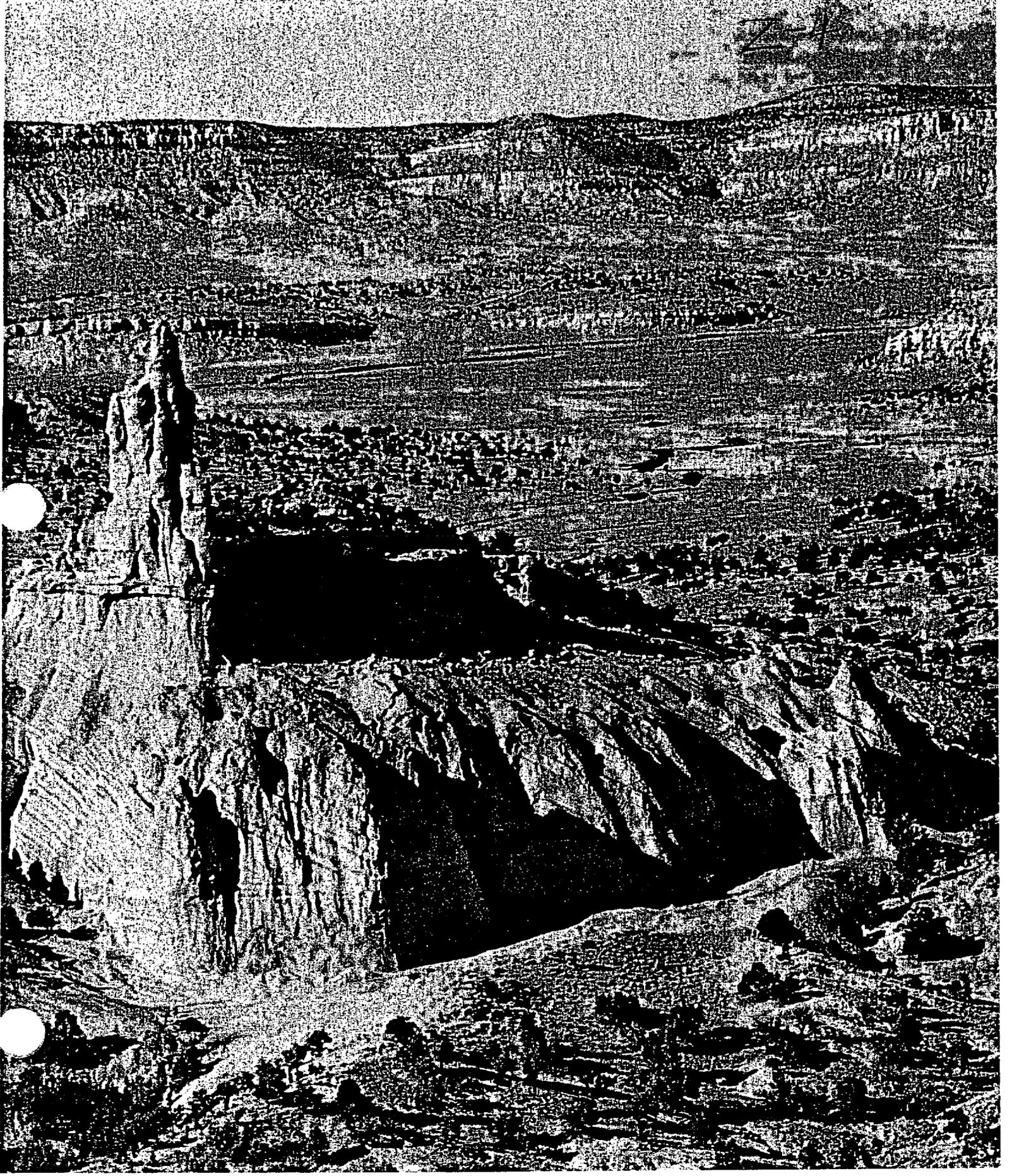


ANNUAL REPORT 1968



03-31-68  
**UNITED  
NUCLEAR  
CORPORATION**





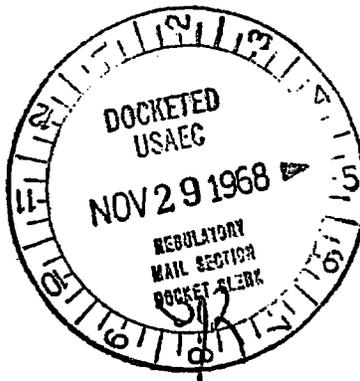
United Nuclear's new trademark contains three directions of the letter "U", symbolic of UNC's expanding Uranium ore base. The neutron ring encircling the letters indicates the encompassing fuel cycle services from ore to core.

**Cover:** Church Rock, northeast of Gallup, New Mexico, where United Nuclear has begun work on a new uranium producing area.

**Design:** Wenk/Schwartz & Associates  
**Photos:** F. Laton (cover);  
Marvin Lazarus, Bill Teer (center spread)  
**Printing:** S. D. Scott Printing Co., Inc.  
**Typography:** Gould Typographers, Inc.

**Summary**

Year Ended March 31, 1968



Regulatory Suppl File Cy.

Received w/Ltr Dated NOV 27 1968

**Financial Highlights**

**Net sales and operating revenue:**

	1968	1967
Mining .....	\$38,584,328	\$34,939,733
Fuels and Chemicals .....	19,634,686	19,018,003
Other .....	<u>3,479,280</u>	<u>2,940,712</u>

\$61,698,294      \$56,898,448

Net earnings before extraordinary item .....

3,405,450      \$ 3,310,167

Extraordinary item .....

—      800,556

Net earnings .....

3,405,450      2,509,611

Net earnings per share\* before extraordinary item .....

.75      .73

Extraordinary item .....

—      (.17)

Net earnings .....

.75      .56

**Source and Utilization of Funds**

**Funds were provided by:**

Net earnings .....	\$ 3,405,450	\$ 2,509,611
<b>Charges against earnings not affecting working capital:</b>		
Depreciation, depletion and amortization .....	6,029,209	5,258,183
Write-off of non-uranium properties .....	—	800,556
Increase in long-term debt .....	30,000,000	4,633,955
Cash received, employee stock options .....	<u>291,803</u>	<u>138,292</u>
Total funds provided .....	<u>39,726,462</u>	<u>13,340,597</u>

**Funds were utilized to:**

Pay long-term debt .....	19,624,804	4,787,924
Acquire marketable securities pending investment in property, plant and equipment .....	10,000,000	—
Acquire property, plant and equipment .....	7,147,926	4,784,387
Increase retainage on U.S. Government receivables, acquire investments and other .....	<u>3,206,173</u>	<u>847,201</u>
Total funds utilized .....	<u>39,978,903</u>	<u>10,419,512</u>
Increase (decrease) in working capital .....	<u>\$ ( 252,441 )</u>	<u>\$ 2,921,085</u>

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## To the Stockholders:

---

United Nuclear made significant strides forward in all areas of business during fiscal year 1968, ended March 31. Sales for the year were \$61,698,294 with net earnings of \$3,405,450 equal to 75c per share. The strike at our New Haven plant had an adverse effect of about 10c per share. There were no special write-offs such as those that had reduced earnings to 56c per share in the previous year.

In February 1968, to provide the capital for our various business demands, we sold \$30,000,000 of 5% debentures, due in 1988 and convertible to common stock at a price of \$40 per share.

Although the Company's ore reserves are believed to be adequate for about 10 years of production at the current rate of delivery, the market for uranium will increase markedly during the middle and late 1970s. Accordingly, the Company's rate of exploration drilling was increased sharply during the year. Much of the drilling was done in the Northeast Church Rock area, some 70 miles from the Company's Ambrosia Lake operation. This drilling has resulted in very substantial additions to known reserves.

The Company ventured for the first time to seek uranium outside the United States, acquiring a prospecting permit and certain mining claims in the Blind River area of Ontario, on the north shore of Lake Huron. This prospect comprises some 70,000 acres of lake shore, lake bed and islands in the North Channel. A new subsidiary, United Nuclear Mines (Canada) Limited, was formed for carrying forward exploratory work on this and future prospects in Canada.

Under the provisions of the contract with the Bokum Corporation, United Nuclear acquired a 75% interest in several unexplored properties in southwestern United States.

Based on economic studies relating to the anticipated increase in uranium sales in the early 1970s, it was decided to develop the Northeast Church Rock property where drilling has indicated a major ore body. A mine shaft was started and, by March 31, 1968, was down over 600 feet. This shaft will reach a final depth of 1800 feet and will provide access to several working levels. Raising

of ore will start in late 1968 or early 1969. Current plans contemplate a 2000 ton-per-day new mill at Northeast Church Rock to be started in calendar 1968 and to be in operation in late 1970. Laboratory work, preliminary design, and process evaluation have begun.

