

NORD RESOURCES CORP  
Form POS AM  
May 18, 2009

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As filed with the Securities and Exchange Commission on May 18, 2009  
Registration Statement No. 333-146813

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C., 20549

**POST EFFECTIVE AMENDMENT NO. 4  
TO FORM SB-2  
ON FORM S-1**

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

**NORD RESOURCES CORPORATION**

(Exact name of registrant as specified in charter)

**DELAWARE**

(State or jurisdiction of  
incorporation or organization)

**1000**

(Primary Standard Industrial  
Classification Code Number)

**85-0212139**

(I.R.S. Employer Identification No.)

**1 West Wetmore Road, Suite 203, Tucson, Arizona 85705**

**Telephone: (520) 292-0266**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Mr. John Perry, President and Chief Executive Officer**

**1 West Wetmore Road, Suite 203**

**Tucson, Arizona 85705**

**Phone: (520) 292-0266**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

**With a copy to:**

**Herbert I. Ono**

**LANG MICHENER LLP**

**1500 Royal Centre, 1055 West Georgia Street**

**Vancouver, British Columbia, Canada, V6E 4N7**

**Telephone: (604) 689-9111 and Facsimile: (604) 685-7084**

**Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement is declared effective.**

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If any securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the

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Securities Act of 1933, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

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

Large accelerated filer [ ] Accelerated filer [ ]  
 Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [X]

**CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered<sup>(1)</sup></b>	<b>Proposed Offering Price per Share<sup>(2)</sup></b>	<b>Proposed Maximum Aggregate Offering Price<sup>(2)</sup></b>	<b>Amount of Registration Fee<sup>(3)</sup></b>
Shares of Common Stock, Par Value \$0.01 per Share, issued upon conversion of Special Warrants and being offered for resale by certain selling stockholders <sup>(4)</sup>	30,666,700	1.33	\$40,786,711.00	\$1,252.15

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Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by holders of Warrants assuming the exercise of such Warrants, which in turn were issued upon the conversion of Special Warrants <sup>(5)</sup>	15,333,350	1.33	\$20,393,355.50	\$626.08
Shares of Common Stock, Par Value \$0.01 per Share, issuable upon exercise of Agents Compensation Option <sup>(6)</sup>	1,840,002	1.33	\$2,447,202.66	\$75.13
Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by a selling stockholder <sup>(7)</sup>	250,000	1.33	\$332,500.00	\$10.21
Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by a selling stockholder <sup>(8)</sup>	256,410	1.33	\$341,025.30	\$10.47
Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by a holder of Warrants assuming the exercise of such Warrants <sup>(9)</sup>	743,590	1.33	\$988,974.70	\$30.36
Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by the holders of Warrants assuming the exercise of such Warrants <sup>(10)</sup>	100,000	1.33	\$133,000.00	\$4.08
Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by a holder of Warrants assuming the exercise of such Warrants <sup>(11)</sup>	250,000	1.33	\$332,500.00	\$10.21
Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by the holders of Warrants assuming the exercise of such Warrants <sup>(12)</sup>	150,000	1.33	\$199,500.00	\$6.12

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Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by the holders of Warrants assuming the exercise of such Warrants <sup>(13)</sup>	300,000	1.33	\$399,000.00	\$12.25
Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by a selling stockholder <sup>(14)</sup>	250,000	1.33	\$332,500.00	\$10.21
Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by a holder of Warrants assuming the exercise of such Warrants <sup>(15)</sup>	250,000	1.33	\$332,500.00	\$10.21
Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by a selling stockholder <sup>(16)</sup>	130,000	1.33	\$172,900.00	\$5.31
Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by a selling stockholder <sup>(17)</sup>	212,195	1.33	\$282,219.35	\$8.67
Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by a selling stockholder <sup>(18)</sup>	337,458	1.33	\$448,819.14	\$13.78
Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by certain selling stockholders <sup>(19)</sup>	2,260,000	1.33	\$3,005,800.00	\$92.28
Shares of Common Stock, Par Value \$0.01 per Share, to be offered for resale by a holder of Warrants assuming the exercise of such Warrants <sup>(20)</sup>	2,260,000	1.33	\$3,005,800.00	\$92.28

<b>Total</b>	55,589,705	\$73,934,307.65	\$2,269.80
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- (1) In accordance with Rule 416 under the Securities Act of 1933, as amended, this registration statement shall also cover a presently indeterminable number of shares of common stock which may be issued in the event of stock splits, stock dividends, the triggering of any anti-dilution provisions in the Warrants, or similar transactions that may involve an increase in the number of the registrant's outstanding shares of common stock without the receipt of consideration.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based upon the average of the high and low prices for our common stock on the Pink Sheets LLC (now the Pink OTC Markets Inc.) on October 15, 2007.
- (3) Fee calculated in accordance with Rule 457(c) of the Securities Act of 1933, as amended. This fee was previously paid at the time of filing of the initial registration statement on Form SB-2 filed with the SEC on October 19, 2007.
- (4) Represents shares of common stock issued by our company upon conversion of 30,666,700 special warrants. Each special warrant entitled the holder to acquire, for no additional consideration, one share of common stock and one-half of one warrant. The special warrants were governed by a special warrant indenture dated June 5, 2007.
- (5) Represents shares of common stock issuable by our company upon exercise of the common stock purchase warrants that were issued upon conversion of the special warrants. Each warrant entitles the holder to purchase one share of our common stock until 5:00 p.m. (Vancouver time) on June 5, 2012 at a price of \$1.10 per share. The warrants are governed by a warrant indenture dated June 5, 2007.
- (6) Represents shares of common stock issuable by our company upon exercise of the agent's compensation options issued as partial consideration for services rendered by the placement agents in connection with the unregistered private placement of special warrants. Each agent's compensation option entitles the holder to purchase one share of our common stock until 5:00 p.m. (Vancouver time) on June 5, 2009 at a price of \$0.75 per share.
- (7) Represents outstanding shares of common stock issued by our company upon exercise of 250,000 common stock purchase warrants issued to Auramet Trading, LLC in connection with a secured bridge loan in the principal amount of \$2,850,000 dated October 17, 2005. Each warrant entitled the holder to purchase one share of our common stock until 5:00 p.m. (Central time) on October 17, 2007, at an exercise price of \$0.56 per share. These warrants were exercised prior to their expiry date.
- (8) Represents outstanding shares of common stock issued by our company upon exercise of 256,410 common stock purchase warrants issued to Auramet Trading in connection with a secured bridge loan in the principal amount of \$2,850,000 dated October 17, 2005. Each warrant entitled the holder to purchase one share of our common stock until 5:00 p.m. (Central time) on April 17, 2008, at an exercise price of \$0.56 per share.
- (9) Represents shares of common stock issuable by our company upon exercise of 743,590 common stock purchase warrants issued to Nedbank Limited in connection with a secured bridge loan in the principal amount of \$3,900,000 dated November 8, 2005. Auramet Trading participated in this bridge loan through the contribution of \$1,000,000 outstanding under the earlier bridge loan dated October 17, 2005, but is at arm's length from Nedbank. We used \$1,860,175 of the proceeds from this loan to repay the portion of the Auramet Trading loan that was contributed by Mr. Hirsch, \$5,500 to pay the accrued interest on the Auramet Trading loan, \$50,000 to pay the legal fees of Auramet Trading in connection with the bridge loan, and \$100,000 to pay Nedbank's closing fee. In addition, we paid \$400,000 to Auramet Trading to purchase copper put options, and we are using

the remainder to fund our ongoing activities at the Johnson Camp property and for general corporate purposes. Each warrant entitles the holder to purchase one share of our common stock until 5:00 p.m. (Central time) on November 8, 2008, at an exercise price of \$0.88 per share. Our company is seeking to amend this registration statement to deregister these shares because the warrants expired in accordance with their terms without being exercised (see Deregistration of Securities below).

- (10) Represents shares of common stock issuable by our company upon exercise of 100,000 common stock purchase warrants issued in connection with the extension of the maturity date of the secured bridge loan by Nedbank. Each warrant entitles the holder to purchase one share of our common stock until 5:00 p.m. (Central time) on November 15, 2008, at an exercise price of \$1.00 per share. Our company is seeking to amend this registration statement to deregister these shares because the warrants expired in accordance with their terms without being exercised (see Deregistration of Securities below).
  - (11) Represents shares of common stock that were issuable by our company upon exercise of 250,000 common stock purchase warrants issued to Auramet Trading in connection with an additional \$1,000,000 advance on May 31, 2006 that was added to the principal amount of the secured bridge loan by Nedbank. Each warrant entitled the holder to purchase one share of our common stock until 5:00 p. m. (Central time) on May 31, 2008, at an exercise price of \$1.15 per share. Our company is seeking to amend this registration statement to deregister these shares because the warrants expired in accordance with their terms without being exercised (see Deregistration of Securities below).
  - (12) Represents shares of common stock issuable by our company upon exercise of 150,000 common stock purchase warrants issued in connection with the extension of maturity date of the secured bridge loan by Nedbank. Each warrant entitled the holder to purchase one share of our common stock until 5:00 p.m. (Central time) on September 30, 2008, at an exercise price of \$0.83 per share. Our company is seeking to amend this registration statement to deregister these shares because the warrants expired in accordance with their terms without being exercised (see Deregistration of Securities below).
  - (13) Represents shares of common stock issuable by our company upon exercise of 300,000 common stock purchase warrants issued in connection with the extension of maturity date of the secured bridge loan by Nedbank, and an increase of the principal amount of the bridge loan to \$5,000,000, effective September 30, 2006. Each warrant entitled the holder to purchase one share of our common stock until 5:00 p.m. (Central time) on September 30, 2008, at an exercise price of \$0.66 per share. Our company is seeking to amend this registration statement to deregister these shares because the warrants expired in accordance with their terms without being exercised (see Deregistration of Securities below).
  - (14) Represents outstanding shares of common stock issued pursuant to a settlement agreement and general release dated April 22, 2005 with a former chief executive officer of our company.
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- (15) Represents shares of common stock issued by our company upon exercise of 250,000 common stock purchase warrants issued pursuant to a settlement agreement and general release dated April 22, 2005 with a former chief executive officer of our company. Each warrant entitled the holder to purchase one share of our common stock until April 22, 2008, at an exercise price of \$0.50 per share. These warrants have been exercised.
- (16) Represents outstanding shares of common stock issued to Ronald Hirsch, the Chairman of our board of directors, on June 29, 2007 upon conversion of 50 percent of the outstanding principal and interest under a \$35,000 convertible promissory note dated June 29, 2004, as amended, at a conversion price of \$0.175 per share.
- (17) Represents outstanding shares of common stock issued to Stephen Seymour, a director of our company, on June 29, 2007 upon conversion of 50 percent of the outstanding principal and interest under a \$66,000 convertible promissory note dated August 19, 2004, as amended, at a conversion price of \$0.20 per share.
- (18) Represents outstanding shares of common stock issued to Mr. Hirsch on June 29, 2007 upon conversion of 50 percent of the outstanding principal and interest under a \$106,000 convertible promissory note dated October 4, 2004, as amended, at a conversion price of \$0.20 per share.
- (19) Represents outstanding shares of common stock issued pursuant to our secured \$600,000 revolving line of credit agreement with Mr. Hirsch and Mr. Seymour. In consideration for the issuance of the line of credit, our company agreed to issue to the Mr. Hirsch and Mr. Seymour four shares of common stock and four warrants for every \$1 loaned to our company.
- (20) Represents shares of common stock issued by our company upon exercise of the 2,260,000 common stock purchase warrants issued pursuant to our secured \$600,000 revolving line of credit agreement with Mr. Hirsch and Mr. Seymour. Each warrant entitled the holder to purchase one share of common stock at an exercise price of \$0.25 for a period of three years, and has been exercised.

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

#### **Explanatory Note**

This Post-Effective Amendment No. 4 relates to the Registration Statement on Form SB-2 (File No. 333-146813) of Nord Resources Corporation pertaining to 55,589,705 shares of our Company's common stock, par value \$0.01 per share, which was filed with the Securities and Exchange Commission on October 19, 2007, as amended by Pre-Effective Amendment No. 1 (File No. 333-146813) filed with the Securities and Exchange Commission on November 26, 2007, Pre-Effective Amendment No. 2 (File No. 333-146813) filed with the Securities and Exchange Commission on December 17, 2007, Post-Effective Amendment No. 1 (File No. 333-146813) filed with the SEC on October 6, 2008, Post-Effective Amendment No. 2 (File No. 333-146813) filed with the SEC on October 15, 2008 and Post-Effective Amendment No. 3 (File No. 333-146813) filed with the SEC on October 24, 2008 (as amended, the Registration Statement ). The Registration Statement became effective on December 18, 2007.

This Post-Effective Amendment No. 4 is being filed to update certain financial and other information contained in the prospectus in accordance with section 10(a)(3) of the Securities Act of 1933, as amended.

#### ***Deregistration of Securities***

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This Post-Effective Amendment No. 4 is also being filed to deregister 843,590 shares of common stock, par value \$0.01 per share, (the Warrant Shares ) that were issuable upon the exercise of 843,590 common stock purchase warrants (the Warrants ). As a result of the expiration of the Warrants, the Warrant Shares are no longer available.

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**SUBJECT TO COMPLETION, DATED <>, 2009**

**PROSPECTUS**

**NORD RESOURCES CORPORATION**

**54,046,115 SHARES OF COMMON STOCK**

This prospectus relates to the resale of up to 54,046,115 shares of common stock of Nord Resources Corporation that may be offered and sold, from time to time, by the selling stockholders identified in this prospectus. These shares consist of:

1. up to 30,666,700 shares of common stock issued to certain selling stockholders, without the payment of any additional consideration, upon the conversion of 30,666,700 special warrants that were offered and sold in an unregistered private placement that closed on June 5, 2007;
2. up to 15,333,350 shares of common stock issuable to certain selling stockholders upon the exercise of common stock purchase warrants which were issued upon the conversion of the 30,666,700 special warrants that were offered and sold in the unregistered private placement that closed on June 5, 2007;
3. up to 1,840,002 shares of common stock issuable to certain selling stockholders upon the exercise of stock options issued in partial consideration of services rendered in connection with the unregistered private placement of special warrants that closed on June 5, 2007; and
4. up to 6,206,063 outstanding shares of common stock held by certain selling stockholders.

These transactions are described in this prospectus under Selling Stockholders.

Our common stock is listed for trading on the Toronto Stock Exchange ( TSX ) under the symbol NRD , and is also quoted on the OTC Bulletin Board under the symbol NRDS . On May 11, 2009 the high bid and low ask prices for one share of our common stock on the TSX were CDN\$0.55 and CDN\$0.55, respectively; the closing price for one share of our common stock on the TSX on that date was CDN\$0.55. On May 11, 2009, the high bid and low ask prices for one share of our common stock on the OTC Bulletin Board were \$0.51 and \$0.50, respectively; the closing price for one share of our common stock on the OTC Bulletin Board on that date was \$0.50. We do not have any securities that are currently traded on any other exchange or quotation system. **There is no market through which the warrants may be sold and purchasers may not be able to resell their warrants.**

It is anticipated that the selling stockholders will offer to sell the shares of common stock being offered in this prospectus at prevailing market prices of our common stock on the TSX or on the OTC Bulletin Board. Any selling stockholder may, in such selling stockholder's discretion, elect to sell such shares of common stock at fixed prices, at varying prices or at negotiated prices. There is no relationship whatsoever between the offering price and our assets, earnings, book value or any other objective criteria of value. We will not receive any proceeds from the resale of shares of our common stock by the selling stockholders. We may receive proceeds from the exercise of warrants, if exercised, and will use such proceeds for general corporate purposes and potentially to repay corporate debt.

