

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:

<sup>(1)</sup> 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](http://www.geovic.net) and on SEDAR at [www.sedar.com](http://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 the Kongo Camp, a fully-contained compound near the village of Kongo. The compound has adequate working and sleeping quarters, a diesel generator, satellite-phone facilities, diesel fuel storage, a kitchen with refrigerators, repair shop and sample preparation and storage facilities.

At present it takes about one hour to drive the 40 kilometers between Lomie and the Nkamouna Project site. The economy of Lomie is largely undeveloped, except for a large sawmill and surrounding timber harvesting operations. Local businesses include the Lomie Subdivision's government headquarters of the sub-prefecture, police station, hospital, parochial schools, shops, three general mercantile stores and the Raffia Motel. Most business activity centers around logging and the local saw mill that is located east of town. Other activities include road maintenance, palm oil production, limited agricultural activities and general commerce. Lomie's municipality has provided diesel electric power (200kW) to those who can afford it, since 1997. Lomie is the site of a number of domestic and international non-governmental organizations that monitor the 1.3 million acre World Heritage Dja Biosphere reserve and other reserves within the region.

From Lomie, the road passes east to the village of Echiambot where it branches northeast to the Edje River and Kongo village. The first mine site at the Nkamouna Project is located 10 kilometers north of this village. The Mada Project mining plateau is located 20 kilometres north of the Kongo village. The trip from Yaoundé to Kongo village takes about 8 hours by vehicle.

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Transport infrastructure in Lomie includes the Huat Nyong Express that carries people four times per day to Yaoundé (18 per bus) and 10 busses per day to Abong Mbang. Motorcycle taxis transport individuals in the Lomie area. Geovic intends to provide, or arrange, scheduled bus and van service between the project and main towns and villages around the project site. Geovic will improve the existing roads and a small, private airstrip will be constructed to service project needs.

The climate of the region is classified as an Equatorial Guinea sub-type characterized by two main seasonal types, namely the main wet season and main dry season, and two minor seasonal types designated as mini wet and mini dry. The site is located on the northwestern margin of the Congo River tropical zone. The annual maximum monthly temperature ranges from 24° to 33° centigrade. The lowest daily minimum temperature recorded is 12° centigrade, but temperatures normally do not fall below 18° centigrade.

The average annual precipitation over a 32-year period is 1,580 millimeters (62.2 inches) and the humidity is typically high and evaporation rates high on an annual basis. Maximum annual precipitation measured to date totals 2,200 millimeters (86.6 inches). The main wet season occurs between September and early November, and the main dry season occurs from November to May. The mini wet season lasts about eight weeks in March to May, and the mini dry season extends from June to mid-September. Limited amounts of rainfall occur throughout the year, except during the months of December and January, which are typically dry. The average number of rain-free days at site was 229 and days receiving a total of at least 25 mm of precipitation at Nkamouna are 28 per year. Average monthly evaporation rates exceed rainfall during the two dry seasons. Data for 2004 show total precipitation at 1,820 millimeters (71.7 inches), evaporation at 1,951 millimeters (76.9 inches), for a net evaporation of 131 millimeters (5.2 inches). The prevailing wind direction is from the south and southwest, and averages less than 4-kilometers per hour. Wind gusts rarely exceed 8 kilometers per hour, and are commonly undetectable beneath the tree canopy near the proposed Plant site. The operating season is year-round.

As currently envisioned, there are four waste and low-grade streams generated from the tailings disposal process. The two main waste streams from the metal recovery plant (the MRP) are manganese precipitate and the counter-current decantation (the CCD) leach tails. The manganese precipitate will be stored in a segregated area of the mine (557 tonnes per day (tpd)) and the CCD leach tails (1,824 tpd) will be co-disposed with the physical upgrades (the PUG) tails in the Napene Creek tailings storage facility (the TSF).

Knight Piésold concluded that the water balance for the NCTSF will operate in a water deficit condition. The 2007 design minimizes the water pumping requirements from the Edje River, as the Edje River was viewed as a more abundant water source during the 2006 design. Diversion ditches around the tailing basin have not been included in the 2007 design, as the facility may be in a water deficit condition. Diversion ditches could be incorporated to divert water around the facility or into the facility depending on the water needs at the time. Additional requirements regarding water quality and potential uses or discharges will be finalized based on the results of additional waste characterization during the detail engineering phase of the project.

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Approximately 839 m<sup>3</sup>/h of return water is needed for process plant operations and will be obtained from the Edje River floodplain about 2 km west of the plant site, water reclaimed from the NCTSF, or diversion of water around the NTCSF.

Abundant water is available from shallow wells to be completed in the Edje River floodplain; however, much of the process water will be recycled from the TSF. Mining, processing and housing facilities will each be provided with sewage collection and treatment systems.

To support the mining and milling operations at Nkamouna, a number of ancillary facilities will be required. These include energy generation, a mobile equipment maintenance shop, warehouse, reagent storage building, laboratory, and administration offices.

Combined Heat and Power ( CHP ) units fuelled by locally harvested wood are expected to produce total project requirements of electrical energy. A temporary construction camp will be installed and used until permanent housing can be obtained to meet project operating requirements. On-site accommodations will be provided for expatriate staff, most of who will be scheduled for about six weeks on site and two to three weeks to their destination of choosing. Housing and other community assistance will be provided to local employees, who will be drawn from nearby villages.

The vegetation in plateau areas is typical of an evergreen equatorial forest characterized by diverse endemic plant species. The forest area is stratified in three layers, including the 40-meter tall tree canopy characterized by broad-crown diameters and straight limbless trunks; shorter, more slender, fast-growing, narrow crown-diameter, fragile trees form the intermediate layer; and the scanty undergrowth layer consisting of vines, brush and ferns. Trees of local economic importance include Ayos, Sapelli, Wengive, Iroka, Bubinga, Azobe, and Obeche. Other diverse species occur in swamplands and patches of dense wet-substrate dominated valley floors.

Recent logging has occurred throughout most of the mineralized areas within the Mine Permit. The extent of this logging is documented on satellite images and by ground surveys. These logging activities are independent of Geovic s operations and were part of pre-existing timber leases within the Mine Permit area.

The central part of the Nkamouna mineral district is dominated by a series of rolling upland plateaus that are isolated by several river systems that feed into the main Congo River drainage basin. Elevations in the province range from about 450 meters along the lower Dja River to 927 meters above sea level at Mount Guimbiri, located east of Abong Mbang. The local upland plateau in the vicinity of the Nkamouna mine site presents an elevation of about 700 meters.

The Nkamouna ore deposit is relatively flat and has an average depth of 15 meters. The majority of the deposit is situated downslope from the process plant site and has a natural grade of approximately 5 % with upper elevations around 760 meters and lower elevations near 610 meters. The deposit is a crescent shape about 4 kilometers from east to west and 2 kilometers from north to south. The process plant site is adjacent to the mine and near the top of a saddle at an approximate elevation of 700 meters above sea level.

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### *History*

The Nkamouna Project consists of an enriched cobalt-nickel-manganese-iron lateritic deposit located within an extensive mineral province in southeastern Cameroon, Africa. Nickeliferous laterite deposits in southeast Cameroon were first discovered and investigated by the United Nations Development Programme (the UNDP ) during 1981-1986, in a cooperative project with the Cameroon Ministry of Mines, Water and Energy to evaluate mineral potential in southeastern Cameroon. Following a regional stream sediment geochemical survey which indicated the likely presence of laterite nickel mineralization, the UNDP project drilled eleven core holes in the Nkamouna area.

Several of the UNDP holes intersected laterite and saprolite with interesting nickel and cobalt values. Due to the remote location and the low nickel prices at the time, the discovery did not draw much attention.

William Buckovic, Geovic founder, became aware of the nickel discovery in 1988, subsequent to submitting a proposal in 1986 to explore for minerals to the Cameroon Ministry of Mines. No recorded exploration or mining had taken place on the property since the UNDP work. After assaying samples he was able to obtain from the area, Mr. Buckovic noted in 1994 a higher than typical nickel/cobalt ratio characterizing the Cameroon deposits. This high ratio was confirmed by the assay results from the UN coring program. Mr. Buckovic was also aware of recent advances in Australia and elsewhere in the hydrometallurgical processing of previously sub-economic nickel laterite deposits. As a result, in 1995 he helped form GeoCam to investigate these unusual but potentially promising deposits and in this regard, the company was granted a 19,600 square kilometer prospecting permit covering the mineral province.

By 2004, Geovic had largely completed the reconnaissance sampling and had undertaken pitting and drilling patterns of varying spacing at Nkamouna where access was greater due to recent logging operations, with an eye toward defining deposit parameters for an eventual feasibility study.

Most of the work at Nkamouna has been performed by Geovic employees and consultants on behalf of GeoCam. Early geological and sampling oversight was provided by Mr. Buckovic and various consultants. Metallurgical and other testing has been performed from time to time by Bateman Engineering, Inc of Tucson, Arizona, METCON Research, Inc. of Tucson, Pittsburgh Metallurgical and Environmental Inc. ( PMET ) of Pittsburgh, Pennsylvania, The Consultant Research of Golden, Colorado, Knight Piesold of Denver, Colorado, and others.

The Nkamouna property is undeveloped, as are the adjacent laterite Plateaus.

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### *Geology Setting*

#### Regional Setting

Southeastern Cameroon lies within a region of metamorphosed Proterozoic rocks ranging in age from 1800 to 600 million years and extending across parts of several west-central African countries. In southeastern Cameroon, several assemblages of such metamorphic rocks have been mapped and named. In the Nkamouna Project area, the Mbalmayo-Bengbis Series, one of several series comprising the Intermediate Series, consists principally of chloritic and sericitic schists and quartzites. Also included in the series are extensive metamorphosed felsic, mafic volcanic and volcanoclastic rocks. These rocks are post-Eburnean (i.e. younger than 1800 million years) and are cut by basic dikes. The original depositional age of the sediments was probably 1800 to 1400 million years, with metamorphism to almandine-amphibolite facies occurring about 1200 million years ago, likely coincident with the Kibaran Orogeny.

The schists and quartzites contain inliers of ultramafic rock, which were probably emplaced long after deposition of the original sedimentary rocks. Due to poor exposures, the contact relations are unclear, but the ultramafic bodies appear to be emplaced along north-trending regional fractures, which apparently allowed emplacement of ultramafic rocks of deep-seated origin.

#### Local Geology

The region within a 300-km radius of the Nkamouna Project Area in Cameroon, Gabon, Congo, and Central African Republic has few producing mineral deposits and few with near-term production potential. Most of this region of west-central Africa is underlain by Proterozoic granite-gneiss-schist terrains, broadly similar to the rocks in the Nkamouna Project Area. Within the region, ultramafic rocks, the original source of the cobalt and nickel, are confined to the Nkamouna Project Area. There has been no previous production of minerals from the Nkamouna Project Area.

Alluvial gold is exploited on a small scale from stream gravels in various parts of Cameroon, Gabon, Congo, and Central African Republic. Few statistics are available because all production in the region is from artisanal sources. In the southwest part of the Central African Republic, alluvial gold is accompanied by small quantities of alluvial diamonds in streams which drain Cretaceous sandstone and conglomerates exposed further east. The Cretaceous formations do not extend into Cameroon.

Deposits of iron ore are reported to exist in south-central Cameroon, north of the Gabon border, but little information is available about these deposits. The UNDP also evaluated several iron ore and limestone deposits. At Belinga in northeast Gabon, a stratiform iron deposit contains several hundred million tonnes of 64% iron, but with high phosphorus content (+0.1% P). This deposit has not been exploited on an appreciable scale.

Small amounts of alluvial tin and rutile are extracted from streams in the region, also in quantities that are locally important to village economies but are not industrially significant. Limestone deposits occur in the Proterozoic rocks, about 50 km southeast of Lomie. These deposits were drilled by the UNDP in 1981, but they have not been exploited on a large scale.



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Elsewhere in Cameroon, mining of non-fuel minerals is in its infancy, with one cement plant being the only sizeable mineral producer. Occurrences or resources of bauxite exist in northern and western Cameroon. An aluminium smelter near Douala processes only imported alumina. There is little in the way of a mining culture or infrastructure in the country at present.

### Property Geology

The cobalt-nickel deposits are hosted in residual laterites which have formed by prolonged tropical weathering of serpentinites. Large areas of mineralized laterite, each several square kilometers in extent, have been preserved on low-relief mesas or plateaus underlain by ultramafic rocks that stand above the surrounding dissected lowlands. Nkamouna and Mada are two such plateaus. Most of the plateaus are underlain by ultramafic rocks, with some areas of schist, phyllite, and quartzite. The surrounding lowlands are underlain by schists, phyllites, quartzites, and meta-volcanics of the Intermediate Series. The bedrock geology at Nkamouna has been mapped by Geovic geologists through a combination of natural exposures, soil mapping, and, most importantly, observation of weathered or fresh rock encountered in pits and drillholes. Mapping of detailed structures, attitudes of foliation or fractures, etc. is generally not practical except in the deeper pits. Rock from pits, drillholes, and rare exposures indicate that the fresh underlying rock at Nkamouna is a pervasively-sheared serpentinite.

Most serpentinites form from parental ultramafic rocks, as a result of hydration and shearing at moderate temperatures, either during emplacement of the ultramafic or during post-emplacement tectonism. At Nkamouna, petrographic evidence suggests that the parent rock to the serpentinite was probably a dunite (rock containing +90 percent olivine). Minor amounts of chrysotile asbestos, a common accessory mineral in serpentinites, are reported from one pit in the Mada area located beneath the mineralized zone. Metasedimentary rocks (quartz-muscovite schist, phyllite, and quartzite) occupy the borders of the serpentinite, and also occur as inliers within the serpentinites. Locally, lateritic soils with schist fragments overlie serpentinite bedrock due to the gravity-induced creep of soils down-slope.

### *Exploration*

Nickeliferous laterite deposits in southeast Cameroon were first discovered and investigated by the UNDP during 1981-1986, in a cooperative project with the Cameroon Ministry of Mines, Water and Energy. Following a regional stream sediment geochemical survey which indicated the likely presence of laterite nickel mineralization, the UNDP project drilled eleven core holes in the Nkamouna area, which was the most accessible laterite area at that time.

Several of the UNDP holes intersected laterite and saprolite with interesting nickel and cobalt values. The first hole, KG-S-1, traversed 56 meters of lateritic profile and fresh serpentinite, with nickel values up to 1.00% and cobalt values up to 0.19%. Due to the remote location and the low nickel prices at the time, the discovery did not draw much attention.

The UNDP holes were undertaken several years prior to Geovic's investigations. The drill apparatus, technical personnel, sampling procedures, and assaying practice were entirely different from those used subsequently by Geovic. Therefore, PAH believes that inclusion of the UNDP drillhole data is unwarranted for resource calculations. These 11 holes represent less than one percent of the total sample openings at Nkamouna. In any case, the sites of most of the UNDP holes were subsequently surrounded by gridded Geovic drillholes and pits, and the effective influence of the UNDP holes on resource tonnage calculations is negligible.

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In January 1999, GeoCam received an Exploration Permit, PDR 67, that covered 4,876 square kilometers and specifically allowed exploration drilling. Geovic's program initially was based entirely on manually-dug test pits, and later incorporated drilling and limited trenching. The program began at Nkamouna and was later extended to Mada and 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 to provide government oversight as well as training. Geovic's core-drilling program began in 1999, after many hundreds of pits had been completed. A total of 23 holes were drilled in the northeast part of West Nkamouna, on an approximate 100-meter grid.

A Mining Convention was signed on July 31, 2002 by the Ministry of Mines, Water, and Power of the Republic of Cameroon that defined the general, legal, financial, tax, economic, administrative, customs, social, land and environmental conditions under which GeoCam shall undertake the mining of cobalt, nickel, and their associated substances within GeoCam's Exploration Permit area. On April 11, 2003, Mining Permit No. 33, which replaced the Exploration Permit, was issued by decree granting an exclusive right to GeoCam to exploit the deposits and the area was reduced to 1,250 square kilometers, which includes approximately 337 square kilometers of cobalt-nickel mineralized lands.

In 2002, Geovic imported an Australian-designed, truck-mounted machine. Holes drilled with this machine are referred to in Geovic reports as "air core" holes, but intact core is not produced, only drill cuttings typical of reverse-circulation drilling. Reverse-circulation holes were drilled between May 2002 and September 2003, when 176 holes totalling 3,690 meters were drilled at Nkamouna. Most of these holes were drilled as fill-ins on a series of lines which had already been sampled by pitting, generally at distances greater than 100 meters between drillholes. Several of these were twins (within 5 meters) of previous pits, and several others were later twinned by pits sunk on the drillhole collar. Twenty-two holes were drilled on a tight grid of approximately 15 x 15 meters in West Nkamouna, to test the short-term variability between holes.

By 2003, Geovic had largely completed the pitting program at Mada. Much more intensive work was carried out on the nearby Nkamouna Project, due to the better access there utilizing recent logging roads.

By 2004, Geovic had largely completed the reconnaissance sampling and had undertaken pitting and drilling programs of varying densities at Nkamouna where access was greater due to recent logging operations, with an eye toward defining deposit parameters for an eventual feasibility study.

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### *Mineralization*

Cobalt-nickel mineralization in the Geovic deposits occurs within the weathering profile overlying sheared, serpentinized ultramafic rocks. The lateritic weathering profile averages about 20 meters thick, but exceptionally extends to 40 meters near ridge crests or in fracture zones. The mineralized laterite forms lenses which average a minimum of about 10 meters thick. The lenses often lie generally parallel to the rolling topography of the Nkamouna plateau. They are relatively smooth on top, but irregular on the bottom, where weathering has penetrated downward into fractures and shear zones in the underlying serpentinite.

Most of the economic mineralization in each deposit is in one interval containing about 1 meter of ferricrete breccia and 4 meters of ferralite. The ore types are characterized geologically by their mineral content, bulk composition, and texture, as described below. The deposit's unusual concentration of the coarsely aggregated ore mineral asbolane is highly significant, as is the thick ferricrete breccia and abundant maghemite.

The Cameroon laterite profiles, similar to those elsewhere in humid tropical environments, show a strong vertical zonation, which reflects the transition from unweathered host rock at the base, to highly-leached residues at the surface. The Cameroon laterites depart from the norm somewhat, in possessing two layers of iron-rich laterite, between which lies ferricrete breccia. The lower portion of the profile under the breccia includes the limonitic ferralite and underlying saprolite zones which are more typical of humid tropical laterite profiles.

Descriptive details about these units are below, modified slightly from Geovic descriptions. Most of the Geovic reports refer to Nkamouna material, but perusal of logs from Mada show a similar stratigraphy.

***Upper Laterite (UL).*** 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. This unit will be easy to excavate for completing test shafts and for mining.

***Ferricrete Breccia.*** Beneath the Upper Laterite is a nearly ubiquitous horizon of ferruginous concretions, ranging in size from pisolites one or two cm across, to blocks larger than a meter across. Large blocks have complex structures, characterized by multiple stages of brecciation, with vesicular, tubular structures, and amoeboid shaped cavities. They are composed of agglutinated pisolites and angular ferricrete fragments, with some limonitic matrix. Ferricrete fragments are typically dark red outside and varicolored on fresh surfaces. Where the blocks were large enough to impede deepening of pits, the ferricrete breccia was formerly referred to as Hardpan ( HP ). The ferricrete breccia averages 6 to 8 meters thick, and was often divided into two or three units by project geologists.

The Upper Ferricrete Breccia ( UB ) is typically pisolitic and relatively low in cobalt and nickel except locally where stained with black manganese oxides.

HP is the most highly-cemented ferricrete breccia and is very difficult to penetrate with hand tools. It forms outcrops in some areas, particularly at the borders of the lateritic plateaus, and averages 2 meters thick. Where present, it grades upward and downward into UB and LB, respectively.

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The Lower Ferricrete Breccia ( LB ) consists of reddish concretions, with abundant black manganese oxides, texturally similar to UB, with a matrix of Ferralite ( FL ). It is typically 1 to 2 meters thick, and +2% cobalt may occur at the base, especially where concretion-like aggregates of asbolane occur. It is hard to dig with hand tools.

**Ferralite (FL).** Limonitic laterite, sometimes pulverulent, mottled, with varied shades of black, yellow, brown and red. Often foliated, reflecting relict serpentinite textures. Local maghemite occurs near top. Thickness varies from a few meters to tens of meters, averaging near 8 meters. Consistently mineralized with good metal grades near the top where black manganese zones occur, moderate to low cobalt grades lower in the unit. The MgO content is very low, averaging about 0.5% MgO, part of which is present as non-reactive MgO in spinel (i.e., magnesian chromite). This unit is easy to moderately easy to excavate for completing test shafts and for mining.

**Silcrete (SI).** This highly-discontinuous unit may lie at the boundary between the Ferralite and the upper Saprolite. It 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 low metal contents and is very hard to dig. It is generally interpreted to mark a former water table, and often occurs just above the current water table.

**Saprolite zone (SP).** Composed of green, sticky clay with less than 50% fragments of partly weathered serpentinite, grading downward into foliated, fractured serpentinite. May have silica-filled steep fractures. Relatively poor in cobalt, often rich in nickel. Averages 1.5 meters thick. Moderate to hard digging. Saprolite typically contains less than 40% iron and elevated MgO (15 to 30%).

**Serpentinite (SE).** 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. Relatively hard. Rarely encountered in pits, mainly in drillholes. Magnesium grades are typically greater than 35% and iron contents are usually less than 10 %.

**Water Table.** The depth to the water table was recorded in 32 of the Geovic reverse-circulation drill holes. In all but seven of these holes, the water table was between 12 and 25 meters below surface, and was usually within the Ferralite or at the upper limit of Serpentinite.

The minerals of economic interest in the Nkamouna laterites occur in general, as fine-grained clay-like or concretionary masses, and are only occasionally identifiable as discretely visible mineral specimens. One exception is gibbsite, which may occur as mammillary masses or vug-fillings of radiating transparent to milky white crystals several millimeters long. Of great significance is the size of asbolane agglomerates and wad that host the cobalt and almost all of the manganese.

The key mineral in the Geovic deposits, which hosts the cobalt, most of the manganese, and a significant part of the nickel, is asbolane. Between one-third and one-half of the deposit's nickel is hosted in asbolane.

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This mineral is sometimes referred to as asbolan or asbolite in the scientific literature, or wad or cobalt wad as field terms. Asbolane is widespread in nickeliferous laterites, but elsewhere is usually present in very small amounts and is normally inconspicuous as black blebs on fractures. Individual asbolane crystals have hexagonal symmetry, a Mohs hardness of 6, and are very dark in color. Typically, individual crystals are rarely visible to the naked eye or a hand lens; rather, the mineral forms blackish patches or crusts on fractures and cavities. The asbolane occurrence at Nkamouna is unusual in that it occurs as both discrete platy crystals and in larger and coarser crystal aggregates and fine-grained wad up to 5 cm in diameter, sometimes as concretion-like nodules with chromite and goethite. It also occurs as a fine intergrowth with chromium and iron oxides and hydroxides.

Asbolane is critical to the Nkamouna Project economics, because it occurs as coarser aggregates of microscopic crystals, the aggregates being separable by crushing and wet screening from the pulverulent iron-oxide minerals and clays. The resulting coarse fraction contains most of the cobalt and manganese, and a significant portion of the nickel in the raw material, resulting in a significantly upgraded concentrate prior to leaching.

### *Drilling*

Because the GeoCam deposits are secondary, which represent the decomposition products of bedrock, they present the data-generation issues which are typical of laterites: sampling of intermixed material which ranges from very soft to very hard, and which varies greatly in metal grade from one particle to the next, especially in the ferricrete breccia lithologies.

The only drilling on the properties has been at Nkamouna. The majority of all samples have been obtained by developing pits or shafts of a nominal 1.2 meter diameter.

Most of the sampling at Nkamouna, and nearly all sampling in the other laterite areas, has been by pitting, with a lesser amount from drilling. Direct sampling of outcrops and trenches is almost entirely limited to Trench 1 at Nkamouna.

The majority of Geovic's resource sampling has been hand-dug pits. Geovic has historically referred to the pits as both pits or shafts. In the Nkamouna area, Geovic has excavated 1,099 pits. The pit sampling program continued during drier weather in East Nkamouna, the area east of the Kongo-Ndu road, until September 2004. Pits are numbered from 101 to 1400 (with gaps). The density of pitting varies from about 50 x 50 meters to 150 x 200 meters, but is not uniformly gridded.

Two trenches have been excavated at Nkamouna. The first extending 20 meters east from the site of Pit 923. Dug by hand, it is up to 8.5 meters deep, and has a 5-meter north-to-south extension in the middle. The trench is located on the western edge of the Nkamouna plateau, west of some natural exposures of ferricrete, at a location where the Upper Limonite has apparently been removed by erosion. Thus most of the trench exposes ferricrete, not reaching the ferralite or saprolite. The trench site was selected by Geovic primarily to determine whether blasting is necessary in the ferricrete. The second trench was excavated in the southeast part of Nkamouna. This trench was excavated with bulldozers and included deepening by hand dug pits. Results from this trench have not been completed and no data from the second trench been used in the resource estimation.

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**United Nations Drillholes.** The first documented samples ever taken at Nkamouna were the eleven holes drilled by the UNDP in the mid 1980s. The UNDP used a J.K. Smit Model 300 diamond-drill rig. PAH examined the original drill log for hole KG-S-1, at Nkamouna. This hole was collared with a BQ bit (36.5 mm core OD) to 6.0 meters, then deepened to 53.5 meters with an AW bit (30.0 mm core OD), and finished to sound serpentinite at 56.75 meters with an AG (28.5 mm core OD) bit size. The recovery in hole KG-S-1 was only about 50% in the top 6 meters, but increased with depth as more competent laterite was encountered, averaging about 90% below 6 meters.

The UNDP holes were undertaken several years prior to Geovic's investigations. The drill apparatus, technical personnel, sampling procedures, and assaying practice were entirely different from those used subsequently by Geovic. The sites of most of the UNDP holes were subsequently surrounded by gridded Geovic drillholes and pits, and the effective influence of the UNDP holes on resource tonnage calculations would be negligible.

**Geovic Core Drillholes.** No further drilling was undertaken at Nkamouna until Geovic's core-drilling program in 1999, after many hundreds of pits had been completed and an exploration permit was obtained over the mineralized areas. The first rig used was a trailer-mounted 20-horsepower core drill which could be hand-pushed along forest trails to minimize environmental impacts in prospective areas. A total of 23 holes were drilled (NKM-21 to NKM-43) in the northeast part of West Nkamouna, on an approximate 100-meter grid. The maximum depth reached was 33 meters, with an average hole depth of 26.1 meters, for a total of 600 meters drilled.

Recovery was generally good. In the limonite horizons (upper and lower), it was 90% on average, and 40 to 90% in breccias. In the saprolite, it was consistently below 70% with values of 30% recorded in zones containing serpentinite fragments. Since most of the economically-mineralized material at Nkamouna is lower ferricrete breccia or ferralite, the recovery in these zones of interest was probably near 90%.

**Reverse-Circulation Drillholes.** In 2002, Geovic imported an Australian-designed, truck-mounted machine. Holes drilled with this machine are referred to in Geovic reports as "air core" holes, but intact core is not produced, only drill cuttings, typical of reverse circulation drilling.

This machine uses three chisel-type or finger-type tungsten carbide bits to cut the laterite, and recovers material by air or water flushing through the inner pipe of a double-walled reverse-circulation recovery system, from the bit to the surface. The outer tube has an external diameter of 74.4 mm, while the inner tube has an internal diameter of 36.6 mm. The drill uses compressed air or water with Baroid mud at 150 psi as the drilling fluid. Water was used to flush the drill stem, bit, and cyclone between one-meter sample runs. The drill pipe is in 3-meter sections.

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A two-person drill crew and three labor assistants attend the drill, plus a geologist. Set-up time and tear-down time is 5 to 10 minutes. A 30-meter hole can typically be drilled in 2 hours, when no drilling difficulty is encountered.

The reverse-circulation drill was used between May 2002 and September 2003, when 176 holes (NKM 1010 to 1185, plus NKM-3.3) totalling 3,690.25 meters were drilled at Nkamouna. Most of these holes were drilled as fill-in holes on a series of lines which had already been sample by pitting, generally at distances greater than 100 meters between drillholes. Several of these were twins (within 5 meters) of previous pits, and several others were later twinned by pits sunk on the drillhole collar. About 20 holes were drilled on a tight grid of approximately 15 x 15 meters in West Nkamouna, to test the short-range variability from one hole to the next.

### *Sampling and Analysis*

Geovic maintains a sample-preparation facility at the Kongo Camp, where samples are prepared for assay. PAH reviewed the procedures in detail, and photographed each stage. The sample bags normally used by Geovic are white double-thickness polyester, with a drawstring at the neck and a label sewn inside the neck. The geologist writes the sample identifier on the inside label and on the outside of the bag, with a permanent marking pen.

Most of the sample points were exposed and sampled by test pits, dug using simple hand tools by local labor crews. A gasoline-driven air blower and 20 meters of vinyl tubing are normally available to provide air when a pit is poorly ventilated, usually at a depth of more than 13 meters. Each pit is normally circular in section and 1.2 meters in diameter, although the diameter may vary slightly.

Spoil not included in the sampling program from the pit is deposited in piles around the pit, but is not rigorously segregated by depth interval. Changes in texture (breccia, limonite) or conspicuous changes in color warranted segregation. A sample is collected each meter by cutting a rectangular groove in one wall of the pit, measuring 10 by 5 cm. When more than one sample is collected from an interval concurrently, these are oriented following the main cardinal compass points. Each pit is visited once or several times daily by a geologist to log geology, check channel progress, collect the samples from the intervals extended in his absence, and to decide whether to continue digging.

The trench in Nkamouna West was intensively sampled after excavation, by channel samples. Since the trench represents effectively only one sample point in a previously-pitted area, and because the main purpose of the trench was for geotechnical information, the trench samples were not used in the resource calculations.

Sample intervals generally varied between 0.5 and 1.65 meters. Each interval was logged by color and texture, and by mineralogy where noted. All samples were analyzed for nickel, cobalt, manganese, chromium, copper, zinc, lead and MgO. Composites representing 5 to 10 meters were analyzed for Fe<sub>2</sub>O<sub>3</sub>.

The Geovic diamond-drill holes drilled in 1999 were sampled at 1.0- or 1.5-meter intervals generally, although there were many exceptions due to geological breaks and coring intervals. Core from the laterite zone (earthy) was air-dried, crushed, split and halved, with one half sent for assay. The core from the partly weathered, hard serpentinite was cut into two equal parts along the vertical axis of the core, and one part was forwarded for assay while the other was left as backup in the sample store.

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Geovic's reverse-circulation holes, drilled during 2002 and 2003, were almost invariably sampled at one-meter intervals. The reverse-circulation pathway, including the cyclone and collection buckets, was flushed with water after collection of each one-meter interval, to prevent cross-contamination. The sample expelled by the cyclone, including the water used to flush the sample pathway, was logged by the drill geologist for geology, and drilling parameters (for example, wet vs. dry, hardness, and unusual sample volume).

After the sample-recovery bucket has stood until most fines had settled, the clear water at the top was decanted, and the wet sample placed in a previously-labelled bag. At the end of the day, the bags were transported to Kongo Camp.

As is typical of reverse-circulation drilling, precise measurement of the recovery percentage was not possible.

Water-soluble polymer ( Baroid EZ Mud ) was used to maintain recovery in clay-rich intervals in the lowermost ferralite and upper saprolite horizons. It is recognized that sample recovery in these intervals was unsatisfactory, but these horizons are rarely of economic cobalt grade.

Geovic commissioned a careful study of potential down-hole contamination. The prominent manganese spike typically present near the base of the breccia in drillhole assays revealed that vertical cross-contamination is negligible, since the manganese spike in drillholes is just as sharp as it is in channel samples taken from pits.

Upon arrival from the field in polyethylene woven bags, the samples are stored in a sheltered locality until processed. Each bag is opened, the sample placed in a steel tray for drying, and an aluminium tag bearing the information on the sample bag placed on the tray. After drying, the sample is quartered, placed in a clearly labelled plastic bag, with the location and interval. Another aluminium tag is prepared which accompanies the sample, all the way to arrival and re-coding of samples in the U.S. The aluminium tag placed in the steel tray before oven drying remains with the back-up sample on the shelves in the warehouse.

Drying of samples is accomplished in a wood-fired oven. The temperature is not recorded, but appears to be in the vicinity of 100 degrees C, plus or minus 20 degrees. Samples are examined manually from time to time to determine the degree of dryness, and normally after six or seven hours are judged to be sufficiently dry for further processing.

Upon removal from the oven and cooling, each sample is inspected visually for oversize material (coarser than approximately 2 cm). Oversize material is manually crushed in a mortar and pestle and returned to the sample tray. At this point, the dried sample is reviewed again by a geologist to ensure that the on-site logging did not miss important features due to excessive mud in the case of RC drilling samples or poor light.



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The sample is then split in a Jones-type riffle splitter with openings measuring 10 mm. Normally a 200-gram dried sample is weighed and bagged for shipment to the assay lab. All remaining reject is bagged and stored at Kongo Camp.

The shipment of samples follows the Australian Code for Reporting of Minerals and Ore Reserves (the JORC Code) procedures regarding chain of custody. Samples are shipped by vehicle to Geovic's office in Yaoundé, whence they are delivered to a common carrier for air-freighting to North America.

From 1995 until early 1999, Geovic contracted the Ministry of Mines geologists and engineers to oversee the Quality Assurance/Quality Control (the QA/QC) for Cameroon samples. All but the later 64-samples were sent to Bondar-Clegg (Intertec Testing Services, No. Vancouver, British Columbia) for assaying cobalt, nickel and some chromium and manganese. Bondar-Clegg pulverized the samples to minus-150 mesh, then inserted duplicates and standards into the sample stream before analysis. The last 64-samples were handled by Mintec.

From 2002 until early 2004, Geovic, on behalf of GeoCam contracted Mintec, to oversee the QA/QC for Cameroon samples. Mintec provided new 4-digit sample numbers to each sample, before sending the samples to Actlabs Inc. (Actlabs) in Tucson. Actlabs then pulverized the samples to minus-150 mesh and returned the pulps to Mintec. Mintec then inserted duplicates, standards, and blanks into the sample stream prior to returning the pulps to Actlabs for analysis.

It is apparent to PAH that Geovic personnel, R.K. Duncan & Associates, and Mintec have paid close attention to sampling and sample-processing techniques, and have varied the techniques from time to time, based on careful analysis of results, including comparisons between different methods. PAH believe that Geovic's collection and handling of samples meet or exceed industry standards for laterite projects, and that any limitations on precision and accuracy of samples are those limitations inherent in the laterite deposits themselves and in assaying technology.

Bondar-Clegg initially used 3-acid digestion of samples (HF, HCl, and HNO<sub>3</sub>) and low-level AAS in 1995. Later, Bondar-Clegg used 4-acid digestion (HF, HCl, HNO<sub>3</sub>, and HClO<sub>4</sub>) with ICP analyses (1999-2001). Actlabs used 3-acid digestion and ICP analyses. Geovic switched to Actlabs in 2002 in order to pay for one-half of the analyses with a U.S. Trade and Development Agency (USTDA) loan, requiring a certified, U.S. based laboratory.

Between January 2003 and January 2004, a total of 3,359 sample results were shipped to Actlabs for processing at an assaying cost of US\$11.90 per sample. Of these, 3,095 were original samples from Nkamouna, plus 39 second splits and 162 standards included with Nkamouna samples. (The remaining 63 samples during this period were from the Mada deposit, north of Nkamouna.) Altogether, more than 14,000 Nkamouna samples were assayed for cobalt and nickel during 1995-2004. Many of these samples were also assayed for manganese and other elements and compounds.

