TO OUR SHAREHOLDERS:

Fiscal year 1967 was a period of continuing growth for the Company.

Profits again increased significantly, and steady progress was made in the various phases of the Company's uranium and copper operations. Highlights of the year:

- Net earnings were $1.19 per share, a per share gain of 38 percent over the preceding year.
- Uranium royalties increased 37 percent as growth of the nuclear power industry began to be felt.
- Exploration for uranium was greatly expanded, with the Company active throughout most of the year in acquiring and evaluating new lands.
- Production at the Bluebird Copper Mine again rose, and plans were finalized for construction of a plant to produce electrolytic copper.

Each of these developments contributed to the success of the year; however, the change in the Company's uranium income and in its exploration activities — a result of the dramatic growth of the nuclear power industry — must be regarded as the most significant event of the year, and one whose influence will continue to be felt strongly in the years ahead.

The initial effect of the nuclear power boom was twofold: it boosted production from the Company's properties and stimulated exploration for new reserves. By the end of the fiscal year, the properties were producing at a rate approximating that of 1961 when gross royalties totaled about $1-million. Meanwhile, acquisition of rights to additional acreage increased more than tenfold, and exploration and drilling activity exceeded any previous period in the Company's history.

Growth of the nuclear power generating industry proceeded at an unprecedented pace, establishing 1966 as the year in which nuclear energy became widely recognized as competitive with other fuels in producing electricity. Plans were announced for construction of 29 nuclear plants, with a combined annual capacity of approximately 23,000 megawatts — about 55 percent of the new steam-electric generating capacity announced by the utility industry during the year. This trend continued in 1967. In the first six months, 23 new nuclear units were announced, with a combined capacity of about 18,000 megawatts.

Such rapid expansion led the Atomic Energy Commission to revise its estimate of the nuclear generating capacity which will be available in the United States by the end of 1980. Approximately 150,000 megawatts is now forecast, an increase of some 55,000 megawatts over the AEC's previous estimate made in 1966.

The effect of this growth will be far-reaching — for your Company and for others involved in the various phases of uranium production. It will continue to increase production, will probably maintain uranium oxide prices in the range from $7 to $8 per pound, and will, above all, stimulate exploration, since presently known low-priced domestic reserves will

not satisfy demand much beyond 1980.

Although the change in uranium operations was the most notable development of the year, the production record at the Bluebird Copper Mine was extremely gratifying. Operating efficiency improved, and the production goal of 20,000 pounds of copper per day, set when the property was acquired in 1964, was exceeded by a significant margin. This level of productivity — near optimum for the present plant — was due largely to the efforts of the Mine's dedicated personnel, who met or exceeded production requirements in eleven months of the year.

Two other developments of the year were highly pleasing to management: addition of two capable executives and the broad acceptance of the Company's stock by the investment community. John E. Motica, chief geologist for Union Carbide's Colorado Plateau Operations, joined the Company in April as Vice President in charge of Geology, and F. J. Brandiger, manager of the Albuquerque office of Ernst & Ernst, became Treasurer in June. Such executives and the continued confidence and loyalty of stockholders and the investing public are essential to the growth of the Company.

Earnings again established records in all categories.

Net income was $744,837, an increase of 45 percent over the $514,311 earned in 1966. Per share earnings were $1.19, compared to $.86 in 1966. This represents a 38 percent increase because of the slightly greater number of shares outstanding in 1967. Per share earnings by quarters were: $.270, $.274, $.323, and $.323.

Gross income totaled $3,822,436, up 35 percent over the $2,819,057 of the preceding year. Copper sales were $2,784,852, an increase of 42 percent over 1966. Uranium royalties also rose sharply — to $956,172 — a 37 percent increase over the previous year.

Your management is optimistic about prospects for 1968.

Profits should again increase, and it appears likely that growth may be further accelerated by acquisition of new properties.

An increase in uranium royalties and continuation of copper production at a high level will be the principal factors affecting profits. Gross uranium royalties are expected to rise about 20 percent, to the highest level in Company history.

Production at the Bluebird Mine may not increase appreciably, but two factors could improve profits: a price increase, perhaps to 39 cents per pound late in the year, and production of a more marketable product — electrolytic copper — after the new plant is installed in the third quarter. However, unless copper remains in tight supply, thus placing an extra premium on electrolytic copper, the new plant will tend more to maintain current profit margins rather than to improve them markedly.