We agreed to bear substantially all of the expenses in connection with the registration and resale of the shares offered

hereby (other than selling commissions).

**The purchase of the securities offered by this prospectus involves a high degree of risk. You should invest in our shares of common stock only if you can afford to lose your entire investment. You should carefully read and consider the section of this prospectus entitled Risk Factors beginning on page 6 before buying any shares of our common stock.**

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**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offence.**

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## NORD RESOURCES CORPORATION

## PROSPECTUS

## TABLE OF CONTENTS

	<b><u>PAGE</u></b>
<b><u>SUMMARY</u></b>	<b><u>1</u></b>
<i>The Company</i>	<u>1</u>
<i>The Offering</i>	<u>3</u>
<i>Summary of Financial Data</i>	<u>5</u>
<b><u>RISK FACTORS</u></b>	<b><u>6</u></b>
<i>Risks Related to Our Company</i>	<u>6</u>
<i>Risks Related to Our Industry</i>	<u>14</u>
<i>Risks Related to this Offering</i>	<u>15</u>
<b><u>FORWARD-LOOKING STATEMENTS</u></b>	<b><u>17</u></b>
<b><u>USE OF PROCEEDS</u></b>	<b><u>18</u></b>
<b><u>SELLING STOCKHOLDERS</u></b>	<b><u>20</u></b>
<b><u>PLAN OF DISTRIBUTION</u></b>	<b><u>26</u></b>
<b><u>DESCRIPTION OF SECURITIES</u></b>	<b><u>27</u></b>
<i>Common Stock</i>	<u>28</u>
<i>Common Stock Purchase Warrants Issued Upon Conversion of Special Warrants</i>	<u>28</u>
<i>Agents Compensation Options</i>	<u>29</u>
<b><u>INTEREST OF NAMED EXPERTS AND COUNSEL</u></b>	<b><u>29</u></b>
<b><u>DESCRIPTION OF BUSINESS AND PROPERTIES</u></b>	<b><u>29</u></b>
<i>Corporate Organization</i>	<u>29</u>
<i>General</i>	<u>29</u>
<b><u>COPPER INDUSTRY AND THE COPPER MARKET</u></b>	<b><u>30</u></b>
<i>Copper Overview</i>	<u>30</u>
<i>Sale of Production from our Operations</i>	<u>33</u>
<b><u>JOHNSON CAMP PROPERTIES</u></b>	<b><u>33</u></b>
<i>Technical Report</i>	<u>33</u>
<i>Description and Location</i>	<u>33</u>
<i>Titles</i>	<u>35</u>
<i>Accessibility, Climate, Local Resources, Infrastructure and Physiography</i>	<u>36</u>
<i>Geological Setting and Mineralization</i>	<u>36</u>
<i>Historic Copper Production</i>	<u>38</u>
<i>Other Mineralized Material</i>	<u>39</u>
<i>Drilling</i>	<u>39</u>
<i>Projected Copper Production From Existing Leach Pads</i>	<u>40</u>
<i>Mining Operations</i>	<u>40</u>
<i>Use of Total Copper Assays</i>	<u>41</u>
<i>Data Verification</i>	<u>41</u>
<i>Metallurgical Test Work</i>	<u>43</u>
<i>Royalty Obligations</i>	<u>45</u>
<i>United States Mining and Environmental Laws</i>	<u>45</u>
<i>U.S. Federal and State Reclamation Requirements</i>	<u>48</u>
<i>Status of Permit - Summary</i>	<u>49</u>
<i>Landscape and Aggregate Rock Operation</i>	<u>50</u>
<b><u>OTHER PROPERTIES</u></b>	<b><u>50</u></b>
<i>Texas Arizona Mines Project</i>	<u>50</u>

<i>Coyote Springs</i>	<u>50</u>
<i>Mimbres</i>	<u>51</u>
<b>LEGAL PROCEEDINGS</b>	<u>51</u>
<b>MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS</b>	<u>52</u>

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<u>Market Information</u>	<u>52</u>
<u>Holders</u>	<u>53</u>
<u>Dividends</u>	<u>53</u>
<u>Equity Compensation Plans</u>	<u>53</u>
<b><u>SELECTED FINANCIAL DATA</u></b>	<b><u>55</u></b>
<u>Operating Data</u>	<u>55</u>
<u>Balance Sheet Data</u>	<u>55</u>
<b><u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u></b>	<b><u>56</u></b>
<u>Plan of Operations</u>	<u>56</u>
<u>Liquidity and Capital Resources</u>	<u>57</u>
<u>Results of Operations – Three Months Ended March 31, 2009 and 2008</u>	<u>59</u>
<u>Results of Operations – Years Ended December 31, 2008 and 2007</u>	<u>63</u>
<u>Critical Accounting Policies and Estimates</u>	<u>66</u>
<u>Recently Issued Accounting Guidance</u>	<u>76</u>
<b><u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS</u></b>	<b><u>78</u></b>
<b><u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u></b>	<b><u>78</u></b>
<b><u>DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS</u></b>	<b><u>78</u></b>
<u>Term of Office</u>	<u>81</u>
<u>Significant Employees</u>	<u>81</u>
<u>Family Relationships</u>	<u>81</u>
<u>Board Independence</u>	<u>81</u>
<u>Committees of the Board of Directors</u>	<u>81</u>
<u>Involvement in Certain Legal Proceedings</u>	<u>83</u>
<b><u>EXECUTIVE COMPENSATION</u></b>	<b><u>84</u></b>
<u>Summary Compensation Table</u>	<u>84</u>
<u>Outstanding Equity Awards as of December 31, 2008</u>	<u>85</u>
<u>Equity Compensation Plans</u>	<u>85</u>
<u>Compensation of Directors</u>	<u>86</u>
<u>Employment Contracts and Termination of Employment and Change-In-Control Arrangements</u>	<u>87</u>
<u>Performance Incentive Plan</u>	<u>92</u>
<b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u></b>	<b><u>92</u></b>
<b><u>LEGAL MATTERS</u></b>	<b><u>94</u></b>
<b><u>EXPERTS</u></b>	<b><u>94</u></b>
<b><u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u></b>	<b><u>95</u></b>
<b><u>DISCLOSURE OF SEC POSITION ON INDEMNIFICATION FOR SECURITIES ACT</u></b>	<b><u>95</u></b>
<b><u>LIABILITIES</u></b>	
<b><u>WHERE YOU CAN FIND MORE INFORMATION</u></b>	<b><u>95</u></b>
<b><u>FINANCIAL STATEMENTS</u></b>	<b><u>96</u></b>
<b><u>DEALER PROSPECTUS DELIVERY OBLIGATIONS</u></b>	<b><u>96</u></b>
<b><u>GLOSSARY OF TECHNICAL TERMS</u></b>	<b><u>96</u></b>
<b><u>FINANCIAL INFORMATION</u></b>	<b><u>F-1</u></b>

## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission. The registration statement containing this prospectus, including the exhibits to the registration statement, also contains additional information about Nord Resources Corporation and the securities offered under this prospectus. That registration statement can be read at the Securities and Exchange Commission's website (located at [www.sec.gov](http://www.sec.gov)) or at the Securities and Exchange Commission's Public Reference Room mentioned under the heading "Where You Can Find More Information" of this prospectus.

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document. Our business, financial condition or results of operations may have changed since that date.

## REFERENCES

As used in this prospectus: (i) the terms "we", "us", "our", "Nord" and the "Company" mean Nord Resources Corporation; (ii) "SEC" refers to the Securities and Exchange Commission; (iii) "Securities Act" refers to the United States *Securities Act of 1933*, as amended; (iv) "Exchange Act" refers to the United States *Securities Exchange Act of 1934*, as amended; and (v) all dollar amounts refer to United States dollars unless otherwise indicated.

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## PROSPECTUS SUMMARY

*The following summary highlights selected information contained in this prospectus. This summary does not contain all the information you should consider before investing in the securities. Before making an investment decision, you should read the entire prospectus carefully, including the Risk Factors section, the financial statements and the notes to the financial statements.*

### The Company

#### Overview

We are a copper mining company and our principal asset is the Johnson Camp Mine located in Arizona. The Johnson Camp Mine is an integrated open pit copper mine and a production facility that uses the solvent extraction, electrowinning (SX EW) process. The Johnson Camp Mine includes two open pits, namely the Burro and the Copper Chief bulk mining pits. As described in more detail below, we have recently commenced production of copper from new ore.

#### Development of Our Business

We acquired the Johnson Camp Mine from Arimetco, Inc. pursuant to a Sales and Purchase Agreement that had been assigned to us in June 1999 by Summo USA Corporation, the original purchaser, following the completion of certain due diligence work by Summo. Although Arimetco had ceased mining on the property in 1997, we, like Arimetco before us, continued production of copper from ore that had been mined and placed on leach pads, and from 1999 to 2003 we (through our then subsidiary Nord Copper Company) produced approximately 4,490,045 pounds of copper cathode.

In August 2003, we placed the Johnson Camp Mine on a care and maintenance program due to weak market conditions for copper at that time. In June 2007 when conditions improved, we began the process of reactivating the Johnson Camp Mine.

In September 2007, Bikerman Engineering & Technology Associates, Inc. completed a technical report for us entitled, Johnson Camp Mine Project, Feasibility Study, Cochise County, Arizona, USA, Technical Report (the Technical Report ), and prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators (as required for us to comply with provincial securities laws in Canada that are applicable to our Company).

In January 2008, we commenced copper cathode production from leaching old dumps, and during 2008 we produced approximately 2,900,000 pounds of copper from residual leaching.

In February 2008, we entered into a long term cathode sales agreement with Red Kite Master Fund Limited for 100% of the copper cathode production from the Johnson Camp Mine. The agreement runs through December 31, 2012 with renewable extensions by mutual agreement of both parties. Pursuant to the agreement, Red Kite accepts delivery of the cathodes at the Johnson Camp Mine, and pricing is based on the average monthly COMEX price for high grade copper.

In order for us to resume full mining operations, we were required to complete certain steps outlined in the mine development schedule contained in the updated feasibility study forming part of the Technical Report. The mine development schedule required, among other things, that we reline an existing solution pond, construct three new lined solution ponds, prepare a new stand-alone lined leach pad facility, and that we complete the installation of a two-stage crushing circuit. The mine development schedule also contemplated the rehabilitation of the on-site SX-EW plant, and a modest expansion of the plant's electrowinning section.



In August 2008, we received the Air Quality permit necessary to enable us to complete the construction related to the reactivation of the Johnson Camp Mine.

We commenced mining of new ore upon completion of the reactivation work in January 2009, and we commenced production of copper from new ore in February 2009. We anticipate reaching our currently planned full copper production rate of 25,000,000 pounds of copper per annum in the spring of 2009.

In November 2008, we received a scoping study completed by an independent, internationally recognized firm of mining engineers and consultants that found that we can potentially increase our production to an estimated rate of 40,000,000 pounds of copper per year from our current plan of 25,000,000 pounds of copper per year with an additional capital investment of approximately \$19,000,000. We plan to conduct an updated feasibility study as a first step in assessing whether we should pursue this increase in our planned production. We believe that we will have sufficient cash flow from operations to commission the required updated feasibility study, but we will require additional financing if we decide to make the required capital investments to increase production. Upon completion of the updated feasibility study, which we anticipate will take six months from the date that it begins, our board of directors will analyze the results to determine whether it is in the best interests of our Company to pursue this initiative, taking into account, among other things, the availability of required financing (which cannot be assured).

### ***Financing Activities***

On June 5, 2007, we completed an unregistered private placement offering of 30,666,700 special warrants for aggregate proceeds of approximately \$23,000,000 (net proceeds of approximately \$21,300,000).

In June 2008, we entered into an Amended and Restated Credit Agreement with Nedbank Limited, as administrative agent and lead arranger, which provided for a \$25,000,000 secured term loan credit facility. All of the funds available under such facility have been used by us to finance the construction, start up and operation of mining and metal operations at the Johnson Camp Mine. As of December 31, 2008, we had drawn down the entire \$25,000,000 of the credit facility.

In March 2009:

- our credit agreement with Nedbank was amended and restated to provide for, among other things, the deferral of certain principal and interest payments until December 31, 2012 and March 31, 2013; and
- we sold a 2.5% royalty on the mineral production sold from the existing mineral rights at the Johnson Camp Mine for net proceeds of approximately \$4,950,000.

### ***Other Operations***

The Johnson Camp Mine includes decorative and structural stone operations, which produce landscape and aggregate rock from the overburden piles at the Johnson Camp Mine. Until January 31, 2009, we leased the landscape and aggregate rock operations to a third party in exchange for sliding scale royalties. Effective February 1, 2009, we commenced managing the landscape rock operation; the aggregate rock operation continues to be leased to a third party.

We do not believe that the landscape and aggregate rock operations will be material to our financial results of operation.

### ***Incorporation and Principal Business Offices***

We were formed under the laws of the State 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.



## The Offering

The Issuer: Nord Resources Corporation

The Selling Stockholders: The selling stockholders (each a Selling Stockholder ) include: (a) the holders of the common stock and common stock purchase warrants which were issued upon conversion of the special warrants that were offered and sold pursuant to our unregistered private placement of special warrants that closed on June 5, 2007; (b) holders of certain stock options issued in partial consideration of services rendered in connection with the private placement of special warrants; (c) certain holders of outstanding common stock purchase warrants; and (d) certain holders of issued and outstanding common stock. The Selling Stockholders are named in this prospectus under Selling Stockholders .

Shares Offered by the Selling Stockholders: The Selling Stockholders are offering up to an aggregate of 54,046,115 shares of our common stock comprised of:

- Up to 30,666,700 shares of common stock issued without the payment of any additional consideration upon the conversion of 30,666,700 special warrants of our company that were offered and sold in an unregistered private placement which closed on June 5, 2007;
- Up to 15,333,350 shares of common stock issuable upon the exercise of common stock purchase warrants which were issued without the payment of any additional consideration upon the conversion of the special warrants that were offered and sold in the unregistered private placement which closed on June 5, 2007;
- Up to 1,840,002 shares of common stock issuable upon the exercise of stock options issued in partial consideration of services rendered in connection with the unregistered private placement of special warrants which closed on June 5, 2007; and
- Up to 6,206,063 outstanding shares of common stock held by certain Selling Stockholders.

See Selling Stockholders .

Offering Price: The Selling Stockholders may sell all or a portion of the shares of common stock beneficially owned by them and offered hereby from time to time directly or through one or more underwriters, broker-dealers or agents. If the shares of common stock are sold through underwriters or broker-dealers, the Selling Stockholders will be responsible for underwriting discounts or commissions or agent s commissions. The shares of common stock may be sold on the Toronto Stock Exchange, the OTC Bulletin Board, any national securities exchange or quotation service on which the securities may be listed or quoted at the time of sale, or in transactions otherwise than on these exchanges or systems and in one or more transactions at fixed prices, at prevailing market prices at the time of the sale, at varying prices determined at the time of sale, or at negotiated prices. These sales may be effected in transactions, which may involve crosses or block transactions. See Plan of Distribution .

