For the Year

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84th Annual Report to Stockholders

St. Joseph Lead Co.

PROXIES FOR ANNUAL MEETING

This Report is sent to Stockholders of the Company in advance of the solicitation by the Management of proxies for the Annual Meeting of Stockholders to be held on May 10, 1948.

Proxies will be solicited commencing on April 2, 1948.

ST. JOSEPH LEAD COMPANY

Incorporated March 25, 1864, under the Laws of the State of New York

BOARD OF TRUSTEES

EXECUTIVE OFFICERS

Executive Offices, 250 Park Avenue, New York 17, N. Y.

CLINTON H. CRANE	Chairman
ANDREW FLETCHER	President
FELIX EDGAR WORMSER	Assistant to the President
IRWIN H. CORNELL	Vice President and Sales Manager
C. MERRILL CHAPIN, JR.	Vice President
E. V. PETERS	Vice President
FRANCIS CAMERON	Vice President
GEORGE I. BRIGDEN	Vice President and Treasurer
ROBERT BENNETT	Secretary
CHARLES FLEIG	Asst. Treasurer and Asst. Secretary
JAMES G. COLVIN	Asst. Treasurer and Asst. Secretary

DIVISION MANAGERS

MINES

B. FRANKLIN MURPHY	Southeast Missouri
RENE J. MECHIN	Edwards-Balmat
ROSS BLAKE	Kansas Explorations, Inc.

SMELTERS

GEORGE F. WEATON	Josephtown, Pennsylvania
WILLIAM T. ISBELL	Herculaneum, Missouri

SOUTH AMERICA

RUSSELL T. CORNELL

TRANSFER OFFICE

250 Park Avenue
New York 17, N. Y.

REGISTRAR

City Bank Farmers Trust Company
New York 5, N. Y.

The comparative earnings given below under Financial Information, show that your Company's net earnings for 1947 of over twelve million dollars, after Federal income taxes and all charges, but before payment of dividends to the Stockholders, are the highest in the Company's history. However, due to world-wide increased prices, neither the Company, its employees, nor its Stockholders can purchase with present-day dollars what could be secured with pre-war dollars. These earnings of twelve millions are, in reality, no greater than the seven millions, which were approximately the Company's average annual earnings for 1924 through 1929, which period was before the Company had purchased the Desloge and National Lead mines in Southeast Missouri, or had invested an additional twenty-eight millions in the zinc industry, consisting principally of the purchase of New Jersey Zinc Company's stock and large expenditures at Josephtown, Pa. The reduced purchasing power of the dollar is apparent, when it is realized that the ultimate cost of increasing the Josephtown Zinc Smelter will be in the neighborhood of six and a half millions in comparison with an estimated 1946 cost of four and a half millions. The 1947 cost of opening the old Doe Run and the Hickory Nut properties in Southeast Missouri will be over one million in comparison with a 1946 estimate of about half a million. The Company must therefore maintain sizable cash reserves to replace buildings and machinery, for present high cost development work, and for equipping new properties to maintain ore reserves.

The price of lead in 1947 reached an all-time high of 15 cents per pound New York on March 3, 1947, and remained at this figure during the rest of the year. Although it was believed that the high price would result in a lower ultimate demand due to substitution of other competitive commodities, as well as increased world-wide production, the constantly higher costs of other commodities, coupled with greatly increased mine and transportation costs, has resulted in a continued strong lead demand. At the present writing, it would appear that the available lead supply in 1948 will approximate one million tons, 425,000 tons from newly-mined domestic ore, 400,000 tons from scrap, and 175,000 tons of imported lead or lead in concentrates, which will not be any greater than in 1947. The available supply for the consumer in 1948 may be less, as in 1947 stocks of unsold lead and lead in process in the hands of primary producers were reduced from 189,741 to 129,000 tons, which is probably the minimum stock that is practical under present conditions. The supply, of course, will also be less if the domestic price is not at a sufficiently high level to attract to our markets 175,000 tons of foreign production, and to encourage scrap dealers to turn their lead into the secondary lead market.

In so far as zinc is concerned, the picture is more favorable for the consumers, as it is believed that in 1948, even without a Government subsidy, the production from the domestic mines will approximate the 1947 output of 627,000 tons. The price increase in January 1948 to 12.00 cents per pound for Prime Western metal in St. Louis, in comparison with the 10.50 cent price in 1947, should result in at least maintaining the 1947 imports of 72,000 tons of metal and 300,000 tons of zinc content in concentrates. The 1947 exports of zinc from the United States were 117,000 tons, and a considerable tonnage was also sold to the U. S. Government for defense stockpiling purposes. Although two high operating cost zinc smelters were permanently shut down in 1947, the increased facilities at Josephtown, coupled with improved output from other domestic smelters, should result in a 1948 smelter output, approximating the 1947 tonnage of 848,027.

