PRESIDENT'S ANNUAL REPORT

TO

STOCKHOLDERS

OF THE

ST. JOSEPH LEAD COMPANY

FOR THE YEAR

1938

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

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

250 Park Avenue, New York City

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

The hope expressed in my report to stockholders for the year 1937, that business in 1938 would approximate the 1935 level, was realized, but only because the last six months of the year were very much better than the first six months. The average lead shipments into industry for the year 1935 were 36,000 tons per month, as reported by the American Bureau of Metal Statistics, and for 1938 were 35,000 tons per month. During the first six months of 1938, these shipments averaged 30,000 tons, although they averaged 40,000 for the last six months. Reduced shipments and lower prices account for the falling off in earnings for the year 1938, as compared with 1937.

The outlook for 1939 is more encouraging, as consumers' stocks are low and current shipments are better than a year ago.

Consolidated Earnings

The Consolidated Income of $1,814,780.94 for the year ended December 31, 1938 before depletion and Federal income taxes shows a decrease of $7,165,528.81 under that of the previous year. The Consolidated Net Income of $1,331,256.46 after all deductions compares with $7,127,945.15 for 1937.

The Comparative Consolidated Earnings for the ten years ended December 31, 1938 are shown below:

Year	Income after Interest but Before Other Deductions	Provision for		Net Income before Depletion, Etc.	Provision** for Depletion, Etc.
		Depreciation	Income Taxes		
1929....	$11,954,769.82	$1,268,935.08	$883,938 98	$9,801,895 76	$2,264,740.04
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

*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

Quarterly dividends of twenty-five cents per share were paid on March 21, June 20, September 20, and December 20, 1938. These dividend distributions aggregating $1,955,680.00 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 1929 to 1938, 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
1929....	$5,851,374.75	$3.00	$ 70,305.00	1934....	$ 586,701.30	$0.30	....
1930....	5,851,386.00	3.00	128,865.00	1935....	782,269.30	.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	. ...

Financial

The Consolidated Balance Sheets as of December 31, 1938 and December 31, 1937 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 above 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.

Financial

On December 31, 1938, the Company did not own any Federal, State or Municipal Securities with the exception of $122,000 par value which were on deposit with the New York, Pennsylvania and Missouri Industrial Compensation Commissions, and the United States Department of the Interior.

The scope of the audit of our books by Messrs. Haskins & Sells was extended this year, with respect to the verification of inventories, to include physical tests of the quantities shown by the records as being on hand at December 31, 1938.

During 1938 capital expenditures amounted to $442,858.13.

Due to the improved financial standing of the Argentine subsidiary of Aguilar Corporation, the St. Joseph Lead Company has been relieved as guarantor on the bank loans of this Company.

Settlement of the Company's Federal income tax liability through the year 1937 has been effected with the Bureau of Internal Revenue.

Southeast Missouri Divisions

Because of the decreased demand for lead, the five days per week operating schedule in Southeast Missouri was reduced to three days on January 10, 1938 and continued on this basis until September 21, 1938 when an increase to four days was made.

The property of Mine La Motte Corporation (50% owned) also located in Missouri was operated on the same time schedule.

The development work during 1938 proved entirely satisfactory.

Balmat and Edwards Divisions

The Company's Balmat and Edwards Zinc properties, located in Northern New York, were operated on a basis of six days per week during the first quarter of the year, five days per week during the second and third quarters and resumed the six day schedule during the fourth quarter. Development work at these mines also showed satisfactory results.

Josephtown Division

The Josephtown, Pennsylvania, zinc smelter and sulphuric acid plant operated throughout the year on an average of approximately five furnaces. All but a small fraction of the zinc concentrate production from the Balmat and Edwards Mines is now being smelted at this plant.

California Division

The Sheep Ranch Mine, a small gold property in California, was placed in production in January 1938 and so continued throughout the remainder of the year.

Under date of November 22, 1938, a modification of the original lease and option was effected and the property was purchased for the sum of $89,291.15. This figure represents the difference between the royalties paid and the purchase price of $150,000.00.

Hughesville Division

The Block P Lead and Zinc Mine, located at Hughesville, Montana, remained closed throughout the year because of the prevailing low metal prices.

Tri-State Division

The Ritz Mine, located in Oklahoma, was operated from January 1 until May 21 when it was closed because of low zinc prices. The Robinson Mine, located in Kansas, operated until December 15 when it was closed due to the exhaustion of its ore reserves. The Jarrett Mine, also located in Kansas, was not operated during the year.

