GEOVIC MINING CORP.
Form 10-Q
August 13, 2008
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# UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2008

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission File Number 000-52646

# GEOVIC MINING CORP.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **DELAWARE** | **20-5919886** |
| **(State or other jurisdiction of incorporation or organization)** | **(IRS Employer Identification No.)** |

**743 Horizon Court, Suite 300A**

**Grand Junction Colorado 81506**

**(Address of principal executive offices)**

**(970) 256-9681**

**(Registrant s telephone number, including area code)**

**Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to the filing requirements for the past 90 days:**

Yes x No ¨

**Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:**

| | | | |
|---|---|---|---|
| Large accelerated filer ¨ | Accelerated filer ¨ | Non-accelerated filer x<br>(Do not check if a smaller<br>reporting company) | Smaller reporting company ¨ |

**Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):**

¨ Yes x No

**Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:**

**102,902,686**

Common Shares, $0.0001 par value, outstanding at August 1, 2008

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**Geovic Mining Corp.**

(an exploration stage company)

**Geovic Mining Corp.**

**(An Exploration Stage Company)**

**FORM 10-Q**

**For the Three Months and Six Months Ended June 30, 2008**

**INDEX**



**In this Report, unless otherwise indicated, all dollar amounts are expressed in United States dollars References to Cdn are to Canadian currency and references to CFA franc are to Cameroonian currency.**

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**Geovic Mining Corp.**

(an exploration stage company)

**CONSOLIDATED BALANCE SHEETS**

(In thousands)

| | Unaudited June 30, 2008 | December 31, 2007 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 66,102 | $ 78,479 |
| Accounts receivable | 107 | 240 |
| Income tax receivable | 417 | 404 |
| Prepaid expenses | 301 | 161 |
| Other | 443 | 109 |
| **Total current assets** | 67,370 | 79,393 |
| Property, plant and equipment, net *[note 5]* | 1,135 | 664 |
| Mineral properties *[note 6]* | 3,194 | 2,822 |
| Deposits | | 57 |
| **Total assets** | $ 71,699 | $ 82,936 |
| **LIABILITIES** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 730 | 1,553 |
| **Total current liabilities** | 730 | 1,553 |
| Contingent liability *[note 11a]* | 281 | 241 |
| **Total liabilities** | 1,011 | 1,794 |
| Commitments and contingencies *[note 11]* | | |
| Minority interest *[note 9]* | | 1,878 |
| **STOCKHOLDERS EQUITY** | | |
| Common stock, par value of $0.0001, 200 million shares authorized and 102.9 and 101.3 million shares issued and outstanding in 2008 and 2007, respectively | 10 | 10 |
| Additional paid-in capital *[note 8]* | 105,761 | 104,000 |
| Stock warrants *[note 8]* | 15,748 | 15,748 |
| Deficit accumulated during the exploration stage | (50,831) | (40,494) |
| **Total stockholders equity** | 70,688 | 79,264 |
| **Total liabilities and stockholders equity** | $ 71,699 | $ 82,936 |

*The accompanying notes are an integral part of these financial statements*

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**Geovic Mining Corp.**

(an exploration stage company)

| | Three months ended June 30, | | Six months ended June 30, | | Since |
|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **Inception** |
| **EXPENSES (INCOME)** | | | | | |
| Exploration costs *[note 4]* | **$ 5,798** | $ 1,982 | **$ 8,978** | $ 3,430 | $ 32,409 |
| General and administrative | **1,391** | 992 | **2,371** | 1,920 | 11,333 |
| Stock based compensation *[note 7]* | **531** | 162 | **1,582** | 346 | 15,217 |
| Depreciation | **64** | 15 | **87** | 27 | 867 |
| | **7,784** | 3,151 | **13,018** | 5,723 | 59,826 |
| Interest income | **(339)** | (840) | **(803)** | (1,079) | (4,349) |
| Minority interest *[note 9]* | **(560)** | (901) | **(1,878)** | (901) | (5,092) |
| Net loss before income taxes | **(6,885)** | (1,410) | **(10,337)** | (3,743) | (50,385) |
| Income tax expense | | 338 | | 372 | 446 |
| **Net loss** | **$ (6,885)** | $ (1,748) | **$ (10,337)** | $ (4,115) | $ (50,831) |
| Net loss per share | **$ (0.07)** | $ (0.02) | **$ (0.10)** | $ (0.05) | |
| Weighted average shares outstanding | **102,200,620** | 82,942,604 | **101,873,242** | 82,942,604 | |

