

GEOVIC MINING CORP.
Form 10-K
March 31, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2007

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

For the transition period from _____ to _____

Commission File Number 000-52646

GEOVIC MINING CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-5919886
(I.R.S. Employer

Identification No.)

743 Horizon Court, Suite 300A

Grand Junction, Colorado
(Address of principal executive offices)

81506
(Zip Code)

Registrant's telephone number, including area code: (970) 256-9681

Securities to be registered pursuant to Section 12(b) of the Exchange Act:

None

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(Title of Class)

Securities to be registered pursuant to Section 12(g) of the Exchange Act:

Title of each class to be so registered

Common Stock, par value \$0.0001

Indicate by check mark whether the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(do not check if a

smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of common stock held by non-affiliates, computed by reference to the closing price of the common stock as of June 30, 2007, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$264,481,758.

At March 24, 2008, there were 101,680,486 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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In this Annual Report on Form 10-K, all dollar amounts are in United States Dollars unless otherwise indicated.

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CAUTIONARY LANGUAGE ABOUT FORWARD-LOOKING STATEMENTS

This Form 10-K (including the exhibits hereto) contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that do not relate solely to historical fact. They include, but are not limited to, any statement that may predict, forecast, indicate or imply future results, performance, achievements or events. Words such as, but not limited to, believe, expect, anticipate, estimate, intend, plan, targets, projects, likely, will, would, could and similar expressions or phrases identify forward-looking statements.

All forward-looking statements involve risks and uncertainties. The occurrence of the events described, and the achievement of the expected results, depend on many events, some or all of which are not predictable or within our control. Actual results may differ materially from expected results.

CAUTIONARY NOTE REGARDING DISCLOSURE OF MINERAL PROPERTIES

Geovic Mining Corp. is subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (Exchange Act) and applicable Canadian securities laws. Certain portions of this Form 10-K contain disclosure that has been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of the Exchange Act. Without limiting the foregoing, this Form 10-K uses the terms measured, and indicated resources. U.S. investors are cautioned that, while such terms are recognized and required by Canadian securities laws, rules adopted by the Securities and Exchange Commission (the SEC) do not recognize them. Under U.S. standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. U.S. investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. The SEC permits issuers to report resources as in place tonnage and grade without reference to unit measures. Information concerning descriptions of mineralization and resources included in this Form 10-K may not be comparable to information made public by U.S. companies subject only to the reporting and disclosure requirements of the SEC.

National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in Form 10-K have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. These standards differ significantly from the requirements of the SEC, and reserve and resource information contained herein may not be comparable to similar information disclosed by other U.S. companies.

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PART I

**ITEM 1. BUSINESS
CORPORATE AND BUSINESS DEVELOPMENT**

Geovic Mining Corp. was incorporated under the *Business Corporations Act* (Alberta) on August 27, 1984. The Company continued into Ontario on November 8, 2001. On November 21, 2006, we became domesticated as a Delaware corporation and changed our name to Geovic Mining Corp. In this Form 10-K, the Company, Geovic Mining, we, our and us refer to Geovic Mining Corp. and its subsidiaries.

Intercorporate Relationships

On December 1, 2006, we completed a reverse take-over transaction (the RTO or the Acquisition) with the result that we hold 100% of the issued and outstanding shares of Geovic, Ltd., a Cayman Islands corporation (Geovic) and Geovic Finance Corp. (Finco). The RTO involved Geovic and Finco securityholders exchanging their securities for securities issued by us on similar terms. Finco was voluntarily liquidated and dissolved on January 23, 2008. Geovic owns 60% of Geovic Cameroon PLC, a private corporation existing under the laws of the Republic of Cameroon (GeoCam) and which controls a Nkamouna mining prospect in Cameroon. The Acquisition was completed pursuant to an agreement (the Arrangement Agreement) dated as of September 20, 2006, as amended October 31, 2006, entered into between the Company, Geovic, and William A. Buckovic (Buckovic), the founder of Geovic and Finco.

The holders of outstanding securities of Geovic voted to approve the RTO and a court in Cayman Islands approved the exchanges of securities transactions described in the Arrangement Agreement under which the RTO was completed. The Arrangement Agreement provided a means to acquire Geovic and to transfer control of the Company to persons who had been the controlling shareholders of Geovic, thus effecting the RTO.

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For financial reporting purposes, Geovic is treated as the acquiring entity in the RTO. Geovic is our principal operating subsidiary, and employs all our employees. The following chart illustrates the intercorporate relationships among the Company and its subsidiaries as of December 31, 2007.

Note:

⁽¹⁾ GeoCam minority interest owners are described below under [Recent History](#) [GeoCam Shareholders Agreement](#).

Recent History

Our principal business since completion of the RTO in December 2006 is operating the business of Geovic. Below is a summary of the recent development of our business.

Geovic, Ltd.

Geovic was organized in 1994 as an international mineral exploration company. Geovic, based in Grand Junction, Colorado, is focused on acquiring specialty and strategic metals properties, from project conception to production. The principal asset of Geovic is its 60% ownership in GeoCam, which holds rights to several cobalt-nickel-manganese deposits in the Republic of Cameroon, Africa. GeoCam entered into its Mining Convention with the Republic of Cameroon in 2002, and subsequently received a Mining Permit (the [Mining Permit](#)) in 2003 granting exclusive mining rights to develop the Nkamouna, Mada and other cobalt-nickel-manganese deposits (the [Cameroon Properties](#)) within a 1,250 square kilometer area. Geovic's principal business focus since 1994 has been to advance its interest in the Cameroon Properties.

Qualified independent consulting firms retained by GeoCam completed engineering pre-feasibility study and technical reports in 2006 and a final feasibility study in December 2007 and related technical report in January 2008. The latter study supports construction of a cobalt-nickel-manganese mine and adjoining ore processing plant, and is summarized in [Item 2 Properties](#).

GeoCam entered into a contract effective December 10, 2007 with three prominent global engineering firms that are experienced in building projects in Africa, collectively referred to as the alliance ([Alliance](#)) to perform an optimization study:

Bateman International Projects BV headquartered in South Africa with an office in Brisbane, Australia;

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Roberts & Schaefer Australia Pty. Ltd., a U.S. based engineering company with an office in Brisbane, Australia; and

Group Five Projects Pty. Ltd., a construction company headquartered in South Africa which has worked with Bateman on other projects.

