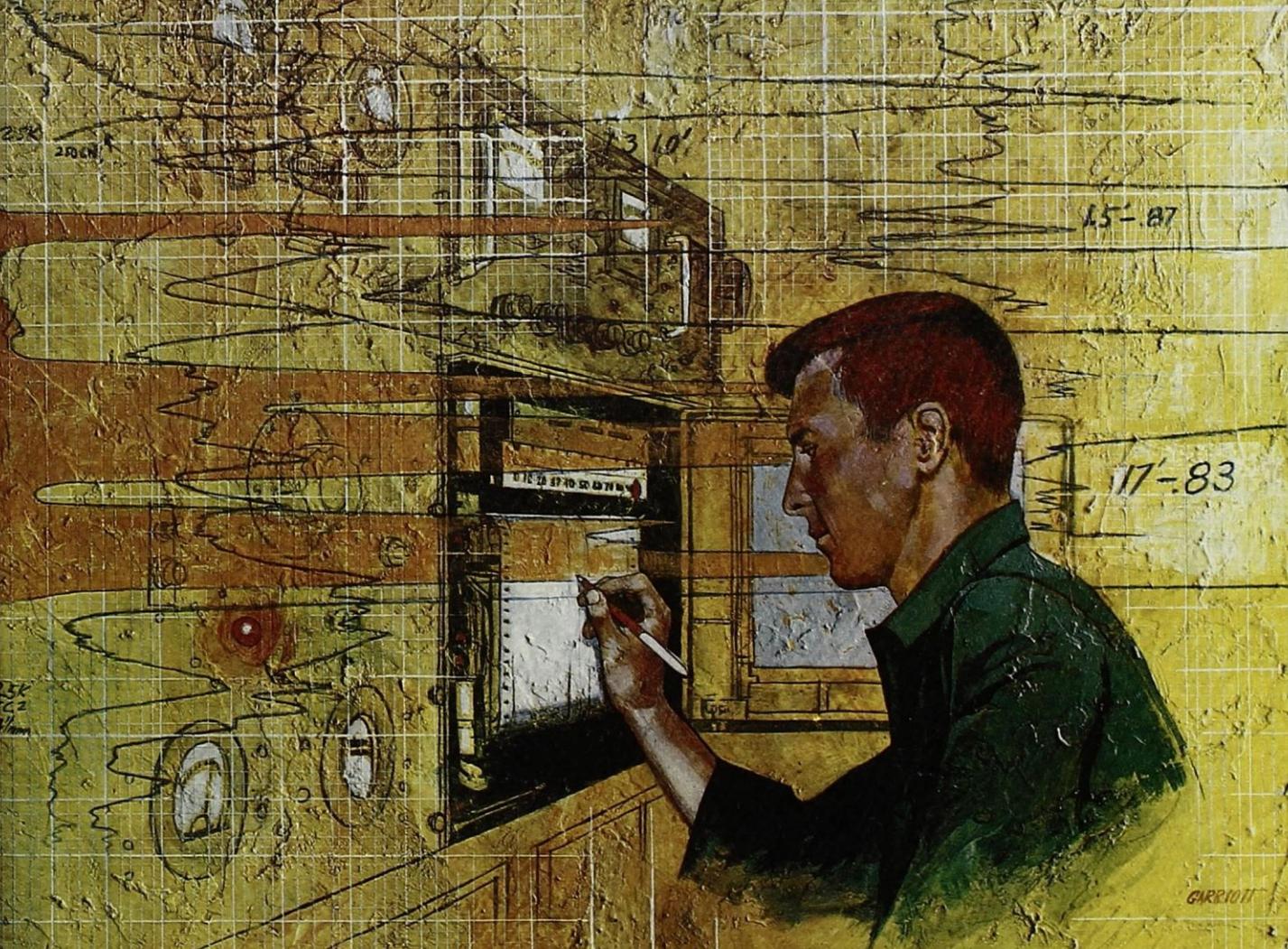
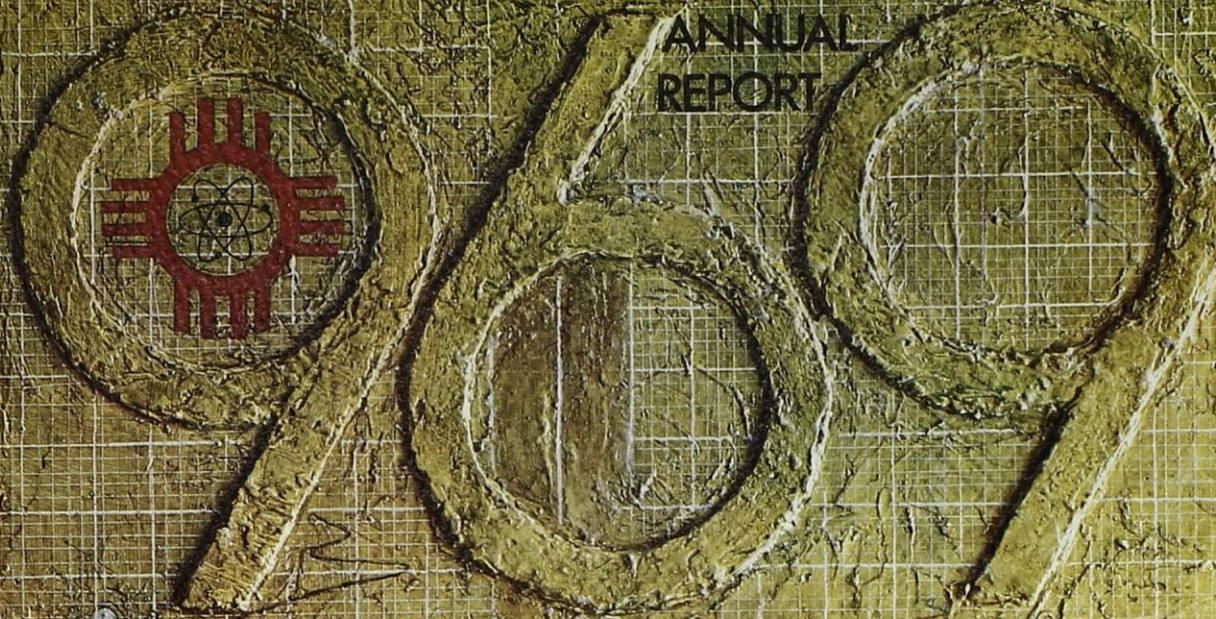


RANCHERS EXPLORATION AND DEVELOPMENT CORPORATION

ANNUAL REPORT



THE COVER

Logging a Uranium Discovery

The Company and its joint venture partners are participating in one of the most intensive mineral hunts of modern times — the search for uranium to fuel a new generation of electric power plants. This quest has now reached record proportions in the U.S., with total drilling exceeding 20-million feet annually — twice the footage drilled in 1957 at the peak of the first exploration boom. The joint venture itself drilled nearly one-half million feet in the 12 months ending June 30.

To help shareholders capture some of the excitement of this search, the cover of this year's annual report features part of a drill log taken from a hole on the venture's new discovery in Ambrosia Lake. Such logs are the uranium geologist's eyes and ears below ground. By charting the grade and thickness of any layer of ore which the drill intersects, they provide him with a reliable picture of geologic conditions hundreds of feet beneath the surface.

The logs are obtained by slowly lowering an instrumented probe — an elongated geiger counter — into each drill hole. The probe counts the radioactivity in each layer, and this count is recorded by pen on a chart located in the logging truck parked nearby. A high count causes the pen to move sharply to the right of the chart — or to leap completely off the page, if the count is high enough. The length of this irregular, horizontal tracing is used to calculate the grade of the ore — the amount of U_3O_8 in each ton. The thickness of the ore layer is computed by measuring the average width of the tracing, with each small square on the chart equaling one foot of ore.