Argentine Property

The Aguilar Mine, located in the Province of Jujuy, Argentina, was operated throughout the year at the full capacity of its present equipment. Additional equipment necessary to increase the output from the present 500 metric tons per day to 800-1,000 metric tons per day has been purchased and is now being installed with the expectation that the property will be operated on the increased basis by June 1, 1939.

Due to the low foreign zinc price, only 4,467 metric tons of zinc concentrates were sold during the year, with the result that 33,149 metric tons were in stock on December 31, 1938.

The entire lead concentrate production of 28,816 metric tons was sold in the European and Argentine markets.

That portion of the cash receipts which was not required for operating and capital expenditures was used to reduce outstanding loans.

The Consolidated Balance Sheets as of December 31, 1938 and December 31, 1937 of Aguilar Corporation and Subsidiary and the related Summaries of Consolidated Net Income and Surplus for the years ended on those dates are submitted with this report for the first time and will be found on the pages following the statements for St. Joseph Lead Company and Subsidiaries.

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

General

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

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.

Clinton H. Crane,
President.

New York, February 21, 1939.

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Summaries of Consolidated Net Income

For the Years Ended December 31, 1938 and 1937

	1938		1937	
Net Sales (including royalty earnings—1938, $29,136.11; 1937, $86,908.30)		$19,646,827.59		$32,776,804.95
Cost of Sales (exclusive of depreciation and depletion)		16,179,892.24		22,118,672.09
Gross Profit from Operations before Depreciation and Depletion		$3,466,935.35		$10,658,132.86
Deduct:				
Selling, general and administrative expenses	$558,961.56		$595,906.92	
Capital stock and miscellaneous other taxes	67,120.59	626,082.15	78,830.28	674,737.20
Net Profit from Operations before Depreciation and Depletion		$2,840,853.20		$ 9,983,395.66
Other Income:				
Interest, net	$ 10,529.03		$ 33,026.98	
Dividends	5,798.00		19,107.00	
Profit on sale of investments, net	16,291.02		41,645.28	
Miscellaneous	344.18	32,962.23	1,154.99	94,934.25
Gross Income before Depreciation and Depletion		$2,873,815.43		$10,078,329.91
Interest on Notes		—		42,444.79
Income before Depreciation, Depletion and Other Deductions		$2,873,815.43		$10,035,885.12
Provision for Depreciation		1,059,034.49		1,055,575.37
Income before Depletion and Other Deductions		$1,814,780.94		$ 8,980,309.75
Depletion and other Deductions:				
Provision for:				
Depletion	$309,601.68		$426,041.38	
Obsolescence of the Doe Run Mill	—		75,000.00	
Federal income taxes (including surtax on undistributed profits—1937, $32,856.61)	173,922.80		1,329,491.03	
Abandoned leases written-off	—	483,524.48	21,832.19	1,852,364.60
Net Income for the Year		$ 1,331,256.46		$ 7,127,945.15

Notes:

All subsidiaries of the parent company, with the exception of Aguilar Corporation and its foreign subsidiary, are included in the above summaries of consolidated net income. The equity of St. Joseph Lead Company in the net profits or losses of Aguilar Corporation and its foreign subsidiary, not included in the above summaries of consolidated net income, stated, respectively, before and after provision for depletion of ore reserve values in excess of cost, was $441,617.00 profit and $76,113.43 loss for the year 1938, and $626,495.69 and $199,646.26 profit for the year 1937.

No inter- company profits or losses are included in the above summaries of consolidated net income.

Summaries of Consolidated Surplus

For the Years Ended December 31, 1938 and 1937

	1938		1937	
Surplus at Beginning of the Year (including surplus from revaluation of ore reserves—1938, $357,749.49; 1937, $373,853.44)		$ 8,993,088.04		$ 6,814,341.39
Additions:				
Net income for the year		1,331,256 46		7,127,945.15
Adjustment of over accrual of Federal income taxes, years 1934 to 1937 inclusive		144,260.23		—
Total		$10,468,604.73		$13,942,286.54
Deductions:				
Redemption premium on St. Joseph Lead Company Ten-year 4% debenture notes due June 1, 1945 called for payment during 1937	—		$ 60,000.00	
Cash dividends paid during the year	$ 1,955,680.00	1,955,680.00	4,889,198.50	4,949,198.50
Surplus at End of the Year (including surplus from revaluation of ore reserves—1938, $348,509.18; 1937, $357,749.49)		$ 8,512,924.73		$ 8,993,088.04

