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PRESIDENT'S ANNUAL REPORT

TO

STOCKHOLDERS

OF THE

ST. JOSEPH LEAD COMPANY

For the Twelve Months

Ended December 31, 1931

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

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

To the Stockholders of the St. Joseph Lead Company:

The following report covers the operations of your Company for the fiscal year ended December 31, 1931.

Dividends

In the year 1931 cash dividends to the amount of $2,438,079.75 have been paid to the stockholders of the St. Joseph Lead Company as compared with $5,851,386.00 in 1930, and to minority stockholders in subsidiary companies $14,618.75 as compared with $128,865.00 in 1930.

Comparative Price, Production, Sales and Earnings

The effect of the low metal prices and sales is reflected in the following comparative yearly figures:

Year	1928	1929	1930	1931
Price f.o.b. St. Louis				
Lead cents per lb.	6.133	6.646	5.456	4.007
Zinc cents per lb.	6.027	6.512	4.556	3.640
Production				
Tons of ore mined	4,833,194	5,750,412	5,999,813	4,465,794
Tons of lead concentrates	204,181	245,958	243,614	196,481
Tons of lead content 100% basis	148,568	178,181	177,935	141,999
Tons of zinc concentrates	45,928	60,475	86,795	63,348
Tons of zinc content 100% basis	27,361	35,115	50,064	37,056
Pig Lead Sales, Including Lead Content in Concentrates Sold				
St. Joe production	136,640	160,490	137,502	105,262
Purchased lead sold	52,342	61,399	82,221	69,085
Total	188,982	221,889	219,723	174,347
Consolidated Earnings				
Profit from operations	$7,772,749.45	$11,883,617.03	$5,809,486.42	$1,974,485.73
Deduct interest and expense on funded debt	—	—	—	352,265.72
Gross Income	$7,772,749.45	$11,883,617.03	$5,809,486.42	$1,622,220.01
Deduct provision for Depreciation	1,050,348.88	1,268,935.08	1,319,064.38	1,149,702.39
Federal Income Taxes	455,623.88	883,938.98	390,314.61	—
Total	$1,505,972.76	$ 2,152,874.06	$1,709,378.99	$1,149,702.39
Net Income before Depletion	$6,266,776.69	$ 9,730,742.97	$4,100,107.43	$ 472,517.62

During the year 1931 the amount charged against current earnings for the depletion of the ore reserves totaled $1,886,589.04 in comparison with $2,566,469.67 in 1930, $2,264,740.04 in 1929 and $1,775,803.27 in 1928. This depletion provision is based on production, whereas the earnings are based on sales. The production for 1931 was approximately 23% greater than sales, and the 1931 sales were about 23% less than in 1930.

Financial Condition

As approved by the Stockholders at the last Annual Meeting held on April 9, 1931, $9,752,300 par value of Ten-Year Convertible 5½% Gold Debenture Bonds were offered at $97.50 plus $0.15 accrued interest per $100 bond to Stockholders of record at the close of business April 20, 1931, in the proportion of $100 principal amount of bonds for each twenty shares of stock then owned. An agreement was also entered into with Messrs. J. P. Morgan & Company to underwrite the entire issue. From the proceeds the short term bank loans were paid off. The Company's funds have been kept in a liquid condition. The Government and short term municipal securities owned as of the close of the year totaled $2,026,000.00 of which $1,960,000.00 mature during 1932. The following table gives the amount and due date of each issue:

Security	Due Date	Par Value
City of Yonkers, N. Y., 5½% Tax Ant. Notes	January 22, 1932	$ 100,000.
Federal Intermediate Credit Bank 3% Notes	February 15, 1932	500,000.
City of Rochester, N. Y., 1.68% Notes	March 7, 1932	100,000.
Federal Intermediate Credit Bank 3.70% Notes	March 15, 1932	500,000.
U. S. Treasury 3½% Certificates	March 15, 1932	10,000.
U.S. Treasury 1⅛% Notes	September 15, 1932	500,000.
New York City 4¼% Bonds, Series S.R.6-V.	November 15, 1932	50,000.
Dominion of Canada 4% 2 yr. Treas. Notes	December 1, 1932	100,000.
New York City 5¼% Corporate Stock	December 15, 1932	100,000.
New York City 4¼% Bonds	May 1, 1936	25,000.
State of New York 4¼% Bonds	April 1, 1937	15,000.
State of New York 4% Bonds	April 15, 1952	16,000.
U. S. 4th Liberty Loan 4¼% Bonds	October 15, 1933-38	10,000.
	Total	$2,026,000.

The Company's investment in the stocks of other Mining Companies, has been written down to the December 31, 1931, closing market bid prices.

A settlement has been effected with the Internal Revenue Department, and all taxes plus interest due through and inclusive of the year 1931 have been paid. A decision as to the Company's 1929 claim for refund has not been received. The $766,821.10 in the Reserve for Contingencies is therefore available for unforseen contingencies, as it is now believed that no part of it will be required for the payment of prior year Federal taxes.

