PRESIDENT'S ANNUAL REPORT

TO

STOCKHOLDERS

OF THE

ST. JOSEPH LEAD COMPANY

FOR THE YEAR

1945

Proxies For The Annual Meeting

A Proxy Statement and form of proxy, with notice of the Annual Meeting of Stockholders to be held May 13, 1946, will be mailed on or about April 3, 1946, at which time proxies for use at the meeting will be requested.

ST. JOSEPH LEAD COMPANY

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

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

EXECUTIVE OFFICERS

CLINTON H. CRANE,
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, N. Y.

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

ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

The year 1945, which saw the unconditional surrender of Germany and Japan, further accentuated the seriousness of the situation in the lead industry of the United States. Rigid governmental control of distribution which has reduced consumption to 82,000 tons per month, has left a large unsatisfied demand.

The "premium price plan" described in my last annual report was a necessary war measure. When governments are directly or indirectly the sole consumers, the ordinary laws of supply and demand no longer function. Now that this condition no longer exists, return to a free market should be made with all possible dispatch. At present, the world market price is higher than the domestic ceiling price on lead. It would seem that the logical first step toward the removal of all controls is the raising of the domestic ceiling to at least the world price plus duty.

In 1945, as in the previous war years, the mines of your Company were operated beyond their economic limits. The curtailment of development work, in accordance with the request of the War Production Board, to place all available men on production, will for some time adversely affect the interest of stockholders and consumers of lead, as the lead output of Southeast Missouri cannot be increased, and may slightly decrease.

The average hourly rate of pay, not including production bonus and overtime, in January 1946, was approximately 49% higher than in the last pre-war month, August 1939, but the average weekly "take-home" earnings for the hourly employees has increased by about 75.2% in this war period. In order to better the salaried employees' comparative increase of approximately 47.2%, the Company assumed the employees' contribution to the Retirement Plan, with the result that the average salary increase for all operating divisions is around 50.5%. The retirement age for women employees was decreased from age 65 to 60, and with no reduction in the amount of the annuity.

By December 31, 1945, we had already been able to welcome back to our operations 312 of the 1,029 former employees who left us for military service, and we hope many more will return. We hold in grateful remembrance the names of the 23 men who have given their lives in the service of their country.

Consolidated Earnings

The consolidated net income for the year 1945 was $4,829,814.71 after deducting Federal and State Income taxes in the amount of $1,164,905.10, which compares with a net income for the previous year of $5,153,355.40 and taxes of $2,265,047.44. The 1945 earnings reflect a deduction of $837,901.11 for amortization of emergency facilities in addition to the amount that would have been charged had the Company not exercised its election to terminate the period of amortization as of September 30, 1945, instead of continuing it over a period of five years. This deduction is in part offset in a comparison of earnings by a Federal Income Tax credit of $695,179.69, brought about primarily by carrying-back the 1943 and 1944 unused excess profit credits to the years 1941 and 1942. A reserve of $483,000 has been set up out of earnings to cover the estimated future cost of the prospecting, development and exploration that had to be postponed during this last year by reason of the war emergency.

In 1945 the Company received for its Southeast Missouri lead production 7.72 cents per pound by reason of premium payments, in comparison with 7.04 cents in the previous year, and a ceiling price of 6.50 cents per pound New York. The higher premiums were due to increased cost of production and a slight lowering in the grade of ore. As your Company's lead mines are one of the lower cost properties of the major producers in the United States, these figures of 7.72 and 7.04 are considerably less than the average price paid for lead in the United States, which was approximately 8.64 and 8.15 for the same two years. No premiums were received for the Company's zinc production from its Edwards and Balmat Mines in Northern New York, which was therefore sold on the basis of the ceiling price of 8.25 cents per pound St. Louis. Due to the low grade of ore, Kansas Explorations, Inc., a 100% owned subsidiary, received for its production from the Joplin area very high premiums, and therefore these mines must be considered as of no value with the return of normal conditions and the elimination of the premium price plan; however, in 1945, the gross profit from these properties before depreciation, depletion and income taxes was only $195,623.16.

The comparative consolidated earnings, which do not include the separately shown earnings of Compania Minera Aguilar, S. A., for the ten years ended December 31, 1945, are listed 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.
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	5,648,957.33	495,601.93
1945	8,218,851.51	1,871,209.83	1,127,522.52	5,220,119.16	390,304.45

* Includes abandoned leases and provision for obsolescence of the Doe Run Mill for the years 1936 and 1937; also 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.

