Saint Joseph Lead Company Annual Report -- 1944
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PRESIDENT'S ANNUAL REPORT

TO

STOCKHOLDERS

OF THE

ST. JOSEPH LEAD COMPANY

FOR THE YEAR

1944

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ST. JOSEPH LEAD COMPANY

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

Executive Offices, 250 Park Avenue, New York 17

BOARD OF TRUSTEES

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Chairman

DANIEL K. CATLIN,
St. Louis, Missouri

IRWIN H. CORNELL,
Vice-Pres., and Sales Manager

ANDREW FLETCHER,
Vice-Pres., and Treasurer

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EXECUTIVE OFFICERS

CLINTON H. CRANE,
President

IRWIN H. CORNELL,
Vice-Pres., and Sales Manager

ANDREW FLETCHER,
Vice-Pres., and Treasurer

C. MERRILL CHAPIN, JR.,
Vice-President

EDWARD V. PETERS,
Vice-President

GEORGE I. BRIGDEN,
Secretary and Comptroller

ROBERT BENNETT,
Asst. Secretary and Asst. Treasurer

CHARLES FLEIG,
Assistant Secretary

JAMES G. COLVIN,
Assistant Comptroller

STOCK TRANSFER OFFICE

250 Park Avenue,
New York 17

REGISTRAR

City Bank Farmers Trust Company,
New York 5

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ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

The year 1944 which brought such successes to the Allied Military and Naval services that victory is assured, developed a serious situation in the lead industry of our country. The demand for lead has been so great, and the supply so inadequate, that the U. S. Government-owned stockpile, which amounted to 273,000 tons in 1943, was reduced to 90,000 tons at the end of 1944, at which time the total stocks of privately-owned lead at the smelters amounted to only 19,536 tons. By November 1944 consumption of pig lead had increased to 96,000 tons a month and more could be used if available.

The largest single source of lead is the domestic mining industry which in the last quarter of 1944 produced at the rate of 32,000 tons per month, against 41,000 in 1943. Shortage of skilled labor, due to the requirements of the armed forces and other war industries, was the principal cause of this drop in production. The second largest source is scrap, and under present conditions the lead recovered from this source will probably not exceed 30,000 tons a month. Imports of foreign pig lead are reported by the War Production Board as averaging 17,500 tons monthly in 1944. Transportation difficulties and manpower shortage in Mexico, Canada and Australia will probably prevent any increase in imports in 1945. There are ample smelting facilities in the U. S. for treating additional imported lead ore and concentrates, which in 1944 yielded 7,000 tons monthly. This makes a total from the above four sources of 86,500 tons, showing an apparent deficit of about 10,000 tons a month.

On December 26, 1944 War Production Board's General Preference Order M-38 was amended, limiting the use of pig lead for civilian purposes; all pig lead imported by the Government is being allocated; consumers' inventories are being restricted; the manufacture of lead products is being limited or prohibited.

The Government is asking mining companies to increase output, and the St. Joseph Lead Company, the largest American producer of lead from domestic ores, has agreed to curtail development work and to continue to operate its mines beyond their economic limits.

Consolidated Earnings

The consolidated net income for the year 1944 was $5,153,355.40 after deducting Federal and State taxes on income in the amount of $2,265,047.44, as compared with a net income for the previous year of $4,033,973.90 and taxes of $1,690,262.17. The increase in the consolidated net income of $1,119,381.50 is principally due to the elimination of the $1,123,733.62 non-recurring loss, before taxes, sustained in 1943 in connection with the abandonment of the Block P Mine, together with the premium payments received in 1944 on the Company's Southeast Missouri lead operations which offset the increased operating costs.

Premium Price Plan

In connection with the premium payments received in 1944, and as the prices received for your Company's products have been controlled by the Federal Government since late March 1941, I feel that the Stockholders should be informed of the workings of the present price control plan as compared to the establishment of metal prices in a free market, and the working of price control in World War I.

In a free market, the costs of the so-called marginal producers set the selling price. A rise in price brings increased production to satisfy the increased demand, and a drop in price tends to reduce production to the amount required to fill the reduced demand. It so happens that the large numbers of small independent mines in this country have made the working of this law peculiarly applicable to lead and zinc. In the free market, which existed before the United States' entry into World War I, and under the stimulus of war demand, lead sold at over 11 cents a pound, and zinc at over 23 cents. After the United States' entry into World War I, a lead price was stabilized by Government regulation at 8.05 cents per pound New York, and high grade zinc at 12.00 cents. The thought at that time was that if these prices did not produce sufficient metal, they would be raised. Fortunately the war was over before any increase was needed.

