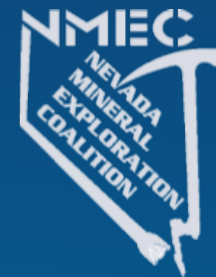


THE NEVADA MINERAL EXPLORATION COALITION AND THE MINERAL EXPLORATION INDUSTRY OF NEVADA

David R. Shaddrick,
President
Nevada Mineral
Exploration Coalition

AGENDA ITEM VII - LANDS
Meeting Date: 06-29-18



Nevada Mineral
Exploration Coalition

Our Mission:

Advocate for mineral exploration in Nevada in legislative and regulatory settings.

Promote mineral exploration in Nevada to national and international audiences to bring new business and investment capital to Nevada.



The NMEC is:

A Grassroots, nearly all volunteer, coalition of individuals and businesses engaged in and supporting the business of mineral exploration in Nevada.

Approximately 200 active members. NMEC represents several thousand explorers and the businesses that support them, all working in Nevada.



What does NMEC do?

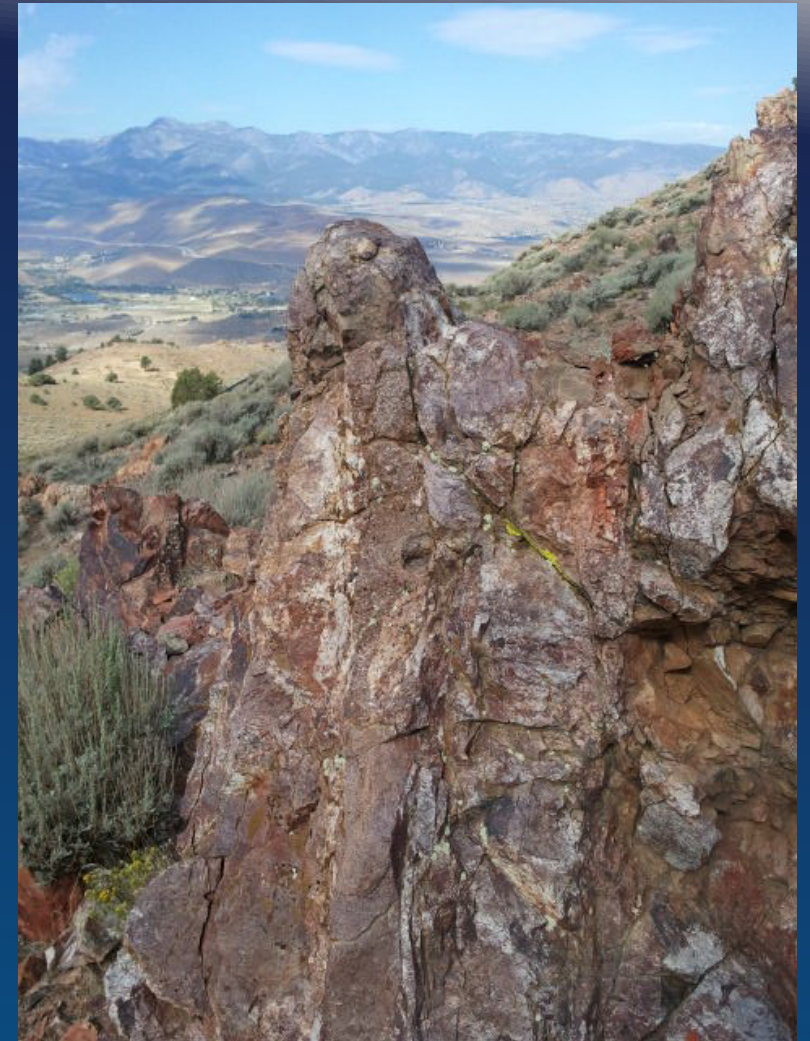
- Advocate for mineral exploration at all levels of government
- Monitor state and federal legislative and regulatory process as it affects mineral exploration
- Provide input and information to legislators and regulators
- Inform the public, legislators and regulators with respect to the activities and character of mineral exploration
- Exhibit at national and international conferences to promote the State of Nevada and our exploration businesses

Prospectors and Developers
Association of Canada, 2017



What is Mineral Exploration?

