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NEVADA EXPLORATION SURVEY 1999

by

Doug Driesner, Director of Mining Services

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(12/14/2000 printing)

NEVADA COMMISSION ON MINERAL RESOURCES

Division of Minerals

The Nevada Division of Minerals, a part of the Commission on Mineral Resources, is responsible for administering programs and activities to promote, advance, and protect mining and the development and production of petroleum and geothermal resources in Nevada. The Division's mission is to conduct activities to further the responsible development and production of the State's mineral resources to benefit and promote the welfare of the people of Nevada. The seven-member Commission on Mineral Resources is a public body appointed by the Governor and directs mineral-related policy for the Division and advises the Governor and Legislature on matters relating to mineral resources. The Division focuses its efforts on three main areas: Industry relations and public affairs; regulation of oil, gas, and geothermal drilling activities and well operations; and abandoned mine lands.

The agency is involved in a wide array of activities relating to mineral development. Staff compiles annual data on all active mines in Nevada and maintains the State's mine registry. Information concerning mining operations and production is made available to the public through this yearly publication. Educational documents and materials concerning many aspects of the minerals industry are also produced. The Division participates in governmental activities affecting policies and laws concerning the minerals industry and resource development. The Division administers the State's reclamation bond pool.

The Division is responsible for permitting, inspecting, and monitoring all oil, gas, and geothermal drilling activities on both public and private lands in Nevada. Staff also monitors production of oil, gas, and geothermal resources to insure proper management and conservation. The Administrator is the Governor's Official Representative to the Interstate Oil and Gas Compact Commission.

The Division's abandoned mine lands program provides for public safety by identifying and ranking dangerous conditions at mines that are no longer operating, and by securing dangerous orphaned mine openings. The program continually urges the public to recognize and avoid hazardous abandoned mines.

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NOTE: Graph 1 has been corrected in the 12/14/2000 printing.

EXECUTIVE SUMMARY

This is the sixth annual survey of mineral exploration activity in Nevada conducted by the Division of Minerals. The purpose of the survey is to determine the level of current and projected exploration activity, and to determine what factors are influencing those levels of activity.

The highlights of the survey are as follows:

- Thirty three companies responded to this survey.
- The respondents reported spending \$86.7 million on Nevada exploration activities in 1999, and project spending \$102.0 million in 2000, a 17 per cent gain over 1999.
- The respondents reported their worldwide exploration expenditures in 1999 were \$414.5 million, and are projecting a drop to \$391.5 million in 2000.
- The respondents spent 49.7 per cent of their budgets on actual drilling, 23.1 per cent on other exploration, 10.8 per cent on corporate costs, 9.7 per cent on land holding costs, 3.8 per cent on permitting and compliance costs, and 2.9 per cent on “other.”
- The respondents reported 225 geologists on the payroll in Nevada in 1999, up from the 214 reported in 1998, but are projecting a drop in 2000 to 216.
- The respondents reported holding 57,466 claims in Nevada and 69,354 in the U.S. as a whole in 1999.
- Existence of favorable geology remained the most important factor in influencing the respondents’ level of exploration activity. Commodity prices were the second most important factor.
- The time for respondents to obtain approval of a Plan of Operations varied from 2 months to 48 months with an average of 10 months.
- 54 per cent of the respondents who have Nevada production were able to replace their production with newly found reserves.
- 38 per cent of the respondents reported they were optimistic about domestic exploration, while the numbers reporting neutrality or pessimism were tied at 31 per cent each.

INTRODUCTION

In the spring of 2000, the Division of Minerals conducted its sixth annual survey of exploration companies engaged in projects or holding claims in Nevada. As in previous years, the purpose of this survey is to determine the current and projected levels of exploration activity, and to determine what factors are influencing these levels. This survey is regarded as a portion of the official state mine registry, making the individual responses confidential.

Fifty five questionnaires were sent out in late March, 2000. Responses were received from 33 companies. The author appreciates the efforts made by those who responded. Fewer questionnaires were sent out this year than in previous years. Respondents who had reported expenditures of zero for 1997 and 1998 and also projected their 1999 expenditures to be zero were not polled. In the previous survey, there were 47 respondents; however 10 of them reported zero activity. Of the 33 respondents, 31 were focused on precious metals and only 2 were looking for other minerals. Many, but not all, of the respondents to the surveys are the same from one year to the next. Thus, it is only possible to compare trends from year to year in a general, rather than an exact way. Graph 1 shows the distribution of the respondent's Nevada exploration budgets for 1999. Table 1 shows the breakdown of respondents from the previous surveys and this current one.

The main topics covered by the survey include exploration expenses, geologists employed, number of claims held, factors that influence a respondent's level of activity, success at reserve replacement, type of reserve replacement, and overall attitude toward domestic exploration. In this year's survey, respondents were also asked for a breakdown of how they spent their money.

The author appreciates the efforts of Alan Coyner, the Division Administrator, and Jonathan Price, the State Geologist, for their critical reviews of the manuscript. Thanks is also due to Deborah Selig and George Bishop, both Division staffers.

EXPLORATION EXPENDITURES

Exploration expenditure is regarded as one of the two main indicators of exploration activity, the other being the number of geologists employed. Exploration expenditures reported for Nevada in 1999 totaled \$86.7 million, down slightly from the \$90.8 million reported for 1998, but fairly close to the \$88.1 million that was projected to be spent in 1999 by the previous survey. The current projections for 2000 spending in Nevada show a significant increase to \$102.0 million, a 17 percent gain. If this projection proves out, it will constitute the largest percentage gain in the six years this survey has been conducted. In this survey, projections for 2001 were not asked for, because in all previous surveys few respondents were able to project two years ahead. As in previous years, the survey illustrates the importance of mineral exploration to Nevada's economy, but also shows that volatility and uncertainty exist.

Spending in the rest of the U.S. (non-Nevada) was reported to be \$20.6 million, down sharply from the \$28.5 million reported as actually spent in 1998 and significantly less than the \$31.8 million that had been projected to be spent in 1999. Nevada's share of domestic spending was reported to be nearly 81 per cent in 1999, up from 76 per cent in 1998. Nevada's share is projected to reach nearly 83 per cent in 2000.

Respondents reported that their worldwide spending was \$414.5 million in 1999 and are projecting \$391.5 million to be spent in 2000. Respondents spent \$389.6 million worldwide in 1998 and had projected to spend \$337.0 million in 1999, so the actual 1999 spending was significantly higher than had been projected. Nevada's percentage of worldwide spending in 1999 was 21, compared to the 26 that had been projected. Current projections indicate Nevada will receive 26 per cent of the worldwide spending in 2000. It should be pointed out that there is a Nevada bias in this survey, as companies without known Nevada activity are not polled.