The logging instrument can be operated at different levels of sensitivity — 50, 250, 500, 1,000, 2,500 or 5,000 counts per second (3,800 cps equals about 1 percent U_3O_8). Amongst geologists a 2½ K log (2,500 cps) is a cause for considerable excitement; a 5 K log is a real conversation piece. The equipment operator usually begins the log with one of the lower scales in order to detect even the faintest radiation in the hole. If he encounters radiation sufficient to drive the pen off the chart, he draws the probe out of the mineralized zone and switches to a less sensitive scale for a "rerun" through the zone. In the log reproduced on the cover, the pen left the page at about the 1,310-foot level, and the hole was rerun with a 2,500 cps scale.

Such a rerun, as the cover indicates, can be highly stimulating. Because of the market price of uranium — currently about \$7 per pound of U_3O_8 — a hot hole can have a marked effect on a company's net worth.

The log on the cover shows that the hole — known as D-43 and completed on March 9, 1969 — contains two distinct layers of uranium ore. The top layer is 1½ feet thick and con-

tains .87 percent U_3O_8 , or about 17.4 pounds of U_3O_8 per ton. The bottom layer is 17 feet thick and has a grade of .83 percent U_3O_8 , or approximately 16.6 pounds of U_3O_8 per ton.

Using a standard commonly used to compute uranium reserves, the "area of influence" for this hole is estimated to be about 32,000 square feet. This means that the two layers are calculated to contain a total of 39,470 tons of uranium ore, or about 657,762 pounds of U_3O_8 .

At the current market price, the hole thus represents estimated gross values in excess of \$4½-million to the Company and its exploration partners, assuming all the ore is recovered.

The possibility of such results accounts for the present exploration boom and explains why each new drill log is eagerly awaited and immediately inspected.

The first hint that the joint venture might be on the trail of a discovery came early on the morning of November 20, 1968. Ranchers Geologist Leigh Sprague met the logging truck as it was entering Grants, N.M., after probing a hole on Section 7 (T. 13 N., R. 8 W.) a few miles northeast of town. The venture had acquired mineral rights to the section from the Santa Fe Railroad in sealed bidding completed several months earlier. Aware that the property was a prime prospect although four earlier holes had yielded nothing, Sprague glanced at the exterior of the log, and immediately noticed that a 2½ K scale had been used.

"It was a real jolt," he later recalled. "Just like finding a \$1,000 bill, only better." Sprague quickly unfolded the log and learned that the hole contained 5½ feet of .54 percent ore — the first clue that somewhere on the section might be located a layer of ore extensive enough to be mined profitably. The hole was situated in the northwest quarter of the section; the ore was at a depth of 1,374½ feet.

Following the discovery hole — known as D-9 — two blank holes were drilled; then on December 8 a hole containing one foot of 1.11 percent ore was completed in the extreme southeast corner of the section. Next, offsets of the discovery hole were drilled; one contained 12 feet of .48 percent U_3O_8 .

Though an ore deposit had not yet been proven, joint venture representatives felt the three ore holes were sufficiently important to warrant an announcement to shareholders. "The ore was in the same zone as the producing sand in the Cliffside Mine (about a mile away), so we felt we had a good chance for an ore body," said Dave Fitch, geologist in charge of the Grants office. The announcement was made on December 15.

The consistently high grade of ore continued to surprise everyone, including Geologist (continued on back cover)

TO OUR STOCKHOLDERS:

The year ending June 30, 1969 was a successful one in which the Company:

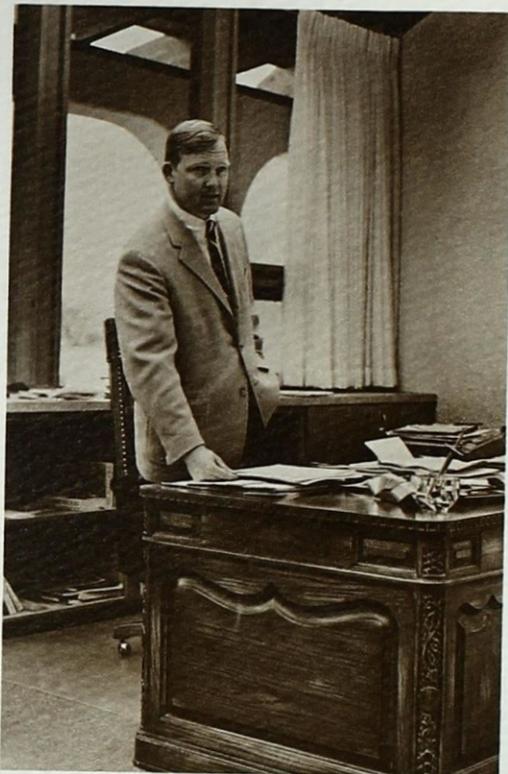
- Earned \$.99 per share from operations, a gain of 43 percent over the previous year despite a nine percent increase in the average number of shares outstanding.
- Purchased the North Carolina tungsten mine and made substantial progress toward placing it in production.
- Discovered a high grade uranium ore body.
- Completed a profitable first year of operation at the new solvent extraction-electrowinning plant at the Bluebird Copper Mine.
- Sold 100,000 shares of common stock and \$3-million in convertible subordinated debentures, thus greatly strengthening the Company's capital position.

Aided by momentum gained from these developments, the Company expects an even better year in 1970. It appears that earnings, which were \$.44 per share in the fourth quarter, will continue at a high level, resulting in a substantial increase over 1969.

Exploration at the tungsten mine is proceeding on schedule, and it is the Company's goal to bring the mine on stream late in the fiscal year or early in fiscal year 1971, when it should become a significant contributor to Company income.

Development of the uranium ore body will begin during the year, with production scheduled to start late in fiscal year 1971 or early in 1972. A decision on milling of the ore will also be made during the year. Uranium royalties should be about the same as in 1969.

Production at the Bluebird Mine is expected to increase, with continuing high copper prices aiding profitability. The leaching circuit at the mine will probably be changed during the year to obtain higher recovery of copper from the ore, and thus add to the life of the property.



The Company also plans to accelerate its mineral exploration program. Emphasis will remain on exploration for uranium, but other minerals will receive more attention. Greater consideration will also be given to acquisition of properties now owned or operated by others.

The developments of 1969 and those planned for 1970 indicate that the Company has entered a period of accelerated growth — one in which assets, income and profits can be expected to increase significantly. It will be Management's principal objective to insure that this growth — and its attendant benefits to stockholders — continues at a high rate in the years ahead.

August 16, 1969

Maxie L. Anderson, President

EARNINGS

Gross income and net income from operations increased sharply in 1969. Gross income totaled \$5,712,473, a new record for the Company and an increase of 51 percent over the \$3,779,577 grossed last year. Copper revenues were the chief contributor to the record gross, rising from \$2,870,459 in 1968 to \$4,834,585 in 1969. Uranium royalties declined to \$739,578, a 17 percent decrease from the \$886,991 received last year.

Net income from operations increased by 57 percent from \$430,958 in 1968 to \$676,305 in 1969. This increase is attributable to continued improvement in copper earnings resulting from both favorable copper prices and better production performance, particularly in the last six months of the year. Interest expense increased significantly, but was offset to a large extent by income from short term investments.

Net earnings per share were \$.99 for 1969, compared to \$1.11 for 1968; however, the latter included extraordinary income of \$.42 per share. An additional 100,000 shares of common stock were also issued in January, 1969, further affecting earnings per share. Per share earnings were markedly higher in the final quarter, totaling \$.44, compared to \$.55 for the first three quarters combined.

FINANCIAL HIGHLIGHTS

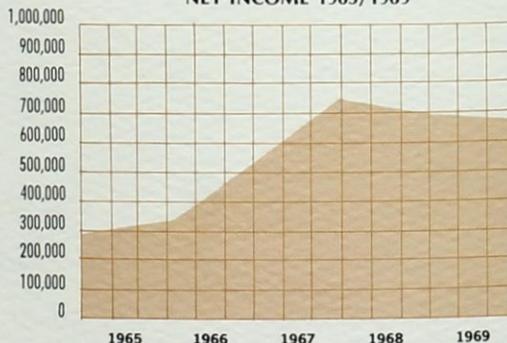
	1969	1968
Gross Income	\$5,712,473	\$3,779,577
Net Income	\$ 676,305	\$ 698,413
Net Income per Share		
Operations	\$.99	\$.69
Extraordinary	\$ -0-	\$.42
Total	\$.99	\$ 1.11
Stockholders' Equity	\$8,482,778	\$3,290,389
Equity per Share	\$ 11.51	5.25

Per share earnings are based on average number of shares outstanding during the year.