The present Governmental control plan for World War II is based on a somewhat different principle and was for the purpose of increasing production with the minimum amount of inflation. Ceiling prices for both lead and zinc were set by the Office of Price Administration at levels approximating the free market prices, when the control began. At the time that the ceiling prices were announced, each producing mine, or in some cases groups of mines, were assigned a production quota, which was based on prior production figures. The quotas were set by a Committee of the War Production Board and the Office of Price Administration. In the case of the St. Joseph Lead Company, the monthly quota for the Edwards and Balmat zinc mines was 125% of the average monthly production for the last quarter of 1941, and a similar 125% quota was set for the Southeast Missouri lead operations. Mines not in production were given quotas that would encourage their operation, and as operating costs increased because of higher wages or lower efficiencies, or due to a lowering of grade in the ore, the quotas have been changed.

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Lead or zinc produced in excess of the quota was entitled to premium payments, which amounted to as much as 5.5 cents per pound for lead above the ceiling price of 6.50 New York, and 8.25 cents per pound for zinc above the ceiling price of 8.25 St. Louis. The effect of this procedure has been to stimulate production and to keep the high cost mines in operation without raising the basic ceiling prices. The profits of the low cost producers have been maintained at relatively normal levels, and as metal has flowed into commerce at the ceiling prices, the cost of finished products has been maintained with a resultant lessening of wartime inflation.

Although in 1944 certain of the high cost marginal mines received, due to the premium payments, as much as 12 cents for their lead production and 16.50 cents per pound for zinc, it is believed that the average price including premium payments, for all mines in the United States, will approximate 8.15 cents per pound for lead and 11.18 cents for zinc. In 1944, premium payments received by the high cost mines of Kansas Explorations, a 100% owned subsidiary, were somewhat less than in 1943, and no premiums were received on the Company's zinc production from its Edwards and Balmat Mines in northern New York, which was therefore sold at the basis zinc ceiling price of 8.25 cents per pound, St. Louis. The 125% quota which was set for your Southeast Missouri lead operations could never be reached, and in the spring of 1944, it became evident that a request for a quota revision was justified due to increased wages, higher cost of supplies, and lower efficiency due to men having been called for military service. Quota adjustments were granted with the result that your Company received 7.04 cents per pound, St. Louis, for its Southeast Missouri lead production during the year 1944.

Comparative Consolidated Earnings

The comparative consolidated earnings, which do not include earnings of the Argentine subsidiary, for the ten years ended December 31, 1944 are shown below:

Year	Income after Interest but before Other Deductions	Provision for— Depreciation	Provision for— Federal Income Taxes	Net Income before Depletion, Etc.	Provision* for Depletion, Etc.
1935	$2,005,781.59	$1,072,013.14	$35,502.59	$898,265.86	$412,043.61
1936	4,473,237.08	1,063,605.02	307,944.03	3,101,688.03	590,686.46
1937	10,035,885.12	1,055,575.37	1,329,491.03	7,650,818.72	522,873.57
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	5,648,957.38	495,601.93

* Includes abandoned leases for the years 1935 to 1937, inclusive, and provision for obsolescence of the Doe Run Mill for the years 1935 to 1937, inclusive; also the abandonment of Block "P" property in 1943.

Dividends

Quarterly dividends of fifty cents per share were paid on the tenth day of March and June, and the ninth day of September and December 1944, making a total of two dollars per share for the year. These dividend distributions aggregating $3,950,912.00, 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 1935 through 1944:

Year	Amount	Per Share	Year	Amount	Per Share
1935	$ 782,269.30	$ .40	1940	$4,400,280.00	$2.25
1936	1,955,676.90	1.00	1941	3,911,360.00	2.00
1937	4,889,198.50	2.50	1942	3,911,360.00	2.00
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

Financial Information

The consolidated Balance Sheets as of December 31, 1944 and December 31, 1943 of St. Joseph Lead Company and Subsidiaries, and the Summaries of Consolidated Net Income and Earned Surplus for the years ended on those dates, are submitted herewith as a 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., a wholly owned Argentine corporation, which statements are shown separately.