The Alliance is collaborating with GeoCam's group of experienced personnel with a goal to reduce capital and operating costs and further improve project economics to optimize the feasibility study estimates. The optimization study will also evaluate expected benefits from the addition of processing circuits to produce manganese carbonate and scandium in view of recent substantial price increases in these commodities. GeoCam anticipates that the Alliance will finish the optimization study by mid-2008.

GeoCam has initiated construction to expand its self-contained field compound to accommodate part of the construction workforce expected to arrive starting in mid-2008. The site has been cleared and graded and construction of 34 housing units is expected to be completed in the next few months. Engineering has also commenced to construct additional housing facilities in the nearby town of Lomie and onsite to accommodate the complete construction work force of Cameroonian and expatriate personnel that will be needed to build the Nkamouna Project.

GeoCam has also entered into negotiations for access road improvements and a major communication upgrade at the Nkamouna Project. A permit application has been submitted to the Cameroon government for installation of a private airstrip to service critical requirements during construction and operations. Engineering and design of the facility is nearly complete and discussions are underway to secure a contract for its construction.

GeoCam continues to negotiate a contract for engineering, procurement and construction management (EPCM) services for building the Nkamouna Project. Contract negotiations are expected to be completed within the next few months to facilitate an efficient transition from the optimization study to the further development and construction of the project. Many aspects of final engineering and design are expected to be performed concurrently with the optimization study to expedite the project construction schedule. Production from the project is expected to begin in late 2010.

Geovic, acting on behalf of GeoCam, completed a draft Environmental and Social Assessment (ESA) and related documents in 2004. Based on anticipated locations of mining, ore processing, transportation, administration and employee housing operations, Geovic identified environmental safeguards that will be included in the construction and operation of the Nkamouna Project. The ESA included undertakings regarding water and regional habitat protection, mitigation of social impacts and future remediation of mined areas. Geovic completed the ESA in 2006 and GeoCam submitted the ESA and related documents to the Government of Cameroon. GeoCam completed 16 public hearings on the environmental aspects of the project in Cameroon. On May 29, 2007, the Ministry of

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Environment and Protection of Nature of the Republic of Cameroon approved the ESA and issued a Certificate of Environmental Compliance with respect to GeoCam's March 2007 revisions to the ESA, thereby providing the necessary environmental approval to advance the Nkamouna Project in the manner described in the ESA. In January 2008, GeoCam received final approval and permits authorizing stream diversion for mining operation and approving water reclamation for the project.

Financing Transactions

From inception through 2005 Geovic raised approximately \$16 million from private investors and in 2006, Geovic raised an additional \$4.5 million of capital from private investors.

In connection with the RTO, on December 1, 2006 we issued 6.0 million units to Finco unitholders. The units were previously issued by Finco for total proceeds of Cdn\$11.7 million (\$10.2 million). Each unit consisted of one common share and one-half of one transferable common share purchase warrant. Each warrant has an exercise price of Cdn\$2.75 per share and is exercisable until November 3, 2011.

On March 6, 2007, we closed a public offering outside the United States (the First Offering) of 21.6 million units at a price of Cdn\$2.50 (\$2.13) per unit for gross proceeds of Cdn\$54 million (\$45.9 million). Each unit consisted of one common share and one-half of one transferable common share purchase warrant. Each warrant has an exercise price of Cdn\$3.00 and is exercisable until March 6, 2012.

On April 27, 2007 we closed a public offering outside the United States (the Second Offering) of 8.75 million units at a price of Cdn\$4.00 (\$3.59) per unit for gross proceeds of Cdn\$35 million (\$31.4 million). Each unit consisted of one common share and one-half of one transferable common share purchase warrant. Each warrant has an exercise price of Cdn\$5.00 and is exercisable until April 27, 2012. In connection with the Second Offering, the Company granted the underwriters an option, exercisable for 30 days from closing, to purchase an additional 1,312,500 units on the same terms as those offered in the Second Offering, to cover over-allotments, if any (the Over-Allotment Option). Subsequent to the closing of the Second Offering, the underwriters exercised the Over-Allotment Option and purchased an additional 834,200 units of the Company. With the exercise of the Over-Allotment Option, the Second Offering consisted of an aggregate 9,584,200 units resulting in total gross proceeds of Cdn\$38.3 million.

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GeoCam Shareholders Agreement

On April 9, 2007 Geovic entered into a shareholders agreement with the other GeoCam shareholders, Societe Nationale d Investissement du Cameroun (SNI) (the owner of 20%), four Cameroon individuals (collectively, the owners of 19.5% and represented by SNI), and Buckovic (the owner of 0.5%) (the Shareholders Agreement). The Shareholders Agreement reflects the historic arrangement between the shareholders and sets forth the terms, conditions and fiscal arrangement for continued participation by the shareholders in GeoCam. The Shareholders Agreement includes undertakings in accordance with Cameroon business laws by all shareholders to contribute their proportionate share of future GeoCam capital required to meet its annual operating budgets, as approved by the GeoCam Board of Directors, a majority of which is appointed by Geovic. The Shareholders Agreement provides that beginning in 2007, GeoCam is to operate as an independent entity and Geovic employees and consultants will provide management and operating services to GeoCam at negotiated rates. Following the signing of the Shareholders Agreement and effective at the beginning of 2007, Geovic and GeoCam entered into a Contract for Professional and Technical Services (the Technical Services Contract), under which Geovic provides its management and staff to GeoCam to perform services and management to carry out GeoCam s budgeted work program at rates set forth in the Technical Services Contract.

We believe that the Shareholders Agreement and the Technical Services Contract are consistent with international mining industry standards and compliant with Western Africa (OHADA) business law.

Additionally, in December 2007, Geovic and GeoCam, with approval of GeoCam minority shareholders, resolved treatment of past advances from Geovic to GeoCam. Since the incorporation of GeoCam, the advances made by Geovic to GeoCam had been preliminarily treated as loans by Geovic. As at December 31, 2006, Geovic had made expenditures benefiting, or had advanced to GeoCam, approximately \$31 million. The parties agreed that approximately \$23 million of the advances would be credited toward Geovic s share of future capital increases of GeoCam. Effective January 1, 2007, GeoCam also agreed to pay approximately \$9.0 million, plus an amount equal to the interest that would have been accrued at two percent above the Banques de Etats de l Afrique Centrale (BEAC) interest rate to Geovic, such as payments to be made over a four-year period, beginning one year after commencement of commercial production, and subordinated to all GeoCam debt and subject to approval by holders of GeoCam s debt.

