ST. JOE MINERALS CORPORATION

ENVIRONMENTAL PLANNING

1982 ANNUAL REPORT

September 1983

Gary E. Welch

Thomas E. Janeck

ENVIRONMENTAL PLANNING
1982 Annual Report

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Exhibit I

Technical and Trade Association

Environmental Committee

Membership

Association	Committee	St. Joe Representative
LIA	Lead Environmental Health	D. L. Vornberg
ZI	Cadmium Environmental Health	T. E. Janeck
ILZRO	Lead Environmental Health	D. L. Vornberg
ILZRO	Zinc/Cadmium Environmental Health	T. E. Janeck
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AMC	Carcinogen Subcommittee	G. E. Welch
AMC	Air Quality Subcommittee	T. E. Janeck
AMC	Manufacturer's Diesel Committee	G. E. Welch
AMC	Solid Waste Subcommittee	T. E. Janeck
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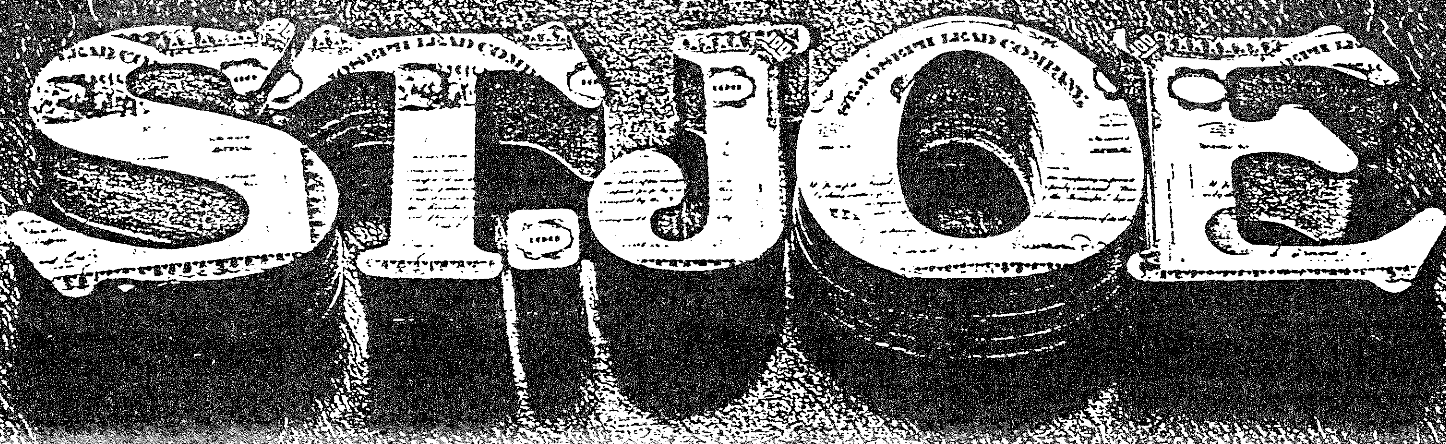

ANNUAL REPORT 1969

ST. JOSEPH LEAD COMPANY

Today more than 26 million Americans own common stock. This widespread stock ownership is unique to the United States, and of relatively recent origin. In 1952 there were fewer than seven million shareowners.

The willingness of Americans, in large numbers, to invest in business and industry has many benefits. It stimulates free enterprise by providing a broad source of capital. It spreads throughout the economy the ownership benefits of industrial success. And it can provide people with a measure of protection against erosion of the purchasing power of the dollar.

St. Joe shareholders are typical of shareholders of any large company. Their confidence in St. Joe is reflected in the fact that their number has doubled within the past decade. Some of these shareholders are involved in the day-to-day operation of the Company, but there are many others, from every state. They are retired couples relying on an income-producing stock. They are young couples and parents looking to the future, colleges and universities, investors with a primary view to capital appreciation, members of investment clubs, and a variety of institutions. They are housewives, small children and those to whom St. Joe stock has been handed down from generation to generation. All of them are attracted to St. Joe as a Company with a record for steady growth, solid finances and a sound policy for future expansion.

