



Nevada Mineral Exploration Coalition

The "Voice" of Nevada Exploration

July 9, 2015

Ms. Deonne Contine
Director, Nevada Department of Taxation
c/o Tina Padovano
1550 College Parkway, Suite 115
Carson City, NV 89706

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State of Nevada
Department of Taxation

Dear Ms. Contine,

I attended the July 7, 2015 tax workshop and as the session proceeded it became clear to me that my questions and comments would be more appropriately submitted in writing to allow time for careful analysis and consideration. Thank you very much for the workshop and for your attention to these written comments.

The Nevada Mineral Exploration Coalition (NMEC) is a 501(c) 6 trade association. Our mission is to "Preserve and Promote the Exploration Industry of Nevada". We represent more than 200 small companies and more than 1,000 individual explorers. The majority of the companies and individuals we represent are small S or Limited Liability corporations engaged in the search for mineral deposits. Mineral exploration is distinct from "mining" although the two segments of the resource industry are inextricably linked.

Mineral Exploration is the research and development segment of the resource industries and, in general, generates no income from operations. Most explorers operate entirely on funds derived from venture capital investments. These are monies raised in the international venture capital markets and used, in our case, to explore for mineral deposits. They bring this money to Nevada, spend it on goods and services and, for the most part, then raise more venture capital to continue the search. The discovery of a mineral deposit is extremely rare and the risks are very high but the few who succeed do extremely well and become huge revenue producers. Nothing is made or sold until a discovery is made and commercial production starts.

My specific questions are:

- Does the definition of "revenue" include venture capital investment in Research and development activities? These are monies raised in the international venture capital markets and used, in our case, to explore for mineral deposits.
- Which NAICS code should be used for research and development corporations and/or for mineral exploration? This will be helpful to know to determine tax liability.

Your consideration and attention is very much appreciated. I await your response so that I can share your guidance with NMEC members.

Sincerely,

David R. Shaddrick
President