GROSS INCOME 1965/1969



NET INCOME 1965/1969



FINANCIAL SUMMARY*

1969-1965

Fiscal year ended June 30	1969	1968	1967	1966	1965
ANNUAL					
Royalties — uranium	\$739	\$ 887	\$ 956	\$ 696	\$ 789
Copper sales — net of royalties	4,835	2,871	2,785	1,965	910
Other income	138	22	81	158	307
Total income	<u>5,712</u>	<u>3,780</u>	<u>3,822</u>	<u>2,819</u>	<u>2,006</u>
Net income before income taxes	714	724	974	735	324
Provision for income taxes	38	26	229	221	(4)
Net income	<u>676</u>	<u>698</u>	<u>745</u>	<u>514</u>	<u>328</u>
Income per share	.99	1.11 ¹	1.22	.86	.55
Cash flow from operations	1,325	1,146	980	727	491
Cash flow per share	1.80	1.83	1.57	1.22	.82
YEAR END					
Current assets	2,861	1,992	2,348	1,548	1,106
Current liabilities	996	1,668	441	435	315
Working capital	<u>1,865</u>	<u>324</u>	<u>1,907</u>	<u>1,113</u>	<u>791</u>
Net property, plant and equipment and other non-current assets	9,968	5,224	926	936	814
Long-term debt	2,910	1,853	-0-	-0-	140
Deferred taxes	440	405	248	341	251
Net worth	8,483	3,290	2,585	1,708	1,214
Stockholders' equity per share	11.51	5.25	4.13	2.86	2.02
Number of shares outstanding	736,808	626,856	625,194	597,175	599,935

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

¹Includes extraordinary earnings of \$.42 per share



Discovery of a high grade ore deposit in the Ambrosia Lake area of northwest New Mexico highlighted the Company's uranium exploration program in 1969. The discovery was made by the joint exploration venture, 50 percent owned by the Company.

The venture, formed in April 1968 with Combustion Engineering, Inc. and Houston Natural Gas Corporation, drilled approximately 460,000 feet of hole in New Mexico during the year. Exploration was confined largely to the northwest part of the state, although properties were acquired and limited exploration performed in other areas.

The new ore deposit is located on Section 7, T. 13 N., R. 8 W., at the eastern end of the Ambrosia Lake District, the principal uranium-producing area in the state. Ore grade material has been intersected in widely separated parts of the section, but mineable ore is presently confined to the northwest quarter of the 640-acre tract. It occurs in two layers of the Westwater Canyon member of the Morrison formation at a depth of about 1,370 feet.

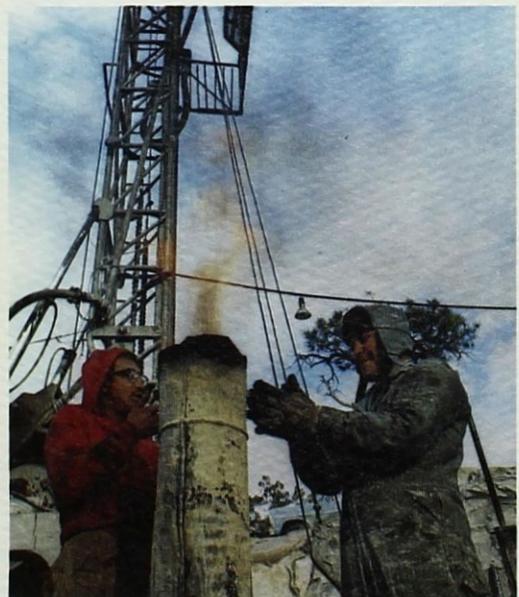
The discovery was announced in mid-April, and reserves at that time were estimated to exceed 150,000 tons of ore with an average grade of .55 percent U_3O_8 , or about 1,650,000 pounds of U_3O_8 . Drilling — which is continuing — has since increased reserves to about 215,000 tons of ore with an average grade of approximately .50 percent U_3O_8 , or some 2,150,000 pounds of U_3O_8 .

Development of the property will begin in the current fiscal year, and the mine should be on stream either in fiscal year 1971 or early in 1972. Milling arrangements for the ore are being investigated. The mine will be operated by the Company under terms of the joint venture agreement. Economic studies based on present ore reserves indicate that the operation should be quite profitable, if satisfactory milling arrangements are made. The average grade of ore on the property is about twice that of typical ore mined in the Ambrosia Lake District.

Scenic view (right) of rotary rig as it was drilling D-43 hole on Section 7. Photo was taken near the bottom of a 120-foot rimrock which crosses the section.

Geologist Dave Fitch examines cuttings from drill hole on uranium lease in Ambrosia Lake.

Cold hands — one of the hazards of year 'round exploration in New Mexico.







Exploration by the joint venture in 1970 will focus on three areas: (1) Section 7, (2) acreage in the northwest part of New Mexico which wide-spaced drilling has shown to be favorable for the deposition of uranium, and (3) leased properties in unexplored parts of the state. About half the drilling will be on properties in the second category.

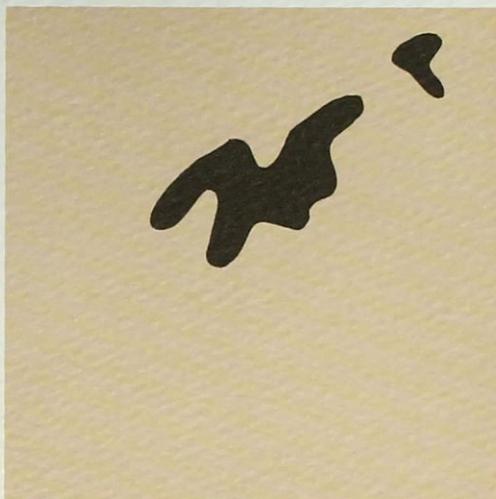
Exploration on Section 7 will continue at a steady rate during the first quarter, with a minimum of 50 holes being drilled. Much of this drilling will be in outlying parts of the section at some distance from the present ore deposit. The southeast part of the section, where thin, high grade mineralization has been intersected, will receive particular attention.

The joint venture has budgeted about \$1-million for exploration during the year, and plans approximately 500,000 feet of drilling. The venture now controls more than 325,000 acres in the state, and is continuing to stake and lease additional acreage. The Company also plans to acquire acreage in other states, which it will explore on its own account or in conjunction with other companies or individuals.

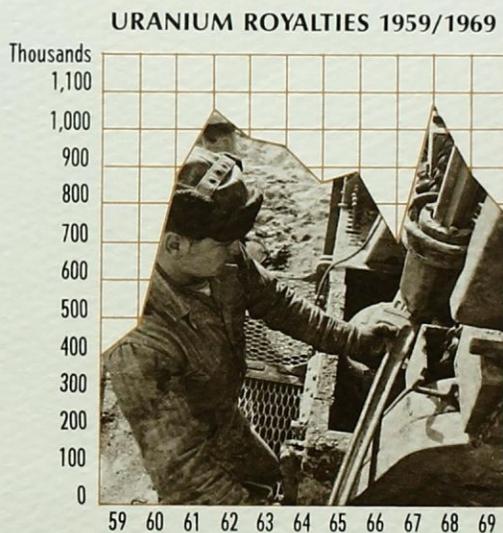
Uranium royalties on properties owned by the Company and mined by Kerr-McGee and United Nuclear declined during the year. Royalties were \$739,578, compared to \$886,991 the previous year. Lower prices received by the producers under terms of the Atomic Energy Commission stretchout program were chiefly responsible for the reduction. Royalties in 1970 should remain at about the same level or increase slightly. The new West Section 30 shaft, now in limited use, could make a significant contribution to production in the last half of the fiscal year.

While drilling in 1969 was confined to uranium properties, investigations were made of known deposits of several other metals — silver, gold, copper, tungsten, and rare earths. The Company will expand its evaluations of such properties in the current year, concentrating on deposits containing metals which appear to have good potential for long-term growth.