Dividends

Quarterly dividends of fifty cents per share were paid on the tenth day of March, September and December, and the ninth day of June 1945, 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 1936 through 1945:

Year	Amount	Per Share	Year	Amount	Per Share
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
1940	4,400,280.00	2.25	1945	3,950,912.00	2.00

Financial Information

The Consolidated Balance Sheet as of December 31, 1945 and December 31, 1944, 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 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.

As it was felt that carrying the Company's investment in Compania Minera Aguilar, S. A., at a figure of $698,466.62 could be misleading since it was a book net investment figure, and was not representative of the Company's equity, actual or potential, in the valuable ore reserves, earnings possibilities and security holdings of this Argentine corporation, it was decided to carry this foreign investment at a nominal amount of $1.00. Compania Minera Aguilar, S. A. purchased from the St. Joseph Lead Company 35,000 shares of the outstanding 500,000 shares of no par capital stock at its stated value of 80 pesos per share. The net proceeds from the sale, when converted into U. S. Dollars, amounted to $687,175.00, and were credited against the book value of $698,466.62; the difference of $11,290.62 was charged against current earnings. Having obtained substantially a recovery of the investment in this foreign subsidiary, the Company can hereafter show "realized" earnings from any income which the subsidiary may find it possible to transfer in the future. The capital gains tax payable on the 35,000 shares is included in the Company's 1945 tax provisions. While for the immediate future, the Company will still own 100% of the outstanding Aguilar stock, consideration is being given by the foreign subsidiary to selling the 35,000 shares to representative Argentine individuals or companies, and thereby obtain at least some Argentine ownership in the Aguilar Mine.

On December 31, 1945 Mine La Motte Corporation reduced its outstanding capital stock from 11,000 shares with a stated value of $1,100,000 to 4,000 shares with a stated value of $400,000, cancelling 7,000 shares which had been held, 3,500 shares each by the National Lead Company and the St. Joseph Lead Company; the resulting paid-in surplus of $700,000 was distributed as a liquidating dividend, this Company receiving $350,000 which was credited against its $550,000 investment in the Mine La Motte Corporation.

Capital expenditures by St. Joseph Lead Company and consolidated subsidiaries for improvements and additions to plant and equipment amounted to $159,268.56 in 1945, in comparison with $82,807.05 in 1944. At the Aguilar Mine, expenditures amounting to $165,330.84 were capitalized in 1945, in comparison with $72,881.38 in the previous year.

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

All lead and zinc properties of the Company were operated on a full time basis throughout the year 1945, and the present demands will necessitate a continuation, even though the mines are being operated beyond their economic limits. The lead production from the Southeast Missouri Company's mines increased from 144,336 tons to 146,395 in 1945—this is the only district in the United States that increased its output. The severe manpower shortage resulted in the zinc concentrate production from the Edwards and Balmat Mines falling from 67,327 tons to only 45,741 in 1945; however, with the termination of the war, the operating force has been brought back to normal. The outstanding wartime production record at Josephtown was only slightly reduced by the shortage of available skilled men, as is evidenced by the comparison of 21,515 tons of zinc oxide, 35,749 tons of slab zinc and 84,224 tons of sulphuric acid for 1945 with 23,512, 34,439 and 88,365 respectively for the previous year. The employment of additional men at Herculaneum will now permit the completion of the alteration to the slag furnace, which was last operated in 1944, when the process was proven to be an efficient one and the quality of the zinc and lead metals recovered from the smelter slag was found to be satisfactory.

Due to the lack of development work, the "proven" ore reserves of the Southeast Missouri Mines were less than at the beginning of the year, but with the return of our former employees from military service, considerable additional exploration work can now be undertaken. Although prospecting at Edwards and Balmat was held to a minimum, the results were most satisfactory, as were those at the Aguilar property. Only with the abnormal premium payments can it be said that Kansas Explorations has any ore reserves. Although a number of properties were submitted to the Company, during the past year, none were considered worthy of purchasing. The mineral rights, excepting talc, on the Loomis Tract, adjoining the Balmat Mine, were formerly held under a royalty lease; these rights have now been purchased for $100,000 and future royalties have thereby been eliminated.

