

GEOVIC MINING CORP.
Form 10-Q
December 19, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2014

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.)**

5500 E. Yale Ave. Suite 302

Denver, Colorado

80222

(Address of principal executive offices)

(Zip Code)

(303) 476-6455

(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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

(Do not check if a smaller 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 No

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

110,682,589 Shares of Common Stock, \$0.0001 par value, were outstanding at December 14, 2014

Geovic Mining Corp.

(an exploration stage company)

FORM 10-Q

For the Three and Nine Months Ended September 30, 2014

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4. EXPLORATION COSTS

Exploration costs relate to the search for mineral deposits with economic potential. Exploration costs are expensed as incurred. GeoCam gained exclusive rights for the exploitation of the cobalt and nickel deposits with the granting of a Mining Convention by the government of Cameroon on August 1, 2002. The Mining Convention grants GeoCam the exclusive rights to mine, process, and export cobalt, nickel and related substances from lands subject to a Mining Permit, which was granted by decree on April 11, 2003. The Mining Convention, which has a primary term of 25 years, sets forth all legal and fiscal provisions governing the mining operation. It is renewable under certain conditions in 10-year increments for the life of the resource. In addition to exploration through GeoCam, our other projects provide opportunities for future growth through grassroots exploration. The following is a summary of the exploration costs incurred by the Company:

Three Months Ended

Nine Months Ended

**Unaudited
Period from
November 16, 1994
(inception) to
September 30, 2014**

**September 30,
2014**

**September 30,
2013**

**September 30,
2014**

**September 30,
2013**

Cameroon Africa:

Property evaluation.....

\$ 94

\$ 192

\$ 318

\$ 440

\$ 54,653

Office costs.....

221

249

739

901

33,488

315

441

1,057

1,341

88,141

Other Projects:

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Colorado/Wyoming.....	—
	—
	—
	—
	2,070
Arizona.....	—
	(2)
	232
	128
	2,149
New Mexico.....	—
	2
	(299)
	3
	431
New Caledonia.....	19
	243
	48
	392
	3,681
Papua New Guinea.....	5

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18

21

47

421

Other.....

—

—

—

—

457

24

261

2

570

9,209

Total Exploration Costs.....

\$ 339

\$ 702

\$ 1,059

\$ 1,911

\$ 97,350

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

**September 30,
2014**

**December 31,
2013**

Cameroon, Africa:

Machinery and equipment.....	
	\$ 857
	\$ 2,990
Vehicles.....	
	566
	811
Buildings.....	
	280
	280

Furniture and equipment.....

459

459

2,162

4,540

Less accumulated depreciation.....

(1,990)

(3,562)

172

978

United States and Other:

Machinery and equipment.....

\$ 53

\$ 235

Vehicles.....

-

53

Furniture and equipment.....

413

432

466

720

Less accumulated depreciation.....

(450)

(520)

16

200

\$ 188

\$ 1,178

During the quarter ended March 31, 2014 the Company put in place a plan to dispose, by sale, at auction/bid, of certain machinery and equipment in Cameroon due to the adverse changes in the business circumstances of the Company and current usage levels of the machinery and equipment. The specific assets are mainly vehicles, machinery and equipment and were reclassified as Assets Held for Sale on the condensed consolidated balance sheet at the net book value of \$643 during the nine months ended September 30, 2014. We ceased depreciation on the assets at the specific time they were reclassified. During the nine months ended September 30, 2014 the Company sold \$76 (net book value) of this equipment for proceeds of \$242. During the nine months ended September 30, 2014 the Company also sold \$22 (net book value) of other assets for proceeds of \$34.

During the year ended December 31, 2013 the Company recognized an impairment charge of \$0.3 million on assets with a fair value of \$0.6 million. While the Company continually evaluates the recovery of its assets, the Company determined that an impairment was appropriate in 2013 due to the adverse changes in the financial and business circumstances of the Company. The impairment was based on a review of the individual assets considering future cash flows and management's best estimate of recoverable amounts. The majority of the impairment related to assets in Cameroon of \$279 due to the uncertainty of the timing of cash flows from a strategic transaction. The remainder related to corporate assets in the United States.

The fair value was based on a consideration of future cash flows and management judgment using Level 3 inputs under ASC 820. Because of possible future adverse changes in the financial and business circumstances of the Company, it is reasonably possible that the estimate of fair value may change in the near term resulting in the need to further adjust our determination of fair value.

There was no rental income in the three months and nine months ended September 30, 2014. During the three and nine months ended September 30, 2013, GeoCam rented idle equipment to a third party and recorded \$9 and \$91 as other income in our condensed consolidated statements of operations as a result of this transaction.

6. ACCRUED LIABILITIES AND OTHER PAYABLES/ACCRUED PAYROLL AND RELATED

The Company has entered into agreements with certain consultants to defer a portion of their fees pending the closing of a strategic partner transaction. As at September 30, 2014 the deferred fees were \$227 (December 31, 2013—\$105). The deferred fees are included in Accrued liabilities and other payables on the condensed consolidated balance sheets, however such amounts will not be paid or impact the cash position until one month after the closing of a strategic partner transaction involving the Company's interest in the Cameroon project,

The Company has also deferred Directors' fees pending the closing of a strategic partner transaction and/or a significant financing. As at September 30, 2014 the deferred fees were \$164 (December 31, 2013—\$72). The deferred fees are included in

Accrued liabilities and other payables on the condensed consolidated balance sheets, however such amounts will not be paid or impact the cash position until the earlier of: a) receipt of proceeds from JXTC from the sale of our interest in the Cameroon project or, b) receipt of proceeds from a significant financing in an amount expected to be sufficient to cover the Company's cash requirement for at least six months.

The Company has also entered into agreements with certain employees to defer a portion of their salaries pending the closing of a strategic partner transaction or other events. The deferred salaries and related employee benefits were equal to \$640 as at September 30, 2014 (December 31, 2013—\$263). The agreements further provide for an additional incentive of 100%—200% of the deferral and related employee benefits and as at September 30, 2014 the deferral incentives and related employee benefits were \$1,236 (December 31, 2013—\$481). The total of deferred salaries and deferral incentives and related employee benefits of \$1,876 (December 31, 2013—\$744) is included in Accrued payroll and related on the condensed consolidated balance sheets, however such amounts will not be paid or impact the cash position until the earlier of: a) receipt of proceeds from JXTC or from any other entity from the sale of our interest in the Cameroon project, b) consummation of the acquisition of the Company by another company, c) receipt of proceeds from a significant financing in an amount expected to be sufficient to cover the Company's cash requirement for at least six months, or d) March 14, 2014 (related to the deferrals from August 2013 to January 2014 which are not subject to a forbearance agreement or June 15, 2015 for those which are subject to a forbearance agreement) or March 14, 2015 (related to the deferrals from February 2013 forward).