Thunderhead forms backdrop for drill rig near the end of a long day of uranium exploration in northwest New Mexico.

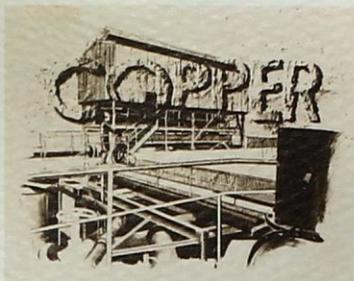


Present outline of ore deposit in northwest quarter of Section 7.



Royalties in 1968 were originally reported as \$1,004,991; however, \$118,000 in royalties received during the year but pertaining to production in 1967 were re-allotted to 1967.



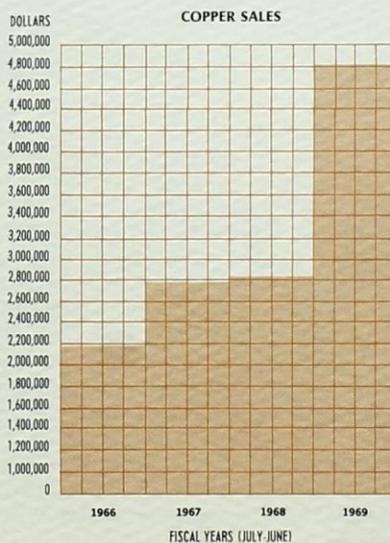
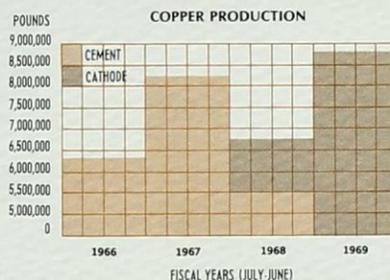
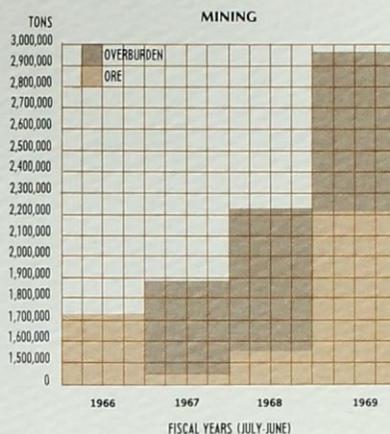


One of the Company's goals in fiscal year 1969 was to produce approximately 9-million pounds of copper at the new plant installed at the Bluebird Mine in 1968. Despite erratic production in the first four months of the fiscal year, this goal was met, with output for the 12 months totaling 8,791,154 pounds of copper cathodes. This represents an increase of 31 percent over the 6,685,713 pounds of cathode and cement copper produced last year, and exceeds, by about six percent, the previous record output of 8,277,878 pounds of cement copper in 1967.

The record output, which was accompanied by steady improvement in production costs, indicates the soundness of the decision made in 1967 to switch the mine's operations from production of cement copper to production of cathodes by solvent extraction-electrowinning — a new commercial process. The process involves three basic steps: (1) mixing copper-acid solutions from leaching heaps with a solvent which separates the copper; (2) stripping the copper from the solvent with a high acid solution; and (3) circulating this copper-acid solution through cells containing many thin copper sheets, then attracting the copper to the sheets by passing an electric current through the solution. The end product is a high purity cathode which — unlike cement copper — needs no further refining and remains competitive even during periods of slack demand.

The plant, which has a capacity of about 30,000 pounds of cathode per day, came on stream in late March 1968, and produced an average of about 500,000 pounds of copper in April, May and June. Flooding, electrical equipment failures and impurities in the solvent extraction circuit caused production to fluctuate in the first four months of the current fiscal year. Output for that period averaged only about 600,000 pounds per month.

Some of the 240 copper cathodes which are produced at the Bluebird Mine each day.



Installation in September of a supplemental flotation unit helped to improve cathode density, and development of new operating techniques brought the problem of extraction circuit contamination under control. In the final quarter, costs were reduced by a decline in sulfuric acid prices and consumption. Solvent usage also decreased late in the year.

Operations were further aided by high copper prices, which prevailed throughout the year. Sales totaled \$4,834,585 for 9,450,503 pounds of copper. These sales, which included 659,349 pounds of copper from inventory, were the highest in the history of the mine, exceeding by 68 percent the previous record sales of \$2,870,459 in 1968.

Copper prices are expected to remain at a high level during the present fiscal year. These favorable prices, lower operating costs, and several plant improvements which are contemplated, should combine to insure a successful year of operation in 1970. Production goal for the 12 months is 10-million pounds.

The Company is now installing a parallel electrical system in the electrowinning plant, thus doubling its rectifier capacity. This should permit production to reach or slightly exceed the plant's design capacity of 30,000 pounds daily on a regular basis. Modification of the leaching system, which produces copper solution for the plant, is now being studied in an effort to develop a means of increasing recovery of copper from the ore. If the studies indicate that an improved system is feasible, construction will begin late in the year. The new system would probably involve continuous leaching of the smallest ore particles in a separate circuit. These particles contain a disproportionately large amount of copper, and separate treatment of them should significantly increase the amount of copper recovered. This increase would in turn extend the life of the mine by several years. The property is estimated to contain approximately 15,800,000 tons of ore, which has an average grade of .52 percent. About 2,200,000 tons of ore were mined in the year just ended.



2



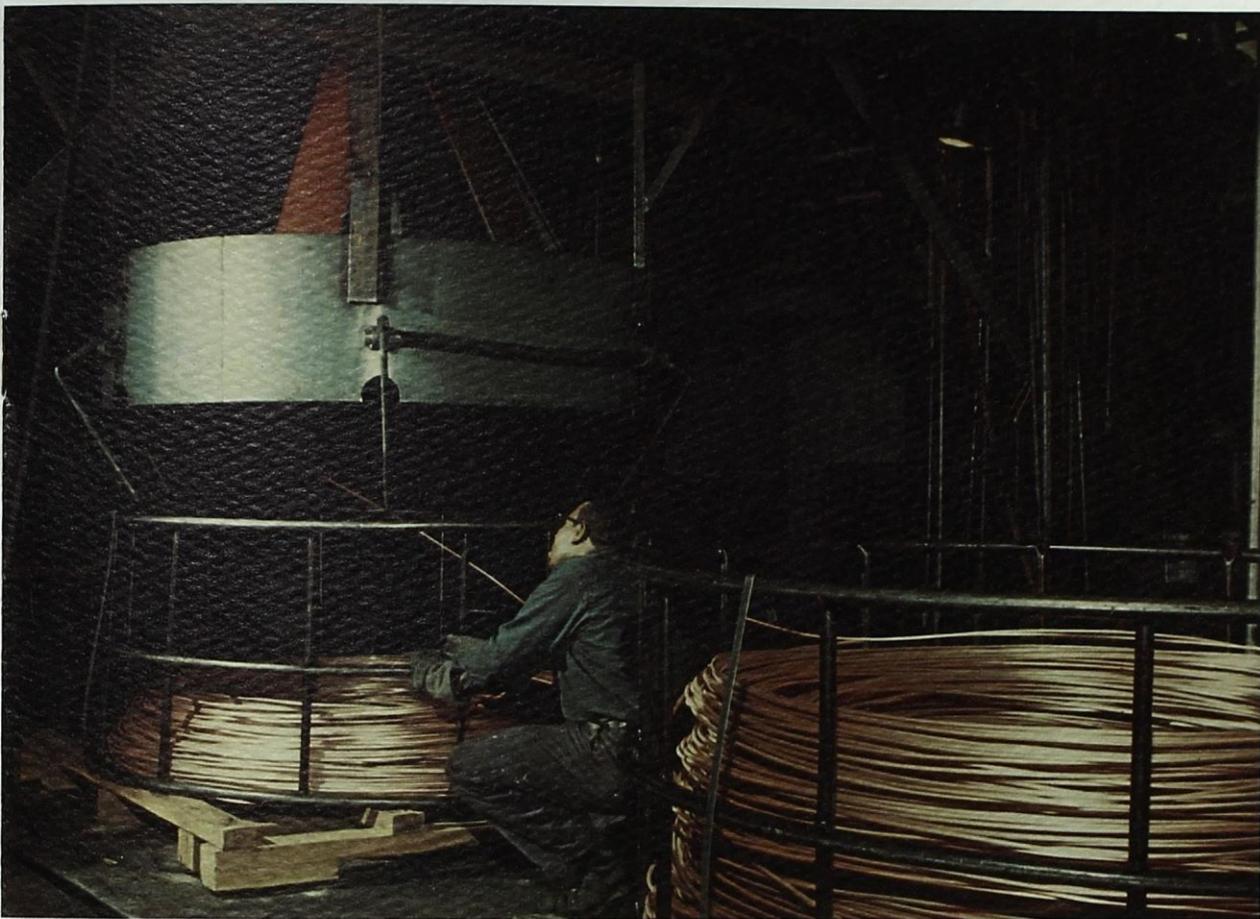
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7



