PRESIDENT'S ANNUAL REPORT

TO

STOCKHOLDERS

OF THE

ST. JOSEPH LEAD COMPANY

FOR THE YEAR

1934

ST. JOSEPH LEAD COMPANY

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

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

E. V. PETERS,
Vice-President

H. B. McGOWN,
Secretary

ROBERT BENNETT,
Assistant Secretary

GEORGE I. BRIGDEN,
Assistant Secretary

STOCK TRANSFER OFFICE
250 Park Avenue,
New York

REGISTRAR
City Bank Farmers Trust Company,
New York

BOND INTEREST and PRINCIPAL
Payable at
Messrs. J. P. Morgan & Company,
New York

ST. JOSEPH LEAD COMPANY

250 Park Avenue, New York City

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

The following report is submitted in order that the Stockholders may have a general picture of the operations of the St. Joseph Lead Company and its subsidiaries for the fiscal year ended December 31, 1934.

Comparative Annual Statistics

The condition of the lead industry is shown by the following tabulation of production and price figures.

Year	1934	1933	1932	1931	1930	1929	1928
Total United States Refined Lead Figures in Tons							
Production, Primary Smelters	412,298	374,153	342,137	478,591	688,787	817,721	819,604
U. S. Shipments only	379,807	347,156	317,261	429,949	637,384	727,271	702,721
Stocks at end of year	235,457	203,061	176,157	151,380	103,247	54,900	33,618
Price f.o.b. St. Louis							
Lead cents per lb. (St. Joe average)	3.700	3.652	3.055	4.007	5.456	6.646	6.133
Zinc cents per lb. (E. & M. J. average)	4.158	4.029	2.876	3.640	4.556	6.512	6.027

The following gives the comparative production, sales and stocks of the St. Joseph Lead Company and subsidiaries.

Production	1934	1933	1932	1931	1930	1929	1928
Tons of ore mined—Missouri and New York	3,269,864	2,652,944	3,233,172	4,465,794	5,999,813	5,750,412	4,833,194
Tons of lead concentrates	124,240	114,651	147,242	196,481	243,614	245,958	204,181
Tons of lead content	92,870	84,440	107,096	141,999	177,935	178,181	148,568
Tons of zinc concentrates	46,353	34,741	34,677	63,348	86,795	60,475	45,928
Tons of zinc content	26,340	19,880	20,020	37,056	50,064	35,115	27,361
Pig Lead Sales, Including Lead Content in Concentrates Sold							
Tons of St. Joe production	84,964	72,462	81,467	105,262	137,502	160,490	136,640
Tons of purchased lead sold	39,566	47,988	53,473	69,085	82,221	61,399	52,342
Total	124,530	120,450	134,940	174,347	219,723	221,889	188,982
Lead Stocks in Tons, Including 90% of Lead Content in Concentrates	102,348	99,374	93,990	77,134	51,107	22,042	16,271

Lead Operations

Throughout 1934 there was unfortunately a continuation of the difficult conditions that the Lead Belt community of Southeast Missouri had been forced to bear. The banking situation in that locality was somewhat improved by the reorganization of certain local banks. The company's operations however, had to be maintained on a curtailed basis. On March 1, 1934, the working time was reduced from a six to a five day basis in each two week period, and on November 1, 1934, although there was no increased lead demand, due to the higher living costs, the former schedule was reinstated and operations were increased from 10 days to 12 days in each four week period. Wages and salaries were increased 25 cents per shift on June 1, 1934.

The Rivermines Mill of the Doe Run Lead Company was shut down in August. Since that date the Federal Mill has operated full time, alternating weekly its own crew and that of the Rivermines organization. The Herculaneum Smelter was operated throughout the year on a one furnace basis, thus eliminating the former shut-down during the summer months. The 1934 diamond drilling and other exploration work have produced encouraging results.

The continued cooperation of the Union Electric Light and Power Company in working out equitable power rates in connection with curtailed production schedules has been very helpful to our Company, as without their assistance it might have been necessary to have shut down certain of the divisions which would have resulted in increased unemployment.

