NORD RESOURCES CORP
Form 10KSB
March 28, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

[X] Annual Report Pursuant to Section 13 or 15(D) of the Securities Exchange Act of 1934

for the fiscal year ended **December 31, 2006**

[ ] Transition Report Under Section 13 or 15(D) of the Securities Exchange Act of 1934

for the transition period from __________ to __________

Commission File Number: **0-26407**

NORD RESOURCES CORPORATION

(Exact name of small Business Issuer as specified in its charter)

Delaware	**85-0212139**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1 West Wetmore Road, Suite 203	
Tucson, Arizona	**85705**
(Address of principal executive offices)	(Zip Code)

Issuer s telephone number, including area code**: (520) 292-0266**

Securities registered under Section 12(b) of the Exchange Act:
Common Stock, par value $0.01 per share

Securities registered under Section 12(g) of the Exchange Act: **None**

Check whether the issuer (1) 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.
[X]Yes [ ] No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). [ ] Yes [X] No

State issuer s revenues for its most recent fiscal year: $0.00

The aggregate market value of voting Common Stock held by non-affiliates of the registrant was $25,335,310 based upon the closing price of such Common Stock on the Pink Sheets LLC of $0.74 per share on February 15, 2007, and determined by subtracting from the total number of shares of Common Stock issued and outstanding on that date all shares held by the directors and executive officers of the registrant and by persons holding at least 10% of such number of shares of Common Stock as of that date.

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date. 34,236,906 shares of common stock as of February 15, 2007.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

NORD RESOURCES CORPORATION

Form 10-KSB

FORWARD-LOOKING STATEMENTS

This annual report on Form 10-KSB contains forward-looking statements. These forward-looking statements involve risks and uncertainties, including statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding the market price of copper, availability of funds, government regulations, common share prices, operating costs, capital costs, outcomes of ore reserve development and other factors. Forward-looking statements are made, without limitation, in relation to operating plans, property exploration and development, availability of funds, environmental reclamation, operating costs and permit acquisition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may , will , should expect , plan , intend , anticipate , believe , estimate , predict , potential or continue , the negative of s comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined below, and, from time to time, in other reports we file with the SEC. These factors may cause our actual results to differ materially from any forward-looking statement. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Overview

We are in the business of exploring for and developing mineral mining properties. Our principal asset is the Johnson Camp property located in Arizona. The Johnson Camp property includes the Johnson Camp Mine and a production facility that uses the solvent extraction, electrowinning (SX-EW) process. SX-EW processing uses electrolysis in the production of pure copper from a copper concentrated sulphuric acid solution. This solution is obtained by leaching copper from broken ore, then extracting the copper from the leach solution using an organic solvent, and finally returning the copper contained in this organic solvent into a concentrated solution for the electrowinning stage. The Johnson Camp Mine is an existing open pit copper mine; it includes two existing open pits, namely the Burro and the Copper Chief bulk mining pits.

The Johnson Camp property has had a long history of development and mining, dating back to the early 1880s. A number of underground mines operated during the 1880-1975 period. In 1974, Cyprus Mines Corporation developed a large scale open pit heap leach mine and SX-EW processing complex on the Johnson Camp property. Operating as Cyprus Johnson Copper Company, Cyprus began mining in the Burro pit in 1975 and continued until 1986 when the operation closed. After the closure, Cyprus dismantled the original SX-EW plant. Cyprus continued to maintain ownership of the Johnson Camp property until 1989, when it sold its holdings in the district to Arimetco, Inc. In mid-1990, Arimetco constructed a new SX-EW plant at the Johnson Camp Mine and resumed mining in the Burro pit in 1991. Arimetco began limited open pit mining from the Copper Chief deposit in 1996. Mining continued from both the Burro and Copper Chief deposits until 1997, when production was terminated.

In 1998, Summo USA Corporation entered into a Sale and Purchase Agreement with Arimetco to acquire the Johnson Camp property, subject to successful completion of due diligence work. As part of the due diligence, The Winters Company was commissioned by Summo to complete a feasibility study for the resumption of mining and SX-EW processing at the Johnson Camp Mine. Although the study indicated that mining was feasible at a copper price of $0.85 per pound, Summo did not pursue mining at the Johnson Camp Mine and assigned its right to the Sale and Purchase Agreement to us in June, 1999.

We continued production of copper from ore that had been mined and placed on leach pads until August 2003 when we placed the Johnson Camp Mine on a care and maintenance program due to weak market conditions for copper at that time. Although mining ceased in 1997, the Johnson Camp leach pads and SX-EW operation remained active until 2003, producing approximately 6.7 million pounds of copper cathode from residual copper in the heaps over the period 1998 to 2003. Currently, the existing Johnson Camp leach dumps are being rinsed in a limited manner with the goal of managing solution inventories.

Our near term objective is to resume mining and leaching operations at the Johnson Camp Mine, with the view to producing approximately 25 million pounds of copper per year. However, since reactivation of the Johnson Camp Mine is subject to obtaining sufficient financing, the board of directors has not yet made a production decision.

We obtained a feasibility study containing a mine plan for the Johnson Camp Mine that was completed by The Winters Company, called Nord Copper Corporation Feasibility Study, Johnson Camp Copper Project, Cochise County, Arizona , dated March 2000. We also obtained an update to the feasibility study prepared by Winters, Dorsey and Company called Johnson Camp Copper Project, Arizona, United States of America, 2005 Feasibility Study , dated October 11, 2005. In June 2006, Winters, Dorsey provided us with an addendum to the 2005 feasibility study. We refer to the 2005 feasibility study and the June 2006 addendum in this annual report as the updated feasibility study .

The Winters Company no longer exists. Winters, Dorsey is not a successor company to The Winters Company, but certain authors of the 2000 feasibility study were also involved in the preparation of the updated feasibility study. In preparing the updated feasibility study in 2005 and the addendum thereto in 2006, Winters, Dorsey utilized much of the earlier data contained in the 2000 feasibility study after concluding, in its professional judgment, it was reasonable to adopt and rely on such data.

The updated feasibility study contains an economic assessment of the Johnson Camp Mine based on the mine plan included in the 2000 feasibility study, capital and operating cost estimates as of the third quarter of 2005, and 36 month average copper prices ending on September 30, 2005 of $1.14 per pound (although our reserve estimates are based on a copper price of $0.90 per pound to maintain consistency with the pit design used in the 2000 feasibility study and adopted by Winters, Dorsey in the updated feasibility study). Winters, Dorsey concluded that resumption of operations at the Johnson Camp Mine in accordance with the mine plan will generate positive discounted cash flows over an eleven year mine life at 8%, 10% and 15% discount rates.

In order for us to resume full mining operations, we will have to complete the mine development schedule outlined in the updated feasibility study. This mine development schedule will require that we reline an existing solution pond, construct three new lined solution ponds, prepare a new, stand-alone lined leach pad facility for approximately 60 percent of the new ore that will be leached, and install a two-stage crushing circuit. The SX-EW plant will have to be rehabilitated to meet production goals and the electrowinning section expanded. Our mine operating plan calls for an active leach program of newly mined ore and the residual leaching of the existing old dumps.

At the time the updated feasibility study was completed, the initial capital costs to be incurred within the first two years of start-up were expected to exceed $22 million (including working capital). We now expect that the initial capital costs will exceed $28 million. Such costs relate primarily to the rehabilitation of solution ponds, refurbishment and a modest expansion of the copper production facility, and the purchase and installation of crushing and conveying equipment. The increase in our capital cost estimate is primarily due to inflation and the fact that our original capital cost estimate was premised in part on the availability of used conveying equipment which is increasingly becoming difficult to find; we anticipate that we will have to purchase new conveying equipment during the initial start-up period. We estimate we will incur a further $3 million in capital costs in the following two years, which is less than the $9 million in such capital costs that we had originally projected due to our intention to defer the

construction of a planned leach pad until seven years after the start-up date, as we now anticipate that we will be able to accommodate any ore that is mined during the intervening period by expanding one or more of our existing leach pads. These cost figures do not include estimated reclamation bonding requirements, and do not account for inflation, interest and other financing costs.

We presently do not have sufficient cash or working capital necessary to implement the mine development schedule and commence mining operations. Our ability to commence mining operations will be subject to our obtaining sufficient financing to enable us to fund the necessary initial capital costs and start-up operating expenses and working capital. In addition, certain permits must be in place before mining operations are commenced. Once financing and permits are in place, we anticipate it will take approximately three months to complete sufficient rehabilitation of the Johnson Camp Mine to allow the production of copper from the existing heaps, and approximately nine months from the start of construction to begin producing copper from new ore placed on the heaps.

We believe the resumption of mining activities at the Johnson Camp mine is warranted based on the recent increase in the market price of copper. The market for copper is cyclical and over the last fifteen years the price of copper has fluctuated between $0.60 and $3.98 per pound. In its most recent cycle the price fell to a low of $0.62 per pound in 1999, due primarily to increased supply with the commissioning of several new mines while demand decreased, largely due to a reduction of consumption in Asia. Although there has been a slight decline in the price of copper over the past twelve months, it remains relatively high: the average price of copper was $2.57 per pound in February 2007 (as reported by the London Metal Exchange). This increase in the price of copper since 1999 is due to an increase in worldwide demand for copper. We believe that the strengthening market for copper has created an opportunity for us to reactivate the Johnson Camp Mine, despite the anticipated high costs that this will involve. However, we caution investors that the market price for copper has historically been cyclical and there is a significant risk that copper prices will not remain at current high levels.

In addition to the Johnson Camp property, we have options to acquire interests in three exploration stage projects, Coyote Springs and the Texas Arizona Mines project, both located in Arizona, and Mimbres located in New Mexico (see Description of Property - Other Properties). We are planning to conduct further preliminary exploration activities at the Coyote Springs and Mimbres properties to help us determine whether we should exercise the options. Any such exploration activities are subject to the availability of sufficient financing, which cannot be assured. We do not believe that these properties are material to our overall operations at this time.

In addition to reactivating the Johnson Camp Mine, as described in more detail under the heading, Description of Property Landscape and Aggregate Rock Operation, we are also planning on expanding the existing decorative and structural stone operation on the Johnson Camp property within the first year of bringing the Johnson Camp Mine into operation. We are currently leasing this landscape and aggregate rock operation to JC Rock, LLC. Our current contract expires April 30, 2007, and we plan to renew the contract on a short term basis until we are ready to take over the operation. JC Rock has the right to remove the landscape and aggregate rock from the Johnson Camp property and pays us a royalty of $1.50 per ton, subject to reduction to $1.00 per ton where the wholesale price realized by JC Rock upon resale is less than $6.00 per ton.

Name and Incorporation

Nord Resources Corporation was formed under the laws of Delaware on January 18, 1971.

Our principal business offices are located at 1 West Wetmore Road, Suite 203, Tucson, Arizona 85705, and our telephone number is (520) 292-0266.

We own 100% of the issued and outstanding shares of Cochise Aggregates and Materials, Inc., which was formed under the laws of Nevada on December 9, 2003. We have no other subsidiaries. As used in this annual report, the terms we , us and our mean Nord Resources Corporation and its subsidiaries, taken as a whole.

In this annual report, our references to the Johnson Camp property refer to the entire property we own, while the previously mined area of the Johnson Camp property and the area proposed for further development under the mine plan contained in the 2000 feasibility study, together with the facilities and equipment on the Johnson Camp property, are collectively referred to as the Johnson Camp Mine .

ITEM 2. DESCRIPTION OF PROPERTY

A glossary of Technical Terms appears at page 87.

Johnson Camp Property

Description and Location

The Johnson Camp property is located in Cochise County, approximately 65 miles (105 kilometers) east of Tucson, in Cochise County, Arizona, one mile north of the Johnson Road exit off of Interstate Highway 10 between the towns of Benson and Willcox in all or parts of Sections 22, 23, 24, 25, 26, 27, 35 and 36, Township 15 South, Range 22 West. (See Figure 1)

The Johnson Camp project currently includes two open pits, one waste dump, three heap leach pads, a SX-EW processing plant along and administrative facilities. The Burro Pit is larger than the Copper Chief Pit and contains 64% of the project reserves. The Burro Pit is located east of the SX-EW process plant. The Copper Chief Pit is located approximately 2,000 feet northwest of the Burro Pit.

The existing heap leach pads are located west of the open pits. The leach pads are divided into two major sections with solution collection facilities downstream of the first pad and downstream of pads two and three. A new leach pad is planned for future use and is anticipated to be located north of the Burro Pit and northeast of the Copper Chief Pit. The mine waste dump is located immediately to the east of the Burro Pit.

Figure 1

Titles

The Johnson Camp property consists of 59 patented lode mining claims, 102 unpatented lode mining claims and 617 acres of fee simple lands (see Figure 2). The patented claims comprise approximately 871 acres and the unpatented claims comprise approximately 1,604 acres. Thus, the Johnson Camp property covers approximately 3,092 acres. All of the claims are contiguous, and some of the unpatented mining claims overlap. We keep the unpatented mining claims in good standing by paying fees of $13,250 per year to the United States Federal Government. We keep the fee simple and patented claims in good standing by paying property taxes and claims filing fees of approximately $35,000 per year. The copper processing facilities and the Copper Chief and Burro open pits that serve as focal points for our mine plan are located on the patented mining claims or the fee simple lands.

We are the owner of the Johnson Camp property and the owner or holder of the claims. We are allowed to mine, develop and explore the Johnson Camp property, subject to the required operating permits and approvals, and in compliance with applicable federal, state and local laws, regulations and ordinances. We believe that all of our claims are in good standing.

Our patented mining claims give us title to the patented lands and no further assessment work must be done; however, taxes must be paid. We have full mineral rights and surface rights on the patented lands. Unpatented mining claims give us the exclusive right to possess the ground (surface rights) covered by the claim, as well as the right to develop and exploit valuable minerals contained within the claim, so long as the claim is properly located and validly maintained. (See Description of Property United States Mining and Environmental Laws Arizona State Mining Laws) Unpatented mining claims however, may be challenged by third parties and the United States government. (See Risk Factors Risks Related to Our Company)

Figure 2
Johnson Camp Land Status Map

Source: Nord Resources Corporation

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the Johnson Camp property is via Interstate Highway 10 and by gravel road. Due to its location just one mile north of Interstate Highway 10, the Johnson Camp property provides excellent access for transportation and delivery of bulk supplies and shipment of copper cathodes. The Johnson Camp property s close proximity to the Union Pacific Railway mainline through Dragoon, Arizona gives us the option of shipping cathode direct to customers by truck or rail.

The Johnson Camp Mine is located on the eastern slope of the Little Dragoon Mountains. The average elevation of the property is approximately 5,000 feet above sea level. The climate of the region is arid, with hot summers and cool winters. Freezing is rare at the site. Historically, the Johnson Camp Mine was operated throughout the year with only limited weather interruptions.

Vegetation on the property is typical of the upper Sonoran Desert and includes bunchgrasses and cacti. Higher elevations support live oak and juniper, with dense stands of pinyon pine common on north-facing slopes.

The existing facilities include the SX-EW processing plant, an administrative and engineering office and warehouse, laboratory, truck shop, core storage building, plant mechanical shop, and various used vehicles, pumps and other equipment. In addition, we own a large gyratory crusher which will be installed at Johnson Camp.

The SX-EW processing plant is comprised of a solvent extraction plant, an electrowinning tank house, a tank farm and four solution storage ponds. The solvent extraction plant consists of four extraction mixer-

settlers operated in parallel and two strip mixer-settlers, and has a capacity of 4,000 gallons per minute. The electrowinning tank house consists of 74 electrowinning cells with a full complement of cathodes, and has a 20 million pound-per-year capacity. The tank farm, located in front of the tank house, is used for intermediate storage of electrolyte. The four solution storage ponds have a total capacity of approximately eight million gallons.

The Johnson Camp Mine facilities and equipment were placed into care and maintenance in 2003. The updated feasibility study concludes that the existing SX-EW plant will have to be rehabilitated to meet future production goals. The rehabilitated SX-EW plant will be of conventional design, and we plan to use as much of the existing equipment as possible.

In addition to the real property included in the Johnson Camp property, there are several access rights of way and three water wells which are located on the Johnson Camp property. We also have an agreement with a local rancher which allows us access to a fourth water well in which we hold water rights, located on private land just to the east of the Johnson Camp property (see Description of Property Status of Permits). Production water for the Johnson Camp property is currently supplied from two of the three wells located on the Johnson Camp property and from the well located on the private land. We currently do not use the third well located on the Johnson Camp property. Additional water will be required to expand the leaching operation, so we anticipate that it will be necessary to drill another well on our land near the Section 19 well. In addition, although three of the four wells have been upgraded since 1999, additional upgrades may have to be undertaken.

Commercial electrical power and telephone lines remain in place and operational at the Johnson Camp property. The Johnson Camp property receives electrical power from Sulphur Springs Valley Electric Cooperative (SSVEC). We will need to negotiate a new power contract with SSVEC, as we do not currently have one. Power is received at a single substation owned by us, and our substation transformer must be upgraded for the expansion to 25 million pounds of copper per year.

We plan to expand our workforce at the Johnson Camp Mine to approximately 60 employees, and hire various contractors. We intend to utilize contractors for mining, drilling and blasting, and for hauling the mined material. We will manage all other activities at the Johnson Camp Mine. We believe that there are sufficient skilled operating, maintenance, and technical personnel available that can be employed for the Johnson Camp Mine.

Geological Setting and Mineralization

The Johnson Camp property is located along the east fold of the Little Dragoon Mountains in southeastern Arizona. The rocks exposed on the Johnson Camp property range from the pinal schist that is located at the western end of the Johnson Camp property to the escabrosa limestone that is located at the eastern end of the Johnson Camp property, all of which contain some quartz monzonite porphyry. Large disseminated copper deposits occur in several rock formations at the Johnson Camp Mine. In the region of the Burro and Copper Chief open pits, the copper-bearing rocks dip moderately to the northeast and consist of sedimentary rocks that have been intruded by two diabase dikes.

The main copper bearing host rock units at the Johnson Camp Mine are the Abrigo, Bolsa Quartzite, Pioneer Shale, and the Diabase formations. The Diabase formation is positioned at the base of the copper bearing rock units, overlain by the Bolsa Quartzite, and the lower and middle Abrigo formations. In the Burro pit, oxide copper is located primarily on bedding planes as veins and replacements and along various fractures. In the Copper Chief pit, located approximately 1,500 feet to the north of the Burro pit, oxide copper occurs as disseminations in the Diabase formation and along fractures within the Diabase and in the Bolsa Quartzite units. Other bulk-mineable copper exploration targets lie along trend from both the Copper Chief and Burro deposits.

The style of mineralization and the type of alteration recently mapped on the northern lower benches of the Burro pit suggest the possible presence beneath the property of a mineralized porphyry-type deposit. In addition to the alteration evidence, a prominent magnetic low anomaly is present between the Burro pit and Copper Chief deposit supporting the possible presence of a porphyry-type deposit at depth. Porphyry copper deposits are typically very large, low grade and require processing by recovery processes much different than those planned for the Johnson Camp Mine.

The following cross section diagram illustrates the relative positions, and the geologic and mineralized nature of the various formations in the Burro pit.

Source: Nord Resources Corporation

The following cross section diagram illustrates the relative positions, and the geologic and mineralized nature of the various formations in the Copper Chief pit.

Source: Nord Resources Corporation

Feasibility Study

Summo commissioned The Winters Company to complete a feasibility study on the Johnson Camp Mine in 1999. Upon our acquisition of the Johnson Camp property, we engaged The Winters Company to update the feasibility study in 2000. We engaged Winters, Dorsey to prepare an update to the 2000 feasibility study prepared by The Winters Company, and received the updated feasibility study on October 11, 2005. We received an addendum to the updated feasibility study in June 2006. We refer to the 2005 feasibility study and the June 2006 addendum in this annual report as the updated feasibility study . In preparing the updated feasibility, Winters, Dorsey:

- visited the Johnson Camp property and collected data;
- performed data verification activities;
- reviewed the metallurgical section of the 2000 feasibility study;
- developed copper recovery estimates;
- determined Lerchs-Grossman pit shell reserves;
- completed open pit mine scheduling of the Burro and Copper Chief deposits;
- determined reserve estimates for the Burro and Copper Chief deposits;
- reviewed the SX-EW plant expansion plan;
- reviewed infrastructure and support facilities;
- reviewed the heap leach pad, pregnant leach solution, raffinate pond design and capital cost estimates; and
- reviewed operating, capital and general and administrative cost estimates.

Reserves

Reserves are part of a mineral deposit which can be economically and legally extracted or produced at the time of the reserve determination. Proven reserves are reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes, grade and/or quality are computed from the results of detailed sampling, and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. Probable reserves are defined as reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

Methodology

The proven and probable reserves reflect variations in the copper content and structural impacts on the Burro and Copper Chief deposits, and the reserve estimates give effect to these variations. For both proven and probable reserves, only total copper assay values were used, mainly because assay values measured in total copper were available for both the Burro pit and Copper Chief pit, and in part because the soluble copper assay techniques used by Arimetco were not comparable to the soluble copper assay techniques used by Cyprus. (See Description of Property Johnson Camp Property Historic Copper Production and Risk Factors Risks Related to our Company.)

Statistical methodologies were used to classify mineralized material. Such methodologies involved, among other things, interpolation between, and projection beyond, sample points. Sample points consist of variably spaced drill hole intervals throughout a given deposit. The closer that mineralized material is situated to a drill hole composite, the more confidence exists in the accuracy of the estimation of the grades of mineral in that material. A drill hole composite is, generally speaking, an average of the sample assays taken from a 20-foot fixed length portion of the drill hole.

For proven reserves in the Burro deposit, a minimum of one drill hole composite within 160 feet is required. For probable reserves in the Burro deposit, a minimum of one drill hole composite within a range of 161 to 260 feet is required. For the Copper Chief deposit, the classification criteria for proven and probable reserves vary depending on rock type. For proven reserves a minimum of one drill hole composite within a distance ranging from 0 to between 88 to 150 feet is required, depending on rock type. For probable reserves a minimum of one drill hole composite within a range of between 89 to 245 feet is required, depending on rock type.

A summary of the Johnson Camp proven and probable reserves are presented in the table below.

Johnson Camp Mine
Summary of Proven and Probable Reserves*

	Class	Total Ore Tons (000)	% Total Cu	Waste Tons (000)	Total Tons (000)	Strip Ratio Waste/Ore
Burro Pit	Proven	16,695	0.426			
	Probable	5,667	0.394			
Total Burro Pit		22,362	0.418	8,087	30,449	0.36
Copper Chief Pit	Proven	11,346	0.354			
	Probable	1,434	0.315			
Total Copper Chief Pit		12,780	0.350	10,278	23,058	0.80
Total	Proven	28,041	0.396			
	Probable	7,101	0.378			
	Total	**35,142**	**0.393**	**18,365**	**53,507**	**0.52**

Notes:

- The ore reserves were estimated in accordance with Industry Guide 7 of the Securities and Exchange Commission (sometime referred to in this annual report as the "SEC").
- The reserves as stated are an estimate of what can be economically and legally recovered from the mine and as such incorporate losses for dilution and mining recovery.
- The actual tonnage and grade of reserves are generally expected to be within 90-95% of the estimate for proven reserves, and 70-80% for probable reserves.
- Reserves are based on a copper price of $0.90/lb and on total copper assays.
- The break-even cutoff grades are assumed by rock type and range from 0.109% to 0.129% total copper depending upon the specific rock type. In order for rock to be above the cutoff grade, the net revenue from processing the rock must exceed the sum of all cash operating costs excluding the mining cost. The mining costs are then applied to determine the actual mine cutoff or breakeven grade. If the ore is at or above the cutoff grade (breakeven grade), the ore is hauled to the crusher. If the ore is less than the cutoff grade (breakeven grade), it is hauled to the waste dump.
- Break-even cutoff grade is defined as the lowest grade of mineralized material that can be mined and processed considering all applicable costs, without incurring a loss or gaining a profit. The break-even cutoff grades used for the reserve estimates summarized in the foregoing table were determined having regard to the following factors: ore grade for each block and rock type; tonnage factor (which expresses the density of the ore and host rock, in terms of cubic feet per ton); estimated total copper recovery; a copper price of $0.90/lb; projected gross revenue from the copper mining and processing operations at Johnson Camp Mine contemplated by our mine plan; estimated mining costs; estimated crushing and conveying costs; SX-EW processing costs for each ore type; estimated general and administrative expenses, severance taxes (which become payable in connection with extraction of ore from the mine), and freight and marketing expenses associated with Johnson Camp Mine under our mine plan; and estimated sustaining capital required for the

mining and processing operations contemplated by our mine plan.

- The following break-even cutoff grades were used for the reserve estimates summarized in the foregoing table:

Rock Type	Burro Pit % TCu	Copper Chief Pit % TCu
Upper Abrigo	0.113	0.123
Middle Abrigo	0.113	0.123

Rock Type	Burro Pit % TCu	Copper Chief Pit % TCu
Lower Abrigo	0.113	0.123
Bolsa Quartzite	0.109	0.126
Upper Diabase	0.129	0.121
Upper Pioneer Shale	0.124	0.122
Lower Diabase	0.129	0.121
Lower Pioneer Shale	0.124	0.122

- Copper recoveries are estimated to range from 74% to 81% total copper depending upon specific rock type. (See Description of Property Johnson Camp Property - Metallurgical Test Work .)

In Winters, Dorsey s opinion, the reported estimated reserves are reasonable for the economics used. Winters, Dorsey updated the block model dollar values and estimated reserves within the pit design adopted in the updated feasibility study, and used a copper price of $0.90 per pound. Operating and processing costs were provided by Nord and estimated as of the third quarter of 2005 (see Description of Property - Johnson Camp Property - Project Feasibility). Winters, Dorsey based the copper recovery on previous metallurgical test work that Winters, Dorsey reviewed for the updated feasibility study (see Description of Property - Johnson Camp Property - Metallurgical Test Work and Description of Property - Johnson Camp Property - Recovery Curves).

Use of Total Copper Assays

For the reasons discussed below, our estimate of ore reserves at the Johnson Camp Mine is based on total copper assays and recoveries rather than soluble copper assays and recoveries.

Total copper values were available for both the Copper Chief and Burro deposits. However, only 39 percent of the Copper Chief assay intervals also had acid soluble copper values, and the available data on acid soluble copper was incomplete for all samples. In addition, the database of acid soluble copper values for the Burro deposit reflects two different analytical techniques: (a) a conventional acid soluble method used by Cyprus for 94 of the holes included in the drill hole database; and (b) a more aggressive methodology used by Arimetco for the other 48 drill holes included in the database for the purpose of estimating the ultimate recoveries that may be experienced in the heaps at the Johnson Camp Mine. In summary, total copper assays were the only common denominator for all drill hole assays included in the drill hole database. As a result, only a total copper grade resource model was constructed for both deposits.

Estimation of total copper recovery for each ore type involved:

- examination of Cyprus drill hole data that contained both acid soluble assays and total copper assays, with the view to determining a correlation (expressed as a percentage) between such acid soluble assays and total copper values for each ore type; and
- application of the correlation to the acid soluble copper recovery determined for the particular ore type based on column tests and other parameters as described in the 2005 Feasibility Study. Four column tests were used to estimate recoveries, one for each of the following major rock types at the Johnson Camp Mine: Abrigo, Bolsa Quartzite, Pioneer Shale, and the Diabase formations (see Description of Property Johnson Camp Property Geological Setting and Mineralization).

Thus, expressed as a formula:

[(A ÷ B) X C] = D

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Where:

A is the acid soluble assay;

B is total copper assay;

C is the acid soluble recovery for an ore type; and

D is the total copper recovery for that ore type.

A reserve estimate based on total copper is an indirect measurement of the amount of copper that is metallurgically available for recovery. Accordingly, there is a risk that we may have over-estimated the amount of recoverable copper. (See Risk Factors Risks Related to Our Company .)

Historic Copper Production

From 1975 to 1986, Cyprus mined approximately 15 million tons of ore grading approximately 0.4 percent acid soluble copper from the Burro pit. In addition, approximately 12 million tons of waste rock was produced. All ore placed on the heaps was run-of-mine (that is, not crushed). In total, approximately 107 million pounds of cathode copper were produced by SX-EW methods.

Cyprus used a variety of analytical techniques to determine acid soluble copper grades during its operation of the Johnson Camp property and the copper grades for ore placed for leach were reported as acid soluble copper. Recovery of copper by Cyprus totaled 80 percent of the acid soluble copper grade placed on the leach pads. After the closure, Cyprus dismantled the SX-EW plant and moved the plant to another mine. Cyprus continued to maintain ownership of the Johnson Camp property until 1989, when it sold its holdings in the district to Arimetco.

In mid-1990, Arimetco constructed a new SX-EW plant on the Johnson Camp property, and rehabilitated the leach systems on the existing Cyprus pads and the collection, raffinate, and plant feed ponds. Arimetco resumed mining in the Burro pit in 1991, and made further improvements to the facility between 1993 and 1996. Arimetco began limited open pit mining from the Copper Chief deposit in 1996, and continued mining in both the Burro and Copper Chief deposits until 1997 when production was terminated. Ore placed on the heaps from 1991 through 1995 was run-of-mine (not crushed).

In 1996, based on metallurgical testing it conducted, Arimetco added a crushing plant to reduce the particle size of ore placed on the heaps in an effort to improve recoveries. The metallurgical test work indicated improved recoveries from crushed ore (see Description of Property Johnson Camp Property - Metallurgical Test Work). We believe that the initial results from leaching of crushed ore placed on a new liner system installed by Arimetco were an increase in leach solution copper grade and an improvement in recoveries to the point where they matched the metallurgical test work performed on certain ore at a similar crush size. However, crushed ore represented less than 25 percent of the total ore that Arimetco had under leach. In the updated feasibility study, Winters Dorsey concluded that these operating results, along with the column leach test results, clearly support the need to crush the ore to obtain reasonable recoveries under heap leach conditions.

Production by Arimetco between 1991 and 1997 for the Burro and Copper Chief pits totaled approximately 16 million tons of ore grading approximately 0.35 percent total copper and 12 million tons of waste, primarily from the Burro pit, producing approximately 50 million pounds of cathode copper. Arimetco achieved recoveries of approximately 43 percent of the total copper grade from mostly uncrushed ore placed on the heaps. Arimetco was unable to continue mining operations beyond mid-1997 due to financial difficulties.

The soluble copper assay techniques used by Arimetco for ore grade estimation are not directly comparable to the soluble copper assay techniques used by Cyprus. Arimetco recoveries were calculated based on total copper assays. The use of two different assay techniques by Cyprus and Arimetco could have led to inconsistencies in or the skewing of the data underlying our estimates, thereby increasing the risk of an overestimation of ore reserves at Johnson Camp Mine (see Risk Factors- Risks Related to Our Company).

The Johnson Camp Mine is not currently a producing mine. Historical data is presented for general information and is not indicative of existing grades or expected production. Reports on past production vary. The past production from pits on the Johnson Camp Mine, as reported by Cyprus and Arimetco, is tabulated below:

Historic Copper Production Statistics

Cyprus

Year	Tons Ore to Pad(1)	Soluble Copper Grade %	Contained Soluble Copper	Lbs. Copper Shipped
1975	2,132,260	0.496	21,152,019	6,143,024
1976	1,821,476	0.357	13,005,339	10,059,807
1977	1,563,030	0.399	12,472,979	10,327,424
1978	1,202,500	0.426	10,245,300	10,205,142
1979	1,588,400	0.522	16,582,896	10,032,003
1980	1,499,600	0.411	12,326,712	10,320,407
1981	1,551,500	0.470	14,584,100	10,693,485
1982	1,894,700	0.322	12,201,868	9,702,272
1983	1,962,600	0.504	19,783,008	9,717,616
1984	52,100	0.713	742,946	8,803,361
1985	0	0	0	6,200,836
1986	0	0	0	4,854,796
Total	**15,268,166**	**0.436**	**133,097,167**	**107,060,173**

(1) Ore production run-of-mine (not crushed).

Arimetco

Year	Tons Ore to Pad	Total Copper Grade %	Contained Total Copper	Lbs. Copper Shipped
1991(1)	750,100	0.340	5,100,680	5,549,725
1992(1)	2,516,320	0.480	24,156,672	8,156,435
1993(1)	3,259,320	0.340	22,163,376	7,386,504
1994(1)	2,719,690	0.290	15,774,202	5,618,012
1995(1)	2,995,592	0.290	17,374,434	6,345,518
1996(2)	3,084,254	0.350	21,589,778	9,921,576
1997(2)	1,254,971	0.370	9,286,785	4,747,995
1998	0	0	0	2,181,304
Total	**16,580,247**	**0.348**	**115,445,927**	**49,907,069**

(1) Ore production run-of-mine (not crushed).

(2) Less than twenty-five percent of ore under leach was crushed to a nominal size of 3 inches.

The following table contains a breakdown of the actual copper cathode production for Johnson Camp Mine since we have owned the Johnson Camp property (the production was accomplished by our then subsidiary, Nord Copper Company):

Nord

Year	Lbs. Copper Shipped[1]
1999	672,004
2000	1,632,245
2001	1,133,914
2002	495,494
2003	556,388
Total	**4,490,045**

(1) All copper production derived from existing heaps by residual leaching. There was no new ore mined and placed on the heaps during 1999-2003.

The following table shows the total pounds of copper shipped from the Johnson Camp Mine:

Total Pounds Copper Shipped	
Cyprus	107,060,173
Arimetco	49,907,069
Nord	4,490,045
Total:	161,457,287

Drilling

The initial drill hole database for the Johnson Camp Mine consists of a total of 293 drill holes totaling 90,418 feet. Of these, 142 drill holes are contained in the Burro pit area and 151 drill holes are contained within the Copper Chief pit area. This database includes 12 confirmation diamond drill holes in the Burro and Copper Chief pit areas totaling 5,793 feet that were completed by Summo in 1998.

Drilling Summary
Burro & Copper Chief Pit Area

Company	Years	Core Drilling, feet	Reverse Circulation Drilling, feet	Rotary Drilling, feet	Total Drilling, feet	Assay Method
Cyprus	1961-1982	49,724	0	13,257	62,981	CuT, CuS, BRC[1]
Arimetco	1991-1993	2,874	25,618	0	28,492	CuT, CuS[2]
Summo	1998	0	5,793	0	5,793	CuT
Totals		**52,598**	**31,411**	**13,257**	**97,266**	

(1) Cyprus used bottle role composite recovery (BRC) tests in addition to total copper (CuT) and soluble copper (CuS) assay tests on certain drill hole samples.

(2) Soluble copper assay techniques by Arimetco were not comparable to the soluble copper assay techniques used by Cyprus because Arimetco wanted to estimate the ultimate recoveries that may be experienced in the heaps.

From October 1999 to January 2000 we conducted four exploration drilling programs using reverse circulation drilling in areas of the Johnson Camp property other than the Burro and Copper Chief deposit areas. Forty-three holes were drilled in the North area (above the Copper Chief), 17 holes were drilled in the Keystone area about one-half mile south of the Burro pit, a deep hole was drilled in the area between the Burro pit and the Copper Chief pit, and three condemnation holes were drilled in the area of our planned future leach pad and plant. Although certain drill results achieved in these four exploration drilling programs were encouraging, we found no copper mineralization that could be classified as reserves as a result of these programs.

Projected Copper Production from Existing Leach Pads

In 1999 we conducted a limited drilling program to evaluate actual copper content of the existing heaps. The drilling program was conducted to provide an estimate of the copper values in the heaps, but cannot be considered a definitive measure of copper in the heaps. Based on estimated heap tonnages, there are approximately 75 million pounds of acid soluble copper remaining in the heaps, of which 11.3 million pounds is projected to be produced over the initial six years of the project. The following chart contains the actual copper cathode production for Johnson Camp Mine during the years indicated:

Year	**Production**
2000	1,632,245 lbs
2001	1,133,914 lbs
2002	495,494 lbs
2003	556,388 lbs
Total	3,818,041 lbs

The above production was achieved by our company with a significant portion of the heap area not under leach and little or no sulfuric acid makeup to the available leach solution.

Using the time that each dump had been under leach, the estimated feed grade, the estimated recovery to date, and the limit of 80 percent maximum total copper recovery, a shrinking core leaching model was used to predict ongoing copper production as leaching of the existing, old dumps continues. The results of this modeling effort project that the residual copper production from the old heaps is as follows:

Year	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**
Lbs Cu (1,000)	2,275	2,600	1,600	1,600	1,600	1,600

Winters, Dorsey has concluded that the shrinking core model projection provides a reasonable estimate of future production from the existing dumps at the Johnson Camp Mine.

There has not been any additional drilling in the Burro and Copper Chief deposits since the 2000 feasibility study, and we have not conducted any other exploration programs (see Description of Property Johnson Camp Property Drilling).

Resource Model

In Winters, Dorsey s opinion, the resource model and estimates used as the basis for the updated feasibility are appropriate and reasonable, and are in accordance with SEC Industry Guide 7. There has not been any additional resource drilling or mining in the Burro and Copper Chief deposits since the 2000 feasibility study.

The information required to construct and validate the resource model was initially provided by Summo in 1998 and 1999. The information including an electronic drill hole database that Summo had obtained from Arimetco, rock density data and various historical production data, along with supplemental information that facilitated the estimation of soluble copper values. The information also included copper

assay values from the twelve confirmation drill holes that Summo drilled in the Copper Chief and Burro deposits as part of its due diligence efforts (see Description of Property Johnson Camp Property Drilling). This data was compared to earlier adjacent drill hole results, and to validate locally the block model copper grade estimate.

In comparing the block model resource estimates to historic production at the Johnson Camp property, we note that the block model produced results that were comparable to historic mined tonnage and grade factors in areas of past mining. This close comparison suggests that the resource model is reasonable in the area of past mining.

Copper grade reconciliation proved to be more difficult to analyze since the reported Cyprus and Arimetco copper grades were stated in different units (acid soluble copper and total copper, respectively). However, it is possible to calculate total copper grade for the Cyprus mine production, and it can be observed that there is close agreement between the two data sets.

Data Verification

As indicated above, the electronic database that Summo had obtained from Arimetco was used for resource modeling and estimating. Arimetco used its electronic database for mine planning and ore reserve estimation. The electronic database contained all of the Johnson Camp drill hole data collected by Cyprus and Arimetco, but was not verified at the time it was provided by Summo by inspection of available core and check sampling. Summo elected to deal with the verification and confirmation issue by drilling 12 confirmation holes in total in the Copper Chief and Burro deposits (see Description of Property Johnson Camp Property Drilling) and by reliance on agreement between historical production and historical ore reserve projections. In addition to the confirmation drilling and historical methods, Summo took samples from the Burro and Copper Chief pits for metallurgical testing (see Description of Property Johnson Camp Property - Metallurgical Test Work).

Limited Inspection and Check Sampling by Winters, Dorsey, January and February 2006

Typically, verification work does not include an exhaustive check sampling program whereby all the samples are submitted for re-assay, and only a random re-sampling of the available drill holes is conducted. In January 2006, at our direction, Winters Dorsey undertook a limited inspection and check sampling of remaining drill core as an additional means to verify the electronic database. Our geologist and a geologist from Winters Dorsey visited the Johnson Camp Mine and initiated a random sampling program of available drill core sample intervals in order to compare the assays of the Winters, Dorsey samples with prior assays of the same intervals done during previous exploration drilling work.

Winters, Dorsey sampled a total of 17 drill cores that we had in storage, all of which were taken from holes located within the pit design contained in the 2000 feasibility study. Winters, Dorsey also sampled one Arimetco hole which was not in the electronic database. A total of 18 samples (11 from the Copper Chief pit and 7 from the Burro pit), representing 130 feet of existing drill core, were gathered. All of the intervals represented mineralization still remaining in place. All 18 samples were delivered to Skyline Laboratory in Tucson, Arizona on January 20, 2006, where they were assayed for total copper, acid soluble copper, and cyanide soluble copper.

For the Copper Chief deposit, the average of the total copper assays in the electronic database were in close agreement with the samples taken by Winters, Dorsey. On an individual basis, there were significant differences in six holes between the total copper assays in the electronic database and the Winters Dorsey samples. In the case of the Burro pit, the total copper assays in the electronic database were in close agreement to the total copper assays of the Winters, Dorsey samples, and the acid soluble assays in the electronic database were relatively close to those of the Winters, Dorsey samples.

In contrast, the soluble copper assays completed by Arimetco were very different from the acid soluble copper assays of the Winters, Dorsey samples. Winters, Dorsey concluded that this difference may be attributed to use by Arimetco of soluble copper assay techniques that are not directly comparable to those used on the Winters, Dorsey samples.

Winters, Dorsey concluded at the time that although the limited sampling work completed in January and February 2006 shows good correlation on average to the existing electronic database, it is not possible at this time to verify the entire original drill hole database used for the current mineral resource model and ore reserve estimates because of the following reasons: (i) missing core for the Arimetco drilled holes; (ii) missing or incomplete original logs for the Arimetco drilled holes; (iii) missing core and cuttings for the Cyprus Mines Corporation drilled holes; (iv) check assaying of old reverse circulation drill cuttings for acid soluble copper may be of limited value due to oxidation over the years they have been in storage, and (v) there are no acid soluble copper assays against which to compare the acid soluble assays of the Winters, Dorsey s samples. (See Risk Factors Risks Related to Our Company.) Winters, Dorsey noted that lack of core and cuttings from old drilling is not an unusual situation in the mining industry.

Examination of Additional Drilling Records, April 2006

In April 2006, we located a large amount of additional drilling records at the Johnson Camp Mine, which included geologic logs of drill holes by Cyprus and Arimetco and assay reports on samples of drill core and cuttings. We asked Winters Dorsey to inspect these drilling records as an additional verification to the electronic database. Winters Dorsey determined that the electronic database contained all of these additional drill holes as well as some Cyprus and Arimetco holes for which the logs could not be located. In their verification activities, Winters Dorsey concentrated mainly on Arimetco holes (86 holes totaling 25,468 feet of drilling).

Cyprus, Arimetco, and Summo all used outside, reputable commercial laboratories for assaying of the drill core sample intervals that were checked by Winters, Dorsey. Winters, Dorsey confirmed that the relevant Arimetco and Summo logs pertaining to such assayed drill core sample intervals were accompanied by signed assay certificates from each laboratory used. Winters, Dorsey further confirmed that the values from the assay certificates were in fact the values contained in the electronic database.

Cyprus drill core samples were taken predominantly through core drilling, which provides the most accurate drill hole sample.