4



These color photos, taken at the Southwire Company plant, Carrollton, Georgia, show what happens to cathodes produced at Bluebird Mine. 1 — cathodes are dumped from skip-cart into melting furnace; 2 — copper is kept in molten state as it flows through launder to holding furnace; 3 — molten copper pours from holding furnace into catch basin where worker periodically removes slag; 4 — copper empties into pour pot on its way to casting wheel; 5 — continuous bar of copper emerges from casting wheel; and 6 — coiler spins out rod at the rate of 2,000 feet per minute.



The Company completed the purchase in December of an underground tungsten mine near Henderson, North Carolina, after more than a year of evaluating the property. The property represents the first major acquisition by the Company since purchase of the Blue-Bird Copper Mine in March 1964.

The mine, closed since 1963 when the price of tungsten declined, was purchased from the Howmet Corporation for \$200,000 and 6,000 shares of the Company's common stock. If the exploration and development program continues to progress at its present rate, the mine should come on stream late in the current fiscal year or early in the following year, when it should become a major contributor to company income.

Maps and other records obtained from the previous operator indicate that the mine contains proven and probable reserves of about 1-million tons of tungsten ore. Good potential exists for additional ore, since substantial portions of the vein have not been explored. The vein has been worked to a depth of 1,500 feet and along its length for a distance of 6,600 feet on several levels.

Most efforts in the year just completed were directed to reconditioning the main shaft and clearing underground workings so that reserves could be evaluated. A high capacity hoist is being installed, and work is underway to deepen the main shaft by 400 feet so that deeper reserves can be developed and mined.

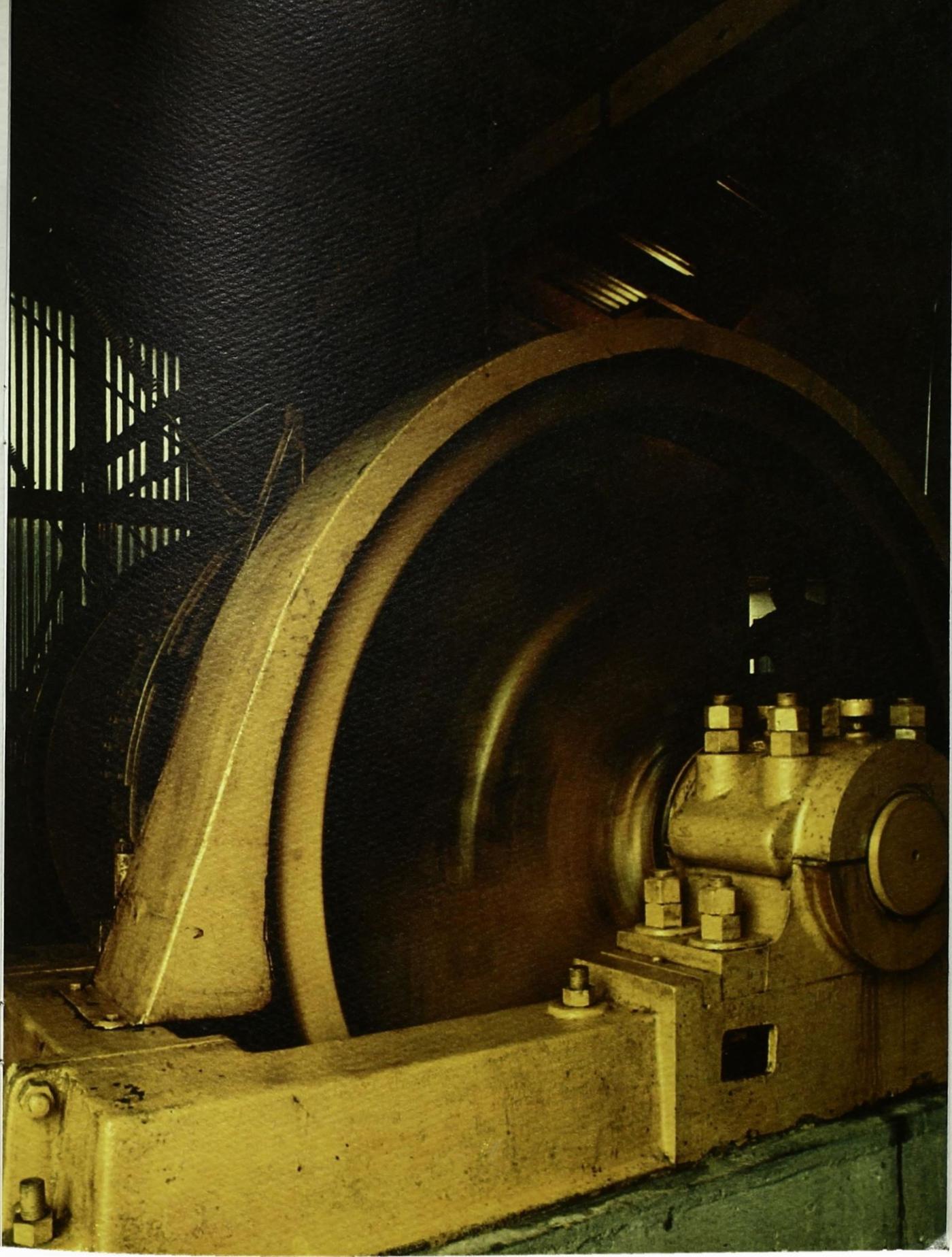
Initial design studies leading to construction of a mill on the property are well underway. Size of the plant will be determined by results of the present ore development program, although preliminary designs provide for a mill with a capacity of 600 tons per day. This would give the facility a capacity of about 90,000 short ton units of tungsten trioxide (WO_3) annually. Plans also provide for capacity to be increased at a later date to 140,000 short ton units of WO_3 , if production and market demand expand as projected.

