



**1968 ANNUAL REPORT  
RANCHERS EXPLORATION  
AND DEVELOPMENT CORPORATION**



## TO OUR STOCKHOLDERS:

The year ending June 30, 1968 was a period in which the Company:

- Earned \$1.11 per share, including extraordinary income, a decrease from the \$1.22 per share earned the previous year.
- Formed a joint venture with Combustion Engineering and Houston Natural Gas which greatly expands the Company's search for uranium.
- Completed construction of an electrolytic copper plant at the Bluebird Mine, making it a more efficient and competitive operation.
- Obtained an option to purchase a North Carolina tungsten property which could become a significant asset of the Company.

In terms of growth, these developments add up to a reasonably successful year; however, your Management was not satisfied with earnings — although they were still the second highest in the history of the Company — and expects to do better in 1969.

When the year began, Management was faced with a formidable task: maintain the 25 percent earnings growth rate of the past two years while increasing uranium exploration and constructing the new copper plant. The latter two objectives were met, but only at the expense of the first.

Lower production and increased costs which occurred while the new plant was being phased into full operation were a particularly severe drain on earnings in the fourth quarter. The plant did not begin to operate near design capacity until July, and production for the year fell 19 percent.

Mine personnel performed extremely well while bringing the new plant on stream, and their efforts will be a key factor in the success of the operation in the months ahead. July production totaled about 835,000 pounds of cathode copper, and costs of operating the facility were well within projected levels. High

acid costs and down-time caused by flooding in early August will, however, adversely affect first quarter earnings.

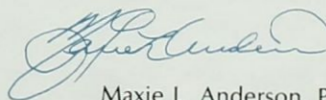
The uranium exploration program will continue to progress during the year as the result of the joint venture agreement with Combustion Engineering and Houston Natural Gas, two companies with whom your Company is very pleased to be associated. The agreement permits a significant increase in exploration and greatly enhances the likelihood of the Company finding ore deposits of commercial quality. Uranium royalties, from Company properties mined by Kerr-McGee and United Nuclear, will probably remain at about the 1968 level.

The North Carolina tungsten mine will again receive considerable attention; however, a final decision on acquisition of the property will not be made until reserves are more thoroughly evaluated. Further development of the property and construction of a mill would require a sizable outlay of capital, but the operation would appear to offer a very satisfactory return on investment.

Management believes that 1969 will be a successful year, with progress in both present operations and in new projects which the Company expects to undertake. Such a year can only be achieved by the continued efforts and support of the Company's employees, stockholders and directors, all of whom contributed to the development of the Company in the year just ended.

The Company is pleased to announce the election of Mr. Frank Coolbaugh to the Board of Directors. Mr. Coolbaugh is a mining consultant and former Chairman of the Board of American Metal Climax, Inc. His experience and ability will serve the Company well in the years ahead.

August 28, 1968



Maxie L. Anderson, President

## EARNINGS

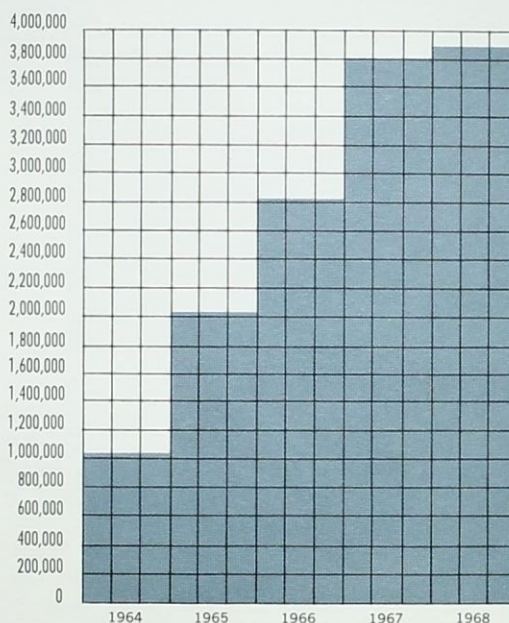
Gross income for the year totaled \$3,897,577, a new record for the Company and an increase of two percent over the previous high of \$3,822,436 grossed last year. Copper sales rose to \$2,870,459, compared to \$2,784,852 a year ago, and uranium royalties increased to \$1,004,991, up five percent over the \$956,172 received in 1967. An adjustment in one of the Company's royalty agreements was a significant factor in raising royalties to their highest level since 1961.

Net income, affected by expenditures for the copper plant and for uranium exploration, declined 10 percent to \$698,413 from the record high of \$774,837 in 1967. Net earnings per share were \$1.11, compared to \$1.22 last year, with \$.30 per share attributable to extraordinary income from sale of corporate stocks which the Company had acquired as temporary investments.

