PRESIDENT'S ANNUAL REPORT

TO

STOCKHOLDERS

OF THE

ST. JOSEPH LEAD COMPANY

FOR THE YEAR

1939

ST. JOSEPH LEAD COMPANY

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

Executive Offices, 250 Park Avenue, 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

EDWARD V. PETERS,
Vice-President

H. B. McGOWN,
Secretary

GEORGE I. BRIGDEN,
Comptroller

ROBERT BENNETT,
Assistant Secretary

STOCK TRANSFER OFFICE

250 Park Avenue,
New York

REGISTRAR

City Bank Farmers Trust Company,
New York

ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

The first six months of 1939 showed a decided improvement over the corresponding period in 1938, and it was possible to operate the Company's mines on an 80% basis with an increase of only 1,000 tons in unsold stocks in comparison with a 60% basis and 8,000 tons stock increase during the first half of the previous year.

Still further improvement developed during the last half of 1939 and, by the first of August, the demand had so increased that sales were in excess of production. In accordance with the Company's policy of selling stocks only when operating at full time, 100% operations were resumed on August 6, 1939. By the middle of August, the demand was further accentuated and war psychosis in September created an unjustifiable demand. As your management believed that there were ample supplies of lead, both here and abroad, to fill any requirement for actual consumption, it sold freely from stocks accumulated in previous years and exerted every effort to prevent buyers from accumulating more than current needs. Although the insistent demand continued until the middle of November, market conditions are now normal.

Lead stocks in the hands of producers and consumers at the end of the year were lower than at any time since 1929, and domestic production and consumption are apparently in balance. However, foreign production appears to be in excess of consumption and, as prices in the United States are influenced by world markets, it is only through the restoration of world peace and normal conditions that any company can look toward the future with confidence.

Consolidated Earnings

The Consolidated Income of $6,528,048.06 for the year ended December 31, 1939 before depletion and Federal income taxes shows an increase of $4,713,267.12 over that of the previous year. The Consolidated Net Income of $5,292,907.56 after all deductions compares with $1,331,256.46 for 1938.

The Comparative Consolidated Earnings for the ten years ended December 31, 1939 are shown below:

Year	Income after Interest but Before Other Deductions	Provision for Depreciation	Provision for Income Taxes	Net Income before Depletion, Etc.	Provision** for Depletion, Etc.
1930	$5,809,486.42	$1,319,064.38	$390,314.61	$4,100,107.43	$2,566,469.67
1931	1,622,220 01	1,149,702.39	....	472,517.62	1,886,589.04
1932	*287,881.11	1,011,845.62	....	*1,299,726.73	1,606,310.78
1933	1,316,485.60	1,022,922.73	....	293,562.87	1,461,310.72
1934	1,936,908.95	1,121,960.66	78,862.23	736,086.06	1,548,604.47
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

*Loss.

**Includes abandoned leases for the years 1933 to 1937 inclusive and provision for obsolescence of the Doe Run Mill for the years 1935 to 1937 inclusive.

Dividends

Dividends of twenty-five cents per share were paid on March 20, June 20, September 20 and December 20, together with an extra dividend of one dollar per share on December 20, 1939. These dividend distributions, aggregating $3,911,360.00, were paid entirely out of the surplus earnings of the Company accumulated after February 28, 1913, and are, therefore, subject to Federal income tax.

The following is a record of dividends for the years 1930 to 1939, inclusive:

Dividends Paid to Stockholders

Year	St. Joseph Lead Company	Per Share	Minority Interest in Subsidiaries	Year	St. Joseph Lead Company	Per Share	Minority Interest in Subsidiaries
1930	$5,851,386.00	$3.00	$128,865.00	1935	$ 782,269.30	$0.40	....
1931	2,438,079.75	1.25	14,618.75	1936	1,955,676.90	1.00	....
1932	292,569.75	.15	....	1937	4,889,198.50	2.50	....
1933	....	....	....	1938	1,955,680.00	1.00	....
1934	586,701.30	.30	....	1939	3,911,360.00	2.00	....