South American Operating Information

After giving effect to writing off a loss in inventory of 4,261 metric tons of lead concentrates having a book value equivalent to about $125,000, which was found when the bins were cleared after four years of stockpiling, together with 13,595 metric tons of zinc concentrates valued at about $35,000, which loss is estimated from a recent survey of the large zinc stockpiles, the earnings after depreciation, but before depletion and Argentine income taxes for 1945 amounted to $919,512.80 in comparison with $987,112.68 for the previous year. The comparative earnings, since the property was placed in operation are as follows:

Year	Income After Interest but before Other Deductions	Provision for— Depreciation	†Argentine Income Taxes	Net Income before Depletion, Etc.	Provision for Depletion— On Cost	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
1945	1,119,110.98	199,598.18	164,052.66	755,460.14	71,997.80	654,349.27

* 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.

During 1945, the lead concentrate production amounted to 22,022 metric tons in comparison with 23,237 for the previous year, and the zinc concentrates produced totaled 25,862 in comparison with 38,512. Production was adversely affected by a further 20% reduction in the fuel oil quota, and a severe shortage of mine timber. The tonnage moved by the railroad from Tres Cruces was very unsatisfactory, being only 37,075 tons in comparison with 71,788 in 1944. If the mine is operated to the full extent of its present facilities, the railroad must handle over 100,000 tons; until the railroad is able to secure sufficient rolling stock, it is probable that the mine will continue to be operated on a curtailed basis, as there is no advantage in producing more concentrates than can be shipped from Tres Cruces.

The following statement shows the production, sales and unsold stocks since the 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
1945	22,022	29,062	**5,850	25,862	4,090	**28,263

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

A satisfactory arrangement has been reached with a prominent Argentine Company for the construction of a 40,000 ton sulphuric acid plant on the River Plate above Rosario. The acid will be produced from the sulphur in the Aguilar zinc concentrates. Aguilar will have a 50% ownership, and the investment for its share in the plant and operating capital will be a round one million U. S. Dollars. A favorable basis has also been developed for the construction of a 10,000 ton per year zinc smelter at Comodoro Rivadavia, the design of which will be similar to the Josephtown electrothermic system. Aguilar will have a three-eighths interest in the smelter, a mining prospect and a vessel which will operate between the acid plant and Comodora Rivadavia. The cost to Aguilar for this investment will also be about one million dollars. The cash and short term securities of Compania Aguilar, S. A., are sufficient to finance both these investments.

Stockholders

The number of stockholders of record on December 31st of each year since 1936 and a classification of their holdings are as follows:

Year	Total	19 or Less	20-99	100-199	200-Over
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
1945	7,434	1,756	2,772	1,639	1,267

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 domestic 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.

Proxies For the Annual Meeting

A Proxy Statement and form of proxy, with notice of the Annual Meeting of Stockholders to be held May 13, 1946, will be mailed on or about April 3, 1946, at which time proxies for use at the meeting will be requested.

Clinton H. Crane,
President.

New York, March 15, 1946.

ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Summaries of Consolidated Net Income
For the Years Ended December 31, 1945 and 1944

	Year ended December 31, 1945			1944
Net Sales		$47,679,228.51		$49,369,908.06
Cost of Sales (exclusive of depreciation and depletion)		38,718,788.90		40,067,936.50
Gross Profit from Operations before Depreciation and Depletion		$ 8,960,439.61		$ 9,301,971.56
Deduct:				
Selling, general and administrative expenses	$ 789,816.72		$ 736,851.84	
Capital stock and miscellaneous taxes	51,630.56	841,447.28	126,011.12	862,862,96
Net Profit from Operations before Depreciation and Depletion		$ 8,118,992.33		$ 8,439,108.60
Other Income:				
Dividends on The New Jersey Zinc Company stock	$ 585,000.00		$ 585,000.00	
Other dividends, interest, etc., less charges, including reduction in carrying value of Argentine subsidiary $11,290.62—see Note 1	35,241.76	620,241.76	40,039 89	625,039.89
Income before Depreciation, Depletion, and Taxes on Income		$ 8,739,234.09		$ 9,064,148.49
Deduct Provisions for:				
Depreciation (including amortization of war facilities, $1,225,915.61 in 1945 and $392,938.00 in 1944)	$1,871,209.83		$1,150,143.72	
Depletion	390,304.45		495,601.93	
Deferred prospecting, development and exploration—see Note 2	483,000.00	2,744,514.28	—	1,645,745.65
		$ 5,994,719.81		$ 7,418,402.84
Provision for Taxes on Income:				
Federal excess profits taxes (less post-war refunds)	$ 45,447.31		$ 476,565.54	
Federal normal income and surtaxes	1,777,254.90		1,744,960.88	
State income taxes	37,382.58		43,521.02	
Total Taxes on Income	$1,860,084.79		$2,265,047.44	
Less claims for Federal tax refunds	695,179.69	1,164,905.10	—	2,265,047.44
Net Income for the Year		$ 4,829,814.71		$ 5,153,355.40
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		$ 4,829,814.71		$ 5,171,420.93