Southeast Missouri

By reason of the increasing stocks of lead, both in the United States and the World markets, your Company continued to operate its mines in Southeast Missouri on a 75% time schedule until October 1, 1931, when a 60% time basis was necessitated. The method of operating each Division three weeks out of every five weeks was adopted in order to give employment to the greatest possible number of men. On March 30, 1931, all wages and salaries were reduced by 20%.

Josephtown, Pennsylvania

The Acid Plant, which was placed in initial production during December, 1930, has continued to operate satisfactorily during the entire year. Approximately 10,400 tons of 100% sulphuric acid was produced of which 9,191 tons were sold. This production may be considered as approximately 30% of the plant's capacity.

The Zinc Smelter was placed in initial production in January. "St. Joe" Zinc Oxide has been well received by the leading United States rubber producers, and prospects for increased sales in the tire, as well as the paint industry, are well assured. The operation has proved the soundness of the original designs, the original estimated furnace capacities and costs are being equalled, and there are good prospects of even further betterment in the costs and in the quality of the oxides now being produced.

St. Lawrence Division, New York

At the Balmat property the new No. 2 Shaft has been completed and the underground development has shown satisfactory results.

The recent development work on the 1700' Level of the Edwards Mine has been most encouraging, and the additional tonnage will insure an increased life for this property.

Atlanta, Idaho

In November, 1917, a development option was taken on the Boise-Rochester Mine area which is located in the Middle Boise Mining District, about one and a half miles south of the Town of Atlanta, Elmore County, Idaho, where gold deposits were discovered and exploited in the early 1860's. Although the development work justified the taking title to the optioned property, additional work on adjoining areas proved unproductive, and it was decided not to place the mine in production.

Due to the increase in the value of gold properties during the last two years, and the improvement in the art of gold flotation, an effort was made to dispose of the Atlanta property. However, as it was impossible to secure a satisfactory offer, and in order to at least partly liquidate the Company's investment, it was decided to ship to this mine certain of the surplus equipment from the Hughesville, Kansas and Southeast Missouri Divisions. A 200-ton flotation mill has been constructed, and the mine will be initially operated in the early months of 1932.

Block P Mine, Hughesville, Montana

All operations were stopped in September, 1930, and on May 1, 1931, the development work was also discontinued; the property was then placed on a watchman basis. Although the development work proved up a satisfactory amount of ore, this mine cannot be placed in production until there is a decided improvement in the combined market values of lead, zinc and silver.

Kansas Explorations, Tri-State District

All operations were stopped on May 1, 1931, and the five mines are now on a watchman basis.

Mine La Motte, Missouri

This property was also closed down in March, 1931, and placed on a watchman basis.

Aguilar Mine, Province of Jujuy, Argentina

Due to the general depressed condition in the world metal markets, it was decided to postpone the placing of this property in production. The development work has been actively continued, and with satisfactory results.

Number of Stockholders

During the last ten years the number of the Company's stockholders has more than doubled:

Year	Number	Year	Number
1921	2,258	1926	3,239
1922	2,351	1927	3,684
1923	2,402	1928	4,183
1924	2,335	1929	4,025
1925	2,629	1930	4,493

December 21, 1931, 5,063 stockholders

The 5,063 in 1931 is divided into 1,784 stockholders owning less than 20 shares, 1,349 owning between 20 and 99 shares, 831 holders of between 100 and 199, and 1,099 owners of 200 or more shares each.

Dividend Notice

In accordance with notice already mailed to stockholders, the Board of Trustees at a meeting held on December 21, 1931, decided that in view of the 1931 earnings, the depressed condition prevailing in the mining industry, the difficulty of prognosticating future earnings, and with the realization that the dividend rate could be readily increased upon any improvement in general business, that it was advisable to follow a conservative course. The dividend, payable on March 21, 1932, was accordingly reduced to fifteen cents per share.

Notice as to Voting Rights for Annual Meeting

The Board of Trustees has fixed the 10th day of March, 1932, as the day as of which stockholders entitled to notice of and to vote at the Annual Meeting shall be determined, and for the purpose of that Meeting, all persons who are holders of voting stock at the close of business on March 10, 1932, and no others shall be entitled to vote at such Meeting. Proxies for the Annual Meeting, which will be held on April 14, 1932, at the Principal Office, 250 Park Avenue, New York City, at eleven o'clock in the forenoon, will be mailed in due course.

February 16, 1932.
New York.

CLINTON H. CRANE,
President.