Winters, Dorsey noted that Summo s logging details are good for the 12 confirmation reverse circulation holes. However, it does not appear that Summo carried out sample quality assurance and quality control for the reverse circulation drilling. Therefore, Winters, Dorsey could not determine how representative Summo s reverse circulation samples were, although Winters, Dorsey stated they had no reason to question the quality of Summo s reverse circulation samples.

Winters, Dorsey concluded that the overall quality of Arimetco s drilling logs is sufficient for an experienced geologist to interpret them. Winters, Dorsey noted that the drill hole log forms were not completed in ink, and the log forms did not include core recovery figures for the core holes. Almost 89 percent of the drilling Arimetco carried out representing approximately 23 percent of the total project drilling carried out by Cyprus, Arimetco, Summo and our company was reverse circulation drilling, but the relevant drilling logs did not contain any record of sample quality assurance and quality control being carried out. Therefore, Winters, Dorsey could not determine how representative Arimetco s reverse circulation samples were. However, virtually all the Arimetco drilling was logged and sampled by the same geologist which indicates continuity of the geologic work. Winters, Dorsey did review the associated assay laboratory drill hole sample records which indicated custody of the samples was maintained by the Arimetco project geologist, consistent with standard operating procedure at the time the drilling work was carried out.

Interview With Cyprus Geologist, May 2006

Cyprus had their samples assayed at a laboratory in Tucson, Arizona, or in their own on-site laboratory at the Johnson Camp Mine. In May 2006, Winters, Dorsey met with the geologist who was responsible for much of the drilling, logging and sampling of many of the Cyprus drill holes which are in the electronic database. As a result of that meeting, Winters, Dorsey was able to confirm that the sampling procedure used by Cyprus met industry standards in place at the time it was completed.

Winters, Dorsey s Conclusion

The electronic drill hole database was relied upon by Winters, Dorsey in the updated feasibility study to estimate ore reserves. Therefore, the validity of the estimates assumes the accuracy of the underlying electronic database. The purpose of the random sampling program of available drill core sample intervals was to compare the assays of the Winters, Dorsey samples with prior assays of the same intervals done during previous exploration drilling work. Winters, Dorsey concluded that while the electronic database cannot be verified other than by further drilling, it reflects the geology and assays in the logs of the Cyprus and Arimetco drill holes. (See Risk Factors Risks Related to Our Company.)

Summary

In summary, there have been four separate levels of data verification that have been completed by prior operating companies and others at the Johnson Camp Mine in evaluating the geological, drill hole, and assay database. Each major category or level of data verification provides a measure of confidence in the database. Taken in aggregate, all four categories provide corroboration and thus a higher degree of confidence in the data. The categories are:

- Individual inter-company verifications Cyprus conducted their drilling and assaying with both internal and external check assay procedures for data verification, and had samples assayed at more than one external laboratory for both total and acid-soluble copper. While Arimetco did not have the same quantity of internal or external check assays, Arimetco also used a reputable independent laboratory.
- Intra-company verifications Notwithstanding that Arimetco s soluble copper assaying techniques was not directly comparable to the soluble copper assaying techniques used by Cyprus, Arimetco s drilling and assaying work generally confirmed the prior drilling and assaying work undertaken by Cyprus. In addition, Summo, in evaluating the Johnson Camp Mine prior to our ownership, conducted drilling and assaying work that confirmed the work of Cyprus and Arimetco.
- Third party reviews The updated feasibility study is an example of a third party review.
- Mine-to-deposit model production reconciliations A comparison of total historical production with the resource model indicates both tonnage and grade to be within approximately 0.8% of the combined Cyprus and Arimetco production. This represents a close correlation between the historical production and the resource model used in the updated feasibility study.

All four levels of data verification have shown only minor database errors. Winters, Dorsey have concluded that the minor database errors are within acceptable levels, and have no reason to believe that the Johnson Camp resource database does not accurately reflect the drill logs.

Metallurgical Test Work

Metallurgical testing was completed in two programs. The first was authorized by Arimetco in May 1995 and was completed at an independent laboratory. The two ore samples that were subjected to testing were collected at the Johnson Camp Mine by Arimetco personnel and consisted of, respectively, approximately 2,000 pounds of run-of-mine schist/shale ore and 8,500 pounds of run-of-mine diabase ore.

Seven column tests were used to evaluate the influence of crush size on copper extraction and each ore was tested at a nominal crush size of three inches and a nominal crush size of one inch. The results of the tests showed that when leached for 60 days, crushing the ore significantly increased the copper extraction for both sizes of crushed ore. The ore was still leaching copper when the test program was stopped at 60 days.

The second test program was authorized by Summo in August 1998 and was completed at another independent laboratory. Summo personnel collected the bulk ore samples from the Burro and Copper Chief pits. The locations of the bulk samples were based on preliminary channel sampling. The rock types chosen for sampling from the Burro pit included Lower Abrigo Formation, Bolsa Quartzite, and two types of diabase ore. Only a bulk sample of oxidized diabase was obtainable to represent the Copper Chief ore, but a study of polished mineralogical sections prepared from core and/or reverse circulation drill cuttings indicated that the diabase samples taken from the Burro pit were representative of the diabase material contained in the Copper Chief deposit.

Copper mineralogy varies within the deposits. In the Burro Pit, approximately 76% of the total estimated ore reserve tonnage is located above a depth of 4,560 feet in a zone dominated by the copper oxide minerals chrysocolla and malachite. Some native copper has been observed disseminated throughout this range. In addition to copper oxide mineralization, copper sulfide mineralization is evident below an elevation of 4,600 feet in a mixed zone . Sulfide minerals, which typically convert to oxides on exposure to oxygen, are not as amenable to heap leach copper recovery techniques as oxides. Accordingly, we believe that approximately 24% of the ore reserve in the Burro Pit could exhibit reduced copper recovery due to the presence of copper sulfide mineralization.

In the Copper Chief Pit, the oxide copper mineralization is similar to that of the Burro Pit. The entire Copper Chief Pit ore reserve is located above the 4,560 elevation in the zone dominated by the copper oxide minerals chrysocolla and malachite. We do not expect that the recovery of copper from this deposit will be materially affected by sulfide mineralization.

In summary, for the total project, approximately 85% of the ore reserves are located above the 4,560 elevation in the zone dominated by the copper oxide minerals chrysocolla and malachite. Approximately 15% of the total ore reserves could exhibit reduced copper recovery due to the presence of copper sulfide mineralization.

The bulk samples for the Summo metallurgical testing were taken from several areas of the Burro and Copper Chief Pits, with all sample locations above the 4,560 foot elevation in the zone dominated by the copper oxide minerals chrysocolla and malachite. The assay results for the Abrigo formation sample taken from an elevation of 4,620 feet, however, indicated a sulfide content of 4.49% . This suggests that the leaching of copper from ore mined at this elevation may be less than optimal.

The Summo test work initially consisted of five columns, each containing 135 kilograms (approximately 298 pounds) of ore, taken from five ore samples of approximately 1,000 pounds each. Some problems were encountered with the first five columns, however, so an additional six columns were prepared and tested. All column tests were conducted at a nominal crush size of one inch based on the results from the Arimetco program, except one which was done at a nominal crush size of ½ inch.

The forecasted recoveries of copper that were relied upon by Winters, Dorsey in preparing the updated feasibility study are based on the column tests and are dependent on the crushing of the ore to a nominal size of one inch. The Arimetco test program indicated the importance of this parameter. Cyprus operated Johnson Camp Mine was for a run-of-mine operation whereby non-crushed ore was placed on the leach pads. Arimetco also ran the Johnson Camp Mine as a run-of-mine operation until late 1995, when it began crushing the ore to approximately 3 inches. Our current copper recovery estimates provide for

extracting 74 to 81 percent of the total copper content of the ore mined, depending on ore type and with crushing to a nominal size of one inch.

According to Cyprus records, it achieved copper extraction of up to 80 percent of the acid soluble copper from uncrushed, run-of-mine material. However, the Arimetco operation, which leached new run-of-mine ore, old Cyprus run-of-mine ore, and 4.3 million tons of ore reported to have been crushed to a nominal size of three inches, achieved copper recovery (from 1991 through 1998) of 43 percent of total copper. Arimetco s records do not distinguish between copper extracted from old Cyprus material, new run-of-mine ore, and new crushed ore.

In the updated feasibility study, Winters, Dorsey reviewed the metallurgical test work and concurred with the metallurgical recovery estimates. As indicated above, however, the increase in projected copper recovery rates over the historic copper recovery rates is premised on ensuring that the ore is crushed to a nominal size of one inch prior to being placed on the leach pads. This is consistent with Arimetco s initial results from leaching of crushed ore placed on a new liner system namely, an increase in leach solution copper grade and an improvement in recoveries to the point where they matched the metallurgical test work performed on certain ore at a similar crush size.

In summary, our expectations with respect to copper recovery rates significantly exceed historical experience at the Johnson Camp Mine, as we plan to crush the ore to a smaller size with the view to increasing leaching efficiency. We believe that our expectations are reasonable, given our view that Cyprus and Arimetco placed uncrushed or improperly crushed ore on the leach pads, which resulted in differing recovery projections and rates. However, there can be no assurance that we will be able to meet these expectations and projections at an operational level. (See Risk Factors Risks Related to Our Company.)

We caution that copper recovery rates for ore anticipated to be mined below the 4,560 foot elevation (approximately 15% of estimated total ore reserves) may be inhibited due to the presence of copper sulfide mineralization. In addition, although the column test on the sample of Abrigo ore which contained 4.49% sulfides exhibited good copper recoveries (as shown in the table below under the subheading Recovery Curves), the leaching of copper from ore mined below this elevation may be less than optimal.

Recovery Curves

A summary of the recovery curve projections for the Copper Chief and Burro deposits is shown below. A recovery curve is essentially the amount of the copper projected to be recovered over time, expressed as a percentage of the total copper contained in a particular ore type.

The projected recoveries are based on column tests using best industry practices at the time of estimation and extrapolation. Four column tests were used to estimate recoveries, one for each major rock type (see Description of Property Johnson Camp Property Geological Setting and Mineralization). However, these projections have been prepared on the assumption, which cannot be assured, that the samples tested are representative of the entire deposit, not only with respect to ore grade and copper mineralogy, but also general leaching characteristics of the ores such as fines or clay content. The reliability of the recovery estimates is also limited by the small sample size that has been used to forecast the overall ore body recovery; the projected final copper recoveries for the deposit are merely extrapolations from the laboratory test program.

Month	Recovery (Cumulative Percent) Rock Type			
	Burro Pit Diabase	Copper Chief Diabase	Shale and Bolsa	Abrigo
1	42.0	33.5	34.5	58.0
2	55.0	45.5	47.0	65.0
3	63.0	53.5	55.0	70.5
4	68.0	59.0	61.0	74.0
5	71.0	61.5	64.5	76.0
6	75.0	65.0	67.5	77.8
7	76.0	66.5	69.0	78.5
8	77.0	68.0	70.0	79.0
9	77.5	69.0	71.5	-
10	78.0	70.0	72.5	-
11	78.5	70.7	73.3	-
12	79.0	71.3	74.0	-
13	79.5	72.0	74.5	-
14	80.0	72.6	75.0	-
15	80.5	73.3	75.5	-
16	81.0	74.0	76.0	-

Mineral Reserve Sensitivity

Winters, Dorsey used the mine design from the 2000 feasibility study, and tested it with an estimated production rate of 25 million pounds per year and operating and capital cost estimates as of the third quarter of 2005. In the updated feasibility study, Winters, Dorsey ran Lerchs-Grossman shells and compared the pit shell volumes to the volumes of the previous pit designs. The following table is a summary of Winters, Dorsey s results, and is included to illustrate the sensitivity of the pit shells to copper price.

Lerchs-Grossman Pit Shell Reserves at Various Copper Prices*

	Proven & Probable Ore		Dump	Other Waste	Total Waste	Total Material	Strip Ratio
Base case	**Tons (000)**	**Total Copper %**	**Tons (000)**	**Tons (000)**	**Tons (000)**	**Tons (000)**	**Waste:Ore**
$0.90/lb Copper							
Burro	32,125	0.389	2,292	11,470	13,762	45,887	0.43
Copper Chief	14,920	0.357		8,682	8,682	23,602	0.58
Total	47,045	0.379	2,292	20,152	22,444	69,489	0.48
$0.95/lb Copper							
Burro	35,492	0.378	2,735	13,214	15,949	51,441	0.45
Copper Chief	16,742	0.348		10,019	10,019	26,761	0.60
Total	52,234	0.368	2,735	23,233	25,968	78,202	0.50
$1.00/lb Copper							
Burro	36,873	0.372	2,874	13,465	16,339	53,212	0.44
Copper Chief	24,168	0.334		19,692	19,692	43,860	0.81
Total	61,041	0.357	2,874	33,157	36,031	97,072	0.59
$1.05/lb Copper							
Burro	41,301	0.371	5,446	20,183	25,629	66,930	0.62
Copper Chief	27,842	0.321		22,071	22,071	49,913	0.79
Total	69,143	0.351	5,446	42,254	47,700	116,843	0.69
$1.10/lb Copper							
Burro	42,972	0.369	6,206	22,177	28,383	71,355	0.66
Copper Chief	30,407	0.312		23,599	23,599	54,006	0.78
Total	73,379	0.345	6,206	45,776	51,982	125,361	0.71

Note:

* The projected results disclosed in this table are based on four leach column tests and are therefore inherently less accurate than if our company had chosen to complete a more extensive leach testing program.

Pit Design

Winters, Dorsey found that the 2000 pit design was smaller than the pit indicated by current Lerchs-Grossman pit shells. Therefore, it is a conservative design for the current production rate and cost estimates. Winters, Dorsey concluded that after pit optimization is done and a new pit is designed, the open pit reserve estimates would probably increase.

Processing

Copper production is anticipated to originate from both an active leach program of newly mined ore and the residual leaching of the existing old dumps. Crushed leach ore will be placed on top of the old heaps for the first four years. Commencing in year five the remaining leach ore will be placed on the new pad, but rinsing will continue on the older pads until the pregnant leach solution (PLS) grade is too low for profitable processing. Our operating plan includes mining, crushing the ore to a nominal size of one-inch, acidulating and drum agglomerating the crushed ore with sulphuric acid, and conveying the acidulated ore through a series of movable conveyors to the leach pads.

Winters, Dorsey examined the throughput capacity of the proposed crushing and conveying circuit and found that the equipment is adequate to meet the production goals. We have already purchased the primary crushing station for use at Johnson Camp. Winters, Dorsey has also reviewed the SX-EW processing plant expansion plans to reach production of 25 million pounds per year, and believe the modifications are adequate to reach this target. In addition, Winters, Dorsey have evaluated the PLS solution pumping system and has determined that several of the solution pumps are adequate for the system with minor modifications, and that our heap loading plan is well conceived and manageable.

Solvent Extraction Electrowinning Plant Expansion

The existing electrowinning plant consists of an older section consisting of 56 cells, each containing 21 cathodes, and a newer section made up of 16 cells, each containing 36 cathodes. Our mine plan calls for the addition of a third set of cells (termed expansion) with 16 cells, as well as the addition of a new automated stripper to strip copper cathodes from the stainless cathodes. Other planned improvements included in the SX-EW modifications are a new cell house crane, a new boiler and associated heat exchanger, a new set of electrolyte filters, a clay filter press, and an upgrade to the transformer. In addition, new pumper-mixers, a crushing system, and a sulphuric acid storage tank, will be installed. These improvements will augment the many modifications that have already been made to the original plant**.** In addition, a new leach pad, a new combined PLS-intermediate leach solution pond (ILS) and a storm water pond are to be constructed in an area northeast of the existing plant facilities during year four.

Production Schedule

In the updated feasibility study, Winters, Dorsey developed yearly mine schedules by pit, by ore type, and by total copper grade, and the projected recovery curves for each ore type were applied to the appropriate ore type. (See Description of Property - Johnson Camp Property - Recovery Curves). A monthly ore placement and copper recovery was developed from the yearly data by dividing yearly values by twelve. Winters, Dorsey estimated overall copper production using the monthly tons of ore placed, the ore type, the ore grade, and timed recovery curves. This data was also used to determine leach area available and to calculate required leach solution flow rates and resulting copper concentration of leach solution grades. In the production schedule as set out below, Winters, Dorsey assumed that ore placed one month would not be leached until the subsequent month and that copper cathode would not be produced from the resulting leach solution until the third month.

Our proposed operations at the Johnson Camp Mine will derive their economic value from the production and sale of copper. The projected annual production volumes for the anticipated life of the mine are as follows:

Summary of Projected Production

		Yr 1	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Yr 6**	**Yr 7**	**Yr 8**	**Yr 9**	**Yr 10**	**Yr 11**	**Total**
Ore mined	tons (000)	2,240	4,408	3,149	4,100	4,765	4,317	3,071	4,621	4,471			35,142
Ore grade	% TCu	0.271	0.364	0.544	0.385	0.312	0.397	0.558	0.356	0.382			0.393
Contained Copper	lbs (000)	12,163	32,133	34,292	31,610	29,780	34,319	34,302	32,947	34,202			275,748
Annual Recovery, ore mined (1)	TCu	38%	68%	68%	74%	79%	68%	73%	76%	73%			77%
Cathode Production													
Copper extracted from ore mined	lbs (000)	5,413	22,844	24,527	25,963	24,706	25,902	25,854	24,259	25,189	8,391	265	213,313
Copper from residual leach	lbs (000)	2,275	2,600	1,600	1,600	1,600	1,600						11,275
		(767)	(913)	(1,127)	(2,563)	(1,306)	(2,502)	(854)	741	(189)	5,708	3,772	

Change in copper inventory	lbs (000)												
Total	lbs (000)	6,921	24,531	25,000	25,000	25,000	25,000	25,000	25,000	25,000	14,099	4,037	224,588

Note

(1) Copper in ore mined in a given year may not be recovered until the following year. Excludes copper from residual leach.

Project Feasibility

The updated feasibility study contains an economic assessment of the Johnson Camp Mine based on the mine plan included in the 2000 feasibility study, capital and operating estimates as of the third quarter of, 2005, and 36 month average copper prices ending on September 30, 2005 of $1.14 per pound. However, Winters, Dorsey did not redesign the open pit phases used in the 2000 feasibility study, but instead investigated the economic viability of the 2000 designs at third quarter 2005 costs, a higher copper production rate and a copper price of $0.90 per pound. The copper price of $0.90 per pound reflects our view of the long-term price of copper at the commencement of the 2005 feasibility study. We instructed Winters, Dorsey to use a three-year trading average copper price of $1.14 per pound in our economic assessment in compliance with SEC guidelines.

The economic assessment was developed by Winters, Dorsey, using a production schedule derived from reserve estimates. Because the estimated reserves are based on a copper price of US$0.90 per pound that is lower than the current market price, the economic assessment should be viewed as subject to change.

The table below includes a summary of production, cash operating costs, and capital costs estimated for the life of the Johnson Camp Mine as of September, 2005. The mine production includes the combined annual mine production schedule for the Burro and Copper Chief open pits. The operating costs represent the costs for contractor mining of both the ore and waste (as we plan to use a mining contractor to mine both the Burro and Copper Chief deposits, but our own employees for other activities), crushing and conveying, leaching, solvent, extraction and electrowinning, and plant auxiliary costs. The total cash operating costs shown in the table below are the sum of all administrative, operating and property and severance tax costs. Finally, the table includes the capital cost estimate for the life of the operations at the Johnson Camp Mine. The first year s capital cost is estimated to be $20.495 million including approximately $17.946 million for initial plant cost.

Production, Operating and Capital Costs
<u>for the Johnson Camp Mine</u>

	Production Ore mined tons (000)	Operating Costs, Excluding Delivery $(000)(1)	Capital costs $(000)(1)
Year 1	2,240	8,060	20,495
Year 2	4,408	18,052	53
Year 3	3,149	14,445	58
Year 4	4,100	19,776	8,603
Year 5	4,765	18,979	68
Year 6	4,317	15,634	2,168
Year 7	3,071	12,571	78
Year 8	4,621	18,875	78
Year 9	4,471	17,046	438
Year 10	-	4,497	53
Year 11	-	2,406	43
Year 12	-	25	1,483
Year 13	-	25	1,483
Total	35,142	150,391	35,101

(1) Cost estimates as of September 2005.

Royalty Obligations

Copper metal produced from Johnson Camp Mine is subject to a $0.02 per pound royalty payable to Arimetco when copper prices are in excess of $1.00 per pound. The royalty is capped at an aggregate of $1 million.

United States Mining and Environmental Laws

Arizona State Mining Laws

Mining in the State of Arizona is subject to federal, state and local law. Three types of laws are of particular importance to the Johnson Camp property: those affecting land ownership and mining rights; those regulating mining operations; and those dealing with the environment. All of the Johnson Camp mining operations are located on private land including both patented mining claims and fee simple lands.

Our exploration activities in the United States are subject to regulation by governmental agencies under various mining and environmental laws. The nature and scope of regulation depends on a variety of factors, including the type of activities being conducted, the ownership status of land on which the operations are located, the nature of the resources affected, the states in which the operations are located, the delegation of federal air and water-pollution control and other programs to state agencies, and the structure and organization of state and local permitting agencies. We believe that we are in substantial compliance with all such applicable laws and regulations. While these laws and regulations govern how we conduct many aspects of our business, we do not believe that they will have a material adverse effect on our operations or financial condition. We evaluate our projects in light of the cost and impact of regulations on the proposed activity, and evaluate new laws and regulations as they develop to determine the impact on, and changes necessary to, our operations.

The rights of mineral claimants on federal lands are governed by both the *Mining Law of 1872* and the mining claim location requirements of Arizona law. Under federal mining law, a mining claim may be patented and conveyed from the United States into fee ownership. An unpatented mining claim is a right of possession in the claimant to develop and mine federal lands and minerals owned by the United States. Mining claims are located in accordance with both state and federal law, which require notice by monumenting and registration with the county recorder; an annual affidavit showing monies spent on labor or improvements is required to maintain the claim. Congress has placed a moratorium on the processing of mineral patent applications filed after 1994.

Generally, compliance with environmental and related miner health and safety laws and regulations, including the federal *Mine Safety and Health Act*, requires us to obtain permits issued by regulatory agencies and to file various reports, keep records of our operations and respond to governmental inspections. Some permits require periodic renewal or review of their conditions and may be subject to a public review process during which opposition to our proposed operations may be encountered.

U.S. Federal and State Environmental Law

Our past and future activities in the United States may cause us to be subject to liability under various federal and state laws for the protection of the environment.

The *Comprehensive Environmental Response, Compensation, and Liability Act of 1980*, as amended (CERCLA), imposes strict, joint, and several liability on parties associated with releases or threats of releases of hazardous substances. Liable parties include, among others, the current owners and operators of facilities at which hazardous substances were disposed or released into the environment and past owners and operators of properties who owned such properties at the time of such disposal or release. This liability could include response costs for removing or remediating the release and damages to natural resources. Arizona s analogue to CERCLA, the *Water Quality Assurance Revolving Fund* (WQARF), imposes liability for releases of hazardous substances on parties similar to the CERCLA program. We are unaware of any reason why our undeveloped properties would currently give rise to any potential CERCLA or WQARF liability. We cannot predict the likelihood of future CERCLA or WQARF liability with respect to our properties or surrounding areas that have been affected by historic mining operations.

Under the *Resource Conservation and Recovery Act* (RCRA) and related state laws, including the *Arizona Hazardous Waste Management Act* (HWMA), mining companies may incur costs for generating, transporting, treating, storing, or disposing of hazardous or solid wastes associated with certain mining-related activities. Administration of the federal RCRA programs was delegated to Arizona and is handled through the HWMA. RCRA and HWMA costs may also include corrective action or clean up costs.

Mining operations may produce air emissions, including fugitive dust and other air pollutants, from stationary equipment, such as crushers and storage facilities, and from mobile sources such as trucks and heavy construction equipment. All of these sources are subject to review, monitoring, permitting, and/or control requirements under the federal *Clean Air Act* and related state air quality laws. The substantive requirements of the *Clean Air Act*, including permitting and enforcement of standards are administered by Arizona and its counties depending upon the size and nature of sources of air emissions. Air quality permitting rules may impose limitations on our production levels or create additional capital expenditures in order to comply with the permitting conditions.

Under the federal *Clean Water Act* and delegated state water-quality programs, point-source discharges into Waters of the United States are regulated by the National Pollution Discharge Elimination System (NPDES) program. Section 404 of the *Clean Water Act* regulates the discharge of dredge and fill materials into Waters of the United States, including wetlands. Discharges of pollutants to the groundwater is regulated by the state *Aquifer Protection Permit* Program, which sets standards for water quality discharges and requires permits for discharges. Storm water discharges also are regulated and permitted under that statute. All of those programs may impose permitting and other requirements on our operations. The delegation to Arizona of administration of the federal NPDES permitting program was recently voided by the Ninth Circuit Court of Appeals, and there is some uncertainty as to how future permitting will be handled. The federal *Pollution Prevention Act of 1990*, which implements the Community-Right-To-Know portions of CERCLA, may require us to file annual toxic chemical release forms.

The *National Environmental Policy Act* (NEPA) requires an assessment of the environmental impacts of major federal actions. The federal action requirement can be satisfied if the project involves federal land or if the federal government provides financing or permitting approvals. NEPA does not establish any substantive standards. It merely requires the analysis of any potential impact. The scope of the assessment process depends on the size of the project. An Environmental Assessment (EA) may be adequate for smaller projects which are found to have no significant impacts. An Environmental Impact Statement (EIS), which is much more detailed and broader in scope than an EA, is required for larger projects with significant impacts. NEPA compliance requirements for any of our proposed projects, such as federal approval of a mine plan involving more than five (5) acres per year on unpatented mining claims, could result in additional costs or delays. There is no Arizona law or state procedure comparable to the federal NEPA and the EA/EIS process. Although all current mine facilities on the Johnson Camp property are situated on private land, future exploration on the Johnson Camp property and our other properties may involve unpatented mining claims.

The *Endangered Species Act* (ESA) is administered by the U.S. Department of Interior s U.S. Fish and Wildlife Service. The purpose of the ESA is to conserve and recover listed endangered and threatened species of flora and fauna and their habitat. Under the ESA, endangered means that a species is in danger of extinction throughout all or a significant portion of its range. Threatened means that a species is likely to become endangered within the foreseeable future. Under the ESA, it is unlawful to take a listed species, which can include harassing or harming members of such species or significantly modifying their habitat. Arizona has similar laws protecting wildlife and native plants. We conduct wildlife and plant inventories as required as part of the environmental assessment process prior to initiating exploration projects. We currently are unaware of any endangered species issues at any of our projects that would have a material adverse effect on our operations. Future identification of endangered species or habitat in our project areas may delay or adversely affect our operations.

We are committed to fulfilling our requirements under applicable environmental laws and regulations. These laws and regulations are continually changing and, as a general matter, are becoming more restrictive. Our policy is to conduct our business in a manner that safeguards public health and mitigates the environmental effects of our business activities. To comply with these laws and regulations, we have made, and in the future may be required to make, capital and operating expenditures.

U.S. Federal and State Reclamation Requirements

We are subject to mine plan and land reclamation requirements under the *Federal Land Policy and Management Act* and the Arizona *Mined Land Reclamation* provisions, which are implemented through permits and operations and reclamation plans that apply to exploration and mining activities. These requirements mandate reclamation of disturbed areas and require the posting of bonds or other financial assurance sufficient to guarantee the cost of reclamation. If reclamation obligations are not met, the designated agency could draw on these bonds and letters of credit to fund expenditures for reclamation requirements.

Reclamation requirements generally include stabilizing, contouring, and re-vegetating disturbed lands, controlling drainage from portals and waste rock dumps, removing roads and structures, neutralizing or removing process solutions, monitoring groundwater at the mining site, and maintaining visual aesthetics. We believe that we currently are in substantial compliance with and are committed to maintaining all of our financial assurance and reclamation obligations pursuant to our permits and applicable laws.

Our Reclamation and Closure Plan

The previous owner of the Johnson Camp property, Arimetco Inc., had no reclamation or closure plans, nor is there a bond outstanding to perform reclamation and closure activities. Our reclamation plan will reclaim all mining disturbances occurring after 1987 to a level that will support the designated post-mining land use. Open pit mines are excluded from reclamation requirements; however, waste dumps, tailing piles, leach facilities, process water ponds, site buildings and roadways will require closure and reclamation. Our closure plan will present measures to be taken to prevent discharges of pollutants from the facility after operations cease, the methods that we will use to secure the facility, and any other measures needed to protect groundwater resources, including post-closure monitoring and maintenance as needed. We discuss our reclamation and mine closure plan in more detail under Status of Permits below.

Environmental and Permitting Issues

The Johnson Camp property has undergone mining activities for a period of over 125 years. Consequently a number of impacted areas exist on the site. When we acquired the Johnson Camp property, it included a number of conditions which constituted state environmental violations which we assumed from Arimetco Accordingly, in connection with the acquisition, we entered into a Consent Order in January 2001 with the Arizona Department of Environmental Quality (ADEQ). We agreed to upgrade and improve certain of the facilities and complete certain remediation activities at the Johnson Camp property by September 2000. On September 7, 2002, the ADEQ issued a Compliance Order to us indicating that our operation of the Johnson Camp Mine was in violation of certain aquifer protection laws, as well as the terms of our Consent Order and ordering us to bring the Johnson Camp Mine into compliance with the aquifer protection laws. We are allowed to produce copper from the Johnson Camp Mine while the Compliance Order is in effect (see Legal Proceedings).

In the updated feasibility study, Winters, Dorsey concluded that there are no environmental or permitting issues that would pose a barrier to the current development schedule. The Aquifer Protection Permit is in the last stages for approval/negotiation, as are some of the issues on closure and reclamation. Several of the closure issues are tied to the final Aquifer Protection Permit.

In addition to the rinsing costs in the last two years of the life of the Johnson Camp Mine, Winters, Dorsey has provided for $1,000,000 for closure and reclamation, which is net of any value received from selling the property assets. This $1,000,000 estimate includes the impact of future mining operations that may be conducted over the nine year life of the reserve estimates as contemplated by the updated feasibility study. Based on current understandings of what will be required by the regulatory agencies, Winters, Dorsey has concluded this value for closure is reasonable. In addition, we anticipate on-going sales from the aggregate resource could offset future closure costs.

Status of Permits

The development, operation, closure and reclamation of mining projects in the United States requires numerous notifications, permits, authorizations and public agency decisions. This section does not attempt to exhaustively identify all of the permits and authorizations that need to be obtained, but instead focuses on those that are considered to be the main efforts that are on the critical path for project start-up.

These are summarized in the table below:

Permit	**Status**
Compliance Order	Currently allows copper production from site. This will be superseded by the Aquifer Protection Permit when issued.
Air Quality Permit	We will require a new air quality permit from ADEQ for the Johnson Camp Mine. We will also require a new air quality permit from ADEQ for the screening plant for the landscape and aggregate rock operation. Estimated time to receive air quality permits is 3-6 months from time the application is submitted.
Hazardous Material Transport and Storage	None Required. Material Safety Data Sheets will be maintained on property.
Explosives Storage and Use	Mining Contractor will be responsible for use and storage of explosives.
Weights and Measures	Site is licensed by the Arizona Department of Weights and Measures for the weighing of cathode copper for shipment and sale.
Aquifer Protection Permit (APP)	Pursuant to the compliance order, we filed an APP application in July 2003 which was accepted by the Arizona Department of Environmental Quality (ADEQ). ADEQ responded to the application stating certain deficiencies needed to be corrected to allow for APP issuance. In September 2006, we filed a response to the noted deficiencies. ADEQ has our response under consideration.
Storm Water National Pollutant Discharge Elimination System	Permit number AZR05B377 issued on March 7, 2001 which authorizes us to discharge storm water. A Storm Water Pollution Prevention Plan will be further developed.
Water Supply	4 existing wells are permitted: Moore Mine (#36-66376), Republic Mine (#36-66377), Black Prince Mine (#36-66378) and Section 19 Well (#36-66379).

Permit	Status
Reclamation and Mine Closure Plan	Our proposed reclamation plan was preliminarily reviewed with the Arizona State Mine Inspector Office in November, 2003, and the Arizona State Mine Inspector Office gave us a 90-day extension to submit a reclamation plan. Pursuant to Arizona regulations, we have been requesting, and have been granted, an extension of the required submittal date for the reclamation plan every 90 days. We will not submit the reclamation plan until we have the APP permit finalized, and the reclamation plan will become part of the final APP. The reclamation plan is not required to reactivate operations at the Johnson Camp Mine as we are currently operating under the compliance order.

Landscape and Aggregate Rock Operation

In addition to reactivating the Johnson Camp Mine, we are also planning on expanding the existing decorative and structural stone operation on the Johnson Camp property. Our lease contract with JC Rock, LLC, the current operator of this operation, was extended and expires on April 30, 2007. We plan to take over the operation through Cochise Aggregates and Materials Inc., our wholly-owned subsidiary corporation, within the first year of bringing the Johnson Camp Mine into operation. Until that time, we plan to renew our contract with JC Rock on a short term basis.

We recently received a report, Decorative and Structural Stone Demand Study, Tucson Metropolitan Area and Pima, Pinal, and Cochise Counties, Arizona, January 6, 2006 completed by Stagg Resource Consultants, Inc. (the Aggregate Study). The Aggregate Study evaluated the potential for increasing the quantity of value added waste rock processing on the Johnson Camp property. We used the Aggregate Study to support certain projections in our financial analysis for the Johnson Camp Mine.

Stagg Resource Consultants estimates we can realize wholesale prices for the product in the range of $11.50 to $14.00 a ton free-on-board the mine site, based on the demand study conducted in the Tucson Metropolitan area and in Pima, Pinal and Cochise Counties, Arizona, indicating that: (a) retail prices of $28 to $32 per ton for similar product appear to be typical; and (b) in establishing the retail price for similar product retailers typically include a 100 percent mark-up of the wholesale prices free-on-board the production source (meaning that the retailer is responsible for the costs of transporting the product to the retail location) and their transportation costs. Stagg Resource Consultants have estimated that retailers trucking costs, as at January 2006, will be in the range of $4.00 to $5.00 per ton.

We are planning on building a new screening plant or buying the existing screening plant from JC Rock. We expect to incur initial capital costs of approximately $500,000 to acquire the screening plant, and an additional $100,000 in installation costs if we do not buy the existing screening plant from JC Rock. In addition, we must obtain an air quality permit from the Arizona Department of Environmental Quality (ADEQ) for the screening plant, whether we build a new screening plant or buy the existing one. (See Description of Property Status of Permits .) Our estimated capital costs are considered by Stagg Resource Consultants to be achievable, and are summarized below:

Summary of Forecast Capital Expenditures
20,000 Tons Monthly Production
Decorative Rock Facility - Johnson Camp Mine

Item		Cost[1]
Screening Plant		
Rip Rap Plant	$	144,420
Stackable Conveyor		42,400
Stackers		113,100
Screen Structure		56,500
Screen		49,380
Freight		4,094
Electrical Control Plant		105,457
Subtotal Screening Plant		515,351
Installation		100,000
Total Plant and Equipment	$	615,351

Notes:

(1) Forecasted as of January 2006.

Source: Stagg Resource Consultants

Projected operating costs for the landscape and aggregate rock operation are estimated to be approximately $93,874 per month or $4.69 per ton (based on projected monthly production of 20,000 tons per month). The following estimates of operating costs have been reviewed by Stagg Resource Consultants, who consider them to be achievable:

Summary of Forecasted Cash Operating Costs
20,000 Tons Monthly Production
Decorative Rock Facility - Johnson Camp Mine

Item		Monthly[1]		Per Ton[1]
Direct Operating Cost				
Labor	$	24,000	$	1.20
Power		1,898		0.09
Equipment Operation		54,600		2.73

Plant Maintenance		6,376		0.32
Sub-Total Direct		86,874		4.34
Sales and Administration		7,000		0.35
Total Operating Costs	**$**	**93,874**	**$**	**4.69**

Notes:

(1) Forecasted as of January 2006. Excludes: (a) anticipated leasing costs for mobile equipment; and (b) the costs of transporting the aggregate rock to retail locations, as the product is anticipated to be sold free-on- board the Johnson Camp property.

Source: Stagg Resource Consultants

In addition, we intend on leasing the required equipment such as front end loaders and a haul truck from a third party. We believe that our anticipated lease obligations will add approximately $10,000 to our projected monthly cash operating costs disclosed above (for total monthly operating costs of $103,874), or an additional $0.50 per ton (for total operating costs of $5.19 per ton), in each case based on our planned production level of 20,000 tons per month.

The landscape and aggregate rock operation is based on recovering and screening rock from existing and future mine waste dumps. We do not plan to crush any of the rock at this time, and we have not made any provision in our anticipated capital expenditures for the acquisition of dedicated crushing equipment. The rock being sold for landscape rock on the Johnson Camp property is bolsa quartzite, and is known in the market as Coronado Brown. We caused Cochise Aggregates and Materials, Inc. to certify Coronado Brown Landscape Rock as a trade name in the State of Arizona on July 15, 2005. In the Aggregate Study, Stagg Resource Consultants concluded that the Coronado Brown is one of the most desired materials for use in Arizona s Pima, Pinal and Cochise Counties (which includes the Tucson metropolitan area), as decorative and construction stone in landscaping. They estimated the current market for the product in these areas at approximately 20 thousand tons a month, and concluded that the market is expected to increase. Stagg Resource Consultants also concluded that a significant opportunity exists for the sale of additional material for further processing into a variety of sizes of construction aggregates.

Other Properties

In addition to the Johnson Camp property, we have options to acquire interests in three exploration stage projects, described in more detail below: Coyote Springs and the Texas Arizona Mines project, both located in Arizona; and Mimbres, located in New Mexico. We are planning to conduct preliminary exploration activities at the Coyote Springs and Mimbres properties to help us determine whether we should exercise the options, subject to the availability of sufficient financing for the exploration work. We do not believe that any of these properties are material to our overall operations at this time.

Coyote Springs

In January 2004, our company acquired an exclusive option from Thornwell Rogers, South Branch Resources, LLC, and MRPGEO, LLC to purchase the leasehold rights and mining claims located in the Safford mining district in Graham County, Arizona, described as Coyote Springs , consisting of two State of Arizona exploration leases and 52 unpatented mining claims. The Coyote Springs property is a porphyry copper-gold exploration target with exposed, surface copper oxides and considerable potential for deeper copper sulfides.

The Coyote Springs option provides that we may acquire the Coyote Springs project in exchange for (i) the issuance of certain shares of our company s common stock, as described below, to Thornwell Rogers, South Branch Resources, LLC, and MRPGEO, LLC in their respective capacities as the Coyote Springs owners; (ii) at the election of the Coyote Springs owners, the issuance of either 149,994 shares of common stock or $165,000 cash in the aggregate, to be paid in three annual installments of $50,010, $54,990 and $60,000 beginning in January 2006; (iii) the issuance of 99,999 stock options in each of January 2004, 2006 and 2008; and (iv) in January 2009, at the election of the Coyote Springs owners, payment of $1,600,005 cash or the equivalent value in shares of common stock. The stock options are to have an exercise price 15% below the value of our company s common stock on the date of grant, must be immediately exercisable, and are to expire 36 months following their respective grant dates.

During 2004, we issued 199,998 shares of common stock valued at $80,000, paid $22,500 in cash, and granted options to purchase an additional 99,999 shares of our common stock in conjunction with the Coyote Springs option. The stock options were valued at $39,453 under the fair value provisions of SFAS No. 123. As of December 31, 2004, the total consideration paid under the Coyote Springs option was $141,953.

During 2005, we issued an additional 86,538 shares of common stock valued at $22,500 in conjunction with the Coyote Springs option.

Pursuant to an amendment agreement dated January 27, 2006, the Coyote Springs owners agreed to accept an aggregate of $21,000 in cash and an aggregate of 83,844 shares of our common stock valued at $29,010, in satisfaction of the $50,010 payment due in 2006. We also issued 99,999 stock options to the Coyote Springs owners with an effective grant date of January 28, 2006 and an exercise price of $0.47 per share. As at December 31, 2006, the total consideration paid under the Coyote Springs option was $234,803.

In January 2007, we paid an additional $18,330 and issued 33,332 shares of common stock valued at $36,665 in conjunction with the Coyote Springs option.

The Coyote Springs option also provides for the payment of production royalties to Thornwell Rogers, South Branch Resources, LLC and MRPGEO, LLC based on certain levels of copper sales, the payment of a 4% sales commission in the event our company sells Coyote Springs, and meeting certain exploration and development expenditures relative to Coyote Springs totaling $1,250,000 during the term of the agreement.

The Coyote Springs option expires in January 2009 and may be terminated by us upon 90 days written notice.

Texas Arizona Mines Project

In July 2004, we entered into an option agreement with Shirley Bailey to acquire a 100% interest in four unpatented mining claims for a polymetallic exploration target in Cochise County, Arizona, known as the Texas Arizona Mine. We paid $980 to acquire the option and, if we elect to exercise the option, must pay an additional $10,000 within four years. The claims are located in the Johnson Mining District approximately three miles from the Johnson Camp Mine.

Mimbres

In June 2004, our company acquired an exclusive option from Thornwell Rogers, South Branch Resources, LLC and MRPGEO, LLC to purchase the leasehold rights and mining claims for a porphyry copper exploration target known as the Mimbres property, located near Silver City, New Mexico. The

Mimbres property consists of 4.6 square miles of New Mexico State mineral leases and 45 unpatented mining claims.

The Mimbres option provides for our company to issue 300,000 shares of our common stock, options to purchase 150,000 shares of common stock and $6,000 cash on the option effective date of the agreement, which is defined as the date on which Nord successfully closes a debt or equity finance or a combination of both debt and equity finance in the amount of $25,000,000 or more As of December 31, 2006, we had not issued any common stock or stock options as the option effective date had not been established. The Miller Ranch refers to certain adjacent properties that could provide a land buffer to the core mineral claims. We are under no obligation to issue any shares or stock options until such time as the option effective date has been established.

Following the option effective date, the Mimbres option also provides for (i) the issuance of 105,000 shares of common stock annually for four years; (ii) the issuance of options to purchase 120,000, 90,000 and 60,000 shares of common stock at the end of year one, two and three, respectively; and (iii) at the election of the Mimbres owners, payment of $2,400,000 cash or the equivalent value in shares of common stock on the five-year anniversary of the option effective date. We are also obligated to pay production royalties based on certain levels of copper sales, the payment of a 4% sales commission in the event our company sells Mimbres, and meeting certain exploration and development expenditures relative to Mimbres totaling $1,400,000 during the term of the agreement.