We are hopeful that in recent times our shareholders' expectations in St. Joe have been fulfilled, both by the substantial appreciation of the value of St. Joe shares and by the fact that the Company has been able to increase dividends steadily.

In this annual report, we feature a few of the 20,957 St. Joe shareholders. We present them as representatives of America's shareholder community.

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Wallace J. Cropper, a shareholder and mine geologist, has been a St. Joe employee since 1951. Mr. Cropper, who earlier had Missouri and South American experience with St. Joe, was recently transferred from the Balmat-Edwards Zinc Division in New York, to St. Joe's expanding corporate exploration group. The challenge of his new assignment is "getting involved in the search."

HIGHLIGHTS

	1969	1968
Sales of metals, etc.	**$178,974,343**	$150,811,758
Federal and state income taxes	**$ 18,304,371**	$ 12,448,865
Net income	**$ 37,462,561**	$ 24,973,475
Dividends:		
Cash	**$ 14,139,309**	$ 12,308,873
Stock (2 for 1 split effected in the form of a stock dividend)		100%
Shares of capital stock outstanding December 31	**8,587,891**	8,533,800
Net earnings per share	**$4.37**	$2.89
Dividends per share	**$1.65**	$1.425
Ratio of current assets to current liabilities	**5.51 to 1**	3.63 to 1
Number of employees (U.S.)	**4,057**	4,032
Number of shareholders	**20,957**	20,472
Shareholders' equity (book value)	**$160,037,778**	$135,667,395
Shareholders' equity per share	**$18.64**	$15.90

TO THE SHAREHOLDERS:

St. Joe, benefiting from strong demand for its products and an expansion program that has made it the largest U.S. producer of lead and zinc, achieved record production, sales and earnings in 1969.

In August the Board of Trustees voted to raise the annual dividend rate to $1.80 from $1.50 a share. At its February 17, 1970 meeting, the Board voted a further increase in the quarterly dividend to $.50, equal to $2.00 per share on an annual rate. This is the eighth consecutive year of dividend increases.

Earnings rose 50% to $37,462,561 in 1969, or $4.37 a share, from $24,973,475 or $2.89 a share in 1968.

Both domestic and world demand for St. Joe's major products were strong over the twelve months and 1969 average U.S. prices of zinc and lead were at the levels of the middle sixties. Lead at year end was 16½ cents per pound and zinc, 15½ cents. American process grades of zinc oxide rose from 15¼ to 16½ cents per pound over the year.

All St. Joe's production facilities operated without interruption in 1969. A major contributor to earnings was record production of 233,160 tons of lead, including 9,620 tons tolled by other smelters. This was up 33% from 1968.

In areas of new operational activities, St. Joe in 1969:

- Commenced construction of the Brushy Creek mine and mill in Reynolds County, Missouri.
- Bottomed the new 3,225 foot mine shaft at the Balmat-Edwards Zinc Division in New York.
- Completed a new 300 ton-per-day sulfuric acid plant at the Herculaneum Smelter.
- Opened a new lead alloy pilot plant and a mercury recovery unit at the Zinc Smelting Division.
- Initiated major exploration and research projects and expanded the budgets of existing programs.

In connection with these and other projects, capital expenditures for 1969 totalled $11,319,108. Capital expenditures for 1970 are estimated at $25 million.

At its May 1969 meeting, the Board of Trustees elected Peter B. Nalle a vice president, responsible for St. Joe's domestic mining and milling activities. In addition, Norman H. Donald, Jr., John W. Hanselman,