- Use of Proceeds: We will not receive any of the proceeds from the sale of shares by the Selling Stockholders. However, some of the shares that may be offered for sale by certain Selling Stockholders under this prospectus are issuable upon exercise of options and warrants. If all of these options and warrants are exercised, which cannot be assured, we will receive total proceeds of \$18,246,687. The proceeds, if any, would be used for general corporate purposes and potentially the repayment of debt. We will, however, incur all costs associated with this registration statement and prospectus.
- Market for our Common Stock: Our common stock is listed for trading on the Toronto Stock Exchange under the symbol **NRD**, and is also quoted on the OTC Bulletin Board under the symbol **NRDS**. On May 11, 2009 the high bid and low ask prices for one share of our common stock on the TSX were CDN\$0.55 and CDN\$0.55, respectively; the closing price for one share of our common stock on the TSX on that date was CDN\$0.55. On May 11, 2009, the high bid and low ask prices for one share of our common stock on the OTC Bulletin Board were \$0.51 and \$0.50, respectively; the closing price for one share of our common stock on the OTC Bulletin Board on that date was \$0.50.
- Outstanding Shares of Common Stock: There were 69,639,255 shares of common stock outstanding as of May 11, 2009. If all of the shares offered hereby which are issuable upon exercise of options or warrants are issued, then there would be 86,812,607 shares of our common stock issued and outstanding.
- Risk Factors: See **Risk Factors** and the other information in this prospectus for a discussion of the factors you should consider before deciding to invest in our securities.

### Summary of Financial Data

The summary consolidated data set forth below are derived from our consolidated financial statements. The selected consolidated statement of operating data for the years ended December 31, 2008 and 2007 and the summary consolidated balance sheet data as of December 31, 2008 are derived from the audited consolidated financial statements and related notes thereto included elsewhere in this prospectus. The consolidated statements of operations data for the three months ended March 31, 2009 and 2008 and the consolidated balance sheet as of March 31, 2009 are derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements include, in the opinion of management, all adjustments that management considers necessary for the fair presentation of the financial information set forth in those statements. The following data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included elsewhere in this prospectus.

	<b>Operating Data</b>			
	<b>Three Months ended</b>		<b>Year ended December 31,</b>	
	<b>March 31,</b>		<b>2008</b>	<b>2007</b>
	<b>2009</b>	<b>2008</b>	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>			
Net sales	\$ 1,417,419	\$ 1,540,154	\$ 8,155,820	\$
Net income (loss)	655,324	(674,547)	(5,038,374)	(2,512,181)
Net income (loss) per basic and diluted common share	0.01	(0.01)	(0.07)	(0.07)
Weighted average number of basic shares outstanding <sup>(1)</sup>	69,773,292	66,859,687	67,824,759	36,172,142
Weighted average number of diluted shares outstanding <sup>(1)</sup>	70,462,737	66,859,687	67,824,759	36,172,142

(1) As of March 31, 2009, we had 69,639,255 shares of common stock outstanding. Such number does not include shares underlying options, warrants or other rights to acquire our shares.

	<b>Balance Sheet Data</b>			
	<b>March 31,</b>	<b>March 31,</b>	<b>December</b>	<b>December</b>
	<b>2009</b>	<b>2008</b>	<b>31,</b>	<b>31,</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>2008</b>	<b>2007</b>
Cash and cash equivalents	\$ 2,498,647	\$ 2,609,244	\$ 4,465,245 <sup>(1)</sup>	\$ 3,368,910 <sup>(2)</sup>
Working capital surplus (deficiency)	(2,535,980)	(230,182)	(2,849,660) <sup>(3)</sup>	710,914 <sup>(4)</sup>
Total assets	59,764,804	29,255,698	67,607,377	21,881,304
Total current liabilities	13,407,808	4,035,446	17,821,975	2,870,020
Total long-term liabilities	26,069,361	28,301,549	19,437,039	14,063,932
Total liabilities	39,477,169	32,336,995	37,259,014	16,933,952
Total stockholders' equity (deficit)	20,287,635	(3,081,297)	30,348,363	4,947,352

(1) Excludes \$1,533,662 in restricted cash being held in a Debt Service Reserve Account in conjunction with the close-out of a portion of our Company's hedge contracts and \$686,476 being held in conjunction with two letters of credit. The \$1,533,662 was reclassified to unrestricted cash in March of 2009.

(2) Excludes \$3,000,000 in restricted cash being held in a Debt Service Reserve Account in conjunction with our \$25,000,000 secured term loan credit facility with Nedbank Limited and \$686,476 being held in conjunction with two letters of credit. The \$3,000,000 was reclassified to unrestricted cash during 2008.

- (3) Includes \$6,674,662 in current portion long-term debt and capital lease obligations. In March 2009, our Company entered into an Amended and Restated Credit Agreement which, among other things, deferred the payment of \$3,333,333 in current portion of long-term debt until 2012.
- (4) Includes \$321,875 in current portion long-term debt and capital lease obligations  
Investing in our securities involves risks more specifically described under Risk Factors .

## RISK FACTORS

**An investment in our common stock involves a number of very significant risks. You should carefully consider the following risks and uncertainties in addition to other information in this prospectus in evaluating our company and its business before purchasing shares of our common stock. Our business, operating results and financial condition could be seriously harmed due to any of the following risks. The risks described below may not be all of the risks facing our company. Additional risks not presently known to us or that we currently consider immaterial may also impair our business operations. You could lose all or part of your investment due to any of these risks.**

### **Risks Related to Our Company**

*We have a history of losses, and our future profitability will depend on the successful operation of the Johnson Camp Mine, which cannot be assured.*

We have a history of losses, and expect to incur losses in the future until we have reached full mining operations and production levels at the Johnson Camp Mine.

We have a history of losses and expect to incur losses in the future. We had net income of \$655,324 for the three months ended March 31, 2009; however, we had net losses of \$5,038,374 for the year ended December 31, 2008. As of March 31, 2009, we had a working capital deficiency of \$2,535,980. This deficiency includes current liabilities of \$5,290,159 representing the current portions of our long-term debt, the current portion of interest rate swap contracts, accrued interest and capitalized leases and current assets of \$6,059,497 representing the current portion of the derivative cash flow hedge contracts.

We have successfully reactivated the Johnson Camp Mine and are now in the start-up phase of development. We commenced production of copper from residual leaching in January 2008, mining of new ore in January 2009, and production of copper from new ore in February 2009. However, we cannot provide any assurance that we will ramp up to full production or have successful mining and processing operations on the Johnson Camp property in the future.

We are dependent upon the success of the Johnson Camp Mine as a source of future revenue and profits, if any. Even if we should be successful in achieving our planned full copper production rate of 25,000,000 pounds of copper per annum, an interruption in operations of the Johnson Camp Mine may have a material adverse effect on our business.

*The start-up of the Johnson Camp Mine and development of new mining operations on the Johnson Camp property will continue to require the commitment of substantial resources.*

The start-up of the Johnson Camp Mine and the development of new mining operations on the Johnson Camp property have required and will continue to require the commitment of substantial resources for operating expenses and capital expenditures. We incurred approximately \$36,000,000 in capital costs in the reactivation of the mine, related primarily to the rehabilitation of the solution ponds, refurbishment and a modest expansion of our SX-EW copper production facility, installation of our primary stage crusher, the purchase and installation of two secondary stage crushers, an agglomerator and conveying equipment, and other project-related items.

We estimate we will incur a further \$5,000,000 in capital costs in the next three years, primarily for the expansion of our existing leach pad capacity. We also expect to incur expenses in connection with our plans to commission an updated feasibility study and further exploratory drilling on the Johnson Camp property.

The actual amounts and timing of expenditures will depend in part on the progress of our planned development and exploration activities, the results of consultants' analyses and recommendations (which will likely include the development of a new mine plan and the need for additional permit applications), the rate at which operating losses



are incurred, the execution of any joint venture agreements or similar arrangements with strategic partners, and

other factors, many of which are beyond our control. In addition, any delay in our planned ramp up to full production may cause an increase in costs for us and could have a material adverse effect on our financial condition or results of 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 if our actual production does not meet our projected production.

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

We have prepared estimates of future copper production. We cannot be certain that we will ever achieve our production estimates. 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 and maintain all necessary permits at all levels of development and production. We are processing the copper mineralization using SX EW technology. These techniques may not be as efficient or economical as we project. Our actual production may vary from our estimates if any of these assumptions prove to be incorrect and we may never achieve profitability.

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

Our operations are affected by the cost of commodities and goods such as electrical power, sulfuric acid, fuel and supplies. The Technical Report includes an economic analysis of the Johnson Camp Mine based on the mine plan, capital and operating cost estimates current as of the second quarter of 2007. 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. For example, we expect that sulfuric acid and energy, including electricity and diesel fuel, will represent a significant portion of production costs at our operations, and if the costs increase, we could be negatively affected.

***Shortages of sulfuric acid, electricity and fuel, may have an adverse effect on our financial condition.***

Sulfuric acid supply for SX EW projects in the southwestern U.S. is produced primarily as a smelter byproduct at smelters in the southwest U.S. and in Mexico. We have an agreement in place for a broker of acid to supply us with sulfuric acid through the end of 2009. However, we cannot be assured that the broker will be able to provide us with an adequate supply of sulfuric acid without interruptions and we continue to remain subject to market fluctuations in the price and supply of sulfuric acid.

***Continuation of our mining production is dependent on the availability of a sufficient water supply to support our mining operations.***

Our mining operations require water for mining, ore processing and related support facilities. Production at the Johnson Camp Mine is dependent on continuous maintenance of our water rights. Under Arizona law groundwater

outside an active management area may be withdrawn and used for reasonable and beneficial use. The character of the water right - that is groundwater versus surface water - may at some point become at issue and may be subject to adjudication to the extent certain water is determined to be surface water. We are not subject to any such

adjudication claims at this time. However, we cannot predict our potential involvement in or the outcome of any adjudication proceedings which may occur impacting our water rights and uses.

Production water for the Johnson Camp Mine is currently supplied from two of three wells located on the Johnson Camp property and from a well located on private land adjacent to our property. We anticipate that it will be necessary to drill another well on our property in order to expand our leaching operation. In addition, although three of the four wells have been upgraded since 1999, further upgrades may have to be undertaken.

The loss of some or all water rights, in whole or in part, or shortages of water to which we have rights could require us to curtail or shut down mining production and could prevent us from pursuing expansion opportunities.

***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. Such 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 - but cannot be assured - are reasonable and accurate. In addition, Bikerman Engineering & Technology Associates derived its estimates of cash operating costs at the Johnson Camp Mine from information provided by our Company. Such information and certain other factors, including 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 current as of the second quarter of 2007, and anticipated climatic conditions, form the basis for, and constitute fundamental variables in, the Technical Report. Actual cash operating costs and economic returns based upon development of proven and probable ore reserves may differ significantly from those originally estimated. 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 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.***

Our expectations with respect to copper recovery rates exceed historical experience at the Johnson Camp Mine since we plan to crush the ore to a smaller size with the expectation of higher copper recoveries. 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 copper oxide 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 that 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 are copper oxides. Since copper sulfide mineralization is evident below an approximate elevation of 4,560 feet in both the Burro and Copper Chief pits of the Johnson Camp Mine, 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 (a type of copper bearing host rock at the Johnson Camp Mine) taken from an approximate elevation of 4,620 feet that contained 4.49% sulfides exhibiting 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 Mines Corporation, Arimetco Inc. and Summo U.S.A. Corporation, 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 feasibility study. The resource model and estimate previously prepared and used as the basis for the feasibility study is based largely on drilling, sampling and assay data that had been developed by the previous operators of the 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 Bikerma Engineering & Technology Associates have conducted limited additional due diligence, such as reviews of historical project geological drill logs and assay certificates, but no additional drilling. 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 Mines Corporation (which owned the Johnson Camp property until 1989, operating under the name Cyprus Johnson Copper Company), Arimetco and Summo used different approaches to drilling, sampling and assay analysis that may not be comparable to each other. In particular, 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. The use of two incomparable approaches by Cyprus and Arimetco may 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 the Johnson Camp Mine, as well as increasing the risk of a material inaccuracy in the feasibility study.

***Limited sampling work has been performed at the Johnson Camp Mine, and Bikerma Engineering & Technology Associates 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. Bikerma Engineering & Technology Associates has largely assumed the reasonableness and accuracy of the drilling, sampling and assay methodologies and data which constitute a fundamental variable input in the feasibility study.***

Bikerma Engineering & Technology Associates reviewed the results of limited sampling work undertaken at the Johnson Camp Mine in 2006 by another engineering company. Bikerma Engineering & Technology Associates has concluded that it is not possible for it to verify the entire original drill hole electronic database used for the current mineral resource model and ore reserve estimates. Consequently, Bikerma Engineering & Technology Associates and we have largely assumed the reasonableness and accuracy of the drilling, sampling and assay methodologies and data. Accordingly, there is a risk that results may vary if additional sampling work were undertaken. This, in turn, could adversely impact the current mineral resource model and ore reserve estimates, as well as increase the risk of a material inaccuracy in the feasibility study.

***Our estimate of ore reserves at the Johnson Camp Mine is based on total copper assays rather than on acid 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 copper recovery through leaching. 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 overestimated the amount of recoverable copper.



***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 additional permits, including an aquifer protection permit. In addition, certain permits will require applications for renewal 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: (i) be prohibited from continuing mining and/or processing operations; (ii) forced to reduce the scale of or all of our mining operations; or (iii) be prohibited or restricted from proceeding with planned exploration or development of mineral properties. For example, we are currently producing copper under an ADEQ Compliance Order. However, we anticipate that we will be required to immediately halt all of our operations at the Johnson Camp Mine if our application for an aquifer protection permit is denied.

***We have incurred substantial debt and have granted a security interest in our assets. If we are unable to repay our loans when they become due, the lenders would be entitled to realize upon their security by taking control of all or a portion of our assets.***

We are a party to an Amended and Restated Credit Agreement dated as of March 31, 2009 with Nedbank Limited, as the administrative agent and lead arranger, which provided a \$25,000,000 secured term loan credit facility used by our Company to finance the reactivation of the Johnson Camp Mine. We have delivered a deed of trust, a collateral account agreement and certain other security agreements that grant to the lenders a first priority lien encumbering all of the real and personal property associated with the Johnson Camp property, including all patented mining claims, fee lands and unpatented mining claims in which we have an interest. The lenders would be entitled to realize upon their security interests and seize our assets if we were to be unable to repay or refinance the loans as they become due. In addition, pursuant to the terms of the Credit Agreement, we are required to meet specified financial tests any time that any loan proceeds remain outstanding under the Credit Agreement.

Any failure to comply with the restrictions of the Credit Agreement, or under any other credit facilities or agreements governing our indebtedness, may result in an event of default. Such default may allow our creditors to accelerate the related debt. Our assets and cash flow may not be sufficient to fully repay borrowings under our debt instruments that are accelerated upon an event of default.

If we are unable to repay, refinance or restructure our indebtedness or amend the covenants contained in our Credit Agreement at maturity or in the event of a default, the lenders could terminate their commitments under our agreement, declare all borrowings outstanding (together with accrued interest and other fees) immediately due and payable and institute foreclosure proceedings against the security. Any such actions could force us into bankruptcy or liquidation.

***We may require additional financing to complete the ramp up of operations at the Johnson Camp Mine, the availability of which cannot be assured.***

We may require additional financing to complete the ramp up of operations at Johnson Camp Mine. We also expect to incur a further \$5,000,000 in capital costs in the next three years, primarily for the expansion of our existing leach pad capacity. We also expect to incur expenses in connection with our plans to commission an updated feasibility study and further exploratory drilling on the Johnson Camp property. Our estimated capital costs and operating expenses may change with our actual experience as our mine plan is implemented. 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 again be forced to place the Johnson Camp Mine on care and maintenance status.