Acquisitions could affect the outlook somewhat. Management is presently considering whether to exercise options to purchase the Arivaca Mining Corporation and the Mineral Hill mining properties of Arizona Ranch and Metals Company.

Chief assets of Arivaca are the Dos Cabezas copper sulfide properties near Wilcox, Arizona. Exercise of the option will hinge largely on the extent of reserves, which are believed to consist of several hundred thousand tons of high grade copper ore.

The Mineral Hill properties, located near Havasu City, Arizona, contain a high grade copper oxide deposit now being mined through an open pit. The operation involves use of a vat leaching-iron precipitation system to produce cement copper. Reserves are thought to exceed a million tons.

The extent of exploration and development activity will further affect the outlook. Considerable effort will go into uranium exploration. Acquisition of properties will continue, and the present drilling rate will be increased. Approximately $350,000 has been budgeted for exploration in the fiscal year, and this total could be exceeded if circumstances warrant.

Despite these expenditures, prospects for the year appear promising. Given a reasonable business climate, the Company should continue the progress made in the year just ended.

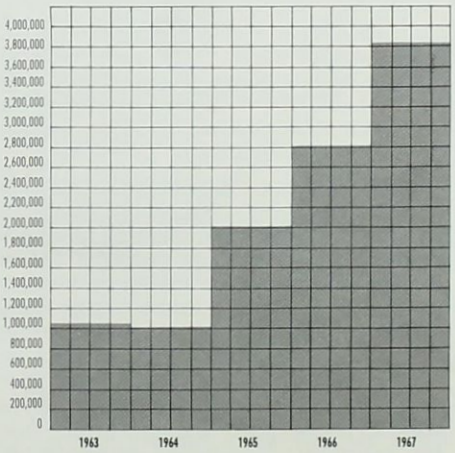
August 15, 1967

Maxie L. Anderson, President

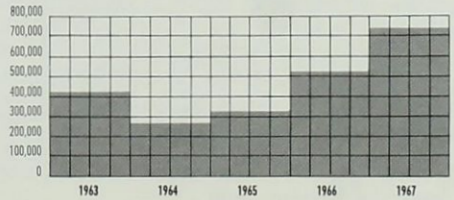
FINANCIAL HIGHLIGHTS

	1967	1966
Gross Income	$3,822,436	$2,819,057
Net Income	$ 744,837	$ 514,311
Net Income per Share	$ 1.19	$ .86
Stockholders' Equity	$2,585,208	$1,707,934
Equity per Share	$ 4.13	$ 2.86

GROSS INCOME 1963-1967



NET INCOME 1963-1967



Copper bearing solution flows from leaching heaps into the precipitation plant at the Bluebird Mine.

Improvements occurred in several key aspects of operations at the Bluebird Mine in 1967:

production rose, copper prices increased, and unit operating costs were reduced slightly despite a sharp rise in acid and iron prices. These factors combined to make the Mine's second full year of production a most successful one.

Production totaled 8,278,000 pounds, an increase of about 30 percent over the 6,389,000 pounds produced the previous year. Production per day averaged 22,680 pounds, well above the minimum production goal of 20,000 pounds daily. This output brought the Mine's total production since startup in October 1964 to about 18,000,000 pounds. A $.02 per pound price increase helped lift gross sales to $2,944,215 (before royalty and ore payment deduction), compared to $2,106,274 in 1966.

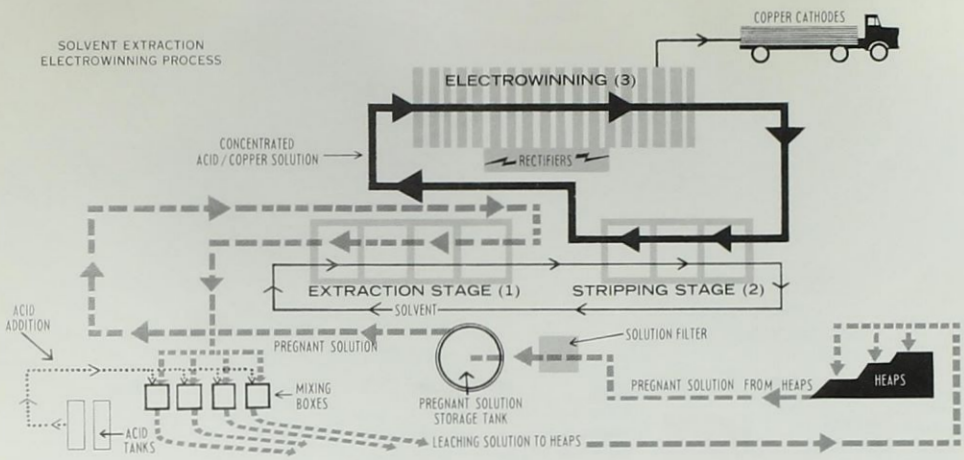
After considerable study, a decision was reached in June to install a facility which will produce electrolytic copper instead of the cement copper now produced. The new plant will cost about $2.7-million and be placed in operation during the third quarter of the fiscal year. In the interim, production of cement copper will continue near the present level.