At the present time 113 suits have been filed against the company for occupational diseases allegedly caused by breathing dust, and the total amount sued for approximates $1,91[illegible],500. In 1915 the company had an examination made as to the possibility of any man incurring a disease from underground dust. At that time, recognized experts after careful study, declared that in their opinion there was no such hazard. In 1917, the question of underground health was again investigated, and a report from one of the foremost authorities stated that the working conditions were excellent. In 1933, as a result of the filing of numerous suits, a further study was made of operating conditions, and representative miners who had been drilling underground, some for over 25 years, were examined by experts with the result that the company has been definitely advised that it is impossible to acquire silicosis from breathing the dust of our Missouri Lead Belt Mines. The first Missouri occupational disease case was tried during November and December in the United States District Court at St. Louis, and was submitted to the jury on December 4, 1934. The jury deliberated until December 6, 1934, when the announcement was made that there was no possibility of reaching a verdict, therefore the court discharged the jury, and declared a mistrial.

Zinc Operations

On March 5, 1934, the Edwards Mill operation was increased from a five to a six day week basis, and on March 12, 1934, the Balmat schedule was also increased. The mines are still being operated on a five day week. Wages and salaries were increased 10% on May 1, 1934. The development at both mines has been satisfactory. The Kadco dust control units have fulfilled expectations, through greatly reduced drilling costs in all raise work, a saving in drifting operations and by an improvement in working conditions.

On March 16, 1934, the two furnace operation of the electro-thermic zinc smelter and sulphuric acid plant at Josephtown was increased to four, and this basis was continued until May 1, 1934, when the two furnace schedule was again necessitated. Wages and salaries were increased 10% on April 1, 1934. The increased sales of lead free zinc oxide to the rubber and paint industries has been satisfactory. There was also an improvement in the trade interest in Jozite, which was developed as a substitute for certain zinc oxide uses.

None of the five mines owned by the Kansas Explorations, Inc., in the Tri-State District were operated during the year. A small income was received from royalties on the Dardenne tailings lease, and from a mining lease on the same property.

The Block "P" mine in Montana was maintained throughout the year on a watchman basis.

Miscellaneous Operations

The company's gold property at Atlanta, Idaho, showed satisfactory earnings. The known life of the mine is estimated at about two years. It is hoped, however, that the No. 6 level which is being extended westward to undercut the old workings on the adjoining leased property and to explore certain company owned areas, may develop additional ore, which could prove profitable with the higher gold price. On April 1, 1934, salaries were increased 10% and wages 50 cents per shift.

On December 24, 1934, authorization was given by the Aguilar directors to place the Aguilar Mine, located in the Province of Jujuy, Argentina, in production on the basis of 200 tons of ore per day. It is expected that the mill will be in operation on or about January 1, 1936. The additional capital investment necessitated by this program will approximate $750,000.

Although numerous mining properties were offered to the company during the year, none were considered worthy of inspection with the exception of four, which were however, turned down after examination.

In continuation of the company's policy, all properties have been maintained in satisfactory condition, and expenditures have been charged against cost of operations, with the exception of $158,615.07 for certain new construction and development work which has been capitalized.

Financial Condition

The strong financial position of the St. Joseph Lead Company and its subsidiaries has been maintained, and is reflected in the accompanying Consolidated Balance Sheets as of December 31, 1934 and 1933. The United States Government, State and Municipal Securities owned at the close of the year totaled $3,316,000 par value. All are short term government issues with the exception of $31,000 State of New York Bonds, and $55,000 New York City Notes. The New York State and New York City securities are on deposit with the New York State Insurance Commission. The total market value on December 31, 1934 was $3,361,438.50.

During 1934, all outstanding Doe Run Lead Company stock was exchanged for St. Joseph Lead Company stock on the basis of the comparative book values of the two companies as of November 30, 1933.

The $100,000 investment in the Kadco Corporation which is carried at cost on the Balance Sheet under Sundry Securities and Loans, was made after a study covering the benefits obtainable with the Kadco dust removal system, and was for the purpose of furnishing $100,000 operating capital to the Kadco Corporation in return for 50% of its capital stock.