- It is the research and development segment of the broader mining industry
- It is a sequence of activities that starts with a bright idea that MAY end up with the development of a mine
- In between, a tremendous amount of science, labor and money is expended to find and ascertain the quantity and quality of a mineral deposit
- Worldwide, the smart money goes to the areas and projects with the best chance of discovering, developing and producing a mineral deposit. These areas generally have the right geology, known viable deposits, available land and a "friendly" business/regulatory climate
- *Nevada is one of the premier places in the world for discovering and developing new mineral deposits*



Exploration is a very high risk business!

- Explorers generate no revenue until discovery and must rely on large investments of venture capital to do their work
- The empirical standard accepted by the industry is that for every 1,000 projects acquired, one mine will be developed
- Generally speaking, 999 projects will have substantial work done and capital invested only to prove to be worthless! (so it's really smart to learn that early on)
- *It is only when a deposit is discovered, a mine is built, and profitable production is achieved that all of the investments bear fruit and the risks are justified*

The Exploration Sequence

High Risk



Low Risk

- A Bright Idea that leads you to a place
- Initial Reconnaissance
- Land Acquisition
- Initial Testing
- Detailed Definition
- Feasibility
- Design – Construction

Low Cost



High Cost

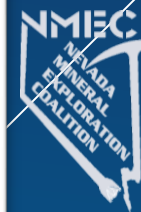
Explorers have differing business plans and enter the sequence at different points depending on their risk tolerance and available capital. Throughout the sequence, projects are bought and sold as individual perceptions of risk change.



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Some prefer to be the idea folks; the project generators and prospectors who enter the sequence at the highest risk level

- ***A Bright Idea***; Using research and experience to find a place, anywhere in the world, with a favorable geological setting, good land availability, favorable political climate
- **Initial Reconnaissance** in the field applying geological knowledge and limited geochemistry, and geophysics
- ***Land Acquisition*** in the field and land offices using landmen, surveyors, and claim staking contractors



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Some prefer to reduce their risk and enter the sequence at a point where they can purchase projects with some level of encouragement/value has already been established and considerable risk has been removed. These are usually small to medium-sized, well funded companies.

- **Initial Testing**; extensive geological mapping, geochemistry, geophysics, permitting, and limited drilling
- **Detailed Definition**; permitting, extensive drilling, modelling and initial environmental base line studies