Financial

The Consolidated Balance Sheets as of December 31, 1939 and December 31, 1938 of St. Joseph Lead Company and Subsidiaries, and the related Summaries of Consolidated Net Income and 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, with the exception of Aguilar Corporation and its foreign subsidiary, are included in these statements.

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.

The only Federal, State and Municipal Securities owned by the Company at December 31, 1939 were $122,000.00 par value on deposit with the New York, Pennsylvania and Missouri Industrial Compensation Commissions, and the United States Department of the Interior.

In the audit of our 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 at December 31, 1939.

During 1939, capital expenditures by the St. Joseph Lead Company and consolidated subsidiaries amounted to $274,807.31 in comparison with $442,858.13 in 1938.

Southeast Missouri Division

Because of the improved demand for lead, on August 6, 1939, the operating schedule was increased from four days per week to a full time basis for this division of five days per week. The same changes were also effected at the property of Mine La Motte Corporation (50% owned). The development work during 1939 proved entirely satisfactory.

Balmat and Edwards Divisions

The two mining properties located in Northern New York were operated at full capacity and on a basis of six days per week throughout the year. Development work at these mines also showed satisfactory results.

Josephtown Division

The zinc smelter and sulphuric acid plant located at Josephtown, Pennsylvania, operated at full capacity. The year's production and available inventory stocks were sold. Larger condensers, installed on the metal furnaces during the year, have enabled the plant to handle the entire output of the Balmat and Edwards Mines.

Argentine Property

The Aguilar Mine, located in the Province of Jujuy, Argentina, was operated at the rate of approximately 500 metric tons of ore per day until April, when the new equipment was made available. During the remaining nine months of the year, the average rate was about 800 metric tons per day. The production, sales and inventory tonnages for the years 1939 and 1938 are as follows:

	Lead Concentrates (in metric tons)		Zinc Concentrates (in metric tons)	
Year	1939	1938	1939	1938
Production	36,728	29,836	42,250	29,478
Sales	33,307	28,816	26,179	4,467
Stocks, at end of year	5,294	1,873	49,220	33,149

In 1939, capital expenditures amounted to 1,357,626 pesos, which is equivalent to $314,351.93 at the rate of exchange prevailing during the months of such expenditure. Cash receipts not required for capital and operating expenditures were used to pay the $203,046.02 Argentine bank loan and the $100,054.82 due St. Joseph Lead Company at the close of the previous year. As of December 31, 1939, the only outstanding indebtedness, except current indebtedness, of the Company was $1,119,699.80 due Aguilar Corporation of Delaware (parent company) on open account. It is anticipated that this indebtedness will be liquidated as rapidly as the current position permits.

The Consolidated Balance Sheets of Aguilar Corporation and Subsidiary at December 31, 1939 and December 31, 1938, together with the Summaries of Consolidated Net Income and Deficit for the years ended on those dates are submitted, and will be found on the pages following the statements for St. Joseph Lead Company and Subsidiaries.

Miscellaneous Operating Information

The operations of the Sheep Ranch Mine, a small gold property in California, were not profitable; however, the ore developed in the lower level is somewhat more encouraging.

The Block "P" Lead and Zinc Mine, located at Hughesville, Montana, remained closed throughout the year, and an early reopening is not contemplated.

The Ritz Mine, located in Oklahoma, and the Jarrett Mine in Kansas, owned by Kansas Explorations, Inc., were placed in production during November. Unless the reduction in the zinc tariff is restored, or unless business conditions in the United States are materially improved, operations in this district will show only a negligible profit.

Stockholders

The number of stockholders of record on December 31st of each year since 1931 and a classification of their holdings are as follows:

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

General

The Stockholders are again reminded that the net value of the capital assets set forth on the accompanying Consolidated Balance Sheets are depleted and depreciated figures based on appraised values as of and after March 1, 1913 or on cost as stated. They do not necessarily indicate the present day values or prospective future values of the Company's property, plant and equipment, 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 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 has been developed 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 undepleted book value by the estimated tonnage of ore in the mines and applying the unit value thus determined to the tonnage sold. This change results in a considerably lower provision for depletion than in years prior to that date.