In accordance with the Shareholders Agreement, a 2007 GeoCam operating budget of \$13.5 million was adopted, funded by an increase in share capital, which was taken on by GeoCam shareholders proportionally to ownership interest. We paid 60% of this amount, representing our ownership interest in GeoCam. Future increases in share capital will be funded entirely by the minority shareholders until such time as their contribution equals 40% of the total paid in capital. This will occur after their cash contribution of approximately \$15 million. During this period, Geovic will be credited for its \$23 million initial investment.

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BUSINESS OPERATIONS

Summary

Cameroon Properties

We are taking steps to advance the development of the Cameroon Properties held by GeoCam to maximize value for all stockholders. These steps include optimization of the final feasibility study, project financing, initial mine and facilities construction and planning for future production in a socially responsible manner. Our business plan is to use our best available management, technical expertise and talent to develop our interests in the Cameroon Properties into a high quality mining and mineral production operation. Initially, we will focus on the Nkamouna Project where our present plan is to begin mining operations during 2010. We also plan to continue a drilling program to evaluate already identified targets in the other six deposits with the potential to increase reported mineral reserves and mineral resources in the Cameroon Properties.

During 2007, the total operating expenditures by GeoCam in Cameroon were approximately \$8.3 million. These expenditures were used for GeoCam corporate general and administrative expenses, final feasibility studies, initial construction and pre-mine opening activities on the Nkamouna Project, and exploration activities for the Mada deposit and related activities in Cameroon and the United States.

We presently have no current revenue from operations and we expect to continue to generate losses and negative cash flows until mine and milling operations begin on the Nkamouna Project.

Corporate general and administrative costs for Geovic Mining are expected to be approximately \$4 million during 2008, representing expenditures for strategic direction and management as well as those activities and expenditures required to operate a public company. These include costs associated with executive management wages and benefits, office rent and operating costs, public company stock exchange listing fees and securities regulatory authority filing fees, legal, audit and other professional fees, Sarbanes-Oxley compliance and general tax matters.

Other Mineral Properties

We are also evaluating other mineral properties, prospects and interests in the United States and elsewhere to diversify our portfolio of mineral properties. We believe that opportunities exist to acquire property interests suitable for uranium, cobalt, nickel, copper and gold exploration and development. We presently hold interests in uranium leases in Colorado and Wyoming and mining claims and state mineral leases for gold and uranium in Arizona. In 2007 we acquired uranium leases covering approximately 60,557 net acres on federal and state lands. We will regularly review all of our property interests, with the goal to establish the best approach to bring value to our portfolio of property interests and other assets.

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Competitive Conditions

We expect that we will compete with other cobalt and nickel producers around the world, including projects now under development by others. As world prices for cobalt and nickel have increased significantly in recent years, world production is expected to increase to meet the growing demand. Other producers, with ongoing operations have established production and demonstrated feasibility, and have greater financial strength than us. These competitors include such current producers as Xstrata-Falconbridge, CVRD-Inco and Murrin Murrin (Minara). Significant new producers and those with operations expected to begin producing in the next few years include Ambatovy (Sherritt Gordon), Weda Bay (Eramet), Ravensthorpe (BHP), Goro (CVRD-Inco), Tenke Fungurume (Freeport) and others. Costs of operations, reserve quantities and qualities, operating efficiencies, and location may affect long-term success of all competing producers, including Geovic.

Environmental Protection

Applicable environmental protection requirements affect the financial condition and operational performance and earnings of the Company as a result of the capital expenditures and operating costs needed to meet or exceed these requirements. These expenditures and costs may also have an impact on our competitive position to the extent that our competitors are subject to different requirements in other governmental jurisdictions. In 2007 the effect of these requirements was limited due to the early development stage of Cameroon Properties, but they are expected to have a larger effect in future years as we move toward and commence production at the Nkamouna Project.

Employees

All of our employees are employees of Geovic and our executive officers are also officers of Geovic. Geovic has 12 full time employees in its offices in the U.S., and GeoCam employs approximately 20 full time employees in its administrative offices in Yaoundé and operations in East Province in the Republic of Cameroon.

Social or Environmental Policies

In 2004 Geovic, on behalf of GeoCam, commissioned a site-specific environmental study of the Nkamouna area, which was performed by the consulting firm Knight Piesold. The findings from the study were summarized as an Environmental and Social Assessment including an Environmental and Social Impact Assessment, and Environmental and Social Action Plan for the Nkamouna area. We will also be required to develop a similar, site-specific environmental study of the Mada area before any development is started on that deposit. See Item 2 Properties for additional information about our planned mineral development activities in Cameroon.

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ITEM 1A. RISK FACTORS

We consider the risks set out below to be the most significant risks facing the Company since completing the Acquisition. If any of these risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which we are currently unaware or which we consider not to be material in relation to our business, actually occur, our assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected.

We are an exploration stage company and have no operating history as an independent company. Our future revenues and profits are uncertain.

We are in the exploration stage without significant operating history as an independent company. We have no history of producing metals and none of our properties is currently producing cobalt or nickel. There can be no assurance that the Cameroon Properties, or others that may be acquired in the future, will produce minerals in commercial quantities or otherwise generate operating earnings. Even if we commence mining activities on the Nkamouna Project during 2010 as planned, we may continue to incur losses beyond the period of commencement of such activity. There is no certainty that we will produce revenue, operate profitably or provide a return on investment in the future. If we are unable to generate revenues or profits, our stockholders might not be able to realize returns on their investment in our common stock. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly, annual or sustaining basis.

Historically, Geovic incurred losses, on an annual basis, since its inception and it is expected that the Company will incur losses unless and until such time as the Nkamouna Project is placed into commercial production and generates sufficient revenue to fund continuing operations. The development of the Nkamouna Project will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, some of which are beyond the Company's control.

We will be subject to all of the risks associated with establishing new mining operations and business enterprises including: timing and cost of the construction of mining and processing facilities; the availability and costs of skilled labor and mining equipment; the availability and cost of appropriate processing materials and equipment; the need to obtain in a timely manner additional governmental approvals and permits; the availability of off-take agreements or metal sales contracts; and the availability of funds to finance construction and development activities. Further, the costs, timing and complexities of mine construction and development are increased by the remote location of the Cameroon Properties. Accordingly, our activities may not result in profitable mining operations and we may fail to successfully establish or maintain mining operations or profitably produce metals at any of our properties.

