT:				
Dividends declared or paid during the year	18,600,000		18,600,000	
Appropriation to statutory reserve	659,765	19,259,765	387,265	18,987,265
SURPLUS AT END OF THE YEAR (after charging deficits aggregating pesos 6,395,000 against capital surplus)		63,267,765		34,714,125

NOTES:

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

COMPANIA MINERA AGUILAR, S. A.

Balance Sheets, December 31, 1954 and 1953

ASSETS

	December 31, 1954 Argentine paper pesos (Note 1)		December 31, 1953 Argentine paper pesos (Note 1)	
CURRENT ASSETS:				
Cash	39,617,633		39,548,816	
Marketable securities:				
Argentine Government (at cost)	79,121,213		17,747,948	
Other (at cost, less reserve—1954, 3,213,871; 1953, 3,300,000)	57,108,196		7,544,464	
Accounts receivable—trade (less reserve, 4,111,400)	11,288,116		16,018,850	
Due from partly-owned company—trade	—		31,261,907	
Other accounts receivable, etc.	3,380,077		1,582,493	
Inventories:				
Lead and zinc concentrates (at average cost, or less, exclusive of depreciation and depletion —valuation not in excess of market)	32,509,438		30,281,739	
Materials and supplies (at average cost or less)	21,882,315	244,906,988	19,616,451	163,602,668
INVESTMENTS (Note 2):				
Sulfacid, S. A. Industrial (at cost—21.4% owned)	6,155,000		6,157,000	
Compania Metalurgica Austral-Argentina, S. A. Commercial (at cost—2.8% owned)	674,000	6,829,000	676,000	6,833,000
CAPITAL ASSETS (Notes 3 and 4):				
Mining properties and mineral rights:				
Cost, including exploration and development prior to the commencement of operations	4,384,038		4,384,038	
Less allowance for depletion	3,502,941	881,097	3,502,941	881,097
Appreciation arising from valuation in 1935	49,446,736		49,446,736	
Less allowance for depletion	39,700,779	9,745,957	39,700,779	9,745,957
Total mining properties and mineral rights, net		10,627,054		10,627,054
Land, buildings, plant and equipment (at cost)	35,550,293		29,681,777	
Less allowance for depreciation	15,036,169	20,514,124	13,234,603	16,447,174
Total capital assets, net		31,141,178		27,074,228
DEFERRED CHARGES		3,651,228		3,661,365
TOTAL		286,528,394		201,171,261

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, 1954 and 1953, the quoted free rate of exchange for a peso was approximately 7 cents.

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

The Company was contingently liable at December 31, 1954 and 1953 for subscriptions to additional shares of capital stocks amounting to pesos 900,000.

(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.

Balance Sheets, December 31, 1954 and 1953

LIABILITIES

	December 31, 1954 Argentine paper pesos (Note 1)		*December 31, 1953 Argentine paper pesos (Note 1)*	
CURRENT LIABILITIES:				
Accounts payable—trade	1,586,284		3,897,494	
Due to St. Joseph Lead Company (including dividends payable — 1954, 48,832,905; 1953, 31,361,313)	50,582,971		32,070,796	
Due to partly-owned company	1,457,224		4,618,054	
Wages payable	2,319,351		2,198,647	
Accrued Argentine income and other taxes	38,213,838		26,366,331	
Other accounts payable	2,204,705	96,364,373	1,489,620	70,640,942
DEFERRED CREDITS—Unearned interest, etc.		30,578		—
RESERVES:				
Replacement and rehabilitation of capital assets (Note 4)	56,691,863		38,303,011	
Employees' compensation under Argentine social laws	11,563,445		6,689,638	
Accidents	3,223,225		1,263,683	
Other	11,934,622	83,413,155	6,767,104	53,023,436
STOCKHOLDERS' EQUITY:				
CAPITAL STOCK:				
Authorized and issued—500,000 shares of a nominal value of 80 Argentine paper pesos each	40,000,000		40,000,000	
Less in treasury, 35,000 shares	2,800,000		2,800,000	
Outstanding 465,000 shares		37,200,000		37,200,000
SURPLUS:				
Capital surplus arising from 1935 valuation of ore reserves (remainder after transfer of pesos 48,000,000 to stated value of capital stock)		1,446,736		1,446,736
Earned surplus:				
Appropriated:				
For acquisition of capital stock held in treasury	2,800,000		2,800,000	
Statutory reserve	2,005,787		1,346,022	
Unappropriated (after charging deficits aggregating pesos 6,395,000 against capital surplus arising from reduction in stated value of capital stock—Note 5)	63,267,765	68,073,552	34,714,125	38,860,147
Total Stockholders' Equity		106,720,288		77,506,883
TOTAL		286,528,394		201,171,261

NOTES CONTINUED:

(4) Ore reserves have been estimated by the directors to exceed appreciably those indicated by former surveys. Had depletion been provided for units sold in each of the years 1954 and 1953 based on the average book values of ore reserves and the quantities of ores on hand and remaining in the properties as so estimated the amounts would have been approximately Argentine paper pesos 275,000 and 260,000, respectively, and net income for both years would have been correspondingly less. However, no depletion has been provided since 1950, as the amounts thereof were not considered to be material. A special appropriation of 18,388,852 Argentine paper pesos for replacement and rehabilitation of capital assets has been made out of income for the year 1954. Similar special appropriations amounting to approximately 12,800,000 pesos were made out of income in each of the preceding three years.

(5) The net profit since beginning operations, pesos 140,310,052 (earned surplus at December 31, 1954 pesos 68,073,552 plus dividends declared pesos 78,631,500 and less aggregate deficits transferred to capital surplus pesos 6,395,000) represents aggregate net profits of pesos 180,010,831 (after deducting depletion computed on cost and special appropriations for replacement and rehabilitation of capital assets) against which has been charged depletion computed on appreciation aggregating pesos 39,700,779.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

ST. JOSEPH LEAD COMPANY:

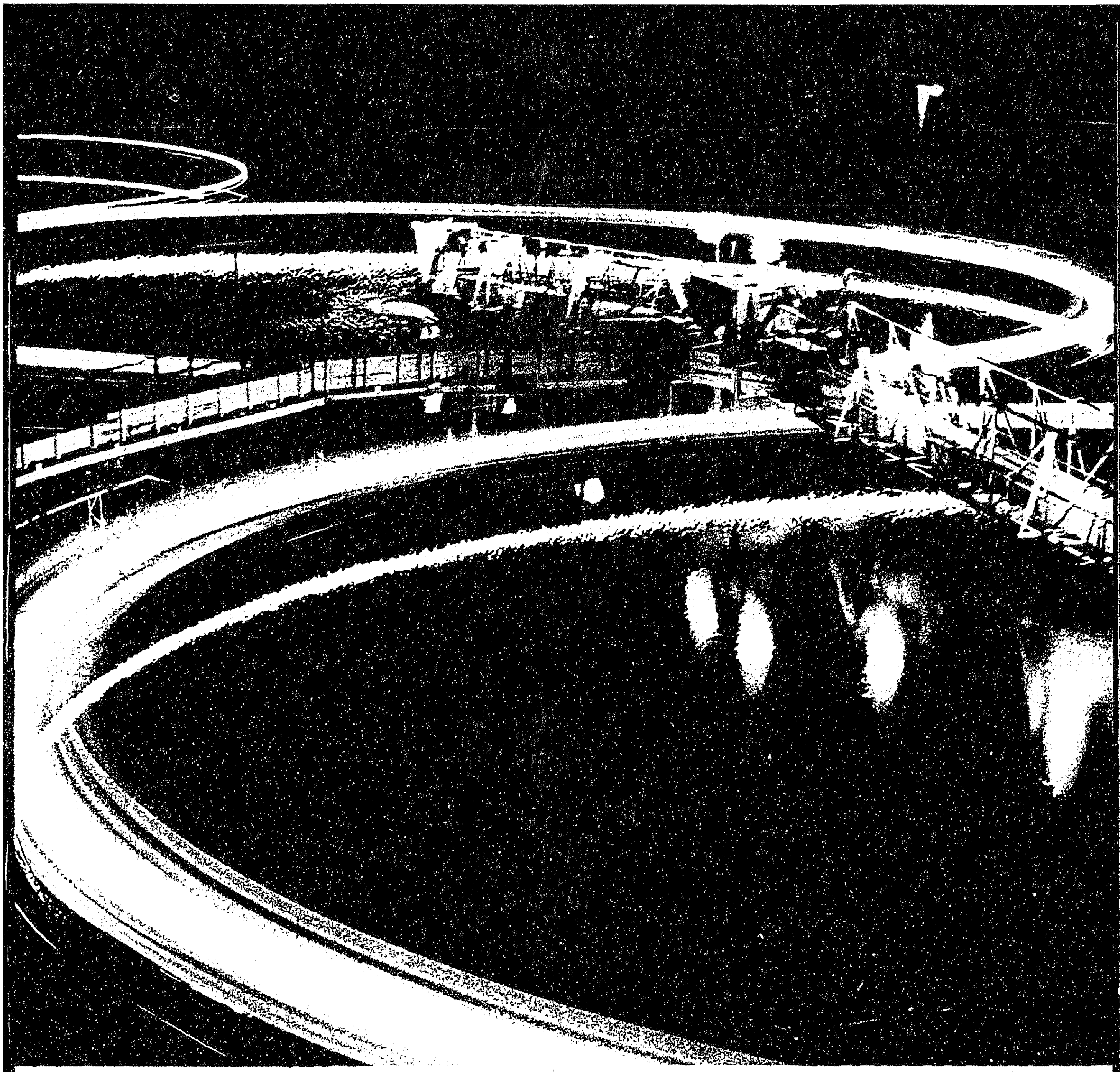
We have examined the balance sheet of Compania Minera Aguilar, S. A. (incorporated and doing business in Argentina) as of December 31, 1954 and the related summaries of income and unappropriated earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

A special appropriation of 18,388,852 Argentine paper pesos for replacement and rehabilitation of capital assets has been made out of income for the year. Officers of the Company explain that lack of dollar exchange has prevented acquisition of necessary equipment and supplies for adequate replacement and maintenance, with the result that related expense accounts and net income have not been burdened with amounts which otherwise would have been charged thereagainst. In our opinion accepted accounting principles require that charges for maintenance be made against income only in the year of expenditure or other definite determination, and that charges for major replacements be capitalized. Similar special appropriations amounting to approximately 12,800,000 Argentine paper pesos were made out of income in each of the preceding three years.

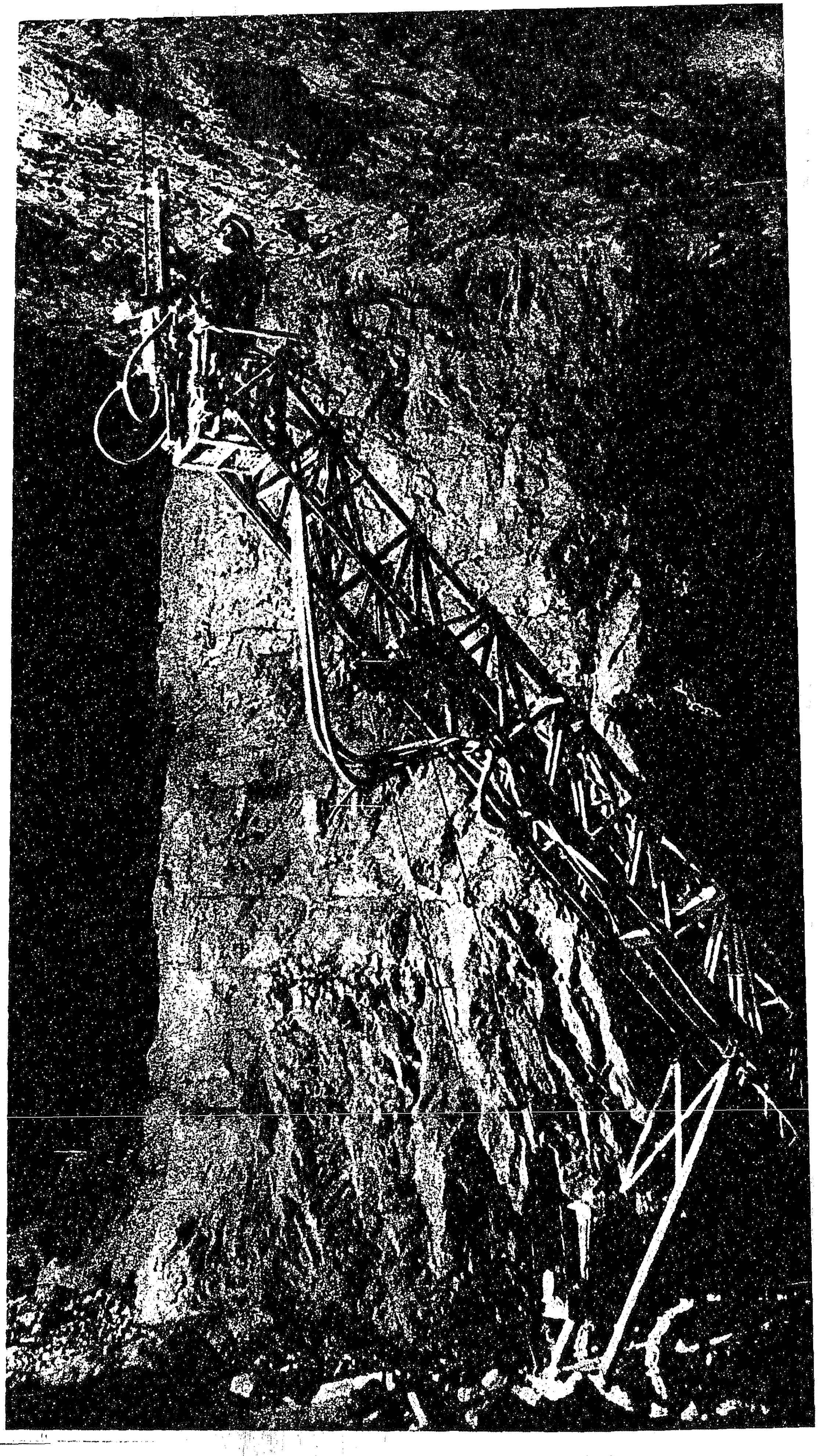
In our opinion, except as described in the preceding paragraph the accompanying balance sheet and summaries of income and unappropriated earned surplus, with the footnotes thereon, present fairly the financial position of Compania Minera Aguilar, S. A. at December 31, 1954 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

