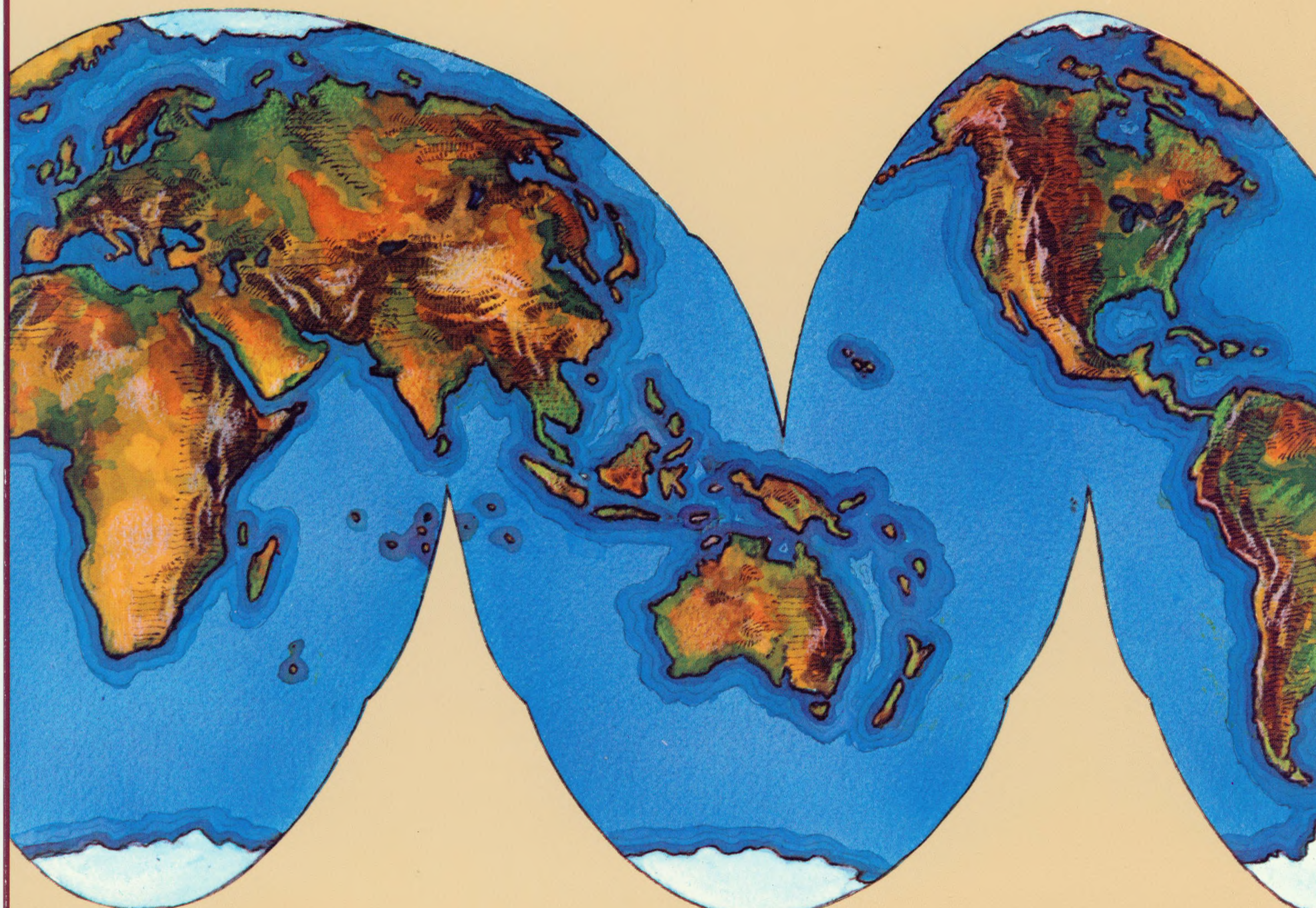
St. Joe Annual Report 1980



Energy and Metals in
Key Areas of the World

totalling $230.1 million. The balance of our capital program was financed through the proceeds from long-term debt.

Exploration and Research & Development

The Company spent $17.9 million in 1980 on hard-rock exploration, principally in the United States, Canada, Chile, Brazil, Argentina and Australia. Precious metals and high-grade base metal orebodies are particular targets. A number of promising prospects is under study. For example, nearly $1 million was spent in evaluating the San Juan property in California, which could eventually add about 50,000 ounces per year to St. Joe's gold production.

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Expenditures on research and development were $8.7 million. These funds supported work on lead and zinc batteries for electric vehicles, low-BTU coal gasification, fuel cells, and new metallurgical processes for lead refining.

Health and Safety

St. Joe's Viburnum lead mine in southeast Missouri won the top national award for safety from the Mine Safety and Health Administration (MSHA) of the U.S. Department of Labor and the American Mining Congress. The lead mines were cited at length for excellence in the MSHA's house magazine.

Continued progress was made in reducing blood lead levels among the work force at the Herculaneum smelter. Also, there has been substantial progress in reducing air lead levels in the vicinity of the plant.

Management

Last spring, when Broward Craig announced that he was resigning as our President to assume the Chief Executive position of Falconbridge Nickel Mines in Canada, we decided to restructure operating responsibilities in the Company. Leroy K. Wheelock continued as President of St. Joe International, responsible for all our international mining operations outside of Canada and the U.S. James L. Broadhead, former President of the Zinc Company in Pittsburgh, returned to New York as a Director and Executive Vice President, responsible for St. Joe's worldwide oil and gas business as well as the Company's coal operations. John A. Wright assumed additional responsibility for zinc operations as well as metals research, and was elected an Executive Vice President. Mr. Wright maintains his headquarters outside of St. Louis, Missouri, where he continues to supervise St. Joe's traditional lead mining and smelting operations in that state and the Pea Ridge Iron Ore Company.

Upon Broward Craig's resignation, I assumed the additional position of the Company's Presidency. In order to assist me, Philip C. Walsh was elected a Director of the Company and Vice Chairman in September last year. Philip Walsh has extensive experience in the worldwide mining business, serving during the past ten years as Vice President of both Newmont Mining Corporation and the Cerro Corporation.

Future Prospects

The Company's reserve position in lead, gold, oil and gas, coal and other minerals, together with its vigorous exploration and research program should provide substantial growth in earnings for the future. At present, lead, silver and gold prices are down from previous peaks, and labor negotiations are pending early in the year in the lead and coal industries. Two new projects coming into production in 1981, however, should make important contributions to earnings: the El Indio gold mine in Chile and the Buchan oil field in the U.K. sector of the North Sea.

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With the cash and increased financial strength resulting from the Scallop coal transaction, St. Joe's financial position is such that we can take advantage of any promising opportunity resulting from our exploration efforts and acquisition programs. St. Joe looks forward, therefore, to further strong performances in 1981 and in future years.

John C Duncan

John C. Duncan
Chairman and Chief Executive Officer

February 19, 1981