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If we lose key personnel or are unable to attract and retain additional personnel, we may be unable to establish and develop our business.

Our development in the future will be highly dependent on the efforts of key management employees, namely, John E. Sherborne, William A. Buckovic, David C. Beling, Gary Morris, and Greg Hill (currently Chief Executive Officer, President, Chief Operating Officer, Senior Vice President and Chief Financial Officer, respectively) and other key employees that we hire in the future. Loss of any of these people could have a material adverse effect on our operations and future success. We do not have and currently have no plans to obtain key man insurance with respect to any of our key employees.

We may not be reimbursed by GeoCam for significant expenditures we have made on its behalf.

Geovic owns 60% of GeoCam which holds the rights to exploit the cobalt-nickel-manganese deposits in Cameroon. However, through 2006 Geovic provided all of the funds necessary to carry out the activities of GeoCam, totaling about \$31 million. Until April 9, 2007, there was no written shareholders agreement among the GeoCam shareholders. In December 2007 we agreed with the minority interest owners that the Geovic investment would be reduced to about \$23 million, which amount will be credited to Geovic as its share of future equity contributions when the GeoCam shareholders vote to increase share capital. In addition, GeoCam has agreed to pay Geovic approximately \$9 million, plus an amount equal to the interest that would have been accrued at two points above the BEAC interest rate accruing from 2007, as a subordinated obligation of GeoCam, with payments beginning one year after GeoCam begins commercial production from the Nkamouna Project.

Under the Shareholders Agreement, minority interest owners agreed to fund their share of operating costs in 2007 and thereafter, subject to certain stipulations of Cameroon business law. However, it is possible that the minority shareholders will be unable to provide their respective share of future GeoCam funding, and we may, once again, be required to advance all the funds necessary to place the Cameroon Properties into production, in the form of some type of loan agreement or other arrangement between Geovic and GeoCam. Under Cameroon law all of the financial statements of GeoCam must be approved and certified by an accredited Cameroon state auditor. All or a portion of the funding previously advanced by Geovic may not be certified and approved by the state auditor and therefore we may not be credited for all our previous investments in GeoCam.

Our lack of operating experience may cause us difficulty in managing our growth.

Geovic has owned a majority interest in GeoCam since its inception more than a decade ago. Geovic employees have managed the exploration of the GeoCam deposits and negotiated the terms of the required Cameroon government approvals and permits, the RTO and financings we have completed. Under the Technical Services Contract we will continue to provide nearly all such services. Our ability to manage our continued growth will require us to improve and expand our management and our operational and financial systems and controls. If our management is unable to manage our growth and the development of the Cameroon Properties effectively, our business and financial condition could be materially affected.

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Our dependence on many outside service providers to place the Nkamouna deposit into production may delay mine opening or operation.

Our ability to place the Nkamouna deposit and other deposits located on the Cameroon Properties into production will be dependent to a large part upon using the services of appropriately experienced personnel or contractors working under our supervision and purchasing equipment or entering into agreements with other major resource companies that can provide such expertise or equipment. We expect to recruit and train a significant local work force, few, if any, of whom have any related experience. We may not have available to us, or we may be unable to acquire on satisfactory terms, the necessary expertise or equipment to build the GeoCam facilities and place our mineral properties into production.

Our acquisition, exploration and evaluation activities may not be commercially successful.

We currently have no producing properties. Substantial expenditures are required to develop our existing reserves on the Nkamouna deposit, to drill and analyze for ore reserves on our Mada deposit, to construct facilities to implement the metallurgical processes to extract metal from the mined ore and to develop the mining and processing facilities and infrastructure at each deposit site chosen for mining. Our existing cobalt-nickel-manganese reserves or mineralized material acquired or discovered may not be in sufficient quantities to justify commercial operations, and future financing required to commence mining operations may not be obtained on a timely or cost-effective basis.

The prices of cobalt and nickel are subject to fluctuations, which could adversely affect the realizable value of our assets, future results of operations and cash flow.

Our principal assets are reserves of cobalt, nickel and manganese in the Nkamouna deposit and six other deposits over which we have rights, but in which we have not established proven or probable reserves. All of these rights are held by GeoCam in the Republic of Cameroon. Our potential future revenue is expected to be, in large part, derived from the mining, processing and sale of cobalt and related minerals from the Cameroon Properties or from the outright sale or joint venture of some or all of these properties. The value of these cobalt, nickel, and manganese reserves and deposits, and the value of any potential cobalt and nickel production therefrom, will vary in proportion to significant changes in cobalt and nickel prices. The prices of cobalt, nickel, and manganese have fluctuated widely, and are affected by numerous factors beyond our control, including, but not limited to, international economic and political trends, realized or expected levels of inflation, currency exchange fluctuations, central bank activities, interest rates, global or regional consumption patterns and speculative activities. The effect of these factors on the prices of cobalt and nickel, and therefore the economic viability of any of our projects, cannot accurately be predicted. Significant drops in the prices of cobalt and nickel, and to a lesser extent, manganese, would adversely affect our asset values, cash flows, potential revenues and profits.

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The Company may not be able to produce and sell our mineral products at prices at which the Company will be profitable. Neither Geovic Mining nor GeoCam has, as yet, entered into forward sales arrangements to reduce the risk of exposure to volatility in commodity prices. Accordingly, our future operations are exposed to the impact of any significant decrease in commodity prices if we do not enter into such forward sales arrangements. Conversely, forward sales contracts limit potential upside market swings by setting price ceilings. Such upside price swings can have a significant benefit to companies taking added market risk by selling on the open spot metals market. As yet, there is no futures market for cobalt as a commodity. If cobalt or nickel prices decrease significantly at a time when our properties are producing, we would likely realize reduced revenue. We may enter into forward sales arrangements in the future.

The actual capital costs and mine operating costs to be incurred in connection with opening the Nkamouna Project may be significantly higher than anticipated.