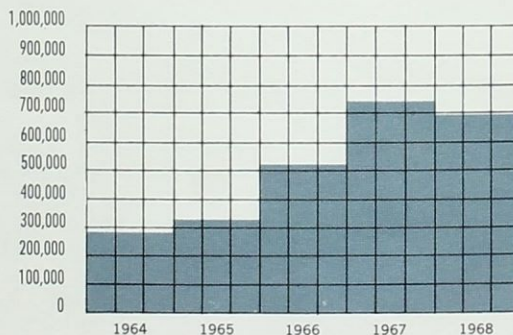
Financial Highlights	1968	1967
<b>Gross Income</b>	<b>\$3,897,577</b>	<b>\$3,822,436</b>
<b>Net Income</b>	<b>\$ 698,413</b>	<b>\$ 744,837</b>
<b>Net Income per Share</b>		
<b>Operations</b>	<b>\$ .81</b>	<b>\$ 1.22</b>
<b>Extraordinary</b>	<b>\$ .30</b>	<b>\$ -0-</b>
<b>Total</b>	<b>\$ 1.11</b>	<b>\$ 1.22*</b>
<b>Stockholders' Equity</b>	<b>\$3,290,389</b>	<b>\$2,585,208</b>
<b>Equity per Share</b>	<b>\$ 5.25</b>	<b>\$ 4.13</b>

\*Based on average number of shares outstanding during the year; the \$1.19 per share previously reported for 1967 was based on shares outstanding at the end of the year.

GROSS INCOME 1964-1968



NET INCOME 1964-1968



## FINANCIAL SUMMARY\* 1968-1964

Fiscal year ended June 30	1968	1967	1966	1965	1964
<b>ANNUAL</b>					
Royalties — uranium	\$1,005	\$ 956	\$ 696	\$ 789	\$ 764
Copper sales — net of royalties	2,871	2,785	1,965	910	-0-
Other income	22	81	158	307	264
Total income	<u>3,898</u>	<u>3,822</u>	<u>2,819</u>	<u>2,006</u>	<u>1,028</u>
Net income before income taxes	724	974	735	324	439
Provision for income taxes	26	229	221	( 4)	158
Net income	<u>698</u>	<u>745</u>	<u>514</u>	<u>328</u>	<u>281</u>
Income per share	1.11 <sup>1</sup>	1.22	.86	.55	.45
Cash flow from operations	989	980	727	491	304
Cash flow per share	1.57	1.57	1.22	.82	.50
Dividends	-0-	-0-	-0-	-0-	-0-
Dividends per share	-0-	-0-	-0-	-0-	-0-
<b>YEAR END</b>					
Current assets	2,210	2,348	1,548	1,106	789
Current liabilities	1,668	441	435	315	212
Working capital	<u>542</u>	<u>1,907</u>	<u>1,113</u>	<u>791</u>	<u>577</u>
Net property, plant and equipment	4,908	926	936	814	651
Long-term debt	1,853	-0-	-0-	140	260
Deferred taxes	405	248	341	251	69
Net worth	3,290	2,585	1,708	1,214	908
Stockholders' equity per share	5.25	4.13	2.86	2.02	1.50
Number of shares outstanding	626,856	625,194	597,175	599,935	606,732

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

<sup>1</sup>Includes extraordinary earnings of \$.30 per share

## URANIUM

The Company conducted an active exploration program in 1968, with investigations made of various silver, gold, copper, tungsten, and uranium prospects. However, with the exception of uranium properties, investigations were confined primarily to known deposits.

Exploration for uranium was greatly increased during the year. Drilling and land acquisition continued at a steady pace, and in April the joint venture agreement with Combustion Engineering, Inc., and Houston Natural Gas Corporation was announced.

The agreement provides for the expenditure of \$3-million to explore for uranium in New Mexico during a three-year period beginning April 1, 1968. This expenditure permits a five-fold increase in the previous drilling rate and enables the Company to compete more actively with major firms now exploring for uranium in the state.

The Company is contributing \$750,000 and its acreage in New Mexico to the exploration program in return for a 50 percent interest in the venture. The other two companies are contributing \$2,250,000 to the program in return for the remaining 50 percent interest — 25 percent for each. Development of properties and production of concentrates is also covered by the agreement. The Company is directing the exploration program and has the right to operate any mines which may result.

Acreage now controlled under terms of the venture totals about 300,000 acres; this includes about 100,000 acres staked or leased by the Company in 1968. The acreage is distributed throughout the state and encompasses state, federal, private and Indian lands. Total acreage is expected to remain reasonably constant in fiscal year 1969, with new acreage and abandonments tending to balance out. As in the past, the Company will investigate

uranium occurrences outside the state, but this will be a smaller effort than exploration conducted under terms of the joint venture.

Most drilling thus far has been of an exploratory nature, with drill holes widely spaced in an effort to identify areas favorable for the deposition of uranium. This type of drilling will predominate in fiscal year 1969, although concentrated exploration will be undertaken in certain favorable areas.

The Company is operating from four to six drilling rigs on a round-the-clock basis and has expanded its geological staff to six. The staff is capable and experienced, making the Company fully competitive with others in the field.