Although a number of properties were submitted to the Exploration Department, none were accepted.

CLINTON H. CRANE,
President.

New York, February 21, 1940.

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Summaries of Consolidated Net Income

For the Years Ended December 31, 1939 and 1938

		Year ended December 31,		
		1939		1938
Net Sales (including royalty earnings—1939, $4,196 34; 1938, $29,136.11)		$30,362,605.36		$19,646,827.59
Cost of Sales (exclusive of depreciation and depletion)		22,195,676.99		16,179,892.24
Gross Profit from Operations before Depreciation and Depletion		$ 8,166,928.37		$ 3,466,935.35
Deduct:				
Selling, general and administrative expenses	$648,048.47		$ 558,961.56	
Capital stock and miscellaneous other taxes	70,083.03	718,131.50	67,120.59	626,082.15
Net Profit from Operations before Depreciation and Depletion		$ 7,448,796.87		$ 2,840,853.20
Other Income:				
Interest, net	$ 8,846.89		$ 10,529.03	
Dividends	6,601.00		5,798.00	
Profit on sale of real estate, etc., net	116,903.54		16,291.02	
Miscellaneous	5,823.80	138,175.23	344.18	32,962.23
Gross Income before Depreciation and Depletion		$ 7,586,972.10		$ 2,873,815.43
Provision for depreciation		1,058,924.04		1,059,034.49
Income before Depletion and Federal Income Taxes		$ 6,528,048.06		$ 1,814,780.94
Depletion and Federal Income Taxes:				
Provision for:				
Depletion	$562,654.53		$309,601.68	
Federal income taxes	672,485.97	1,235,140.50	173,922.80	483,524.48
Net Income for the Year		$ 5,292,907.56		$ 1,331,256.46

Summaries of Consolidated Surplus

For the Years Ended December 31, 1939 and 1938

	Year ended December 31,	
	1939	1938
Surplus at Beginning of the Year (including surplus from revaluation of ore reserves—1939, $348,509.18; 1938, $357,749.49)	$ 8,512,924.73	$ 8,993,088.04
Additions:		
Net income for the year	5,292,907.56	1,331,256.46
Adjustment of over accrual of Federal income taxes, years 1934 to 1937 inclusive	——	144,260.23
Total	$13,805,832.29	$10,468,604.73
Deductions:		
Cash dividends paid during the year	3,911,360.00	1,955,680.00
Surplus at End of the Year (including surplus from revaluation of ore reserves—1939, $313,327.67; 1938, $348,509.18)	$ 9,894,472.29	$ 8,512,924.73

Notes:

All subsidiaries of the parent company, with the exception of Aguilar Corporation and its foreign subsidiary, are included in the above summaries. The equity of St. Joseph Lead Company in the net profits of Aguilar Corporation and its foreign subsidiary, not included in the above summaries, before provision for depletion of ore reserve values in excess of cost, was $562,360.75 for the year 1939 and $441,617.00 for the year 1938; after provision for depletion of ore reserve values in excess of cost, St. Joseph Lead Company's portion of the net losses of said subsidiaries was $231,157.92 for the year 1939 and $76,113 43 for the year 1938. Gross profit (before depreciation and depletion) of the foreign subsidiary on its sales in 1939 to St. Joseph Lead Company of products which remained in the inventories of the latter at December 31, 1939 amounted to approximately $116,000.00.

No intercompany profits or losses are included in the above summaries.

