

GEOVIC MINING CORP.
Form 10-Q
May 11, 2009
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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 March 31, 2009

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.)

1200 Seventeenth St., Suite 980

Denver, Colorado 80202

(Address of principal executive offices)

(303) 476-6455

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to the filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer 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 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:

102,974,046

Common Shares, \$0.0001 par value, outstanding at May 11, 2009

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Geovic Mining Corp.

(an exploration stage company)

Geovic Mining Corp.

(An Exploration Stage Company)

FORM 10-Q

For the Three Months Ended March 31, 2009

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Table of Contents**Part I - Financial Information****Item 1. Consolidated Financial Statements (unaudited)
Geovic Mining Corp.**

(an exploration stage company)

CONSOLIDATED BALANCE SHEETS

(In thousands)

	Unaudited March 31, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 59,390	\$ 64,184
Income tax receivable <i>[note 12]</i>	354	458
Prepaid expenses	394	444
Other	180	541
Total current assets	60,318	65,627
Property, plant and equipment, net <i>[note 6]</i>	4,620	4,742
Deposits	23	23
Other	132	132
Total assets	\$ 65,093	\$ 70,524
LIABILITIES		
Current liabilities:		
Accrued liabilities and other payables	\$ 3,220	\$ 5,176
Total current liabilities	3,220	5,176
Other liabilities	1,032	1,023
Related party payable	312	152
Share-based payment liabilities <i>[note 8]</i>	557	
Total liabilities	5,121	6,351
EQUITY		
Stockholders equity:		
Common stock, par value of \$0.0001, 200 million shares authorized and 103.0 and 101.3 million shares issued and outstanding as of March 31, 2009 and December 31, 2008, respectively	10	10
Additional paid-in capital	106,815	106,648
Stock purchase warrants	1,139	15,748
Deficit accumulated during the exploration stage	(57,359)	(67,377)
Total stockholders equity	50,605	55,029
Noncontrolling Interest <i>[note 11]</i>	9,367	9,144
Total equity	59,972	64,173

Total liabilities and equity	\$	65,093	\$	70,524
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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)

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited, in thousands, except share amounts)

	Three months ended March 31,		Unaudited Period
	2009	2008	from November 16, 1994 (inception) to March 31, 2009
Expenses (Income)			
Exploration costs <i>[note 5]</i>	\$ 2,927	\$ 3,180	\$ 53,821
General and administrative	2,053	980	17,310
Stock-based compensation <i>[note 8]</i>	109	1,051	16,211
Interest and bank charges	15		254
Depreciation	128	23	1,152
Mineral property impairment			3,244
Total expenses	5,232	5,234	91,992
Interest income	(40)	(464)	(4,718)
Net loss before income taxes	(5,192)	(4,770)	(87,274)
Income tax expense			10
Consolidated net loss	\$ (5,192)	\$ (4,770)	\$ (87,284)
Less: Net loss attributed to the noncontrolling interest	(1,215)	(1,318)	(15,929)
Net loss attributed to Geovic	\$ (3,977)	\$ (3,452)	\$ (71,355)
Net loss per share attributed to Geovic common stockholders	\$ (0.04)	\$ (0.03)	
Weighted average shares outstanding - basic and diluted	102,947,526	101,545,919	

The accompanying notes are an integral part of these financial statements

Table of Contents**Geovic Mining Corp.**

(an exploration stage company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

	Three months ended March 31,		Unaudited Period from November 16, 1994 (inception) to March 31, 2009
	2009	2008	
OPERATING ACTIVITIES			
Consolidated net loss	\$ (5,192)	\$ (4,770)	\$ (87,284)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	128	23	1,152
Stock-based compensation expense	109	1,051	16,211
Writeoff of mineral properties			3,244
Changes in non-cash operating working capital:			
(Increase) decrease in income tax receivable	104	131	(354)
(Increase) decrease in prepaid expenses	50	(379)	(394)
(Increase) decrease in other assets	361	154	(335)
Increase (decrease) in accounts payable	(1,956)	718	3,220
Increase (decrease) in other liabilities	9		1,033
Increase (decrease) in related party payable	160		312
Cash used in operating activities	(6,227)	(3,072)	(63,195)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(6)	(382)	(5,773)
Acquisition of mineral leases		(189)	(3,243)
Cash used in investing activities	(6)	(571)	(9,016)
FINANCING ACTIVITIES			
Noncontrolling interest contribution	1,438		25,295
Proceeds from issuance of common stock and preferred stock			(15)
Cash paid to rescind exercise of stock options			95,589
Proceeds from issuance of stock warrants			16,168
Proceeds from exercise of stock options and warrants	1	112	2,309
Stock issue costs			(7,745)
Cash provided by (used in) financing activities	1,439	112	131,601
Net increase (decrease) in cash	(4,794)	(3,531)	59,390
Cash, beginning of period	64,184	78,479	
Cash, end of period	\$ 59,390	\$ 74,948	\$ 59,390

The accompanying notes are an integral part of these financial statements

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Geovic Mining Corp.

(an exploration stage company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(dollars in thousands, except per share amounts)

1. NATURE OF BUSINESS

Geovic Mining Corp. (the Company) is incorporated under the laws of the state of Delaware. The Company owns 100% of the shares of Geovic, Ltd. (Geovic), a company that has been in the mining exploratory stage since its inception on November 16, 1994. The Company is an exploration stage company in the process of planning to develop its mineral properties through its subsidiaries.

