For the Year

1 9 4 8

85th Annual Report to Stockholders

St. Joseph Lead Co.

ST. JOSEPH LEAD COMPANY

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

EXECUTIVE OFFICERS

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

CLINTON H. CRANE	Chairman
ANDREW FLETCHER	President
C. MERRILL CHAPIN, JR.	Vice President
FRANCIS CAMERON	Vice President
GEORGE I. BRIGDEN	Vice President and Treasurer
FELIX EDGAR WORMSER	Vice President
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, Pennsyivania
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.

85th Annual Report
For the Year 1948

To the Stockholders of
St. Joseph Lead Company

The 1948 consolidated operating earnings, after provision for taxes on income of $3,776,835.97, were:

$11,092,787.24

and for the year 1947, after taxes of $4,479,658.67, were:

$12,537,760.84

The Board of Trustees, at the May 10, 1948 meeting, authorized an increase from $50 to $60 per month in the basic pension of all retired and present payroll employees with twenty-five or more years of service upon reaching the retirement age of 65 years, and appointed a Pension Committee to study the desirability of establishing a Pension Trust to fund the Company's liability. At the Trustees' Meeting of August 9, 1948, the report of the Pension Committee was approved, and authorization given to the establishment of a Pension Trust with J. P. Morgan & Co. Incorporated, as Trustee. The amount required to fund the Company's accrued liability to July 1, 1948 under the Pension Plan for Payroll Employees was $2,212,842.43. Based upon a continuation over the next nine years of the present 38% Federal income tax rate, the amount of Federal tax reduction that will be obtained by charging to operating expense the Company's accrued liability to July 1, 1948, will be $756,792.11. The difference between the payment to the Pension Trust of $2,212,842.43 and the estimated Federal income tax savings of $756,792.11, amounting to $1,456,050.32, has been charged against income for the year 1948.

The consolidated net income for the year 1948, after deducting the non-recurring net pension cost of $1,456,050.32, as detailed in the above paragraph is:

$9,636,736.92

which is the second largest annual net income in the Company's history. Because of high metal prices and satisfactory production, the earnings for the last quarter of 1948, and for the first two months of 1949, are the highest that the Company has ever enjoyed. The stockholders' attention is called to the comment in last year's report:

> "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."

The reserves which the Company has set aside for depreciation and depletion, are not sufficient to replace obsolete and worn-out equipment, or to develop new mines to replace exhausted ore reserves at present prices. It is therefore considered most fortunate that the Company has large dollar earnings, even though they be present-day dollars, to build up sizable cash reserves that are needed to maintain the Company's competitive position in the world metal markets.

This year it has been decided to send a report to the employees, as well as to the stockholders. There is enclosed a copy of that report, in which it will be noted that the partnership between employee and stockholder is emphasized. Just as the employee should realize that the stockholders, the owners of our Company, who have supplied the money for the purchase, expansion, and the maintenance of our mines, mills and smelters—the tools of our industry—are entitled to a satisfactory financial return on their investment; so, too, are the employees entitled to fair wages and salaries, because of their investment in their jobs, in the communities in which our operations are located, and for the effective use of the tools.

Lead was no exception to the trend in 1948 that carried non-ferrous metal prices to new highs; starting the year at 15 cents per pound, lead advanced in moves of 2 to 2.5 cents per pound, until a peak of 21.5 cents was reached on November 1, 1948. In recent years, a fundamental change has taken place in the market—the United States is now dependent upon imports of lead to supplement domestic production. The post-war demand for lead products has been the highest that we have ever had in a peacetime economy. Therein lies the explanation for some of the moves in the 1948 lead market. As consumers' needs could not be satisfied by domestic suppliers, they bid for foreign and secondary production at well above the quoted markets. The custom smelters had to recognize this premium market in the purchase of concentrates, and raised their price to keep in line with what was, after all, a more realistic market.

The following approximate figures cover the output from all dcmestic producers, including St. Joe production:

Lead	1948	1947
From domestic mines	388,000	375,000
From scrap	470,000	480 000
From imports of pig lead and concentrates	317,000	215,000
Total	1,175,000	1,070,000

The future of the lead market would seem to lie with industrial activity, for, from the supply angle, the picture appears to be improving steadily. If there is a decline in industrial demands, the question of surplus might well arise. Conceivably any surplus could be absorbed by those industries that have either designed away from lead or have curtailed expansion of its use due to shortage of supply. The factor of the U. S. Government stockpiling program is important, because just as in a tight market it has had an inflationary effect, stockpiling could act as a cushion against deflation by absorbing surpluses when the supply is in excess of the demand.