The stock options relative to the Mimbres option are to be issued at an exercise price that is 15% below the value of our company s common stock on the date of grant, are to be immediately exercisable, and will expire 36 months following their respective grant dates. The Mimbres option expires in June 2009 and may be terminated by our company upon giving 90 days written notice.

RISK FACTORS

Much of the information included in this annual report includes or is based upon estimates, projections or other forward looking statements . Such forward looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. We undertake no obligation to update forward looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward looking statements involve various risks and uncertainties as outlined below. We caution readers of this annual report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward looking statements . In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

Risks Related to Our Company

We have a history of losses, and expect to incur losses in the future as we currently have no commercial production at the Johnson Camp Mine.

We have a history of losses and expect to incur losses in the future. We had no revenues and losses of $6,283,878 for the year ended December 31, 2006. The Johnson Camp Mine produced copper during the 1975 to 2003 period, but we currently have no commercial production at the Johnson Camp Mine. Accordingly, we expect to continue to incur losses until such time as the Johnson Camp Mine enters into

commercial production and generates sufficient revenues to fund our continuing operations. We cannot guarantee that we will successfully bring the Johnson Camp Mine or any of our other properties into commercial production or, if we do, that we will be able to generate sufficient revenues to fund our operations or achieve or sustain profitability.

Our future profitability will depend on the successful reactivation and operation of the Johnson Camp Mine, which cannot be assured.

We are focused on the reactivation of the Johnson Camp Mine. Accordingly we are dependent upon the success of the Johnson Camp Mine as a source of future revenue and profits, if any. We cannot provide any assurance that we will successfully commence mining operations on the Johnson Camp property. Even if we are successful in achieving production, an interruption in operations of the Johnson Camp Mine may have a material adverse impact on our business.

The reactivation of the Johnson Camp Mine and the development of new mining operations on the Johnson Camp property will require the commitment of substantial resources for operating expenses and capital expenditures, which may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production are added. The amounts and timing of expenditures will depend in part on the progress of ongoing exploration and development, the results of consultants analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, our acquisition of additional properties, and other factors, many of which are beyond our control.

There are numerous activities that need to be completed to facilitate reactivation of the Johnson Camp Mine, including, without limitation, optimizing the mine plan, negotiating contracts for the supply of power, for sale of copper and for shipping, and handling any other infrastructure issues. At the same time, we must recruit and train personnel, and hire and mobilize a mining contractor who will purchase all the required large scale mining equipment we do not already own. There is no certainty that we will be able to retain a suitable mining contractor on a timely basis, if at all, or that we will be able to negotiate supply and sales agreements on terms acceptable to us.

Most of these activities require significant lead times and must be advanced concurrently. We will be required to manage all of these matters using our existing resources while at the same time expanding our permanent staff and using outside consultants to assist in these matters. Because all of these matters must be completed before any production begins, a failure or delay in the completion of any one of these matters may delay production, possibly indefinitely, at the Johnson Camp Mine. Any delay in the restart process will cause an increase in costs for us and could have a material adverse affect on our financial condition or operations.

Unforeseen conditions may affect our mining and processing efficiency, and we may not be able to execute the leaching operation as planned if we do not maintain proper control of ore grade.

The parameters used in estimating mining and processing efficiency are typically based on testing and experience with previous operations. Various unforeseen conditions can occur that may materially affect the estimates. In particular, unless proper care is taken to ensure that proper ore grade control is employed and that other necessary steps are taken, we may not be able to achieve production forecasts as planned. In addition, our projected production is based on anticipated copper recoveries at the Johnson Camp Mine that are in excess of historical experience, which may result in an overestimation of our mining and processing efficiency.

We may never achieve our production estimates, as they are dependent on a number of assumptions and factors beyond our control.

We have prepared estimates of future copper production. We cannot assure you that we will ever achieve our production estimates or any production at all. Our production estimates depend on, among other things: the accuracy of our reserve estimates; the accuracy of assumptions regarding ore grades and recovery rates; ground conditions and physical characteristics of the mineralization, such as hardness and the presence or absence of particular metallurgical characteristics; the accuracy of estimated rates and costs of mining and processing; and our ability to obtain all permits to proceed with the expansion of our SX-EW plant on the Johnson Camp property. We plan to process the copper mineralization using SX-EW technology. These techniques may not be as efficient or economical as we project, and we may never achieve profitability. Our actual production may vary from our estimates if any of these assumptions prove to be incorrect.

Our operating expenses and capital expenditures will be significant and will likely increase in the future. Our ability to execute our mine plan for the Johnson Camp Mine may be hampered if we are unable to cope with such increases in our operating expenses and capital expenditures.

The reactivation of the Johnson Camp Mine and the development of new mining operations on the Johnson Camp property will require the commitment of substantial resources for operating expenses and capital expenditures, which may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production are added. The amounts and timing of expenditures will depend in part on the progress of ongoing exploration and development, the results of consultants analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, our acquisition of additional properties, and other factors, many of which are beyond our control.

Our planned SX-EW operations will require significant amounts of sulfuric acid. A prolonged interruption in the supply of sulfuric acid or a major increase in the price of sulfuric acid may have an adverse effect on our financial condition.

The Johnson Camp Mine will require an average of 36,500 tons of sulfuric acid per year. Sulfuric acid supply for SX-EW projects in the Southwest U.S. is produced primarily as a smelter by-product at smelters in the Southwest U.S. and in Mexico. We hope to negotiate a long term supply contract with the owner of one or more of these smelters for sulfuric acid, however there can be no assurances that we will be successful. Any prolonged interruption in the supply of sulfuric acid, or any significant increase in the costs over those estimated in the updated feasibility study and technical report, may have an adverse impact on our financial condition.

A major increase in our input costs, such as those related to electricity, fuel and reagents, may have an adverse effect on our financial condition.

Our operations are affected by the cost of commodities and goods such as electrical power, fuel and supplies, including tires and reagents. Management prepares its cost and production guidance and other forecasts based on its review of current and estimated future costs. A major increase in any of these costs may have an adverse impact on our financial condition.

Our operations at the Johnson Camp Mine are dependent on certain equipment that may not be available.

We intend to use equipment we already own for operations at the Johnson Camp Mine. However, our mine plan calls for the acquisition or installation of certain additional equipment, including a crusher (which has already been purchased), an overland conveyor system and certain equipment needed to

rehabilitate and upgrade the existing SX/EW plant at the Johnson Camp Mine. There can be no assurance that we can source the additional equipment that we require, that the transportation costs of equipment to be relocated to the Johnson Camp Mine will not be higher than anticipated by us, or that such equipment will arrive in good working condition.

Our estimates of reserves are inherently subject to error, particularly since we have no recent operating history on which to base such estimates. Our actual results may differ due to unforeseen events and uncontrollable factors that can have significant adverse impacts.

The Johnson Camp Mine has no recent operating history upon which to base estimates of proven and probable ore reserves and estimates of future cash operating costs. Estimates are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques performed by third parties, the methodologies and results of which we have assumed are reasonable and accurate, which results form the basis for, and constitute a fundamental variable in, the updated feasibility study completed by Winters, Dorsey. Winters, Dorsey derived estimates of cash operating costs based upon information provided by Nord and anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of the mineral from the ore, comparable facility and equipment operating costs, anticipated climatic conditions and other factors.

As a result, actual cash operating costs and economic returns based upon development of proven and probable ore reserves may differ significantly from those originally estimated. Moreover, significant decreases in actual or expected copper prices may mean reserves, once found, will be uneconomical to produce and may have to be restated. Until reserves are actually mined and processed, the quantity of reserves must be considered as estimates only.

Our estimates of reserves are based in large part on sampling data produced by third parties and on amounts of metallurgical testing that are less extensive than normal. In addition, our expected copper recovery rates at the Johnson Camp Mine significantly exceed historical experience at the property. There is no assurance that we will be able to meet these expectations and projections at an operational level.

We caution that our expectations with respect to copper recovery rates significantly exceed historical experience at the Johnson Camp Mine, as we plan to crush the ore to a smaller size with the view to increasing leaching efficiency. In addition, our projections of copper recovery are based on amounts of metallurgical testing that are less extensive than are commonly used in the industry for evaluating oxide copper deposits. Furthermore, our estimates of ore reserves reflect consumption projections for sulfuric acid and other consumable items that were developed using a limited number of samples taken by the former operators of the mine on the Johnson Camp property, which may not be representative of the characteristics of the copper deposits. There is no assurance that we will be able to meet these expectations and projections at an operational level.

Copper recovery rates for approximately 15% of our estimated total reserves may be less than optimal due to the presence of copper sulfide mineralization below the elevation of 4,560 feet.

Copper sulfide minerals are not as amenable to heap leach recovery techniques as copper oxides. Since copper sulfide mineralization is evident below an elevation of 4,560 feet in both the Burro and Copper Chief Pits, we caution that copper recovery rates for ore anticipated to be mined below that elevation (approximately 15% of estimated total ore reserves) may be inhibited. In addition, although the column test on the sample of Abrigo ore taken from an elevation of 4,620 feet which contained 4.49% sulfides exhibited good copper recoveries, the leaching of copper from ore mined at this depth may be less than optimal.

We have evaluated the commercial viability of the Johnson Camp Mine based on an estimate of ore reserves that is premised on a geologic resource model and estimate previously prepared that was based largely on drilling, sampling and assay data that had been developed by Cyprus, Arimetco and Summo, the accuracy of which cannot be assured.

We have evaluated the commercial viability of the Johnson Camp Mine based on an estimate of ore reserves contained in the updated feasibility study. The resource model and estimate previously prepared and used as the basis for the updated feasibility study is based largely on drilling, sampling and assay data that had been developed by the previous operators of Johnson Camp Mine, Cyprus and Arimetco, and by Summo. The validity of the estimates assumes the accuracy of the underlying drill hole electronic database.

We and Winters, Dorsey have conducted additional limited due diligence, such as reviews of historical project geological drill logs and assay certificates that have recently been located, but no additional drilling. However, complete accuracy of the drill hole electronic database cannot be assured.

Cyprus, Arimetco and Summo used different approaches to drilling, sampling and assay analysis, with the result that their respective results may not be comparable and thereby increase the risk of an overestimation of ore reserves.

Cyprus, Arimetco and Summo used different approaches to drilling, sampling and assay analysis which may not be comparable. In particular, the soluble copper assay techniques used by Arimetco for ore grade estimation is not directly comparable to the soluble copper assay techniques used by Cyprus. The use of two incomparable approaches by Cyprus and Arimetco could have led to inconsistencies in or the skewing of the data underlying our estimates, thereby increasing the risk of an overestimation of ore reserves at Johnson Camp Mine, as well as increasing the risk of a material inaccuracy in the updated feasibility study.

Winters, Dorsey performed limited sampling work at the Johnson Camp Mine, and Winters, Dorsey concluded that it is therefore not possible at this time to verify the entire drill hole electronic database used for the current resource model and ore reserve estimates. Winters, Dorsey has largely assumed the reasonableness and accuracy of the drilling, sampling and assay methodologies and data which constitute a fundamental variable input in the updated feasibility study.

Winters, Dorsey was only able to perform limited sampling work at the Johnson Camp Mine in January and February 2006. Winters, Dorsey concluded that it is not possible for them to verify the entire original drill hole electronic database used for the current mineral resource model and ore reserve estimates because of the following reasons: (i) missing core and cuttings for the Arimetco drilled holes; (ii) missing or limited original core and cuttings logs for the Arimetco drilled holes; (iii) missing core and cuttings for the Cyprus Mines Corporation drilled holes; (iv) check assaying of old reverse circulation drill cuttings for acid soluble copper may be of limited value due to oxidation over the years they have been in storage, and (v) there are no acid soluble copper assays against which to compare the acid soluble assays of the Winters, Dorsey s samples. Although the limited sampling done by Winters, Dorsey shows good correlation on average to the existing electronic database, it cannot be completely verified at this time. Consequently, we and Winters, Dorsey have largely assumed the reasonableness and accuracy of the drilling, sampling and assay methodologies and data. Accordingly, there is a risk that results would vary if additional sampling work were undertaken. This, in turn, could adversely impact on the current mineral resource model and ore reserve estimates, as well as increasing the risk of a material inaccuracy in the updated feasibility study completed by Winters, Dorsey.

Our estimate of ore reserves at the Johnson Camp Mine is based on total copper assays rather than on soluble copper assays, and our expectations with respect to copper recovery are based on results of metallurgical testing that may not be duplicated in larger scale tests under onsite conditions or during production. As a result, there is a risk that we may have over-estimated the amount of recoverable copper.

Our estimate of ore reserves at the Johnson Camp Mine is based on total copper assays rather than soluble copper assays. A reserve estimate based on total copper is an indirect measurement of the amount of copper that is metallurgically available for recovery. There can be no assurance that metallurgical recoveries in small scale laboratory tests will be duplicated in larger scale tests under onsite conditions or during production. Accordingly, there is a risk that we may have over-estimated the amount of recoverable copper. (See Description of Property Johnson Camp Property Reserves .)

We will require additional permits and renewals of permits to reactivate the Johnson Camp Mine, the availability of which cannot be assured.

Although we have secured a number of permits for the restart and operation of the Johnson Camp Mine, we still need to obtain certain permits. Among other things, we have applied for an Acquifer Protection Permit, but its issuance remains conditional upon our ability to address certain deficiencies identified in the application by the Arizona Department of Environmental Quality. Some other permits have expired and have been re-applied for, certain permits will be required to be renewed from time to time during the life of the project, and certain permits may be suspended or require additional applications in the event of a significant or substantial change to the Johnson Camp Mine operations or prolonged inactivity. To the extent other approvals are required and not obtained, we may be curtailed or prohibited from commencing or continuing mining operations or from proceeding with planned exploration or development of mineral properties.

We have incurred substantial debt and granted a security interest in our assets. If we are unable to repay our loan when it becomes due, the lender would be entitled to realize upon its security.

We are currently indebted to Nedbank Limited in the amount of $5,000,000. We have issued a secured promissory note to Nedbank Limited that has been amended so that it will now mature on the earlier of April 30, 2007 or the closing of an equity offering in which we raise not less than $20,000,000. We currently do not have the means to repay the note. In connection with bridge loan financing from Nedbank Limited in the total principal amount of $5,000,000, we have delivered a deed of trust, assignment of rents, security agreement and fixture filing that grants to Nedbank Limited a first priority lien encumbering all of the real and personal property associated with the Johnson Camp property, including patented mining claims, fee lands and unpatented mining claims. Nedbank Limited would be entitled to realize upon the security interest if we are unable to repay or refinance the loan as it becomes due and seize our assets. In addition, pursuant to the terms of the secured promissory note, we are restricted from paying dividends or making distributions on shares of our common stock. There is no assurance that we will be able to raise sufficient financing to repay this loan as it becomes due, or upon our ability to refinance the loan on acceptable terms, if at all. We have obtained credit approval from Nedbank Limited for a debt financing facility of up to $14 million for the reactivation of the Johnson Camp Mine. The credit approval is subject to certain conditions precedent described in more detail in this annual report, including the company raising a minimum of $18 million in additional financing, which cannot be assured.

We require substantial financing to complete the development and reactivation of the Johnson Camp Mine, the availability of which cannot be assured.

At the time the updated feasibility study was completed, the initial capital costs to be incurred within the first two years of start-up were expected to exceed $22 million (including working capital). We now

expect that the initial capital costs will exceed $28 million. We estimate we will incur a further $3 million in capital costs in the following two years. These figures do not include estimated reclamation bonding requirements, and do not account for inflation, interest and other financing costs. The original estimate of the capital costs in relation to the Johnson Camp Mine, as well as the estimated operating costs, were provided by Nord and reviewed by Winters, Dorsey for inclusion in the updated feasibility study. Those estimates, and our revised estimate of the initial capital costs in the amount of $28 million, may change with our actual experience as our mine plan is implemented. We may therefore require substantial additional financing to carry out our mine plan, and we may be forced to undertake a reverse split (consolidation) of our issued and outstanding shares of common stock in connection with our pursuit of financing alternatives. At the annual and special meeting held on October 18, 2006, our stockholders approved the grant of discretionary authority to our Board of Directors to amend our Amended Certificate of Incorporation to effect a reverse split of our company s common stock at a ratio within the range from one-for-two to one-for-six. We cannot guarantee that we will be able to obtain any additional financing on commercially reasonable terms or at all. If we fail to obtain the necessary financing when needed, we may not be able to execute our mine plan and we may be forced to maintain the Johnson Camp Mine on care and maintenance status indefinitely.

Title to the Johnson Camp property may be subject to other claims.

Although we believe we have exercised commercially reasonable due diligence with respect to determining title to properties we own or control, we cannot guarantee that title to these properties will not be challenged or impugned. The Johnson Camp property may be subject to prior unrecorded agreements or transfers or native land claims and title may be affected by undetected defects. There may be valid challenges to the title of the Johnson Camp property which, if successful, could impair development and/or operations.

The Johnson Camp property consists of 59 patented lode mining claims, 102 unpatented lode mining claims and 617 acres of fee simple lands. The copper processing facilities and the Copper Chief and Burro bulk mining pits that serve as focal points for our mine plan are located on the patented mining claims or fee simple parcels. However, we may in the future mine areas that are on unpatented mining claims. Unpatented mining claims are unique property interests, and are generally considered to be subject to greater title risk than other real property interests because the validity of unpatented mining claims is often uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations under the United States General Mining Law, including the requirement of a proper physical discovery of a valuable lode mineral within the boundaries of each claim and proper compliance with physical staking requirements. Also, unpatented mining claims are always subject to possible challenges by third parties or validity contests by the federal government. The validity of an unpatented mining or millsite claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of United States federal and state statutory and decisional law. In addition, there are few public records that definitively determine the issues of validity and ownership of unpatented mining claims.

We do not insure against all risks, and we may be unable to obtain or maintain insurance to cover the risks associated with our operations at economically feasible premiums. Losses from an uninsured event may cause us to incur significant costs that could have a material adverse effect upon our financial condition.

Our insurance will not cover all the potential risks associated with a mining company s operations. We may also be unable to obtain or maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, we expect that insurance against risks such as environmental pollution or other hazards as a result of exploration and production may be prohibitively expensive to obtain for a company of our size and financial means. We might also become subject to liability for pollution or other hazards which may not be insured against or which we may elect not to insure against because of premium costs or other reasons. Losses from these events may cause us to incur significant costs that could have a material adverse effect upon our financial condition and results of operations.

We compete with larger, better capitalized competitors in the mining industry. This may impair our ability to maintain or acquire attractive mining properties, and thereby adversely affect our financial condition.

The mining industry is competitive in all of its phases. We face strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, base and precious metals. Many of these companies have greater financial resources, operational experience and technical capabilities than us. As a result of this competition, we may be unable to maintain or acquire attractive mining properties on terms we consider acceptable or at all. Consequently, our revenues, operations and financial condition could be materially adversely affected.

We are dependent on our key personnel, and the loss of any such personnel could adversely affect our company.

Our success depends on our key executives, Erland Anderson, John Perry, and key operating personnel at the Johnson Camp Mine, Eric Ivey and Matthew Williams. The loss of the services of one or more of such key personnel could have a material adverse effect on our business. Our ability to manage exploration and development activities, and hence our success, will depend in large part on the efforts of these individuals. We face intense competition for qualified personnel, and we cannot be certain that we will be able to attract and retain such personnel in the future.

If we succeed in reactivating the Johnson Camp Mine, we will have to significantly expand our workforce. We may not be successful in recruiting the necessary personnel, or in managing the new challenges that we will face with any significant growth.

If we obtain sufficient financing to execute on our plan to reactivate the Johnson Camp Mine, we plan to expand our workforce at the Johnson Camp Mine to approximately 60 employees, and hire various contractors. This growth will place substantial demands on our company and our management. Our ability to assimilate new personnel will be critical to our performance. We will be required to recruit additional personnel and to train, motivate and manage employees. We will also have to adopt and implement new systems in all aspects of our operations. We have no assurance that we will be able to recruit the personnel required to execute our programs or to manage these changes successfully.

The actual costs of reclamation are uncertain, and any additional amounts that we are required to spend on reclamation may have a material adverse effect on our financial condition.

The costs of reclamation included in the updated feasibility study are estimates only and may not represent the actual amounts which will be required to complete all reclamation activity. It is not possible to determine the exact amount that will be required, and the amount that we will be required to spend could be materially different than current estimates. Reclamation bonds or other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation over the life of the Johnson Camp Mine operation. Although Winters, Dorsey has included estimated reclamation amounts provided by Nord in the updated feasibility study, it will be necessary to revise the planned expenditures, and the operating plan for the mine, in order to fund required reclamation activities. Any additional amounts required to be spent on reclamation may have a material adverse affect on our financial condition and results of operations.

Our directors and officers may have conflicts of interest, including two of our directors who hold subordinated security interests in our company s assets.

Some of our directors and officers have served as officers and directors for other companies engaged in natural resource exploration and development and may also serve as directors and/or officers of other companies involved in natural resource exploration and development in the future. We do not believe that any of our directors and officers currently have any conflicts of interest of this nature. However, two of our directors, Ronald Hirsch and Stephen Seymour, hold subordinated security interests in our company s assets, as security for loans that they have made to our company. This may potentially give rise to conflicts of interest, particularly if it becomes necessary for them to take steps to preserve or realize upon their security interests.

New legislation, including the Sarbanes-Oxley Act of 2002, may make it difficult for us to retain or attract officers and directors.

We may be unable to attract and retain qualified officers, directors and members of board committees required to provide for our effective management as a result of the recent and currently proposed changes in the rules and regulations which govern publicly-held companies. The *Sarbanes-Oxley Act of 2002* has resulted in a series of rules and regulations by the Securities and Exchange Commission that increase responsibilities and liabilities of directors and executive officers. The perceived increased personal risk associated with these recent changes together with the risks associated with our business may deter qualified individuals from accepting these roles.

We will be required to evaluate our internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002, which could result in a loss of investor confidence in our financial reports and have an adverse effect on the price of our shares of common stock.

Pursuant to Section 404 of the *Sarbanes-Oxley Act of 2002*, we expect that beginning with our annual report on Form 10-KSB for the year ended December 31, 2007, we will be required to furnish a report by management on our internal controls over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of our internal control over financial reporting, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by our management. Beginning with our year ending December 31, 2008, the report must also contain a statement that our auditors have issued an attestation report on our management s assessment of such internal controls. Public Company Accounting Oversight Board Auditing Standard No. 2 provides the professional standards and related performance guidance for auditors to attest to, and report on, our management s assessment of the effectiveness of internal control over financial reporting under Section 404.

We have identified certain material weaknesses in our internal controls over financial reporting that we are in the process of addressing. We cannot be certain that we will be able to complete our evaluation of our internal controls, testing and any required remediation in a timely fashion once we become subject to the requirements mandated by Section 404 of the *Sarbanes-Oxley Act of 2002* . During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that such internal control is effective. If we are unable to assert that our internal control over financial reporting is effective as of December 31, 2007 (or if our auditors are unable to attest that our management s report is fairly stated or they are unable to express an opinion on the effectiveness of our internal controls beginning with our year ending December 31, 2008), we could lose investor confidence in the accuracy and completeness of our financial reports, which may have a material adverse effect on our stock price.

Failure to comply with the new rules may also make it more difficult for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage and/or incur substantially higher costs to obtain the same or similar coverage. The impact of these events could also make it more difficult for us to attract and retain qualified personnel to serve on our board of directors, on committees of our board of directors, or as executive officers.

We may potentially face shareholder action for our past delinquencies in our SEC Filings.

We are required to file reports under the *Securities Exchange Act of 1934*. These reports include annual reports on Form 10-KSB, quarterly reports on Form 10-QSB, current reports on Form 8-K and proxy statements. Due to financial difficulties, we did not file the reports as required by the *Securities Exchange Act of 1934* with the SEC during 2000 through 2004. Our annual report on Form 10-KSB for the year ended December 31, 2004, filed with the SEC on January 17, 2006, was not timely filed but was intended to provide meaningful disclosure for the years ended December 31, 2000 through 2004. On February 3, 2006, we filed, on a late basis, our outstanding quarterly reports on Form 10-QSB for the first, second and third quarters of 2005. We may be subject to shareholder action due to our lack of timely compliance with reporting requirements under the *Securities Exchange Act of 1934*.

We have a limited market for our securities.

Although certain market makers facilitate trades of our company s common stock on the Pink Sheets LLC, there is currently a limited market for shares of our company s common stock and we cannot be certain that an active market will develop. The lack of an active public market could have a material adverse effect on the price and liquidity of our common stock.

Broker-dealers may be discouraged from effecting transactions in our common shares because they are considered a penny stock and are subject to the penny stock rules.

Rules 15g-1 through 15g-9 promulgated under the *Securities Exchange Act of 1934* impose sales practice and disclosure requirements on certain brokers-dealers who engage in certain transactions involving a “penny stock.” Subject to certain exceptions, for the purposes relevant to us, “penny stock” includes any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share. The additional sales practice and disclosure requirements imposed upon broker dealers may discourage broker-dealers from effecting transactions in our shares, which could severely limit the market liquidity of the shares and impede the sale of our shares in the secondary market.

Risks Related to Our Industry

The feasibility of our mine plan is based on certain assumptions about the sustainability of the current price of copper. We may be adversely affected by fluctuations in copper prices.

The value and price of our common shares, our financial results, and our exploration, development and mining activities may be significantly adversely affected by declines in the price of copper and other metals. Copper prices fluctuate widely and are affected by numerous factors beyond our control such as interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of copper producing countries throughout the world. The aggregate effect of these factors on copper price is impossible to predict. Because mining operations are conducted over a number of years, it may be prudent to continue mining for some periods during which cash flows are temporarily negative for a variety of reasons including a belief that the low price is temporary and/or the greater expense incurred in closing a property permanently.

In addition to adversely affecting our financial condition and our reserve estimates, declining metal prices can impact operations by requiring a reassessment of the commercial feasibility of a particular project. Such a reassessment may be the result of a management decision related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays in development or may interrupt operations, if any, until the reassessment can be completed.

Our operations will involve the exploration, development and production of copper and other metals, with the attendant risks of damage to or loss of life or property and legal liability. In addition, unforeseen conditions or our failure to ensure ore grade may materially adversely affect our estimated processing efficiency and our ability to carry out our planned leaching operations.

Our operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of copper and other base or precious metals, including unusual and unexpected geologic formations, seismic activity, pit-wall failures, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and legal liability.

The parameters used in estimating mining and processing efficiency are based on testing and experience with previous operations. Various unforeseen conditions can occur that may materially affect the estimates. In particular, unless proper care is taken to ensure that proper ore grade control is employed and that other necessary steps are taken, we may not be able to execute the leaching operation as planned.

Government regulation impacting the mining industry, such as those respecting mining, taxes, labor standards, occupational health and land, may adversely affect our business and planned operations.

Our mining, processing, development and mineral exploration activities, if any, are subject to various laws governing prospecting, mining, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. New rules and regulations may be enacted or existing rules and regulations may be applied in such a manner as to limit or curtail our exploration, production or development. Amendments to current laws and regulations governing operations and activities of exploration, development mining and milling or more stringent implementation of these laws could have a material adverse impact on our business and financial condition and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production assuming we achieve production or require abandonment or delays in development of new mining properties.

Certain groups opposed to mining may interfere with our efforts to reactive the Johnson Camp Mine

In North America there are organizations opposed to mining, particularly open pit mines such as the Johnson Camp Mine. We anticipate that there may be opposition to the restart of operations at the Johnson Camp Mine. We believe our company has the support of representatives from the communities in the immediate vicinity of Johnson Camp Mine including the city of Tucson and the community of Dragoon, and from various levels of government in Arizona having jurisdiction over the Johnson Camp Mine. Although we intend to comply with all environmental laws and permitting obligations in conducting our business, there is still the possibility that those opposed to the operation of the Johnson Camp Mine will attempt to interfere with the restart and operation of the Johnson Camp Mine, whether by legal process, regulatory process or otherwise. Such interference could have an impact on our ability to restart and operate the Johnson Camp Mine in the manner that is most efficient or appropriate, if at all, and any such impact could have a material adverse effect on our financial condition and results of operations.

Our operations are subject to environmental risks and environmental regulation. Our failure to manage such risks or comply with such regulation will potentially expose us to significant liability.

All phases of our operations, if any, will be subject to federal, state and local environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which we anticipate 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 may adversely affect our operations, if any. Environmental hazards may exist on the Johnson Camp property or on properties which we hold or may acquire in the future that are unknown to us at present and that have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Our failure to contain or adequately deal with hazardous materials may expose us to significant liability for which we may not be insured.

Production, if any, at the Johnson Camp Mine will involve the use of hazardous materials. Should these materials leak or otherwise be discharged from their containment systems, we may become subject to liability for hazards that we may not be insured against or for clean up work that may not be insured.

ITEM 3. LEGAL PROCEEDINGS

Other than as set forth below, we know of no material, existing or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest. The outcome of open unresolved legal proceedings is presently indeterminable. Any settlement resulting from resolution of these contingencies will be accounted for in the period of settlement. We do not believe the potential outcome from any legal proceedings that remain unresolved will significantly impact our financial position, operations or cash flows.

Arizona Department of Environmental Quality (ADEQ) Compliance Order and Stipulated Judgment

On September 7, 2002, ADEQ issued a Compliance Order requiring our company to bring the Johnson Camp Mine into compliance with Arizona s aquifer protection laws. Pursuant to the Compliance Order, we entered into a stipulated judgment with ADEQ which assessed civil penalties against us in the amount of $4,325,000. The stipulated judgment can only be entered should a default notice issued pursuant to the Compliance Order not be cured within 60 days after notice is received. In addition, the Compliance Order created an escrow account, into which we deposited $1,500,000 to bring the Johnson Camp Mine into compliance with the Compliance Order. All of the funds deposited into the escrow account were used by us, with approval from ADEQ, during the years ended December 31, 2002 and 2003 to bring the Johnson Camp Mine into compliance with the Compliance Order. The Compliance Order further provides that any future violations of Arizona s aquifer protection laws would subject us to additional civil penalties, including the entry of the stipulated judgment and the assessment of the civil penalties

described in the stipulated judgment. We have not received a default notice under the Compliance Order, and the stipulated judgment has not been entered against us.

The $1,500,000 deposited into escrow pursuant to the ADEQ Compliance Order was funded from our company s rabbi trust accounts, which we gained access to in 2001 pursuant to a settlement agreement that we entered into in that year with the rabbi trust participants. A rabbi trust is a type of nonqualified deferred compensation arrangement established by the transfer of funds by an employer to an irrevocable trust for the benefit of executive employees. Such a trust is intended to help ensure that future benefit obligations of the employer to participating executive employees will be satisfied, although the trust s assets must be available to all the general creditors of the employer in the event of bankruptcy.

Judgment in Favor of, and Conditional Covenant Not to Execute By, Sulphur Springs Valley Electric

In August 2003, the Superior Court of the State of Arizona issued a judgment against us in favor of Sulphur Springs Valley Electric, Inc. in the amount of $161,316 for non-payment of our electricity bill. On January 23, 2004, Sulphur Springs executed a covenant not to execute on this judgment, provided that we abide by a specified payment schedule and pay the balance due on the judgment by February 28, 2006. On February 27, 2006**,** Sulphur Springs executed a second covenant not to execute amending the original payment schedule and extending the balance due date. We were obligated to pay $4,000 on the first day of every month, with the remaining amount due on the judgment to be paid on August 1, 2006. On July 31, 2006 the Company completed its final disbursement to Sulphur Springs Valley Electric as stipulated by the agreement. The Satisfaction of Judgment was filed with the Cochise County Recorder on August 9, 2006.

Action By, and Cross Complaint Against, Great West Life

On December 10, 2003, Great West Life initiated a court action against us in the Superior Court of the State of Arizona, County of Maricopa on allegations of unpaid health insurance premiums. Great West Life is claiming losses in excess of $107,000. We filed a cross complaint against Great West Life for failing to pay the claims made by our employees under employee health and welfare benefit plans. In March 2006, we entered into a settlement and mutual release of claims agreement with Great West Life. Under the terms of the settlement agreement, we consented to a judgment in favor of Great West Life in the total amount of $150,000, but Great West Life agreed not to execute upon the judgment so long as Nord paid to Great West Life a total of $100,000 in accordance with the following schedule:

- an initial payment to Great West Life in the amount of $10,000;
- monthly payments to Great West Life of $5,000 each, payable on May 15, June 15 and July 14, 2006; and
- monthly payments to Great West Life of $15,000 each payable on or before August 15, September 15, October 13, November 15, and December 15, 2006.

On December 12, 2006, Nord made its final payment to Great West Life under the settlement agreement. Accordingly, Great West Life filed a Notice of Satisfaction of Judgment with Maricopa County Recorder dated December 15, 2006.

Settlement Agreement With Nicholas Tintor

Subsequent to Nicholas Tintor s departure as President and Chief Executive Officer of our company on August 21, 2006, we entered into a settlement agreement with Mr. Tintor dated September 29, 2006. Under the settlement agreement, in consideration of a mutual release of claims, we paid Mr. Tintor a total of $233,000 as follows: we paid $70,000 in cash upon execution of the agreement, and we paid the balance of $163,000 by issuing a total of 139,880 fully paid and non-assessable shares of common stock of our company to Mr. Tintor on January 7, 2007. These shares were issued pursuant to Rule 903 of

Regulation S under the *Securities Act of 1933*, as amended, and in compliance with applicable Canadian securities laws.

Settlement of Claim Against ASARCO Inc.

In May 2004, we commenced pursuing an opportunity (the Zinc Opportunity) to acquire assets comprising ASARCO Inc. s (ASARCO) Tennessee Mines Division zinc business (the Zinc Assets). Ronald Hirsch, the Chairman of our Board of Directors, and Stephen Seymour, a director of our company, subsequently agreed to assist us to preserve the Zinc Opportunity by assuming the right to acquire the Zinc Assets, and assigning such right to TMD Acquisition, a corporation formed specifically to facilitate an asset purchase agreement with ASARCO dated March 21, 2005 (the Acquisition Agreement) in respect of the Zinc Assets. The principals of TMD Acquisition are Ronald Hirsch and Stephen Seymour.

Pursuant to the Settlement Agreement and a related Assignment Agreement dated as of October 18, 2006 between our company and TMD Acquisition, we took an assignment of the Acquisition Agreement, and agreed to reimburse certain expenses in the aggregate amount of $365,000 (the TMD Expenses) and assume certain accounts payable in the aggregate amount of $101,442 incurred by TMD Acquisition in the preservation of the Zinc Opportunity. We advanced to TMD Acquisition the aggregate amount of $50,000 (evidenced by demand promissory notes dated February 27, 2006 and May 8, 2006, each in the principal amount of $25,000) to cover certain expenses that TMD Acquisition has incurred in preserving the Zinc Opportunity. The loan is payable to our company on demand and is subject to set-off against the TMD Expenses.

Although ASARCO's trustee in bankruptcy sold the Zinc Assets, we instructed counsel to preserve any right of action (the ASARCO Claim) that we might have against ASARCO and ASARCO s trustee in bankruptcy. On December 12, 2006 we entered into a settlement agreement with ASARCO pursuant to which ASARCO paid us $475,000 in consideration of the execution and delivery by the parties of mutual general releases.

The TMD Settlement Agreement provided that we would reimburse the TMD Expenses upon the earlier of certain specified events but no later that December 22, 2006. In addition, if we received any cash payment on account of the ASARCO Claim, we are required to first remit such portion of the cash payment to TMD Acquisition as will be required to fully pay the outstanding balance of the TMD Expenses. However, TMD Acquisition has agreed to defer reimbursement of the TMD Expenses until our company s financial position has improved.

Settlement Agreement with Platinum Diversified Mining, Inc. and its Subsidiaries

We have entered into a settlement agreement dated March 7, 2007 with Platinum Diversified Mining, Inc. (Platinum) and Platinum s direct and indirect subsidiaries, Platinum Diversified Mining USA, Inc. (PDM USA) and PDM Merger Corp. (Merger Sub and together with Platinum and PDM USA, the PDM Parties), in connection with the agreement and plan of merger dated October 23, 2006 (the Merger Agreement) among the parties. The Merger Agreement contemplated the acquisition of our company by Platinum in an all-cash merger transaction (the Merger).

The settlement agreement sets forth the terms and conditions of the settlement of the dispute and disagreements between our company and the PDM Parties arising from the failure of the Merger to close.

Under the settlement agreement, the PDM Parties have agreed to pay Nord an amount up to $3.6 million in full and final settlement of all claims and disputes between the parties, as follows:

(a) The PDM Parties agreed forthwith to pay the sum of $1.1 million to Nord (the Initial Payment), to be paid by way of the release to our company of the $1 million previously deposited by

Platinum with American Stock Transfer & Trust Company (AST), as escrow agent, pursuant to the Merger Agreement (including interest, but net of AST s expenses), with any shortfall to be paid from Platinum s working capital; and

(b) Platinum has agreed to pay the sum of $50,000 to Nord each calendar month, beginning on April 1, 2007 (the Monthly Payments) until the earlier of (i) the completion of an acquisition by Platinum that meets certain prescribed criteria (a Qualifying Acquisition), or (i) the actual liquidation of Platinum if it has not entered into a letter of intent or agreement in principle to effect a Qualifying Acquisition, or if it has not completed a Qualifying Acquisition, by certain prescribed dates.

We have received the Initial Payment of $1.1 million. If Platinum completes a Qualifying Acquisition, Platinum will be required to pay the balance owing on the settlement sum of $3.6 million (the Balance of Settlement Funds), net of the Initial Payment and any Monthly Payments actually received by our company. The Balance of Settlement Funds will be payable to our company out of certain funds being held in trust (the Trust Funds) as a condition of Platinum s listing as a special purpose acquisition corporation on the AIM market (AIM) of the London Stock Exchange. If the Trust Funds are insufficient to pay the Balance of Settlement Funds, Platinum will be required to pay to our company the greater of: (i) the funds available and (ii) $1 million. Thereafter, Platinum will continue to be obligated to make the Monthly Payments, plus interest, until the Balance of Settlement Funds has been paid.

According to Platinum s public disclosure record, it was admitted to trading on AIM on March 13, 2006 (the Admission Date), and it must be dissolved and the Trust Funds returned to its security holders, if it has not: (a) effected a Qualifying Acquisition or signed a letter of intent, agreement in principle or definitive agreement to effect a Qualifying Acquisition within the 12 months following the Admission Date; or (b) (having signed a letter of intent or an agreement in principle within 12 months following the Admission Date) effected an acquisition within 18 months following the Admission Date. In the event that Platinum is dissolved for having failed to meet these conditions, it will not be required to pay the Balance of Settlement Funds to our company and shall be relieved of any further obligations to make payments under the settlement agreement. Platinum issued a press release on March 14, 2007 announcing that it had entered into two separate letters of intent on mining projects which, taken in aggregate, it believes would constitute a Qualifying Acquisition eligible for submission to Platinum s shareholders for approval.

Under the settlement agreement, the PDM Parties have acknowledged that we are also entitled to retain any and all payments made by the PDM Parties under the Merger Agreement to keep our option on the Coyote Springs property in good standing.

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

The annual meeting of stockholders of our company was held on October 18, 2006 at 10:00 a.m. (Mountain Time). At the annual meeting, the stockholders adopted resolutions:

1. To elect Ronald A. Hirsch, Stephen D. Seymour, Wade D. Nesmith, Douglas P. Hamilton and John F. Cook to our board of directors. The votes cast for or withheld in respect of each nominee were as follows:

Nominee	For	Withheld
Ronald A. Hirsch	25,898,430	436,717
Stephen D. Seymour	25,878,559	456,588

Nominee	For	Withheld
Wade D. Nesmith	26,195,889	139,258
Douglas P. Hamilton	26,167,176	167,971
John F. Cook	26,197,336	137,811

2. To approve the grant of discretionary authority to our board of directors to amend our company s Amended Certificate of Incorporation to effect a reverse stock split of our company s issued and outstanding shares of common stock at a ratio within the range from one-for-two to one-for-six, at any time prior to the next annual meeting of our stockholders. The votes cast for or against this proposal, and the number of abstentions, were as follows:

For	Against	Abstain
25,168,431	416,194	750,522

3. To approve an amendment to our company s Amended Certificate of Incorporation to increase the number of authorized shares of common stock from 50,000,000 to 100,000,000. The votes cast for or against this proposal, and the number of abstentions, were as follows

For	Against	Abstain
24,602,971	843,917	888,259

4. To approve our company s 2006 Stock Incentive Plan. The votes cast for or against this proposal, and the number of abstentions, were as follows

For	Against	Abstain
17,185,126	2,353,036	47,799

5. To ratify the selection of Mayer Hoffman McCann P.C. as our company s independent registered public accounting firm for the fiscal year ending December 31, 2006. The votes cast for or against this proposal, and the number of abstentions, were as follows:

For	Against	Abstain
26,237,768	72,040	25,338

We have not yet taken any steps to: (a) effect a reverse stock split of our company s issued and outstanding shares of common stock; or (b) increase the number of authorized shares of common stock from 50,000,000 to 100,000,000. Our board of directors has discretion to elect not to proceed with these changes.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Market Information

Our common stock was traded on the New York Stock Exchange from September 1985 until November 18, 1999. Thereafter, it was traded on the OTC Bulletin Board until May 31, 2001. Since then, it has been trading on the Pink Sheets LLC under the symbol NRDS.PK. The following table sets forth, for the calendar periods indicated, the high and low closing sale price of our common stock on the Pink Sheets.

Price Ranges (high and low closing prices)

	2006		2005	
1st Quarter	$ 0.26	0.64	$ 0.25	0.41
2nd Quarter	0.51	1.22	0.24	0.35
3rd Quarter	0.72	0.95	0.23	0.32
4th Quarter	0.70	1.23	0.23	0.33

The price ranges shown are based on Pink Sheet quotations. The sale prices may reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

Holders

The number of holders of record of our common stock, $.01 par value, as of February 15, 2007 was 2,259.

Dividends

We have not, since the date of incorporation, declared or paid any dividends on our common shares and currently have no policy with respect to the payment of dividends. For the foreseeable future, we anticipate that we will retain future earnings and other cash resources for the operation and development of our business. The payment of dividends in the future will depend on our earnings, if any, and our financial condition and such other factors as our board of directors considers appropriate.