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1939 and 1938

ASSETS

	December 31, 1939		December 31, 1938	
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)	$21,236,287.18		$21,268,319.02	
Less reserve for depletion	15,345,801.88	$ 5,890,485.30	14,818,328.86	$ 6,449,990.16
Appreciation arising from revaluation subsequent to March 1, 1913	$ 4,315,000.00		$ 4,315,000.00	
Less reserve for depletion	4,001,672.33	313,327.67	3,966,490.82	348,509.18
Total ore reserves and mineral rights, net		$ 6,203,812.97		$ 6,798,499.34
Shafts and underground equipment (at cost)	$ 5,221,918.85		$ 5,240,058.09	
Less reserve for depreciation	4,038,597.50	1,183,321.35	3,988,315.32	1,251,742.77
Land, buildings, plant and equipment (at cost)	$18,117,817.36		$19,084,912.36	
Less reserve for depreciation	12,009,049.63	6,108,767.73	12,179,422.75	6,905,489.61
Railway construction—Cost being refunded		39,160.00		65,165.00
Total capital assets, net		$13,535,062.05		$15,020,896.72
Investments and Advances:				
Aguilar Corporation (at cost—86% owned)	$ 1,515,000.00		$ 1,515,000.00	
Mine La Motte Corporation (at cost—50% owned)	780,484.63		935,484.63	
Kadco Corporation (at cost—50% owned)	100,000.00		100,000.00	
Stocks of other mining companies (at cost—market quotation value—1939, $101,100.00; 1938, $147,000.00)	298,000.00		318,000.00	
Sundry securities, loans, etc. (at cost, less reserve, $200,000.00)	296,137.29	2,989,621.92	274,481.85	3,142,966.48
Current and Working Assets:				
Cash on hand and in banks	$ 8,497,522.55		$ 3,162,035.16	
Notes and accounts receivable — Trade (less reserve — 1939, $20,185.12; 1938, $20,624.77)	1,904,560.67		1,506,521.43	
Due from subsidiaries not consolidated	—		100,054.82	
Other notes and accounts receivable	42,894.78		66,095.70	
Inventories (valuation not in excess of market):				
Finished lead, zinc, etc. (at cost, exclusive of depreciation and depletion)	2,289,092.26		4,463,887.11	
Lead, zinc, etc., in process (at cost, exclusive of depreciation and depletion)	945,154.92		1,078,117.27	
Purchased lead and zinc (at lower of cost or market)	413,853.06		59,491.18	
Materials and supplies (at cost, less reserve for slow-moving items—1939, $109,286.75; 1938, $200,000.00)	1,909,832.37	16,002,910.61	1,807,283.44	12,243,486.11
Miscellaneous Assets:				
Federal, State and Municipal securities on deposit with Federal and State departments (at cost; market quotation value—1939, $138,843.13; 1938, $135,589.37)	$ 120,836.23		$ 120,856.47	
Cash in closed banks	23,263.08	144,099.31	23,263.08	144,119.55
Deferred Charges:				
Mining and milling, prepaid insurance, taxes, etc.		112,935.40		157,079.33
Total		$32,784,629.29		$30,708,548.19

Notes:

The net value of the capital assets shown in the above consolidated balance sheets should be considered in the light of the comments included in the text of this report under the heading "General."

All subsidiaries of the parent company, with the exception of Aguilar Corporation and its foreign subsidiary, are included in the above consolidated balance sheets. The equity of St. Joseph Lead Company in the net profits of Aguilar Corporation and its foreign subsidiary, since acquisition, not included in the above consolidated balance sheets, before provision for depletion of ore reserve values in excess of cost, was $1,482,776.53 at December 31, 1939 and $920,415.78 at December 31, 1938; after provision for depletion of ore reserve values in excess of cost, St. Joseph Lead Company's portion of the net losses of said subsidiaries since acquisition was

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets, December 31, 1939 and 1938