Royalties from Company properties mined by Kerr-McGee and United Nuclear increased slightly over the previous year's total. A shortage of miners, new shaft construction and harsh winter weather kept the increase below expectations. An adjustment in one of the royalty agreements, which for the first time relates royalty on ore directly to the sales price of uranium concentrates, increased the year's total.

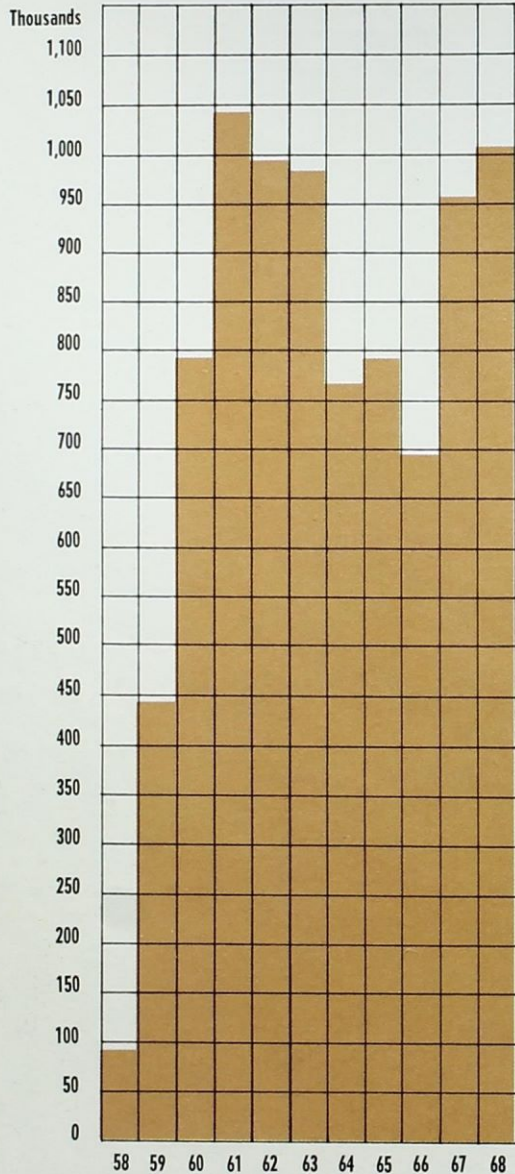
Royalties will probably be about the same during 1969. Helping to maintain that level will be the new shaft on Section 30 (T. 14 N., R. 9 W.) which Kerr-McGee will open in the second half of the fiscal year. United Nuclear's new mine on Section 27 (T. 14 N., R. 9 W.) came on stream in September and is now producing at capacity.

Announcements by electric utilities of plans to construct additional nuclear powered generating plants continued to stimulate both uranium production and exploration. In calendar year 1967, utilities ordered 30 nuclear power plants and in the first six months of 1968, made known plans for 14 more. As of June 30, 1968, there were 15 nuclear power plants in operation, 31 under construction and 56 ordered.

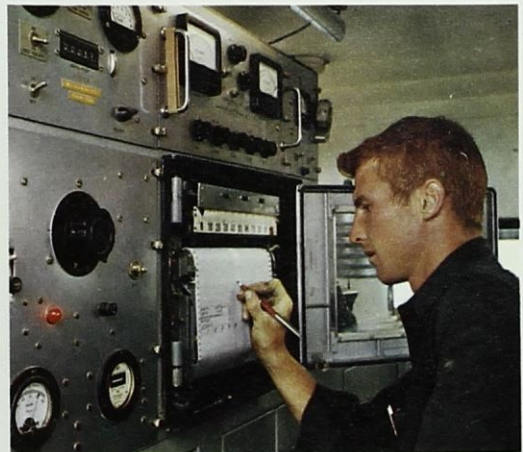
*Driller and his helper position a length of pipe above hole during drilling operation on uranium claim in north-west New Mexico.*



## URANIUM ROYALTIES 1958/1968



Geophysical logs provide much of the data used in uranium exploration. An instrumented probe (top photo), connected to recording equipment in the truck, is inserted in each drill hole. As the probe is lowered, lines drawn by a recording pen on the strip chart (bottom photo) indicate the presence and concentration of uranium and the composition and thickness of the various layers of rock.





## COPPER

The Company changed its copper operations markedly in 1968 — the third full year of production at the Bluebird Mine. Construction of the electrolytic copper plant began in August, the first cathodes were produced in late March, and output was gradually expanded during the remainder of the fiscal year.

The plant is now operating near design capacity. However, lower production during the shakedown period and while the cement copper operation was being phased out reduced output for the year. Production totaled 6,685,713 pounds, compared to 8,277,878 pounds in 1967, a reduction of 19 percent.

Also affecting production and profitability of the Mine were flooding and severe winter weather and a rise in raw material costs, particularly sulfuric acid. Some difficulty was also encountered in marketing output because of the industry-wide copper strike, which closed smelters and forced development of new markets abroad.