Summaries of Consolidated Earned Surplus
For the Years Ended December 31, 1945 and 1944

	Year ended December 31, 1945	1944
Earned Surplus at Beginning of the Year (including surplus from revaluation of ore reserves—1944, $36,948.17)	$14,675,617.61	$13,455,108.68
Add—Transferred from income—see above	4,829,814.71	5,171,420.93
Total	$19,505,432 32	$18,626,529.61
Deduct cash dividends paid during the year	3,950,912.00	3,950,912.00
Earned Surplus at End of the Year	$15,554,520.32	$14,675,617.61

Notes:

(1) See Note 2 to accompanying balance sheet.

(2) This provision has been set up to cover the management's estimate of the future cost of the prospecting, development and exploration that had to be postponed during the year 1945 by reason of the war emergency.

ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1945 and 1944

ASSETS

	December 31, 1945		December 31, 1944	
Current and Working Assets:				
Cash on hand and in banks	$ 5,407,254.91		$ 6,755,029.78	
U. S. tax anticipation notes (at cost)	1,230,000.00		1,100,000.00	
U. S. Treasury certificates (at cost)	6,000,000.00		2,700,000.00	
U. S. excess profits tax refund bonds	352,735.38		—	
Accounts receivable — trade (less reserve — 1945, $16,234.02; 1944, $16,892.06)	4,292,748.98		3,436,931.34	
Due from foreign subsidiary not consolidated	32,850.19		34,505.60	
U. S. Government—claims for income tax refunds	695,179.69		—	
Other notes and accounts receivable	112,256.43		109,015.72	
Inventories (valuation not in excess of market):				
Finished lead, zinc, etc. (at cost, exclusive of depreciation and depletion)	1,711,683.77		622,506.99	
Lead, zinc, etc., in process (at cost, exclusive of depreciation and depletion)	1,484,341.60		1,605,872.77	
Purchased lead and zinc concentrates, etc. (at cost)	307,590.85		205,529.63	
Materials and supplies (at cost, less reserve for slow-moving items — 1945, $84,869.92; 1944, $74,125.33)	2,515,298.85	$24,141,940.65	2,534,136.98	$19,103,528.81
Investments and Advances:				
Compania Minera Aguilar, S. A. (wholly-owned foreign subsidiary—not consolidated)—Note 2	$ 1.00		$ 698,466.62	
Mine La Motte Corporation (at cost—50% owned)	200,000.00		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)	118,085.04	11,969,336.04	131,522.87	13,031,239.49
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)	$20,140,543.91		$19,994,415.40	
Less reserve for depletion	17,271,700.85	2,868,843.06	16,881,396.40	3,113,019.00
Shafts and underground equipment (at cost)	$ 5,721,153.44		$ 5,721,503.44	
Less reserve for depreciation	5,157,151.06	564,002.38	4,738,210.89	983,292.55
Land, buildings, plant and equipment (at cost)	$18,492,897.79		$18,713,758.77	
Less reserve for depreciation	15,325,665.41	3,167,232.38	14,095,524.70	4,618,234.07
Total capital assets, net		$ 6,600,077.82		$ 8,714,545.62
Miscellaneous Assets:				
U. S. Treasury, State and Municipal securities on deposit with Federal and State departments (at amortized cost; market quotation value — 1945, $213,025.00; 1944, $204,250.00)	$ 178,784.64		$ 175,634.94	
Post-war refund of excess profits taxes	—		416,872.10	
Cash in closed banks	2,460.13	181,244.77	4,110.13	596,617.17
Deferred Charges—Prepaid insurance, taxes, royalties, etc.		72,899.62		138,266.15
Total		$42,965,498.90		$41,584,197.24