In most previous surveys, a distinction existed between the companies with Nevada exploration budgets greater than or equal to \$1 million (the GE companies) and those with Nevada budgets less than \$1 million (the LT companies). In the 1999 survey, the gap between the GE companies and the LT companies was quite small, but in the current survey, there is a gap of \$450,000 between \$750,000, the largest LT budget, and \$1.2 million, the smallest GE budget. Graph 1 on page 12 shows the distribution of respondent's budgets. Of the 33 respondents to this survey, 20 are GE companies and 13 are LT companies. The GE companies accounted for 96 per cent of the Nevada spending in 1999 and are projected to spend 97 per cent of Nevada's total in 2000. The GE companies also account for the bulk of the respondent's total domestic and worldwide spending with 80 and 88 per cent respectively. Graph 2 shows the breakdown of exploration spending for Nevada in 1999 and projected for 2000. Table 2 shows the exploration expenditures reported in previous surveys from 1994 through 1999.

The average Nevada spending per respondent was \$2.6 million in 1999, up from the average of \$1.9 million in 1998. This is due, in part, to not polling companies who had reported zero activity. The GE companies spent an average of \$4.2 million, while the LT companies averaged \$271,000. In 2000, the average Nevada spending per respondent is projected to increase to \$3.1 million, with the GE companies averaging \$4.9 million and the LT companies averaging \$248,000. Graph 3 illustrates the average spending per respondent.

BREAKDOWN OF EXPENDITURES

In addition to the amount of spending, this survey asked for a breakdown of their Nevada expenses. Respondents were asked to provide the percentage of their budget that was devoted to land holding costs (claim staking and holding, lease payments, etc.), permitting and compliance costs (bonding, reclamation etc.), corporate costs (overhead, taxes, etc.), actual contract drilling costs, other exploration costs (mapping, assaying, etc.), and other (respondent was asked to specify). The percentages given by each respondent were weighed against that respondent's budget.

For all respondents together, 50 per cent of their budgets were spent on actual drilling costs, 23 per cent on other exploration costs, 11 per cent on corporate costs, 9 per cent on land holding costs, 4 per cent on permitting and compliance costs, and 3 per cent on "other," which was generally specified as geophysics.

For the GE companies as a group, over half, 51 per cent of their budgets were spent on actual drilling, 23 per cent on other exploration costs, 10 per cent on corporate costs, 9 per cent on land holding costs, 4 per cent on permitting and compliance costs, and 3 per cent on "other."

For the LT companies as a group, the spending was more evenly distributed among the categories. 24 per cent was spent on actual drilling, 23 per cent on land holding, 22 per cent on other exploration costs, 20 per cent on corporate, 8 per cent on "other," and 3 per cent on permitting and compliance.

Graph 4 shows the breakdown of expense categories for all respondents, GE companies, and LT companies. Because this is the first year expense breakdown information has been requested, no information is available to determine historical trends.

GEOLOGISTS EMPLOYED

The second main indicator of exploration activity is the number of geologists employed.

In Nevada, respondents reported 225 geologists on the payroll in 1999, up from the 214 reported in 1998 and very close to the 228 that were projected to be employed by last year's survey. Projections for 2000 indicate a 4 per cent drop to 216 geologists. 205 of the 225 geologists are employed by the GE companies, while 20 are employed by the LT companies. Graph 5 shows the numbers of geologists employed in Nevada as reported for 1999 and projected for 2000. Table 3 shows the numbers of geologists employed reported in the previous surveys from 1994 to 1999.

In the U.S., including Nevada, 282 geologists were reported to be at work in mineral exploration in these companies. Of those, 243 were employed by the GE companies, and 39 by the LT companies. According to all of the respondents, 80 per cent of their domestic geologists were at work in Nevada. Over 84 per cent of the GE company's domestic geologists were employed in Nevada, while over 51 per cent of those employed by the LT companies worked in Nevada. Projections for 2000 indicate the domestic geological employment of the respondents will remain virtually unchanged, with the GE companies expecting to employ 243 geologists and the LT companies 38, for a total of 281. In the U.S., excluding Nevada, 57 geologists were employed by the respondents, 38 by the GE companies and 19 by the LT companies. The non-Nevada domestic geologist employment is projected to increase in 2000 with the GE companies employing 45 and the LT companies employing 20 for a total of 65.

Worldwide, including the U.S., respondents reported 782 geologists at work in 1999, down from the 823 at work in 1998, but higher than the 725 who had been projected to be at work in last year's survey. The current survey projects a drop to 743 geologists at work in 2000 worldwide. Over 34 per cent of the GE company's geologists were at work in Nevada as compared to 11 per cent for the LT companies. Overall, 29 per cent of the respondent's geologists were at work in Nevada. The percentages of the respondent's worldwide geologists working in Nevada in 2000 is projected to remain the same. For the world, excluding the U.S., 500 geologists were reported to be employed in 1999, 359 by the GE companies and 141 by the LT companies. In 2000, the GE companies are projected to employ 331 and the LT companies 131, for a total of 462 non-U.S. geologists.

EXPENDITURES PER GEOLOGIST

In Nevada, the GE companies spent more per geologist employed than the LT companies did in 1999 with average amounts of \$406,000 and \$176,000, respectively. Overall the average amount was \$385,000 per geologist. For 2000, these amounts are projected to increase significantly to \$499,000 for the GE companies and \$179,000 for the LT companies, for a combined amount of \$472,000. Worldwide, including the U.S., the spending per geologist was higher. The GE companies had a 1999 spending amount of \$549,000 per geologist and the LT companies had an amount of \$468,000, for a combined amount of \$530,000 per geologist. In 2000, the projections are mixed with the GE companies increasing to \$556,000 per geologist and the LT companies decreasing to \$428,000, for a combined amount of \$527,000. For the world, excluding the U.S., the spending per geologist was even higher, with the GE companies spending \$657,000 per geologist and the LT companies \$506,000 for a combined amount of \$615,000 per geologist. These figures indicate, in part, the added expense of doing business overseas.

MINING CLAIMS

The number of mining claims held in Nevada and the rest of the U.S. has dropped steadily since the enactment of the \$100 federal claim maintenance fee in 1992. As of September 7, 1999, according to the Nevada State Office of the Bureau of Land Management, approximately 111,000 claims are currently being held in Nevada. For the assessment year ending September 1, 1999, the latest period for which figures are available, the \$100 fee had been paid for 107,000 claims and the small miner exemption had been filed for 4,000 claims.