The demand for zinc throughout the year was consistently higher than the available supply. Domestic ore production, without the aid of Government war-type subsidies, but under the impetus of rising prices under free market conditions, together with the available foreign supplies, were ample to take care of smelter requirements. Just as in the case of lead, the U. S. Government stockpiling program, together with exports financed by E. C. A. dollars, had the effect of removing around 15%, or 11,000 tons per month from the domestic economy, and was a contributing factor in the rise in the zinc price from 10.5 cents at the beginning of 1948 to 17.5 cents at the end of the year. The following represent the approximate comparative zinc production figures:

Zinc	1948	1947
From domestic mines	618,000	637,000
From secondary sources	60,000	59,000
From imports of slab zinc and concentrates	357,000	370,000
Total	1,035,000	1,066,000

The statement in last year's Stockholders' Report as to the difference between an ore reserve and a mineral resource, wherein it was pointed out that the reserve was the known portion of a resource, has been well illustrated by the results of your Company's expanded exploration program. The 1948 development work at the Company's Balmat zinc mine has been encouraging, and the known ore reserves have been materially built up; also in Southeast Missouri, the exploration, which is discussed somewhat in detail later in this report, has been satisfactory.

As the stockholders were advised in the semi-annual report, the first serious labor difficulty in over twenty-five years, occurred in the Lead Belt. All operations were suspended from July 7 to September 20, as the result of a strike called by the International Union of Mine, Mill and Smelter Workers, C. I. O. This Union is one of the reputedly Communist-dominated Left Wing Unions of the C. I. O., which had obtained during the war the bargaining rights covering all hourly paid employees of the Southeast Missouri Division. The strike occurred after several months of contract negotiations, and after apparent agreement had been reached on the few major issues involved. It is the opinion of your management that the employees were deliberately misled by the national and local officials of this Union. Once the strike had been called, the Company refused to negotiate further with such irresponsible Union leadership. A back-to-work movement initiated by a group of employees, including some of the older employees and a number of returned war veterans, led your management to agree to reopen the mines on September 20, 1948. The response by the men caused the Union to abandon the strike, and by October 1, practically full crews were at work at all Company Lead Belt properties. The men returned on the same terms as the Company had offered prior to the strike. Under the supervision of the National Labor Relations Board, the elections subsequently held resulted in a majority of the employees voting to be represented by "no Union."

The management of your Company is still opposed to any peacetime Government subsidy for lead or zinc. We are sympathetic with stimulating exploration, production and the conservation of strategic and critical ores, metals and minerals, both for the national defense and a sound domestic economy, but we believe that subsidization of production of non-ferrous metals is at variance with the system that has given the United States the greatest mining industry in the world—the system known as "American free enterprise," in which competition under free market conditions, regulated by the law of supply and demand, has also resulted in the United States having the highest standard of living in the world. Peacetime subsidization is a step towards nationalization of the industry, will probably reduce and not increase production, and will therefore be a waste of the taxpayers' money. The most basic and effective step the Government could take towards encouraging mining in the United States, is to revise the tax laws, so that investment of venture capital will receive a return commensurate with the risk.

FINANCIAL INFORMATION

As previously stated, the consolidated earnings, after taxes, were $11,092,-787.24 for 1948, in comparison with $12,537,760.84 for 1947, and the net 1948 consolidated income, after deducting the 1948 non-recurring net pension expense of $1,456,050.32 was $9,636,736.92. The following table shows the comparative figures for the ten-year period ended December 31, 1948, and does not include the separately shown earnings of Compania Minera Aguilar, S. A., except to the extent of the $294,339.62 dividend received by the St. Joseph Lead Company in 1947.

		Provision for			
Year	Income after Interest but before Other Deductions	(c) Depreciation	Federal Income Taxes	Net Income before Depletion	Provision for Depletion
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	(b) 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
1948	(a) 14,707,034.94	1,175,986.80	3,663,315.51	(a) 9,867,732.63	230,995.71

(a) After deducting non-recurring net pension expense of $1,456,050.32.

(b) Includes the abandonment of Block "P" property in 1943.