The new installation will enable the Company to maintain — and perhaps improve — the profitability of the Mine, and have other advantages as well. The tight supply situation which has permitted cement copper, a semi-refined product, to command a premium price appears to be easing, necessitating a switch to a higher quality product.

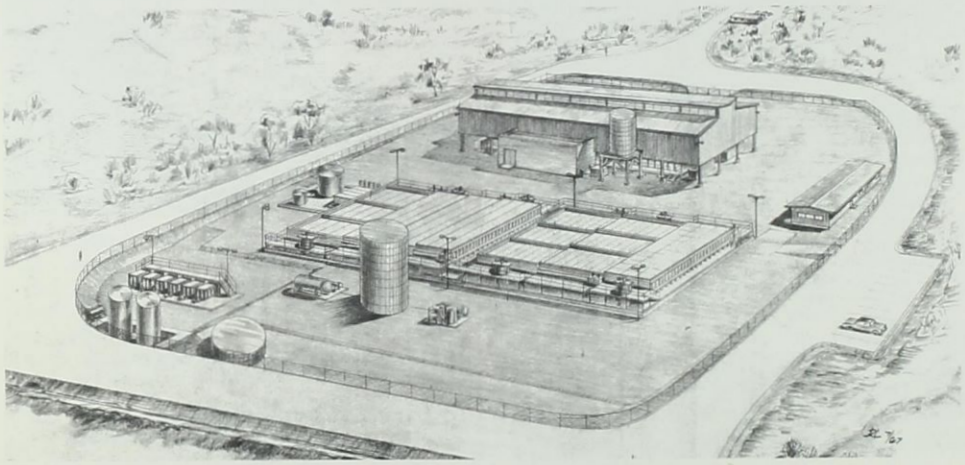
The electrolytic copper produced in the facility will not require smelting, thus will be competitive even during periods of slack demand. If, however, the tight supply situation continues, the new plant would permit a substantial increase over present profits.

The plant will also correct a long-standing operating problem, that of iron contamination in the leaching heaps. In the present system, the iron used in precipitating copper out of the acid solution remains in the liquid when it is pumped back to the heaps. Over a period of time, the iron accumulates, restricting percolation of the solution through the heaps. The iron also inhibits extraction and increases acid consumption. The new circuit will not use iron for precipitation, and will actually regenerate a certain amount of acid during the electrolytic process.

The new circuit will use a solvent extraction process to upgrade the copper solution coming from the heaps. In this process, the heap liquids are filtered, then



(1) Extraction stage — solvent takes copper from leaching solution
(2) Stripping stage — acid solution takes copper from solvent
(3) Electrowinning stage — electrical current takes copper from acid/copper solution

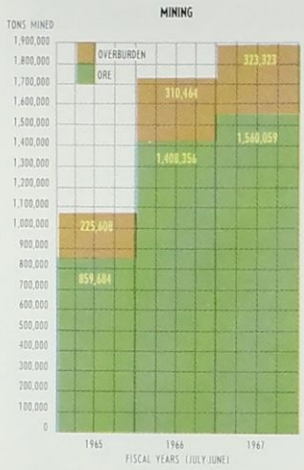


Sketch shows how solvent extraction-electrowinning plant at Bluebird Mine will appear when completed.

mixed with a solvent which attaches itself to the copper ions, separating the copper from the acid and water in the heap solution. The loaded solvent is then mixed with a high acid solution, which strips the copper from the solvent. The clean solvent is recirculated, while the copper-acid solution is sent to the electrowinning unit.

The electrowinning unit consists of cells containing many thin copper starting sheets around which the copper-acid solution is circulated. An electric current is passed through the solution, attracting the copper ions to the starting plates. These plates, called copper cathodes, grow to almost an inch thick and weigh approximately 300 pounds. Since they are 99.9 percent copper, they can be shipped directly to fabricators.