As of December 31, 1934 only $3,902.26 of trade accounts receivable were more than seven days past due. During the year $2,546.04 was written off as uncollectible.

Earnings

The accompanying Summaries of Consolidated Net Loss and Consolidated Surplus for the years ended December 31, 1934 and 1933 show the result of the last two years of operations, and the following table sets forth the comparison with prior years.

CONSOLIDATED EARNINGS	1934	1933	1932	1931	1930	1929	1928
Profit from operations.......	$2,403,101.67	$1,782,282.02	$ 203,909.10	$1,974,485.73	$5,809,486.42	$11,954,769.82	$7,815,038.98
Deduct interest and expense on bonds...............	465,796.43	465,796.42	491,790.21	352,265.72	....	....	....
GROSS INCOME	$1,937,305.24	$1,316,485.60	*$ 287,881.11	$1,622,220.01	$5,809,486.42	$11,954,769.82	$7,815,038.98
Deduct Provision for Depreciation...........	$1,121,960.66	$1,022,922.73	$1,011,845.62	$1,149,702.39	$1,319,064.38	$1,268,935.08	$1,050,348.88
Provision for Income Taxes...........	79,258.52	....	....	....	390,314.61	883,938.98	455,623.88
Total Deductions.......	$1,201,219.18	$1,022,922.73	$1,011,845.62	$1,149,702.39	$1,709,378.99	$ 2,152,874 06	$1,505,972.76
NET INCOME BEFORE DEPLETION.	$ 736,086.06	$ 293,562.87	*$1,299,726.73	$ 472,517.62	$4,100,107.43	$ 9,801,895.76	$6,309,066.22
PROVISION FOR DEPLETION— Includes Abandoned Leases of $71,997.11 in 1934 and $190,323.42 in 1933.....	$1,548,604.47	$1,461,310.72	$1,606,310.78	$1,886,589.04	$2,566,469.67	$ 2,264,740.04	$1,775,803.27

*Deficit.

In order that inventories of lead, zinc and other company products, which have been greatly increased due to the policy of maintaining employment at the highest possible level, would reflect only actual costs, all inter-company and inter-division profits were written off as of December 31, 1934. This write down reduced current 1934 earnings by $143,322.98. The $99,760.80 of profit on the unsold production of prior years was charged to surplus.

Depreciation and Depletion

The reason that a provision is made for Federal income taxes in 1934, even though a loss after depletion is shown in the accompanying Summary of Consoldated Net Loss is because our Federal Income Tax return will show a taxable profit owing to different methods in figuring depletion. Depletion as computed on the Federal Tax basis will approximate $625,000 in comparison with $1,476,607.36 on the book basis. The company's book figures are based on production, and at a fixed rate per ton of ore mined; whereas the percentage method permitted under the Revenue Act of 1934, and which will be used for Federal income tax purposes, is based on sales at the fixed rate of 15% of the gross income from the property, provided that such allowance does not exceed in any year 50% of the net income after depreciation. Therefore, on the book basis, provided production remains about the same, the deduction for depletion each year will not vary materially until the total book value or cost of the property has been fully depleted, when no further deduction will be made. On the percentage basis, however, the allowable deduction will vary each year, depending upon the sales and selling price, and therefore in some years it may be considerably less or more than that determined by the company's method. Another difference between the two methods is that the percentage method allows a deduction each year even though the aggregate of the annual depletion deductions is in excess of the book value or cost of the property. Although both methods are workable it is felt that our Company should continue the method now being used, especially as the depletion deduction has been charged each year against current earnings, and is therefore not reflected in the large lead inventory of 102,348 tons, which can be liquidated when conditions improve, without any further depletion charges against earnings.

The basis for figuring the provision for depreciation also differs. The rates approved by the Bureau of Internal Revenue are different from those used by the Company, with the result that in the years prior to 1931 the total depreciation allowed as a deduction on our Federal income tax returns was somewhat greater than that taken on the Company's books, but after 1931 the amount of depreciation shown on the Company's basis will be greater. In 1934, for example, depreciation on the book basis is $1,121,960.66 as compared with an estimated total of $1,000,000 to be claimed for income tax purposes.