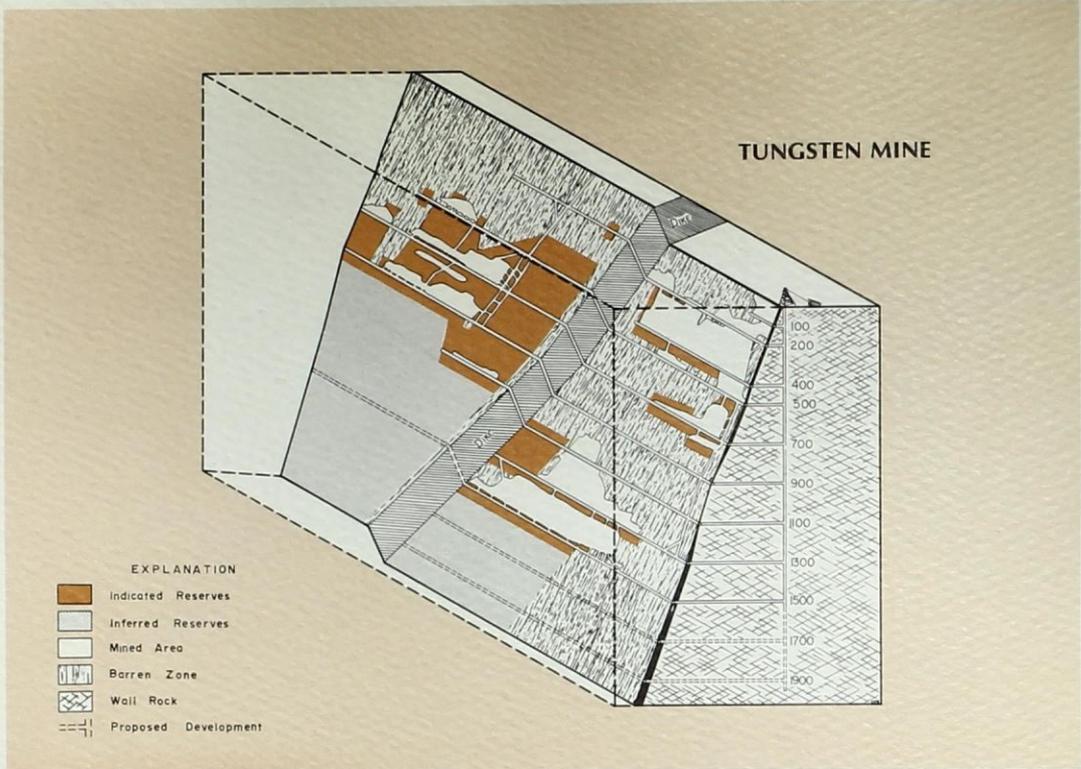
The immediate and long range market outlook for tungsten remains favorable. The General Services Administration sold approximately \$20-million of tungsten from the nation's stockpile during April and May — the largest sales ever recorded for such a short period and greater than total annual GSA sales in 1967 and 1968. Sales price of tungsten trioxide in concentrate form is now about \$2 per pound, compared to about \$.80 per pound when the mine was closed in 1963.

Hoist, controlled by operator in background, raises and lowers elevator in main shaft at tungsten mine (right). A much larger production hoist will soon replace this unit.

Drill jumbo, which will be used to drill powder holes during blasting operations below ground, is unloaded at tungsten mine.







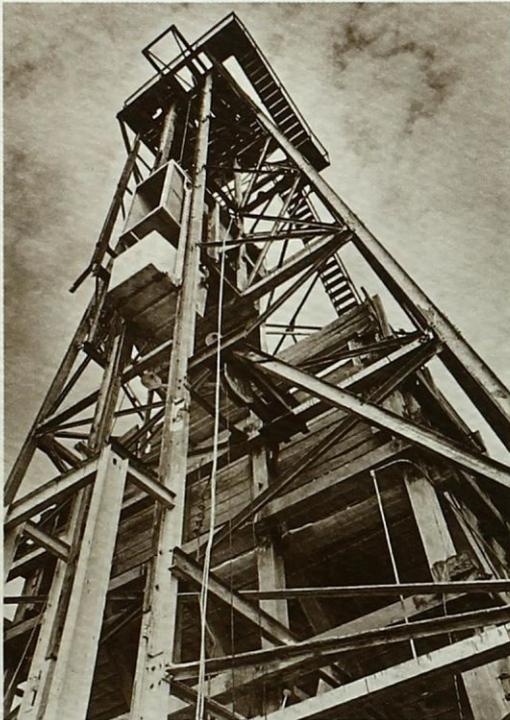
End view of tungsten mine showing vein as it extends southwest from main shaft.

BERYLLIUM

The Company controls a large block of properties in the Spor-Topaz Mountain region of west-central Utah, an area which contains the country's largest known deposit of beryllium. The properties are believed to contain a substantial quantity of beryllium mineralization.

The Company did no significant exploration on the properties in 1969, and plans no extensive drilling on them in the current year. However, prospects for domestic production of beryllium again improved in 1968 when Brush Beryllium began production of ore from its properties in the same area. The Anaconda Company also announced that it is considering construction of a mill to process ore taken from its properties in the area.

Industry continues to report improvements in beryllium processing and fabrication. These advances, combined with the metal's lightweight, stiffness, heat resistance and other desirable characteristics, are expected to lead to an expanded market demand and eventual development of the Company's properties.



16 *Headframe over main shaft at tungsten mine.*



Left to right: Herbert Campbell, F. J. Brandiger, John Motica, Maxie Anderson, Chris Corondoni and Arthur Miller.

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

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Republic National Bank
 Trust Department
 Dallas, Texas

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 Albuquerque, New Mexico 87107

THE 1969 ANNUAL REPORT / Editor — James E. Mitchell / Design and Layout — Mary Garriott / Cover — Gene Garriott / Artist Garriott's cover is a combination acrylic-bas relief, created by building up a surface with gesso, painting with acrylic, then incising with a sharp knife. The painting was cross-lighted during photographic reproduction to give added depth and texture. / Photography — Dick Kent Photography; Rogers and Special (Atlanta) / Typography — Typographic Service Company / Printing — The McLeod Printing Company / Color Separations and Engravings — New Mexico Engraving Company

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 Carrollton, Georgia
 President, Southwire Company

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

The Company was saddened by the death in late June of Floyd M. Slattery, a long-time member of the Board of Directors. Mr. Slattery, who was vice president and general manager of the Campbell Farming Corporation, Hardin, Montana, had served on the Board since 1962.

A new member of the Board is Roy Richards, president and founder of Southwire Company, Carrollton, Georgia, the nation's largest independent manufacturer of wire, rod and cable for the electrical industry. Mr. Richards' experience in the manufacture and marketing of metal products will enable him to make a significant contribution to the future growth of the Company.

ASSETS BALANCE SHEET JUNE 30, 1969 AND JUNE 30, 1968

	1969	1968
CURRENT ASSETS		
Cash and certificates of deposit	\$ 782,828	\$ 577,099
Common stocks — at cost (market value — \$186,048)	201,280	-0-
Trade accounts receivable	415,245	137,923
Recoverable federal income taxes	-0-	145,677
Inventories — Note A	1,049,045	1,022,676
Prepaid expenses and other current assets	254,520	108,949
Deposits with brokers for copper futures contracts	158,645	-0-
TOTAL CURRENT ASSETS	<u>2,861,563</u>	<u>1,992,324</u>
CERTIFICATES OF DEPOSIT AND MARKETABLE SECURITIES (at cost—approximately market) EARMARKED FOR USE IN CONSTRUCTION AND ACQUISITION OF MINING PROPERTIES		
	3,296,257	-0-
OTHER ASSETS		
Trade account receivable — Note B	218,039	218,039
Investment in joint venture — Note C	174,004	98,460
	<u>392,043</u>	<u>316,499</u>
PROPERTY, PLANT, AND EQUIPMENT — on the basis of cost — Note D		
Land (1969 — \$66,054; 1968 — \$68,554) and buildings	328,405	359,919
Mine structures, machinery and equipment	5,219,940	4,402,001
Deferred intangible mining costs, mineral interests, mining claims, leases and permits	1,284,185	561,359
	<u>6,832,530</u>	<u>5,323,279</u>
Allowances for depreciation and depletion	1,256,582	727,668
	<u>5,575,948</u>	<u>4,595,611</u>
DEFERRED CHARGES		
Unamortized debt discount and expense — Note G	181,991	-0-
Deferred mine development costs — Note E	521,344	312,510
	<u>703,335</u>	<u>312,510</u>
	<u>\$12,829,146</u>	<u>\$7,216,944</u>

LIABILITIES AND STOCKHOLDERS' EQUITY BALANCE SHEET JUNE 30, 1969 AND JUNE 30, 1968

	1969	1968
CURRENT LIABILITIES		
Note payable to bank	\$ 196,241	\$ 500,000
Trade accounts payable	449,843	471,642
Accrued interest payable	79,542	10,792
Federal and state income taxes — Note F	4,000	35,000
Other liabilities	76,376	40,107
Current portion of long-term debt	189,646	610,948
TOTAL CURRENT LIABILITIES	<u>995,648</u>	<u>1,668,489</u>
LONG-TERM DEBT — Note G		
5¾% convertible subordinated debentures due January 15, 1989	2,990,000	-0-
Note payable to bank	1,000	2,280,833
Lease-purchase contracts — equipment costing \$231,260 pledged as collateral	109,366	183,181
	<u>3,100,366</u>	<u>2,464,014</u>
Less portion classified as current liability	189,646	610,948
	<u>2,910,720</u>	<u>1,853,066</u>
DEFERRED FEDERAL AND STATE INCOME TAXES — Note F	440,000	405,000
STOCKHOLDERS' EQUITY — Note H		
Common Stock — par value \$.50 a share:		
Authorized 2,000,000 shares		
Shares issued (1969 — 738,048; 1968 — 627,196), including shares in treasury	369,022	313,596
Capital in excess of par value	4,728,876	238,014
Retained earnings	3,423,242	2,746,937
	<u>8,521,140</u>	<u>3,298,547</u>
Less cost of Common Stock in treasury (1969 — 1,240 shares; 1968 — 340 shares)	38,362	8,158
	<u>8,482,778</u>	<u>3,290,389</u>
	<u>\$12,829,146</u>	<u>\$7,216,944</u>