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) In December 1945 the Company sold to Compania Minera Aguilar, S. A. a wholly-owned Argentine subsidiary, a part of the stock of that company (35,000 shares out of 500,000 shares outstanding) and credited net proceeds of sale, $687,175.00 to investment account. No profit was recorded and the subsidiary continued to be wholly-owned. The transaction showed a taxable profit, however, and provision for approximately $147,000.00

ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1945 and 1944

LIABILITIES

	December 31, 1945		December 31, 1944	
Current Liabilities:				
Accounts payable	$ 3,097,211.79		$ 2,601,857.24	
Wages payable	253,283.82		177,747.93	
Accrued taxes:				
Federal income and excess profits	1,929,347.79		2,351,294.27	
Other	222,773.67	$ 5,502,617.07	289,752.86	$ 5,420,652.30
Reserves:				
Injury claims and workmen's liability insurance	$ 236,976.85		$ 244,985.02	
Employees' life insurance and retirement	255,603.66		310,161.31	
Deferred prospecting, development and exploration	483,000.00		—	
Contingencies	800,000.00	1,775,580.51	800,000.00	1,355,146.33
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	$15,554,520.32		$14,675,617.61	
Capital—Excess of market value over par value of treasury capital stock issued for minority interest in a dissolved subsidiary	378,216.00	15,932,736.32	378,216.00	15,053,833.61
Total Capital Stock and Surplus		$35,687,301.32		$34,808,398.61
Total		$42,965,498.90		$41,584,197.24

Notes Continued:

of income tax thereon has been made. After crediting the proceeds of sale the then book value was reduced $11,290.62 to carry the investment at $1.00. 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, 1945 and 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. 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.

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
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
1945	†43,746	*6.350	*6.368	*8 250

*Base price. See last paragraph Page No. 1 for prices including premium.

†Does not include stocks held by governmental agencies.

ST. JOSEPH LEAD COMPANY AND DOMESTIC SUBSIDIARIES

Production in Tons

Year	Ore Mined	Lead Concentrates	Pig Lead Equivalent	Zinc Concentrates	Slab Zinc Equivalent
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
1945	6,601,456	223,932	148,780	53,809	31,367

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
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
1945	139,934	48,483	188,417	25,824

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

COMPANIA MINERA AGUILAR, S. A.

Summaries of Net Income
For the Years Ended December 31, 1945 and 1944

	Year ended December 31, 1945		1944	
Net Sales		$ 2,467,510.80		$ 2,397,329.87
Cost of Sales (exclusive of depreciation and depletion)		1,236,884.79		1,133,398.47
Gross Profit from Operations before Depreciation and Depletion		$ 1,230,626.01		$ 1,263,931.40
Deduct:				
Selling, general and administrative expenses	$ 138,684.26		$ 121,909.31	
Taxes, other than taxes on income	34,776.04	173,460.30	31,037.72	152,947.03
Net Profit from Operations before Depreciation and Depletion		$ 1,057,165.71		$ 1,110,984.37
Other Income (1945, net of charges, $32,855.91)		61,945.27		78,953.48
Income before Depreciation, Depletion and Taxes on Income		$ 1,119,110.98		$ 1,189,937.85
Provision for:				
Depreciation	$ 199,598.18		$ 202,825.17	
Depletion computed on cost	71,997.80		82,025.88	
Depletion computed on appreciation of ore reserves	654,349.27	925,945.25	745,489.12	1,030,340.17
		$ 193,165.73		$ 159,597.68
Provision for Argentine income and excess profits taxes—see Note 2, including in 1945 $51,359.16 applicable to prior years		164,052.66		113,043.48
Net Income for the year		$ 29,113.07		$ 46,554.20

Summaries of Earned Surplus
For the Years Ended December 31, 1945 and 1944

	Year ended December 31, 1945	1944
Surplus at beginning of the year	$ 211,033.88	$ 164,479.68
Add—Net income for the year	29,113.07	46,554.20
Total	$ 240,146.95	$ 211,033.88
Deduct:		
Earned surplus appropriated:		
For acquisition of capital stock held in treasury	$ 690,931.52	—
To statutory reserve	15,625.74	—
Total	$ 706,557.26	—
Surplus (*deficit) at end of year (after charging deficits aggregating $1,987,450.83 against capital surplus)	$* 466,410.31	$ 211,033.88

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) 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.