The samples received at Bondar-Clegg and Actlabs in Tucson were dried for 24 hours at 150°C. According to the mineralogical literature on asbolane, there should be no loss of chemically combined water or hydroxyl ions below 150°C. Thus the subsequent assays reflect intact dry asbolane, which is lacking only any loosely-bound water that is not included in the calculated dry tonnes of mineral resource.

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Actlabs facilities are accredited to ISO/IEC-17025 and CAN-P-1579 (Canadian) standards, and are thus as fully accredited as a commercial mining assay laboratory.

Following the drying at Actlabs facilities, as discussed above, pulps of Geovic samples were digested in a 3-acid solution and 4-acid solutions and analyzed primarily by the ICP-OES (Inductively Coupled Plasma Optical Emission Spectrometry) method for Co, Ni and Mn. The 3-acid digestion is normally sufficient to dissolve all minerals typically present in the Nkamouna samples.

Various other appropriate methods were used for occasional analyses of 34 other elements (Pb, Zn, Cu, Cr, V, Mg, Al, Sc, Zr, MgO, SiO<sub>2</sub>, etc.) for bulk samples and other specialty samples.

### *Security of Samples*

Various inter-laboratory checks have been undertaken by Geovic on behalf of GeoCam throughout the life of the project.

In 1999, K.D. Engineering Co Inc. ( Global Engineering ) of Tucson, Arizona, visited Nkamouna and undertook to re-sample eight exploration pits. Samples were taken separately from one-meter intervals in channels in the east and west wall of each pit. Splits of each crushed sample were sent for pulverizing and assay to three different laboratories: International Plasma Laboratories (Vancouver); Bondar Clegg Intertek Testing Services ( Bondar Clegg ) (Vancouver); and, Genalysis Laboratories ( Genalysis ) (Perth, Australia). The laboratories did not include Actlabs, which subsequently assayed the greater bulk of Nkamouna samples. K.D. Engineering's report indicates that Genalysis and Bondar Clegg agreed closely on cobalt assays (difference of less than 2% relative, and a Coefficient of Determination ( R<sup>2</sup> ) of 0.987), whereas the International Plasma results averaged more than 10% low, with R<sup>2</sup>, of less than 0.95 when compared to either of the other two labs. No further samples were analyzed by International Plasma.

The samples assayed by Actlabs were submitted to both Actlabs and Geovic's independent QA/QC checks. The use of second splits and sample standards are universally recognized methods to provide confidence in the assaying reliability.

The Actlabs laboratory runs assay batches of 24 prepared pulp samples, comprising 20 samples plus repeats on the 1st and 20th samples of each batch, in addition to two in-house standards. One sample per client's submitted batch of 20 is reweighed along with both an in-house and a certified reference standard of known cobalt-nickel-manganese content. Actlabs' internal checks allow for a maximum acceptable variance of 2% for duplicates and standards.

Geovic undertook a comprehensive program of comparing second sample splits from Nkamouna. The pairs of samples extracted from the same sample intervals show a high degree of correlation for cobalt, nickel and manganese, providing confidence in the ability of Actlabs to generate reproducible assay results from similar sample material. Although the sample-split campaign did not include Mada, there is every expectation that similar results would accrue, given the similarities in geology, sampling methods, and analytical methods.

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The 39 second splits for which assay results have been received, distributed throughout 35 sample submission shipments, were extracted from the same sample rejects stored at the Project Camp (Kongo) as the original samples. Once an original 200 gram sample was drawn, the reject was remixed (further ensuring complete homogenization) and a second sample was drawn and had a 'D' added to the sample number. After sample preparation by Actlabs, all sample pulps were assigned an individual number by Mintec prior to the actual assaying at Actlabs.

At the request of Geovic on behalf of GeoCam in 2003, Mintec fabricated five sample control standards of known cobalt, nickel and manganese value from on-hand Nkamouna material, thereby ensuring that there was no visual difference between the standards and regular samples. The results of 165 analyses of these five standards, distributed throughout 35 sample submission shipments, were received by January 2004.

Perusal of the results strongly suggested that some of the standards had been mislabelled or switched in 32 of the 165 submitted. Mintec personnel therefore examined the anomalous assays of standards, and were able to reassign most of them to the proper standard, according to the cobalt, nickel and manganese assays received. Three submitted standard samples did not match any of the five original standards, and it is likely that these three samples were switched with ordinary production samples at the laboratory. Three of 168 is about 2% probably not an atypical error rate for switching of samples in production runs. Nevertheless, given that Actlabs are an ISO-certified facility, PAH is prepared to accept the general veracity of the assays on Nkamouna samples.

### *Mineral Resource and Mineral Reserves*

This Section describes the resource and reserve model for the Nkamouna Project.

### Nkamouna Resource and Reserve Model

A mineral resource estimate was prepared for the Nkamouna area using a three-dimensional block model to estimate cobalt, nickel, and manganese grade for individual blocks with dimensions of 10 by 10-meters horizontal by 1-meter vertical. In addition, lithology codes and resource classification codes were defined for each block. This estimate updated the prefeasibility model with additional data, including: 162 deepened pits, five additional pits, and revised topography data. The 2007 assay database contains 4 percent greater assay intervals than the 2005 database. The updated resource estimation was done with Datamine Studio 3.0 geologic modeling software, although the methodology remains essentially the same.

Resources by definition are in-situ mineral occurrences that are quantified based on geological data, but may not necessarily be economic. The Company classification was established for each block based on the sample grid spacing model. Determination of the appropriate grid size for each resource class was based on the continuity of cobalt above a cut off rate of 0.10%. The mineral resource is summarized by class in Table 1. The cut off grades vary based on processing characteristics of each of the three main lithologic units.

**Table of Contents****TABLE 1****Geovic Mining Corp.****Nkamouna Project, Cameroon****Mineral Resource Statement**

<b>Lithology</b>	<b>Resource Category</b>	<b>Cutoff (% Co)</b>	<b>Tonnes (1,000 s)</b>	<b>Average % Co</b>	<b>Average % Ni</b>	<b>Average %Mn</b>
Upper Laterite	Measured	0.12	42	0.301	0.318	1.569
Upper Breccia	Measured	0.23	229	0.468	0.490	2.190
Ferricrete Breccia	Measured	0.23	1,447	0.527	0.550	2.689
Lower Breccia	Measured	0.23	2,905	0.448	0.545	2.228
Ferralite	Measured	0.12	26,839	0.226	0.689	1.178
<b>Total</b>	<b>Measured</b>		<b>31,462</b>	<b>0.263</b>	<b>0.667</b>	<b>1.352</b>
Upper Laterite	Indicated	0.12	44	0.272	0.291	1.371
Upper Breccia	Indicated	0.23	157	0.326	0.401	1.812
Ferricrete Breccia	Indicated	0.23	604	0.461	0.474	2.242
Lower Breccia	Indicated	0.23	1,588	0.426	0.480	2.059
Ferralite	Indicated	0.12	27,475	0.207	0.673	1.087
<b>Total</b>	<b>Indicated</b>		<b>29,869</b>	<b>0.224</b>	<b>0.657</b>	<b>1.166</b>
<b>Total</b>	<b>M+I</b>		<b>61,331</b>	<b>0.244</b>	<b>0.662</b>	<b>1.262</b>

The general procedure used for resource estimation was as follows:

In the prefeasibility estimate, the depth to the bottom of Upper Laterite (granular), breccias, and the Lower Limonite (ferrillite) were extracted from the geologic logs of pits and drill holes and edited to correct for partial-depth pits and holes. The prefeasibility model depths were used as the starting point for this estimate.

A triangulated DTM model was created to represent the depth from surface to the bottom of each geologic unit. The depths to the bottom of each surface were edited interactively in Datamine to add data for the new pits and to adjust for deepened pits. In addition, estimated depths below pits and drill holes that did not penetrate the bottom of some horizons were entered as needed. An improvement to the prefeasibility model is that extrapolation outside the area of pits/drill holes was limited to 150 meters using a 3-dimensional polygon that also controlled the limiting depth of the surface.

Based on cross-section plots of cobalt grade in the flattened model, it was observed that cobalt grade could be correlated parallel to the top of mineralization. The depth to the top of mineralized cobalt from the prefeasibility estimate was used as the starting point for the current model.

Based on cross-section plots of cobalt grade in the flattened model, it was observed that cobalt grade could be correlated parallel to the top of mineralization. The depth to the top of mineralized cobalt was extracted from the pit and drill hole assay data.

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A top-of-mineralization, or TOMI, model was created so that the top of mineralization in each drill hole was at a constant elevation. The advantage of this model is that the optimum correlation between the metal grades is horizontal and the shape and continuity of the mineralization can be viewed directly on plan maps. This model also went through several iterations of editing/remodelling to remove inconsistencies in the data from shallow holes that did not penetrate the top of mineralization and from multiple pits and drill holes within a few meters of each other.

Basic statistics, using the TOMI model, showed that there are three cobalt grade populations, including low-grade (poorly mineralized), mid-grade (mineralized), and high-grade (strongly mineralized). Manganese was found to have grade distributions similar in shape, but higher grade than cobalt, consistent with the strong correlation between cobalt, manganese, and asbolane. Nickel appears to be much more evenly distributed than cobalt and manganese and was found to only have two grade zones, mid-grade (mineralized) and high-grade (strongly mineralized).

Grade zones were defined for each metal as closed shapes in plan maps in the unfolded model.

Basic statistics were run within the grade zones to confirm the grade distributions and variograms were run to confirm continuity of grades within the zones.

Block grades were estimated for cobalt, nickel, and manganese using inverse-distance-power ( IDP ) estimation with grade-zoning controls. IDP estimation parameters were adjusted so the estimated block distributions adequately reflected mining selectivity.

A sample spacing model was prepared in the unfolded model system that measured the spacing of samples around each block. This model was used to classify the resources into measured, indicated, and inferred resource classes based on pit and drill hole spacing.

The individual 1-meter thick blocks from the flat model were composited into vertical stacks of blocks over the potentially mineable thickness. This process created a gridded-seam model that was used for estimation of reserves and mine planning.

Economic evaluation criteria are based on supplying a fixed 1,500 tonnes ore per day of product from the PUG plant to the process plant at an average of 1.56:1 Waste:Ore ratio. This yields an average mine production rate of 17,500 tpd with approximately 7,000 tpd of ore, and a maximum of 25,500 tpd for equipment sizing and operating cost estimation.

A net revenue cutoff of \$12.00 per tonne ore was used to define the ore. After the estimated economic costs and recoveries were applied to the resource model, a contour map was developed around the profitable blocks to represent the pit floor. This is similar to what a floating cone does in a three-dimensional model, but the Nkamouna resource model is more similar to a two-dimensional seam model.

The Nkamouna mineral reserves presented in Table 2 are classified as a Proven plus Probable. The mineable reserve summary is based on the \$12.00/tonne net revenue cutoff. Individual reserves by block include ore tonnes, cobalt grade, nickel grade, manganese grade, interburden and overburden tonnes. The mineral reserve is 53 million tonnes at a cobalt grade of 0.237% and a nickel grade of 0.719%. The economic analysis is positive at the metal prices of \$12/lb cobalt and \$3.50/lb nickel that were used to develop the mine plan and estimate the tonnages reported in the following table.

**Table of Contents****TABLE 2****Geovic Mining Corp.****Nkamouna Project, Cameroon****Mineral Reserve Statement**

CLASSIFICATION	MINERALIZED ZONE				INTERBURDEN	OVERBURDEN	TOTAL
	kTonnes	% Co	% Ni	% Mn			
Proven	28,868	0.264	0.690	1.406	NA	NA	NA
Probable	25,874	0.230	0.683	1.250	NA	NA	NA
<b>TOTAL</b>	<b>54,742</b>	<b>0.248</b>	<b>0.687</b>	<b>1.331</b>	<b>4,327</b>	<b>98,231</b>	<b>157,299</b>

*Mining Operations*

The Nkamouna Project will be mined as an open-pit utilizing hydraulic shovels and excavators and 54-tonne trucks as the primary mining equipment. The Nkamouna Final Feasibility Study (the FFS) considers an average annual mining rate of 8.5 million tonnes over the 19-year mine life. This includes 5.6 million tonnes of waste per year and 2.9 million tonnes of ore per year for an average stripping ratio of 1.87 to 1. The mine plan was developed from the resource model by creating blocks around the resource that are approximately 150 meters wide and 500 meters long. The 150 meters wide blocks were developed on logical breaks in the resource model and are not uniform in dimension. The average grade and value of each block was then determined.

Design of the ultimate pit was based on mining the higher valued blocks first with a natural development of the block sequence to allow backfilling of the blocks. The blocks are developed in a direction progressing downhill. This minimizes the haul distance in the early years by first developing the blocks closest to the plant.

Mine design started with the completion of the resource model. The seam model was then diluted to represent the thickness expected to be mined using reasonably selective equipment and methods. The dilution is based on a minimum of one meter of ore so that less than one meter is considered waste and if the inter-burden between ore layers is less than 2 meters it is taken with the ore. There were many areas where the inter-burden was 1 to 2 meters in thickness with some low grade values and it was determined that it would be easier to mine this with the ore than try to segregate the waste, thereby simplifying the mining method. The ore zones become much more uniform by allowing 2 meters of low grade interburden to be mined as ore.

All major access and haul roads will be crowned with sufficient thickness of screened ferricrete breccia mine waste and compacted to create road surfaces that will minimize interruptions to project operations during rainy seasons.

Mine equipment requirements were developed from the annual mine production schedule, based on the mine operation schedule, equipment availability, and equipment productivities. Mine production was based on an equipment fleet which includes 6.5-m<sup>3</sup>

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hydraulic excavators and shovels, 6.9-m<sup>3</sup> wheel loaders, 54-tonne haul trucks, and 152-mm diameter truck-mounted auger drills. The location of the PUG plant and waste dumps or backfill repositories were used to calculate truck cycle times and estimate production capacity. The mining fleet is sized for a nominal 8 million tonnes per year mining rate. Production planning was based on matching truck fleets to the loader/shovel fleet based on respective cycle times.

Mine personnel includes all the exempt and non-exempt employees in operations, maintenance, engineering, and geology departments. The salaried mine staff comprises a maximum of 16 people during mine production which will include a maximum of 8 expatriates. Expatriates are expected to be replaced over time with a reduction to six by Year 2, four by Year 3, two by Year 4, and down to the Mine Manager from Year 5 through Year 19.

Plans are for the Nkamouna mine to operate two 12-hour shifts per day, 7 days per week for a total of 14 shifts per week. The mine operation schedule allows for 26 shifts per year being lost due to weather delays in the mine. It is envisioned that mining of ore would occur on both shifts in order to minimize stockpiling and re-handling.

Various independent consultants prepared a composite sample from the test concentrates produced by Mountain States Research and Development Inc. ( MSRDI ). The consultants completed a comprehensive series of bench-scale tests investigating the dissolution of the asbolane concentrate, purification of the resulting leach solution, solvent extraction and production of cobalt, nickel and manganese products. The consultants also completed a prefeasibility study of the Metals Recovery Plant ( MRP ). This study concentrated solely on the leaching and metals recovery operations. It included a conceptual design, preliminary equipment selection and capital and operating costs of several alternative scenarios.

Processing this unique ore starts with crushing, attritioning and particle sizing to produce a high-grade, coarse concentrate. The PUG plant will be fed from stockpiles using a wheeled loader and direct dumping from ore haulage trucks. The plant basically consists of a receiving hopper and two stages each of crushing, attritioning and particle classifying to produce coarse, high-grade concentrates (-1 inch x +48 mesh), low-grade middlings (-48 mesh x +200 mesh) and fine tailings (-200 mesh). The concentrate will be conveyed to a receiving bin at the process plant. As 64% of the cobalt is concentrated in only 21.5% of the ore weight, the process plant size is much smaller and financial performance is dramatically improved compared to processing run-of-mine ore.

The PUG plant throughput at a nominal 7,000 tpd will generate 4,700 tpd of fine tailings, 800 tpd of middling concentrates and 1,500 tpd of feed to the MRP. The PUG tailings will be disposed of in the Napene Creek TSF. The middling concentrate will be backfilled and stored in separate areas of the mine.

The average annual mining rate is 8.5 million tonnes over the 19 year mine life. This includes 5.6 million tonnes of waste per year and 2.9 million tonnes of ore per year and results in an average stripping ratio of 1.87 to 1. Conventional truck and shovel mining methods will be utilized with the processing of ore at 9,000 tonnes per day yielding an average annual production of 9.2 million pounds of cobalt and 7.0 million pounds of nickel.

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Processing operations are designed to produce high purity cobalt and nickel oxide products that are directly marketable or readily converted into cathodes or other chemical compounds. Plant operations during the initial 19 years are estimated to recover 158 million pounds of cobalt and 129 million pounds of nickel.

The total initial capital is approximately \$397 million, with an additional \$51 million of sustaining capital required over the 19-year mine life. The 24-month construction period also includes \$18 million of costs that are treated as expenses for tax purposes. The cash operating cost per pound of cobalt produced is \$3.12 after by-product credits, including direct and indirect costs and production taxes.

Several economic models were prepared, including a Base Case, a Reserve Case, a Leveraged case, and a High Price Case. The reserve case used prices per pound of \$15.55 cobalt and \$3.75 nickel to establish reserves in the mine plan, whereas the base case and the leveraged case used three-year average metal prices and the High Price case uses \$35.00 per pound of cobalt and \$12.00 per pound of nickel. The base case economic analysis generates an estimated after tax net present value ( NPV ) of \$695 million (at an 8% discount rate), and an internal rate of return ( IRR ) of 33.0%. Project payback is estimated at 2.9 years based on these assumptions. Total before-tax cash flow is \$2.53 billion.

Additional sensitivity models were prepared that varied the capital and operating costs, metal prices and metal recovery. Table 4 summarizes the project economics for the Nkamouna Project.

**TABLE 3****Geovic Mining Corp.****Nkamouna Project, Cameroon****Economic Evaluations**

<b>Case:</b>	<b>Reserve</b>	<b>Base</b>	<b>Leveraged</b>	<b>High Price</b>
<b>Cobalt Price (\$/pound)</b>	<b>\$ 15.55</b>	<b>\$ 20.08</b>	<b>\$ 20.08</b>	<b>\$ 35.00</b>
<b>Nickel Price (\$/pound)</b>	<b>\$ 3.75</b>	<b>\$ 11.16</b>	<b>\$ 11.16</b>	<b>\$ 11.16</b>
<b>Project Economics Pre-Tax (\$ millions)</b>				
Cash Flow	794	2,529	2,405	5,185
NPV @ 8%	210	988	965	2,199
NPV @ 10%	139	796	788	1,822
IRR	12.7%	39.5%	63.4%	74.3%
<b>Project Economics After Tax (\$ millions)</b>				
Cash Flow	559	1,792	1,721	3,668
NPV @ 8%	129	695	704	1,565
NPV @ 10%	75	555	577	1,295
IRR	10.5%	33.0%	56.1%	61.4%
Cash Operating Cost (\$ per pound Cobalt) <sup>(1)</sup>	\$ 8.50	\$ 3.12	\$ 3.12	\$ 2.87
Payback (years)	5.5	2.9	2.0	1.7

<sup>(1)</sup> Note: Net of nickel by-product credit, and including production taxes.



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The following table reflects the reported annual average spot price for cathodes for cobalt and nickel as reported by Platt's Metals Week for Cobalt and London Metals Exchange for nickel for each of the last four years. This information was not included in the Technical Report.

	2007	2006	2005	2004
Price per pound cobalt	\$ 30.55	\$ 17.13	\$ 15.90	\$ 23.93
Price per pound nickel	\$ 16.86	\$ 11.02	\$ 6.69	\$ 6.27

**MADA PROJECT**

Information in this section is summarized, from the NI 43-101 Technical Report, Nkamouna and Mada Cobalt Projects, Cameroon dated March 12, 2007 prepared by PAH for Geovic and the Company on behalf of GeoCam (the Mada Technical Report ).

Portions of the following information are based on assumptions, qualifications and procedures which are set out only in the full Mada 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 Mada Technical Report which is available from the Company's website at [www.geovic.net](http://www.geovic.net).

**Property Description and Location**

The Mada Project is adjacent to and north of the Nkamouna Project. The closest village is Kongo Village, situated more than 8 kilometers (5 miles) from the Nkamouna Project. At present it takes about one hour to drive the 40 kilometres between Lomie and the Mada Project site.

**Accessibility, Climate, Local Resources, Infrastructure and Physiography**

Physical attributes of the Mada Project are essentially the same as for the adjoining Nkamouna Project, described previously. Nevertheless, GeoCam will need to develop a site specific environmental study of the Mada Project, much the same as was produced for Nkamouna.

The Mada deposit is relatively flat. There is a swamp and small depression in the center of the deposit. The deposit is a crescent shape about 8 kilometers from east to west and 14 kilometers from north to south. The perimeter of the deposit has an approximate elevation of 760 meters above sea level, with the lower central depression of 680 meters.

**History**

Between 1995 and 2003, Geovic carried out extensive pitting at Mada. This work was performed by Geovic employees and consultants on behalf of GeoCam.

The Mada property is undeveloped, as are the adjacent laterite mineralized terrains. Geology of the deposit is similar to the Nkamouna Project, described above.

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By 2003, Geovic had largely completed the initial pit digging program at Mada. Much more intensive work was carried out on the nearby Nkamouna Project. No drilling has been conducted at the Mada Project. All samples have been obtained by developing pits or shafts of a nominal 1.25 meter diameter. Accordingly the Mada deposit has not been as extensively sampled as the Nkamouna Project. Between 1995 and 2003, 322 pits were dug in the broader Mada deposit.

### **Mineralization**

Only 13% of the Mada pits were logged as penetrating the entire deposit profile reaching bedrock (schist, quartzite, or serpentinite), and many of these pits were outside the mineralized area. Consequently, sampling density at Mada is sparse. Nevertheless, during 1995-2003, Geovic shipped more than 3,200 Mada pit samples to accredited assay laboratories to determine cobalt, nickel, chromium and manganese content.

### **Deposits**

From a geological perspective, the Mada deposit is essentially indistinguishable from the Nkamouna Project. The only significant difference between the deposits is that the potentially mineralized area at Mada is approximately seven times larger than Nkamouna. A detailed drilling and sampling program began in the second half of 2007 with the object to try to establish ore reserves in the southern part of the deposit.

### **Mining Operations**

If ore reserves can be demonstrated, it is envisioned that the Mada Project will likely be mined as an open-pit similar to Nkamouna. No mine plan has been developed to date, and GeoCam will conduct extensive exploration on the Mada deposit in 2008 and thereafter, before taking steps toward development activities.

## **UNITED STATES MINING LEASES AND CLAIMS**

We are actively engaged in the strategic acquisition, exploration and development of other mineral properties to diversify our portfolio of mineral exploration and development opportunities. To that end, in 2007 we actively leased mineral properties and staked mining claims in the United States through our wholly-owned subsidiary, Geovic Energy Corp.

### *Arizona Properties*

Through geologic mapping and geochemical sampling, the Company has identified several new areas of gold and uranium mineralization in the Whetstone Mountains, located 64-kilometers (40-miles) southwest of Tucson, Arizona. The Company located 51 federal lode claims covering approximately 1,000 acres in the area of expected uranium-gold mineralization in the northern Whetstone Mountains in 2007. In addition to the indicated uranium mineralization in the area, the pre-Cambrian hosted shear zones also appear to contain anomalous fluorite, copper and gold. Based upon its initial findings, the Company leased approximately 16.8

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square kilometers (6.5 square miles) of state of Arizona mineral lands in the vicinity of the gold occurrence. The total cost of leasing the state land and staking the mineral claims was about \$24 thousand. The work commitment on the state mineral lands is \$41 thousand per year. The annual fee to hold the 51 mineral claims on federal lands is approximately \$9 thousand.

The Whetstone Mountain area where the claims are located was previously explored in the 1970s and 1980s by Rocky Mountain Energy (Union Pacific Railroad) and Unocal (Union Oil Co of California), at a time when members of the Company's management were employed by the latter company. Mining claims and other mineral properties held by those entities were abandoned by 1990. Related documentation compiled by those early operators show that the newly acquired properties have significant uranium oxide ( $U_3O_8$ ) mineralization. The mineral deposits are hosted in high-angle shear zones within the pre-Cambrian granite complex that forms the core of the Whetstone Mountains. The Company plans to re-drill the historic resource areas, and test for extensions of these zones along the pre-Cambrian hosted structures.

The Company collected 33 rock chip samples at the surface of a previously unexplored area, covering a zone 600 x 1,800 (185m x 550m), underlain by quartz stockwork and associated alteration features. These samples assayed up to 1.0 gram gold per tonne (1.0 gm/t), and averaged 0.1 gm/t. Additional sampling is planned, possibly followed by geophysical surveys before a drilling program is designed to test for economic gold concentrations within the indicated epithermal gold-quartz system.

### *Colorado/Wyoming Properties*

We have also targeted and are acquiring fee mineral leases over the known uranium deposits in the Denver-Cheyenne Basin of Northeastern Colorado and Southeastern Wyoming. These 15-year mineral leases cover large portions of the six (6) main known uranium deposits in Weld County, Colorado and Goshen County, Wyoming. As of the end of 2007, we have incurred approximately \$2.82 million in leasing costs to acquire approximately 15,500 acres believed to host historical uranium deposits at depths ranging from 120 feet to 600 feet below the surface. The acquired properties are focused on areas of shallow Cretaceous sandstone bearing roll-front uranium deposits in the Denver-Cheyenne Basin. These deposits are believed to average in excess of 7 feet of uranium mineralization, with average grades between 0.07 to 0.20%  $U_3O_8$ , as established by other operators in the 1970s, including Union Oil of California, by whom several members of management of the Company were then employed. Through the leases it now holds, Geovic has control over much of the known mineralized area in Eastern Weld County, Colorado and Goshen County, Wyoming. We incurred \$923 thousand of exploration costs related to these properties.

In addition to leasing private lands, we have applied for leases on federal lands containing expected uranium mineral trends in the Basin.

Geovic Energy Corp. is planning an extensive development-drilling program to re-confirm the historical resources, in preparation for establishing reserves. This will be followed, as soon as practical, with the completion of environmental (12-month water studies), and related engineering studies.

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**ITEM 3. LEGAL PROCEEDINGS**

We know of no legal proceedings, contemplated or actual, in which we are involved which could materially affect our business or the business of any of our subsidiaries.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matter was submitted to a vote of our security holders during the fourth quarter of our fiscal year ended December 31, 2007.

**Table of Contents****PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES****Price Range of Common Shares**

The Company's common shares previously traded on the TSX Venture Exchange (the "TSXV") under the symbol "REQ". Trading in the common shares of the Company on the TSXV was halted effective August 8, 2006 pending receipt and review by the TSXV of acceptable documentation regarding the Acquisition. From December 4, 2006 until November 16, 2007, the Company's common shares traded on the TSXV under the symbol "GMC". On November 16, 2007, the Company's common shares commenced trading on the Toronto Stock Exchange (the "TSE") under the symbol "GMC" and its common shares were delisted from the TSXV. The following table sets out the reported high and low sale prices on the TSXV and the TSE for the periods indicated as reported by the exchanges:

Year	Period	(Cdn\$)	
		High	Low
2006	1st to 3rd quarters <sup>(1)</sup>	n/a	n/a
	4th quarter <sup>(2)</sup>	3.25	2.27
2007	1st quarter	4.62	2.00
	2nd quarter <sup>(2)</sup>	4.40	2.80
	3rd quarter	3.58	1.90
	4th quarter <sup>(3)</sup>	3.38	1.30
2008	1st quarter <sup>(4)</sup>	1.73	1.21

Notes:

(1) During this period, trading would be for shares of Resource Equity Ltd. ("Resource Equity"). Prior to the completion of the RTO, Resource Equity had no relationship with Geovic or GeoCam.

(2) Trading on the TSXV under the symbol GMC, commenced December 4, 2006.

(3) The Company graduated from the TSXV to the TSE on November 16, 2007.

(4) Through March 18, 2008.

As of March 18, 2008 the last reported sales price of the share on the TSE was Cdn\$1.30.

As of March 24, 2008 there were 101,680,486 Common shares issued and outstanding. On that date we had 551 registered stockholders of record.

**Price Range of Warrants**

We have three outstanding classes of publicly-traded warrants. In connection with the RTO, we issued 2,999,996 transferable warrants that were listed on the TSXV under the symbol GMC.WT beginning December 7, 2006. We issued 10,800,000 warrants in connection with our First Offering and those warrants were listed on the TSXV under the symbol GMC.WT.A. We also issued



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4,792,100 warrants in connection with the Second Offering (including those issued in connection with the Over-Allotment Option) and those warrants were listed for trading on the TSXV under the symbol GMC.WT.B. All three series of warrants were delisted from the TSXV and were listed on the TSX on November 16, 2007. The following table sets out the reported high and low sales prices for the warrants for the periods indicated, as reported by the TSXV and TSX.

Series and Year		(Cdn\$)	
		High	Low
<b>Warrant GMC.WT</b>			
2006	4th quarter	1.60	0.20
2007	1st quarter	2.87	1.15
	2nd quarter	2.81	1.65
	3rd quarter	2.39	1.08
	4th quarter <sup>(1)</sup>	2.85	0.80
<b>Warrant GMC.WT.A</b>			
2007	1st quarter	2.25	0.75
	2nd quarter	2.25	1.52
	3rd quarter	1.55	0.69
	4th quarter <sup>(1)</sup>	1.65	0.76
<b>Warrant GMC.WT.B</b>			
2007	2nd quarter	1.50	0.80
	3rd quarter	1.10	0.35
	4th quarter <sup>(1)</sup>	1.20	0.37

Note:

<sup>(1)</sup> Reflects TSXV prices until November 17, 2007, and thereafter, reflects TSX prices.

On March 18, 2008, the last reported sale prices of the warrants on the TSX were: Warrant GMC.WT: Cdn\$0.75; Warrant GMC.WT.A: Cdn\$0.60 and Warrant GMC.WT.B Cdn\$0.325. On that date there were outstanding 2,999,996 million GMC.WT Warrants, 10,800,000 GMC.WT.A Warrants and 4,792,100 GMC.WT.B Warrants.

**Transfer Agent for Shares and Warrants**

The registrar and transfer agent for the Company is Pacific Corporate Trust Company, 2nd floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

**Dividends**

Since the RTO, we have never paid cash dividends. While the payment of any future dividends will be determined by our directors after consideration of our earnings, financial condition and other relevant factors, it is currently expected that our available cash resources will be utilized in connection with development and opening of the Cameroon Properties and the ongoing acquisition, exploration and evaluation programs which we expect to undertake. Therefore, we do not anticipate that we will declare or pay any cash dividends in the foreseeable future.

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**Recent Sales of Unregistered Securities**

During the quarter ended December 31, 2007 five holders of 37,158 warrants exercised the warrants for a total exercise price of \$65 thousand to purchase a like number of shares of common stock. The shares issued were restricted from transfer except in accordance with applicable United States and state laws and certificates representing the shares issued bear a restrictive legend to that effect.

**Performance Chart**

The following chart compares the total cumulative Shareholder return, assuming dividend reinvestment, for \$100 invested in shares of Geovic Mining on December 4, 2006 with the cumulative total return, assuming dividend reinvestment, of the S&P/TSX Composite Index and the S&P TSX Canadian Mining Index for the period from December 4, 2006 to December 31, 2007. The shares of Geovic Mining began trading on the TSX-V on December 4, 2006. The share performance as set out in the graph does not necessarily indicated future price performance.



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	December 4, 2006	December 31, 2006	December 31, 2007
Value based on \$100 invested in Geovic Mining Corp.	100.00	106.00	67.60
Value based on \$100 invested in S&P/TSX Composite Index	100.00	100.46	107.66
Value based on \$100 invested in S&P/TSX Canadian Mining Index	100.00	99.52	117.80

Note: All figures in this table are in Canadian dollars.

**Exchange Controls**

There are no governmental laws, decrees or regulations in Canada, where our common shares and warrants are publicly traded, that restrict the export or import of capital, including foreign exchange controls, or that affect the remittance of dividends, interest or other payments to nonresident holders of the securities of Geovic Mining.

**ITEM 6. SELECTED FINANCIAL DATA**

Set forth below is selected consolidated financial information for each of the five years ended December 31, 2003 through 2007. The financial statements from which this information is derived reflect the financial position and results of Geovic, Ltd., which was the acquiring entity in the RTO for financial reporting purposes.

We selected the balance sheet data and statement of operations information as of and for the four years ended December 31, 2007 from our audited financial statements. The Company has prepared the financial information for 2003 from the consolidated financial statements for the year ended December 31, 2003, which has not been audited. You should read the information presented below in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements of Geovic Mining and related notes included under Item 8 in this Annual Report on Form 10-K.

**Table of Contents****Selected Financial Data**

(in thousands, except share amounts)

	December 31,				
	2007	2006	2005	2004	2003
Exploration costs	\$ 9,189	\$ 3,465	\$ 872	\$ 1,273	\$ 1,435
Head office and management	3,276	1,593	909	637	628
Stock based compensation	2,111	1,052	959	1,655	2,041
Interest and bank charges	59	9	2	2	3
Depreciation	76	39	78	149	140
Interest income	(3,235)	(176)	(1)	(25)	(13)
Minority interest	(3,214)				
Income tax expense (benefit)	(414)	860			
Net loss for the year	(7,848)	(6,842)	(2,819)	(3,691)	(4,235)
Weighted average outstanding shares <sup>(1)</sup>	92,047	44,009	38,242	37,760	35,086
Loss per share	(0.09)	(0.16)	(0.07)	(0.10)	(0.24)
Total assets	82,936	9,732	1,171	290	1,232
Total long-term liabilities	241	241	241	241	1,457
Stockholders' equity (deficiency)	79,264	7,718	650	(580)	(224)

<sup>(1)</sup> Outstanding shares through 2005 have been adjusted to reflect the effect of the 2 for 1 stock split in connection with the RTO. The exploration costs in the table above relate to the Cameroon Properties.

**Summary of Quarterly Results**

The table below sets forth quarterly results for the last eight quarters ending December 31, 2007:

	2007				2006			
	Fourth	Third	Second	First	Fourth	Third	Second	First
Exploration costs	\$ 3,588	\$ 2,172	\$ 1,982	\$ 1,447	\$ 955	\$ 1,565	\$ 597	\$ 348
Head office and management	566	791	991	928	595	294	517	186
Stock based compensation	1,603	162	162	184	126	926		
Interest and bank charges	49	8	1	1	8	1		
Depreciation	35	14	15	12	9	8	11	11
Interest income	(1,256)	(900)	(840)	(239)	(120)	(43)	(7)	(6)
Minority interest	(1,600)	(714)	(901)					
Income tax expense (benefit)	(1,028)	242	338	34	226	395	161	78
Net loss for the period	(1,958)	(1,775)	(1,748)	(2,367)	(1,798)	(3,147)	(1,279)	(618)
Loss per share <sup>(1)</sup>	(0.02)	(0.02)	(0.02)	(0.03)	(0.04)	(0.07)	(0.03)	(0.02)

Note:

<sup>(1)</sup> Outstanding shares in 2006 have been adjusted to reflect the effect of the 2 for 1 stock split in connection with the RTO.