In February, St. Joseph Lead Company acquired the remaining outstanding 10% of the capital stock of Aguilar Corporation of Delaware, which owned all of the capital stock of Compania Minera Aguilar, S. A. of Argentina, through the exchange of 19,776 shares of St. Joseph Lead Company treasury stock plus $168.00 for fractional shares. With St. Joseph Lead Company stock selling at 29⅞, which was the price on the date

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the transaction was concluded, the total cost of the minority interest was $576,144.00. In November the Aguilar Corporation, which was organized to finance the initial development of the Aguilar Mine, was liquidated and the stock of the Compania Minera Aguilar, S. A. transferred to the St. Joseph Lead Company.

Capital expenditures by St. Joseph Lead Company and consolidated subsidiaries for improvements and additions to plant and equipment amounted to $82,807.05 in 1944, in comparison with $1,033,676.39 in 1943. At the Aguilar Mine, expenditures amounting to $72,881.38 were capitalized in 1944, in comparison with $22,244.14 for the previous year. No major capital expenditures in the United States or at Aguilar are contemplated for 1945.

No future commitments have been made for the purchase and sale of commodities which would have a material effect on the financial position of the Company.

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. This firm also audits the books of the Argentine subsidiary. The Accountants' Certificates are set forth on Pages 12 and 13 of this report.

United States Operating Information

Although all of the lead and zinc properties of the Company were operating on a full time basis throughout the year 1944, due to lower efficiency caused by the withdrawal of skilled men for military service and other war industries, coupled with a slight lowering in the grades of the ore mined, the production of Southeast Missouri lead concentrates was approximately 11% less than in the previous year, and at the Edwards-Balmat Mines the zinc concentrate production was 23% less than in 1943. The production of sulphuric acid and zinc oxide at your Josephtown plant showed a small increase over the previous year, and the output of slab zinc was only slightly less. The increasing manpower shortage, has, and will continue to adversely affect future production and operating costs.

The Herculaneum electrothermic furnace was operated during 1944. The quality of the zinc and lead metals recovered from the smelter slag was quite satisfactory and the process has been proven to be an efficient, and a low cost one. Certain mechanical difficulties, however, remain to be solved before constant operation can be assured.

During the past year a supplementary "star" was added to the original Army-Navy "E" award at the Josephtown zinc smelter of the wholly owned subsidiary, the St. Joseph Lead Company of Pennsylvania.

With the exception of the mines of the wholly owned subsidiary, Kansas Explorations, Inc., the 1944 development work at all Divisions has been most satisfactory, and the "proven" ore reserves of the Company are the greatest in its history. Although a number of properties were submitted to the Company during the past year, none were considered worthy of purchasing and none are now under option.

South American Operating Information

Due to the lack of fuel oil and as there was no demand for export lead, operations at the Aguilar Mine were continued throughout 1944 on a curtailed basis. The following statement shows the comparative production, sales and unsold stocks since this mine was placed in operation.

	Lead Concentrates (in metric tons)			Zinc Concentrates (in metric tons)		
Year	Production	Sales	Stocks at End of Year	Production	Sales	Stocks at End of Year
1936	10,467	9,409	1,058	7,548	5,276	2,272
1937	19,709	19,782	985	12,116	6,250	8,138
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

‡ Production curtailed to the amount of lead estimated to be required for Argentine consumption, as there was no export demand for lead and also because of fuel oil shortage.

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

† In addition, 58,807 metric tons of zinc concentrates which were sold for post-war delivery are stored for purchasers.

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The Balance Sheets of Compania Minera Aguilar, S. A., a wholly owned subsidiary of the St. Joseph Lead Company, at December 31, 1944 and December 31, 1943, together with Summaries of Net Income and Earned Surplus for the years ended on those dates, are submitted as a part of this report and will be found on Pages 9 to 11.

The comparative earnings since the property was placed in operation 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
1936	$ 192.78	$115,340.41	——	*$ 115,147.63	$ 35,143.18	$ 322,584.30
1937	998,294.21	130,214.52	$ 25,458.01	842,621.68	63,407.60	579,914.66
1938	807,923.50	149,105.03	21,954.42	636,864.05	73,447.08	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

* Loss.