***Our indebtedness, as well as the current global recession, disruption in financial markets and lower copper prices generally, could, among other things, impede our access to capital or increase our cost of capital, which would have an adverse effect on our ability to fund our working capital and other capital requirements.***

As of March 31, 2009, the outstanding principal and unpaid interest amount of our debt was approximately \$26,353,067. The widely reported domestic and global recession, and the unprecedented levels of disruption and continuing illiquidity in the credit markets have had an adverse effect on our operating results and financial condition, and if sustained or worsened such adverse effects could continue or worsen. Disruptions in the credit and financial markets have adversely affected financial institutions, inhibited lending and limited access to capital and credit for many companies, including ours. In addition, since July 3, 2008, when the spot price of copper on the London Metal Exchange, or LME, rose to a record all-time high of \$4.08/lb, the market price for copper has softened and, on May 11, 2009, the spot price of copper on the LME was \$2.05/lb. These conditions have made it difficult for us to obtain, or increase our cost of obtaining, capital and financing for our operations and have limited our flexibility to plan for, or react to, changes in our business and the markets in which we operate. If these conditions persist or worsen, they could, among other things, make it difficult for us to finance our working capital requirements and service our existing debt.

If future financing is not available to us when required, as a result of limited access to the credit markets or otherwise, or is not available on acceptable terms, we may not have sufficient working capital for our exploration, development and production programs. We may also be unable to take advantage of business opportunities or respond to competitive pressures. Any of these circumstances could have an adverse effect on our operating results and financial condition.

***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 the properties that we own or in which we hold an interest, 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 to 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 mill site 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 the operations of a mining company. 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 for which insurance may not be available or for 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 and on certain operating personnel at the Johnson Camp Mine. We face intense competition for qualified personnel, and the loss of the services of one or more of such key personnel could have a material adverse effect on our business or operations. Our ability to manage administration, production, exploration and development activities, and hence our success, will depend in large part on the efforts of these individuals. We cannot be certain that we will be able to retain such personnel or attract a high caliber of personnel in the future.

***In order to be successful during start-up and into production, we will have to expand and maintain 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.***

Our mining operations require that we maintain a workforce at the Johnson Camp Mine of approximately 80 employees as well as various contractors. This requirement places 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 train, motivate and manage our 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 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. Any additional amounts required to be spent on reclamation may have a material adverse effect on our financial condition and results of operations.

***Our directors and officers may have conflicts of interest.***

Some of our directors and officers serve currently, and have served in the past, 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 has any conflicts of interest of this nature.



***Certain 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 committees of the board of directors required to provide for our effective management as a result of certain rules and regulations that govern publicly held companies. In particular, the *Sarbanes Oxley Act of 2002* has resulted in a series of rules and regulations by the United States Securities and Exchange Commission, or the SEC, 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.

***There are inherent limitations in all control systems, and misstatements due to error or fraud may occur and not be detected.***

We are now subject to the ongoing internal control provisions of Section 404 of the *Sarbanes Oxley Act of 2002*. These provisions provide for the identification of material weaknesses in internal controls over financial reporting, which is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls and disclosure controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, in our Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple errors or mistakes. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may be inadequate because of changes in conditions, such as growth of the company or increased transaction volume, or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

In addition, discovery and disclosure of a material weakness, by definition, could have a material adverse impact on our financial statements. If we are unable to assert that our internal control over financial reporting is effective (or if our auditors are unable to express an opinion on the effectiveness of our internal controls beginning with the year ending December 31, 2009), this could discourage certain customers or suppliers from doing business with us, cause downgrades in our debt ratings leading to higher borrowing costs and affect how our stock trades. This could in turn negatively affect our ability to access public debt or equity markets for capital. Further, such an occurrence could 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 to incur substantially higher costs to obtain the same or similar coverage. It 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.

***The securities markets in the United States and Canada have experienced a high level of price and volume volatility recently, and the market price of our securities have also experienced wide fluctuations. There can be no assurance that continual fluctuations in our share price will not occur.***

Recently, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, including ours, has experienced wide fluctuations in price which have not necessarily been related to operating performance, underlying asset values or prospects.



There can be no assurance that fluctuations in our share price will not continue to occur during the foreseeable future.

### **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.*

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 (including that related to housing), 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 an operation permanently. The value and price of our common shares, our financial results, and our exploration, development and production activities may be significantly adversely affected by declines in the price of copper and other metals.

In addition to adversely affecting our share price, financial condition and exploration, development and mining activities, declining metal prices can impact operations by requiring a reassessment of reserve estimates and the commercial feasibility of a particular project. Significant decreases in actual or expected copper prices may mean that a mineral resource which was previously classified as a reserve will be uneconomical to produce and may have to be restated as a resource. 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.*

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.

*Government regulation impacting the mining industry 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 effect 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 to open pit mines such as 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 operation of the Johnson Camp Mine, whether by legal process, regulatory process or

otherwise. Such interference could have an impact on our ability to operate the Johnson Camp Mine in the manner that is most efficient or appropriate, or at all, and any such impact would 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 are 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 that 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 that 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 are not 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 or cleanup work that we are not insured against.

## **Risks Related to this Offering**

***You may lose your entire investment in our securities.***

An investment in our common stock is highly speculative and may result in the loss of your entire investment. Only potential investors who are experienced investors in high risk investments and who can afford to lose their entire investment should consider an investment in our company.

***Our officers and directors, and three shareholders holding 10% or more of our common stock, hold a significant amount of our issued and outstanding stock which may limit non-affiliated stockholders to influence corporate matters.***

Our officers and directors as a group beneficially own approximately 24.8% of our issued and outstanding common stock (assuming non-exercise of certain outstanding options, warrants and other rights to acquire shares of our common stock). In addition, we have two shareholders who, according to reports filed by them under the *Securities Exchange Act of 1934*, as amended, beneficially own 12.3% and 12.2%, respectively, of our issued and outstanding common stock (assuming non-exercise of certain outstanding options, warrants and other rights to acquire shares of our common stock held by persons other than the relevant officer, director or 10% shareholder). This may limit the ability of our non-affiliated stockholders to influence corporate matters.



***Future sales of our common stock may depress our stock price thereby decreasing the value of your investment.***

The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur. In addition, these factors could make it more difficult for us to raise funds through future offerings of common stock.

***If we fail to obtain a listing on an established stock exchange, you may be subject to U.S. federal income tax on the disposition of your securities.***

We believe that we currently are a United States real property holding corporation under Section 897(c) of the Internal Revenue Code, referred to as a USRPHC, and that there is a substantial likelihood that we will continue to be a USRPHC. Generally, gain recognized by a Non-U.S. Holder on the sale or other taxable disposition of common stock should be subject to U.S. federal income tax on a net income basis at normal graduated U.S. federal income tax rates if we qualify as a USRPHC at any time during the 5-year period ending on the date of the sale or other taxable disposition of the common stock (or the Non-US. Holder's holding period for the common stock, if shorter). Under an exception to these rules, if the common stock is regularly traded on an established securities market, the common stock should be treated as stock of a USRPHC only with respect to a Non-U.S. Holder that held (directly or under certain constructive ownership rules) more than 5% of the common stock during the 5-year period ending on the date of the sale or other taxable disposition of the common stock (or the Non-US. Holder's holding period for the common stock, if shorter). There can be no assurances that the common stock will be regularly traded on an established securities market.

***We have not obtained a tax opinion to the effect that there has not been a change of control either during the time preceding the completion of our unregistered special warrant offering in September 2007, or immediately following conversion of the special warrants into the underlying shares of common stock and warrants. If a change in control is deemed to have occurred, our Company may not be able to fully utilize our net operating loss carry forwards.***

At December 31, 2008, our Company had federal and state net operating loss carry forwards of approximately \$92,700,000 and \$17,400,000, respectively. A review by our tax advisors indicated that, as of December 31, 2007, we had not been subject to a change of control for the purposes of section 382 of the Internal Revenue Code. However, we have not obtained a formal tax opinion to that effect. If any change of control is deemed to have occurred—for example, either during the time preceding the completion of our unregistered special warrant offering in September 2007, or immediately following conversion of the special warrants into the underlying shares of common stock and warrants—or if a change of control occurs at any time in the future, our Company's ability to fully utilize its net operating loss carry forwards in computing its taxable income will be limited to an annual maximum of the value of our Company just prior to the change in control multiplied by the long term tax exempt rate.

***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. This could severely limit the market liquidity of the shares.***

Our common stock currently constitutes 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. Rules 15g-1 through 15g-9 promulgated under the United States Securities Exchange Act of 1934, as amended, impose sales practice and disclosure requirements on certain brokers-dealers who engage in certain transactions involving a penny stock. In particular, a broker-dealer selling penny stock to anyone other than an established customer or accredited investor (generally, an individual with net worth in excess of \$1,000,000 or an annual income exceeding \$200,000, or \$300,000 together with his or her spouse), must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the registered representative and current quotations for the securities. Finally, a

broker-dealer is required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer's account and information with respect to the limited market in penny stocks.

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.

*In the event that an investment in our shares is for the purpose of deriving dividend income or in expectation of an increase in market price of our shares from the declaration and payment of dividends, the investment will be compromised because we do not intend to pay dividends.*

We have never paid a dividend to our shareholders and we intend to retain our cash for the continued development of our business. In addition, pursuant to the terms of our Credit Agreement with Nedbank, we are restricted from paying dividends or making distributions on shares of our common stock. Accordingly, we do not intend to pay cash dividends on our common stock in the foreseeable future. As a result, a return on investment will be solely determined by the ability to sell the shares in the secondary market.

### **FORWARD-LOOKING STATEMENTS**

The information in this prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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 of such terms or other comparable terminology.

Forward-looking statements in this prospectus include, but are not limited to, statements with respect to the following:

- the timing and possible outcome of pending regulatory and permitting matters;
- the parameters and design of our planned mining facilities on the Johnson Camp Mine;
- our future financial or operating performances and our projects;
- the estimation of mineral reserves and mineralized material;
- the timing of exploration, development and production activities and estimated future production, if any;
- estimates related to costs of production, capital, operating and exploration expenditures;
- requirements for additional capital;
- government regulation of mining operations, environmental risks, reclamation and rehabilitation expenses;
- title disputes or claims;
- limitations of insurance coverage; and
- the future price of copper or other metals.

These forward-looking statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including, the risks and uncertainties outlined under the sections titled Risk Factors, and Management's Discussion and Analysis of Financial Condition and Results of Operations. If one or more of these risks or uncertainties materialize, or our underlying assumptions prove incorrect, our actual results may vary materially from those expressed or implied by our forward-looking statements anticipated, believed, estimated or expected.



We note, in particular, that the Johnson Camp Mine has limited recent operating history upon which to base estimates of future cash flows and operating costs. These and other estimates or projections (including our expectations with respect to annual copper production from our operations at the Johnson Camp Mine) are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques performed in accordance with industry standards 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 feasibility study and technical report completed by Bikerman Engineering & Technology Associates which we have relied on. The sampling data produced by third parties and amounts of metallurgical testing are less extensive than normal and our expected copper recovery rates at the Johnson Camp Mine significantly exceed historical experience at the Johnson Camp property. There is no assurance that we will be able to meet these expectations and projections at an operational level. **For further information, you should carefully read and consider the section of this prospectus entitled Risk Factors beginning on page 6 before buying any shares of our common stock.**

We caution readers not to place undue reliance on any such forward-looking statements, which speak only to a state of affairs as of the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. We qualify all the forward-looking statements contained in this prospectus by the foregoing cautionary statements.

### USE OF PROCEEDS

The shares of our common stock offered hereby are being registered for the account of the Selling Stockholders identified in this prospectus under the heading Selling Stockholders . As a result, all proceeds from the sales of shares of our common stock will go to the Selling Stockholders. We will not receive any proceeds from the resale of shares of our common stock by the Selling Stockholders. We will, however, incur all costs associated with this registration statement and prospectus. Of the 54,046,115 shares of common stock covered by this prospectus, 17,173,352 shares are shares of common stock underlying warrants and options issued by us to certain of the Selling Stockholders.

The special warrant financing, which closed on June 5, 2007, raised gross proceeds of \$23,000,000. See Plan of Distribution . We are also a party to an Amended and Restated Credit Agreement with Nedbank Limited, the administrative agent and lead arranger, which provided for a \$25,000,000 secured term loan credit facility. All of the funds available under such facility have been used by us to finance the construction, start-up and operation of mining and metal operations at the Johnson Camp Mine. As of December 31, 2008, we had drawn down the entire \$25,000,000 of the credit facility.

In March 2009:

- our credit agreement with Nedbank was amended and restated to provide for, among other things, the deferral of certain principal and interest payments until December 31, 2012 and March 31, 2013; and
- we sold a 2.5% royalty on the mineral production sold from the existing mineral rights at the Johnson Camp Mine for net proceeds of approximately \$4,950,000.

See Management's Discussion And Analysis of Financial Condition and Results of Operations Liquidity and Financial Resources.

The gross proceeds of the special warrant financing and the principal amount of the secured term loan facility totalling approximately \$48,000,000, were applied as follows (all amounts in the following table are approximations):



Capital expenditures for reactivation of the Johnson Camp Mine	34,000,000 <sup>(1)</sup>
Agents commissions paid in connection with the special warrant financing	1,000,000 <sup>(2)</sup>
Debt repayment	5,000,000 <sup>(3)</sup>
Debt repayment to Directors and Officers	3,000,000 <sup>(4)</sup>
Working capital	5,000,000
<b>Total</b>	<b>\$ 48,000,000</b>

## Notes:

- (1) Includes working capital spent on reactivation activities.
- (2) This amount was paid upon completion of the special warrant financing.
- (3) A portion of the proceeds from our special warrant financing was applied to fully repay an existing \$5,000,000 secured bridge loan from Nedbank Limited. The proceeds of the bridge loan were used to repay a loan from Regiment Capital III, L.P. in the amount of \$2,750,000 and the remainder for general corporate purposes and care and maintenance of the Johnson Camp Mine. The proceeds were also used to repay a revolving line of credit in the amount of \$564,812, which was used for general corporate purposes and care and maintenance of the Johnson Camp Mine (this amount it accounted for under Note 4 below under the Hirsch/Seymour revolving line of credit).
- (4) We also paid a total of \$3,036,080 to certain officers and directors in satisfaction of various accrued and outstanding amounts payable to them:

TMD Acquisition	\$ 315,000
Hirsch consulting	145,000
Hirsch salary	654,167
Hirsch bonus	300,000
Anderson payroll	393,465
Anderson bonus	300,000
Perry bonus	150,000
Hirsch convertible notes	90,197
Seymour convertible notes	42,439
Hirsh/Seymour revolving line of credit	564,812
John Cook - Directors Fees	30,000
Doug Hamilton - Directors Fees	40,500
Stephen Seymour - Directors Fees	10,500
Total	\$ 3,036,080

With respect to the amounts above:

(i) Ron Hirsch \$106,000 convertible note dated October 4, 2004 - principal amount of \$53,000 and interest of \$14,447 were repaid from the proceeds. The remaining \$53,000 in principal and \$14,447 in interest were converted to common shares at \$0.20 per share;

(ii) Ron Hirsch \$35,000 convertible note dated June 29, 2004 - principal amount of \$17,500 and interest of \$5,250 were repaid from the proceeds. The remaining \$17,500 in principal and \$5,250 in interest was converted to common

shares at \$0.175 per share; and

(iii) Stephen Seymour \$66,000 convertible note dated June 29, 2004 - principal amount of \$33,000 and interest of \$9,439 were repaid from the proceeds. The remaining \$33,000 in principal and \$9,439 in interest were converted to shares at \$0.20 per share.