Equity Compensation Plans

On February 15, 2006, our board of directors adopted a new stock incentive plan, subject to obtaining stockholder approval (the Initial Stock Incentive Plan) and a related 2006 Deferred Stock Unit Plan for Directors (the DSU Plan and together with the Initial Stock Incentive Plan, the Plans). No awards were made under the Plans.

We subsequently became aware of recent changes to United States federal tax laws applicable to the Plans and engaged special tax counsel to review the Plans. Counsel recommended substantial revisions to the Plans to provide an appropriate mechanism for deferral of stock payments to directors in light of the recent changes to federal tax laws, and to clarify aspects of other awards that could be made under the Initial Stock Incentive Plan.

Due to the extensive nature of the revisions, our Board of Directors determined it to be appropriate to cancel the Plans, and to adopt a new stock incentive plan (which includes a subpart governing deferred

stock units in lieu of the DSU Plan) (the 2006 Stock Incentive Plan) that supersedes and replaces in their entirety the Initial Stock Option Plan and DSU Plan. Our stockholders approved the 2006 Stock Incentive Plan at our Annual General Meeting held on October 18, 2006. The 2006 Stock Incentive Plan is described in more detail in amendment number 2 to our preliminary proxy statement filed with the Securities and Exchange Commission on Schedule 14A on June 30, 2006.

A total of 6,000,000 shares of common stock have been reserved for issuance under all awards that may be granted under the 2006 Stock Incentive Plan. Eligible Participants who are entitled to participate in the 2006 Stock Incentive Plan consist of employees, directors and consultants of (a) our company or (b) any of the following entities: (i) any parent corporation as defined in section 424(e) of the Internal Revenue Code of 1986, as amended (the Code); (ii) any subsidiary corporation as defined in section 424(f) of the Code; or (iii) any business, corporation, partnership, limited liability company or other entity in which our company, a parent corporation or a subsidiary corporation holds a substantial ownership interest, directly or indirectly.

The 2006 Stock Incentive Plan provides for the granting to Eligible Participants of such incentive awards (each, an Award) as the administrator of the 2006 Stock Incentive Plan (the Administrator) may from time to time approve. The 2006 Stock Incentive Plan includes the following provisions:

(a) the Administrator will be a Committee of the Board of Directors of our company appointed to act in such capacity, or otherwise, the Board of Directors itself;

(b) each Award will be subject to a separate award agreement (an Award Agreement) to be executed by the Company and the Grantee, which shall specify the term of the Award; and

(c) subject to applicable laws, including the rules of any applicable stock exchange or national market system, the Administrator will be authorized to grant any type of Award to an Eligible Participant (a Grantee) that is not inconsistent with the provisions of the 2006 Stock Incentive Plan, and the specific terms and provisions of which are set forth in an Award Agreement, and that by its terms involves or may involve the issuance of: (i) shares of common stock, (ii) a stock option, (iii) a stock appreciation right entitling the Grantee to acquire such number of shares of common stock or such cash compensation as will be determined by reference to any appreciation in the value of our company s common stock, (iv) restricted stock issuable for such consideration (if any) and subject to such restrictions as may be established by the Administrator, (v) unrestricted stock issuable for such consideration (if any) on such terms and conditions as may be established by the Administrator, (vi) restricted stock units, subject to such restrictions as may be imposed by the Administrator, and represented by notional accounts maintained in the respective names of the Grantees that are valued solely by reference to shares of common stock of our company and payable only in shares after the restrictions have lapsed, (vii) deferred stock units issuable to eligible directors in lieu of certain eligible remuneration otherwise payable in shares of common stock, subject to settlement in accordance with the terms and conditions of the Award and represented by notional accounts maintained in the respective names of the Grantees, (viii) dividend equivalent rights, which are rights entitling the Grantee to receive credits for dividends that would be paid if the recipient had held a specified number of shares of common stock, (ix) any other security with the value derived from the value of our company s common stock, or (x) any combination of the foregoing.

Any Award that is subject to a restriction will become fully exercisable only as set forth in the applicable Award Agreement. Nevertheless, the 2006 Stock Incentive Plan provides the Administrator with the sole discretion, at any time, to declare any or all Awards to be fully or partially vested and exercisable, provided that the Administrator does not have the authority to accelerate or postpone the timing of payment or settlement with respect to Awards subject to Section 409A of the Code in a manner that would cause the Awards to be subject to certain related interest and penalty provisions. The

Administrator may discriminate among Eligible Participants or among Awards in exercising such discretion.

The 2006 Stock Incentive Plan has specific provisions which apply to grants of Awards intended to qualify as performance-based compensation , as defined under section 162(m) of the Code, to any employees who are covered employees for the purposes of section 162(m)(3) of the Code.

Under the 2006 Stock Incentive Plan, stock options may be granted as either incentive stock options under section 422 of the Code and the regulations thereunder or non-incentive stock options under section 83 of the Code. We have granted a total of 600,000 non-qualified stock options and 200,000 incentive stock options under the 2006 Stock Incentive Plan.

We have also granted non-qualified stock options under individual compensation arrangements, which have been authorized by our board of directors. Such options have been granted outside of, and are therefore not subject to, the 2006 Stock Incentive Plan.

To date, certain equity-based fees have been paid to our non-executive directors in the form of awards issued pursuant to our company s 2006 Stock Incentive Plan. The non-executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in deferred stock units. Each of our non-executive directors exercised such rights in respect of the equity-based fees payable to him for services rendered during the year ended December 31, 2006.

The following table provides a summary of the number of stock options and deferred stock units outstanding as at December 31, 2006.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	**Weighted average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	946,242[1]	$1.02	5,053,758
Equity compensation plans not approved by security holders[2]	2,124,998	$0.69	N/A
Total[3]	3,071,240	$0.79	5,053,758

(1) Includes 800,000 shares of common stock reserved for issuance in connection with stock options granted under the 2006 Stock Incentive Plan, and 146,242 shares of common stock reserved for issuance in connection with deferred stock units granted to our company s non-executive directors under the 2006 Stock Incentive Plan. A total of 31,798 deferred stock units were not issued until January 3, 2007, but are included in this table as they were issued to our non-executive directors in respect of services rendered during the quarter ended December 31, 2006.

(2) Consists of various agreements entered into on a stand-alone basis prior to the adoption of, or otherwise independent from, the 2006 Stock Incentive Plan.

(3) Includes certain options granted to executive officers pursuant to employment agreements described in more detail under the caption Employment Contracts and Termination of Employment and Change-In-Control Arrangements.

Recent Sales of Unregistered Securities

We have reported sales of securities without registration under the *Securities Act of 1933* during our fiscal year ended December 31, 2006 on the following quarterly reports on Form 10-QSB, as filed with the Securities and Exchange Commission.

Report	Date of Filing with SEC
Amendment No. 3 to the Annual Report on Form 10-KSB for the year ended December 31, 2005	August 23, 2006
Amendment No. 2 to the Quarterly Report on Form 10-QSB for the quarterly period ended March 31, 2006	August 23, 2006
Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2006	August 14, 2006
Quarterly Report on Form 10-QSB for the quarterly period ended September 30, 2006	November 13, 2006

During the year ended December 31, 2006, we issued the following securities without registration under the *Securities Act of 1933* which have not been reported on the Annual Report on Form 10-KSB and the Quarterly Reports on Form 10-QSB described above:

To date, certain equity-based fees have been paid to our non-executive directors in the form of awards issued pursuant to our company s 2006 Stock Incentive Plan. The non-executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in deferred stock units. Each of our non-executive directors has exercised such rights in respect of the equity-based fees payable to him for services rendered during the year ended December 31, 2006. Our non-executive directors earned the following additional deferred stock units during the quarter ended December 31, 2006: Wade Nesmith, our Lead Director and the Chairman of each of the Executive and the Corporate Governance and Nominating Committees, earned 10,417 deferred stock units; Douglas Hamilton, the Chairman of our Audit Committee, earned 8,772 deferred stock units; John Cook, the Chairman of our Compensation Committee, earned 7,127 deferred stock units; and Stephen Seymour earned 5,482. We issued these securities to the directors, each of whom is an accredited investor, on January 3, 2007, relying on Section 4(2) of the Securities Act of 1933, as amended.

During the quarterly period ended December 31, 2006, 15,000 stock options were exercised at an exercise price of $0.02 per share. We issued the underlying common stock pursuant to Rule 506 of Regulation D and/or Section 4(2) of the *Securities Act of 1933*, as amended.

During the quarterly period ended December 31, 2006, we issued 60,000 fully-paid and non-assessable shares of our common stock, valued at $64,600, to John Perry, our Senior Vice President and Chief Financial Officer, pursuant to this employment agreement. We issued these securities to Mr. Perry, an accredited investor, relying on Section 4(2) of the *Securities Act of 1933*, as amended.

We acquired an exclusive option from Thornwell Rogers, South Branch Resources, LLC, and MRPGEO, LLC in January 2004 to purchase the leasehold rights and mining claims located near Safford in Graham County, Arizona described as Coyote Springs. In connection with this option, we issued 99,999 stock options to these parties with an effective grant date of January 28, 2006, but these options were inadvertently omitted from the disclosure under the heading Unregistered Sales of Equity Securities and Use of Proceeds contained in Amendment No. 2 to our Quarterly Report on Form 10-QSB for the period ended March 31, 2006. We issued these stock options, which have an exercise price of $0.47 per share, to Thornwell Rogers, South Branch Resources, LLC and MRPGEO, LLC, as accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the *Securities Act of 1933*, as amended..

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not purchase any of our shares of common stock or other securities during the year ended December 31, 2006.

ITEM 6. MANAGEMENT S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

The following discussion of our financial condition, changes in financial condition and results of operations for the years ended December 31, 2006 and 2005 should be read in conjunction with our most recent audited consolidated financial statements for the years ended December 31, 2006 and 2005, which are included in this annual report, and the related notes to the financial statements. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth under Risk Factors and elsewhere in this annual report.

Our Plan of Operations

Our management has been focused on positioning our company to effect a public offering of its securities, while at the same time considering our strategic alternatives. In that regard, in addition to obtaining the update to the 2000 feasibility study on the Johnson Camp Mine, our management has worked to preserve our assets, in part by seeking and obtaining secured bridge financing from Auramet Trading, LLC (Auramet) in October 2005 and from Nedbank Limited (Nedbank) in November 2005. Amidst these efforts, it became apparent that, with the average price of copper remaining relatively high throughout this period, our company could be attractive to better-financed mining entities as a takeover target. On March 29, 2006, we were advised by Auramet that Platinum, might be interested in acquiring an interest in our company.

On October 23, 2006, after several months of negotiations, we entered Merger Agreement with Platinum, PDM USA and Merger Sub. Merger Sub is a wholly-owned subsidiary of PDM USA, which in turn is a wholly-owned subsidiary of Platinum. The Merger Agreement contemplated that we would be acquired by Platinum in an all cash Merger, pursuant to which Merger Sub was to merge with and into our company, with our company continuing as the surviving corporation and a wholly-owned subsidiary of Platinum. The consummation of the Merger was subject to satisfaction of a number of conditions.

The Merger did not close as scheduled on December 22, 2006. At the time, Platinum advised us that its inability to close the Merger resulted from the fact that it had been informed by KBC Peel Hunt, the nominated advisor in connection with Platinum s application for re-admission to trading on the AIM, that, based on the position taken by the AIM, Platinum was not to close the Merger because it did not have formal loan documentation in place for its project financing.

As discussed above under the heading, Legal Proceedings - Settlement Agreement with Platinum Diversified Mining, Inc. and its Subsidiaries we subsequently entered into a settlement agreement dated March 7, 2007 with the PDM Parties which sets forth the terms and conditions of the settlement of the dispute and disagreements arising between us and the PDM Parties from the failure of the Merger to close. Since the Merger did not proceed, we have refocused our attention on positioning our company to resume mining and leaching operations at the Johnson Camp Mine, although we remain open to other strategic alternatives. Accordingly, our plan of operations is to pursue the financing that will be necessary to enable us to resume mining and leaching operations at the Johnson Camp Mine, with the view to producing approximately 25 million pounds of copper per year. If we are successful in raising this financing, we plan to complete the mine development plan outlined in the October 2005 feasibility study prepared by Winters, Dorsey and Company.

In order to resume full mining operations, we will have to complete the mine development plan outlined in the updated feasibility study, as discussed above. We presently do not have sufficient cash or working capital necessary to implement the mine development plan and commence mining operations. At the time the updated feasibility study was completed, the initial capital costs to be incurred within the first two years of start-up were expected to exceed $22 million (including working capital). We now expect that the initial capital costs will exceed $28 million. Such costs relate primarily to the rehabilitation of solution ponds, refurbishment and a modest expansion of the copper production facility, and the purchase and installation of crushing and conveying equipment. The capital costs to be incurred in the following two years are expected to be approximately an additional $3 million (including working capital) and will be attributable to the construction of new leach pads, new ponds and pipe, and the infrastructure for conveyor relocation. These figures do not include estimated reclamation bonding requirements, and do not account for inflation, interest and other financing costs.

Accordingly, our ability to commence mining operations will be subject to our obtaining sufficient financing to enable us to fund the necessary initial capital costs and start-up operation expenses and working capital. In addition, certain permits must be in place before mining operations are commenced. Once financing and permits are in place, we anticipate it will take approximately three months to complete sufficient rehabilitation of the Johnson Camp Mine to allow the production of copper from the existing heaps, and approximately nine months from the start of construction to begin producing copper from new ore placed on the heaps. Our mine operating plan calls for an active leach program of newly mined ore and the residual leaching of the existing old dumps. We plan to use a mining contractor to mine both the Burro and Copper Chief deposits, and our own employees for remediation activities.

We presently do not have any arrangements in place to obtain the necessary financing to commence mining operations. We plan to raise the necessary financing through a combination of debt and equity financing. There is a substantial risk that we will not be able to obtain the necessary financing on commercially reasonable terms, or at all. In addition to the risk that we do not obtain financing, our business and our ability to realize our business objectives and implement our operating plan is subject to a number of additional risks and uncertainties, including those discussed under the heading Risk Factors . If we fail to obtain the necessary financing, our plan is to continue to maintain the Johnson Camp Mine on care and maintenance status indefinitely.

In addition to the Johnson Camp property, we have options to acquire interests in three exploration stage projects, Coyote Springs and the Texas Arizona Mines project, both located in Arizona, and Mimbres located in New Mexico. We are planning to conduct preliminary exploration activities at the Coyote Springs and Mimbres properties to help us determine whether we should exercise the options. Any such exploration activities are subject to the availability of sufficient financing, which cannot be assured. We do not believe that these properties are material to our overall operations at this time.

Results Of Operations Years Ended December 31, 2006 and 2005

The following table sets forth our consolidated loss from operations during the fiscal years ended December 31, 2006 and 2005.

Consolidated Loss From Operations

	Year Ended December 31	
	2006	**2005**
Net sales	$	$
Operating expenses	7,135,628	3,091,237
Depreciation, depletion and amortization	83,347	83,347
Loss from operations	$ (7,218,975)	$ (3,174,584)

During 2006 and 2005, we continued to maintain the Johnson Camp Mine and expanded our focus to include the following activities with the ultimate objective of enabling us to pursue financing to bring the Johnson Camp mine into production:

(i) preparation of our audited financial statements;

(ii) preparation of the filings required by the Securities and Exchange Commission in order that we are current with our reporting obligations under the *Securities Exchange Act of 1934* (the Exchange Act); and

(iii) seeking interim financing necessary to enable us to continue our business operations.

As discussed above, we also spent much of the latter half of 2006 pursuing the Merger with the PDM parties.

Net Sales

We did not have any sales during 2006 and 2005 due to the fact that the Johnson Camp Mine was on a care and maintenance program during these periods.

Operating Expenses

Our operating expenses increased from $3,091,237 in 2005 to $7,135,628 in 2006, an increase of $4,044,391, due primarily to activities undertaken by us with the ultimate objective of enabling us to pursue financing to bring the Johnson Camp Mine into production and to complete the Merger Agreement with the PDM Parties. These costs consisted primarily of labor, salaries, wages, directors fees and benefits of $2,860,973, of which $1,037,739 was stock-based compensation, consulting and professional services of $2,276,092, $1,094,624 related to the Merger Agreement with Platinum, care and maintenance of Johnson Camp Mine of $492,492 and other general and administrative of $411,447. Care and maintenance of Johnson Camp Mine include taxes, permitting, property, equipment rental, building maintenance, utilities and the like. Operating expenses categorized as other general and administrative consist primarily of the following: insurance - $252,546; investor relations, printing and similar expenses - $77,458; office rent - $37,591; and miscellaneous - $43,852.

Other Income

The following table sets forth our other income and expenses during the fiscal years ended December 31, 2006 and 2005:

	Year Ended December 31 2006		Year Ended December 31 2005
Other income (expense)			
Interest expense	$	(1,635,360)	$ (1,659,976)
Gain on investment, net		2,020,739	1,540,106
Miscellaneous income		549,718	210,288
Total other income (expense)	$	935,097	$ 90,418

The following discussion highlights some of the more significant items included in the foregoing table.

Interest and Other Expenses

Interest expense is attributable to interest that we pay on loans that we have obtained to fund our business operations.

During the years ended December 31, 2006 and 2005, we incurred $1,635,360 and $1,659,976, respectively, in total interest expense, as follows:

	Year Ended December 31 2006	2005
Amortized debt issuance costs	$ 532,791	$ 758,528
Accretion discount on warrants	545,771	448,637
Regular interest	555,076	351,933
Beneficial conversion on convertible note	1,722	100,878
Total	$ 1,635,360	$ 1,659,976

Gain on Investment

During 2005, we sold a 2/15 fractional interest in our Class B share in SRL Acquisition No. 1 Limited in consideration of $200,000 plus the amount of $100,003 representing a pro rata estimate of the fixed dividend entitlement attaching to the Class B share and during 2006 we sold our remaining 13/15 fractional interest for $1,900,000.

During 2005 we reclassified our investment in Allied Gold to marketable securities held for trading and, due to its increased market value, recognized a gain of $1,406,617 on this investment. During 2006, we recognized an additional gain of $261,712 on our investment in Allied Gold due to its increased market value during the year. Additionally, we recognized a loss of $142,738 related to copper put options we purchased in connection with the Nedbank bridge loan facility. As of December 31, 2006, our company does not have any investment in Allied Gold or any copper put options.

Miscellaneous Income

Sources of miscellaneous income for the year ended December 31, 2005 were:

- Royalty income from landscape aggregate business of $198,000; and
- Other income of $12,000.

Sources of miscellaneous income for the year ended December 31, 2006 were:

- Royalty income from landscape aggregate business of $276,000;
- $195,000 in connection with the settlement of a dispute involving electric power credits; and

- Other income of $79,000.

Net Loss

The following table reflects our net loss for the years ended December 31, 2006 and 2005, after taking into account the amounts recognized as other income or expenses.

	Year Ended December 31 2006	2005
Loss from operations	$ (7,218,975)	$ (3,174,584)
Total other income (expense)	935,097	90,418
Provision for income taxes		
Net Loss	$ (6,283,878)	$ (3,084,166)

We recorded a net loss of $6,283,878 for the year ended December 31, 2006 as compared to a net loss of $3,084,166 for the year ended December 31, 2005. We experienced an increase in the net loss between 2005 and 2006 as a result of a significant increase in operating expenses specifically related to:

- continued operating expenses associated with the care and maintenance of the Johnson Camp Mine, consisting primarily of taxes, permitting, property, equipment, building maintenance and utilities;
- a significant increase in directors fees;
- professional fees associated with the Merger Agreement with the PDM Parties; and
- costs associated with activities undertaken by us with the ultimate objective of enabling us to pursue financing to bring the Johnson Camp Mine into production, as discussed above.

Liquidity and Financial Resources

Our company s continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis, to obtain additional financing to resume mining and processing operations at the Johnson Camp Mine, and to produce copper at a level where we can become profitable, pay off existing debt and provide sufficient funds for general corporate purposes, all of which is uncertain. Our consolidated financial statements contain additional note disclosures to this effect, and do not include any adjustments that might result from the outcome of this uncertainty.

Cash and Working Capital

The following table sets forth our cash and working capital as of December 31, 2006 and December 31, 2005:

	As of December 31, 2006	As of December 31, 2005
Cash reserves	$ 1,007,835	$ 141,197
Working capital deficiency	$ (8,980,904)(1)	$ (4,288,886)(2)

(1) Includes $5,717,614 in current portion of long-term debt.

(2) Includes $4,438,359 in current portion long-term debt.

If we leave the Johnson Camp Mine on care and maintenance status, and we do not incur any extraordinary liabilities, we will incur monthly expenses of approximately $170,000. As discussed below

under the heading Cash and Working Capital - Settlement Agreement with Platinum Diversified Mining. we received $1,100,000 on March 7, 2007 pursuant to a settlement agreement with Platinum Diversified Mining. This amount has been added to our working capital to be applied to ongoing operational expenses and expenses that we expect to incur in furtherance of our business plan.

We anticipate our current cash to be adequate to cover care and maintenance activities at the Johnson Camp Mine through November 2007, assuming that we are successful in obtaining extensions of, or refinancing, our outstanding indebtedness beyond their current maturities (which cannot be assured). However, it is difficult for us to predict how much of our current cash will be used to further our near term objective of reactivating the Johnson Camp Mine. Accordingly, our estimated monthly expenses do not include the significant additional costs that we anticipate that we will have to incur in connection with our ongoing financing activities, or any additional costs that we will have to incur if we proceed with our plan to reactivate the Johnson Camp Mine. As discussed above under the heading, Our Plan of Operations, we expect to incur initial capital costs in excess of $28 million (including working capital) within the first two years of start-up, and a further $3 million (including working capital) in the following two years.

In addition, our anticipated monthly expenses do not include provision for payment of accrued and unpaid expenses of $3,076,855 as of December 31, 2006. These accrued expenses consist primarily of consulting fees, and accrued salaries and bonus for Ronald Hirsch, our Chairman and formerly our Chief Executive Officer, Erland Anderson, our Executive Vice President and Chief Operating Officer, and John Perry our President and CFO, as well as payroll expenses.

Settlement Agreement with Platinum Diversified Mining

As discussed above under the heading, Legal Proceedings - Settlement Agreement with Platinum Diversified Mining, Inc. and its Subsidiaries we entered into a settlement agreement dated March 7, 2007 with the PDM Parties which sets forth the terms and conditions of the settlement of the dispute and disagreements arising between us and the PDM Parties from the failure of the Merger to close. Under the settlement agreement, the PDM Parties have agreed to pay to Nord an amount of up to $3.6 million in full and final settlement of all claims and disputes between the parties.

We have received the Initial Payment of $1.1 million under the settlement agreement on March 8, 2007, which we will apply to general working capital. If Platinum completes a Qualifying Acquisition, Platinum will be required to pay the balance owing on the settlement sum of $3.6 million, net of the Initial Payment and any Monthly Payments actually received by our company. On March 14, 2007, Platinum issued a press release announcing that it had entered into two separate letters of intent on mining projects which, taken in aggregate, it believes would constitute a Qualifying Acquisition eligible for submission to Platinum s shareholders for approval. According to Platinum s public disclosure record, it will have to be dissolved if it has not effected a Qualifying Acquisition within 18 months following the Admission Date (March 13, 2006). If Platinum is dissolved, it will not be required to pay the Balance of Settlement Funds to our company, and it will be relieved of any further obligations to make payments under the settlement agreement.

Cash Flows From Operating Activities

Our cash flows from operating activities during the years ended December 31, 2006 and 2005 were $249,215 and $(1,600,235), respectively. This was primarily due to the fact that the Johnson Camp Mine was on a care and maintenance program during these periods, however, in 2006 the increased operating costs were primarily offset by the $1,900,000 proceeds we received from the sale of our 13/15 fractional interest in SRL Acquisition No. 1 Limited and $1,729,391 in proceeds from the sale of our interest in Allied Gold.

Cash Flows From Financing Activities

As we have had no revenues since the placement of the Johnson Camp Mine on care and maintenance status in August 2003, we have financed our operations primarily by using existing capital reserves, entering into settlements with debtors, obtaining debt financing and through private placements of our common stock. Our cash flows from financing activities for the years ended December 31, 2006 and 2005 were $656,680 and $1,477,025, respectively.

Bridge Financing by Nedbank Limited

On November 8, 2005, we obtained a loan in the amount of $3,900,000 from Nedbank Limited, in which Auramet Trading participated through the contribution of the $1,000,000 outstanding amount payable by us to Auramet Trading under an existing bridge loan facility. A secured promissory note was issued to Nedbank that is secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated November 8, 2005, relating to the Johnson Camp property. These instruments give Nedbank a first priority lien encumbering all of the real and personal property associated with the Johnson Camp property.

In connection with the Nedbank loan, Mr. Hirsch, Mr. Seymour and Nedbank entered into a Subordination Agreement dated November 8, 2005 whereby Mr. Hirsch and Mr. Seymour have agreed to subordinate all present and future loans to us in favor of any and all indebtedness that we have with Nedbank. In addition, we entered into an Environmental Indemnity Agreement with Nedbank dated November 8, 2005.

On May 31, 2006, Auramet Trading, acting through Nedbank, advanced an additional $1,000,000 loan to our company. This amount has been added to the outstanding principal under the existing $3,900,000 secured loan from Nedbank. Upon closing of the additional $1,000,000 advance, we executed and delivered, among other things: (a) an Amended and Restated Secured Promissory Note dated May 31, 2006, payable to Nedbank in the principal amount of $4,900,000; (b) a First Amendment to Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing; and (c) an Amendment to the Subordination Agreement with Mr. Hirsch and Mr. Seymour.

We have negotiated further extensions of the maturity date of the Nedbank loan. The Amended and Restated Secured Promissory Note now provides for interest-only payments at a rate of 11% per annum, payable monthly, and will mature on the earlier of April 30, 2007 or the closing of an equity offering in which we raise not less than $20,000,000. In connection with the extension to April 30, 2007, we received an additional $100,000, thereby increasing the outstanding principal amount of bridge loan facility to $5,000,000. In consideration for the extension and increased loan amount we paid Nedbank $75,000 and issued 174,000 common stock purchase warrants to Nedbank and 126,000 common stock purchase warrants to Auramet Trading. Each warrant entitles the holder to purchase one share of our common stock on or before May 15, 2008, at an exercise price of $0.66.

If we wish to procure any project financing for the Johnson Camp property, Nedbank has a right of first refusal to arrange for such financing on terms acceptable to us.

We have negotiated a further debt financing facility with Nedbank in connection with our plans to reactivate the Johnson Camp Mine. On January 31, 2006, we were advised by Nedbank that its Credit Committee has approved in principle a $14 million debt financing facility for the development of the Johnson Camp Mine, subject to:

- our company raising a minimum of $18 million, by way of an equity financing;
- Nedbank s right to review our company s hedging program, and to call for additional hedging should Nedbank deem this to be necessary;

- completion of confirmatory legal due diligence;
- the negotiation and settlement of acceptable transaction documentation; and
- the absence of a material adverse change in our company s affairs.

Private Placement

In September 2005, we commenced a private placement of equity securities up to a maximum of 1,428,571 units, whereby one unit, consisting of one share of common stock and a warrant to purchase one share of common stock, is being offered for $0.35 per unit. We have sold 899,644 units for a total of $314,875 pursuant to this private placement which closed in January 2006. The stock purchase warrants have an exercise price of $0.40 and expire in three years.

Cash Flows From Investing Activities

In 2005, as required by our bridge loan facility with Nedbank, we deposited restricted cash of $400,000 with Auramet Trading, and we purchased copper put options for $275,358. This resulted in a net increase in restricted cash of $126,063. In 2006, we used $56,252 of the restricted cash to purchase copper put options and pursuant to an agreement with Nedbank and Auramet we used the remaining $69,811 of restricted cash to purchase conveyors to be used at the Johnson Camp Mine.

Critical Accounting Policies And Estimates

Our consolidated financial statements and accompanying notes have been prepared in accordance with U.S. generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our consolidated financial statements. In general, management s estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

We believe that our critical accounting policies and estimates include the accounting for accounts receivable, marketable securities and long-lived assets reclamation costs, and accounting for legal contingencies.

Marketable Securities

Marketable securities consist of common stock and are stated at market value as determined by the most recently traded price of each security at the balance sheet date. All marketable securities are defined as trading securities or available for sale securities under Statement of Financial Accounting Standards (SFAS) No. 115. Management determines the appropriate classification of its investments in marketable debt and equity securities at the time of each purchase and re-evaluates such determination at each balance sheet date. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and unrealized gains and losses are included in earnings. Debt securities, for which our company does not have the intent or ability to hold to maturity, and equity securities are classified as available for sale. Available for sale securities are carried at fair value, with unrealized gains and losses, net of tax, reported as a separate component of stockholders equity. The cost of investments sold is determined on the specific identification or the first-in, first-out method.

Long-Lived Assets

Our company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment loss is measured as the amount by which the asset carrying value exceeds its fair value. Fair value is generally determined using valuation techniques such as estimated future cash flows. An impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows for the Johnson Camp Mine include estimates of recoverable pounds of copper, copper prices (considering current and historical prices, price trends and related factors), production rates and costs, capital and reclamation costs as appropriate, all based upon detailed life-of-mine engineering plans and feasibility studies. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. No impairment losses were recorded during the years ended December 31, 2006 and 2005.

Valuation of Stock Options and Warrants

From time to time our company issues stock options and warrants. We use the Black-Scholes option pricing model to estimate the fair value of stock options and warrants issued. The Black-Scholes option pricing model utilizes the risk free interest rate on the date of issuance for a term that is equivalent to the expected term of the options and warrants issued and requires us to estimate the expected term of the stock option or warrant issued and the volatility and dividend yield of the underlying common stock.

Income Taxes

Our company uses the liability method to account for income taxes. Under the liability method, deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the financial statements. Under applicable accounting rules, we are considered to be unlikely to recognize sufficient operating income to realize the benefit of these assets over time until we have had a reasonable history of net profits, which in some circumstances has been interpreted as requiring at least two consecutive years of net profits. Accordingly, we have recorded a deferred tax valuation allowance in 2006 and prior years to offset the entire deferred tax asset arising from our tax loss carry forward. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized, based upon criteria that include a recent history of demonstrated profits. We will continue to review this valuation allowance and make adjustments as appropriate. Income tax expense consists of the tax payable or refundable for the current period and the change during the period in net deferred tax assets and liabilities. A change of over 50% of our equity ownership will result in a change in ownership as defined in the Internal Revenue Code and underlying regulations, and will have the effect of limiting the availability of the tax loss carry forward.

Reclamation Costs

In August 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, which established a uniform methodology for accounting for estimated reclamation and abandonment costs. This statement was adopted January 1, 2003, when we recorded the estimated present value of reclamation liabilities and adjusted the carrying amount of the related asset. Reclamation costs are allocated to expense over the life of the related assets and are adjusted for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate.

We have estimated our asset retirement obligations using an expected cash flow approach, in which multiple cash flow scenarios were used to reflect a range of possible outcomes. We estimated the aggregate undiscounted obligation to be approximately $400,000 for the Johnson Camp Mine. To calculate the fair value of this obligation, the projected cash flows were discounted at our company s

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estimated credit-adjusted, risk free interest rate of 10%. At December 31, 2006 the recorded value of accrued reclamation costs was $182,122. We will recognize increases to our asset retirement obligation concurrently with the impact of our mining activity, if and when such additional mining activity occurs.

Litigation

Our company is currently subject to various claims and legal proceedings arising in the ordinary course of business. If any adverse decisions or settlements occur, they may have a material adverse effect on our financial position, or results of operations. Litigation, is inherently uncertain and we can make no assurance as to the ultimate outcome or effect.

Recently Issued Accounting Guidance

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 151, Inventory Costs-an amendment of ARB No. 43, Chapter 4, which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted materials as current period costs. It also requires that allocations of fixed production overheads to the costs of conversion be based on the normal capacity of production facilities. SFAS No. 151 applies to inventory costs incurred in the first fiscal year beginning after June 15, 2005. The Company adopted the provisions of SFAS No. 151 on January 1, 2006, which had no impact on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets - an amendment of APB No. 29 . SFAS No. 153 eliminates the exception to account for nonmonetary exchanges of similar productive assets at carrying value and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance; otherwise, the exchange principle of fair value applies. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company adopted the provisions of SFAS No. 153 on January 1, 2006, which had no impact on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No.123R, Share-Based Payment , which revised SFAS No. 123, Accounting for Stock-Based Compensation and superseded APB No. 25, Accounting for Stock Issued to Employees and its related implementation guidance. SFAS No. 123R will provide investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. SFAS No. 123R requires measurement and recording in the financial statements of the costs of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, recognized over the period during which an employee is required to provide services in exchange for such award. SFAS No. 123R covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Public entities that file as small business issuers will be required to apply SFAS No. 123R as of the first interim or annual reporting period that begins after December 15, 2005. The Company adopted SFAS No. 123R on January 1, 2006, and expects the new standard to have a material impact on the Company s financial position and results of operations in connection with the granting of new stock options.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and FASB Statement No. 3 . SFAS No. 154 requires retrospective application to prior periods' financial statements for changes in accounting principles, unless it is impracticable to determine either the period - specific effects or the cumulative effect of the change. SFAS No. 154 also requires that retrospective application of a change in accounting principle be limited

to the direct effects of the change. Indirect effects of a change in accounting principle, such as a change in non-discretionary profit sharing payments resulting from an accounting change, should be recognized in the period of the accounting change. SFAS No. 154 also requires that a change in depreciation, amortization, or depletion method for long - lived non - financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date this Statement is issued. The Company adopted the provisions of SFAS No.154 on January 1, 2006, which had no impact on the Company s consolidated financial statements.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments An Amendment of FASB Statements No. 133 and 140 . SFAS No. 155 resolves issues addressed in Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets . This Statement permits fair value re-measurement for any hybrid financial instruments that contains an embedded derivative that otherwise would require bifurcation. It clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133. It also establishes a requirement to evaluate interests in securitized financial assets, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006. Early adoption is permitted as of the beginning of an entity s fiscal year, provided the entity has not yet issued financial statements, including financial statements for any interim period, for that fiscal year. The Company plans to adopt this standard beginning January 1, 2007 and does not anticipate it to have a material impact on the Company s consolidated financial statements.

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109 . This interpretation clarifies the accounting for uncertainty in income tax recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes . This interpretation prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company plans to adopt this standard beginning January 1, 2007; at this time, it is uncertain if doing so will have a material impact on the Company s consolidated financial statements.

In June 2006 the FASB issued EITF Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement . EITF Issue No. 06-3 applies to any taxes assessed by a governmental authority that is both imposed on and concurrent with a specific revenue-producing transaction between a seller and customer, and may include but is not limited to sales, use, value added and some excise taxes. This Issue requires an entity to disclose if taxes are presented in the income statement on a gross or net basis. Additionally, an entity that reports any such taxes on a gross basis should also disclose the amounts of those taxes in interim and annual financial statements for each period an income statement is presented if those amounts are significant. EITF Issue No. 06-3 applies with respect to any interim and annual reports filed after December 15, 2006.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements . SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company plans to adopt this

standard beginning January 2008, and does not anticipate it to have a material impact on the Company s consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plan-an amendment of FASB Statements No. 87, 88 106, and 132(R) . SFAS No. 158 requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 is effective for an issuer of publicly traded securities for financial statements issued for fiscal years beginning after December 15, 2006. The Company plans to adopt this standard beginning January 2007, and does not anticipate it to have a material impact on the Company s consolidated financial statements.

In September 2006, the SEC issued SAB 108 which was issued to address diversity in practice in quantifying financial statement misstatements and the potential under current practice for the build up of improper amounts on the balance sheet. SAB 108 is effective for any fiscal year beginning after November 15, 2006. The Company plans to adopt this bulletin beginning January 2007, and does not anticipate it to have a material impact on the Company s consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities-Including and amendment of FASB No. 115 . SFAS No. 159 permits entities to choose to measure many financial instruments and certain other assets at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. The Company plans to adopt this standard beginning January, 2008, at this time, it is uncertain if doing so will have a material impact on the Company s consolidated financial statements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

ITEM 7. FINANCIAL STATEMENTS

Our audited consolidated financial statements as of December 31, 2006 and for the years ended December 31, 2006 and 2005, and the related notes to the financial statements, are filed as part of this annual report beginning on page F-1 below, and are incorporated by reference in this Item 7.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Mayer Hoffman McCann P.C. has been appointed as our independent registered public accounting firm effective May 2004, with the approval of our board of directors. There have been no disagreements between us and Mayer Hoffman McCann on any matter of accounting principles, practices or financial statement disclosure.

ITEM 8A. CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by our company is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. Our

Chief Executive Officer, Erland A. Anderson, and our Chief Financial Officer, John Perry, are responsible for establishing and maintaining disclosure controls and procedures for our company.

Our management has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2006 (under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer), pursuant to Rule 13a-15(b) promulgated under the *Securities Exchange Act of 1934*, as amended. As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. Based on this evaluation, our company s Chief Executive Officer and Chief Financial Officer have concluded that our company s disclosure controls and procedures were not effective as of December 31, 2006, due to certain material weaknesses in internal control over financial reporting.

The term internal control over financial reporting is defined as a process designed by, or under the supervision of, the registrant s principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant s 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 generally accepted accounting principles 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 registrant;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant s assets that could have a material effect on the financial statements.

Until we have sufficient financial resources to add additional personnel to our accounting department, our Chief Financial Officer and only one other person remain responsible for booking of entries in our financial records. We have concluded that this continues to represent a material weakness with respect to our company s internal control over financial reporting.

ITEM 8B. OTHER INFORMATION

Not applicable.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Directors and Executive Officers

The following table and information that follows sets forth the names and positions of our directors and executive officers:

Name and Municipality of Residence	Age	Current Office with Nord Resources Corporation	Director Since
Ronald A. Hirsch(1) Laguna Beach, CA	63	Director and Chairman	September 7, 2000
Stephen D. Seymour Baltimore, MD	64	Director	October 15, 2003
Wade D. Nesmith North Vancouver, BC	54	Lead Director	February 15, 2006
Douglas P. Hamilton North Chatham, MA	64	Director	February 15, 2006
John F. Cook Roslin, ONT	66	Director	February 15, 2006
Erland A. Anderson(2) Tucson, AZ	63	President and Chief Executive Officer	N/A
John T. Perry Tucson, AZ	40	Chief Financial Officer, Senior Vice President, Secretary and Treasurer	N/A

(1) Mr. Hirsch also held the position of Chief Executive Officer of the Company until February 15, 2006. Effective February 15, 2006, Mr. Tintor became President and Chief Executive Officer, and served in such capacities until his resignation from Nord as an officer of our company effective August 21, 2006 at which time Mr. Anderson was appointed as interim President and Chief Executive Officer.

(2) Mr. Anderson was also President and a director of the Company until February 15, 2006. Mr. Anderson was appointed Executive Vice President and Chief Operating Officer on February 15, 2006, and served in such capacities until his appointment as our interim President and Chief Executive Officer upon Mr. Tintor s resignation.

The following is a description of the business background of the directors, director nominees and executive officers of our company.

Ronald A. Hirsch Mr. Hirsch has been a director of our company since September 7, 2000 and Chairman since October 20, 2003. He was also Chief Executive Officer from October 20, 2003 until February 15, 2006. Mr. Hirsch has over 30 years experience in the investment and corporate finance community. From January 2000 to October 2003, he was the President of Hirsch Enterprises, a private investment firm based in Laguna Beach, California. Until 1997, Mr. Hirsch was Senior Vice President - Investments with Lehman Brothers in New York where he was employed for 20 years, and previous to that was with Dean Witter for five years. He holds a bachelors degree in economics from Michigan State University and pursued advanced studies in Finance at New York University.

Stephen D. Seymour Mr. Seymour was appointed a director of our company on October 15, 2003. He has over 30 years experience in sales, marketing and finance. Mr. Seymour has owned and been employed by Rockland Investments since 1986. He spent 15 years with Westinghouse Broadcasting where he was head of all television sales and marketing and a member of the board of the Broadcasting Division. Since 1980, he has specialized in leveraged buy outs, turn around situations and under managed and under capitalized ventures. Mr. Seymour holds an undergraduate degree from Rutgers University and an MBA from Columbia University.

Wade D. Nesmith Mr. Nesmith has been a director of our company since February 15, 2006 and is our Lead Director. He obtained his Bachelors of Law degree from York University Osgoode Hall, Ontario in 1977. He has been Associate Counsel with Lang Michener LLP since November 2005 and from January to December 2004, prior to which he was the Vice President of Strategic Development for Westport Innovations Inc. from September 2000 to December 2003. He has been a director of Silver Wheaton Corp., a company listed on the Toronto Stock Exchange and the American Stock Exchange, since October 2004. He was a director and Secretary of Kingsway International Holdings Limited from

August 1995 to August 2004 and a director and officer of Westport Innovations Inc. from April 1996 to April 2003, both of which are listed on the Toronto Stock Exchange, and a director of Creation Ventures Inc. from November 1999 to May 2003, which is listed on the TSX Venture Exchange. He was also a director and Chair of the Executive Committee of Oxford Automotive Inc., a private Michigan based company, from December 2003 to March 2005.

Douglas P. Hamilton Mr. Hamilton has been a director of our company since February 15, 2006. He has over 30 years of experience in operations and finance in the power generation, automotive and aerospace industries. Mr. Hamilton has been retired since 1997. Prior to his retirement, he was Senior Vice President Finance and Chief Financial Officer of Barnes Group Inc. (1996-1997) and Vice President Finance and Control of U.S. Power Generation Businesses for Asea Brown Boveri, Inc. (1993-1996). Prior to that, he held various executive and management positions at United Technologies Corporation and Ingersoll-Rand Company. Mr. Hamilton holds an AB degree in Engineering Science from Dartmouth College and an MBA in accounting from Columbia University.

John F. Cook Mr. Cook has been a director of our company since February 15, 2006. For the past five years he has been the President of Tormin Resources Limited, a private company providing consulting services to the mining industry. Mr. Cook brings more than 40 years of experience in the operations and management of mining companies to Nord. His positions have included Operations Director, Navan Resources Plc (1994-96), Vice President Operations, Goldcorp Inc. (1990-94), Senior Project Manager, General Manager and Vice President Engineering, Lac Minerals Ltd. (1983-90), Associate and Principal, Golder Associates Ltd. (1978-83), and Senior Mining and Managing Consultant, RTZ Consultants Ltd. (1974-78). Currently, Mr. Cook serves as the Chairman of Wolfden Resources Inc. and of Anaconda Gold Corp. He is also a director of GLR Resources Inc., Uranium City Resources Inc. and MBMI Resources Inc. Mr. Cook holds a Bachelor of Engineering (Mining), C. Eng UK, and P. Eng Ontario.