† 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.

Stockholders

The number of stockholders of record on December 31st of each year since 1935 and a classification of their holdings are as follows:

Year	Total	19 or Less	20-99	100-199	200-Over
1935	5,304	1,491	1,748	911	1,154
1936	5,560	1,483	1,851	1,000	1,226
1937	5,992	1,571	2,038	1,139	1,244
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

General

The Stockholders are again reminded that the net value of the capital assets set forth on the accompanying Consolidated Balance Sheets of St. Joseph Lead Company and subsidiaries are depleted and depreciated figures based on appraised values as of and after March 1, 1913 or on cost as stated. They do not indicate the present day values or prospective future values of the Company's property, plant and equipment in the United States, as such values 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. Although the appraised value of areas owned in Southeast Missouri on March 1, 1913 have been entirely written off the Company's books by depletion deductions, ore is still being mined from these areas at a profit, and probably will be for years to come.

Due to the additional ore which had been developed in Southeast Missouri and Northern New York through prospecting, or made available by reason of the improvement in mining practices, the basis of determining depletion was changed as of January 1, 1935, by dividing the then undepleted book value by the estimated tonnage of ore in the mines at that date and applying the unit value thus determined to the tonnage sold. This change resulted in a considerably lower provision for depletion than in years prior to that date, and the basis adopted in 1935 has, with minor exceptions, been consistently used for subsequent depletion computations.

CLINTON H. CRANE,
President.

New York, March 10, 1945.

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ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Summaries of Consolidated Net Income

For the Years Ended December 31, 1944 and 1943

		Year ended December 31, 1944		1943
Net Sales		$49,369,908.06		$47,099,749.12
Cost of Sales (exclusive of depreciation and depletion)		40,067,936.50		38,870,395.70
Gross Profit from Operations before Depreciation and Depletion		$ 9,301,971.56		$ 8,229,353.42
Deduct:				
Selling, general and administrative expenses	$ 736,851.84		$ 725,796.41	
Capital stock and miscellaneous taxes	126,011.12	862,862.96	66,945.13	792,741.54
Net Profit from Operations before Depreciation and Depletion		$ 8,439,108.60		$ 7,436,611.88
Other Income:				
Dividends on The New Jersey Zinc Company stock	$ 585,000.00		$ 487,500.00	
Other dividends, interest, etc.	40,039.89	625,039.89	63,907.50	551,407.50
Income before Depreciation, Depletion, and Taxes on Income		$ 9,064,148.49		$ 7,988,019.38
Deduct Provisions for:				
Depreciation (including amortization of war facilities, $392,938.00 in 1944 and $257,576.14 in 1943)—see Note	$1,150,143.72		$1,269,271.24	
Depeltion—see Note	495,601.93	1,645,745.65	994,512.07	2,263,783.31
		$ 7,418,402.84		$ 5,724,236.07
Provision for Taxes on Income:				
Federal excess profits taxes (less post-war refunds)	$ 476,565.54		$ 242,828.19	
Federal normal income and surtaxes	1,744,960.88		1,400,411.93	
State income taxes	43,521.02	2,265,047.44	47,022.05	1,690,262.17
Net Income for the Year		$ 5,153,355.40		$ 4,033,973.90
Add—Restoration of over accrual for federal taxes on income in prior years	$ 508,126.98			
Deduct—Transferred to Reserve for Contingencies	490,061.45	18,065.53		—
Total Transferred to Surplus		$ 5,171,420.93		$ 4,033,973.90

Summaries of Consolidated Earned Surplus

For the Years Ended December 31, 1944 and 1943

	Year ended December 31, 1944	1943
Earned Surplus at Beginning of the Year (including surplus from revaluation of ore reserves—1944, $36,948.17; 1943, $56,098.98)	$13,455,108.68	$13,332,494.78
Add—Transferred from income—see above	5,171,420.93	4,033,973.90
Total	$18,626,529.61	$17,366,468.68
Deduct cash dividends paid during the year	3,950,912.00	3,911,360.00
Earned Surplus at End of the Year (including surplus from revaluation of ore reserves—1943, $36,948.17)	$14,675,617.61	$13,455,108.68

Note:

The provisions for depreciation and depletion were increased in 1943 to reduce to salvage value the Block "P" property which was closed in October 1943. The provisions made for depreciation and depletion, respectively, of the Block "P" property were $230,113.74 and $532,538.69 in 1943.