See notes to financial statements

STATEMENT OF INCOME

YEAR ENDED JUNE 30, 1969 AND JUNE 30, 1968

	1969	1968
Income		
Net sales — copper	\$4,834,585	\$2,870,459
Uranium royalties	739,578	886,991
Interest, dividends and other	138,310	22,127
	<u>5,712,473</u>	<u>3,779,577</u>
Deductions from income — notes A, C, and D		
Cost of copper sold	3,847,443	2,549,652
Shipping costs and other selling expense	285,986	126,747
Exploration, conservation, and maintenance of mining properties	408,106	403,941
Administrative and general expenses	229,818	206,772
Interest, principally on long-term debt	226,529	97,369
Lease abandonments and other	-0-	56,756
	<u>4,997,882</u>	<u>3,441,237</u>
INCOME FROM OPERATIONS BEFORE APPLICABLE INCOME TAXES	714,591	338,340
Federal and state income taxes — Note F		
Currently payable (recoverable)	3,286	(209,218)
Deferred	35,000	116,600
	<u>38,286</u>	<u>(92,618)</u>
INCOME BEFORE EXTRAORDINARY ITEMS	676,305	430,958
Extraordinary items		
Gain on sales of corporate stocks, less applicable income taxes of \$78,350	-0-	189,455
Additional uranium royalties resulting from renegotiation of lease agreement, less applicable income taxes of \$40,000	-0-	78,000
NET INCOME	<u>\$ 676,305</u>	<u>\$ 698,413</u>
Per share of Common Stock — Note I		
Income before extraordinary items	.99	.69
Extraordinary items	-0-	.42
Net income	.99	1.11

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED JUNE 30, 1969 AND JUNE 30, 1968

	1969	1968
SOURCE OF FUNDS		
Net income for the year	\$ 676,305	\$ 698,413
Provisions for depreciation, depletion, and amortization	608,208	291,432
Amortization of debt discount and expense	5,978	-0-
Increase in deferred income taxes	35,000	156,600
TOTAL FROM OPERATIONS	1,325,491	1,146,445
Proceeds from issue of debentures, less debt discount and expense	2,812,032	-0-
Increase (decrease) in other long-term debt	(1,823,846)	1,853,066
Issue of Common Stock for purchase of tungsten mine	384,000	-0-
Proceeds from sale of previously unissued Common Stock	4,162,288	12,524
Proceeds of Common Stock sold from treasury	-0-	1,079
TOTAL	\$6,859,965	\$3,013,114
APPLICATION OF FUNDS		
Additions to property, plant, and equipment (1969 — \$1,645,875; 1968 — \$4,113,090) less carrying amount of disposals and abandonments	\$1,583,125	\$3,974,367
Additions to deferred mine development costs (1969 — \$251,952; 1968 — \$321,366) less amortization (1969 — \$37,697; 1968 — \$23,277)	214,255	298,089
Investment in joint venture	75,544	98,460
Current Sinking Fund requirement for debentures	108,500	-0-
Purchase of debentures for treasury	10,000	-0-
Cost of Common Stock purchased for treasury	30,204	7,672
Certificates of deposit and other marketable securities earmarked for construction and acquisition of mining properties	3,296,257	-0-
Increase (decrease) in net current assets	1,542,080	(1,365,474)
TOTAL	\$6,859,965	\$3,013,114

See notes to financial statements

STATEMENT OF STOCKHOLDERS' EQUITY YEAR ENDED JUNE 30, 1969 AND JUNE 30, 1968

	1969	1968
COMMON STOCK		
Balance at beginning of year	\$ 313,596	\$ 312,686
Par value of shares issued:		
Sold to public — 100,000 shares	50,000	-0-
For purchase of Tungsten Queen Mine — 9,100 shares	4,550	-0-
Sold under stock option plan (1969 — 1,152 shares; 1968 — 1,766 shares)	576	883
For services (1969 — 600 shares; 1968 — 54 shares)	300	27
BALANCE AT END OF YEAR	<u>\$ 369,022</u>	<u>\$ 313,596</u>
CAPITAL IN EXCESS OF PAR VALUE		
Balance at beginning of year	\$ 238,014	\$ 226,400
Proceeds or market value in excess of par value of shares of Common Stock issued:		
Sold to public	4,076,102	-0-
For purchase of Tungsten Queen Mine	379,450	-0-
Sold under stock option plan	11,910	9,346
For services	23,400	2,268
BALANCE AT END OF YEAR	<u>\$4,728,876</u>	<u>\$ 238,014</u>
RETAINED EARNINGS		
Balance at beginning of year	\$2,746,937	\$2,051,090
Net income for the year	676,305	698,413
	<u>3,423,242</u>	<u>2,749,503</u>
Excess of cost of treasury shares sold over cash received	-0-	2,566
BALANCE AT END OF YEAR	<u>\$3,423,242</u>	<u>\$2,746,937</u>
COMMON STOCK IN TREASURY		
Balance at beginning of year	\$ 8,158	\$ 4,968
Purchase of shares for treasury (1969 — 900 shares; 1968 — 196 shares)	30,204	7,672
	<u>38,362</u>	<u>12,640</u>
Cost of treasury shares sold under stock option plan	-0-	4,482
BALANCE AT END OF YEAR	<u>\$ 38,362</u>	<u>\$ 8,158</u>

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, 1969, and the related statements of income, stockholders equity, 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 of the preceding year.

In our opinion, the accompanying balance sheet and statements of income, stockholders' equity, and source and application of funds present fairly the financial position of Ranchers Exploration and Development Corporation at June 30, 1969, and the results of its operations, changes in stockholders equity 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 1, 1969

NOTES TO FINANCIAL STATEMENTS JUNE 30, 1969

NOTE A — INVENTORIES

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

	June 30	
	1969	1968
Finished copper	\$ 36,198	\$ 287,329
Copper ore in leaching heaps	717,592	559,703
Supplies	90,120	175,644
Costs incurred in cancellation of futures contracts replaced with more favorable sales contracts	205,135	-0-
	<u>\$1,049,045</u>	<u>\$1,022,676</u>

The Company hedges sales of part of its production of cathode copper through the sale of futures contracts. During the year the Company repurchased futures contracts and replaced them with more favorable sales contracts. The amount of \$205,135 deferred at June 30, 1969 represents cost of futures contracts that were replaced with sales contracts; this amount will be charged to income when delivery of copper is made under the new contracts.

NOTE B — TRADE ACCOUNT RECEIVABLE

The Company has filed suit in federal court in

Arizona against a customer for collection of a receivable (\$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. In the opinion of the Company's counsel, the amount will be collected. Because of the uncertainty of the collection date, the amount is classified as a non-current asset, and the 1968 balance sheet has been restated to conform with the current year classification.

NOTE C — INVESTMENT IN JOINT VENTURE

The amount shown represents the cost of mining leases (\$61,699) and cash contributed, less the Company's share of 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 (\$437,500 remaining unpaid at June 30, 1969) 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 for the year ended June 30, 1969, amounting to \$223,438, 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.

Depreciation, depletion and amortization of property, plant and equipment charged to income amounted to \$608,208 in 1969 and \$291,432 in 1968.