Partially offsetting these problems were higher copper prices which prevailed throughout the year. Sales, aided by prices averaging about 40 cents per pound, were \$2,870,459, up slightly over the previous year. This figure, however, included \$295,193 received for copper purchased from other producers. The mining rate for the year totaled 2,269,259 tons of ore and waste, an increase of 20 percent over 1967.

Despite the temporary interruption of the Mine's earning cycle, Management feels the new plant will prove to be an excellent investment since it permits production of a high quality product which will remain competitive even during periods of slack demand. This is in sharp contrast to cement copper, a semi-refined product, which no longer commands a premium as it did when copper was in shorter supply.

Purity of the cathodes produced in the plant exceeds 99.9 percent, a new standard of excel-

lence for copper produced by electrowinning. The cathodes need no further refining and are shipped directly to fabricators.

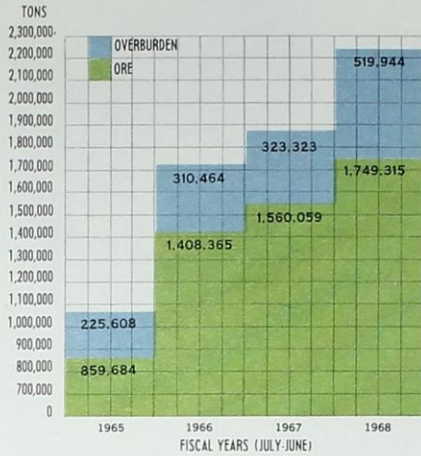
The new plant uses a three-step process to produce the cathodes from a copper bearing solution obtained by percolating acid and water through ore heaps. In the first step, the pregnant solution is mixed with a solvent which attracts copper ions, separating the copper from the solution. Next, the loaded solvent is mixed with a high acid solution which strips the copper from the solvent. Finally, the copper-acid solution is sent to the electrowinning plant, where it is circulated through cells containing many thin copper sheets and lead anodes. Electric current is passed through the solution, attracting the copper ions to the sheets, gradually thickening them to form cathodes weighing about 150 pounds. Plant capacity is about 30,000 pounds per day.

Although the plant is the first of its kind to use solvent extraction to recover copper from solution on a commercial basis, no major operating problems have been encountered, and it is now performing essentially as designed. Several modifications to further improve product quality and to reduce costs are being made, but otherwise the plant is considered fully operational.

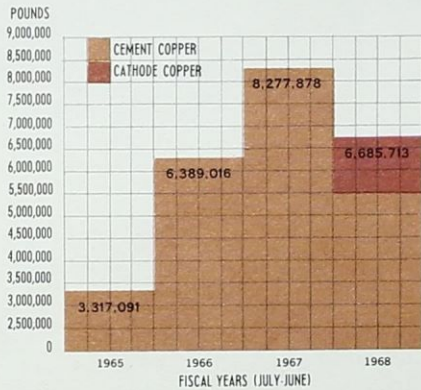
From startup to August 1, the plant had produced about 2.2-million pounds of copper, with monthly output rising from 323,000 pounds in April to 835,000 pounds in July. August production was severely disrupted by rainstorms and flooding early in the month, but the Company still expects to achieve its goal during the year of more than 750,000 pounds of copper per month. This level would bring production for the year to about 9-million pounds, a record total for the Mine. Sulfuric acid plants under construction in the area will increase the local supply of acid late in the year, eliminating out-of-state trucking costs. The Company is also studying the feasibility of developing its own acid production facility.