Respondents to this survey reported holding 57,466 claims in Nevada and 69,354 in the U.S. as a whole in 1999. Projections for 2000 show a continuing drop to 54,071 claims in Nevada and 65,472 in the U.S. as a whole. As has been the case in previous surveys, the GE companies held considerably more claims than the LT companies in 1999. In Nevada, the GE companies held 51,729 claims compared to 5,737 for the LT companies. In the total U.S., the GE companies held 61,592 claims compared to 7,762 for the LT companies.

Overall, the respondents reported holding 83 per cent of their claims in Nevada in 1999. The GE companies held 84 per cent in Nevada, while the LT companies held 74 per cent in Nevada. Projections for 2000 indicate the same percentages.

Graph 6 shows the breakdown of the claims held by respondents. Table 4 shows the claims held by respondents reported in the previous surveys from 1994 through 1999.

FACTORS INFLUENCING ACTIVITY

As in previous surveys, this one asked respondents to rank the factors influencing their level of exploration activity. The composite of all respondent's ranking of these factors is listed below in order of decreasing importance.

1. Existence of favorable geology
2. Commodity prices
3. Corporate demands
- 4a. Uncertainty over permitting time frames (tie)
- 4b. Actual length of permitting time
5. Uncertainty over mining law reform
6. Announcements of new discoveries
7. Federal claim maintenance fees
8. Land exchanges /withdrawals
9. Wilderness Study Areas / ACECs
10. Changes in foreign mining laws

Other factors that were mentioned included: Security of tenure, risk of investment, difficulty raising capital, and ability to acquire ground.

The ranking of factors is similar to previous years, but not identical. Corporate demands became slightly more important than uncertainty over permitting time frames. Actual length of permitting time gained over uncertainty over mining law reform, announcements of new discoveries gained over the \$100 federal claim fees, and wilderness study areas / ACECs became relatively less important. It should be pointed out that this ranking is an average of all the respondent's rankings. Some respondents thought certain factors were very important even though that factor ranked low overall, and vice-versa.

The GE and LT respondents were fairly similar, but not identical in their rankings. The GE companies in general thought that wilderness study areas, ACECs, land exchanges, and withdrawals were more important than the LT companies did, but the LT companies ranked announcements of new discoveries and the federal claim maintenance fees higher than the GE companies did. Graphs 7, 8, and 9 show the relative importance of the factors for all respondents, the GE companies, and LT companies, respectively.

Because both the uncertainty of permitting time frames and the actual length of permitting time have historically been important factors, this year's survey asked for the time it took respondents to get a notice of intent through the permitting process and the time it took to obtain approval of a plan of operations. The LT companies, on average, were able to get this permitting done a little faster than the GE companies. The LT companies needed an average of 26 days for a notice of intent and 4.5 months for a plan of operations compared to the GE company's average requirement of 36 days for a notice of intent and 13.4 months for a plan of operations. Overall, the average was 31 days for a notice and 10.0 months for a plan.

The range of permitting times varied considerably from the averages. For a notice, the minimum time was 15 days, but the longest took 90 days. The time required for plan approval varied from 2 months to 48 months. This wide range of permitting times underscores the respondent's concerns about both uncertainty and actual length of permitting times.

REPLACEMENT OF RESERVES

Respondents were asked whether or not they were able to replace their reserves lost to production with newly found reserves. In this question a "yes" answer indicates total replacement of reserves and a "no" indicates that reserves were not totally replaced. The response from the smallest company carries the same weight as the response from the largest company, thus the results signify the number of companies replacing their reserves, and NOT the amount of reserves being replaced. Companies with no production were noted, but were not figured into the results. Table 5 shows the percentages of respondents who replaced their reserves.

On a worldwide basis 74 per cent of the respondents replaced their reserves while 26 per cent did not. Fourteen companies had no worldwide production. A higher percentage of GE companies replaced their reserves (80 per cent) than the LT companies (67 per cent).

In the U.S., including Nevada, 62 per cent replaced their reserves while 38 per cent did not. Twenty companies had no domestic production. Fifty per cent of the GE companies who have domestic production replaced theirs, while 80 per cent of the LT companies did.

In Nevada, reserve replacement is a real challenge due to the relatively high rate of production. Only 54 per cent of the respondents with Nevada production were able to replace it with new reserves while 46 per cent did not. Twenty respondents had no Nevada production. Less than half (46 per cent) of the GE companies were able to replace their Nevada production, while 75 per cent of the LT companies did.

The method of reserve replacement included expansions around existing operations grass-roots efforts, or a combination of both. Reserves may also be purchased, however that method was not considered in this survey. Overall, 42 per cent of the respondents focused on grass-roots efforts and 40 per cent focused on expansions, while 18 per cent pursued both methods. The GE companies were more likely than the LT companies to

focus on expansions with 54 per cent indicating that was their method. Twenty three companies focused on a combination of expansions and grass-roots efforts, and 23 per cent relied on grass-roots efforts alone. Sixty five per cent of the LT companies were looking at grass-roots efforts, while only 35 per cent were looking at expansions.

ATTITUDES

Overall, more respondents reported that they were optimistic about domestic exploration than were neutral or pessimistic. Thirty eight per cent were optimistic, while the neutral and pessimistic ones were tied at 31 per cent each. There was less optimism among the GE companies with only 23 per cent being optimistic, 23 per cent pessimistic, and 54 per cent being neutral. Nearly half (47 per cent) of the LT companies were optimistic, while 37 per cent were pessimistic, and only 16 per cent were neutral. Overall, the percentage of optimists is about the same as last year, but the GE and LT companies have, in general, switched their positions.

One way to look at respondent's attitudes over time is to use the "Optimism Index." The optimism index is a number calculated by scoring 100 points for each optimist, negative 100 points for each pessimist, and zero for each of the neutral respondents. The sum of the scores divided by the total number of respondents is a number (either positive or negative) which is the optimism index. The higher the optimism index, the greater the optimism, and the lower the optimism index, the greater the pessimism. Graph 10 shows the calculated optimism indices for all respondents, the GE respondents, and the LT respondents for the last 6 years. The GE respondents have historically been more optimistic than the LT respondents, however that trend began to reverse itself in 1999.