**SELLING STOCKHOLDERS**

The selling stockholders named in this prospectus are offering 54,046,115 shares of our common stock through this prospectus.

The following table provides, as of May 11, 2009, information regarding the beneficial ownership of our common stock by each of the selling stockholders, including:

1. the number of shares of our common stock owned by each selling stockholder prior to this offering;
2. the total number of shares of our common stock that are to be offered by each selling stockholder;
3. the total number of shares of our common stock that will be owned by each selling stockholder upon completion of the offering; and
4. the percentage of shares of our common stock that will be owned by each selling stockholder immediately upon completion of this offering.

Information with respect to beneficial ownership is based upon information obtained from the selling stockholder. Information with respect to Shares Beneficially Owned After the Offering assumes the sale of all of the shares offered by this prospectus and no other purchases or sales of our common shares by the selling stockholder. The selling stockholder may offer and sell, from time to time, any or all of the common stock issued to them upon conversion of the special warrants, or upon exercise of the share purchase warrants. Except as described below and to our knowledge, the named selling stockholder beneficially owns and has sole voting and investment power over all shares or rights to these shares. Other than the relationships described below, none of the selling stockholders had or has, as the case may be, any material relationship with us.

<b>Name of selling stockholder and position, office or material relationship to Nord Resources Corporation</b>	<b>Shares owned prior to this offering<sup>(1)</sup></b>	<b>Total number of shares to be offered for selling stockholders account</b>	<b>Total shares to be owned upon completion of this offering</b>	<b>Percent owned upon completion of this offering<sup>(1)(2)</sup></b>
Mr. Michael Sereny and/or Mr. David Sereny	210,000 <sup>(3)</sup>	210,000 <sup>(4)</sup>	Nil	0
Greenforco Holding Corporation <sup>(5)</sup>	202,500 <sup>(3)</sup>	202,500 <sup>(4)</sup>	Nil	0
Mr. Michael Sereny	225,000 <sup>(3)</sup>	225,000 <sup>(4)</sup>	Nil	0
Ken Bereskin and/or Tracey Lewin	60,000 <sup>(3)</sup>	60,000 <sup>(4)</sup>	Nil	0
Daniel Bereskin	52,500 <sup>(3)</sup>	52,500 <sup>(4)</sup>	Nil	0
Gordon Chow	18,000 <sup>(3)</sup>	18,000 <sup>(4)</sup>	Nil	0
Arm Investments Ltd. <sup>(6)</sup>	180,000 <sup>(3)</sup>	180,000 <sup>(4)</sup>	Nil	0
D&R Management Services Limited <sup>(7)</sup>	117,000 <sup>(3)</sup>	117,000 <sup>(4)</sup>	Nil	0

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Shepherd Trubkin	180,000 <sup>(3)</sup>	180,000 <sup>(4)</sup>	Nil	0
Arjune Persaud or Fazia Persaud	45,000 <sup>(3)</sup>	45,000 <sup>(4)</sup>	Nil	0
Darrell Shulman	45,000 <sup>(3)</sup>	45,000 <sup>(4)</sup>	Nil	0
Michel Mayer	75,000 <sup>(3)</sup>	75,000 <sup>(4)</sup>	Nil	0
Jeff Ross	45,000 <sup>(3)</sup>	45,000 <sup>(4)</sup>	Nil	0

20

<b>Name of selling stockholder and position, office or material relationship to Nord Resources Corporation</b>	<b>Shares owned prior to this offering<sup>(1)</sup></b>	<b>Total number of shares to be offered for selling stockholders account</b>	<b>Total shares to be owned upon completion of this offering</b>	<b>Percent owned upon completion of this offering<sup>(1)(2)</sup></b>
George Benbassat	45,000 <sup>(3)</sup>	45,000 <sup>(4)</sup>	Nil	0
Anthony R. Guglielmin	45,000 <sup>(3)</sup>	45,000 <sup>(4)</sup>	Nil	0
Stewart Reid	45,000 <sup>(3)</sup>	45,000 <sup>(4)</sup>	Nil	0
Dr. P.J. Murphy	37,500 <sup>(3)</sup>	37,500 <sup>(4)</sup>	Nil	0
Don Poirier	52,500 <sup>(3)</sup>	52,500 <sup>(4)</sup>	Nil	0
Tangocorp Inc. <sup>(8)</sup>	37,500 <sup>(3)</sup>	37,500 <sup>(4)</sup>	Nil	0
Mr. Rolf Jacobsen	30,000 <sup>(3)</sup>	30,000 <sup>(4)</sup>	Nil	0
David and Mary Anne MacDonald	60,000 <sup>(3)</sup>	60,000 <sup>(4)</sup>	Nil	0
1239480 Ontario Inc. <sup>(9)</sup>	45,000 <sup>(3)</sup>	45,000 <sup>(4)</sup>	Nil	0
Randy Ernst and Roxanne Yong	45,000 <sup>(3)</sup>	45,000 <sup>(4)</sup>	Nil	0
2014498 Ontario Ltd. <sup>(10)</sup>	60,000 <sup>(3)</sup>	60,000 <sup>(4)</sup>	Nil	0
1056855 Ontario Ltd. <sup>(11)</sup>	60,000 <sup>(3)</sup>	60,000 <sup>(4)</sup>	Nil	0
Allan Ringler Services <sup>(12)</sup>	60,000 <sup>(3)</sup>	60,000 <sup>(4)</sup>	Nil	0
Morrison Family Trust <sup>(13)</sup>	45,000 <sup>(3)</sup>	45,000 <sup>(4)</sup>	Nil	0
Sprott Asset Management <sup>(14)</sup> as Portfolio Manager for Sprott Bull/Bear RSP Fund	187,350 <sup>(3)</sup>	187,350 <sup>(4)</sup>	Nil	0
Sprott Asset Management <sup>(15)</sup> as Portfolio Manager for Carleton	209,550 <sup>(3)</sup>	209,550 <sup>(4)</sup>	Nil	0
Sprott Asset Management <sup>(16)</sup> as Portfolio Manager for Sprott Canadian Equity Fund	4,569,450 <sup>(3)</sup>	4,569,450 <sup>(4)</sup>	Nil	0
Sprott Asset Management <sup>(17)</sup> as Portfolio Manager for	2,894,250 <sup>(3)</sup>	2,894,250 <sup>(4)</sup>	Nil	0

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Sprott Hedge, Hedge II, Offshore Fund				
Sprott Asset Management <sup>(18)</sup> as Portfolio Manager for Sprott Opportunities Hedge Fund	2,544,300 <sup>(3)</sup>	2,544,300 <sup>(4)</sup>	Nil	0
Sprott Asset Management <sup>(19)</sup> as Portfolio Manager for Sprott Opportunities Master Fund	653,700 <sup>(3)</sup>	653,700 <sup>(4)</sup>	Nil	0
Sprott Asset Management <sup>(20)</sup> as Portfolio Manager for SAL	38,550 <sup>(3)</sup>	38,550 <sup>(4)</sup>	Nil	0
Sprott Asset Management <sup>(21)</sup> as Portfolio Manager for Templeton	95,850 <sup>(3)</sup>	95,850 <sup>(4)</sup>	Nil	0
Mavrix A/C 501 <sup>(22)</sup>	359,250 <sup>(3)</sup>	359,250 <sup>(4)</sup>	Nil	0
Mavrix A/C 500 <sup>(23)</sup>	215,550 <sup>(3)</sup>	215,550 <sup>(4)</sup>	Nil	0
Foxby Corp. <sup>(24)</sup>	657,000 <sup>(3)</sup>	657,000 <sup>(4)</sup>	Nil	0

<b>Name of selling stockholder and position, office or material relationship to Nord Resources Corporation</b>	<b>Shares owned prior to this offering<sup>(1)</sup></b>	<b>Total number of shares to be offered for selling stockholders account</b>	<b>Total shares to be owned upon completion of this offering</b>	<b>Percent owned upon completion of this offering<sup>(1)(2)</sup></b>
T. Sean Harvey Director, Nord Resources Corporation	381,250 <sup>(25)</sup>	281,250 <sup>(4)</sup>	475,500 <sup>(26)</sup>	0.6%
RBC Global Resources Fund <sup>(27)</sup>	5,400,000 <sup>(3)</sup>	5,400,000 <sup>(4)</sup>	Nil	0
Wexford Spectrum Trading Limited <sup>(28)</sup>	3,449,250 <sup>(3)</sup>	3,449,250 <sup>(4)</sup>	Nil	0
Wexford Catalyst Trading Limited <sup>(29)</sup>	1,478,250 <sup>(3)</sup>	1,478,250 <sup>(4)</sup>	Nil	0
Asset Logics Special Situations Fund <sup>(30)</sup>	495,000 <sup>(3)</sup>	495,000 <sup>(4)</sup>	Nil	0
Lionhart Investments Ltd. <sup>(31)</sup>	772,500 <sup>(3)</sup>	772,500 <sup>(4)</sup>	Nil	0
Adaly Opportunity Fund <sup>(32)</sup>	722,700 <sup>(3)</sup>	722,700 <sup>(4)</sup>	Nil	0
2035718 Ontario Inc. <sup>(33)</sup>	165,000 <sup>(3)</sup>	165,000 <sup>(4)</sup>	Nil	0
The Strategic Opportunities Master Fund L.P. <sup>(34)</sup>	919,800 <sup>(3)</sup>	919,800 <sup>(4)</sup>	Nil	0
Libra Fund LP <sup>(35)</sup>	5,266,200 <sup>(3)</sup>	5,266,200 <sup>(4)</sup>	Nil	0
Libra Offshore Ltd. <sup>(36)</sup>	1,316,550 <sup>(3)</sup>	1,316,550 <sup>(4)</sup>	Nil	0
Sentry Select Precious Metals & Mining Trust <sup>(37)</sup>	3,118,200 <sup>(3)</sup>	3,118,200 <sup>(4)</sup>	Nil	0
Sentry Select Mining Opportunity Trust <sup>(38)</sup>	1,500,000 <sup>(3)</sup>	1,500,000 <sup>(4)</sup>	Nil	0
John Brian Thomas	1,642,050 <sup>(3)</sup>	1,642,050 <sup>(4)</sup>	Nil	0
GF Aurum Offshore Partners Ltd. <sup>(39)</sup>	48,447 <sup>(3)</sup>	48,447 <sup>(4)</sup>	Nil	0
Drawbridge Global Macro Master Fund Ltd. <sup>(40)</sup>	242,234 <sup>(3)</sup>	242,234 <sup>(3)</sup>	Nil	0
Geologic Resource Fund LP <sup>(41)</sup>	556,552 <sup>(3)</sup>	556,552 <sup>(3)</sup>	Nil	0
	1,634,982 <sup>(3)</sup>	1,634,982 <sup>(3)</sup>	Nil	0

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Geologic Resource Fund Ltd. <sup>(42)</sup>				
GF Aurum Partners Ltd. <sup>(43)</sup>	193,785 <sup>(3)</sup>	193,785 <sup>(3)</sup>	Nil	0
RBC Global Resources Fund <sup>(44)</sup>	1,500,000 <sup>(3)</sup>	1,500,000 <sup>(3)</sup>	Nil	0
JMM Trading LL <sup>(45)</sup>	750,000 <sup>(3)</sup>	750,000 <sup>(3)</sup>	Nil	0
Blackmont Capital Inc. <sup>(46)</sup>	1,196,001 <sup>(47)</sup>	1,196,001 <sup>(47)</sup>	Nil	0
Salman Partners Inc. <sup>(48)</sup>	644,001 <sup>(49)</sup>	644,001 <sup>(49)</sup>	Nil	0
Auramet Trading, LLC <sup>(50)</sup>	2,106,410	506,410	1,600,000	2.3%
Pierce Carson	500,000	500,000	Nil	0
Ronald Hirsch Chairman of the Board Nord Resources Corporation	7,407,191 <sup>(51)</sup>	2,727,458 <sup>(52)</sup>	5,241,883 <sup>(53)</sup>	7.5%



Name of selling stockholder and position, office or material relationship to Nord Resources Corporation	Shares owned prior to this offering <sup>(1)</sup>	Total number of shares to be offered for selling stockholder's account	Total shares to be owned upon completion of this offering	Percent owned upon completion of this offering <sup>(1)(2)</sup>
Stephen Seymour Director Nord Resources Corporation	5,063,185 <sup>(54)</sup>	2,472,195 <sup>(55)</sup>	2,909,990 <sup>(56)</sup>	4.2%

- (1) Beneficial ownership calculation under Rule 13d-3 of the Securities Exchange Act of 1934, as amended. Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. We regard the offering to have commenced on December 18, 2007, being the date on which the registration statement first became effective. With the exception of selling stockholders who are directors of our company, this table does not reflect any shares of our common stock that may have been acquired or sold by the selling stockholders subsequent to the commencement of this offering.
- (2) Based on 69,639,255 shares of our common stock issued and outstanding as of May 11, 2009. It is assumed that: (a) the selling stockholder for whom the percent of shares beneficially owned is calculated fully exercises all of the common stock purchase warrants and stock options that are exercisable within 60 days, of which there is no assurance; and (b) all of the shares offered hereby are sold, of which there is no assurance.
- (3) The selling stockholder formerly held special warrants, which have all been converted into the underlying units (each of which consisted of one share of common stock and one-half of one common stock purchase warrant). The special warrants were governed by a special warrant indenture dated June 5, 2007.
- (4) Represents shares of common stock issued by our company upon conversion of special warrants held by the selling stockholder, and shares of common stock that may be purchased by the selling stockholder upon exercise of the common stock purchase warrants issued upon conversion of such special warrants. Each whole warrant entitles the holder to purchase one share of our common stock until 5:00 p.m. (Vancouver time) on June 5, 2012 at a price of \$1.10 per share. The warrants are governed by a warrant indenture between the company and Computershare Trust Company of Canada dated June 5, 2007.
- (5) The selling stockholder has identified Michael Seveny, President of Greenforco Holding Corporation as the individual who has voting and investment power over these shares.
- (6) The selling stockholder has identified Dr. Milton Cohen, President of Arm Investments Ltd. as the individual who has voting and investment power over these shares.
- (7) The selling stockholder has identified Eileen Cohen, Executive Assistant of D&R Management Services as the individual who has voting and investment power over these shares.
- (8) The selling stockholder has identified John Derby, President of Tangocorp Inc. as the individual who has voting and investment power over these shares.
- (9)

The selling stockholder has identified Jeff Sackman, President of 1239480 Ontario Inc. as the individual who has voting and investment power over these shares.

- (10) The selling stockholder has identified Ted Manzians, President of 2014498 Ontario Ltd. as the individual who has voting and investment power over these shares.
- (11) The selling stockholder has identified John Pontanni, President of 1056855 Ontario Ltd. as the individual who has voting and investment power over these shares.
- (12) The selling stockholder has identified Allan Ringler, President of Allan Ringler Services as the individual who has voting and investment power over these shares.
- (13) The selling stockholder has identified Jim Morrison, Trustee of Morrison Family Trust as the individual who has voting and investment power over these shares.
- (14) The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.
- (15) The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.
- (16) The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.
- (17) The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.