*The accompanying notes are an integral part of these financial statements*

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**Geovic Mining Corp.**

(an exploration stage company)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited, in thousands)

| | Three months ended June 30, | | Six months ended June 30, | | Since |
|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **Inception** |
| **OPERATING ACTIVITIES** | | | | | |
| Net loss | $ (6,885) | $ (1,748) | $ (10,337) | $ (4,115) | $ (50,831) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | | | |
| Depreciation expense | 64 | 15 | 87 | 27 | 867 |
| Stock-based compensation expense | 531 | 162 | 1,582 | 346 | 15,217 |
| Increase (decrease) in minority interest | (560) | (901) | (1,878) | (901) | (5,092) |
| Changes in non-cash operating working capital: | | | | | |
| (Increase) decrease in accounts receivable | 1 | (138) | 133 | (306) | (107) |
| (Increase) decrease in income tax receivable | (13) | | (13) | | (417) |
| (Increase) decrease in prepaid expenses | 239 | (35) | (140) | (10) | (301) |
| (Increase) decrease in other assets | (431) | | (277) | 3 | (443) |
| Increase (decrease) in accounts payable | (1,541) | 585 | (823) | 669 | 730 |
| Increase (decrease) in income tax payable | | 212 | | (256) | |
| Increase in contingent liability | 40 | | 40 | | 281 |
| **Cash used in operating activities** | (8,555) | (1,848) | (11,626) | (4,543) | (40,096) |
| **INVESTING ACTIVITIES** | | | | | |
| Purchases of property, plant and equipment | (176) | (41) | (558) | (89) | (2,002) |
| Acquisition of mineral leases | (183) | (784) | (372) | (783) | (3,194) |
| **Cash used in investing activities** | (359) | (825) | (930) | (872) | (5,196) |
| **FINANCING ACTIVITIES** | | | | | |
| Minority interest contribution | | 5,092 | | 5,092 | 5,092 |
| Proceeds from issuance of common stock and preferred stock | | 28,802 | | 67,158 | 95,589 |
| Proceeds from issuance of stock warrants | | 5,613 | | 13,093 | 16,168 |
| Proceeds from exercise of stock options and warrants | 68 | 1,893 | 179 | 1,934 | 2,290 |
| Stock issue costs | | (1,825) | | (5,001) | (7,745) |
| **Cash provided by financing activities** | 68 | 39,575 | 179 | 82,276 | 111,394 |
| **Net increase (decrease) in cash** | (8,846) | 36,902 | (12,377) | 76,861 | 66,102 |
| **Cash, beginning of period** | 74,948 | 49,333 | 78,479 | 9,374 | |
| **Cash, end of period** | $ 66,102 | $ 86,235 | $ 66,102 | $ 86,235 | $ 66,102 |

*The accompanying notes are an integral part of these financial statements*

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**Geovic Mining Corp.**

(an exploration stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS**

Geovic Mining Corp. (the Company ) is incorporated under the laws of the state of Delaware. The Company owns 100% of the shares of Geovic, Ltd. ( Geovic ), a company that has been in the mining exploratory stage since its inception.

Geovic is engaged in the business of exploring for cobalt, nickel, manganese and related minerals through its majority-owned (60%) subsidiary, Geovic Cameroon, PLC ( GeoCam ), a financially dependent public limited company duly organized and incorporated under the laws of the Republic of Cameroon. The Company is an exploration stage company in the process of planning to develop its mineral properties through its subsidiaries and has not yet determined whether these properties contain reserves that are economically recoverable.

On March 6, 2007, the Company incorporated a new subsidiary, Geovic Energy Corp., under the laws of the State of Colorado. On March 29, 2007 Geovic Energy Corp. formed a new subsidiary, Pawnee Drilling, LLC, under the laws of the State of Colorado.

**2. BASIS OF PRESENTATION**

The accompanying interim unaudited consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States ( GAAP ) for interim financial statements and accordingly do not include all disclosures required for annual financial statements. References to $ are to U.S. currency; references to Cdn$ are to Canadian currency; and references to CFA Franc are to Cameroonian currency.

With the exception of new accounting pronouncements discussed in note 3, these interim consolidated financial statements follow the same significant accounting policies and methods of application as the Company s audited annual consolidated financial statements as included in the Company s annual report in Form 10K for the year ended December 31, 2007 (the Annual Financial Statements ). The interim consolidated financial statements should be read in conjunction with the Annual Financial Statements.

In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for these interim periods are not necessarily indicative of the result that may be expected for the full year ending December 31, 2008.

Adjustable rate securities are carried at amortized cost. However, due to the short-term nature of these investments, the amortized cost approximates fair market value. Marketable equity securities are carried at fair market value, as they are classified as available-for-sale securities under the provisions of FAS No. 115.

**3. RECENTLY ADOPTED OR ISSUED ACCOUNTING PRONOUNCEMENTS**

In March 2008, the FAS B issued Statement of Financial Accounting Standards ( FAS ) No. 161, *Disclosure about Derivative Instruments and Hedging Activities* ( FAS 161 ), an amendment of FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. FAS 161 requires increased qualitative, quantitative and credit risk disclosures, but does not change the scope or accounting requirements of FASB No. 133. FAS No. 161 is effective for financial statements issued after November 15, 2008. The Company is evaluating the potential impact, if any, of the adoption of FAS No. 161 on the Company s financial statements.

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**Geovic Mining Corp.**

(an exploration stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

In December 2007, the FASB issued FASB Statement No. 141(R), *Business Combinations* ( FAS 141(R) ), which amends FAS No. 141, and provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in the acquiree. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS No. 141(R) is effective for the Company s fiscal year beginning January 1, 2009 and is to be applied prospectively. The Company is currently evaluating the potential impact of adopting this statement on the Company s consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ( FAS 159 ). FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with the objective of improving financial reporting by mitigating volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The provisions of FAS 159 are effective for the Company s fiscal year beginning January 1, 2008. The adoption of FAS 159 did not have a material impact on the Company s financial results.