CONCLUSION

Nevada, with its favorable geology and history of mineral production, has been and remains a good place to explore. However, with gold prices remaining at low levels relative to recent prices, exploration expenditures have decreased over the past several years. Nevada's geologic setting is an endowment that no one can change, and the gold price can not be moved upward at will. Nevada needs to maintain a reasonable regulatory climate and have a stable political climate that will recognize the value of mineral exploration. Hopefully, the projected increase in spending for 2000 will reverse this trend.

TABLE 1**Number and Types of Respondents**

Respondents	1994	1995	1996	1997	1998	1999
LT Companies	19	23	13	25	32	20
GE Companies	27	24	36	26	15	13
Total	46	47	49	51	47	33

TABLE 2**Exploration Expenditures in Millions of Dollars**

LT Respondents	1994	1995	1996	1997	1998	1999
Nevada	\$33.5	\$2.9	\$0.7	\$4.2	\$4.0	\$3.5
Rest of U.S.	\$7.3	\$4.7	\$1.7	\$8.7	\$3.4	\$9.3
Outside U.S.	\$49.4	\$6.8	\$2.3	\$42.8	\$61.9	\$71.3
Total World	\$90.2	\$14.4	\$4.7	\$55.7	\$69.3	\$84.1
GE Respondents	1994	1995	1996	1997	1998	1999
Nevada	\$120.5	\$137.9	\$120.2	\$134.6	\$86.6	\$83.1
Rest of U.S.	\$44.7	\$51.5	\$35.7	\$78.9	\$25.1	\$11.3
Outside U.S.	\$202.6	\$589.7	\$753.5	\$812.8	\$208.4	\$236.9
Total World	\$367.8	\$779.1	\$909.4	\$1,026.3	\$320.3	\$330.4
All Respondents	1994	1995	1996	1997	1998	1999
Nevada	\$154.0	\$140.8	\$120.9	\$138.8	\$90.8	\$86.7
Rest of U.S.	\$52.0	\$56.2	\$37.4	\$87.6	\$28.5	\$20.6
Outside U.S.	\$252.0	\$596.5	\$755.8	\$855.6	\$270.3	\$307.3
Total World	\$458.0	\$793.5	\$914.1	\$1,082.0	\$389.6	\$414.6

TABLE 3**Geologists Employed by Respondents**

LT Respondents	1994	1995	1996	1997	1998	1999
Nevada	74	30	24	38	27	20
Rest of U.S.	49	10	NA	NA	40	10
Outside U.S.	103	388	NA	NA	182	90
Total World	226	428	NA	NA	249	120
GE Respondents	1994	1995	1996	1997	1998	1999
Nevada	248	239	249	271	187	205
Rest of U.S.	135	139	NA	NA	40	38
Outside U.S.	454	1182	NA	NA	347	359
Total World	837	1560	NA	NA	574	602
All Respondents	1994	1995	1996	1997	1998	1999
Nevada	322	269	273	309	214	225
Rest of U.S.	184	149	NA	NA	80	48
Outside U.S.	557	1570	NA	NA	529	449
Total World	1063	1988	NA	NA	823	722

TABLE 4**Mining Claims Held by Respondents**

	1994	1995	1996	1997	1998	1999
LT Respondents						
Nevada	NA	6,435	2,580	12,150	9,708	5,737
Rest of U.S.	NA	4,717	1,670	9,941	10,190	2,025
Total Claims	19,097	11,152	4,250	22,091	19,898	7,762
GE Respondents						
Nevada	NA	53,069	63,349	77,683	43,584	51,729
Rest of U.S.	NA	22,397	17,352	13,839	5,553	9,863
Total Claims	65,129	75,466	80,701	91,522	49,137	61,592
All Respondents						
Nevada	NA	59,504	65,929	89,833	53,292	57,466
Rest of U.S.	NA	27,114	19,022	23,780	15,743	11,888
Total Claims	84,226	86,618	84,951	113,613	69,035	69,354

Table 5

RESPONDENT'S SUCCESS AT RESERVE REPLACEMENT

(Numbers refer to the percentage of respondents who answered "yes")

For all respondents with production:

Are you replacing your reserves	1994	1995	1996	1997	1998	1999
Worldwide ?	68	81	72	66	75	74
Domestically ?	56	60	69	60	54	62
In Nevada ?	42	48	60	28	43	54

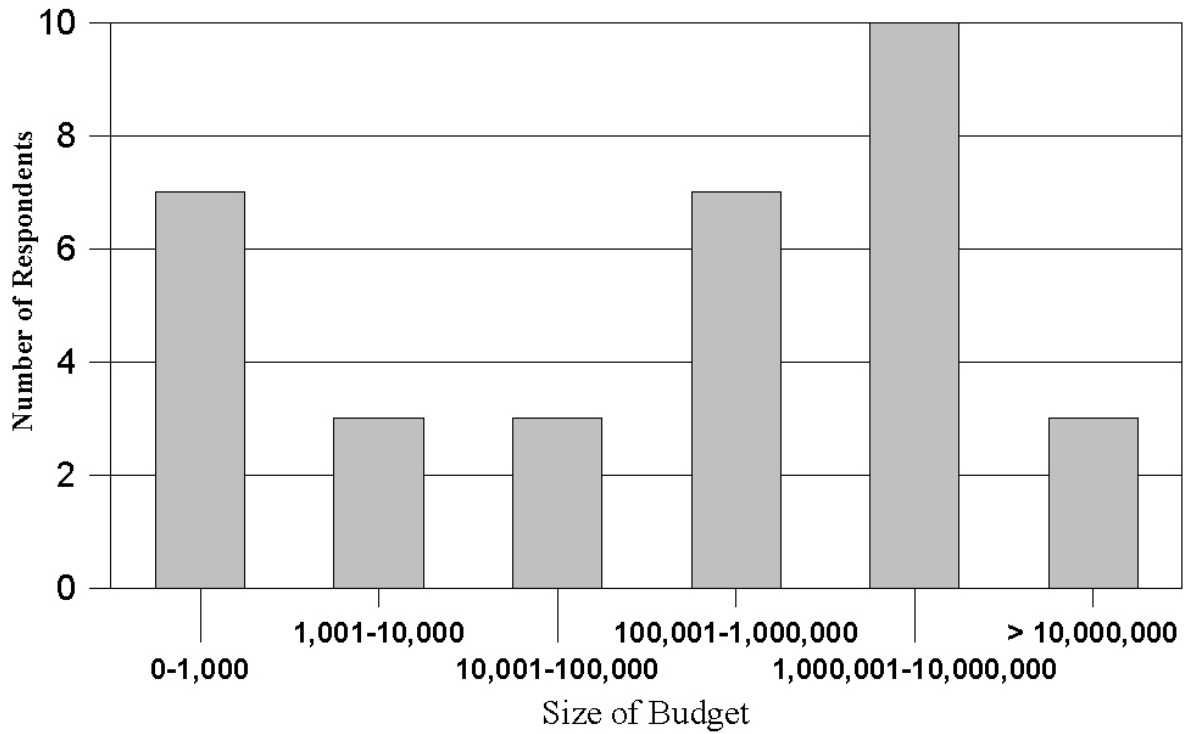
For respondents with Nevada exploration budget > \$1 million:

Are you replacing your reserves	1994	1995	1996	1997	1998	1999
Worldwide ?	76	90	76	65	91	80
Domestically ?	56	71	76	67	56	50
In Nevada ?	50	76	70	42	50	44

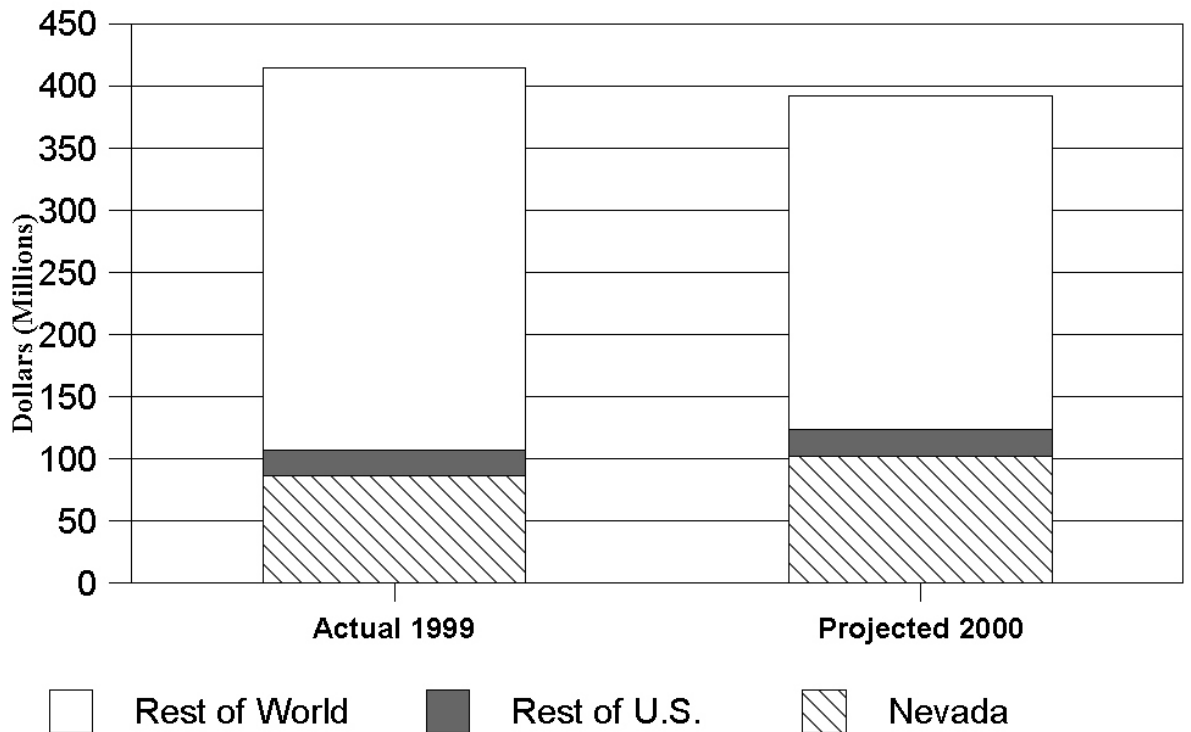
For respondents with Nevada exploration budgets < \$1 million:

Are you replacing your reserves	1994	1995	1996	1997	1998	1999
Worldwide ?	54	67	60	67	65	67
Domestically ?	57	43	45	55	53	80
In Nevada ?	31	8	40	16	38	75