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### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

#### Management's Discussion and Analysis of Financial Condition and Results of Operations

##### **Overview**

This Management's Discussion & Analysis ( MD&A ) is intended to provide an analysis of Geovic Mining's financial results for the years ended December 31, 2007 and 2006 compared to the previous years. The consolidated financial statements for the 2006 and 2005 comparative periods are those of Geovic. These financial statements were prepared in accordance with United States generally accepted accounting principles. All amounts presented in the financial statements are in U.S. dollars unless indicated otherwise. Reference should also be made to the Company's other disclosure materials filed from time to time on, [www.sec.gov](http://www.sec.gov) or the Company's website at [www.geovic.net](http://www.geovic.net).

##### **Business**

Since its inception our wholly owned subsidiary, Geovic, has been engaged in the business of exploring for nickel, cobalt and related minerals through its majority-owned (60.0%) subsidiary, Geovic Cameroon, Plc ( GeoCam ). Geovic Mining also holds other exploratory mineral properties in the United States.

Our future success is dependent on our ability to source the necessary funds to expeditiously develop the mineral reserves on the Cameroon Properties. We presently expect that GeoCam will finalize commitments for secured debt financing from one or more international institutions in 2008. We plan to utilize our cash resources and those of GeoCam and debt financing proceeds to complete all pre-mining construction and development work, to construct our ore processing facilities, roads, housing and other required infrastructure, and working capital for the Nkamouna Project from which we expect to begin production in 2010. Sourcing of the necessary funds is, in turn, dependent on numerous factors affecting the expected economics of the Nkamouna Project.

We do not expect any firm lending or other financing commitment until the independent bankable feasibility study of the project, finalized in late 2007, has been reviewed and updated by financial consultants retained by GeoCam. The amount of required financing to open the Nkamouna mine and processing facilities will depend in large part on estimated capital costs to build and equip the mine and processing facilities for operation as estimated by the finally approved feasibility studies and a mining plan adopted in accordance with those studies. The expected returns from the mining and processing operations and expected repayment of the project financing debt will likewise be subject to the amount and terms of the project financing.

Availability of project financing will be affected by financial market developments regarding the availability and cost of capital, market conditions and demand for cobalt and nickel that would be produced, the ability to arrange sales agreements and the pricing and terms of such agreements, cost trends and availability of capital equipment as well as operating materials and services necessary.

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to develop and operate the properties, existing and required commitments, availability and form of any additional government approvals associated with development and operation of the properties, political unrest, geopolitical developments, and the competitive position of existing and prospective cobalt and nickel projects worldwide. We believe that upward trending of world commodity prices for cobalt, nickel and manganese over the last 18 to 24 months is an indication that we will be able to operate a profitable mine on the Nkamouna Project over the 20 years of anticipated operations. Worldwide prices for these minerals will have the largest effect on our success for the project. In addition, the political stability of the Republic of Cameroon and surrounding sub-Saharan African countries will be relatively important over the long-term operation of the mine, as will our ability to recruit, train and retain a stable local workforce, and meet logistical implications of developing the project in a relatively undeveloped, remote area in Cameroon.

## **Results of Operations**

### **2007 Compared to 2006:**

We have substantially no current revenue and expect to continue to generate losses and negative cash flows from operations for at least the next two fiscal years.

We had a consolidated net loss of \$7.8 million for the year ended December 31, 2007 compared to a net loss of \$6.8 million in 2006. The increase in the loss in 2007 was primarily due to higher operating expenses, both in Cameroon and in the United States. The Company had significantly more cash resources in all of 2007 as a result of its two public offerings and the capital contribution to GeoCam by the minority shareholders. GeoCam significantly increased property evaluation costs to \$4.2 million in 2007 from \$1.1 million in 2006, due to the Company's continued efforts at its Cameroon Properties and the availability of cash in 2007. Office exploration costs in Cameroon increased to \$3.4 million in 2007 from \$1.6 million in 2006. This increase was primarily due to the hiring of additional personnel, both company and outside contractors and the requisite expansion of the supporting infrastructure to support the advancement of the Nkamouna Project.

As a result of the additional cash, interest income increased to \$3.2 million in 2007 from \$0.2 million in 2006. The 2007 loss was reduced by the \$3.2 million received by GeoCam from the minority shareholders.

During 2007, the Company also began acquiring mineral properties and incurring exploration costs in Colorado, Wyoming and Arizona. The acquisition of these properties was approximately \$2.8 million and the exploration costs were \$0.9 million in 2007, of which there was none in the prior year. The Company's General and Administrative expenses also increased to \$3.3 million in 2007 from \$1.6 million in 2006. The primary components of this increase were accounting, legal and other professional services as a result of becoming a public company, which increased to \$2.2 million in 2007 from \$0.7 million in 2006.

The Company's salary expense also increased to \$1.5 million in 2007 from \$0.6 million in 2006. This increase was due to the hiring of several new employees as well as a salary adjustment for existing officers and key management to make their compensation commensurate with similar sized companies in the mining industry. Stock-based compensation increased to \$2.1 million in 2007 from \$1.1 million in 2006 due to additional options granted during the year at a higher estimated value. Income tax decreased from \$0.9 million in 2006 to *nil* for 2007. In addition, the Company anticipates a recovery of \$0.4 million of taxes paid in the prior year as a result of its loss in 2007.

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### **2006 Compared to 2005:**

We had a consolidated net loss of \$6.8 million the year ended December 31, 2006, in comparison with a net loss of \$2.8 million in 2005. The increase in the 2006 net loss was primarily due to higher operating expenses in 2006. Geovic had more capital available in 2006, enabling Geovic to perform additional exploration activities, which it was unable to do in 2005. We also increased significant legal, accounting and other expenses related to the RTO transaction completed December 1, 2006, and had no such expenses in 2005.

Also, Geovic had \$0.9 million of income tax expense in 2006 compared with no such expense in 2005. Operating expenses in 2006 increased approximately \$3.3 million from the operating expenses in 2005, due primarily to increases of approximately \$2.6 million in exploration costs in Cameroon, again due to increased availability of funds, \$0.7 million in increased head office and management expense as we paid salaries in 2006 which had been deferred in 2005 due to lack of funding, and \$0.9 million in stock-based compensation to Geovic employees and consultants. The increases were offset in part by a reduction of approximately \$0.04 million in depreciation expense. The increase in exploration costs in 2006 was due to increases of approximately \$1.3 million in exploration office costs, \$0.7 million in property evaluation expenses and \$0.6 million in metallurgical studies expenses compared with 2005, as many of those expenditures had been deferred from 2005 until 2006 when funding was available.

### **Capital Resources and Liquidity**

Geovic Mining raised approximately \$73 million, net of offering expenses, from two public offerings completed outside the United States during the first four months of 2007. On May 30, 2007 we also received net proceeds of \$2.94 million upon the partial exercise of an over-allotment option from the April 2007 offering and in June we received approximately \$1.8 million in proceeds from exercise of warrants. When added to the net proceeds received from the Subscription Receipt financing at the completion of the RTO on December 1, 2006 and after expenditures in the ordinary course of our business through 2007, we had approximately \$79 million of cash resources as of December 31, 2007, including cash held by GeoCam, representing capital advances made by Geovic and the GeoCam minority shareholders, that are held by GeoCam and budgeted for continued predevelopment and exploration activities during 2008.

The Company generally expects that GeoCam will require significant additional financing beginning in late 2008 to complete the infrastructure at the Nkamouna Project site, build the mine, roads, processing facility and employee housing and to operate the Nkamouna Project until cash flow is established after the mine commences operation, which is expected to occur in 2010. We expect

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that GeoCam should be able to secure project debt financing from one or more of several international financing institutions which have expressed interest in participation, however there are no commitments. The Company expects that such external debt financing is anticipated to fund approximately 60%-65% of the required capital over the two-year start-up period. The owners of GeoCam will likely be required to contribute significant funds to GeoCam to fund the remaining portion of the project financing arrangements. As Geovic is the 60% owner of GeoCam, we expect that a significant portion of the cash identified above will be required for that purpose.

The Company expects that GeoCam exploration and pre-development activities will significantly increase in 2008, and \$6.5 million has been budgeted by GeoCam for those purposes. The Company will continue its focus on bringing the Nkamouna Project closer to production. By summer 2008 GeoCam expects the final studies optimizing the feasibility study to improve project economics and 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. Thereafter GeoCam will proceed diligently to seek commitments for debt and other financing for the Nkamouna Project.

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

GeoCam expects to complete a contract for EPCM services in 2008 to begin 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.

### **Cash Flows and Obligations**

#### **2007 Compared to 2006:**

Our primary source of cash during 2006 was proceeds from the sale of our securities. Geovic received \$4.5 million from private placements of equity which were completed on May 24, 2006. We also received net proceeds of approximately \$9.5 million from the subscription receipt financing upon completion of the RTO transaction on December 1, 2006.

On March 6, 2007, we closed a public offering outside the United States and received net proceeds of \$42.6 million after commissions and related expenses.

On April 27, 2007, the Company completed a follow-on offering and received net proceeds of approximately \$29.6 million, after commissions and related expenses.

At December 31, 2007 we had cash and cash equivalents of approximately \$79 million. Our cash resources included approximately \$76 million of net proceeds we received from the two public offerings we completed in 2007, including an exercise of the over-allotment option on May 30. The funds are or will be invested in one or more U.S. dollar money market funds which invest in short-term investment grade debt and money market securities, and used as described above.

During the fourth quarter of 2006 the Company's principal source of cash was the RTO transaction that closed on December 1. At December 31, 2006, we had cash and cash equivalents of approximately \$9.4 million, and working capital of approximately \$7.7 million, compared to cash of \$0.9 million and working capital of approximately \$0.7 million at December 31, 2005.

Our ability to complete our planned commencement of mining operations on the Nkamouna Project exploration and development activities related to the other Cameroon Properties depends on raising significant additional capital to fund these activities, particularly the significant expenses we expect to incur in connection with opening the initial mine and processing facilities. Raising such capital depends on a number of factors that are partly or wholly outside of our control. As described in Item 1A, Risk Factors, it may not be possible to raise sufficient capital on a timely basis, at an acceptable cost or on reasonable terms.

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### **2006 Compared to 2005:**

During the year ended December 31, 2006, we spent approximately \$4.3 million for operating activities, an increase of approximately \$2.1 million from the amount expended in 2005. This significant increase was possible because we had cash proceeds from private placements available in 2006, and substantially less cash available in 2005. A large majority of the 2006 operating expenditures were made to further explore and bring the Nkamouna and Mada deposits closer to a point where mining would be feasible. As noted above, this increase in operating expenditures led to larger losses in 2006. Our investing activities increased \$0.1 million in 2006. Financing activities provided approximately \$12.9 million net after expenses in 2006, an increase of approximately \$9.8 million over the \$3.1 million provided by 2005 financing activities. This increase was largely due to the issuance of common stock and stock purchase warrants in 2006 associated with the RTO transaction completed on December 1, 2006, and the sale of Geovic common stock in May 2006. As a result, our cash balances increased by approximately \$8.4 million in 2006 compared to a \$0.9 million increase in 2005.

We expect that GeoCam will enter into additional commitments during 2008 and thereafter for significant expenditures related to mining activities that are anticipated and exploration and development of its other properties. Under the Shareholders Agreement the minority shareholders have agreed, among other things, pursuant to certain provisions of Cameroon business law, to pay their respective shares of future capital and related costs expected to be incurred in completing the development and opening the mining and processing facilities necessary for opening the mine on the Nkamouna Project. However, if the minority shareholders are unwilling or unable to fund their obligations in future years we may advance 100% of some or all of such expenditures.

During 2003, the Company applied for and received a grant under an available agency program from the United States Trade and Development Agency (USTDA). The grant would reimburse 50% of the cost up to a limit of approximately \$0.7 million of initial feasibility studies for the Cameroon Properties. We drew \$0.2 million of the grant in 2005. If the Nkamouna Project is successful, or if project financing is received, we will be required to repay all amounts received by Geovic to the USTDA. If the project is unsuccessful, the proceeds would not be required to be repaid to USTDA. We have recorded a contingent liability of \$0.2 million with respect to this arrangement.

The Company has no standby financing arrangements in place. We have no material long term debt shown on our consolidated balance sheet, and no material capital leases, or purchase obligations.

### **Off-Balance Sheet Arrangements**

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, liquidity or capital expenditures.

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**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Geovic Mining's primary market risk exposures are commodity price risks, which affect future revenue from the Cameroon Properties, as well as opportunities to complete necessary project financing by GeoCam, interest rate risk, which will directly impact the cost of project financing and future cash flow from mining operation while such debt is in place, and, foreign currency exchange rate risks, as GeoCam's Cameroon operations are conducted in Cameroon currency. To date, neither we, nor GeoCam have held any market risk sensitive instruments for trading purposes, nor for purposes other than trading purposes, and we have no plan to acquire such instruments.

We are participating in the development and providing management services for the Nkamouna Project held by GeoCam. In addition, the Company is engaged in the acquisition of mineral projects in other countries, including the United States.

The value of our properties is related to a large extent to commodity prices for cobalt and nickel and for any other minerals which may be produced from the GeoCam Properties or for which we may acquire a property interest. Adverse changes in the worldwide prices of cobalt and, to a lesser extent, nickel could negatively affect GeoCam's ability to obtain project financing for the Nkamouna Project and ultimately to generate revenue from the Cameroon Properties. Our future financial performance will be materially affected when prices for these commodities fluctuate. Once we are closer to production from the Nkamouna Project, in order to help manage commodity price risk and to reduce the impact of fluctuation in prices, GeoCam may enter into long-term contracts or use various derivative financial instruments.

Cobalt and other metal prices may fluctuate widely from time to time and are affected by numerous factors outside our control, including: expectations with respect to the rate of inflation, exchange rates, interest rates, global and regional political and economic circumstances, governmental policies, and technological developments requiring uses of cobalt or substitute materials. World cobalt and nickel prices have risen significantly in the past several years. As quoted by Platt's Metals Week, the respective quoted prices were approximately \$42 per pound for cobalt and \$11.78 per pound for nickel at year end 2007. Cobalt is used for rechargeable batteries, super alloys mainly for jet engines, chemicals, wear-resistant alloys, catalysts and magnets. The largest demand for nickel is for use in stainless steel alloys.

Because we have exploration operations in Cameroon, and may have operations in other countries, we are subject to foreign currency fluctuations. We do not engage in currency hedging to offset any risk of currency fluctuations in part because GeoCam's reporting currency is the U.S. dollar.

We have no debt outstanding, nor do we have any investment in debt instruments other than highly liquid short-term investments, and we have not held any such instruments since our inception. Accordingly, we consider our interest rate risk exposure to be insignificant at this time.



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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The following financial information is included as part of this Annual Report on Form 10-K. The pagination listed below for the Consolidated Financial Statements commences after the Signatures page (pg. 89).

	<b>Page</b>
<b>Consolidated Financial Statements:</b>	
<u>Reports of Independent Auditors</u>	2
<u>Consolidated Balance Sheets at December 31, 2007 and 2006</u>	3
<u>Consolidated Statements of Operations for the Years Ended December 31, 2007, 2006 and 2005</u>	4
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2007, 2006 and 2005</u>	5
<u>Consolidated Statements of Stockholders' Equity (Deficiency) for the Years Ended December 31, 2007 and 2006</u>	6
<u>Notes to Consolidated Financial Statements</u>	7

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Geovic Mining had no disagreements with, or changes of its independent auditors during the last three years. Ernst & Young LLP has been our auditor since the RTO and since the closing of the RTO, we have not had any disagreements with Ernst & Young LLP. Prior to completion of the RTO, Resource Equity's auditor was Deloitte & Touche LLP.

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**ITEM 9A. CONTROLS AND PROCEDURES**

The Company adopted and maintained a set of disclosure controls and procedures during the year ended December 31, 2007, designed to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in applicable reporting requirements. There has been no change in our internal control over financial reporting during the year ended December 31, 2007, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

In connection with our 2007 audit, we experienced some delays in furnishing information to our auditors, which we attribute primarily to significant additions to our staff and to a large increase in the number of persons employed in Cameroon by GeoCam during the latter part of 2007 and early 2008. The Company expects that these and additional staffing increases in 2008 will result in continued improvement in our disclosure controls and procedures. Geovic Mining and our Audit Committee will continue to develop, maintain, and review the effectiveness of our internal control over financial reporting and will implement changes as necessary or appropriate in connection with our ongoing reporting obligations and the requirements of applicable securities laws.

Geovic Mining's principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended Exchange Act ) as of December 31, 2007.

Based on the evaluation, the principal executive officer and principal financial officer concluded that the disclosure controls and procedures in place are effective to ensure that information required to be disclosed by our Company, including consolidated subsidiaries, in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported on a timely basis in accordance with applicable time periods specified by the SEC rules and forms.

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the Company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

**ITEM 9B. OTHER INFORMATION**

Not Applicable

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The following table sets out the names of our directors and executive officers, their ages as of April 30, 2007, current positions with Geovic Mining and principal occupations during the five preceding years, and periods during which each director has served as a director.

**Table of Contents****Principal Occupation**

<b>Name, Position and Residence</b>	<b>During the Past 5 Years</b>	<b>Director Since</b>
Robert J. (Don) MacDonald <sup>(1)(3)</sup> Age: 53 Director Vancouver, British Columbia	Mr. MacDonald has been the Senior Vice President and Chief Financial Officer of NovaGold Resources Inc. Mr. MacDonald has over 20 years of experience in mine development and financing. Prior to joining NovaGold, Mr. MacDonald was Senior Vice President and Chief Financial Officer for Forbes-Meditech Inc., a public biotech company (2001-2003), De Beers Canada Mining (formerly Winspear Diamonds) (1999-2001), Dayton Mining (1991-1999) and Vice-President of Granges, Inc. (1983-1991).	December 1, 2006
Michael T. Mason <sup>(1)(2)</sup> Age: 63 Director Garden City, New York	Mr. Mason has been Managing Partner of Mineral Services, LLC, a consulting firm, from 1996 to the present. He is also President and Director of MBMI Resources, a TSXV listed company, President and CEO, Global Gold Corp. He has more than 35 years of experience in the marketing of precious and base metals and other commodities.	December 1, 2006
Wade Nesmith <sup>(1)(2)(3)</sup> Age: 56 Director North Vancouver, British Columbia	Mr. Nesmith is associate counsel with Lang Michener LLP, where he specializes in corporate governance and regulatory matters. In addition, he serves as a director of several public companies. Prior to rejoining Lang Michener in 2004, Mr. Nesmith was, from 2000 to 2003, Vice President, Strategic Development and President, Westport Europe, with Westport Innovations Inc., a BC-based, TSX-listed technology company.	September 29, 2006
Gregg Sedun <sup>(3)</sup> Age: 50 Director Vancouver, British Columbia	Mr. Sedun is Chairman, President and Chief Executive Officer of Uracan Resources Ltd. and the President of Global Vision Capital Corp. Mr. Sedun is also an independent venture capital professional based in Vancouver, Canada. He is a former corporate finance/securities lawyer having practiced law for 14 years. Thereafter, for 7 years he was the President of a private venture capital firm, and from June 2003 until December 2005 was President and CEO of Diamond Fields International Ltd., a TSX listed company.	September 29, 2006
John E. Sherborne Age: 63 CEO and Director Grand Junction, Colorado	Mr. Sherborne joined Geovic, Ltd. as Executive Vice President, Corporate Development in 2002 and was previously a consultant to the Company. He was appointed as CEO in March 2004 and was elected Chairman of the Board of Geovic, Ltd. in August 2004. He has been Chief Executive Officer of the Company since completion of the RTO in December 2006. He has held senior management positions in international energy and mineral resources businesses for more than 30 years.	December 1, 2006

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**Principal Occupation**

<b>Name, Position and Residence</b>	<b>During the Past 5 Years</b>	<b>Director Since</b>
William A. Buckovic	Mr. Buckovic is the Founder and President of Geovic, Ltd., and has been President since 1994. He became President of the Company upon completion of the RTO in December 2006. Mr. Buckovic has been active for over 33 years in the mineral exploration and development business, including the discovery of several major mineral deposits. He has wide ranging experience in the energy minerals, precious metals, advanced metals and ferro-alloy metals businesses and has worked on projects in North America, South America, Australia-Asia, Europe and Asia.	December 1, 2006
Age: 58		
President and Director		
Grand Junction, Colorado		
Greg Hill	Mr. Hill has been CFO for Geovic Ltd. and the Company since October 2007, and he was Acting CFO of Geovic, Ltd. from August 2006 and for the Company from December 1, 2006 until October, 2007. Mr Hill has also been the President of Englewood Capital, LLC a private consulting company from November 2001 to the present.	
Age 58		
Chief Financial Officer		
Grand Junction, Colorado		
David C. Beling	Mr. Beling has been Executive Vice President and Chief Operating Officer of Geovic, Ltd since January 2004; Senior Vice President and COO Geovic Mining since, December 1, 2006 to present was an Independent Consultant from January 1997 through January 2004;	
Age 66		
Executive Vice President and		
Chief Operating Officer		
Grand Junction, Colorado		
Gary R. Morris	Mr. Morris has been Senior Vice President, Geovic, Ltd. since January 2001 and Senior Vice President of the Company, since December 1, 2006. Mr. Morris is Managing Director and Chairman of the Board of Geovic Cameroon PLC.	
Age 63		
Senior Vice President		
Grand Junction, Colorado		
Michael G. Walthall	Mr. Walthall provided accounting, tax and business consulting services to individuals and small businesses as a consultant for more than five years until he joined Geovic in September 2007 as Corporate Controller. Effective November 1, 2007, Mr. Walthall was appointed Principal Accounting Officer for Geovic.	
Age 55		
Corporate Controller and		
Principal Accounting Officer		
Grand Junction, Colorado		
Shelia I. Short	Ms. Short has been Corporate Secretary since December 1, 2006 and Executive Assistant, Geovic, Ltd. since July 2000.	
Age 56		
Corporate Secretary		
Grand Junction, Colorado		

Notes:

(1) Current member of the Audit Committee.

(2) Current member of the Compensation Committee.

(3) Current member of the Nominating and Corporate Governance Committee.

The term of each of the directors will expire at the close of our next annual meeting of stockholders, or until his successor is duly elected or appointed, unless his office is earlier vacated. The Board of Directors held 6 meetings during 2007 attended by all directors. There are no family relationships among any of the above directors. None of the directors of Geovic Mining are also

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directors of issuers with a class of securities registered under Section 12 of the Exchange Act (or which otherwise are required to file periodic reports under the Exchange Act), except for Mr. Sedun, who is a director of Luna Gold Corp., and Mr. MacDonald, who is a director of YGC Resources Ltd.

None of the above directors has entered into any arrangement or understanding with any other person pursuant to which he was, or is to be, elected as a director or a nominee of any other person, and there is no family relationship between any director or officer.

## **Code of Ethics**

The Company's Code of Business Conduct and Ethics requires honest and ethical conduct; avoidance of conflicts of interest; compliance with applicable governmental laws, rules and regulations; full, fair, accurate, timely, and understandable disclosure in reports and documents filed with the SEC and in other public communications made; and accountability for adherence to the Code. The Code of Business Conduct and Ethics can be accessed via the Company's Internet website at [www.geovic.net](http://www.geovic.net). Printed copies will be provided upon written request.

## **Corporate Governance**

The Company's corporate governance principles, Nominating and Corporate Governance Committee charter, Compensation Committee charter, and Audit Committee charter can be accessed via the Company's Internet website at [www.geovic.net](http://www.geovic.net).

## **Board Committees**

Our Board has the following committees: Audit Committee of which Messrs. MacDonald, Nesmith and Mason are members, Compensation Committee of which Messrs. Mason and Nesmith are members and Nominating and Corporate Governance Committee of which Messrs. Nesmith, MacDonald and Sedun are members.

## **Independence of Directors**

Our common stock and certain classes of our outstanding warrants are listed on the Toronto Stock Exchange (the "TSX"). Under applicable Canadian securities laws, the Board is required to determine affirmatively which directors are "independent," meaning a director that has no material relationship with our company that would interfere with the exercise of independent judgment. Our Board has determined that the following directors are "independent" as required by applicable Canadian securities laws: Mr. MacDonald and Mr. Nesmith.

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### *Compliance With Section 16(a) Beneficial Ownership Reporting Compliance*

No person who was at any time during the last fiscal year an officer, director or holder of more than ten percent (10%) of our common stock failed to file on a timely basis, reports required by Section 16(a) to be filed during the fiscal year or prior fiscal years.

### *Audit Committee*

Our Audit Committee Chair is Robert J. (Don) MacDonald. The Board of Directors has determined that Mr. MacDonald and Mr. Nesmith qualify as independent as defined in Rule 10A-3(b)(1) and as determined under Item 407(a)(1) of Regulation S-K under the Exchange Act. Additionally, the Board of Directors has determined that Mr. MacDonald qualifies as our Audit Committee Financial Expert as defined in accordance with Section 407 of the Sarbanes-Oxley Act of 2002 and Item 407(d)(5) of Regulation S-K. Our Audit Committee was formed in January 2007 and held five meetings in 2007, attended by all members.

The Audit Committee, in accordance with the Audit Committee Charter approved by the Audit Committee and adopted by the Board of Directors, assists the Board of Directors in monitoring (1) our accounting and financial reporting processes, (2) the integrity of our financial statements, (3) our compliance with legal and regulatory requirements, (4) the independent auditor's qualifications, independence and performance and (5) our business practices and ethical standards. The Committee is responsible for the appointment of our independent auditor and for the compensation, retention and oversight of the work of our independent auditor, and approval of the oversight of our accounting and financial reporting processes, including our internal financial controls.

### *Compensation Committee*

The members of Geovic Mining's Compensation Committee are Wade Nesmith and Michael T. Mason. Only Mr. Nesmith is independent. Before 2007 we did not have a Compensation Committee. The Compensation Committee and the Board of Directors adopted a charter for the Compensation Committee which is available on our website ([www.geovic.net](http://www.geovic.net)).

The Compensation Committee's functions are to review and recommend compensation policies and programs, as well as salary and benefit levels for individual executives, including our Chief Executive Officer. The Committee makes these recommendations to our Board of Directors for final approval on executive compensation matters. The Compensation Committee retained an outside independent consultant to advise the committee, and the Nominating and Corporate Governance Committee on annual compensation for executive officers and directors. The Compensation Committee administers our compensation programs for all our employees, including executive officers, and reviews and approves all awards granted under these programs, reviews the compensation discussion and analysis, reports, drafts and approves the annual report on executive compensation to be included in our annual proxy statement and elsewhere as required under the Exchange Act. Our Compensation Committee was established in January 2007 and held four meetings in 2007, attended by all members.

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### *Compensation Committee Interlocks and Insider Participation*

No member of Geovic Mining's Compensation Committee is presently, nor was at the end of the last fiscal year, an executive officer or employee of Geovic Mining or any of its subsidiaries or affiliates. No executive officer of Geovic Mining is presently, nor was at the end of the last fiscal year, a director or a member of the Compensation Committee of another entity having an executive officer who is a director or a member of our Compensation Committee.

### *Nominating and Corporate Governance Committee*

The Board of Directors established the Nominating and Corporate Governance Committee in June 2007 with Wade Nesmith, Gregg Sedun and Robert J. (Don) MacDonald as members. In October 2007 a Code of Business Conduct and Ethics and a charter for the Committee were adopted by the Committee and the Board of Directors and are available on our website ([www.geovic.net](http://www.geovic.net)).

The Nominating and Corporate Governance Committee recommends criteria for service as a director, reviews candidates and recommends appropriate governance practices for Geovic Mining in light of corporate governance guidelines set forth by regulatory entities and applicable law. The Committee also has adopted guidelines for our disclosure policies and for timing of routine purchases or sales of our securities by officers or directors and employees. From time to time, the Committee may recommend highly qualified candidates who it believes will enhance the strength, independence and effectiveness of our Board of Directors. The Committee will review the size of our Board of Directors annually and recommend persons to be nominated for election as directors at annual meetings of stockholders. The Committee is also responsible for review and approval of transactions with related persons. The Committee met four times in 2007 in telephone meetings attended by all members.

## **ITEM 11. EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

#### *2007 Executive Compensation*

During the fiscal year ended December 31, 2007, our executive officers received the compensation shown in the summary compensation table below. The compensation was paid by Geovic, Ltd., which is the employer of all our executives and other employees totaling 10 persons in 2007. The compensation of our executives (other than the CEO) was established by the Compensation Committee upon the recommendation by the Chief Executive Officer and with approval by the Geovic Board of Directors.

#### *Compensation Policies*

Our compensation policies and objectives, were put into effect during 2007, based upon the review and determinations made by our Board of Directors, the Compensation Committee, and our Chief Executive Officer and Chief Financial Officer. No changes to annual compensation of the five executive officers named in the Summary Compensation table below were made from early 2006



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until mid 2007. Compensation of our executives was established after the Compensation Committee reviewed a final report and recommendations from a compensation consultant engaged in August 2007 to advise the Compensation Committee regarding executive compensation, including appropriate increases in 2007 compensation. Compensation for the five Named Executive Officers was increased effective July 1, 2007 to amounts recommended by the Compensation Committee after receipt of reports from the consultant, and review of individual contributions.

*Compensation Program Objectives*

Our Board of Directors established the following long-term goals and objectives for our compensation program for executives and employees:

Compensation levels of executives will be compared to the marketplace in which the Company competes for people, taking into account the size and complexity of the Company while recognizing the potential of the development opportunities in Cameroon and other places where the Company has or acquires mineral properties.

The compensation strategy shall have reference to a comparable group of mining development companies. The strategy is expected to be reasonable, fair and defensible while recognizing the current need to conserve cash.

The strategy should recognize the need to retain existing and future high caliber executives and management (provide reasonably competitive salaries), to reward for performance in achieving pre-determined annual objectives (a bonus plan) and motivate them to remain with the Company and enhance shareholder value (using stock options).

Because Geovic is in a critical stage of development operating with expert mine building and financing expertise in a difficult environment (Cameroon), the Company shall follow a higher than average approach to compensation.

Based upon this overall strategic approach and recognizing that retention is important, the following specific compensation strategies shall be followed:

The compensation marketplace for purposes of determining comparable compensation is mining development companies with international operations.

Base salary ranges will generally be established around the 75<sup>th</sup> percentile of the comparison group of employers.

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Payments to executives upon a Change of Control of the Company shall be consistent with requirements of any exchange upon which the securities of the Company may be listed and generally require both a change of control of the Company and either a termination of the executive within a year following the control change or a substantial diminution of compensation or duties as a result of the control change.

Annual bonus awards will be based on performance such that, if performance meets pre-determined objectives, total cash compensation for each executive (base salary plus bonus) will be approximately equal to the 75<sup>th</sup> percentile of such compensation paid for similar positions by the comparison group of employers. Cash compensation and annual bonus objectives and other terms approved by the CEO and consistent with the compensation strategy described herein shall be set forth in a written employment agreement for each executive; employment agreements shall generally have a term of two years, renewable annually.

Long-term awards will be provided in the form of annual issuances of stock options based upon typical market practices of mining development companies. Terms and vesting will be such as to both motivate and retain executives and management. Other long-term awards (restricted stock, deferred or restricted share units) will be considered, as appropriate.

We expect that our compensation policies and programs will assist us to be competitive with similar exploration and mining companies, to recognize and reward executive performance consistent with the success of our business and to attract and retain capable and experienced management. The Compensation Committee's philosophy and goal is to ensure that our compensation goals and objectives, as applied to the actual compensation paid to our executive officers, are aligned with our overall business objectives and with stockholder interests, and can be readily understood and described to our stockholders.

The Compensation Committee considered a variety of factors when recommending compensation policies and programs and individual compensation levels, including the stockholder interests, our overall financial and operating performance and the Compensation Committee's assessment of each executive's individual performance and contribution toward meeting our corporate objectives. The Geovic Mining CEO recommended compensation ranges for our executives to the Compensation Committee, and the recommendations considered the experience and demonstrated talent and effectiveness of each executive in his position. The recommendations included references to: (a) the report from the compensation consultant engaged by the Compensation Committee and (b) the total value of all compensation paid to executives in similar positions, as demonstrated in public summary compensation disclosures made by other similarly situated public TSX traded mining and mineral exploration companies, Anatolia Minerals Dev Ltd., Aurizon Mines Ltd., Baja Mining Corp., Banro Corp., Corriente Resources Inc., Etruscan Resources Inc., Far West Mining Ltd., Frontera Copper Corp., Gabriel Resources Ltd., Glencairn Gold Corporation, Global Alumina Corp., Iberian Minerals Corp., Jaguar

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Mining Inc., Metallica Resources Inc., Minefinders Corporation, Nautilus Minerals, Orezone Resources Inc., Rusoro Mining Ltd., Semafo Inc., Skye Resources Inc., Ur-Energy Inc., among others. The consultant based many of his recommendations on comparisons with a similar group of public mining and exploration companies.

### **Elements of Our Executive Compensation Program**

The total compensation plan for our executive officers is comprised of three components: base salary, annual and special performance bonuses and grants of stock options. There is currently no policy or target regarding a percentage allocation between cash and non-cash elements of our proposed compensation program. Any such allocations are determined on an individual basis annually and may be reflected in the employment agreements entered into with our executive officers. Current compensation and long term incentive compensation may be influenced by such factors as level of responsibility, peer group analysis and individual executive performance.

#### *Base Salary*

As a general rule for establishing base salaries, the Compensation Committee reviews current compensation levels, and compensation paid in past years along with competitive market information, for each executive and officer. The compensation for each is reviewed annually by the Compensation Committee to reflect performance and achievements and other internal consideration, as well as external factors, such as inflation, Company growth, and financial condition. We believe that base salaries paid to the Geovic executives in 2005 and 2006 were lower than other employers would have paid these executives, because Geovic lacked the cash or other resources to pay higher salaries. The base salary paid to the executives named was increased in October 2007, retroactive to July 1, 2007, to levels which reflect the responsibilities and abilities of the individuals, as determined by our Compensation Committee with input from other Directors, and by the executives.

#### *Performance Bonuses*

The Compensation Committee established the practice in 2007 to pay cash performance bonuses under which our executive officers earn annual incentive payments equal to a percentage of individual base salary, based on what the individuals contributed and the Company achieved during the year, and progress by Geovic Mining toward profitable operations and other corporate performance goals. The Committee's objective was to shift the bonus program to a consistent and responsible annual model that is defensible and in the best interest of stockholder value. For 2007, we paid the executives and other Company employees a cash bonus equal to thirty percent of each person's salary at the rate being paid at year-end. Our Chief Executive Officer was also paid an annual bonus at the same rate, as recommended by the Compensation Committee. Our Compensation Committee determined individual executive performance goals, and the weight to be given to each, for our Chief Executive Officer. For other executive officers, the Chief Executive Officer determined individual executive performance goals and the weight to be given to each, subject to the review and approval of our Compensation Committee, and ultimately by our Board of Directors.

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In 2007 we also paid the following special cash bonuses to three executive officers:

Mr. Sherborne, our Chief Executive Officer, \$125 thousand for his success in finalizing the shareholder and other agreements with GeoCam and the minority shareholders of GeoCam and in assisting the Company to complete financing goals for 2007;

Mr. Beling, our Chief Operating Officer, \$100 thousand for his success with completion of financing objectives during 2007 and the basic Nkamouna project research, design, and engineering progress; and

Mr. Hill, our Chief Financial Officer, who was Acting CFO from August 2006 until October 31, 2007, \$30 thousand for assisting in completion of finance objectives during 2007, leading Nkamouna project funding initiatives, and structuring of future financing programs.