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements* ( FAS 157 ). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS 157 are effective for the Company s fiscal year beginning January 1, 2008. The adoption of FAS 157 did not have a material impact on the Company s consolidated financial results.

**4. EXPLORATION COSTS**

The following is a summary of the exploration costs incurred by the Company (in thousands).

| | **Three Months Ended** | | **Six Months Ended** | | |
|---|---|---|---|---|---|
| | **June 30, 2008** | June 30, 2007 | **June 30, 2008** | June 30, 2007 | **Since Inception** |
| **Cameroon, Africa:** | | | | | |
| Property evaluation | **$ 3,978** | $ 982 | **$ 4,797** | $ 2,064 | $ 15,440 |
| Metallurgical studies | **266** | 88 | **283** | 253 | 2,719 |
| Exploration office costs | **1,278** | 679 | **3,278** | 829 | 12,202 |
| Property surface area tax | **37** | | **74** | | 578 |
| | **5,559** | 1,749 | **8,432** | 3,146 | 30,939 |
| **Other projects:** | | | | | |
| Colorado/Wyoming | **190** | 218 | **422** | 244 | 1,292 |
| Arizona | **49** | 10 | **116** | 35 | 162 |
| Other | | 5 | **8** | 5 | 16 |
| | **239** | 233 | **546** | 284 | 1,470 |
| **Total Exploration Costs** | **$ 5,798** | $ 1,982 | **$ 8,978** | $ 3,430 | $ 32,409 |

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**Geovic Mining Corp.**

(an exploration stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**5. PROPERTY, PLANT AND EQUIPMENT**

As of the end of the period, property, plant and equipment consisted of the following (in thousands):

| | **June 30, 2008** | December 31, 2007 |
|---|---|---|
| Machinery and equipment | **$ 427** | $ 420 |
| Vehicles | **721** | 452 |
| Furniture and equipment | **642** | 360 |
| | **1,790** | 1,232 |
| Less accumulated depreciation | **(655)** | (568) |
| | **$ 1,135** | $ 664 |

**6. MINERAL PROPERTY COSTS**

During the three and six months ended June 30, 2008, the Company, through its wholly-owned subsidiary Geovic Energy Corp. entered into mineral lease agreements with a number of parties in Colorado/Wyoming for cash consideration of $0.2 million and $0.4 million, respectively. These lease agreements give the Company the right to explore for, develop and produce uranium and other minerals on these properties for periods specified in the agreements which under certain circumstances can be extended.

The lease agreements have an initial term of up to 10 years and are generally fully paid in advance. The Company would be required to make royalty payments if it produces minerals from the properties. The mining claims are renewable annually in accordance with United States mining laws. See note 4 for additional expenses associated with these projects.

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**Geovic Mining Corp.**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7. STOCK-BASED COMPENSATION**

**Stock Options**

The following table summarizes the Company s stock option activity and related information for the six months ended June 30, 2008:

| | | Options Outstanding | |
|---|---|---|---|
| | Options Available for Grant | Number Outstanding | Weighted-Average Exercise Price per Share |
| **Available and outstanding at December 31, 2007** | 4,031,114 | 13,567,908 | $ 0.61 |
| Granted | (1,710,000) | 1,710,000 | 1.64 |
| Exercised | | (1,604,440) | 0.46 |
| Amendment to Company Option Plan | 2,705,418 | | |
| Expired | 307,790 | (307,790) | 1.71 |
| **Available and outstanding at June 30, 2008** | 5,334,322 | 13,365,678 | $ 0.79 |

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**Geovic Mining Corp.**

(an exploration stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7. STOCK-BASED COMPENSATION (CONT D.)**

**Stock Options (cont d.)**

The following table summarizes information concerning options outstanding and exercisable as of June 30, 2008:

| Exercise Price | Number of Options | Weighted Average Remaining Contract Life (in years) | Weighted Average Exercise Price |
|---|---|---|---|
| $ 0.050 | 2,929,500 | 9 | $ 0.050 |
| 0.075 | 2,053,842 | 8 | 0.075 |
| 0.225 | 718,596 | 9 | 0.225 |
| 0.100 | 242,244 | 6 | 0.100 |
| 0.150 | 1,651,748 | 6 | 0.150 |
| 0.375 | 361,176 | 7 | 0.375 |
| 0.563 | 90,392 | 7 | 0.563 |
| 1.075 | 448,414 | 9 | 1.075 |
| 1.300 | 709,766 | 8 | 1.300 |
| (Cdn$1.95) 1.713 | 800,000 | 2 | 1.713 |
| 1.220 | 20,000 | 9 | 1.220 |
| (Cdn$2.36) 2.440 | 1,630,000 | 10 | 2.440 |
| (Cdn$1.68) 1.680 | 1,500,000 | 10 | 1.680 |
| (Cdn$1.24) 1.210 | 40,000 | 10 | 1.210 |
| (Cdn$1.39) 1.400 | 100,000 | 10 | 1.400 |
| (Cdn$1.33) 1.320 | 50,000 | 10 | 1.320 |
| (Cdn$1.30) 1.280 | 20,000 | 10 | 1.280 |
| **Outstanding** | **13,365,678** | **8** | **$ 0.790** |
| **Exercisable** | **11,571,678** | **8** | **$ 0.600** |