Graph 1
DISTRIBUTION OF RESPONDENTS' NEVADA
EXPLORATION BUDGETS 1999

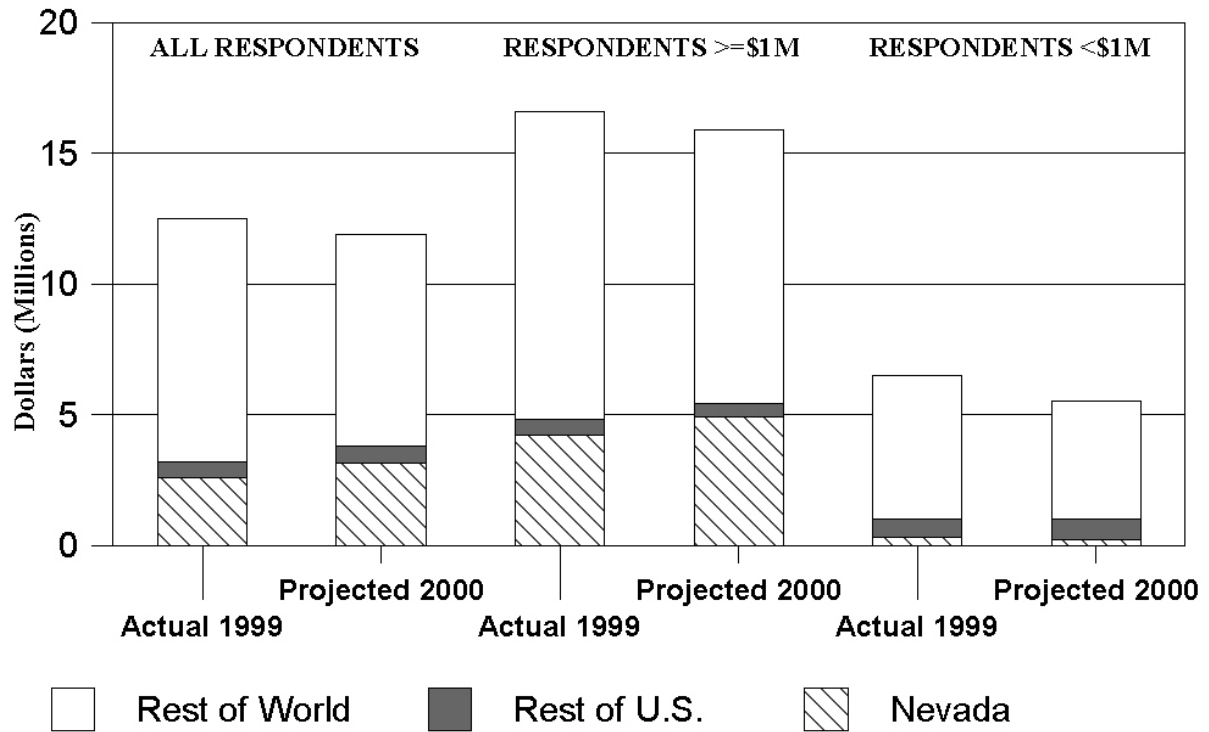


Graph 2
TOTAL EXPLORATION SPENDING 1999/2000

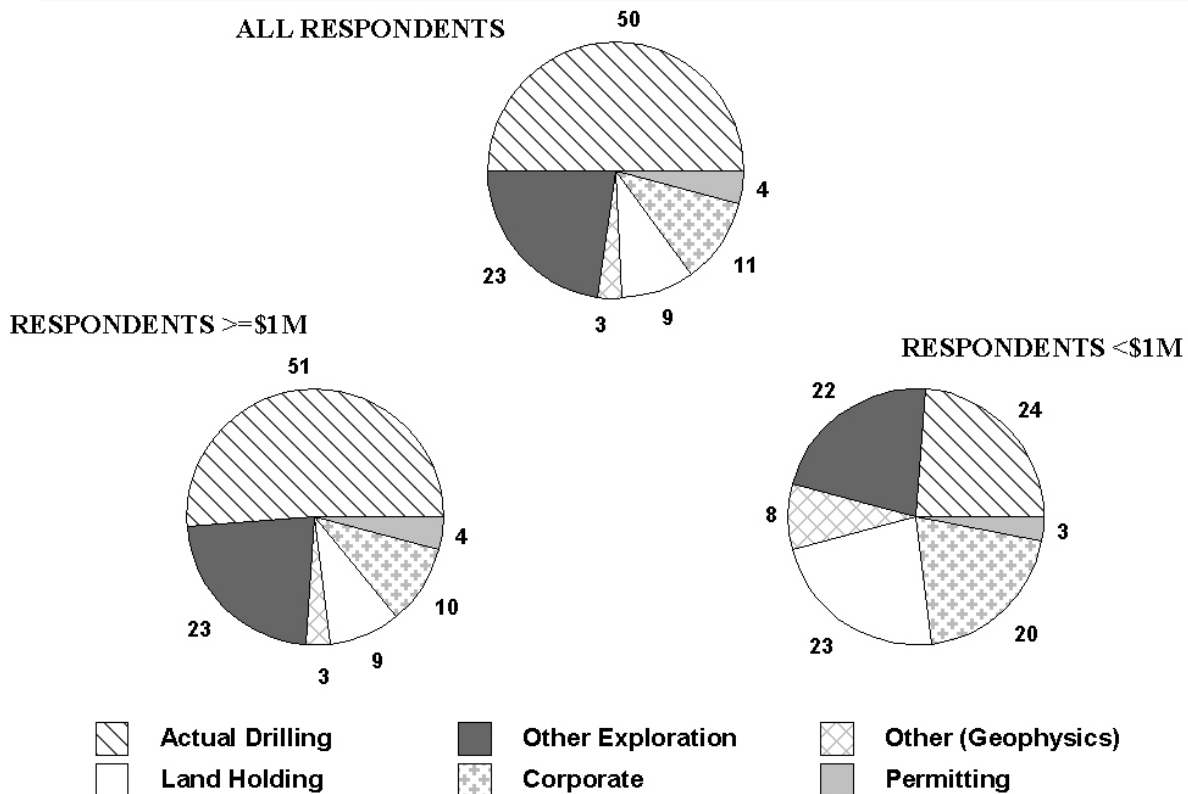


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**Graph 3
AVERAGE SPENDING PER RESPONDENT 1999/2000**

