

Consolidated Financial Statements

Geovic Mining Corp.

(an exploration stage company)

December 31, 2006

(Stated in U.S. dollars)

AUDITORS' REPORT

To the Shareholders of **Geovic Mining Corporation**

We have audited the consolidated balance sheets of **Geovic Mining Corporation** as at December 31, 2006 and 2005 and the consolidated statements of operations, shareholders' equity (deficiency), and cash flows for each of the years in the three-year period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada,
April 27, 2007.

Ernst & Young LLP

Chartered Accountants

Geovic Mining Corp.
(an exploration stage company)

CONSOLIDATED BALANCE SHEETS

(United States dollars)

As at December 31

	2006 \$	2005 \$
ASSETS		
Current		
Cash and cash equivalents	9,373,870	935,338
Accounts receivable	7,654	31,972
Prepaid expenses	83,271	60,000
Total current assets	9,464,795	1,027,310
Property, plant and equipment <i>[note 5]</i>	201,869	139,913
Deposits	65,163	4,190
Total assets	9,731,827	1,171,413
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accrued liabilities and other payables	913,138	280,460
Income tax payable <i>[note 9]</i>	859,697	—
Total current liabilities	1,772,835	280,460
Contingent liability <i>[note 8(a)]</i>	240,863	240,863
Total liabilities	2,013,698	521,323
Commitments and contingencies <i>[note 8]</i>		
Shareholders' equity		
Preferred shares, par value of \$.0001, 50,000,000 shares authorized and 6,000,000 shares issued and outstanding	600	—
Common shares, par value of \$.0001 [2005 - no par value], 200,000,000 shares authorized and 62,142,943 [2005 - 19,685,704] shares issued and outstanding	6,214	15,985,313
Share purchase warrants <i>[note 7]</i>	3,074,845	—
Additional paid in capital	37,281,909	10,468,330
Deficit accumulated during the exploration stage	(32,645,439)	(25,803,553)
Total shareholders' equity	7,718,129	650,090
Total liabilities and shareholders' equity	9,731,827	1,171,413

See accompanying notes

On behalf of the Board:

•
Director

•
Director

Geovic Mining Corp.
(an exploration stage company)

CONSOLIDATED STATEMENTS OF OPERATIONS
(United States dollars)

Years ended December 31

	2006 \$	2005 \$	2004 \$
REVENUE			
Interest income	175,861	890	24,657
EXPENSES			
Exploration costs <i>[note 4]</i>	3,465,331	871,727	1,272,912
Head office and management	1,592,627	908,999	636,584
Stock based compensation <i>[note 6]</i>	1,051,924	958,750	1,655,364
Interest and bank charges	8,832	2,468	2,171
Depreciation	39,336	77,703	149,093
	6,158,050	2,819,647	3,716,124
Net loss before income taxes	(5,982,189)	—	—
Income tax expense <i>[note 9]</i>	859,697	—	—
Net loss for the year	(6,841,886)	(2,818,757)	(3,691,467)
Basic and diluted loss per share	(0.16)	(0.15)	(0.20)
Basic and diluted weighted average number of common shares	44,008,591	19,120,913	18,379,839

See accompanying notes

Geovic Mining Corp.
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CONSOLIDATED STATEMENTS OF CASH FLOWS

(United States dollars)

Years ended December 31

	2006 \$	2005 \$	2004 \$
OPERATING ACTIVITIES			
Net loss for the year	(6,841,886)	(2,818,757)	(3,691,467)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	39,336	77,703	149,093
Stock based compensation expense	1,051,924	958,750	1,655,364
Changes in non-cash operating working capital:			
(Increase) decrease in accounts receivable	24,318	(14,956)	33,961
Increase in prepaid expenses	(23,271)	(60,000)	—
(Increase) decrease in deposits	(60,973)	17,500	(341)
Increase (decrease) in accrued liabilities and other payables	632,678	(345,450)	(682,487)
Increase in income tax payable	859,697	—	—
Increase in contingent liabilities	—	—	94,798
Cash used in operating activities	(4,318,177)	(2,185,210)	(2,441,079)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(101,293)	(2,957)	(49,979)
Cash used in investing activities	(101,293)	(2,957)	(49,979)
FINANCING ACTIVITIES			
Decrease in bank overdraft	—	(2,715)	—
Cash paid to rescind exercise of stock options	(15,000)	—	—
Proceeds from issuance of common shares and preferred shares	12,523,323	3,089,832	1,677,176
Proceeds from issuance of share purchase warrants	3,074,845	—	—
Proceeds from exercise of stock options	18,430	150	32,810
Share issue costs	(2,743,596)	—	—
Cash provided by financing activities	12,858,002	3,087,267	1,709,986
Net increase (decrease) in cash	8,438,532	899,100	(781,072)
Cash, beginning of year	935,338	36,238	817,310
Cash, end of year	9,373,870	935,338	36,238

See accompanying notes

Geovic Mining Corp.
(an exploration stage company)