On January 3, 2008, and April 1, 2008, the Company granted options in accordance with the Company s Stock Option Plan to purchase an aggregate of 1,500,000 shares to two employee directors, four outside directors and six employees of the Company or its subsidiaries and 40,000 shares to one employee, respectively, at exercise prices of Cdn$1.68 and Cdn$1.24, respectively, per share. In June 2008, the Company granted options to purchase 170,000 shares to the new General Manager of Geovic Cameroon, one outside director, and a new employee of the Company at exercise prices of Cdn$1.39, Cdn$1.33, and Cdn$1.30, respectively. The options are exercisable for a term of ten years and subject to a two year vesting schedule with 40% of the options vesting immediately, a 30% vesting on the first anniversary of the grant and 30% vesting on the second anniversary of the grant. All of the options exercise prices are equal to the reported closing price for the Company s common stock on the day before the grant, as reported by the Toronto Stock Exchange.

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**Geovic Mining Corp.**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7. STOCK-BASED COMPENSATION (CONT D.)**

**Restricted Stock Awards**

The Company granted restricted stock of 5,595 shares to an employee during the fourth quarter of 2006 subject to certain vesting requirements (prior to RTO two-for-one exchange). The restricted stock vested during the six months ended June 30, 2008 and the Company recorded $14 thousand of stock-based compensation expense.

**8. STOCKHOLDERS EQUITY**

The following table summarizes information concerning the changes in stockholders equity for the six months ended June 30, 2008:

| | Common Stock | | Stock Purchase | Additional | | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Warrants | paid-in capital | Deficit | Total |
| **Balance, December 31, 2007** | 101,290,412 | $ 10 | $ 15,748 | $ 104,000 | $ (40,494) | $ 79,264 |
| Stock options and warrants exercised | 1,612,274 | | | 179 | | 179 |
| Stock-based compensation | | | | 1,582 | | 1,582 |
| Net loss for period | | | | | (10,337) | (10,337) |
| **Balance, June 30, 2008** | 102,902,686 | $ 10 | $ 15,748 | $ 105,761 | $ (50,831) | $ 70,688 |

**Public Offering**

On March 6, 2007, the Company raised gross proceeds of Cdn$54 million in a public offering through underwriters of 21.6 million units (including the over-allotment option exercised by the underwriters) at Cdn$2.50 per unit. Each unit consisted of one common share of the Company and one-half of one common stock warrant of the Company. Each whole warrant entitles the holder to purchase one common share of the Company at a price of Cdn$3.00 for a period of five years following closing of the offering. The net proceeds received by the Company after payment of the cash commission to the underwriters (equal to 6% of the gross proceeds of the offering) were Cdn$50.76 million, equivalent to approximately $43.09 million. From this amount the Company paid other expenses of the offering of approximately $0.5 million.

On April 27, 2007, the Company issued and sold 8,750,000 units (the Units ) of the Company at a price of Cdn$4.00 per Unit (the Issue Price ) for aggregate gross proceeds to the Company of Cdn$35 million. Each Unit consisted of one common share and one-half of one common stock warrant (each whole warrant, a Warrant ). Each Warrant entitles the holder thereof to purchase one common share at a price of Cdn$5.00 for 5 years following the closing date. From the gross proceeds the Company paid a cash commission to the underwriters equal to 5% of the gross proceeds of the offering and paid other expenses of the offering of approximately Cdn$0.2 million. The Company also granted to the underwriters an over-allotment option to purchase up to an additional 1,312,500 Units of the Company at the Issue Price which the underwriters were entitled to exercise for a period of up to 30 days following the closing date. The Company has issued and sold 834,200 Units to the underwriters for additional gross proceeds of Cdn$3.3 million, representing additional net proceeds of Cdn$3.2 million after payment of the cash commission to the underwriters (equal to 5% of the additional gross proceeds).

**Stock Warrants**

On June 18 and June 20, 2008, the Company issued 250,000 and 50,000 warrants, respectively, to two different consulting companies in lieu of cash compensation for services rendered. The terms of the June 18, 2008 warrants include an exercise price of Cdn$1.26 and a vesting schedule of 50% upon grant and the balance after one year. These warrants expire June 19, 2011. The terms of the

**Geovic Mining Corp.**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**8. STOCKHOLDERS EQUITY (CONT D.)**

**Stock Warrants (cont d.)**

June 20, 2008 warrants include an exercise price of Cdn$1.26 per share and a vesting schedule of 25% upon grant, and 25% each quarterly anniversary date thereafter through March 20, 2009. These warrants expire June 21, 2011. The Company recorded stock-based compensation expense of approximately $70 thousand for the quarter ended June 30, 2008. The exercise prices of the warrants are equal to the reported closing prices of the Company s common stock on the day before the grants, as reported by the Toronto Stock Exchange.