Designed to produce 30,000 pounds of copper per day, the plant is being planned and constructed by the Bechtel Corporation, San Francisco. Cooperating with Bechtel are A. H. Ross and Associates, Toronto, process and engineering consultants; and Hazen Research, Inc., Golden, Colorado, a metallurgical laboratory.



BLUEBIRD MINE

The Company's uranium operations underwent a marked change during the year.

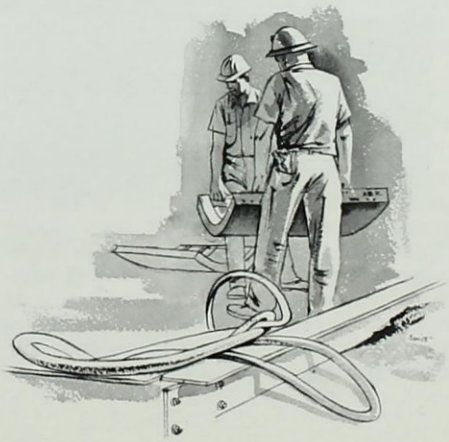
Staking and leasing of property were initiated, drilling commenced, and Kerr-McGee and United Nuclear increased production from Ranchers properties.

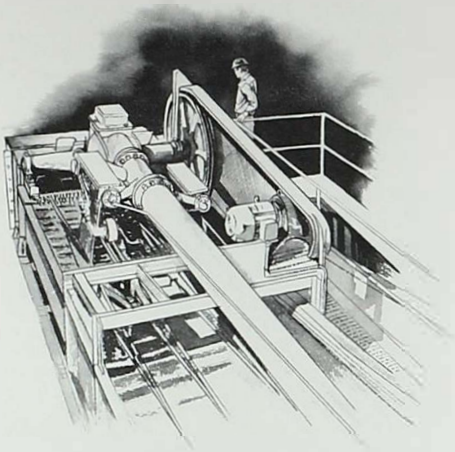
The greatest change was in acquisition of mineral rights to federal, state, private, and Indian lands. The Company began the year with approximately 20,000 acres under control. This total had grown to about 200,000 acres by June 30, 1967, and negotiations were continuing which could substantially increase these holdings.

Much of this acreage is located in northwest New Mexico, within or adjacent to the Grants Uranium Region. However, the Company also acquired mineral rights on property in other sections of New Mexico and made evaluations of acreage in several surrounding states. Property selection was made on the basis of known geological trends and proximity to mineralized areas.

Drilling began in December 1966 on properties west of the Ambrosia Lake area. By the end of the fiscal year, several drill rigs were in use, and operations had shifted to untested areas in the Grants Region. Exploration expenditures were the highest in Company history.

Aerial view shows Kerr-McGee mill where most of the ore from Ranchers' properties is processed.

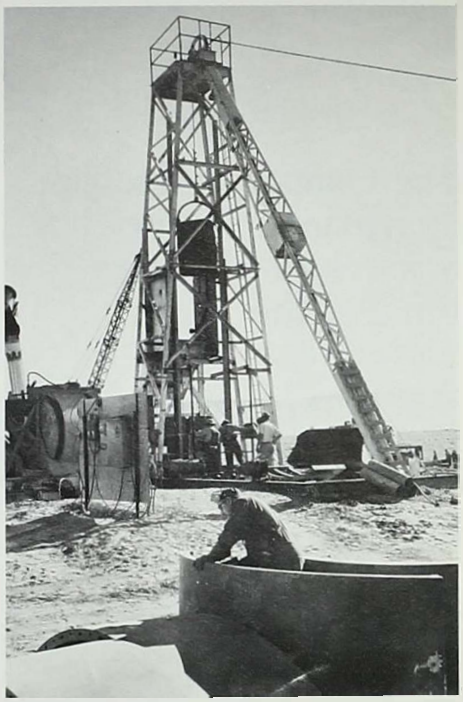




Production from properties in which the Company has a royalty interest was the greatest since 1963. Kerr-McGee, the largest producer, increased production at its mill steadily throughout the year and was processing 5,000 tons of ore per day by year's end. This rate is about double that of a year ago.