**CONSOLIDATED STATEMENTS OF
SHAREHOLDERS' EQUITY (DEFICIENCY)**
(United States dollars)

	Preferred Stock		Common Stock		Stock Purchase Warrants	Additional paid-in capital	Deficit	Total
	Shares #	Amount \$	Shares #	Amount \$				
Balance, December 31, 2003	—	—	18,083,054	11,182,345	—	7,886,736	(19,293,329)	(224,248)
Issuance of common shares	—	—	416,116	1,677,176	—	—	—	1,677,176
Stock options granted	—	—	—	—	—	1,655,364	—	1,655,364
Exercise of stock options	—	—	19,680	32,810	—	(29,520)	—	3,290
Net loss for the year	—	—	—	—	—	—	(3,691,467)	(3,691,467)
Balance, December 31, 2004	—	—	18,518,850	12,892,331	—	9,512,580	(22,984,796)	(579,885)
Issuance of common shares	—	—	1,165,854	3,089,832	—	—	—	3,089,832
Stock options granted	—	—	—	—	—	958,750	—	958,750
Exercise of stock options	—	—	1,000	3,150	—	(3,000)	—	150
Net loss for the year	—	—	—	—	—	—	(2,818,757)	(2,818,757)
Balance, December 31, 2005	—	—	19,685,704	15,985,313	—	10,468,330	(25,803,553)	650,090
Issuance of common shares	—	—	194,884	228,947	—	—	—	228,947
FG Group financing [note 3(a)]	—	—	2,100,000	4,515,000	—	—	—	4,515,000
Restricted Stock Grants [note 7]	—	—	432,578	642,609	—	—	—	642,609
Stock options granted [note 6(a)]	—	—	—	—	—	283,233	—	283,233
Stock options exercised [note 6]	—	—	33,300	36,231	—	(32,800)	—	3,431
RTO two-for-one stock split [note 3(g)]	—	—	22,446,466	—	—	—	—	—
Subscription Receipt Financing [note 3(c)]	—	—	6,000,000	7,133,051	—	—	—	7,133,051
Share Purchase Warrants Issued [note 3(c)]	—	—	—	—	3,074,845	—	—	3,074,845
Shares issued to William Buckovic [note 3(j)]	—	—	1,250,010	—	—	—	—	—
Finco Preferred Share Conversion [note 3(j)]	6,000,000	600	—	—	—	—	—	600
Finco Common Share Conversion [note 3(j)]	—	—	9,000,001	675,575	—	—	—	675,575
Shares issued to Resource Equity Ltd. shareholders [note 3]	—	—	1,000,000	—	—	—	—	—
RTO share issue costs [note 6(c)]	—	—	—	(2,976,575)	—	—	—	(2,976,575)
Post RTO Stock options [note 6(d)]	—	—	—	—	—	329,209	—	329,209
Reclassification of common stock par value	—	—	—	(26,233,937)	—	26,233,937	—	—
Net loss for the year	—	—	—	—	—	—	(6,841,886)	(6,841,886)
Balance, December 31, 2006	6,000,000	600	62,142,943	6,214	3,074,845	37,281,909	(32,645,439)	7,718,129

See accompanying notes

Geovic Mining Corp.
(an exploration stage company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(United States Dollars)

1. NATURE OF BUSINESS AND CONTINUANCE OF OPERATIONS

Geovic Mining Corp (the “Company”) is incorporated under the laws of the state of Delaware. The Company owns 100% of the shares of Geovic, Ltd (“Geovic”), a company that has been in the mining exploratory stage since its inception. As described in note 3, the Company acquired Geovic and other entities December 1, 2006, pursuant to an agreement (the “Arrangement Agreement”) dated as of September 20, 2006, as amended October 31, 2006, entered into among the Company, Geovic, Geovic Finance Corp. (“FinCo”) and William A. Buckovic (“Buckovic”). For financial reporting purposes, Geovic is treated as the acquiring entity. Geovic is engaged in the business of exploring for nickel, cobalt, and related minerals through its majority-owned (60%) subsidiary, Geovic Cameroon, PLC (“GeoCam”), a financially dependent public limited company duly organized and incorporated under the laws of the Republic of Cameroon. See also note 11 regarding new entities that have been formed. The Company is an exploration stage company in the process of planning to develop its mineral properties through its subsidiaries and has not yet determined whether these properties contain reserves that are economically recoverable.

The recoverability of any amounts shown for mineral property interests in the Company’s balance sheet are dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of its properties, the receipt of necessary permitting and upon achieving future profitable production or receiving proceeds from the disposition of the properties. The timing of such events occurring, if at all, is not yet determinable. The Company is considered to be an exploration stage enterprise as it has yet to generate significant revenue from operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting principles and policies used in these Canadian generally accepted accounting principles consolidated financial statements are as follows:

Basis of presentation

This summary of significant accounting policies is presented to assist in understanding the Company’s financial statements. The consolidated financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to Canadian generally accepted accounting principles (“Canadian GAAP”) and have been consistently applied in the preparation of the financial statements.

Geovic Mining Corp.
(an exploration stage company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(United States Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Principles of consolidation

The consolidated financial statements include the accounts of the Company, Geovic, GeoCam and FinCo. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of estimates

The process of preparing financial statements in conformity with Canadian GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenue, and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Exploration and development costs

Exploration and development costs are expensed as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of mining operations are capitalized. Capitalized amounts may be written down if future undiscounted cash flows, including potential sales proceeds, related to a mineral property are estimated to be less than the carrying value of the property.