ST. JOSEPH LEAD COMPA

Consolidated Balance Sheets, I

ASSETS

	December 31, 1938		December 31, 1937	
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)	$21,268,319.02		$21,177,245.30	
Less reserve for depletion	14,818,328.86	$ 6,449,990.16	14,517,967.49	$ 6,659,277.81
Appreciation arising from revaluation subsequent to March 1, 1913	$ 4,315,000.00		$ 4,315,000.00	
Less reserve for depletion	3,966,490.82	348,509.18	3,957,250.51	357,749.49
Total ore reserves and mineral rights, net		$ 6,798,499.34		$ 7,017,027.30
Shafts and underground equipment (at cost)	$ 5,240,058.09		$ 5,215,020.69	
Less reserve for depreciation	3,988,315.32	1,251,742.77	3,893,127.37	1,321,893.32
Land, buildings, plant and equipment (at cost)	$19,084,912.36		$18,859,162.95	
Less reserve for depreciation	12,179,422.75	6,905,489.61	11,284,338.81	7,574,824.14
Railway construction—Cost being refunded		65,165.00		89,305.00
Total capital assets, net		$15,020,896.72		$16,003,049.76
Investments and Advances:				
Aguilar Corporation (at cost—86% owned)	$ 1,515,000.00		$ 1,627,500.00	
Mine La Motte Corporation (at cost—50% owned)	935,484.63		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—1938, $147,000.00; 1937, $147,200.00)	318,000.00		318,002.00	
Sundry securities and loans (at cost, less reserve, $200,000.00)	274,481.85	3,142,966.48	246,489.92	3,227,476.55
Current and Working Assets:				
Cash on hand and in banks	$ 3,162,035.16		$ 3,862,460.32	
Federal and State securities, other than on deposit with Federal and State departments (at cost: market quotation value—1937, $995,985.00)	——		991,344.67	
Notes and accounts receivable — Trade (less reserve — 1938, $20,624.77; 1937, $20,785.22)	1,506,521.43		807,389.26	
Due from subsidiaries not consolidated	100,054.82		37.68	
Other notes and accounts receivable	66,095.70		40,920.16	
Inventories (valuation not in excess of market):				
Finished lead, zinc, etc. (at cost, exclusive of depreciation and depletion)	4,463,387.11		4,076,225.15	
Lead, zinc, etc., in process (at cost, exclusive of depreciation and depletion)	1,078,117.27		729,390.56	
Purchased lead and zinc (at lower of cost or market)	59,491.18		334,962.86	
Materials and supplies (at cost, less reserve for slow-moving items, $200,000.00)	1,807,283.44	12,243,486.11	2,050,098.09	12,892,828.75
Miscellaneous Assets:				
Federal, State and Municipal securities on deposit with Federal and State departments (at cost; market quotation value—1938, $135,589.37; 1937, $130,628.76)	$ 120,856.47		$ 120,913.93	
Cash in closed banks	23,263.08	144,119.55	24,913.08	145,827.01
Deferred Charges:				
Prepaid insurance, taxes, etc.		157,079.33		147,002.23
Total		$30,708,548.19		$32,416,184.30

Notes:

The net value of the capital assets shown in the above consolid comments included in the text of this report.

All subsidiaries of the parent company, with the exception of Ag the above consolidated balance sheets. The equity of St. Joseph Lead and its foreign subsidiary, since acquisition, not included in the above after provision for depletion of ore reserve values in excess of cost, 1938 and $478,798.78 profit and $234,593.77 loss at December 31, 193 $7.00 cumulative preferred stock (75% owned by St. Joseph Lead Co $1,205,050.00 and $1,063,650.00 respectively.

No inter-company profits or losses are included in the above cons

ANY AND SUBSIDIARIES

December 31, 1938 and 1937

LIABILITIES

	December 31, 1938		December 31, 1937	
Capital Stock:				
Authorized, 2,500,000 shares of $10.00 each	$25,000,000.00		$25,000,000.00	
Issued, 1938, 1,996,831.3 shares; 1937, 1,996,807 shares	$19,968,313.00		$19,968,070.00	
Less in treasury, 1938, 41,151.3 shares; 1937, 41,127 shares	411,513.00		411,270.00	
Outstanding, 1,955,680 shares	$19,556,800 00		$19,556,800.00	
Scrip outstanding	95.50	$19,556,895.50	338.50	$19,557,138.50
Current Liabilities:				
Accounts payable (trade)	$ 1,101,330.36		$ 1,130,396.97	
Wages payable	93,913.13		80,015.19	
Accrued taxes (including income taxes)	317,883.54	1,513,127.03	1,586,554.59	2,796,966.75
Deferred Credits:				
Unrealized profit from sale of houses, etc.		67,627.58		67,168.14
Reserves:				
For injury claims and workmen's liability insurance	$ 163,001.84		$ 164,580.76	
For employees' life insurance and retirements	647,921.83		612,313.07	
For contingencies	247,049.68	1,057,973.35	224,929.04	1,001,822.87
Surplus:				
Earned	$ 8,164,415.55		$ 8,635,338.55	
Revaluation of ore reserves	348,509.18	8,512,924.73	357,749.49	8,993,088.04
Total		$30,708,548.19		$32,416,184.30