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

In connection with the Consolidated Balance Sheets as of December 31, 1948 and December 31, 1947 for the St. Joseph Lead Company and Domestic Subsidiaries, and the Summaries of Consolidated Net Income and Earned Surplus for the years ended on those dates, which are submitted as part of this report, the following should be given consideration:

The 1948 earnings do not include a dividend of 2,325,000 Argentine pesos received from Compania Minera Aguilar, S. A., as the Company's application to the Argentine Government for an exchange permit to convert the pesos into U. S. dollars and bring the dollars to the United States was denied, because of the prevailing economic condition in Argentina. In 1947, the Aguilar dividend amounted to 1,209,000 pesos and was converted into $294,339.62 U. S. dollars. Due to the probable delay in obtaining U. S. dollar exchange, the following amounts, which remain of the advances made by the St. Joseph Lead Company, are carried on the December 31, 1948 Balance Sheet under Advances instead of Current and Working Assets:

Compania Minera Aguilar, S. A.	$ 235,693.77
Sulfacid, S. A.	892,007.21
Compania Metalurgica Austral	1,514,715.48

The Aguilar operations are outlined in detail on the later pages of this report. The Sulfacid 40,000-ton per year sulphuric acid and fertilizer plant is 50% owned by Aguilar and should be in operation in the summer of 1949. The 15,000-ton per year Austral zinc smelter, which is ⅜ owned by Aguilar, should be operating in the later months of 1949. Both of these plants are covered in the so-called Argentine Five-Year Plan, and dollar exchange for their construction was authorized by Argentine authorities.

In December, the Mine La Motte Corporation purchased 1,994 shares of its 2,000 shares of remaining capital stock. The outstanding six shares are necessary under Missouri law for the five directors to qualify, and in order that three shares may be owned by the National Lead Company and three by the St. Joseph Lead Company to maintain the 50-50% ownership. The entire capital has now been returned and, as in the case of Compania Minera Aguilar, S. A., the Company's investment will be carried at $1.00. However, it should be realized by the stockholders that both of these companies represent valuable assets for the St. Joseph Lead Company with exceptional earning possibilities under favorable conditions.

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

	1948	1947	1946
Southeast Missouri	$ 437,254.17	$ 805,661.59	$ 66,194.58
Edwards and Balmat	81,590.14	299,609.61	54,374.67
Josephtown	1,776,182.33	5,516,359.49	699,644.52
Kansas Explorations, Inc.	——	——	——
Total	$2,295,026.64	$6,621,630.69	$820,213.77

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, were all decided in the Company's favor, by dismissal by the Court.

Following the 1948 Court decision on "Basing Points" and the action taken by some of the larger U. S. corporations to sell their products on an f.o.b. mill basis, your management carefully studied the situation, as lead, zinc, zinc oxide, sulphuric acid and other Company products are being sold on various differing bases, some of which may not conform with the Court decisions. Under advice of the Company's attorney it is felt that until the Court's decisions are clarified, or until Congress takes legislative action, it is not necessary or desirable to change the Company's present sales procedures.

OPERATING INFORMATION

Lead

Southeast Missouri

The expanded exploration program which was initiated in 1947 was aggressively carried forward. The lag in development which had resulted from forced curtailment during the depression and war years, has now been largely overcome, and continued maintenance of a proper balance between the rate of mining and development work in the mines of this Division, can now be foreseen. Good progress has also been made in modernizing underground equipment and facilities, which will contribute to greater over-all efficiency in present and future operations.

The Desloge Mill operated during the entire year on tailings, and a total of 1,164,000 tons of old tailings were milled at this, and at the Company's other Lead Belt plants; thus fully utilizing the installed mill capacity of the District during a period when the demands on both manpower and equipment for the development program, resulted in some curtailment in the rate of underground mining.

The lead bonus of 25 cents per shift worked for each one cent increase in the price of lead above 12 cents per pound New York, remains in effect at this Division, and each employee receives the same amount of lead bonus per shift.

Authorization was given for a $650,000 extension to the Bonne Terre Hospital, and the cost will be borne entirely by the St. Joseph Lead Company.

At Herculaneum, one-third of the Company's lead concentrates was smelted, with satisfactory recovery and at a reasonable cost; the balance of the production will continue, until 1953, to be smelted at East Alton, Illinois, when the present toll contract terminates with the American Smelting and Refining Company. Modernization of the sintering circuit is under way. The replacement of worn-out flues will necessitate the shutting of the smelter for approximately one month during the summer of 1949. The operation of the electrothermic furnace for the recovery of zinc and lead from blast furnace slag, supports the belief that the system has considerable promise. Authorization has been given for the construction of a new research laboratory and office building, and the building of three small staff houses is well under way. The Company contributed $50,000 towards the rebuilding of the Herculaneum School, which was destroyed by fire in 1947.

The two and one-half months' Lead Belt strike contributed materially to the lower lead production shown in the following table—as stated in the 1948 Report to the Employees, a strike is just like a war, everyone loses, and in our case, the losers were the employees, the stockholders, the Lead Belt community, and our Country.