February 23, 1955



The President's Report 1954



Cover:
Night time exposure
of Federal Mill thickener
tanks. Lead Belt, Missouri

Right: Caterpillar-
mounted extension
ladder for underground
prospecting. Lead Belt

The following is a comparison of the St. Joe production and sales in short tons:

Lead

	1954 Tons	1953 Tons
Lead concentrates:		
Produced from Company's mines	164,171	160,625
Purchased concentrates (for smelting at Herculaneum)	39,373	38,294
Pig lead equivalent of produced and purchased concentrates	133,932	129,281
Pig lead produced	129,766	130,430
Pig lead sales:		
From smelter production	123,273	122,062
Purchased pig lead	59,806	45,130

Zinc

	1954 Tons	1953 Tons
Zinc concentrates:		
Produced from Company's mines	109,547	104,744
Purchased concentrates (for smelting at Josephtown)	61,640	112,991
Slab zinc equivalent of:		
Produced and purchased concentrates	105,610	126,968
Smelter production (including toll zinc)	111,021	121,592
Sales of oxide and metal	117,611	103,009
Sulphuric Acid Sales	147,076	174,715

Advertisements

As it is just as important to sell our products as to produce them, there is again included in this Report, three representative St. Joe advertisements.

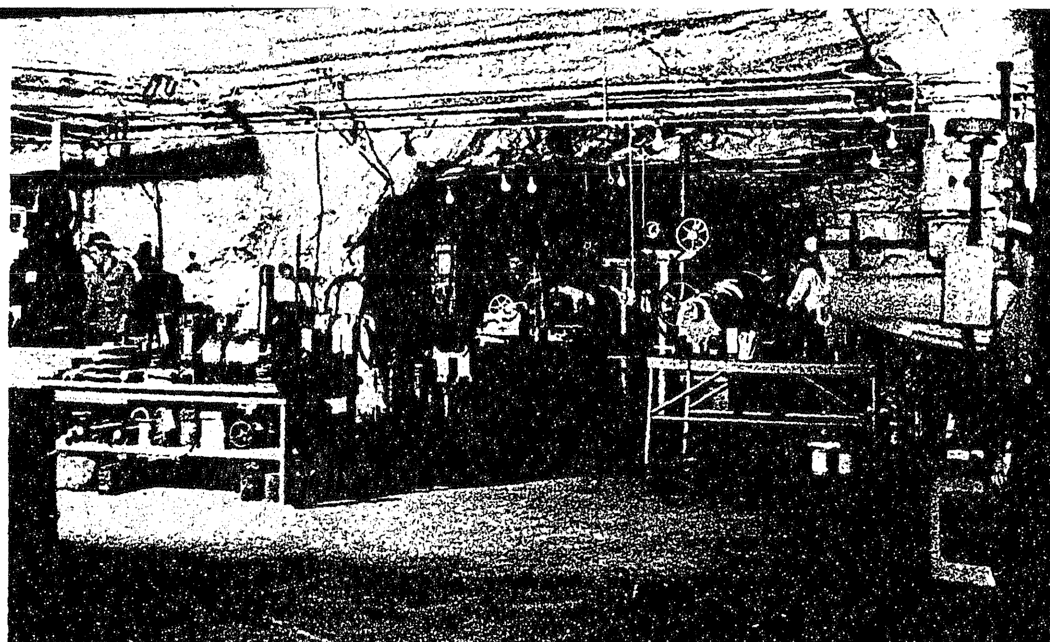
Earnings

As will be noted from the above table, zinc sales greatly increased and lead slightly The average prices received by the Company for both these metals was about the same as in the previous year. Earnings after taxes were equivalent to $2.77 per share, in comparison with $2.32 in 1953 and $3.55 per share in 1952. Taxes amounted to $1.70, $1.60 and $2.09 per share respectively for each of the three years. Stockholders received dividends of $2.00 per share in 1954, $2.75 in 1953 and $3.00 in 1952.

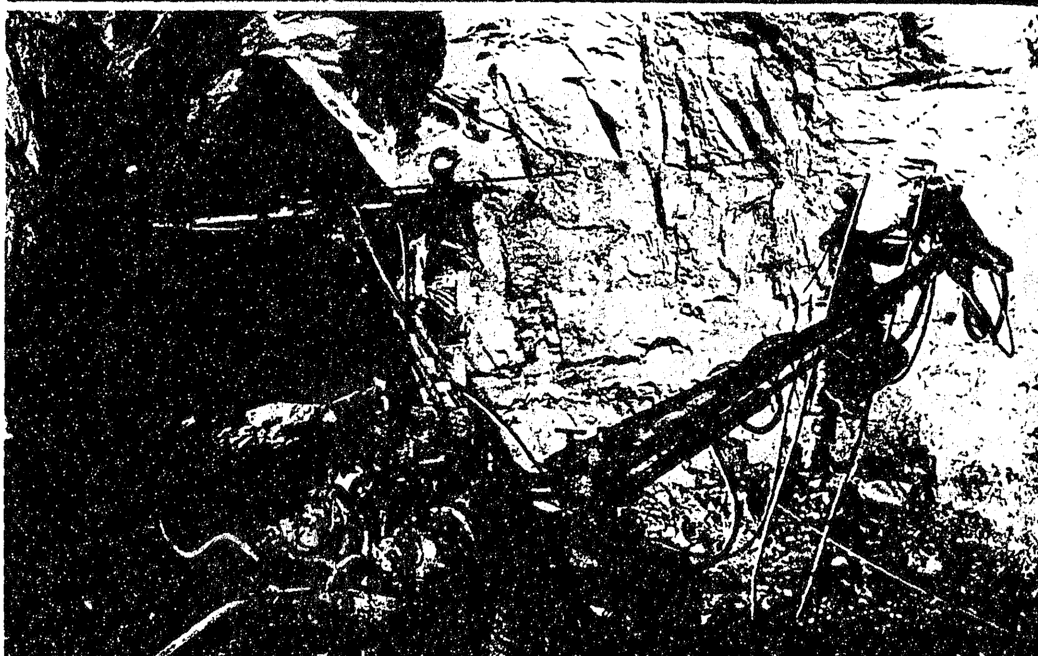
Additional financial and other information is given in the 91st Annual Report to Stockholders, and once more you are urged to ask your Division Manager for a copy, if you are interested and are not a stockholder.