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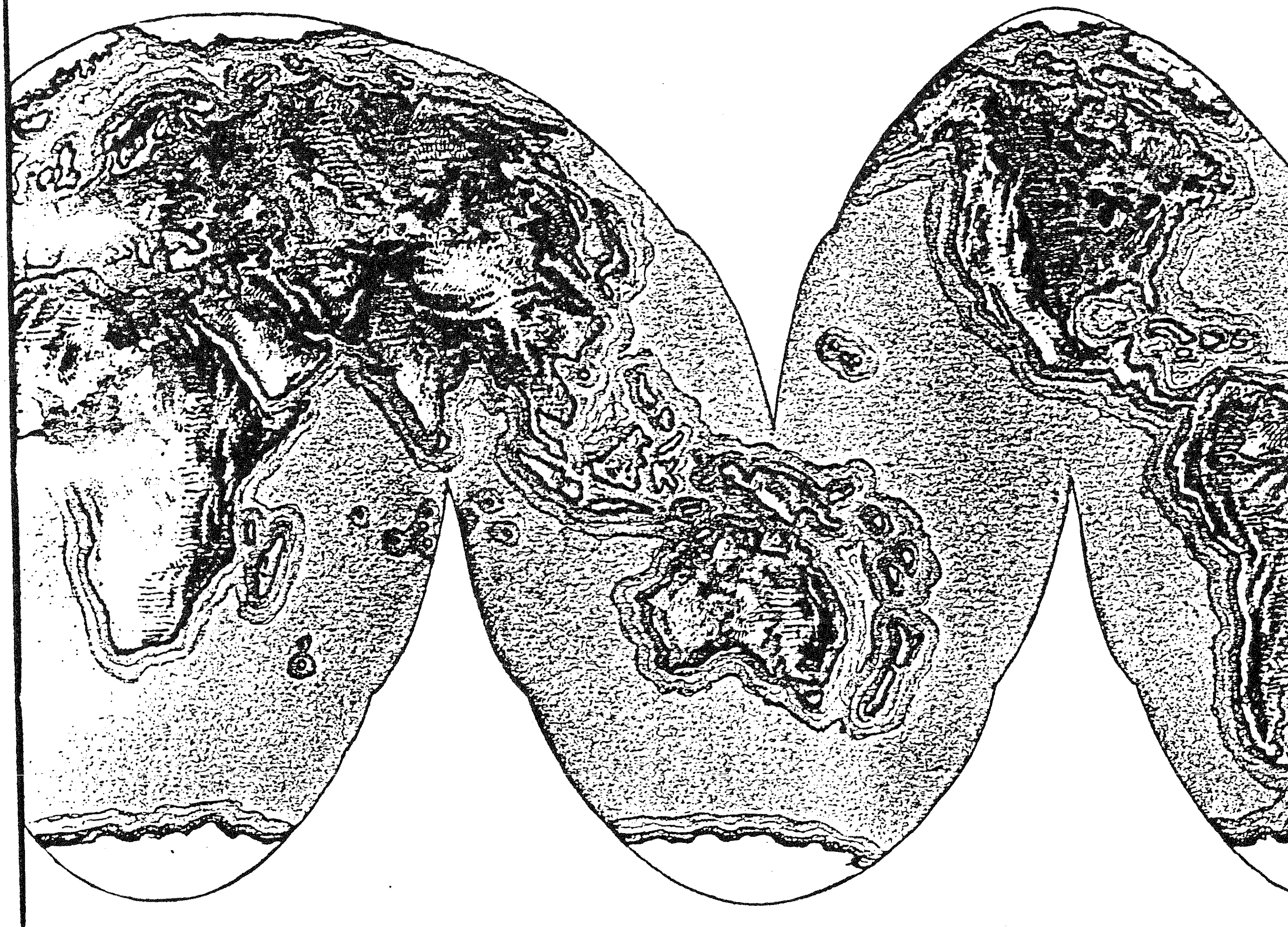

Energy and Metals in
Key Areas of the World

DR 2801863

St. Joe Minerals Corporation

St. Joe Minerals Corporation is a diversified natural resources and energy company operating worldwide. The Company has significant interests in:

Oil and Gas. St. Joe Petroleum in Houston, Texas, is the principal vehicle for petroleum exploration and development outside the United States and Canada. CanDel Oil Ltd., headquartered in Calgary, Alberta, holds interests in Canada and internationally. Coquina Oil Corporation, Midland, Texas, is active in the United States.