Erland A. Anderson Mr. Anderson was appointed interim President and Chief Executive Officer following the resignation of Mr. Nick Tintor from these positions effective August 21, 2006. Prior to this, Mr. Anderson had served as our Chief Operating Officer and Executive Vice President since February 15, 2006, and as our President and a director from October 2003 until February 15, 2006. Mr. Anderson has over 30 years operational experience in the mining industry. From December 30, 2002 to October 2003, he was our Vice President. From June, 1999 to December 30, 2002, he served as the Company s Operations Manager and from 1994 to 1999 was North American Operations Manager for Nord Pacific Limited. Prior to 1994, Mr. Anderson was Vice President of Minera Roca Roja, S.A. de C.V., Walhalla Mining Company and Keweenaw Copper Company and a Director of Technical Services for St. Joe Minerals Corporation where he was employed for 14 years and had responsibility for mine planning and technical services. Mr. Anderson holds a degree in Civil Engineering Technology from Michigan Technological University and is a member of the Society for Mining, Metallurgy, and Exploration of the American Institute of Mining, Metallurgical, and Petroleum Engineers.

John T. Perry Mr. Perry was appointed as Senior Vice President and Chief Financial Officer on April 1, 2005 and Secretary and Treasurer in September 2005. Mr. Perry has over 15 years (1989 to present) of mining and metals industry experience. Before joining our company, Mr. Perry was Vice President, Director with CB Richard Ellis, International Mining and Metals Group from December 2003 to August 2005. Prior to that, he held various positions with BHP Billiton Base Metals and BHP Copper Inc., including Vice President Finance with BHP Billiton Base Metals from August 2002 to November 2003, President, BHP Copper, Inc. from August 1999 to August 2002, and Vice President Finance and Administration for BHP Copper, Inc. He is a Certified Public Accountant and holds an undergraduate degree in Accounting and Finance as well as an MBA from the University of Arizona.

Our directors hold office until the next annual meeting of the stockholders and the election and qualification of their successors. Officers are elected annually by the Board of Directors and serve at the direction of the Board of Directors.

Committees of the Board of Directors

In February 2006, our Board of Directors established four board committees: an Audit Committee, a Compensation Committee, a Corporate Governance and Nominating Committee and an Executive Committee. Since these Committees were established in February 2006.

The information below sets out the current members of each of the Company s board committees and summarizes the functions of each of the committees.

Audit Committee

Our Audit Committee has been structured to comply with Rule 10A-3 under the *Securities Exchange Act of 1934*. Our Audit Committee is comprised of Douglas P. Hamilton, John F. Cook and Wade D. Nesmith, all of whom have been determined by our Board of Directors to meet the independence standards prescribed in Section 121 of the AMEX Company Guide. Douglas P. Hamilton is the Chairman of the Audit Committee, and our Board of Directors has determined that he satisfies the criteria for an audit committee financial expert under Item 401(e) of Regulation S-B of the rules of the Securities and Exchange Commission. Each Audit Committee member is able to read and understand fundamental financial statements, including our company s consolidated balance sheet, statement of operations and statement of cash flows.

The Audit Committee will meet with management and our external auditors to review matters affecting our company s financial reporting, the system of internal accounting and financial controls and procedures and the audit procedures and audit plans. The Audit Committee will review our significant financial risks, will be involved in the appointment of senior financial executives and will annually review our insurance coverage and any off balance sheet transactions.

The Audit Committee is mandated to monitor our company s audit and the preparation of financial statements and to review and recommend to the Board of Directors all financial disclosures contained in our company s public documents. The Audit Committee is also mandated to appoint external auditors, monitor their qualifications and independence and determine the appropriate level of their remuneration. The external auditors report directly to the Audit Committee and to the Board of Directors. The Audit Committee and Board of Directors each have the authority to terminate the external auditor s engagement (subject to confirmation by our stockholders). The Audit Committee will also approve in advance any permitted services to be provided by the external auditors which are not related to the audit.

Our company will provide appropriate funding as determined by the Audit Committee to permit the Audit Committee to perform its duties and to compensate its advisors. The Audit Committee, at its discretion, has the authority to initiate special investigations, and if appropriate, hire special legal, accounting or other outside advisors or experts to assist the Audit Committee to fulfill its duties.

The Audit Committee operates pursuant to a written charter, which complies with the applicable provisions of the *Sarbanes-Oxley Act of 2002* and related rules of the SEC and the AMEX.

Compensation Committee

The Compensation Committee is comprised of Douglas P. Hamilton, John F. Cook and Wade D. Nesmith, all of whom have been determined by our Board of Directors to meet the independence standards prescribed in Section 121 of the AMEX Company Guide. John F. Cook is the Chairman of the Compensation Committee. The Compensation Committee is responsible for considering and authorizing terms of employment and compensation of directors, executive officers and providing advice on compensation structures in the various jurisdictions in which our company operates. In addition, the Compensation Committee reviews our overall salary objectives and any significant modifications made to

employee benefit plans, including those applicable to directors and executive officers, and proposes any awards of stock options and incentive and deferred compensation benefits.

The Compensation Committee does not currently have a written charter, but is considering adopting a formal charter to govern its responsibilities and conduct.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is comprised of Douglas P. Hamilton, John F. Cook and Wade D. Nesmith, all of whom have been determined by our Board of Directors to meet the independence standards prescribed in Section 121 of the AMEX Company Guide. Wade D. Nesmith is the Chairman of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is responsible for developing our approach to corporate governance issues and compliance with governance rules. The Corporate Governance and Nominating Committee is also mandated to plan for the succession of our company, including recommending director candidates, review of board procedures, size and organization, and monitoring of senior management with respect to governance issues. The Committee is responsible for the development and implementation of corporate communications to ensure the integrity of our disclosure controls and procedures, internal control over financial reporting and management information systems. The purview of the Corporate Governance and Nominating Committee also includes the administration of our Board of Directors relationship with our management.

The Corporate Governance and Nominating Committee identifies individuals believed to be qualified to become board members and recommends individuals to fill vacancies. There are no minimum qualifications for consideration for nomination to be a director of the Company. The Committee will assess all nominees using the same criteria. In nominating candidates, the Committee takes into consideration such factors as it deems appropriate, including judgment, experience, skills and personal character, as well as the needs of the Company. The Corporate Governance and Nominating Committee will consider nominees recommended by stockholders if such recommendations are made in writing to the Committee and will evaluate nominees for election in the same manner whether the nominee has been recommended by a stockholder or otherwise. To recommend a nominee, please write to the Corporate Governance and Nominating Committee c/o Nord Resources Corporation, Attn: Secretary, 1 West Wetmore Road, Suite 107, Tucson, Arizona, 85705.

The Corporate Governance and Nominating Committee does not currently have a written charter, but is considering adopting a formal charter to govern its responsibilities and conduct.

Executive Committee

The Executive Committee is comprised of Wade D. Nesmith, Stephen D. Seymour and Douglas P. Hamilton. Wade D. Nesmith is the Chairman of the Executive Committee. Mr. Nesmith and Mr. Hamilton have been determined by our Board of Directors to meet the independence standards prescribed in Section 121 of the AMEX Company Guide. The purpose of the Executive Committee is to exercise all the powers and authority of the Board in the management of the property, affairs and business of the Company, except as otherwise provided in Section 141(c)(1) of the Delaware General Corporation Law and Section 3.10 of the Company s By-Laws.

Compliance with Section 16(A) of the Securities Exchange Act

Section 16(a) of the *Securities Exchange Act of 1934* requires the executive officers and directors, and persons who beneficially own more than ten percent of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms

they file. We have received copies of such forms from our executive officers and directors. During the fiscal year ended December 31, 2006, these filings were made on a timely basis.

Code of Ethics

Effective January 5, 2006, we adopted a Code of Ethics that applies to all of our directors and officers. This code summarizes the legal, ethical and regulatory standards that we must follow and is a reminder to our directors and officers of the seriousness of that commitment. Compliance with this code and high standards of business conduct is mandatory for each of our directors and officers. As adopted, our Code of Ethics sets forth written standards that are designed to deter wrongdoing and to promote:

1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

2) compliance with applicable governmental laws, rules and regulations;

3) the prompt internal reporting of violations of the Code of Ethics to an appropriate person or persons identified in the Code of Ethics; and

4) accountability for adherence to the Code of Ethics.

We will provide a copy of the Code of Ethics to any person without charge, upon request. Requests can be sent to: Nord Resources Corporation, at 1 West Wetmore Road, Suite 203, Tucson, Arizona, USA 85705.

ITEM 10. EXECUTIVE COMPENSATION

Summary Compensation Table

Particulars of compensation awarded to, earned by or paid during the last two fiscal years to:

(a) the person(s) serving as our company s principal executive officer during the year ended December 31, 2006;

(b) each of our company s two most highly compensated executive officers, other than the principal executive officer, who were serving as executive officers at the end of the year ended December 31, 2006, and whose total compensation exceeds $100,000 per; and

(c) up to additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as an executive officer of our Company at the end of the year ended December 31, 2006;

(the named executive officers) are set out in the summary compensation table below.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compen-sation ($)	Non-qualified Deferred Compen-sation Earnings ($)	All Other Compen-sation Compen-sation ($)	Total ($)

Ronald A. Hirsch Chairman	2006 2005	200,000[2] 200,000[2]	300,000[3] -	- -	- 515,826[12]	- -	-	11,538[4] -	511,538 715,826

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compen-sation ($)	Non-qualified Deferred Compen-sation Earnings ($)	All Other Compen-sation Compen-sation ($)	Total ($)
and Chief Executive Officer(1)									
Nicholas Tintor President and Chief Executive Officer(5)	2006 2005	- -	88,235 -	- -	- -	- -	- -	233,000(6) -	321,235 -
Erland A. Anderson President and Chief Executive Officer(7)	2006 2005	150,000(8) 150,000(8)	300,000(3) -	- -	126,633(9) -	- -	- -	8,654(4) -	585,287 150,000
John T. Perry Senior Vice President, Chief Financial Officer, Secretary and Treasurer	2006 2005	203,000(10) 52,700(10)	375,000(3)(11) 75,000(11)	- -	- 143,835	- -	- -	10,096(4) -	588,096 271,535

Notes

(1) Mr. Hirsch resigned as Chief Executive Officer of the Company effective February 15, 2006, but remains Chairman of the Board.

(2) $200,000 of salary deferred in each of 2006 and 2005.

(3) By resolutions adopted at a regularly scheduled directors meeting held on October 16, 2006, our company s board of directors have declared bonuses of $300,000 to each of Mr. Hirsch, Mr. Anderson and Mr. Perry for their success in bringing our company back into compliance with its reporting obligations under the *Securities Exchange Act of 1934*, as amended, and otherwise positioning our company to focus on its near-term objective of reactivating the Johnson Camp Mine: The bonuses have been accrued and are payable when our company has

sufficient funds to make the payments, as shall be determined in the discretion of the board of directors.

(4) Vacation earned but not taken during the 2006 calendar year.

(5) Mr. Tintor resigned as President and Chief Executive Officer on August 21, 2006.

(6) As described in more detail under the heading, Legal Proceedings Settlement Agreement with Nicholas Tintor, we entered into a settlement agreement with Mr. Tintor following his resignation as our President and Chief Executive Officer. Under the settlement agreement, in consideration of a mutual release of claims, we paid Mr. Tintor a total of $233,000 as follows: we paid $70,000 in cash upon execution of the agreement on September 29, 2006, and we paid the balance of $163,000 by issuing a total of 139,880 fully paid and non-assessable shares of common stock of our company to Mr. Tintor on January 7, 2007. Mr. Tintor had been granted 500,000 options on May 16, 2006, with a fair value of $188,806. These options were cancelled on September 29, 2006 pursuant to the settlement agreement. Additionally, Mr. Tintor had accrued but unpaid salary of $37,500 in 2006 which was forgiven pursuant to the settlement agreement.

(7) Mr. Anderson resigned as President and was appointed Executive Vice President and Chief Operating Officer effective February 15, 2006. He succeeded Mr. Nick Tintor as our President and Chief Executive Officer, on an interim basis, on August 21, 2006.

(8) $90,000 and $98,000 of salary was deferred in 2006 and 2005, respectively.

(9) On February 1, 2006, Erland Anderson voluntarily surrendered for cancellation stock options entitling him to purchase up to 675,000 shares of our common stock at an exercise price of $0.02 per share, being the market price of one share of common stock on the grant date. In exchange for such options, Mr. Anderson was granted replacement options entitling him to purchase up to 675,000 shares of our common stock, exercisable for five years at an exercise price of $0.50 per share.

(10) Fair value of shares in lieu of salary. The shares are restricted securities within the meaning assigned in Rule 144(a)(3) under the *Securities Act of 1933*.

(11) Fair value of shares. We agreed to issue 500,000 shares of common stock to Mr. Perry as a signing bonus upon his employment by our company, of which 250,000 shares valued at $75,000 were issued upon the execution of the original memorandum of understanding between our company and Mr. Perry, and the remaining 250,000 shares valued at $75,000 were issued in April 2006. The shares are restricted securities within the meaning assigned in Rule 144(a)(3) under the *Securities Act of 1933*.

(12) As described in more detail under the heading, Certain Relationships and Related Transactions, Mr. Hirsch exercised 1,750,000 stock options at an aggregate exercise price of $35,000 during June 2004. During April 2005, we agreed to rescind this stock option exercise and to reinstate the original 1,750,000 options at the exercise price and with the expiration date of the options under the original grant. We issued Mr. Hirsch a convertible promissory note, dated as of the date of the rescinded option exercise, for the $35,000 received by us as the exercise price but which was not refunded to Mr. Hirsch upon cancellation of the underlying stock.

Our company is just emerging from a prolonged period of severe financial distress that was precipitated by the closure of our former rutile mining operations in Sierra Leone, West Africa, in 1995. Our management has been focused on preserving the Johnson Camp Mine and conserving our cash to the extent possible. As a result, as disclosed in more detail in the footnotes to the foregoing summary compensation table and in the footnotes to the table under the heading "Executive Compensation - Compensation of Directors," our senior officers and directors have agreed to minimize or, in some cases, defer entirely, cash remuneration and accept equity-based compensation. All securities of our company issued as compensation to our senior officers and directors have been issued pursuant to exemptions from the registration requirements of the *Securities Act of 1933* and applicable state securities laws, and are therefore "restricted securities" within the meaning assigned in Rule 144(a)(3) promulgated under the *Securities Act of 1933*.

Outstanding Equity Awards as of December 31, 2006

The following table summarizes the outstanding equity awards as of December 31, 2006 for each of our named executive officers:

Option Awards						Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equi Incent Plar Aware Marke Payo Value Unear Share Units Othe Righ Tha Have I Veste ($)**
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	[illegible]

Ronald Hirsch								
Erland A. Anderson	675,000	N/A	N/A	$0.50	2/1/ 2011	N/A	N/A	N/A
John T. Perry	200,000 100,000 100,000 100,000	N/A N/A N/A N/A	N/A N/A N/A N/A	$0.30 $0.40 $0.50 $0.60	4/1/2010 4/1/2010 4/1/2010 4/1/2010	N/A	NA	NA

Compensation of Directors

The following table summarizes the compensation of our company s directors for the year ended December 31, 2006:

Name[(1)]	**Fees Earned or Paid in Cash ($)**	**Stock Awards ($)**	**Option Awards ($)**	**Non-Equity Incentive Plan Compen-sation ($)**	**Non-qualified Deferred Compen-sation Earnings ($)**	**All Other Compen-sation ($)**	**Total ($)**
Wade Nesmith	86,250[(2)]	41,563[(3)]	156,543	-	-	-	284,356
Doug Hamilton	34,500[(4)]	35,000[(5)]	156,543	-	-	-	226,043
Stephen Seymour	12,000[(6)]	21,875[(7)]	156,543	-	-	-	190,418
John Cook	22,500[(8)]	28,436[(9)]	156,543	-	-	-	207,479

<u>**Notes**</u>

(1) Ronald Hirsch, a member of our board of directors, is a named executive officer and did not receive any compensation as a director that has not been disclosed in the summary compensation table above.

(2) Cash fees totaling $86,250, of which $63,750 has been deferred (that is, accrued but remains unpaid).

(3) Fair value of deferred stock units issued pursuant to our Company s 2006 Stock Incentive Plan.

(4) Cash fees totaling $34,500, of which $30,000 has been deferred

(5) Fair value of deferred stock units issued pursuant to our Company s 2006 Stock Incentive Plan.

(6) Cash fees totaling $12,000, of which $7,500 has been deferred.

(7) Fair value of deferred stock units issued pursuant to our Company s 2006 Stock Incentive Plan.

(8) Cash fees totaling $22,500, all of which has been deferred.

(9) Fair value of deferred stock units issued pursuant to our Company s 2006 Stock Incentive Plan.

The Board of Directors has approved a compensation structure for our non-executive directors which is designed to fairly pay non-executive directors for work required while aligning the interests of the non-executive directors with the long-term interests of stockholders.

Our non-executive directors have received a one-time grant of 200,000 stock options, to vest as to one-third upon stockholder approval of the 2006 Stock Incentive Plan, which occurred at our Annual General Meeting on October 18, 2006, and one-third on each of the first and second anniversary of each non-executive s appointment date. The options are for a ten year term and, upon vesting, will be exercisable at an exercise price of $1.05 per share (being the fair market value of our common stock on the date of grant, calculated in accordance with the 2006 Stock Incentive Plan), subject to adjustment.

Non-executive directors are also entitled to receive a $25,000 annual retainer, with an additional $15,000 payable annually to the Chairman of the Audit Committee and to the Lead Director. In addition, $7,500 is payable annually to the Chairman of each of the Compensation Committee and Nominating and Corporate Governance Committee. All of these fees are payable in stock, restricted stock, restricted stock units, or such other equity-based compensation as the Board of Directors determines.

The Chairman of the Executive Committee is also entitled to receive a monthly retainer of $5,000 and the other members of the Executive Committee are entitled to receive a monthly retainer of $1,000. The Executive Committee fees are payable in cash.

In connection with the negotiation and the execution of the Merger Agreement with the PDM Parties, on August 14, 2006, our Board of Directors appointed a Special Committee of Independent Directors, consisting of Wade Nesmith, Doug Hamilton and John Cook. Mr. Nesmith served as the Chair of the Special Committee. Given the additional time and attention that the Special Committee was required to devote to the many issues arising in connection with the Merger Agreement, the Board of Directors approved compensation of $7,500 per month to the Chair of the Special Committee and $5,000 per month for each of the other two members. The Special Committee was dissolved on February 14, 2007.

The non-executive directors are also entitled to receive attendance fees of $1,500 per meeting for each board and committee meeting (except for members of the Executive Committee who will not receive additional attendance fees), payable in cash.

All cash fees can be deferred at the option of the directors.

We paid cash fees to our non-executive directors totaling $31,500 during the year ended December 31, 2006, as follows:

Name		Amount of Cash Fees Paid
Wade Nesmith	$	22,500
Doug Hamilton		4,500
Stephen Seymour		4,500
	$	31,500

To date, the equity-based fees have been paid in the form of awards issued pursuant to our company s 2006 Stock Incentive Plan. The non-executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in deferred stock units. Each of our non-executive directors has exercised such rights in respect of the equity-based fees payable to him for the current year. Accordingly, as of December 31, 2006, Wade Nesmith, our Lead Director and the Chairman of each of the Executive and the Corporate Governance and Nominating Committees, has received 47,907 deferred stock units; Douglas Hamilton, the Chairman of our Audit Committee, has received 40,342 deferred stock units; John Cook, the Chairman of our Compensation Committee, has received 32,778 deferred stock units; and Stephen Seymour has received 25,214 deferred stock units. The deferred stock units are subject to the 2006 Deferred Stock Unit Plan.

Employment Contracts and Termination of Employment and Change-In-Control Arrangements

Ronald Hirsch

On January 2, 2004, we entered into an Executive Employment Agreement with Ronald Hirsch to serve as our CEO. The term of this agreement is for three years, and the agreement is subject to automatic renewals for successive one year periods unless cancelled by either of the parties. Mr. Hirsch s base salary under the agreement is $200,000 annually. Mr. Hirsch is also entitled to participate in a formal incentive stock option plan, once adopted by us. In addition, Mr. Hirsch is entitled to participate in all health, insurance, retirement and other benefits provided to our other senior executives pursuant to authorization by our Board of Directors.

The Executive Employment Agreement provides that, absent a change in control, if we terminate Mr. Hirsch for any reason not for cause (other than due to death or disability), we must pay to Mr. Hirsch (i) accrued unpaid salary, bonuses and expenses, if any, (ii) his base salary for the greater of the remaining term and 12 months, and (iii) his health insurance premiums until the earlier of the expiration of 12 months and the date he is eligible for similar health benefits with another employer. Following a change in control, in the event we terminate Mr. Hirsch for any reason other than for death/disability or cause, we are required to pay Mr. Hirsch all accrued unpaid salary, bonuses, and expenses, a lump sum equal to three times his base salary, and we are required to pay for his health, medical, and disability insurance premiums for 18 months. Mr. Hirsch may also elect to terminate his employment following a change of control and receive these payments.

In connection with his employment by our company, Mr. Hirsch received stock options for the purchase of up to 3,000,000 shares of our common stock with an exercise price of $0.02 per share, which was the market price at the time of grant.

Effective February 15, 2006, Mr. Hirsch resigned as our Chief Executive Officer but has continued to serve as Chairman of our Board of Directors. On February 15, 2006, our company and Mr. Hirsch

entered into a waiver and amendment to the Executive Employment Agreement whereby Mr. Hirsch agreed, among other things, to work with Mr. Tintor for six months as part of the Company s transition to our new Chief Executive Officer, and to continue to act as Chairman for a period of two years after we have received funding of at least $25,000,000.

Effective October 18, 2006, we entered into an Amended and Restated Waiver Agreement And Amendment Of Employment Agreement with Mr. Hirsch which superseded and replaced the waiver and amendment to the Executive Employment Agreement. Its provisions included the requirement that we pay to Mr. Hirsch all of his accrued consulting fees for services provided by Mr. Hirsch to our company between May 1, 2001 and October 19, 2003 (totaling $295,000), and all of his accrued and unpaid salary (totaling $600,000 as of December 31, 2006), on the earlier of the closing date of: (a) a registered equity offering and/or a debt project financing in which we raised not less than the aggregate of $25,000,000; or (b) a Significant Transaction, which is defined to mean a significant transaction in which (i) any person, together with all affiliates and associates of such person, becomes the beneficial owner, directly or indirectly, of securities of Nord representing or convertible into 51% or more of the common stock of Nord, or (ii) there is a sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of Nord or of assets of Nord valued at $12,000,000 or greater. The provision automatically terminated on February 15, 2007, and the accrued salary and accrued consulting fees continue to be an amount payable by our company to Mr. Hirsch on demand.

The Amended and Restated Waiver Agreement And Amendment Of Employment Agreement also provides that:

- Mr. Hirsch s base salary in his capacity as Chairman from February 15, 2006, to February 15, 2007 continued at $200,000 per annum, and was reduced to $100,000 per annum thereafter.
- Notwithstanding Mr. Hirsch s retirement, resignation or termination for any reason other than for Cause (as defined in the Executive Employment Agreement) or as a result of a Significant Transaction in which any person, together with all affiliates and associates of such person, becomes the beneficial owner, directly or indirectly, of securities of Nord representing or convertible into 51% or more of the common stock of Nord, Nord shall continue to provide health insurance benefits to Mr. Hirsch until he reaches the age of 65.
- Since a Significant Transaction did not occur by February 15, 2007, Mr. Hirsch has the right, subject to the approval of our board of directors, to be appointed the President and Chief Executive Officer on the terms and subject to payment of an annual salary to be agreed between Nord and Mr. Hirsch.
- If Nord enters into an agreement with respect to a Significant Transaction in which any person, together with all affiliates and associates of such person, shall become the beneficial owner, directly or indirectly, of securities of Nord representing or convertible into 51% or more of the common stock of Nord, Mr. Hirsch will voluntarily resign as Chairman or, if applicable, as the President and Chief Executive Officer, effective immediately prior to the completion of the Significant Transaction.
- In the event that Mr. Hirsch ceases to be employed by Nord (other than by way of termination for Cause) in connection with the completion of a Significant Transaction other than one in which any person, together with all affiliates and associates of such person, becomes the beneficial owner, directly or indirectly, of securities of Nord representing or convertible into 51% or more of the common stock of Nord, Nord shall provide to Mr. Hirsch the payments and benefits set forth in the following sections of the Executive Employment Agreement, subject to execution and delivery by Mr. Hirsch to our company of a mutual and general release of claims:

(a) Section 7(g)(i)(A), which requires our company to pay the Accrued Obligations (as defined in the Executive Employment Agreement) in a lump sum within sixty (60) days following termination of employment,

(b) Section 7(g)(i)(B), which contemplates the payment to Mr. Hirsch of an amount equal to three times the Mr. Hirsch s Base Salary (as defined in the Executive Employment Agreement), payable in a lump sum within sixty (60) days following termination of employment,

(c) Section 7(g)(i)(C), which provides that if Nord elects continuation of coverage of medical and dental benefits under the *Consolidated Omnibus Budget Reconciliation Act of 1985*, Nord will pay 100% of such premiums for the first 18 months of coverage, and

(d) Section 7(g)(i) (D), which contemplates payment of premiums necessary for continuation of any Supplemental Disability Policy (as defined in the Executive Employment Agreement) or, at the election of Nord, a lump sum amount equal to the aggregate premiums to be paid thereon, in either case for a period of 18 months following the effective date of termination;

provided, however, that in lieu of the payments and benefits set forth in sections 7(g)(i)(C) and Section 7(g)(i)(D) of the Executive Employment Agreement, and in full payment and satisfaction Nord s obligations to Mr. Hirsch in respect thereof, Nord may in its sole discretion elect to pay to Mr. Hirsch the sum of $9,000 in cash no later than the closing date of the Significant Transaction.

- In the event of the completion of a Significant Transaction in which any person, together with all affiliates and associates of such person, becomes the beneficial owner, directly or indirectly, of securities of Nord representing or convertible into 51% or more of the common stock of Nord, Mr. Hirsch will not be entitled to receive the compensation contemplated by Section 7(g)(i)(B) of the Executive Employment Agreement, but Mr. Hirsch will be entitled to receive the payments and benefits set out in the following sections of the Employment Agreement: Section 7(g)(i)(A), Section 7(g)(i)(C), and Section 7(g)(i) (D); provided, however, that in lieu of the payments and benefits set forth in sections 7(g)(i)(C) and Section 7(g)(i)(D) of the Executive Employment Agreement, and in full payment and satisfaction our company s obligations to Mr. Hirsch in respect thereof, Nord may in its sole discretion elect to pay to Mr. Hirsch the sum of $9,000 in cash no later than the closing date of the Significant Transaction.

Nicholas Tintor

On February 15, 2006, Nicholas Tintor accepted our offer to serve as President and Chief Executive Officer of our Company pursuant to a letter agreement that contemplated the execution and delivery of a definitive Executive Employment Agreement between our company and Mr. Tintor within 30 days of the date of his acceptance of our offer.

We agreed to pay Mr. Tintor a signing bonus of $150,000, payable as to $75,000 as soon as practicable following the adoption of a formal stock incentive plan and $75,000 on the one-year anniversary of his acceptance. The bonus was to be paid in shares of common stock, to be issued as fully paid and non-assessable at a deemed issue price per share equal to the market price of our common stock, less a 15% discount to reflect their status as restricted securities with the meaning assigned in Rule 144 under the *Securities Act of 1933*, as amended. On May 12, 2006, we issued 176,471 shares of our common stock to Mr. Tintor in payment of the initial $75,000 installment of the signing bonus; the shares were valued at $88,236 at the time of issuance. Additionally, we granted Mr. Tintor 500,000 options to purchase shares of common stock with a term of three years.

As described in more detail under the heading, Legal Proceedings Settlement Agreement with Nicholas Tintor, Mr. Tintor resigned as our President and Chief Executive Officer effective August 21,

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2006, and we subsequently entered into a settlement agreement with Mr. Tintor. At the time of his resignation, we and Mr. Tintor had been negotiating the terms of the definitive Executive Employment Agreement in good faith. The term of his Executive Employment Agreement was to have been for three years and his initial salary was fixed at $6,000 per month, increasing to $200,000 per annum contingent and effective upon our receiving funding of at least $25,000,000. Mr. Tintor s salary was being accrued but unpaid until such time as our company received such funding.

Under the settlement agreement, in consideration of a mutual release of claims, we paid Mr. Tintor $70,000 in cash upon execution of the agreement on September 29, 2006, and we paid an additional $163,000 to Mr. Tintor by issuing a total of 139,880 fully paid and non-assessable shares of common stock to him on January 7, 2007. The 500,000 options that had been granted to Mr. Tintor were cancelled on September 29, 2006 pursuant to the settlement agreement.

Erland A. Anderson

On January 2, 2004, we entered into an Executive Employment Agreement with Erland A. Anderson to serve as our President. The term of this agreement is for three years, and the agreement is subject to automatic renewal for successive one year periods unless cancelled by either of the parties.

Mr. Anderson s base salary under the agreement is $150,000 annually. Mr. Anderson is also entitled to participate in a formal incentive stock option plan, once adopted by us. Additionally, Mr. Anderson is entitled to participate in all health, insurance, retirement and other benefits provided to our other senior executives pursuant to authorization by our Board of Directors. Absent a change in control, if we terminate Mr. Anderson for any reason not for cause (other than due to death or disability), we must pay to Mr. Anderson (i) accrued unpaid salary, bonuses and expenses, if any, (ii) his base salary for the greater of the remaining term and 12 months, and (iii) his health insurance premiums until the earlier of the expiration of 12 months and the date he is eligible for similar health benefits with another employer. Following a change in control, in the event we terminate Mr. Anderson for any reason other than for death/disability or cause, we are required to pay Mr. Anderson all accrued unpaid salary, bonuses, and expenses, a lump sum equal to three times his base salary, and we are required to pay for his health, dental, and disability insurance premiums for 18 months. Mr. Anderson may also elect to terminate his employment following a change of control and receive these payments.

In connection with his employment with our company, Mr. Anderson received stock options for the purchase of up to 1,500,000 shares of our common stock with an exercise price of $0.02 per share, which was the market price at the time of grant. In January 2006, Mr. Anderson voluntarily surrendered half of these options for cancellation, and received in exchange 675,000 options with a grant date of February 1, 2006 and exercisable for five years at a price of $0.50 per share.

Effective February 15, 2006, Mr. Anderson resigned as our President and was appointed as Executive Vice President and Chief Operating Officer. On February 15, 2006, we entered into a waiver and amendment to the Executive Employment Agreement with Mr. Anderson to revise the Executive Employment Agreement in light of Mr. Anderson s new appointments and to confirm the waiver of any rights that he may have had under such Agreement in respect of Nicholas Tintor s appointment as President and the changes to the composition of the Board of Directors.

In light of Mr. Tintor s resignation as an officer of our company, Mr. Anderson has been appointed as our President and Chief Executive Officer on an interim basis.

Effective October 18, 2006, we entered into an Amended and Restated Waiver Agreement And Amendment Of Employment Agreement with Mr. Anderson which supersedes and replaces the waiver and amendment to the Executive Employment Agreement. It provides for, among other things, an amendment to section 3(a) of the Executive Employment Agreement such that it now provides that Mr. Anderson shall serve as the President and Chief Executive Officer; provided, however, that Mr. Anderson

will resign as President and Chief Executive Officer and assume the office of Chief Operating Officer in the event that Mr. Hirsch exercises the rights that he holds to be appointed at the President and Chief Executive Officer subject to the approval of the Board of Directors. Its provisions also included the requirement that we pay to Mr. Anderson all of his accrued and unpaid salary (totaling $385,833 as of December 31, 2006), on the earlier of the closing date of: (a) a registered equity offering and/or a debt project financing in which we raise not less than the aggregate of $25,000,000; or (b) a Significant Transaction. The provision automatically terminated on February 15, 2007, and the accrued salary continues to be an amount payable by our company to Mr. Anderson on demand.

The Amended and Restated Waiver Agreement And Amendment Of Employment Agreement also provides that:

- If Nord enters into an agreement with respect to a Significant Transaction in which any person, together with all affiliates and associates of such person, shall become the beneficial owner, directly or indirectly, of securities of Nord representing or convertible into 51% or more of the common stock of Nord, Mr. Anderson will voluntarily resign as the President and Chief Executive Officer, or, if applicable, as the Chief Operating Officer, effective immediately prior to the completion of the Significant Transaction.

- In the event that Mr. Anderson ceases to be employed by Nord (other than by way of termination for Cause) in connection with the completion of a Significant Transaction other than one in which any person, together with all affiliates and associates of such person, becomes the beneficial owner, directly or indirectly, of securities of Nord representing or convertible into 51% or more of the common stock of Nord, Nord shall provide to Mr. Anderson the payments and benefits set forth in the following sections of the Executive Employment Agreement, subject to execution and delivery by Mr. Anderson to Nord of a mutual and general release of claims:

  (a) Section 7(g)(i)(A), which requires Nord to pay the Accrued Obligations (as defined in the Executive Employment Agreement) in a lump sum within sixty (60) days following termination of employment,

  (b) Section 7(g)(i)(B), which contemplates the payment to Mr. Anderson of an amount equal to three times the Mr. Anderson s Base Salary (as defined in the Executive Employment Agreement), payable in a lump sum within sixty (60) days following termination of employment,

  (c) Section 7(g)(i)(C), which provides that if Nord elects continuation of coverage of medical and dental benefits under the *Consolidated Omnibus Budget Reconciliation Act of 1985*, Nord will pay 100% of such premiums for the first 18 months of coverage, and

  (d) Section 7(g)(i) (D), which contemplates payment of premiums necessary for continuation of any Supplemental Disability Policy (as defined in the Executive Employment Agreement) or, at the election of our company, a lump sum amount equal to the aggregate premiums to be paid thereon, in either case for a period of 18 months following the effective date of termination;

  provided, however, that in lieu of the payments and benefits set forth in sections 7(g)(i)(C) and Section 7(g)(i)(D) of the Executive Employment Agreement, and in full payment and satisfaction Nord s obligations to Mr. Anderson in respect thereof, Nord may in its sole discretion elect to pay to Mr. Anderson the sum of $24,000 in cash no later than the closing date of the Significant Transaction.

Mr. Anderson will not be entitled to receive the compensation contemplated by Section 7(g)(i)(B) of the Executive Employment Agreement, but Mr. Anderson will be entitled to receive $150,000 and the payments and benefits set out in the following sections of the Employment Agreement: Section 7(g)(i)(A), Section 7(g)(i)(C), and Section 7(g)(i)(D); provided, however, that in lieu of the payments and benefits set forth in sections 7(g)(i)(C) and Section 7(g)(i)(D) of the Executive Employment Agreement, and in full payment and satisfaction our company s obligations to Mr. Anderson in respect thereof, Nord may in its sole discretion elect to pay to Mr. Anderson the sum of $24,000 in cash no later than the closing date of the Significant Transaction.

John T. Perry

Effective April 1, 2005, we hired John Perry as our Senior Vice President and Chief Financial Officer. In connection with his hiring, we executed a memorandum of understanding with Mr. Perry which states that for employment services rendered, Mr. Perry will be compensated on a monthly basis with 20,000 shares of common stock until such time that we receive funding of at least $10,000,000. Additionally, we agreed to issue 500,000 shares of common stock to Mr. Perry as a signing bonus, of which 250,000 were issued upon the execution of the memorandum of understanding, and the remaining 250,000 was issued in April 2006. We also issued stock options to Mr. Perry entitling him to purchase up to 500,000 shares of our common stock, exercisable for a term of five years, as follows: (a) 200,000 shares at an exercise price of $0.30 per share; (b) 100,000 at an exercise price of $0.40 per share; (c) 100,000 at an exercise price of $0.50 per share; and (d) 100,000 at an exercise price of $0.60 per share.

On April 18, 2005, we entered into an employment agreement with Mr. Perry to serve as our Senior Vice President and Chief Financial Officer. The term of this agreement is for two years, and the agreement is subject to automatic renewal for successive one year periods unless cancelled by either of the parties. Mr. Perry s base salary under the agreement is $175,000 annually, although Mr. Perry has agreed to accept 20,000 shares of common stock per month under his memorandum of understanding with us, in lieu of cash salary, until we have received funding of at least $10,000,000. The agreement also confirms that Mr. Perry will be compensated in the form of common shares of our company until such time as we complete a financing of at least $10,000,000. In addition, Mr. Perry is entitled to participate in any formal incentive stock option plan adopted by us, including the 2006 Stock Incentive Plan. Mr. Perry is also entitled to participate in all health, insurance, retirement and other benefits provided to our other senior executives pursuant to authorization by our Board of Directors. Absent a change in control, if we terminate Mr. Perry for any reason not for cause, we must pay Mr. Perry s salary and health and dental insurance premiums for the greater of the remainder of the term or 12 months. Following a change in control, in the event we terminate Mr. Perry for any reason other than for death/disability or cause, we are required to pay Mr. Perry all accrued unpaid salary, bonuses, expenses, a lump sum equal to three times his base salary, and we are required to pay for his health, dental, and disability insurance premiums for 18 months. Mr. Perry may also elect to terminate his employment following a change of control and receive these payments.

On February 15, 2006, we entered into a waiver agreement with Mr. Perry to confirm the waiver of any rights that he may have had under his Executive Employment Agreement with respect to the changes to the composition of the Board of Directors.

Effective October 18, 2006, our company entered into an Amendment Of Employment Agreement with Mr. Perry. Its provisions include the following:

- If we enter into an agreement with respect to a Significant Transaction in which any person, together with all affiliates and associates of such person, shall become the beneficial owner, directly or indirectly, of securities of Nord representing or convertible into 51% or more of the common stock of Nord, Mr. Perry will voluntarily resign as Senior Vice President and Chief Financial Officer, effective immediately prior to the completion of the Significant Transaction.

- In the event that Mr. Perry ceases to be employed by Nord (other than by way of termination for Cause) in connection with a Significant Transaction other than one in which any person, together with all affiliates and associates of such person, becomes the beneficial owner, directly or indirectly, of securities of Nord representing or convertible into 51% or more of the common stock of Nord, Nord shall provide to Mr. Perry the payments and benefits set forth in the following sections of the Executive Employment Agreement, subject to execution and delivery by Mr. Perry to Nord of a mutual and general release of claims:

  (a) Section 7(g)(i)(A), which requires Nord to pay the Accrued Obligations (as defined in the Executive Employment Agreement) in a lump sum within sixty (60) days following termination of employment,

  (b) Section 7(g)(i)(B), which contemplates the payment to Mr. Perry of an amount equal to three times the Mr. Perry s Base Salary (as defined in the Executive Employment Agreement), payable in a lump sum within sixty (60) days following termination of employment,

  (c) Section 7(g)(i)(C), which provides that if Nord elects continuation of coverage of medical and dental benefits under the *Consolidated Omnibus Budget Reconciliation Act of 1985*, Nord will pay 100% of such premiums for the first 18 months of coverage, and

  (d) Section 7(g)(i) (D), which contemplates payment of premiums necessary for continuation of any Supplemental Disability Policy (as defined in the Executive Employment Agreement) or, at the election of our company, a lump sum amount equal to the aggregate premiums to be paid thereon, in either case for a period of 18 months following the effective date of termination;

  provided, however, that in lieu of the payments and benefits set forth in sections 7(g)(i)(C) and Section 7(g)(i)(D) of the Executive Employment Agreement, and in full payment and satisfaction Nord s obligations to Mr. Perry in respect thereof, Nord may in its sole discretion elect to pay to Mr. Perry a lump sum in cash equal to the aggregate of the premiums that would have been payable during the 18 months following the closing date of the Significant Transaction on the assumption that the premiums would be assessed and charged during that period at the same respective rates in force on the date of such payment.

- In the event of the completion of a Significant Transaction in which any person, together with all affiliates and associates of such person, becomes the beneficial owner, directly or indirectly, of securities of Nord representing or convertible into 51% or more of the common stock of Nord, Mr. Perry will not be entitled to receive the compensation contemplated by Section 7(g)(i)(B) of the Executive Employment Agreement, but Mr. Perry will be entitled to receive $225,000 and the payments and benefits set out in the following sections of the Employment Agreement: Section 7(g)(i)(A), Section 7(g)(i)(C), and Section 7(g)(i) (D); provided, however, that in lieu of the payments and benefits set forth in sections 7(g)(i)(C) and Section 7(g)(i)(D) of the Executive Employment Agreement, and in full payment and satisfaction Nord s obligations to Mr. Perry in respect thereof, Nord may in its sole discretion elect to pay to Mr. Perry a lump sum in cash equal to the aggregate of the premiums that would have been payable during the 18 months following the closing date of the Significant Transaction on the assumption that the premiums would be assessed and charged during that period at the same respective rates in force on the date of such payment.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of February 15, 2006 regarding the beneficial ownership of our common stock by:

- each person who is known by us to beneficially own more than 5% of our shares of common stock; and
- each named executive officer, each director and all of our directors and executive officers as a group.

The number of shares beneficially owned and the percentage of shares beneficially owned are based on 34,236,906 shares of common stock outstanding as of February 15, 2007.

For the purposes of the information provided below, shares that may be issued upon the exercise or conversion of options, warrants and other rights to acquire shares of our common stock that are exercisable or convertible within 60 days following February 15, 2007, are deemed to be outstanding and beneficially owned by the holder for the purpose of computing the number of shares and percentage ownership of that holder, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

Name and Address of Beneficial Owner	**As of February 15, 2007 Shares[(1)]**	**Percent**
Named Executive Officers and Directors[(2)]		
Ronald A. Hirsch[(3)] Chairman	7,386,400[(4)]	20.5%
Stephen D. Seymour Director	4,864,324[(5)(9)]	13.6%
Wade D. Nesmith [(6)] Lead Director	126,667 [(7)(9)]	0.4%
Douglas P. Hamilton[(6)] Director	66,667[(9)]	0.2%
John F. Cook[(6)] Director	235,176 [(8)(9)]	0.7%
Erland A. Anderson[(10)] Interim President and Chief Executive Officer	1,500,000[(11)]	4.3%
John T. Perry Senior Vice President, Chief Financial Officer, Secretary and Treasurer	1,725,714[(12)]	4.9%
Directors and Executive Officers as a Group (Seven Persons)	15,904,948[(13)]	40.5%
Beneficial Owners of in Excess of 5% (other than Named Executive Officers and Directors)		
John F. Champagne	3,105,000	9.1%

Notes

(1) Based on 34,236,906 shares of common stock issued and outstanding as of February, 15, 2007. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished

by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable, and except as noted below.