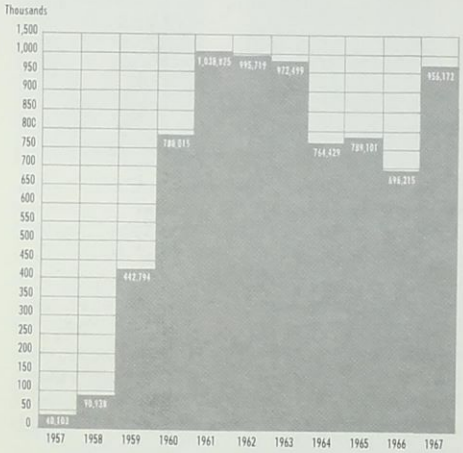
Both Kerr-McGee and United Nuclear began or continued work on new mine shafts which will maintain or slightly increase production from the properties. The new United Nuclear shaft will permit Section 27 (T. 14N., R. 9W.) to be worked for the first time. The Kerr-McGee shaft will supplement production from the main shaft on Section 30 (T. 14N., R. 9 W.).

The increased production during the year was, of course, a direct result of greater projected use of nuclear fuel in electric power generating plants. Both Kerr-McGee and United Nuclear have made substantial sales of U_3O_8 to electric utilities. These commitments, which are in addition to sales to the AEC, will require that mining and milling operations continue at a high level in the future.



Small headframe and other equipment mark site of new Kerr-McGee shaft on West Section 30.

URANIUM ROYALTIES 1957-1967



Headframe over shaft at the Section 30 Mine casts long shadow across New Mexico landscape.

Rotary rig sinks test hole, one of many drilled as part of Ranchers' uranium exploration program.

Exploration activities were directed primarily toward uranium.

However, several copper and other mineral properties were evaluated. Decisions were made, after considerable deliberation, not to proceed with development of copper properties at Safford, Arizona, and Lordsburg, New Mexico. Options on these properties were allowed to lapse; however, options to purchase the Arivaca Mining Corporation and the Mineral Hill properties of the Arizona Ranch and Metals Company were obtained.

The Mineral Hill properties are now producing cement copper from an open pit operation. Arivaca owns several small producers, but its Dos Cabezas copper properties are of primary interest. These properties are producing on a very limited scale from underground workings, but also have open pit potential.

The Company also obtained a lease during the year on a large, high grade lime deposit located on the Caribbean coast of Honduras. The deposit contains several hundred million tons of limestone. The Company has no immediate plans to develop the deposit, but is investigating transportation costs and other factors which will affect production and marketing of the lime.

Litigation between Ranchers and The Anaconda Company

over Utah beryllium claims was settled, ending legal action which began in 1963. Ranchers retains a large number of claims, which are believed to contain a substantial quantity of low-grade ore. The Company has no plans at this time to develop the ore, although use of beryllium is increasing and industry continues to report progress in fabricating the metal. This indicates the approach of a larger market for the metal, one which could justify the capital requirements to produce from low grade ores.

OFFICERS

Maxie L. Anderson, President. Mr. Anderson began his association with Ranchers in 1957 as a member of the Board of Directors and became chief executive officer in 1962. He is also president of Maxiell Corporation, a trucking company chiefly engaged in hauling uranium ore at Ambrosia Lake, New Mexico, and a vice president of Anderson Development Corporation, Houston, Texas. He holds a B. S. degree in industrial engineering from the University of North Dakota (1956).

Vada M. Johnson, Secretary. Mrs. Johnson joined the Company in 1961 as Office Manager, was named Assistant Secretary and Treasurer in 1963, and assumed her present position in 1964. She was employed by Anderson Development Corporation from 1956 to 1961 and prior to that time taught business administration in New Mexico schools. She is a graduate of Lipperts Commercial College, Plainview, Texas, and attended Texas Technological University and the University of New Mexico.

Arthur Miller, Vice President. Mr. Miller directs the Corporation's copper operations. He served as Assistant to the President from 1963 to 1966, when he was promoted to his present position. Prior to that time he was employed by the Central Intelligence Agency, Broadway Department Stores, U.S. Air Force, and North American Aviation. He holds a B.A. degree in International Relations from the University of Southern California (1959) and a Masters Degree in Business Administration from Stanford University (1962).

John E. Motica, Vice President, Geology. Mr. Motica was named to direct the Company's exploration program in April 1967. For the past thirteen years he had served as chief geologist for Union Carbide Corporation's Colorado Plateau Operations, chiefly engaged in uranium exploration and production. Previously, he was employed as an engineer with the Sheridan, Wyoming Coal Company and Pan American Petroleum Company. He holds an Engineer of Mines degree from Colorado School of Mines (1948).