The difference in the methods for figuring depletion and depreciation over the past twenty years, together with the fact that the Bureau allowed a Discovery Valuation of $8,518,858, in comparison with appreciation of $4,315,000 on the Company's books, has resulted in a difference in the residual book value of the capital assets as at December 31, 1933. The comparative figures are $21,739,928.26 as shown on the Company's Consolidated Balance Sheet, and $24,059,670.07 on the U. S. Treasury Department basis. The stockholders should appreciate, however, that these comparative values, which have been developed under two recognized methods of accounting, do not necessarily indicate the present value of the properties, as the true value of any mining property is dependent upon the profit at which it can be operated. If a property cannot be operated at a profit, it is worth no more than its salvage value. It is of interest to realize that from an ore tonnage viewpoint, in the areas owned on March 1, 1913, although the appraised dollar value has been completely written off the company's books by the depletion deductions, ore is still being mined at a profit in these original properties and probably will be for years to come.

Dividends

During 1934, three dividends of ten cents per share each were paid. The comparative dividend figures for the period 1928 through 1934 are as follows:

Dividends Paid to Stockholders	1934	1933	1932	1931	1930	1929	1928
St. Joseph Lead Company....	$ 586,701.30	....	$ 292,569.75	$2,438,079.75	$5,851,386.00	$5,851,374.75	$5,851,335.00
Minority Interests in Subsidiaries...............	....	....	....	$ 14,618.75	$ 128,865.00	$ 70,305.00	$ 76,253.00

Miscellaneous

At a special meeting of the Stockholders held July 25, 1934, Article II of the By-Laws was changed so that at all future meetings any number of stockholders represented in person or by proxy shall constitute a quorum, except in special cases where the law requires that a specific proportion of the outstanding capital stock be represented.

On September 6, 1934 two copies of Form 2 "Application for Temporary Registration of Securities" were filed with the New York Stock Exchange, one copy of which was filed by them with the Securities Exchange Commission, Washington, D. C. Registration of the company's stocks and bonds was granted. The application for permanent registration will be filed prior to July 1, 1935.

There was a slight increase in the number of stockholders during 1934. The comparative share holdings as of December 31st of each year from 1931 to 1934 are as follows:

Year	Number	19 or Less	20-99	100-199	200-Over
1934..	5,300	1,549	1,712	873	1,166
1933..	5,145	1,511	1,684	835	1,115
1932..	5,360	1,584	1,796	875	1,105
1931..	5,063	1,784	1,349	831	1,099

Notice of Annual Stockholders' Meeting

In case you do not expect to be present at the Annual Stockholders' Meeting on March 14, 1935, and wish your stock to be represented, you may sign and return the proxy accompanying the Notice of the Meeting, which is enclosed herewith.

Clinton H. Crane,
President.

New York, February 21, 1935.

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Summaries of Consolidated Net Loss

For the Years Ended December 31, 1934 and 1933

	December 31, 1934	December 31, 1933
Profit from Operations before Depreciation and Depletion	$ 2,321,172.26	$ 1,732,207.99
Other Income:		
Interest—Net	$ 41,671.08	$ 42,273.72
Dividends	11,125.00	2,500.00
Profits on Securities	26,418.30	3,561.92
Miscellaneous	2,715.03	1,738.39
Total other income	$ 81,929.41	$ 50,074.03
Gross Income	$ 2,403,101.67	$ 1,782,282.02
Deduct Interest and Expense on Bonded Indebtedness	465,796.43	465,796.42
Income before Depreciation, Depletion, Abandoned Leases, and Income Taxes	$ 1,937,305.24	$ 1,316,485.60
Deduct Provision for Depreciation	1,121,960.66	1,022,922.73
Income before Depletion, Abandoned Leases, and Income Taxes	$ 815,344.58	$ 293,562.87
Other Deductions:		
Provision for Depletion	$ 1,476,607.36	$ 1,270,987.30
Abandoned Leases	71,997.11	190,323.42
Provision for Income Taxes	79,258.52	——
Total other deductions	$ 1,627,862.99	$ 1,461,310.72
Net Loss for the Year before adjustment for Minority Interest	$ 812,518.41	$ 1,167,747.85
Deduct Proportion of Net Loss Applicable to Minority Interest	* 15.92	6,612.28
Net Loss for the Year	$ 812,534.33	$ 1,161,135.57

*Profit.