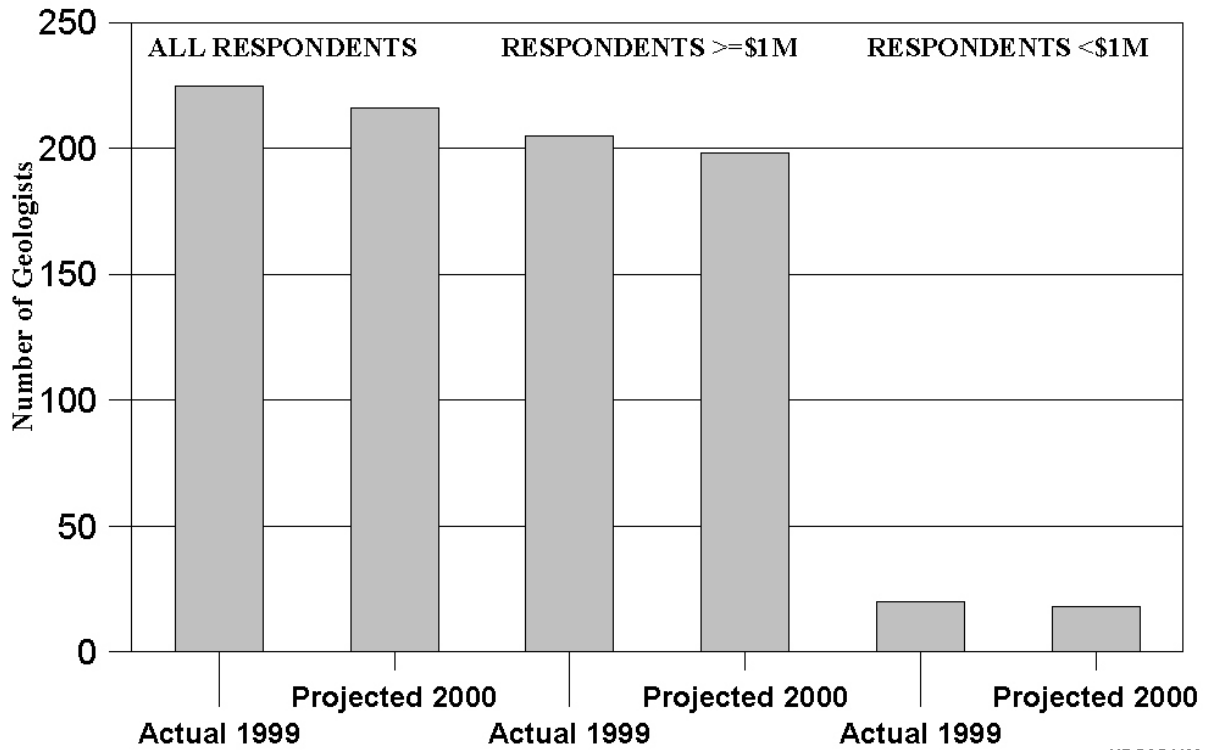


**Graph 4
BREAKDOWN OF NEVADA EXPENSES 1999**

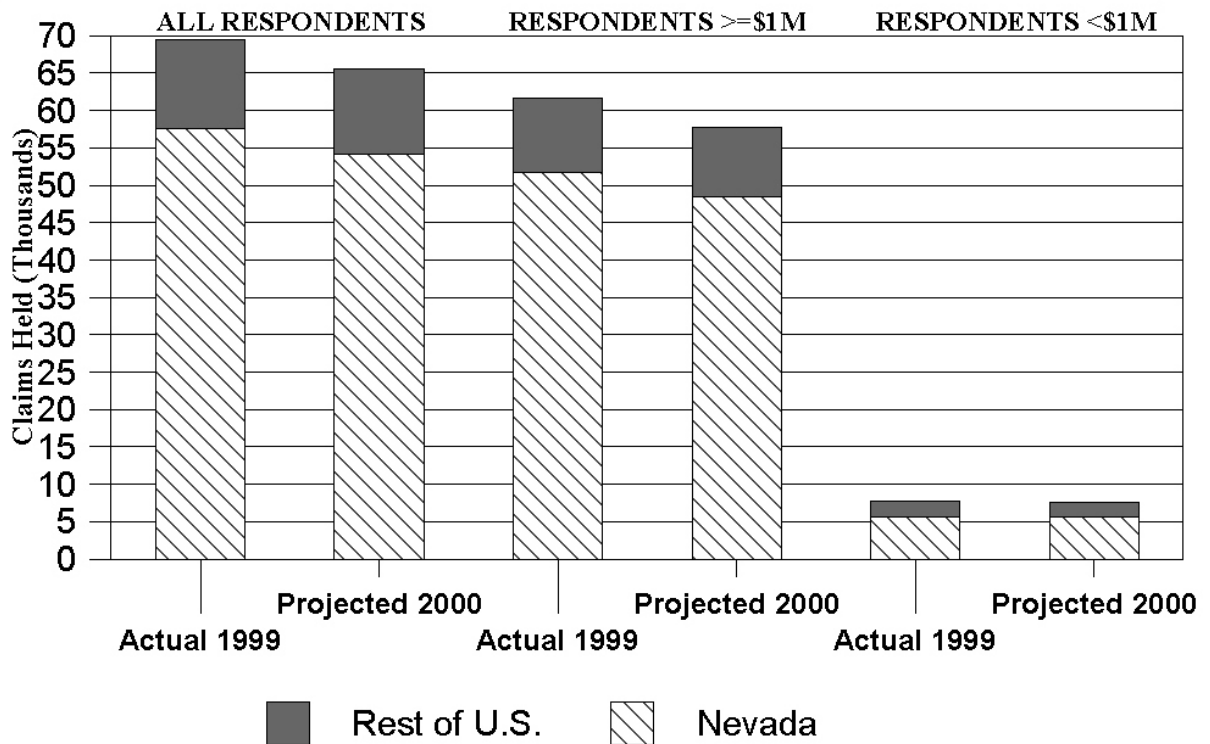


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Graph 5
EXPLORATION GEOLOGISTS EMPLOYED IN NEVADA 1999/2000