Operating Information

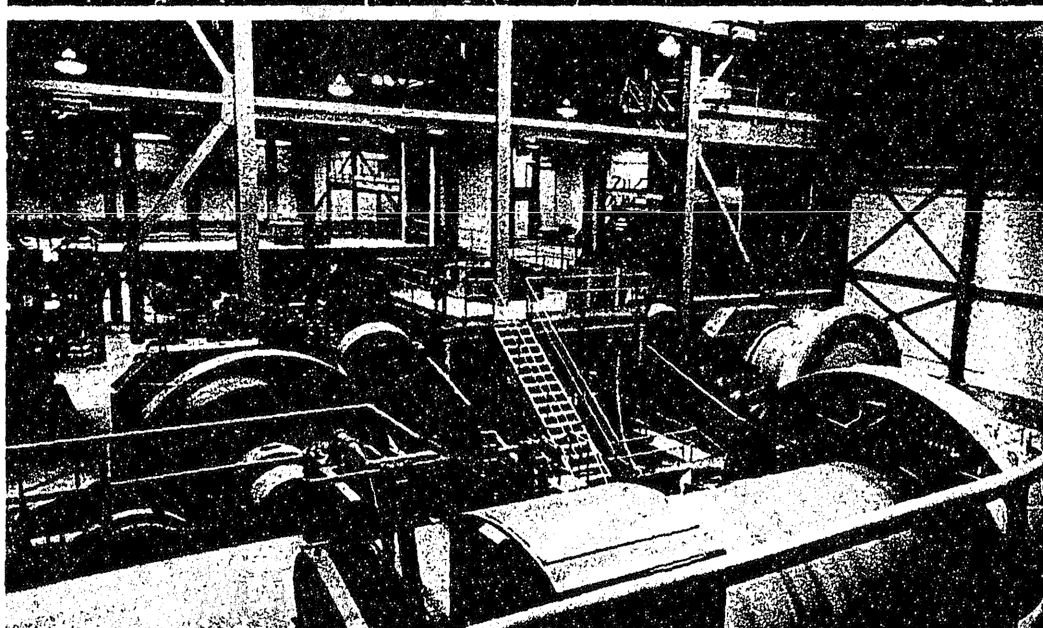
Because of the results obtained through the loyalty and efficiency of every member of our organization, St. Joe has again been awarded a "Certificate of Management Excellence" for the year 1954, by the American Institute of Management.



Underground maintenance shop at Leadwood, Missouri.



Jumbo drilling in a Lead Belt stope.



Grinding section of Indian Creek Mill with flotation units in background, Missouri

Lead Belt, Missouri

The average tonnage of ore and chat milled per operating day was 28,665, which is the highest in the Company's history. It is very gratifying to realize that operating costs only slightly increased, that the safety record was the finest in the Company's history, and that exploration and development results were encouraging. Production and exploration at the Indian Creek property continues to expand; the new ventilation shaft and 1900 foot drift mentioned in my last year's report were completed during the latter part of 1954. The new shaft near old Doe Run was the third mining shaft completed without a lost time accident—an outstanding accomplishment.