LIABILITIES

	December 31, 1939		December 31, 1938	
Capital Stock:				
Authorized, 2,500,000 shares of $10.00 each	$25,000,000.00		$25,000,000.00	
Issued, 1939, 1,996,836.7 shares; 1938, 1,996,831.3 shares	$19,968,367.00		$19,968,313 00	
Less in treasury, 1939, 41,156.7 shares; 1938, 41,151.3 shares	411,567.00		411,513.00	
Outstanding, 1,955,680 shares	$19,556,800.00		$19,556,800.00	
Scrip outstanding	41.50	$19,556,841.50	95.50	$19,556,895.50
Current Liabilities:				
Accounts payable (trade)	$ 1,181,342.81		$ 1,101,330.36	
Due to subsidiaries not consolidated	62,966.37		—	
Wages payable	98,844.82		93,913.13	
Accrued taxes (including income taxes)	844,193.37	2,187,347.37	317,883.54	1,513,127.03
Deferred Credits:				
Unrealized profit from sale of houses, etc.		22,357.53		67,627.58
Reserves:				
For injury claims and workmen's liability insurance	$ 184,866.31		$ 163,001.84	
For employees' life insurance and retirements	626,805.74		647,921.83	
For contingencies	311,938.55	1,123,610.60	247,049.68	1,057,973.35
Surplus:				
Earned	$ 9,581,144.62		$ 8,164,415.55	
Revaluation of ore reserves	313,327.67	9,894,472.29	348,509.18	8,512,924.73
Total		$32,784,629.29		$30,708,548.19

Notes Continued:

$542,465.12 at December 31, 1939 and $311,307.20 at December 31, 1938. Gross profit (before depreciation and depletion) of the foreign subsidiary on its sales to St. Joseph Lead Company in 1939 of products which remained in the inventory of the latter at December 31, 1939 amounted to approximately $116,000.00. Aguilar Corporation was in arrears in dividends on its $7.00 cumulative preferred stock (75% owned by St. Joseph Lead Company) at December 31, 1939 and 1938, in the amounts of $1,346,450.00 and $1,205,050.00 respectively.

St. Joseph Lead Company and the foreign subsidiary of Aquilar Corporation are contingently liable at December 31, 1939 to refund to a customer the sales price, $280,000.00, of concentrates paid for by the customer and stored in Argentina, in the event any future Argentine law should prevent shipment thereof.

No intercompany profits or losses as between St. Joseph Lead Company and subsidiaries consolidated are included in the above consolidated balance sheets.

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
1930	103,247	5.384	5.456	4.556
1931	151,653	4.049	4.007	3.640
1932	176,157	3.042	3.055	2.876
1933	203,061	3.735	3.652	4.029
1934	235,457	3.724	3.700	4.158
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

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Production in Tons

Year	Ore Mined	Lead Concentrates	Pig Lead Equivalent	Zinc Concentrates	Slab Zinc Equivalent
1930	5,999,813	243,614	164,886	86,795	42,554
1931	4,465,794	196,481	131,586	63,348	31,498
1932	3,233,172	147,242	99,242	34,677	17,017
1933	2,652,944	114,651	78,248	34,741	16,898
1934	3,269,864	124,240	86,060	46,353	22,389
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

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
1930	137,502	82,221	219,723	51,536
1931	105,262	69,085	174,347	78,390
1932	81,467	53,473	134,940	96,484
1933	72,462	47,988	120,450	100,453
1934	84,964	39,566	124,530	103,918
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

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

AGUILAR CORPORATION AND SUBSIDIARY

Summaries of Consolidated Net Income
For the Years Ended December 31, 1939 and 1938

	Year ended December 31, 1939		Year ended December 31, 1938	
Net Sales (Including in 1939 Sales of $267,574.60 to St. Joseph Lead Company)		$2,172,411.92		$1,681,156.74
Cost of Sales (exclusive of depreciation and depletion)		1,174,751.57		805,414.76
Gross Profit from Operations before Depreciation and Depletion		$ 997,660.35		$ 875,741.98
Deduct:				
Selling, general and administrative expenses	$ 66,298.07		$ 57,202.39	
Taxes	12,849.22	79,147.29	10,566.69	67,769.08
Net Profit from Operations before Depreciation and Depletion		$ 918,513.06		$ 807,972.90
Other Income		17,236.83		15,849.12
Gross Income before Depreciation and Depletion		$ 935,749.89		$ 823,822.02
Interest on indebtedness		4,768.72		15,898.52
Income before Depreciation and Depletion		$ 930,981.17		$ 807,923.50
Provision for depreciation		175,793.81		149,105.03
Income before Depletion		$ 755,187.36		$ 658,818.47
Provision for depletion computed on cost		100,082.61		73,447.08
Net Income for the Year before Provision for Depletion Computed on Appreciation of Ore Reserves		$ 655,104.75		$ 585,371.39
Provision for depletion computed on appreciation of ore reserves		915,337 33		671,733.70
Net Loss for the Year		$ 260,232.58		$ 86,362.31