During the six months ended June 30, 2007, the Company issued 10,800,000 stock warrants in connection with a financing dated March 6, 2007 and 4,792,100 stock warrants in connection with a financing dated April 27, 2007. The contract life of the warrants is five years. The bifurcated fair value of the stock warrants ($13,093,286) is estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions: expected dividend: 0%; risk-free rate: 4.5% to 4.7%; expected volatility: 73.2% to 75.7%; and expected life: 3 years.

The following table summarizes the Company s stock warrant activity and related information for the six months ended June 30, 2008:

| | Number Outstanding | | Weighted-Average Exercise Price per Share |
|---|---|---|---|
| **Warrants outstanding at December 31, 2007** | 21,034,419 | $ | 4.02 |
| Granted | 300,000 | | 1.25 |
| Exercised | (7,834) | | 1.75 |
| Expired | (258,948) | | 1.75 |
| **Warrants outstanding at June 30, 2008** | 21,067,637 | $ | 3.36 |

**9. MINORITY INTEREST**

From the inception of the Cameroon project through December 31, 2006, Geovic advanced all operating expenditures on behalf of GeoCam and all such expenditures were consolidated in the accounts of the Company. On April 12, 2007, GeoCam stockholders approved a GeoCam capital increase through the issuance of 650,000 new shares at 10 thousand CFA francs per share, or a total of 6.5 billion CFA francs (equivalent to approximately $13.5 million). All of the new shares approved for issuance were purchased by or for the accounts of the stockholders of GeoCam, including Geovic, in their respective ownership interests prior to the capital increase. The share purchases were completed by May 12, 2007. As a result, GeoCam received funds that were being held by GeoCam in US$ and CFA francs accounts in the Cameroon branch of a large international bank.

As of June 30, 2008, all of the minority stockholders contributions from the aforesaid capital increase, approximately $5.1 million, had been expended. Therefore, any amount previously recorded on the balance sheet has been reduced to zero. In addition, the minority stockholder s share of expenses incurred during the six month period exceeded the remaining balance of the minority interest as of December 31, 2007. This amount, approximately $1.9 million, has been included in the loss in the Company s consolidated statement of operations for the period ended June 30, 2008. See Note 13.

**Geovic Mining Corp.**

(an exploration stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10. RELATED PARTY TRANSACTIONS**

On June 6, 2004, Geovic, Ltd., entered into an agreement with Mineral Services, LLC related to project development, technical, financing, and marketing services. Mineral Services, LLC is owned by a person who became a director of the Company on September 27, 2006. Total fees paid to Mineral Services, LLC under the agreement for the three month periods ending June 30, 2008 and 2007 were $10 thousand and $10 thousand, respectively, and for the six month periods ending June 30, 2008 and 2007 were $20 thousand and $20 thousand, respectively.

**11. COMMITMENTS AND CONTINGENCIES**

[a] During the year ended December 31, 2003, Geovic received a grant from the United States Trade and Development Agency (USTDA). The grant reimburses Geovic for 50% of the cost of a feasibility study for GeoCam s Cameroon mining project. The grant specifies that, if the project is successful, all grant reimbursement proceeds received by Geovic must be paid back to the USTDA. The proceeds would be paid back once project financing is acquired. If the project is unsuccessful, the reimbursement proceeds would be considered a grant and Geovic would not be required to pay back the USTDA. As of December 31, 2005, Geovic has received $0.2 million in grant reimbursement proceeds from the USTDA. In May 2008, the Company received an additional $40 thousand in grant reimbursement proceeds. The Company has recorded a contingent liability for these amounts as of December 31, 2007 and June 30, 2008.

[b] The Company is committed to future minimum rent and lease payments of $0.3 million under operating lease agreements for office space in Grand Junction, Colorado, USA, and Yaoundé, Cameroon.

[c] On November 8, 2006, Geovic entered into a patent license agreement with Inco Limited ( Inco ) with respect to certain technological processes and equipment related to processing nickel and cobalt. As partial consideration for the agreement, Geovic paid Inco an initial payment of $20 thousand. Geovic agreed to pay Inco a royalty based on the net selling price of production, as defined, up to maximum of $0.4 million during each 12 month period subject to a total maximum consideration (exclusive of the initial payment) equal to $2 million.

[d] GeoCam received a letter from the Minister of Industry, Mines and Technological Development of the Republic of Cameroon on March 20, 2006 requesting payment of surface area taxes of approximately $0.5 million (CFA240 million) and a penalty of the same amount for the period from 2003 to 2005. GeoCam has disputed this amount based on its interpretation of the Mining Convention signed on July 31, 2002 that GeoCam is only committed to pay this surface area tax once commercial exploitation begins. GeoCam has further disputed the amount of surface area subject to tax which reduces the estimated liability to $0.4 million (CFA187.5 million).

GeoCam deposited with the Cameroon tax authority $0.1 million (CFA62.5 million) on September 30, 2006 corresponding to the surface area tax for 2003. On November 30, 2006, GeoCam deposited with the Cameroon tax authority a further $0.3 million (CFA125 million) corresponding to the surface area tax for 2004 and 2005. Subsequent to year end, GeoCam deposited an additional $0.1 million (CFA62.5 million) for the 2006 surface fee charges.