- (18) The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.
- (19) The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.
- (20) The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.
- (21) The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.
- (22) The selling stockholder has identified Malvin Spooner, Portfolio Manager of Mavrix as the individual who has voting and investment power over these shares.
- (23) The selling stockholder has identified Malvin Spooner, Portfolio Manager of Mavrix as the individual who has voting and investment power over these shares.
- (24) The selling stockholder has identified Thomas B. Winmill, President of Foxby Corp. as the individual who has voting and investment power over these shares.
- (25) Mr. Harvey formerly held 187,500 special warrants, which have all been converted into the underlying units (each of which consisted of one share of common stock and one-half of one common stock purchase warrant). The amount of securities disclosed as being owned prior to this offering consists of 187,500 shares issued to Mr. Harvey upon conversion of the special warrants, the 93,750 shares issuable upon exercise of the related warrants issued upon conversion of the special warrants, and 100,000 shares issuable upon exercise of stock options issued to Mr. Harvey in his capacity as a director.
- (26) Includes an additional 150,000 shares purchased by Mr. Harvey on September 19, 2008 over the facilities of the Toronto Stock Exchange, an additional 150,000 shares purchased by Mr. Harvey on November 28, 2008 over the facilities of the Toronto Stock Exchange and an additional 75,500 shares purchased by Mr. Harvey on April 29, 2009 over the facilities of the Toronto Stock Exchange.
- (27) The selling stockholder has identified Christopher Beer, Vice President of RBC Global Resources Fund as the individual who has voting and investment power over these shares. Representatives of this security holder have advised us that this security holder is an affiliate of a U.S. registered broker-dealer; however, this security holder acquired the securities in the ordinary course of business and, at the time of the acquisition, had no agreements or understandings, directly or indirectly, with any party to distribute the securities.
- (28) The selling stockholder has identified Dante Domenichelli of Wexford Capital LLC as the individual who has voting and investment power over these shares.
- (29) The selling stockholder has identified Dante Domenichelli of Wexford Capital LLC as the individual who has voting and investment power over these shares.
- (30) The selling stockholder has identified Ryan Sharif, Portfolio Manager of Asset Logics Special Situations Fund as the individual who has voting and investment power over these shares.
- (31) The selling stockholder has identified Terrence P. Duffy, Portfolio Manager of Lionhart Investments Ltd. as the individual who has voting and investment power over these shares.
- (32) The selling stockholder has identified Martin Braun, Portfolio Manager of Adaly Opportunity Fund as the individual who has voting and investment power over these shares.
- (33) The selling stockholder has identified Rick Kung, President of 2035718 Ontario Inc. as the individual who has voting and investment power over these shares.
- (34) The selling stockholder has identified Martin Braun, Portfolio Manager of The Stratic Opportunities Master Fund L.P. as the individual who has voting and investment power over these shares.
- (35) The selling stockholder has identified Jean Blanchette, Portfolio Manager of Libra Fund L.P. as the individual who has voting and investment power over these shares.
- (36) The selling stockholder has identified Jean Blanchette, Portfolio Manager of Libra Fund L.P. as the individual who has voting and investment power over these shares.
- (37) The selling stockholder has identified Glenn Macneil, Vice President of Sentry Select Precious Metals & Mining Trust as the individual who has voting and investment power over these shares.
- (38)

- The selling stockholder has identified Glenn Macneil, Vice President of Sentry Select Precious Metals & Mining Trust as the individual who has voting and investment power over these shares.
- (39) The purchaser has identified George Ireland, Chief Investment Officer of GF Aurum Offshore Partners Ltd., as the individual who has voting and investment power over the underlying shares.
  - (40) The purchaser has identified George Ireland, Chief Investment Officer of Drawbridge Global Macro Master Fund Ltd., as the individual who has voting and investment power over the underlying shares.
  - (41) The purchaser has identified George Ireland, Chief Investment Officer of Geologic Resource Fund LP, as the individual who has voting and investment power over the underlying shares.
  - (42) The purchaser has identified George Ireland, Chief Investment Officer of Geologic Resource Fund Ltd., as the individual who has voting and investment power over the underlying shares.
  - (43) The purchaser has identified George Ireland, Chief Investment Officer of GF Aurum Partners Ltd., as the individual who has voting and investment power over the underlying shares.
  - (44) The purchaser has identified Brahm Spilfogel, VP, Portfolio Manager of RBC Global Resources Fund, as the individual who has voting and investment power over the underlying shares.
  - (45) The purchaser has identified Glenn Hunt, Partner of JMM Trading LP, as the individual who has voting and investment power over the underlying shares.
  - (46) The selling stockholder has identified Charles Pennock, Director of Blackmont Capital Inc. as the individual who has voting and investment power over these shares. Blackmont Capital acquired the securities as compensation for investment banking

services and is affiliated with a U.S. registered broker-dealer. In connection with the investment banking services rendered, Blackmont Capital only conducted underwriting activities outside of the United States. Underwriting activities in the United States were conducted by registered broker-dealers. In connection with our unregistered private placement of special warrants in June 2007, we entered into an agency agreement with Blackmont Capital and Salman Partners pursuant to which we paid a cash commission of 6% of the gross proceeds realized from the sale of the special warrants and issued an aggregate of 1,840,002 stock options to the Blackmont Capital and Salman Partners. Blackmont Capital and Salman Partners are at arm's length to each other.

- (47) Represents shares of common stock issuable by our company upon exercise of the agent's compensation options issued as partial consideration for services rendered by the placement agents in connection with the unregistered private placement of special warrants. Each agent's compensation option entitles the holder to purchase one share of our common stock until 5:00 p. m. (Vancouver time) on June 5, 2009 at a price of \$0.75 per share.
- (48) The selling stockholder has identified Terry Salman, Director of Salman Partners Inc. as the individual who has voting and investment power over these shares. Salman Partners acquired the securities as compensation for investment banking services and is affiliated with a U.S. registered broker-dealer. In connection with the investment banking services rendered, Salman Partners only conducted underwriting activities outside of the United States. Underwriting activities in the United States were conducted by registered broker-dealers. As indicated in note (45), Salman Partners is a party to the agency agreement entered into by our company in connection with the unregistered private placement of special warrants.
- (49) Represents shares of common stock issuable by our company upon exercise of the agent's compensation options issued as partial consideration for services rendered by the placement agents in connection with the unregistered private placement of special warrants. Each agent's compensation option entitles the holder to purchase one share of our common stock until 5:00 p. m. (Vancouver time) on June 5, 2009 at a price of \$0.75 per share.
- (50) The selling stockholder has identified Justin Sullivan, Chief Operating Officer of Aurmet Trading, LLC as the individual who has voting and investment power over these shares.
- (51) Includes options to acquire up to 316,666 shares of common stock exercisable within 60 days.
- (52) Represents: (a) 130,000 outstanding shares of common stock issued to Mr. Hirsch on June 29, 2007 upon conversion of 50 percent of the outstanding principal and interest under a \$35,000 convertible promissory note dated June 29, 2004, as amended, at a conversion price of \$0.175 per share; (b) 337,458 outstanding shares of common stock issued to Mr. Hirsch on June 29, 2007 upon conversion of 50 percent of the outstanding principal and interest under a \$106,000 convertible promissory note dated October 4, 2004, as amended, at a conversion price of \$0.20 per share; (c) 1,130,000 outstanding shares of common stock issued pursuant to our secured \$600,000 revolving line of credit agreement with Mr. Hirsch and Stephen Seymour; (d) 1,130,000 shares issued upon exercise of warrants issued to Mr. Hirsch in connection with the \$600,000 revolving line of credit, which otherwise would have expired on June 21, 2008 (as to 50,000 warrants), June 29, 2008 (as to 50,000 warrants), July 8, 2008 (as to 450,000 warrants), August 1, 2008 (as to 200,000 warrants), September 22, 2008 (as to 100,000 warrants), October 5, 2008 (as to 30,000 warrants), October 11, 2008 (as to 20,000 warrants) and October 20, 2008 (as to 230,000 warrants).
- (53) Includes (a) 10,000 shares of common stock purchased on September 22, 2008; (b) 85,000 shares of common stock purchased on November 17, 2008; (c) 30,000 shares of common stock purchased on November 18, 2008; (d) 110,000 shares of common stock purchased on November 20, 2008; (e) 195,000 shares of common stock purchased on November 21, 2008; (f) 1,000 shares of common stock purchased on November 24, 2008; (g) 56,125 shares of common stock purchased on November 25, 2008; (h) 65,000 shares of common stock purchased on November 26, 2008; (i) 10,000 shares of common stock purchased on December 4, 2008; and (j) 25 shares of common stock purchased on December 5, 2008. All shares of common stock were purchased by Mr. Hirsch over the facilities of the OTC Bulletin Board.
- (54) Includes options to acquire up to 383,333 shares of common stock exercisable within 60 days, 1,575,000 outstanding shares of common stock held by Mr. Seymour as a co-trustee of a trust, 320,757 outstanding shares of common stock held jointly with his spouse, and 36,300 outstanding shares of common stock owned by his spouse. Mr. Seymour disclaims beneficial ownership of the 36,300 shares of common stock owned by his

spouse.

- (55) Represents: (a) 212,195 outstanding shares of common stock issued to Mr. Seymour on June 29, 2007 upon conversion of 50 percent of the outstanding principal and interest under a \$66,000 convertible promissory note dated August 19, 2004, as amended, at a conversion price of \$0.20 per share; (b) 1,130,000 outstanding shares of common stock issued pursuant to our secured \$600,000 revolving line of credit agreement with Mr. Hirsch and Mr. Seymour; (c) 1,130,000 shares issued upon exercise of warrants issued to Mr. Seymour in connection with the \$600,000 revolving line of credit, which otherwise would have expired on June 21, 2008 (as to 50,000 warrants), June 29, 2008 (as to 50,000 warrants), July 8, 2008 (as to 450,000 warrants), August 1, 2008 (as to 200,000 warrants), September 22, 2008 (as to 100,000 warrants), October 5, 2008 (as to 30,000 warrants), October 11, 2008 (as to 20,000 warrants) and October 20, 2008 (as to 230,000 warrants).
- (56) Includes (a) 44,000 shares of common stock purchased on September 8, 2008; (b) 25,000 shares of common stock purchased on September 9, 2008; (c) 35,000 shares of common stock purchased on November 26, 2008; and (d) 215,000 shares of common stock purchased on November 28, 2008. These purchases were effected by Mr. Seymour over the facilities of the OTC Bulletin Board.

Because a selling stockholder may offer by this prospectus all or some part of the common shares which it holds, no estimate can be given as of the date hereof as to the number of common shares actually to be offered for sale by a selling stockholder or as to the number of common shares that will be held by a selling stockholder upon the termination of such offering.

A selling stockholder and any broker-dealers or agents that participate with that selling stockholder in the sale of the shares of common stock may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended, in connection with these sales. In that event, any commissions received by the broker-dealers or agents and any profit on the resale of the shares of common stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act of 1933, as amended.

### PLAN OF DISTRIBUTION

The selling stockholders may, from time to time, sell all or a portion of the shares of common stock on any market upon which the common stock may be quoted, in privately negotiated transactions or otherwise. Our common stock is listed for trading on the TSX under the symbol **NRD**, and is also quoted on the OTC Bulletin Board under the symbol **NRDS**. On May 11, 2009 the high bid and low ask prices for one share of our common stock on the TSX were CDN\$0.55 and CDN\$0.55, respectively; the closing price for one share of our common stock on the TSX on that date was CDN\$0.55. On May 11, 2009, the high bid and low ask prices for one share of our common stock on the OTC Bulletin Board were \$0.51 and \$0.50, respectively; the closing price for one share of our common stock on the OTC Bulletin Board on that date was \$0.50. We do not have any securities that are currently traded on any other exchange or quotation system.

It is anticipated that the selling stockholders will offer to sell the shares of common stock being offered in this prospectus at prevailing market prices of our common stock on the TSX or the OTC Bulletin Board. There is no relationship whatsoever between the offering price and our assets, earnings, book value or any other objective criteria of value. We will not receive any proceeds from the resale of shares of our common stock by the selling stockholders. We may receive proceeds from the exercise of warrants, if exercised, and will use such proceeds for general corporate purposes and potentially to repay corporate debt.

The shares of common stock being offered by this prospectus may be sold by the selling stockholders by one or more of the following methods, without limitation:

- (a) block trades in which the broker or dealer so engaged will attempt to sell the shares of common stock as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- (b) purchases by broker or dealer as principal and resale by the broker or dealer for its account pursuant to this prospectus;
- (c) an exchange distribution in accordance with the rules of the applicable exchange;
- (d) ordinary brokerage transactions and transactions in which the broker solicits purchasers;
- (e) privately negotiated transactions;
- (f) market sales (both long and short to the extent permitted under the federal securities laws);
- (g) at the market to or through market makers or into an existing market for the shares;
- (h) through transactions in options, swaps or other derivatives (whether exchange listed or otherwise); and
- (i) a combination of any of the aforementioned methods of sale.

In the event of the transfer by the selling stockholder of its shares to any pledgee, donee or other transferee, we will amend this prospectus and the registration statement of which this prospectus forms a part by the filing of a post-effective amendment in order to have the pledgee, donee or other transferee in place of the selling stockholder who has transferred his or her shares.





In effecting sales, brokers and dealers engaged by a selling stockholder may arrange for other brokers or dealers to participate. Brokers or dealers may receive commissions or discounts from the selling stockholder or, if any of the broker-dealers act as an agent for the purchaser of such shares, from the purchaser in amounts to be negotiated which are not expected to exceed those customary in the types of transactions involved. Broker-dealers may agree with a selling stockholder to sell a specified number of the shares of common stock at a stipulated price per share. Such an agreement may also require the broker-dealer to purchase as principal any unsold shares of common stock at the price required to fulfil the broker-dealer commitment to the selling stockholder if such broker-dealer is unable to sell the shares on behalf of the selling stockholder. Broker-dealers who acquire shares of common stock as principal may thereafter resell the shares of common stock from time to time in transactions which may involve block transactions and sales to and through other broker-dealers, including transactions of the nature described above. Such sales by a broker-dealer could be at prices and on terms then prevailing at the time of sale, at prices related to the then-current market price or in negotiated transactions. In connection with such resales, the broker-dealer may pay to or receive from the purchasers of the shares commissions as described above.

A selling stockholder and any broker-dealers or agents that participate with that selling stockholder in the sale of the shares of common stock may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended, in connection with these sales. In that event, any commissions received by the broker-dealers or agents and any profit on the resale of the shares of common stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act of 1933, as amended.

From time to time, a selling stockholder may pledge its shares of common stock pursuant to the margin provisions of its customer agreements with its brokers. Upon a default by a selling stockholder, the broker may offer and sell the pledged shares of common stock from time to time. Upon a sale of the shares of common stock, the selling stockholders intend to comply with the prospectus delivery requirements under the Securities Exchange Act of 1933, as amended, by delivering a prospectus to each purchaser in the transaction. We intend to file any amendments or other necessary documents in compliance with the Securities Exchange Act of 1933, as amended, which may be required in the event a selling stockholder defaults under any customer agreement with brokers.

To the extent required under the Securities Exchange Act of 1933, as amended, a post effective amendment to this registration statement will be filed, disclosing the name of any broker-dealers, the number of shares of common stock involved, the price at which the common stock is to be sold, the commissions paid or discounts or concessions allowed to such broker-dealers, where applicable, that such broker-dealers did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus and other facts material to the transaction.

We and the selling stockholders will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations under it, including, without limitation, Rule 10b-5 and, insofar as a selling stockholder is a distribution participant and we, under certain circumstances, may be a distribution participant, under Regulation M. All of the foregoing may affect the marketability of the common stock.

All expenses of the registration statement including, but not limited to, legal, accounting, printing and mailing fees are and will be borne by us. Any commissions, discounts or other fees payable to brokers or dealers in connection with any sale of the shares of common stock will be borne by the selling stockholder, the purchasers participating in such transaction, or both.