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ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1944 and 1943

ASSETS

	December 31, 1944		December 31, 1943	
Current and Working Assets:				
Cash on hand and in banks	$ 6,755,029.78		$ 4,126,287.08	
U. S. tax anticipation notes (at cost)	1,100,000.00		2,660,000.00	
U. S. Treasury certificates (at cost)	2,700,000.00		—	
Accounts receivable — trade (less reserve — 1944, $16,892.06; 1943, $16,102.82)	3,436,931.34		4,087,909.06	
Due from foreign subsidiary not consolidated	34,505.60		—	
Other notes and accounts receivable	109,015.72		119,713.97	
Inventories (valuation not in excess of market):				
Finished lead, zinc, etc. (at cost, exclusive of depreciation and depletion)	622,506.99		1,379,031.65	
Lead, zinc, etc., in process (at cost, exclusive of depreciation and depletion)	1,605,872.77		1,660,904.89	
Purchased lead and zinc concentrates, etc. (at cost)	205,529.63		542,131.23	
Materials and supplies (at cost, less reserve for slow-moving items — 1944, $74,125.33; 1943, $80,294.29)	2,534,136.98	$19,103,528.81	2,736,299.93	$17,312,277.81
Investments and Advances:				
Compania Minera Aguilar, S. A. (wholly-owned foreign subsidiary—not consolidated)—Note 2	$ 698,466.62		—	
Aguilar Corporation (at cost—90% owned)	—		$ 137,759.72	
Mine La Motte Corporation (at cost—50% owned)	550,000.00		550,000.00	
The New Jersey Zinc Company (at cost—9.9% owned)	11,651,250.00		11,651,250.00	
Sundry securities, loans, etc. (at cost, less reserve, $200,000.00)	131,522.87	13,031,239.49	216,995.61	12,556,005.33
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	—	3,463,051.83	36,948.17
Additions subsequent to March 1, 1913 (at cost)	$19,994,415.40		$19,984,127.97	
Less reserve for depletion	16,881,396.40	3,113,019.00	16,443,394.20	3,540,733.77
Shafts and underground equipment (at cost)	$ 5,721,503.44		$ 5,721,677.69	
Less reserve for depreciation	4,738,210.89	983,292.55	4,531,655.38	1,190,022.31
Land, buildings, plant and equipment (at cost)	$18,713,758.77		$18,683,283.42	
Less reserve for depreciation	14,095,524.70	4,618,234.07	13,171,703.39	5,511,580.03
Total capital assets, net		$ 8,714,545.62		$10,279,284.28
Miscellaneous Assets:				
U. S. Treasury, State and Municipal securities on deposit with Federal and State departments (at amortized cost; market quotation value — 1944, $204,250.00; 1943, $200,870.00)	$ 175,634.94		$ 175,985.28	
Post-war refund of excess profits taxes	416,872.10		425,389.14	
Cash in closed banks	4,110.13	596,617.17	4,110.13	605,484.55
Deferred Charges:				
Deferred operating costs	$ 2,723.61		$ 31,361.26	
Prepaid insurance, taxes, royalties, etc.	135,542.54	138,266.15	146,387.78	177,749.04
Total		$41,584,197.24		$40,930,801.01

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) All domestic subsidiaries of the parent company are included in the above consolidated balance sheet at December 31, 1944. In previous annual reports consolidated financial statements have been furnished for Aguilar Corporation, a majority-owned domestic holding company, and its wholly-owned foreign subsidiary, Compania Minera Aguilar, S. A., Incorporated in Argentina. In February 1944, St. Joseph Lead Company acquired the minority interest in Aguilar Corporation which was dissolved in November 1944. As a part of

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ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1944 and 1943