As of March 14, 2014 none of the foregoing events had occurred and the Company was not in a financial position to pay the salary deferrals and incentives. Accordingly in March 2014 the Company sought forbearance agreements, which would extend the March 14, 2014 deadline to a future date, from the employees who had deferred a portion of their salaries and the employees agreed to consider entering into such agreements. Three of these agreements have been finalized and one has not.

7. SHORT-TERM DEBT

Note Purchase Agreements

During 2014 and 2013 the Company entered into note purchase agreements (each a "Note Purchase Agreement" and collectively the "Note Purchase Agreements") with a number of parties, identified below, (each a "Purchaser"). Pursuant to the Note Purchase Agreements, the Company agreed to issue promissory notes (each a "Note" and collectively the "Notes") to the Purchasers in the aggregate principal amount of \$1,398 as at September 30, 2014 (December 31, 2013—\$605) in consideration of the payment by each Purchaser of a purchase price equal to the principal amount of such Purchaser's respective Note.

Each Note matures one year from the date of issuance at which time the outstanding principal amount of each Note and all accrued and unpaid interest thereon is due and payable by the Company. Interest accrues on the outstanding principal balance of each Note at the rate of 200% per annum on the Notes issued in 2013 and January 2014; 300% per annum on the Notes issued from February to August 2014 and 36% per annum on the Notes issued in September 2014. The Company was unable to repay the amounts which became due on September 30, 2014 and subsequent and have amended the September, October and November 2014 Notes to 1% interest per month and extending the maturity to 18 months from the date of issuance. The amendments were agreed to effective as of the original maturity date.

In June and September 2014 the Company issued additional notes in the principal amount of \$30 under similar terms as noted above except at an interest rate of 150% and due at December 31, 2014.

The Company may prepay each Note, in whole or in part and without penalty, at any time upon 30 calendar days' prior written notice. The Company is required to prepay each Note, in whole and without penalty, within five business days following the consummation of any acquisition by JXTC or by any other entity of the Company's 60.5% interest in GeoCam or the consummation of the acquisition of the Company by another company. The Notes contain events of default and other terms and conditions.

The following table summarizes the principal amounts of the Notes issued and outstanding as of September 30, 2014 and December 31, 2013 and identifies the parties to which the Notes have been issued:

	September 30, 2014	December 31, 2013
Richard G. Buckovic.....	\$ 130	\$ 100
Norman C. Rose.....	30	30
M N Rose Shelter Credit Trust.....	40	40
Paul D. Rose.....	60	60
Dragon's Fire Investments LLC.....		

	275
	225
Thorne Bush Investments LLC.....	
	648
	150
Airlie Road Investors LLC.....	
	75
	—
David/Bette McKibben.....	
	50
	—
John/Jean Anderson.....	
	20
	—
Bill Shaffer.....	
	35
	—
Decker JE Halstead, Revocable Living Trust.....	
	25
	—
Rodney/Eileen Phillips.....	
.....	
	10
	—
Fintech Limited.....	
	30

—

Total Short-Term Debt Notes.....

\$ 1,428

\$ 605

The following table summarizes the amended maturity dates of the Notes issued and outstanding as of September 30, 2014 and December 31, 2013:

**September 30,
2014**

**December 31,
2013**

September 30, 2014.....

\$ —

\$ 120

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October 31, 2014.....	—
	110
November 30, 2014.....	—
	125
December 31, 2014.....	280
	250
January 31, 2015.....	125
	—
February 28, 2015.....	150
	—
March 31, 2015.....	170
	—
April 30, 2015.....	255
	—
May 31, 2015.....	355
	—
June 30, 2015.....	50

	—
August 31, 2015.....	13
	—
September 30, 2015.....	30
	—
Total Short-Term Debt Notes.....	
	\$ 1,428
	\$ 605

Securities Purchase Agreement

On July 22, 2014, the Company entered into a securities purchase agreement (the “Securities Purchase Agreement”), registration rights agreement (the “Registration Rights Agreement”) and note purchase agreement (the “Note Purchase Agreement”), in each case with Tangiers Investment Group, LLC (“Tangiers”).

Pursuant to the Securities Purchase Agreement, Tangiers has committed to purchase up to \$3.0 million of the Company’s common stock, par value \$0.0001 per share (the “Common Stock”), from time to time upon the Company’s advance written request over the course of a 36 month commitment period (the “Commitment Period”), contingent on the Company filing and obtaining an effective registration of the underlying shares with the Securities and Exchange Commission (the “SEC”) and the Company timely complying with its reporting requirements under the Securities Exchange Act of 1934, as amended, and applicable SEC regulations. The Company is entitled to request such equity investments from Tangiers from time to time during the Commitment Period in an amount of up to \$100 per request, and in connection with each request the Company will issue and sell to Tangiers, and Tangiers will purchase from the Company, that number of shares of Common Stock determined by dividing the amount of the advance requested by the Company by a purchase price equal to 85% of the lowest daily volume weighted average trading price of the Common Stock during the five consecutive trading days following the date of the Company’s request. The Securities

Purchase Agreement includes certain restrictions on the ability of the Company to issue or sell its capital stock or securities granting rights to acquire its capital stock for consideration less than the then current market price of the Company's Common Stock.

The Securities Purchase Agreement also requires that the Company issue to Tangiers restricted Common Stock equal to 2.5% of Tangier's \$3.0 million commitment as a commitment fee. The commitment fee Common Stock is issuable by the Company to Tangiers in two 50% tranches, with the first tranche due upon the execution of the Securities Purchase Agreement and the second tranche due 60 days following the execution of the Securities Purchase Agreement. The number of shares of restricted Common Stock issuable in each tranche is calculated by dividing the dollar amount of each tranche by the average volume weighted average trading price of the Common Stock during the five business days preceding the date on which the shares for such tranche are due to be issued. The Company issued 3,962,987 common shares during the third quarter pursuant to the agreement.

Pursuant to the Registration Rights Agreement, the Company agreed to prepare and file with the SEC a registration statement on Form S-1 or on such other form as is available and to cause such registration statement to be declared effective by the SEC prior to the first sale to Tangiers of the Company's Common Stock pursuant to the Securities Purchase Agreement.

Pursuant to the Note Purchase Agreement, the Company agreed to issue a 4% convertible promissory note (the "Convertible Note") to Tangiers, in the original principal amount of \$44 , in consideration of the payment by Tangiers of a purchase price equal to \$40 , with \$4 retained by Tangiers as original issue discount for due diligence, document preparation and legal expenses in connection with the transactions contemplated by the Note Purchase Agreement. The Company issued the Convertible Note on July 22, 2014.