Coal. Fifty percent-owned A.T. Massey Coal Company, Inc., Richmond, Virginia, and its subsidiaries produce coal from over 25 mining and preparation complexes in Appalachia. Massey, a major coal exporter, also sells coal produced by other domestic companies.

Domestic Metals. St. Joe Lead Company in Clayton, Missouri, has extensive mining facilities in southeastern Missouri, and operates the largest lead smelter in the United States at Herculaneum, Missouri. The Lead Company also manages the Pea Ridge Iron Ore Company's iron mine and pelletizing plant near Sullivan, Missouri, and St. Joe Resources' zinc mining and milling operations in upstate New York.

International Minerals. St. Joe International Corporation has a zinc, lead and silver mine and a large, undeveloped copper orebody in Argentina; an 80% interest in a Chilean gold, silver and copper property; a zinc mine in Peru; and a one-third interest in an Australian copper, zinc, lead and silver mine.

St. Joe International Trading Corporation in New York provides the Company with a trading subsidiary designed to complement its commodities marketing activities.

California Gold. Placer Service Corp., based in New York City, is developing an alluvial gold prospect in California, and also is conducting exploratory drilling for gold on nearby property.

Research and Development. Energy Research Corporation in Danbury, Connecticut, and Mansfield Carbon Products, Inc., in Nashville, Tennessee, conduct advanced research in the rapidly growing fields of energy conversion and storage. Corporate research supports St. Joe's existing operations and examines new business opportunities.

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DR 2801864

Highlights

	1980	1979	1978	% Change
	(In thousands except per share data)			
Financial				
Net Sales	$1,279,083	$1,148,105	$831,279	+ 54%
Operating Profit	$ 219,219	$ 195,320	$101,466	+116%
Gross Profit Margins	26%	25%	22%	+ 18%
Nonrecurring Item	—	$ (47,545)	—	—
Tax Rate	35%	30%	28%	+ 25%
Net Income	$ 117,082	$ 77,586	$ 49,754	+135%
Net Income Per Share*	$ 2.60	$ 1.73	$ 1.11	+134%
Dividends Per Share*:				
Stock	100%	—	—	—
Cash	$ .77½	$ .68¾	$ .65	+ 19%
Capital Expenditures	$ 383,738	$ 210,811	$171,843	+123%
Funds Provided From Operations	$ 230,149	$ 194,592	$134,623	+ 71%
Total Assets	$1,764,891	$1,108,600	$950,039	+ 86%
Long-Term Debt	$ 423,864	$ 192,950	$169,803	+150%
Shareholders' Equity	$ 987,349	$ 568,199	$520,949	+ 90%
Shares of Common Stock Outstanding (12/31)*	45,335	44,915	44,789	+ 1%
Book Value Per Share*	$ 21.78	$ 12.65	$ 11.63	+ 87%
Current Ratio	2.9 to 1	1.6 to 1	1.9 to 1	+ 53%
Operating				
Total Tons of Massey Produced Coal Sold	14,196	12,767	8,695	+ 63%
Total Tons of Purchased Coal Sold	8,293	5,548	4,117	+101%
Total MCFs of Gas Sold	23,466	20,529	17,725	+ 32%
Net Proven MCFs of Gas Reserves	355,560	314,555	280,308	+ 27%
Total Barrels of Oil Sold	1,432	1,414	1,409	+ 2%
Net Proven Barrels of Oil Reserves	28,729	27,450	25,845	+ 11%
Total Tons of Lead Metal Sold	202	223	251	− 20%
Total Tons of Zinc in Concentrates Produced (including lead operations)	59	28	45	+ 31%
Troy Ounces of Gold in Ore Sold	93	45	—	+107%

*After giving effect to the 1980 two-for-one stock split.