GeoCam believes, based on discussions with the litigation department of the Directorate of Taxation, that the litigation procedure whereby GeoCam contests the penalties related to the surface area will be a productive approach to resolve this matter. On January 17, 2007, GeoCam paid $57 thousand (CFA29.5 million), representing approximately 10% of the total contested amount to be paid according to the provision of Article L121 of the fiscal procedures in force in order to proceed with the litigation procedure.

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**Geovic Mining Corp.**

(an exploration stage company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**12. CANADIAN GAAP RECONCILIATION**

The Company prepares its financial statements in accordance with generally accepted accounting principles in the United States ( U.S. GAAP ), which could differ in certain respects from the principles that the Company should follow if the consolidated financial statements were prepared in accordance with accounting principles generally accepted in Canada ( Canadian GAAP ). However at present, due to the nature and stage of development of the Company, there are no material differences between U.S. GAAP and Canadian GAAP.

**Recent Accounting Pronouncements**

The CICA has issued new standards, which could potentially affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. After review by the Company, these have no material impact on the Company s financial statements.

**Section 1535 Capital Disclosures**

This Section establishes standards for disclosing information about a company s capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the Company s key management personnel:

(i) qualitative information about its objectives, policies, and processes for managing capital;

(ii) summary quantitative data about what it manages as capital;

(iii) whether during the period it complied with externally imposed capital requirements to which it is subject; and

(iv) when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

**Section 3862 and 3863 Financial Instruments Disclosures and Presentation**

These new standards replace Section 3861, Financial Instruments Disclosure and Presentation, revising and enhancing disclosure requirements, and carrying forward unchanged the presentation requirements. Section 3862 requires entities to provide disclosure of quantitative and qualitative information in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity s financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management s objectives, policies and procedures for managing such risks. Entities will be required to disclose the measurement basis or bases used, and the criteria used to determine classification for different types of instruments.

The Section requires specific disclosures to be made, including the criteria for:

(i) designating financial assets and liabilities as held for trading;

(ii) designating financial assets as available-for-sale; and

(iii) determining when impairment is recorded against the related financial asset or when an allowance account is used.

**13. SUBSEQUENT EVENTS**

In July 2008, the Company s majority owned subsidiary, GeoCam, borrowed 3 billion CFA francs (approximately $7 million) from a minority stockholder to fund short term operating expenses related to the 2008 operating budget adopted by the GeoCam board in anticipation of a capital increase expected to be approved by GeoCam stockholders during the third quarter. The rate of interest on the loan is 7.5% per annum. The loan matures upon completion of the funding of the next shareholder approved capital increase.

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**ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
**Overview**

This Management s Discussion & Analysis ( MD&A ) is intended to provide an analysis of the Company s financial results for the three and six month periods ended June 30, 2008 compared to the comparable periods of the prior year. These financial statements were prepared in accordance with United States generally accepted accounting principles. All amounts presented in the financial statements are in U.S. dollars unless indicated otherwise. Reference should also be made to the Company s other disclosure materials filed from time to time on www.sec.gov or the Company s website at www.geovic.net.

Since its inception our wholly owned subsidiary, Geovic, has been engaged in the business of exploring for nickel, cobalt and related minerals in the Republic of Cameroon through its majority-owned (60%) subsidiary, Geovic Cameroon, PLC ( GeoCam ). Geovic Mining is also evaluating other exploration prospects, land acquisitions and investments in the mining industry, primarily in the United States, that management believes would provide high-quality diversification opportunities.

Our success will be largely dependent on our ability to secure required financing to expeditiously explore and develop our mineral properties and, in particular, the mineral reserves on the GeoCam properties. The final feasibility study delivered in December 2007 estimated that total capital and pre-opening operating expenses and initial working capital for the Nkamouna project in Cameroon would be as high as $397 million. An optimization study by outside consultants was contracted in December 2007 to review and improve the efficiencies and re-examine project capital costs described in the feasibility study. We presently expect the optimization study to be completed in the third quarter of 2008. The optimization report will also finalize detailed mine plans, milling and processing facilities plans and budgets for anticipated construction and related costs. The amount of required financing will depend in large part on the optimization study report.

We presently expect to finalize commitments for GeoCam s secured debt financing from one or more international institutions in early 2009. The proceeds will be used to complete pre-mining construction and development work, to construct ore processing facilities, roads, housing and other required infrastructure, and to provide working capital for the Nkamouna project, the first of several deposits we have located on the GeoCam properties. We presently expect to begin production from the Nkamouna project in late 2010.

Securing required financing will be dependent on numerous factors affecting the expected economics of the Nkamouna project, including: cost of capital, market conditions and demand for cobalt, nickel and manganese that would be produced, arrangement of metal sales agreements and the pricing and terms of such agreements, cost trends and availability of mining and processing equipment as well as operating materials and services necessary to develop and operate the properties, existing environmental and reclamation commitments, compliance with any additional government requirements or approvals associated with project development and operation, political unrest, geopolitical developments, and the competitive position of existing and prospective cobalt and nickel projects worldwide.