The Convertible Note matures on July 22, 2015, at which time the outstanding principal amount of the Convertible Note and all accrued and unpaid interest thereon is due and payable by the Company. The Convertible Note provides for "guaranteed" interest on the principal balance thereof at the rate of 4%, which interest is deemed earned as of the date of the Convertible Note's issuance, to the extent such principal amount and interest have been repaid or converted into the Company's Common Stock. The Convertible Note is convertible into shares of the Company's Common Stock at the option of Tangiers at a conversion price equal to 50% of the lowest trading price of the Company's Common Stock during the 20 consecutive trading days prior to the date on which Tangiers elects to convert all or part of the Convertible Note.

The Convertible Note contains certain events of default, including with respect to defaults in payment obligations, the commencement of bankruptcy proceedings and certain failures relating to the listing, trading and bid price of the Company's Common Stock, the occurrence of which may result in acceleration of the Company's obligation to pay the outstanding principal amount of the Convertible Note and all accrued and unpaid interest thereon. Upon the occurrence and during the continuance of any event of default, additional interest will accrue at the rate equal to the lower of 20% per annum or the highest rate permitted by law and liquidated damages will accrue at the rate of \$1 per day. In the event of any acceleration following an event of default, the amount due and owing to Tangiers under the Convertible Note will be increased to 150% of the outstanding principal amount of the Convertible Note plus all accrued and unpaid interest, fees and liquidated damages, if any.

Promissory Note

On October 10, 2013 the Company and The Joe Scott Group ("JS Group") entered into a promissory note whereby the JS Group provided the Company with \$59 to establish a certificate of deposit for financial assurance in favor of the State of New Mexico related to surface disturbance on the WMJV properties. The certificate of deposit was established on November 4, 2013 (see Note 14).

8. STOCK BASED COMPENSATION

Stock options

The Company adopted a stock option plan which was amended in June 2007, 2008 and 2009 (the “Company Option Plan”), under which 18,700,000 Company shares were reserved for issuance upon exercise of options granted under the Company Option Plan. The Company Option Plan is intended to provide a means whereby the Company and its subsidiaries can attract, motivate and retain key employees, consultants, and service providers who can contribute materially to the Company’s growth and success, and to facilitate the acquisition of shares of the Company’s common stock. The Company Option Plan provides for incentive stock options meeting the requirements of Section 422 of the Internal Revenue Code and nonqualified stock options that do not meet the requirements for incentive stock options. The Company Option Plan requires the option exercise price per share purchasable under the option to be equal to the greater of the closing price of the Company’s common shares on the Toronto Stock Exchange the day before or date of grant for all nonqualified stock options and incentive stock options. The Company has historically issued new shares when share-based awards are exercised. The following table and related information summarizes the Company’s stock options and the stock option activity for the three months ended September 30, 2014:

Options Outstanding

**Weighted
Average
Remaining
Contractual
Term (Years)**

**Aggregate
Intrinsic
Value
(000's)**

**Options Available
for Grant**

**Number
Outstanding**

**Weighted
Average
Exercise Price
per Share***

Available and outstanding at December 31, 2013.....

8,618,801

10,081,199

\$ 0.91

Granted.....

—

—

—

Exercised.....

—

—

—

Forfeited.....

620,000

(620,000)

0.72

Expired.....

—

—

—

Available and outstanding at September 30, 2014....

9,238,801

9,461,199

\$ 0.91

3.30

\$ —

Exercisable at September 30, 2014.....

9,461,199

\$ 0.91

3.30

\$ —

Vested or expected to vest at September 30, 2014.....

9,461,199

\$ 0.91

3.30

\$ —

* Some of the options are granted with Canadian dollar exercise prices, and the weighted average prices reflect the U.S. dollar equivalent prices.

The following stock option grants were issued by the Company during the nine months ended September 30, 2014 and 2013 respectively:

- The Company did not grant any options under the Company Option Plan during 2014 and 2013. During the three months ended September 30, 2014 the Company recorded compensation expense of \$0 relating to vesting of previous grants (2013—\$3). There was no unrecognized compensation expense related to non-vested stock based compensation granted under the Company Option Plan as of September 30, 2014.

- The weighted-average fair value per share of options granted under the Company's Options Plan during 2014 and 2013 was zero as no options were granted. No options were exercised in the nine months ended September 30, 2014 resulting in the total intrinsic value of share options exercised of \$0 (2013—\$0). The total cash received from the exercise of stock options was \$0 (2013—\$0).

No stock options were granted during the nine months ended September 30, 2014 and 2013 resulting in no fair value estimates.

The Company estimates expected forfeitures at the grant date and compensation expense is recorded only for those awards expected to vest. The estimate of expected forfeitures is reevaluated at the balance sheet date.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the market value of the underlying stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's equity instruments.

Stock awards

The Company adopted the 2010 Company Stock Award Plan (the "Stock Award Plan") that was approved in June 2010. The Common Stock that may be issued pursuant to Stock Awards shall not exceed 2,000,000 shares of Common Stock. The Common Stock subject to the Stock Award Plan shall be authorized and unissued stock. Stock Awards may be granted to Employees, Directors, Officers and Consultants. Stock Awards may be granted as Restricted Stock Awards or Restricted Stock Units.

During the nine months ended September 30, 2014 and 2013, we did not grant any Restricted Stock Awards. During 2011, we granted 210,000 Restricted Stock Awards to certain members of the executive management team and the Board of Directors. The Restricted Stock Awards vest 40% on the grant date (January 21, 2011), 30% on the 1st anniversary of the grant date, and 30% on the 2nd anniversary of the grant date. For the nine months ended September 30, 2014, the Company recognized compensation expense of \$0 (2013—\$1) related to the Restricted Stock Awards.

Also during the nine months ended September 30, 2014 and 2013, we did not grant any Restricted Stock Units. During 2011, we granted 180,000 Restricted Stock Units to certain members of the Board of Directors. The Restricted Stock Units vested on the first anniversary of the grant date. The shares are issued to the recipient on the earlier of their termination date or on the third anniversary of the grant date. During the nine months ended September 30, 2014 no shares were issued. During the year ended December 31, 2013, 80,000 shares were issued to two members of the Board of Directors who did not stand for re-election. For the nine months ended September 30, 2014 and 2013, the Company recognized no compensation expense as they were fully expensed during 2012 related to the Restricted Stock Units.

9. STOCKHOLDERS' EQUITY

Common stock

The Company is authorized to issue 200 million shares of common stock, with a par value of \$0.0001. There were 110,682,589 shares issued as of September 30, 2014.

Preferred stock

The Company is authorized to issue 50 million shares of preferred stock, with a par value of \$0.0001. There are no shares of preferred stock issued or outstanding as of September 30, 2014.