Any shares of common stock covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act of 1933, as amended, may be sold under Rule 144 rather than pursuant to this prospectus.

## **DESCRIPTION OF SECURITIES**

Our authorized capital stock consists of 100,000,000 shares of common stock, par value \$0.01 per share. No other class or series of capital stock is currently authorized under our articles of incorporation.

We had 69,639,255 shares of common stock outstanding on May 11, 2009.

At the annual meeting of stockholders of our company held on October 24, 2007, our shareholders adopted a resolution authorizing an amendment to our certificate of incorporation, increasing our authorized capital to 200,000,000 shares of common stock. The increase in our authorized capital is conditional upon the filing with the Secretary of the State of Delaware of a certificate of amendment effecting the increase. As of the date hereof, the Board of Directors has not authorized the filing of the certificate of amendment effecting the increase to our authorized capital.

### ***Common Stock***

Holders of common stock are entitled to one vote per share on all matters subject to stockholder vote. The common stock has no pre-emptive or other subscription rights. All of the presently outstanding shares of common stock are fully paid and non-assessable. If the corporation is liquidated or dissolved, holders of shares of common stock will be entitled to share ratably in assets remaining after satisfaction of liabilities.

The holders of the common stock are entitled to receive dividends when and as declared by the board of directors, out of funds legally available therefore for the foreseeable future. Our company does not anticipate paying any cash dividends with respect to its common stock. No share of common stock of our company which is fully paid is liable to calls or assessment by us.

### ***Common Stock Purchase Warrants Issued Upon Conversion of Special Warrants***

We completed an unregistered offering of 30,666,700 special warrants on June 5, 2007. The special warrants were offered and sold at a price of \$0.75 per special warrant, for aggregate gross proceeds to us of approximately \$23,000,000. The offering was effected on a best efforts private placement basis using Blackmont Capital Inc. and Salman Partners Inc. (collectively, the Agents) as Canadian investment dealers. Each special warrant was subsequently converted into one fully-paid and non-assessable share of our common stock and one-half of one common share purchase warrant for no additional consideration. In the result, a total of 30,666,700 shares of common stock and 15,333,350 warrants were issued to certain selling stockholders upon conversion of the special warrants.

Each warrant entitles the holder to purchase one share of our common stock until 5:00 p.m. (Vancouver time) on June 5, 2012, at a price of \$1.10 per share. The warrants are governed by the terms of a warrant indenture we have entered into with Computershare Trust Company of Canada, as the warrant agent, dated June 5, 2007. This exercise price will be adjusted upon the occurrence of certain events, described below. A warrant holder will not be deemed a shareholder of our underlying common stock until the warrant is exercised.

To exercise a warrant, a warrant holder must deliver to the warrant agent on or before the warrant expiration date: (a) the warrant certificate; (b) a fully executed and completed exercise form annexed as Appendix A to the warrant certificate; and (c) payment of the full exercise price for the number of warrants being exercised. No fractional warrants may be issued under the warrant indenture, and any fractional warrants that would otherwise have been issuable will be rounded down to the nearest whole warrant.

The holder of a warrant does not have any right to vote at meetings of our company's stockholders. However, the warrant indenture contains provisions governing the convening of, and the procedure for voting at, meetings of warrant holders. Generally, a meeting of warrant holders may be convened by the warrant agent with at least 10 business days advance notice (a) on its own initiative or (b) upon the written request of (i) our company or (ii) one or more warrant holders who hold in the aggregate not less than 15% of the total number of outstanding warrants. A quorum for a meeting of warrant holders consists of warrant holders, present in person or represented by proxy, who hold in the aggregate not less than 25% of the total number of outstanding warrants. Voting is to be carried out by a show of hands unless a poll is demanded, and any matter that is presented for approval by the warrant holders generally may be approved by a majority of the votes cast. Certain matters require approval by not less than 66 2/3% of the votes cast, including any amendment, modification, abrogation, alteration, compromise or arrangement of any

right of the warrant holders, or the waiver of any default by our company in complying with any provision of the warrant indenture.

The warrant indenture also contains certain anti-dilution provisions that will apply if we undertake certain corporate actions that broadly affect our common stock, such as: a stock split; a reverse stock split; a distribution to all or substantially all of our holders of common stock, or other securities convertible or exchangeable into common stock, by way of a stock dividend or other distribution; a distribution of rights, options or warrants to all or substantially all of the holders of our common stock that, upon exercise, entitle the holder of such rights, options or warrants to subscribe for or purchase common stock at a price per share that is less than 95% of the then current market price of our common stock as determined under the warrant indenture; a distribution to all or substantially all of our common stock holders of shares of any class other than common stock of our company or of another corporation; a reclassification of our common stock; or any consolidation, amalgamation, arrangement or merger of other form of business combination of our company with or into another corporation, trust, partnership or other entity.

### ***Agents Compensation Options***

In connection with the private placement of special warrants completed on June 5, 2007, we issued a total of 1,840,002 compensation options to the Agents as partial consideration for services rendered by the Agents. Each compensation option entitles the holder to purchase one share of our common stock until 5:00 p.m. (Vancouver time) on June 5, 2009, at a price of \$0.75.

## **INTERESTS OF NAMED EXPERTS AND COUNSEL**

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the common stock offered hereby was employed on a contingency basis, or had, or is to receive, in connection with such offering, a substantial interest, direct or indirect, in our company, nor was any such person connected with our company as a promoter, managing or principal underwriter, voting trustee, director, officer, or employee.

## **DESCRIPTION OF BUSINESS AND PROPERTIES**

### **Corporate Organization**

Nord Resources Corporation was incorporated under the laws of the State of Delaware on January 18, 1971. Our principal business office is located at 1 West Wetmore Road, Suite 203, Tucson, Arizona, 85705. Our common stock is listed for trading on the TSX under the symbol **NRD**, and is also quoted on the OTC Bulletin Board under the symbol **NRDS**.

We own 100% of the issued and outstanding shares of Cochise Aggregates and Materials, Inc., which was formed under the laws of the State of Nevada on December 9, 2003. We have no other subsidiaries.

In this prospectus, 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 feasibility study, together with the facilities and equipment on the Johnson Camp property, are collectively referred to as the Johnson Camp Mine.

### **General**

We are a copper mining company and our principal asset is the Johnson Camp property located in Arizona. The Johnson Camp property includes the Johnson Camp Mine, an integrated open pit copper mine and a production facility that uses the solvent extraction, electrowinning (SX EW) process. The Johnson Camp Mine includes two existing open pits, namely the Burro and the Copper Chief bulk mining pits. As described in more detail below, we have recently commenced production of copper from new ore.

We acquired the Johnson Camp Mine from Arimetco, Inc. pursuant to a Sales and Purchase Agreement that had been assigned to us in June 1999 by Summo USA Corporation, the original purchaser, following the completion of

certain due diligence work by Summo. Although Arimetco had ceased mining on the property in 1997, we, like Arimetco before us, continued production of copper from ore that had been mined and placed on leach pads, and from 1999 to 2003 we (through our then subsidiary Nord Copper Company) produced approximately 4,490,045 pounds of copper cathode.

In August 2003, we placed the Johnson Camp Mine on a care and maintenance program due to weak market conditions for copper at that time. In June 2007 when conditions improved, we began the process of reactivating the Johnson Camp Mine.

In September 2007, Bikerman Engineering & Technology Associates, Inc. completed a technical report for us entitled, Johnson Camp Mine Project, Feasibility Study, Cochise County, Arizona, USA, Technical Report (the Technical Report ), and prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators (as required for us to comply with provincial securities laws in Canada that are applicable to our Company).

In January 2008, we commenced copper cathode production from leaching old dumps, and during 2008 we produced approximately 2,900,000 pounds of copper from residual leaching.

In February 2008, we entered into a long term cathode sales agreement with Red Kite Master Fund Limited for 100% of the copper cathode production from the Johnson Camp Mine. The agreement runs through December 31, 2012 with renewable extensions by mutual agreement of both parties. Pursuant to the agreement, Red Kite accepts delivery of the cathodes at the Johnson Camp Mine, and pricing is based on the average monthly COMEX price for high grade copper.

We commenced mining of new ore upon completion of the reactivation work in January 2009, and we commenced production of copper from new ore in February 2009. We anticipate reaching our currently planned full copper production rate of 25,000,000 pounds of copper per annum in the spring of 2009.

In November 2008, we received a scoping study completed by an independent, internationally recognized firm of mining engineers and consultants that found that we can potentially increase our production to an estimated rate of 40,000,000 pounds of copper per year from our current plan of 25,000,000 pounds of copper per year with an additional capital investment of approximately \$19,000,000. We plan to conduct an updated feasibility study as a first step in assessing whether we should pursue this increase in our planned production. We believe that we will have sufficient cash flow from operations to commission the required updated feasibility study, but we will require additional financing if we decide to make the required capital investments to increase production. Upon completion of the updated feasibility study, which we anticipate will take six months from the date that it begins, our board of directors will analyze the results to determine whether it is in the best interests of our Company to pursue this initiative, taking into account, among other things, the availability of required financing (which cannot be assured).

## **COPPER INDUSTRY AND THE COPPER MARKET**

### **Copper Overview**

Copper occurs naturally in the environment in a variety of forms. It can be found in sulfide deposits (as chalcopyrite, bornite, chalcocite, covellite), in carbonate deposits (as azurite and malachite), in silicate deposits (as chrysocolla and diopside) and as pure native copper.

Copper is widely used in a range of domestic, industrial and high technology applications. A ductile, corrosion resistant and malleable element, copper is an excellent conductor of heat and electricity. Copper's properties afford many benefits, including:

- high electrical and thermal conductivity;
- ease of drawing, working and forming;
- alloying ability;
- ease of joining by soldering and brazing;



- mechanical properties of high tensile strength, elongation and hardness; and
- high resistance to corrosive environments.

Copper is used globally in, among other things, building construction, electrical and electronic product manufacturing, transportation and industrial machinery and equipment.

Copper is mined from ore bodies that typically contain small traces of the metal in finely disseminated particles. Sulfide and oxide ores require different treatment processes, but in both cases the starting point is the same: the extraction of the material from an open-pit or underground mine that requires fragmentation and transportation of the material that has been previously identified by geological surveys. Fragmentation is accomplished by a blasting process using explosives in order to produce a fracturing of the rock. The mineral is then transported from the open pit to processing sites using trucks, trains and conveyor belts. The ore may then be processed as follows:

- *The Solvent Extraction/Electrowinning (SX-EW) Process:* The SX-EW process provides an economical way to treat low grade deposits. Ground ore is stacked together and acid is delivered to the top of the stack. As the acid percolates through the stack, the copper is dissolved and the solution is collected as runoff at the bottom of the stack. This solution is purified by solvent extraction that involves the selective transfer of the copper solution into an organic liquid. Electrolysis is then utilized to plate the high purity copper onto stainless steel, producing cathodes typically containing 99.99% copper.
- *The Flotation Process:* After being milled to the consistency of fine sand, sulfide ore is fed into tanks that are filled with a solution capable of forming a froth. Air is then pumped into each tank to bring this froth to the surface. The copper sulfide particles adhere to this froth, which is separated from the waste, the majority of which sinks to the bottom of the tank. The product of flotation is called concentrate. It usually has a copper grade that ranges between 20% and 45%, as well as some very low silver and gold values. Concentrate is then smelted to produce blister or anodes of copper which are further refined to produce cathodes containing 99.99% copper.

Following production of copper cathode by either of these processes, copper is then processed in various ways to produce a variety of end products.

### ***Copper Usage***

In March 2009, the International Copper Study Group ( ICSG ) released preliminary data indicating a global market surplus of refined copper in 2008 of approximately 260,000 metric tons, compared to a market surplus of around 290,000 metric tons in 2007. Demand for refined copper in the first half of 2008 had resulted in a deficit of approximately 140,000 metric tons in the world supply, but weakened demand in the second half of the year resulted in a surplus of approximately 500,000 metric tons. A large apparently monthly surplus of approximately 170,000 metric tons in December 2008 was attributed by the ICSG to weaker holiday-period usage of refined copper in the United States and the European Union, as well as weaker usage in Japan.

According to the ICSG, world refined copper usage increased by an estimated 2.2% (or 387,000 metric tons) in 2008 compared to 2007. However, this growth was due mainly to a 14% increase in apparent usage of refined copper in China, with the ICSG noting that world usage actually decreased by 2% once data from China was removed from the calculation. The other three major copper consuming regions, namely the European Union, Japan and the United States, all sustained decreases in refined copper usage in 2008, of 6%, 5.4% and 8.7%, respectively. The ICSG cautioned that China's apparent copper usage is based only on reported data and does not take into account changes in unreported stocks which may be significant during periods of stocking and de-stocking.

In October 2008, the ICSG reported that world refined copper usage had increased by 4.1% to 17,700,000 metric tons in 2007, due to a significant 144% increase of net imports of refined copper in China, where a 27% increase in revised apparent usage had been observed during that year. At the time, the ICSG had indicated that significantly lower

growth in apparent refined usage in China, and a decrease in usage in the European Union, Japan and the

United States, was expected to result in lower world usage growth of around 3% in 2008 (which is slightly more than the 2.2% figure subsequently reported in March 2009), and that consumption was expected to remain weak in all of those countries in 2009. The ICSG forecasted that world copper use was expected to grow by 3.4% to reach 18,900,000 metric tons in 2009, supported mainly by India, Egypt and the Gulf countries. We note that these forecasts were made at a time when the current worldwide economic downturn was still in its early stages.

### ***Copper Production***

According to preliminary statistics published by ICSG in March 2009, world mine production in 2008 remained unchanged compared to 2007. Concentrate production was down by 108,000 metric tons in 2008 compared to the previous year, but solvent extraction-electrowinning was up by approximately 107,000 metric tons. The ICSG noted that, based on its production capacity data, the average global mine capacity utilization rate fell to about 82.3% in 2008 the lowest level since 1989 due in part to operational failures, labor unrest and lower ore grades which resulted in lower output in major producing countries such as Chile, Indonesia and Mexico.

The ICSG also reported in March 2009 that world refined copper production in the 2008 increased by 2.6% in 2008 compared with production in 2007. It noted that China was the biggest contributor to growth (9%) due to the expansion of its copper refining capacity. However, the ICSG noted that operational failures, adverse weather and maintenance shutdowns contributed to a decrease in refined copper production in several countries including India, Japan, South Korea and the United States. The average global refined capacity utilization was reported to be about 82% in 2008.

### ***Copper Price***

Copper prices have historically been both cyclical and volatile, trading within a range of \$0.50 - \$1.60 per pound throughout the 1980s and 1990s. Following the development of significant over-capacity during the early to mid-1990s, copper experienced a six year period of depressed prices, which resulted in reduced exploration and development activity. Since 2002, growing demand for copper, particularly in China and India, coupled with the inability of the copper industry to immediately increase supply due to a lack of development projects, resulted in decreased inventories of copper. These low inventories, together with a weakening U.S. dollar, led to a substantial increase in the market price of copper between 2003 and mid-2008.

On July 3, 2008, the spot price of copper on the London Metal Exchange, or LME, rose to a record all-time high of \$4.08/lb. Since that time, the market price for copper has softened and, on May 11, 2009, the spot price of copper on the LME was \$2.05/lb.

The following table shows the variation in the average LME daily morning copper prices from 1995 to 2007, the average for each quarter during 2008, and the average for the quarter ended March 31, 2009.