Corporate performance goals, and the elements of these goals, are established annually by the Compensation Committee in consultation with our Chief Executive Officer and the Board of Directors. These will be based initially, on progress toward commencement of mining operations on the Nkamouna Project, including completion of Company equity financing and progress towards project financing for GeoCam. Other factors such as financial operating goals and targets in the areas of safety and environmental matters and similar regulatory compliance, our share price performance, and future changes in our net asset value may also be considered. However, these other factors were not considered in setting 2007 compensation.

*Stock Options*

We make annual grants of options to purchase our common stock to our executive officers and key employees and to our non-executive directors. Options are intended to emphasize management's commitment to our growth and the enhancement of stockholders' wealth through, for example, improvements in operating results, resource base and share price increments. The Board of Directors in 2007 established a policy, commencing in 2008, of making annual grants of options to executive officers and directors during the first ten days of each year. As discussed below under the heading *Stock Option Plans*, we adopted a stock option plan which will govern options granted to directors, employees, officers and consultants of Geovic Mining and our subsidiaries. At our annual meeting of stockholders held June 9, 2007, our stockholders approved an increase in the number of shares reserved for issuance under our stock option plan to 18,700,000 shares. The Board of Directors recommended this increase so that we would have additional shares available in our option plan to make grants for our executives and directors during 2007 and 2008 in amounts determined by the Compensation Committee and approved by the Board of Directors.

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### **Role of Executive Officers in Determining Compensation**

The Compensation Committee reviewed and recommended compensation policies and programs to our Board of Directors, as well as salary and benefit levels for individual executives. In years before 2007, compensation of our executive officers and compensation policies and programs was set by the Geovic, Ltd. Board of Directors made up of Messrs. Sherborne and Buckovic, the Chief Executive Officer and the President, respectively, and one independent director, Mr. MacDonald. Beginning in 2007, the Compensation Committee recommended compensation levels for all executives, subject to approval by our Board of Directors. Our Chief Executive Officer and President were not present during meetings of the Compensation Committee and Directors in 2007 at which their compensation was discussed and established. Our Board of Directors made the final determinations regarding our compensation programs and practices for 2007 and approved all compensation arrangements with our executive officers.

### **Perquisites and Other Personal Benefits**

During the fiscal year ended December 31, 2007, our executive officers received no material perquisites or other personal benefits. Geovic Mining's executives are generally not entitled to significant perquisites or other personal benefits not typically offered to our employees. We plan to sponsor a qualified tax-deferred savings plan in accordance with the provisions of Section 401(k) of the Internal Revenue Code of 1986, as amended (the Code), but we have not yet established such a plan.

### **Effects of Regulatory Requirements on Executive Compensation**

Various rules under current generally accepted accounting practices impact the manner in which we account for grants of stock options to employees, including executive officers, on our financial statements. The Compensation Committee and the Audit Committee review the effect of these rules (including SFAS 123(R)) when determining the form and timing of grants of stock options to the employees, including executive officers; however, this analysis is not the determinative factor in any such decision regarding the form and timing of grants.

### **Geovic Mining Revised and Restated Stock Option Plan**

We adopted our stock option plan in September 2006, in anticipation of the RTO. The plan governs options granted to directors, employees, officers and consultants of Geovic Mining (the Geovic Mining Stock Option Plan or Plan).

The Plan provides for grants to directors, officers, employees and consultants of Geovic Mining, or its subsidiaries, of options to purchase Geovic Mining shares. These options may be either incentive stock options within the meaning of Section 422 of the Code, or stock options that are non-qualified for United States federal income tax purposes. The total number of Geovic Mining shares for which options may be granted pursuant to Plan is limited to 18,700,000 shares, reduced by the 11,870,286 options we exchanged for outstanding Geovic Options upon completion of the RTO and, subject to applicable stock exchange requirements. Geovic Mining shares with respect to which options are not exercised prior to expiration of such option shall again be available to be

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granted under the Plan, to the fullest extent permitted by law. Under the Plan, unless otherwise permitted by the Board, or a committee thereof, options may be exercised by the payment in cash of the option exercise price. All options granted under the Plan will be subject to the terms and conditions of an option agreement we enter into with each participant at the time an option is granted.

The Plan is administered by the Compensation Committee of the Board or the Board of Directors, which will have full and final discretion to determine, subject to final approval of the Board of Directors and applicable laws: (i) the total number of optioned shares to be made available under our Plan, (ii) which of our, or our subsidiaries' directors, officers, employees and consultants are eligible to receive Options under the Plan (Optionees), (iii) the time when and the price at which such stock options will be granted, (iv) the time when and the price at which such stock options may be exercised, and (v) the conditions and restrictions on the exercise of such options. The Compensation Committee will consider other compensation arrangements with all Optionees and grants of options will be consistent with compensation policies of the Compensation Committee for executive officers.

Pursuant to the terms of the Plan, the exercise price of any option must not be less than the closing price of the Geovic Mining shares on the TSX on the date immediately preceding the grant and the term of any such option may not exceed ten years from the date of grant; provided that as to grants of incentive stock options, with respect to any participant in the Plan who owns stock representing more than 10% of the voting rights attributable to the outstanding capital stock of Geovic Mining, the exercise price of any incentive stock option may not be less than 110% of the fair market value of such shares on the date of grant and the term of such option may not exceed five years from the date of grant. Incentive stock options may be granted under the Plan only to employees who are, at the time of grant, our employees and not a consultant, advisor, service provider or independent contractor. To the extent that the aggregate fair market value of our shares (determined at the time of grant) exceeds \$100 thousand on the amount of incentive stock options exercisable for the first time by an Optionee during any calendar year, any excess over that amount shall be considered non-qualified options. Options will become exercisable only after they vest in accordance with the respective stock option agreement.

If an Optionee ceases to be an officer or employee of Geovic Mining, or its subsidiaries, as a result of termination for cause, all unexercised options will immediately terminate. If an Optionee ceases to be a director, officer or employee of Geovic Mining, or its subsidiaries, or ceases to be our consultant for any reason other than termination for cause, or as a result of the Optionee's disability or death, the Optionee shall have the right to exercise his or her options at any time up to but not after the earlier of 120 days from the date of ceasing to be a director, officer or employee, or the expiry date. In the event of the disability of an Optionee, the Optionee has the right to exercise the options at any time up to but not after the earlier of twelve (12) months from the date of cessation of Optionee's employment with Geovic Mining or its subsidiary as applicable, or the expiry date. In the event of death of an Optionee, the legal representatives of the Optionee have the right to exercise the options at any time up to but not after the earlier of 90 days (or twelve months in the case of an incentive stock option) from the date of death, or the expiry date.

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Options granted under the Plan are non-transferable and non-assignable other than on the death of a participant. An Optionee will have no rights whatsoever as a Geovic Mining Stockholder in respect of unexercised options.

As of December 31, 2007, Options to purchase 2,778,600 shares have been granted under the Geovic Mining Stock Option Plan, of which 40,810 options have been exercised, and options to purchase up to 10,830,118 shares are held by former option holders of Geovic, Ltd. On January 3, 2008 options to purchase an additional 1,500,000 shares were awarded to executive officers and directors under the Plan.

### **Compensation of Non-Employee Directors**

We provide cash compensation to directors for their services as directors or members of committees of the board of directors. We have reimbursed and will continue to reimburse our non-employee directors for their travel, lodging and other reasonable expenses incurred in attending meetings of our Board of Directors and Committees of the Board of Directors. On October 26, 2007, upon the recommendation of our Nominating and Corporate Governance Committee, we established the following compensation guidelines for non-executive directors:

**Annual Retainer:** \$25 thousand, payable quarterly in advance, commencing effective October 1, 2007;

**Committee Chair Fees:** The Chair of the Audit Committee receives \$15 thousand annually; other chairs each receive \$5 thousand annually, all paid quarterly in advance.

**Meeting Fees:** Annual meeting of directors and each in-person meeting and any other meeting lasting longer than two hours: \$1.5 thousand per meeting; Telephonic meetings of two hours duration or less: \$500 per meeting;

**Travel Expenses:** Daily fees of \$1.5 thousand for each day or part thereof, of travel reasonably required for in-person meetings of directors when travel is on a day other than the meeting date;

**Reimbursement of Expenses:** All reasonable travel and related expenses incurred for attending meetings of directors, including committees, shall be reimbursed in accordance with the Company's usual procedures for reimbursements, other reasonable expenses approved by the Board or the Chair, if selected, or the CEO shall also be reimbursed; and

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**Stock Options:** Initial Grant: Upon appointment or election to the Board, a new Director will be granted 200,000 options upon taking office, or as soon thereafter as the grant may be completed; with annual grants of 100,000 options to each director to be made before January 10, all options to be granted under the Company's 2007 Amended and Restated Stock Option Plan. Annual awards vest 40% upon date of grant, and 30% annually thereafter.

Our four non-employee directors received initial grants of nonqualified stock options to purchase up to 200,000 shares under the Geovic Mining Stock Option Plan.

For the most recently completed financial year, non-employee directors were granted options by the Company as follows: options to purchase 200,000 Shares granted to Robert J. (Don) MacDonald; options to purchase 50,000 Shares granted to Wade Nesmith; options to purchase 50,000 Shares granted to Gregg Sedun; and options to purchase 50,000 Shares granted to Michael Mason.

**Director Compensation Table**

The following table shows compensation paid to our non-employee directors during our fiscal year ended December 31, 2007 (dollars in thousands):

Name	Fees earned or paid in cash	Stock awards	Option awards (non-cash)	Non-equity incentive plan compensation	Pension value and nonqualified deferred compensation earnings	All other compensation	Total
R. J. MacDonald	\$ 8	nil	\$ 330(1)	nil	nil	nil	\$ 338
Gregg Sedun	\$ 6	nil	\$ 309(1)	nil	nil	\$ 1	\$ 316
Wade Nesmith	\$ 5	nil	\$ 309(1)	nil	nil	\$ 1	\$ 315
Michael Mason	\$ 6	nil	\$ 309(1)	nil	nil	\$ 44(2)	\$ 359

(1) The amount shown reflects the value of options vested at year-end. The estimated value of all options granted using a Black-Sholes option pricing model is approximately \$234 thousand for each person. See Note 8 to the Consolidated Financial Statements for assumptions made in reaching the valuations.

(2) Consulting fees paid by Geovic, Ltd. to Mr. Mason's natural resources consulting firm, Mineral Services LLC.



**Table of Contents****Compensation of Officers**

The following table summarizes compensation for our Chief Executive Officer, our Chief Financial Officer and for the three highest paid executive officers (the Named Executive Officers):

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock awards(s) \$(1) (non-cash)	Options/ SARs \$(2) (non-cash)	Non-equity incentive plan compensation	Change in pension values and non-qualified deferred compensation earnings	All other compensa- tion(3)	Total (\$)
John E. Sherbone, Jr Chairman, CEO	2007	191,500	207,500	155,082	165,000			4,672	723,754
	2006	100,000	18,000	123,493	97,670			4,072	343,235
	2005	127,232			181,233			3,912	312,377
Greg C. Hill CFO	2007	188,200 (4)	87,600		264,000			1,400	541,200
	2006	20,500 (4)	20,000						70,500
	2005								
William A. Buckovic President, Director	2007	141,000	54,000	161,882	99,000			17,006	472,888
	2006	100,000	16,000	125,908	77,500			15,067	337,475
	2005	145,408			235,560			12,048	393,016
David C. Beling Exec VP, COO	2007	180,000	172,000	309,249	107,402			6,000	832,299
	2006	116,000	20,000	246,293	277,500			5,700	665,493
	2005	160,554			280,860			4,800	446,214
Gary R. Morris Senior Vice President	2007	150,500	54,000	86,806	64,441			5,842	396,148
	2006	100,000	16,000	60,703	101,101			3,912	281,716
	2005	140,561			191,872			4,338	306,771

- (1) Restricted shares issued in 2006 in connection with increasing exercise prices of options granted in 2005 and 2006. See Note 7 to the Consolidated Financial Statements for a description of these adjustments. Mr. Sherbone received 164,110 shares, Mr. Buckovic 171,306 shares, Mr. Beling 327,300 shares and Mr. Morris 91,858 shares after adjustment for the RTO. The shares vest 50% in each of 2007 and 2008, depending on certain condition. In 2006 we valued these shares at 70% of the estimated value of the shares at the date granted, which we estimated to be \$1.075 per share based on a previous private placement at that price. Upon vesting of a portion of the shares on August 15, 2007, we estimated the value of the vested shares as equal to the reported market value of the shares on the date of vesting, which was the amount taxable to each person.
- (2) See Note 6 to the Consolidated Financial Statements for assumptions made in reaching the above valuations shown.
- (3) Includes automobile allowance (for Mr. Buckovic, at \$4,800 annually) and amounts paid directly or reimbursed for family medical insurance policy premium payments.
- (4) Mr. Hill was a consultant and Acting CFO until October, 2007 when he was named CFO and became an employee. Consulting fees paid to Mr. Hill. Does not include \$13 thousand in reimbursements of travel and related expenses in 2006 and 2007 while a consultant, respectively.
- (5) None of the Named Executive Officers, nor any other person, received any other benefits or perquisites.

**Table of Contents****Employment Agreements**

Geovic had employment agreements with our executive officers (excluding Mr. Hill, our CFO). Each agreement provided for continued employment through December 31, 2007, with provisions for annual extensions thereafter upon mutual agreement. The agreements of Messrs. Sherborne, Beling and Buckovic provided that within ninety (90) days of completion of a transaction deemed to be a change in control of Geovic under circumstances deemed to be unacceptable to the executive, the executive shall be entitled to a severance payment equal to two years base salary plus any accrued bonus or vacation through the date of termination. The public offerings completed in 2007 were not deemed to be change of control events. The employment agreements were not renewed at the end of 2007, and are expected to be revised and amended under the supervision of the Compensation Committee of our Board of Directors during 2008.

**Grants of Plan Based Awards**

The following table sets forth information regarding individual grants of options to purchase or acquire securities Geovic or any of its subsidiaries made during the year ended December 31, 2007 to each of the Named Executive officers.

Name	Grant Date	Non-equity and equity incentive plan awards (\$)	All other stock awards (#)	All other option awards (#) <sup>(2)</sup>	Exercise or base price (\$Cdn/Share) <sup>(1)</sup>	Grant date fair value of stock and option awards <sup>(3)</sup>	Expiration Date
John E. Sherborne, CEO	10/26/2007 <sup>(3)</sup>	nil	nil	250,000	\$ 2.36	\$ 412,500	10/25/2017
Greg C. Hill, CFO	10/26/2007 <sup>(3)</sup>	nil	nil	400,000	\$ 2.36	\$ 660,000	10/25/2017
David C. Beling	10/26/2007 <sup>(3)</sup>	nil	nil	250,000	\$ 2.36	\$ 412,500	10/25/2017
Gary R. Morris	10/26/2007 <sup>(3)</sup>	nil	nil	150,000	\$ 2.36	\$ 247,500	10/25/2017
William A. Buckovic	10/26/2007 <sup>(3)</sup>	nil	nil	150,000	\$ 2.36	\$ 247,500	10/25/2017

(1) On the date of grant, equivalent to \$2.44.

(2) The options vest 40% at date of grant in 2007, and 30% in each of the two years following

(3) See note 8 to the Consolidated Financial Statements for assumptions made in reaching the above valuations.

**Table of Contents****Aggregated Option Exercises During the Most Recently Completed Financial Year and Financial Year-End Option Values**

The following table sets forth information regarding each exercise of options to purchase or acquire securities made during the most recently completed financial year by each Named Executive Officer and the financial year-end value of unexercised options, on an aggregated basis:

Name	Option Awards		Stock Awards		Unexercised Options at FY-End	Value of Unexercised In-the-Money Options at Year-End
	Securities Acquired on Exercise	Aggregate Value Realized	Number of Shares Acquired on Vesting	Value Realized on Vesting		
John E. Sherborne, CEO	nil	nil	82,054	nil	2,050,862/150,000	\$ 3,296,957/nil
Greg C. Hill, CFO	nil	nil	nil	nil	160,000/240/000	\$ 270,400/nil
David C. Beling	nil	nil	163,650	nil	864,000/150,000	\$ 1,291,160/nil
Gary R. Morris	nil	nil	45,929	nil	560,400/90,000	\$ 845,676/nil
William A. Buckovic	nil	nil	85,652	nil	2,315,120/90,000	\$ 3,811,153/nil

(1) Based on a reported closing price on TSX of Cdn\$1.69 on December 31, 2007, on which date the exchange rate was Cdn\$1.00 to \$1.02

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**Outstanding Equity Awards at Fiscal Year End**

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards:			Number of Shares or Units of Stock That Have Not Vested (non-cash) (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested (US\$)(4)	Equity Incentive Plan Awards:	Equity Incentive Plan Awards:
			Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (US\$)(1)	Option Exercise Date			Number of Shares, Units or Other Rights That Have Not Vested	Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
John E. Sherborne	2,200,862	nil	nil	\$ 0.49	(2)	82,056	141,136	nil	nil
Greg Hill	400,000	nil	nil	\$ 2.44	(2)	nil	Nil	nil	nil
David Beling	1,014,000	nil	nil	\$ 1.13	(2)	163,650	281,478	nil	nil
Gary R. Morris	650,400	nil	nil	\$ 0.98	(2)	45,929	78,998	nil	nil
William A. Buckovic	2,405,120	nil	nil	\$ 0.34	(2)	85,654	147,325	nil	nil

(1) Weighted average exercise price.

(2) Ranges from December 31, 2013 to December 31, 2017, except for Mr. Hill, for which the expiration is October 25, 2017.

(3) Shares of common stock subject to forfeiture.

(4) Based on a reported closing price on TSX of Cdn\$1.69 on December 31, 2007, on which date the exchange rate was Cdn\$1.00 to \$1.02

**OPTION EXERCISES AND STOCK VESTED**

Name	Option Awards Number of Shares Acquired on Exercise	Stock Awards Number of Shares Acquired on Vesting	Value Realized on Vesting
John E. Sherborne	Nil	82,054	\$ 155,082
Greg Hill	Nil	Nil	Nil
David Beling	Nil	163,650	\$ 309,299
Gary R. Morris	Nil	45,929	\$ 86,806
William A. Buckovic	Nil	85,652	\$ 161,882

**Option Repricing During the Most Recently Completed Fiscal Year**

During the financial year ended December 31, 2007, Geovic did not reprice any of the stock options previously granted.

**Securities Reserved for Issuance under Equity Compensation Plan**

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The following table sets out information relating to Geovic Mining's equity compensation plan as at December 31, 2007. Our only equity compensation plan is the Revised and Restated Stock Option Plan, first adopted September 29, 2006. The Plan was amended pursuant to a vote of stockholders on June 9, 2007 to increase to 18,700,000 shares the number of securities available for issuance under the Plan.

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<b>Plan Category</b>	<b>Number of securities to be issued Upon exercise/conversion of Outstanding options, warrants And rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding Securities reflected herein)</b>
Equity compensation plans approved by security holders	13,567,908	\$ 0.61 per share	4,031,114
Equity compensation plans not approved by security holders	Nil	N/A	Nil
<b>Total</b>	<b>13,567,908</b>	<b>N/A</b>	<b>4,031,114</b>

**Pension Benefits Plan**

The Company does not have a defined benefit or actuarial plan or any other pension, retirement or similar plan, and no qualified or non-qualified deferred compensation arrangements for any employees, including the persons named in the above tables, including any plans under which benefits are determined primarily by final compensation (or average final compensation) and years of service.

**Indebtedness of Directors and Senior Officers**

None of the directors or officers, nor any individual who was at any time during the most recently completed financial year a director or senior officer, nor any associates or affiliates of the foregoing persons is as of the date hereof indebted to Geovic Mining or Geovic, and none have been indebted during the last two fiscal years

**Directors and Officer Liability Insurance**

Geovic Mining has purchased and maintains insurance in the amount of \$20 million for the benefit of the directors and officers of the Company and its subsidiaries against liabilities incurred by such persons as directors and officers of the Company and its subsidiaries, except where the liability relates to such person's failure to act honestly and in good faith with a view to the best interests of the Company and its subsidiaries. The annual premium paid by the Company and its subsidiaries for this insurance in respect of the directors and officers as a group is \$93 thousand. No premium for this insurance is paid by the individual directors and officers. The insurance contract underlying this insurance does not expose the Company and its subsidiaries to any liability in addition to the payment of the required premiums.

**Table of Contents****ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding beneficial ownership of Geovic Mining common stock, as of February 29, 2008, by (i) each of our directors and executive officers, (ii) each person who holds, of record, 5% of our common stock with such person's address, and (iii) our executive officers and directors, as a group. Beneficial ownership is based on the number of shares and percentage of issued shares beneficially owned, directly or indirectly, or that are subject to control or direction by that person. For purposes of table, and in accordance with Rule 13d-3(d)(1) under the Securities Exchange Act of 1934, as amended, the applicable percentage of ownership for each listed person is based on the total outstanding shares, plus any securities held by such person exercisable for, or convertible into, common stock within 60 days.

Name of Beneficial Owner <sup>(1)</sup>	Amount and Nature of Beneficial Ownership <sup>(3)</sup>	Percentage of Outstanding Common Stock
William A. Buckovic	14,181,500 <sup>(2)</sup>	13.62%
Robert J. (Don) MacDonald	602,000 <sup>(12)</sup>	0.59%
Michael T. Mason	260,000 <sup>(13)</sup>	0.26%
Wade Nesmith	240,000 <sup>(11)</sup>	0.24%
Gregg Sedun	3,972,768 <sup>(4)</sup>	3.87%
John E. Sherborne	2,324,972 <sup>(5)</sup>	2.24%
Greg Hill	240,000 <sup>(10)</sup>	0.24%
David C. Beling	1,298,900 <sup>(6)</sup>	1.27%
Gary R. Morris	755,369 <sup>(7)</sup>	0.74%
Michael Walthall	32,000 <sup>(9)</sup>	0.03%
Shelia I. Short	245,536 <sup>(8)</sup>	0.27%
All Officers and Directors as a Group (11 Persons)	24,185,045	21.97%

(1) The address of such person is c/o Geovic Mining Corp., 743 Horizon Court, Suite 300A, Grand Junction, Colorado 81506.

(2) Includes 8,509,356 shares held jointly with his wife, 1,335,662 shares by himself, exercisable options to purchase up to 2,375,120 shares, 85,654 shares which are subject to forfeiture upon occurrence of certain conditions, 1,800,000 shares held by Sabina Resources Pty. Ltd., of which Mr. Buckovic is a controlling shareholder, and 63,160 exercisable options, 6,274 shares and 6,274 shares subject to forfeiture upon occurrence of certain conditions held by his wife, of which he disclaims beneficial ownership. Mr. Buckovic also holds unexercisable options to purchase up to 180,000 shares.

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- (3) Includes options which are exercisable within 60 days of March 30, 2008.
- (4) Includes 27,768 shares, 505,000 shares held by GJS Capital of which Mr. Sedun is beneficial owner, exercisable warrants to purchase up to 700,000 shares, and exercisable options to purchase up to 240,000 shares and also includes 200,000 shares held by Mr. Sedun's wife and 2,300,000 shares held by Alcaron Capital, of which the beneficial owners are Mr. Sedun's wife and children, and beneficial ownership of which is disclaimed by Mr. Sedun. Mr. Sedun also holds unexercisable options to purchase up to 60,000 shares.
- (5) Includes 92,056 shares, exercisable options to purchase up to 2,150,862 shares and 82,056 shares which are subject to forfeiture upon occurrence of certain conditions. Mr. Sherborne also holds unexercisable options to purchase up to 300,000 shares.
- (6) Includes 171,250 shares, exercisable options to purchase up to 964,000 shares and 163,650 shares which are subject to forfeiture upon certain conditions. Mr. Beling also holds unexercisable options to purchase up to 300,000 shares.
- (7) Includes 89,040 shares held directly, exercisable options to purchase up to 620,000 shares and 45,929 shares which are subject to forfeiture upon occurrence of certain conditions. Mr. Morris also holds unexercisable options to purchase up to 180,000 shares.
- (8) Includes 12,768 shares, exercisable options to purchase up to 252,000 shares and 12,768 shares which are subject to forfeiture upon occurrence of certain conditions. Ms. Short also holds unexercisable options to purchase up to 48,000 shares.
- (9) Includes exercisable options to purchase up to 32,000 shares. Mr. Walthall also holds unexercisable options to purchase up to 48,000 shares.
- (10) Includes exercisable options to purchase up to 240,000 shares. Mr. Hill also holds unexercisable options to purchase up to 360,000 shares.
- (11) Includes exercisable options to purchase up to 240,000 shares. Mr. Nesmith also holds unexercisable options to purchase up to 60,000 shares.
- (12) Includes 362,000 shares, exercisable options to purchase up to 240,000 shares. Mr. MacDonald also holds unexercisable options to purchase up to 60,000 shares.
- (13) Includes exercisable options to purchase up to 260,000 shares. Mr. Mason also holds unexercisable options to purchase up to 40,000 shares.

We are not aware of any arrangements that may result in changes in control as that term is defined by the provisions of Item 403 of Regulation S-K.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Transactions with Related Parties**

Geovic has an agreement with Mineral Services, LLC (MSL), owned by Michael T. Mason, a director of the Company. MSL, acting primarily through Mr. Mason, provided services to Geovic during the last fiscal year. Total fees and reimbursements paid to MSL were \$43.5 thousand during the year ended December 31, 2007.





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Mr. Buckovic holds shares representing 0.5% of GeoCam which are subject to an Option Agreement under which the Company has an option to acquire all the GeoCam shares held by Mr. Buckovic at any time until December 31, 2020 in exchange for the issuance to Mr. Buckovic of 139,000 shares of Company common stock. The Company is obligated under the Option Agreement to make all payments required under the GeoCam Shareholders Agreement, or otherwise to maintain his 0.5% ownership interest in GeoCam. In 2007, the Company paid \$68.5 thousand to GeoCam on behalf of Mr. Buckovic in accordance with this obligation.

### **Procedures for Approval of Transactions with Related Persons**

We adopted a written policy relating to the approval of transactions with related persons when the Board of Directors established the Nominating and Corporate Governance Committee in 2007. Such transactions are approved by our Board of Directors in accordance with applicable law. Generally, a contract or transaction between the Company and a director or officer or another entity in which one or more officers or directors have a financial interest is not voidable solely by reason of the interest of the director, officer or other related entity in the transactions if the material facts as to the director's or officer's relationship or interest, and as to the proposed transaction are described or known to the Board of Directors or the appropriate committee of the Board, and the Board or committee in good faith authorizes the contract or transactions by the affirmative votes of a majority of the disinterested directors or committee members, even if the disinterested persons constitute less than a quorum.

Our written policy for the review of material transactions with related persons requires review, approval or ratification of all transactions in which Geovic Mining or a subsidiary is a participant and in which a Geovic Mining director, executive officer, a significant stockholder or an immediate family member of any of the foregoing persons, or a person with a similar relationship with a subsidiary of Geovic Mining, has a direct or indirect material interest, subject to certain categories of transactions that are deemed to be pre-approved under the policy. Our policy, the pre-approved transactions, includes employment of executive officers, director compensation (in general, where such transactions are required to be reported in our proxy statement pursuant to compensation disclosure requirements of the Securities Exchange Act), as well as transactions in the ordinary course of business where the aggregate amount involved is expected to be less than \$5,000. All related party transactions will have to be reported for review by the Nominating and Corporate Governance Committee of the Board of Directors or the Audit Committee. Transactions deemed to be pre-approved are not required to be reported to the Committee, except that material transactions in the ordinary course of business are required to be submitted to the Committee for review at its next following meeting.

Following its review, the Committee determines whether these transactions are in, or not inconsistent with, the best interests of Geovic Mining and our stockholders, taking into consideration whether they are on terms no less favorable to Geovic Mining than those available with other parties and the related person's interest in the transaction. If a related party transaction is to be ongoing, the Nominating and Corporate Governance Committee may establish guidelines for our management to follow in its ongoing dealings with the related person.

**Table of Contents****ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The aggregate fees billed to the Company for the last two fiscal years by the Company's independent accountants, Ernst & Young LLP, were:

**Fees Paid to the Independent Accountants**

	2007	2006
Audit Fees	\$ 242,000	\$ 187,000
Audit-Related Fees	283,000	180,000
Tax Fees	62,000	40,000
All Other Fees	Nil	Nil
<b>Total</b>	<b>\$ 587,000</b>	<b>\$ 407,000</b>

- (1) Audit fees consist of our annual audit fees, on an accrual basis, and fees for review of our quarterly and other reports and quarterly meetings with our audit committee.
- (2) Audit-related fees are fees billed for audit related services that are reasonably related to the performance of the audit or review of the Company's financial statements and include fees for review of registration statements we filed with the Securities and Exchange Commission, the application for listing on the TSX in 2007 and the TSX-V in 2006, fees incurred in 2006 in connection with the RTO, and in 2007 in connection with two public offerings we completed outside the United States. Also included are other consultations concerning financial accounting and reporting standards, and assistance with documenting formalized internal reporting and financial control requirements.
- (3) Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice, and tax planning, including assistance with filing our corporate tax returns in 2006 and advice on transfer pricing for years before 2007.

The audit and other services provided by our independent accountants are supervised by the Audit Committee of the Board of Directors. In January 2007 the Audit Committee authorized the engagement of our independent accountants and pre-approved all audit and audit-related fees, all tax fees and other fees anticipated for services authorized to be performed by our independent accountants during 2007, including auditing services for the fiscal year ended December 31, 2006. The fees expended were reviewed and the authorizations renewed, as appropriate, at each quarterly meeting of our Audit Committee. No services were performed in 2007 by our independent accountants that had not been pre-approved by our Audit Committee. Before 2007, we did not have an audit committee and such fees and services were pre-approved by the Geovic Board of Directors.

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**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

- (a) Documents filed as part of this Form 10-K  
 1. Financial Statements and Supplementary Data

The pagination listed below for the Consolidated Financial Statements commences after the Signatures page (pg. 89).

	<b>Page</b>
Report of Independent Registered Public Accounting Firm	2
Consolidated Balance Sheet	3
Consolidated Statements of Operations	4
Consolidated Statements of Cash Flows	5
Consolidated Statements of Stockholders' Equity (Deficiency)	6
Notes to Consolidated Financial Statements	7
2. Financial Statement Schedules (not applicable)	

- (b) See Exhibit Index below

- (c) Not applicable  
*Exhibits*

The following exhibits are filed as part of this Annual Report:

<b>Exhibit Number</b>	<b>Description</b>
2.1	Arrangement Agreement as Amended dated October 31, 2006, incorporated by reference to Exhibit 2.1 to Form 10 Registration Statement filed May 14, 2007.
3.1	Certificate of Domestication of the Registrant, dated November 21, 2006, incorporated by reference to Exhibit 3.1 to Form 10 Registration Statement filed May 14, 2007.
3.2	Certificate of Incorporation of the Registrant, dated November 21, 2006, incorporated by reference to Exhibit 3.2 to Form 10 Registration Statement filed May 14, 2007.
3.3	Bylaws of Registrant, incorporated by reference to Exhibit 3.3 to Form 10 Registration Statement filed May 14, 2007.
4.1	Certificate of Designation of Series A Convertible Preferred Stock, incorporated by reference to Exhibit 4.1 to Form 10 Registration Statement filed May 14, 2007.
4.2	Warrant Indenture dated December 1, 2006 between Geovic Mining Corp and Pacific Corporate Trust Company, incorporated by reference to Exhibit 4.2 to Form 10 Registration Statement filed May 14, 2007.
4.3	Warrant Indenture dated March 1, 2007 between Geovic Mining Corp and Pacific Corporate Trust Company, incorporated by reference to Exhibit 4.3 to Form 10 Registration Statement filed May 14, 2007.



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- 4.4 Warrant Indenture dated April 20, 2007 between Geovic Mining Corp and Pacific Corporate Trust Company, incorporated by reference to Exhibit 4.4 to Form 10 Registration Statement filed May 14, 2007.
- 4.5 Geovic Mining Corp. Audit Committee Charter Adopted April 30, 2007, incorporated by reference to Exhibit 4.5 to Form 10 Registration Statement filed May 14, 2007.
- 4.6 Underwriting Agreement by and among Geovic Mining Corp., Canaccord Adams Limited, Canaccord Capital Corporation and Orion Securities Inc. dated April 11, 2007, incorporated by reference to Exhibit 4.6 to Form 10 Registration Statement filed May 14, 2007.
- 10.1 Letter Agreement between Registrant, Frank Guistra and William A. Buckovic, Dated February 26, 2007, incorporated by reference to Exhibit 10.1 to Form 10 Registration Statement filed May 14, 2007.
- 10.2 Finders Fee Agreement Between Geovic, Ltd. (Geovic) and Gregg J. Sedun (Sedun) Effective December 1, 2005, incorporated by reference to Exhibit 10.2 to Form 10 Registration Statement filed May 14, 2007.
- 10.3 Service Agreement between Geovic, Ltd. and Mineral Services, LLC, effective June 6, 2004, incorporated by reference to Exhibit 10.3 to Form 10 Registration Statement filed May 14, 2007.
- 10.4 Republic of Cameroon Mining Permit Decree, Dated April 11, 2003, incorporated by reference to Exhibit 10.4 to Form 10 Registration Statement filed May 14, 2007.
- 10.5 Mining Convention Between The Republic of Cameroon and Geovic Cameroon, S.A., dated July 31, 2002, incorporated by reference to Exhibit 10.5 to Form 10 Registration Statement filed May 14, 2007.
- 10.6 Geovic Cameroon Plc Shareholders Agreement, dated April 9, 2007, incorporated by reference to Exhibit 10.6 to Form 10 Registration Statement filed May 14, 2007.
- 10.7 Exclusive Option Agreement between Geovic, Ltd. and William A. Buckovic dated April 24, 2006, incorporated by reference to Exhibit 10.7 to Form 10 Registration Statement filed May 14, 2007.
- 10.8 Form of Director Compensation Letter, dated December 1, 2006, incorporated by reference to Exhibit 10.8 to Form 10 Registration Statement filed May 14, 2007.

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10.9	Extended Employment Agreement of William A. Buckovic, dated April 20, 2006, incorporated by reference to Exhibit 10.9 to Form 10 Registration Statement filed May 14, 2007.
10.10	Extended Employment Agreement of David C. Beling, dated April 20, 2006, incorporated by reference to Exhibit 10.10 to Form 10 Registration Statement filed May 14, 2007.
10.11	Extended Employment Agreement of John Sherborne Jr., dated April 20, 2006, incorporated by reference to Exhibit 10.11 to Form 10 Registration Statement filed May 14, 2007.
10.12	Executive Employment Contract of Gary R. Morris, dated May 1, 2006, incorporated by reference to Exhibit 10.12 to Form 10 Registration Statement filed May 14, 2007.
10.13	Geovic Mining Corp. Amended and Restated Stock Option Plan, as amended May 7, 2007, incorporated by reference to Exhibit 10.13 to Form 10 Registration Statement filed May 14, 2007.
10.14	Agreement for Consulting and Professional Services Between Geovic, Ltd. and Washington Group International, Inc. effective as of June 30, 2006, incorporated by reference to Exhibit 4.4 to Form S-8 Registration Statement filed January 24, 2008.
10.16	Patent License Agreement Inco Limited, dated November 8, 2006, incorporated by reference to Exhibit 10.16 to Form 10 Registration Statement filed May 14, 2007.
10.17	Investor Relations Agreement with Vanguard Shareholder Solutions Inc. , dated as of December 1, 2006.
10.18	Form of Compensation Option to Purchase Common Shares of Geovic Mining Corp. , incorporated by reference to Exhibit 10.10 to Form 10 Registration Statement filed May 14, 2007.
10.19	Agreement on Settlement of Governance and past Financial Situation of Geovic Cameroon PLC dated 31 December 2007.
10.20	Contract for Professional and Technical Services between Geovic Cameroon Plc and Geovic, Ltd., effective January 1, 2007, incorporated by reference to Exhibit 10.20 to Amendment No. 2 to Form 10 Registration Statement filed August 14, 2007.
10.21	Code of Business Conduct and Ethics for Geovic Mining Corp.
10.22	Charter of Compensation Committee for Geovic Mining Corp.
10.23	Charter for Nominating and Corporate Governance Committee for Geovic Mining Corp.
10.24	Agreement for Optimization.
21	Subsidiaries of Geovic Mining Corp.
23.1	Consent of Independent Registered Public Accounting Firm.
23.2	Certification and Consent.
31.1	Rule 13A-14(A) Certification of CEO
31.2	Rule 13A-14(A) Certification of CFO
32.1	Section 1350 Certification - CEO
32.2	Section 1350 Certification - CFO

**Table of Contents****SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized on March 30, 2008.

**GEOVIC MINING CORP.**

Registrant

By: /s/ John E. Sherborne  
 Name: John E. Sherborne  
 Title: Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant in the capacities indicated and on March 30, 2008.