10. DERIVATIVE INSTRUMENTS

The Company currently does not hold derivative instruments to manage its exposure to commodity prices. The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. All derivative financial instruments are recognized on the condensed consolidated balance sheets at fair value. Changes in fair value are recognized in earnings if they are not eligible for hedge accounting or other comprehensive income if they qualify for cash flow hedge accounting.

11. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy, as defined below, gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1, defined as observable inputs such as quoted prices in active markets for identical assets.
- Level 2, defined as observable inputs other than Level 1 prices. These include quoted prices for similar assets or liabilities in an active market, quoted prices for identical assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

At September 30, 2014 and December 31, 2013, the carrying amounts of cash and cash equivalents, restricted cash and trade payables represented fair value because of the short-term nature of these instruments.

12. NON-CONTROLLING INTEREST

On January 24, 2013 GeoCam shareholders approved a capital increase equivalent to approximately \$1.2 million, with the capital to be funded with multiple cash calls. Geovic's 60.5% share of the capital increase was approximately \$0.7 million

On February 14, 2013 the first cash call totaling approximately \$0.4 million, of which Geovic paid approximately \$0.2 million, was completed.

On April 17, 2013 the second cash call totaling approximately \$0.4 million, of which Geovic paid approximately \$0.24 million, was completed.

On July 31, 2013 the third cash call totaling approximately \$0.4 million, of which Geovic paid approximately \$0.24 million, was completed.

On October 15, 2014 GeoCam shareholders approved a capital increase equivalent to approximately \$1.0 million. Geovic's 60.5% share of the capital increase is approximately \$0.6 million.

On November 15, 2014 the first cash call totaling approximately \$0.5 million was called, of which Geovic's share was approximately \$0.3 million. As of the date of filing the cash call had not been funded by either shareholder. Geovic offset its share of the first cash call with charges to Geocam for the provision of the services of a General Manager in the amount of \$0.5 million for the period October 1, 2012 to September 30, 2014. An additional \$0.2 million will be available to offset a portion of the remainder of the cash call.

The non-controlling interest balance of approximately \$8,023 at September 30, 2014 (December 31, 2013—\$8,471) represents the balance from the capital increases contributed by the non-controlling interest as described above. The difference between the amounts contributed and the balance at September 30, 2014 represents the non-controlling interest share of the actual expenditures from January 1, 2007 through September 30, 2014.

13. INCOME TAXES

The Company files income tax returns in the U.S. federal jurisdiction, Cameroon, France, New Caledonia and Colorado. The Company has open tax years for the U.S. federal return from 2000 forward with respect to its net operating loss ("NOL") carry-forwards, where the IRS may not raise tax for these years, but can reduce NOLs. Otherwise, with few exceptions, the Company is no longer subject to federal, state, or local income tax examinations for years prior to 2009. The Company has incurred losses since inception. Due to the full valuation allowance against its net deferred tax asset, management would expect that any adjustment resulting from the audit would not result in an adjustment to the Company's financial statements. In addition, the Company's ability to deduct NOL carry-forwards may be subject to a limitation if the Company were to undergo an ownership change for purposes of Section 382 of the Internal Revenue Code of 1986, as amended.

There was no benefit from income taxes in the nine months ended September 30, 2014 and during the same period in 2013. The effective tax rate was 0% for the nine months ended September 30, 2014 and for the same period in 2013. Our effective rates differ from the statutory federal rate of 35% for certain items, such as state and local taxes, non-deductible expenses, change in valuation allowance offsetting foreign and domestic operating losses and foreign taxes at rates other than 35%.

The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. For the nine months ended September 30, 2014, the Company recognized no potential interest or penalties with respect to unrecognized tax benefits.

The Company had no unrecognized tax benefit as of September 30, 2014 or change in unrecognized tax benefits that would impact the effective rate. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits over the remainder of the year.

14. JOINT VENTURE

During 2013 the Company entered into the Wind Mountain Joint Venture ("WMJV") with the JS Group for exploring, defining, developing and marketing of mining claims the Company owns in New Mexico which commenced work during the third quarter of 2013. The funding would be provided by the JS Group in three phases and the Company agreed to convey and transfer all right, title and interest of 60% of the mining claims to the JS Group in such phases

dependent upon continuation of the project and funding.

The agreement is considered a collaborative arrangement between the Company and JS Group. The Company's accounting policy for collaborative arrangements is to report any costs incurred with third parties in the statement of operations and to evaluate the income statement classification of transactions with JS Group based on the nature of the collaborative arrangement's business operations and the contractual terms of the arrangement. The Company has previously expensed all costs related to the New Mexico claims and in accordance with ASC 932, *Extractive Industries*, have recorded no gain upon conveying the original 60% of the claims. The transfer of the mining claims to WMJV is considered equal in value to the funding in each phase and no amounts appear in the financial statements. The funding by the JS Group, project to date is \$72.

In April 2014 the Company and the JS Group entered into a letter of agreement amending the original agreement, whereby the JS Group have the option to acquire an additional 30% of the WMJV mining claims for a total consideration of \$0.3 million upon the completion of the first phase of activities and funding related to WMJV. Further, upon payment of the \$0.3 million consideration, Geovic is to convey and assign 90% of the interest in the mining claims to JS Group. Upon the JS Group electing to acquire the additional 30% from the Company, Geovic shall have an option to reacquire 15% of the interest for \$150 upon written notice to the JS Group prior to the receipt of the assay results of the first core sample during the second phase of the project. In April 2014 upon

completion of the first phase of activities and funding, the JS Group elected to exercise such option to acquire an additional 30% for \$0.3 million for a total interest of 90%. Upon receipt of the \$0.3 million consideration, the Company assigned 90% of the mining claims to the JS Group. The proceeds of \$0.3 million were recorded to exploration costs where the original expenditures on the properties were expensed.

On October 10, 2013 the Company and the JS Group entered into a promissory note whereby the JS Group provided the Company with \$59 to establish a certificate of deposit for financial assurance in favor of the State of New Mexico related to surface disturbance on the WMJV properties. The certificate of deposit was established on November 4, 2013.

15. POSSIBLE GEOCAM TRANSACTION

As disclosed in Note 1, on July 23, 2013 the Company announced that it had agreed to the terms and conditions of a Definitive Agreement (“DA”) with JXTC. JXTC is a state owned large-scale industrial enterprise with significant mining and industrial operations in cobalt, copper, tungsten, and other rare metals. The terms and conditions of the DA were agreed amongst JXTC, SNI (which owns or represents 39.5% of Geovic Cameroon), the Company, Geovic Ltd. and GeoCam.