The new Church Rock mine and mill, added to the Company's present mines and the UNC-Homestake partnership mines and mill in Ambrosia Lake, provide adequate production capacity to fulfill  $U_3O_8$  sales commitments for the next several years.

Our breakthrough into the commercial reload core business was announced in last year's report. The first batch of a complete reload core, purchased by Commonwealth Edison Company for \$8.5 million, has been delivered and accepted by Commonwealth for its Dresden I plant. Fuel assemblies for Yankee Atomic Electric Company have been delivered, installed and are now in operation at Yankee's Rowe, Massachusetts reactor.

Our position in the electric power reactor reload business has been further strengthened. In August 1967, American Electric Power Company announced that it had selected UNC to supply the first and second reload cores for a 1100 MW(e) nuclear generating plant. Not only was this the largest single order yet received by our Company (a total of about \$75,000,000, including both  $U_3O_8$  and finished "warranted" fuel) but, more importantly, it was the first time that a first reload core had been ordered for a large utility reactor from other than the reactor manufacturer.

To manufacture the fuel for the AEP and future commercial orders, additional capacity will be required. The first step in providing that capacity was the construction of an oxide ( $UO_2$ ) and pellet semi-works at our Hematite, Missouri Plant. The semi-works, designed both as a prototype for subsequent similar facilities as well as a production plant for limited quantities of these products, was nearly completed by March 31, 1968 and will be in production in the summer of 1968.

Our Navy fuel business lost money again

in 1968. All hope that the Naval Products Division would be profitable during the last year was eliminated by the adverse economic effect of a three-week strike in our New Haven Plant in February. Much improvement in operations of the Naval Products Division occurred during the year: difficult technical and manufacturing problems were overcome and production was increased. It is our belief that we can make the Navy work profitable in future years.

There was a steady build-up of work in our Research and Engineering Center. In addition to the continuing program of Company sponsored research and development related to light water moderated reactor fuel, and continuation of previous contract work on fast breeder reactor fuels, several new contracts were undertaken: one was to supply engineering support services for all three AEC-owned electric power generating reactors; another was to furnish a substantial quantity of plutonium fuel in the next reload to be put in the Dresden No. 1 Plant of Commonwealth Edison Company. These contracts not only reflect the confidence others have in UNC technical capability, but also provide an opportunity for us to demonstrate our technical preparedness for future nuclear fuel business.

Sandvik Special Metals Company, a joint effort with Sandvik Steel Works of Sweden, completed construction of its zirconium tube plant in Kennewick, Washington, and started test production runs at year end. Orders have been booked equivalent to about two years of nominal plant capacity.

Douglas United Nuclear, Inc., owned equally with the McDonnell Douglas Corporation, continued to operate the Atomic Energy Commission's Hanford Reactor complex efficiently and profitably. During the year DUN received an addition to its contract: operation of the "N Reactor", at the present time the world's largest operating nuclear power plant.

During the year there were a number of changes in organization and key personnel. At the annual stockholders meeting in July 1967, the number of directors of the company was reduced to eleven; and two new

directors, Dr. D. Allan Bromley and Brig. General Kenneth E. Fields were elected. In August, Mr. Douglas M. Johnson became Vice President, Finance and Treasurer. In November 1967 a major reorganization of the manufacturing operations of the Company was made. The manufacturing of Naval fuel and the manufacturing of commercial fuel and intermediate products were separated into two operating divisions, and the staff position of Vice President, Manufacturing was created. Mr. Warren J. Ferguson, formerly of Douglas United Nuclear was appointed General Manager, Naval Products; Mr. Fred G. Stengel was promoted to General Manager, Commercial Products; Mr. John A. Lindberg was named Vice President, Manufacturing.

The total number of employees of the Company increased from 1,432 to 1,762. These dedicated men and women are by their efforts making United Nuclear grow; and for their efforts have earned the appreciation and thanks of the Officers and the Board of Directors.

June 4, 1968

*Daniel F. Shaw*  
President and Chief Executive Officer

*Lucius F. Kinnally*  
Chairman of the Board



# Review of Operations

## The Industry—The Company

The conception of United Nuclear in its present form in 1961 was based on the premise that the world's ever-increasing demand for energy would focus on nuclear electric power; and that an integrated company supplying comprehensive nuclear fuel cycle services from the raw material in the ground to warranted fuel in reactors, would be of service to electric utilities, and could achieve dramatic growth opportunities.

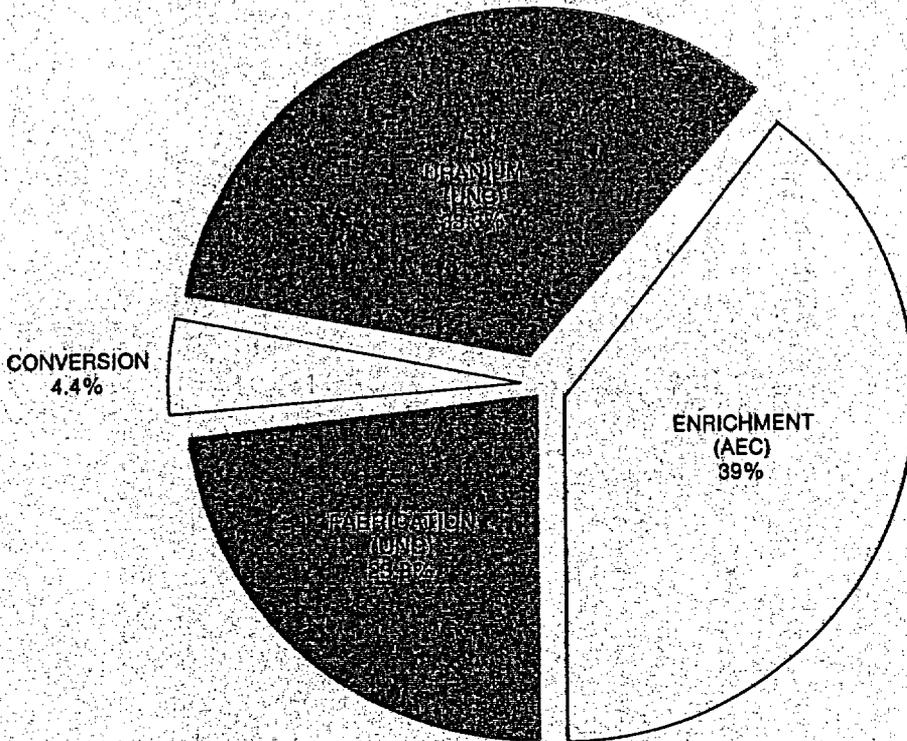
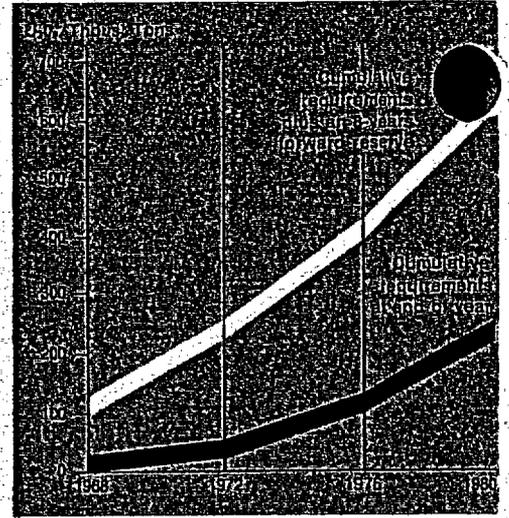


Chart illustrates Typical Cost Distribution of Utility Company Reload Core, Showing the UNC Market

Nuclear power has now gained widespread acceptance as an economical and beneficial new source of primary energy. United Nuclear, the integrated nuclear fuel supplier, has earned acceptance and recognition from the major users of nuclear power. This recognition has been gained through technical excellence, reliable performance and corporate integrity.

AEC estimates now indicate a cumulative domestic uranium requirement through 1980 of 500,000,000 pounds  $U_3O_8$ , with the annual rate approaching 80,000,000 pounds by 1980. These figures show that a formidable undertaking faces the uranium indus-



U.S. Uranium Requirements for Nuclear Power  
January 1, 1968

try. In addition to full exploitation of known uranium areas, such a demand will require discoveries in areas not known to be uraniumiferous and in locations not now considered favorable.

### Exploration, Mining & Milling

In view of this built-in uranium demand and the estimated future requirements of the power industry, being "nuclear from ground up" requires that United Nuclear maintain a large uranium ore base. At present, the Company together with its 65% owned Homestake Partnership supplies about 1/4 of the domestic sales of  $U_3O_8$ . To maintain this industry level in an expanding and increasingly competitive market requires that the Company produce at maximum efficiency—and discover and develop new uranium ore bodies at an accelerating rate. To accomplish these goals, the Company during the past year initiated an ambitious exploration and exploitation program. (1) United Nuclear has developed a substantial new ore body in Northeast Church Rock which fully justifies a new mine and a new concentrate mill. Drilling continues on other ore bodies it has owned for some time to develop further reserves. (2) The Company entered into a contract with Bokum Corporation to acquire properties outside the areas owned or controlled by UNC. Under this arrangement the Bokum

Corporation offers exclusively to the Company 75 per cent of prospective uranium rights on which UNC bears the cost of exploration. Of the offerings to date, the Company has accepted properties amounting to approximately 490,000 acres. While no new reserves have yet been proven, drilling continues with hope for success.

