

Microcap.com

MP: GMC \$1.19 (new) - \$0.75 cash + cobalt

Microcap Premium

January

January 30th

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The selling has subsided and as mentioned last week, it looks like a bottom was put in place on the 24th. What we need now is a catalyst to bring buyers back into the market. This is a definite buyers market as the small/microcaps are very thinly traded. Even watching the ten most active on Nasdaq this week we've seen strong activity in the first fifteen minutes and then everything dies right off for most of the day - very strange market.

For those of you who think the little stocks have performed poorly this past month, you would be very surprised. While we've seen everything correct, the strength in the commodities market has provided a surprising amount of support and I believe is still the place to be in 2008. Consider the big names in January - Apple has lost 35%, Google has lost 23%, and Microsoft has lost 11% - all in a month.

Our small stocks might be volatile, but we "expect" them to be riskier and volatile. When you own major blue chips, a double digit loss in a month is devastating. By comparison, our little stocks have actually held up very well from bottom fishing levels. When nerves calm down and more people realize the money that can be made from here on the junior resource stocks, we should still do very well. Our focus remains on strong balance sheets with strong exploration potential or proven projects. Supporting this is strong global demand for natural resources.

A portfolio that consists of 10% to 20% small speculative stocks not only provides a bit of excitement throughout the year, but properly managed can produce returns that more than offset the weakness in the broader market. The trick is focusing on the strongest sectors and for the foreseeable future that will be the commodity backed stocks.

Geovic Mining (GMC \$1.18)

www.geovic.net

52 week High \$4.62 Low \$1.16

This can be viewed as a short term (2 to 3 month) speculation or longer term production play. Its a nice one to bottom fish near the 52 week low. The last financing was in April 2007 when they raised \$35 million at \$4 (they went public in March 2007 through a \$54 million IPO at \$2.50). They currently have net cash of \$75 million or \$0.74/share.

The company's goal is to be the world's largest primary producer of cobalt by mid-2010 through its 60% ownership of Geovic Cameroon (GeoCam). GeoCam's Mine Permit provides exclusive production rights to seven large cobalt-nickel-manganese deposits in southeast Cameroon.

A November 2007 Feasibility Study estimated that the first deposit (Nkamouna) delivers an after-tax cash flow discounted at 8% of US \$695 million, an IRR of 33% and a payback of 2.9 years, based on 100% equity financing and 3-year average metal prices ending October 2007. The first full year of production in 2011 produces an after tax cash flow of \$164 million

Based on 40% equity and 60% debt financing, the project delivers an after-tax cash flow discounted at 8% of \$704 million, an IRR of 56% and a payback of 1.9 years.

Their mine is less than 16 meters deep with a waste to ore ratio of less than 1.9 and no need for blasting. Average operating costs during the first 19 years of production are estimated at \$3.12 per pound of saleable cobalt, net of nickel byproduct credits but before manganese credits. The planned addition of manganese byproduct sales is expected to enhance project economics.

Proven and probable ore reserves are estimated at 54.7 million tonnes with average grades of 0.25% cobalt, 0.69% nickel and 1.33% manganese. These reserves allow average annual production that contains 9.2 million pounds cobalt, 7.0 million pounds nickel and 42.0 million pounds manganese during the first 19 years of operation. An additional 145 million tonnes of inferred resources is adjacent to the first process plant. These reserves and resource estimates are compliant with Canadian and other international standards.

A Certificate of Compliance was received in May 2007 for the Environmental & Social Assessment. Major construction is expected to commence in September 2008 and production is scheduled to begin by mid- 2010, subject to completion of project financing, obtaining a Cameroon water use permit and leasing of lands to be disturbed during initial operations.

Cobalt has many diverse applications, including: 1) rechargeable batteries for cell phones, computers, hybrid electric vehicles, etc., 2) super-alloys for jet engines, 3) chemicals, 4) wear resistant alloys, 5) catalysts, and 6) magnets. Global cobalt demand in 2006 was 56,000 tonnes compared to 31,000 tonnes in 1997.

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