The transaction contemplated by the DA establishes JXTC’s intent to acquire 60.5% of the existing shares of GeoCam pursuant to the execution of a share purchase agreement between JXTC and the Company which is expected to be subject to a variety of conditions and approvals, many of which are outside the control of the Company. There is no assurance that this agreement will be finalized or that the transaction contemplated therein will be completed. This proposed transaction would result in the complete disposition of the Company’s interest in GeoCam and the Nkamouna Project. In addition to acquiring 60.5% interest in GeoCam, JXTC would also secure 100% of the mixed cobalt-nickel sulphide product to be produced by the Nkamouna Project through a long-term arm’s length Off-Take Agreement with GeoCam. As of the date of issuance, the share purchase agreement has not been finalized, and there is no certainty the transaction contemplated therein will be completed.

The DA expired on March 31, 2014 and as at that date the parties had not entered into a share purchase agreement. In September 2014 the parties agreed to an extension of the DA retroactive to the original expiry through December 31, 2014. There can be no assurance that a share purchase agreement will ultimately be entered into or that the transactions contemplated therein will be completed.

In accordance with ASC 360, *Property, Plant and Equipment* because the proposed share purchase agreement described in Note 1 is not yet finalized and approved by the stockholders of the Company, the assets and liabilities of GeoCam continue to be classified as held and used as of September 30, 2014.

16. RELATED PARTY TRANSACTIONS

[a] During 2013 and 2014 the Company entered into agreements with certain employees to defer a portion of their salaries pending the closing of a strategic partner transaction or other events. The agreements further provided for an additional incentive. The deferred salaries and incentive amounts, not including related employee benefits, for Executive Offices and/or Directors as at September 30, 2014 are Michael T. Mason \$658 (December 31, 2013—\$225), Greg C. Hill \$438 (December 31, 2013—\$184) and William A. Buckovic \$601 (December 31, 2013—\$205). See further disclosure in Note 6.

[b] During 2013 and 2014 the Company entered into Note Purchase Agreements with Paul D. Rose, a Director of the Company (\$60), Dragon's Fire Investments LLC, an entity owned by Paul D. Rose (\$275), Norman C. Rose, the father of Paul D. Rose (\$30), Thorne Bush Investments LLC, owned by Norman C. Rose (\$648), John and Jean Anderson, the brother-in-law and sister of William A. Buckovic (\$20) and Rodney and Eileen Phillips, in-laws of William A. Buckovic (\$10) . Further, Richard G. Buckovic (\$130) is the uncle of William A. Buckovic, Executive Vice President and Director and the M.N. Rose Shelter Credit Trust (\$40) is a trust organized by Norman C. Rose, the father of Paul D. Rose. See further disclosure in Note 7.

[c] GeoCam entered into a professional and management services contract with SNI, the holder of 20% and representative of other holders of an additional 19.5% of the outstanding shares of GeoCam that was effective for fiscal year 2011. The services were for government relations and administrative matters related to project development. No agreements have been entered into subsequent to 2011.

17. COMMITMENTS AND CONTINGENCIES

[a] In November 2009, five management level consultants or employees of GeoCam filed litigation in Cameroon, claiming approximately \$2.2 million as compensation and damages as a result of termination of their services by GeoCam in connection with a reduction in workforce in February and March 2009. In April 2010 the litigation was dismissed. In July 2010 the litigation was brought by four of the claimants before one other jurisdiction and by the fifth claimant in a separate jurisdiction.

On June 3, 2011, the High Court of Abong-Mbang, the court before which four of the matters were pending entered judgments in favor of the four claimants totaling CFA 780,339,500 (approximately \$1.6 million at September 30, 2014). On November 14, 2011, the High Court of Mfoundi, Yaoundé, the court before which the fifth matter was pending entered a judgment in favor of the claimant totaling CFA 118,804,219 (approximately \$0.2 million at September 30, 2014). GeoCam appealed all five matters to the next highest appellate court in Cameroon, the Court of Appeal of the East Region at Bertoua as to the four claimants and the Court of Appeal of the Center Region at Yaoundé as to the fifth matter. In June 2014 the appeal in the fifth matter was heard and the earlier court judgment for CFA 118,804,219 (approximately \$0.2 million at September 30, 2014) was overturned. However, the claimant may file an appeal or civil claim to another court.

The Court of Appeal, before which the fifth matter was pending, authorized CFA 51,851,813 (approximately \$0.1 million at September 30, 2014) of GeoCam funds to be attached for the benefit of the claimant in the second quarter of 2012 and placed in a restricted account at GeoCam's bank pending resolution of the case. GeoCam has sought to have this restriction lifted. The matter was adjourned and delayed until subsequent to the date hereof however GeoCam has requested the restriction be immediately lifted based on the fact that the judgment for the entire claim has been overturned.

The Court of Appeal before which the other four appeals were pending set aside the judgment of the lower court discussed above and awarded the four claimants an amount totaling CFA 125,062,7 (approximately \$0.3 million at September 30, 2014) in the fourth quarter of 2012. GeoCam has filed appeals in all four matters which stayed enforcement of the judgments pending resolution of the appeals. This Court of Appeal also authorized CFA 108,949,204 (approximately \$0.2 million at September 30, 2014) in GeoCam funds to be attached for the benefit of the claimants and placed in a restricted account at GeoCam's bank pending final resolution of the appeals. In December 2013 attached funds related to one claim in the amount of CFA 46,353,259 (approximately \$0.1 million) were released to GeoCam. In January 2014 attached funds related to two more of the remaining claims in the amount of CFA 42,380,887 (approximately \$0.09 million) were released to GeoCam. In May 2014 attached funds related to the remaining one claimant of CFA 20,215,058 (approximately \$0.04 million) were released to GeoCam.

The restricted funds related to the one claimant that remained at September 30, 2014 totaling approximately \$0.1 million are included as restricted cash on our consolidated balance sheets. The Company believes all contractual and other obligations to the five individual claimants were satisfied; however, given the judgments, we believe it could be deemed probable that the outcome would be unfavorable to GeoCam and, therefore, GeoCam accrued approximately \$0.3 million for the matters in our consolidated financial statements at the time the Court of Appeal reached its decision. It is possible that an additional amount up to approximately \$0.2 million could be awarded to the claimants in these matters.

[b] On October 22, 2013, the Company entered into a severance and release agreement (the "Severance Agreement") with Timothy D. Arnold, the Company's Chief Operating Officer. The Severance Agreement provides that October 24, 2013 was Mr. Arnold's last day of employment with the Company (the "Separation Date").

Under the Severance Agreement the Company is obligated to pay Mr. Arnold a lump sum severance payment equal to \$0.5 million, less applicable deductions and withholdings (the "Severance Amount"). The Company must pay the Severance Amount to Mr. Arnold on the first business day following six months after the Separation Date (the "Payment Date"), unless payment on that date would jeopardize the ability of the Company to continue as a going concern, in which case the Severance Amount is payable on the first date after the Payment Date where making such payment would not jeopardize the ability of the Company to continue as a going concern. As of September 30, 2014 the Company had not paid the Severance Amount due to the jeopardy of the ability of the Company to continue as a going concern that would have resulted from such payment. Effective upon the actual payment of the Severance

Amount, Mr. Arnold has agreed to release, subject to limited exceptions, the Company and its affiliates from any and all claims Mr. Arnold may have through the effective date of the Severance Agreement.