Signature	Title	Date
/s/ John E. Sherborne	Chief Executive Officer	March 30, 2008
John E. Sherborne	and Director <i>(Principal Executive Officer)</i>	
/s/ William A. Buckovic	President and Director	March 30, 2008
William A. Buckovic		
/s/ Greg Hill	Chief Financial Officer	March 30, 2008
Greg Hill	<i>(Principal Financial Officer)</i>	
/s/ Michael G. Walthall	Corporate Controller	March 30, 2008
Michael G. Walthall	<i>(Principal Accounting Officer)</i>	
/s/ Robert J. (Don) MacDonald	Director	March 30, 2008
Robert J. (Don) MacDonald		
/s/ Michael T. Mason	Director	March 30, 2008
Michael T. Mason		
/s/ Wade Nesmith	Director	March 30, 2008
Wade Nesmith	Director	
Gregg Sedun		





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Consolidated Financial Statements

**Geovic Mining Corp.**

(an exploration stage company)

December 31, 2007

(Stated in U.S. dollars)

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**Geovic Mining Corp.**

(an exploration stage company)

**REPORT OF INDEPENDENT REGISTERED PUBLIC**

**ACCOUNTING FIRM**

To the Stockholders of

**Geovic Mining Corp.**

(an exploration stage company)

We have audited the accompanying consolidated balance sheets of **Geovic Mining Corp.** (an exploration stage company) as of December 31, 2007 and 2006 and the related consolidated statements of operations, stockholders' equity (deficiency) and cash flows for the each of the years in the three-year period ended December 31, 2007. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Geovic Mining Corporation (an exploration stage company) at December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with United States generally accepted accounting principles.

Vancouver, Canada

/s/ Ernst & Young LLP

March 28, 2008

Chartered Accountants

**Table of Contents****Geovic Mining Corp.**

(an exploration stage company)

**CONSOLIDATED BALANCE SHEETS**

(In thousands)

	December 31,	
	2007	2006
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 78,479	\$ 9,374
Accounts receivable	240	8
Income tax receivable <i>[note 11]</i>	404	
Prepaid expenses	161	83
Other	109	
<b>Total current assets</b>	<b>79,393</b>	9,465
Property, plant and equipment, net <i>[note 6]</i>	664	202
Mineral properties <i>[note 7]</i>	2,822	
Deposits	57	65
<b>Total assets</b>	<b>\$ 82,936</b>	\$ 9,732
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accrued liabilities and other payables	\$ 1,553	\$ 913
Income tax payable <i>[note 11]</i>		860
<b>Total current liabilities</b>	<b>1,553</b>	1,773
Contingent liability <i>[note 13a]</i>	241	241
<b>Total liabilities</b>	<b>1,794</b>	2,014
Commitments and contingencies <i>[note 13]</i>		
Minority interest in subsidiaries <i>[note 10]</i>	1,878	
<b>STOCKHOLDERS EQUITY</b>		
Preferred stock, par value of \$0.0001, 50 million shares authorized, none and 6 million shares issued and outstanding in 2007 and 2006, respectively		1
Common stock, par value of \$0.0001, 200 million shares authorized and 101.3 million and 62.1 million shares issued and outstanding in 2007 and 2006, respectively	10	6
Additional paid-in capital	104,000	37,282
Stock purchase warrants <i>[note 9]</i>	15,748	3,075
Deficit accumulated during the exploration stage	(40,494)	(32,646)
<b>Total stockholders equity</b>	<b>79,264</b>	7,718
<b>Total liabilities and stockholders equity</b>	<b>\$ 82,936</b>	\$ 9,732

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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**

(In thousands, except share amounts)

	Years ended December 31,			Unaudited period from Nov. 16, 1994 (inception) to Dec. 31, 2007
	2007	2006	2005	
<b>EXPENSES (INCOME)</b>				
Exploration costs <i>[note 5]</i>	\$ 9,189	\$ 3,465	\$ 872	\$ 23,431
General and administrative	3,276	1,593	909	8,875
Stock based compensation <i>[note 8]</i>	2,111	1,052	959	13,635
Interest and bank charges	59	9	2	87
Depreciation	76	39	78	780
	<b>14,711</b>	<b>6,158</b>	<b>2,820</b>	<b>46,808</b>
Interest income	(3,235)	(176)	(1)	(3,546)
Minority interest <i>[note 10]</i>	(3,214)			(3,214)
Net loss before income taxes	(8,262)	(5,982)	(2,819)	(40,048)
Income tax expense (benefit) <i>[note 11]</i>	(414)	860		446
<b>Net loss</b>	<b>\$ (7,848)</b>	<b>\$ (6,842)</b>	<b>\$ (2,819)</b>	<b>\$ (40,494)</b>
Net loss per share	<b>\$ (0.09)</b>	<b>\$ (0.16)</b>	<b>\$ (0.07)</b>	
Weighted average shares outstanding	<b>92,046,871</b>	44,008,591	38,241,826	

*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**

(In thousands)

	Years ended December 31,			Unaudited period from Nov. 16, 1994 (inception) to Dec. 31, 2007
	2007	2006	2005	
<b>OPERATING ACTIVITIES</b>				
Net loss	\$ (7,848)	\$ (6,842)	\$ (2,819)	\$ (40,494)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation expense	76	39	78	780
Stock-based compensation expense	2,111	1,052	959	13,635
Minority interest spent	(3,214)			(3,214)
Changes in non-cash operating working capital:				
(Increase) decrease in accounts receivable	(233)	24	(15)	(240)
(Increase) decrease in income tax receivable	(404)			(404)
(Increase) in prepaid expenses	(78)	(23)	(60)	(161)
(Increase) decrease in deposits	(101)	(61)	17	(166)
Increase (decrease) in accrued liabilities and other payables	640	633	(345)	1,553
Increase (decrease) in income tax payable	(860)	860		
Increase in contingent liability				241
<b>Cash used in operating activities</b>	<b>(9,911)</b>	<b>(4,318)</b>	<b>(2,185)</b>	<b>(25,256)</b>
<b>INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment	(538)	(101)	(3)	(1,444)
Acquisition of mineral leases	(2,822)			(2,822)
<b>Cash used in investing activities</b>	<b>(3,360)</b>	<b>(101)</b>	<b>(3)</b>	<b>(4,266)</b>
<b>FINANCING ACTIVITIES</b>				
Minority interest contribution	5,092			5,092
Decrease in bank overdraft			(3)	
Cash paid to rescind exercise of stock options		(15)		(15)
Proceeds from issuance of common stock and preferred stock	67,158	12,523	3,090	95,589
Proceeds from issuance of stock purchase warrants	13,093	3,075		16,168
Proceeds from exercise of stock options and stock purchase warrants	2,034	18		2,126
Stock issue costs	(5,001)	(2,743)		(7,745)
<b>Cash provided by financing activities</b>	<b>82,376</b>	<b>12,858</b>	<b>3,087</b>	<b>108,001</b>
<b>Net increase in cash and cash equivalents</b>	<b>69,105</b>	<b>8,439</b>	<b>899</b>	<b>78,479</b>
Cash, beginning of year and cash equivalents	9,374	935	36	
<b>Cash, end of year and cash equivalents</b>	<b>\$ 78,479</b>	<b>\$ 9,374</b>	<b>\$ 935</b>	<b>\$ 78,479</b>
<b>SUPPLEMENTAL INFORMATION</b>				
Taxes paid	\$ 850			\$ 850





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**Geovic Mining Corp.**

(an exploration stage company)

**CONSOLIDATED STATEMENTS OF  
STOCKHOLDERS EQUITY (DEFICIENCY)**

(in thousands, except share amounts)

Common Shares	Stock Purchase Warrants	Additional paid-in capital	Deficit	Total
18,518,850	\$ 12,892	\$ 9,513	\$ (22,985)	
1,165,854	3,090			
		959		
1,000	3	(3)		
			(2,819)	
19,685,704	15,985	10,469	(25,804)	

Kerry Propper. Mr. Kerry Propper has been our director since our merger with China Networks Media since May 2008. Mr. Propper has been the owner and managing director of China Networks Media since May 2008. Mr. Propper has been the owner and managing director of Chardan Capital Markets LLC, a New York based broker/dealer, since July 2000. Mr. Propper has been an officer of Chardan Capital Markets LLC, a New York based broker/dealer, since July 2000. Mr. Propper has been a managing director of SUJG, Inc., an investment company, since April 2005. From January 2003 until December 2003 until November 2005, Mr. Propper served as a member of the board of directors of Chardan China Acquisition Corp., Chardan North China Acquisition Corporation and Chardan South China Acquisition Corporation, each an OTC Bulletin Board listed blank check company. In November 2007, Chardan China Acquisition Corp. completed its business combination with State Harvest Holdings, Inc. and changed its name to Origin Agritech Ltd., in September 2007, Chardan North completed its business combination with Gifted Time Holdings, Limited and changed its name to HLS Systems International, Inc. and in January 2008 Chardan South completed its business combination with Head Draught Energy Systems, Limited and changed its name to A-Power Energy Generation Systems, Ltd. Mr. Propper has served as a member of the board of directors of Origin Agritech and HLS Systems International, Inc. since their mergers. Mr. Propper also sits on the board of directors of China Cablecom Holdings, Inc., a joint-venture provider of cable TV services in China. Mr. Propper was a founder, and from February 2003 to July 2003 owner and managing director of Windsor Capital Advisors, a full service broker/dealer based in New York. Mr. Propper was also a founder of The Private Capital Group LLC, an investment firm specializing in hard money loans and convertible preferred debt and equity.

small companies, in May 2000 and was affiliated with it until December 2003. From January to February 1999, Mr. Propper worked at Aegis Capital Corp., a broker dealer and member firm. Mr. Propper received his B.A. (with honors) in Economics and International Studies from the University of Vermont and studied at the London School of Economics.

George B. Kaufman. Mr. George B. Kaufman has been our director since our merger with Chardan Networks. Mr. Kaufman has served as the Vice President of Investment Banking for Citigroup Global Markets LLC, a New York based broker/dealer, since January 2006 and served as an Investment Banking Associate for Chardan from November 2004, when he joined the firm, to December 2005. As one of the seven original members of Chardan, Mr. Kaufman established the investment banking, research and marketing protocols and standards. He has extensive experience with operating and developing private companies, particularly those in the China and Greater Asian region, having lead and/or managed numerous public and private transactions. In addition, Mr. Kaufman founded Detroit Coffee Company, a coffee roaster, wholesaler and retail distributor of high-end specialty coffees, in January 2002 and served as its chief executive officer. Mr. Kaufman received a Bachelor of Arts degree in Economics from the University of Vermont in 1999.

No family relationship exists between any of our directors and executive officers. There are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any person referred to above was selected as a director or member of senior management.

#### Compensation

In 2009, we paid an aggregate of \$200,000 in salary to our directors and senior management group. None of our directors or senior management received any equity awards, including restricted stock or other equity incentives in 2009. We do not set aside or accrue any amount for retirement or other benefits for our directors and senior management. However, we reimburse for out-of-pocket expenses incurred in connection with their services in such capacity.

Our board of directors conducts reviews informally, and compensation is not typically regimented time-frame. Our board of directors bases the salaries of our executive officers on the salaries of similarly-situated companies pay their executive officers for similar performance. In addition, if an executive performs exceptionally well, the performance and, if applicable, the increase in market value would also merit a salary increase.

#### Board Practices

#### Terms of Directors and Executive Officers

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Our board of directors is currently divided into three classes with only one class of directors being elected at each year and each class serving a three-year term. The term of the Class A directors expires at the first annual meeting of our shareholders, with the Class B term expiring at the second annual meeting and the Class C term expiring at the third annual meeting. The current board members are classified as follows:

- Class A directors to stand for reelection in 2010: Ms. May Huang;
- Class B directors to stand for reelection in 2011: Mr. Kaufman and Mr. Li; and
- Class C directors to stand for reelection in 2012: Mr. Propper and Dr. J.P. Huang.

At a general meeting in each year, successors to the class of directors whose term expires in that year shall be elected for a three year term. A majority of votes cast at the relevant meeting shall be sufficient to elect directors. The directors may appoint one or more directors to fill a vacancy on the Board.

Our executive officers are appointed by our board. The executive officers shall hold office until their successors are duly elected and qualified, but any officer elected or appointed by the directors may be removed at any time, with or without cause, by resolution of directors. Any vacancy occurring in the office of an executive officer may be filled by resolution of directors.

### Independence of Directors

We have elected to follow the rules of NYSE Amex to determine whether a director is independent. Our board will also consult with counsel to ensure that our board's determinations are consistent with applicable law and all relevant securities and other laws and regulations regarding the independence of directors. Consistent with these considerations, our board has affirmatively determined that Dr. J.P. Huang, Ms. Huang and Mr. Kaufman are our independent directors.

### Board Committees

#### Audit Committee

We established an audit committee of the board of directors, which consists of Dr. J.P. Huang, Mr. Kaufman and Ms. Huang. We have determined that each of these individuals is an independent director under NYSE Amex listing standards. Our board has also determined that Ms. Huang possesses the financial management experience that qualifies her as financially sophisticated within the meaning of the NYSE Amex listing standards and that he is an "audit committee financial expert" as defined in the rules and regulations of the SEC.

The audit committee is mainly responsible for, among other things:

- reviewing and discussing with management and the independent auditor the annual audited financial statements;
- discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of financial statements;
- discussing with management major risk assessment and risk management policies;
- monitoring the independence of the independent auditor;

- verifying the rotation of the lead (or coordinating) audit partner having primary responsibility and the audit partner responsible for reviewing the audit as required by law;
- reviewing and approving all related-party transactions;
- inquiring and discussing with management compliance with applicable laws and regulations;
- pre-approving all audit services and permitted non-audit services to be performed by our auditor, including the fees and terms of the services to be performed;
- appointing or replacing the independent auditor;

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- determining the compensation and oversight of the work of the independent auditor (including of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work; and
- establishing procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or reports which raise material issues regarding the accuracy of financial statements or accounting policies.

### Compensation Committee

We established a compensation committee of the board of directors, which consists of Dr. J.P. Huang (Chairman) and Dr. J.P. Huang, each of whom is an independent director under the NYSE listing standards. Our compensation committee is responsible for reviewing and approving corporate compensation objectives relevant to the compensation for executive officers, evaluating the performance of executive officers in light of those goals and objectives, and determining and approving the compensation of executive officers based on this evaluation. In addition, our compensation committee is responsible for administering our incentive-compensation plans and equity-based plans, including our 2007 Securities and Incentive Plan, and for making recommendations to the board of directors with respect to the adoption, amendment, termination or replacement of such plans.

### Nominating and Corporate Governance Committee

We established a nominating and corporate governance committee of the board of directors, which consists solely of Dr. J.P. Huang, each of whom is an independent director under the NYSE listing standards. The nominating and corporate governance committee is responsible for overseeing the process of persons to be nominated to serve on our board of directors.

The nominating and corporate governance committee will consider a number of qualifications, including management and leadership experience, background and integrity and professionalism in connection with a person's candidacy for membership on the board of directors. The nominating and corporate governance committee may require certain skills or attributes, such as financial or accounting experience, to address specific board needs that arise from time to time. The nominating and corporate governance committee will not distinguish among nominees recommended by shareholders and other persons and will consider all persons identified by its members, management, shareholders, investment bankers and others. We do not have any restrictions on shareholder nominations under our amended and restated memorandum of association. The only restrictions are those applicable generally under British Virgin Islands law and federal proxy rules, if applicable. Currently, we will consider suggestions from individuals for nomination, subject to evaluation of the person's merits. Shareholders may communicate nominee suggestions to the board, accompanied by biographical details and a statement of support for the nomination. There are certain timing restrictions in connection with our annual meetings. The suggested nominees must provide a statement of consent to being considered for nomination. Although there are no formal requirements for nominees, our board of directors believes that persons should be actively engaged in business, have a financial background, and be familiar with acquisition strategies and money management.

### Employees

As of December 31, 2009, we had a total of 110 employees in the following entities: Beijing Kunming JV and Kunming Ad Co. 72, and Taiyuan JV and Taiyuan Ad Co. 30. We offer competitive compensation packages and various training programs, which are intended to attract and retain

qualified personnel. As required by PRC regulations, we participate in various employee benefits that are organized by municipal and provincial governments, including housing, pension and unemployment benefit plans. We are required under PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of employees, up to a maximum amount specified by the local government from time to time. Members of the retirement plan are entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement. We typically enter into a standard employment agreement and a confidentiality agreement with our employees, and we believe our relationship with our employees is good. Our employees are not represented by collective bargaining agreements or labor unions.

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## Share Ownership

## Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information with respect to the beneficial ownership of our ordinary shares of June, 2010 by (i) each person who is known by us to beneficially own more than 5% of our ordinary shares; (ii) by each of our officers and directors; and (iii) by all of our officers and directors as a group. The address of each of the persons set forth below is in care of the Company, 9 Dong San Huan Zhi Road, 1101, Chaoyang District, Beijing, 100020, People's Republic of China.

Name and Address of Beneficial Owner	Office, if any	Title of Class	Amount and Nature of Beneficial Ownership(1)	Percentage of Total
<b>Officers and Directors</b>				
Li Shuangqing	Chief Executive Officer and Chairman	Ordinary Shares, \$0.0001 par value	-	-
Jian Ping Huang	Director	Ordinary Shares, \$0.0001 par value	-	-
May Huang	Director	Ordinary Shares, \$0.0001 par value	-	-
Kerry Propper (3)	Director	Ordinary Shares, \$0.0001 par value	1,214,177	17.9%
George Kaufman	Director	Ordinary Shares, \$0.0001 par value	-	-
All officers and directors as a group (5 persons named above)		Ordinary Shares, \$0.0001 par value	-	-
<b>5% Security Holders</b>				
MediaInv Ltd. (4)		Ordinary Shares, \$0.0001 par value	7,262,605	17.9%
Platinum Partners Value 152 W 57TH St 54th Floor New York, NY 10019 (5)		Ordinary Shares, \$0.0001 par value	7,822,059	17.9%
South Ferry #2 LP One State Street New York, NY 10004 (6)		Ordinary Shares, \$0.0001 par value	8,547,750	19.9%
Atlas Master Fund 135 E 57th Street New York, NY 10022		Ordinary Shares, \$0.0001 par value	2,810,882	6.9%

\* Less than 1%.

- (1) Beneficial Ownership is determined in accordance with the rules of the Securities Commission and generally includes voting or investment power with respect to securities otherwise indicated, each of the beneficial owners listed above has direct ownership of the securities and investment power with respect to our ordinary shares.
- (2) A total of 41,019,998 of our ordinary shares, 16,000,000 preferred shares, 22,768 units, and 1,000,000 warrants as of June 16, 2010 are outstanding pursuant to SEC Rule 13d-3(d)(1). Ordinary shares that may be acquired by an individual or group within 60 days of June 16, 2010, pursuant to warrants or options, are deemed to be outstanding for the purpose of computing the ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the above table.



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(3) Includes 793,242 Ordinary Shares held by Chardan Capital Markets LLC. Mr. Propper is a director of Chardan Capital Markets LLC and holds voting and dispositive over such Ordinary Shares.

(4) The sole shareholder of MediaInv is Dato William Ng Jit Thye.

(5) Includes 3,137,255 Ordinary Shares underlying Preferred Shares held by Platinum Partner.

(6) Includes 3,168,627 Ordinary Shares underlying Preferred Shares held by South Ferry #2 L.

None of our major shareholders have different voting rights from other shareholders. We have no other arrangement that may, at a subsequent date, result in a change of control of our company.

2008 Omnibus Securities and Incentive Plan

We adopted the 2008 Omnibus Securities and Incentive Plan, or the Share Incentive Plan, in connection with the Business Combination. The Share Incentive Plan provides for the grant of distribution rights, incentive share options, non-qualified share options, performance share awards, restricted share awards, restricted share awards, share appreciation rights, tandem share appreciation rights and restricted share awards for an aggregate of not more than 2,500,000 shares of our ordinary shares to our directors, officers, employees and consultants of the Company or its affiliates. If any award expires, terminates unexercised or is forfeited, the number of shares subject thereto, if any, is again available for grant under the Share Incentive Plan. The number of ordinary shares with respect to which share appreciation rights may be granted to an employee under the Share Incentive Plan in any one year cannot exceed 500,000.

The following description of the Share Incentive Plan is a summary of the material terms of the Share Incentive Plan.

Plan Administration

The Share Incentive Plan is administered by our compensation committee, or the Committee. In all things, the Committee has complete discretion, subject to the express limits of the Share Incentive Plan, to determine the employees, directors and consultants to be granted awards, the types of awards to be granted, the number of our ordinary shares to be subject to each award, if any, the exercise price and the base price of each share appreciation right, the term of each award, the vesting schedule, the performance goals for each award that utilizes such a schedule or provides for performance goals to accelerate vesting, the value of the ordinary shares, and any required withholdings. Either the directors or the Committee may amend, modify or terminate any outstanding award, provided that the participant's consent to such action is required if the action would materially and adversely affect the participant. The Committee is also authorized to construe the award agreements and may take any action relating to the operation of the Share Incentive Plan.

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### Share Options

The Share Incentive Plan provides for the grant of share options, which may be either “options” (ISOs), which are intended to meet the requirements for special U.S. federal income tax treatment under the Code, or “nonqualified share options” (NQSOs). Options may be granted on such terms and conditions as the Committee may determine; provided, however, that the per share exercise price of an option may not be less than the fair market value of an underlying ordinary share on the date of grant. The term of an ISO may not exceed ten years (110% of such value and five years in the case of an option granted to an employee who owns (or is deemed to own) more than 10% of the total combined voting power of all classes of our capital or a parent or subsidiary). ISOs may only be granted to employees whose aggregate fair market value of the ordinary shares underlying one or more ISOs (determined as of the date of grant) which are exercisable for the first time by any one employee during any calendar year do not exceed \$100,000.

### Share Awards

A restricted share award under the Share Incentive Plan is a grant or sale of our ordinary shares to a participant, subject to such transfer, forfeiture and/or other restrictions specified by the Committee in the award. Dividends, if any, declared by us will be paid on the shares, even during the period of restriction.

An unrestricted share award under the Share Incentive Plan is a grant or sale of our ordinary shares to a participant that is not subject to transfer, forfeiture or other restrictions, in consideration for services rendered thereby to us or an affiliate or for other valid consideration.

### Performance Awards

Performance unit awards under the Share Incentive Plan entitle the participant to receive a specified number of shares or payment in cash upon the attainment of specified individual or company performance goals.

Performance share awards under the Share Incentive Plan entitle the participant to receive a specified number of our ordinary shares upon the attainment of specified individual or company performance goals.

### Share Appreciation Rights

The award of a share appreciation right, or SAR, under the Share Incentive Plan entitles the participant, upon exercise, to receive an amount in cash, our ordinary shares or a combination thereof equal to the increase in the fair market value of the underlying ordinary shares between the date of grant and the date of exercise. SARs may be granted in tandem with, or independently of, options granted under the Share Incentive Plan. A SAR granted in tandem with an option under the Share Incentive Plan is exercisable at the same time as the related option and is exercisable only at such times, and to the extent, that the related option is exercisable and expires upon termination or exercise of the related option. In addition, the SAR may be exercised only when the value of our ordinary shares subject to the option is at least the exercise price under the option. A SAR that is not granted in tandem with an option is exercisable at such times as the Committee may specify.

### Distribution Equivalent Rights

A distribution equivalent right award under the Share Incentive Plan entitles the participant to receive bookkeeping credits, cash payments and/or our ordinary share distributions equal in value to the dividends that would have been paid on the underlying shares.

distributions that would have been made to the participant had the participant held a specified ordinary shares during the period the participant held the distribution equivalent right. If a distribution equivalent right may be awarded under the Share Incentive Plan as a component of another award, so awarded, such distribution equivalent right will expire, terminate or be forfeited by the participant under the same conditions as under such other award.

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Other Terms

The Share Incentive Plan prohibits the issuance of an award with terms and conditions that would cause the award to be considered nonqualified deferred compensation under Section 409A of the Internal Revenue Code. Except as provided in the Share Incentive Plan, awards granted under the Share Incentive Plan are non-transferable and may be exercised only by the participant or by the participant's duly authorized representative. Each award agreement will specify, among other things, the effect on an award in the event of a participant's disability, death, retirement, authorized leave of absence or other termination of employment by the participant. We may require a participant to pay us the amount of any required withholding tax with the grant, vesting, exercise or disposition of an award. A participant is not considered to own the ordinary shares underlying an award until the shares are issued to the participant.

Our board of directors may at any time terminate the Share Incentive Plan with respect to awards that have not theretofore been granted, provided that no such termination may be effected if it would materially and adversely affect the rights of a participant with respect to any award theretofore granted without the participant's consent. Our board of directors may at any time amend or alter the Share Incentive Plan, provided that no change in any award theretofore granted may be made which would materially and adversely impair the rights of a participant with respect to such award without that participant's consent.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

Please refer to Item 6, "Directors, Senior Management and Employees — Share Ownership."

Related Party Transactions

The following includes a summary of transactions since the beginning of the 2009 fiscal year and certain related persons. We believe the terms obtained or consideration that we paid or received, as applicable, in connection with the transactions described below were comparable to terms and amounts that would be paid or received, as applicable, in arm's-length transactions.

- On June 25, 2009, we completed the Business Combination pursuant to the Merger Agreement. Mr. George B. Chardan, a member of our board of directors and a director and significant shareholder of China Networks' prior to the Business Combination, is also the chief executive officer of Chardan Capital Markets, a financial advisor to Alyst in connection with the Business Combination. Chardan agreed to waive all fees due in connection with the closing of the Business Combination. The original shareholders agreed to cancel all cash consideration from warrants. Mr. George B. Chardan became a member of our board of directors upon closing of the Business Combination and is currently employed by Chardan, as its Vice President of Investment Banking.
- Under the Merger Agreement, China Networks' shareholders received at closing an aggregate of \$22.1 million in cash (of which \$10 million was paid in ordinary shares of the Company), 2,880,000 shares of the combined entity and up to \$22.1 million of the cash received from the exercise of warrants.
- On April 13, 2010, we consummated an offering, as described above, with certain accretion features whereby we sold to the investors six-year 10% senior secured convertible debentures in an aggregate principal amount of \$11,000,000. In connection with the offering, we paid Chardan (a) a cash commission of 5% of the aggregate principal amount of the Debentures sold directly by Chardan, (b) a cash

equal to 7% of the aggregate principle amount of the Debentures sold by other placement cash commission included the placement fees owed to such other placement agents, and (c) the purchase of a number of Ordinary Shares equal to 5% of the aggregate principle debentures issued in the offering divided by the closing price of our Ordinary Shares on the closing date. Our director Kerry Propper is the CEO of Chardan, and our director George Vice President of Investment Banking of Chardan.

- On April 13, 2010, in connection with the offering discussed above, we consummated a transaction with China Networks and the holders of senior secured notes of China Networks with an aggregate principal amount of \$25,500,000, pursuant to which the holders agreed to cancel their existing notes in exchange for the pro rata issuance by us of an aggregate of 23,000,000 Ordinary Shares and 16,000,000 Class A Preferred Shares. In connection with the exchange transaction we issued 16,000,000 Ordinary Shares to Chardan in connection with services provided with respect to the offering. Our director Kerry Propper is the CEO of Chardan, and our director George Kaufman is the Vice President of Investment Banking of Chardan.

#### Interests of Experts and Counsel

Not applicable.

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ITEM 8. FINANCIAL INFORMATION

Consolidated Statements and Other Financial Information

Financial Statements

We have appended consolidated financial statements filed as part of this annual report “Financial Statements.”

Legal Proceedings

On September 3, 2009, Alpha Capital Anstalt, one of our noteholders, filed a complaint against China Networks in the Supreme Court of the State of New York, County of New York, alleging that China Networks defaulted on a promissory note made by China Networks and payable to Alpha Capital Anstalt in the principal amount of \$999,650. The complaint alleged that the note was payable in full, together with accrued interest, on July 10, 2009, which represented the tenth business day following the Business Combination. The complaint sought damages in the amount of \$1,168,591, which represented the principal and accrued interest due and owing as of August 23, 2009, plus a late fee in the amount of \$100,000 with interest accruing thereafter at a rate of 12% per annum.

In April 2010, Alpha Capital Anstalt filed a notice of voluntarily discontinuance with the Clerk of the Supreme Court of the State of New York – County of New York, thereby relieving the Company of its liability under the complaint.

We may be subject to legal proceedings, investigations and claims incidental to the conduct of our business from time to time. Other than described above, we are currently not a party to any litigation or legal proceedings brought against us and we are also not aware of any legal proceeding, investigation or other legal exposure that has a more than remote possibility of having a material adverse effect on our business, financial condition or results of operations.

Dividend Policy

We have never declared or paid any cash dividends on our ordinary shares. We currently intend to use our future earnings, if any, for use in the operations and expansion of our business. As a result, we do not anticipate paying cash dividends in the foreseeable future. Any future determination as to whether to declare and payment of cash dividends will be at the discretion of our board of directors and will depend on factors our directors deem relevant, including among others, our results of operations, financial condition, capital requirements, business prospects, and the terms of our credit facilities, if any, and any other factors. Accordingly, realization of a gain on our investments will depend on the appreciation of the price of our ordinary shares. There is no guarantee that our ordinary shares will appreciate in value.

Significant Changes

No significant change has occurred since the date of our consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

#### Offer and Listing Details

On July 24, 2009, our ordinary shares and warrants began trading on the OTC Bulletin Board under the symbols “CNWHF” and “CHNWF,” respectively. The common stock and warrants of our company were traded on the NYSE Amex until completion of the Business Combination on June 25, 2009.

Our ordinary shares and warrants traded on the NYSE Amex until July 17, 2009, when the trading of our securities was suspended pending our ability to meet the Exchange’s listing requirements for our business combination with China Networks. We were delisted from the NYSE Amex in September 2009 for failure to meet such listing requirements.

The following table provides the high and low closing bid prices for our ordinary shares and warrants during the historical periods indicated below, as reported by [www.quotemedia.com](http://www.quotemedia.com). The over-the-counter market prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily reflect actual transactions.

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	Ordinary Shares/ Common Stock		W
	High	Low	High
<b>Annual Market Prices</b>			
Year 2007 (from July 16, 2007)	\$7.35	\$7.20	\$0.90
Year 2008	7.70	7.00	1.07
Year 2009	7.82	0.75	0.25
Year 2010 (through June 28, 2010)	1.10	0.25	0.07
<b>Quarterly Market Prices</b>			
First Quarter 2008	7.43	7.22	0.73
Second Quarter 2008	7.53	7.27	0.60
Third Quarter 2008	7.70	7.30	1.07
Fourth Quarter 2008	7.55	7.00	0.45
First Quarter 2009	7.73	7.45	0.12
Second Quarter 2009	7.82	4.50	0.22
Third Quarter 2009	5.17	1.00	0.25
Fourth Quarter 2009	1.89	0.75	0.15
<b>Monthly Market Prices</b>			
January 2010	0.99	0.70	0.07
February 2010	1.00	0.75	0.025
Mach 2010	0.60	0.52	0.025
April 2010	0.60	0.50	0.025
May 2010	0.60	0.40	0.025
June 2010 (through June 28, 2010)	0.40	0.25	0.025

## Plan of Distribution

Not applicable.

## Markets

See our disclosures above under “Offer and Listing Details.”

## Selling Shareholders

Not applicable.

## Dilution

Not applicable.

## Expenses of the Issue

Not applicable.

## ITEM 10. ADDITIONAL INFORMATION



Share Capital

Not applicable.

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### Memorandum and Articles of Association

The following represents a summary of certain key provisions of the Company's amended memorandum and articles of association. The summary does not purport to be a summary of all provisions of our memorandum and articles of association and of all relevant provisions governing the management and regulation of BVI companies.

### Register

We were incorporated in the BVI on April 17, 2008 under the BVI Business Companies Act. Our amended and restated memorandum of association authorizes the issuance of 75,000,000 shares, of which 74,000,000 are ordinary shares, with \$.0001 par value per share, and 1,000,000 are preferred shares of \$.0001 par value per share. Our board of directors or shareholders may at any time by the consent of the majority of our board of directors or the consent of the majority of our shareholders increase the maximum number of shares we are authorized to issue, by amending our amended and restated memorandum and articles of association.

### Objects and Purposes

Clause 5 of our amended and restated memorandum of association sets forth the objects and purposes of the company. Section 5.1 provides that, subject to certain provisions set forth in our amended memorandum of association, the objects for which we are established are unrestricted and we have full power and authority to carry out any object not prohibited by the Act or any other law of the Virgin Islands. Notwithstanding the foregoing, Section 5.2 provides that we have no power to carry on banking or trust business, unless licensed to do so under the Banks and Trust Companies Act, 1990; (ii) carry on business as an insurance or as a reinsurance company, insurance agent or insurance broker, unless licensed or authorized to do so under the Insurance Act, 1994; (iii) carry on the business of management unless licensed to do so under the Companies Management Act, 1990; (iv) carry on the business of providing the registered office or the registered agent for companies incorporated in the Virgin Islands unless licensed to do so under the Banks and Trust Companies Act, 1990; and (v) carry on business as a mutual fund, mutual fund manager or mutual fund administrator unless licensed to do so under the Mutual Funds Act, 1996.

### Directors

BVI law requires that the board of directors of a company consist of one or more members. The number of directors shall be fixed by the company's articles of association. Our amended articles of association provide for no maximum number of directors, subject to any subsequent amendment to change the number of directors. The power to determine the number of directors is vested in the board of directors and the shareholders. The power to fill vacancies, whether occurring by reason of the expiration of the term of office of the directors or by resignation, is vested in the board of directors in the interim period between annual or special meetings of members called for the election of directors and/or the removal of directors and the filling of any vacancy in that connection. Directors may be removed by the shareholders with or without cause on a vote of a majority of the shareholders passed at a meeting called for the purpose of removing the director or by written resolution or with cause by a resolution of directors passed at a meeting or by written resolution.

Under BVI law, there is no cumulative voting by shareholders for the election of the directors. The absence of cumulative voting rights effectively means that the holders of a majority of the shares

shareholders meeting may, if they so choose, elect all of our directors, thus precluding a shareholders from controlling the election of one or more representatives to the board of directors.