COMPANIA MINERA AGUILAR, S. A.

Balance Sheets, December 31, 1945 and 1944

ASSETS

	December 31, 1945		December 31, 1944	
Current and Working Assets:				
Cash on hand and in banks	$ 1,072,906.97		$ 1,136,298.17	
Argentine Government securities—at lower of cost or market quotation value	1,784,966.07		1,520,116.25	
Accounts receivable—trade	178,877.88		104,200.30	
Other accounts receivable, etc.	18,360.92		18,412.89	
Inventories:				
Lead and zinc concentrates (at cost exclusive of depreciation and depletion—valuation not in excess of market) and silver, at estimated value	497,945.22		833,892.43	
Materials and supplies (at cost)	969,708.67	$ 4,522,765.73	961,804.28	$ 4,574,724.32
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	858,014.69	659,376.34	786,016.89	731,374.14
Appreciation arising from valuation in 1935	$13,790,750.50		$13,790,750.50	
Less reserve for depletion	7,835,137.27	5,955,613.23	7,180,788.00	6,609,962.50
Total ore reserves and mineral rights, net		$ 6,614,989.57		$ 7,341,336.64
Land, buildings, plant and equipment (at cost)	$ 2,839,584.75		$ 2,690,130.25	
Less reserve for depreciation	1,782,029.86	1,057,554.89	1,594,202.77	1,095,927.48
Total capital assets, net		$ 7,672,544.46		$ 8,437,264.12
Deferred Charges		40,903.16		17,132.16
Total		$12,236,213.35		$13,029,120.60

Notes:

(1) 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, 1945 and 1944, 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.

(2) Compania Minera Aguilar, S. A. and St. Joseph Lead Company were contingently liable at December 31, 1945 and 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.

COMPANIA MINERA AGUILAR, S. A.

Balance Sheets, December 31, 1945 and 1944

LIABILITIES

	December 31, 1945		December 31, 1944	
Current Liabilities:				
Accounts payable—trade	$ 93,360.52		$ 103,048.41	
Due to St. Joseph Lead Company	32,850.19		34,505.60	
Wages payable	47,890.16		16,226.14	
Accrued Argentine income and other taxes	50,940.87		18,258.17	
Proceeds from sales of concentrates for future export	233,900.00		233,900.00	
Estimated expenses on concentrates held for future delivery	371,951.57		468,196.64	
Other accounts payable	10,110.27	$ 841,003.58	5,242.25	$ 879,377.21
Deferred Credits—Unrealized profit on foreign exchange, etc.		6,459.70		98,127.76
Reserves:				
Compensation and accidents	$ 52,774.69		$ 48,464.01	
Other expenses	33,460.28	86,234.97	38,818.07	87,282.08
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, 1945, 35,000 shares	690,931.52		—	
Outstanding, 1945, 465,000 shares; 1944, 500,000 shares		10,658,871.81		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
Appropriated earned surplus:				
For acquisition of capital stock held in treasury	$ 690,931.52		—	
To statutory reserve	*15,625.74*		—	
Earned surplus (*deficit) (after charging deficits aggregating $1,987,450.83 against capital surplus arising from reduction in stated value of capital stock—Note 4)	*466,410.31	240,146.95	$211,033.88	211,033.88
Total Capital Stock and Surplus		$11,302,515.10		$11,964,333.55
Total		$12,236,213.35		$13,029,120.60

Notes Continued:

(3) 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.

(4) The net deficit since beginning operations, $1,747,303.88 (aggregate deficits transferred to capital surplus, $1,987,450.83, less surplus at December 31, 1945, $240,146.95) represents aggregate net profits of $6,087,833.39 (after deducting depletion computed on cost) against which has been charged depletion computed on appreciation, aggregating $7,835,137.27.

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, 1945 and the related summary 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 sheet and summary 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, 1945 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, 1946.

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, 1945 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, 1945 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, 1946.

ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1945