As Stockholders often ask for information on ore reserves, especially because of the negligible dollar value at which the Company's metal resources are carried on the Balance Sheet, a comment as to the difference between "ore reserve" and "mineral resource" may be helpful. An ore reserve is mineral of which there is tangible knowledge, through underground development, drilling or geological deduction, and to which can be attached a definite economic value. In other words, it is but the known portion of the resources in any given metal. The occurrence of an orebody, and this is particularly true of most lead and zinc deposits, makes it impossible to forecast their extending much beyond the limits of the development work which has been accomplished, and economic considerations dictate the amount of such work. By far the most important consideration is the cost-price ratio, for it is obvious that a mine has no ore reserve if its costs of production exceed the price received for the metals produced. Every change in metal price or production cost changes the ore reserve estimate of a mine, as what may be ore today may, or may not be, ore tomorrow. The underlying reason for the so-called "have-not" theory which is now so often applied to the United States, is because during the depression years of the '30s, most companies curtailed their exploration and development work, and during the war operated their mines, as did your Company in Southeast Missouri, beyond their economic limits, with curtailed development. Therefore, the known "ore reserve" picture is an unfavorable one, but this does not mean that there do not exist unknown tonnages of "ore resources," which will probably be found and made available, especially with the stimulus of strong demand and resultant high metal prices. In 1913, it was estimated that the Lead Belt of Missouri had a 20-year life; after 34 years, your Management still views, with confidence, the outlook for production from this district. Moreover, the probable post-war higher prices, and the expected higher output per man with the improved equipment now being installed, will permit of mining lower grade ore, which could not be considered as an "ore reserve" on the cost-price ratio existing in 1913.

Although the termination of the Premium Price Plan resulted in closing down two mines of your subsidiary Company, Kansas Explorations, Inc., your Management has continued to express its feeling against any proposal for the reinstating of any kind of Government subsidy plan. We believe that the ultimate result of any subsidy will be decreased efficiency and a lower output of lead and zinc, and we foresee again under any such procedure, lead allocation, price regulation, and general inefficiency. The American way of life, American ingenuity, and the high standard of living in the United States, we are confident, are the result of competition between our peoples under free market conditions, regulated by the law of supply and demand.

FINANCIAL INFORMATION

The Consolidated Net Income for the year 1947 was $12,537,760.84 after deducting Federal and State income taxes in the amount of $4,479,658.67, which compares with a net for the previous year of $5,807,131.34 and taxes of $1,923,372.78.

The Comparative Consolidated Earnings, which do not include the separately shown earnings of Compania Minera Aguilar, S. A., except to the extent of the dividend received in 1947 amounting to $294,339.62 for the ten-year period ended December 31, 1947 are listed below:

Year	Income after Interest but before Other Deductions	Provision for †Depreciation	Provision for Federal Income Taxes	Net Income before Depletion	Provision* for Depletion
1938	$2,873,815.43	$1,059,034.49	$ 173,922.80	$1,640,858.14	$309,601.68
1939	7,586,972.10	1,058,924.04	672,485.97	5,855,562.09	562,654.53
1940	8,287,597.10	1,064,639.12	1,305,670.04	5,917,287.94	805,346.24
1941	9,070,705.65	994,436.94	2,740,699.45	5,335,569.26	442,114.08
1942	12,633,212.55	939,993.43	5,499,604.80	6,193,614.32	537,988.71
1943	7,940,997.33	1,269,271.24	1,643,240.12	5,028,485.97	994,512.07
1944	9,020,627.47	1,150,143.72	2,221,526.42	5,648,957.33	495,601.93
1945	8,218,851.51	1,871,209.83	1,127,522.52	5,220,119.16	390,304.45
1946	8,476,388.12	451,421.27	1,880,824.75	6,144,142.10	337,010.76
1947	17,949,922.42	753,860.91	4,389,343.50	12,806,718.01	268,957.17

* Includes the abandonment of Block "P" property in 1943.

† Includes amortization of war facilities, $257,576.14 in 1943; $392,938.00 in 1944 and $1,225,915.61 in 1945.

The Consolidated Balance Sheets as of December 31, 1947 and December 31, 1946 for St. Joseph Lead Company and Domestic Subsidiaries, and the Summaries of Consolidated Net Income and Earned Surplus for the years ended on those dates are submitted as part of this report. All subsidiaries of the St. Joseph Lead Company are included in these statements, with the exception of Compania Minera Aguilar, S. A., an Argentine corporation, which statements are shown separately.

Comparative capital expenditures by St. Joseph Lead Company and consolidated subsidiaries for improvements and additions to plant and equipment amounted to:

	1947	1946	1945
Southeast Missouri	$ 805,661.59	$ 66,194.58	$ 10,413.80
Edwards and Balmat	299,609.61	54,374.67	197,357.76
Josephtown	5,516,359.49	699,644.52	3,096.20
Kansas Explorations, Inc.	——	——	——
Total	$6,621,630.69	$820,213.77	$210,867.76

No final determination has been obtained in the "Portal-to-Portal" cases which were filed in 1946 and totaled $17,280,000 for the Southeast Missouri Division, $1,350,000 for Edwards and Balmat, and $2,304,000 for Kansas Explorations. However, as the Stockholders have been previously advised, it is believed that the Company's financial liability in these cases is negligible, with the exception of the necessary legal and auditing expense.