Our amended and restated articles of association provide that a director who is interested in a transaction entered into or to be entered into by us may: (i) vote on a matter relating to the transaction; and (ii) be present at a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum; and (iii) sign a document on our behalf, or do an act in his capacity as a director, that relates to the transaction. Additionally, our amended and restated articles of association provide that no director shall be disqualified by his office from contracting with us, whether as a buyer, seller or otherwise, nor shall any such contract or arrangement entered into by or on behalf of us, which any director shall be in any way interested be voided, nor shall any director so contracted be liable to account to us for any profit realized by any such contract or arrangement made by such director holding that office or by reason of the fiduciary relationship thereby established. Any director shall, immediately after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by us, disclose such interest to our board of directors. For the purposes of our articles of association:

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(a) A director is not required to make such a disclosure if: (i) the transaction or proposed transaction is or is to be entered into in the ordinary course of our business and on usual terms and conditions.

(b) A disclosure to our board of directors to the effect that a director is a member, director, officer, or shareholder of another named company or other person and is to be regarded as interested in any transaction or proposed transaction after the date of the entry or disclosure, be entered into with that company or person, is a sufficient disclosure of interest in relation to that transaction. Such a disclosure is not made to our board of directors unless it is made or brought to the attention of every director on the board.

(c) Subject to Section 125(1) of the Act, the failure by a director to comply with this provision shall not affect the validity of a transaction entered into by the director or the Company.

Pursuant to our amended and restated articles of association, a director shall not require any special qualification, but nevertheless shall be entitled to attend and speak at any meeting of the directors, any meeting of the members and at any separate meeting of the holders of any class of our shares. The remuneration of directors (whether by way of salary, commission, participation in profits or otherwise) in respect of services rendered or to be rendered in any capacity to us (including to any company in which we may be interested) shall be fixed by Resolution of Directors or Resolution of Members. Directors may also be paid such travelling, hotel and other expenses properly incurred by them in connection with returning from meetings of the directors, or any committee of the directors or meetings of the directors in connection with our business as shall be approved by Resolution of Directors or Resolution of Members.

### Rights and Obligations of Shareholders

#### Dividends

Subject to the Act, the directors may, by resolution of directors, authorize a distribution of a dividend (i.e., share dividend) by us to members (i.e., shareholders) at such time and of such an amount as they are satisfied, on reasonable grounds, that immediately after the distribution, the value of our assets exceeds our liabilities and we are able to pay our debts as they fall due. Any distribution payable to a shareholder whose share which has remained unclaimed for three years from the date when it became due for payment shall, if the board of the directors so resolves, be forfeited and cease to remain owing by us. The directors, before authorizing any distribution, set aside out of our profits such sum as they think proper for the purpose of a reserve fund, and may invest the sum so set apart as a reserve fund upon such securities as they may see fit.

The holder of each ordinary share has the right to an equal share in any distribution paid by us.

We do not intend to pay any dividends to our shareholders in the foreseeable future.

#### Voting Rights

Each ordinary share confers on the shareholder the right to one vote at a meeting of the members for the resolution of members on all matters before our shareholders.

#### Rights in the event of winding up

The holder of each ordinary share is entitled to an equal share in the distribution of the surplus assets of the Company on a winding up.

### Redemption

We may purchase, redeem or otherwise acquire and hold our own shares with the consent of the holders of the shares whose shares are to be purchased, redeemed or otherwise acquired unless we are permitted by the provisions of the amended and restated memorandum of association or the amended and restated articles of association to purchase, redeem or otherwise acquire the shares without their consent. We may acquire shares if at the relevant time the directors determine by resolution of directors that immediately after the acquisition the value of our assets exceeds our liabilities and we are able to pay our debts as they become due.

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The directors may make an offer to purchase, redeem or otherwise acquire shares issued by us (i) an offer to all members that would, if accepted, leave the relative voting and distribution rights of the members unaffected and affords each member a reasonable opportunity to accept the offer; or (ii) an offer to one or more members which either (1) all members have consented to in writing or (2) the members have passed a resolution of directors stating that, in their opinion (a) the purchase, redemption or other acquisition is to the benefit of the remaining members and (b) that the terms of the offer and the consideration to be paid for the shares are fair and reasonable to us and to the remaining members, and setting out their opinion.

We may purchase, redeem or otherwise acquire our shares at a price lower than the fair value of the shares, by, and then only in accordance with, the terms of the amended and restated memorandum and articles of association or a written agreement for the subscription for the shares to be purchased, redeemed or otherwise acquired.

### Changes in the rights of shareholders

The rights attached to any class or series of shares (unless otherwise provided by the terms of the memorandum and articles of association of that class or series), whether or not we are being wound-up, must be varied with the written consent of all the holders of the issued shares of that class or series or with the sanction of a resolution passed by a majority of the votes cast at a separate meeting of the holders of the shares of the class or series.

### Meetings

An annual meeting of members must be held each year at such date and time as may be determined by the directors. The directors shall call a meeting of the members if requested in writing to do so by members entitled to exercise at least 30% of the voting rights in respect of the matter for which the meeting is held. No less than ten days and not more than sixty days notice of meetings is required to be given to the members.

A meeting of members is properly constituted if at the commencement of the meeting there are a sufficient number of members present in person or by proxy or (in the case of a member being a corporation) by its authorized representative representing not less than one third of the votes of the shares or class of shares entitled to vote on resolutions of members to be considered at the meeting.

A member shall be deemed to be present at the meeting if he participates by telephone or other electronic means and all members participating in the meeting are able to hear each other.

An ordinary resolution of members is a resolution approved at a duly constituted meeting of members by a simple affirmative vote of a simple majority of the votes cast by such members entitled to vote on the resolution. A special resolution of members is a resolution passed by a majority of not less than 75% of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members who are corporations, by their respective duly authorized representative or, where proxies are allowed, by their proxies at a general meeting of which not less than ten (10) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given, provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having the right to attend and vote at such meeting, being a majority together holding not less than ninety-five (95) per cent in number of the shares giving that right and in the case of an annual general meeting, if it is so agreed by a majority of the members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than ten (10) clear days' notice has been given.

The inadvertent failure of the directors to give notice of a meeting to a member, or the fact that a member has not received notice, does not invalidate the meeting.

A member may be represented at a meeting of members by a proxy (who need not be a member) to speak and vote on behalf of the member. A written instrument giving the proxy such authority must be produced at the place appointed for such purpose not less than 48 hours before the time of the meeting.

#### Limitations on Ownership of Securities

There are no limitations on the right of non-residents or foreign persons to own our securities under BVI law or by our amended and restated memorandum and articles of association.

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### Change in Control of Company

A special resolution of members is required for us to issue our shares or securities convertible into shares resulting in our change of control. Additionally, the board of directors is empowered to issue preferred shares with such rights attaching to them as they decide and such power could be used in a way that would delay, defer or prevent a change of control of our company.

### Ownership Threshold

There are no provisions governing the ownership threshold above which shareholder ownership must be disclosed imposed by BVI law or by our amended and restated memorandum and articles of association.

### Differences in Corporate Law

The companies law of the BVI differs from laws applicable to U.S. corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the companies law applicable to us and the laws applicable to companies incorporated in the United States for the benefit of our shareholders.

### Protection for minority shareholders

Under the laws of most U.S. jurisdictions, majority and controlling shareholders of a company have certain “fiduciary” responsibilities to the minority shareholders. Corporate actions taken by majority and controlling shareholders which are unreasonable and materially detrimental to the interests of minority shareholders may be declared null and void. Minority shareholders may have less protection under BVI law than they would have under U.S. law.

### Powers of directors

Unlike most U.S. jurisdictions, the directors of a BVI company, subject in certain cases to the approval of the shareholders but without shareholders’ approval, may implement the sale, transfer, exchange or disposition of any Company asset, property, part of the business, or securities, with the exception that shareholder approval is required for the disposition of over 50% in the value of our total assets.

### Conflict of interests

Similar to the laws of most U.S. jurisdictions, when a director becomes aware of the fact that he has a material interest in a transaction which we are to enter into, he must disclose it to our board. If, after sufficient disclosure of interest in relation to that transaction, the director who is interested in the transaction enters into or to be entered into by us may (i) vote on a matter relating to the transaction at a meeting of directors at which a matter relating to the transaction arises and be included in the minutes of that meeting, (ii) sign a document on behalf of us, or do any other thing in his capacity as a director, that is related to the transaction.

### Written consent and cumulative voting

Similar to the laws of most U.S. jurisdictions, under BVI law, shareholders are permitted to take certain actions by way of written resolution in place of a formal meeting. BVI law does not make a specific provision for cumulative voting, and our current amended and restated memorandum and articles of association do not provide for cumulative voting.



provisions authorizing cumulative voting.

#### Independent directors

There is no requirement for a majority of our directors to be independent as a matter of BVI law.

#### Redemption

Our ordinary shares are not redeemable at a shareholder's option. We may redeem our shares with the consent of the shareholders whose shares are to be redeemed, except that the consent from the shareholders whose shares are being redeemed is not needed when (i) they are subject to compulsory redemption following our receipt of a written request by a shareholder or shareholders holding 90% of the outstanding ordinary shares entitled to vote that such shares be redeemed or (ii) if the directors make an offer to purchase, redeem or otherwise acquire shares that we have issued and such offer is approved by more members which either (1) all members have consented to in writing or (2) the directors pass a resolution of directors stating that, in their opinion (a) the purchase, redemption or other acquisition is in the benefit of the remaining members and (b) that the terms of the offer and the consideration for the shares are fair and reasonable to us and to the remaining members, and setting out the reasons for their opinion.

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### Takeover provisions

Some provisions of our amended and restated memorandum and articles of association may delay or prevent a change in control of our company or management that shareholders may find favorable. For instance, our directors are empowered to amend the relevant provisions of the memorandum and articles of association for the purposes of creating new classes or series of shares and the rights attached to those shares. Our directors may amend the articles of association to take into account any ancillary changes required, provided that our directors do not, however, have the power to amend the memorandum and articles of Association to (a) restrict the rights or powers of the members to amend the memorandum or articles of association, (b) change the percentage of members required to pass a resolution to amend the memorandum or articles of association, or (c) in circumstances where the memorandum or articles of association cannot be amended by the members.

### Shareholder's access to corporate records

Pursuant to the Act, a shareholder is entitled, on giving written notice to us, to inspect our (i) memorandum and articles of association; (ii) register of members; (iii) register of directors; and (iv) minutes of meetings and resolutions of members and of those classes of members of which the shareholder is a member.

The directors may, if they are satisfied that it would be contrary to our interests to allow a member to inspect any document listed above (or any part thereof), deny or limit the inspection of the document.

### Indemnification

We shall indemnify against all expenses, including legal fees, and against all judgments, fines, costs and expenses paid in settlement and reasonably incurred in connection with legal, administrative or regulatory proceedings any person who (i) is or was a party or is threatened to be made a party to any such proceedings pending or completed proceedings, whether civil, criminal, administrative or investigative, based on the fact that the person is or was a director, an officer or a liquidator of us; or (ii) is or was, at any time, serving as a director, officer or liquidator of, or in any other capacity is or was acting for or on behalf of, a corporate or a partnership, joint venture, trust or other enterprise. To be entitled to indemnification, persons must have acted honestly and in good faith and in what they believe to be our best interests. In the case of criminal proceedings, they must have had no reasonable cause to believe that their conduct was unlawful.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted under the foregoing provisions, officers or persons controlling us under the foregoing provisions, we have been advised that the SEC has held that such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

### Mergers and similar arrangements

Under the laws of the BVI, two or more companies may merge or consolidate in accordance with section 170 of the Act. A merger means the merging of two or more constituent companies into one constituent company, and a consolidation means the uniting of two or more constituent companies to form a new company. In order to merge or consolidate, the directors of each constituent company must approve a written plan of merger or consolidation which must be authorized by a resolution of shareholders.

While a director may vote on the plan even if he has a financial interest in the plan or consolidation, in order for the resolution to be valid, the interest must have been disclosed forthwith upon him becoming aware of such interest.

Shareholders not otherwise entitled to vote on the merger or consolidation may still acquire the right to vote if the plan of merger or consolidation contains any provision which, if proposed as an amendment to the memorandum or articles of association, would entitle them to vote as a class or series of shares or as an amendment. In any event, all shareholders must be given a copy of the plan of merger or consolidation, irrespective of whether they are entitled to vote at the meeting or consent to the written resolution, and the plan of merger or consolidation.

The shareholders of the constituent companies are not required to receive shares of the consolidated company, but may receive debt obligations or other securities of the surviving company, or other assets, or a combination thereof. Furthermore, some or all of the shares of one class or series may be converted into a kind of asset while the other shares of the same class or series may be converted into a different kind of asset. As such, not all the shares of a class or series must receive the same consideration.

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After the plan of merger or consolidation has been approved by the directors and authorized of the shareholders, articles of merger or consolidation are executed by each company and Registrar of Corporate Affairs in the BVI.

### Dissenter Rights

A shareholder may dissent from a mandatory redemption of his shares, an arrangement (if p court), a merger (unless the shareholder was a shareholder of the surviving company prior to continues to hold the same or similar shares after the merger) and a consolidation. A shareholder exercising his dissent rights is entitled to payment of the fair value of their shares.

A shareholder dissenting from a merger or consolidation must object in writing to consolidation before the vote by the shareholders on the merger or consolidation, unless meeting was not given to the shareholder. If the merger or consolidation is approved by the we must within 20 days give notice of this fact to each shareholder who gave written objection shareholder who did not receive notice of the meeting. Such shareholders then have 20 days written election in the form specified by the BVI Business Companies Act to dissent from consolidation, provided that in the case of a merger, the 20 days starts when the plan of merger to the shareholder.

Upon giving notice of his election to dissent, a shareholder ceases to have any rights of a shareholder the right to be paid the fair value of his shares. As such, the merger or consolidation may ordinary course notwithstanding the dissent.

Within seven days of the later of the delivery of the notice of election to dissent and the effective merger or consolidation, we must make a written offer to each dissenting shareholder to purchase at a specified price that the company determines to be their fair value. We and the shareholder 30 days to agree upon the price. If we and a shareholder fail to agree on the price within the we and the shareholder shall each designate an appraiser and these two appraisers shall designate an appraiser. These three appraisers shall fix the fair value of the shares as of the close of business before the shareholders approved the transaction without taking into account any change in value of the transaction.

### Shareholders' Suits

Similar to the laws of most U.S. jurisdictions, BVI law permits derivative actions against directors. However, the circumstances under which such actions may be brought, and the defenses available may result in the rights of shareholders of a BVI company being more limited of shareholders of a company incorporated and/or existing in the United States.

The court of the BVI may, on the application of a shareholder of a company, grant leave to that shareholder to bring proceedings in the name and on behalf of that company, or intervene in proceedings if the company is a party for the purpose of continuing, defending or discontinuing the proceedings in the name of the company. In determining whether to grant leave, the High Court of the BVI must take into account (i) whether the shareholder is acting in good faith; (ii) whether the derivative action is in the best interests of the company taking account of the views of the company's directors on commercial matters; (iii) whether the proceedings are likely to succeed; (iv) the costs of the proceedings in relation to the relief sought; and (v) whether an alternative remedy to the derivative claim is available.

Leave to bring or intervene in proceedings may be granted only if the High Court of the BVI (i) we do not intend to bring, diligently continue or defend, or discontinue the proceedings, as the case may be; or (ii) it is in our interests that the conduct of the proceedings should not be left to the determination of the shareholders as a whole.

#### Changes in Capital

Subject to the provisions of the amended and restated memorandum and articles of association, our unissued shares shall be at the disposal of the directors who may, without prejudice to the powers previously conferred on the holders of any existing shares or class or series of shares, offer, grant, exercise options over or otherwise dispose of the shares to such persons, at such times and upon such conditions as we may by resolution of directors determine.

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Subject to the provisions of the amended and restated memorandum and articles of association, the Board of Directors may, by a special resolution of members, amend our amended and restated memorandum and articles of association to increase or decrease the number of ordinary shares authorized to be issued.

### Material Contracts

We have not entered into any material contracts other than in the ordinary course of business, those described in Item 4, "Information on the Company," Item 7, "Major Shareholders and Significant Transactions," or Item 5, "Operating and Financial Review and Prospects – Contractual Obligations" (each as incorporated by reference) as exhibits to this annual report or otherwise described or referred to in our annual report.

### Exchange Controls

#### BVI Exchange Controls

There are no material exchange controls restrictions on payment of dividends, interest or other payments to the holders of our ordinary or preferred shares or on the conduct of our operations in the BVI since we were incorporated. There are no material BVI laws that impose any material exchange controls that affect the payment of dividends, interest or other payments to nonresident holders of our ordinary or preferred shares. BVI law and our amended and restated memorandum and articles of association do not impose any material limitations on the right of non-residents or foreign owners to hold or vote our ordinary or preferred shares.

#### Exchange Controls in China

Under the Foreign Currency Administration Rules promulgated in 1996 and revised in 1997, and the regulations issued by SAFE and other relevant PRC government authorities, RMB is convertible into other currencies without prior approval from SAFE only to the extent of current account items, such as related receipts and payments, interest and dividends and after complying with certain administrative requirements. The conversion of RMB into other currencies and remittance of the converted currency outside PRC for the purpose of capital account items, such as direct equity investment, repatriation of investment, requires the prior approval from SAFE or its local office. All foreign exchange transactions that take place within China must be made in RMB. Unless otherwise approved, all foreign-invested companies must repatriate foreign currency payments received from abroad. Foreign-invested companies may retain foreign exchange in accounts with designated foreign exchange banks subject to the approval of SAFE or its local office. Unless otherwise approved, domestic enterprises must convert all foreign currency proceeds into RMB.

On October 21, 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Investment in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Overseas Purpose Companies, which became effective as of November 1, 2005. According to the notice, an overseas purpose company, or SPV, refers to an offshore company established or indirectly controlled by domestic residents for the special purpose of carrying out financing of their assets or equity interest in domestic enterprises. Prior to establishing or assuming control of an SPV, each PRC resident, whether a natural person or legal person, must complete the overseas investment foreign exchange registration procedure with the relevant local SAFE branch. The notice applies retroactively. As a result, PRC residents who have established or acquired control of these SPVs that previously made onshore investments

required to complete the relevant overseas investment foreign exchange registration procedure by December 31, 2006. These PRC residents must also amend the registration with the relevant SAFE in the following circumstances: (i) the PRC residents have completed the injection of equity investment of a domestic company into the SPV; (ii) the overseas funding of the SPV has been completed or there is a material change in the capital of the SPV. Under the rules, failure to comply with the foreign exchange registration procedures may result in restrictions being imposed on the foreign exchange activities of a violator, including restrictions on the payment of dividends and other distributions to its shareholders or company, and may also subject the violators to penalties under the PRC foreign exchange regulations.

#### Taxation

The following is a general summary of certain material BVI and U.S. federal tax considerations. The discussion is not intended to be, nor should it be construed as, legal or tax advice for any particular prospective shareholder. The discussion is based on laws and relevant interpretations in effect as of the date hereof, all of which are subject to change or different interpretations that may have a retroactive effect.

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### BVI Taxation

The BVI does not impose a withholding tax on dividends paid by us to holders of our ordinary shares. The BVI does not levy any capital gains or income taxes on us. Further, a holder of our ordinary shares who is not a resident of the BVI is exempt from the BVI income tax on dividends paid with respect to our ordinary shares. Holders of ordinary shares are not subject to the BVI income tax on gains realized on the disposition of the ordinary shares.

Our ordinary shares are not subject to transfer taxes, stamp duties or similar charges in the BVI. As a business company, we are required to pay the BVI government an annual license fee based on the number of shares we are authorized to issue.

There is no income tax treaty or convention currently in effect between the United States and the BVI.

### Taxation in China

In 2007, the PRC government promulgated the EIT Law and the relevant implementation rules, which became effective on January 1, 2008. Under the EIT Law and its implementation rules, all foreign investment companies will be subject to a uniform enterprise income tax at the rate of 25%. Dividends from PRC subsidiaries to their non-PRC shareholders will be subject to a withholding tax at a rate of 20%, which is further reduced to 10% by the implementation rules, if the non-PRC shareholder is considered to be a non-PRC tax resident enterprise without any establishment or place of business in China. Dividends payable has no connection with the non-PRC shareholder's establishment or place of business in China, unless any such non-PRC shareholder's jurisdiction of incorporation has a tax treaty with China providing for a different withholding arrangement. In addition, pursuant to the EIT Law, enterprises established in the PRC are subject to the laws of non-PRC jurisdictions, but whose "de facto management body" is located in the PRC will be treated as resident enterprises for PRC tax purposes. However, it is currently uncertain whether a non-PRC shareholder will be deemed a resident enterprise, or how to interpret whether any income or gain is derived from the PRC. See Item 3, "Key information — Risk Factors — Under the Enterprise Income Tax Law, we may be classified as a 'resident enterprise' of China. Such classification will likely result in certain adverse tax consequences to us and our non-PRC shareholders." If we, as a BVI company with substantial management located in China, were treated as a resident enterprise for PRC tax purposes, we would be subject to PRC tax on our worldwide income at the 25% uniform tax rate, which would have an adverse effect on our effective tax rate.

### U.S. Federal Income Taxation

The following is a discussion of the material U.S. federal tax consequences of the ownership of our ordinary shares by U.S. Holders (as described below). It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a particular person's situation. The discussion is intended to describe the tax consequences to investors in shares that hold the shares as capital assets for U.S. federal income tax purposes. We do not describe all of the tax consequences that may be relevant to holders subject to special rules, such as:

- certain financial institutions;
- insurance companies;
- dealers and traders in securities or foreign currencies;
- persons holding shares as part of a hedge, "straddle," integrated transaction or similar transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;



- persons liable for the alternative minimum tax;
- tax-exempt organizations;
- persons holding shares that own or are deemed to own 10% or more of our voting stock;
- persons who hold the shares in connection with a trade or business outside the United States;
- persons who acquired our shares pursuant to the exercise of any employee stock option or restricted stock plan compensation.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS FOR THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE STATE, LOCAL AND FOREIGN TAX CONSEQUENCES TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF ORDINARY SHARES.

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This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, and all applicable administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, all as of the date hereof. These laws are subject to change, and can change on a retroactive basis. "U.S. Holder" means a beneficial owner of shares that, for U.S. federal income tax purposes, is: a citizen or resident of the United States; a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States or any political subdivision thereof; or an estate or trust the income of which is subject to U.S. federal income taxation, regardless of its source. This discussion assumes that you are not, and will not become, a passive foreign investment company, or a PFIC, for U.S. federal income tax purposes, as described below.

### Taxation of Dividends

The gross amount of any distributions paid with respect to shares, other than certain pro rata distributions of shares, generally will be treated as foreign source dividend income for U.S. federal income tax purposes. U.S. Holders will not be entitled to claim a dividends-received deduction with respect to distributions paid by us. Dividends will be included in a U.S. Holder's income on the date of the Holder's receipt of the dividend.

If you are a non-corporate U.S. Holder, subject to applicable limitations, you may be eligible for a maximum rate of 15% in respect of dividends received in taxable years beginning before 2011. Please consult your tax advisors to determine whether you are subject to any special rules that may affect your ability to be taxed at this favorable rate.

In the event that we are deemed to be a Chinese "resident enterprise" under PRC tax law, you may be subject to PRC withholding taxes on dividends paid to you with respect to the ordinary shares. In accordance with certain conditions and limitations, PRC withholding taxes on dividends not in excess of 10% may be credited, under the income tax treaty between the United States and the PRC, or the Treaty, if applicable, against your U.S. federal income tax liability. The rules regarding the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit in light of your particular circumstances.

### Taxation of Capital Gains

Upon sale or other disposition of the ordinary shares, a U.S. Holder will generally recognize a capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the sales price of the shares on the basis in the shares sold or disposed of and the amount realized on the sale or other disposition. If the gain is long-term capital gain or loss if the U.S. Holder has held the shares for more than one year, the gain will generally be U.S. source gain or loss for foreign tax credit purposes. However, if we are deemed to be a Chinese "resident enterprise" under PRC tax law, gains on disposal may be subject to PRC tax. If you are a U.S. Holder, you may be eligible for the benefits of the Treaty. Under the Treaty, if any PRC tax is imposed on any gain from the disposition of the shares, the gain would be treated as U.S. source income. We urge you to consult your tax advisors regarding the tax consequences if any PRC tax is imposed on gain on a disposition of our shares, including the availability of the foreign tax credit in light of your particular circumstances.

### Passive Foreign Investment Company Rules (PFIC)

We believe that we were not a PFIC for United States federal income tax purposes for our taxable years ended December 31, 2009. However, since PFIC status depends upon the composition of our assets, we cannot

income and assets and the market value of its assets (including goodwill) from time to time, assurance that we will not be a PFIC for any taxable year.

In general, if we were a PFIC for any taxable year during which a U.S. Holder held shares, gain by such U.S. Holder on a sale or other disposition (including certain pledges) of the shares would be allocated ratably over the U.S. Holder's holding period for the shares. The amounts allocated to the year of the sale or other disposition and to any year before we became a PFIC would be taxable income. The amount allocated to each other taxable year would be subject to tax at the highest rate for individuals or corporations, as appropriate, for such taxable year, and an interest charge would be imposed on the amount allocated to such taxable year. Similar rules would apply to any disposition of shares in excess of 125% of the average of the annual distributions on shares received by the U.S. Holder during the preceding three years or such holder's holding period, whichever is shorter. Alternative elections may be available that would result in alternative treatments (such as a mark-to-market election) of the shares. U.S. Holders should consult their tax advisers to determine whether such alternative treatments are available and, if so, what the consequences of the alternative treatments would be in those holding circumstances.

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Information Reporting and Backup Withholding

Payment of dividends and sales proceeds that are made within the United States or through U.S.-related financial intermediaries generally are subject to information reporting and backup withholding unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the event of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certification that backup withholding does not apply.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund if the required information is furnished to the Internal Revenue Service.

Dividends and Paying Agents

Not applicable.

Statement by Expert

Not applicable.

Documents on Display

We have filed this Annual Report on Form 20-F with the SEC under the Exchange Act. Statements made in this Annual Report as to the contents of any document referred to are not necessarily complete. In respect to each such document filed as an exhibit to this Annual Report, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be deemed to be made entirely by such reference.

We are subject to the informational requirements of the Exchange Act as a foreign private issuer. Reports and other information with the SEC. Reports and other information filed by us with the SEC, including this Annual Report on Form 20-F, may be inspected and copied at the public reference room of the SEC at 100 F. Street, N.E., Washington D.C. 20549. You can also obtain copies of this Annual Report on Form 20-F by mail from the Public Reference Section of the SEC, 100 F. Street, N.E., Washington D.C. 20549, at prescribed rates. Additionally, copies of this material may be obtained from the SEC at <http://www.sec.gov>. The SEC's telephone number is 1-800-SEC-0330.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the form and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are not exposed to significant interest rate risk as we do not have any significant bank loans or interest at a variable prime rate.

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Foreign Exchange Risk

While our reporting currency is the U.S. Dollar, substantially all of our consolidated costs and expenses are denominated in RMB. All of our assets are denominated except for cash. As a result, we are exposed to foreign exchange risk as our revenues and operations may be affected by fluctuations in the exchange rate between U.S. Dollars and RMB. If the RMB depreciates against the U.S. Dollar, the value of our RMB revenues, earnings and assets in our U.S. Dollar financial statements will decline. Assets and liabilities are translated at exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rate for the period. Shareholders' equity is translated at historical exchange rates. Any resulting translation adjustments are included in determining net income but are included in determining other comprehensive income, a component of shareholders' equity. An average appreciation (depreciation) of the RMB against the U.S. Dollar of 5% would decrease our comprehensive loss attributable to our shareholders by \$20 million on our outstanding revenues, costs and expenses, assets, and liabilities denominated in RMB as of December 31, 2009. We have not entered into any hedging transactions in an effort to reduce our exposure to foreign exchange risk.

Very limited hedging transactions are available in China to reduce our exposure to foreign exchange risk. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to hedge our exposure at all. In addition, our foreign currency exchange losses may be magnified by foreign exchange control regulations that restrict our ability to convert RMB into foreign currencies.

Inflation

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net revenues if the selling prices of our products do not increase with these increases.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Debt Securities

Not applicable.

Warrants and Rights

Not applicable.

Other Securities

Not applicable.

American Depositary Shares

The Company does not have any American Depositary Receipts.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

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ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITIES HOLDER OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) that are designed to ensure that information that would be required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time period specified in the SEC's rules and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

As required by Rule 13a-15 under the Exchange Act, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2009. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2009, and as of the date that the effectiveness of our disclosure controls and procedures was completed, our disclosure controls and procedures were effective to satisfy the objectives for which they are intended.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Exchange Act defines internal control over financial reporting as a process designed by, or under the supervision of, the issuer's executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that our receipts and expenditures are being made only in accordance with authorized management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, disposition or destruction of our assets that could have a material effect on our financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even the best systems determined to be effective can provide only reasonable assurance with respect to financial reporting. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2009. In making this assessment, management used the framework set forth in the report entitled "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the American Institute of Certified Public Accountants, or COSO. The COSO framework summarizes each of the components of a company's internal control system, including (i) the control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring. Based on our assessment we determined that as of December 31, 2009, our internal control over financial reporting is effective based on those criteria.

#### Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal year 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors established an audit committee of the board of directors, which consists of Ping Huang, Mr. Donald Quinby and Ms. May Huang, with Dr. J.P. Huang serving as chairman. The composition of the audit committee members is “independent” as that term is defined under the NYSE Rules. Our audit committee oversees our accounting and financial reporting processes and the accuracy of the financial statements of our company. Our board of directors has determined that Ms. Huang meets the criteria for an “audit committee financial expert,” as established by the SEC.

Ms. Huang will not be deemed an “expert” for any other purpose, including, without limitation, the requirements of Section 11 of the Securities Act, as a result of being designated or identified as an audit committee financial expert. The designation or identification of Ms. Huang as an audit committee financial expert will not impose on her any duties, obligations or liability that are greater than the duties, obligations and liabilities imposed on her as a member of our audit committee and board of directors in the absence of the designation or identification.

ITEM 16B. CODE OF ETHICS

We have not adopted a code ethics. However, we intend to adopt a code of ethics in the future and that the code of ethics will apply to all of our employees, officers and directors.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with the professional services rendered by UHY Vocation HK CPA Limited, our independent registered independent member firm, for the fiscal years ended December 31, 2009 and 2008:

	Fiscal Year December 2009
Audit Fees	\$268,335
Audit-Related Fees	-
Tax Fees	-
All Other Fees	-
<b>TOTAL</b>	<b>\$268,335</b>

“Audit Fees” consisted of the aggregate fees billed for professional services rendered for the preparation of annual financial statements or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements.

“Audit Related Fees” consisted of the aggregate fees billed for professional services rendered in connection with the audit and related services that were reasonably related to the performance of the audit or review of financial statements and were not otherwise included in Audit Fees.

“Tax Fees” consisted of the aggregate fees billed for professional services rendered for tax advice and tax planning. Included in such Tax Fees were fees for preparation of our tax returns, tax consultancy and advice on other tax planning matters.

“All Other Fees” consisted of the aggregate fees billed for products and services provided and included in Audit Fees, Audit Related Fees or Tax Fees.

#### Audit Committee Pre-Approval Policies and Procedures

Our audit committee pre-approves all auditing services and permitted non-audit services to be performed for us by our independent auditor, including the fees and terms thereof (subject to the de minimis exception for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are approved by the audit committee prior to the completion of the audit).

#### ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEE

We have not asked for nor have we been granted an exemption from the applicable listing standards for an audit committee.

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ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

There were no purchases of equity securities by us or by any of our affiliates during the period covered by this Annual Report.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

None.

ITEM 16G. CORPORATE GOVERNANCE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The full text of our audited consolidated financial statements for the years ended December 31, 2008 and 2007 begins on page F-1 of this annual report.

ITEM 19. EXHIBITS

Exhibit

No.	Description
1.1	Amended and Restated Memorandum and Articles of Association of the Company [incorporated by reference to Exhibit D to the Company's Report on Form 6-K, filed July 2, 2009 (SEC File No. 001-34395)]
2.1	Specimen Ordinary Share Certificate [incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
2.2	Form of Warrant [incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
2.3	Form of Warrant Agreement [incorporated by reference to Exhibit 4.1 to Alyst's Registration Statement on Form S-1 (SEC File No. 333-138699)]
2.4	Form of Bridge Loan Promissory Note [incorporated by reference to Exhibit 10.7 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.1	Purchase Agreement, dated as of July 21, 2008, by and among China Networks Media Ltd. and the investors listed therein [incorporated by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.2	Registration Rights Agreement, dated July 21, 2008, by and among China Networks Media Ltd. and the investors listed therein [incorporated by

- reference to Exhibit 10.3 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
- 4.3 Share Pledge Agreement, dated as of July 21, 2008, by Kerry Propper and MediaInv Ltd. in favor of the persons and entities listed therein [incorporated by reference to Exhibit 10.4 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
- 4.4 Escrow Agreement, dated June 19, 2008, between the Alyst Acquisition Corp., Chardan Capital Markets, LLC, Grushko & Mittman and the subscribers to China Networks Media Ltd.'s Bridge Loan [incorporated by reference to Exhibit 10.6 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]

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Exhibit No.	Description
4.5	Collateral Agent Agreement, dated July 21, 2008, by and between China Network Ltd., Collateral Agents, LLC, the Investors listed therein, Kerry Propper and CL [incorporated by reference to Exhibit 10.8 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.6	Form of Lock-up Agreement between Alyst Acquisition Corp., the Company and Kerry Propper, MediaInv. and Li Shuangqing [incorporated by reference to Exhibit 10.9 of the Company's Report on Form 6-K, filed July 2, 2009 (SEC File No. 001-34395)]
4.7	Form of Service Agreement between Advertising Networks Ltd. and Li Shuangqing [incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.8	Framework Agreement between Advertising Networks Ltd. and China Yellow River Television Station, dated January 26, 2008 [incorporated by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.9	Supplementary Agreement between China Yellow River Television Station and Advertising Networks Ltd., dated May 22, 2008 [incorporated by reference to Exhibit 10.10 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.10	Exclusive Services Agreement between Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd and Taiyuan Advertising Networks Advertising Co., Ltd, dated July 17, 2008 [incorporated by reference to Exhibit 10.11 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.11	Exclusive Cooperation Agreement between China Yellow River Television Station and Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd., dated July 17, 2008 [incorporated by reference to Exhibit 10.12 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.12	Asset Transfer Agreement between China Yellow River Television Station and Advertising Networks Cartoon Technology Co., Ltd., dated July 17, 2008 [incorporated by reference to Exhibit 10.13 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.13	Equity Joint Venture Contract between China Yellow River Television Station and Advertising Networks Ltd., dated May 23, 2008 [incorporated by reference to Exhibit 10.14 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.14	Framework Agreement between Advertising Networks Limited and Kunming Television Station, dated February 23, 2008, incorporated by reference to Exhibit 10.15 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026).
4.15	Supplementary Agreement between Kunming Television Station and Advertising Networks Limited, dated May 23, 2008 [incorporated by reference to Exhibit 10.16 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.16	Exclusive Services Agreement between Kunming Taishi Information Cartoon Co., Ltd. and Kunming Kaishi Advertising Co., Ltd., dated August 6, 2008 [incorporated by reference to Exhibit 10.17 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.17	Exclusive Cooperation Agreement between Kunming Television Station and Kunming Taishi Information Cartoon Co., Ltd., dated August 6, 2008 [incorporated by reference to Exhibit 10.18 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.18	Asset Transfer Agreement between Kunming Television Station and Kunming Taishi Information Cartoon Co., Ltd., dated August 11, 2008 [incorporated by reference to Exhibit 10.19 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.19	

Equity Joint Venture Contract between Kunming Television Station and Advertiser Networks Ltd., dated May 14, 2008 [incorporated by reference to Exhibit 10.20 Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]

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Exhibit No.	Description
4.20	Trustee Arrangement Letter, by and between China Networks Media Ltd. and L dated May 1, 2008 [incorporated by reference to Exhibit 10.21 of the Company Statement on Form S-4 (SEC File No. 333-157026)]
4.21	Trustee Arrangement Letter, by and between China Networks Media Ltd. and C dated May 1, 2008 [incorporated by reference to Exhibit 10.22 of the Company Statement on Form S-4 (SEC File No. 333-157026)]
4.22	Exclusive Services Agreement between Beijing Guangwang Hetong Advertising Ltd and Advertising Networks Technology Consulting Co., Ltd., dated May 1, [incorporated by reference to Exhibit 10.44 of the Company's Registration Stat S-4 (SEC File No. 333-157026)]
4.23	Amended Loan Agreement by and between Advertising Networks Ltd., Li Shua Guan Yong, dated October 7, 2008 [incorporated by reference to Exhibit 10.23 Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.24	Amended Share Pledge Agreement between Advertising Networks Technology (Beijing) Co., Ltd., Li Shuangqing and Guan Yong, dated October 7, 2008 [inc reference to Exhibit 10.24 of the Company's Registration Statement on Form S No. 333-157026)]
4.25	Amended Share Purchase Option Agreement between Advertising Networks LT Shuangqing, Guan Yong and Beijing Guanwang Hetong Advertising & Media October 7, 2008 [incorporated by reference to Exhibit 10.25 of the Company's Statement on Form S-4 (SEC File No. 333-157026)]
4.26	Form of 2008 Omnibus Securities and Incentive Plan [incorporated by referenc of the Company's proxy statement/prospectus included in the Registration State S-4 (SEC File No. 333-157026)]
8.1	List of the Company's subsidiaries*
12.1	Certifications of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15
12.2	Certifications of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15
13.1	Certifications of Chief Executive Officer Pursuant to Section 906 of the Sarban of 2002*
13.2	Certifications of Chief Financial Officer Pursuant to Section 906 of the Sarban 2002*

\*Filed herewith.