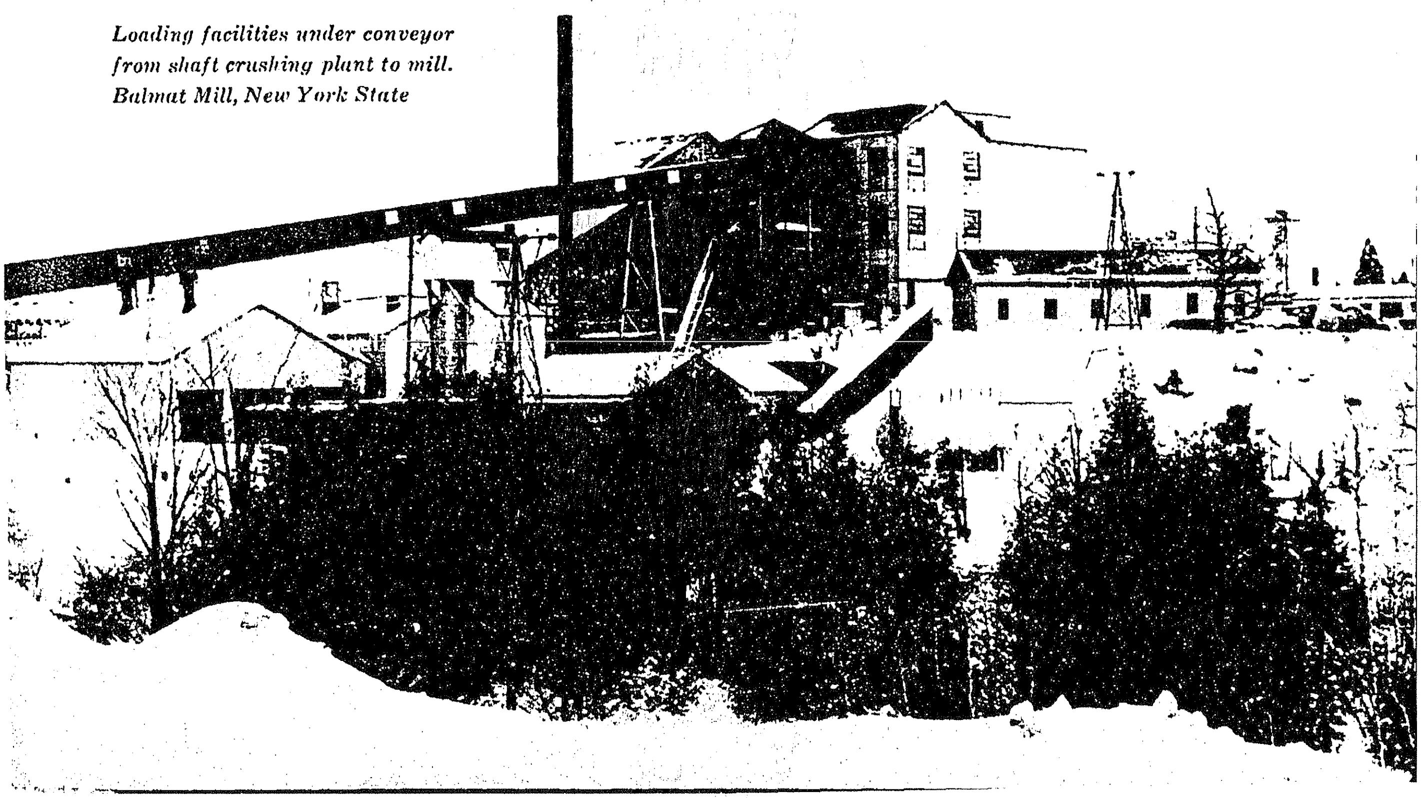
Herculaneum, Missouri

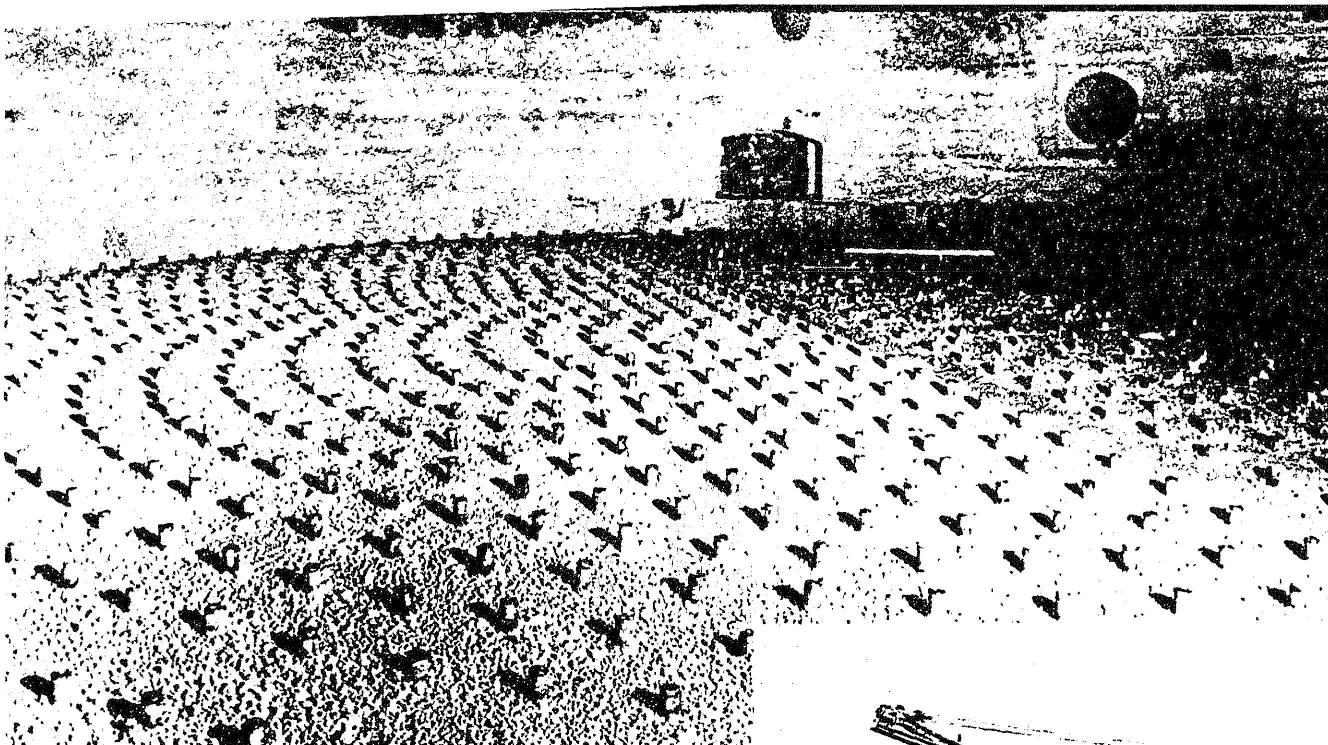
During 1954, the new baghouse and sintering units have been completed. Capacity can now approach the desired 100,000 tons per year, which will permit of stabilizing employment, because of operating two blast furnaces for a major portion of the year. The new zinc slag furnace is nearing completion and should be in operation in March of 1955. The development of a one ton pig, as shown in the enclosed advertisement, is an interesting development, and for large consumers should result in lower handling costs.

Balmat-Edwards, Northern New York State

Although the production in most zinc mines in the United States was lower in 1954 than in 1953, this last year has been a record one for this Division. The very satisfactory co-operation among the employees enabled costs to be maintained at a relatively satisfactory level. The safety record at this Division did not meet the Company standard. Development on the Company's properties continued to be most encouraging.

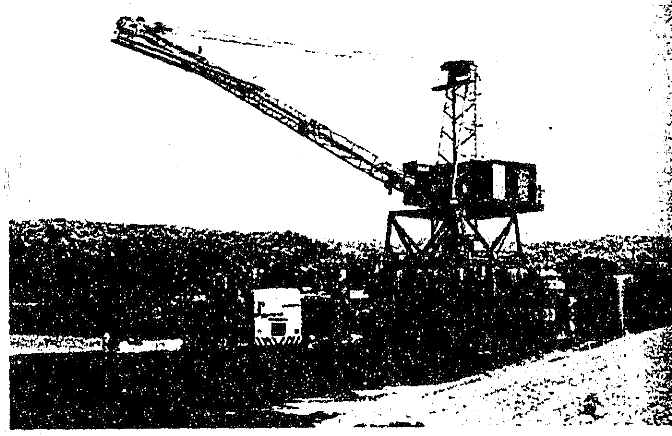
Loading facilities under conveyor from shaft crushing plant to mill. Balmat Mill, New York State





Air grid of Josephtown's new method of fluidized bed roasting.

Right: Ohio River shipment facility at Josephtown, Pennsylvania



Josephtown, Pennsylvania

The Josephtown zinc metal production was drastically reduced in February to approximately 5,500 tons per month, in keeping with the low price and the continued accumulation of stocks. Production was increased in May and reached 9,500 tons in December, in line with improved prices and sales because of the Government's stockpiling program.

Employees and stockholders alike can obtain great satisfaction in the research work at this Division, which among other accomplishments has resulted in one of ten furnaces producing a record of 66 tons per 24 hours—back in the early '30s the production was about 15 tons per furnace. Another research development has been the very satisfactory acceptance by the trade of the Josephtown "tailor-made" zinc for continuous line galvanizing, which resulted in an increase of approximately 1% in St. Joe zinc sales, in comparison with a decrease of 13% for the industry as a whole.

The new electrothermic slag furnace for experimental work on Brunswick ores and Josephtown slag is expected to be in operation in April 1955.

Oil

The fourth producing well was drilled in the 4,542-acre block in Crockett County, Texas, in which St. Joe has a 50% interest. Although on the customary potential tests this well flowed 190 barrels with no water in seven hours, the 24 hour allowable is only 120 barrels, because it was necessary to flare the gas, which is estimated at 1,958,000 cubic feet per day. Studies are now under way to see whether an economic utilization of the gas in this area can be developed. A fifth

The President's Report to all St. Joe Employees and their Families:

Although our Company's earnings were greater in 1954 than in 1953, it is disappointing that the available supplies of both lead and zinc continue to be in excess of the consumption, because of unneeded imports, and also that domestic production of both metals continues to decline in comparison with increased foreign production.

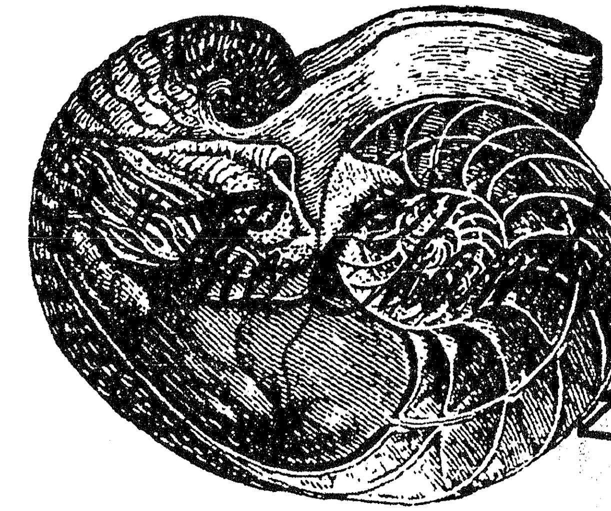
It will be recalled that late in 1953, the United States Tariff Commission held hearings on the lead and zinc tariff rates at the recommendation of Congress. Following the suggestion of the Administration, an appeal was filed under the Escape Clause of the so-called Reciprocal Trade Agreements Act. The Tariff Commission's report to the President made on May 21, 1954, recommended that the full tariff increases permissible by law be granted. However, the President rejected the increase on the recommendation of the State Department, and proposed stockpiling as an alternative aid to the domestic mining industry in order "to maintain an adequate mobilization base." The President promised, however, that if stockpiling did not prove adequate, other means of helping the domestic industry would be reviewed.