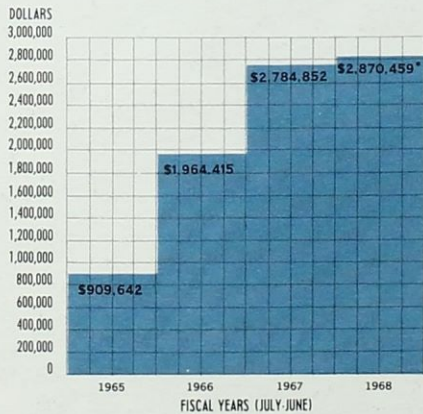
## MINING



## COPPER PRODUCTION



## COPPER SALES

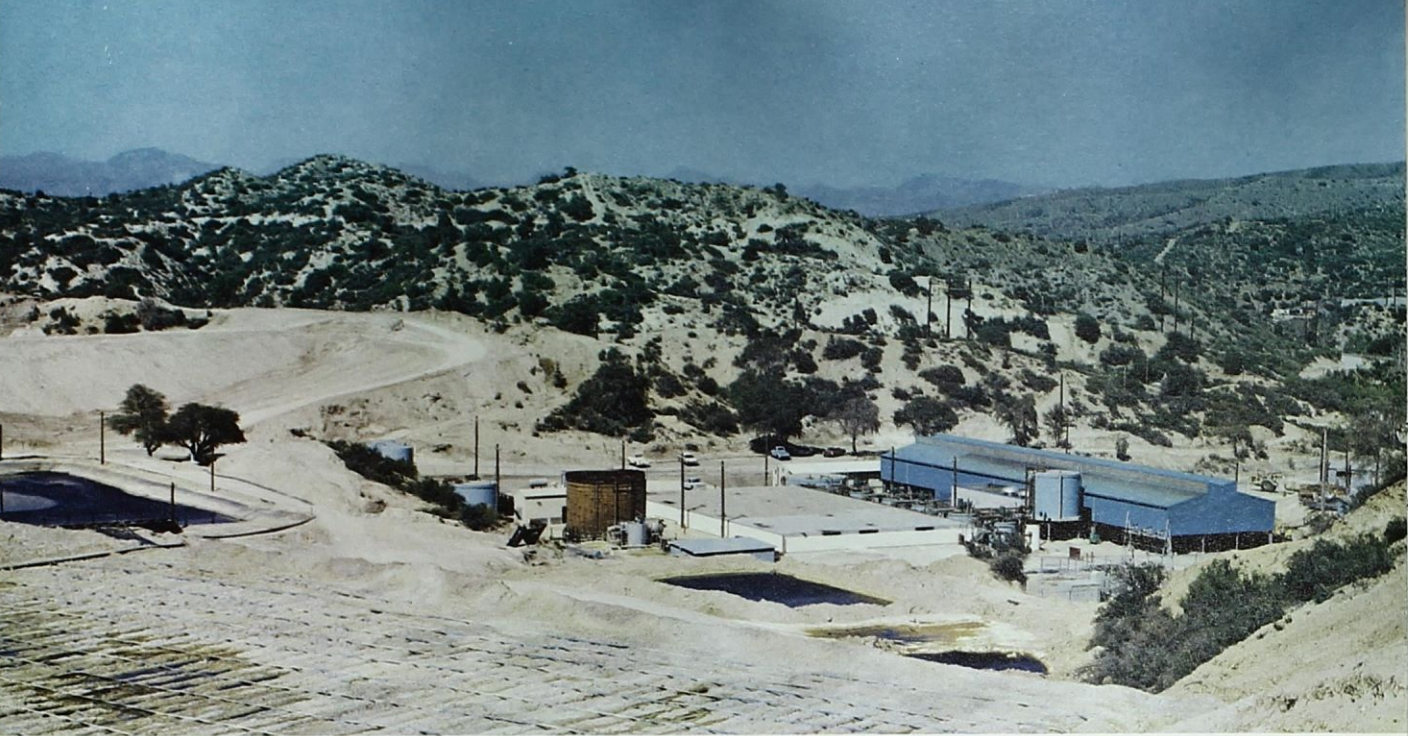


\*Includes \$295,193 received for copper purchased from other producers.

Plant Foreman Lamar Kinnard pulls copper cathodes from electrowinning cells in new plant at Bluebird Mine (opposite page). The 48 cells contain 1,920 cathodes, 240 of which are pulled each day.

Copper bearing solution is sampled as it flows from solvent extraction circuit to electrowinning cells. Solution contains 3.5-percent copper.





### SCENES AT THE BLUEBIRD MINE

Exterior view (above) of new electrolytic copper plant, with ore heaps in foreground; General Manager Ken Power (lower right) at the control panel used to monitor plant operations; and open pit (below) where ore is loosened by tractor-mounted rippers, loaded into scrapers, and carried to heaps for leaching.



## TUNGSTEN

Although the Company investigated several mineral prospects during the year, only one new property remains under consideration — an underground tungsten mine near Henderson, North Carolina, which contains substantial reserves of proven ore.

The mine was previously operated by the Howmet Corporation, but was closed in 1963 when the price of tungsten declined. Proven and probable reserves are estimated at about 1-million tons of hubnerite ore, with good potential for additional ore. The ore is contained in a quartz vein, which has been worked to a depth of 1,500 feet and along its length for a distance of 6,300 feet.

The mine has been dewatered, the shaft rehabilitated and the drifts cleaned so that reserves can be confirmed. Results thus far have been encouraging, and the long range market outlook for tungsten appears favorable. However, a decision whether to acquire the property may not be made until the second quarter when evaluation of reserves is completed.

If the property is acquired, a mill will be erected and the mine placed in production, probably in fiscal year 1970. To construct the mill and bring the mine on stream would require an expenditure in excess of \$3.5-million. A mill capable of producing approximately 100,000 short ton units of tungsten trioxide annually is being considered.

## BERYLLIUM

The outlook for domestic production of beryllium improved in 1968 with the announcement by Brush Beryllium Company that it is constructing a plant to process ore from deposits in west-central Utah. Ranchers controls a large number of claims in the area, but did no significant exploration on the properties in 1968 and has no immediate plans to develop them. Increased use of beryllium and progress in fabricating the metal led to construction of the new plant, which Brush expects to have in production next year. Output will supplement or replace ore now imported from South Africa and South America.