F. J. Brandiger, Treasurer. Mr. Brandiger joined the Company in June 1967 following eight years as manager of the Albuquerque office of Ernst & Ernst. Previously, he served for nine years with the Denver office of Ernst & Ernst, transferring to Albuquerque in 1957. He has provided audit, tax, and management assistance to Ranchers since 1958. He holds a B. S. degree in accounting from Regis College (1948) and is a Certified Public Accountant.

BOARD OF DIRECTORS

Maxie L. Anderson,
Albuquerque, N. M.
President, Ranchers Exploration and Development Corporation

Robert V. Sibert,
Beverly Hills, California
President,
Pearson-Sibert Oil Company of Texas

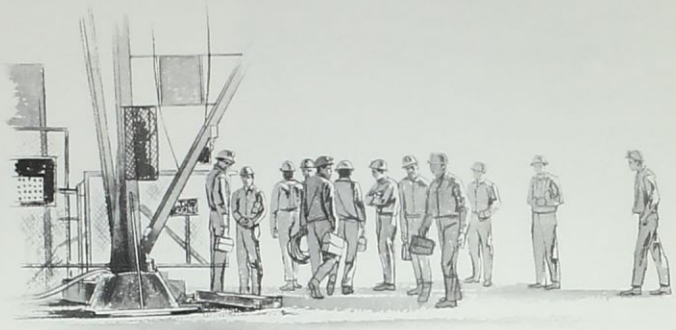
Adrian Berryhill,
Grants, New Mexico
President,
Berryhill Enterprises

Edward E. Monteith, Jr.,
Dallas, Texas
Executive Vice President,
Republic National Bank

Floyd M. Slattery,
Hardin, Montana
Vice President and General Manager,
Campbell Farming Corporation

Transfer Agent
Republic National Bank
Trust Department
Dallas, Texas

General Offices
4204 Coal Avenue, SE
Albuquerque, N. M.



Assets
Balance Sheet
June 30, 1967 and June 30, 1966

	1967	1966
CURRENT ASSETS		
Cash	$ 736,462	$ 609,849
Short-term investments — at cost (approximately market)	532,260	248,350
Corporate stocks — at cost (market value — $303,250)	214,743	-0-
Trade accounts receivable	243,883	191,384
Recoverable federal income taxes	-0-	7,750
Inventories — Note A	557,089	479,618
Prepaid expenses and miscellaneous receivables	63,976	10,925
TOTAL CURRENT ASSETS	2,348,413	1,547,876
PROPERTY, PLANT AND EQUIPMENT — on the basis of cost		
Land ($2,500) and buildings	41,661	41,661
Construction in progress	38,789	-0-
Machinery and equipment	769,746	573,272
Mining claims, leases and permits	700,986	716,597
	1,551,182	1,331,530
Less allowances for depreciation and depletion	624,922	395,851
	926,260	935,679
	$3,274,673	$2,483,555

See notes to financial statements

Liabilities and Stockholders' Equity Balance Sheet June 30, 1967 and June 30, 1966

	1967	1966
CURRENT LIABILITIES		
Trade accounts payable	$ 256,984	$ 161,955
Accrued royalties payable	30,838	41,291
Federal and state income taxes — Note B	138,600	121,400
Current portion of long-term debt	-0-	100,000
Other liabilities	14,643	9,875
TOTAL CURRENT LIABILITIES	441,065	434,521
DEFERRED FEDERAL AND STATE INCOME TAXES — Note B	248,400	341,100
STOCKHOLDERS' EQUITY		
Common Stock — par value $.50 a share: Authorized 1,000,000 shares Issued 625,378 shares, including shares in treasury	312,686	312,686
Capital in excess of par value	226,400	226,400
Retained earnings	2,051,090	1,324,950
	2,590,176	1,864,036
Less cost of Common Stock in treasury — 184 shares in 1967 and 28,203 shares in 1966	4,968	156,102
	2,585,208	1,707,934
	$3,274,673	$2,483,555

See notes to financial statements

Statement of Income and Retained Earnings Year ended June 30, 1967 and June 30, 1966