Purchases for stockpiling by the Government started in mid-year. It is probably too early to say whether the program is accomplishing its purpose, but indications are that it is not. Domestic mine production of both metals has shown little if any improvement, while imports in the latter half of 1954 were greater than in the first six months, and at a rate well in excess of requirements. By absorbing more than the monthly surplus in zinc and a major portion of the over-supply in lead, Government stockpiling was responsible for increasing domestic prices from 9.25 cents for zinc and 12.5 cents for lead, to the yearend levels of 11.5 cents and 15 cents respectively. To this extent U.S. mines have benefited on the metal that they turned out. The difference between the higher average cost of domestic production and the lower foreign, is very much greater than the negligible duty protection now being extended to these metals.

COMPARISON OF DOMESTIC LEAD AND ZINC SITUATION IN SHORT TONS, 1953-1954

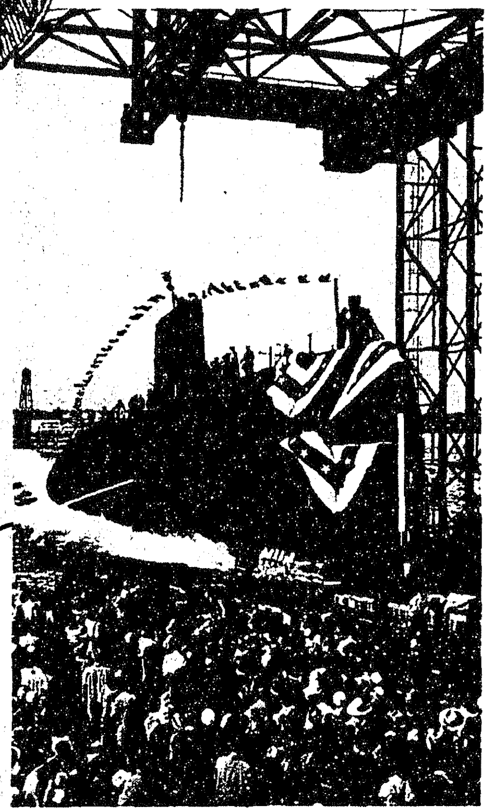
		1954 (Est.)	1953 (Final)
Lead	From domestic mines	317,000	342,000
	Scrap	472,000	486,000
	Imports	459,000	547,000
	Available supply	1,248,000	1,375,000
	Consumption	1,100,000	1,202,000
	Unneeded metal	148,000	173,000
Zinc	From domestic mines	395,000	451,000
	Secondary sources	61,000	50,000
	Imports	528,000	669,000
	Available supply	984,000	1,170,000
	Consumed and exported	892,000	1,004,000
	Unneeded metal	92,000	166,000

"... Build thee more stately mansions, Oh my soul,
As the swift seasons roll!
Leave thy low-vaulted past!
Let each new temple, nobler than the last,
Shut thee from heaven with a dome more vast,
Till thou at length art free,
Leaving thine outgrown shell by life's unresting sea!"



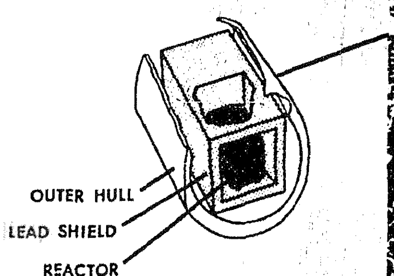
"The Chambered Nautilus"

by Oliver Wendell Holmes



right: Launching of the world's first atomic-powered submarine, the *USS Nautilus*, January 22, 1954. *Courtesy General Dynamics Corp.*

below: Schematic drawing of lead chamber and relative position in submarine.



A LEAD CHAMBER encloses the *USS Nautilus'* heart. Beginning with the *USS Holland*—the world's first submarine – all such vessels derived the power needed for sub-surface travel from storage batteries. The chief component of these batteries, about 60% by weight, is lead – the imperishable metal. In the recently launched *USS Nautilus*, the deadliest submarine of all time, lead, besides its conventional function in storage batteries, has this additional and very vital job: To shield the crew from the dangerous rays emitted by the *Nautilus'* heart – the nuclear power plant. Basically, the problem of protection from these rays is the same as that required for protection from X-rays and radium. For the latter purposes, the value of lead as a protective shield has long been recognized. The impermeability of the shielding material to penetration of rays is a function of its density. Lead is the densest of any commonly available metal. At 20°C lead's density is 11.35, as against 6 to 9 for ferrous metals. For a given degree of shielding, lead is the least bulky material – and has the most practical balance between ray-stopping power and cost. Hence, where space is at a premium, and utmost radiation protection is paramount, lead is usually specified. No metal is easier to work than lead – a fact with obvious cost and "on site" fabrication implications.

These advantageous properties, together with the metal's availability and relatively low cost, are certain to widen the application of lead in the growing field of harnessing atomic energy for industrial use. According to Dr. Marvin Fox, chairman, reactor department, Brookhaven National Laboratories, one of the major uses of lead, and one that promises to be still greater, is in the manufacture of shipping and handling containers for radioisotopes and in laboratories handling these materials.

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well is being drilled. The Landon #1 in Roosevelt County, Montana, proved to be a dry hole, and the two other wells known as Fast #1 and #2 in the 6,000-acre block, have been shut down as being non-productive under present conditions.

Foreign Operations

The Aguilar mine and mill, located in northern Argentina, produced 22,581 metric tons of lead concentrates and 36,240 metric tons of zinc concentrates in 1954, in comparison with 19,768 and 31,797 respectively for the previous year. Very good progress was made in the rehabilitation program, and earnings after taxes and special reserves amounted to approximately 48 million pesos, which is equivalent to about 2 million U. S. dollars, at an assumed rate of 4.2 U. S. cents per peso. Comparative earnings in 1953 after taxes were approximately 33 million pesos. No income, however, was received by St. Joe, as economic conditions in Argentina have not yet permitted the lessening of exchange restrictions Prospecting for additional mining properties has been greatly expanded, and Aguilar has ample peso resources to finance any prospect that appears favorable.