In the audit of the books by Messrs. Haskins & Sells, verification of inventories was again made by physical tests of the quantities shown by the records as being on hand.

OPERATING INFORMATION

Lead

Southeast Missouri

In order to permit effective handling of lower grade ore, and to offset the lack of adequate development work during the war years, changes were made during 1947, which should result in improved operating efficiency, and which with the large expenditures being made for new and additional equipment, coupled with greatly increased development work, should help to assure continued Lead Belt operation in future years. The Desloge mill is now operating solely on tailings, and the underground Desloge employees have been largely placed on development work. Under the prevailing 15-cent per pound lead price, tailings resulting from operations in the early years of the District can be profitably handled. The lead thereby produced, and the profit obtained, will offset to a great extent the lower production and higher costs caused by the necessary increase in development work. The Desloge ore will be milled either at Federal or Leadwood after the underground main line haulage has been rearranged and new locomotives and larger cars have been procured. The wholesale and retail stores, and dairy business are being sold, so that all activities can be confined to mining, milling, smelting, and related operations; this change will result in no hardship to the Lead Belt community, as adequate competition now exists among the merchants, nor will it result in any substantial loss of earnings. Since March 5, 1947, a so-called "lead bonus" has been paid to all Southeast Missouri employees of 25 cents per shift worked for each one cent increase in the lead price above 12 cents per pound New York. A renewal of the contract with the local Union was signed in July, in which the best interests of both parties have been furthered. The improved employee-company-community relationship is gratifying.

The shortage of electric power in the St. Louis area permitted of only two runs on the Herculaneum zinc furnace, and although mechanical difficulties are still being encountered, it is believed that the process is a forward step in the art of recovering lead and zinc from smelter slag. It is also quite possible that this process may have applications to other fields. At Herculaneum, 61,548 tons of lead were smelted in 1947, with a satisfactory lead recovery, and with reasonable costs under the prevailing difficult conditions; the balance of your Company's lead concentrates was smelted under a toll contract with American Smelting and Refining Company.

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
1938	97,865	50,782	148,647	79,775
1939	172,481	39,347	211,828	46,173
1940	178,111	60,199	238,310	30,737
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

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

OPERATING INFORMATION

Zinc

Balmat and Edwards

A slight improvement in the available manpower during the year, coupled with increased efficiency, resulted in a production of 60,999 tons of zinc concentrates in comparison with 59,039 tons for 1946 and 45,741 tons for 1945. The alterations to the crushing plant were completed in December, and the year's progress in development work and shaft sinking has been very satisfactory. Labor relations at this Division are excellent.

Josephtown

The completion of the increased smelting capacity, whereby 500 tons of concentrates can be smelted instead of 300 per day, has been retarded by delays in the receipt of the new equipment and shortages of erection labor; however, full production should be possible during the second half of 1948. Comment has already been made in this report as to the increase in the cost from the estimated $4,500,000 to probably $6,500,000. The slab zinc equivalent of smelter production, including production from purchased concentrate and dross, amounted to 60,982 in 1947, in comparison with 50,874 tons in 1946 and 53,073 tons in 1945. The Josephtown wage and salary incentive plan resulted in greater operating efficiency, and in 7.78% increased earnings for the employees. The attitude of the employees towards the Management is most satisfactory, and it is believed that your Company has at Josephtown one of the most efficient zinc smelting units in the United States.

The procedure of charging out first the highest cost concentrates, was continued in determining the 1947 cost of producing zinc metal and zinc oxide, with the result that the inventory value of the 41,937 tons of zinc concentrates is approximately $28.10 per ton. It will probably be necessary to increase the inventory to aproximately 50,000 tons, or about three months' supply, as the monthly smelting rate will approximate 15,000 tons. This appropriate and conservative method of cost accounting will be continued. The market value of concentrates delivered to Josephtown on the basis of a 10.50 cents per pound zinc price for Prime Western metal at St. Louis, is in the neighborhood of $67.25 per ton of concentrates. In addition to the Company-owned concentrates, there is stored at Josephtown 23,926 tons of concentrates owned by the Metals Reserve Corporation, an agency of the U. S. Government.

Joplin Area

Following the suspension of the Premium Price Plan under which the U. S. Government had paid large subsidies for the lead and zinc production from this marginal mine area, the Jasper Mine of the Kansas Explorations, Inc., a 100%-owned subsidiary, was immediately shut down. Although the Ritz Mine continued to operate, this property was also shut down in October 1947, as the prevailing market price for zinc concentrates did not permit of profitable operations. The Buckingham Mine and the Snapp Mill still continue to show a small profit, but unless something unforeseen occurs, all production from this subsidiary will cease in 1948.