	1967	1966
Income:		
Net sales — copper	$2,784,852	$1,964,415
— teaching programs	-0-	147,850
Royalties (uranium)	956,172	696,215
Interest and other	81,412	10,577
	3,822,436	2,819,057
Deductions from income:		
Cost of sales — copper	2,179,968	1,595,299
— teaching programs	-0-	120,320
Exploration, conservation and maintenance of mining properties	407,920	60,635
Administrative and general expenses	205,895	245,076
Selling expenses	46,810	62,961
Lease abandonments	8,190	-0-
	2,848,783	2,084,291
INCOME BEFORE TAXES ON INCOME	973,653	734,766
Federal and state income taxes — Note B:		
Currently payable	321,516	130,355
Deferred	(92,700)	90,100
	228,816	220,455
NET INCOME (per share: 1967 — $1.19; 1966 — $ .86)	744,837	514,311
Retained earnings at beginning of year	1,324,950	815,221
	2,069,787	1,329,532
Less excess of cost of treasury shares sold over cash received	18,697	4,582
RETAINED EARNINGS AT END OF YEAR	$2,051,090	$1,324,950
Provisions for depreciation and depletion charged to costs and expenses	$ 234,940	$ 213,023

See notes to financial statements

Auditor's Report

Board of Directors
Ranchers Exploration and
Development Corporation
Albuquerque, New Mexico

We have examined the balance sheet of Ranchers Exploration and Development Corporation as of June 30, 1967, and the related statements of income and retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination for the preceding year.

In our opinion, the accompanying balance sheet and statements of income and retained earnings and source and application of funds present fairly the financial position of Ranchers Exploration and Development Corporation as of June 30, 1967, and the results of its operations and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst + Ernst

Albuquerque, New Mexico
July 26, 1967

Statement of Source and Application of Funds Year ended June 30, 1967 and June 30, 1966

	1967	1966
SOURCE OF FUNDS		
Net income for the year	$ 744,837	$ 514,311
Provisions for depreciation and depletion	234,940	213,023
Mining claims and projects abandoned	144,589	8,932
Increase (decrease) in deferred income taxes	(92,700)	90,100
TOTAL FROM OPERATIONS	1,031,666	826,366
Proceeds of Common Stock sold from treasury	190,170	6,000
	$1,221,836	$ 832,366
APPLICATION OF FUNDS		
Additions to property, plant and equipment (1967 - $372,181; 1966 - $383,785) less carrying amount of disposals	$ 370,110	$ 343,929
Reduction of long-term debt	-0-	140,000
Cost of Common Stock purchased for treasury	57,733	26,312
Increase in net current assets	793,993	322,125
	$1,221,836	$ 832,366

See notes to financial statements

Notes to Financial Statements June 30, 1967

Note A — Inventories

Inventories are stated at cost (principally average cost) which is lower than market and consist of the following:

	June 30, 1967	June 30, 1966
Mining operations:		
Copper ore in leaching heaps	$385,201	$373,350
Finished copper cement	129,282	84,821
Supplies	42,606	21,447
	$557,089	$479,618

Note B — Federal and State Income Taxes

The Corporation deducts all current mining and development costs for income tax purposes while certain of such costs have been deferred on the books for financial reporting purposes and are being amortized over the production units (metal) benefited by such expenditures. Amortization and charge-offs of deferred costs have resulted in a reduction of deferred income taxes with a corresponding increase in net income for the year ended June 30, 1967.

Federal income tax returns of the Corporation have been examined by the Internal Revenue Service through June 30, 1965 and proposed adjustments have been agreed upon and settled.