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
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
1948	77,011	48,488	125,499	16,483

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

Zinc

Balmat and Edwards

Production from this Division amounted to 62,777 tons of zinc concentrates in 1948, in comparison with 61,000 tons in 1947. All operations at this Division continued without interruption during the year. Exploration and development were increased within the limits of available manpower, with gratifying results at Balmat. Labor relations at this Division remain very satisfactory.

Josephtown

As previously stated in this report, the expansion program to 600 tons of concentrates per day was practically completed in 1948, although the two-circuit system, wherein the higher grade concentrates will be used for zinc oxide and high-grade metal production, is not yet in operation. As the Balmat-Edwards production only fills about a third of the smelting capacity, the Company is currently buying about 120,000 tons per year in the open competitive markets of the United States, Canada and South America. The slab zinc equivalent of smelter production, including production from purchased concentrates and dross, amounted to 76,097 tons in 1948, in comparison with 60,982 tons in 1947 and 50,874 tons in 1946.

The procedure of charging out first the highest cost concentrates, was continued in determining the 1948 cost of producing zinc metal and zinc oxide, with the result that the inventory value of the zinc concentrates, 37,351 tons, is approximately $28.82 per ton. The market value of concentrates delivered to Josephtown on the basis of the prevailing 17.50 cents per pound zinc price for Prime Western metal at St. Louis, is in the neighborhood of $107 per ton of concentrates. With a monthly consumption of around 16,000 tons of concentrates, it is necessary to keep a sizable stock of concentrates, and therefore the investment in concentrates should be considered as a continuing plant facility. In addition to the Company-owned concentrates, there is stored at Josephtown 23,926 tons owned by the U. S. Bureau of Federal Supply.

Joplin Area

The Buckingham Mine of the Kansas Explorations, Inc. was permanently closed in August, due to the increased cost of pumping and the low-grade ore reserves. The Snapp Mill, which had been treating ore from the Buckingham Mine, was likewise shut down; this plant will be operated for a short period during 1949 to re-treat the accumulated old tailings which can profitably be handled at prevailing metal prices. The Jasper Mine and Mill remained idle until late in the fourth quarter, when arrangements were made to reopen the mill to treat ore on a toll basis from the Childress-Murphy Mine. The continuity of this operation is entirely dependent on the maintenance of present metal prices and the consequent availability of ore. The Ritz Mine remained idle during the year, and much of the equipment at this property has been disposed of. Stockholders are advised that the asset values and profit possibilities for these Tri-State operations are negligible.

EXPLORATION

As previously stated, aggressive exploration in areas contiguous to our Southeast Missouri and Balmat properties, was energetically pursued. Exploration in certain areas of the Wisconsin-Illinois zinc fields, was abandoned and options which were held in this district, were surrendered.

Outside of the United States, the Company continued to be interested in exploration in the following countries:

French Morocco

The Societe Nord Africaine du Plomb (which is owned 51% by Societe des Mines de Zellidja, 33% by the Newmont Mining Corporation, and 16% by the St. Joseph Lead Company) has acquired ownership of lands formerly held by the Zellidja Company, in both Morocco and Algeria, adjacent to the Zellidja main property. An active program of exploration was pursued during the year, and will be continued. Developments at the main Zellidja property, in which Newmont Mining Corporation and the St. Joseph Lead Company both own a minor share interest, were encouraging, and production from this property will be expanded as rapidly as facilities can be installed.

Canada

Exploration by the Mistassini Lead Corporation, which is jointly controlled by Dome Mines Ltd. and your Company, on a group of claims in the Bachelor Lake area of Quebec, failed to develop anything of promise. Investigations were carried on in other areas, but nothing warranting further development at this time, was found. An option has been secured by the St. Joseph Lead Company on a group of claims in the Province of British Columbia which will be investigated during 1949.

Australia

Investigation of base metal prospects in Australia, which has been carried on jointly by the Zinc Corporation, Newmont Mining Corporation and ourselves, is being continued.

DIVIDENDS

The following is a record of dividends for the years 1939 through 1948:

Year	Amount	Per Share	Year	Amount	Per Share
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
1943	3,911,360.00	2.00	1948	6,420,232.00	3.25

As the Aguilar earnings and balance sheet figures have in the past been converted from Argentine pesos into U. S. dollars, it was believed that for comparative purposes the same procedure should be followed for the year 1948, even though at the present time Argentine exchange controls greatly restrict any conversion of Argentine money into U. S. dollars.