(3) The Company ventured outside the United States for the first time, acquiring a large prospecting permit and certain mining claims in Canada. The prospect covers 100 sq. miles of islands, lake shore and bed in the North Channel of Lake Huron, Ontario. The acreage lies in the Blind River area of Ontario in which area the largest known reserves of uranium have been discovered in the past. The Company has committed itself to spend a minimum of \$70,000 per year in exploration, and must after three years limit its holdings to approximately 7,000 acres of the total involved. A new wholly-owned subsidiary, United Nuclear Mines (Canada) Limited, has been formed to carry out the Canadian Program. This subsidiary, will be managed and operated by Company personnel, but with the advice of prominent Canadian consulting geologists, familiar with the area.

### Commercial Products

The tremendously increased acceptance of nuclear power as a safe, clean and economical energy source by the utility companies and the public has brought increased orders for reactor fuel. This market provides dramatic growth in contracts booked, but the time interval from order until delivery is very long.

Up to three months are required for the utility to prepare a specification for a reload core. The fuel maker needs 3-6 months to prepare an adequate proposal and the utility needs another three months to perform technical and economic evaluation of the proposals. Finally, the manufacturer takes 12 to 24 months to design, manufacture and test the reload fuel.

In the utility market, United Nuclear added approximately \$40,000,000 to its backlog of commercial orders, exclusive of ore, during fiscal 1968. These orders will reflect in operating results in the early 1970's.

Continued progress in this main line of our business will require both plant and personnel growth. We have augmented our marketing staff to provide coordinated fuel cycle services "from ore to core."

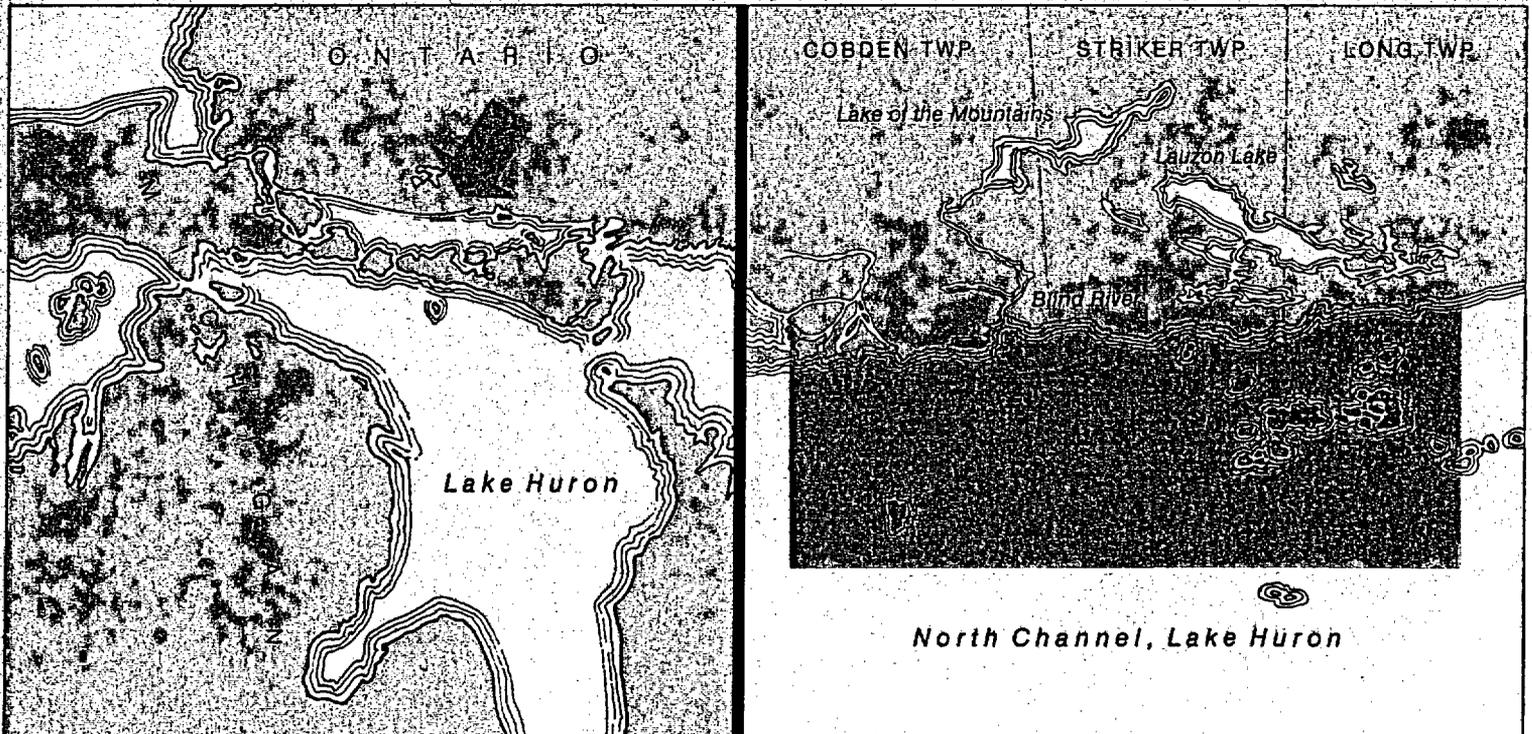
Expansion of plant capacity has begun with the completion of a uranium-oxide and pellet semi-works at Hematite, Missouri. This plant employs a new process and will be in full production by August 1968.

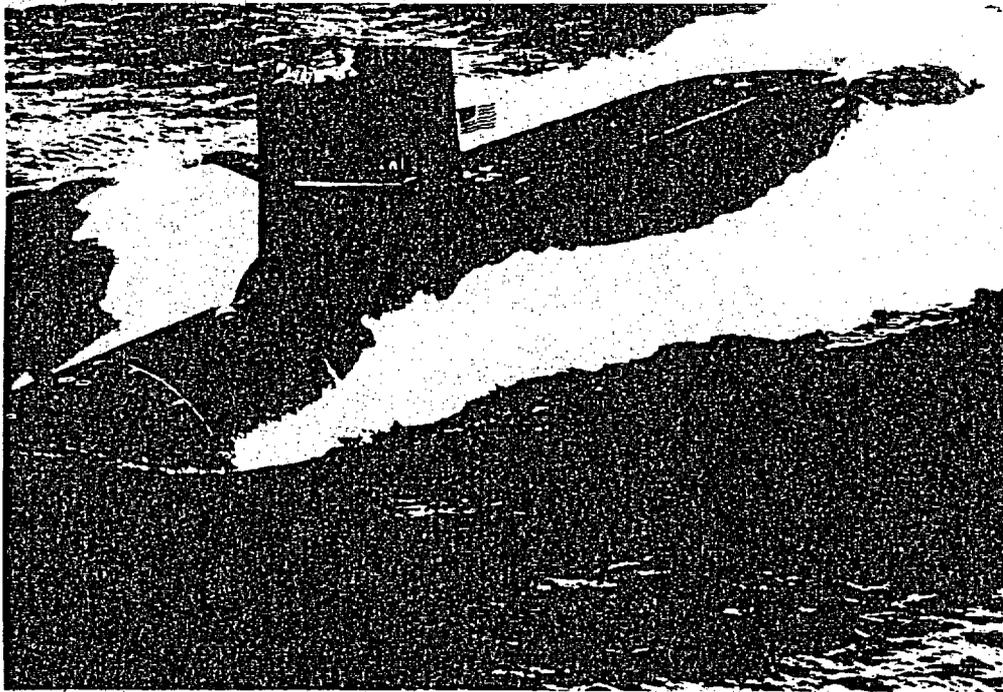
### Naval Products

Nuclear power has had a profound influence on the nature and capability of the United States Navy. Reactor powered navy ships, most particularly the submarine fleet, have proven to have great logistical advantage over conventionally powered craft.

Congress has authorized 107 nuclear-powered submarines and 8 nuclear surface ships. Of the total authorized, 74 submarines and 4 surface vessels have been placed in operation to date. Navy spokesmen have reported that this nuclear fleet has logged 10,000,000 miles with performance far exceeding conventional type propulsion systems. All of these nuclear vessels require reload fuel as well as original cores.

United Nuclear is one of two surviving suppliers of naval cores and recent Government action indicates that the market for these cores will substantially increase. While our Navy fuel business has consistently re-





ulted in losses, many operational improvements were brought about during the year, and a specific program of further improvement is underway. We believe that our improved processes and operations, coupled with the growth of the market, will bring reasonable profits on naval products in the years ahead.