At the time our preliminary feasibility study was completed in March 2006, we expected to experience increasing capital and operating costs at moderately rising rates. However, capital and anticipated operating expenses for mining and processing operations have increased significantly faster than we or others in the mining industry anticipated. The Feasibility Study completed for GeoCam in December 2007, indicated significantly higher initial capital and future operating costs for the Nkamouna Project than those estimated by the preliminary feasibility study. These increases are, in part, due to much higher demand for mining and processing equipment brought on by escalating world-wide demand and commensurate increases in mining and related projects being brought into production, or enlarged. These and similar cost and expense increases are beyond our control, and will require significantly more capital to bring the Nkamouna Project into production and result in a decrease in our anticipated return from operating the Nkamouna Project. Commodity prices for cobalt and nickel have generally increased at a higher rate than our estimated capital and operating cost estimates. We expect that this trend is not likely to continue.

Our mining exploration, planned development and operating activities are inherently hazardous and may not be insured or insurable.

Mineral exploration involves many risks and hazards that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The business of mining is subject to certain types of risks and hazards, including reserve and resource estimates, processing risks, environmental hazards, metallurgical and process risks, industrial accidents, flooding, fire, metal theft, personal injuries, accidents, and periodic disruptions due to force majeure events and inclement weather. Workers are subject to risks associated with large mining equipment operations, slope instability, exposure to indigenous disease, steam and hazardous chemicals, as well as local social unrest. Disruption of exploration, development and production operations may occur. Operations in which we have direct or indirect interests will be subject to all the hazards and risks normally incidental to exploration, development and production of minerals, any of which could result in work stoppages, damage to property and possible environmental damage. The nature of these risks is such that liabilities might exceed any liability insurance policy limits. It is also possible that the liabilities and hazards might not be insurable, or, that we could elect not to insure Geovic Mining or GeoCam against such liabilities due to high premium costs or other reasons, in which event, we could incur significant costs that could have a material adverse effect on our financial condition.

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Our present reserve estimates may be inaccurate which could adversely affect our future mining activities.

There is a high degree of uncertainty attributable to the calculation of reserves and corresponding ore grades dedicated to future production. Reserve estimates are expressions of judgment based on knowledge, experience and industry practice, and estimates of reserves may prove to have been inaccurate. Estimates which were valid when made may change significantly when new information becomes available. Accordingly, development and mining plans may have to be altered in a way that adversely affects the Company's operation and profitability. An estimation of reserves and future production from the Nkamouna Project is included in Item 2 Properties. These projections were made in the final feasibility study and are based on a number of existing material facts and certain assumptions. Many of the assumptions are based on future estimates of metal prices and market demands over which the Company will have little or no control. Metallurgical testing on mineralization at the Cameroon Properties performed by the Company's independent consultants has been successful using agitation leach processing; however, there is a risk that full scale production activities may indicate technical and commercial shortcomings to that method. Consequently, actual results may vary materially and adversely affect projected values given to reserves.

Until reserves are actually mined and processed, the quantity of ore and grades must be considered as an estimate only. In addition, the quantity of reserves and ore may vary depending on metal prices. Any material change in the quantity of reserves, grade or overburden stripping ratio may affect the economic viability of our properties. In addition, cobalt and nickel recoveries or other metal recoveries in pilot-scale tests may not be duplicated during production.

We face intense competition in the mining industry.

The mining industry is intensely competitive in all of its phases. As a result of this competition, some of which will be with large established mining companies with substantial capabilities and with greater financial and technical resources than ours, we may be unable to obtain financing, or sell mined and processed products on terms we consider acceptable. We also compete with other mining companies in the recruitment and retention of qualified managerial and technical employees. If we are unable to successfully compete for qualified employees, our exploration and development programs may be slowed down or suspended. We also compete with other minerals companies for capital. If we are unable to raise sufficient capital, our exploration and development programs may be jeopardized or we may not be able to develop or operate our projects.

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There presently is a lack of required infrastructure in Cameroon which could delay or prevent completion of our mine development activities or increase operating costs.

Completion of the development of the Cameroon Properties is subject to various infrastructure requirements, including the availability and timing of acceptable arrangements for power, water, housing, transportation, air services and other facilities. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay development. There can be no assurance that the development will be commenced or completed on a timely basis, if at all, that the resulting operations will achieve the anticipated production or that the construction costs and ongoing operating costs associated with the development will not be higher than anticipated.

Unless we obtain significant additional external financing we may be unable to complete development of the Nkamouna Project.

The Cameroon Properties that we plan to develop require significant future capital expenditures. We will need external financing to fund the development and to construct mining and processing facilities on the Nkamouna Project and to explore or develop the unproven deposits of GeoCam and any other properties we may acquire in the future. The sources of external financing that the Company may use for these purposes include project debt incurred by GeoCam, convertible debt of the Company or GeoCam and equity placements by GeoCam or the Company. In addition, we may consider a sale of an interest in one or more of the mineral properties, we could enter into a strategic alliance with a complementary company or we may utilize some combination of these alternatives. We intend that GeoCam will seek financing from international institutions with significant experience in financing large natural resource ventures in remote locations such as southeastern Cameroon. Such financiers could require GeoCam and its owners to comply with costly conditions as a requirement to completion of project financing. The financing options chosen may not be available on acceptable terms, or at all. The failure to obtain adequate financing on a timely basis could have a material adverse effect on our growth strategy, results of operations and financial condition.

Future sales of our securities in the public or private markets could adversely affect the trading price of our common stock and our ability to continue to raise funds in new stock offerings.

Future sales of substantial amounts of our securities in the public or private markets, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common stock and warrants and could impair our ability to raise capital through future offerings of securities. As of March 30, 2008, holders of approximately 15,716,312 outstanding shares of our common stock are subject to restrictions which prohibit transfer or resale for various periods. After the restrictions lapse, the resale of these shares into the market could have a depressive effect on the market price for our common stock and our warrants. All restrictions will lapse by December 1, 2008.

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Conditions beyond our control may cause wide price fluctuations in the market price of our shares and warrants.

The market price of our common shares and warrants may be subject to wide fluctuations in response to many factors, including variations in our operating results, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in our business prospects, general economic conditions, changes in mineral reserve or resource estimates, results of exploration, changes in results of mining operations, legislative changes, and other events and factors outside our control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for our common shares and warrants.

Challenges to our title to mineral properties in which we may have an interest could affect our exploration or development rights.

There may be challenges to title to the Cameroon Properties and other mineral properties that we currently control or which we may acquire in the future. If there are title defects with respect to any of our properties, we might be required to compensate other persons or perhaps reduce our interest in the affected property. Also, in any such case, the investigation and resolution of title issues would divert our management's time from ongoing exploration and development programs.