*Headframe over the underground tungsten mine which is being evaluated by the Company.*



## ASSETS

### BALANCE SHEET / JUNE 30, 1968 AND JUNE 30, 1967

	1968	1967
CURRENT ASSETS		
Cash	\$ 577,099	\$ 736,462
Short-term investments — at cost (approximately market)	-0-	532,260
Corporate stocks — at cost (market value — \$303,250)	-0-	214,743
Trade accounts receivable — Note A	355,962	243,883
Recoverable federal income taxes — Note G	145,677	-0-
Inventories — Note B	1,022,676	557,089
Prepaid expenses and other current assets	108,949	63,976
TOTAL CURRENT ASSETS	<u>2,210,363</u>	<u>2,348,413</u>
INVESTMENT IN JOINT VENTURE — Note C	98,460	-0-
PROPERTY, PLANT AND EQUIPMENT — on the basis of cost — Notes D and E		
Land (1968 — \$68,554; 1967 — \$2,500) and buildings	359,919	46,460
Machinery and equipment	4,402,001	803,736
Deferred intangible mining costs, mining claims, leases and permits	561,359	516,923
	<u>5,323,279</u>	<u>1,367,119</u>
Less allowances for depreciation and depletion	727,668	455,280
	<u>4,595,611</u>	<u>911,839</u>
DEFERRED MINE DEVELOPMENT COSTS — Note F	312,510	14,421
	<u>\$7,216,944</u>	<u>\$3,274,673</u>

See notes to financial statements

**LIABILITIES AND STOCKHOLDERS' EQUITY**  
**BALANCE SHEET / JUNE 30, 1968 AND JUNE 30, 1967**

	<b>1968</b>	<b>1967</b>
<b>CURRENT LIABILITIES</b>		
Note payable to bank	\$ 500,000	\$ -0-
Trade accounts payable	471,642	256,984
Accrued royalties payable	9,033	30,838
Federal and state income taxes — Note G	35,000	138,600
Other liabilities	41,866	14,643
Current portion of long-term debt	610,948	-0-
TOTAL CURRENT LIABILITIES	<u>1,668,489</u>	<u>441,065</u>
<b>LONG-TERM DEBT, less portion classified as current liability — Note H</b>	1,853,066	-0-
<b>DEFERRED FEDERAL AND STATE INCOME TAXES — Note G</b>	405,000	248,400
<b>STOCKHOLDERS' EQUITY — Notes I and J</b>		
Common Stock — par value \$.50 a share:		
Authorized 2,000,000 shares		
Issued 627,196 shares, including shares in treasury	313,596	312,686
Capital in excess of par value	238,014	226,400
Retained earnings	2,746,937	2,051,090
	<u>3,298,547</u>	<u>2,590,176</u>
Less cost of Common Stock in treasury (1968 — 340 shares; 1967 — 184 shares)	8,158	4,968
	<u>3,290,389</u>	<u>2,585,208</u>
	<u><u>\$7,216,944</u></u>	<u><u>\$3,274,673</u></u>

See notes to financial statements

**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**JUNE 30, 1968 AND JUNE 30, 1967**

	<b>1968</b>	<b>1967</b>
Income		
Net sales — copper	\$2,870,459	\$2,784,852
Royalties — uranium — Note K	1,004,991	956,172
Interest and other	22,127	81,412
	<u>3,897,577</u>	<u>3,822,436</u>
Deductions from income (including provisions for depreciation and depletion: 1968 — \$291,432; 1967 — \$234,940) — Note D		
Cost of sales — copper	2,549,652	2,179,968
Shipping costs and other selling expenses	126,747	46,810
Exploration, conservation, and maintenance of mining properties	403,941	407,920
Administrative and general expenses	304,141	205,895
Lease abandonments	56,756	8,190
	<u>3,441,237</u>	<u>2,848,783</u>
INCOME FROM OPERATIONS BEFORE APPLICABLE INCOME TAXES	456,340	973,653
Federal and state income taxes — Note G		
Currently payable	35,000	321,516
Recoverable (\$145,677) and prior year overaccrual	(165,868)	-0-
Reduction applicable to extraordinary item	(78,350)	-0-
Deferred (credit)	156,600	(92,700)
	<u>(52,618)</u>	<u>228,816</u>
INCOME BEFORE EXTRAORDINARY ITEM	508,958	744,837
Extraordinary item		
Gain on sale of corporate stocks, less applicable income taxes of \$78,350	189,455	-0-
NET INCOME	<u>698,413</u>	<u>744,837</u>
Retained earnings at beginning of year	2,051,090	1,324,950
	2,749,503	2,069,787
Less excess of cost of treasury shares sold over cash received	2,566	18,697
RETAINED EARNINGS AT END OF YEAR	<u>\$2,746,937</u>	<u>\$2,051,090</u>
Per share of Common Stock — Note L		
Income before extraordinary item	\$ .81	\$1.22
Extraordinary item	.30	-0-
Net income	1.11	1.22

See notes to financial statements



## NOTES TO FINANCIAL STATEMENTS / JUNE 30, 1968

**NOTE A — TRADE ACCOUNTS RECEIVABLE**  
Included in trade accounts is \$218,039 for copper sold in February and March, 1968. The customer has refused to pay, claiming delivery was not made in accordance with dates specified in the contract. A suit has been filed by the Company in federal court in Arizona and in the opinion of the Company's counsel, the amount claimed will be recovered.