#### **Research and Engineering**

Our Research and Engineering Center expanded in contractual commitments, company-sponsored R & D, and most importantly, in its technological impact throughout the nuclear industry.

Among the new contracts received, the Center is providing technical support services for the three AEC-owned electric power reactor plants at Elk River, Minnesota; LaCrosse, Wisconsin (LACBWR) and TONUS in Puerto Rico. Another award calls for the furnishing of plutonium fuel for the next reload for Commonwealth Edison's Dresden I nuclear electric power station.

Enlargement of the plutonium facility at the Bawling (New York) Laboratories has been completed. This will provide a step up from sub-scale preparation of plutonium-containing fuels to pilot plant quantities. Combined with the contract to provide plutonium fuel

for Commonwealth Edison, this expansion marks the Company's earnest entry into the field of plutonium recycle for thermal reactors, and production of fuel for the early fast breeder reactors. The Center continues to expand its technological development of systems promoting the application of sodium as a fast breeder reactor coolant.

Believing technical excellence to be the very cornerstone of success in the nuclear fuel business, the Company is dedicated to a long range objective of further strengthening its research and engineering capability in every way.

#### **Jointly-Owned Operations**

An important component of commercial reactor fuel is the zirconium alloy tubing used for encasing pellets of uranium oxide. In 1966, the Company joined (50-50) with Sandvik Steel Works of Sweden to form Sandvik Special Metals Company for the specific objective of making zirconium alloy tubing. During the past year, SSM completed construction of a zirconium tube plant in Kennewick, Washington which has a production capacity of 1 million feet per year. Production runs commenced at year end and the product is considered entirely satisfactory. SSM will market zirconium tub-

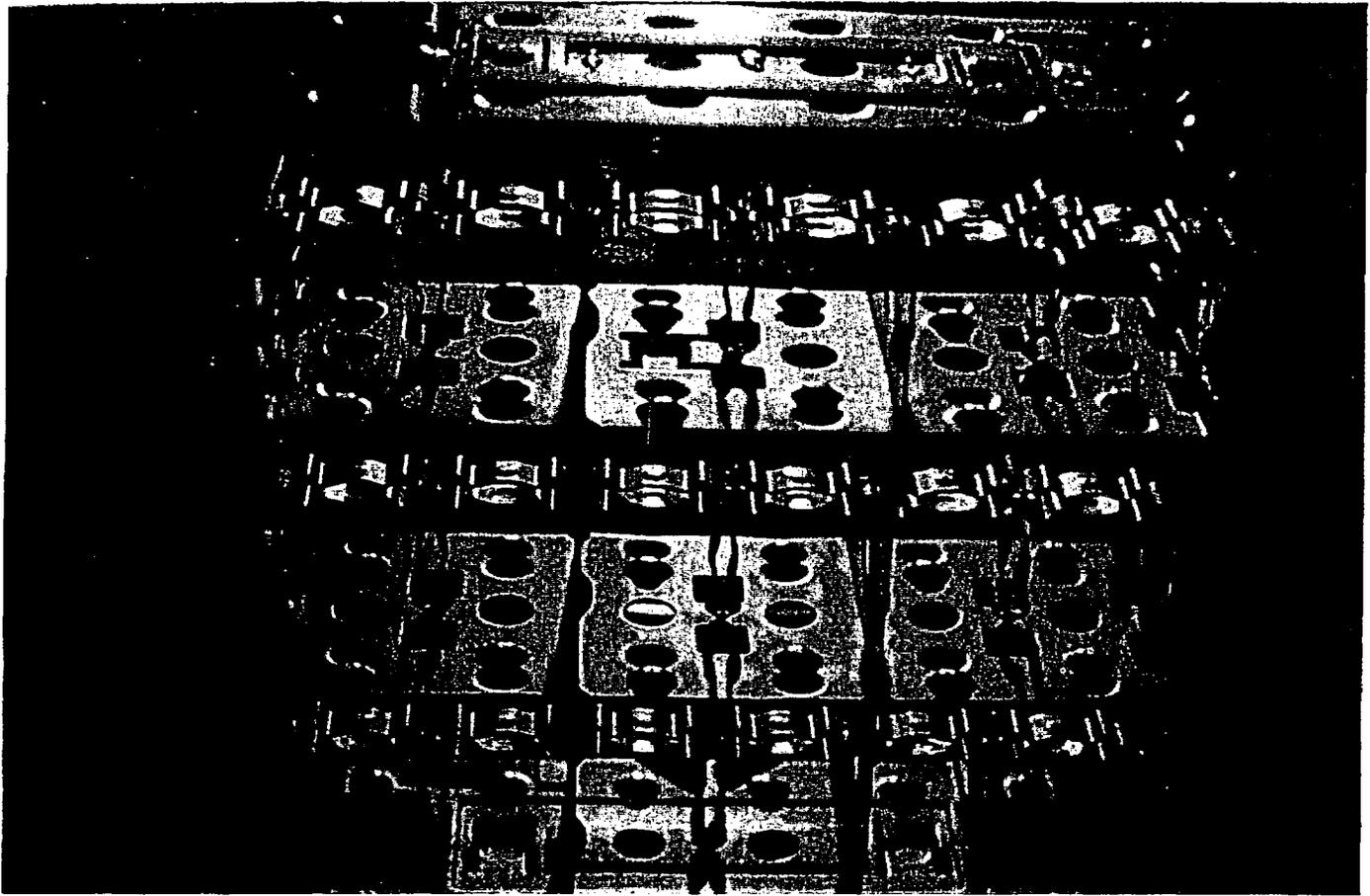
ing to others in the industry as well as provide UNC with its own requirements. Orders for over 2 million feet of tubing have been booked. Studies are being made of the possibility of manufacturing in the Kennewick plant, tubing other than zirconium for end uses other than nuclear.

Another joint undertaking is Douglas United Nuclear owned 50-50 with McDonnell Douglas Corporation. Under contract to the Atomic Energy Commission it operates the Hanford reactor complex. The joint company is compensated on a fee basis and its operations for the year were efficient and profitable. Its original contract was extended during the year to embrace the operation of the 800,000 kw. "N" reactor, at the present time the world's largest operating nuclear power plant. In addition to sharing in this profitable contract, the joint venture provides United Nuclear with opportunities for interchange of technology in many areas otherwise unavailable to it.

DUN has commenced studies to expand its activities in areas additional to the reactor operation, including, for example, the extrusion of zircalloy billets for the SSM plant.

#### **New Financing**

In February 1968, the Company sold \$30,000,000 of 5% Subordinated Convertible Debentures due February 1, 1988. The Debentures are convertible into common stock on the basis of 25 shares of common stock for each \$1,000 Debenture (an effective price of \$40 per share). At the time of the sale the conversion price represented a premium over the value of the common stock of about 10%. The Debentures can be redeemed by the Company at any time at declining premiums over the face value and a sinking fund for retirement of the bonds must be set aside commencing in 1979. The proceeds of the financing provided the Company with funds to construct the new mine and mill at Northeast Church Rock, estimated to cost about \$15,000,000. The balance of the funds were used to repay existing loans. The average interest rate on these loans was in excess of 5% so that the financing lowered the overall interest costs of the Company.



1

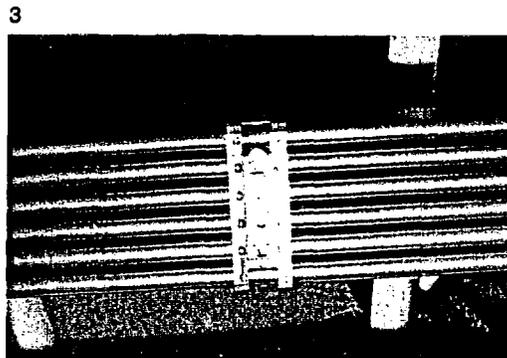
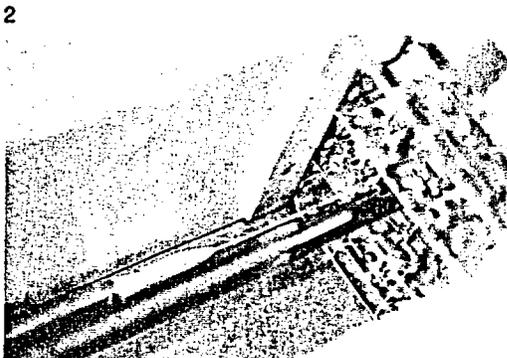
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## Gallery of Products

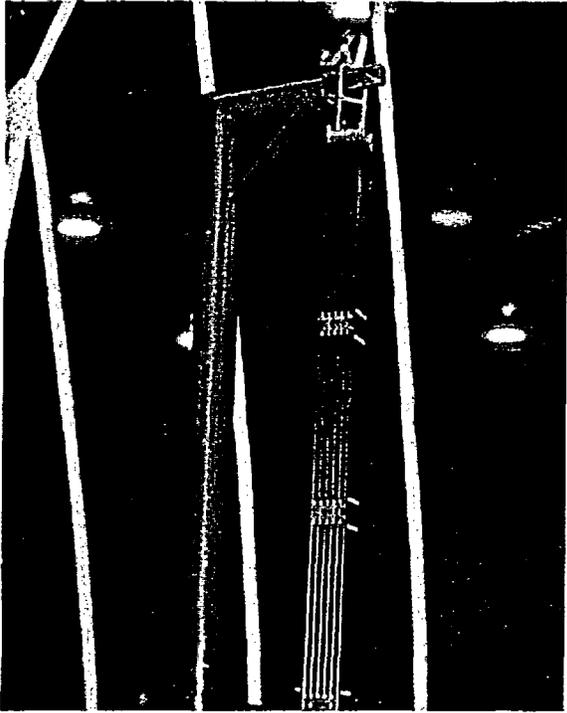
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Exacting specifications and close tolerances of nuclear products create artistic designs in form and color during the manufacturing process—a striking contrast to the natural beauty of Church Rock as seen on the cover.

