

GEOVIC MINING CORP.
Form 10-Q
August 10, 2012
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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 June 30, 2012

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)

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DELAWARE (State or other jurisdiction of incorporation or organization)	20-5919886 (IRS Employer Identification No.)
5500 E. Yale Ave. Suite 302 Denver, Colorado (Address of principal executive offices)	80222 (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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

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:

106,639,602 Shares of Common Stock, \$0.0001 par value, were outstanding at August 10, 2012

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Geovic Mining Corp.
(an exploration stage company)

FORM 10-Q

For the Three and Six Months Ended June 30, 2012

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Geovic Mining Corp.****(an exploration stage company)****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited, in thousands)**

	June 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,347	\$ 15,554
Restricted cash	197	98
Prepaid expenses	773	577
Other	490	273
Total current assets	10,807	16,502
Property, plant and equipment, net <i>[note 5]</i>	2,826	3,102
Deposits	239	256
Total assets	\$ 13,872	\$ 19,860
LIABILITIES		
Current liabilities:		
Accrued liabilities and other payables	\$ 1,380	\$ 1,394
Total current liabilities	1,380	1,394
Other liabilities	482	497
Related party payable	359	357
Total liabilities	2,221	2,248
Commitments and contingencies <i>[note 13]</i>		
EQUITY		
Stockholders equity:		
Common stock, par value of \$0.0001, 200 million shares authorized and 106.6 and 106.4 million shares issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	11	11
Additional paid-in capital	110,541	110,430
Deficit accumulated during the exploration stage	(108,301)	(102,775)
Total stockholders equity	2,251	7,666
Noncontrolling interest <i>[note 10]</i>	9,400	9,946
Total equity	11,651	17,612

Total liabilities and equity	\$ 13,872	\$ 19,860
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The accompanying notes are an integral part of these financial statements

Table of Contents**Geovic Mining Corp.****(an exploration stage company)****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited, in thousands, except share and per share amounts)**

	Three months ended June 30,		Six months ended June 30,		Unaudited Period
	2012	2011	2012	2011	from Nov. 16, 1994 (inception) to June 30, 2012
EXPENSES (INCOME)					
Exploration costs <i>[note 4]</i>	\$ 1,179	\$ 2,925	\$ 2,330	\$ 5,615	\$ 91,383
General and administrative	1,644	1,887	3,729	3,711	42,172
Stock-based compensation <i>[notes 6 and 7]</i>	22	177	75	573	18,661
Change in fair value of warrants <i>[note 7]</i>		(2)		(129)	(675)
Interest and bank charges	6	9	11	22	402
Depreciation	223	248	451	470	4,040
Mineral property impairment					3,244
Total Expenses	3,074	5,244	6,596	10,262	159,227
Other Income	(273)		(516)		(1,380)
(Gain)/Loss on disposal of asset	(1)	(2)	1	73	68
Interest income	(4)	(18)	(9)	(28)	(4,862)
Net loss before income taxes	(2,796)	(5,224)	(6,072)	(10,307)	(153,053)
Income tax benefit					(65)
Consolidated net loss	(2,796)	(5,224)	(6,072)	(10,307)	(152,988)
Less: Net loss attributed to the noncontrolling interest	(255)	(1,131)	(546)	(2,210)	(30,695)
Net loss attributed to Geovic stockholders	\$ (2,541)	\$ (4,093)	\$ (5,526)	\$ (8,097)	\$ (122,293)
Net loss per share attributed to Geovic common stockholders	\$ (0.02)	\$ (0.04)	\$ (0.05)	\$ (0.08)	
Weighted average shares outstanding basic and diluted	106,639,602	104,616,170	106,566,917	104,568,049	

The accompanying notes are an integral part of these financial statements

Table of Contents**Geovic Mining Corp.**

(an exploration stage company)

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited, in thousands, except share amounts)

	Common Stock		Additional	Deficit	Noncontrolling	Total
	Shares	Amount	paid-in capital		Interest	
Balance, December 31, 2010	104,292,412	\$ 10	\$ 109,564	\$ (87,957)	\$ 10,657	\$ 32,274
Stock options exercised <i>[note 6]</i>	1,855,342	1	137			138
Stock-based compensation <i>[note 6]</i>	210,000		729			729
Noncontrolling interest contribution					3,238	3,238
Net loss for year				(14,818)	(3,949)	(18,767)
Balance, December 31, 2011	106,357,754	\$ 11	\$ 110,430	\$ (102,775)	\$ 9,946	\$ 17,612
Vesting of restricted stock <i>[note 6]</i>	100,000					
Stock options exercised <i>[note 6]</i>	181,848		36			36
Stock-based compensation <i>[note 6]</i>			75			75
Net loss				(5,526)	(546)	(6,072)
Balance, June 30, 2012	106,639,602	\$ 11	\$ 110,541	\$ (108,301)	\$ 9,400	\$ 11,651