Our exploration and development operations are subject to continuously evolving environmental regulations, which could result in incurrence of additional costs and operational delays.

All phases of our operations are subject to environmental regulation. Environmental legislation is evolving in countries and local jurisdictions in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Future changes in environmental regulation, if any, could adversely affect our projects.

Acquisition of mineral rights from governmental agencies in the United States requires compliance with applicable regulations and could add costs and delays to future development.

We intend to continue to acquire properties or mineral rights in the United States. The Bureau of Land Management (BLM) requires that mining operations on lands subject to its regulation obtain an approved plan of operations subject to environmental impact evaluation under the U.S. National Environmental Policy Act. Any significant modifications to the plan of operations may require the completion of an environmental assessment or EIS prior to approval. Mining companies must post a bond or other surety to guarantee the cost of post-mining reclamation. These requirements or changes in these requirements could add significant additional cost and delays to any mining project we undertake on federal land in the United States.

Under the U.S. Resource Conservation and Recovery Act, mining companies may incur costs for generating, transporting, treating, storing, or disposing of hazardous waste, as well as for closure and post-closure maintenance once they have completed mining activities on a property. Our mining operations, if any, may produce air emissions, including fugitive dust and other air

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pollutants, from stationary equipment, storage facilities, and the use of mobile sources such as trucks and heavy construction equipment which are subject to review, monitoring and/or control requirements under the Federal Clean Air Act and state air quality laws. Permitting rules may impose limitations on our production levels or create additional capital expenditures in order to comply with the rules.

Provisions of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) impose strict joint and several liability on parties associated with releases or threats of releases of hazardous substances. Our mining operations may produce hazardous substances which could accidentally be released to the environment, and, if so, may be subject to provisions and attendant liabilities of CERCLA. Such liabilities could include the cost of removal or remediation of the release of the hazardous substance and damages for injury to the surrounding property.

We may develop conflicts of interest with other natural resource companies with which one of our directors may be affiliated.

Certain of our directors are also directors and officers of other natural resource companies. Consequently, there exists the possibility for such directors to be in a position of conflict. Any decision made by any of such directors relating to the Company should be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies.

Many factors beyond our control could adversely affect our future profitability.

The costs, timing and complexities of mine construction and development are increased by the remote location of the Cameroon Properties. It is common in new mining operations to experience unexpected problems and delays during construction, development, mine start-up and ramp-up to full designed commercial production. Also, ongoing cost and expense increases being faced throughout the mining and natural resources industries are beyond our control. Accordingly, our activities may not result in timely or profitable mining operations, and we may fail to successfully establish mining operations or profitably produce metals at any of our properties. In addition, the progress of ongoing exploration and development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, and the Company's acquisition of additional properties will also impact the magnitude of the cost and timing of Company expenditures.

If we are unable to comply readily with present or future laws and regulations of the Republic of Cameroon, development activities could be delayed and profitability not achieved or reduced.

The current and future development of the GeoCam deposits requires permits from various Cameroon governing authorities. Future operations will be subject to a number of existing laws and regulations such as labor standards, environmental reclamation, land use and safety. GeoCam is, to the best of our knowledge, in compliance with all material laws and regulations that currently

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apply to its activities in Cameroon or, if not in present compliance, we believe that it will be able to promptly comply. However, additional permits required to construct and operate a mining and processing facility may not be obtained by GeoCam in a timely manner or if obtained by GeoCam, they may contain terms and conditions that are difficult or expensive to meet. Such laws and regulations may adversely affect the profitability of GeoCam's operations.

General and Cameroon economic conditions could adversely affect our future results.

Both domestic and world economic conditions may affect the future performance of the Company. Inflation or deflation, continuously changing tax laws, and rapidly fluctuating interest rates may make mineral resource development more difficult. These factors have had a significant effect on Cameroon's economy in recent years. Economic conditions may have an adverse effect on the overall performance of the Company. In addition, various economic conditions could increase the risk that financial projections for the Nkamouna Project may not be realized as expected.

Political unrest or changes in Cameroon or nearby countries could interfere with our operating or financing activities.

The political risk in sub-Saharan Africa is significant. GeoCam's rights to explore and develop mineral deposits in Cameroon are always subject to the continued political stability of the Republic of Cameroon and its government. In March 2008 Cameroon experienced some domestic strikes and political unrest that subsided within weeks. Also, political unrest or upheaval in adjoining countries could adversely affect our mining and development activities, and, if significant, would likely increase the costs of long term financing of the mining and processing activities. Further, GeoCam may not be able to finance or operate the Cameroon Properties at all if future state or regional political upheavals occur in Cameroon.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Glossary of Certain Terms

Attitudes of foliation. Strike and dip measurement of metamorphic fabrics in deformed basement rocks such as schists, serpentinites, gneisses and amphibolites in geologic metamorphic terrain.

Counter-current decantation. Part of a hydrometallurgical circuit in which leached solids (tailings) are separated from the pregnant leach solution (PLS) using a series of thickening tanks.

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CCD leach tails. The spent waste solids, or tailings remaining after dissolving valuable recoverable metals.

Ferralite. Limonitic laterite, sometimes pulverulent, mottled, with varied shades of black, yellow, brown and red. Often foliated, reflecting relict serpentinite textures. Thickness varies from a few meters to tens of meters, averaging near 8 meters. Main ore unit, consistently mineralized with good metal grades near the top where black manganese zones occur, moderate to low cobalt grades lower in the unit.

Ferricrete Breccia. Beneath the Upper Laterite is a nearly ubiquitous horizon of iron-rich concretions, ranging in size from one or two centimeters across, to blocks larger than a meter across. The ferricrete breccia averages 6 to 8 meters thick, and was often divided into two or three units by project geologists. A unit can contain very high cobalt grades, particularly at the base.

Hydrometallurgical processing. One of several metallurgical processes that uses water and other liquids for the leaching and recovery of soluble metals from ore.

Lateritic Soil. A soil containing laterite, or any reddish tropical soil developed by intense tropical weathering.

Maghemite. Strongly magnetic mineral of the magnetite series in the spinel group.

Manganese precipitate. Manganese compounds produced by precipitation from leach solutions.

Nickeliferous laterite deposit. A nickel-bearing laterite deposit, occurring beneath the cobalt-nickel deposit at the Nkamouna Project.