EXPLORATION

A policy of drilling and exploration in areas contiguous to our Southeast Missouri and the Edwards-Balmat properties was energetically pursued. Your Company also continued during 1947 diamond drilling in Washington County, Missouri, and in certain areas in Wisconsin, but with rather negative results. The following comments are made in connection with the work being done outside of the United States:

French Morocco

Together with the Newmont Mining Corporation, we exercised our option to purchase additional shares of Societe des Mines de Zellidja, which brings your Company's investment to a total cost of $289,334. The Societe Nord Africaine du Plomb, which is owned 51% by Zellidja, 32% by Newmont, and 17% by St. Joseph Lead Company, has acquired an option on additional prospective ground from Zellidja, which may increase the attractiveness of the entire Moroccan venture for the American interests. Drilling in the Sidi Amar area by Nord Africaine has been continued and has resulted in outlining an area of low grade lead mineralization.

Canada

The 1947 surface prospecting and drilling of the original claims held by the Mistassini Lead Corporation in the Province of Quebec, which company is controlled jointly by Dome Mines Limited and your Company, failed to disclose mineralization warranting further development at this time. Work on these claims has accordingly been discontinued. An option has been secured by the Mistassini Lead Corporation on a group of claims in the Bachelor Lake area of Quebec, and these claims will be investigated during the summer of 1948 with funds which remain in the Mistassini Company's treasury.

Australia

In 1947, your Company acquired a 10% interest with the Zinc Corporation of Australia and Newmont Mining in a syndicate which has been active in investigating base metal prospects in Australia.

DIVIDENDS

Quarterly dividends of seventy-five cents per share were paid on the tenth day of March, June, September and December, 1947, making a total of three dollars per share for the year. These dividend distributions aggregating $5,926,368.00, were paid entirely out of the surplus earnings of the Company accumulated after February 28, 1913 and are, therefore, subject to Federal income taxes.

The following is a record of dividends for the years 1938 through 1947:

Year	Amount	Per Share	Year	Amount	Per Share
1938	$1,955,680.00	$1.00	1943	$3,911,360.00	$2.00
1939	3,911,360.00	2.00	1944	3,950,912.00	2.00
1940	4,400,280.00	2.25	1945	3,950,912.00	2.00
1941	3,911,360.00	2.00	1946	3,950,912.00	2.00
1942	3,911,360.00	2.00	1947	5,926,368.00	3.00

COMPANIA MINERA AGUILAR, S. A.

The net income for the year 1947 after depreciation but before depletion and Argentine taxes, was $2,387,624.30, in comparison with $1,071,203.34 for 1946. The net income after all charges was $988,973.31, in comparison with $29,099.53 for the previous year. The larger earnings are primarily due to the January 1, 1947 increase in the maximum allowable Argentine sales price for lead to approximately 11.3 cents per pound from the 6.3 cents per pound basis which prevailed during 1946.

The Comparative Earnings for the ten-year period ended December 31, 1947 are as follows:

Year	Income After Interest but before Other Deductions	Provision for — Depreciation	Provision for — †Argentine Income Taxes	Net Income before Depletion, Etc.	Provision for Depletion — On Cost	Provision for Depletion — On Appreciation
1938	$ 807,923.50	$149,105.03	$ 21,954.42	$ 636,864.05	$ 73,477.08	$ 671,733.70
1939	930,981.17	175,793.81	39,642.36	715,545.00	100,082.61	915,337.33
1940	867,790.12	193,667.52	35,125.21	638,997.39	121,188.16	1,108,320.38
1941	938,733.60	207,305.29	33,181.40	698,246.91	127,786.09	1,168,708.13
1942	809,173.70	216,780.14	28,225.49	564,168.07	80,718.97	738,240.88
1943	1,615,227.31	208,628.83	271,233.57	1,135,364.91	76,739.33	697,442.49
1944	1,189,937.85	202,825.17	113,043.48	874,069.20	82,025.88	745,489,12
1945	1,119,110.98	199,598.18	164,052.66	755,460.14	71,997.80	654,349.27
1946	1,180,941.42	208,249.33	195,507.84	777,184.25	74,152.51	673,932.21
1947	2,612,856.92	225,232.62	594,345.28	1,793,279.02	79,725.30	724,580.41

†Paid under protest and a claim for refund filed wherein depletion is based on the 1935 appreciated value of the proven ore reserves instead of on cost thereof.

At the Aguilar Mine expenditures, amounting to $263,845.68, were capitalized in 1947 and were mainly for additional housing, plus the expense of completing the new road to Tres Cruces. This figure compares with $178,398.66 in 1946 and $165,330.84 in 1945.

During 1947, the mine again operated at approximately 60% of capacity due to the continued inability of the railroad to provide adequate facilities for handling incoming supplies of diesel oil, timber, etc., and outgoing concentrate production. At full capacity, approximately 100,000 metric tons of lead and zinc concentrates would be available for rail transport from Tres Cruces; in 1947 only 35,051 metric tons were shipped, in comparison with 43,745 in 1946, 37,075 in 1945, and 71,788 in 1944. The cumulative effect of the social welfare laws and regulations enacted in Argentina has been to create for the employer an obligation which in effect has increased payroll expense by 60%. This additional cost, plus the adjustments in wages and salaries due to higher living expenses, brought the 1947 production cost to over 100% more than those prevailing in the pre-war year of 1939. The 1947 improvement in the time lost from accidents and absenteeism has been gratifying, as is the better employee-management labor relationship. Increases in operating efficiency and recoveries were obtained in 1947.