NOTE E — DEFERRED MINE DEVELOPMENT COSTS

The amount shown consists of the following:

	June 30	
	1969	1968
Heap Preparation—Bluebird Copper Mine, Arizona—less amortization	\$ 81,854	\$150,547
Intangible development cost and expenses—Tungsten Queen Mine North Carolina	439,490	161,963
	<u>\$521,344</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 Tungsten Queen Mine will be capitalized and amortized using the units-of-production method when production begins.

NOTE F — 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 E) over an estimated three year life. Income taxes deferred, as a result of currently deducting such mining and develop-

ment costs, have been charged or credited to income.

Investment credits are accounted for by use of the flow-through method. An amount of \$34,212 was used to reduce income taxes for the current year (\$49,748 in 1968).

NOTE G — LONG-TERM DEBT

The debentures, which bear interest at the rate of 5 1/4%, are convertible into one share of Common Stock for each \$50 of principal amount, and are subordinated to all outstanding or subsequently incurred senior indebtedness. The debentures are redeemable, at the option of the Company, in whole or in part at redemption prices ranging downward from 105.412% beginning January 15, 1970 to 100.000% beginning January 15, 1988. The indenture provides for an annual sinking fund payment in the amount of \$118,500 beginning January 15, 1970, which can be reduced by the principal amount of debentures purchased by the Company. The indenture, among other things, restricts payment of cash dividends and the amount of Common Stock the Company can purchase for treasury.

Debt discount and expense incurred in connection with registration and sale of the debentures is being amortized over the life of the outstanding debentures.

Also included in long-term debt is a balance of \$1,000 remaining on a note payable to a bank in the original amount of \$2,500,000. 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.

NOTE H — STOCK OPTIONS

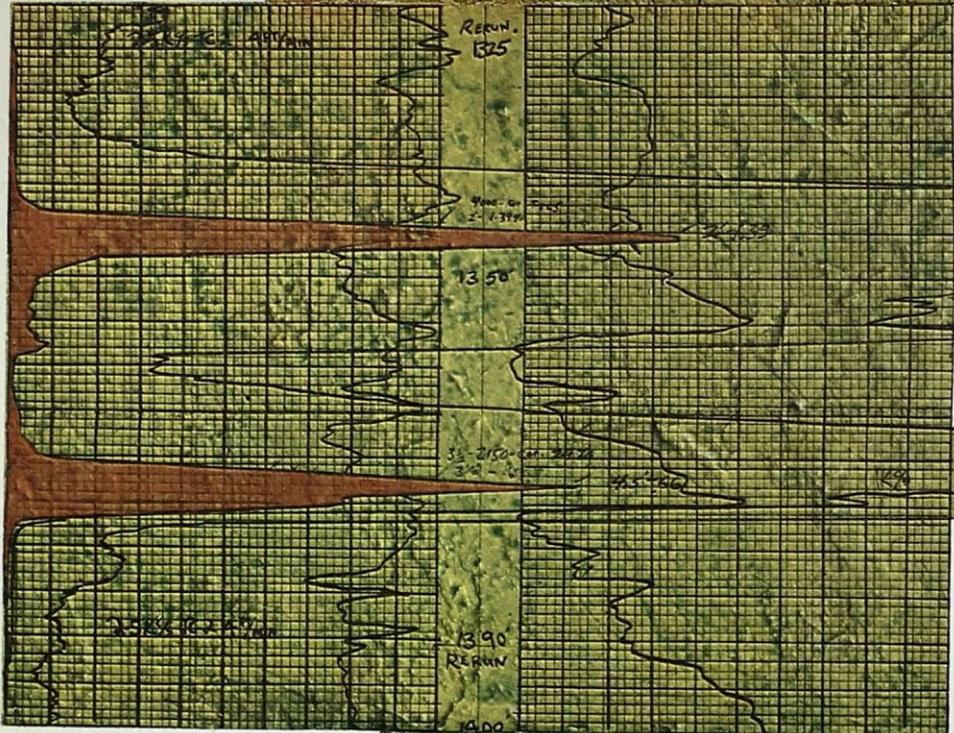
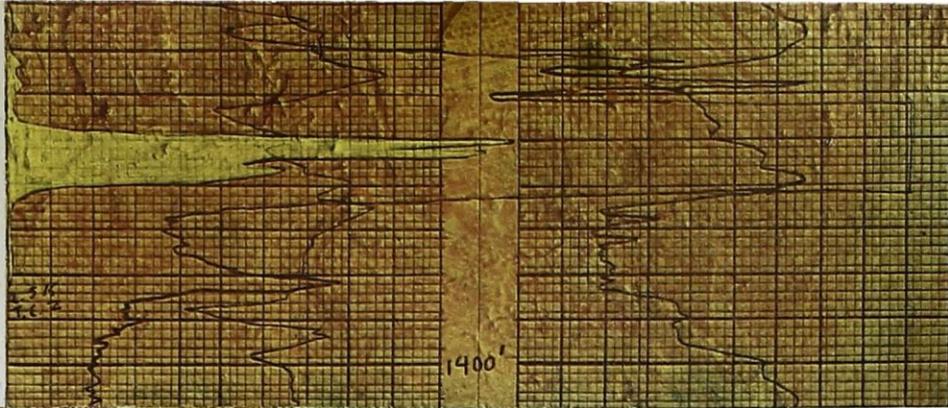
At June 30, 1969, 16,252 shares of Common Stock were reserved for issuance to certain officers and employees under the Company's stock option plan. Of this amount, 11,268 shares were covered by options outstanding and 4,984 shares were available for future grant. Options may be granted at prices not less than market value at date of grant, become exercisable principally in five equal annual installments following dates of grant, and expire five years from date of grant. Of options outstanding at June 30, 1969, options for 3,001 shares were exercisable at prices ranging from \$5 to \$47 a share, totaling \$60,505. During the year options were granted under the option plan for 3,500 shares at prices from \$36 to \$43 a share, options were cancelled for 84 shares at \$5 and \$6.50 a share, options became exercisable for 2,784 shares at \$5 to \$47 a share, totaling \$50,046, and options were exercised for 1,152 shares at \$5 to \$19 a share, totaling \$12,487.

In addition, during the year the Company granted a stock option to a director, not under the employee stock option plan, for 5,000 shares at \$35 a share. This option becomes exercisable 1,667 shares July 31, 1969, 1,667 shares July 31, 1970, and 1,666 shares July 31, 1971.

NOTE I — INCOME PER SHARE

Income per share of Common Stock is based on the weighted average number of shares outstanding during the year. There would be no dilution of income per share for the year if all debentures were converted to Common Stock.

Duplicates of logs taken from holes on Section 7: D-9 (top), the discovery hole; D-36 (center), which shows the two distinct layers of ore which occur in many parts of the deposit; and D-106 (bottom), high grade hole which required a 5 K log. Logs were provided by Century Geophysical Corporation, which does all the Company's logging.



(continued from page 2)
Sprague, who lost a fifth of whiskey betting on D-93, the fourth ore hole. "The log truck operator offered to bet that a rerun would require at least a 2½ K log," said Sprague. "It looked like a good bet, but as it turned out the hole contained nine feet of .69 percent ore. I gave him a bottle of Jack Daniels."

While several such thick, high grade holes were completed in the area of the D-93 hole in the next few weeks, it remained for Dave Fitch to be present for logging of the richest hole — D-43, reproduced on the cover. The hole was probed on Sunday afternoon, March 9, and Fitch felt confident enough of the outcome to bring along his camera to record the event. He shot two rolls of film, including several exposures of the recording pen as it charted reserves worth several million dollars.

That hole and several subsequent ones proved enough ore to make the deposit commercially mineable. On April 16, the venture group announced that a high grade ore body had been defined, with reserves estimated to exceed 150,000 tons of ore with an average grade of .55 percent. Subsequent drilling has increased reserves to about 215,000 tons with a grade of approximately .50 percent.

The high grade of ore — about twice that of typical ore in the Ambrosia Lake District — continues to impress, but Geologist Sprague has adjusted to it. "Just the other day the log operator offered to bet me on a rerun," he said, "but I've learned to be more careful." The hole — D-106 completed on June 17 — contained three feet of 2.8 percent ore, and the rerun required a 5 K log, the first used on the section.