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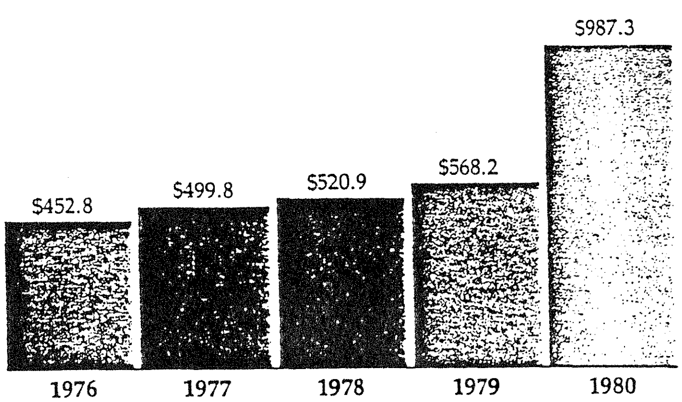
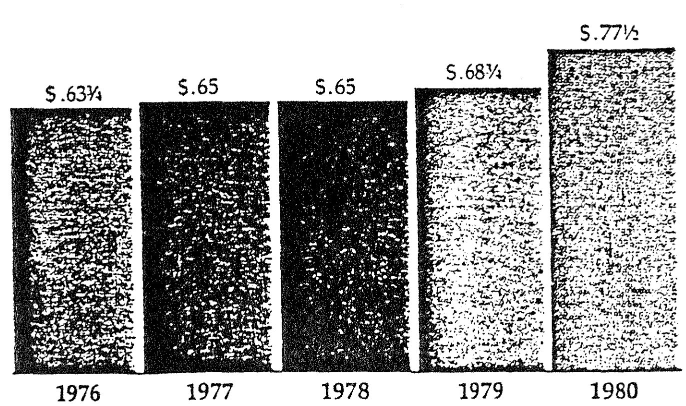
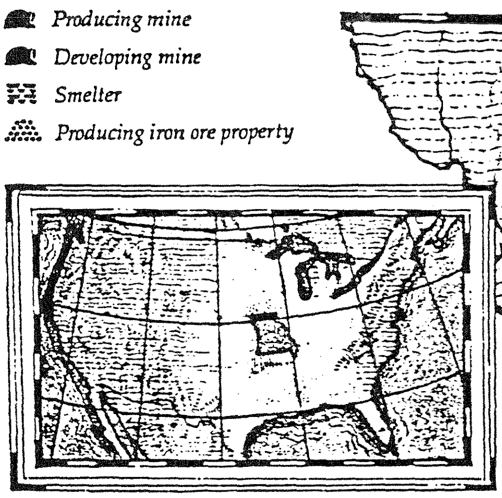
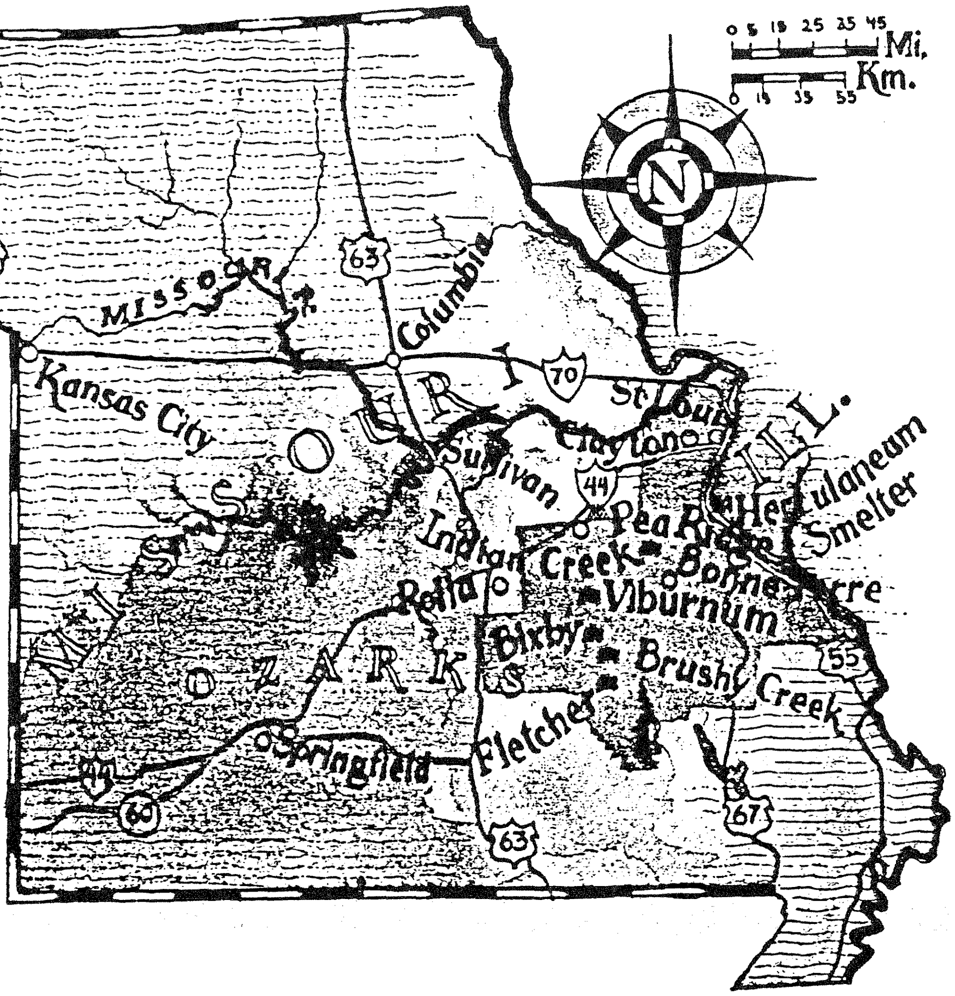
Growth in Shareholders' Equity *(millions)*