(2) The address of the executive officers and directors is c/o Nord Resources Corporation, 1 West Wetmore Road, Suite 203, Tucson, Arizona, 85705.

(3) Mr. Hirsch also held the position of Chief Executive Officer of our company until February 15, 2006. Mr. Hirsch remained Chairman of the Board of Directors until February 26, 2007 at which time he was appointed Co- Chairman of the Board of Directors. Effective February 15, 2006, Mr. Tintor became President, Chief Executive Officer and a director. He resigned as an officer of our company effective August 21, 2006, and resigned as a Director on September 29, 2006.

(4) Includes warrants to acquire up to 1,130,000 common shares exercisable within sixty days. Also includes 730,000 common shares issuable upon conversion of convertible promissory notes.

(5) Includes warrants to acquire up to 1,130,000 common shares exercisable within sixty days, 1,575,000 common shares held by Mr. Seymour as a co-trustee of a trust, 320,757 common shares held jointly with his spouse, and 36,300 owned by his spouse. Mr. Seymour disclaims beneficial ownership of the 36,300 common shares owned by his spouse. Also includes 330,000 common shares issuable upon conversion of convertible promissory notes.

(6) Messrs. Nesmith, Hamilton and Cook were appointed to the Board of Directors on February 15, 2006.

(7) Includes warrants to acquire up to 30,000 common shares exercisable within sixty days.

(8) Includes warrants to acquire up to 71,429 common shares exercisable within sixty days and 71,429 shares of common stock, all of which are owned by Tormin Resources Limited, a company owned and controlled by Mr. Cook.

(9) As described under Executive Compensation Compensation of Non-Executive Directors , Messrs. Nesmith, Hamilton, Cook and Seymour have each received a grant of 200,000 stock options, 66,667 of which will vest to each such non-executive director upon approval by the stockholders of the 2006 Stock Incentive Plan. These options have not been included in this column since they will vest only upon approval of the plan.

(10) Mr. Anderson was also President and a director of the Company until February 15, 2006. Mr. Anderson was appointed Executive Vice President and Chief Operating Officer on February 15, 2006, and succeeded Mr. Tintor as President and Chief Executive Officer, on an interim basis, on August 21, 2006. On February 26, 2007 Mr. Anderson resigned as President and Chief Executive Officer and was appointed Executive Vice President and Chief Operating Officer.

(11) Includes options to acquire up to 675,000 common shares exercisable within sixty days.

(12) Includes options to acquire up to 500,000 common shares and warrants to acquire up to 142,857 common shares exercisable within sixty days.

(13) Includes options to acquire up to 1,175,000 common shares, warrants to acquire up to 2,561,429 common shares exercisable within sixty days. Also includes 1,060,000 common shares issuable upon conversion of convertible promissory notes.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the transactions described below, since the beginning of our last fiscal year, none of our directors, officers or principal stockholders, nor any associate or affiliate of the foregoing, have any material interest, direct or indirect, in any transaction, or in any proposed transaction, in which our company was or is to be a participant and in which the amount involved exceeds the lesser of $120,000 or one percent of the average of our total assets at year-end for the last three completed fiscal years.

TMD Acquisition

As described in more detail under the heading Legal Proceedings - Settlement of Claim Against

ASARCO Inc., we entered into a Settlement Agreement and a related Assignment Agreement dated as of October 18, 2006 with TMD Acquisition, pursuant to which we took an assignment of the Acquisition Agrreement with ASARCO dated March 21, 2005. Under the Settlement Agreement, we agreed to reimburse TMD Acquisition for the TMD Expenses in the aggregate amount of $365,000, and to assume certain accounts payable in the aggregate amount of $101,442 which had been incurred by TMD Acquisition in the preservation of the Zinc Opportunity to acquire ASARCO s Zinc Assets. We advanced to TMD Acquisition the aggregate amount of $50,000 (evidenced by demand promissory notes dated February 27, 2006 and May 8, 2006, each in the principal amount of $25,000) to cover certain expenses that TMD Acquisition has incurred in preserving the Zinc Opportunity. The loan is payable to our company on demand and is subject to set-off against the TMD Expenses.

Although ASARCO's trustee in bankruptcy sold the Zinc Assets, we instructed counsel to preserve any right of action that we might have against ASARCO and ASARCO s trustee in bankruptcy. On December 12, 2006 we entered into a settlement agreement with ASARCO pursuant to which ASARCO paid us $475,000 in consideration of the execution and delivery by the parties of mutual general releases.

The TMD Settlement Agreement provided that we would reimburse the TMD Expenses upon the earlier of certain specified events but no later that December 22, 2006. In addition, if we receive any cash payment on account of the claim against ASARCO and its trustee in bankruptcy, we are required to first remit such portion of the cash payment to TMD Acquisition as will be required to fully pay the outstanding balance of the TMD Expenses. However, TMD Acquisition has agreed to defer reimbursement of the TMD Expenses until our company s financial position has improved.

Extension of Certain Indebtedness to Related Parties

On June 21, 2005, the Company entered into a $600,000 revolving line of credit agreement with Ronald Hirsch and Stephen Seymour. The line of credit bears interest at 6.0% per annum and was to have matured on December 31, 2005, and is collateralized by accounts receivable, inventory, property and equipment, and other assets. In consideration for the issuance of the line of credit, our company agreed to issue to the lenders four shares of common stock and four warrants for every $1 loaned to our company. Each warrant entitles the lender to purchase one share of common stock at an exercise price of $0.25 for a period of three years. This loan is subordinated to the Bridge Loan with Nedbank described above.

The maturity of this loan was extended to the earlier of May 8, 2006, or the closing of an equity offering in which the Company raises at least $25 million, and commencing May 1, 2006, the interest rate was changed from 6.0% per annum to M&T Bank s prime rate. The maturity date was further extended to the earlier of September 30, 2006 or the closing of an equity offering in which we raise not less than $20,000,000. We have negotiated a further extension of the maturity date to the earlier of: (a) April 30, 2007; or (b) the closing of (i) an equity offering in which the Company raises not less than $20,000,000, or (ii) a significant corporate transaction which results in a change of control of the Company, or which involves a sale, lease, exchange or other transfer of all or substantially all of the Company s assets or assets valued at $12,000,000 or greater.

During 2004, we issued promissory notes in the principal amounts of $66,000 and $106,000, payable to Stephen Seymour, a member of the board of directors, and Ronald Hirsch, CEO and chairman of the board of directors, respectively. The loans accrue interest at 10% per annum, are unsecured and have been extended to mature on the earlier of: (a) April 30, 2007; or (b) the closing of (i) a registered equity offering and/or a debt project financing in which we raise not less than $25,000,000, or (ii) a significant corporate transaction which results in a change of control of our company, or which involves a sale, lease, exchange or other transfer of all or substantially all of our company s assets or assets valued at $12,000,000 or greater. These loans are repayable upon maturity: (a) in the case of an equity offering or a debt financing, as to 50% in cash and as to the balance in fully paid shares of common stock at a deemed price of $0.20 per share; (b) in the case of a significant corporate transaction or a sale, lease or transfer of assets, solely in fully paid shares of common stock at a deemed price of $0.20 per share; and (c) in any other case, in such mix of cash and/or fully paid shares of common stock at a deemed price of $0.20 per share as the holder may determine. These loans are subordinated to the Bridge Loan with Nedbank.

We have issued an unsecured convertible promissory note payable to Mr. Hirsch in the principal amount of $35,000. The promissory note bears interest at 10.0% per annum, is unsecured and has been extended to mature on the earlier of: (a) April 30, 2007; or (b) the closing of (i) a registered equity offering and/or a debt project financing in which we raise not less than $25,000,000, or (ii) a significant corporate transaction which results in a change of control of our company, or which involves a sale, lease, exchange or other transfer of all or substantially all of our company s assets or assets valued at $12,000,000 or greater. This loan is repayable upon maturity: (a) in the case of an equity offering or a debt financing, as to 50% in cash and as to the balance in fully paid shares of common stock at a deemed price of $0.175 per share; (b) in the case of a significant corporate transaction or a sale, lease or transfer of assets, solely in fully paid shares of common stock at a deemed price of $0.175 per share; and (c) in any other case, in such mix of cash and/or fully paid shares of common stock at a deemed price of $0.175 per share as the holder may determine. This loan is subordinated to the Bridge Loan with Nedbank.

Compensatory Arrangements

As of December 31, 2006, we have accrued $900,000 in unpaid salary and bonus to Mr. Hirsch, $685,833 to Mr. Anderson, and $300,000 to Mr. Perry.

Other than compensatory arrangements described under Executive Compensation, we have no other transactions, directly or indirectly, with our promoters, directors, senior officers or principal stockholders, which have materially affected or will materially affect us.

Where You Can Find More Information

Statements contained in this annual report as to the contents of any contract, agreement or other document referred to include those terms of such documents that we believe are material. Whenever a reference is made in this annual report to any contract or other document of ours, you should refer to the exhibits that are a part of the annual report for a copy of the contract or document.

You may read and copy all or any portion of the annual report or any other information that Nord Resources Corporation files at the SEC s public reference room at One Station Place, 100 F Street, NE, Washington, DC 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our SEC filings, including the annual report, are also available to you on the SEC s website at www.sec.gov.

Glossary of Technical Terms

SEC Industry Guide 7 Definitions

reserve	The term reserve refers to that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves must be supported by a feasibility study done to bankable standards that demonstrates the economic extraction. (Bankable standards implies that the confidence attached to the costs and achievements developed in the study is sufficient for the project to be eligible for external debt financing.) A reserve includes adjustments to the in-situ tons and grade to include diluting materials and allowances for losses that might occur when the material is mined.
proven (measured) reserve	The term proven reserve refers to reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape depth and mineral content of reserves are well-established.
probable (indicated) reserve	The term probable reserve refers to reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

mineralized material	The term mineralized material refers to material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.
exploration stage	An exploration stage prospect is one which is not in either the development or production stage.
production stage	A production stage project is actively engaged in the process of extraction and beneficiation of mineral reserves to produce a marketable metal or mineral product.

Following are definitions of certain technical terms used in this annual report.

Acid Soluble Copper. A measure of the estimated amount of copper in a rock sample that can be dissolved using a weak acid digestion. The acid soluble copper can be significantly less than the total copper in a rock.

Akaganeite. A tetragonal mineral, ferric oxyhydroxide beta-FeO(OH,Cl). A tetragonal mineral belongs to a system of crystallization having all three axes at right angles and the two lateral axes equal.

Anomaly. A geological feature, especially in the subsurface, distinguished by geological, geophysical, or geochemical means, which is different from the general surroundings and is often of potential economic value.

Assay. To analyze the proportions of metals in an ore; to test an ore or mineral for composition, purity, weight, or other properties of commercial interest. Assay can also refer to the test or analysis itself, as well as its results.

Block Model. Computer-generated block model of an ore deposit in which each block contains information about the geology, ore grade, tonnage, density and dimensions of that block in space. The purpose of the geological block model is to provide estimates of grade and tonnage for mine reserve estimating purposes and for mine planning.

Cathode Copper. A marketable product of copper resulting from SX-EW.

Chrysocolla. A monoclinic mineral, (Cu,Al)2 H2 Si2 O5 (OH) 4 .nH2 O. It can cryptocrystalline or amorphous, and forms incrustations and thin seams in oxidized parts of copper-mineral veins. Cryptocrystalline is descriptive of the texture of a rock consisting of crystals that are too small to be recognized and separately distinguished.

Column Test. A metallurgical test using columns of various diameters and heights filled with ore of various sizes to confirm recovery, recovery rate and reagent requirements for the tested ores.

Fault. A planar feature produced by breaking of the Earth s crust with movement on one, or both, sides of the plane.

Feasibility Study. A comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

Geophysical. Surveys that are conducted to measure the Earth s physical properties as a means of identify areas where anomalous features may exist.

Heap Leaching. A process whereby copper is recovered from ore by heaping broken ore on sloping impermeable pads, repeatedly irrigating the heaps with a diluted sulphuric acid solution which dissolves the copper content in the ore, collecting the copper-laden solutions (PLS), and stripping the solution of copper.

Kilovolt-Ampere. A unit of electrical power equal to 1000 volt-amperes.

Leach. The dissolution of soluble constituents from a rock or orebody by the natural or artificial action of percolating solutions.

Lerchs-Grossman Analysis. A method of precise open pit optimization commonly used in the mining industry. The technique, founded in 3-dimensional graph theory, relies on a regular system of blocks which defines the value (profit, loss) and type (ore, waste) of material contained in the blocks. Each block receives a positive or negative value representing the dollar value (profit/loss) that would be expected by excavating and extracting the mineral.

Lithology. The character of a rock described in terms of its structure, color, mineral composition, grain size, and arrangement of its component part. It is all those visible features that in the aggregate impart individuality to the rock.

Manto. A flat-lying, bedded deposit; either a sedimentary bed or a replacement strata-bound orebody.

Malacite. A monoclinic mineral, Cu2 CO3 (OH)2. It can be dimorphous with georgeite, and occurs with azurite (a monoclinic mineral, $Cu_3 (OH)_2 (CO_3)_2$) in oxidized zones of copper deposits. Dimorphism describes the property of a chemical compound to crystallize in either of two different crystal structures.

Metallurgical Testing. The study of the physical properties of metals as affected by composition, mechanical working, and heat treatment.

Mine. An opening or excavation in the ground for the purpose of extracting minerals; a pit or excavation from which ores or other mineral substances are taken by digging; an opening in the ground made for the purpose of taking out minerals; an excavation properly underground for digging out some usable product, such as ore, including any deposit of any material suitable for excavation and working as a placer mine; collectively, the underground passage and workings and the minerals themselves.

Mineralized. Material added by hydrothermal solutions, principally in the formation of ore deposits. Often refers to the presence of a mineral of economic interest in a rock.

Mixer-settler. Extraction apparatus. A mixer-settler consists of an agitation tank (commonly known as a mixer or mix box) in which the aqueous and organic solutions are contacted (e.g. PLS and kerosene), and a shallow gravity settling basin (commonly known as a settler) where the mixed solutions are allowed to settle due to natural gravity. The resulting individual layers of solution are capable of separate discharge.

Open Pit Mining. The process of excavating an ore body from the surface in progressively deeper layered cuts or steps. Sufficient waste rock adjacent to the ore body is removed to maintain mining access and to maintain the stability of the resulting pit.

Open Pit. A surface mine working open to daylight, such as a quarry.

Ore. The naturally occurring material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives. The term is generally but not always used to refer to metalliferous material, and is often modified by the names of the valuable constituent.

Oxide. A mineral compound characterized by the linkage of oxygen with one or more metallic elements. Sulfide minerals typically convert to oxides on exposure to oxygen. Oxides are more amenable to heap leach techniques than are sulfides.

Patented Mining Claims. A patented mining claim is one for which the Federal Government has passed its title to the claimant, making it private land. A person may mine and remove minerals from a mining claim without a mineral patent. However. a mineral patent gives the owner exclusive title to the locatable minerals. It also gives the owner title to the surface and other resources.

Porphyry. An igneous rock containing conspicuous crystals or phenocysts in a fine-grained groundmass; type of mineral deposit in which ore minerals are widely disseminated, generally of a low grade by large tonnage.

PLS. Pregnant Leach Solution is acidic copper-laden water generated from stockpile leaching and heap leaching. Pregnant Leach Solution is used in the SX-EW process.

Raffinate. The portion of an original liquid (PLS) that remains after other components have been dissolved by a solvent.

Reverse Circulation. The circulation of bit-coolant and cuttings-removal liquids, drilling fluid, mud, air, or gas down the borehole outside the drill rods and upward inside the drill rods. Often used to describe an advanced drilling and sampling method that takes a discrete sample from a drill interval with the objective of maintaining sample integrity.

Reserve. Measurement of size and grade of a mineral deposit that infers parameters have been applied to assess the potential for economic development.

Run-of-Mine. Ore in its natural, unprocessed state as it is mined (no crushing, grinding, concentrating, metallurgical extraction, etc.). For example, for a copper deposit, run-of-mine ore is material that has been drilled from a mine and blasted into broken pieces of rock taken out and put directly on heap leach pads without any further crushing.

Sediments. Material that has been deposited on the surface of the Earth through geologic means, usually transported and deposited by water. This material may eventually be cemented into rock.

Strike. The course or bearing of the outcrop of an inclined bed, vein, or fault plane on a level surface; the direction of a horizontal line perpendicular to the direction of the dip.

Sulfide. A mineral compound characterized by the linkage of sulphur with a metal.

Solvent extraction-electrowinning (SX-EW). A hydrometallurgical process for the recovery of copper from oxide ores through the use of an organic solvent and strong acid to concentrate the metal in solution, and using electrolysis to plate the metal out of solution. Produces a high-grade product that can be treated and sold as refined metal.

Tons. A unit of weight measurement. In this annual report it means dry short tons (2,000 pounds).

Total Copper. A measure of the estimated amount of copper in a rock sample.

Unpatented mining claims. Land which has been staked and recorded in appropriate mining registries and in respect of which the owner has the right to explore for and exploit the minerals contained in such land and to conduct mining operations thereon. In this annual report, unpatented mining claims refers to lode claims (and not placer claims).

Volt-ampere. A unit of electric power equal to the product of one volt and one ampere, equivalent to one watt.

ITEM 13. EXHIBITS

EXHIBIT NUMBER	**DESCRIPTION**
Articles of Incorporation and By-laws	
3.1	Certificate of Incorporation (as amended) of Nord Resources Corporation(1)
3.2	Amended and Restated Bylaws of Nord Resources Corporation(2)
Instruments defining the rights of security holders, including indentures	
4.1	Pages from Amended and Restated Bylaws of Nord Resources Corporation defining the rights of holders of equity or debt securities(1)
4.2	Convertible Promissory Note for $35,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated June 29, 2004(1)
4.3	Amendment to Convertible Promissory Note dated June 29, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective November 30, 2005(1)
4.4	Convertible Promissory Note for $66,000 issued by Nord Resources Corporation to Stephen D. Seymour dated August 19, 2004(1)
4.5	Amendment to Convertible Promissory Note dated August 19, 2004 issued by Nord Resources Corporation to Stephen D. Seymour effective September 26, 2005(1)
4.6	Second Amendment to Convertible Promissory Note dated August 19, 2004 issued by Nord Resources Corporation to Stephen D. Seymour effective November 30, 2005(1)
4.7	Convertible Promissory Note for $106,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated October 4, 2004(1)
4.8	Amendment to Convertible Promissory Note dated October 4, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective September 26, 2005(1)
4.9	Second Amendment to Convertible Promissory Note dated October 4, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective November 30, 2005(1)
4.10	Revolving Line of Credit Agreement, between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005(1)
4.11	Security Agreement between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005(1)

4.12	Secured Promissory Note ($600,000) between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005(1)
4.13	Second Amended and Restated Revolving Line of Credit between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated November 8, 2005(3)
4.14	Amended and Restated Warrant Certificate issued by Nord Resources Corporation to Auramet Trading, LLC, dated as of October 17, 2005(5)
4.15	Warrant Certificate issued by Nord Resources Corporation to Auramet Trading, LLC, dated April 17, 2006(5)
4.16	Acknowledgement of Ronald A. Hirsch regarding Agreement for Credit Risk Participation dated November, 2005(1)
4.17	Secured Promissory Note for $3,900,000 issued by Nord Resources Corporation to Nedbank Limited dated November 8, 2005(1)
4.18	Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing among Nord Resources Corporation , First American Title Insurance Company and Nedbank Limited dated November 8, 2005(1)
4.19	Warrant Certificate issued by Nord Resources Corporation to Nedbank Limited, dated May 8, 2006(4)
4.20	Environmental Indemnity Agreement between Nord Resources Corporation and Nedbank Limited dated November, 2005(1)
4.21	Subordination Agreement among Ronald A. Hirsch, Stephen D. Seymour and Nedbank Limited dated November 8, 2005(1)
4.22	Letter from Nord Resources Corporation to Nedbank Limited regarding conditions subsequent, dated November 8, 2005(1)
4.23	Perfection Certificate completed by Nord Resources Corporation for Nedbank Limited, dated November 8, 2005(1)
4.24	Waiver Agreement and Amendment of Promissory Note between Nord Resources Corporation and Nedbank Limited, dated February 6, 2006(3)
4.25	Letter Agreement between Nord Resources Corporation and Nedbank Limited, dated May 5, 2006, extending the maturity date of the Secured Promissory Note dated November 8, 2005 in the principal amount of $3,900,000, to May 15, 2006(4)
4.26	Letter Agreement between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour, dated May 5, 2006, extending the maturity date indebtedness under the Second Amended and Restated Revolving Line of Credit Agreement, among Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated November 8, 2005(7)
4.27	Modification Agreement between Nord Resources Corporation and Nedbank Limited, dated May 15, 2006(5)

4.28	Warrant Certificate issued by Nord Resources Corporation to Nedbank Limited, dated May 15, 2006[5]
4.29	Warrant Certificate issued by Nord Resources Corporation to Auramet Trading LLC, dated May 15, 2006[5]
4.30	Amended and Restated Secured Promissory Note, dated May 31, 2006, payable to Nedbank Limited in the principal amount of $4,900,000[6]
4.31	First Amendment to Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated May 31, 2006, among Nord Resources Corporation, First American Title Insurance Company and Nedbank Limited[6]
4.32	Amendment to Subordination Agreement, dated May 31, 2006, made for the benefit of Nedbank Limited by Ronald Hirsch and Stephen Seymour[6]
4.33	Warrant Certificate issued by Nord Resources Corporation to Auramet Trading, LLC, dated May 31, 2006 representing 250,000 common stock purchase warrants[6]
4.34	Letter Agreement between Nord Resources Corporation Nedbank Limited and Auramet Trading, LLC dated August 8, 2006, extending the maturity date of a secured loan in the principal amount of $4,900,000[10]
4.35	Agreement between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour, dated August 14, 2006, extending the maturity date indebtedness under the Second Amended and Restated Revolving Line of Credit Agreement, among Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated November 8, 2005[12]
4.36	Amended and Restated Convertible Promissory Note for $35,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated for reference June 29, 2004[13]
4.37	Amended and Restated Convertible Promissory Note for $66,000 issued by Nord Resources Corporation to Stephen D. Seymour dated for reference August 19, 2004[13]
4.38	Amended and Restated Convertible Promissory Note for $106,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated for reference October 4, 2004[13]
4.39	Agreement between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour, dated August 17, 2006, extending the maturity date indebtedness under the Second Amended and Restated Revolving Line of Credit Agreement, among Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated November 8, 2005[13]
4.40	Modification Agreement dated September 30, 2006 between Nord Resources Corporation and Nedbank Limited[14]
4.41	Amendment agreement dated September 29, 2006 between Nord Resources Corporation and Stephen Seymour in respect of Amended and Restated Convertible Promissory Note dated for reference August 19, 2004, in the principal amount of $66,000[16]
4.42	Amendment agreement dated September 29, 2006 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference October 4,

2004, in the principal amount of $106,000[16]

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4.43	Amendment agreement dated September 29, 2006 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference June 29, 2004, in the principal amount of $35,000[16]
4.44	Amending agreement dated September 29, 2006 among Nord Resources Corporation, Ronald Hirsch and Stephen Seymour in respect of that certain $600,000 Revolving Line of Credit Agreement and that certain Secured Promissory Note, as previously amended, each dated for reference June 21, 2005[16]
4.45	Letter Agreement among Nedbank Limited, Nord Resources Corporation and Auramet Trading, LLC dated for reference December 19, 2006 and executed on December 20, 2006[21]
4.46	Amendment agreement dated December 22, 2006 between Nord Resources Corporation and Stephen Seymour in respect of Amended and Restated Convertible Promissory Note dated for reference August 19, 2004, in the principal amount of $66,000[21]
4.47	Amendment agreement dated December 22, 2006 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference October 4, 2004, in the principal amount of $106,000[21]
4.48	Amendment agreement December 22, 2006 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference June 29, 2004, in the principal amount of $106,000[21]
4.49	Amending agreement dated December 22, 2006 among Nord Resources Corporation, Ronald Hirsch and Stephen Seymour in respect of that certain $600,000 Revolving Line of Credit Agreement and that certain Secured Promissory Note, as previously amended, each dated for reference June 21, 2005[21]
4.50	Letter Agreement among Nedbank Limited, Nord Resources Corporation and Auramet Trading, LLC dated for reference January 11, 2007[22]
4.51	Amendment agreement dated January 15, 2007 between Nord Resources Corporation and Stephen Seymour in respect of Amended and Restated Convertible Promissory Note dated for reference August 19, 2004, in the principal amount of $66,000[22]
4.52	Amendment agreement dated January 15, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference October 4, 2004, in the principal amount of $106,000[22]
4.53	Amendment agreement dated January 15, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference June 29, 2004, in the principal amount of $35,000[22]
4.54	Amending agreement dated January 15, 2007 among Nord Resources Corporation, Ronald Hirsch and Stephen Seymour in respect of that certain $600,000 Revolving Line of Credit Agreement and that certain Secured Promissory Note, as previously amended, each dated for reference June 21, 2005[22]
4.55	Letter Agreement among Nedbank Limited, Nord Resources Corporation and Auramet Trading, LLC dated for reference January 30, 2007[23]

4.56	Amendment agreement dated January 31, 2007 between Nord Resources Corporation and Stephen Seymour in respect of Amended and Restated Convertible Promissory Note dated for reference August 19, 2004, in the principal amount of $66,000(23)
4.57	Amendment agreement dated January 31, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference October 4, 2004, in the principal amount of $106,000(23)
4.58	Amendment agreement dated January 31, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference June 29, 2004, in the principal amount of $35,000(23)
4.59	Amending agreement dated January 31, 2007 among Nord Resources Corporation, Ronald Hirsch and Stephen Seymour in respect of that certain $600,000 Revolving Line of Credit Agreement and that certain Secured Promissory Note, as previously amended, each dated for reference June 21, 2005(23)
4.60	Letter Agreement among Nedbank Limited, Nord Resources Corporation and Auramet Trading, LLC dated for reference February 23, 2007(24)
4.61	Modification Agreement between Nedbank Limited and Nord Resources Corporation dated for reference February 23, 2007(24)
4.62	Amendment agreement dated February 23, 2007 between Nord Resources Corporation and Stephen Seymour in respect of Amended and Restated Convertible Promissory Note dated for reference August 19, 2004, in the principal amount of $66,000(24)
4.63	Amendment agreement dated February 23, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference October 4, 2004, in the principal amount of $106,000(24)
4.64	Amendment agreement dated February 23, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference June 29, 2004, in the principal amount of $35,000(24)
4.65	Amending agreement dated February 23, 2007 among Nord Resources Corporation, Ronald Hirsch and Stephen Seymour in respect of that certain $600,000 Revolving Line of Credit Agreement and that certain Secured Promissory Note, as previously amended, each dated for reference June 21, 2005(24)

Material Contracts

10.1	Executive Employment Agreement between Nord Resources Corporation and Ronald A. Hirsch dated January 2, 2004(1)
10.2	Waiver Agreement between Nord Resources Corporation and Ronald A. Hirsch dated February 15, 2006(3)
10.3	Executive Employment Agreement between Nord Resources Corporation and Erland Anderson dated January 2, 2004(1)
10.4	Waiver Agreement and Amendment of Employment Agreement between Nord Resources Corporation and Erland Anderson dated February 15, 2006(3)

10.5	Nord Resources Corporation Stock Option granted to Erland Anderson February 1, 2006[3]
10.6	Executive Employment Agreement between Nord Resources Corporation and John Perry dated April 18, 2005[1]
10.7	Memorandum of Understanding between Nord Resources Corporation and John Perry regarding employment matters dated March 28, 2005[1]
10.8	Waiver Agreement between Nord Resources Corporation and John Perry dated February 15, 2006[3]
10.9	Letter Agreement between Nord Resources Corporation and Nicholas Tintor regarding employment matters dated February 15, 2006[3]
10.10	Option to Purchase the Coyote Springs property from Thornwell Rogers, South Branch Resources LLC and MRPGEO LLC to Nord Resources Corporation dated January 28, 2004[1]
10.11	First Amendment to Option to Purchase Coyote Springs property among Thornwell Rogers, South Branch Resources LLC, MRPGEO LLC and Nord Resources Corporation dated December 14, 2004[1]
10.12	Second Amendment to the Terms of Agreement, Option to Purchase the Coyote Springs Property, Graham County, Arizona, between Nord Resources Corporation and Thornwell Rogers, South Branch Resources LLC and MRPGEO LLC, dated January 27, 2006[3]
10.13	Option to Purchase the Mimbres Property from Thornwell Rogers, South Branch Resources, LLC and MRPGEO, LLC to Nord Resources Corporation dated June 10, 2004[1]
10.14	Option Agreement between Shirley Bailey and Nord Resources Corporation dated July 19, 2004[1]
10.15	Debt Conversion between Nord Resources Corporation and Thornwell Rogers dated April 16, 2004[1]
10.16	Debt Conversion between Nord Resources Corporation and South Branch Resources LLC dated April 16, 2004[1]
10.17	Debt Conversion between Nord Resources Corporation and MRPGEO, LLC dated April 16, 2004[1]
10.18	Letter dated January 29, 2004 from Peifer, Hanson & Mullins, P.A. to Nord Resources Corporation regarding debt conversion (accepted by NRC), together with draft Debt Conversion Agreement dated February 2004[1]
10.19	Debt Conversion Agreement between Peifer, Hanson and Mullins P.A. and Nord Resources Corporation dated October 25, 2005[1]
10.20	Settlement Agreement and Mutual and General Release between Nord Resources Corporation and Schuler Messersmith Daly & Landsdowne dated October 31, 2004[1]

10.21	Letters dated February 16, 2004 and October 8, 2004 relating to the consulting arrangement between Nord Resources Corporation and Rex E. Loesby(1)
10.22	Letter dated February 20, 2004 from Nord Resources Corporation to Cognis Corporation regarding debt conversion (accepted by Cognis), together with draft Debt Conversion Agreement(1)
10.23	Debt Conversion Agreement between Nord Resources Corporation and Cognis Corporation effective February 20, 2004(1)
10.24	Consulting Agreement between Nord Resources Corporation and Investor Growth, Inc. dated June 29, 2004(1)
10.25	Settlement Agreement and General Release between Nord Resources Corporation and W. Pierce Carson dated April 22, 2005(1)
10.26	Warrant Certificate issuing 250,000 warrants to W. Pierce Carson dated April 22, 2005(1)
10.27	Amendment No. 1 to Settlement Agreement and Mutual General Release between Nord Resources Corporation and Schuler Messersmith Daly & Landsdowne dated June 30, 2005(1)
10.28	Nord Resources Corporation form of Subscription Agreement (April 2004 private placement)(1)
10.29	Letter dated April 15, 2004, amending the terms of the April 2004 private placement(1)
10.30	Nord Resources Corporation form of Subscription Agreement (July 2004)(1)
10.31	Nord Resources Corporation form of Subscription Agreement for US Investors (2005 private placement)(1)
10.32	Nord Resources Corporation form of Subscription Agreement for Canadian Investors (2005 private placement)(1)
10.33	Nord Resources Corporation form of Warrant Certificate for US Purchasers (2005 private placement)(1)
10.34	Nord Resources Corporation form of Warrant Certificate for Canadian Purchasers (2005 private placement)(1)
10.35	Letter dated October 25, 2005, amending the terms of the 2005 private placement offering(1)
10.36	Letter dated November 15, 2005, amending the terms of the 2005 private placement offering(1)
10.37	Letter dated December 21, 2005, amending the terms of the 2005 private placement offering(1)
10.38	Agreement of Option and Right of First Refusal between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour dated October 14, 2004 (zinc business)(1)

10.39	Agreement of Assignment and Assumption between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour dated October 14, 2004[1]
10.40	Agreement of Assignment and Assumption between Ronald A. Hirsch and Stephen D. Seymour and TMD Acquisition Corporation dated February 26, 2005[1]
10.41	Final Asset Purchase Agreement between TMD Acquisition Corporation and ASARCO LLC dated March 2005[1]
10.42	Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine between Nord Resources Corporation and JC Rock, LLC dated December 23, 2004[1]
10.43	First Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated December 28, 2004[1]
10.44	Second Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated May 1, 2005[1]
10.45	Third Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated June 30, 2005[1]
10.46	Fourth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated September 30, 2005[1]
10.47	Fifth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated February 28, 2006[3]
10.48	Purchase, Sale and Option Agreement between Nord Resources Corporation and Titanium Resources Group Ltd. effective August 3, 2005[1]
10.49	Rescission Agreement between Nord Resources Corporation and Ronald A. Hirsch dated August 5, 2005 to rescind the exercise of certain stock options[1]
10.50	Office Lease between Issa and Henrietta Hallaq, landlords, and Nord Resources Corporation, tenant, dated January 5, 2006[3]
10.51	Sixth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated February 28, 2006[9]
10.52	Confidential Settlement and Release Agreement between Nord Resources Corporation (plaintiff/counter-defendant), and Titanium Resources Group, Ltd. and Edward Wayne Malouf (defendants/counter-plaintiffs) dated August 9, 2006[11]
10.53	Settlement Agreement between Nord Resources Corporation and Nicholas Tintor dated September 29, 2006[15]
10.54	Mutual General Release between Nord Resources Corporation and Nicholas Tintor dated September 29, 2006[15]
10.55	

Third Amendment to the Terms of Agreement, Option to Purchase the Coyote Springs Property, Graham County, Arizona among Nord Resources Corporation, Thornwell Rogers, South Branch Resources, LLC and MRGPEO, LLC dated October 17, 2006[17]

10.56	Second Amendment to the Terms of Agreement, Option to Purchase the Mimbres Property, Grant County, New Mexico among Nord Resources Corporation, Thornwell Rogers, South Branch Resources, LLC and MRGPEO, LLC dated October 17, 2006[17]
10.57	Settlement Agreement dated October 18, 2006, between Nord Resources Corporation and TMD Acquisition Corporation[17]
10.58	Assignment Agreement dated October 18, 2006, between Nord Resources Corporation and TMD Acquisition Corporation[17]
10.59	Amended and Restated Waiver Agreement And Amendment of Employment Agreement between Nord Resources Corporation and Ronald Hirsch dated October 18, 2006[17]
10.60	Amendment of Employment Agreement between Nord Resources Corporation and Erland Anderson dated October 18, 2006[17]
10.61	Amendment of Executive Employment Agreement between Nord Resources Corporation and John Perry dated October 18, 2006[17]
10.62	Indemnification Agreement dated October 18, 2006 by Stephen Seymour, in his personal capacity, and by Stephen Seymour, Kathie Stevens and Louise Seymour, as Trustees U/A dated 7/27/82 FBO Louise Seymour, in favor of Nord Resources Corporation[17]
10.63	Agreement and Plan of Merger dated October 23, 2006 by and among Nord Resources Corporation, Platinum Diversified Mining, Inc., Platinum Diversified Mining USA, Inc. and PDM Merger Corp.[18]
10.64	Voting Agreement dated October 23, 2006 among Nord Resources Corp., Platinum Diversified Mining USA, Inc. and Ronald A. Hirsch[18]
10.65	Voting Agreement dated October 23, 2006 among Nord Resources Corp., Platinum Diversified Mining USA, Inc. and Stephen Seymour[18]
10.66	Deposit Escrow Agreement dated October 23, 2006 among Nord Resources Corp., Platinum Diversified Mining USA, Inc. and American Stock Transfer & Trust Company[18]
10.67	Letter Agreement respecting a performance bonus between Nord Resources Corporation and Ron A. Hirsch dated November 2, 2006[19]
10.68	Letter Agreement respecting a performance bonus between Nord Resources Corporation and Erland A. Anderson dated November 2, 2006[19]
10.69	Letter Agreement respecting a performance bonus between Nord Resources Corporation and John T. Perry dated November 2, 2006[19]
10.70	Amended and Restated Assignment Agreement dated as of October 18, 2006, between Nord Resources Corporation and TMD Acquisition Corporation[20]
10.71	Seventh Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated November 2, 2006[20]

10.72	Settlement Agreement dated March 7, 2007 among Nord Resources Corporation, Platinum Diversified Mining, Inc., Platinum Diversified Mining USA, Inc. and PDM Merger Corp.[25]

Subsidiaries of the Small Business Issuer

21.1 Subsidiaries of Small Business Issuer:

Name of Subsidiary	Jurisdiction of Incorporation
Cochise Aggregates and Materials, Inc.	Nevada

Certifications

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the *Securities and Exchange Act of 1934*, as amended[25]
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the *Securities and Exchange Act of 1934*, as amended[25]
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the *Sarbanes-Oxley Act of 2002*[25]

Additional Exhibits

99.1	Nord Resources Corporation 2006 Stock Incentive Plan[8]

Notes

(1) Incorporated by reference from our annual report on Form 10-KSB for the year ended December 31, 2004, filed with the SEC on January 17, 2006.

(2) Incorporated by reference from our current report on Form 8-K dated February 15, 2006, filed with the SEC on February 16, 2006.

(3) Incorporated by reference from our annual report on Form 10-KSB for the year ended December 31, 2005, filed with the SEC on March 28, 2006.

(4) Incorporated by reference from our current report on Form 8-K, filed with the SEC on May 11, 2006.

(5) Incorporated by reference from our quarterly report on Form 10-QSB for the quarter ended March 31, 2006, filed with the SEC on May 15, 2006.

(6) Incorporated by reference from our current report on Form 8-K, filed with the SEC on May 31, 2006.

(7) Incorporated by reference from Amendment No. 1 to our annual report on Form 10-KSB for the year ended December 31, 2005, filed with the SEC on June 30, 2006.

(8) Incorporated by reference from Amendment No. 1 to our preliminary proxy statement on Schedule 14A, filed with the SEC on March 27, 2006.

(9) Incorporated by reference from Amendment No. 2 to our annual report on Form 10-KSB for the year ended December 31, 2005, filed with the SEC on July 21, 2006.

(10) Incorporated by reference from our current report on Form 8-K, filed with the SEC on August 8, 2006.

(11) Incorporated by reference from our current report on Form 8-K, filed with the SEC on August 14, 2006.

(12) Incorporated by reference from our quarterly report on Form 10-QSB for the quarter ended June 30, 2006, filed with the SEC on August 14, 2006.

(13) Incorporated by reference Amendment No. 3 to the Annual Report on Form 10-KSB for the year ended December 31, 2005, filed with the SEC on August 23, 2006.

(14) Incorporated by reference from our current report on Form 8-K, filed with the SEC on September 28, 2006.

(15) Incorporated by reference from our current report on Form 8-K, filed with the SEC on October 2, 2006.

(16) Incorporated by reference from our current report on Form 8-K, filed with the SEC on October 4, 2006.

(17) Incorporated by reference from our current report on Form 8-K, filed with the SEC on October 23, 2006.

(18) Incorporated by reference from our current report on Form 8-K, filed with the SEC on October 25, 2006.

(19) Incorporated by reference from our current report on Form 8-K, filed with the SEC on November 7, 2006.

(20) Incorporated by reference from our quarterly report on Form 10-QSB for the quarter ended September 30, 2006, filed with the SEC on November 13, 2006.

(21) Incorporated by reference from our current report on Form 8-K, filed with the SEC on December 26, 2006.

(22) Incorporated by reference from our current report on Form 8-K, filed with the SEC on January 16, 2007.

(23) Incorporated by reference from our current report on Form 8-K, filed with the SEC on February 5, 2007.

(24) Incorporated by reference from our current report on Form 8-K, filed with the SEC on February 26, 2007.

(25) Filed herewith.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

We appointed Mayer Hoffman McCann P.C. to serve as our independent auditors for the years ended December 31, 2006 and December 31, 2005. We have not retained the services of any other independent auditors. Mayer Hoffman McCann P.C. performed the services listed below and was paid the fees listed below for the fiscal years ended December 31, 2006 and December 31, 2005:

Audit Fees

2006	2005
$272,289	$264,850

Audit Related Fees

2006	2005
None	None

Audit Fees consist of fees billed for professional services rendered for the audits of our financial statements, reviews of interim financial statements included in quarterly reports, services performed in connection with filings with the Securities and Exchange Commission and related comfort letters and other services that are normally provided by Mayer Hoffman McCann P.C. in connection with statutory and regulatory filings or engagements.

Tax Fees

2006	2005
$71,961	$51,975

Tax Fees consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions and acquisitions.

All Other Fees

2006	2005
None	$2,475

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Auditors

Effective May 6, 2003, the Securities and Exchange Commission adopted rules that require that before an independent registered public accounting firm is engaged by us to render any auditing or permitted non-audit related service, the engagement be:

- approved by our audit committee; or

- entered into pursuant to pre-approval policies and procedures established by the audit committee, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each service, and such policies and procedures do not include delegation of the audit committee s responsibilities to management.

Our audit committee was formed in February 2006, and has assumed responsibility for the pre-approval of audit and permitted non-audit services to be performed by our company s independent auditor. The audit committee will, on an annual basis, consider and, if appropriate, approve the provision of audit and non-audit services by Mayer Hoffman McCann P.C. Thereafter, the audit committee will, as necessary, consider and, if appropriate, approve the provision of additional audit and non-audit services by Mayer Hoffman McCann P.C. which are not encompassed by the audit committee s annual pre-approval and are not prohibited by law. The audit committee has delegated to the chair of the audit committee the authority to pre-approve, on a case-by-case basis, non-audit services to be performed by Mayer Hoffman McCann P.C.

Since we did not have an audit committee in 2005, our full board of directors considered the nature of services performed by Mayer Hoffman McCann P.C. and found them to be compatible with maintaining Mayer Hoffman McCann P.C. s independence.