The Severance Agreement replaces and supersedes the Executive Employment Agreement between the Company and Mr. Arnold, dated as of February 1, 2011.

[c] The Company has engaged a consultant to provide consulting services in connection with the Nkamouna Project. The Company paid the consultant \$11 in fees during the nine months ended September 30, 2014 (2013—\$20). The consultant has agreed to defer a portion of their fees pending the closing of a strategic partner transaction equal to \$100 as at September 30, 2014. The deferred fees are accrued and will be paid per the disclosure in Note 6. Further, the Company has agreed to pay a contingent fee of approximately \$0.2 million upon completion of a successful transaction.

[d] In December 2009 the Company engaged a financial advisor in connection with the financing of the Nkamouna Project. The Company agreed to pay a fixed retainer fee of \$50 per month and a \$0.8 million success fee upon completion. The terms of the agreement were based on the assumption that the completion would occur by December 2010. A replacement agreement with GeoCam was entered into August 2010 with substantially the same terms except the new agreement extended the date of the expected completion of financing. During the first quarter of 2012, the \$50 per month retainer obligation was mutually suspended. In May 2014 the financial advisor provided written notice to GeoCam of their intention to terminate the agreement.

Part I—Financial Information

Item 1. Condensed Consolidated Financial Statements (unaudited)

Geovic Mining Corp.

(an exploration stage company)

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands except per share amounts)

**September 30,
2014**

**December 31,
2013**

ASSETS

Current assets:

Cash and cash equivalents

\$ 66

\$ 181

Restricted cash

159

324

Prepaid expenses

—

67

Assets held for sale *[note 5]*

643

—

Other

—

15

Total current assets

868

587

Property, plant and equipment, net *[note 5]*

188

1,178

Deposits

14

28

Total assets

\$ 1,070

\$ 1,793

LIABILITIES

Current liabilities:

Accrued liabilities and other payables *[note 6]*

\$ 4,528

\$ 1,067

Accrued payroll and related *[note 6]*

1,876

744

Short-term debt *[note 7]*

1,531

664

Accrued litigation *[note 17]*

250

250

Related party payable *[note 16 (b)]*

360

328

Total current liabilities

8,545

3,053

Other liabilities

471

471

Total liabilities

9,016

3,524

Commitments and contingencies *[note 17]*

EQUITY

Common stock, par value of \$0.0001, 200 million shares authorized and 106.7 million and 106.7 million shares issued and outstanding in 2014 and 2013, respectively

11

11

Additional paid-in capital

110,581

110,581

Deficit accumulated during the exploration stage

(126,561)

(120,794)

Total controlling stockholders' equity (deficit)

(15,969)

(10,202)

Non-controlling interest *[note 12]*

8,023

8,471

Total equity (deficit)

(7,946)

(1,731)

Total liabilities and equity

\$ 1,070

\$ 1,793

The accompanying notes are an integral part of these financial statements

[e] In January 2011, the Company engaged a financial advisor to advise it with respect to the Company's obligations in connection with financing of the Nkamouna Project and to assist in developing arrangements with strategic investors. The Company agreed to pay a fixed retainer fee of \$50 per month plus reimbursement of expenditures, and a minimum success fee of \$1.0 million based on a sliding scale depending on the size of any financing transaction. During the first quarter of 2012, the \$50 per month retainer obligation was mutually suspended at least until a financing transaction is underway.

[f] The Company engaged a provider of legal and consulting services in connection with the Nkamouna Project. The Company agreed to pay a fixed quarterly fee and reimbursement of travel expenditures; the payment for any additional services will be contingent upon completion of a successful transaction. The contingent success fee as of September 30, 2014 is €349 (equivalent to approximately \$0.44 million) (2013— €349 (equivalent to approximately \$0.48 million)).

18. SUBSEQUENT EVENTS

Subsequent to September 30, 2014, on October 22, 2014, Greg Hill, Executive Vice President and Chief Financial Officer and Interim Principal Accounting Officer and Secretary resigned. Christopher A. Serin, Director of the Company, will serve as Chief Financial Officer and Interim Principal Accounting Officer and Secretary of the Company. The Company may have obligations under the Mr. Hill's employment contract.

Subsequent to September 30, 2014 on December 9, 2014 the Company received a notification that GeoCam employees are threatening to strike as of December 15, 2014 unless all compensation arrears are paid. The Company is communicating with the GeoCam staff.

Subsequent to September 30, 2014 on October 1, 2014, the Company entered into a severance and release agreement (the "Severance Agreement") with Sheila I. Short, the Company's Corporate Secretary. The Severance Agreement provides that August 31, 2014 was Ms. Short's last day of employment with the Company (the "Separation Date"). Under the Severance Agreement the Company is obligated to pay Ms. Short all wages, unused vacation days earned up through the separation date, less applicable deductions and withholdings, and submit the customary 3% to the employee's Geovic 401(K) ("the Required Payments") and a lump sum severance payment equal to \$0.2 million (the "Severance Amount"). The Company must pay the Required Payments and Severance Amount to Ms. Short on the first business day following six months after the Separation Date (the "Payment Date"), unless payment on that date would jeopardize the ability of the Company to continue as a going concern, in which case the Severance Amount is payable on the first date after the Payment Date where making such payment would not jeopardize the ability of the Company to continue as a going concern. The Severance Agreement replaces and supersedes the Executive Employment Agreement between the Company and Ms. Short, dated as of June 27, 2013.

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

The following discussion and analysis should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in our Annual Report on Form 10-K for the year ended December 31, 2013 as well as with the financial and related notes and the other information appearing elsewhere in this report. As used in this report, unless the context otherwise indicates, references to “we”, “our”, “ours” and “us” refer to Geovic Mining Corp. and its subsidiaries collectively.

Overview

This Management’s Discussion and Analysis (“MD&A”) is intended to provide an analysis of our capital resources and liquidity at September 30, 2014, and financial results for the three and nine months ended September 30, 2014 compared to the prior period. All amounts are presented in United States dollars unless indicated otherwise. Reference should also be made to the financial statements filed with this report and the Company’s other disclosure materials filed from time to time on *www.sec.gov* or *www.sedar.com* or the Company’s website at *www.geovic.net*.