In 1948 the Argentine peso exchange rate depreciated from approximately 25 U. S. cents to about 20 cents, with the result that in stating the 1948 earnings in U. S. dollars for comparative purposes, and in stating certain items on the balance sheet, for example, current assets and current liabilities, a shrinkage of $432,706.37 in the equivalent U. S. dollar value resulted. The net income for the year 1948 after depreciation and Argentine taxes, but before depletion and exchange adjustment, was 7,948,435.75 pesos, which is equivalent to $1,581,417.03 U. S. dollars. The comparative 1947 earnings were 7,325,710.88 pesos. The net income for 1948 after depletion and exchange adjustment was $423,097.40 U. S. dollars.

In 1935, as a result of an engineering survey, the value of the Aguilar ore reserves was determined to be $13,790,750.50 in excess of cost, and most of this amount was reflected in an increase in the authorized and issued capital stock. Although Aguilar has shown relatively satisfactory earnings since the mine was placed in operation in 1936, the reason for the small amount of earned surplus of $80,753.53 shown under the statement entitled, "Summary of Unappropriated Earned Surplus" is primarily because of charges against earnings of $9,887,338.20 for depletion on the appreciated value of the ore reserves.

The provisions for housing and facilities under Argentine Federal and Provincial laws necessitated expenditures of 627,626.77 pesos in 1948, which must be capitalized under Argentine income tax regulations. It is probable that similar expenditures must be made in 1949. The total amount capitalized last year was 929,463.73 pesos, or approximately $207,000 U. S. dollars.

During 1948, the mine again operated at approximately 60% of the installed capacity due to the continued inability of the railroad to provide adequate facilities for handling incoming supplies of diesel oil and mine timber, and the 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 1948, only 32,567 metric tons were shipped, in comparison with 35,051 in 1947, and 43,745 in 1946. As of December 31, 1948, there were 1,744 metric tons of lead concentrates and 84,496 tons of zinc concentrates at the railhead awaiting cars for shipment.

In 1948, 24,068 metric tons of lead concentrates and 23,485 metric tons of zinc concentrates were produced, in comparison with 25,834 and 30,977 respectively for the previous year. The improved lead and silver recoveries, better grade of concentrates, as well as better operating efficiency under satisfactory labor relations, were most gratifying.

The authorized capital of Sulfacid, S. A. was increased to 27 million pesos, although it is believed that this 40,000-ton per year sulphuric acid and fertilizer plant can be completed for a total expenditure of about 22 million pesos. Aguilar's present investment for their 50% ownership in the Company now totals 8,997,000 pesos, evidenced by stock equivalent. It is hoped that this plant will be in operation during the summer of 1949.

Construction work at the 15,000-ton per year zinc smelter of Compania Metalurgica Austral Argentina, S. A. is well under way, and it is possible that this plant may also be in operation during the latter months of 1949. Due to the purchase by the Argentine Government of the British-owned railroads, and their investment in Ferrocarrilera de Petroleo, some uncertainty has arisen regarding the status of the 3/8 ownership in Austral by Ferrocarrilera de Petroleo. The still unclarified conditions have not mitigated against the plant construction. The authorized capital stock of Austral has been increased to 20 million pesos, and Aguilar's 3/8 ownership investment as of December 31, 1948 amounts to 2,997,000 pesos.

In reading the Balance Sheets as of December 31, 1948 and December 31, 1947 of Compania Minera Aguilar, S. A., and the Summaries of Net Income and Unappropriated Earned Surplus for the years ended on those dates, which are submitted as part of this report, the stockholders should realize that the figures are expressed in dollars only for comparative purposes, because, as previously stated, Argentine money cannot readily be converted into U. S. dollars under the present economic conditions prevailing in Argentina.

STOCKHOLDERS

The number of St. Joseph Lead Company stockholders of record on December 31st of each year since 1939 and a classification of their holdings are as follows:

Year	Total	19 or Less	20-99	100-199	200-Over
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
1948	7,823	1,834	3,135	1,611	1,243

CONCLUSION

With the continued loyalty and cooperation of the employees, and the support of the stockholders, it is believed that the future of St. Joseph Lead Company can be viewed with confidence.