FINANCIAL STATEMENTS FILED AS PART OF THIS ANNUAL REPORT ON FORM 10-KSB

Index

Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Nord Resources Corporation

We have audited the accompanying consolidated balance sheet of Nord Resources Corporation and Subsidiary as of December 31, 2006 and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for the years ended December 31, 2006 and 2005. 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 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 respects, the financial position of Nord Resources Corporation and Subsidiary as of December 31, 2006 and the results of their operations and their cash flows for the years ended December 31 2006 and 2005 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 shown in the consolidated financial statements, the Company incurred a net loss of $6,283,878 and $3,084,166 during the years ended December 31, 2006 and 2005, respectively. As discussed in Note 1 to the consolidated financial statements, the Company s significant operating losses raise substantial doubt about its ability to continue as a going concern. Management s plans in regard to these matters are also discussed in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Mayer Hoffman McCann P.C.

Denver, Colorado
March 28, 2007

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2006

		2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$	1,007,835
Accounts receivable		4,927
Prepaid expenses and other		30,943
Total Current Assets		1,043,705
Property and Equipment, at cost:		
Property and equipment		3,949,850
Less accumulated depreciation and amortization		(1,336,842)
Net Property and Equipment		2,613,008
Total Assets	$	3,656,713

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2006
(Continued)

		2006
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current Liabilities:		
Accounts payable	$	1,211,390
Accrued expenses		3,076,855
Current maturities of long-term debt		5,717,614
Current maturity of capital lease obligation		18,750
Total Current Liabilities		10,024,609
Long-Term Liabilities:		
Capital lease obligation, less current maturity		9,375
Accrued reclamation costs		182,122
Total Long-Term Liabilities		191,497
Total Liabilities		10,216,106
Commitments and contingencies		
Stockholders Deficit:		
Common stock: $.01 par value, 50,000,000 shares authorized,		
34,018,043 shares issued and outstanding		340,181
Additional paid-in-capital		85,563,087
Accumulated deficit		(92,462,661)
Total Stockholders Deficit		(6,559,393)
Total Liabilities and Stockholders Deficit	$	3,656,713

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
Net sales	$	$
Operating expenses (Includes stock based compensation of $1,037,739 and $797,550, respectively)	7,135,628	3,091,237
Depreciation, depletion and amortization	83,347	83,347
Loss from operations	(7,218,975)	(3,174,584)
Other income (expense):		
Interest expense	(1,635,360)	(1,659,976)
Gain on investments, net	2,020,739	1,540,106
Miscellaneous income	549,718	210,288
Total other income (expense)	935,097	90,418
Loss before income taxes	(6,283,878)	(3,084,166)
Provision for income taxes		
Net loss	$ (6,283,878)	$ (3,084,166)
Net Loss Per Basic and Diluted Share of Common Stock:		
Weighted Average Number of Common Shares Outstanding	33,643,738	28,087,513
Net loss per share of common stock	$ (0.19)	$ (0.11)

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	Common Stock		Additional		Accumulated Other Com-	Total
	Shares	Amount	Paid-in Capital	Accumulated Deficit	prehensive Income	Stockholders Deficit
Balance at December 31, 2004	28,250,522	$ 282,505	$ 81,513,886	$ (83,094,617)	$ 968,386	$ (329,840)
Comprehensive loss:						
Net loss				(3,084,166)		(3,084,166)
Reclassification adjustment for gain						
included in net income					(968,386)	(968,386)
Comprehensive loss						(4,052,552)
Common stock issued for Coyote Springs	86,538	865	21,635			22,500
Beneficial conversion feature from						
issuance of convertible debt			25,000			25,000
Rescission of stock options exercised	(1,750,000)	(17,500)	(17,500)			(35,000)
Compensation from issuance of stock						
options			590,879			590,879
Common stock issued in private placement	819,644	8,196	278,679			286,875
Common stock and warrants issued on						
revolving line of credit	2,260,000	22,600	1,176,878			1,199,478
Common stock and warrants issued to						
settle outstanding claims and accounts						
payable	262,000	2,620	169,612			172,232
Warrants issued on bridge loan			171,200			171,200
	497,271	4,974	201,697			206,671

Common stock issued for services						
Balance at December 31, 2005	30,425,975	304,260	84,131,966	(86,178,783)		(1,742,557)
Comprehensive loss:						
Net loss				(6,283,878)		(6,283,878)
Comprehensive loss						(6,283,878)
Common stock and stock options issued						
for Coyote Springs	83,844	838	48,512			49,350
Common stock issued to settle outstanding						
claims	46,753	468	36,456			36,924
Exercise of stock options	2,715,000	27,150	27,150			54,300
Compensation from issuance of stock						
options			600,879			600,879
Common stock issued in private placement	80,000	800	27,200			28,000
Warrants issued on bridge loan			260,729			260,729
Compensation from issuance of deferred						
stock units			126,874			126,874
Common stock issued for services	666,471	6,665	303,321			309,986
Balance at December 31, 2006	34,018,043	$ 340,181	$ 85,563,087	$ (92,462,661)	$	$ (6,559,393)

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
Cash Flows From Operating Activities:		
Net loss	$ (6,283,878)	$ (3,084,166)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	83,347	83,347
Accretion expense on reclamation costs	16,642	14,793
Amortization of debt issuance costs	532,791	758,528
Write-off of deferred offering costs	397,803	
Write-off of deposit on abandoned financing	50,000	
Accretion of discount on debt	545,771	448,637
Stock option mark to market adjustment	26,250	455,000
Realized loss on copper put options	142,738	188,872
Issuance of common stock to settle outstanding claims		159,367
Increase in fair value of trading securities		(1,406,617)
Issuance of common stock for services rendered	436,860	206,671
Issuance of stock options for services rendered	574,629	135,879
Gain on sale of securities held for trading	(261,712)	(22,358)
Proceeds from sale of securities held for trading	1,729,391	
Beneficial conversion feature recorded as interest expense	1,722	100,878
Changes in assets and liabilities:		
Accounts receivable	(4,928)	
Other assets	8,271	1,660
Accounts payable	280,666	(24,951)
Accrued expenses	1,972,852	384,225
Net Cash Provided (Used) By Operating Activities	249,215	(1,600,235)
Cash Flows From Investing Activities:		
Decrease (increase) in restricted cash	126,063	(126,063)
Purchase of copper put options	(56,252)	(275,358)
Capital expenditures	(109,068)	
Net Cash (Used) By Investing Activities	(39,257)	(401,421)
Cash Flows From Financing Activities:		
Debt issuance costs	(161,065)	(292,111)
Principal payments on notes payable		(5,611,991)
Deferred financing costs	(245,805)	(201,998)
Proceeds from issuance of notes payable	1,000,000	7,315,000
Principal payments on capital lease	(18,750)	(18,750)
Proceeds from issuance of common stock	82,300	286,875
Net Cash Provided By Financing Activities	656,680	1,477,025
Net Increase (Decrease) in Cash and Cash Equivalents	866,638	(524,631)

Cash and Cash Equivalents at Beginning of Year		141,197		665,828
Cash and Cash Equivalents at End of Year	$	1,007,835	$	141,197
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the year for:				
Interest	$	487,715	$	331,853
Income taxes				

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Nord Resources Corporation (the Company) is a United States based corporation involved in all phases of the mining business including exploration, permitting, developing and operating mining projects. The Company s primary asset is the Johnson Camp Copper Mine (Johnson Camp Mine) located in Arizona. This facility was placed on care and maintenance status in 2003. The Company is currently seeking to obtain financing for the restart of the Johnson Camp Mine.

In addition to the Johnson Camp Mine, the Company has an interest in two exploration projects, Coyote Springs located in Arizona and Mimbres located in New Mexico.

In August 2005, the Company granted an option to Titanium Resources Group, Ltd. (TRG) to acquire its Class B share in SRL Acquisition No. 1 Limited. The Company subsequently sold a 2/15 fractional interest in the Class B share to TRG in consideration of $200,000 plus the amount of $100,003 representing a pro rata estimate of the fixed dividend entitlement attaching to the Class B share. On December 3, 2005, the Company initiated legal proceedings against TRG in the District Court, 134th District, Dallas County, Texas, alleging, among other things, that TRG purposefully withheld certain material information from the Company during the negotiation of the option agreement.

Pursuant to a Settlement and Release Agreement dated August 9, 2006, the Company, TRG and an individual named as an additional defendant and counter-plaintiff in the legal proceedings settled all outstanding claims on terms which include: (a) the transfer by the Company to TRG of the remaining 13/15 fractional interest in the SRL Acquisition Class B share; and (b) the payment by TRG to the Company of a total $2,100,000 (including the sum of $200,000 previously received by the Company in connection with the original sale of the 2/15 fractional interest in the Class B share of SRL Acquisition to TRG). The Company received the additional $1,900,000 payment on August 10, 2006.

SRL Acquisition owns a 50% indirect interest in Sierra Rutile Limited (Sierra Rutile) and its related entities. Sierra Rutile owns a mine in Sierra Leone that was engaged in producing and marketing minerals used in the production of titanium dioxide until civil unrest precipitated the closure of the mine in January 1995. Under SRL Acquisition s articles of association, the Class B share carries the right to a fixed dividend to be paid in respect of each financial year, calculated with reference to a complicated formula. Essentially, the holder of a Class B share is entitled to 5% of certain cash flows (including any dividends or other income generated from SRL Acquisition s indirect interest in Sierra Rutile) if certain conditions are met. Since SRL Acquisition holds an indirect 50% interest in Sierra Rutile, this effectively means that a whole Class B share of SRL Acquisition represents a 2.5% carried net profits interest in Sierra Rutile.

This settlement marked the end of the divestiture process that the Company commenced with the original option and sale of the 2/15 fractional interest in the Class B share of SRL Acquisition to TRG in August 2005. This process was undertaken in order to allow management to focus on the Company s near-term objective of reactivating the Johnson Camp Mine, subject to obtaining the necessary financing.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company s continuation as

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to obtain additional financing to resume mining operations at Johnson Camp Mine, and to produce copper to sell at a level where the Company becomes profitable. The Company s continued existence is dependent upon its ability to achieve its operating plan.

The Company s near term objective is to resume mining and leaching operations at the Johnson Camp Mine, with the view to producing approximately 25 million pounds of copper per year. However, since reactivation of the Johnson Camp Mine is subject to obtaining sufficient financing, the Company s board of directors has not yet made a production decision.

The Company has obtained a feasibility study containing a mine plan for the Johnson Camp Mine dated March 2000, as well as an update to the feasibility study dated October 11, 2005 which has been supplemented by an addendum prepared in June 2006. The updated feasibility study contains an economic assessment of the Johnson Camp Mine based on the mine plan included in the 2000 feasibility study, capital and operating cost estimates as of the third quarter of 2005, and 36 month average copper prices ending on September 30, 2005. At the time the updated feasibility study was completed, the initial capital costs to be incurred within the first two years of start up were expected to exceed $22 million (including working capital). The Company now expects that the initial capital costs will exceed $28 million. Such costs relate primarily to the rehabilitation of solution ponds, refurbishment and a modest expansion of the copper production facility, and the purchase and installation of crushing and conveying equipment. The increase in the Company s capital cost estimate is primarily due to inflation and the fact that the original capital cost estimate was premised in part on the availability of used conveying equipment which is increasingly becoming difficult to find; the Company anticipates that it will have to purchase new conveying equipment during the initial start-up period. The Company estimates that it will incur a further $3 million in capital costs in the following two years, which is less than the $9 million in such capital costs that the Company had originally projected due to its intention to defer the construction of a planned leach pad until seven years after the start-up date, as the Company now anticipates that it will be able to accommodate any ore that is mined during the intervening period by expanding one or more of the existing leach pads. These figures do not include estimated reclamation bonding requirements, and do not account for inflation, interest and other financing costs.

The Company presently does not have sufficient cash or working capital necessary to implement the mine development schedule and commence mining operations. Its ability to commence mining operations will be subject to its obtaining sufficient financing to enable it to fund the necessary initial capital costs and start-up operating expenses and working capital. However, the Company believes that the resumption of mining activities at the Johnson Camp mine is warranted based on the relatively high market price of copper. The Company believes that the strengthening market for copper has created an opportunity for it to reactivate the Johnson Camp Mine, despite the anticipated high costs that this will involve.

Funding for the reactivation of the Johnson Camp Mine is expected to come from a combination of equity and debt financing, and the potential exercise of outstanding common stock purchase warrants and options.

If management cannot achieve its operating plan because of sales shortfalls or other unfavorable events, the Company may find it necessary to dispose of assets, or undertake other actions as may be appropriate.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Cochise Aggregates and Materials, Inc. (Cochise). Cochise was set up to produce and market landscape rock products and aggregates derived from the Johnson Camp Mine overburden piles. All intercompany accounts and transactions have been eliminated in consolidation.

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Investment in Allied Gold/Nord Pacific

At December 31, 2003 the Company owned a 17.74% interest in Nord Pacific Limited (Nord Pacific), a publicly owned mining and exploration company engaged in the production of copper in Australia and the exploration for gold, copper and other minerals in Australia, Papua New Guinea and North America. In December 2003, Nord Pacific entered into an agreement with Allied Gold, a publicly owned mining and exploration company located in Australia, under which Allied Gold acquired all of the outstanding shares of Nord Pacific. This agreement was finalized in 2004 and the Company received one share of Allied Gold for each share of Nord Pacific owned, or 3,697,561 shares of Allied Gold. In addition, the agreement called for the conversion of a subordinated debt in the amount of $233,464, owed to the Company by Nord Pacific, into 1,400,000 common shares of Allied Gold. As of December 31, 2005 the Company owned 4,997,561 shares of Allied Gold all of which were sold during 2006.

During the years ended December 31, 2006 and 2005, the Company accounted for its investment in Allied Gold and Nord Pacific in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities.

Use of Estimates

The preparation of the Company s consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to mineral reserves of the Johnson Camp Mine that are the basis for future cash flow estimates; reclamation obligations; asset impairment (including long-lived assets and investments); valuation allowances for deferred tax assets; disclosures and reserves for contingencies and litigation; and the fair value and accounting treatment of financial instruments. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Restricted Cash

As required by the Bridge Loan Facility with Nedbank Limited (Nedbank), the Company deposited $400,000 with Auramet Trading, LLC to purchase copper put options. Cash of $0 and $126,063 was held on deposit for this purpose at December 31, 2006 and 2005, respectively.

Accounts Receivable

The Company grants credit to all qualified customers and generally requires no collateral. Accounts receivable are carried at cost less an allowance for losses, if an allowance is deemed necessary. The Company does not accrue finance or interest charges. On a periodic basis, the Company evaluates its accounts receivable and determines the requirement for an allowance for losses, based upon history of past write-offs, collections and current credit conditions. A receivable is written off when it is determined that all reasonable collection efforts have been exhausted and the potential for recovery is considered

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

remote. Management determined that no allowance for losses was required as of December 31, 2006 and 2005.

Revenue Recognition

The Company recognizes revenue from the sale of products, and related costs of products sold, where persuasive evidence of an arrangement exists, delivery has occurred, the seller s price is fixed or determinable and collectibility is reasonably assured. This generally occurs when the customer receives the product or at the time title passes to the customer. Sales incentives and returns are estimated and recognized at the date of shipment based upon historical activity and current agreements with customers. The Company evaluates these estimates on a regular basis and revises them as necessary.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out pricing method.

Marketable Securities

Marketable securities consist of common stock and are stated at market value as determined by the most recently traded price of each security at the balance sheet date. All marketable securities are defined as trading securities or available for sale securities under SFAS No. 115. Management determines the appropriate classification of its investments in marketable debt and equity securities at the time of each purchase and re-evaluates such determination at each balance sheet date. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and unrealized gains and losses are included in earnings. Debt securities, for which the Company does not have the intent or ability to hold to maturity, and equity securities are classified as available for sale. Available for sale securities are carried at fair value, with unrealized gains and losses, net of tax, reported as a separate component of stockholders equity. The cost of investments sold is determined on the specific identification or the first-in, first-out method.

Financial Instruments

As of December 31, 2005, the Company held financial instruments consisting of put options on copper future contracts that are not designated as hedging instruments under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities and were required pursuant to the terms of the Company s promissory note with Nedbank. The put options are stated at market value as determined by the most recently traded price of the financial instruments at the balance sheet date and the change in market value is recognized in earnings. The Company s put options expired during 2006 and therefore the Company held no financial instruments as of December 31, 2006.

Deferred Offering Costs

Transaction costs incurred prior to the closing of an equity offering are capitalized until the sooner of the completion of the equity offering or a determination is made not to proceed with the offering at which time the costs are charged to additional paid-in capital at the time of completion of the offering or charged against income at the time the determination is made not to proceed with the equity offering. The Company expensed $397,803 of deferred offering costs during the year ended December 31, 2006, in light of the Company s decision not to proceed with the contemplated equity offering as a result of the Company s entering into a merger agreement. The merger agreement was subsequently terminated.

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Debt Issuance Costs

Debt issuance costs are amortized over the life of the related loan as interest expense. During 2006 and 2005, the Company incurred debt issuance costs of $161,065 and $929,111 respectively, related to the issuance of promissory notes. These costs are being amortized over the term of the loans using the straight-line method, which approximates the effective interest method. Accumulated amortization of debt issuance costs was $1,238,945 and $706,157 at December 31, 2006 and 2005, respectively. Debt issuance costs were fully amortized at December 31, 2006.

Property and Equipment

Property and equipment are stated at cost. Mineral exploration costs are expensed as incurred. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets which range from three to five years. Mineral properties are amortized over the life of the mine using the units of production method. Buildings and mining equipment are depreciated over the shorter of their estimated useful lives, or over the life of the mine using the units of production method.

Long-Lived Assets

The Company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment loss is measured as the amount by which the asset carrying value exceeds its fair value. Fair value is generally determined using valuation techniques such as estimated future cash flows. An impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows for the Johnson Camp Mine include estimates of recoverable pounds of copper, copper prices (considering current and historical prices, price trends and related factors), production rates and costs, capital and reclamation costs as appropriate, all based upon detailed life-of-mine engineering plans and feasibility studies. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. No impairment losses were recorded during the years ended December 31, 2006 and 2005.

Reclamation Costs

Reclamation costs are allocated to expense over the life of the related assets and are adjusted for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate.

The Company estimated its asset retirement obligations using an expected cash flow approach, in which multiple cash flow scenarios were used to reflect a range of possible outcomes. The Company estimated the aggregate undiscounted obligation to be approximately $400,000 for the Johnson Camp Mine. To calculate the fair value of this obligation, the projected cash flows were discounted at the Company s estimated credit-adjusted, risk free interest rate of 10%. At December 31, 2006 the recorded value of accrued reclamation costs was $182,122. The Company will recognize an increase to the asset retirement obligation concurrent with the impact from mining activity, if and when such additional mining activity occurs.

A reconciliation of the beginning and ending carrying amounts of the Company s retirement obligation as of December 31, 2006 and 2005 is as follows:

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	2006	2005
Liability, beginning of year	$ 165,480	$ 150,687
Accretion expense	16,642	14,793
Liability, end of year	$ 182,122	$ 165,480

Stock-Based Compensation

On January 1, 2006 the Company adopted the fair value recognition provisions of SFAS No. 123(R), Share-Based Payment, using the modified prospective application method. Prior to January 1, 2006, the Company had accounted for stock based payments under the recognition and measurement provisions of Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees and related interpretations as permitted by SFAS No. 123, Accounting for Stock Based Compensation. In accordance with APB No. 25, compensation cost is recognized to the extent that the exercise price is less than the market price for the underlying stock on the date of grant.

Compensation expense of $455,000 was recognized for the year ended December 31, 2005 relative to the granting of stock options to the Company s employees. If the Company had elected to recognize compensation expense based upon the fair value at the grant date for awards under its stock-based compensation plans consistent with the methodology prescribed by the original provisions of SFAS No. 123 the Company s net loss and loss per share would be reduced to the following pro-forma amount:

	2005
Net loss, as reported	$ (3,084,166)
Stock based employee compensation expense included in net loss, net of tax	455,000
Less stock based compensation expense determined under fair value based methods for all awards, net of tax	(659,661)
Pro forma net loss	$ (3,288,827)
Net loss per basic and diluted share of common stock:	
As reported	$ (.11)
Pro forma	$ (.12)

The fair value for these options were estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions for the year ended December 31:

	2005
Risk-free interest rate	3.7% to 4.3%
Expected life	3 to 5 years
Expected volatility	176% to 185%
Expected dividend yield	0%

All stock options granted prior to January 1, 2006 were completely vested as of that date and had therefore been expensed in accordance with APB No. 25, or the original provisions of SFAS No. 123, as appropriate. During 2006, the Company granted 1,975,000 and cancelled 1,175,000 stock options to employees and directors for which $574,269 in compensation expense was recognized.

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Accumulated Other Comprehensive Income

The Company has adopted SFAS No. 130, Reporting Comprehensive Income. This statement requires that all components of comprehensive income be reported in the financial statements in the period in which they are recognized. The components of comprehensive income for the Company include net loss, unrealized gains and losses on marketable securities and foreign currency translation adjustments.

The unrealized gain on marketable securities relates to the Company s investment in Allied Gold. Under SFAS No. 115, securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities, and unrealized gains and losses are included in earnings. During 2005 the Company changed its intention with regard to its investment in Allied Gold and reclassified this investment from available for sale securities to trading securities.

Components of other comprehensive income consist of the following:

	Unrealized Gain on Marketable Securities	Accumulated Other Compre-hensive Income
Balance at December 31, 2004	$ 968,386	$ 968,386
2005 change	(968,386)	(968,386)
Balance at December 31, 2005		
2005 change		
Balance at December 31, 2006	$	$

Shipping and Handling Costs

The Company includes shipping and handling costs in operating expenses.

Net Loss Per Share of Common Stock

Basic earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated based on the weighted average number of common shares outstanding adjusted for the dilutive effect, if any, of stock options, warrants and other dilutive securities. Outstanding options, warrants and other dilutive securities to purchase 9,501,633, and 10,240,393 shares of common stock for the years ended December 31, 2006 and 2005, respectively, are not included in the computation of diluted loss per share as the effect of the assumed exercise of these options, warrants and other securities would be antidilutive.

Income Taxes

The Company uses the liability method to account for income taxes. Under the liability method, deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the financial statements. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense consists of the tax payable or refundable for the current period and the change during the period in net deferred tax assets and liabilities.

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Recently Issued Accounting Guidance

In November 2004, the FASB issued SFAS No. 151, Inventory Costs-an amendment of ARB No. 43, Chapter 4, which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted materials as current period costs. It also requires that allocations of fixed production overheads to the costs of conversion be based on the normal capacity of production facilities. SFAS No. 151 applies to inventory costs incurred in the first fiscal year beginning after June 15, 2005. The Company adopted the provisions of SFAS No. 151 on January 1, 2006, which had no impact on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets - an amendment of APB No. 29 . SFAS No. 153 eliminates the exception to account for nonmonetary exchanges of similar productive assets at carrying value and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance; otherwise, the exchange principle of fair value applies. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company adopted the provisions of SFAS No. 153 on January 1, 2006, which had no impact on the Company's consolidated financial statements.

In December 2004, the FASB issued SFAS No.123R, Share-Based Payment , which revised SFAS No. 123, Accounting for Stock-Based Compensation and superseded APB No. 25, Accounting for Stock Issued to Employees and its related implementation guidance. SFAS No. 123R will provide investors and other users of financial statements with more complete and neutral financial information by requiring that the compensation cost relating to share-based payment transactions be recognized in financial statements. SFAS No. 123R requires measurement and recording in the financial statements of the costs of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, recognized over the period during which an employee is required to provide services in exchange for such award. SFAS No. 123R covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Public entities that file as small business issuers will be required to apply SFAS No. 123R as of the first interim or annual reporting period that begins after December 15, 2005. The Company adopted SFAS No. 123R on January 1, 2006, and expects the new standard to have a material impact on the Company s financial position and results of operations in connection with the granting of new stock options.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and FASB Statement No. 3 . SFAS No. 154 requires retrospective application to prior periods' financial statements for changes in accounting principles, unless it is impracticable to determine either the period - specific effects or the cumulative effect of the change. SFAS No. 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle, such as a change in non-discretionary profit sharing payments resulting from an accounting change, should be recognized in the period of the accounting change. SFAS No. 154 also requires that a change in depreciation, amortization, or depletion method for long - lived non - financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date this Statement is issued. The Company adopted the provisions of SFAS No.154 on January 1, 2006, which had no impact on the Company s consolidated financial statements.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments An Amendment of FASB Statements No. 133 and 140 . SFAS No. 155 resolves issues addressed in

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Statement 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interests in Securitized Financial Assets . This Statement permits fair value re-measurement for any hybrid financial instruments that contains an embedded derivative that otherwise would require bifurcation. It clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133. It also establishes a requirement to evaluate interests in securitized financial assets, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006. Early adoption is permitted as of the beginning of an entity s fiscal year, provided the entity has not yet issued financial statements, including financial statements for any interim period, for that fiscal year. The Company plans to adopt this standard beginning January 1, 2007 and does not anticipate it to have a material impact on the Company s consolidated financial statements.

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109 . This interpretation clarifies the accounting for uncertainty in income tax recognized in an enterprise s financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes . This interpretation prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. The Company plans to adopt this standard beginning January 1, 2007; at this time, it is uncertain if doing so will have a material impact on the Company s consolidated financial statements.

In June 2006 the FASB issued EITF Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement . EITF Issue No. 06-3 applies to any taxes assessed by a governmental authority that is both imposed on and concurrent with a specific revenue-producing transaction between a seller and customer, and may include but is not limited to sales, use, value added and some excise taxes. This Issue requires an entity to disclose if taxes are presented in the income statement on a gross or net basis. Additionally, an entity that reports any such taxes on a gross basis should also disclose the amounts of those taxes in interim and annual financial statements for each period an income statement is presented if those amounts are significant. EITF Issue No. 06-3 applies with respect to any interim and annual reports filed after December 15, 2006.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements . SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company plans to adopt this standard beginning January 2008, and does not anticipate it to have a material impact on the Company s consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plan-an amendment of FASB Statements No. 87, 88 106, and 132(R) . SFAS No. 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 is effective for an issuer of publicly traded securities for financial statements issued for fiscal years beginning after December 15, 2006. The Company plans to adopt this standard beginning January 2007, and does not anticipate it to have a material impact on the Company s consolidated financial statements.

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In September 2006, the SEC issued SAB 108 which was issued to address diversity in practice in quantifying financial statement misstatements and the potential under current practice for the build up of improper amounts on the balance sheet effective for any fiscal year beginning after November 15, 2006. The Company plans to adopt this bulletin beginning January 2007, and does not anticipate it to have a material impact on the Company s consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB No. 115 . SFAS No. 159 permits entities to choose to measure many financial instruments and certain other assets at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007. The Company plans to adopt this standard beginning January 2008, at this time, it is uncertain if doing so will have a material impact on the Company s consolidated financial statements.

2. MARKETABLE SECURITIES AND FINANCIAL INSTRUMENTS

During 2006 and 2005, the Company classified its investment in Allied Gold as a trading security with the corresponding changes in fair market value being recognized in income. As of December 31, 2005 the Company owned 4,997,561 shares of common stock of Allied Gold which were classified as marketable securities. The Company sold these securities during 2006 and therefore held no marketable securities pursuant to SFAS No. 115 as of December 31, 2006.

During the years ended December 31, 2006 and 2005, the Company sold marketable securities held for trading and recognized a gain of $261,712 and $22,358, respectively, which is included in gain on investments in the accompanying consolidated statements of operations.

As of December 31, 2005, the Company held financial instruments consisting of put options on copper future contracts that were not designated as hedging instruments under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities and were required pursuant to the terms of the Company s promissory note with Nedbank. The Company s put options expired during 2006 and therefore the Company had no financial instruments outstanding as of December 31, 2006.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

		2006
Land	$	328,896
Buildings		788,970
Mining and other equipment		2,831,984
Total	$	3,949,850

Depreciation and amortization of property and equipment charged to operations was $83,347 for each of the years ended December 31, 2006 and 2005.

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4. ACCRUED EXPENSES

Accrued expenses consist of the following at December 31:

		2006
Accrued consulting fees to related party	$	295,000
Accrued payroll expense		1,978,663
Other accrued liabilities		803,192
Total	$	3,076,855

5. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

		2006
Equipment loan	$	45,801
Bridge Loan Nedbank		4,900,000
Line of credit - related parties		564,813
Convertible notes - related parties		207,000
		5,717,614
Less current maturities		(5,717,614)
Total	$	

Equipment Loan

In October 2002, the Company signed a promissory note in the amount of $95,000 related to its purchase of equipment. The note bears interest at an annual rate of 12% with monthly payments of $4,472 and is collateralized by the equipment. This note was originally scheduled to mature in November 2004. In August 2005, the holder of the Company s equipment note sold the loan to an unrelated party. Subsequent to this sale, the terms of the original promissory note were amended to allow for deferment of all past due payments along with any scheduled payments until June 2007.

Bridge Loan Facilities

In October 2005, the Company obtained a loan in the amount of $2,850,000 from Auramet Trading, LLC, of which $1,850,000 was funded by Ronald Hirsch pursuant to an Agreement for Credit Risk Participation dated October 2005, between Auramet Trading, LLC and Ronald Hirsch. The agreement gave Mr. Hirsch the right to own a 65% interest in the loan and in all documents, instruments and collateral issued by Auramet Trading, LLC, as well as all payments, recoveries or distributions in connection with the loan. A secured promissory note was issued to Auramet Trading, LLC that provided for interest only payments at a rate of 9% per annum payable monthly and the note was to mature on the earlier of April 2006 or the closing of an equity offering in which the Company raised not less than $25,000,000.

As the arranger of the bridge financing, Auramet Trading, LLC received from the Company a mandate fee of $15,000 and 250,000 warrants for the purchase of an equal number of shares of the Company s common stock. The warrants were to be exercisable on or before October 17, 2007 at an exercise price equal to the final price at which the

Company s stock was sold in a public offering, provided that if the Company did not complete such an offering on or before April 17, 2006, then the exercise price would be

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the average closing price of the Company s common stock for the 20 trading days prior to April 17, 2006. Since the Company did not complete a public offering by April 17, 2006, it issued to Auramet Trading, LLC an amended and restated warrant certificate to fix the exercise price at $0.56 per share.

In addition, Auramet Trading, LLC was entitled to receive such number of common stock warrants as was to be calculated by dividing the Canadian dollar equivalent of $1,000,000 (on October 17, 2005) by the final price at which a share of the Company s common stock was sold in a public offering and multiplying the result by 0.15. The warrants were exercisable on or before October 17, 2007, provided that the Company completed a public offering on or before April 17, 2006. In the event that the Company did not complete such an offering by April 17, 2006, the warrants were to expire on April 17, 2006, and the Company was required to issue new warrants to Auramet Trading, LLC for the purchase of 256,410 shares of common stock at an exercise price equal to the average closing price of the Company s common stock for the 20 trading days prior to April 17, 2006. Since the Company did not complete a public offering by April 17, 2006, it issued the 256,410 replacement warrants to Auramet Trading, LLC. The replacement warrants are exercisable at a price of $0.56 per share and shall expire on April 17, 2008.

In November 2005, the Company obtained a loan in the amount of $3,900,000 from Nedbank Limited, in which Auramet Trading, LLC participated through the contribution of the $1,000,000 outstanding amount payable by the Company under the October 2005 loan. From the proceeds of this loan, $1,860,175 was used to repay the principal and interest portion of the Auramet Trading, LLC loan that was contributed by Mr. Hirsch. A secured promissory note was issued to Nedbank Limited that provides for interest only payments at a rate of 9% per annum payable monthly and the note maturing on the earlier of May 2006 or the closing of an equity offering in which the Company raises not less than $25,000,000.

In connection with this loan the Company issued to Nedbank Limited warrants to purchase that number of shares of common stock as was to be calculated by dividing the Canadian dollar equivalent of $2,900,000 (on November 8, 2005) by the final price at which a share of the Company s common stock was sold in a public offering and multiplying the result by 0.15. The warrants were exercisable on or before November 8, 2007, provided that the Company completed a public offering on or before May 8, 2006. Since the Company did not complete such an offering by May 8, 2006, the warrants expired in accordance with their terms on May 8, 2006, and the Company issued new warrants to Nedbank Limited for the purchase of 743,590 shares of common stock at an exercise price of $0.88 per share, being the amount equal to the average closing price of the Company s common stock as quoted on the Pink Sheets LLC for the 20 trading days prior to May 8, 2006. The replacement warrants shall expire on May 8, 2008.

Pursuant to the terms of the Note, the Company is restricted from paying dividends or making distributions on shares of its common stock. The note is collateralized by the Johnson Camp Mine and all related property and equipment.

During May 2006 the Company negotiated an extension of the maturity on the $3,900,000 bridge loan from Nedbank Limited to the earlier of August 15, 2006 or the closing of an equity offering in which the Company raises not less than $20,000,000. In connection with this extension the Company agreed to increase the interest rate on the loan from 9% to 10% per annum, pay the lender a closing fee of $39,000, and issue 75,000 common stock purchase warrants to Nedbank and 25,000 common stock purchase warrants to Auramet Trading, LLC. The warrants are exercisable on or before May 15, 2008 at an exercise price of $1.00. At the same time, Auramet Trading, LLC, acting through Nedbank Limited, advanced an additional $1,000,000 loan to the Company which was added to the outstanding principal under the secured bridge loan from Nedbank Limited. In consideration of the additional loan advance, the Company paid to Auramet Trading, LLC $40,000 and issued to Auramet Trading, LLC warrants for the purchase of 250,000 shares of the Company s common stock, exercisable for a period of two years at an exercise price $1.15 per share.

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During August 2006 the Company negotiated an extension of the maturity date on the $4,900,000 secured bridge loan from Nedbank to the earlier of September 30, 2006 or the closing of an equity offering in which the Company raises not less than $20,000,000. During September 2006 the Company negotiated a further extension of the maturity date to the earlier of December 22, 2006 or the closing of an equity offering in which the Company raises not less than $20,000,000. In connection with this extension the Company agreed to an increase in the interest rate on the loan from 10% to 11% per annum. In consideration for this extension the Company paid Nedbank a fee of $49,000 and issued 88,770 common stock purchase warrants to Nedbank and 61,230 common stock purchase warrants to Auramet Trading, LLC. Each warrant will entitle the holder to purchase one share of the Company s common stock on or before September 30, 2008, at an exercise price of $0.83.

The Company negotiated further extensions of the maturity date to the earlier of April 30, 2007 or the closing of an equity offering in which the Company raises not less than $20,000,000. In connection with the extension to April 30, 2007 the Company received an additional $100,000, thereby increasing the outstanding principal amount of the bridge loan facility to $5,000,000. In consideration for the extension and increased loan amount the Company paid Nedbank a fee of $75,000 and issued 174,000 common stock purchase warrants to Nedbank and 126,000 common stock purchase warrants to Auramet Trading, LLC. Each warrant will entitle the holder to purchase one share of the Company s common stock on or before May 15, 2008, at an exercise price of $.66.

The Company uses the Black-Scholes option pricing model to estimate the fair market value of warrants issued in connection with the bridge loan facility. The value of the warrants is recorded as a reduction of debt and increase in additional paid in capital. The debt discount is amortized to interest expense over the life of the loan. The risk-free interest rate is based upon the U.S. Treasury yield curve in effect at the date of issuance. In 2006, the expected volatility is based on the weighted historical volatility of the Company s common stock and that of its peer group. In 2005, the expected volatility is based on the historical volatility of the Company s common stock.

The following assumptions were used to estimate the fair value of warrants issued in connection with the bridge loan facility during 2006 and 2005:

	2006	**2005**
Risk-free interest rate	4.7% to 5.0%	4.3% to 4.4%
Expected term in years	2 years	2 years
Expected volatility	66%	176%
Expected dividend yield	0%	0%

The fair value of warrants issued in connection with the bridge loan facility was $260,729 and $171,200 for the years ended December 31, 2006 and 2005, respectively. The Company recognized $374,862 and $57,067 of interest expense associated with the accretion of the debt discount on the bridge loan facility in 2006 and 2005, respectively.

Revolving Line of Credit Related Parties

In June 2005, the Company entered into a $600,000 revolving line of credit agreement with Ronald Hirsch and Stephen Seymour. The line of credit bears interest at 6.0% per annum and was to have matured on December 31, 2005, and is collateralized by accounts receivable, inventory, property and equipment, and other assets. This loan is subordinated to the Bridge Loan with Nedbank described above.

In consideration for the issuance of the line of credit, the Company agreed to issue to the lenders four shares of common stock and four warrants for every $1 loaned to the Company. Each warrant entitles the lender to purchase one share of common stock at an exercise price of $0.25 for a period of three years.

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The Company uses the Black-Scholes option pricing model to estimate the fair market value of warrants granted in connection with the revolving line of credit. The value of the warrants is recorded as a discount to debt and amortized to interest expense over the life of the loan.

Commencing May 1, 2006, the interest rate was changed from 6.0% per annum to M&T Bank s prime rate (8.25% at December 31, 2006). The maturity date has been extended to the earlier of: (a) April 30, 2007; or (b) the closing of (i) a registered equity offering and/or a debt project financing in which the Company raises not less than $20,000,000, or (ii) a significant corporate transaction which results in a change of control of the Company, or which involves a sale, lease, exchange or other transfer of all or substantially all of the Company s assets or assets valued at $12,000,000 or greater.

The Company uses the Black-Scholes option pricing model to estimate the fair market value of warrants issued in connection with the revolving linc of credit. The value of the warrants is recorded as a reduction of debt and increase in additional paid in capital. The debt discount is amortized to interest expense over the life of the loan. The risk-free interest rate is based upon the U.S. Treasury yield curve in effect at the date of issuance. The expected volatility is based on the weighted historical volatility of the Company s common stock.

The following assumptions were used to estimate the fair value of warrants issued in connection with the revolving line of credit during 2005:

	2005
Risk-free interest rate	3.7% to 4.3%
Expected term in years	3 years
Expected volatility	165% to 185%
Expected dividend yield	0%

The fair value of warrants issued in connection with the revolving line of credit was $562,479 for the year ended December 31, 2005. The Company recognized $170,909 and $391,570 of interest expense associated with the accretion of the debt discount in 2006 and 2005, respectively.

There were no warrants issued in connection with the revolving line of credit facility during 2006.

Convertible Notes Related Parties

During 2004, the Company entered into promissory notes for $66,000 and $106,000 from Stephen Seymour, a member of the board of directors, and Ronald Hirsch, CEO and chairman of the board of directors, respectively. The loans accrue interest at 10% per annum, are unsecured and have been extended to mature on the earlier of: (a) April 30, 2007; or (b) the closing of (i) a registered equity offering and/or a debt project financing in which the Company raises not less than $25,000,000, or (ii) a significant corporate transaction which results in a change of control of the Company, or which involves a sale, lease, exchange or other transfer of all or substantially all of the Company s assets or assets valued at $12,000,000 or greater. These loans are repayable upon maturity: (a) in the case of an equity offering or a debt financing, as to 50% in cash and as to the balance in fully paid shares of common stock at a deemed price of $0.20 per share; (b) in the case of a significant corporate transaction or a sale, lease or transfer of assets, solely in fully paid shares of common stock at a deemed price of $0.20 per share; and (c) in any other case, in such mix of cash and/or fully paid shares of common stock at a deemed price of $0.20 per share as the holder may determine. These loans are subordinated to the Bridge Loan with Nedbank.

These loans contain a beneficial conversion feature in the amount of $123,000 due to the value of the Company s common stock exceeding the debt conversion price on the date of the loans.

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During June 2004, Ronald Hirsch exercised 1,750,000 stock options at an exercise price of $35,000. Subsequently, during June 2005, Mr. Hirsch and the Company agreed to rescind this stock option exercise. In exchange for the $35,000 that was paid to exercise the stock options, the Company issued Mr. Hirsch an unsecured convertible promissory note for $35,000 and cancelled the related 1,750,000 shares of common stock. The promissory note bears interest at 10.0% per annum, is unsecured and has been extended to mature on the earlier of: (a) April 30, 2007; or (b) the closing of (i) a registered equity offering and/or a debt project financing in which the Company raises not less than $25,000,000, or (ii) a significant corporate transaction which results in a change of control of the Company, or which involves a sale, lease, exchange or other transfer of all or substantially all of the Company s assets or assets valued at $12,000,000 or greater. This loan is repayable upon maturity: (a) in the case of an equity offering or a debt financing, as to 50% in cash and as to the balance in fully paid shares of common stock at a deemed price of $0.175 per share; (b) in the case of a significant corporate transaction or a sale, lease or transfer of assets, solely in fully paid shares of common stock at a deemed price of $0.175 per share; and (c) in any other case, in such mix of cash and/or fully paid shares of common stock at a deemed price of $0.175 per share as the holder may determine. This loan is subordinated to the Bridge Loan with Nedbank. The Company recorded a $25,000 beneficial conversion feature related to this convertible loan during the year ended December 31, 2005.

The beneficial conversion features are amortized to interest expense over the period during which the notes are convertible into common stock. The Company recognized $1,722 and $100,878 of interest expense associated with the amortization of its beneficial conversion feature in 2006 and 2005, respectively.

6. INCOME TAXES

The components of the provision for income taxes as of December 31, 2006 and 2005 are as follows:

	2006	2005
Current:		
Federal	$	$
State		
Total current income tax expense		
Deferred:		
Federal		
State		
Total deferred income tax expense		
Total	$	$

The provision for income taxes reconciles to the amount computed by applying the federal statutory rate to income before the provision for income taxes as follows:

	2006	2005
Federal statutory rate	35%	35%
State income taxes, net of federal benefits	4%	4%
Valuation allowance	(39)%	(39%)
Total	%	%

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Significant components of deferred income taxes as of December 31, 2006 are as follows**:**

		2006
Net operating loss carry forwards	$	33,875,000
Capital loss carry forward		4,176,000
Accrued reclamation expense		72,000
Other		56,000
Accrued consulting expense related party		117,000
Accrued officer compensation		783,000
Valuation allowance		(38,645,000)
Total deferred tax asset		434,000
Depreciation and amortization		(434,000)
Total deferred tax liability		(434,000)
Net deferred tax asset	$	

The Company records a valuation allowance for certain temporary differences for which it is more likely than not that it will not receive future tax benefits. The Company assesses its past earning history and trends, sales backlog and projections of future net income. The Company recorded a valuation allowance for the entire amount of the net deferred tax asset in 2006 and 2005 as the Company considered it to be unlikely to recognize sufficient operating income to realize the benefit of these assets over time until the Company has had a reasonable history of net income. Accordingly, the Company recorded a deferred tax valuation allowance in 2006 and prior years to offset the entire deferred tax asset arising from the tax loss carry forward and other temporary differences. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized, based upon criteria that include a recent history of demonstrated profits. The net change in the valuation allowance was an increase of $2,080,000 and $812,000 for the years ended December 31, 2006 and 2005, respectively. The Company will continue to review this valuation allowance and make adjustments as appropriate.