Other significant factors affecting the success of the Nkamouna project include the political stability of the Republic of Cameroon and surrounding sub-Saharan African countries, and our ability to recruit, train and retain a stable local workforce, and meet the logistical challenges of developing the project in a relatively undeveloped, remote area in Cameroon.

**Results of Operations**

**Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007:**

The Company had no revenue from operations and incurred losses during the first six months of 2008 and 2007, and has had no revenue since inception. The net loss increased approximately $6.2 million in the first six months of 2008 compared to the first six months of 2007. Exploration expenses increased by $5.5 million in the period compared to the year earlier period, of which $5.3 million represents increased exploration activity in Cameroon (including consulting activity on the Nkamouna project conducted in the United States) and a smaller increase of $0.2 million in exploration expense in other Company projects in the United States. In 2008 exploration activity increased in Cameroon as we continued our efforts to increase reserves at the Nkamouna project and establish reserves for the nearby Mada deposit. We expect to continue an increased level of exploration and related expenditures during the rest of 2008, both in Cameroon and the United States.

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**Results of Operations (cont d.)**

**Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007 (cont d.):**

Also, during the first six months of 2008 we made annual grants of options under the Stock Option Plan to officers and directors, the result of which was a $1.2 million increase in stock based compensation compared to the year earlier period when there were no options granted. We do not anticipate that additional options will be granted to these officers and directors during 2008, but options may be granted to newly hired employees or new directors. In addition, the Company granted warrants to two consulting companies in June 2008 for investor relations services, which resulted in stock-based compensation of approximately $70 thousand during the period.

These increases in expenses were partially offset by a credit for $1.9 million of GeoCam minority interest equity contributions made in 2007, representing the minority stockholders share of the exploration expenditures in Cameroon during the first six months of 2008, and $0.9 million during the first six months of 2007.

As an exploration stage company, we have charged our exploration and pre-construction expenses incurred for GeoCam to operations in the periods incurred and no such expenditures have been capitalized. We expect to continue this practice until the final optimization study now underway is accepted and a final development and mining plan is adopted. Once we begin to capitalize expenditures at the Nkamouna project, our results of operations for financial reporting purposes during periods before mining and processing activities begin may change.

**Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007:**

The net loss increased approximately $5.1 million in the second quarter of 2008 compared to the second quarter 2007. Exploration expenses increased by $3.8 million in the quarter compared to the year earlier period, nearly all related to increased exploration activity in Cameroon. In 2008 exploration activity increased in Cameroon as we continued our efforts to increase reserves at the Nkamouna project and establish reserves for the nearby Mada deposit. We expect to continue an increased level of exploration and related expenditures during the rest of 2008, both in Cameroon, and to a lesser extent, in the United States.

Also, during the second quarter of 2008 we made grants of options under the Stock Option Plan to three persons, the result of which was a $0.3 million increase in stock based compensation compared to the year earlier quarter when there were no options granted. We do not anticipate that additional options will be granted to these officers and directors during 2008, but options may be granted to newly hired employees or new directors. In addition, the Company granted warrants to two companies in June 2008, which resulted in stock-based compensation of approximately $70 thousand during the period.

These increases in expenses were partially offset by a credit for $0.6 million of GeoCam minority interest equity contributions made in 2007, representing the minority stockholders share of the exploration expenditures in Cameroon during the second quarter of 2008, and 0.9 million during the second quarter of 2007.

**Capital Resources and Liquidity**

At June 30, 2008 we had approximately $66.1 million of cash and cash equivalents, a decrease of approximately $12.4 million from December 31, 2007. Our cash is invested in U.S. dollar deposits and money market funds.

We do not anticipate revenue until the Nkamouna project commences operations. We believe that our cash resources will satisfy our current cash commitments for at least the next twelve months. We expect our annual general and administrative expenses to total approximately $3-4 million, and that we will expend additional amounts for acquisition and exploration of mineral properties in the United States in the balance of 2008. However, we anticipate that most of the balance of our available cash will be used to meet our share of anticipated exploration and operating expenses in Cameroon during 2008 and thereafter.

In June 2008 GeoCam adopted an operating and exploration budget of approximately $45 million for 2008. We will be obligated to fund 60% of the capital required to fund the budget adopted, after the minority stockholders have contributed at least $15 million, as required in accordance with the agreement among the GeoCam stockholders completed at the end of 2007.

In addition, we anticipate that Nkamouna project financing may be in place in early 2009. We expect that GeoCam stockholders will be required by lenders at the time the financing is committed to agree to increase GeoCam capitalization, for use in payment of a significant portion of budgeted mine and mill construction and working capital expenses. The Company will be required to pay its proportional share of such capital increases. Under the agreement among shareholders of GeoCam, the minority stockholders have agreed to pay their respective shares of future capital and related costs expected to be incurred in completing the development and bringing the Nkamouna deposit into production. However, if the minority stockholders are unwilling or unable to fund their obligations in future years we may advance some or all of such obligations, which could increase our cash requirements, as well as our equity ownership interest in GeoCam. We thus expect that a significant portion of our cash resources will be expended or committed for that purpose by the end of 2008 or early in 2009 and our cash balances will continue to decrease from quarter to quarter.