Proterozoic granite-gneiss-schist. Proterozoic age (Pre-Cambrian) rock units of igneous granite, metamorphic gneiss and schist, or the terrain found in the vicinity of the Nkamouna laterite deposits.

Saprolite zone. Composed of green, sticky clay with less than 50% fragments of partly weathered serpentinite, grading downward into foliated, fractured serpentinite. Relatively poor in cobalt, often rich in nickel. Averages 1.5 meters thick.

Serpentinite. Bedrock, olive green to dark green, may be fractured and fissile, with silica-filled fractures. Uniformly low metals grades except in rare cases where garnierite-like nickeliferous silicates fill fractures.

Silcrete. This highly-discontinuous unit is composed of subhorizontal plates of white to grey silica, intercalated with varicolored clays. Usually 0.5 meters thick or less, and often absent. Commonly has a low metal content.

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Tailings dam. A compacted, earthen structure or dike that is used to contain solid and liquid tailings.

Tailings disposal. A method for disposing tailings, or waste rejects from a processing operation.

Terrain or terrane. A term applied to a general geologic unit or grouping with no specific definition or formal designation.

Upper Laterite. A purplish-red, highly magnetic, powdery clay-like soil. Ubiquitous, normally 4 to 8 m thick, except where removed by erosion at the borders of laterite plateaus.

Water Table. The depth below the surface where the rocks are water saturated. Geovic recorded a water table depth in several test drill holes which varied from approximately 12 to approximately 25 meters below surface at the Nkamouna Project site.

Description Of Mineral Projects

THE NKAMOUNA PROJECT

Unless stated otherwise, information in this section is summarized, compiled or extracted from the Technical Report, Nkamouna Cobalt Project, Feasibility Study dated January 18, 2008 (the Technical Report) prepared for Geovic Mining and Geovic by Richard Lambert and Alan Noble, and NI 43-101 Technical Report Nkamouna and Mada Cobalt Projects, Cameroon, dated March 12, 2007 (the Mada Technical Report) prepared for Geovic and GeoCam by Richard Lambert, Alan Noble and Fred Barnard, each a Qualified Person, as defined in National Instrument 43-101 (NI 43-101). Messrs. Lambert and Noble are currently employees or associates of Pincock, Allen & Holt (PAH), and are independent of Geovic. Mr. Barnard was previously an associate of PAH. The Technical Reports were prepared in accordance with the requirements of NI 43-101.

Portions of the following information are based on assumptions, qualifications and procedures which are set out only in the full Technical Report. For a complete description of assumptions, qualifications and procedures associated with the following information, reference should be made to the full text of the Technical Report which is available electronically from the Company's website at www.geovic.net and on SEDAR at www.sedar.com. References to Geovic in this section entitled Mineral Projects of the Company include GeoCam, as applicable.

Project Description and Location

Geovic, through its 60% owned subsidiary GeoCam, has exclusive rights to a large cobalt-nickel laterite province in southeastern Cameroon (the Nkamouna Project). There are seven laterite plateaus within the Nkamouna Project: Nkamouna, Mada, Rapodjombo, North Mang, South Mang, Messea and Kondong (collectively, the Plateaus).

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The Nkamouna Project (the Nkamouna Project), one of the Plateaus, is located in southeastern Cameroon, approximately 640 road kilometers east of the port city of Douala and 400 road kilometres east of the capitol of Yaoundé and is the only area where we have established reserves. The Mada Project (the Mada Project) is another one of the Plateaus, approximately 10 kilometers north of the Nkamouna Project.

The mineral rights are held by GeoCam under the Mine Permit and administered under the Mining Convention. Figure A shows the Mine Permit boundary. Although the Mining Permit decree states the area of the Nkamouna Project as 1,250 square kilometers, the area within the coordinate boundary of the Nkamouna Project measures approximately 1,600 square kilometers of multiple use forestlands, while the Plateaus within the Nkamouna Project constitute over 300 square kilometers of known mineralized or potentially mineralized terrain within lands designated as mineral exclusive lands.

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Geovic's Nkamouna Project is located in the Haut Nyong district, East Province of Cameroon, Africa. The Project's site is 640 kilometers by road from the seaport of Douala, and about 400 kilometers from the capital city of Yaoundé. The closest town to the Project site is Lomie, at approximately 26 kilometers to the west-southwest. The closest railroad transport to the Project is at the town of Belabo, at a distance of approximately 250 kilometers. Transportation from Yaoundé to the Project is by paved highway to Ayos, improved public road to Abong Mbang and private logging roads or public roads to the project site.

Fifty-nine percent of the Eastern Province, where the Nkamouna Project is situated, is dominated by forests zoned multiple-use. Over 64 logging concessions are designated in the province that surround GeoCam's mineral exclusive zone. A significant portion of the area is also dedicated to protected forests, wildlife reserves and general evergreen forest habitat (22%) that are located well away from planned operations. A small proportion of the district is zoned for mineral development (1.6%), part of which includes mineral exclusive lands (0.35%). Indigenous community lands dominated by subsistence gardening and community forest developments form the remainder of the district lands which covers about 18% of the province. These lands are located principally along the main access routes developed when the province was first opened to plantation farming in the late 19th Century.

The Mining Convention was signed on July 31, 2002 by the Ministry of Mines, Water, and Power of the Republic of Cameroon. On April 11, 2003, GeoCam was issued the Mining Permit, granting GeoCam the exclusive rights to exploit the deposits within the Nkamouna Project. The Mining Permit will remain in force for the duration of the mineable resource and has an initial term of 25 years. The Mining Permit and Mining Convention are renewable every 10 years thereafter until the depletion of resources.

In 1999, GeoCam was granted an Exploration Permit, PDR 67, on an area of 4,876 square kilometers. A Mining Convention was entered into between GeoCam and the Republic of Cameroon in 2002. In 2003, Mine Permit 33 was issued by decree granting an exclusive right to Geovic to exploit the deposits within the permitted area. Geovic's program was initially based entirely on manually-dug test pits, and later incorporated drilling and limited trenching. The program began at Nkamouna and was later extended to the other Plateaus, which were identified by satellite images and air photos. Geologists from the Cameroon Ministry of Mines, Water and Energy participated in the work initially to provide government oversight as well as training.

Lands held within the Mining Permit are designated multiple-use, with the principal mineralized areas set aside for exclusive mine development. Mining Permit lands were specifically established to exclude village lands in order to avoid conflicts with local communities.