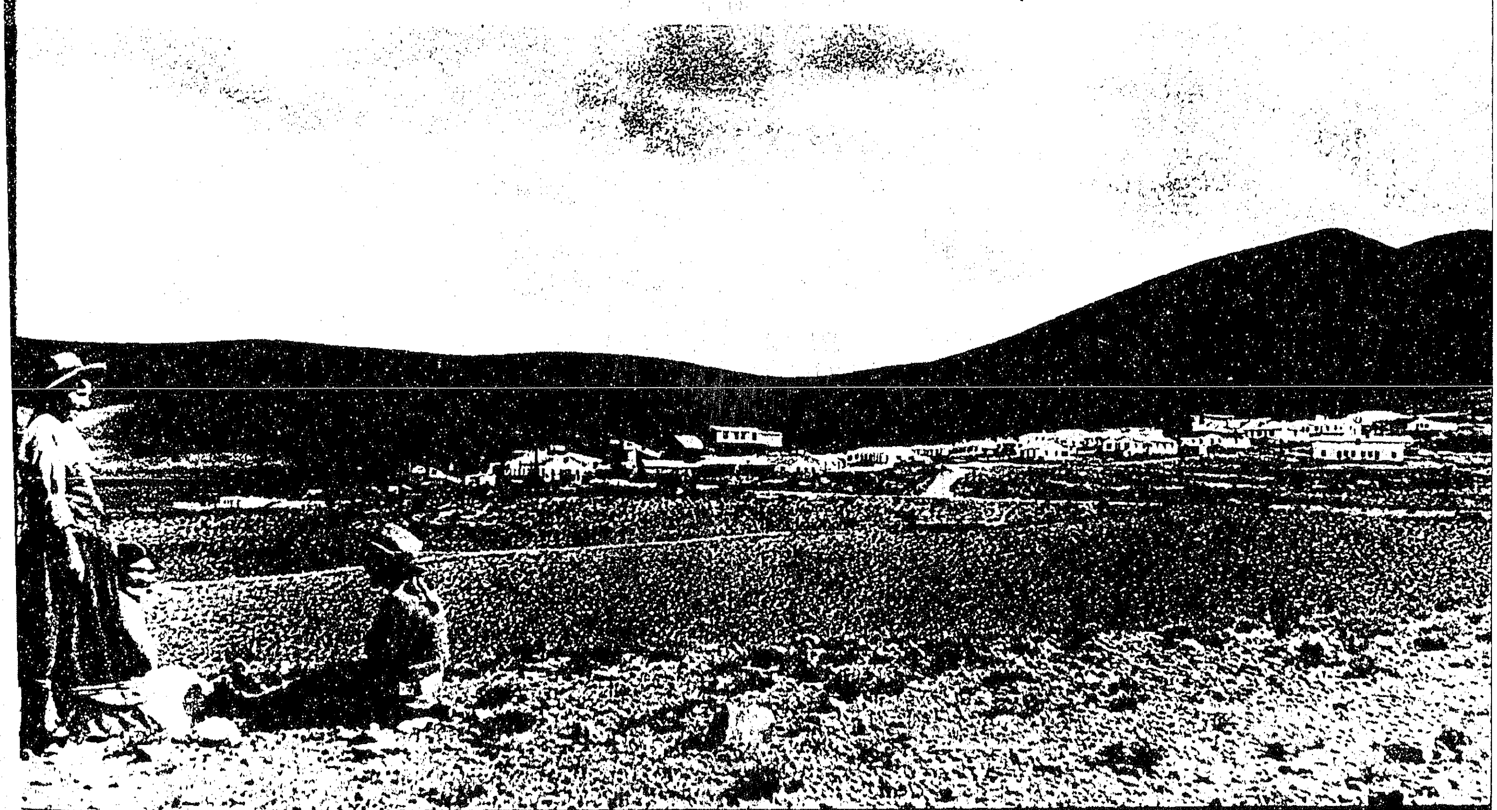
The 50% St. Joe-Aguilar owned sulphuric acid and fertilizer plant at Borghi on the River Plate, Argentina, continued to make an excellent operating record. Net profits, however, were low, due to the continued depressed sulphuric acid market.

The progress in the reorganization of the Comodoro Rivadavia zinc smelter in southern Argentina was most gratifying. The improved operating procedure and sales of metal resulted in this 43% St. Joe-Aguilar owned unit earning a profit of approximately 10 million pesos in 1954. Conditions in general in Argentina give cause for hope that eventually these operations will be substantial earners for St. Joe.

1954 operating results, discoveries of new ore, and earnings were satisfactory at the Nord Africaine mine, situated in Algeria just over the border from Morocco. St. Joe has an approximate 17.5% ownership.

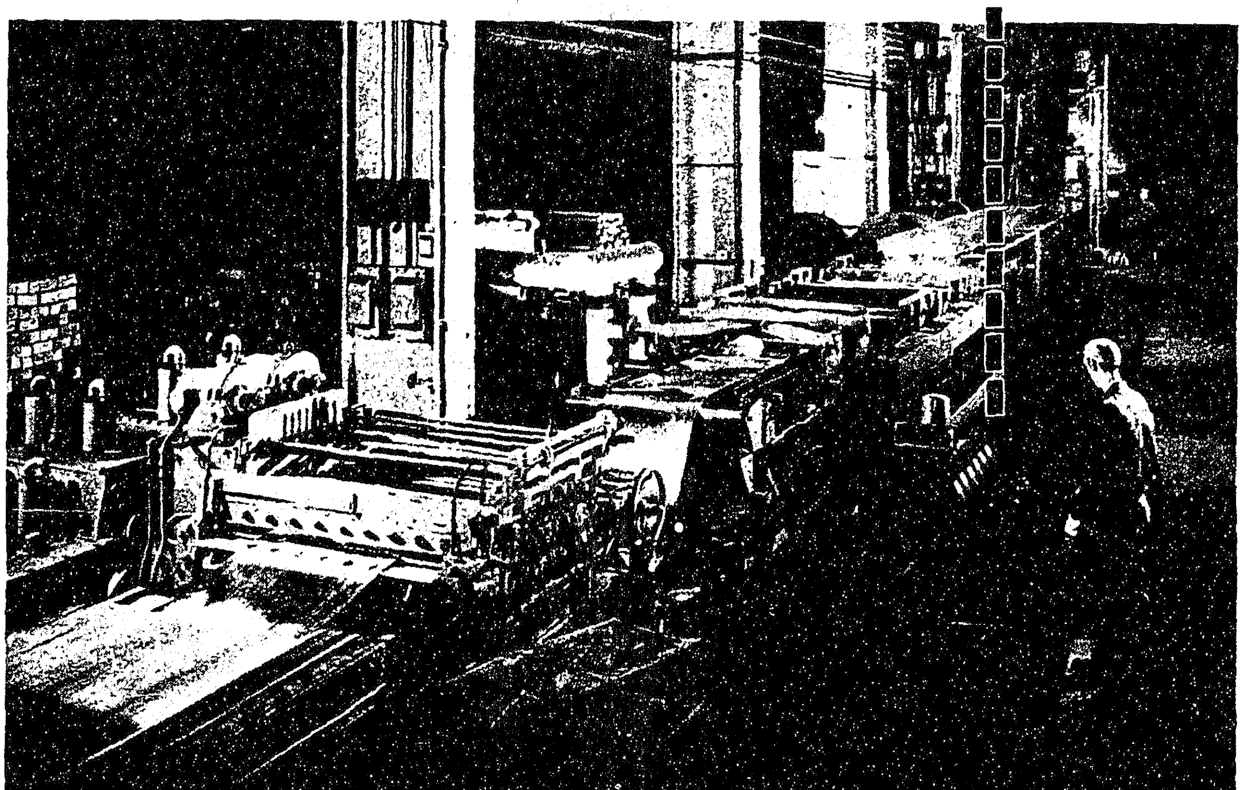
Progress on the Brunswick property, in which St. Joe has a 40% ownership and the responsibility of management, continue to be satisfactory. The pilot mill began operations early in February 1955. A shaft on the orebody, known as #12, has been completed to a depth of 412 feet with stations cut at 200 feet and 350 feet. Crosscutting on the 350-foot level to outline the orebody has cut a wide width of very high grade ore. The overburden from the #6 orebody, which will be mined as an open pit, is well under way. The plotting and mapping of the orebodies have resulted in a considerable increase in the expected grade as well as in the ore tonnage, particularly in No. 12.