Summaries of Consolidated Surplus

For the Years Ended December 31, 1934 and 1933

	December 31, 1934	December 31, 1933
Surplus at Beginning of Year:		
Including Revaluation of Ore Reserves—1934, $702,991.48; 1933, $948,652.45	$ 7,972,399.31	$ 9,133,534.88
Add Credit arising from acquisition of Minority Interest in The Doe Run Lead Company	32,782.15	——
Total	$ 8,005,181.46	$ 9,133,534.88
Deductions:		
Net Loss for the Year	$ 812,534.33	$ 1,161,135.57
Adjustment of inventories applicable to prior years	99,760.80	——
Cash dividends paid during year 1934	586,701.30	——
Total Deductions	$ 1,498,996 43	$ 1,161,135.57
Surplus at End of Year:		
Including Revaluation of Ore Reserves—1934, $394,982.57; 1933, $702,991.48	$ 6,506,185.03	$ 7,972,399.31

Notation: The above Summaries should be considered only in the light of the comments included in the text of this report under "Depletion and Depreciation."

ST. JOSEPH LEAD COMPANY A

Consolidated Balance Sheets, December 3

ASSETS

	December 31, 1934		December 31, 1933	
Capital Assets:				
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	—
Additions subsequent to March 1, 1913 (at cost)	$21,561,701.18		$21,672,369.79	
Less Reserve for depletion	13,971,309.64	$ 7,590,391.54	13,064,005.25	$ 8,608,364.54
Appreciation arising from revaluation subsequent to March 1, 1913	$ 4,315,000.00		$ 4,315,000.00	
Less Reserve for depletion	3,920,017.43	394,982.57	3,612,008.52	702,991.48
Total Ore Reserves and Mineral Rights, Net		$ 7,985,374.11		$ 9,311,356 02
Shafts and underground equipment (at cost)	$ 5,020,171.57		$ 4,998,068.10	
Less Reserve for depreciation	3,621,430.47	1,398,741.10	3,380,292.55	1,617,775.55
Land, buildings, plant, and equipment (at cost)	$19,946,429.18		$19,952,695.05	
Less Reserve for depreciation	10,273,009.95	9,673,419.23	9,328,643.36	10,624,051.69
Railway construction—cost being refunded		166,835.00		186,745.00
Total Capital Assets, Net		$19,224,369.44		$21,739,928.26
Investments and Advances:				
Aguilar Corporation (at cost—86% controlled)	$ 1,515,000.00		$ 1,515,000.00	
Mine La Motte Corporation (at cost—50% owned)	816,653.66		805,484.63	
Stocks of other mining companies (at market)	156,352.00		147,752.00	
Sundry securities and loans (at cost)	531,777.06	3,019,782.72	432,136.17	2,900,372.80
Current and Working Assets:				
Cash on hand and in banks	$ 1,746,157.83		$ 1,399,749.25	
Federal, State and Municipal Securities (at market)	3,361,438.50		3,194,097.49	
Notes and accounts receivable	1,084,941.81		1,107,550.59	
Notes receivable—employees	235.22		13,320.00	
Inventories of lead, zinc, etc. (at cost, less than market)	6,376,024.32		5,666,363.18	
Materials and supplies (at cost, less reserve for slow-moving items, 1934, $200,000.00)	1,504,748.79	14,073,546.47	1,552,129.39	12,933,209.90
Cash in Closed Banks		41,698.37		45,640.72
Deferred Charges:				
Unamortized debt discount and expense	$ 163,065.45		$ 188,861.85	
Prepaid insurance, taxes, etc	179,005.84	342,071.29	143,949.68	332,811.53
Total		$36,701,468.29		$37,951,963.21

Notations:

The above Balance Sheets should be considered only in the light under "Depletion and Depreciation."