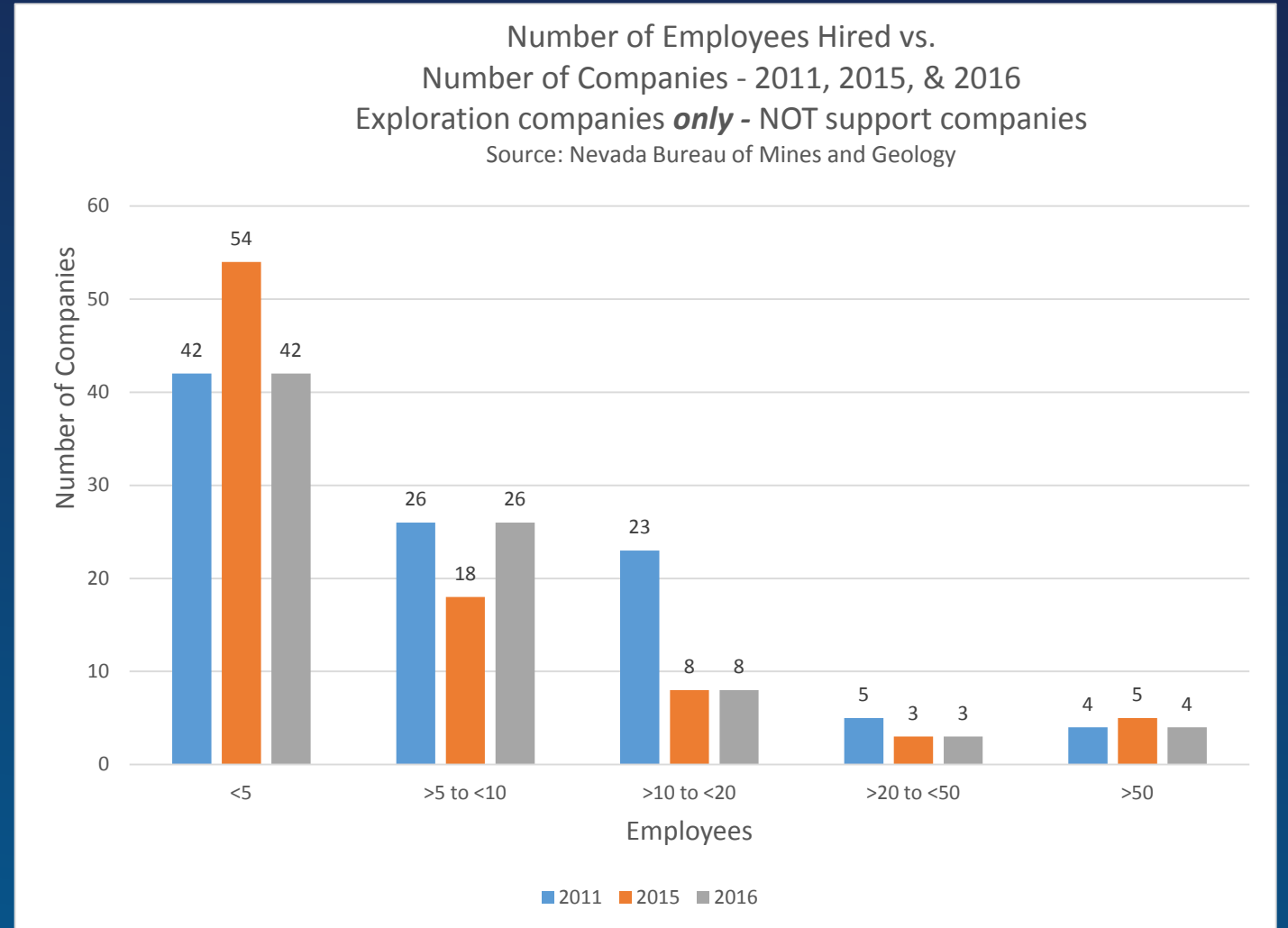
Some prefer to simply purchase a fully tested project, these are the medium to large, well-funded companies that have very little risk tolerance

- **Feasibility;** Extensive engineering, environmental testing and studies, deposit and reserve modelling
- **Design – Construction;** Massive engineering and construction activities



What does Mineral Exploration mean to Nevada?

- Many high paying jobs in both direct and indirect employment
- scientists, skilled craftsmen and laborers as well as entrepreneurs and administrators



What does Mineral Exploration mean to Nevada?

Huge input of venture capital; most from outside the state and all spent in the state