Business

We are engaged in the business of identifying, exploring and initially developing mineral exploration prospects. Our primary asset is a cobalt, nickel, and manganese mining project in Cameroon, Africa (the “Nkamouna Project”) held by GeoCam, our majority-owned (60.5%) subsidiary incorporated under the laws of the Republic of Cameroon. We also explore for exploitable deposits of other minerals. We hold the following early stage exploration prospects: exploration licenses in New Caledonia (chromite); state exploration permits in Arizona (gold); mineral leases and mining claims in Colorado and Wyoming (uranium); mining claims in

New Mexico and California (rare earth and other specialty metals); and an exploration license in Papua New Guinea (advanced and specialty metals).

Our ability to continue operations in the future will be largely dependent on our ability to arrange a strategic investment in the Nkamouna Project. We expect that such an investment would involve the sale of some or all of our interest in the Project. We do not have available financial resources necessary to construct and open the Nkamouna Project. We are proactively pursuing a strategic investment which, if completed, would result in our selling some or all of our interest in the Nkamouna Project to a third party.

On July 23, 2013 the Company announced that it had agreed to the terms and conditions of a Definitive Agreement (“DA”) with Jiangxi Rare Metals Tungsten Holdings Group Company Ltd (“JXTC”) of Nanchang, Jiangxi Province, China. JXTC is a state owned large-scale industrial enterprise with significant mining and industrial operations in cobalt, copper, tungsten, and other rare metals. The terms and conditions of the DA were agreed amongst JXTC, Societe Nationale d’Investissement du Cameroun (“SNI”), the National Investment Corporation of Cameroon that owns or represents 39.5% of GeoCam, the Company, Geovic Ltd. and GeoCam.

The transaction contemplated by the DA establishes JXTC’s intent to acquire 60.5% of the existing shares of GeoCam pursuant to the execution of a share purchase agreement between JXTC and Geovic which is expected to be subject to a variety of conditions and approvals, many of which are outside our control. There is no assurance that this agreement will be finalized, or that the transaction contemplated therein will be completed. This proposed transaction would result in the complete disposition of the Company’s interest in GeoCam and the Nkamouna Project. In addition to acquiring 60.5% interest in GeoCam, JXTC would also secure 100% of the mixed cobalt-nickel sulphide product to be produced by the Nkamouna Project. The share purchase agreement is not yet finalized and would require the approval of the stockholders of the Company.

The DA expired on March 31, 2014 and as at that date the parties had not entered into a share purchase agreement. In September 2014 the parties agreed to an extension, retroactive to the original expiry of the DA through December 31, 2014. There can be no assurance that a share purchase agreement will ultimately be entered into or that the transactions contemplated therein will be completed.

If an agreement is reached, it would be subject, among other matters, to approval of our stockholders. If we are unable to complete and close an agreement to sell a significant interest in the Nkamouna project to a strategic partner, or in the alternative raise sufficient funds to develop the Nkamouna project, in a timely manner, our plan is to place the Nkamouna Project on a “care and maintenance” status and significantly further reduce our level of expenditures in Cameroon. In such event, we would not have sufficient resources to maintain our interest in the Project indefinitely and we could lose our interest in the Project. In such a scenario, our cash resources would likely be insufficient to sustain our other business activities.

We are endeavoring to arrange additional financing which would allow us to continue work on our mineral projects and pay our expenses. If we are unable to arrange adequate financing, we may seek to further reduce our operations, to the extent possible, while we continue efforts to monetize our investment in GeoCam, or we may cease operations, which could include a bankruptcy filing. Unless we arrange additional financing, we expect to nearly exhaust our cash during August 2014.

During 2014 and 2013 the Company entered into note purchase agreements (each a “Note Purchase Agreement” and collectively the “Note Purchase Agreements”) with a number of parties, identified below, (each a “Purchaser”). Pursuant to the Note Purchase Agreements, the Company agreed to issue promissory notes (each a “Note” and collectively the “Notes”) to the Purchasers in the aggregate principal amount of \$1,398 as at September 30, 2014 (December 31,

2013—\$605) in consideration of the payment by each Purchaser of a purchase price equal to the principal amount of such Purchaser's respective Note.

Each Note matures one year from the date of issuance at which time the outstanding principal amount of each Note and all accrued and unpaid interest thereon is due and payable by the Company. Interest accrues on the outstanding principal balance of each Note at the rate of 200% per annum on the Notes issued in 2013 and January 2014; 300% per annum on the Notes issued from February to August 2014 and 36% per annum on the Notes issued in September 2014. The Company was unable to repay the amounts which became due on September 30, 2014 and subsequent and have amended the September, October and November 2014 Notes to 1% interest per month and extending the maturity to 18 months from the date of issuance. The amendments were agreed to effective as of the original maturity date.

In June and September 2014 the Company issued additional notes in the principal amount of \$30 under similar terms as noted above except at an interest rate of 150% and due at December 31, 2014.

The Company may prepay each Note, in whole or in part and without penalty, at any time upon 30 calendar days' prior written notice. The Company is required to prepay each Note, in whole and without penalty, within five business days following the consummation of any acquisition by JXTC or by any other entity of the Company's 60.5% interest in GeoCam or the consummation of the acquisition of the Company by another company. The Notes contain events of default and other terms and conditions.

In April 2014 the Company and the JS Group entered into a letter of agreement amending the original Wind Mountain Joint Venture (“WMJV”) agreement whereby the JS Group have the option to acquire an additional 30% of the WMJV mining claims for a total consideration of \$0.3 million upon the completion of the first phase of activities and funding related to WMJV. Further, upon payment of the \$0.3 million consideration, Geovic is to convey and assign 90% of the interest in the mining claims to JS Group. Upon the JS Group electing to acquire the additional 30% from the Company, Geovic shall have an option to reacquire 15% of the interest for \$150 upon written notice to the JS Group prior to the receipt of the assay results of the first core sample during the second phase of the project. In April 2014 upon completion of the first phase of activities and funding, the JS Group elected to exercise such option to acquire an additional 30% for \$0.3 million for a total interest of 90%. Upon receipt of the \$0.3 million consideration, the Company assigned the full 90% of the mining claims to the JS Group.

On April 29, 2014 the Company was contacted by the TSX regarding the issuance of the short term debt promissory notes and note purchase agreements, specifically regarding the interest rates of 200-300%. The Company was informed that in failing to notify the TSX prior to the issuance of the Notes the Company contravened Subsection 501(c) of the TSX Company Manual. TSX informed the Company that acceptance of the issuance of the Notes was subject to the following: the Company must immediately notify the lenders that interest on the Notes will not be paid until such time as disinterested shareholder approval is received; within one business day of approval by disinterested shareholders the Company must provide to the TSX (a) a certified resolution of the Board of Directors, excluding any Directors that subscribed for Notes, approving the issuance of the Notes; (b) a certified resolution of the disinterested shareholders approving the issuance of the Notes along with a copy of the scrutineer’s report evidencing such approval; and, (c) a commercial copy of the proxy statement sent to shareholders in connection with the 2014 Annual Meeting with the comments of the TSX incorporated therein. The Company received disinterested shareholder approval at its Annual Meeting of Stockholders in June 2014 and provided the TSX the required documentation.