idated balance sheets should be considered in the light of the

Aguilar Corporation and its foreign subsidiary, are included in
ad Company in the net profits or losses of Aguilar Corporation
ve consolidated balance sheets, stated, respectively, before and
, was $920,415.78 profit and $311,307.20 loss at December 31,
937. Aguilar Corporation was in arrears in dividends on its
Company) at December 31, 1938 and 1937, in the amounts of

isolidated 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
1928	33,618	6.131	6.133	6.027
1929	54,900	6.660	6.646	6.512
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

ST. JOSEPH LEAD COMPANY AND SUBSIDIARIES

Production in Tons

Year	Ore Mined	Lead Concentrates	Pig Lead Equivalent	Zinc Concentrates	Slab Zinc Equivalent
1928	4,833,194	204,181	137,673	45,928	23,257
1929	5,750,412	245,958	165,114	60,475	29,848
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	3,863,525	157,188	107,600	60,797	29,606

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
1928	136,640	52,342	188,982	16,397
1929	160,490	61,399	221,889	22,163
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

*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, 1938 and 1937

	Year ended December 31,			
		1938		1937
Net Sales		$1,681,156.74		$1,987,666.40
Cost of Sales (exclusive of depreciation and depletion)		805,414.76		858,912.54
Gross Profit from Operations before Depreciation and Depletion		$ 875,741.98		$1,128,753.86
Deduct:				
Selling, general and administrative expenses	$ 57,202.39		$ 74,808.61	
Taxes	10,566.69	67,769.08	12,042.10	86,850.71
Net Profit from Operations before Depreciation and Depletion		$ 807,972.90		$1,041,903.15
Other Income		15,849.12		10,862.67
Gross Income before Depreciation and Depletion		$ 823,822.02		$1,052,765.82
Interest on indebtedness		15,898.52		54,471.61
Income before Depreciation and Depletion		$ 807,923.50		$ 998,294.21
Provision for depreciation		149,105.03		130,214.52
Income before Depletion		$ 658,818.47		$ 868,079.69
Provision for depletion computed on cost		73,447.08		63,407.60
Net Income for the Year before Provision for Depletion Computed on Appreciation of Ore Reserves		$ 585,371.39		$ 804,672.09
Provision for depletion computed on appreciation of ore reserves		671,733.70		579,914.66
Net Income (*loss) for the Year		$ *86,362.31		$ 224,757.43

Notes:

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

No provision has been made in the above summaries of consolidated net income 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 1938 and 1937.

No inter-company profits or losses are included in the above summaries.

Summaries of Consolidated Earned Surplus (Deficit)

For the Years Ended December 31, 1938 and 1937

	Year ended December 31,	
	1938	1937
Deficit at Beginning of Year	$ 264,100.59	$ 488,858.02
Net income (*loss) for the year	* 86,362.31	224,757.43
Deficit at End of Year	$ 350,462.90	$ 264,100.59

AGUILAR CORPORA[illegible]

Consolidated Balance She[illegible]

ASSETS

	December 31, 1938		December 31, 1937	
Capital Assets:				
Ore reserves and mineral rights:				
Cost, including exploration and development	$ 1,507,858.82		$ 1,507,858 82	
Less reserve for depletion	171,997.86	$ 1,335,860.96	98,550.78	$ 1,409,308.04
Appreciation arising from revaluation	$13,790,750.50		$13,790,750.50	
Less reserve for depletion	1,574,232.66	12,216,517.84	902,498.96	12,888,251.54
Total ore reserves and mineral rights, net		$13,552,378.80		$14,297,559.58
Land, buildings, plant and equipment (at cost)	$ 1,813,648.93		$ 1,601,665.25	
Less reserve for depreciation	393,888.90	1,419,760.03	244,777.94	1,356,887.31
Total capital assers, net		$14,972,138 83		$15,654,446.89
Current Assets:				
Cash on hand and in banks	$ 135,860.72		$ 107,697.01	
Accounts receivable—trade	136,044.28		260,456.14	
Other accounts receivable	3,999.56		3,476.15	
Inventories:				
Lead and zinc concentrates (at cost, exclusive of depreciation and depletion; less than market)	144,182.26		62,152.68	
Silver (at estimated value)	24,120.16		31,812.73	
Materials and supplies (at cost)	445,317.78	889,524.76	307,070.87	772,665.58
Goodwill		50,000.00		50,000.00
Deferred Charges:				
Deferred loss on foreign exchange	$ —		$ 69,217.03	
Prepaid insurance, etc	4,397.04	4,397.04	374.87	69,591.90
Total		$15,916,060.63		$16,546,704.37