CLINTON H. CRANE,
Chairman, Board of Trustees

ANDREW FLETCHER,
President

New York, March 15, 1949

ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1948 and 1947

ASSETS

	December 31, 1948		December 31, 1947	
Current and Working Assets:				
Cash on hand and in banks	$ 8,037,733.99		$ 7,117,793.25	
U. S. Treasury certificates and notes (at cost)	7,006,000.00		10,000,000.00	
Accounts receivable—trade (less reserve—1948, $2,000.00; 1947, $14,548.52)	6,981,002.03		3,878,584.33	
U. S. Government—claims for income tax refunds	625,185.45		627,750.70	
Other accounts receivable	305,776.37		381,685.16	
Inventories (valuation not in excess of market):				
Finished lead, zinc, etc. (at cost, exclusive of depreciation and depletion)	1,135,437.06		919,718.93	
Lead, zinc, etc., in process and concentrates (at cost, exclusive of depreciation and depletion)	2,373,408.23		1,743,175.79	
Purchased lead and zinc concentrates, etc. (at cost)	334,979.38		390,034.75	
Materials and supplies (at cost, less reserve for slow-moving items — 1948, $116,373.15; 1947, $94,569.26)	4,815,442.52	$31,614,965.03	3,735,374.32	$28,794,117.23
Advances (Note 1):				
Compania Minera Aguilar, S. A.	$ 235,693.77		$ 138,349.28	
Affiliates of Compania Minera Aguilar, S. A.:				
Sulfacid, S. A. Industrial	892,007.21		1,295,387.47	
Compania Metalurgica Austral-Argentina, S. A. Comercial	1,514,715.48	2,642,416.46	663,398.44	2,097,135.19
Investments:				
Compania Minera Aguilar, S. A. (1948, 99.9% owned; 1947, 100% owned—not consolidated)	$ 1.00		$ 1.00	
Mine La Motte Corporation (1948, at nominal valuation; 1947, at cost—50% owned)	1.00		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)	693,612.11	12,086,255.11	486,338.54	11,978,980.54
Capital Assets (Note 2):				
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)	$20,473,736.74		$20,442,961.20	
Less reserve for depletion	18,098,664.49	2,375,072.25	17,867,668.78	2,575,292.42
Shafts and underground equipment (at cost)	$ 4,777,975.59		$ 4,804,744.13	
Less reserve for depreciation	4,269,556.13	508,419.46	4,223,732.51	581,011.62
Land, buildings, plant and equipment (at cost)	$26,408,237.99		$24,509,797.68	
Less reserve for depreciation	16,797,789.11	9,610,448.88	15,928,094.59	8,581,703.09
Total capital assets, net		$12,493,940.59		$11,738,007.13
Miscellaneous Assets:				
Cash in Argentina (2,208,749 pesos) — (Note 1) — see contra	$ 457,211.00		—	
U. S. Treasury, State and Municipal securities on deposit with Federal and State departments (at amortized cost)	730,420.66	1,187,631.66	$ 673,501.54	673,501.54
Deferred Charges:				
Deferred past service annuities (equivalent in amount to estimated future tax reductions)	$ 756,792.11		—	
Prepaid insurance, taxes, etc.	188,498.31	945,290.42	$ 180,627.30	180,627.30
Total		$60,970,499.27		$55,462,368.93

Notes:

(1) Reference is made to the accompanying President's letter relative to the transfer of funds from Argentina.

(2) 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.

ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1948 and 1947

LIABILITIES

	December 31, 1948		December 31, 1947	
Current Liabilities:				
Accounts payable	$ 6,579,224.70		$ 4,291,976.25	
Wages payable	370,038.83		333,372.34	
Accrued taxes:				
Federal income	3,790,258.09		4,474,521.35	
Other	352,363.56	$11,091,885.18	288,013.05	$ 9,387,882.99
Deferred Credits:				
Compania Minera Aguilar, S. A. dividend—(after deducting Argentine tax thereon and exchange adjustment, $121,507.10)—(Note 1), see contra	$ 457,211.00		—	
Unearned treatment charges, etc.	148,887.92	606,098.92	—	—
Reserves:				
Injury claims and workmen's liability insurance	$ 336,776.52		$ 269,791.45	
Employees' life insurance and retirement	281,320.23		366,780.99	
Deferred prospecting, development, and exploration	483,000.00		483,000.00	
Contingencies	800,000.00	1,901,096.75	800,000.00	1,919,572.44
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	$27,238,637.42		$24,022,132.50	
Capital	378,216.00	27,616,853.42	378,216.00	24,400,348.50
Total Capital Stock and Surplus		$47,371,418.42		$44,154,913.50
Total		$60,970,499.27		$55,462,368.93

Notes Continued:

(3) St. Joseph Lead Company and Compania Minera Aguilar, S. A. are contingently liable 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.

ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Summaries of Consolidated Net Income

For the Years Ended December 31, 1948 and 1947

	Year ended December 31,	1948		1947
Net Sales		$80,210,503.43		$76,609,998.94
Cost of Sales (exclusive of depreciation and depletion)		63,884,881.01		58,920,847.43
Gross Profit from Operations before Depreciation and Depletion		$16,325,622.42		$17,689,151.51
Selling, General and Administrative Expenses		1,110,251.61		1,010,899.19
Net Profit from Operations before Depreciation and Depletion		$15,215,370.81		$16,678,252.32
Other Income:				
Dividends on The New Jersey Zinc Company stock	$ 828,750.00		$ 877,500.00	
Dividends on Compania Minera Aguilar, S. A. stock (collected in U. S. Dollars)	——		294,339.62	
Other dividends, interest, etc., less charges	232,484.91	1,061,234.91	190,145.65	1,361,985.27
		$16,276,605.72		$18,040,237.59
Provisions for:				
Depreciation	$ 1,175,986.80		$ 753,860.91	
Depletion	230,995.71	1,406,982.51	268,957.17	1,022,818.08
		$14,869,623.21		$17,017,419.51
Provision for Taxes on Income:				
Federal normal income, and surtax	$ 3,663,315.51		$ 4,389,343.50	
State income taxes	113,520.46	3,776,835.97	90,315.17	4,479,658.67
Net Income for the Year before Deducting Past Service Annuities		$11,092,787.24		$12,537,760.84
Past Service Annuities—Payroll Employees	$ 2,212,842.43			
Less portion deferred to future periods—equal to estimated tax reductions	756,792.11	1,456,050.32		
Net Income for the Year		$ 9,636,736.92		

Summaries of Consolidated Earned Surplus

For the Years Ended December 31, 1948 and 1947

	Year ended December 31, 1948	1947
Earned Surplus at Beginnng of the Year	$24,022,132.50	$17,410,739.66
Net Income for the Year	9,636,736.92	12,537,760.84
Total	$33,658,869.42	$29,948,500.50
Cash Dividends paid during the Year	6,420,232.00	5,926,368.00
Earned Surplus at End of the Year	$27,238,637.42	$24,022,132.50

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 and its wholly-owned domestic subsidiary companies as of December 31, 1948 and the related summaries of consolidated net income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and summaries of consolidated net income and earned surplus, with the footnotes thereon, present fairly the financial position of St. Joseph Lead Company and its wholly-owned domestic subsidiary companies at December 31, 1948 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York,

February 28, 1949.

COMPANIA MINERA AGUILAR, S. A.

Balance Sheets, December 31, 1948 and 1947

ASSETS

	December 31, 1948		December 31, 1947	
Current and Working Assets:				
Cash on hand and in banks	$ 1,950,131.17		$ 1,009,014.78	
Argentine Government securities — at lower of cost or market quotation value	1,059,940.20		2,278,521.28	
Accounts receivable—trade	308,978.90		419,659.40	
Due from affiliated companies	294.26		1,543.40	
Other accounts receivable, etc.	30,906.76		27,094.80	
Inventories:				
Lead and zinc concentrates (at cost exclusive of depreciation and depletion—valuation not in excess of market)	469,847.77		482,909.30	
Silver, at estimated value (Note 4)	189,948.81		476,136.32	
Materials and supplies (at cost)	1,047,288.24	$ 5,057,336.11	1,078,002.67	$ 5,772,881.95
Investments in Affiliates:				
Capital Stocks:				
Sulfacid S. A. Industrial (at cost—50% owned)	$ 2,148,359.18		$ 1,104,846.54	
Compania Metalurgica Austral-Argentina, S. A. Comercial (at cost—37.5% owned)	729,651.97	2,878,011.15	729,402.75	1,834,249.29
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	1,083,817.45	433,573.58	1,011,892.50	505,498.53
Appreciation arising from valuation in 1935	$13,790,750.50		$13,790,750.50	
Less reserve for depletion	9,887,338.20	3,903,412.30	9,233,649.89	4,557,100.61
Total ore reserves and mineral rights, net		$ 4,336,985.88		$ 5,062,599.14
Land, buildings, plant and equipment (at cost)	$ 3,370,095.87		$ 3,191,278.78	
Less reserve for depreciation	2,347,761.57	1,022,334.30	2,165,090.38	1,026,188.40
Total capital assets, net		$ 5,359,320.18		$ 6,088,787.54
Deferred Charges		5,337.43		5,220.51
Total		$13,300,004.87		$13,701,139.29

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, approximately one peso is equal to U. S. 20 cents and 25 cents, at December 31, 1948 and 1947, 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 accounts consist.