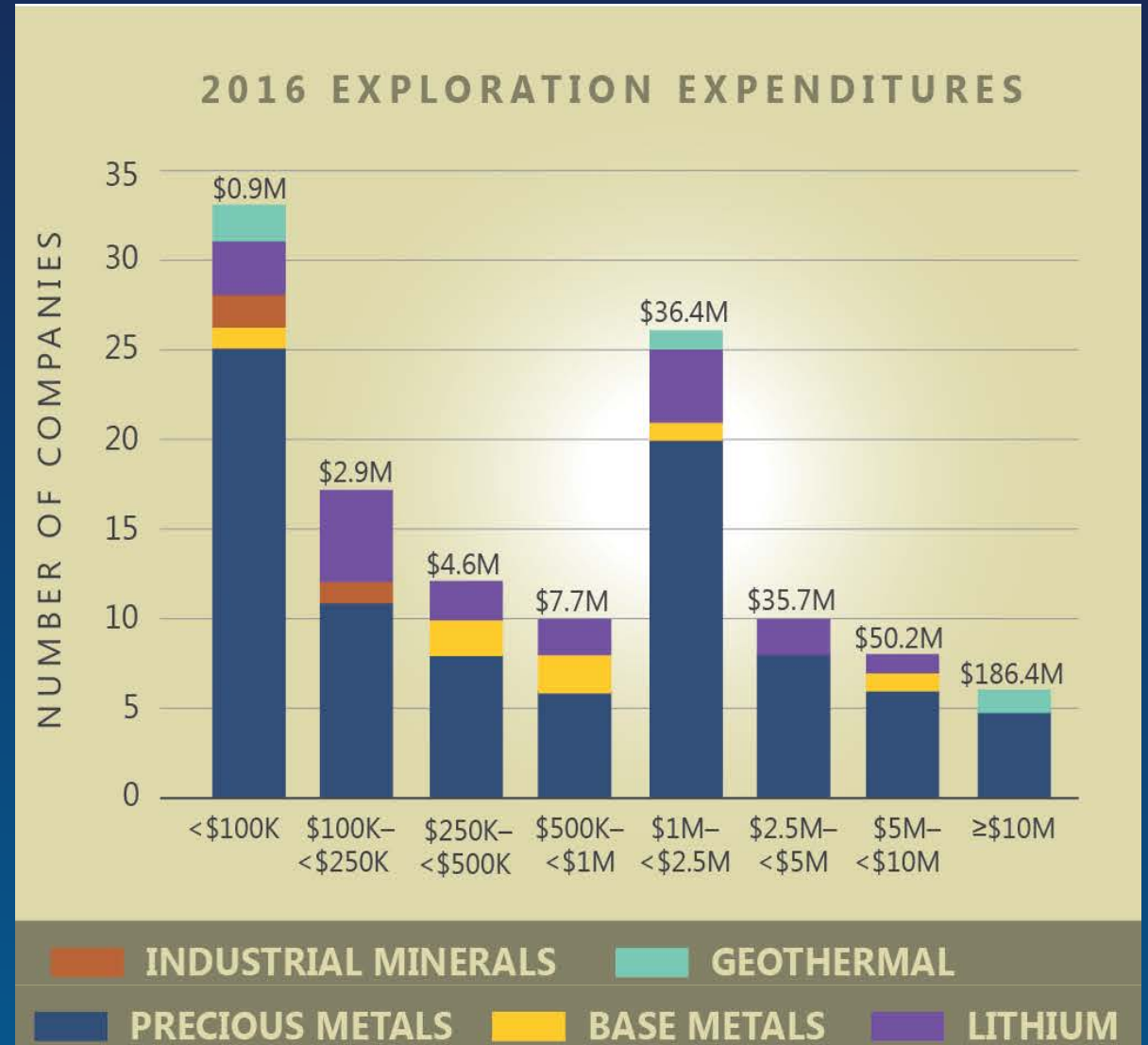
2011 total ~\$675 Million

2015 Total ~\$325 Million

In 2016, ~38% was attributable to large companies doing "headframe" exploration

A viable Exploration sector provides the only assurance that mining will continue in the state

Source: Nevada Bureau of Mines and Geology



What are the real threats to the industry?

The primary challenge to our industry is access to land – both public and private.

As with all business the cost of doing business is critical to exploration; but...

a unique aspect of that in the exploration business is the
“perception” of the “business friendly” nature of Nevada.

Although the majority of the decrease from 2011 to 2016 was related to a worldwide decline in exploration investment, a “cyclical market” phenomenon, a significant portion of the dramatic decrease in capital expenditure in Nevada can be attributed to the sage grouse listing threat and other extreme regulatory proposals emanating from Washington.

Largely because of this:

- Nevada dropped from 2nd in 2011 to 7th in 2016 on the Fraser Institute ranking of favorable exploration/investment venues**

All things being equal:

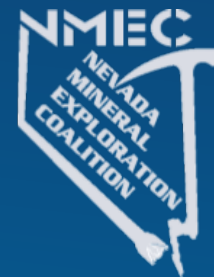
- Nevada is consistently ranked in the top 10 venues worldwide for capital investment and spent many years as number one or number two
- Although the threats we are facing are mostly federally generated; at the state level there are severe unintended consequences to many revenue-generating ideas

The Exploration Industry's "ask" for the legislature

- The current regulatory structure is working well. We ask that you continue to recognize Nevada Mineral Exploration's critical role in the history and current economy of this great state and that you allow us to work with you when regulatory and revenue-generating ideas are being considered.
- We encourage this body to send a letter to our Congressional delegation supporting the multiple use concept for all public lands.
- We ask that you continue to support the Division of Minerals and the Nevada Bureau of Mines and Geology; they are essential support agencies for our industry and we enjoy a good working relationship with them. The leadership and staff are supportive of our efforts to promote development of Nevada resources and assist with our annual conference and other events with grants and other resources. We particularly appreciate Administrator Perry's leadership at the Division of Minerals.

Thank You!!

Questions?



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