Mill camp at El Aguilar, Argentina



A signal achievement in sheet steel metallurgy

the continuous galvanizing process



Continuous galvanizing line
Courtesy: *Wean Engineering Company*

THE greatest advent in the sheet galvanizing industry since its inception is the continuous strip galvanizing line. Although zinc has been used as a protective coating for iron and steel products for more than a century, this change in method of application has established new standards of corrosion resistance, workability and surface quality for galvanized sheet steel.

Today's continuous galvanizing process imparts greater ductility to the steel base and results in a lighter, more uniform coating which takes the toughest forming without cracking, flaking, or peeling of the zinc coating.

Zinc is used as a protective coating more than any other metal. In fact, galvanizing accounts for the metal's largest use. It is easy to apply, low in cost, is readily available and lends itself especially well to continuous processing. Furthermore, zinc gives double protection. In addition to providing a mechanical barrier of corrosion-resistant metal, zinc protects steel by galvanic action. As a result, rusting of the steel at cut ends – or at bare spots caused by mechanical injury to the coating – is avoided as long as enough zinc remains nearby to be preferentially attacked.

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1955 Outlook

It is probable that world lead and zinc production will be greater than consumption, but I am convinced that Congress and the Administration realize the absolute necessity of maintaining a prosperous domestic mining industry for the defense as well as for the economy of the United States. Therefore, if the stockpiling program will not maintain a proper mobilization base, then some other solution will be developed, to offset the higher domestic production costs. A moderate stockpiling program, and a small increase in tariff still seems to me to be the best method.

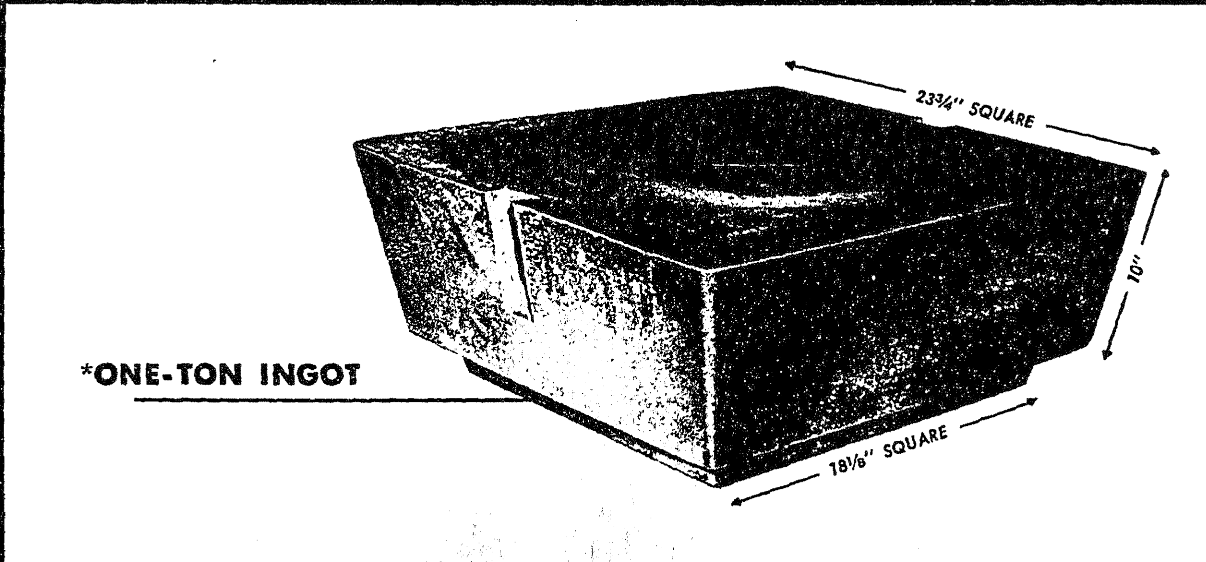
Activity in general business in 1955 is expected to equal, and probably surpass the 1954 levels. Estimates of 1955 steel activity and automotive production, two of the major zinc-consuming industries, are 10% to 13% higher than 1954. If zinc responds accordingly, it would mean a consumption of this metal of close to 950,000 tons, an increase of nearly 90,000 tons over last year's 860,000 tons. Similarly, lead consumption, based on 1955 estimates of activity in the construction industry, as well as forecasts of battery manufacture and tetra-ethyl lead production, should rise about 10% to 1,200,000 tons.

All of us desire a stable and growing economy, which can be obtained by increased production and greater efficiency. There is every reason for us in St. Joe to be confident of the future provided we maintain an imaginative and courageous outlook which will improve even further our competitive position and enable us to expand our operations.

Andrew Fletcher

President.

New York, March 12, 1955.



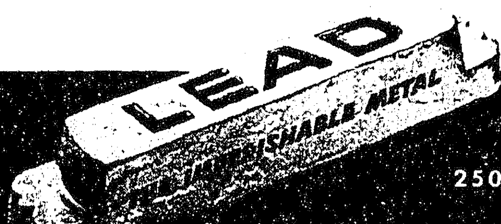
Method of handling and stacking one-ton lead ingots by means of fork lift truck.

One end of freight car loaded with 50,000 lbs. of lead in units of 25 one-ton ingots.

THE ST. JOSEPH LEAD COMPANY is now ready to ship corroding lead to carload consumers in units of one-ton ingots. This "new look" in lead has been worked out successfully with a number of our customers who have now adopted it as a standard practice for their shipments. Assuming adequate melting capacity, the shipping of lead in one-ton ingots offers consumers these obvious economies:

- *Strapping charges for the 2000 lb. to 2500 lb. "bundles" are eliminated.*
- *Shifting, dislocation or "scrambling" of cargo, due to strap breakage is avoided.*
- *Since delivery in "neat" package is ensured, handling costs and injury hazards are greatly reduced.*
- *Ingots are adapted to easy handling with ordinary fork lift trucks, and can be picked up from either direction.*
- *The compactness of one-ton units also makes possible a considerable increase in storage capacity.*

For improved materials handling at less cost, specify one-ton lead ingots for your shipments.



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