LIABILITIES

	December 31, 1944		December 31, 1943	
Current Liabilities:				
Accounts payable	$ 2,601,857.24		$ 2,525,509.82	
Due to subsidiary not consolidated	——		316,480.64	
Wages payable	177,747.93		173,120.03	
Estimated retroactive wage increases	——		1,362,589.11	
Accrued taxes:				
Federal income and excess profits	2,351,294.27		2,385,802.40	
Other	289,752.86	$ 5,420,652.30	298,534.18	$ 7,062,036.18
Reserves:				
For injury claims and workmen's liability insurance	$ 244,985.02		$ 231,852.87	
For employees' life insurance and retirement	310,161.31		315,059.73	
For contingencies	800,000.00	1,355,146.33	309,938.55	856,851.15
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, 1944, 21,384.35 shares; 1943, 41,160.35 shares	213,843.50		411,603.50	
Outstanding, 1944, 1,975,456.5 shares; 1943, 1,955,680.5 shares		19,754,565.00		19,556,805.00
Surplus:				
Earned (including revaluation of ore reserves—1943, $36,948.17)	$14,675,617.61		$13,455,108.68	
Capital—Excess of market value over par value of treasury capital stock issued for minority interest in Aguilar Corporation	378,216.00	15,053,833.61	——	13,455,108.68
Total Capital Stock and Surplus		$34,808,398.61		$33,011,913.68
Total		$41,584,197.24		$40,930,801.01

Notes Continued:

the plan of liquidation of Aguilar Corporation, ownership of the Argentine Company was transferred to St. Joseph Lead Company. Financial statements of Compania Minera Aguilar, S. A., appear on pages 9, 10 and 11.

(3) St. Joseph Lead Company and its foreign subsidiary were contingently liable at December 31, 1944 to refund to customers the sales price, $676,323.79, 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, 1943 in the amount of $357,485.05. St. Joseph Lead Company was also contingently liable with respect to the liability of $233,900.00 appearing on the accompanying balance sheet of Compania Minera Aguilar, S. A.

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U. S. REFINED LEAD STOCKS, LEAD AND ZINC PRICES

Comparative Annual Statistics

Year	Tons of U. S. Refined Lead Stocks At End of Year	Average Lead and Zinc Prices in Cents Per Lb. Lead F.O.B. St. Louis E. & M. J. Average	Lead F.O.B. St. Louis St. Joe Average	Zinc F.O.B. St. Louis E. & M. J. Average
1935	222,306	3.915	3.878	4.328
1936	171,856	4.560	4.534	4.901
1937	129,131	5.859	6.015	6.519
1938	115,902	4.589	4.598	4.610
1939	58,777	4.903	4.942	5.110
1940	40,926	5.029	4.986	6.335
1941	†20,185	*5.643	5.617	*7.474
1942	†34,937	*6.331	6.346	*8.250
1943	†33,090	*6.350	6.320	*8.250
1944	†19,536	*6.350	6.350	*8.250

*Base price. See Page No. 1 "Premium Price Plan".

†Does not include stocks held by governmental agencies.

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Production in Tons

Year	Ore Mined	Lead Concentrates	Pig Lead Equivalent	Zinc Concentrates	Slab Zinc Equivalent
1935	3,382,403	133,044	92,611	47,214	22,857
1936	3,804,451	147,160	101,999	54,590	26,400
1937	5,536,952	212,827	146,274	71,031	34,519
1938	3,816,637	157,188	107,600	60,797	29,606
1939	5,255,960	202,003	138,307	74,681	38,188
1940	6,209,863	225,041	154,281	85,571	44,406
1941	6,192,805	219,819	149,035	88,236	45,907
1942	7,674,941	269,854	179,602	105,502	53,606
1943	7,476,873	253,736	165,584	104,986	54,172
1944	6,794,093	226,104	149,070	80,659	43,653

Lead Sales and Stocks at End of Year in Tons

Year	Lead Sales St. Joe Production	Purchased Lead Sold	Total Lead Sales	*Pig Lead Equivalent of Stocks
1935	87,077	41,714	128,791	108,849
1936	126,846	47,776	174,622	83,575
1937	160,091	38,930	199,021	72,969
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

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

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COMPANIA MINERA AGUILAR, S. A.