The accompanying notes are an integral part of these financial statements

Table of Contents**Geovic Mining Corp.****(an exploration stage company)****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited, in thousands)**

	Three months ended June 30,		Six months ended June 30,		Unaudited Period
	2012	2011	2012	2011	from Nov. 16, 1994 (inception) to June 30, 2012
OPERATING ACTIVITIES					
Consolidated net loss	\$ (2,796)	\$ (5,224)	\$ (6,072)	\$ (10,307)	\$ (152,990)
Adjustments to reconcile net loss to net cash used in operating activities:					
Depreciation expense	223	248	451	470	4,040
Stock-based compensation expense	22	177	75	573	18,661
Change in fair value of warrants		(2)		(129)	(675)
(Gain)/Loss on disposal of assets	(1)	(2)	1	73	68
Writeoff of mineral leases					3,244
Changes in non-cash operating working capital:					
Increase in restricted cash	(100)	(23)	(99)	(23)	(197)
Increase in prepaid expenses	(203)	(201)	(196)	(75)	(773)
(Increase) decrease in other assets	(163)	36	(217)	(53)	(382)
(Increase) decrease in deposits	16	(80)	17	(91)	(283)
Increase (decrease) in accrued liabilities and other payables	(503)	(176)	(14)	(1,813)	1,380
Increase in other liabilities	(8)	(30)	(15)	(36)	482
Increase (decrease) in related party payable		93	2	(153)	359
Cash used in operating activities	(3,513)	(5,184)	(6,067)	(11,564)	(127,066)
INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(98)	(271)	(176)	(277)	(7,053)
Proceeds on sale of assets		2		51	54
Acquisition of mineral leases					(3,244)
Cash used in investing activities	(98)	(269)	(176)	(226)	(10,243)
FINANCING ACTIVITIES					
Noncontrolling interest contribution		1,208		3,238	40,095
Proceeds from issuance of common stock and preferred stock					95,589
Cash paid to rescind exercise of stock options					(15)
Proceeds from issuance of stock warrants					16,168
Proceeds from exercise of stock options and warrants		6	36	10	2,564
Stock issue costs					(7,745)
Cash provided by financing activities		1,214	36	3,248	146,656
Net increase (decrease) in cash	(3,611)	(4,239)	(6,207)	(8,542)	9,347
Cash, beginning of period	12,958	28,080	15,554	32,383	

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Cash, end of period	\$ 9,347	\$ 23,841	\$ 9,347	\$ 23,841	\$ 9,347
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The accompanying notes are an integral part of these financial statements

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Geovic Mining Corp.

(an exploration stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts or as otherwise stated)

1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS

Geovic Mining Corp. (the Company) is incorporated under the laws of the state of Delaware. The Company owns 100% of the shares of Geovic, Ltd. (Geovic), a company that has been in the exploratory stage since its inception on November 16, 1994. The Company is an exploration stage company that is identifying mineral properties through its subsidiaries. As an exploration stage entity we would require further technical analysis and financing in order to bring our properties into development.

Geovic is engaged in the business of exploring for cobalt, nickel and related minerals through its majority-owned (60.5%) subsidiary, Geovic Cameroon, PLC (GeoCam), a financially dependent public limited company duly organized and incorporated under the laws of the Republic of Cameroon.

The Company is also engaged in the worldwide exploration of energy and mineral resources directly or indirectly through its ownership of Geovic Energy Corp. and Geovic Mineral Sands Corp., formed in 2007 and 2009, respectively, under the laws of the State of Colorado; and Geovic France SAS, formed in December 2008 under the laws of France, and Geovic Nouvelle-Calédonie SAS, formed in March 2009 under the laws of New Caledonia.

As an exploration stage company, we have a history of losses, deficits and negative operating cash flows and may continue to incur losses in the future. We continue to evaluate our cash position and cash utilization. Our cash resources and ability to access additional financing will be critical to our financial condition until we begin to receive proceeds from the sale, joint venture, farm-out, or similar-type transaction involving one or more of our exploration prospects, the most significant of which is our 60.5% ownership stake in the Nkamouna Project in Cameroon.

Based on the estimated capital and start-up costs of the Nkamouna Project, we presently do not have sufficient capital resources available to meet anticipated equity requirements. Our ability to raise additional capital for this purpose would depend on a number of factors, many of which would result in significant dilution of our current stockholders. Consequently, we are proactively pursuing a strategic investment which, if successful, would result in our selling some or all of our interest in the Project to a third party.