Notes:

Included in the above consolidated balance sheets [illegible]ilai only subsidiary, Compania Minera Aguilar, S. A. (incorp[illegible]ated

The Aguilar Corporation is contingently liable as a guar[illegible]on [illegible] to $203,046.02 on December 31, 1938.

Current assets, current liabilities, deferred charges and [illegible]es [illegible] the closing quoted rate of exchange at December 31, 1938 a[illegible]7, [illegible] capital stock and capital surplus accounts reflect the approxim[illegible]lar [illegible] transactions of which the balances in these accounts consist.

The above balance sheets do not include any liability [illegible]enti agreed upon with the Argentine tax authorities.

Cumulative dividends on the $7.00 preferred stock have n[illegible]n pa amounted to $1,205,050.00 and $1,063,650.00, respectively.

No inter-company profits or losses are included in the abo[illegible]soli

N AND SUBSIDIARY

ecember 31, 1938 and 1937

LIABILITIES

	December 31, 1938		December 31, 1937	
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
Long-Term Debt:				
Notes payable to stockholders, due June 17, 1940		—		150,000.00
Current Liabilities:				
Loan payable—Bank	$ 203,046.02		$ 703,940.40	
Accounts payable—trade	70,459.35		58,804.80	
Wages payable	13,502.00		13,335.85	
Accrued taxes	2,482.70		2,949.16	
Due St. Joseph Lead Company (Parent Company)	100,054.82		—	
Other accounts payable	1,837.55	391,382.44	—	779,030.21
Deferred Credit:				
Unrealized profit on foreign exchange		314.54		—
Reserves:				
For compensation and accidents	$ 10,691.37		$ 16,884.43	
For fire and other insurance	—		1,178.90	
For maintenance and renewals	3,384.68	14,076.05	2,960.92	21,024.25
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	$ 1,223,769.76		$ 638,398.37	
Deduct depletion computed on appreciation of ore reserves	1,574,232.66		902,498.96	
Earned surplus (*deficit)	$ *350,462.90		$ *264,100.59	
Remainder—Capital surplus		13,440,287.60		13,526,649.91
Total		$15,916,060.63		$16,546,704.37

ilar Corporation (a domestic holding company) and its
ated and conducting business in Argentina).
on bank loans of its subsidiary, which guaranty amounted

es are shown in the above consolidated balance sheets at
7, respectively. Capital assets and related reserves and
lar equivalents at the rates prevailing at the dates of the

entine income taxes as the basis of assessment has not been

n paid since its issuance, and at December 31, 1938 and 1937,

solidated balance sheets.

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 wholly-owned subsidiary companies as of December 31, 1938 and 1937, and of the related summaries of consolidated net income and surplus for the years 1938 and 1937. In connection therewith, we made a review of the accounting methods and examined or tested accounting records of the companies and other supporting evidence in a manner and to the extent which we considered appropriate in view of the systems of internal accounting control. The inventories are stated at the values shown by detailed inventory records which are based upon periodic physical inventories. We examined such records of St. Joseph Lead Company and its wholly-owned subsidiary companies, and, as of December 31, 1938, made physical tests of the inventory quantities to the extent which we considered appropriate, without complete verification.

The accounts of Aguilar Corporation, a majority-owned holding company (not consolidated) which is treated by you as an investment, were examined by us as in the case of the wholly-owned subsidiary companies, 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, 1938 and 1937, and related summaries of consolidated net income and surplus for the years 1938 and 1937, 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, in accordance with accepted principles of accounting consistently followed by the companies, the financial condition at December 31, 1938 and 1937, 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.

HASKINS & SELLS

New York, February 21, 1939.

ST. JOSEPH LEAD COMPANY

PRESIDENT'S ANNUAL REPORT TO STOCKHOLDERS

FOR THE YEAR 1938