The tax benefits associated with employee exercises of non-qualified stock options and disqualifying dispositions of stock acquired with incentive stock options reduce income taxes currently payable. However, no benefits were recorded to additional paid-in-capital in 2006 or 2005 because their realization was not more likely than not to occur and consequently, a valuation allowance was recorded against the entire benefit.

At December 31, 2006, the Company had federal and state net operating loss (NOL) carry forwards of approximately $95,000,000 and $17,000,000, respectively. The Company also had a capital loss carry forward of approximately $11,000,000 which can be utilized to offset capital gains for the subsequent five year period. The NOL carry forwards expire in the years 2007 through 2026, and 2007 through 2011, for federal and state purposes, respectively.

7. STOCKHOLDERS EQUITY

Common Stock

At the annual meeting of stockholders held on October 18, 2006, the Company s stockholders approved an amendment to the Company s Amended Certificate of Incorporation to increase the number of authorized shares of common stock from 50,000,000 to 100,000,000. The Company s stockholders also approved a reverse stock split of the Company s issued and outstanding shares of common stock at a ratio

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within the range from one-for-two to one-for-six. The Company has not yet taken any steps to: (a) increase the number of authorized shares of common stock from 50,000,000 to 100,000,000; or (b) effect a reverse stock split of the Company s issued and outstanding shares of common stock. The Company s board of directors has discretion to elect not to proceed with these changes.

In 2006, certain equity-based fees have been paid to the Company s non-executive directors in the form of awards issued pursuant to the Company s 2006 Stock Incentive Plan. The non-executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in deferred stock units. Each of the Company s non-executive directors exercised such rights in respect of the equity-based fees payable to him for 2006. Accordingly, during 2006, Wade Nesmith, the Company s Lead Director and the Chairman of each of the Executive and the Corporate Governance and Nominating Committees, received 47,907 deferred stock units; Douglas Hamilton, the Chairman of the Company s Audit Committee received 40,342 deferred stock units; John Cook, the Chairman of the Company s Compensation Committee received 32,778 deferred stock units; and Stephen Seymour received 25,214 deferred stock units. During 2006, the Company recognized an expense of $126,874 related to the issuance of deferred stock units to its independent directors. The deferred stock units were granted under the 2006 Deferred Stock Unit Plan.

In January 2005, the Company issued 86,538 shares of common stock valued at $22,500 and in March 2006, the Company issued 83,844 shares of common stock valued at $29,010 as payment under the Coyote Springs Option.

On February 8, 2006, the Company entered into an agreement with a former outside director of the Company who resigned as a director of the Company in 1995, to settle certain retirement benefit claims. Under the terms of the settlement, the Company issued 42,500 shares of common stock, and agreed to pay $8,500 in cash for retirement benefits for calendar year 2006, and reaffirmed its continuing obligation to make annual payments in the amount of $8,500.

During 2006, 2,715,000 stock options were exercised at an exercise price of $54,300.

In September 2005, the Company commenced a private placement of equity securities up to a maximum of 1,428,571 units, whereby one unit, consisting of one share of common stock and a warrant to purchase one share of common stock, is being offered for $0.35 per unit. During the year ended December 31, 2005, the Company sold 819,644 units for $286,875. During January 2006, the Company sold an additional 80,000 units for gross proceeds of $28,000 pursuant to the private placement. The stock purchase warrants have an exercise price of $0.40 and expire in three years.

During 2005, the Company issued 430,000 shares of common stock for services valued at $127,700 to John Perry, the Senior Vice President and Chief Financial Officer. Pursuant to the Company s employment agreement with Mr. Perry, the Company was required to issue 250,000 shares of the Company s common stock on Mr. Perry s one-year anniversary with the Company which occurred in April 2006. The Company recognized $18,750 and $56,250 of compensation expense related to this obligation during the years ended December 31, 2006 and 2005, respectively. During 2006, pursuant to his employment agreement, the Company issued 490,000 shares of its common stock, including the 250,000 shares referenced above, to Mr. Perry, for which $221,750 of compensation expense was recognized**.** In addition, pursuant to the Company s employment agreement with Mr. Perry, he will be compensated on a monthly basis based on the issuance of 20,000 shares of the Company s common stock per month. Mr. Perry will be paid in cash after the Company has raised at least $10 million in financing.

In May 2006, the Company issued 176,471 shares of common stock valued at $88,236 to Nick Tintor, who was then the Company s President and Chief Executive Officer, pursuant to his employment agreement.

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During 2005, the Company issued 12,000 shares of common stock to settle outstanding payables of $12,866, and, in February 2006, the Company issued 7,921 shares of common stock to settle outstanding payables of $3,960.

Between January 2005 and May 2005, the Company issued 67,271 shares of common stock valued at $22,721 to Rex Loesby, a former officer of the Company, for consulting services.

In April 2005, the Company entered into an agreement with Pierce Carson, a former CEO of the Company whose employment terminated in December 2000, to settle certain retirement benefit claims. Under the terms of the settlement, the Company issued 250,000 shares of common stock valued at $85,000 and issued warrants to purchase 250,000 shares of common stock valued at $74,367. The warrants have an exercise price of $.50 and expire in three years.

During 2005, the Company issued 2,260,000 shares of common stock valued at $637,000 and 2,260,000 warrants to purchase one share of common stock valued at $562,478 pursuant to the Company s revolving line of credit with Ronald Hirsch and Stephen Seymour. The stock purchase warrants have an exercise price of $.25 and expire in three years.

Warrants

In connection with the Company s bridge loan financing transaction with Auramet Trading, LLC completed on October 17, 2005, the Company issued stock purchase warrants to Auramet Trading, LLC. The number of warrants was to be calculated by dividing the $1,000,000 by the final price at which a share of the Company s stock was sold in a public offering and multiplying the result by 0.15. The warrants were exercisable on or before October 17, 2007, provided that the Company completed a public offering of its common stock on or before April 17, 2006. In the event that the Company did not complete such an offering by April 17, 2006, the warrants were to expire on April 17, 2006, and the Company was required to issue new warrants to Auramet Trading, LLC for the purchase of 256,410 shares of the Company s common stock at an exercise price equal to the average closing price of the Company s common stock for the 20 trading days prior to April 17, 2006. Since the Company did not complete a public offering by April 17, 2006, it issued the 256,410 replacement warrants to Auramet Trading, LLC. The new warrants are exercisable at a price of $0.56 per share and shall expire on April 17, 2008.

Additionally, pursuant to an agreement with Auramet Trading, LLC for arranging bridge loan facility with Nedbank, 250,000 warrants were issued to Auramet Trading, LLC for the purchase of an equal number of shares of the Company s common stock. The warrants are exercisable on or before October 2007 at an exercise price of $0.56 per share.

In connection with the Company s bridge loan financing transaction with Nedbank completed on November 8, 2005, the Company issued stock purchase warrants to Nedbank. The number of warrants was to be calculated by dividing $2,900,000 by the final price at which a share of the Company s stock is sold in a public offering and multiplying the result by 0.15. The warrants were exercisable on or before November 8, 2007, provided that the Company completed a public offering of its common stock on or before May 8, 2006. Since the Company did not complete such an offering by May 8, 2006, the warrants expired in accordance with their terms on May 8, 2006, and the Company issued new warrants to Nedbank for the purchase of 743,590 shares of its common stock at an exercise price of $0.88 per share, being the amount equal to the average closing price of the Company s common stock as quoted on the Pink Sheets LLC for the 20 trading days prior to May 8, 2006. The new warrants shall expire on May 8, 2008.

Upon execution and delivery of the Company s Modification Agreement with Nedbank dated May 15, 2006 in relation to the bridge loan from Nedbank, the Company issued a total of 100,000 warrants

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exercisable no later than May 15, 2008, of which 75,000 were issued to Nedbank and 25,000 were issued to Auramet Trading. Each warrant entitles the holder to purchase one share of the Company s common stock for a period of two years, at an exercise price of $1.00, being an amount equal to the average of the closing price of the Company s common stock (as quoted on Pink Sheets LLC) for the twenty trading days prior to May 15, 2006.

On May 31, 2006, in connection with the advance to the Company of an additional $1,000,000 by Auramet Trading (who acted through Nedbank by way of an amendment to the $3,900,000 Nedbank bridge loan), the Company issued to Auramet warrants for the purchase of 250,000 shares of the Company s common stock, exercisable for a period of two years at an exercise price of $1.15 per share, being equal to 110% of the average closing price of the Company s common stock (as quoted on the Pink Sheets LLC) for the 20 trading days prior to the date of the Amended and Restated Secured Promissory Note.

During September 2006, in connection with the extension of the maturity date of the Nedbank bridge loan the Company issued 88,770 common stock purchase warrants to Nedbank and 61,230 common stock purchase warrants to Auramet Trading, LLC. Each warrant entitles the holder to purchase one share of common stock on or before September 30, 2008, at an exercise price of $0.83.

8. STOCK-BASED COMPENSATION

2006 Stock Incentive Plan

The Company has adopted a stock incentive plan (the 2006 Stock Incentive Plan) which was approved by the stockholders of the Company at the Annual General Meeting of Stockholders held on October 18, 2006. A total of 6,000,000 shares of common stock have been reserved for issuance under all awards that may be granted under the 2006 Stock Incentive Plan. Eligible Participants who are entitled to participate in the 2006 Stock Incentive Plan consist of employees, directors and consultants of (a) the Company or (b) any of the following entities: (i) any parent corporation as defined in section 424(e) of the Internal Revenue Code of 1986, as amended (the Code); (ii) any subsidiary corporation as defined in section 424(f) of the Code; or (iii) any business, corporation, partnership, limited liability company or other entity in which the Company, a parent corporation or a subsidiary corporation holds a substantial ownership interest, directly or indirectly.

The 2006 Stock Incentive Plan provides for the granting to Eligible Participants of such incentive awards (each, an Award) as the administrator of the 2006 Stock Incentive Plan may from time to time approve. Subject to applicable laws, including the rules of any applicable stock exchange or national market system, the administrator is authorized to grant any type of Award to an Eligible Participant (each a Grantee) that by its terms involves or may involve the issuance of: (i) shares of common stock, (ii) a stock option, (iii) a stock appreciation right entitling the Grantee to acquire such number of shares of common stock or such cash compensation as will be determined by reference to any appreciation in the value of the Company s common stock, (iv) restricted stock issuable for such consideration (if any) and subject to such restrictions as may be established by the administrator, (v) unrestricted stock issuable for such consideration (if any) on such terms and conditions as may be established by the administrator, (vi) restricted stock units, subject to such restrictions as may be imposed by the administrator, and represented by notional accounts maintained in the respective names of the Grantees that are valued solely by reference to shares of common stock of the Company and payable only in shares after the restrictions have lapsed, (vii) deferred stock units issuable to eligible directors in lieu of certain eligible remuneration otherwise payable in shares of common stock, subject to settlement in accordance with the terms and conditions of the Award and represented by notional accounts maintained in the respective names of the Grantees, (viii) dividend equivalent rights, which are rights entitling the Grantee to receive credits for dividends that would be paid if the recipient had held a specified number of shares of common stock, (ix)

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any other security with the value derived from the value of the Company s common stock, or (x) any combination of the foregoing.

Under the 2006 Stock Incentive Plan, stock options may be granted as either incentive stock options or non-qualified stock options.

Stock Options

The Company has granted incentive and non-qualified stock options to its directors under terms of its 2006 Stock Incentive Plan. The Company has also granted non-qualified, non-plan stock options, which have been authorized by the Company s board of directors.

Stock options are generally granted at an exercise price equal to or greater than the quoted market price on the date of grant. During 2006, the Company granted 2,074,999 stock options, of which 1,300,000 stock options were granted under the 2006 Stock Incentive Plan and 774,999 were non-plan stock option grants. During 2005 the Company issued 2,750,000 non-plan stock options. The outstanding options expire at various dates from 2007 to 2011.

During 2006, the Company granted 99,999 stock options to non-employees of the Company valued at $20,340 for payment on the Coyote Springs option. The valuation of the options granted to non-employees is estimated using the Black-Scholes option pricing model.

A summary of the activity under the Company s outstanding stock option plans as of December 31, 2006 and 2005 and changes during the years then ended is set forth below:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2004	2,286,499	$ .46
Granted	2,750,000	.15
Exercised	-	-
Cancelled	(296,500)	1.03
Options outstanding at December 31, 2005	4,739,999	.25
Granted	2,074,999	.84
Exercised	(2,715,000)	.02
Cancelled	(1,175,000)	.46
Options outstanding at December 31, 2006	2,924,998	$ .79

During 2006, 2,715,000 stock options with an intrinsic value of $753,500 were exercised at an exercise price of $54,300. No stock options were exercised during 2005.

The following table summarizes information about the Company s stock options outstanding at December 31, 2006:

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	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Intrinsic Value
Total Stock Options	2,924,998	4.5	$ .79	$ 1,054,498
Exercisable Stock Options	2,391,665	3.5	.73	1,001,165

There are 2,924,998 stock options outstanding at December 31, 2006, of which 2,124,998 are non-qualified, non-plan stock options and 800,000 were issued pursuant to the Company s 2006 Stock Incentive Plan. The Company had issued an additional 500,000 stock options to the Company s President and Chief Executive Officer in May 2006; however, these options were cancelled in September 2006 pursuant to a settlement agreement entered into subsequent to his resignation.

The following table summarizes the unvested stock options outstanding as of December 31, 2006:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested Options outstanding at December 31, 2005	-	$ -
Granted	2,074,999	.46
Vested	(1,041,666)	.34
Cancelled/Forfeited	(500,000)	.38
Non-vested Options outstanding at December 31, 2006	533,333	$ .78

The total grant date fair value of options vested in 2006 and 2005 were $355,698 and $795,540, respectively. As of December 31, 2006, 533,333 stock options remain unvested resulting in $417,449 in compensation expense to be recognized over the following 1.25 years.

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted. The expected forfeiture rate of 21% in 2006 is based on historical employee turnover rates for 2006 and includes the actual forfeiture of stock options due to the resignation of one of the Company s officers. All stock options granted in 2005 vested at the time of grant and therefore the expected forfeiture rate was 0%. The expected term of the options granted is estimated using the formula set forth in Securities and Exchange Commission Staff Accounting Bulletin No. 107. The risk-free interest rate is based upon the U.S. Treasury yield curve in effect at the date of grant. In 2006, in connection with the adoption of SFAS 123(R), Share-Based Payment, the expected volatility is based on the weighted historical volatility of the Company s common stock and that of its peer group. In 2005 the expected volatility is based on the weighted historical volatility of the Company s common stock.

The following assumptions were used to estimate the fair value of stock options granted during 2006 and 2005:

	2006	2005
Risk-free interest rate	4.5% to 4.9%	3.7% to 4.3%
Expected term in years	1.5 to 5.5 years	3 to 5 years

Expected volatility	60% to 90%	176% to 185%
Expected dividend yield	0%	0%

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The weighted average fair value of options granted in 2006 and 2005 were $.46 and $.29, respectively.

During June 2004, Ronald Hirsch exercised 1,750,000 stock options at an exercise price of $35,000. Subsequently, during April 2005, Mr. Hirsch and the Company agreed to rescind this stock option exercise. In exchange for the $35,000 that was paid to exercise the stock options, the Company issued Mr. Hirsch a convertible promissory note for $35,000 and cancelled the related 1,750,000 shares of common stock.

In connection with this rescission, in April 2005, the Company granted a new stock option for the purchase of 1,750,000 common shares at an exercise price of $.02 per share. As a result of this transaction, the Company recognized approximately $490,000 of compensation expense on the grant date of the option. The stock option has a five year term and will be accounted for under the variable method of accounting until the earlier of the exercise or expiration of the option. During 2005 the Company recognized compensation expense of $455,000 related to these stock options. In connection with the exercise of these options in January of 2006, the Company recognized an additional $26,250 of compensation expense.

During 2006, the Company granted 1,975,000 and cancelled 1,175,000 stock options to employees and directors for which $574,269 in compensation expense was recognized. During 2005, the Company granted 2,250,000 and cancelled 296,500 stock options to employees and directors for which $455,000 in compensation expense was recognized.

Deferred Stock Units

In 2006, certain equity-based fees have been paid to the Company s non-executive directors in the form of awards issued pursuant to the Company s 2006 Stock Incentive Plan. The non-executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in deferred stock units. Each of the Company s non-executive directors exercised such rights in respect of the equity-based fees payable to him for 2006. Accordingly, during 2006, Wade Nesmith, the Company s Lead Director and the Chairman of each of the Executive and the Corporate Governance and Nominating Committees, received 47,907 deferred stock units; Douglas Hamilton, the Chairman of the Company s Audit Committee received 40,342 deferred stock units; John Cook, the Chairman of the Company s Compensation Committee received 32,778 deferred stock units; and Stephen Seymour received 25,214 deferred stock units. During 2006, the Company recognized expense of $126,874 related to the issuance of deferred stock units to its independent directors. The deferred stock units were granted under the 2006 Deferred Stock Unit Plan.

Common Stock

During 2006 and 2005 the Company issued 666,471 and 430,000 shares of common stock to employees of the Company, respectively. The weighted average grant date fair value of common stock issued to employees during 2006 and 2005 was $0.72 and $0.30 per share, respectively. Stock based compensation related to these awards of $309,986 and $183,950 is included in operating expenses for 2006 and 2005, respectively.

During 2005, the Company issued 430,000 shares of common stock for services valued at $127,700 to John Perry, the

Company s Senior Vice President and Chief Financial Officer. Pursuant to the Company s employment agreement with Mr. Perry, the Company was required to issue 250,000 shares of the Company s common stock on Mr. Perry s one-year anniversary with the Company which occurred in April 2006. The Company recognized $18,750 and $56,250 of compensation expense related to this obligation during the years ended December 31, 2006 and 2005, respectively. During 2006, pursuant to his employment agreement, the Company issued 490,000 shares of its common stock, including the 250,000 shares referenced above, to Mr. Perry, for which $221,750 of compensation expense was

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recognized**.** In addition pursuant to the Company s employment agreement with Mr. Perry, he will be compensated on a monthly basis based on the issuance of 20,000 shares of the Company s common stock per month. Mr. Perry will be paid in cash after the Company has raised at least $10 million.

On May 12, 2006, the Company issued 176,471 shares of its common stock valued at $88,236 to Nick Tintor, who was then the Company s President and Chief Executive Officer, pursuant to his employment agreement.

9. COMMITMENTS AND CONTINGENCIES

Capital Lease

During 2004, the Company entered into a lease for certain mining equipment that qualifies as a capital lease obligation. As a result, the present value of the future minimum lease payments is recorded as equipment and related capital lease obligation in the accompanying consolidated balance sheet. At December 31, 2006 the cost of equipment acquired under the capital lease obligation was $75,000 and the related accumulated amortization was $46,875**.**

Future minimum lease payments for the capital lease obligation are as follows for the years ending December 31:

2007	$	25,293
2008		12,647
Total minimum obligations		37,940
Less amounts representing interest		(9,815)
Present value of minimum obligations		28,125
Less current maturity		(18,750)
Non-current	$	9,375

Office Lease

Effective June 1, 2006, the Company entered into a lease agreement for office space in Tucson, Arizona. The amount of the lease is $4,000 per month, subject to 3% escalation per annum and rental tax, has a term of 5 years, and includes a right to terminate the lease at the end of the third year.

The following is a schedule of future minimum lease payments at December 31, 2006 under the Company s operating leases that have initial or remaining non-cancelable lease terms in excess of one year:

2007	$	48,840
2008		50,298
2009		51,803
2010		53,368
2011		22,513
Total	$	226,822

Rental expense charged to operations was $28,680 and $0 for the years ended December 31, 2006 and 2005, respectively.

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Coyote Springs

In January 2004, the Company acquired an exclusive option (Coyote Springs Option) to purchase the leasehold rights and mining claims located near Safford in Graham County, Arizona described as Coyote Springs , consisting of two State of Arizona exploration leases and 52 unpatented mining claims. The Coyote Springs property is a significant, large tonnage porphyry copper-gold exploration target with exposed, surface copper oxides and considerable potential for deeper copper sulfides. Coyote Springs is situated adjacent to the Phelps Dodge Corporation Dos Pobres copper development project near Safford, which has been determined by the United States Geological Survey to be one of the largest undeveloped porphyry copper mining districts in the world with proven undeveloped reserves.

During 2004, the Company issued 199,998 shares of common stock, valued at $80,000, $22,500 in cash and options to purchase 99,999 shares of common stock in conjunction with the Coyote Springs Option. The stock options are immediately exercisable, expire in 36 months and were valued at $39,453 under the fair value provisions of SFAS No. 123. During 2005, the Company issued 86,538 shares of common stock, valued at $22,500 in conjunction with the Coyote Springs Option. During 2006, the Company issued 83,844 shares of common stock, valued at $29,010 and $21,000 in cash and options to purchase 99,999 shares of common stock in conjunction with the Coyote Springs Option. The stock options are immediately exercisable, expire in 36 months and were valued at $20,340 under the fair value provisions of SFAS No. 123. As of December 31, 2006 the total consideration paid under the Coyote Springs Option was $234,801 which is included in property and equipment in the accompanying consolidated balance sheet.

In addition to the above, the Coyote Springs Option provides for (i) at the election of the Coyote Springs owners, the issuance of either 99,996 shares of common stock or $114,990 cash in the aggregate, to be paid in two annual installments of $54,990 and $60,000 beginning in January 2007; (ii) the issuance of options in 2008 to purchase 99,999 shares of common stock; and (iii) in January 2009, at the election of the Coyote Springs owners, payment of $1,600,005 in cash or the equivalent value in shares of common stock.

The Coyote Springs Option also provides for the payment of production royalties based on certain levels of copper sales, the payment of a 4% sales commission in the event the Company sells Coyote Springs and meeting certain exploration and development expenditures relative to Coyote Springs totaling $1,250,000 during the term of the agreement.

The stock options relative to the Coyote Springs Option are to be issued at an exercise price of 15% below the value of the Company s common stock on the date of grant, are immediately exercisable and expire in 36 months. The Coyote Springs Option expires in January 2009 and may be terminated by the Company with 90 days written notice.

Mimbres

In June 2004, the Company acquired an exclusive option (Mimbres Option) to purchase the leasehold rights and mining claims for a large tonnage porphyry copper exploration target located near Silver City, New Mexico (Mimbres). The Mimbres property consists of 4.6 square miles of New Mexico State mineral leases and 45 unpatented mining claims. Mimbres is located seven miles southeast of the Phelps Dodge Chino mines open pit, mill and smelter complex. The Phelps Dodge Chino copper mine is the oldest active copper mine in the Southwest United States, started by the Spanish in the early 1800 s.

The Mimbres Option provides for the Company to issue 300,000 shares of its common stock, options to purchase 150,000 shares of common stock and $6,000 cash on the effective date of the agreement, which was June 10, 2004.

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The Mimbres Option also provides for (i) the issuance of 105,000 shares of common stock annually for the next four years beginning June 2005; (ii) the issuance of options to purchase 120,000, 90,000 and 60,000 shares of common stock during the years ending December 31, 2005, 2006 and 2007, respectively; and (iii) at the election of the Mimbres owners, payment of $2,400,000 cash or the equivalent value in shares of common stock in June 2009. As of December 31, 2006, the Company had not issued any common stock or stock options due to certain conditions of the Mimbres Option that have not been satisfied. The Company is under no obligation to issue any consideration until such time that the Mimbres Option conditions have been satisfied. The Company is also obligated for the payment of production royalties based on certain levels of copper sales, the payment of a 4% sales commission in the event the Company sells Mimbres and meeting certain exploration and development expenditures relative to Mimbres totaling $1,400,000 during the term of the agreement.

The stock options relative to the Mimbres Option are to be issued at an exercise price that is 15% below the value of the Company s common stock on the date of grant, are immediately exercisable and expire in 36 months. The Mimbres Option expires 5 years from the date certain outstanding conditions of the Mimbres option agreement are satisfied and may be terminated by the Company with a 90 day written notice.

Texas Arizona Mine

In July 2004, the Company entered into an option agreement to acquire a 100% interest in four unpatented mining claims in Cochise County, Arizona, known as the Texas Arizona Mine . The Company paid $980 to acquire the option and agreed to pay $10,000 within four years to acquire the Texas Arizona Mine.

Consent/Compliance Orders

Effective with the acquisition of the Johnson Camp Mine, the Company agreed to a Consent Order with the Arizona Department of Environmental Quality (ADEQ). The Consent Order specifies actions the Company must take to remediate conditions at the mine that are not in compliance with current Arizona laws, including modifications to the current facilities that will be required to qualify for an Aquifer Protection Permit (APP) application. The Consent Order also sets forth a schedule under which the Company has agreed to file an application for an APP. The ADEQ may impose financial penalties on the Company for failure to meet the requirements of the Consent Order. The Company plans to meet its obligations under the Consent Order in the course of rehabilitating the mine and returning it to full production.

On September 7, 2002, the ADEQ issued a Compliance Order indicating that the Company s operation of the Johnson Camp Mine was in violation of the Arizona Revised Statutes, the Arizona Administrative Code and the ADEQ Consent Order referenced above, and required the Company to bring the Johnson Camp Mine into compliance with Arizona s aquifer protection laws. The Compliance Order superseded and replaced the Consent Order referenced above. Pursuant to the Compliance Order, the Company and the ADEQ entered into a stipulated judgment which assessed civil penalties against the Company in the amount of $4,325,000. In addition, the Compliance Order created an escrow account into which the Company was required to deposit $1,500,000 to be used to bring the mine into compliance. The Compliance Order provides that violation of said order will subject the Company to further civil penalties including entry of the stipulated judgment. Pursuant to the Compliance Order, the Company deposited $1,500,000 into an escrow account, all of which has been spent to bring the Johnson Camp Mine into compliance with the Compliance Order. Management believes that the Company is currently operating the mine in compliance with the Compliance Order.

NORD RESOURCES CORPORATION AND SUBSIDIARY
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Settlement Agreement With Nicholas Tintor

Nicholas Tintor resigned from the board of directors of the Company effective September 27, 2006. Mr. Tintor had served as a member of the Company s board of directors since February 15, 2006. In addition, Mr. Tintor served as the Company s President and Chief Executive Officer from February 15, 2006 until August 21, 2006.

Subsequent to Mr. Tintor s resignation as a director, Mr. Tintor and the Company entered into a settlement agreement dated September 29, 2006 (the Tintor Settlement Agreement), pursuant to which the Company agreed, in consideration of the execution and delivery by the parties of a mutual general release (the Mutual General Release), to pay Mr. Tintor $233,000 in cash as follows: (a) $70,000 payable no later than October 31, 2006; and (b) the balance of $163,000 payable within seven days following the closing date of (i) a registered equity offering and/or a debt project financing in which the Company raises not less than an aggregate amount of $15,000,000 (including multiple financing transactions between October 1, 2006 and January 7, 2007 where the aggregate amount equals or exceeds $15,000,000), or (ii) a significant corporate transaction which (A) results in a change of control of the Company, or (B) involves a sale, lease, exchange or other transfer of all or substantially all of the Company s assets, or a sale, lease, exchange or other transfer by the Company of assets valued at $12,000,000 or greater. If the Company does not close such a financing or corporate transaction prior to January 7, 2007, then the Company will, subject to compliance with any and all applicable securities laws, issue to Mr. Tintor a sufficient number of fully-paid, non-assessable shares to pay the balance of settlement amount, based on the volume-weighted average trading price of the Company s common stock during the ten trading days preceding January 7, 2007.

Pursuant to the Tintor Settlement Agreement, in October 2006 the Company paid Mr. Tintor $70,000. As of December 31, 2006, the Company had an accrued obligation of $163,000 associated with the settlement. On January 7, 2007 the Company issued Mr. Tintor 139,880 common shares of the Company in full satisfaction of the agreement.

Settlement Agreement

On February 8, 2006, the Company entered into an agreement with a former outside director of the Company who resigned in December 1995, to settle certain retirement benefit claims. Under the terms of the settlement, the Company issued 42,500 shares of common stock, agreed to pay $8,500 in cash for retirement benefits for calendar year 2006 and reaffirmed its continuing obligation to make annual payments in the amount of $8,500. Accordingly, during the year ended December 31, 2006, using its risk adjusted interest rate, the Company recorded the present value of the estimated annual payments to be made under the settlement agreement. The balance of the liability, which is recorded in accrued expenses, was $65,635 as of December 31, 2006.

Officer Indemnification

Under the Company s organizational documents, the Company s officers, employees, and directors are indemnified against certain liabilities arising out of the performance of their duties. The Company s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects any risk of loss to be remote.

Royalty Obligations

Copper metal produced from Johnson Camp Mine is subject to a $0.02 per pound royalty payable to Arimetco when copper prices are in excess of $1.00 per pound. The royalty is capped at an aggregate of $1 million.

NORD RESOURCES CORPORATION AND SUBSIDIARY
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Retention Bonus

In an effort to retain two individuals as employees, the Company has adopted a retention bonus program which is payable if the eligible participant is a full-time employee of the Company at least one day prior to:

(a) a registered equity offering and/or a debt project financing (collectively or separately, a "Funding") in which the Company raises at least $25,000,000, or

(b) a significant corporate transaction (a Significant Transaction) which results in a change of control of the Company, or which involves a sale, lease, exchange or other transfer of all or substantially all of the Company s assets or assets valued at $12,000,000 or greater.

The retention bonus shall be earned and payable only upon the completion of either a Funding or Significant Transaction by June 30, 2007. The aggregate potential amount of the retention bonus for these two individuals is $122,500.

10. LITIGATION

As of December 31, 2006, the Company knows of no material, existing or pending legal proceedings against it, nor is it involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of the Company s directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to the Company s interest.

From time to time the Company is subject to various claims and legal proceedings arising in the ordinary course of business. Although occasional adverse decisions or settlements may occur, management believes that the final disposition of such matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Company; however, litigation is inherently uncertain and the Company can make no assurance as to the ultimate outcome or effect.

11. RELATED PARTY TRANSACTIONS

In addition to related party transactions discussed throughout the notes to the consolidated financial statements, the following related party transactions have occurred:

At December 31, 2006, the Company has accrued $295,000 for consulting services performed by Ronald Hirsch, Chairman of the Board of Directors. Mr. Hirsch converted $25,000 of the original accrued consulting liability into a convertible promissory note, which has a balance of $106,000 at December 31, 2006.

The Company has recorded $32,448 in accounts payable for consulting services performed by Mine Tech Services, an entity owned and operated by Erland Anderson, the Company s CEO and President and member of the board of directors, at December 31, 2006.

At December 31, 2006, the Company has accrued $600,000 in unpaid salary and $300,000 in unpaid bonus to Mr. Hirsch, $385,833 in unpaid salary and $300,000 in unpaid bonus to Mr. Anderson, and $300,000 in unpaid bonus to Mr. Perry.

In October 2005, John Perry purchased 142,857 units of the Company s common stock in a private placement for $50,000. The units include warrants, which have a term of three years, to purchase 142,857 additional shares of common stock at an exercise price of $.40 per share.

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NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Certain of the accrued consulting fees, accrued salary and other items payable to Ronald Hirsch, Erland Anderson and Stephen Seymour are restricted from being paid until the Nedbank loan has been paid in full.

Settlement Agreement with TMD Acquisition Corporation

The Company entered into a settlement agreement (the Settlement Agreement) dated October 18, 2006 with TMD Acquisition Corporation (TMD Acquisition) to settle certain outstanding matters arising in connection with the transactions and circumstances described below.

In May 2004, the Company commenced pursuing an opportunity (the Zinc Opportunity) to acquire assets comprising ASARCO Inc. s (ASARCO) Tennessee Mines Division zinc business (the Zinc Assets). Ronald Hirsch, the Company s Chairman of the Board of Directors, and Stephen Seymour, a Director of the Company, subsequently agreed to assist the Company to preserve the Zinc Opportunity by assuming the right to acquire the Zinc Assets, and assigning such right to TMD Acquisition, a new corporation formed specifically to facilitate an asset purchase agreement with ASARCO dated March 21, 2005 (the Acquisition Agreement) in respect of the Zinc Assets. The principals of TMD Acquisition are Ronald Hirsch and Stephen Seymour.

Pursuant to the Settlement Agreement and a related Assignment Agreement dated as of October 18, 2006 between the Company and TMD Acquisition, the Company took an assignment of the Acquisition Agreement, and has agreed to reimburse certain expenses in the aggregate amount of $365,000 (the TMD Expenses) and assume certain accounts payable in the aggregate amount of $101,442 incurred by TMD in the preservation of the Zinc Opportunity

The Company advanced to TMD Acquisition the aggregate amount of $50,000 (evidenced by demand promissory notes dated February 27, 2006 and May 8, 2006, each in the principal amount of $25,000) to cover certain expenses that TMD Acquisition has incurred in preserving the Zinc Opportunity. The loan is repayable to the Company on demand and is subject to set-off against the TMD Expenses.

Although ASARCO's trustee in bankruptcy has sold the Zinc Assets, the Company instructed counsel to preserve any right of action (the ASARCO Claim) that the Company may have against ASARCO and ASARCO s trustee in bankruptcy. On December 12, 2006, the Company entered into a settlement agreement with ASARCO pursuant to which ASARCO paid to the Company $475,000 in consideration of the execution and delivery by the parties of mutual general releases.

The TMD Settlement Agreement provided that the Company would reimburse the TMD Expenses upon the earlier of certain specified events but no later that December 22, 2006. In addition, if the Company receives any cash payment on account of the ASARCO Claim, it is required to first remit such portion of the cash payment to TMD Acquisition as will be required to fully pay the outstanding balance of the TMD Expenses. However, TMD Acquisition has agreed to defer reimbursement of the TMD Expenses until the Company s financial position has improved.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures about fair value of financial instruments for the Company s financial instruments are presented in the table below. These calculations are subjective in nature and involve uncertainties and significant matters of judgment and do not include income tax considerations. Therefore, the results cannot be determined with precision and cannot be substantiated by comparison to independent market values and may not be realized in actual sale or settlement of the instruments. There may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used could significantly affect the results.

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents a summary of the Company s financial instruments as of December 31, 2006:

	Carrying Amount	Estimated Fair Value
December 31, 2006		
Financial Assets:		
Cash and cash equivalents	$ 1,007,835	$ 1,007,835
Financial Liabilities:		
Long-term debt	5,745,739	*

The carrying amounts for cash and cash equivalents, receivables, accounts payable and accrued expenses approximate fair value because of the short maturities of these financial instruments.

* The fair value for the Company s long-term debt cannot be determined as the financial instrument is not actively traded.

13. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. The Company places its cash with high quality financial institutions and limits its credit exposure with any one financial institution. At times, the Company s bank account balances may exceed federally insured limits.

14. NON-CASH INVESTING AND FINANCING ACTIVITIES

Available for Sale Securities

During the year ended December 31, 2005 due to a change of classification of the Company s investment in marketable securities from securities available for sale to securities held for trading, the Company transferred $968,386 from accumulated other comprehensive income to marketable securities held for trading.

Acquisition of Coyote Springs

Pursuant to the option to purchase Coyote Springs, during the years ended December 31, 2006 and 2005, the Company issued 83,844 and 86,538 shares of its common stock valued at $29,010 and $22,500, respectively. During the year ended December 31, 2006, the Company issued 99,999 options to purchase common stock valued at $20,340.

Revolving Line of Credit

During the year ended December 31, 2005, the Company entered into a revolving line of credit agreement with Ronald Hirsch and Stephen Seymour, which required the Company to issue 2,260,000 shares of its common stock valued at $637,000 and 2,260,000 warrants valued at $562,478. Each warrant entitles the lender to purchase one share of common stock at an exercise price of $.25 for a period of three years.

Bridge Loan

During the year ended December 31, 2005, the Company entered into a bridge loan facility with Nedbank Limited and Auramet Trading, LLC, pursuant to the bridge loan facility during the years ended December 31, 2006 and 2005 the

Company issued warrants with an estimated value of $260,279 and $171,200, respectively.

NORD RESOURCES CORPORATION AND SUBSIDIARY
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Beneficial Conversion Feature Associated with Debt

During the year ended December 31, 2005 the Company entered into a convertible promissory note with Ronald Hirsch which, due to the value of the Company s common stock exceeding the debt conversion price on the date of the loan, contained a beneficial conversion feature in the amount of $25,000. The Company has recorded the beneficial conversion feature as a reduction of debt and increased additional paid-in capital the same amount during the year ended December 31, 2005. The beneficial conversion feature is amortized to interest expense over the life of the loans.

Convertible Note Issued in Connection with Rescission of Stock Option

During June 2004, Ronald Hirsch exercised 1,750,000 stock options at an exercise price of $35,000. Subsequently, during April 2005, Mr. Hirsch and the Company agreed to rescind this stock option exercise. In exchange for the $35,000 that was paid to exercise the stock options, the Company issued Mr. Hirsch a convertible promissory note for $35,000 and cancelled the related 1,750,000 shares of common stock.

Settlement of Accounts Payable

During the years ended December 31, 2006 and 2005, the Company issued 46,753 and 12,000 shares of common stock to settle outstanding payables of $36,924 and $12,866, respectively.

15. SUBSEQUENT EVENTS

Coyote Springs

During January 2007, the Company paid $18,330 and issued 33,332 shares of common stock valued at $36,665 in connection with the Coyote Springs Option.

Settlement Agreement With Nicholas Tintor

Pursuant to the Tintor settlement agreement, and in full satisfaction of the agreement, on January 7, 2007 the Company issued Mr. Tintor 139,880 shares of common stock of the Company valued at $163,000.

Termination of Merger

The Company has entered into a settlement agreement dated March 7, 2007 with Platinum Diversified Mining, Inc. (Platinum) and Platinum s direct and indirect subsidiaries, Platinum Diversified Mining USA, Inc. (PDM USA) and PDM Merger Corp. (Merger Sub and together with Platinum and PDM USA, the PDM Parties), in connection with the agreement and plan of merger dated October 23, 2006 (the Merger Agreement) among the parties. The Merger Agreement contemplated the acquisition of the Company by Platinum in an all-cash merger transaction (the Merger).

The settlement agreement sets forth the terms and conditions of the settlement of the dispute and disagreements between the Company and the PDM Parties arising from the failure of the Merger to close.

Under the settlement agreement, the PDM Parties have agreed to pay to the Company an amount of up to $3.6 million in full and final settlement of all claims and disputes between the parties, as follows:

(a) The PDM Parties agreed to forthwith pay the sum of $1.1 million to the Company (the Initial Payment), to be paid by way of the release to the Company of the $1 million previously deposited by Platinum with American

Stock Transfer & Trust Company (AST), as escrow agent, pursuant to the Merger Agreement (including interest, but net of AST s expenses), with any shortfall to be paid from Platinum s working capital; and

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Platinum has agreed to pay the sum of $50,000 to the Company each calendar month, beginning on April 1, 2007 (the Monthly Payments) until the earlier of (i) the completion of an acquisition by Platinum that meets certain prescribed criteria (a Qualifying Acquisition), or (i) the actual liquidation of Platinum if it has not entered into a letter of intent or agreement in principle to effect a Qualifying Acquisition, or if it has not completed a Qualifying Acquisition, by certain prescribed dates.

The Company received the Initial Payment of $1.1 million on March 8, 2007. If Platinum completes a Qualifying Acquisition, Platinum will be required to pay the balance owing on the settlement sum of $3.6 million (the Balance of Settlement Funds), net of the Initial Payment and any Monthly Payments actually received by the Company. The Balance of Settlement Funds will be payable to the Company out of certain funds being held in trust (the Trust Funds) as a condition of Platinum s listing as a special purpose acquisition corporation on the AIM market (AIM) of the London Stock Exchange. If the Trust Funds are insufficient to pay the Balance of Settlement Funds, Platinum will be required to pay to the Company the greater of: (i) the funds available and (ii) $1 million. Thereafter, Platinum will continue to be obligated to make the Monthly Payments, plus interest, until the Balance of Settlement Funds has been paid.

According to Platinum s public disclosure record, it was admitted to trading on AIM on March 13, 2006 (the Admission Date), and it must be dissolved and the Trust Funds returned to its security holders, if it has not: (a) effected a Qualifying Acquisition or signed a letter of intent, agreement in principle or definitive agreement to effect a Qualifying Acquisition within the 12 months following the Admission Date; or (b) (having signed a letter of intent or an agreement in principle within 12 months following the Admission Date) effected an acquisition within 18 months following the Admission Date. In the event that Platinum is dissolved for having failed to meet these conditions, it will not be required to pay the Balance of Settlement Funds to the Company and shall be relieved of any further obligations to make payments under the settlement agreement. Platinum issued a press release on March 14, 2007 announcing that it had entered into two separate letters of intent on mining projects which, taken in aggregate, it believes would constitute a Qualifying Acquisition eligible for submission to Platinum s shareholders for approval.

Under the settlement agreement, the PDM Parties have acknowledged that the Company is also entitled to retain any and all payments made by the PDM Parties under the Merger Agreement to keep the Company s option on the Coyote Springs property in good standing.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORD RESOURCES CORPORATION

By: /s/ Ronald A. Hirsch
Ronald A. Hirsch
Chairman of the Board of Directors
Date: March 28, 2007

In accordance with the Securities Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Erland A. Anderson
Erland A. Anderson
(Principal Executive Officer)
Interim President, Chief Executive Officer
Date: March 28, 2007

By: /s/ John T. Perry
John T. Perry
(Principal Financial Officer and Principal
Accounting Officer)
Senior Vice President, Chief Financial Officer,
Secretary and Treasurer
Date: March 28, 2007

By: /s/ Ronald A. Hirsch
Ronald A. Hirsch
Chairman of the Board of Directors
Date: March 28, 2007

By: /s/ Stephen Seymour
Stephen Seymour
Director
Date: March 28, 2007

By: /s/ Wade D. Nesmith
Wade D. Nesmith
Director
Date: March 28, 2007

By: /s/ John F. Cook
John F. Cook
Director
Date: March 28, 2007

By: /s/ Douglas P. Hamilton
Douglas P. Hamilton
Director
Date: March 28, 2007