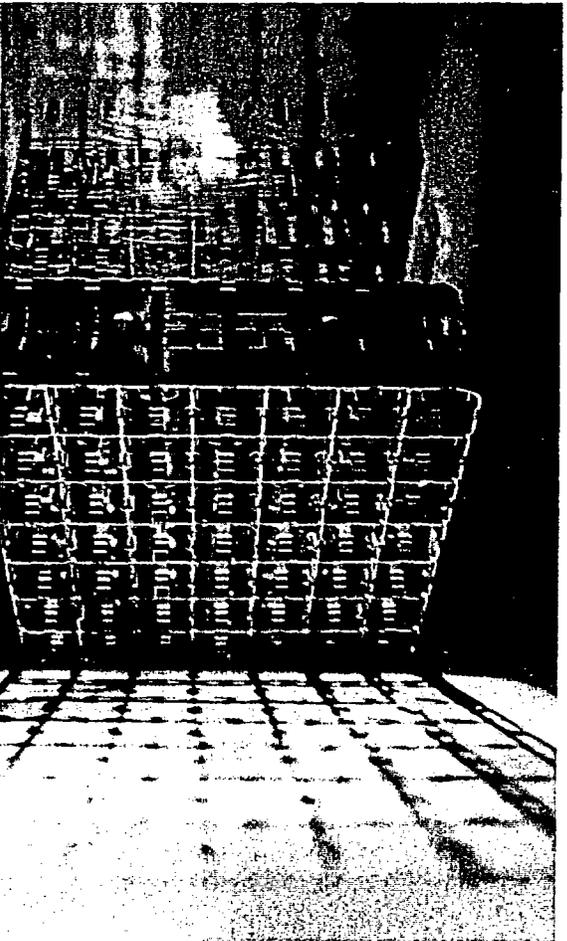
- 1 Welded Pattern
- 2 Tube Insertion
- 3 Spaced Fuel Rods
- 4 Carbon Meter Wiring



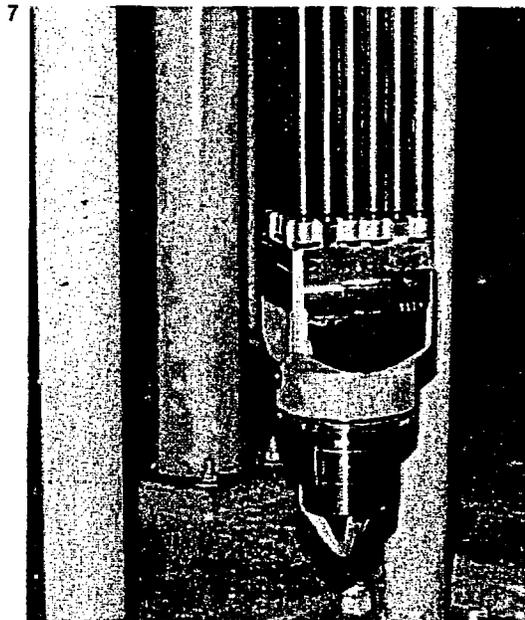
- 5 Clean Room
- 6 Spacer Patterns
- 7, 8 Fuel Elements
- 9 Yellowcake
- 10 Rod Spacer
- 11 Nozzle



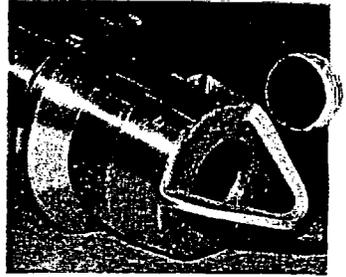
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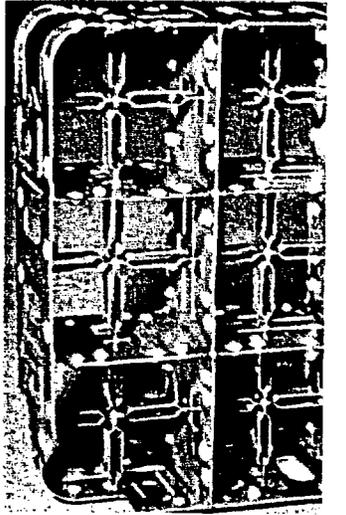
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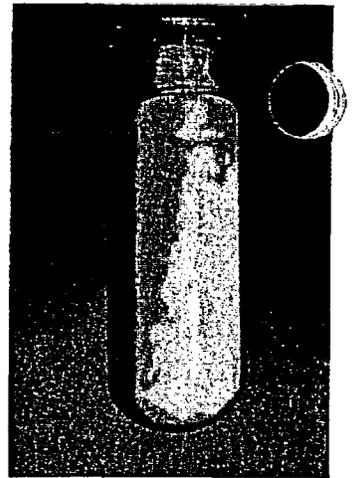
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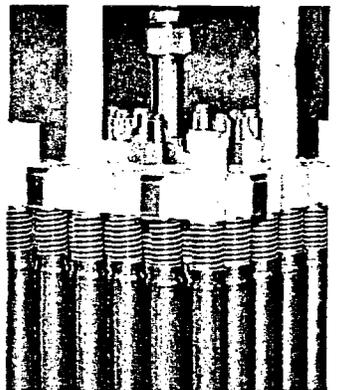
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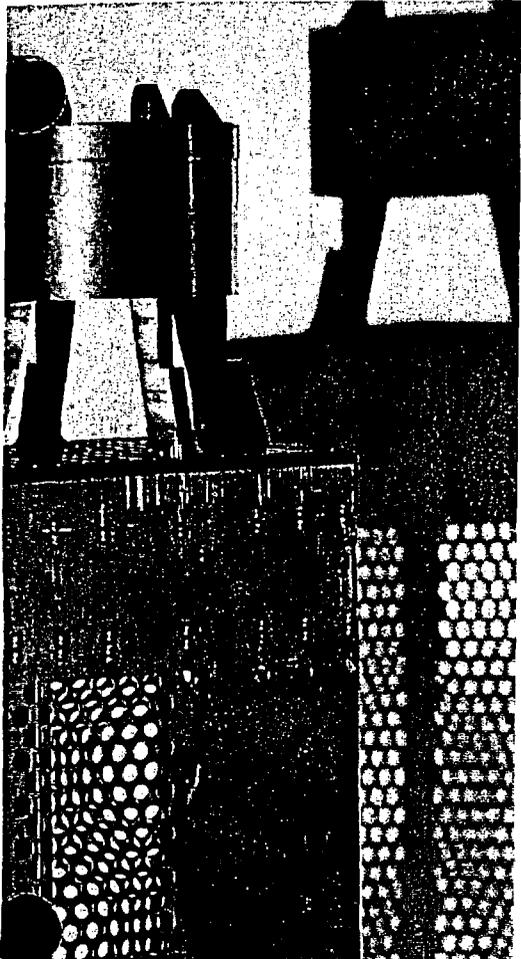