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**Capital Resources and Liquidity (cont d.)**

Our ability to initiate our planned commencement of mining operations at the Nkamouna project and exploration and development activities related to other Cameroon properties will likely depend on raising additional capital to meet some of our portion of GeoCam capital requirements. Raising such capital by the Company depends on a number of factors that are partly or wholly outside of our control. It may not be possible to raise sufficient capital on a timely basis, at an acceptable cost or on reasonable terms. Mine and mill construction costs, and acquisition costs for mining and related equipment have risen considerably in recent years and such increases in the future could result in additional capital requirements during the construction period.

Presently the Company has no debt or other similar obligations or commitments, and we believe that our present capital resources will be sufficient to satisfy the requirements described above through at least the end of 2008. We have no standby financing arrangements currently in place.

**Off-Balance Sheet Arrangements**

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, liquidity or capital expenditures.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are participating in the development and providing management services for the Nkamouna project in Cameroon, Africa held by Geovic Cameroon, PLC., ( GeoCam ) our 60% owned subsidiary. In addition, the Company is engaged in the acquisition of mineral projects in other countries, including the United States.

The value of our properties is related to a large extent to commodity prices for cobalt and nickel and for any other minerals for which we may acquire a property interest. Adverse changes in the worldwide prices of cobalt and, to a lesser extent, nickel could negatively affect our ability to obtain project financing for the Nkamouna project and ultimately to generate revenue from the GeoCam properties.

Cobalt and other metal prices may fluctuate widely from time to time and are affected by numerous factors outside our control, including the following: expectations with respect to the rate of inflation, exchange rates, interest rates, global and regional political and economic circumstances and governmental policies, and technological developments requiring uses of cobalt or substitute materials. Cobalt is used for rechargeable batteries, super alloys mainly for jet engines, chemicals, wear resistant alloys, catalysts and magnets. The largest demand for nickel is for use in stainless steel alloys.

Because we have exploration operations in Cameroon, and may have operations in other countries, we are subject to foreign currency fluctuations. We do not engage in currency hedging to offset any risk of currency fluctuations as GeoCam s reporting currency is the U.S. dollar.

We have no debt outstanding, nor do we have any investment in debt instruments other than highly liquid short-term investments. Accordingly, we consider our interest rate risk exposure to be insignificant at this time.

**ITEM 4T. CONTROLS AND PROCEDURES.**

The Company adopted and maintained a set of disclosure controls and procedures during the year ended December 31, 2007 and during the six months ended June 30, 2008, designed to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in applicable reporting requirements.

The principal executive officer and principal financial officer of the Company have evaluated the effectiveness of the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended Exchange Act ) as of June 30, 2008. Based on the evaluation, the principal executive officer and principal financial officer concluded that the disclosure controls and procedures in place are effective to ensure that information required to be disclosed by the Company, including consolidated subsidiaries, in reports that the Company files or submits under the Exchange Act, is recorded, processed, summarized and reported on a timely basis in accordance with applicable time periods specified by the Securities and Exchange Commission rules and forms. There has been no change in the Company s internal control over financial reporting during the six months ended June 30, 2008, that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

The Company will continue to develop, maintain, and review the effectiveness of our internal control over financial reporting and will implement changes as necessary or appropriate. In the second quarter we engaged a qualified consulting firm for advice regarding any additional internal controls or procedures which should be established in 2008 consistent with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

## PART II OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

None

### ITEM 1A. RISK FACTORS.

There are no material changes to the Risk Factors previously disclosed in our Annual Report of form 10-K for the fiscal year ended December 31, 2007.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

During the six months ended June 30, 2008 we issued 7,834 restricted shares to 2 persons upon exercise of outstanding warrants at $1.75 per share. No underwriter was involved in the exercise. The issuance of the shares was exempt from the registration provisions of the Securities Act under Section 4(2), as each of the persons to whom the restricted shares holds the shares for investment purposes, and may not transfer the shares except in compliance with the Securities Act. Certificates representing the shares are required to bear a restrictive legend to that effect.

On June 18, 2008 and June 20, 2008, the Company issued common stock warrants to purchase up to 250,000 and 50,000 shares at CDN $1.26 respectively, to two consulting firms for services rendered valued at approximately $70,000. Each warrant expires three years from the date of grant. Each warrant and any shares issuable upon exercise are restricted from transfer, except upon registration or exemption from registration under the Securities Act of 1933, as amended ( Act ). The issuance was exempt under Section 4(2) of the Act.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Information required by this Item relating to the Annual Meeting of Stockholders held June 6, 2008 was reported in a Current Report on Form 8-K filed June 10, 2008.

### ITEM 5. OTHER INFORMATION.

None.

### ITEM 6. EXHIBITS.

(a) Exhibits.

| | |
|---|---|
| 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended |
| 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes- Oxley Act of 2002 |

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | |
|---|---|
| | GEOVIC MINING CORP.<br>Registrant |
| August 13, 2008 | By: /s/ John E. Sherborne<br>John E. Sherborne<br>Chief Executive Officer |
| August 13, 2008 | By: /s/ Greg Hill<br>Greg Hill<br>Chief Financial Officer |

**EXHIBIT INDEX**

| | |
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