On May 1, 2014, the Company received notice from the TSX that the TSX was reviewing the Company’s eligibility for the continued listing of its shares of common stock on the TSX (the “Continued Listing Review”). The TSX granted the Company 30 days to demonstrate that it complies with all of the TSX continued listing requirements that are applicable to the Company. The TSX advised the Company that the Continued Listing Review was being conducted in connection with the Company’s issuance of the Notes to certain related parties in 2013 and the first quarter of 2014. Specifically, the notice from the TSX states that the Company failed to seek the TSX’s prior approval of the Notes transaction and prior disinterested shareholder approval for the issuance of the Notes, in each case as required under the Section 501(c) of the TSX Company Manual. The notice also stated that the Company appears to have breached the TSX’s Timely Disclosure Policy for its failure to news release the key details of the Notes, including the interest rates, which the TSX believes are not commercially reasonable. The Company provided the TSX with written submissions addressing the deficiencies identified in the notice and received an extension to July 25, 2014 in order to put in place an orderly transition to another exchange. On July 25, 2014 the Company was delisted by the TSX and transitioned to the NEX, a separate board of the TSX Venture Exchange as of July 28, 2014 under the symbol “GMC.H”.

A feasibility study for the Nkamouna Project was completed in April 2011, which estimated approximately \$617 million of initial capital costs, including contingencies, to construct and start-up the Nkamouna Project. The GeoCam financial advisor estimated that the total of capital, financing, working capital, contingency and start-up costs would be approximately \$698 million, based on estimates included in the feasibility study. Additionally, cost overrun requirements of lenders to the Nkamouna Project were projected to be approximately \$100 million.

Since the feasibility study was completed, we have devoted most of our efforts to seeking and evaluating a means to finance the Nkamouna Project. We have considered many possible alternatives, including joint ventures or similar arrangements, which may include a sale of a significant portion or all of our interest in the Nkamouna Project to

strategic investors who could assist in financing and would have an interest in purchasing the cobalt, nickel and manganese products produced from the Nkamouna Project. Beyond the Nkamouna Project financing we would also face other significant issues affecting development and operation of the Nkamouna Project. These include operating the Nkamouna Project through GeoCam as an autonomous Cameroonian entity, and GeoCam's ability to recruit, train and retain a team of qualified mining professionals and a stable local workforce to manage the development, construction and operation of the Nkamouna Project in a relatively undeveloped, remote area in Cameroon.

Since 2012 we have been seeking to 1) realize value for the Cameroonian assets and 2) shift the Company's focus to a prospect generation and strategic investment business model. Since our position in GeoCam will likely be significantly diminished or completely eliminated through strategic investment upon completion of a financing transaction, the future direction for the Company will be to identify new exploration prospects, minimally develop and prioritize existing and new prospects, and sell or joint venture further exploration and development of those prospects to others. The Company expects to take prospects to a level where they can be timely monetized through strategic investments by others who have the resources and staying ability to complete advanced exploration, permitting and development.

We are the majority shareholder of GeoCam. Under the Shareholder Agreement, GeoCam is operated as an autonomous entity and governed by a Board of Directors to which we select three of the five directors and two directors are selected by the other

shareholders. A strategic investment would necessitate agreement among Geovic, SNI, and the new investors, and approval by the GeoCam Board of Directors. While we represent the majority of Directors on the GeoCam Board, we generally have not taken major strategic actions or decisions without general concurrence by the other shareholders who are collectively represented by SNI. We view a good working relationship with the other shareholders of GeoCam as important to the future success of the Nkamouna Project.

Capital Resources and Liquidity

Our ability to access additional financing and to monetize the Nkamouna Project are critical to our future financial condition. Since the completion of the feasibility study in April 2011, spending activity for the Nkamouna Project has mainly been limited to securing the Nkamouna Project site and protecting assets, continuing environmental monitoring and community development programs, and assisting potential strategic investors with their due diligence activities. Given our limited financial resources, we plan to continue this approach until we are reasonably satisfied that an appropriate strategic transaction for the Nkamouna Project can be completed or the Project is put on “care and maintenance” basis.

At September 30, 2014 we had approximately \$66 of unrestricted cash and cash equivalents on a consolidated basis compared to \$181 at December 31, 2013, a decrease of approximately \$115 during the nine months ended September 30, 2014. Our cash is invested in U.S. dollar deposits and in the Cameroon branch of a large international bank.

During 2014 and 2013 the Company entered into note purchase agreements (each a “Note Purchase Agreement” and collectively the “Note Purchase Agreements”) with a number of parties, identified below, (each a “Purchaser”). Pursuant to the Note Purchase Agreements, the Company agreed to issue promissory notes (each a “Note” and collectively the “Notes”) to the Purchasers in the aggregate principal amount of \$1,398 as at September 30, 2014 (December 31, 2013—\$605) in consideration of the payment by each Purchaser of a purchase price equal to the principal amount of such Purchaser’s respective Note.

Each Note matures one year from the date of issuance at which time the outstanding principal amount of each Note and all accrued and unpaid interest thereon is due and payable by the Company. Interest accrues on the outstanding principal balance of each Note at the rate of 200% per annum on the Notes issued in 2013 and January 2014; 300% per annum on the Notes issued from February to August 2014 and 36% per annum on the Notes issued in September 2014. The Company was unable to repay the amounts which became due on September 30, 2014 and subsequent and have amended the September, October and November 2014 Notes to 1% interest per month and extending the maturity to 18 months from the date of issuance. The amendments were agreed to effective as of the original maturity date.

In June and September 2014 the Company issued additional notes in the principal amount of \$30 under similar terms as noted above except at an interest rate of 150% and due at December 31, 2014.

The Company may prepay each Note, in whole or in part and without penalty, at any time upon 30 calendar days’ prior written notice. The Company is required to prepay each Note, in whole and without penalty, within five business days following the consummation of any acquisition by JXTC or by any other entity of the Company’s 60.5% interest in GeoCam or the consummation of the acquisition of the Company by another company. The Notes contain events of default and other terms and conditions.

The following table summarizes the principal amounts of the Notes issued and outstanding as of September 30, 2014 and December 31, 2013 and identifies the parties to which the Notes have been issued:

**September 30,
2014**

**December 31,
2013**

Richard G. Buckovic.....	
	\$ 130
	\$ 100
Norman C. Rose.....	
	30
	30
M N Rose Shelter Credit Trust.....	
	40
	40
Paul D. Rose.....	
	60
	60
Dragon's Fire Investments LLC.....	
	275
	225
Thorne Bush Investments LLC.....	

648

150