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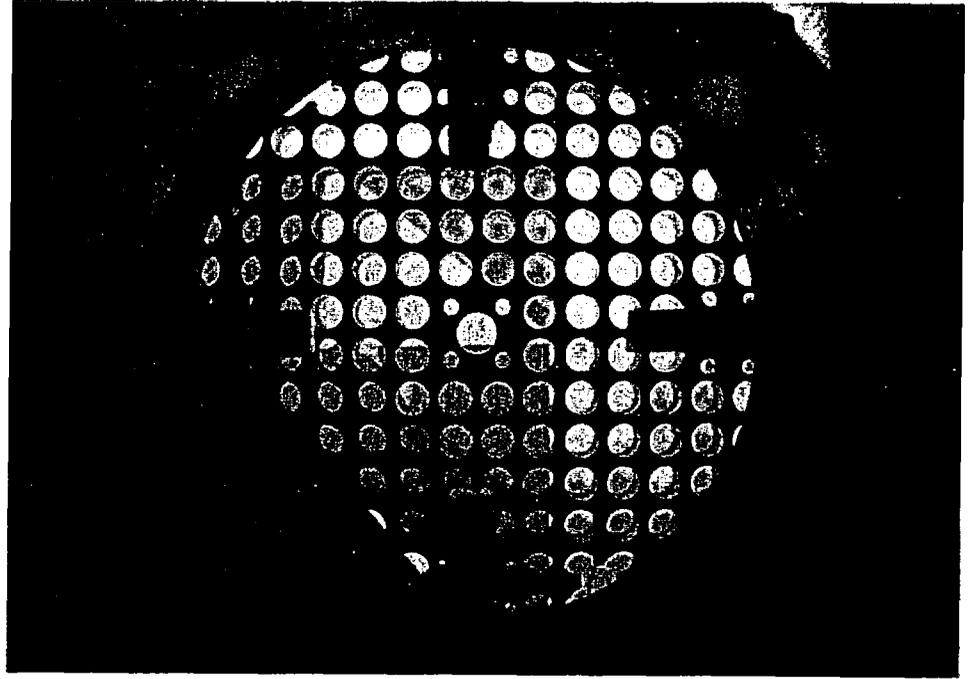


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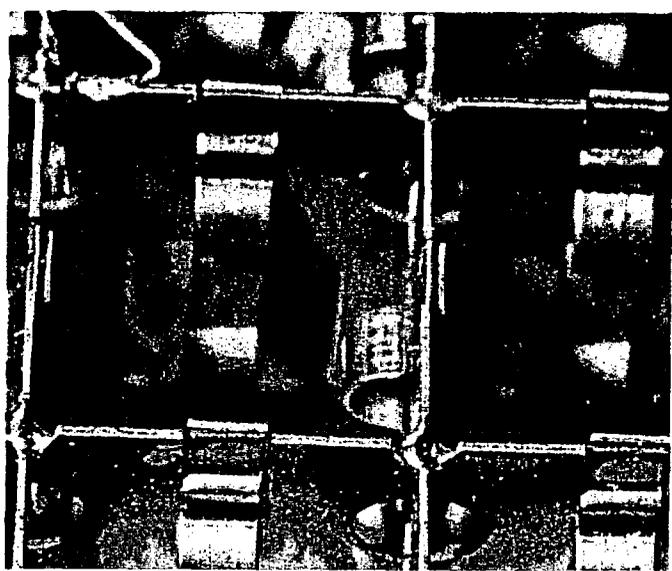


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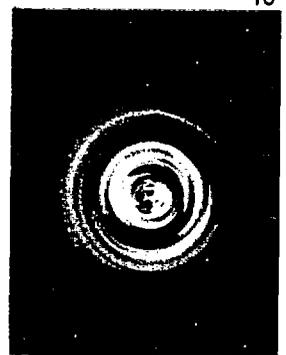


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12 Shroud  
13, 14 Element in Assembly  
15 Welded Zircalloy  
16 Zirc Tube, tol.  $\pm .0015$



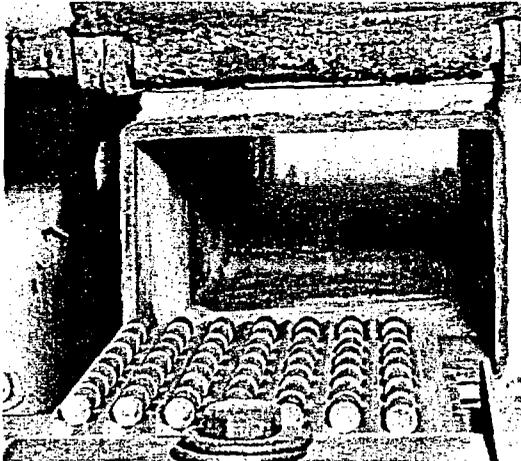
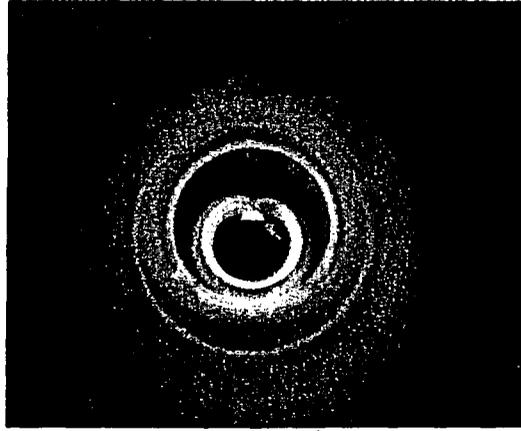
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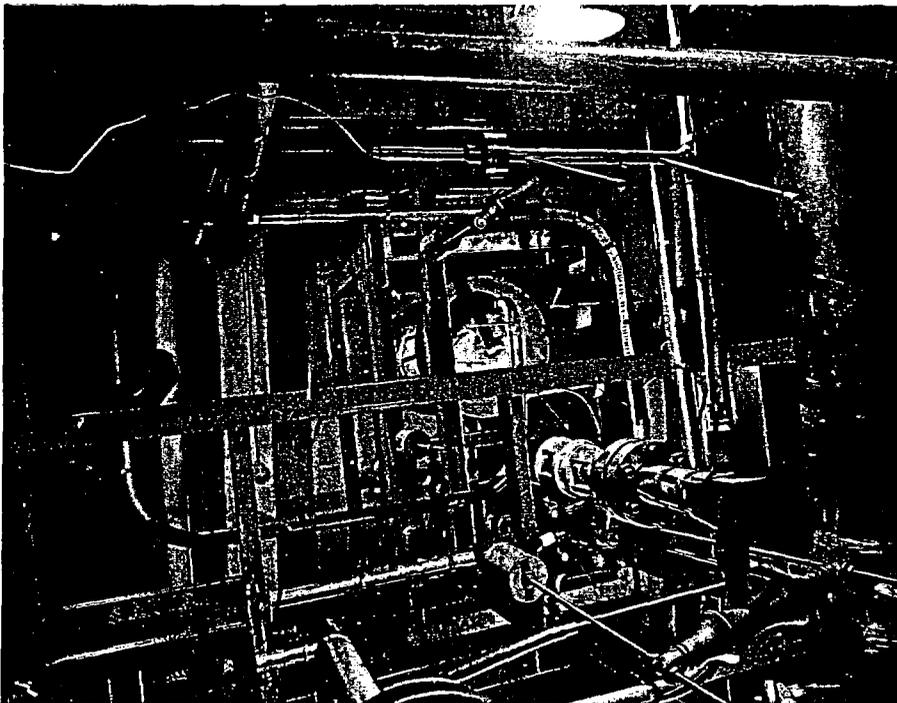
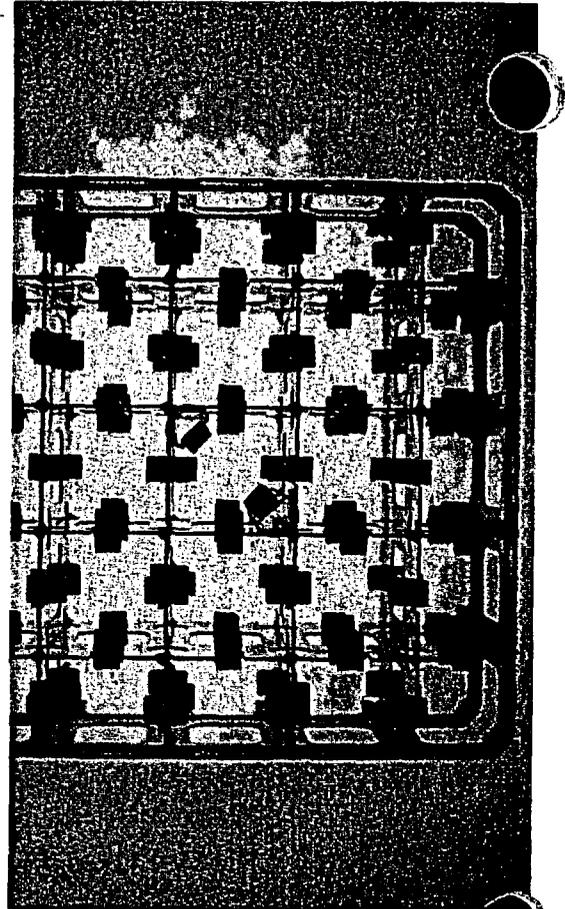
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18



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- 17 Yellowcake
- 18 Above: Zircalloy 4  
Below: Sintering Pellets
- 19 Spacer Design
- 20 Liquid Metals Loop