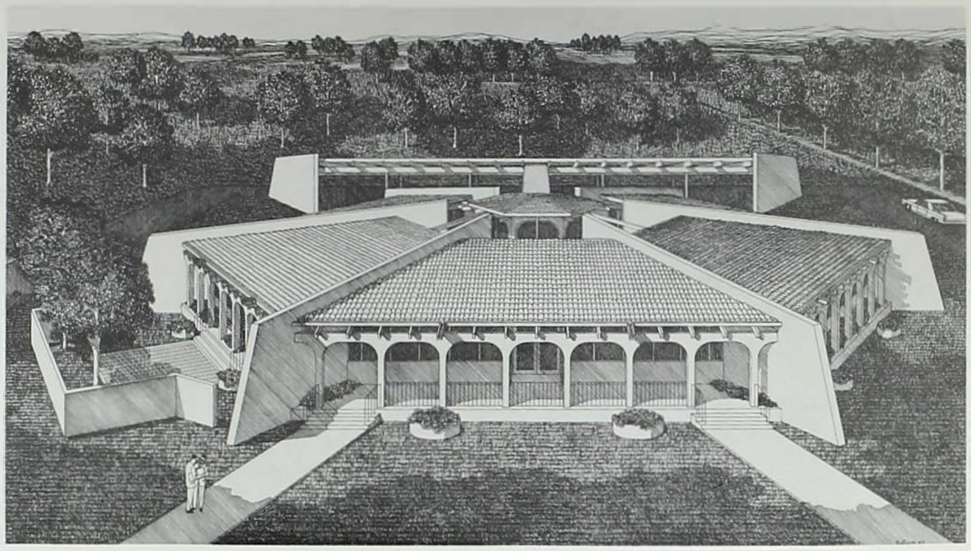
Note C — Stock Options

Stock options have been granted to certain directors, officers and employees to purchase Common Stock of the Corporation at prices not less than market value of the shares at the date the options were granted. During the year options were granted for 2,500 shares at $6.50 a share, 500 shares at $9.00 a share and 2,000 shares at $19.00 a share. Options are exercisable within five years of the date of grant. The option price of options exercised during the year was $3.00 a share for 1,000 shares, $3.50 a share for 5,000 shares, and $5.00 a share for 22,664 shares. An option for 1,000 shares at $3.50 a share was cancelled during the year. Options are outstanding at June 30, 1967 for 7,336 shares at prices ranging from $5.00 a share to $19.00 a and none will expire prior to 1970.

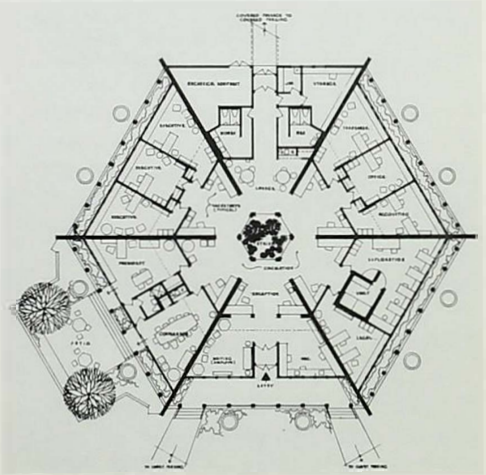
Financial Summary*
1967 - 1963

Fiscal year ended June 30	1967	1966	1965	1964	1963
ANNUAL					
Royalties — uranium	$ 956	$ 696	$ 789	$ 764	$ 972
Copper sales — net of royalties	2,785	1,965	910	-0-	-0-
Other income	81	158	307	264	182
Total income	3,822	2,819	2,006	1,028	1,154
Net income before income taxes	974	735	324	439	620
Provision for income taxes	229	221	(4)	158	202
Net income	745	514	328	281	418
Income per share	1.19	.86	.55	.46	.70
Cash flow from operations	980	727	491	304	439
Cash flow per share	1.57	1.22	.82	.50	.74
Dividends	-0-	-0-	-0-	-0-	149
Dividends per share	-0-	-0-	-0-	-0-	.25
YEAR END					
Current assets	2,348	1,548	1,106	789	886
Current liabilities	441	435	315	212	362
Working capital	1,907	1,113	791	577	524
Net Property, plant and equipment	926	936	814	651	133
Long-term debt	-0-	-0-	140	260	2
Deferred taxes	248	341	251	69	-0-
Net worth	2,585	1,708	1,214	908	682
Stockholders' equity per share	4.13	2.86	2.02	1.50	1.14
Number of shares outstanding	625,194	597,175	599,935	606,732	595,874

*(000 omitted, except for per share and share amounts)



A new headquarters for the Company is now being constructed and will be ready for occupancy in February. Situated in Albuquerque's scenic North Valley, the hexagon-shaped structure features a contemporary Spanish design, with an arched entryway, stuccoed exterior walls, Spanish clay tile roof, and wood ceilings supported by exposed beams. Offices empty into a central circulation area which surrounds an atrium containing shrubs and a fountain. The building, which will have approximately 7,000 square feet of floor space, was designed by Architect John Reed.



The 1967 Annual Report / Editor—**James E. Mitchell** / Design—**Mary Garriott** / Cover—**Gene Garriott** / Artist Garriott's cover depicts three contemporary scenes from the Grants (N.M.) Uranium Region: a rotary drill in operation, the headframe over the Section 30 shaft in Ambrosia Lake and construction of the new West Section 30 shaft (back cover). The Region contains approximately half of the nation's known reserves of low-cost ore. / Photography—**Dick Kent Photography** / Printing—**The McLeod Printing Company** /