Specific sites that will be impacted by mining and mine related activities will be leased under a government prescribed expropriation process and will have site specific environmental plans designed and approved by governing agencies prior to mining. This inventory, valuation and registration process requires local government approval, following a review of each site by district leaders.

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The principal remaining permits required by GeoCam before the initiation of construction at Nkamouna include:

1) Land Lease for development sites.

2) Water Use Permit.

The land lease will be registered and issued to GeoCam. GeoCam will pay for the cost of leasing the land and compensation for the loss of alternative resources.

GeoCam will have the right to occupy, build roads, remove vegetation and mine and process cobalt, nickel and associated substances covered in the Mining Convention once the land is leased, in accordance to the GeoCam Mining Convention of August 1, 2002.

The Mine Permit area is totally contained in areas zoned for logging concessions and multiple use. All planned mine developments are in logged over areas and are exclusive of primary forest designations. Geovic's mining operations will result in partial deforestation during the mining phase, which represents less than 0.5% of the annual deforested area within the region.

A comprehensive Environmental and Social Assessment (ESA) will meet the laws of Cameroon, and IFC and World Bank standards for financing international projects. Baseline data for the ESA was collected in 2004 and included a consolidation of data from previous environmental studies. Mining, processing and reclamation operations are fully integrated in a manner that minimizes environmental impacts and risks. All permits necessary to construct and operate the project are scheduled for approval by early 2007.

Principal legislative, regulatory and policy considerations relating to the Nkamouna Project are as follows:

- A) Environmental Protection: Law No. 96/12 relating to environmental management outlines the general legal framework for environmental management in Cameroon. The law requires that any development must carry out an impact assessment study. The new mining code specifies that bonds are required before mine development can commence. The project's proposed environmental mitigation and rehabilitation practices are reviewed once every four years to determine if the bond is sufficient to cover annual impacts caused by mining activities. The bond is based on an estimated annual cost of environmental impact mitigation of disturbed sites.
- B) Law 94/01(Decree No. 94/436) pertains to forest developments. Article 9 prescribes that cutting trees in a state forest can be performed only after an impact study has been conducted. This study will be carried out as part of Geovic's site specific environmental impact assessment report and environmental rehabilitation plan.
- C) Law No. 81-13 regulates fishing, hunting and the issuance of related licenses. Also, the law controls the possession or trade in wild animals and trophy hunting and provides for the protection of endangered species. Enforcement measures and penalties are defined in this law, as described in the Geovic environmental plan.

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- D) Law No. 89/027 addresses specific waste disposal regulations. It pertains to storage, transportation and disposal of hazardous waste. Businesses must declare the volumes and nature of each waste product and ensure elimination of waste without undue risk to people and the environment.

- E) Law 84/13 regulates water resources. The government manages and protects state waters such as rivers, lakes and groundwater. Non-state waters include spring, well and drill holes not used by the public, and rainwater falling on private land or collected artificially from roof systems. The use of water for commercial purposes may be sold by the State authority and is subject to permitting, exploitation and conservation taxes.

- F) Decree No. 85/758 regulates water use by committee. This committee provides advice in implementing the water code that will include issues such as inventory, conservation, protection, use, effluent treatment and taxation.

Taxes and Royalties

The current statutory income tax rates in Cameroon are 38.5% for corporations. Dividend tax rates are 16.5% for residents and 25% for non-residents. Thus, the effective income plus dividend tax rate is 53.875% for non-residents and 48.648% for residents.

Among other specific benefits, GeoCam's Strategic Enterprise Regime awarded on December 16, 2002, provides a 50% reduction to these two tax rates for five years during the installation phase, plus 12 years during the exploitation phase. As a result, GeoCam's tax rates are 19.25% for corporation and 12.5% dividend (8.25% for residents), or a net 29.34% overall tax for the first 17 years of full production. Since approximately 40% of the shareholders are Cameroon residents, the weighted average dividend tax rate for the first 17 years is 10.8% and the effective rate is 27.97%. Dividend tax is based on cash flow after the initial capital is repaid. Pursuant to provisions in the Strategic Enterprise Regime, 25% of the base salaries and wages paid to Cameroonian employees is credited to GeoCam to further reduce taxable income and provide incentives to employ local workers.

In addition, Article 144 of the Mining Code now in effect calls for an ad valorem tax of 2.5% on metals. This is treated as a production tax expense and reduces net income for income tax purposes.

Based on interpretations of the Strategic Enterprise Regime by Geovic and its Cameroonian attorneys, value-added taxes will not be applied to Geovic's operations. If they apply at a later date, value added taxes are usually recovered against exports and are not expected to have a major impact on the project economics.

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Accessibility, Climate, Local Resources, Infrastructure, And Physiography

The closest town to the Nkamouna Project site is Lomie, at approximately 26 kilometers to the west southwest. The closest railroad transport to the Nkamouna Project is at the town of Belabo, at a distance of approximately 250 kilometers. International airports and modern telecommunication facilities exist at Yaoundé and Douala. Suitable shipping and receiving facilities exist at the international seaport of Douala. Driving from Yaoundé to the Nkamouna Project takes approximately 8 hours.

Access to the Nkamouna Project site is from the seaport of Douala by a well-maintained provincial highway via Yaoundé and Ayos. After Ayos and across the Nyong River, the highway to Central African Republic deteriorates rapidly to a well-traveled 90-kilometer per hour two-lane gravel road to Abong Mbang, however, this road segment has been widened and is being surfaced with asphalt. Completion is scheduled by early 2009. This section of the road is currently prepared for paving. Abong Mbang is the provincial Division headquarters of the Prefect and main administrative and commercial center for the Hyaut Nyong Division. The town hosts a local trade school, service stations, hotels, restaurants and phone service. It is the main administrative center for the Ministry of Environment and Protection of Nature and the Ministry of Industry, Mining and Technological Development. Turning south from Abong Mbang towards Lomie, the road narrows and is frequented by log and lumber trucks over the next 127-kilometer distance to Lomie. The road from Lomie to Kongo village, the site of the GeoCam field camp, supports heavy log and lumber transports, as does the road from Kongo village to the project site.

Lomie is the Subdivision administrative center that hosts the Nkamouna Project and has been the staging area for Geovic's activities. Lomie has about 3,500 inhabitants, a limited local electrical supply, and very basic services and supplies. There is new telephone service, but no airstrip or approved heliport, and only rudimentary medical facilities. Geovic's field operations are based from th