**UNITED  
NUCLEAR  
CORPORATION** AND SUBSIDIARIES

**Statement of Consolidated Earnings and Retained Earnings**

Year Ended March 31, 1968 with comparative figures for 1967

	1968	1967
Net sales and operating revenue .....	<u>\$61,698,294</u>	<u>\$56,898,448</u>
Costs and expenses:		
Cost of goods sold, exclusive of depreciation, depletion and amortization .....	45,586,163	41,120,912
Depreciation, depletion and amortization .....	6,029,209	5,258,183
Selling, administrative and general expenses .....	<u>9,218,143</u>	<u>2,944,828</u>
Total costs and expenses .....	<u>54,833,515</u>	<u>49,323,923</u>
Operating profit .....	<u>6,864,779</u>	<u>7,574,525</u>
Deductions:		
Interest .....	1,383,398	1,471,424
Other expenses (Income)—net .....	<u>(225,807)</u>	<u>73,053</u>
Total other deductions .....	<u>1,157,591</u>	<u>1,544,477</u>
Earnings applicable to minority interest in partnership .....	2,901,738	2,719,881
Earnings before extraordinary item .....	3,405,450	3,310,167
Extraordinary item — abandonment of properties .....	<u>—</u>	<u>(800,556)</u>
Net earnings (note 7) .....	3,405,450	2,509,611
Retained earnings at beginning of year .....	<u>15,172,968</u>	<u>12,663,357</u>
Retained earnings at end of year .....	<u>\$18,578,418</u>	<u>\$15,172,968</u>
Per share of common stock based on average number of shares outstanding during year:		
Earnings before extraordinary item .....	\$ .75	\$ .73
Extraordinary item .....	<u>—</u>	<u>(.17)</u>
Net earnings (note 10) .....	<u>\$ .75</u>	<u>\$ .56</u>

**Consolidated Balance Sheet**

March 31, 1968 with comparative figures at March 31, 1967

<b>Assets</b>	<b>1968</b>	<b>1967</b>
<b>Current assets:</b>		
Cash .....	\$ 585,732	\$ 1,931,523
Marketable securities, at cost (which approximates market) .....	4,047,010	950,000
Receivables:		
Trade .....	4,688,130	3,080,782
Other .....	<u>322,659</u>	<u>101,773</u>
	5,010,789	3,182,555
Unbilled costs under United States Government contracts (mainly on percentage of completion basis) .....	4,206,544	3,530,725
Inventories (note 2) .....	16,439,366	19,700,000
Prepaid expenses .....	<u>494,476</u>	<u>64,000</u>
<b>Total current assets</b> .....	<u><b>30,783,917</b></u>	<u><b>29,946,845</b></u>
<b>Other assets:</b>		
Retainage on United States Government receivables .....	3,846,618	3,306,155
Investments and miscellaneous (note 1) .....	4,510,884	1,779,936
Marketable securities held for investment in property, plant and equipment, at cost .....	<u>10,000,000</u>	<u>—</u>
	<u><b>18,357,502</b></u>	<u><b>5,086,091</b></u>
Property, plant and equipment, at cost (note 3) .....	87,241,565	81,430,871
Less accumulated depreciation, depletion and amortization .....	<u>45,127,512</u>	<u>40,435,535</u>
<b>Net property, plant and equipment</b> .....	<u><b>42,114,053</b></u>	<u><b>40,995,336</b></u>
	<u><b>\$91,255,472</b></u>	<u><b>\$76,028,272</b></u>

Liabilities	1968	1967
Current liabilities:		
Current maturities of long-term debt (note 4) .....	\$ 1,635,019	\$ 1,602,100
Accounts payable .....	3,948,532	3,096,797
Accrued liabilities .....	<u>4,145,750</u>	<u>3,940,891</u>
Total current liabilities .....	<u>9,729,301</u>	<u>8,639,788</u>
Long-term debt (note 4) .....	<u>32,977,703</u>	<u>22,602,507</u>
Minority interest in Homestake-Sapin Partners (note 1) .....	<u>5,216,290</u>	<u>5,151,052</u>
Commitments and Contingencies (note 9)		
Stockholders' equity:		
Common stock with a par value of 20¢ per share (note 6)		
Authorized 7,000,000 shares;		
issued, 1968 — 4,559,029 shares; 1967 — 4,528,480 shares .....	911,806	905,696
Additional paid-in capital (note 5) .....	23,841,954	23,556,261
Retained earnings (\$4,405,450 free of restrictions as to payment of dividends) .....	<u>18,578,418</u>	<u>15,172,968</u>
Total stockholders' equity .....	<u>43,332,178</u>	<u>39,634,925</u>
	<u>\$91,255,472</u>	<u>\$76,028,272</u>

## Notes to Consolidated Financial Statements, March 31, 1968

### (1) Principles of Consolidation:

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary and of Homestake-Sapin Partners, a partnership in which the Company has a 65% interest (Homestake Mining Company has a 35% interest in the partnership). In accordance with the terms of the partnership agreement, United Nuclear Corporation's status is limited; however, in the opinion of counsel, the Company would not be considered a statutory limited partner as against creditors due to its participation in the management of the partnership.

The investment in and advances to 50%-owned companies aggregating \$2,494,310 at March 31, 1968 is stated at cost plus equity in net earnings (or loss) since inception.

### (2) Inventories:

Inventories are valued at the lower of cost or market (except as noted) and consist of the following:

	1968	1967
Uranium concentrate— Produced mainly for delivery under firm contracts, at realizable value	\$ 9,113,963	\$ 7,967,911
Uranium Ore	5,510,988	9,300,567
	<u>14,624,951</u>	<u>17,268,478</u>
Mining and milling supplies	1,344,971	1,489,878
Other	469,444	950,007
	<u>\$16,439,366</u>	<u>\$19,708,363</u>

### (3) Property, Plant and Equipment:

	1968	1967
Land	\$ 2,202,331	\$ 2,238,888
Buildings and improvements	12,488,303	10,849,620
Machinery, equipment, furniture and fixtures	15,191,563	13,900,198
Mining and milling property, plant and equipment, including exploration and development costs	57,359,368	54,442,165
	<u>\$87,241,565</u>	<u>\$81,430,871</u>
Producing mining properties, including related		

mining equipment, are amortized by the unit-of-production method and other facilities and equipment by the straight-line method.

### (4) Long-term Debt:

	1968	1967
5% Convertible Subordinated Debentures due February 1, 1988 (a)	\$30,000,000	—
Note payable to bank, 5½-5¾%	—	\$10,580,000
Note payable to customer, 6%	—	7,000,000
Mortgage note payable, 5% (b)	2,932,152	4,155,620
House mortgages, mining	1,165,452	1,625,661
Other notes and mortgages (various maturities to 1983)	515,118	843,326
	<u>34,612,722</u>	<u>24,204,607</u>
Less current portion	1,635,019	1,602,100
	<u>\$32,977,703</u>	<u>\$22,602,507</u>

(a) The debentures are convertible into common stock at \$40.00 per share, subject to adjustment in certain events as provided in the indenture. Upon clarification of accounting principles applicable to convertible debt securities the Company may be required to record such debt discount as may be imputed to the conversion feature of the debentures. If the Company is required in the future to recognize and amortize as discount an amount assigned to the convertible feature, then based on an estimate that such discount would amount to about \$5,000,000, annual charges to operations in future years would be increased by approximately \$250,000 and annual net earnings would be decreased by \$.055 per share as a result of amortization thereof on a straight-line basis. The Company does not intend to impute any discount to the debentures by reason of the value of their convertibility feature unless it is required to do so and, if so required, the amount ultimately imputed may differ from that stated above. Commencing February 1, 1979, the Company will make annual sinking fund payments in amounts sufficient to redeem 6-2/3% of such amount of debentures as are outstanding on February 1, 1978.

(b) Mine and mill property and equipment of Homestake-Sapin Partners with a net book value

of approximately \$8,400,000 is pledged to secure the mortgage indebtedness to Homestake Mining Company. The note is payable at \$117,000 per month, including interest, to 1970.

### (5) Additional Paid-in Capital:

Changes in additional paid-in capital during the year were as follows:

Balance at beginning of year	\$23,556,26
Amount received in excess of par value of 30,549 shares of common stock issued to employees under stock option plans	285,69
Balance at end of year	<u>\$23,841,95</u>

### (6) Employee Stock Options:

At March 31, 1968, 150,103 shares of common stock were authorized for issuance to employees in accordance with the terms of restricted and qualified stock option plans. Options granted and unexercised totaled 73,666 shares; 76,437 shares had not been granted. Options granted are summarized as follows:

Balance at beginning of year	73,671
Changes during year:	
Granted	32,500
	<u>106,171</u>
Exercised	30,549
Expired or cancelled	1,956
	<u>32,505</u>
Balance at end of year	<u>73,666</u>

The options covering the 73,666 shares are exercisable at prices ranging from \$7.50 to \$47.13 per share at various dates to 1973.