Mineral property acquisition costs

Mineral property acquisition costs are capitalized until the viability of the mineral interest is determined. Capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Capitalized amounts may be written down if future cash flows, including potential sales proceeds, related to the property are estimated to be less than the carrying value of the property. Management of the Company reviews the carrying value of each mineral property interest periodically, and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Reductions in the carrying value of each property would be recorded to the extent the carrying value of the investment exceeds the estimated future net cash flows.

Geovic Mining Corp.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(United States Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Stock-based compensation

The Company accounts for its stock options in accordance with CICA Handbook Section 3870, Stock Based Compensation and Other Stock Based Payments, and related interpretations in accounting for stock-based compensation awards to employees, directors and non-employees. In accordance with CICA Handbook Section 3870, Stock Based Compensation and Other Stock Based Payments, the Company recognizes stock-based compensation expense based on the fair value of the stock option on the date of grant. The fair value of the stock options at the date of grant is amortized over the vesting period, with the offsetting credit to additional paid in capital. If the stock options are exercised, the proceeds are credited to share capital.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a maturity of 3 months or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is computed on the straight-line method using the following terms:

Machinery and equipment	5 to 7 years
Vehicles	5 years
Furniture and equipment	5 years

Accrued site closure costs

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development or normal use of the assets with a corresponding increase in the carrying amount of the related long-lived asset. This amount is then depreciated over the estimated useful life of the asset. Over time, the liability is increased to reflect an interest element (accretion expense) considered in its initial measurement at fair value. The amount of the liability will be subject to re-measurement at each reporting period. Currently, the Company has no asset retirement obligations.

Geovic Mining Corp.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(United States Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Income taxes

Income taxes are accounted for using the liability method of tax allocation. Under this method deferred income tax assets and liabilities are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

The effect on deferred taxes for a change in tax rates is recognized in income in the period that includes the enactment. In addition, deferred tax assets are recognized to the extent their realization is more likely than not.

Foreign currency translation

Current assets and liabilities, as well as long-term monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing on the balance sheet date. Other consolidated balance sheet items are translated at the rate prevailing on the respective transaction dates. Transaction amounts denominated in foreign currencies are translated into U.S. dollars at exchange rates prevailing at the transaction dates.

Loss per common share

Loss per common share is determined based on the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period. Stock options and warrants are dilutive when the Company has income from continuing operations and when the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

Geovic Mining Corp.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(United States Dollars)

3. REVERSE TAKEOVER

On May 1, 2006 (as subsequently amended on August 17, 2006, August 29, 2006, October 31, 2006 and March 6, 2007 [see note 11(a)], Geovic signed an agreement with Frank Giustra on behalf of a group of investors (the “FG Group”) and William Buckovic (“Buckovic”), the founder and President of the Company, with respect to a reverse takeover of Resource Equity Ltd. (now Geovic Mining Corp.) (“Target Co”), a TSX Venture Exchange (“TSX-V”) listed company (the “RTO”). The key provisions of the agreement included:

- [a] The purchase by the FG Group of 2.1 million shares of the Company at a price of \$2.15 per share for gross proceeds of \$4.515 million on May 24, 2006;
- [b] The incorporation of Geovic Finance Corp. (“FinCo”), a private Cayman Islands exempt company, with an initial capitalization of 15,000,001 shares (9,000,001 common shares and 6,000,000 preferred shares) and 3,000,000 common share purchase warrants (the “FinCo Performance Warrants”);
- [c] The arrangement by FinCo of equity financing of 6,000,000 subscription receipts at a price of Cdn\$1.95 per subscription receipt for gross proceeds of Cdn\$11,700,000 (the “Initial Financing”) which was completed on November 3, 2006, in escrow, with the escrowed funds released upon the RTO taking effect (the “Effective Date”). Immediately prior to the Effective Date, each subscription receipt was exercisable, without the payment of any further consideration, into one FinCo common share and one-half of a transferable FinCo warrant, with each full warrant entitling the holder to purchase one FinCo common share at an exercise price of Cdn\$2.75 per share at any time for five years following the completion of the Initial Financing;
- [d] The identification of Target Co as a party to the RTO, its subsequent consolidation of its outstanding shares to 1 million issued and outstanding common shares, distribution of its non-cash assets and liabilities to its existing shareholders and its continuation from Ontario to the State of Delaware;
- [e] The continuance of the Company from the State of Wyoming into the Cayman Islands on September 5, 2006 as approved by the Company’s shareholders on August 16, 2006; and
- [f] The Company, FinCo, Target Co, and Buckovic entering into an arrangement agreement (the “Arrangement Agreement”) dated as of September 20, 2006 and amended on October 31, 2006 whereby Target Co will acquire all of the issued and outstanding securities of the Company and FinCo and 90% of Buckovic’s 5% interest in GeoCam.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(United States Dollars)

3. REVERSE TAKEOVER (cont'd.)

In consideration:

- [g] Geovic's shareholders received 2 post-consolidated common shares of Target Co for every common share of Geovic;
- [h] each outstanding Geovic option was exchanged for 2 Target Co options, with each Target Co option entitling the holder to purchase 1 Target Co post-consolidated common share at an exercise price per share equal to one-half of the exercise price in the outstanding Geovic option;
- [i] each outstanding Geovic warrant was exchanged for 1 Target Co warrant, with each Target Co warrant entitling the holder to purchase 1 Target Co post-consolidated common share at an exercise price equal to \$1.75 per post-consolidated common share;
- [j] based on the Initial Financing in the gross amount of Cdn\$11,700,000, shareholders of FinCo received 1 post-consolidated common share of Target Co for each of 9,000,001 common shares of FinCo. The preferred shareholders of FinCo received 6,000,000 Target Co preferred shares, which are non-voting and not entitled to dividends, some or all of which becoming convertible into Target Co common shares upon completion of the Subsequent Financing (as defined below). Buckovic received 1,250,010 Target Co post-consolidation common shares (27,778 Target Co post-consolidation common shares in exchange for each of his 45 GeoCam shares).
- [k] Share issue costs of \$2,976,575 were incurred as a result of the RTO including the non-cash fair value of agents stock options in the amount of \$232,977.

As part of this RTO, Target Co changed its name to Geovic Mining Corp. ("Geovic Mining"), and Geovic became a wholly owned subsidiary corporation of Geovic Mining.

On November 30, 2006, the Company completed a recapitalization and reverse stock split transaction resulting in reduction of issued and outstanding shares of Resource Equity Ltd. ("Resource") from 2,344,000 common shares into 1,000,000 common shares. On December 1, 2006, the Company exchanged 1,000,000 of its post transaction common shares for the 1,000,000 common shares of Resource that were outstanding.. As the former shareholders of Resource held approximately 1% of the Company following the transaction, the transaction constituted an RTO. Prior to this date, Resource was a public company based in Toronto and listed on the TSX Venture Exchange, the shares of which were suspended from trading between August 6, 2006 and December 1, 2006 and Geovic was a private mining exploration company based in Colorado.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(United States Dollars)

3. REVERSE TAKEOVER (cont'd.)

Prior to the RTO, Resource was a non-operating public enterprise with nominal net non-monetary assets and therefore did not meet the definition of a business according to CICA Emerging Issues Committee Abstract 124 (Definition of a business). Accordingly, the RTO was treated as a capital transaction rather than a business combination under the provisions of Emerging Issues Committee Abstract 10 (Reverse takeover accounting) and no goodwill has been recorded. The net monetary assets of the Company at the transaction date were \$32,777.

On December 1, 2006, pursuant to the RTO, the Company acquired: (a) all of the issued and outstanding securities of Geovic from the Geovic security holders, (b) all of the issued and outstanding securities of FinCo from the FinCo security holders; and (c) 45 shares, or 4.5% of the issued and outstanding shares of GeoCam from Buckovic. The 45 GeoCam shares held by Buckovic were transferred to the Company, and Buckovic received 1,250,010 common shares in the capital of the Company. Buckovic continues to hold five GeoCam shares, representing 0.5% of all issued and outstanding GeoCam shares. All common shares in the capital of Geovic were transferred to the Company and each holder of Geovic shares received two common shares in the capital of the Company for each Geovic share. All options to purchase Geovic shares were cancelled and for each Geovic option the Company issued two options, each entitling the holder to purchase one common share of the Company. All warrants to purchase Geovic shares were cancelled and for each Geovic warrant the Company issued a warrant entitling the holder to purchase one common share of the Company at a price of \$1.75 per share.

All common shares in the capital of FinCo were transferred to the Company and each holder of FinCo common shares received one common share in the capital of the Company for each FinCo common share held. All preferred shares of FinCo were transferred to the Company and each holder of a FinCo preferred share received one preferred share in the capital of the Company for each FinCo preferred share. All warrants to purchase FinCo common shares ("FinCo Warrants") were cancelled and the Company issued that FinCo warrant holder a warrant to purchase common shares of the Company with the same terms as the FinCo Warrants. All options to purchase FinCo common shares, which were issued by FinCo to the agents as part of the agents' commission in connection with the Subscription Receipt Financing (as defined below) were cancelled and for each such option the Company issued an option to purchase a common share of the Company pursuant to the terms of the Acquisition. As a result of the Acquisition, Geovic and FinCo became wholly owned subsidiaries of the Company and the Company subsequently transferred the GeoCam shares to Geovic.

Geovic Mining Corp.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(United States Dollars)

3. REVERSE TAKEOVER (cont'd.)

In connection with the Acquisition, FinCo and Geovic entered into an agency agreement with a syndicate of agents in connection with an offering on a best efforts basis by FinCo of up to 6,000,000 subscription receipts at a price of Cdn\$1.95 per subscription receipt for gross proceeds of Cdn\$11,700,000. Each subscription receipt was exchangeable, immediately prior to the completion of the Acquisition without payment of any further consideration into one FinCo common share and one half of a transferable warrant, each whole warrant entitling the holder to acquire one FinCo common share at a price of Cdn\$2.75 per share for a period of five years from the closing of the offering. The Subscription Receipt Financing was completed on November 3, 2006. In connection with the RTO, all securities issued in connection with the Subscription Receipt Financing were exchanged for similar securities issued by the Company.

4. EXPLORATION AND DEVELOPMENT COSTS

The following is a summary of the exploration and development costs incurred by the Company related to its mineral property interests in Cameroon.