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SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: June 30, 2010

CHINA NETWORKS  
INTERNATIONAL HOLDINGS LTD.

/s/ Li Shuangqing  
Li Shuangqing  
Acting Chief Executive Officer

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CHINA NETWORKS  
INTERNATIONAL HOLDINGS,  
LTD.

REPORT AND CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND 2008

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

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REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF  
CHINA NETWORKS INTERNATIONAL HOLDINGS, LIMITED

We have audited the accompanying consolidated balance sheets of China Networks International Limited (the “Company”) as of December 31, 2009 and 2008, and the related consolidated operations and comprehensive loss, changes in stockholders’ equity, and cash flows for the year ended December 31, 2009 and 2008. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a part of our audit procedures for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. 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 presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material aspects, the consolidated financial position of China Networks International Holdings, Limited as of December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for the years ended December 31, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has a significant working capital deficit and is dependent on obtaining additional financing to execute its business plan. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans regarding these matters are also described in Note 1 to the consolidated financial statements. These consolidated financial statements do not include any adjustments that might be necessary to adjust the outcome of this uncertainty.

UHY VOCATION HK CPA LIMITED  
Certified Public Accountants

Hong Kong, the People’s Republic of China,  
March 29, 2010



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CONSOLIDATED BALANCE SHEETS

	December 31, 2009	De
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 10,388,511	\$
Restricted cash	236,400	
Accounts receivable	5,565,677	
Other receivables and prepaid expenses	2,125,979	
Other receivables from TV Stations	2,462,311	
Loan receivable from related parties	5,021	
Deferred financing costs	85,936	
<b>Total current assets</b>	<b>20,869,835</b>	
<b>PROPERTY &amp; EQUIPMENT, NET</b>	<b>226,662</b>	
<b>PROGRAM RIGHTS, NET</b>	<b>-</b>	
<b>PROGRAM INVENTORY</b>	<b>4,270,042</b>	
<b>INTANGIBLE ASSETS, NET</b>	<b>26,359,986</b>	
<b>INVESTMENT IN TV PROGRAM PRODUCTION</b>	<b>292,517</b>	
<b>TOTAL ASSETS</b>	<b>\$ 52,019,042</b>	<b>\$</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 394,330	\$
Customer deposits	766,914	
Accrued interest	3,738,716	
Other payable	2,593,790	
Other payable to TV Stations	11,399,160	
Accrued liabilities	1,769,203	
Due to related parties	7,126,640	
Notes payable, net	25,321,890	
<b>Total current liabilities</b>	<b>53,110,643</b>	
<b>DEFERRED TAX LIABILITIES</b>	<b>930,356</b>	
<b>TOTAL LIABILITIES</b>	<b>54,040,999</b>	
<b>COMMON STOCK SUBJECT TO REPURCHASE</b>	<b>236,400</b>	
<b>EQUITY</b>		

Class A Preferred Shares, net of issuance costs (\$0.0005 par value; 1,050,000 shares authorized, 980,000 shares issued and outstanding at December 31, 2008; liquidation preference of \$9,800)	-		
Common stock at \$0.0001 par value; 74,000,000 shares authorized, 12,927,888 shares issued and outstanding at December 31, 2009 (2008: Common stock at \$0.0005 par value; 1,900,000 shares authorized, issued and outstanding at December 31, 2008)	1,293		
Additional paid-in capital	-		
Accumulated deficit	(7,722,640 )		
Accumulated other comprehensive loss	(3,306 )		
<b>Total shareholders' deficit</b>	<b>(7,724,653 )</b>		
<b>Non-controlling interest</b>	<b>5,466,296</b>		
<b>Total equity</b>	<b>(2,258,357 )</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 52,019,042</b>	<b>\$</b>	<b>\$</b>

The accompanying notes are an integral part of these consolidated financial statements

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE

	For the year ended	
	December 31,	December 31,
	2009	2008
NET REVENUE	\$ 19,010,661	\$ 19,010,661
COST OF REVENUE	4,333,423	
Gross profit	14,677,238	
OPERATING EXPENSES		
Selling expense	457,654	
General and administrative expense	4,463,307	
	4,920,961	
INCOME FROM OPERATIONS	9,756,277	
OTHER INCOME/(EXPENSE)		
Other income/(expense)	(235,817 )	
Interest expense	(6,800,158 )	
Interest income	78,196	
Gain on extinguishment and cancellation of debt	1,328,861	
Waiver of accrued liability	960,000	
	(4,668,918 )	
INCOME/(LOSS) BEFORE INCOME TAX	5,087,359	
INCOME TAX	2,638,926	
NET INCOME/(LOSS)	\$ 2,448,433	\$ 2,448,433
Less: Net loss attributable to the non-controlling interest	(4,120,887 )	
NET LOSS ATTRIBUTABLE TO CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.	\$ (1,672,454 )	\$ (1,672,454 )
OTHER COMPREHENSIVE INCOME/(LOSS)		
Foreign currency translation adjustment	67,614	
COMPREHENSIVE LOSS	\$ (1,604,840 )	\$ (1,604,840 )
Basic and diluted loss per common share	\$ (0.22 )	\$ (0.22 )
Weighted average shares outstanding	7,519,691	



The accompanying notes are an integral part of these consolidated financial statements

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	China Networks International Holdings, Ltd. E						
	Preferred Stock		Common Stock		Additional	Accumulated	Compre
	Shares	Amount	Shares	Amount	Paid-in capital	Deficit	I
Balance at March 30, 2007 (inception)	-	\$-	-	\$-	\$-	\$-	\$-
China Networks Media issuance of common stock	-	-	1,000	1,000	-	-	-
Net loss	-	-	-	-	-	(31,220 )	-
Balance at December 31, 2007	-	-	1,000	1,000	-	(31,220 )	-
Cancellation of shares due to change of share capital structure	-	-	(1,000 )	(1,000)	1,000	-	-
Issuance of shares due to change of share capital structure	-	-	1,900,000	950	(950 )	-	-
Issuance of preferred stock, net of issuance cost of \$406,902	980,000	490	-	-	3,951,549	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	(7
Net loss	-	-	-	-	-	(4,537,064 )	-
Balance at December 31,	980,000	490	1,900,000	950	3,951,599	(4,568,284 )	(7

2008

Change of share  
capital structure  
due to the  
Business  
Combination

(980,000) (490) 11,027,888 343 (3,951,599) (1,481,902) -

Foreign  
currency  
translation  
adjustment

- - - - - - - 6

Additional  
contribution  
from  
non-controlling  
interest

- - - - - - - -

Net income

- - - - - (1,672,454) -

Balance at  
December 31,  
2009

- \$- 12,927,888 \$1,293 \$- \$(7,722,640) \$(3

The accompanying notes are an integral part of these consolidated financial statements

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended December 31, 2009	For the De
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income/(loss)	\$ 2,448,433	\$
Adjustments to reconcile net income/(loss) from operations to net cash provided by/(used in) operating activities		
Depreciation and amortization	1,521,000	
Amortization of debt discount and deferred financing cost	4,174,673	
Provision for deferred income tax	617,628	
Gain on extinguishment of debt	(1,328,861 )	
Increase/(decrease) in assets and liabilities		
Deferred transaction cost	-	
Accounts receivables	(3,486,539 )	
Program inventory	(2,703,757 )	
Other receivable -TV Stations	(2,123,858 )	
Other receivable and prepaid expense	(1,854,203 )	
Accounts payable	(27,371 )	
Customer deposits	454,468	
Accrued liabilities	(352,548 )	
Other payable	2,580,586	
Accrued interest	2,471,382	
Other payable - TV Stations	(4,711,356 )	
Net cash used in operating activities	(2,320,323 )	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of program rights and contractual relationship	-	
Loan receivable from related parties	306,090	
Investment in TV program production	(292,517 )	
Purchase of property and equipment	(102,516 )	
Net cash provided by/(used in) investing activities	(88,943 )	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Gross proceeds from bridge loan financing	-	
Direct issuance costs for bridge debt and equity offering	-	
Due to related parties	(202,780 )	
Extinguishment of promissary notes	(958,333 )	
Capital contribution from non-controlling interest	87,602	
Cash obtained from the Business Combination	1,449,122	
Net cash provided by financing activities	375,611	

NET (DECREASE)/INCREASE IN CASH	(2,033,655 )	
	-	
EXCHANGE RATE EFFECT ON CASH	209,035	
CASH - BEGINNING OF PERIOD	12,213,131	
CASH - END OF PERIOD	\$ 10,388,511	\$
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$ -	\$
Income taxes	\$ 1,734,077	\$
	-	
Deferred financing costs included in accrued liabilities	\$ -	\$

The accompanying notes are an integral part of these consolidated financial statements

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE 1 – ORGANIZATION

China Networks International Holdings, Ltd. (“CNIH” or the “Company”) was incorporated August 16, 2006 as Alyst Acquisition Corp. (“Alyst”) in order to serve as a vehicle for the operating business in any industry, with a focus on the telecommunications industry, through capital stock exchange, asset acquisition or other similar business combination. Alyst’s initial offering purchased 1,750,000 shares of common stock, par value \$0.0001 per share (“Common Stock”) in a private placement. On July 5, 2007, Alyst consummated its initial public offering (“IPO”) of 8,040,000 (“Units”). Each Unit consisted of one share of Common Stock and one warrant to purchase one share of Common Stock at an exercise price of \$5.00 per share. Simultaneously with the consummation of the IPO, Alyst consummated a private placement of 1,820,000 warrants, each warrant entitled upon exercise to purchase one share of Common Stock at an exercise price of \$5.00 per share.

On June 24, 2009, Alyst announced that Alyst’s stockholders approved its proposed redomestication to the British Virgin Islands (“BVI”) and its proposed business combination with China Networks International Holdings, Ltd., a British Virgin Islands company (“China Networks”). Alyst redomesticated to the British Virgin Islands through a merger with its wholly-owned subsidiary, CNIH, effective June 24, 2009, with CNIH as the surviving entity. With effect from June 26, 2009, the business combination among Alyst and China Networks and its shareholders, was approved by regulators in the BVI and, thereafter, was consummated on June 29, 2009.

Upon consummation of the Business Combination, CNIH had outstanding 12,927,888 ordinary shares, par value \$0.0001 per share, 9,864,400 warrants, and an IPO Underwriters’ Purchase Option for 1,820,000 shares, each unit containing one ordinary share and one warrant. As the result of consummation of the Business Combination, China Networks’ common and preferred shares were converted automatically into CNIH common shares; therefore China Networks shareholders own approximately 73% of the outstanding interests of CNIH. The business combination is considered a reverse acquisition with China Networks as the accounting acquirer. As such, the historical financial information presented herein prior to the consummation of the Business Combination relates to the financial position and results of operations of China Networks. Through the consummation of the Business Combination, China Networks acquired from Alyst net assets with a fair value of \$1,566,000, of which \$1,449,122 are in cash.

China Networks was formed to provide broadcast television advertising services in the People’s Republic of China (PRC) operating via joint venture partnerships with PRC state-owned television broadcasting stations (PRC TV Stations). The Company commenced operations on October 1, 2008. Activity through December 31, 2008 related to the Company’s formation, private placement offering, establishment of joint venture partnerships, contractual relationships in the PRC, and business combination with Alyst. The Company’s fiscal year end is December 31 as its fiscal year end.

The accompanying financial statements include the accounts of CNIH, China Networks International Holdings, Ltd., a wholly-owned subsidiary Advertising Networks Ltd. (“ANT”). ANT’s accounts include the accounts of its joint-ventures with the PRC TV Stations, Kunming Taishi Information Cartoon Co., Ltd (“Kunming Taishi”), Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd (“Taiyuan Jintan”).

ANT's effective control of these entities through the composition of the board of directors and contractual arrangements with Beijing Guangwang Hetong Advertising and Media Co., Ltd. and its shareholders, the Company (through ANT) controls and is considered the primary beneficiary and, accordingly, consolidates the accounts of Hetong in its financial statements.

Hetong is a variable interest entity (VIE) as defined by Financial Accounting Standards Board No. 46(R): Consolidation of Variable Interest Entities, an interpretation of ARB 51 ("FIN 46").

Kunming JV, Taiyuan JV and Hetong have been consolidated in these financial statements since their formation as described below. The operations of Kunming JV and Hetong and contractual arrangements described below commenced on October 1, 2008. The operations of Taiyuan JV commenced on January 1, 2009.

All significant intercompany accounts, transactions and cash flows are eliminated on consolidation.

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE 1 – ORGANIZATION (CONT'D)

Establishment of Joint Ventures between ANT and the PRC TV Stations

Establishment of Joint Ventures. In 2008, China Networks established certain equity joint ventures with state owned PRC TV Stations through its Hong Kong wholly-owned subsidiary, ANT. ANT established an equity joint venture Taiyuan JV with China Yellow River TV Station in Shanxi Province in 2008. ANT also established an equity joint venture Kunming JV with Kunming TV Station in Yunnan Province in 2008. (Taiyuan JV and Kunming JV are collectively referred to as the “JV Tech Cos”, and China Yellow River TV Station and Kunming TV Station are collectively referred to as the “PRC TV Stations”). ANT holds a 50% equity interest in the Kunming JV and Taiyuan JV, respectively, and Kunming TV Station and China Yellow River TV Station own the remaining 50% of the respective JV Tech Cos. Under the terms of the Kunming JV agreement,

Kunming TV Station will contribute certain assets and contractual rights (see Exclusive Cooperation Agreement below) with a fair value of RMB150 million (approximately \$21,900,000) and ANT will contribute an equal amount in cash. Kunming TV Station and ANT have contributed 100% of their obligations under this agreement at both December 31, 2009 and December 31, 2008. ANT is required to contribute the outstanding amount in twelve months after the end of the year of the Kunming JV. ANT has entered into a supplemental agreement with Kunming TV Station to extend the payment schedule of the outstanding cash contribution until April 30, 2010. Under the terms of the Kunming JV agreement, China Yellow River TV Station will contribute certain assets and contractual rights (see Exclusive cooperation agreement below) with a fair value of RMB45 million (approximately \$6,750,000) and ANT will contribute an equal amount in cash. China Yellow River TV Station and ANT have contributed 100% of their obligations under this agreement at December 31, 2009; and 100% of their obligations, respectively, at December 31, 2008.

Exclusive Cooperation Agreement. Pursuant to the Exclusive Cooperation Agreement between ANT and the JV Tech Cos and the PRC TV Stations, the PRC TV Stations have exclusively and irrevocably granted to the JV Tech Cos the right to carry out advertising operations on its channels, and to provide to the JV Tech Cos all necessary and relevant support, as well as most-favored terms for the conduct of the advertising operations. The PRC TV Stations share their resources with the JV Tech Cos, including, but not limited to, their advertising information (e.g. databases). Under the terms of this agreement, the PRC TV Stations will not enter into any other party in any similar agreements. As such, the JV Tech Co's have the exclusive right to carry out advertising business on PRC TV Stations' channels.

Kunming JV and Kunming TV Station entered into such Exclusive Cooperation Agreement in 2008, while Taiyuan JV and China Yellow River TV Station entered such Exclusive Cooperation Agreement on July 17, 2008.

Establishment of Trustee Company. In August 2008, Hetong, the trustee company, established two domestic advertising companies with Kunming TV Station and China Yellow River TV Station under the respective name of Kunming Kaishi Advertising Co., Ltd. (“Kunming Ad Co.”) and Taiyuan



Hetong Advertising Co., Ltd. (“Taiyuan Ad Co.”) (Kunming Ad Co. and Taiyuan Ad Co. referred to as the “JV Ad Cos”). Hetong is 100% owned by two PRC nationals, who are the tr

In order to comply with current PRC laws limiting foreign ownership in the television advertising industry, China Networks’ operations are conducted through direct ownership of ANT and through contractual arrangements with Hetong. China Networks does not have an equity interest in Hetong, but it receives indirect economic benefits from Hetong through a series of contractual arrangements. Through these contractual arrangements, ANT controls Hetong, which in turn owns 50% of Kunming Ad Cos, and 50% of Taiyuan Ad Co. established with PRC TV Stations. The JV Tech Cos collect the television advertising revenue from the JV Ad Cos pursuant to an Exclusive Services Agreement, using assets transferred from the TV Stations to the JV Tech Cos pursuant to an Asset Transfer Agreement.

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE 1 – ORGANIZATION (CONT'D)

Establishment of Joint Ventures between ANT and the PRC TV Stations (Cont'd)

Asset Transfer Agreements. Kunming TV Station and Kunming JV entered into an Asset Transfer Agreement on August 11, 2008, under which Kunming TV Station will transfer certain of its contractual rights to Kunming JV, valued at RMB150 million, and Kunming JV will purchase the Kunming TV Station. China Yellow River TV Station and Shanxi Yellow River and Advertising Cartoon Technology Co., Ltd. (“Taiyuan JV”) also entered into such Asset Transfer Agreements in 2008, under which China Yellow River TV Station will transfer certain of its asset and contractual rights to Taiyuan JV, valued at RMB45 million, to Taiyuan JV, and the same consideration will be paid by Taiyuan JV. All governmental, statutory and other approvals required for the transfer of these assets were obtained by the end of the date of the first transfer in August 2008. At December 31, 2009, Taiyuan JV paid China Yellow River TV Station RMB45 million (approximately \$6.6 million) for purchase of program rights under the agreement. RMB85 million (approximately \$12.4 million) was paid under the Kunming TV Station Agreement as of December 31, 2009.

Exclusive Services Agreement. Pursuant to the Exclusive Services Agreement between China Networks and the JV Ad Cos, the JV Tech Cos will be the sole and exclusive provider of services relating to technical support for the production of advertising and advertising consulting. In addition, the JV Ad Cos will be the sole and exclusive advertising agent to the JV Tech Cos and will grant to the JV Tech Cos agency rights for all advertising under the exclusive right to carry out advertising operations, and to correspond PRC TV Stations to the JV Tech Cos in accordance with the Exclusive Services Agreement. Under the terms of the Exclusive Services Agreement, the JV Ad Cos will pay to the JV Tech Cos as accrued, in accordance with the JV Tech Cos’ regular invoices. As such, the JV Ad Cos’ pre-tax revenue (less the relevant business tax) generated during the term of this agreement for the marketing of advertising and other operations will be transferred to the JV Tech Cos as a fee.

Kunming JV and Kunming Ad Co. entered into an Exclusive Services Agreement on August 11, 2008. Taiyuan JV and Taiyuan Ad Co. entered into an Exclusive Services Agreement on July 17, 2008.

FIN 46R addresses financial reporting for entities over which control is achieved through a majority of voting rights. In accordance with the requirements of FIN 46R, China Networks has entered into contractual relationships with the JV Ad Cos. The JV Ad Cos are considered variable interest entities (“VIEs”) under FIN 46R. Through contractual arrangements with JV Ad Cos through Hetong, China Networks is considered the primary beneficiary of the JV Ad Cos as China Networks absorbs a majority of the economic rewards of those entities. As such, China Networks consolidates the financial statements of the JV Ad Cos pursuant to FIN 46R as of the date their formation as described above.

Going Concern and Management’s Plans

These consolidated financial statements have been prepared assuming that the Company will continue as a going concern and, accordingly, do not include any adjustments that might result from the uncertainty. For the year ended December 31, 2009, the Company incurred a net loss of \$1,672,000 and had negative working capital of approximately \$32,240,000. For the year ended December 31, 2008, the Company has net cash used in operating activities of approximately \$2,000,000. The Company's business plan is dependent upon additional financings.

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation** - The accompanying unaudited consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America and are using the accrual basis of accounting.

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONT'D)

Valuation of long-lived assets- The Company follows ASC 360, “Property, Plant and Equipment”. The Company periodically evaluates the carrying value of long-lived assets to be held and used. Intangible assets subject to amortization, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such asset is separately identifiable and is less than its carrying value. In that event, an impairment loss is recognized based on the amount by which the carrying value exceeds the fair market value of the asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose.

Fair Value of Financial Instruments - ASC 825, “Financial Instruments”, requires disclosing the extent practicable for financial instruments that are recognized or unrecognized in the balance sheet. The fair value of the financial instruments disclosed herein is not necessarily representative of the amount that can be realized or settled, nor does the fair value amount consider the tax consequences of a sale or settlement.

For certain financial instruments, including cash, accounts and other receivables, accounts payable, short-term loans, accruals and other payables, it was assumed that the carrying amounts approximate fair value because of the near term maturities of such obligations. The carrying amounts of long-term debt payable approximate fair value since the interest rate associated with the debt approximates the current market interest rate.

ASC 820, “Fair Value Measurements and Disclosures”. ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures related to fair value measurements. ASC 820 delays the effective date of ASC 820 for nonfinancial assets and liabilities measured at fair value except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company adopted the provisions of ASC 820 for financial assets and liabilities on January 1, 2008; there was no material impact on the Company’s financial position or results of operations from the adoption.

Cash and cash equivalents - Cash and cash equivalents include cash on hand, cash accounts, money market accounts, savings accounts and time certificates of deposit with a maturity of three months or less when purchased.

Restricted cash – Restricted cash represents cash held in Alyst’s checking account as at December 31, 2009, which is obligated to be used for repurchase of 30,000 CNIH common shares, as stipulated in the Amendment to Stock Purchase Agreement between shareholders and Alyst in July 2009.

Accounts receivable – Accounts receivable are stated at the amount management expects to collect. Allowances for doubtful accounts receivable balances outstanding at the period end. Allowances for doubtful accounts receivable balances are determined when circumstances indicate that collection is doubtful for particular accounts receivable.

reserve for all accounts receivable. Management estimates such allowances based on history such as amounts that are subject to risk and customer credit worthiness. Accounts receivable if reasonable collection efforts are not successful.

Management periodically reviews the outstanding account balances for collectability. Accounts receivable are charged off against the allowance after all means of collection have been exhausted and the recovery is considered remote.

Property and equipment – Property and equipment are stated at cost including the cost of installation. Maintenance and repairs are charged to expense as incurred. Depreciation and amortization is calculated on the straight-line method based on the shorter of the estimated useful lives of the assets or the following:

Leasehold improvement	3 years
Furniture, fixtures and equipment	5 years
Computer software	1 year

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONT'D)

Revenue recognition – The Company has advertising revenue, net of agency commissions and advertisement production revenue. Advertising revenue is generated from advertising time sold to advertising agencies or advertisers to broadcast their advertisements on television or radio. Advertisement production revenue is generated from service provided to advertisers in producing video advertisements. Advertisement production revenue represented less than 1% of total sales for the year ended December 31, 2009. The Company recognizes revenue on advertising when advertisements are broadcast or when the advertisement production service is provided, collection of relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is determinable. Net sales represent the invoiced value of services, net of business tax and agency commissions. The Company is subject to business tax which is levied on majority of the Company's revenue at the rate of 5.0-8.5% on the invoiced value of services.

The Company requires customers to prepay certain amounts, as determined by both parties, before contracts are signed. Customer deposits are recognized into revenue when the related service or advertisement is aired and all other revenue recognition criteria are met.

Cost of revenue – The Company's cost of revenue on advertising revenue includes amortization of program inventory, costs to buy back certain advertising time-slots sold to agency companies, the Company's advertising customers need, and cost of producing advertisements.

Comprehensive income (loss) – The Company follows the Statement of Financial Accounting Standards (“SFAS”) No. 130, Reporting Comprehensive Income. Comprehensive income is defined as the change in equity of a company during a period from transactions and other events and circumstances, excluding transactions resulting from investments from owners and distributions to owners. For the periods presented, comprehensive income (loss) for the periods presented includes net income (loss) and foreign currency translation adjustments.

Income taxes- Alyst was subject to US federal, New York State and New York City taxes before its redomestication to the BVI through a merger with CNIH. China Networks was originally incorporated in the Cayman Islands and subsequently reincorporated in the BVI. China Networks is not subject to income tax under the current laws of the Cayman Islands or BVI. PRC entities are subject to the PRC Income tax at the applicable rates on taxable income at the commencement of operations.

Income taxes are provided on an asset and liability approach for financial accounting and reporting of income taxes. Current tax is based on the profit or loss from ordinary activities adjusted for non-assessable or disallowable for income tax purpose and is calculated using tax rates that are enacted or substantively enacted at the balance sheet date. Deferred income tax liabilities are recorded to reflect the tax consequences in future differences between the tax basis of assets and liabilities and the financial reporting amounts at each year end. A valuation allowance is recognized if it is more likely than not that some portion, or all, of a deferred tax asset will not be realized.

Foreign Currency- The functional currency of each foreign operation is the local currency. The financial statements of the Company are presented in United States Dollars (“US\$”). Transactions in foreign currencies during the year are translated into US\$ at the exchange rates prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies on the balance sheet date are translated into US\$ at the exchange rates prevailing on that date. Gains and losses on foreign currency transactions (including any) are included in the statement of operations.

The JV Tech Cos and JV Ad Cos translate their assets and liabilities into US\$ at the current exchange rate at the end of the reporting period. Revenues and expenses are translated into US\$ using the average exchange rate during the period. Gains and losses that result from the translation are included in other income or loss.

Earnings per Common Share – The Company follows ASC 260, Earnings per Share, for the presentation of basic and diluted earnings per share. Diluted earnings per common share are based on outstanding common shares were increased by shares convertible from preferred stock. Since convertible preferred common stock equivalents are not dilutive for the year ended December, 2009 and 2008, basic and diluted earnings per share for those periods are the same.

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONT'D)

Use of estimates - The preparation of the Company's financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to valuation of program rights and intangible assets, preferred stock valuation, discount on promissory notes, allowance for uncollectible accounts receivable, depreciation, useful lives of property, taxes, and contingencies. These estimates may be adjusted as current information becomes available and any adjustment could be significant. Estimates are periodically reviewed and the effects of revisions are reflected in the consolidated financial statements for the period they are determined to be necessary.

Non-controlling interest in consolidated financial statements – In December 2007, the FASB issued authoritative guidance related to noncontrolling interests in consolidated financial statements, an amendment of ARB No. 51. This guidance is set forth in Topic 810 in the Accounting Standards Codification (ASC 810). ASC 810 establishes accounting and reporting standards for the measurement of a non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This accounting standard is effective for fiscal years beginning after December 15, 2008. The Company adopted the presentation and measurement requirements of ASC 810 retrospectively to the December 31, 2008 financial statements.

Recently Issued Accounting Pronouncements

In December 2007, the FASB issued ASC 805, "Business Combinations". ASC 805 establishes the accounting requirements for how an acquirer recognizes and measures in its financial statements the identifiable intangible assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill. ASC 805 also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This statement is effective for the Company beginning January 1, 2009. The Business Combination described above is accounted for in accordance with ASC 805.

In December 2007, the FASB issued ASC 810, "Consolidation". Non-controlling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51. ASC 810 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interest holders, changes in a parent's ownership interest, and the valuation of retained non-controlling equity interests when a subsidiary is deconsolidated. ASC 810 also establishes disclosure requirements that enable users to understand and distinguish between the interests of the parent and the interests of the non-controlling interest holders. The Company adopted ASC 810 on January 1, 2009 and non-controlling interests are now classified as equity. Earnings attributable to non-controlling interest are included in net income, although they continue to be deducted to measure earnings per share. Non-controlling interest presented in the financial statements is reclassified for all periods presented.



In March 2008, the FASB issued ASC 815, “Derivative and Hedging”, which is effective for fiscal years beginning on or after December 15, 2008. ASC 815 requires enhanced disclosures about derivative instruments and hedging activities to provide a better understanding of their effects on an entity’s financial position, financial performance, and cash flows. Among other things, ASC 815 requires disclosures of the fair values of derivative instruments and the associated gains and losses in a tabular format. ASC 815 is not currently applicable to the Company because the Company does not have derivative instruments or hedging activity.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, “The Hierarchy of Generally Accepted Accounting Principles (“FAS 162”). This Standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. FAS 162 directs the hierarchy to the entity, rather than the independent auditors, as the entity’s primary responsibility for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. The Standard is effective 60 days following SEC approval of the Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. FAS 162 is not expected to have an impact on the Company’s financial statements.

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE 2 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONT'D)

Recently Issued Accounting Pronouncements (Cont'd)

In April 2008, the ASC 350, "Intangible Assets - Goodwill and Other", which amends the fair value measurement model to be considered in developing renewal or extension assumptions used to determine the useful life of a finite-lived intangible asset under ASC 350. The adoption of this FSP on January 1, 2009 did not have a material impact on the Company's financial result for the year ended December 31, 2009 as the Company did not acquire additional intangible assets during this period.

In June 2008, the FASB issued ASC 260, "Earning per Share". This FSP provides that unvested restricted stock payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether or not currently unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. The Company does not currently have any share-based awards that qualify for treatment as participating securities. Therefore, application of this FSP does not have an effect on the Company's financial reporting.

In May 2008, the FASB issued ASC 470-20, "Debt with Conversion and Other Options", which is effective for the Company on January 1, 2009. The FSP includes guidance that convertible debt components that may be settled in cash upon conversion should be separated between the liability and equity components, with each component being accounted for in a manner that will reflect the effective nonconvertible debt borrowing rate when interest costs are recognized in subsequent periods. This FSP is not currently applicable to the Company since the Company does not have convertible debt.

On January 1, 2009, the Company adopted ASC 323, "Equity Method and Joint Ventures", which provides guidance on accounting for certain transactions and impairment considerations involving equity method investments. The Company does not currently have any investments that are accounted for under the equity method. The adoption of ASC 323 did not have an impact on the Company's consolidated financial statements.

On January 1, 2009, the Company adopted ASC 350-30, "General Intangibles Other than Goodwill". ASC 350-30 clarifies the accounting for certain separately identifiable intangible assets which an acquirer does not intend to actively use but intends to hold to prevent its competitors from obtaining access to a market. ASC 350-30 requires an acquirer in a business combination to account for a defensive intangible asset as a separate unit of accounting which should be amortized to expense over the period the asset is expected to generate value. The Company currently does not have any defensive intangible assets.

In May 2009, the FASB issued guidance within Topic 855-10 relating to subsequent events. This guidance establishes principles and requirements for subsequent events. This guidance defines the period between the balance sheet date during which events or transactions that may occur would be required to be recognized in the company's financial statements. Public entities are required to evaluate subsequent events that occur after the balance sheet date that financial statements are issued. This guidance also provides guidelines in evaluating subsequent events or transactions occurring after the balance sheet date should be recognized in the financial statements.

statements. This guidance requires disclosure of the date through which subsequent events are evaluated. Adoption of this standards did not result in significant changes in the subsequent events that are required to recognize or disclosure in our financial statements.

The Group accounts for and discloses events that occur after the balance sheet but before the financial statements are issued or are available to be issued through March 29, 2010.

NOTE 3 – OTHER RECEIVABLES AND PREPAID EXPENSES

Other receivables and prepaid expenses are summarized as follows:

	December 31, 2009	December 31, 2008
Prepaid program inventory	\$ 873,479	\$ 201,599
Deposits	29,657	33,580
Prepaid expenses	821,520	22,609
Due from staff	37,371	13,988
Prepaid income tax	363,952	-
	\$ 2,125,979	\$ 271,776

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## CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

## NOTE 4 – OTHER RECEIVABLES FROM TV STATIONS

As of December 31, 2009 and December 31, 2008, other receivables from TV Stations consist of \$1,600,000 due from Kunming Television Station, a non-controlling interest shareholder of the Company, and \$86,151 due from Kunming Television Station, a non-controlling interest shareholder of the Company. The other receivables balance represent payments made by Kunming Ad Co on behalf of Kunming Television Station for television programs purchased by Kunming Television Station prior to December 31, 2008, commencement date of Kunming Ad Co.'s operation and advertisement income collected by Kunming Television Station on behalf of Kunming JV Ad Co.

Other receivables from TV Stations as of December 31, 2009 and 2008 also consist of \$252,302 due from China Yellow River Television Station, a non-controlling interest shareholder of the Company, and \$345,179 due from Taiyuan Ad Co, respectively. The receivables consist of \$345,179 and \$252,302 non-interest bearing receivables in advance to China Yellow River Television Station for working capital purposes and \$1,600,000 and \$86,151 customer payments collected by Yellow River Television Station on behalf of Taiyuan Ad Co. as of December 31, 2009 and 2008, respectively.

## NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

	December 31, 2009	December 31, 2008
At cost:		
Leasehold improvements	\$ 19,014	\$ 57,326
Furniture, fixtures and equipment	120,480	36,018
Vehicle	103,285	-
Computer software	16,089	2,797
Total	\$ 258,868	\$ 96,141
Less: accumulated depreciation	(32,206 )	(400)
Net book value	\$ 226,662	\$ 95,741

## NOTE 6 – PROGRAM INVENTORY

Program inventory consists of program licenses acquired from third parties for the right to broadcast programs during the license period. These programs are amortized over their license period of 1 to 5 years and record as cost of revenue. Amortization expense related to program inventory was \$614,364 and \$614,364 for the year ended December 31, 2009 and 2008, respectively.

## NOTE 7 –PROGRAM RIGHTS AND INTANGIBLE ASSETS, NET

	December 31, 2009	December 31, 2008
Program rights	\$ 180,801	\$ 180,352
Less: accumulated amortization	(180,801 )	-
	\$ -	\$ 180,352
Intangible assets	\$ 28,339,646	\$ 28,269,358
Less: accumulated amortization	(1,979,660 )	(670,371 )
	\$ 26,359,986	\$ 27,598,987

Program rights represent (1) programs that were contributed by the PRC TV Stations to the JV Tech Cos in exchange for their capital, and (2) programs purchased by the JV Tech Cos from the PRC TV Stations in accordance with joint venture and asset transfer agreements, respectively. Program rights are carried at cost and are amortized over their expected useful life of one year. Amortization expense on the program rights was \$180,801 and \$0 for the year ended December 31, 2009 and 2008, respectively. There was no amortization of program rights in 2008 as the program rights have not yet been broadcast, the program rights were only amortized during 2009. The programs included in program rights are those originally produced by the PRC TV Stations and the JV Tech Co's have ownership of the program rights pursuant to the joint venture and asset transfer agreements.