### NOTE B — INVENTORIES

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

	June 30	
	1968	1967
Finished copper	287,329	129,282
Copper ore in leaching heaps	\$ 559,703	\$385,201
Supplies	175,644	42,606
	<u>\$1,022,676</u>	<u>\$557,089</u>

### NOTE C — INVESTMENT IN JOINT VENTURE

The amount stated represents the cost of mining leases (\$61,699) and cash contributed, less expenditures to date, by the Company to a joint venture organized for the purpose of engaging in the exploration for uranium on mining leases and claims in New Mexico. The joint venture agreement calls for the Company to make additional cash contributions of \$62,500 quarterly until March, 1971 (\$687,500 remaining unpaid at June 30, 1968) and provides that the Company will share in 50% of the profits and 25% of the exploration expenditures of the venture. The Company's share of exploration expenditures through June 30, 1968, amounting to \$25,739, have been recorded as a deduction from income.

### NOTE D — DEPRECIATION, DEPLETION AND AMORTIZATION

It is the policy of the Company to provide for depreciation and depletion by using annual rates which are sufficient to amortize the cost of equipment over its estimated useful life and to amortize the costs of leases and mine development over the productive lives of the mines, based on estimated reserves. Both declining-balance and straight-line methods are used for computing depreciation, there being no difference in reporting for federal income-tax purposes and financial reporting. Costs of producing leases and related mine development costs are being amortized by using the unit-of-production method in computing depletion and is based on estimated recoverable reserves.

### NOTE E — INCREASE IN ESTIMATED RECOVERABLE RESERVES

Estimated recoverable reserves used as the basis for computing amortization of leasehold costs and deferred development costs at the Bluebird Copper Mine in Arizona are as follows:

Year ended June 30, 1966	7,492,000 tons
Year ended June 30, 1967	10,825,549 tons
Year ended June 30, 1968	18,459,270 tons

As compared with the year ended June 30, 1966, the effect on income of the increases in estimated recoverable reserves was to decrease amortization for the year ended June 30, 1967 by \$31,000 and for the year ended June 30, 1968 by \$55,400, and to increase net income as reported by approximately \$15,500 for the year ended June 30, 1967 and \$27,700 for the year ended June 30, 1968.

### NOTE F — DEFERRED MINE DEVELOPMENT COSTS

The amount shown consists of the following:

Heap preparation—Bluebird Copper Mine.	
Arizona—less amortization	\$150,547
Intangible development costs and expenses—Hamme Tungsten Mine.	
North Carolina	<u>161,963</u>
	<u>\$312,510</u>

Heap preparation at the Bluebird Mine represents costs of preparing new heap areas, which costs are being amortized over a three year period.

Deferred costs in connection with the Hamme mine will be capitalized and amortized if the Company exercises its option to purchase the mine and starts production. If not, these costs will be charged to income when the project is abandoned.

### NOTE G — FEDERAL AND STATE INCOME TAXES

The Company deducts all current mining and development costs for income tax purposes while certain of such costs have been deferred for financial reporting purposes and are being amortized over the production units (metal) benefited by such expenditures or, for heap preparation (Note F) over an estimated three year life. Income taxes deferred, as a result of currently deducting such mining and development costs, have been charged or credited to income.

Recoverable federal income taxes result from carryback of investment credits to prior years. In addition to the amount recoverable, \$49,748 has been used to reduce the income tax provision for the current year. The Company uses the flow-through method in accounting for investment credits.

Provision for income taxes for the current year includes the ten per cent surcharge that is effective as of January 1, 1968.

### NOTE H — LONG-TERM DEBT

Long-term debt consists of the following:

Note payable to a bank in monthly installments of \$41,667 to December 26, 1972. The interest rate (currently 7½%) is set at one per cent above the prime rate being charged by the bank. Mining leases from which the Company derives its uranium royalties have been assigned as collateral to the note. In addition, the loan agreement provides, among other things, that the Company shall maintain current assets at 125% of current liabilities and requires that net income plus depreciation and depletion in any fiscal year be adequate to provide 120% of amounts required to service all secured indebtedness of the Company for that fiscal year.	\$2,280,833
Various lease-purchase contracts for heavy equipment with an original cost basis of \$234,508	<u>183,181</u>
	<u>\$2,464,014</u>

Less amount due within one year included with current liabilities	610,948
	<u>\$1,853,066</u>

### NOTE I — STOCK OPTIONS:

At June 30, 1968, 17,404 shares of Common Stock were reserved for issuance to certain

officers and employees under the Company's stock option plan. Of this amount, 9,004 shares were covered by options outstanding and 8,400 shares were available for future grant. Options may be granted at prices not less than market value at date of grant, become exercisable principally in three equal annual installments following dates of grant, and expire five years from date of grant.