	2006	2005	2004
	\$	\$	\$
Cameroon, Africa (60% interest):			
Property evaluation	1,126,452	452,896	531,281
Metallurgical studies	649,524	11,486	265,838
Exploration office costs	1,689,355	407,345	475,793
Total exploration and development costs	3,465,331	871,727	1,272,912

Since the inception of the Cameroon project, Geovic has advanced all operating expenditures on behalf of GeoCam.

The minority shareholders of GeoCam are in the midst of a review of the costs that have been charged to and incurred by GeoCam covering the period since inception to December 31, 2006.

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, in 10-year increments for the life of the resource.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(United States Dollars)

5. PROPERTY, PLANT AND EQUIPMENT

As of December 31, property, plant and equipment consisted of the following:

	2006 \$	2005 \$
Machinery and equipment	344,748	343,725
Vehicles	177,984	118,830
Furniture and equipment	171,773	130,660
	694,505	593,215
Less accumulated depreciation	(492,636)	(453,302)
	201,869	139,913

6. STOCK BASED COMPENSATION

Stock options

In 2001, Geovic established the Geovic Limited Stock Plan (the "Plan") to provide a means whereby Geovic could attract, motivate, and retain key employees, consultants, and service providers who could contribute materially to Geovic's growth and success, and to facilitate the acquisition of shares of Geovic's common stock. The aggregate number of shares that could be issued under the Plan could not exceed 50,000,000 (2005 - 50,000,000; 2004 - 50,000,000). The Plan provided for incentive stock options meeting the requirements of Section 422 of the Internal Revenue Code and nonqualified stock options that did not meet the requirements for incentive stock options. Each option agreement (the "Option Agreement") stated the option exercise price per share purchasable under the option, which could not be less than 10% of the fair market value of a share on the date of grant for all nonqualified stock options or 100% of the fair market value of a share on the date of grant for all incentive stock options. The Option Agreement specified the term, as determined by the Company, during which the option could be exercised. The time when the option could become exercisable could not exceed 10 years in the case of incentive and non-qualified stock options.

The Company adopted a stock option plan (the "Company Option Plan") under which 15,000,000 Company shares, less the Company options granted in exchange for Geovic options in the RTO (as described in note 3), were reserved for issuance upon exercise of options granted under the Company Option Plan. The outstanding Geovic options that had been issued under the Geovic Plan were cancelled and replaced by options issued under the Company Option Plan.

Geovic Mining Corp.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(United States Dollars)

6. STOCK BASED COMPENSATION (cont'd.)

The Company Option Plan is intended to provide a means whereby the Company and its subsidiaries can attract, motivate and retain key employees, consultants, and service providers who can contribute materially to the Company's growth and success, and to facilitate the acquisition of shares of Company common stock. The Company Option Plan provides for incentive stock options meeting the requirements of Section 422 of the Internal Revenue Code and nonqualified stock options that do not meet the requirements for incentive stock options. The Company Option Plan requires the option exercise price per share purchasable under the option to be equal to or greater than 100% of the fair market value of a share on the date of grant for all nonqualified stock options or incentive stock options.

The following table summarizes the Company's stock option activity and related information for the two years ended December 31, 2006 and 2005. As noted above, options granted by Geovic under the Plan were cancelled and replaced by options under the Company Option Plan in the RTO (as described in note 3).

	Options Available for Grant #	Options Outstanding	
		Number Outstanding #	Weighted-Average Exercise Price per Share \$
Available and outstanding at December 31, 2003	45,056,536	4,815,454	0.17
Granted	(577,696)	577,696	0.50
Exercised	—	(19,680)	1.48
Available and outstanding at December 31, 2004	44,478,840	5,373,470	0.20
Granted	(369,883)	369,883	0.67
Exercised	—	(1,000)	0.15
Available and outstanding at December 31, 2005	44,108,957	5,742,353	0.36
Granted under Geovic Limited Stock Plan prior to RTO	(236,090)	236,090	2.15
Exercised under Geovic Limited Stock Plan prior to RTO	—	(33,300)	0.10
Termination of Geovic Limited Stock Plan	(43,872,867)	(5,945,143)	0.42
Establish Company Option Plan	15,000,000	—	—
Two-for-one exchange for Company options	(11,890,286)	11,890,286	0.21
Granted under Company Option Plan to agents in Subsequent Receipt Financing for RTO	(348,600)	348,600	1.71
Granted under Company Option Plan subsequent to RTO	(800,000)	800,000	1.71
Available and outstanding at December 31, 2006	1,961,114	13,038,886	.35
Exercisable at December 31, 2006		12,363,886	.27

Geovic Mining Corp.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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6. STOCK BASED COMPENSATION (cont'd.)

The following stock option grants were issued by the Company during the year ended December 31, 2006:

- [a] Prior to the RTO the Company granted 236,090 options (2005 - 369,883; 2004 - 577,696) to officers, directors, employees and non-employees of the Company. In accordance with CICA Handbook Section 3870, the Company recorded compensation expense of \$283,233 (2005 - \$958,750; 2004 - \$1,655,364). These options were exchanged two-for-one following the RTO (see Note 3).
- [b] In compensation to agents assisting in the Initial Financing, 348,600 agent's options were granted for which the fair value of \$232,977 was recorded as a share issue cost.
- [c] Subsequent to the RTO, 800,000 options were granted as follows: 350,000 options to an investor relations firm and 450,000 options granted to directors of the Company. The Company recorded compensation expense of \$96,233 for the options that vested in 2006.