Growth in Dividends Per Share







St. Joe Lead Company, the nation's largest integrated lead producer, operates four mine and mill complexes in southeastern Missouri. Lead concentrates from these mines are sent to St. Joe's Herculaneum, Missouri, refinery, the largest lead smelter in the U.S. The Lead Company also manages operations at the Pea Ridge Iron Ore Company's iron mine and pelletizing plant near Sullivan, Missouri and St. Joe Resources Company's zinc mining division at Balmat, New York.

1980: Satisfactory Margins

The lead market declined in 1980, and the iron ore and zinc markets remained weak. As a result, operating profits in the domestic metals group declined 32% to $99.3 million on a sales decrease of 26% to $301.6 million. Despite the downturn, St. Joe was able to maintain satisfactory margins because of its efficient, low-cost production of both lead and iron ore and good worker productivity. Lead profits were the second highest in St. Joe's history.

As a result of the Monaca smelter closure in 1979, St. Joe's zinc operations were limited to mining and milling for most of 1980. Although sales were reduced sharply, losses were eliminated. Operating profit was $5.7 million, compared to a loss of $1.6 million in 1979. This improvement was due to modestly profitable operations at Balmat, combined with sales of concentrates from inventory.

The Markets for Lead

St. Joe sells lead metal for four principal end uses: batteries, accounting for nearly two thirds of total consumption; pigments, used in industrial applications; gasoline additives, being phased out by the federal government; and exports and miscellaneous applications, including such products as ammunition and solder.

In 1980, consumption of lead in the United States declined to about 1,225,000 tons, a drop of approximately 16% from 1979's high level. This decline primarily was due to weakness in battery sales. The fall in new auto sales caused a drop in original equipment batteries, which account for about 20% of the market. Sales of replacement batteries, which take the remaining 80%, also declined, but were helped by the summer heat wave.

St. Joe is a major supplier of lead for pigments and chemicals because of the high-purity of its product. This market declined slightly in 1980 as a result of a weak chemical industry.

Use of lead in gasoline additives dropped sharply in 1980 to 120,000 tons from the 1979 level of 206,000 tons because of the government-required phase-out of lead in gasoline. A contributing factor is the growing number of cars that use unleaded gasoline. The gasoline additive market now accounts for less than 10% of total U.S. lead consumption and less than 6% of St. Joe's lead sales. Further declines, therefore, should not have a significant effect on St. Joe's sales or profits.