The fair value of the remaining capital contribution from the PRC TV Station is included in intangible assets related to the contractual rights described below.

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## CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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## NOTE 7 –PROGRAM RIGHTS AND INTANGIBLE ASSETS, NET (CONT'D)

Intangible assets represent the contractual right to operate the advertising business. Intangible assets are evaluated periodically to determine if expected cash flow generate from the advertising business is sufficient to cover the unamortized portion of the intangible assets. To the extent that expected cash flow is insufficient, the intangible assets are written down to their net realizable value. Intangible assets are expected to be amortized on a systematic basis over the lives of the Exclusive Cooperation Agreements, 20 and 30 years for Kunming JV and Taiyuan JV, respectively. Amortization expense on intangible assets totaled \$1,306,878 and \$670,371 for the year ended December 31, 2009 and 2008, respectively. Expected amortization totals approximately \$1,304,000 each year in 2010 through 2013, and \$21,077,000 in the years thereafter through 2038.

## NOTE 8 – OTHER PAYABLE

Other payable consists of the following:

	December 31, 2009	December 31, 2008
Deposits from advertising agencies	\$ 2,569,765	\$ 8,754
Others	24,025	4,450
	\$ 2,593,790	\$ 13,204

Deposits from advertising agencies are security deposits from agencies to ensure the Company has sufficient resources to collect the overdue payments of agencies or as a penalty if agencies violate agency agreements. The deposits are renewed every year. Deposits are used to offset receivable from agencies upon termination of the agency relationship with the Company.

## NOTE 9 – OTHER PAYABLE TO TV STATIONS

	December 31, 2009	December 31, 2008
Other payable to PRC TV Stations for purchase of intangible assets under the Asset Transfer Agreement	\$ 9,529,952	\$ 14,881,387
Other payable to Kunming Television Station	1,331,061	1,187,459
Other payable to China Yellow River Television Station	538,147	41,670
	\$ 11,399,160	\$ 16,110,516

As of December 31, 2009, other payable to Kunming Television Station represents purchase inventory of \$1,239,548 paid by Kunming Television Station prior to October 1, 2008 on behalf of Ad Co and penalty of \$91,513 to be paid by ANT due to the late payment of capital of Kunming Tech Co. Other payable to China Yellow River Television Station represents \$111,000 payroll that China Yellow River Television Station paid on behalf of Taiyuan Tech Co. Other payable to China Yellow River Television Station represents reimbursement of Yellow River Television Station's cost of purchase of TV programs and broadcast administrative expenses.

As of December 31, 2008, other payable to Kunming Television Station represents purchase inventory paid by Kunming Television Station prior to October 1, 2008 on behalf of Ad Co. Other payable to China Yellow River Television Station represents customer payments that China Yellow River Television Station collected on behalf of China Yellow River Television Station but has not remitted as of December 31, 2008.

NOTE 10 – ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	December 31, 2009	December 31, 2008
Placement fee payable	\$ -	\$ 960,000
Income tax payable	614,931	324,871
Business and other taxes payable	383,417	306,376
Accrued expenses	538,421	458,021
Accrued salary	232,434	72,483
	\$ 1,769,203	\$ 2,121,751

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## CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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## NOTE 10 – ACCRUED LIABILITIES (CONT'D)

Pursuant to the purchase agreement of the bridge loan financing, the Company is obligated to the placement agent a percentage of the gross proceeds, totaling \$1,960,000, as placement fees for the investment and in non-accountable expenses. \$1,000,000 of the fee was paid from the proceeds from the bridge loan financing. The remaining \$960,000 would be paid by the Company upon the consummation of the Business Combination (Note 1) or upon the 24th month anniversary of the bridge loan. However, placement agent has waived the remaining balance after the consummation of the Business Combination. As a result, a gain on cancellation of accrued liability was recorded.

## NOTE 11 –DEBT AND EQUITY BRIDGE FINANCING

	December 31, 2009	December 31, 2008
Notes payable	\$ 25,491,249	\$ 27,990,200
Less: Unamortized discount	(169,359 )	(3,181,470)
	\$ 25,321,890	\$ 24,808,730

On July 21, 2008, the China Networks issued an aggregate of promissory notes in the amount of \$27,990,200 bearing interest at the rate of 10% per annum and 980,000 shares of Class A Preferred Stock with a par value of \$0.0005 in exchange for proceeds of \$28,000,000. Each share of preferred stock is convertible into one share of the Company's common stock. The promissory notes are secured by 50.1% of the outstanding common stock of the Company.

The promissory notes stipulated that since the merger between the Company and Alyst was consummated after March 31, 2009, one-half of the principal outstanding plus accrued interest is due immediately from the issuance of the promissory notes and the remaining one-half of the principal outstanding plus accrued interest is due thirty-six months from the issuance of the promissory notes.

The promissory notes payable accrues interest at 10% per annum on the unpaid principal amount. Interest on the notes is payable annually in arrears. Accrued interest as of December 31, 2009 and interest expense on the notes payable for the year ended are \$3,738,716 and \$2,625,484, respectively. Accrued interest as of December 31, 2008 and interest expense on the notes payable for the year ended is \$1,267,333.

Management determined that the fair value of the 980,000 Class A Preferred Stock on the issuance date was \$5.27 per share, calculated using the Black-Scholes valuation model and the following assumptions: expected life of 30 years; volatility of 25%; risk free interest rate of 0%; common stock price of the Company of \$5.28 per share on grant date. Using the relative fair value method, the Company allocated \$23,641,059 of the gross proceeds to the promissory notes and \$4,358,941 to Class A Preferred Stock. The face amount of the promissory notes of \$27,990,200 was reduced by debt discount of \$4,358,941 in an initial carrying value of \$23,641,059.

Each share of Class A Preferred Stock has the right to receive a cash amount equal to \$5.28 at the consummation of business combination, plus deferred cash payments contingent upon the Company's future net income. As of December 31, 2009, the Company has accrued a liability of approximately \$3,738,716.



million due to these shareholders, with an offset to Additional Paid-in Capital and Accumulat

After the merger between the China Networks and Alyst consummated on June 29, 2009, the  
been negotiating with the notes holders to reach a debt restructuring plan. The Company est  
restructuring plan will be approved by the debt holders before April 2010. With estimated li  
loan of approximately 18 months, the Company adopted the effective interest rate method  
debt discount over the 18-month period and an effective monthly rate of 1.49%. Discou  
payable is recorded as interest expense. Interest expense resulted from the amortization o  
totaled \$2,769,407 and \$1,167,671 for the year ended December 31, 2009 and 2008, respectiv

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 11 –DEBT AND EQUITY BRIDGE FINANCING (CONT'D)

In connection with the bridge loan financing, the Company incurred placement fee of 6% of gross proceeds and issuance costs of 1% of gross proceeds to the placement agent, totaling \$1,960,000. \$1,000,000 has been paid from the proceeds received from the bridge loan in July 2008 and the remaining \$960,000 fee has been waived as described in Note 10 above. The Company also incurred issuance costs of which \$653,765 was also paid with proceeds from the bridge loan. Of the total issuance costs of \$2,613,765, \$2,206,863 was allocated to debt issuance costs and recorded as deferred financing cost. The remaining \$406,902 was allocated to the preferred shares and netted with proceeds from the bridge loan paid in capital. For the year ended December 31, 2009 and 2008 amortization expense from debt issuance costs totaled \$1,405,266 and \$592,506, respectively.

On February 27, 2009, the Company paid \$958,333 to certain notes holders to extinguish promissory notes with principal amounted to \$2,498,951. The notes holders waived interest accrued on the notes of \$154,102. The debt discount and deferred financing cost associated with the portion of the extinguished promissory notes were also written off during the year ended December 31, 2009. As a result of this transaction, a gain on early retirement of promissory notes of \$1,328,861 was recorded. In connection with this transaction, the notes holders also transferred a total of \$500,000 in principal amount of promissory notes and 105,000 shares of the preferred stocks to a third party.

NOTE 12 – RELATED PARTY TRANSACTIONS

Due to related parties

Amounts due to related parties consist of advances made to the Company or payments made by the Company to finance development stage activities and other costs. The amounts due to related parties for such advances were non-interest bearing and had no stated repayment terms. Amounts due to related parties for such advances totaled \$126,500 and \$329,280 at December 31, 2009 and 2008, respectively.

In addition, at December 31, 2009, an amount of \$7,000,140 represents payment due to China Networks preferred shareholders, which was contingent upon the consummation of business combination. Interest was also accrued.

Loan receivable from related parties

Loan receivable from related parties represent amount extended to the trustees after the completion of the elimination of 100% of the registered capital of Hetong, as discussed in Note 1 under Equity. The loan receivable is non-interest bearing and due on demand.

Cutoff agreement with Kunming TV Station on transfer of operation

Fixed assets lease

On October 1, 2008, Kunming TV Station transferred the right to operate the advertising to Kunming JV Ad Co. According to the agreement, Kunming JV Ad Co. will lease certain fixed assets from Kunming TV Station. For fixed assets that have been used for less than 5 years, the rental fee is RMB446,454 (approximately \$65,100) for the period from October 1, 2008 to March 31, 2009, and at the end of March 2009. For fixed assets that have been used for over 5 years, Kunming JV Ad Co. will use these fixed assets for free; however will be responsible for maintenance cost and the fixed assets will be returned to Kunming TV Station when they can no longer be used. Kunming TV Station will be responsible for the purchase of specialized equipment in the future and lease the equipment to Kunming JV Ad Co. The rental fee will be paid to Kunming TV Station, calculated based on 5 year straight-line depreciation with 5% salvage value and payable every six months. At the end of the 5 year depreciation period, Kunming JV Ad Co. may use the specialized equipment for free but will be responsible for the maintenance cost. For the year ended December 31, 2009 and 2008, fixed assets lease expense totaled RMB32,573, respectively.

#### Program cost paid but not aired

According to the agreement, program cost totaled RMB12,438,250 (approximately \$1,814,000) paid by Kunming TV Station but hasn't been aired yet as of October 1, 2008 is payable back to Kunming TV Station. In 2009, program cost of RMB 600,000 (approximately \$87,700) was returned to Kunming TV Station from a production company. As of December 31, 2009 and 2008, RMB11,268,100 (approximately \$1,647,400) and RMB7,899,700 (approximately \$1,152,500) of program inventory has been recorded.

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 12 – RELATED PARTY TRANSACTIONS (CONT'D)

Cutoff agreement with Yellow River TV Station on transfer of operation

Additional agreement signed in March 2009

In March 2009, an addendum to the cutoff agreement was signed relating to employee payroll. In addition to the fact that some employees of Kunming JV Ad Co. will still need to perform some work for Kunming TV Station, Kunming JV Cos and Kunming TV Station have agreed that the payroll for these employees for the next three years starting from 2009 will be borne by Kunming TV Station. The total payroll expense shall not exceed RMB9,000,000 (approximately \$1,314,700). Kunming TV Station's share of the payroll expense will be paid via an offset with program cost paid but not aired that is currently an other payable to Kunming TV Station. The relevant payroll expenses totaled RMB2,867,372 (\$419,206) for the year ended December 31, 2009.

Receivables collected on behalf of Kunming TV Station

As of October 1, 2008, there were RMB13,124,449 (approximately \$1,914,800) of receivables for advertisements that were aired but Kunming TV Station has not received payments for. These receivables will be collected by Kunming JV Ad Co. on behalf of Kunming TV Station and actual payments received on a monthly basis. As of December 31, 2009, there was no receivables for Kunming TV Station.

Receipts in advance from customer collected by Kunming TV Station

As of October 1, 2008, there were RMB924,025 (approximately \$134,800) receipts in advance from customers for Kunming TV Station from customers for advertisements that have not been aired yet. As of December 31, 2008, these advertisements were aired and recognized in revenue. Kunming JV Ad Co has no receivables for amounts due for advertisements aired by Kunming TV Station related to these receipts in advance as of December 31, 2009.

As of January 1, 2009, Yellow River TV Station transferred the right to operate the advertisements to Taiyuan JV Ad Co.

Receipts in advance from customer collected by Yellow River TV Station

As of January 1, 2009, there were RMB4,345,810 (approximately \$634,800) receipts in advance from customers for Yellow River TV Station from customers for advertisements that have not been aired yet. As of December 31, 2009, advertisements amounted RMB2,138,200 (approximately \$312,600) and were recognized in revenue.

Receivables collected on behalf of Yellow River TV Station

As of January 1, 2009, there were RMB285,617 (approximately \$41,700) of receivables for advertisements that were aired but Yellow River TV Station has not received payments for yet. These receivables were collected by Taiyuan JV Ad Co. on behalf of Yellow River TV Station and were offset against other receivables from Yellow River TV Station.

NOTE 13 – INCOME TAX

The enterprise income tax is reported on a separate entity basis.

BVI

China Networks Media, Ltd. was incorporated in the British Virgin Islands and is not subject to income taxes under the current laws of the British Virgin Islands.

PRC

The JV Tech Cos, JV Ad Cos, Hetong, Beijing Guangwang are subject to PRC income tax at a tax rate of 25%.

The income tax provision consists of the following:

	Year ended December 31, 2009	December 31, 2008
Current tax	\$ 2,021,298	\$ 324,963
Deferred tax	617,628	312,728
	\$ 2,638,926	\$ 637,691

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## CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

## NOTE 13 – INCOME TAX (CONT'D)

The following is a reconciliation of the tax derived by applying the PRC Statutory Rate to income before income taxes and comparing that to the recorded income tax provision:

	Year ended December 31, 2009	December 31, 2009
Expected income tax at PRC statutory rate 25%	\$ 1,271,840	\$ (692,996)
Add: Parent company's expenses not subject to PRC tax	1,484,378	1,280,729
Add: Losses at subsidiaries	125,551	57,863
Permanent difference	985	(7,906)
Unrecognised temporary difference	(243,828 )	-
Income tax expense	\$ 2,638,926	\$ 637,691

The Company's deferred tax assets and liabilities at December 31, 2009 and 2008 consisted of

	December 31, 2009	December 31, 2008
Deferred tax assets – foreign NOL	\$ 183,414	\$ 57,863
Deferred tax assets – intangible assets	31,818	31,818
Total deferred tax assets	215,232	89,681
Less: valuation allowance	(215,232 )	(89,681)
Net deferred tax assets	\$ -	\$ -
Deferred tax liabilities – intangible assets and		
Program inventory	\$ 930,356	\$ 312,728
Net deferred tax liabilities	\$ 930,356	\$ 312,728

The Company has not recognized deferred tax assets relating to the net operating loss differences generated in its PRC subsidiaries because the Company does not expect to have in the respective subsidiaries to utilize these deferred tax assets. The deferred tax valuation allowance increased \$125,551 during the year ended December 31, 2009.

The Company adopted FIN 48, which prescribes a more-likely-than-not threshold for financial recognition and measurement of a tax position taken in the tax return. This interpretation provides guidance on de-recognition of income tax assets and liabilities, classification of current and d

tax assets and liabilities, accounting for interest and penalties associated with tax positions, income taxes in interim periods and income tax disclosures.

At December 31, 2009, Company's management considered that the Company had no uncertainty that affected its consolidated financial position and results of operations or cash flow, and was unable to evaluate for the uncertain position in future. There are no estimated interest costs and penalties included in the Company's financial statements for the year ended December 31, 2009.

#### NOTE 14 – SHAREHOLDERS' EQUITY

China Networks was initially organized as a Cayman Islands company under the name of China Networks Limited on March 30, 2007, with 50,000 shares of common stock authorized at \$1 par value.

On June 2, 2008, the China Networks changed its registered office to the British Virgin Islands and continued under the name China Networks Media, Ltd. China Networks was authorized to issue 1,000 shares of common stocks and 1,050,000 shares of Class A Preferred Stock, each with a par value of \$1 per share. On the same day, the China Networks cancelled the 1,000 shares of common stock previously issued while it was a Cayman Islands company and issued 1,900,000 shares of common stock.

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 14 – SHAREHOLDERS’ EQUITY (CONT’D)

China Network’s Class A Preferred Share had one voting right, a right to an equal share in any liquidation of the Company by the China Networks, a liquidation preference of \$0.01 per share, and was convertible into common stock without payment of any further consideration. The number of common stock that Class A Preferred Shares may be converted into initially is determined by dividing the original purchase price of Class A Preferred Shares by the conversion price of Class A Preferred Shares; provided that the initial conversion price shall be the original purchase price, subject to adjustment upon occurrence of certain events as set forth in the Company’s Memorandum and Articles of Association.

Upon consummation of the business combination among Alyst, CNIH, China Networks and the Company on June 29, 2009, CNIH had outstanding 12,927,888 ordinary shares, par value \$0.001, 9,864,400 warrants, and an IPO Underwriters’ Purchase Option for 300,000 units, each unit convertible into one ordinary share and one warrant. As the result of consummation of the business combination, China Networks’ 1,900,000 common and 980,000 preferred shares issued and outstanding immediately prior to the business combination were converted automatically into 9,794,400 shares and another 253,488 shares were issued and held by Alyst’s underwriter for a total of 11,027,888 CNIH common shares; the Company and China Networks shareholders own approximately 73% of voting equity interests of CNIH. The business combination is considered a reverse acquisition, which China Networks is the accounting acquirer.

Upon the consummation of business combination, each China Networks preferred share outstanding immediately prior to the business combination has the right to receive a cash payment of \$7.143. This payment obligation has been accrued as an amount of Due to Related Parties, within Additional Paid-in Capital and Accumulated Deficit.

In June 2009, Alyst and its shareholders of 5,702,384 common shares entered Stock Purchase Agreement for the repurchase of those common shares by an aggregate price of \$44,896,637, approximately \$7.87 per share (the “Purchase Price”), at the closing of the business combination. During period of July 1, 2009, cash payments in total of \$34,607,721 were paid to former Alyst shareholders of 4,396,604 shares.

In July 2009, the shareholders of the rest 1,305,780 shares entered Amendments to Stock Purchase Agreement (the “Amendment”) with CNIH, which stipulates that these shareholders have the right to exercise the right to receive the Purchase Price. As a result of the Amendment, CNIH deposited \$10,289,546, representing the aggregate Purchase Price of 1,305,780 shares, in a trust account in July 2009. In September 2009, shareholders of 1,275,780 shares of the mentioned 1,305,780 shares exercised the right to receive Purchase Price.

Warrants

After the redomestication merger with Alyst and business combination with China Networks, there were 9,864,400 warrants outstanding. Each warrant entitles the registered holder to purchase one share of ordinary shares at a price of \$5.00 per share, subject to adjustment as discussed below, commencing on the completion of the business combination. The warrants will expire at 5



York City time on June 28, 2011. CNIH may call the warrants for redemption.

#### Purchase Option

In connection with Alyst's IPO, an option to purchase up to a total of 300,000 units representatives of the underwriters, for \$100. The units issuable upon exercise of the option the units issued to the public in the IPO, except that the exercise price of the underlying w \$10.00 per share.

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## CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

## NOTE 15 – CONCENTRATIONS, RISK AND UNCERTAINTIES

Customer concentration – The Company has the following concentrations of business with customers constituting greater than 10% of the Company’s net sales:

	Year ended December 31, 2009	December 31, 2009
Kunming Fengyun Advertising Ltd.	23.5%	26.3%
Yunnan Hua Nian Advertising Ltd.	16.2%	16.6%
Qunyi Media Group	13.0%	10.5%
Yunnan Communications Radio and Television Advertisement Ltd.		10.5%

As at December 31, 2009, accounts receivable due from these customers totaled \$3,463,233. The Company is not aware of any financial difficulties being experienced by its major customers.

Supplier concentration – The Company did not have any concentrations of business with suppliers constituting greater than 10% of the Company’s purchases for the year ended December 31, 2009.

Credit risk on cash and cash equivalents – The Company maintains its cash and cash equivalents with major financial institutions in the United States of America and the PRC, in the form of deposits and money market accounts. Deposits in banks may exceed the amounts of federal deposit insurance provided on such deposits. As of December 31, 2009 the Federal Deposit Insurance Corporation insures balances in bank accounts up to \$250,000. At December 31, 2009, the uninsured balances in bank accounts totaled approximately \$10.1 million. The Company has not experienced any losses on its deposits and cash equivalents.

## NOTE 16– OPERATING RISK AND MARKET RISK

## Foreign currency risk

Substantially all of the Company’s transactions are denominated in Renminbi, but a substantial amount of cash is kept in U.S. dollars. Although the Company believes that, in general, its exposure to foreign exchange risks should be limited, its cash flows and revenues will be affected by the fluctuations in exchange rates between U.S. dollars and Renminbi. It is possible that the Chinese government may elect to change its current controls over the extent to which the Renminbi is allowed to fluctuate in value relative to foreign currencies. The Company’s business and the price of its ordinary shares could be negatively affected by a revaluation of the Renminbi against the U.S. dollar or by other fluctuations in the Renminbi-U.S. dollar exchange rates.

Company's operations are substantially in foreign countries

Substantially all of the Company's operations are in China. The Company's operations are subject to political, economic, and other risks and uncertainties inherent in China. Among other risks, operations are subject to the risks of restrictions on transfer of funds; export duties, quotas, and domestic and international customs and tariffs; changing taxation policies; foreign exchange rates; and political conditions and governmental regulations.

#### NOTE 17 – COMMITMENTS AND CONTINGENCIES

##### Operating Leases

In the normal course of business, the Company leases office space under operating leases. All operating lease agreements generally contain renewal options that may be exercised at the Company's discretion after the completion of the base rental terms.

The Company rents equipment from the Kunming TV Station from October 2008 through 2011. Total rental expense total approximately \$190,000 from 2009 to 2011 and approximately \$32,500 in 2008. The Company also rents office space from China Yellow River TV Station for approximately \$205,349 through June 2011. Rent expense for the year ended December 31, 2009 totaled \$205,349.

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE 17 – COMMITMENTS AND CONTINGENCIES (CONT'D)

Operating Leases (Cont'd)

The Company is obligated under operating leases requiring minimum rentals as follows:

2010	\$ 88,005
2011	51,418
2012	49,358
2013	24,029
2014	5,324
Thereafter	27,236
	\$ 245,370

Deferred Cash Payments

According to the Merger Agreement by and among Alyst, China Networks, and its shareholders:

- (i) Each holder of China Networks shares as of the Business Combination effective time (the “Holder”) shall be entitled to receive from CNIH deferred cash payments contingent upon the amount of Net Income earned by CNIH of the amounts of Net Income (as defined below) set forth below (the “Deferred Cash Payments”).
- (ii) CNIH agrees that the Closing Holders shall be entitled to receive from CNIH cash or prior to December 31, 2009 equal to an aggregate amount of U.S. \$3,000,000, exclusively upon CNIH earning Net Income of at least U.S. \$20,000,000 during the four fiscal quarters immediately preceding such payment, to be allocated among such holders in proportion to their percentage ownership of the China Networks shares immediately prior to the Business Combination effective time (the “Percentage Allocations”).

(iii) Deferred Cash Payments (Cont'd)

CNIH agrees that Closing Holders shall be entitled to receive from CNIH additional cash or prior to December 31, 2010 equal to an aggregate amount of U.S. \$3,000,000, solely and exclusively upon CNIH earning Net Income of at least U.S. \$30,000,000 during the four fiscal quarters immediately preceding such payments, to be allocated among the holders of Company Shares in accordance with their respective Percentage Allocations.

- (iv) As used herein, “Net Income” means the net income of CNIH and its subsidiaries in accordance with U.S. generally accepted accounting principles (“GAAP”) on a consolidated basis, but excluding equity-based compensation charges, extraordinary one-time charges related to the Business Combination or impairment of goodwill; provisions

respect to any acquisitions of businesses or persons after the Business Combination, in order for the net income generated by such acquired businesses or included in the foregoing definition of Net Income, such acquisitions must be on a pro forma Net Income per share basis. In calculating Net Income per share, CNIH shall use audited or reviewed financial statements for the fiscal period in question. For the acquisition to be accretive, the pro forma Net Income per share on a post-acquisition basis must be greater than the pro forma Net Income per share immediately prior to the acquisition. The term “pro forma basis” means that the Net Income will be calculated as if all such acquisitions completed during the year had occurred on the first day of that year.

- (v) Any Deferred Cash Payments due and payable pursuant to the foregoing shall be payable to the Holders on the later of (i) the date 30 days after preparation and completion of CNIH audited or reviewed financial statements for the fiscal period in question and (ii) the tenth business day after the determination of Net Income for purposes of this Agreement with respect to the fiscal period in question.

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CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

NOTE 17 – COMMITMENTS AND CONTINGENCIES (CONT'D)

Deferred Stock Payments

According to the Merger Agreement by and among Alyst, China Networks, and its shareholders:

- (i) Each Closing Holder of China Networks common stocks shall be entitled to receive stock payments contingent upon the achievement by CNIH of the amounts of Net Income set forth below (the “Deferred Stock Payments”).
- (ii) CNIH agrees that the Closing Holders of China Networks common stocks shall receive from CNIH an additional 2,850,000 newly issued CNIH shares solely and exclusively upon CNIH earning Net Income of at least U.S. \$20,000,000 during the fiscal year ending December 31, 2009, to be allocated among the Closing Holders in accordance with their respective Percentage Allocations.
- (iii) CNIH agrees that the Closing Holders of China Networks common stocks shall be entitled to receive from CNIH an additional 3,075,000 newly issued CNIH shares solely and exclusively upon CNIH earning Net Income of at least U.S. \$30,000,000 during the fiscal year ending December 31, 2009, to be allocated among the Closing Holders in accordance with their respective Percentage Allocations.
- (iv) CNIH agrees that the Closing Holders of China Networks common stocks shall be entitled to receive from CNIH an additional 3,075,000 newly issued CNIH shares solely and exclusively upon CNIH earning Net Income of at least U.S. \$40,000,000 during the fiscal year ending December 31, 2009, to be allocated among the Closing Holders in accordance with their respective Percentage Allocations.
- (v) Any Deferred Stock Payments due and payable pursuant to the foregoing shall be issued to the Closing Holders of China Networks common stocks on the later of the (i) 30 days after the completion of CNIH’s audited year-end financial statements for the fiscal period in question and the (ii) tenth business day after the determination of Net Income for purposes of this Agreement for the fiscal period in question.
- (vi) In the event that the Net Income target for any fiscal year is achieved during a fiscal year, the Closing Holders shall be entitled to receive, in addition to the Deferred Stock Payment for the then current fiscal year, the Deferred Stock Payment for any additional future fiscal year with respect to which the Net Income target has also been achieved.

Warrant Exercise Proceeds

According to the Merger Agreement by and among Alyst, China Networks, and its shareholders:

CNIH agrees that the China Networks common share Closing Holders and holders of CNIH Preferred Shares as of the Closing (“Preferred Share Closing Holders”) shall be entitled to

Company, cash payments (the “Warrant Payments”) equal to a maximum aggregate of \$19,110,000 and 10% of the aggregate gross proceeds received in the Financing from the bridge investors (Note 11), respectively, solely and exclusively upon CNIH’s receipt of cash proceeds from the exercise of the CNIH Warrants and the CNIH Insider Warrants (collectively, the “Warrants”). The Warrant Payments shall be allocated among such holders of Closing Holders and Preferred Share Closing Holders in proportion to their percentage ownership of the sum of (a) the China Networks common shares, or (b) the CNIH Preferred Shares immediately prior to the Business Combination Effective Time (the “Warrant Allocations”), as the case may be. Upon exercise of any Warrants, as soon as practicable after the receipt of actual cash proceeds received therefrom by CNIH (but in any event within 10 days) (the “Warrant Proceeds”), CNIH shall make a cash payment to each Closing Holder and Preferred Share Closing Holder in an amount equal to the WEP Percentage Allocation of such holder of the Cash Proceeds then available for distribution pursuant to the foregoing sentence minus the amount of the WEP Percentage Allocation of such holder. The Company shall retain and apply to its general corporate purposes 34% of the Cash Proceeds. In no event shall the maximum aggregate amount payable to any holder exceed (x) U.S. \$19,110,000 or 10% of the aggregate gross proceeds received in the Financing from the bridge investors, as the case may be, multiplied by (y) the WEP Percentage Allocation of such holder (which aggregate amount, in the case of a Preferred Share Closing Holder, shall not exceed \$17,500 Preferred Shares owned as of the Closing).

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## CHINA NETWORKS INTERNATIONAL HOLDINGS, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008

## NOTE 18 – SUPPLEMENTARY NOTE TO THE CONSOLIDATED STATEMENTS OF C

On June 29, 2009, there was business combination between China Networks International Ho Limited (the accounting acquiree, and China Networks Media, Limited, which is the accounti The carrying amounts and fair value of identifiable assets and liabilities acquired are as follow

	Carrying amount and fair value
Cash	\$ 1,449,122
Restricted Cash	44,896,637
Prepaid expense and income tax	365,531
Other payable	(60,674)
Accrued liabilities	(187,487)
Common shares subject to conversion	(44,896,637)
Net assets acquired	\$ 1,556,492
Cash consideration paid	-
Net cash from business combination	\$ 1,449,122

## NOTE 19 – SUBSEQUENT EVENT

In January 2010, the Company's wholly owned subsidiary, Advertising Networks Limited supplemental agreement with Kunming TV that extends the deadline for the RMB 75 m capital contributions to Kunming JV Tech Co. until April 30, 2010. Advertising Network contributed RMB 26.25 million immediately after the conclusion of the supplemental agreem



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## EXHIBIT INDEX

Exhibit No.	Description
1.1	Amended and Restated Memorandum and Articles of Association of the Company [incorporated by reference to Exhibit D to the Company's Report on Form 6-K, filed July 2, 2009 (SEC File No. 001-34395)]
2.1	Specimen Ordinary Share Certificate [incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
2.2	Form of Warrant [incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
2.3	Form of Warrant Agreement [incorporated by reference to Exhibit 4.1 to Alyst's Registration Statement on Form S-1 (SEC File No. 333-138699)]
2.4	Form of Bridge Loan Promissory Note [incorporated by reference to Exhibit 10.7 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.27	Purchase Agreement, dated as of July 21, 2008, by and among China Networks Media Ltd. and the investors listed therein [incorporated by reference to Exhibit 10.2 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.28	Registration Rights Agreement, dated July 21, 2008, by and among China Networks Media Ltd. and the investors listed therein [incorporated by reference to Exhibit 10.3 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.29	Share Pledge Agreement, dated as of July 21, 2008, by Kerry Propper and MediaInv Ltd. in favor of the persons and entities listed therein [incorporated by reference to Exhibit 10.4 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.30	Escrow Agreement, dated June 19, 2008, between the Alyst Acquisition Corp., Chardan Capital Markets, LLC, Grushko & Mittman and the subscribers to China Networks Media Ltd.'s Bridge Loan [incorporated by reference to Exhibit 10.6 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.31	Collateral Agent Agreement, dated July 21, 2008, by and between China Networks Media Ltd., Collateral Agents, LLC, the Investors listed therein, Kerry Propper and Clive Ng [incorporated by reference to Exhibit 10.8 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.32	Form of Lock-up Agreement between Alyst Acquisition Corp., the Company and each of Kerry Propper, MediaInv. and Li Shuangqing [incorporated by reference to Exhibit C to the Company's Report on Form 6-K, filed July 2, 2009 (SEC File No. 001-34395)]
4.33	Form of Service Agreement between Advertising Networks Ltd. and Li Shuangqing [incorporated by reference to Exhibit 10.1 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.34	Framework Agreement between Advertising Networks Ltd. and China Yellow River Television Station, dated January 26, 2008 [incorporated by

- reference to Exhibit 10.9 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
- 4.35 Supplementary Agreement between China Yellow River Television Station and Advertising Networks Ltd., dated May 22, 2008 [incorporated by reference to Exhibit 10.10 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
- 4.36 Exclusive Services Agreement between Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd and Taiyuan Advertising Networks Advertising Co., Ltd, dated July 17, 2008 [incorporated by reference to Exhibit 10.11 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]

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Exhibit No.	Description
4.37	Exclusive Cooperation Agreement between China Yellow River Television Station and Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd., dated July 17, 2008 [incorporated by reference to Exhibit 10.12 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.38	Asset Transfer Agreement between China Yellow River Television Station and Shanxi Yellow River and Advertising Networks Cartoon Technology Co., Ltd., dated July 17, 2008 [incorporated by reference to Exhibit 10.13 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.39	Equity Joint Venture Contract between China Yellow River Television Station and Advertising Networks Ltd., dated May 23, 2008 [incorporated by reference to Exhibit 10.14 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.40	Framework Agreement between Advertising Networks Limited and Kunming Television Station, dated February 23, 2008, incorporated by reference to Exhibit 10.15 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026).
4.41	Supplementary Agreement between Kunming Television Station and Advertising Networks Limited, dated May 23, 2008 [incorporated by reference to Exhibit 10.16 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.42	Exclusive Services Agreement between Kunming Taishi Information Cartoon Co., Ltd. and Kunming Kaishi Advertising Co., Ltd., dated August 6, 2008 [incorporated by reference to Exhibit 10.17 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.43	Exclusive Cooperation Agreement between Kunming Television Station and Kunming Taishi Information Cartoon Co., Ltd., dated August 6, 2008 [incorporated by reference to Exhibit 10.18 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.44	Asset Transfer Agreement between Kunming Television Station and Kunming Taishi Information Cartoon Co., Ltd., dated August 11, 2008 [incorporated by reference to Exhibit 10.19 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.45	Equity Joint Venture Contract between Kunming Television Station and Advertising Networks Ltd., dated May 14, 2008 [incorporated by reference to Exhibit 10.20 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.46	Trustee Arrangement Letter, by and between China Networks Media Ltd. and Li Shuangqing, dated May 1, 2008 [incorporated by reference to Exhibit 10.21 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.47	Trustee Arrangement Letter, by and between China Networks Media Ltd. and Guan Yong, dated May 1, 2008 [incorporated by reference to Exhibit 10.22 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.48	

	Exclusive Services Agreement between Beijing Guangwang Hetong Advertising & Media co., Ltd and Advertising Networks Technology Consulting Co., Ltd., dated May 1, 2008 [incorporated by reference to Exhibit 10.44 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.49	Amended Loan Agreement by and between Advertising Networks Ltd., Li Shuangqing and Guan Yong, dated October 7, 2008 [incorporated by reference to Exhibit 10.23 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.50	Amended Share Pledge Agreement between Advertising Networks Technology Consulting (Beijing) Co., Ltd., Li Shuangqing and Guan Yong, dated October 7, 2008 [incorporated by reference to Exhibit 10.24 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.51	Amended Share Purchase Option Agreement between Advertising Networks Ltd., Li Shuangqing, Guan Yong and Beijing Guanwang Hetong Advertising & Media Co., Ltd., dated October 7, 2008 [incorporated by reference to Exhibit 10.25 of the Company's Registration Statement on Form S-4 (SEC File No. 333-157026)]
4.52	Form of 2008 Omnibus Securities and Incentive Plan [incorporated by reference to Annex H of the Company's proxy statement/prospectus included in the Registration Statement on Form S-4 (SEC File No. 333-157026)]
8.1	List of the Company's subsidiaries*
12.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-1(a)*

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Exhibit No.	Description
12.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-1(a)*
13.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
13.2	Certification Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

\*Filed herewith.