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6. STOCK BASED COMPENSATION (cont'd.)

The weighted-average fair value of options granted during the year is \$0.85 (2005 - \$2.59; 2004 - \$2.72). If options that were originally granted by Geovic under the Plan are exercised, that number of options is available to be granted under the Company Option Plan. If options that were originally granted by the Company under the Company Option Plan are exercised, that number of options is not available to be granted again under the Company Option Plan.

The following table summarizes information concerning options outstanding and exercisable as of December 31, 2006:

Exercise Price \$	Number of Options #	Weighted Average Remaining Contract Life (in Years)	Weighted Average Exercise Price \$
0.05	5,240,500	10	0.05
0.075	2,290,744	10	0.075
0.225	795,036	10	0.225
0.10	248,744	7	0.10
0.15	1,651,748	7	0.15
0.375	361,176	8	0.375
0.563	90,392	8	0.563
1.075 [note 7]	452,180	10	1.075
1.3 [note 7]	739,766	9	1.3
1.713	1,148,600	4	1.713
1.22	20,000	10	1.22
	13,038,886	9	0.35
Exercisable	12,363,886	9	0.27

The fair value of stock options is estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions for the years ended December 31:

	2006	2005	2004
Expected dividend	0.0%	0.0%	0.0%
Risk-free interest rate	4.4 - 4.9%	4.4%	4.2%
Expected volatility*	73.3 - 87.7%	92.17%	72.3%
Expected life (in years)	1.5 - 3	3	10

* Based on available information on volatility of certain publicly traded companies in the same industry.

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6. STOCK BASED COMPENSATION (cont'd.)

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

7. SHAREHOLDERS' EQUITY

Restricted stock awards

During the third quarter of 2006, the Company issued 274,481 shares of restricted common stock to the option holders who received options in 2005 in exchange for the increase in the exercise price of the 369,883 options granted during the year to \$2.60 (prior to RTO two-for-one exchange). The restricted stock will be held in escrow by the Company until one half of the restricted stock shares vest in 2007 and the remaining in 2008. Also, during the third quarter of 2006, the Company issued 152,502 shares of restricted common stock to holders of 226,090 options granted on August 15, 2006 for which their exercise prices were established at \$2.15 (prior to RTO two-for-one exchange). The Company recorded compensation expense of \$642,609 as a result of these restricted stock awards. A discount of 30% was used to determine the fair value of the restricted stock.

The Company granted restricted stock of 5,595 shares to an employee during the fourth quarter of 2006 subject to certain vesting requirements (prior to RTO two-for-one exchange). The costs are expected to be recognized during the fiscal year ending December 31, 2007.

Share purchase warrants

During the year, the Company issued 2,999,996 stock purchase warrants in connection with the Initial Financing (see note 3(c)). The warrants allow the shareholder to purchase one share of stock of the Company at an exercise price of Cdn\$2.75 for every warrant. The contract life of the warrants is five years. In addition, the Company issued 3,000,000 stock purchase warrants in exchange for the Finco Performance Warrants (see note 3). The warrants allow the shareholder to purchase one share of stock of the Company at an exercise price of \$2.25 for every warrant. The contract life of the warrants is three years.

The bifurcated fair value of the stock purchase warrants (\$3,074,845) is estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions: expected dividend: 0%; risk-free rate: 4.4%; expected volatility: 73.3%; and expected life: 3 years.

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7. SHAREHOLDERS' EQUITY (cont'd.)

Share purchase warrants (cont'd.)

The following table summarizes the Company's share warrant activity and related information for the two years ended December 31, 2006:

	Number Outstanding #	Weighted- Average Exercise Price per Share \$
Warrants outstanding at December 31, 2004	12,600	1.75
Issued	304,608	1.75
Exercised	—	—
Warrants outstanding at December 31, 2005	317,208	1.75
Warrants issued in Subscription Receipt Financing	2,999,996	2.41
Warrants issued from FinCo Performance Warrant Conversion [note 11(b)]	3,000,000	2.25
Exercised	—	—
Warrants outstanding at December 31, 2006	6,317,204	2.30
Warrants exercisable at December 31, 2006	3,317,208	2.35

Refer to the subsequent event detail in note 11.

Preferred shares

The Company is authorized to issue 50 million preferred shares, of which 6 million are designated as Series A convertible preferred shares with a par value of \$0.0001. Concurrently, with the financing of the Company completed on March 6, 2007 (see note 11), the holders of 4,175,000 shares of Series A preferred shares exchanged their shares for a like number of newly issued common shares, leaving 1,825,000 shares of Series A preferred shares outstanding. Concurrently with the financing of the Company completed on April 27, 2007 (see note 11), the holders of the 1,825,000 shares of Series A preferred shares exchanged their shares for a like number of newly issued common shares, leaving no Series A preferred shares outstanding.