Summaries of Consolidated Deficit
For the Years Ended December 31, 1939 and 1938

	Year ended December 31, 1939	1938
Deficit at Beginning of Year	$ 350,462.90	$ 264,100.59
Net loss for the year	260,232.58	86,362.31
Deficit at End of Year	$ 610,695.48	$ 350,462.90

Notes:

Included in the above summaries are Aguilar Corporation and its only subsidiary, Compania Minera Aguilar, S. A. (a foreign corporation).

No provision has been made in the above summaries for Argentine income taxes as the basis of assessment has not been agreed upon with the Argentine tax authorities, or for United States Federal income taxes as the domestic company had net losses in 1939 and 1938.

No intercompany profits or losses as between Aguilar Corporation and its subsidiary are included in the above summaries.

AGUILAR CORPORATION AND SUBSIDIARY

Consolidated Balance Sheets, December 31, 1939 and 1938

ASSETS

	December 31, 1939		December 31, 1938	
Capital Assets:				
Ore reserves and mineral rights:				
Cost, including exploration and development	$ 1,507,858 82		$ 1,507,858.82	
Less reserve for depletion	272,080.47	$ 1,235,778.35	171,997.86	$ 1,335,860.96
Appreciation arising from revaluation	$13,790,750.50		$13,790,750.50	
Less reserve for depletion	2,489,569.99	11,301,180.51	1,574,232.66	12,216,517.84
Total ore reserves and mineral rights, net		$12,536,958.86		$13,552,378.80
Land, buildings, plant and equipment (at cost)	$ 2,126,349.00		$ 1,813,648.93	
Less reserve for depreciation	569,180.26	1,557,168.74	393,888.90	1,419,760.03
Total capital assets, net		$14,094,127.60		$14,972,138.83
Current and Working Assets:				
Cash on hand and in banks	$ 398,464.28		$ 135,860.72	
Accounts receivable—trade	155,034.86		136,044.28	
Due from St. Joseph Lead Company (Parent Company)	62,966.37		—	
Other accounts receivable	8,029.96		3,999.56	
Inventories:				
Lead and zinc concentrates (at cost, exclusive of depreciation and depletion; less than market)	238,353.25		144,182.26	
Silver (at estimated value)	51,628.27		24,120.16	
Materials and supplies (at cost)	437,480.17	1,351,957.16	445,317.78	889,524.76
Goodwill		50,000.00		50,000.00
Deferred Charges:				
Prepaid insurance, etc.		14,059.53		4,397.04
Total		$15,510,144.29		$15,916,060.63

Notes:

Included in the above consolidated balance sheets are Aguilar Corporation (a domestic holding company) and its only subsidiary, Compania Minera Aguilar S. A. (incorporated and conducting business in Argentina).

Current assets, current liabilities, deferred charges and reserves are shown in the above consolidated balance sheets at the closing quoted rate of exchange at December 31, 1939 and 1938, respectively. 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.