Geovic is engaged in the business of exploring for cobalt, nickel and related minerals directly in the United States and through its majority-owned (60%) subsidiary, Geovic Cameroon, PLC (GeoCam), a financially dependent public limited company duly organized and incorporated under the laws of the Republic of Cameroon.

In 2007, the Company incorporated a new subsidiary, Geovic Energy Corp., under the laws of the State of Colorado and Geovic Energy Corp. formed a new subsidiary, Pawnee Drilling, LLC, under the laws of the State of Colorado. As of March 31, 2009, Pawnee Drilling, LLC was inactive. In 2008, the Company formed Geovic France SAS under the laws of France and in February 2009 formed Geovic Mineral Sands Corp. under the laws of the State of Colorado to be the parent corporation of Geovic France. In March 2009, Geovic France formed a new subsidiary, Geovic Nouvelle-Calédonie SAS, under the laws of New Caledonia.

2. BASIS OF PRESENTATION

The accompanying interim unaudited consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States (GAAP) for interim financial statements and the instructions to Form 10-Q and Article 10 of Regulation S-X and accordingly do not include all disclosures required for annual financial statements.

With the exception of new accounting pronouncements discussed in note 3, these interim consolidated financial statements follow the same significant accounting policies and methods of application as the Company's audited annual consolidated financial statements as included in the Company's annual report on Form 10K for the year ended December 31, 2008 (the Annual Financial Statements). The interim consolidated financial statements should be read in conjunction with the Annual Financial Statements.

In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for these interim periods are not necessarily indicative of the result that may be expected for the full year ending December 31, 2009.

Reclassifications

Certain amounts in prior periods have been reclassified to conform with financial statement presentation in 2009, with no effect on previously reported Net loss or Stockholders' equity in addition to those required by the adoption of new accounting pronouncements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Stock purchase warrants

On January 1, 2009, the Company evaluated its outstanding stock purchase warrants based on the requirements of Emerging Issues Task Force No. 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock* (EITF 07-5). Based on the results of the evaluation, the Company began accounting for its stock purchase warrants denominated in currencies other than its functional currency as

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liabilities. At each reporting date, the fair values of stock purchase warrants liabilities are revalued based on the grant-date exercise prices and the market prices, expected lives, risk-free rates, expected volatilities, and expected dividends as of the reporting date. Changes to fair value are recognized as compensation expense, or other appropriate

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account, in the current reporting period and the amortization of any unvested stock-based compensation is adjusted prospectively over the remaining vesting periods. Additionally, because the Company applied the provisions of EITF 07-5 in 2009, the Company revalued the stock-based compensation liabilities as of January 1, 2009 and recorded the cumulative effect of the change in accounting principle as adjustments to its beginning deficit accumulated during the exploration stage and stock purchase warrants, as appropriate. The cumulative-effect adjustments recorded equalled the differences between the amounts recognized in the Company's consolidated statements of financial position before initial application of EITF 07-5 and the amounts recognized in the Company's consolidated statements of financial position at initial application of EITF 07-5.

Noncontrolling interests

Effective January 1, 2009, the Company began accounting for its noncontrolling interests in accordance with FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51*, (SFAS 160). Pursuant to SFAS 160, the Company changed Minority Interest to Noncontrolling Interest in Subsidiaries and presented the Noncontrolling Interest balance and activity in its Consolidated Balance Sheets, Consolidated Statements of Operations, and Consolidated Statements of Stockholders' Equity.

Derivatives

On January 1, 2009, the Company adopted SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133*. SFAS 161 expands the disclosure requirements for derivative instruments and hedging activities. This statement specifically requires entities to provide enhanced disclosures addressing the following: (1) how and why an entity uses derivative instruments; (2) how derivative instruments and related hedged items are accounted for under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* and its related interpretations; and (3) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 impacts the Company's disclosures, but it will not affect its results of operations or financial condition.

4. EARNINGS 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. Excluded from the computation of diluted loss per share for the three months ended March 31, 2009 or 2008 are 13,974,318 and 14,685,668 shares, respectively, underlying outstanding options because the effect would have been anti-dilutive as the Company incurred losses from continuing operations in each of these periods.

5. EXPLORATION COSTS

GeoCam gained exclusive rights to 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.

The Company and minority shareholders of GeoCam concluded in the fourth quarter of 2008 that debt and equity financing and commencement of construction at the Nkamouna Project will be delayed indefinitely, which resulted in a reduction of GeoCam staffing. The Company recorded all severance charges in exploration costs totaling \$260 and made cash payments for \$80 for the three months ended March 31, 2009.

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

	Three Months Ended		Unaudited Period
	March 31, 2009	March 31, 2008	from November 16, 1994 (inception) to March 31, 2009
Cameroon, Africa:			
Property evaluation	\$ 1,576	\$ 1,795	\$ 31,964
Metallurgical studies		17	2,812
Exploration office costs	1,211	1,024	16,245
Property surface area tax	26	37	673
	2,813	2,873	51,694
Other projects:			
Colorado/Wyoming	17	232	1,675
Arizona	85	67	349
Other	12	8	