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8. COMMITMENTS AND CONTINGENCIES

- [a] During the year ended December 31, 2003, Geovic received a grant from the United States Trade and Development Agency (USTDA). The grant reimburses Geovic for 50% of the cost of a feasibility study for GeoCam's Cameroon mining project. The grant specifies that, if the project is successful, all grant reimbursement proceeds received by Geovic must be paid back to the USTDA. The proceeds would be paid back once project financing is acquired. If the project is unsuccessful, the reimbursement proceeds would be considered a grant and Geovic would not be required to pay back the USTDA. As of December 31, 2005, Geovic has received \$240,863 in grant reimbursement proceeds from the USTDA. The Company has recorded a liability for this amount as of December 31, 2006 and 2005.
- [b] Geovic is committed to future minimum annual rent payments of approximately \$98,000 under operating lease agreements for office space in Grand Junction, CO, USA and, with respect to GeoCam, in Yaounde, Cameroon over the next year.
- [c] On November 8, 2006, Geovic entered into a patent license agreement with Inco Limited with respect to certain technological processes and equipment related to processing nickel and cobalt. As partial consideration for the agreement, Geovic paid Inco Limited an initial payment of \$20,000. Geovic agreed to pay Inco a royalty based on the net selling price of production, as defined, up to maximum of \$400,000 during each 12 month period subject to a total maximum consideration (exclusive of the initial payment) equal to \$2 million.
- [d] GeoCam received a letter from the Minister of Industry, Mines and Technological Development of the Republic of Cameroon on March 20, 2006 requesting payment of surface area taxes of approximately \$457,000 (CFA240,000,000) and a penalty of the same amount for the period from 2003 to 2005. GeoCam has disputed this amount based on its interpretation of the Mining Convention signed on July 31, 2002 that GeoCam is only committed to pay this surface area tax once commercial exploitation begins. GeoCam has further disputed the amount of surface area subject to tax which reduces the estimated liability to \$376,364 (CFA187,500,000).

GeoCam deposited with the Cameroon tax authority \$116,764 (CFA62,500,000) on September 30, 2006 corresponding to the surface area tax for 2003. On November 30, 2006, GeoCam deposited with the Cameroon tax authority a further \$259,600 (CFA125,000,000) corresponding to the surface area tax for 2004 and 2005. Subsequent to year end, GeoCam deposited an additional \$128,675 (CFA62,500,000) for the 2006 surface fee charges.

GeoCam believes, based on discussions with the litigation department of the Directorate of Taxation, that the litigation procedure whereby GeoCam contests the penalties related to the surface area will be a productive approach to resolve this matter. On January 17, 2007, GeoCam paid \$57,170 (CFA29,500,000), representing approximately 10% of the total contested amount to be paid according to the provision of Article L121 of the fiscal procedures in force in order to proceed with the litigation procedure.

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9. INCOME TAXES

Reconciliation of statutory tax rates and income tax payable at those rates to the effective income tax rates and provision for income taxes reported in the statement of earnings is as follows:

	2006		2005		2004	
	%	\$	%	\$	%	\$
Tax at US statutory rate	35	(2,093,765)	35	(986,565)	35	(1,292,013)
State taxes net of federal benefit		4,565		3,320		(111,113)
Non-deductible expenses		28,354		692,301		387,493
Imputed interest income		330,539		—		—
Change in valuation allowance		7,932,661		318,704		1,398,484
Foreign tax rate differences		(212,145)		(31,572)		—
Change in estimated future tax benefits from US and Cameroon exploration costs and net operating loss carryforwards		(5,577,977)		—		—
Other		447,465		3,812		(382,851)
		859,697		—		—

Significant components of the Company's future tax assets are as follows:

	December 31	
	2006	2005
	\$	\$
Future income tax asset		
Exploration costs	13,061,954	6,915,887
Net operating loss carryforwards	3,963,898	1,941,850
Tax credits	—	13,383
Stock-based compensation	191,819	414,411
Excess of capital loss over capital gain	3,048	3,048
Future income tax asset	17,220,718	9,288,579
Valuation allowance	(17,220,718)	(9,288,579)
Net future income tax asset	—	—

The Company has incurred losses through operations in Cameroon which are available to reduce taxable income of future years. Future income tax benefits which may arise as a result of these losses have not been recognized as an asset in these financial statements as it cannot be considered likely that they will be utilized.

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9. INCOME TAXES (cont'd.)

The net operating loss carryforwards expire as follows:

Cameroon	\$
2007	3,252,634
2008	6,613,345
2009	2,299,026
	<hr/> 12,165,005 <hr/>

Geovic has been exclusively funding the activities of GeoCam since its inception in 1995. On November 6, 2002, the Board of Directors of GeoCam unanimously resolved that all funding provided by Geovic to GeoCam be recorded as debt repayable to Geovic. Up to and including the year ended December 31, 2006, approximately \$31 million had been advanced by Geovic to GeoCam. The Company at this time is uncertain as to the resolution of the repayment of the debt incurred by GeoCam to December 31, 2006. The minority shareholders of GeoCam are in the midst of a review of the costs that have been charged to and incurred by GeoCam for the period from inception to December 31, 2006. Without certainty as to the ultimate resolution of this matter, the Company has treated the funds advanced by Geovic to GeoCam as intercompany debt as described above. Under U.S. tax law, Geovic is required to impute interest income on the debt at an Applicable Federal Rate which cannot be offset by tax losses in Cameroon.