The Parent Company is contingently liable as guarantor ce South American Subsidiary of Aguilar Corporation, whi ns

AND SUBSIDIARIES

31, 1934, and December 31, 1933

LIABILITIES

	December 31, 1934		December 31, 1933	
Capital Stock:				
Authorized, 2,500,000 shares of $10.00 each	$25,000,000.00		$25,000,000.00	
Issued, 1,996,798 shares	$19,967,980.00		$19,967,980.00	
Less in Treasury—1934, 41,127 shares; 1933, 46,332 shares	411,270.00		463,320.00	
Outstanding 1934, 1,955,671 shares; 1933, 1,950,466 shares	$19,556,710.00		$19,504,660.00	
Scrip outstanding	428.50	$19,557,138.50	428.50	$19,505,088.50
Minority Interest in Subsidiary Companies:				
Capital Stock and Surplus		490.46		85,306.69
Bonded Indebtedness:				
St. Joseph Lead Company, Ten Year Convertible 5½% Debenture Bonds due May 1, 1941	$ 9,752,300.00		$ 9,752,300.00	
Less Bonds in Treasury	1,752,300.00	8,000,000.00	1,752,300.00	8,000,000.00
Current Liabilities:				
Accounts Payable	$ 795,379.54		$ 708,613.27	
Accrued Wages	60,657.68		43,569.32	
Accrued Interest on Bonds in hands of public	73,333.38		73,333.35	
Accrued Taxes (including Income Taxes)	466,761.39	1,396,131.99	330,544.67	1,156,060.61
Deferred Credits:				
Unrealized profit from sale of houses, etc		86,764.29		89,686.93
Reserves:				
For Injury Claims and Workmen's Liability Insurance	$ 118,469.12		$ 107,637.68	
For Employees' Life Insurance and Retirements	421,895.59		253,404.38	
For Contingencies	614,393.31	1,154,758.02	782,379.11	1,143,421.17
Surplus:				
Earned	$ 6,111,202.46		$ 7,269,407.83	
Revaluation of Ore Reserves	394,982.57	6,506,185.03	702,991.48	7,972,399.31
Total		$36,701,468.29		$37,951,963.21

ht of the comments included in the text of this report

certain bank loans of Cia. Minera Aguilar, S. A., the
ns amounted to $21,200.00 at December 31, 1934.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

22 EAST 40TH STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

St. Joseph Lead Company:

We have made an examination of the consolidated balance sheets of St. Joseph Lead Company (Incorporated in New York) and its subsidiary companies as of December 31, 1934 and 1933, and of the related summaries of consolidated net loss and surplus for the years 1934 and 1933. In connection therewith, we made a review of the accounting methods, examined or tested, in a manner and to the extent which we considered appropriate in view of the companies' system of internal accounting control, accounting records of the company and other supporting evidence, and made a general review of the operating and income accounts for the years 1934 and 1933, but we did not make a detailed audit of the transactions for those years.

All subsidiary companies controlled by your company were examined by us with the exception of the Cia. Minera Aguilar, S.A., the South American subsidiary of Aguilar Corporation, which subsidiary was audited by Messrs. Price, Waterhouse, Faller & Company to December 31, 1934.

The inventories of lead, zinc, etc., are valued at cost, which is less than market, and were not verified by us as to quantities. The cost of inventories does not include either depletion or depreciation.

In our opinion, subject to the foregoing and to the realizable value of investments and advances, the accompanying consolidated balance sheets and related summaries of consolidated net loss and surplus, with the notations thereon, fairly present, in accordance with accepted principles of accounting consistently followed by the companies, their financial condition at December 31, 1934 and 1933, and the results of their operations for the years ended those dates.

HASKINS & SELLS.

New York, February 21, 1935.

ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1934