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Replaced by 1978 Annual Report
30 March 79

20 April 1978

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physical examination and environmental exposure monitoring was undertaken by St. Joe and should be completed during mid-1978. We are presently planning to extend this study to other St. Joe "underground" environments.

f. Energy Research Corporation, Formet and Placer Services

During 1977 we performed consultation services for Energy Research Corporation and Formet concerning needs and requirements related to industrial hygiene and occupational health. We also, during 1977, consulted with Placer Services Corporation concerning general environmental requirements for a proposed new mining venture in California.

5.3.3 Other Activities

a. Smelter Environmental Research Association

In November 1975 St. Joe joined forces with other members of the nonferrous mining and smelting community to found a new organization, the Smelter Environmental Research Association (SERA), whose purpose is to promote research on occupational health and environmental problems of interest to the nonferrous community.

Through 1977, SERA had funded over 20 research programs totalling over $400,000. Some of the SERA research programs of direct interest to St. Joe include:

i Cadmium Workers Health Study

A study to evaluate the relationship between inhaled cadmium and urinary cadmium excretion and to evaluate the possible presence of kidney effects associated with chronic exposure to cadmium.

ii Review of NIOSH Smelter Worker Respiratory Morbidity Study

A study to review the raw data collected by NIOSH in their study at Kennecott's Garfield Smelter and to prepare a critique of same for use in OSHA proceedings regarding a standard for occupational exposure to sulfur dioxide.

iii Genetic Toxicological Evaluation of the Environment

A program to develop a rapid method for assessing the carcinogenistic and mutagenistic potential of compounds and elements to which smelter workers may be exposed.

iv Tank House Epidemeological Study

A morbidity-mortality study of copper and zinc tank house workers.

v Biological Impact of Heavy Metals in Aquatic and Terrestial Communities Near Lead Operations

A study to determine the presence and extent of heavy metal accumulation in biological communities near lead mining, milling and smelting operations in Missouri.

b. Technical and Trade Association Relationships

To develop and maintain effective channels of communication with local, state and federal environmental agencies such that our views relative to environmental issues can be inputed during the formulative stages of legislative and regulatory development proceedings, St. Joe maintains representation on 12 technical committees in 9 separate technical and trade associations. A detailed listing of committee representation is shown in Exhibit I following.

During 1977 St. Joe participated in over 30 meetings of these various committees and organizations.

c. Miscellaneous

The corporate environmental function continues to serve as a "clearinghouse" for reporting to federal agencies regarding environmental activities. During 1977 we completed analyses and surveys of past expenditures and future costs for compliance with both the Federal Water Pollution Control Act and the Clean Air Act. These general industry-wide cost studies were sponsored by the American Mining Congress and a group of nonferrous smelter operators.

Exhibit I

Technical and Trade Association Environmental
Committee Membership

Association	Committee	St. Joe Representative
LIA	Lead Environmental Health	D. H. Beilstein
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*To be appointed.

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C. T. Beatty
J. M. Blankenhorn
R. G. Redelfs
G. E. Welch

Zinc Company

J. L. Broadhead
J. M. Cigan - 2
C. O. Bounds
J. G. Reilly - 2

Lead Company

J. A. Wright
E. J. Krokroskia
D. H. Beilstein - 2
D. DeClue
J. E. Kennedy - 2

A. T. Massey

E. M. Massey
O. B. Bucklen
G. M. Osborne - 2
R. J. Watkins - 2

Other

J. McN. Cramer
Extra - 5

5) Biological Impact of Heavy Metals in Aquatic and Terrestial Communities Near Lead Operations ($25,000)

A study to determine the presence and extent of heavy metal accumulation in biological communities near lead mining, milling and smelting operations in Missouri.

6) In-situ Toxicity Tests of Mine/Smelter Effluent on Aquatic Organisms ($54,000)

Study to determine impact of mine/smelter waste water discharge upon local aquatic organisms (conducted at Anaconda, Mt.).

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