Summaries of Net Income

For the Years Ended December 31, 1944 and 1943

		Year ended December 31, 1944		1943
Net Sales		$2,397,329.87		$3,475,353.46
Cost of Sales (exclusive of depreciation and depletion)		1,133,398.47		1,728,004.26
Gross Profit from Operations before Depreciation and Depletion		$1,263,931.40		$1,747,349.20
Deduct:				
Selling, general and administrative expenses	$121,909.31		$131,207.80	
Taxes, other than taxes on income.	31,037.72	152,947.03	30,421.29	161,629.09
Net Profit from Operations before Depreciation and Depletion		$1,110,984.37		$1,585,720.11
Other Income		78,953.48		30,984.23
Total		$1,189,937.85		$1,616,704.34
Interest on indebtedness		——		1,477.03
Income before Depreciation, Depletion and Taxes on Income		$1,189,937.85		$1,615,227.31
Provision for:				
Depreciation	$202,825.17		$208,628.83	
Depletion computed on cost	82,025.88		76,739.33	
Depletion computed on appreciation of ore reserves	745,489.12	1,030,340.17	697,442.49	982,810.65
		$ 159,597.68		$ 632,416.66
Provision for Argentine income and excess profits taxes—see Note 4		113,043.48		271,233.57
Net Income for the year		$ 46,554.20		$ 361,183.09

Summaries of Earned Surplus

For the Years Ended December 31, 1944 and 1943

	Year ended December 31, 1944	1943
Surplus (*deficit) at beginning of the year	$ 164,479.68	$* 196,703.41
Add Net Income for the Year	46,554.20	361,183.09
Surplus at end of the year (after charging deficits aggregating $1,987,450.83 against capital surplus)	$ 211,033.88	$ 164,479.68

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 the summary of consolidated net income of Aguilar Corporation and subsidiary shown in the previous annual report to stockholders for the year ended December 31, 1943 depletion had been based on tons of lead concentrates sold but in the above summary for Compania Minera Aguilar, S. A. alone, which is presented for 1943 for purposes of comparison only, depletion has been based upon tons of ore mined as recorded in that Company's books resulting in a charge against net income for 1943 which is $55,584.50 ($50,336.36 on appreciation and $5,248.14 on cost) less than that shown in the previous annual report.

(3) See footnote 1 to accompanying balance sheet for reconcilement of surplus with that shown in preceding annual report.

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

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COMPANIA MINERA AGUILAR, S. A.

Balance Sheets, December 31, 1944 and 1943

ASSETS

	December 31, 1944		December 31, 1943	
Current and Working Assets:				
Cash on hand and in banks	$ 1,136,298.17		$ 477,360.78	
Argentine Government securities—at cost (market quotation value—1944, $1,528,800.00; 1943, $1,057,000.00)	1,520,116.25		1,045,523.58	
Accounts receivable—trade	104,200.30		549,696.94	
Other accounts receivable, etc.	18,412.89		15,002.47	
Inventories:				
Lead and zinc concentrates (at cost exclusive of depreciation and depletion—valuation not in excess of market) and silver, at estimated value	833,892.43		672,805.01	
Materials and supplies (at cost)	961,804.28	$ 4,574,724.32	1,014,600.40	$ 3,774,989.18
Capital Assets:				
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	786,016.89	731,374.14	703,991.01	813,400.02
Appreciation arising from valuation in 1935	$13,790,750.50		$13,790,750.50	
Less reserve for depletion	7,180,788.00	6,609,962.50	6,435,298.88	7,355,451.62
Total ore reserves and mineral rights, net		$ 7,341,336.64		$ 8,168,851.64
Land, buildings, plant and equipment (at cost)	$ 2,690,130.25		$ 2,631,188.76	
Less reserve for depreciation	1,594,202.77	1,095,927.48	1,391,377.60	1,239,811.16
Total capital assets, net		$ 8,437,264.12		$ 9,408,662.80
Deferred Charges		17,132.16		80,896.33
Total		$13,029,120.60		$13,264,548.31

Notes:

(1) Compania Minera Aguilar, S. A., incorporated in Argentina, became a wholly-owned subsidiary of St. Joseph Lead Company in 1944, having previously been a wholly-owned subsidiary of Aguilar Corporation which was dissolved in 1944 (see Note 2 to accompanying balance sheet of St. Joseph Lead Company). The capital and earned surplus accounts at December 31, 1943, as shown in the above balance sheet, differ from the consolidated capital surplus and earned surplus (deficit) accounts of Aguilar Corporation and its then subsidiary, as shown in the previous annual report to stockholders for the year then ended, for the reasons that (1) the capital surplus and deficit from operations of Aguilar Corporation, $86,202.69 and $83,511.32, respectively, had been included in the consolidated balances; (2) the portion, $11,399,803.33—net, of the capital surplus of Compania Minera Aguilar, S. A., which had been transferred to its capital stock account ($13,387,254.16 originally transferred to capital less $1,987,450.83 transferred from capital to surplus) had been eliminated in consolidation; (3) the amount of the deficit from operations to December 31, 1942 of Compania Minera Aguilar, S. A., $1,987,450.83, which had been charged against its capital surplus account had been restated as deficit in consolidation; (4) the depletion applicable to unsold concentrates at December 31, 1943, $411,211.70 (of which $40,760.60 was based on cost) which had been charged by Compania Minera Aguilar, S. A., against its net income on the basis of tons of ore mined had been restored to consolidated earned surplus (deficit) in consolidation; and (5) retroactive effect has been given to provision for additional 1943 Argentine excess profits taxes amounting to $84,233.57.

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COMPANIA MINERA AGUILAR, S. A.

Balance Sheets, December 31, 1944 and 1943

LIABILITIES

	December 31, 1944		December 31, 1943	
Current Liabilities:				
Accounts payable—trade	$ 103,048.41		$ 119,248.99	
Due to St. Joseph Lead Company	34,505.60		——	
Wages payable	16,226.14		16,786.46	
Accrued taxes	18,258.17		288,028.54	
Proceeds from sales of concentrates for future export	233,900.00		233,900.00	
Estimated expenses on concentrates held for future delivery	468,196.64		539,045.90	
Other accounts payable	5,242.25	$ 879,377.21	6,880.82	$ 1,203,890.71
Deferred Credits:				
Unrealized profit on foreign exchange, etc		98,127.76		64,482.88
Reserves:				
For compensation and accidents	$ 48,464.01		$ 45,217.63	
For other expenses	38,818.07	87,282.08	33,177.74	78,395.37
Capital Stock and Surplus:				
Capital Stock:				
Authorized, issued, and outstanding—500,000 shares of a nominal value of $80 Argentine paper each		11,349,803.33		11,349,803.33
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	
Earned surplus (after charging deficits aggregating $1,987,450.83 against capital surplus arising from reduction in stated value of capital stock) —Note 5	211,033.88	614,530.22	164,479.68	567,976.02
Total Capital Stock and Surplus		$11,964,333.55		$11,917,779.35
Total		$13,029,120.60		$13,264,548.31

Notes Continued:

(2) Current assets, current liabilities, deferred charges and reserves are stated in the above balance sheets in U. S. dollars at the closing quoted rate of exchange at December 31, 1944 and 1943, respectively (except in a few instances where original dollar values applicable to foreign transactions are used). 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.

(3) Compania Minera Aguilar, S. A. and St. Joseph Lead Company were contingently liable at December 31, 1944, to refund to customers the sales price, $676,323.79, 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, 1943, in the amount of $357,485.05.

(4) Contingent liabilities also existed in respect of customs duties on materials and supplies imported into Argentina duty free, not yet officially exempted from duties. Compania Minera Aguilar, S. A. does not anticipate that any loss will result from this source.

(5) The net deficit since beginning operations, $1,776,416.95 (aggregate deficits transferred to capital surplus, $1,987,450.83, less surplus at December 31, 1944, $211,033.88) represents aggregate net profits of $5,404,371.05 (after deducting depletion computed on cost) against which has been charged depletion computed on appreciation, aggregating $7,180,788.00.

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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 sheets of St. Joseph Lead Company (incorporated in New York) and its wholly-owned domestic subsidiary companies, as of December 31, 1944 and the related summaries of consolidated net income and earned surplus for the year ended that date, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control; it was not practicable to confirm receivables from the United States Government but we have satisfied ourselves with respect to such receivables by means of other auditing procedures.

In our opinion, the accompanying consolidated balance sheets and summaries of consolidated net income and earned surplus, with the footnotes thereon, fairly present the financial condition of St. Joseph Lead Company and its wholly-owned domestic subsidiary companies, at December 31, 1944 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York, February 27, 1945.

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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, 1944 and the related summary of net income and earned surplus for the year ended that date, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

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 summary of net income and earned surplus, with the footnotes thereon, fairly present the financial condition of Compania Minera Aguilar, S. A. at December 31, 1944 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles and practices (except as described in the preceding paragraph) applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

New York, February 27, 1945.

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ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1944

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