AGUILAR CORPORATION AND SUBSIDIARY

Consolidated Balance Sheets, December 31, 1939 and 1938

LIABILITIES

	December 31, 1939		December 31, 1938	
Capital Stock:				
Preferred stock—$7.00 cumulative:				
Authorized, 100,000 shares without par value (entitled upon redemption or liquidation to $115.00 per share); issued, 20,200 shares at a stated value of $98.00 per share........	$ 1,979,600.00		$ 1,979,600.00	
Common stock:				
Authorized, 250,000 shares without par value; issued, 90,400 shares at a stated value of $1.00 per share.............	90,400.00	$ 2,070,000.00	90,400.00	$ 2,070,000.00
Current Liabilities:				
Loan payable—Bank....................	—		$ 203,046.02	
Accounts payable—trade....................	$ 51,751.78		70,459.35	
Wages payable....................	14,882.74		13,502.00	
Accrued taxes....................	4,204.38		2,482.70	
Due St. Joseph Lead Company (Parent Company)................	—		100,054.82	
Other accounts payable....................	1,904.19	72,743.09	1,837.55	391,382.44
Deferred Credit:				
Unrealized profit on foreign exchange, etc....................		9,307.66		314.54
Reserves:				
For expenses on concentrates held for future delivery	$ 151,946.80		—	
For compensation and accidents....................	17,365.77		$ 10,691.37	
For maintenance and renewals....................	8,725.95	178,038.52	3,384.68	14,076.05
Surplus:				
Capital surplus arising from revaluation of ore reserves (of which $13,387,254.16 has been transferred by the subsidiary to its capital stock account)....................	$13,790,750.50		$13,790,750.50	
Earned surplus (deficit):				
Surplus based on depletion computed on cost................	$ 1,878,874.51		$ 1,223,769.76	
Deduct depletion computed on appreciation of ore reserves....	2,489,569.99		1,574,232.66	
Earned surplus (*deficit)....................	$ *610,695.48		$ *350,462.90	
Remainder—Capital surplus....................		13,180,055.02		13,440,287.60
Total		$15,510,144.29		$15,916,060.63

Notes Continued:

The above consolidated balance sheets do not include any liability for Argentine income taxes as the basis of assessment has not been agreed upon with the Argentine tax authorities.

Cumulative dividends on the $7.00 preferred stock have not been paid since its issuance, and at December 31, 1939 and 1938 amounted to $1,346,450.00 and $1,205,050.00, respectively.

The foreign subsidiary and St. Joseph Lead Company are contingently liable at December 31, 1939, to refund to a customer the sales price, $280,000.00, of concentrates paid for by the customer and stored in Argentina, in the event any future Argentine law should prevent shipment thereof.

No intercompany profits or losses as between Aguilar Corporation and its subsidiary are included in the above consolidated balance sheets.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

22 EAST 40TH STREET
NEW YORK

ACCOUNTANTS' CERTIFICATE

St. Joseph Lead Company:

We have examined the consolidated balance sheets of St. Joseph Lead Company (incorporated in New York) and its wholly-owned subsidiary companies as of December 31, 1939 and 1938, and the related summaries of consolidated net income and surplus for the years ended those dates, have reviewed the systems of internal control and the accounting procedures of the companies, and have examined or tested their accounting records and other supporting evidence by methods and to the extent we deemed appropriate, including physical tests of the inventory quantities.

The accounts of Aguilar Corporation, a majority-owned holding company (not consolidated) which is treated by you as an investment, were examined by us, but the accounts of Compania Minera Aguilar, S. A., which is the foreign subsidiary of Aguilar Corporation, have been examined and reported upon by other accountants, and the data with respect to such foreign subsidiary included in the accompanying consolidated balance sheets of Aguilar Corporation (incorporated in Delaware) and its foreign subsidiary as of December 31, 1939 and 1938, and related summaries of consolidated net income and deficit for the years ended those dates, are as shown by such reports.

In our opinion, based upon our examination of the accounts of St. Joseph Lead Company and its subsidiary companies except Compania Minera Aguilar, S. A. and upon the report of other accountants on their examination of the accounts of the last-mentioned company, and subject to the realizable value of investments and advances, the accompanying balance sheets and related summaries of consolidated net income and surplus, with the footnotes thereon, fairly present the financial condition at December 31, 1939 and 1938, of St. Joseph Lead Company and its wholly-owned subsidiary companies, and of Aguilar Corporation and its foreign subsidiary company, and the results of their operations for the years ended those dates, in conformity with generally accepted accounting principles consistently followed by the companies.

HASKINS & SELLS

New York, February 21, 1940.

ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1939