The following statement shows the production, sales and unsold stocks for the ten-year period:

Year	Lead Concentrates (in metric tons) — Production	Lead — Sales	Lead — Stocks at End of Year	Zinc Concentrates (in metric tons) — Production	Zinc — Sales	Zinc — Stocks at End of Year
1938	29,704	28,816	1,873	29,478	4,467	33,149
1939	36,728	33,307	5,294	42,250	26,179	49,220
1940	36,866	*35,778	6,382	65,112	36,182	78,150
1941	27,867	31,193	3,056	65,939	116,021	28,068
1942	33,832	23,093	13,795	55,121	17,922	65,267
1943	21,584	23,309	12,070	38,283	83,420	20,130
1944	23,237	18,156	17,151	38,512	38,556	20,086
1945	22,022	29,062	**5,850	25,862	4,090	**28,263
1946	22,031	23,968	3,913	29,601	19,993	37,871
1947	24,141	24,169	3,885	25,860	6,704	57,027

*Does not include 5,000 metric tons of lead concentrates sold for post war delivery.
**After inventory adjustment.

The long delayed delivery of the structural steel and equipment purchased in the United States has adversely affected completion of the sulphuric acid plant at Borghi, Argentina, of the Sulfacid S. A. Industrial, Financiera and Comercial Company, in which Aguilar has a 50% ownership. Commencement of operations is not expected before the early months of 1949. It is probable that the ultimate cost of this plant will approximate $4,250,000, including a newly proposed super-phosphate fertilizer unit, in comparison with an original estimate of $2,250,000.

A similar delay is being experienced in the construction of the Comodoro Rivadavia zinc smelter, of the Compania Metalurgica Austral, in which Aguilar has a 37.5% ownership, and an investment of approximately $729,000.00. Due to the sale of the British-owned railroads to the Argentine Government, it is quite possible that Aguilar will ultimately have the Argentine Government as an associate with a 37.5% ownership, instead of Cia. Ferrocarrilera de Petroleo, who own the adjoining oil refinery, and who have undertaken the construction and supervision of the zinc smelter. In order to facilitate the transport of zinc containing sinter from Borghi to Comodoro Rivadavia, a vessel of the LST type was purchased and re-conditioned in the United States, and is now en route with some 1,800 tons of structural materials and equipment. It is hoped that this plant will be in operation during the latter half of 1949. It is believed that the cost will not exceed the original estimate of $2,000,000 for the smelter and vessel by as great a percentage as in the case of the Borghi acid plant.

The Balance Sheets as of December 31, 1947 and December 31, 1946 of Compania Minera Aguilar, S. A., and the Summaries of Net Income and Unappropriated Earned Surplus for the years ended on those dates are submitted as part of this report.

STOCKHOLDERS

The number of St. Joseph Lead Company stockholders of record on December 31st of each year since 1938 and a classification of their holdings are as follows:

Year	Total	19 or Less	20-99	100-199	200-Over
1938	6,463	1,719	2,213	1,227	1,304
1939	6,586	1,695	2,260	1,337	1,294
1940	6,697	1,772	2,263	1,371	1,291
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

The continued success of the St. Joseph Lead Company depends upon the teamwork of the three parties of our Company—management, employees and stockholders. The accomplishments of the past have been great, and they may even be greater in the future. We take this opportunity of again expressing appreciation for the loyalty and cooperation of the employees, and for the support of the stockholders.

CLINTON H. CRANE,
Chairman, Board of Trustees

ANDREW FLETCHER,
President

New York, March 15, 1948.

ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1947 and 1946

ASSETS

	December 31, 1947		December 31, 1946	
Current and Working Assets:				
Cash on hand and in banks	$ 7,117,793.25		$ 7,305,977.01	
U. S. Treasury certificates and notes (at cost)	10,000,000.00		8,000,000.00	
Accounts receivable — trade (less reserve — 1947, $14,548.52; 1946, $15,688.11)	3,878,584.33		3,921,474.29	
Due from Compania Minera Aguilar, S. A.	138,349.28		—	
Due from affiliates of Compania Minera Aguilar, S. A.	1,958,785.91		—	
U. S. Government—claims for income tax refunds	627,750.70		642,320.02	
Other accounts receivable	381,685.16		256,478.70	
Inventories (valuation not in excess of market):				
Finished lead, zinc, etc. (at cost, exclusive of depreciation and depletion)	919,718.93		504,276.26	
Lead, zinc, etc., in process (at cost, exclusive of depreciation and depletion)	1,743,175.79		1,411,602.67	
Purchased lead and zinc concentrates, etc. (at cost)	390,034.75		658,723.83	
Materials and supplies (at cost, less reserve for slow-moving items — 1947, $94,569.26; 1946, $98,878.40)	3,735,374.32	$30,891,252.42	3,800,501.37	$26,501,354.15
Investments:				
Compania Minera Aguilar, S. A. (100% owned — not consolidated)	$ 1.00		$ 1.00	
Mine La Motte Corporation (at cost — 50% owned)	100,000.00		100,000.00	
The New Jersey Zinc Company (at cost, less non-taxable dividends — 9.9% owned)	11,392,641.00		11,392,641.00	
Sundry securities, loans, etc. (at cost, less reserve, $200,000.00)	486,338.54	11,978,980.54	112,761.04	11,605,403.04
Capital Assets (Note 1):				
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)	$20,442,961.20		$20,147,960.31	
Less reserve for depletion	17,867,668.78	2,575,292.42	17,598,711.61	2,549,248.70
Shafts and underground equipment (at cost)	$ 4,804,744.13		$ 4,673,069.35	
Less reserve for depreciation	4,223,732.51	581,011.62	4,180,023.16	493,046.19
Land, buildings, plant and equipment (at cost)	$24,509,797.68		$19,127,960.40	
Less reserve for depreciation	15,928,094.59	8,581,703.09	15,648,660.02	3,479,300.38
Total capital assets, net		$11,738,007.13		$ 6,521,595.27
Miscellaneous Assets—U. S. Treasury, State and Municipal securities on deposit with Federal and State departments (at amortized cost; market quotation value — 1947, $675,447.00; 1946, $212,144.00)		673,501.54		185,565.19
Deferred Charges—Prepaid insurance, taxes, etc.		180,627.30		102,054.14
Total		$55,462,368.93		$44,915,971.79

Notes:

(1) 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.

(2) Suits have been filed against the Company and one subsidiary for so-called "portal to portal" wages. No provision has been made in the above balance sheets with respect to these suits.

ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1947 and 1946

LIABILITIES

	December 31, 1947		December 31, 1946	
Current Liabilities:				
Accounts payable	$ 4,291,976.25		$ 3,033,080.80	
Due to Compania Minera Aguilar, S. A.	——		3,860.05	
Wages payable	333,372.34		339,798.53	
Accrued taxes:				
Federal income	4,474,521.35		1,921,490.12	
Other	288,013.05	$ 9,387,882.99	212,993.27	$ 5,511,222.77
Reserves:				
Injury claims and workmen's liability insurance	$ 269,791.45		$ 235,679.95	
Employees' life insurance and retirement	366,780.99		342,548.41	
Deferred prospecting, development and exploration	483,000.00		483,000.00	
Contingencies	800,000.00	1,919,572.44	800,000.00	1,861,228.36
Capital Stock and Surplus:				
Capital Stock:				
Authorized, 2,500,000 shares of $10.00 each	$25,000,000.00		$25,000,000.00	
Issued, 1,996,840.85 shares	$19,968,408.50		$19,968,408.50	
Less in treasury, 21,384.35 shares	213,843.50		213,843.50	
Outstanding, 1,975,456.5 shares		19,754,565.00		19,754,565.00
Surplus:				
Earned	$24,022,132.50		$17,410,739.66	
Capital—Excess of market value over par value of treasury capital stock issued for minority interest in a dissolved subsidiary	378,216.00	24,400,348.50	378,216.00	17,788,955.66
Total Capital Stock and Surplus		$44,154,913.50		$37,543,520.66
Total		$55,462,368.93		$44,915,971.79

Notes Continued:

(3) St. Joseph Lead Company and Compania Minera Aguilar. S. A. were contingently liable at December 31, 1947 to refund to customers the sales price, $189,562.00 of concentrates paid for by the customers and stored in Argentina, in the event any future Argentine law should prevent shipment thereof, and were similarly contingently liable at December 31, 1946 in the amount of $354,421.24. St. Joseph Lead Company was also contingently liable with respect to the liability of $233,900.00 appearing on the accompanying balance sheets of Compania Minera Aguilar, S. A.

ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Summaries of Consolidated Net Income

For the Years Ended December 31, 1947 and 1946

	Year ended December 31,	1947		1946
Net Sales		$76,609,998.94		$49,494,514.84
Cost of Sales (exclusive of depreciation and depletion)		58,920,847.43		40,683,671.37
Gross Profit from Operations before Depreciation and Depletion		$17,689,151.51		$ 8,810,843.47
Selling, General and Administrative Expenses		1,010,899.19		852,817.50
Net Profit from Operations before Depreciation and Depletion		$16,678,252.32		$ 7,958,025.97
Other Income:				
Dividends on The New Jersey Zinc Company stock (Note 1)	$ 877,500.00		$ 326,391.00	
Dividends on Compania Minera Aguilar, S. A. stock	294,339.62		——	
Other dividends, interest, etc., less charges	190,145.65	1,361,985.27	234,519.18	560,910.18
		$18,040,237.59		$ 8,518,936.15
Deduct Provisions for:				
Depreciation	$ 753,860.91		$ 451,421.27	
Depletion	268,957.17	1,022,818.08	337,010.76	788,432.03
		$17,017,419.51		$ 7,730,504.12
Provision for Taxes on Income:				
Federal normal income and surtax	$4,389,343.50		$1,880,824.75	
State income taxes	90,315.17	4,479,658.67	42,548.03	1,923,372.78
Net Income for the Year		$12,537,760.84		$ 5,807,131.34