10. RELATED PARTY TRANSACTIONS

- [a] On June 6, 2004, Geovic, Ltd., entered into an agreement with Mineral Services, LLC related to project development, technical, financing, and marketing services. Mineral Services, LLC is owned by an unaffiliated person who became a director of the Company on September 27, 2006. Total fees paid to Mineral Services, LLC under the agreement during 2006 were \$40,000 (2005 - \$51,444; 2004 - \$10,000).
- [b] Effective December 1, 2005, Geovic entered into a finders fee agreement with an unaffiliated person who became a director of the Company on September 22, 2006. Success fees payable under the agreement consist of shares or cash at the director's election. The agreement terminated on March 1, 2007, but includes 12 months of "tail coverage" for investments, if any, during such period made by contacts introduced by the director prior to the termination date. Total fees paid to the director under the agreement during 2006 were equal to \$187,650 and 27,768 shares (see note 6). The Company recorded compensation expense of \$29,850 as a result of the restricted stock award.

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11. SUBSEQUENT EVENTS

- [a] Effective February 26, 2007, in connection with the public offering by the Company which was completed on March 6, 2007 (see note 11(c)), the FG Agreement was superseded and replaced with a new agreement among the Company, the FG Group and the holders of the Series A Preferred Stock of the Company (the "Letter Agreement"). In accordance with the Letter Agreement, the holders of 4,175,000 shares of Series A Preferred Stock exchanged their shares for a like number of newly issued shares of common stock, leaving 1,825,000 shares of Series A Preferred stock outstanding, all of which will be automatically converted into a like number of Company common stock if the holders of Series A Preferred Stock assist the Company to complete at least \$18.25 Million of additional equity financing at any time before June 1, 2008 (a "Follow on Offering").
- [b] Also, Performance Warrants to purchase up to 1,174,000 shares of Company stock, held by seven persons, became exercisable at \$2.25 per share, with an expiration of March 6, 2010, leaving 1,825,000 Performance Warrants outstanding, all of which will vest upon completion of one or more Follow on Offerings under which at least \$18.25 Million in equity is raised by the Company. If less than \$18.25 Million is raised by the Company in Follow on Offerings, then fewer than all Series A Preferred Stock will be converted into common stock and fewer than all unvested Performance Warrants will become vested. Any of the Performance Warrants that vest in the future will have an exercise price not lower than \$2.25 per share and will expire three years after the closing date of the applicable Follow on Offering. If one or more Follow on Offerings have not completed by June 1, 2008, Series A Preferred Stock and unvested Performance Warrants shall be deemed to be surrendered to the Company for cancellation. On April 27, 2007, the Company completed a Follow on Offering [see note 11(g)]. As a result, all outstanding Series A Preferred Shares were converted into a like number of shares of Company common stock and all outstanding Performance Warrants became vested, and are exercisable at anytime until April 27, 2010.
- [c] On March 6, 2007, the Company raised gross proceeds of Cdn\$54 million in a public offering through agents of 21.6 million units (including the over-allotment option exercised by the agents) at Cdn\$2.50 per unit. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant of the Company; each whole warrant entitles the holder to purchase one common share of the Company at a price of Cdn\$3.00 for a period of five years following the closing of the offering. The net proceeds received by the Company after payment of the cash commission to the agents (equal to 6% of the gross proceeds of the offering) were Cdn\$50.76 million, equivalent to approximately \$43.09 million. From this amount the Company will pay other expenses of the offering estimated to be approximately \$500,000.
- [d] On March 23, 2007, the Company incorporated a new subsidiary, Geovic Energy Corp., under the laws of the State of Colorado.

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11. SUBSEQUENT EVENTS (cont'd.)

- [e] On March 29, 2007, Geovic Energy Corp. formed a new subsidiary, Pawnee Drilling, LLC, under the laws of the State of Colorado.
- [f] On April 9, 2007 a shareholders agreement among GeoCam's majority shareholder, Geovic (60%), Societe Nationale d'Investissement du Cameroun (SNI) (20%), four Cameroon individuals (collectively, 19.5%), and William Buckovic (0.5%) was entered into on April 9, 2007. The shareholders agreement sets forth the terms, conditions and fiscal arrangement for continued participation in the Cameroon project by the Company and the Cameroon minority shareholders. This includes provisions in accordance with Cameroon business laws for all shareholders to contribute financing as required to advance the project 2007 and forward. The Company believes that the shareholders agreement is consistent with international mining industry standards and is compliant with Western Africa (OHADA) business law.
- [g] On April 11, 2007, the Company entered into an underwriting agreement with Canaccord Adams Limited (together with its affiliate Canaccord Capital Corporation) and Orion Securities Inc. (collectively, the "Underwriters") pursuant to which the Company, on the April 27, 2007, closing date, issued and sold 8,750,000 units (the "Units") of the Company at a price of Cdn\$4.00 per Unit (the "Issue Price") for aggregate gross proceeds to the Company of Cdn\$35,000,000. Each Unit consisted of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one common share at a price of Cdn\$5.00 for 5 years following the closing date. From the net proceeds the Company will pay other expenses of the offering estimated to be approximately Cdn\$250,000.