### (7) Federal Income Taxes:

No provision has been made for Federal income taxes for the current year due principally to percentage depletion deductions allowable against earnings from mining operations. Federal income tax returns for 1964 and prior years are presently being examined by the Treasury Department. The Company's estimated tax loss carry-forward, subject to final determination by the Treasury Department, amounts to approximately \$2,300,000, of which \$1,070,000 expires in 1971, \$880,000 in 1972, and the balance in 1973.

### (8) Pension Plans:

The Company has non-contributory pension plans for eligible employees. Normal cost and interest on past service costs are funded annu-

ally. In addition, the Company has a deferred profit sharing plan under which it may make contributions from net earnings. For the period ended March 31, 1968, the cost of the plan amounted to approximately \$525,000.

**(9) Commitments and Contingencies:**

The Company is guarantor for loans of a 50%-owned company aggregating \$1,100,000 at March 31, 1968.

In accordance with industry practice, the Company has made warranties as to the performance of its commercial fuels, and provision has been made in the accounts to cover possible liabilities under these warranties for fuel delivered.

Annual rentals for premises occupied by the Company at March 31, 1968 were approximately \$300,000.

In March, 1967, the Company entered into an agreement for a joint uranium exploration program with Richard D. Bokum II, its former president, and with his affiliate, Bokum Corporation. Under the agreement, the Company is obligated to pay annual fees of \$175,000 and actual exploration and preacquisition costs of up to \$300,000, for a period of five years.

**(10) Earnings Per Share:**

Assuming conversion of debentures and exercise of outstanding stock options, earnings per share would not have been significantly changed.

**PEAT, MARWICK, MITCHELL & CO.**

CERTIFIED PUBLIC ACCOUNTANTS

SEVENTY FINE STREET

NEW YORK, NEW YORK 10005

The Board of Directors and Stockholders  
United Nuclear Corporation:

We have examined the consolidated balance sheet of United Nuclear Corporation and subsidiaries as of March 31, 1968 and the related statements of earnings and retained earnings and source and utilization 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.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the consolidated financial position of United Nuclear Corporation and subsidiaries at March 31, 1968 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying statement of consolidated source and utilization of funds for the year ended March 31, 1968 presents fairly the information shown therein for United Nuclear Corporation and subsidiaries.

*Peat Marwick Mitchell Co*

May 28, 1968

**UNITED NUCLEAR CORPORATION**

**Five Year Comparison of Summary of Earnings, Years Ended March 31**

(In thousands of dollars except per share amounts)

	1968	1967	1966	1965	1964
Net sales and operating revenues .....	\$ <u>61,698</u>	<u>56,898</u>	<u>50,588</u>	<u>55,744</u>	<u>55,214</u>
Costs and expenses:					
Cost of goods sold, exclusive of depreciation, depletion and amortization .....	<u>45,586</u>	<u>41,121</u>	<u>35,441</u>	<u>37,070</u>	<u>35,644</u>
Depreciation, depletion and amortization ....	<u>6,029</u>	<u>5,258</u>	<u>6,524</u>	<u>6,376</u>	<u>6,440</u>
Selling, administrative and general expenses	<u>3,218</u>	<u>2,945</u>	<u>3,067</u>	<u>3,309</u>	<u>3,351</u>
	<u>54,833</u>	<u>49,324</u>	<u>45,032</u>	<u>46,755</u>	<u>45,435</u>
	<u>6,865</u>	<u>7,574</u>	<u>5,556</u>	<u>8,989</u>	<u>9,779</u>
Other Deductions:					
Interest .....	<u>1,384</u>	<u>1,471</u>	<u>1,728</u>	<u>1,915</u>	<u>1,929</u>
Miscellaneous .....	<u>(226)</u>	<u>73</u>	<u>(257)</u>	<u>5</u>	<u>231</u>
	<u>1,158</u>	<u>1,544</u>	<u>1,471</u>	<u>1,920</u>	<u>2,160</u>
	<u>5,707</u>	<u>6,030</u>	<u>4,085</u>	<u>7,069</u>	<u>7,619</u>
Minority Interest .....	<u>2,302</u>	<u>2,720</u>	<u>2,707</u>	<u>2,602</u>	<u>2,323</u>
Earnings (loss) before extraordinary item .....	<u>3,405</u>	<u>3,310</u>	<u>1,378</u>	<u>4,467</u>	<u>5,296</u>
Deduct: Extraordinary item* .....	<u>—</u>	<u>(800)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net earnings (loss) .....	\$ <u>3,405</u>	<u>2,510</u>	<u>1,378</u>	<u>4,467</u>	<u>5,296</u>
Earnings per share based on the average number of shares outstanding:					
Before extraordinary item .....	\$ <u>.75</u>	<u>.73</u>	<u>.31</u>	<u>1.01</u>	<u>1.23</u>
Extraordinary item .....	<u>—</u>	<u>(.17)*</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net earnings .....	\$ <u>.75</u>	<u>.56</u>	<u>.31</u>	<u>1.01</u>	<u>—</u>

**Summary of Financial Position at March 31 of Each Year**

Current assets .....	\$ <u>30,784</u>	<u>29,947</u>	<u>31,560</u>	<u>33,825</u>	<u>29,231</u>
Current liabilities .....	<u>9,729</u>	<u>8,640</u>	<u>13,174</u>	<u>15,692</u>	<u>15,039</u>
Net current assets .....	<u>21,055</u>	<u>21,307</u>	<u>18,386</u>	<u>18,133</u>	<u>14,192</u>
Contract retainage and other assets .....	<u>18,358</u>	<u>5,086</u>	<u>4,323</u>	<u>3,023</u>	<u>1,913</u>
Property, plant and equipment .....	<u>87,242</u>	<u>81,431</u>	<u>77,602</u>	<u>77,028</u>	<u>71,906</u>
Less accumulated depreciation, depletion and amortization .....	<u>45,128</u>	<u>40,436</u>	<u>35,332</u>	<u>29,881</u>	<u>22,593</u>
Net property, plant and equipment .....	<u>42,114</u>	<u>40,995</u>	<u>42,270</u>	<u>47,147</u>	<u>49,313</u>
	<u>81,527</u>	<u>67,388</u>	<u>64,979</u>	<u>68,303</u>	<u>65,418</u>
Deduct:					
Long-term debt .....	<u>32,978</u>	<u>22,602</u>	<u>22,957</u>	<u>27,888</u>	<u>29,871</u>
Minority interest in Homestake-Sapin Partners	<u>5,217</u>	<u>5,151</u>	<u>5,248</u>	<u>5,326</u>	<u>5,332</u>
	<u>38,195</u>	<u>27,753</u>	<u>28,205</u>	<u>33,214</u>	<u>35,203</u>
Stockholders' equity .....	\$ <u>43,332</u>	<u>39,635</u>	<u>36,774</u>	<u>35,089</u>	<u>30,215</u>
Shares of common stock outstanding at end of year .....	<u>4,559,029</u>	<u>4,528,480</u>	<u>4,496,792</u>	<u>4,460,867</u>	<u>4,411,754</u>

## BOARD OF DIRECTORS

**Walter F. O'Connell**  
Chairman of the Board,  
United Nuclear Corporation  
and Milchem Incorporated  
and a Director and Consultant to  
Olin Mathieson Chemical Corporation

**D. Allan Bromley**  
Professor of Physics and  
Director of Nuclear Structure  
Laboratory, Yale University

**Kenneth E. Fields**  
Brig. General, Ret.  
Atlantic Pacific Inter-  
oceanic Canal Study Commission

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President, Olin Mathieson  
Chemical Corporation

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Vice President, United Nuclear  
Corporation and President,  
Douglas United Nuclear, Inc.

**William Leeds**  
Partner, Johnson, Bromberg,  
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**John R. Menke**  
Consultant to United Nuclear  
Corporation

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**John A. Lindberg**  
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**Walter F. O'Connell**  
Chairman of the Board

**William F. Roche**  
Vice President and Director,  
Research & Engineering Center

**David F. Shaw**  
President and Chief Executive Officer

**George Slover, Jr.**  
Secretary\*

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## GENERAL COUNSEL

Johnson, Bromberg, Leeds and Riggs  
Dallas, Texas 75201

## AUDITORS

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## TRANSFER AGENT

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New York, N. Y. 10015

## REGISTRAR

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New York, N. Y. 10015

\*Partner, Johnson, Bromberg, Leeds and Riggs



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**Naval Products Division**  
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New Haven, Conn. 06501

**Research and Engineering Center**  
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## AFFILIATE COMPANIES

**DOUGLAS UNITED NUCLEAR, INC**  
Richland, Wash. 99351

**SANDVIK SPECIAL METALS CORPORATION**  
Kennewick, Wash. 99333



**UNITED  
NUCLEAR  
CORPORATION**

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