Summaries of Consolidated Earned Surplus

For the Years Ended December 31, 1947 and 1946

	Year ended December 31, 1947	1946
Earned Surplus at Beginning of the Year	$17,410,739.66	$15,554,520.32
Add—Net Income for the Year	12,537,760.84	5,807,131.34
Total	$29,948,500.50	$21,361,651.66
Deduct—Cash Dividends paid during the Year	5,926,368.00	3,950,912.00
Earned Surplus at End of the Year	$24,022,132.50	$17,410,739.66

Note:

(1) After deducting in 1946 the non-taxable portion of the 1945 and 1946 distributions amounting to $54,888.60 and $203,720.40 respectively, which have been credited to the investment account.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

1 EAST 44TH 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 (incorporated in New York) and its wholly-owned domestic subsidiary companies as of December 31, 1947 and the related summaries of consolidated net income and earned surplus for the year ended that date. Our examination was made in accordance with generally accepted auditing standards and 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 condition of St. Joseph Lead Company and its wholly-owned domestic subsidiary companies at December 31, 1947 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York,
February 28, 1948.

COMPANIA MINERA AGUILAR, S. A.

Balance Sheets, December 31, 1947 and 1946

ASSETS

	December 31, 1947		December 31, 1946	
Current and Working Assets:				
Cash on hand and in banks	$ 1,009,014.78		$ 1,117,285.63	
Argentine Government securities — at lower of cost or market quotation value	2,278,521.28		2,520,744.79	
Accounts receivable — trade	419,659.40		338,377.61	
Due from St. Joseph Lead Company	——		3,860.05	
Due from affiliated companies	1,543.40		——	
Other accounts receivable, etc.	27,094.80		38,273.06	
Inventories:				
Lead and zinc concentrates (at cost exclusive of depreciation and depletion — valuation not in excess of market)	482,909.30		304,255.37	
Silver, at estimated value (Note 4)	476,136.32		141,458.37	
Materials and supplies (at cost)	1,078,002.67	$ 5,772,881.95	888,195.44	$ 5,352,450.32
Investments in Affiliates (Note 5):				
Capital Stocks:				
Sulfacid S. A. Industrial (at cost — 50% owned)	$ 1,104,846.54		——	
Compania Metalurgica Austral-Argentina, S. A. Comercial (at cost — 37.5% owned)	729,402.75		——	
Capital stock subscriptions — part paid	——		$ 36,250.76	
Advances	——	1,834,249.29	60,541.39	96,792.15
Capital Assets (Note 1):				
Ore reserves and mineral rights:				
Cost, including exploration and development prior to the commencement of operations	$ 1,517,391.03		$ 1,517,391.03	
Less reserve for depletion	1,011,892.50	505,498.53	932,167.20	585,223.83
Appreciation arising from valuation in 1935	$13,790,750.50		$13,790,750.50	
Less reserve for depletion	9,233,649.89	4,557,100.61	8,509,069.48	5,281,681.02
Total ore reserves and mineral rights, net		$ 5,062,599.14		$ 5,866,904.85
Land, buildings, plant and equipment (at cost)	$ 3,191,278.78		$ 3,017,705.54	
Less reserve for depreciation	2,165,090.38	1,026,188.40	1,990,079.12	1,027,626.42
Total capital assets, net		$ 6,088,787.54		$ 6,894,531.27
Deferred Charges		5,220.51		10,621.19
Total		$13,701,139.29		$12,354,394.93

Notes:

(1) 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.

(2) Current assets, current liabilities, deferred charges and credits and reserves are stated in the above balance sheets in U. S. dollars at the closing quoted rate of exchange at December 31, 1947 and 1946, respectively (except in a few instances where original dollar values applicable to foreign transactions are used). Investments in affiliates, capital assets and related reserves and capital stock and capital surplus accounts reflect the approximate dollar equivalents at the rates prevailing at the dates of the transactions of which the balances in these acounts consist.

COMPANIA MINERA AGUILAR, S. A.