COMPANIA MINERA AGUILAR, S. A.

Balance Sheets, December 31, 1948 and 1947

LIABILITIES

	December 31, 1948		December 31, 1947	
Current Liabilities:				
Accounts payable—trade	$ 193,140.68		$ 127,352.96	
Due to St. Joseph Lead Company	235,693.77		138,349.28	
Wages payable	60,816.60		78,687.96	
Accrued Argentine income and other taxes	447,142.07		522,706.41	
Proceeds from sales of concentrates for future export	——		233,900.00	
Estimated expenses on concentrates held for future delivery	205,065.04		220,367.35	
Other accounts payable	30,291.60	$1,172,149.76	25,259.60	$ 1,346,623.56
Deferred Credits		——		83,964.84
Reserves:				
Employees' compensation under Argentine social laws	$ 156,942.64		$ 131,337.22	
Accidents	48,947.98		55,508.41	
Other expenses	51,336.87	257,227.49	57,456.94	244,302.57
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	36,574.42		16,789.99	
Earned surplus (after charging deficits aggregating $1,987,450.83 against capital surplus arising from reduction in stated value of capital stock—Note 5)	80,753.53	808,259.47	256,158.66	963,880.17
Total Capital Stock and Surplus		$11,870,627.62		$12,026,248.32
Total		$13,300,004.87		$13,701,139.29

Notes Continued:

(3) Compania Minera Aguilar, S. A. and St. Joseph Lead Company are contingently liable 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.

(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) The net deficit since beginning operations, $1,179,191.36 (aggregate deficits transferred to capital surplus, $1,987,450.83, less surplus at December 31, 1948, $808,259.47) represents aggregate net profits of $8,708,146.84 (after deducting depletion computed on cost) against which has been charged depletion computed on appreciation, aggregating $9,887,338.20.

COMPANIA MINERA AGUILAR, S. A.

Summaries of Net Income

For the Years Ended December 31, 1948 and 1947

	Year ended December 31, 1948		Year ended December 31, 1947	
Net Sales		$ 4,245,261.06		$ 4,184,605.91
Cost of Sales *(exclusive of depreciation and depletion)*		1,772,226.14		1,427,884.15
Gross Profit from Operations before Depreciation and Depletion		$ 2,473,034.92		$ 2,756,721.76
Deduct:				
Selling, general and administrative expenses	$ 150,194.33		$ 154,239.67	
Taxes, other than taxes on income	67,976.63	218,170.96	48,835.37	203,075.04
Net Profit from Operations before Depreciation and Depletion		$ 2,254,863.96		$ 2,553,646.72
Other Income (net of charges—1948, $65,490.96; 1947, $11,227.07)		101,140.60		59,210.20
		$ 2,356,004.56		$ 2,612,856.92
Provision for:				
Depreciation	$ 199,293.19		$ 225,232.62	
Depletion computed on cost	71,924.95		79,725.30	
Depletion computed on appreciation of ore reserves	653,688.31	924,906.45	724,580.41	1,029,538.33
		$ 1,431,098.11		$ 1,583,318.59
Provision for Argentine Income and Excess Profits Taxes (Note 1)		575,294.34		594,345.28
		$ 855,803.77		$ 988,973.31
Exchange Adjustment (Note 2)		432,706.37		——
Net Income for the Year		$ 423,097.40		$ 988,973.31

Summaries of Unappropriated Earned Surplus

For the Years Ended December 31, 1948 and 1947

	Year ended December 31, 1948	1947
Surplus (*deficit) at Beginning of the Year	$ 256,158.66	$* 437,893.04
Add—Net Income for the Year	423,097.40	988,973.31
Total	$ 679,256.06	$ 551,080.27
Deduct:		
Cash dividends paid during the year	$ 578,718.10	$ 294,339.62
Earned surplus appropriated to statutory reserve	19,784.43	581.99
Total	$ 598,502.53	$ 294,921.61
Surplus at End of the Year (after charging deficits aggregating $1,987,450.83 against capital surplus)	$ 80,753.53	$ 256,158.66

Notes:

(1) 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.

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

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, 1948 and the related summaries of net income and unappropriated earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

In our opinion, the accompanying balance sheet and summaries of net income and unappropriated earned surplus, with the footnotes thereon, present fairly the financial position of Compania Minera Aguilar, S. A. at December 31, 1948 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles (except as described in the preceding paragraph) applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York,
February 28, 1949.

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 9, 1949.

Proxies will be solicited commencing on April 1, 1949.

ST. JOSEPH LEAD COMPANY

85th ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1948