ST. JOSEPH LEAD COMPANY and SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

December 31, 1931

ASSETS

CAPITAL ASSETS:		
Ore Reserves and mineral rights (including $1,239,512.99 revaluation appreciation)	$42,658,847.34	
Less—Reserve for depletion	29,962,124.44	$12,696,722.90
Land, buildings, plant and equipment	$21,783,676.56	
Less—Reserve for depreciation	8,043,196.01	13,740,480.55
Railway construction—cost being refunded		207,055.00
TOTAL CAPITAL ASSETS		$26,644,258.45
INVESTMENTS AND ADVANCES:		
Aguilar Corporation (89% controlled)	$ 1,462,500.00	
Mine La Motte Corporation (50% owned)	805,484.63	
Stocks of other mining companies (at market bid prices)	177,469.00	
Sundry securities and loans	452,520.98	2,897,974.61
CURRENT AND WORKING ASSETS:		
Cash	$ 2,450,603.97	
Short term securities ($1,960,000.00 due in 1932)	2,026,000.00	
Notes and accounts receivable	1,598,417.15	
Materials and supplies (at cost)	1,738,681.68	
Inventories of lead, zinc, etc. (at cost—less than market)	5,092,299.50	12,906,002.30
DEFERRED CHARGES:		
Unamortized debt discount and expense	$ 295,844.70	
Prepaid insurance, taxes, etc.	131,370.74	427,215.44
TOTAL		$42,875,450.80

LIABILITIES

CAPITAL STOCK:		
Authorized, 2,500,000 shares of $10.00 each	$25,000,000.00	
Issued 1,996,797 shares	$19,967,970.00	
Less—In Treasury, 46,332 shares	463,320.00	
Net	$19,504,650.00	
Scrip outstanding	438.50	$19,505,088.50
MINORITY INTEREST IN SUBSIDIARY COMPANIES—		
Capital stock and proportion of surplus applicable thereto		103,934.32
FUNDED DEBT:		
St. Joseph Lead Company Ten Year Convertible 5½% Gold Debenture Bonds due May 1, 1941	$ 9,752,300.00	
Less—Bonds in treasury	1,185,000.00	8,567,300.00
CURRENT LIABILITIES:		
Accounts payable	$ 1,363,567.35	
Accrued wages	43,530.42	
Accrued interest on bonds in hands of public	78,714.71	
Federal income tax	—	
Total	$ 1,485,812.48	
Dividend of 15c a share declared December 21, 1931, payable March 21, 1932	292,569.75	1,778,382.23
DEFERRED CREDITS—		
Unrealized profit on sale of houses, etc.		126,367.61
RESERVE FOR CONTINGENCIES		766,821.10
SURPLUS		12,027,557.04
TOTAL		$42,875,450.80

ST. JOSEPH LEAD COMPANY and SUBSIDIARIES

STATEMENT OF CONSOLIDATED SURPLUS

For the Year Ended December 31, 1931

SURPLUS, DECEMBER 31, 1930 (Including Surplus arising from revaluation of ore reserves and mineral rights, $1,664,248.02)			$15,192,209.31
Decrease in minority interests during 1931			119.08
Total			$15,192,328.39
PROFIT FROM OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1931 (Before interest and expense on funded debt, depreciation, and depletion)		$1,811,188.28	
OTHER INCOME:			
Profit on sale of purchased metal, etc.	$ 103,133.06		
Interest net	42,451.89		
Dividends	17,712.50	163.297.45	
GROSS INCOME		$1,974,485.73	
Deduct—Interest and expense on funded debt		352,265.72	
INCOME BEFORE DEPRECIATION AND DEPLETION		$1,622,220.01	
Deduct—Provision for Depreciation		1,149,702.39	
INCOME BEFORE DEPLETION		$ 472,517.62	
Deduct—Provision for Depletion		1,886,589.04	
NET LOSS		$1,414,071.42	
Deduct—Proportion of net loss applicable to minority interest		4,718.57	
LOSS FOR THE YEAR ENDED DECEMBER 31, 1931			* 1,409,352.85
GROSS SURPLUS			$13,782,975.54
Deduct—Dividends (including dividend declared December 21, 1931, payable March 21, 1932)			1,755,418.50
SURPLUS, DECEMBER 31, 1931 (Including surplus arising from revaluation of ore reserves and mineral rights, $1,239,512.99)			$12,027,557.04

* Write down of securities amounting to $101,146.67 has been charged against the Reserve for Contingencies.

CERTIFICATE

ST. JOSEPH LEAD COMPANY:

We have examined your accounts and those of your subsidiary companies for the year ended December 31, 1931.

The inventories of lead, zinc, etc. are valued at cost not including depreciation and depletion, which is less than market, and were not verified under audit as to quantities.

In our opinion the accompanying Consolidated Balance Sheet and Statement of Consolidated Surplus set forth, respectively, the financial condition of the companies at December 31, 1931, and the results of their operations for the year ended that date.

February 16, 1932. HASKINS & SELLS.

New York.

ST. JOSEPH LEAD COMPANY

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YEAR 1931

CAMPBELL PRESS, INC.
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