Balance Sheets, December 31, 1947 and 1946

LIABILITIES

	December 31, 1947		December 31, 1946	
Current Liabilities:				
Accounts payable — trade	$ 127,352.96		$ 77,111.77	
Due to St. Joseph Lead Company	138,349.28		—	
Wages payable	78,687.96		61,340.32	
Accrued Argentine income and other taxes	522,706.41		147,676.38	
Proceeds from sales of concentrates for future export	233,900.00		233,900.00	
Estimated expenses on concentrates held for future delivery	220,367.35		247,392.13	
Other accounts payable	25,259.60	$ 1,346,623.56	51,481.80	$ 818,902.40
Deferred Credits		83,964.84		19,987.88
Reserves:				
Employees' compensation under Argentine social laws	$ 131,337.22		$ 98,511.25	
Accidents	55,508.41		52,838.63	
Other expenses	57,456.94	244,302.57	32,540.14	183,890.02
Capital Stock and Surplus:				
Capital Stock:				
Authorized and issued—500,000 shares of a nominal value of $80 Argentine paper each	$11,349,803.33		$11,349,803.33	
Less in treasury, 35,000 shares	690,931.52		690,931.52	
Outstanding, 465,000 shares		10,658,871.81		10,658,871.81
Surplus:				
Capital surplus arising from 1935 valuation of ore reserves (remainder after transfer of $13,387,254.16 to stated value of capital stock)		403,496.34		403,496.34
Appropriated earned surplus:				
For acquisition of capital stock held in treasury	$ 690,931.52		$ 690,931.52	
To statutory reserve	16,789.99		16,208.00	
Earned surplus (*deficit) (after charging deficits aggregating $1,987,450.83 against capital surplus arising from reduction in stated value of capital stock — Note 6)	256,158.66	963,880.17	*437,893.04	269,246.48
Total Capital Stock and Surplus		$12,026,248.32		$11,331,614.63
Total		$13,701,139.29		$12,354,394.93

Notes Continued:

(3) Compania Minera Aguilar, S. A. and St. Joseph Lead Company were contingently liable at December 31, 1947, to refund to customers the sales price, $189,562.00, of concentrates paid for by the customers and stored in Argentina, in the event any future Argentine law should prevent shipment thereof, and were similarly contingently liable at December 31, 1946 in the amount of $354,421.24.

(4) The export of silver ingots is not at present permitted by Argentine regulations. The amount of the silver inventory which may be absorbed locally is not known.

(5) Reference is made to the accompanying President's letter for a statement of the Company's proposed expenditures in connection with investments in affiliates.

(6) The net deficit since beginning operations, $1,023,570.66 (aggregate deficits transferred to capital surplus, $1,987,450.83, less surplus at December 31, 1947, $963,880.17) represents aggregate net profits of $8,210,079.23 (after deducting depletion computed on cost) against which has been charged depletion computed on appreciation, aggregating $9,233,649.89.

COMPANIA MINERA AGUILAR, S. A.

Summaries of Net Income

For the Years Ended December 31, 1947 and 1946

	Year ended December 31, 1947			1946
Net Sales		$ 4,184,605.91		$ 2,762,039.70
Cost of Sales (exclusive of depreciation and depletion)		1,427,884.15		1,320,756.46
Gross Profit from Operations before Depreciation and Depletion		$ 2,756,721.76		$ 1,441,283.24
Deduct:				
Selling, general and administrative expenses	$ 154,239.67		$ 128,091.30	
Taxes, other than taxes on income	48,835.37	203,075.04	44,755.43	172,846.73
Net Profit from Operations before Depreciation and Depletion		$ 2,553,646.72		$ 1,268,436.51
Other Income (net of charges—1947, $11,227.07; 1946, $73,163.21)		59,210.20		11,016.16
		$ 2,612,856.92		$ 1,279,452.67
Provision for:				
Depreciation	$ 225,232.62		$ 208,249.33	
Depletion computed on cost	79,725.30		74,152.51	
Depletion computed on appreciation of ore reserves	724,580.41		673,932.21	
Compensation payable to employees under Argentine social laws—see Note 2	——	1,029,538.33	98,511.25	1,054,845.30
		$ 1,583,318.59		$ 224,607.37
Provision for Argentine Income and Excess Profits Taxes—see Note 3		594,345.28		195,507.84
Net Income for the Year		$ 988,973.31		$ 29,099.53

Summaries of Unappropriated Earned Surplus

For the Years Ended December 31, 1947 and 1946

	Year ended December 31, 1947	1946
Surplus (*deficit) at Beginning of the Year	$* 437,893.04	$* 466,410.31
Add—Net Income for the Year	988,973.31	29,099.53
Total	$ 551,080.27	$* 437,310.78
Deduct:		
Cash dividends paid during the year	$ 294,339.62	——
Earned surplus appropriated to statutory reserve	581.99	$ 582.26
Total	$ 294,921.61	$ 582.26
Surplus (*deficit) at End of the Year (after charging deficits aggregating $1,987,450.83 against capital surplus)	$ 256,158.66	$* 437,893.04

Notes:

(1) The results of operations are stated in the above summaries in U. S. dollars at the approximate average free rate of exchange for the year, except as to provisions for depreciation and depletion, which have been converted on the basis of the rates of exchange at which the balances in the related asset accounts are stated.

(2) In 1947 provision for compensation payable to employees under Argentine social laws, in the amount of $44,546.35, was charged mainly to cost of production.

(3) 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

1 EAST 44TH 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, 1947 and the related summaries of net income and unappropriated earned surplus for the year ended that date. Our examination was made in accordance with generally accepted auditing standards and 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 condition of Compania Minera Aguilar, S. A. at December 31, 1947 and the results of its operations for the year ended that date, 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, 1948.

ST. JOSEPH LEAD COMPANY

84th ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1947