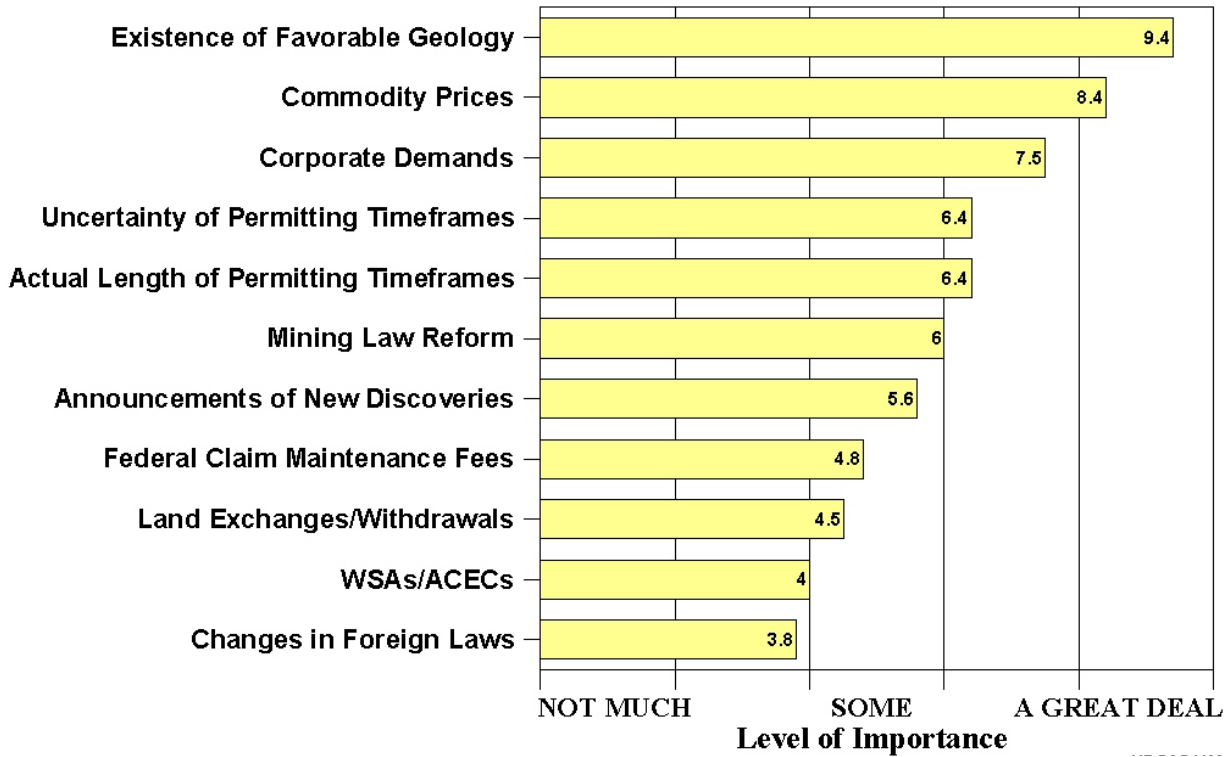


Graph 6
NUMBER OF CLAIMS HELD 1999/2000

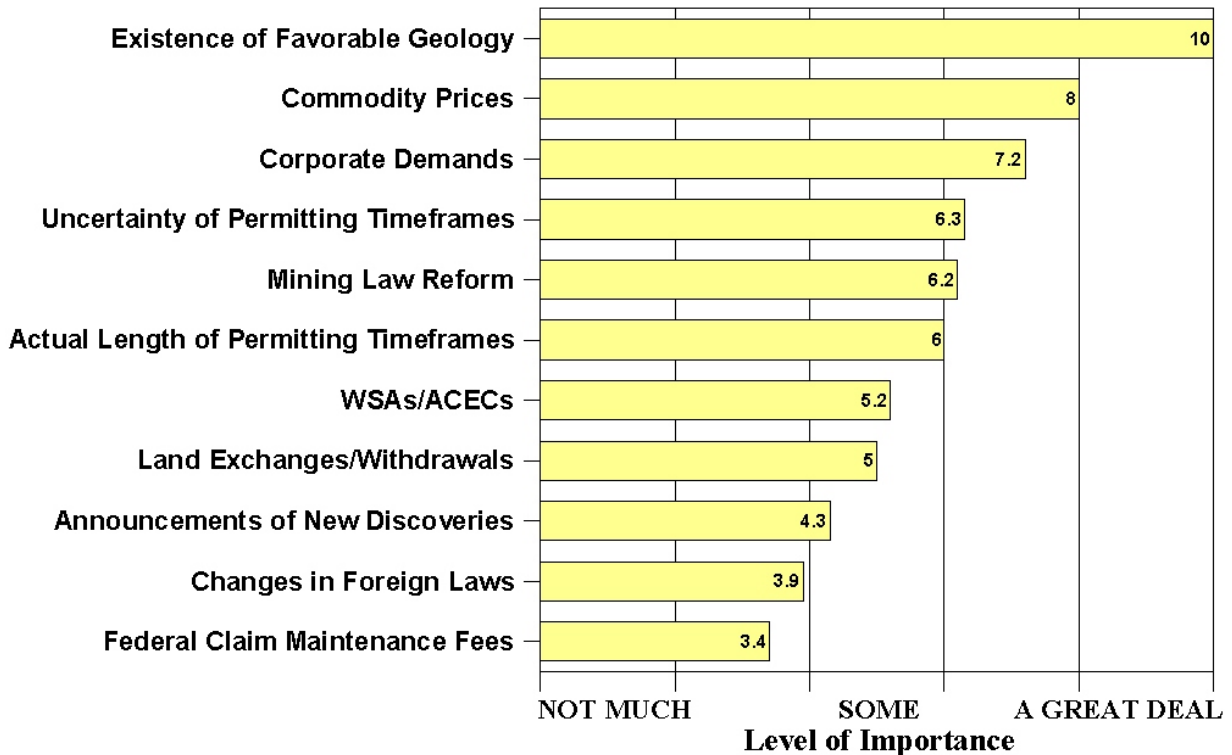


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Graph 7
FACTORS INFLUENCING ACTIVITY 1999
ALL RESPONDENTS

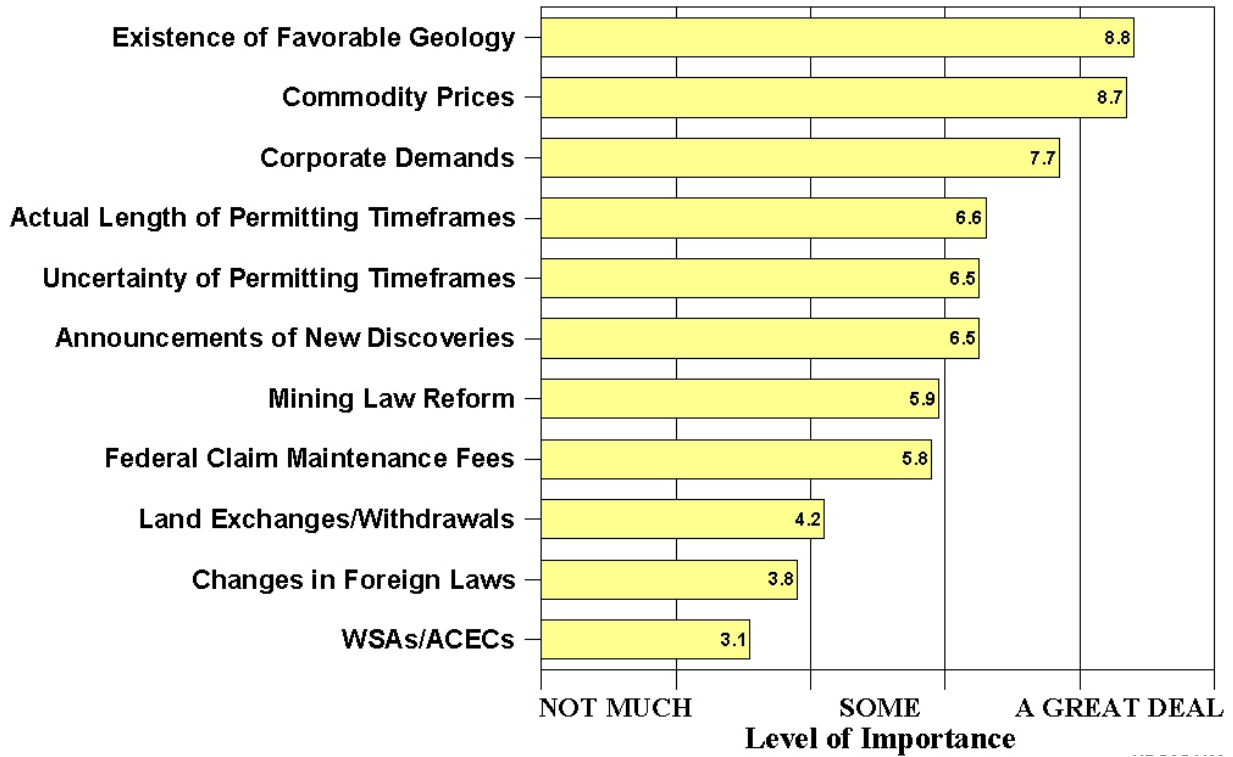


Graph 8
FACTORS INFLUENCING ACTIVITY 1999
>= \$1 MILLION



NDOMLV00

Graph 9
FACTORS INFLUENCING ACTIVITY 1999
< \$1 MILLION



Graph 10
OPTIMISM INDEX 1994-1999