Options outstanding at year end are as follows:

1,000 shares at \$47.00 a share of which none are exercisable	
500 shares at \$45.00 a share of which none are exercisable	
1,500 shares at \$40.00 a share of which 300 shares are exercisable	
1,000 shares at \$36.00 a share of which none are exercisable	
2,000 shares at \$19.00 a share of which 400 shares are exercisable	
1,668 shares at \$6.50 a share of which none are exercisable	
1,336 shares at \$5.00 a share of which 667 shares are exercisable	

Changes during the year follow:

(a) Options granted	
1,000 shares at \$47.00 a share	
500 shares at \$45.00 a share	
1,000 shares at \$36.00 a share	
(b) Options cancelled	
400 shares at \$9.00 a share	
(c) Options becoming exercisable	
3,299 shares ranging from \$5.00 to \$40.00 a share	
(d) Options exercised	
1,932 shares ranging from \$5.00 to \$9.00 a share	

### NOTE J — CAPITAL IN EXCESS OF PAR VALUE

Changes during the year are as follows:	
Balance July 1, 1967	\$226,400
Proceeds in excess of par value of shares issued under stock option agreements	9,346
Market price in excess of par value of shares issued for services in construction of new plant	<u>2,268</u>
Balance June 30, 1968	<u>\$238,014</u>

### NOTE K — URANIUM ROYALTIES

During the year ended June 30, 1968, the Company renegotiated and amended its lease agreement with Kerr-McGee Corporation on the mines operated by Kerr-McGee in the Ambrosia Lake area of McKinley County, New Mexico. As a part of the renegotiation the Company received additional royalties of \$252,349, which amount was determined by application of the renegotiated royalty provisions to all ore mined and processed subsequent to January 1, 1967.

### NOTE L — INCOME PER SHARE

Income per share of Common Stock is based on the average number of shares outstanding during the year. Income per share for 1967 was previously reported as \$1.19 per share, based on shares outstanding at the end of the year.

## AUDITOR'S REPORT

Stockholders and 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, 1968, 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.

The estimate of recoverable reserves of copper

used as the basis for computing amortization of leasehold and deferred development costs has been increased. The use of this increase (which we approve) and its effects are explained in Note E to the financial statements.

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 at June 30, 1968, 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  
August 12, 1968

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS YEAR ENDED JUNE 30, 1968 AND JUNE 30, 1967

SOURCE OF FUNDS	1968	1967
Net income for the year	\$ 698,413	\$ 744,837
Provisions for depreciation and depletion	291,432	234,940
Increase (decrease) in deferred income taxes	156,600	(92,700)
TOTAL FROM OPERATIONS	1,146,445	887,077
Proceeds of Common Stock sold from treasury	1,079	190,170
Increase in long-term debt	1,853,066	-0-
Proceeds from sale of previously unissued Common Stock	12,524	-0-
	<u>\$3,013,114</u>	<u>\$1,077,247</u>
APPLICATION OF FUNDS		
Additions to property, plant, and equipment (1968 — \$4,113,090; 1967 — \$372,181) less carrying amount of disposals and abandonments	\$3,974,367	\$ 225,521
Additions to deferred mine development costs (\$321,366 — less amortization of \$23,277)	298,089	-0-
Cost of Common Stock purchased for treasury	7,672	57,733
Investment in joint venture — Note C	98,460	-0-
Increase (decrease) in net current assets	(1,365,474)	793,993
	<u>\$3,013,114</u>	<u>\$1,077,247</u>

See notes to financial statements

#### DIRECTORS

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

Adrian Berryhill,  
Grants, New Mexico  
President, Berryhill Enterprises

Frank Coolbaugh,  
Denver  
Mining Consultant

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

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

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

#### OFFICERS

Maxie L. Anderson, President  
Arthur Miller, Vice President  
John E. Motica, Vice President, Geology  
F. J. Brandiger, Treasurer  
Herbert M. Campbell, Assistant Secretary

#### TRANSFER AGENT

Republic National Bank  
Trust Department  
Dallas, Texas

#### GENERAL OFFICES

1776 Montano Road, NW  
Albuquerque, New Mexico 87107

*The 1968 Annual Report / Editor — James E. Mitchell / Design and Layout — Mary and Gene Garriott / Photography — Dick Kent Photography / Mr. Kent's colorful cover photo captures the night-time beauty of a rotary drill rig in action. The photo is a time exposure taken shortly after sunset near Crownpoint, New Mexico, one of several sites where the Company is drilling on an around-the-clock basis in its search for uranium. Photos on the back cover show a variety of scenes from the Bluebird Copper Mine, Miami, Arizona / Typography — Typographic Service Company / Printing — The McLeod Printing Company / Color Separations — New Mexico Engraving Company /*