We have been closely monitoring our fixed and variable costs and intend to restrict such costs to those expenses that are necessary to complete activities related to securing project financing or a strategic investment for the Nkamouna Project, to identify opportunities to generate cash from our existing exploration properties and additional sources of working capital in support of such activities. Management and the Board of Directors have already begun to implement a number of cash conservation strategies for the Company and GeoCam. The most significant cost reductions compared to previous years are our reduction of expenditures at GeoCam. With the completion of the Feasibility Study in 2011, GeoCam no longer incurs the significant costs of technical evaluations, consultant and testing fees and travel that contributed to that study. We have since reduced Project expenses to incur only necessary expenditures, primarily limited to securing the site, environmental monitoring, and supporting potential financial and strategic investor due diligence efforts. This has significantly reduced the anticipated level of GeoCam cash requirements for 2012.

We are seeking to realize value for the Cameroonian assets and shift the Company's focus to a prospect generation and strategic investment business model in 2012 and beyond. Since our position in GeoCam would likely be significantly diminished or completely eliminated through strategic investment, 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 to complete advanced exploration, permitting and development.

Our consolidated cash balance at June 30, 2012 was approximately \$9.3 million. We anticipate that the Company will be able to satisfy the cash requirements of its operations through the second quarter of 2013 with current cash resources assuming the appellate proceedings described in Note 13(a) are resolved in a favorable outcome and that expenditures in GeoCam are reduced to a minimum level, either because we complete a successful sale of our interest in the Nkamouna Project or we place the Project on a care and maintenance status and further reduce our level of expenditures. However, our near-term expenses could be greater than projected and we may be unable to generate additional proceeds through

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future business transactions on our exploration prospects. If we are unable to obtain additional capital, we will need to further curtail our operations in order to preserve working capital, which could materially harm our business and our ability to achieve cash flow in the future.

2. BASIS OF PRESENTATION

The accompanying interim unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States (GAAP) for interim financial statements and the

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Geovic Mining Corp.

(an exploration stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts or as otherwise stated)

instructions to Form 10-Q and Article 10 of Regulation S-X and accordingly do not include all disclosures required for annual financial statements. These interim condensed consolidated financial statements follow the same significant accounting policies and methods of application as the Company's audited annual consolidated financial statements as included in the Company's annual report on Form 10-K for the year ended December 31, 2011 (the "Annual Financial Statements"). The interim condensed consolidated financial statements should be read in conjunction with the Annual Financial Statements.

These financial statements have been prepared on a going concern basis. The Company has limited cash resources and has not established an ongoing source of revenues sufficient to cover its operating costs and has incurred losses since inception, which raises substantial doubt about our ability to continue as a going concern after the second quarter 2013. Our ability to continue as a going concern is dependent upon a sale of some or all of our interest in the Nkamouna Project and/or obtaining the necessary financing to meet our current obligations arising from normal business operations when they come due. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classifications of liabilities that might be necessary in the event the Company cannot continue in existence.

In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation of the Company's financial condition have been included. Operating results for this interim period are not necessarily indicative of the result that may be expected for the full year ending December 31, 2012.

In June 2011, the FASB issued guidance on the presentation of comprehensive income. This guidance is effective during interim and annual periods beginning after December 15, 2011. The Company does not have any components of other comprehensive income and, therefore, our comprehensive loss attributed to our stockholders is equal to our net loss attributed to stockholders as presented in our condensed consolidated statements of operations.

3. LOSS PER SHARE

Basic loss per share has been computed by dividing the net loss applicable to the Company's common shareholders by the weighted average number of shares of common stock outstanding during each period. Diluted loss per share is computed by including the dilutive effect of common stock that would be issued assuming exercise of the outstanding stock options and stock purchase warrants. Shares underlying all outstanding options and warrants are excluded from the computation of diluted loss per share for each of the three and six months ended June 30, 2012 and 2011 because the effect would have been anti-dilutive.

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 New Ventures group provides a pipeline of opportunities for future growth through grassroots exploration.

The following is a summary of the exploration costs incurred by the Company:

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	Three Months Ended		Six Months Ended		Unaudited Period
	June 30,	June 30,	June 30,	June 30,	from November 16, 1994
	2012	2011	2012	2011	(inception) to
					June 30, 2012
Cameroon Africa:					
Property evaluation	\$ 196	\$ 1,075	\$ 575	\$ 2,480	\$ 53,451
Office costs	526	1,289	931	2,070	30,636
	722	2,364	1,506	4,550	84,087
Other Projects:					
Colorado/Wyoming		20	2	57	2,068
Arizona	119	169	210	255	1,505
New Mexico	33	69	105	207	666
New Caledonia	244	208	423	368	2,284
Papua New Guinea	40	87	63	169	329
Other	21	8	21	9	444
	457	561	824	1,065	7,296
Total Exploration Costs	\$ 1,179	\$ 2,925	\$ 2,330	\$ 5,615	\$ 91,383

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Geovic Mining Corp.

(an exploration stage company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts or as otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following:

	June 30, 2012	December 31, 2011
Cameroon Africa:		
Machinery and equipment	\$ 3,149	\$ 3,149
Vehicles	1,081	1,012
Buildings	413	412
Furniture and equipment	527	526
Equipment in transit		