<b><u>Year</u></b>	<b><u>Average Copper Price</u></b> (\$/lb)
1995	1.33
1996	1.04
1997	1.03
1998	0.75
1999	0.71
2000	0.82
2001	0.72
2002	0.71
2003	0.81
2004	1.30

2005	1.67
2006	3.05
2007	3.23

<u>Quarter Ended</u>	<u>Average Copper Price</u> (\$/lb)
March 31, 2008	3.54
June 30, 2008	3.83
September 30, 2008	3.48
December 31, 2008	1.77
March 31, 2009	1.56

The reference price of copper metal is determined by trading on the LME, where the price is set in U.S. dollars at the end of each business day. Changes in the price of copper may therefore differ when expressed in other currencies as the result of a relative weakening of the U.S. dollar. While the average price of copper increased by over 350%, as expressed in U.S. dollars, between 2002 and mid-2008, the increase has been less than this in other major currencies. A component of the global copper price is the relative exchange rates of the major currencies.

### **Sale or Production from Our Operations**

The Johnson Camp Mine contains deposits that are being mined by conventional open pit methods. The crushed ore is being heap leached and the solutions processed in a SX-EW plant to produce saleable copper metal in the form of cathode at the mine. This eliminates exposure to fluctuating smelting and refining charges and reduces transportation costs.

In February 2008, we entered into a long term cathode sales agreement with Red Kite Master Fund Limited for 100% of the copper cathode production from the Johnson Camp Mine. The agreement runs through December 31, 2012 with renewable extensions by mutual agreement of both parties. Pursuant to the agreement, Red Kite accepts delivery of the cathodes at the Johnson Camp Mine, and pricing is based on the average monthly COMEX price for high grade copper.

## **JOHNSON CAMP PROPERTY**

### ***Technical Report***

Unless stated otherwise, information of a technical or scientific nature related to the Johnson Camp property is summarized or extracted from the Technical Report. The Technical Report is also referred to as a feasibility study in this prospectus. Management's plans, expectations and forecasts related to our Johnson Camp property are based on assumptions, qualifications and procedures which are set out only in the full Technical Report. The Technical Report was filed electronically on November 13, 2007, on the System for Electronic Document Analysis and Retrieval (commonly, known as SEDAR), and is publicly available on the Internet at [www.sedar.com](http://www.sedar.com), under our Company's profile.

### ***Description and Location***

We currently have one development property, the Johnson Camp property, which 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: Location Map**).

The Johnson Camp project currently includes: two open pits; one waste dump; three heap leach pads; a crushing, agglomeration and conveying system; a SX-EW processing plant; and ancillary facilities. The Burro Pit is larger than the Copper Chief Pit and contains 60% 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: Location Map**





*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: Johnson Camp Land Status Map**). 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. 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**



***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 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. The newly constructed crushing, conveying and stacking system include the following: One 42x65 inch gyratory crusher, conveyors feeding a 40,000 ton (10,000 ton live) coarse ore stockpile, three feeders and a conveyor that feeds two 6x20-foot screens, conveyor feeding a 100-ton surge bin, two conveyors feeding two H6800 hydrocone secondary crushers, conveyor feeding a 40,000 ton fine ore stockpile, three feeders and a conveyor feeding a 10x35-foot agglomerator, an approximate 3,000 foot overland conveyor feeding a stacking system that includes twenty-one 100-foot grasshopper conveyors and a 150-foot radial tele-stacker. The SX-EW processing plant was refurbished and expanded to handle solution from the new crushed and stacked ore and 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 and two strip mixer-settlers, and has a capacity of 2,500 to 5,000 gallons per minute depending if the circuit is in a series or parallel configuration. The electrowinning tank house consists of 88 electrowinning cells that can produce up to 25,000,000 pounds per year. 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 18,000,000 gallons. A new automated cathode stripping machine has been installed to strip copper cathodes from the stainless steel blanks.

The plant also includes 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/rectifier new pumper-mixers, and a sulfuric acid storage tank.

There are several access rights of way and three water wells which are located on the Johnson Camp property and one well on private land where we have access and water rights. Potential water well sites have been identified on our land near Section 19 and will be drilled if additional water is required.

Commercial electrical power and telephone lines remain in place and operational. The Johnson Camp property receives electrical power from Sulphur Springs Valley Electric Cooperative (SSVEC). We are in discussions with SSVEC to negotiate a new long term power contract. Power is received at two substations owned by us that can handle the additional power loads required for the expanded operations. Our workforce at the Johnson Camp Mine is approximately 70 employees. We utilize contractors under our supervision for mining, drilling, blasting and hauling the mined material. We 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.

**Figure 3: Burro Pit Area**

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



**Figure 4: Copper Chief Deposit**

***Historic Copper Production***

From 1975 to 1986, Cyprus mined approximately 15,000,000 tons of ore grading approximately 0.6 percent total copper from the Burro pit. In addition, approximately 12,000,000 tons of waste rock was produced. All ore placed on the heaps was run of mine (that is, not crushed). In total, approximately 107,000,000 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. 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. According to the Technical Report 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 16,000,000 tons of ore grading approximately 0.35 percent total copper and 12,000,000 tons of waste, primarily from the Burro pit, producing approximately 50,000,000 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 ceased mining operations in mid 1997.

The acid soluble copper assay techniques used by Arimetco for ore grade estimation are not directly comparable to the acid 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 ).

## Reserves

A summary of the Johnson Camp proven and probable reserves are presented in the table below. Further details about the reserves on the Johnson Camp property can be found in the Technical Report.

### **Johnson Camp Mine Summary of Proven and Probable Reserves**

Description	Reserves			
	Tons (thousands)	Grade (% Cu)	Copper (millions of lbs)	Recoverable Copper (millions of lbs)
Proven Reserves	54,977	0.338	319	245
Probable Reserves	18,410	0.327	173	129
Total	73,387	0.335	492	374

Notes:

- The ore reserves were estimated in accordance with Industry Guide 7 of the Securities and Exchange Commission (sometimes referred to in this prospectus as the SEC ) and CIM Guidelines.
- 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 \$1.50/lb and on total copper assays. Bikerman Engineering & Technology Associates used a copper price of \$1.50/lb.
- Reserves are based on operating costs estimated as of the second quarter of 2007.
- The internal cutoff grade used in the reserve analysis was 0.063 - 0.069 percent total copper (depending on rock type). All inferred resource blocks were treated as waste, regardless of their estimated copper grade

### ***Other Mineralized Material***

In addition to the above mentioned reserves, mineralized material is contained in the Burro and Copper Chief deposits at the Johnson Camp property and was estimated using the guidelines established in, and is compliant with, Canadian NI 43-101 standards. In addition, there are numerous other prospects of mineralized material that remain to be explored and tested.

### ***Drilling***

*Initial Drill Hole Database*

The initial drill hole database for the Johnson Camp Mine consists of a total of 293 drill holes totalling 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 totalling 5,793 feet that were completed by Summo in 1998.

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.

#### *Further Exploratory Drilling*

In January 2008, we completed the first phase of preliminary exploratory drilling around the periphery of the existing boundaries of the Burro and Copper Chief pits. Twenty-five vertical reverse-circulation drill holes were completed adjacent to and to the south of the Burro Pit and in the Copper Chief deposit area on the Johnson Camp property. All of the related sample preparation and assays were performed utilizing industry standard analytical models by Arizona Assayers Inc., a laboratory independent to our company and doing business in Tucson, Arizona, as Skyline Assayers & Laboratories. A sample quality assurance/quality check program was followed, which called for the regular insertion of independent standards, blanks and duplicate samples.

The newer drill results, when combined with a previous drill hole, S-13, indicate the continuation of copper mineralization from the current south edge of the Burro Pit approximately 1,000 feet further to the south. The drill results also indicate that the copper mineralization in this area is hosted in the same rock units as at the Burro Pit. The drilling at Copper Chief increases the drill hole density within the current planned pit in the north area of the deposit and also expands copper mineralization to the northwest and southeast of the planned pit boundaries.

These drill results will be incorporated into a new block model for both the Burro and Copper Chief pits in 2009 and, depending on the economic conditions, be considered in determining if additional drilling is warranted.

#### *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. Based on estimated heap tonnages, there are approximately 75,000,000 pounds of acid soluble copper remaining in the heaps, and, in 2008, we recovered approximately 2,900,000 pounds of copper from residual leaching.

#### *Mining Operations*

Based on the Technical Report, we expect the Johnson Camp Mine to produce approximately 25,000,000 pounds of copper per year, for an anticipated mine life of 16 years.

Copper production is originating from both an active leach program of newly mined ore and the residual leaching of the existing leach dumps. Once sufficient new ore is placed on the existing pads, leaching for residual copper will be completed.

The operating plan for the crushed ore is as follows: The ore is crushed to a P-80 of one inch (80% is less than one inch) and sulfuric acid is added to the ore in the agglomerator, where the leaching kinetics begin. The ore is stacked on existing leach pads at a height of 20 feet and a raffinate solution is applied at varying application rates and leached for 150 days. Once the new material has been placed on the large, existing pads and leached for 150 days, a second 20-foot lift is placed on the pads. Based on our stacking plan, the existing leach pads have sufficient surface area for

more than two years at which time a new leach pad and pond will be constructed.

### *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. 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 ).

### *Data Verification*

Four different major categories or levels of data verification have been completed at Johnson Camp Mine by Cyprus Copper, Arimetco, Summo, and others 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. Bikerman Engineering & Technology Associates has concluded that taken in aggregate, all four categories provide corroboration and thus a higher degree of confidence in the data. The categories include: individual inter company verifications; intra company verifications; third party reviews; and reconciliations.

#### *Inter Company Verifications*

Cyprus conducted drilling and assaying with both internal and external check assay procedures for data verification. Cyprus had samples assayed at more than one external lab for both total copper and acid soluble copper. Those external labs were reputable commercial analytical labs commonly employed by the mining and exploration industry at the time. A quality assurance quality control, or QA/QC, procedure was also in place whereby Cyprus composited sample pulps and re submitted the composite for assay as a comparison with the average of individual assays. In addition, Cyprus did bottle roll tests on core samples to provide an additional analysis for comparison. Bikerman Engineering & Technology Associates has concluded that, while these procedures were not done for every hole and every sample, they were done in sufficient amount to detect either errors in the analytical process or high variability in assays as a result of the geology and no significant or consistent variances were noted.

The majority of the drill holes in the resource database are core holes drilled by Cyprus. Arimetco drilled with core and by reverse circulation methods. Although Arimetco did not have the same quantity of internal or external check assays as Cyprus, Arimetco made extensive use of an independent, reputable commercial lab that is still in business today. In addition, Bikerman Engineering & Technology Associates has concluded that the Arimetco basic data, drill logs and assays sheets were done in sufficient quality typical of industry activity at the time (1990 s).

In summary, Bikerman Engineering & Technology Associates has concluded that both Cyprus and Arimetco conducted standard documented copper analyses in house and with external labs, had some degree of QA/QC procedures in place and detected no significant problems with repeatability or accuracy of copper assays.

#### *Intra Company Verifications*

The Johnson Camp Mine was operated by Cyprus and Arimetco and evaluated by Summo prior to our Company's ownership of the Johnson Camp property. Arimetco conducted drilling and assaying that confirmed the work of Cyprus, and Summo conducted mapping, drilling and assaying that confirmed the work of Cyprus and Arimetco. Bikeran Engineering & Technology Associates has concluded that it is a very compelling verification procedure

when a second and third company does confirmation drilling and assaying, with different drilling techniques and analytical labs, and the data is correlative.

Summo drilled four holes in the Burro pit and nine in the Copper Chief pit as reverse circulation drill holes. Bikerman Engineering & Technology Associates examined the assay sheets and drill hole logs for a randomly selected Summo drill hole in the Burro pit and for adjacent drill holes by Cyprus and determined that the assay values in all three holes had the same general range of copper values, in the same lithological units, and while not intended as true twin holes, each drill hole generally verifies the others.

#### *Third Party Reviews*

Various third party independent reviews have been conducted on the Johnson Camp property. For example, in 1999, Summo commissioned an engineering firm to complete a feasibility study for the Johnson Camp property. In 2000, we commissioned an engineering firm to complete a feasibility study and in 2005 we requested an updated feasibility study and technical report for the Johnson Camp property. In the opinion of Bikerman Engineering & Technology Associates, these firms are known as reputable consulting/engineering companies providing audits, resource/reserve estimations and feasibility level evaluations to the mining industry. Bikerman Engineering & Technology Associates has reviewed these reports and concluded that there are no serious data verification issues and that these reports are reasonable. Bikerman Engineering & Technology Associates found few database errors and omissions and acceptable limits of error.

The Summo commissioned feasibility study examined the drill hole database, geology, assays, bulk density measurements, QA/QC procedures and completed various block model to drill hole comparisons, and reconciliations of the model with historical productions. The Summo commissioned feasibility study verified the block model grades of their resource estimate against the Arimetco drill hole database. Bikerman Engineering & Technology Associates has reviewed the Summo commissioned feasibility study and concluded that this work verifies that the constructed resource block model, is representative of the data base and that the examination by the engineering company and the prior operators verifies the database.

Independent sampling of remaining core to compare with historical assays was attempted, however a large portion of the split core from Cyrus drilling is no longer available and assays for samples that have been archived for over 20 years are not a good comparison with the originally fresh core samples. However, Bikerman Engineering & Technology Associates has concluded that of the limited number of samples collected, individual sample variances occur, but globally the grades do not differ much.

#### *Reconciliations*

As the drill hole database is the foundation of the resource and reserve estimates, Bikerman Engineering & Technology Associates has concluded that the most significant verification of the drill hole database is the comparison of its derived block model with the production of mined material. This is accomplished by a reconciliation of the drill hole determined block model tonnage and grade against the blast hole determined tonnage and grade. The results of reconciliations indicate the model generally replicated or slightly underestimated grade for similar tonnages.

The feasibility study commissioned by Summo compared total historical production with the block model and found both tonnage and grade to be within 0.8% of the combined Cyprus and Arimetco production. Bikerman Engineering & Technology Associates has concluded that this is a close correlation between the historical production and the database derived block model.

#### *Additional Third Party Review*

A third party consulting firm observed, and Bikerman Engineering & Technology Associates concurred, that the basic information upon which verification relies is available for the Johnson Camp Property, including: pre mine and post mine mapping; drill hole geological logs; copies of daily drill reports; drill core sampling procedures (Cyprus); original or copies of original assay certificates from commercial analytical labs and the Cyprus Johnson



Camp Mine lab; documented sample preparation and analytical procedures; standard analytical procedures used by laboratories, several vintages of geological maps, rock density procedures by an independent laboratory; blast hole pattern assay maps; production records as truck counts to leach dumps; actual production records (from blast holes) versus forecast production (from the deposit model); pre feasibility and feasibility reports; current availability of geological personnel who actually performed some of the work; and a limited library of core samples and sample pulps.

In 2006, we commissioned a third party consultant to review the applicability of the drill hole data base. Bikerman Engineering & Technology Associates reviewed the verification work done by the consultant and concurs with the conclusions of the consultant. In April 2006, the consultant visited the Johnson Camp Mine and prepared a spreadsheet summary listing all available drill hole data. The consultant tabulated the rotary, reverse circulation and core drilling done on the Burro and Copper Chief deposits.

In May 2006, the consultant visited our Company's offices in Tucson, Arizona for the purpose of completing an exhaustive audit of the Copper Chief and Burro Pit deposit electronic database. The consultant verified geologic drill hole logs for the model and verified assay certificates to the electronic database. Bikerman Engineering & Technology Associates considers the results of the verification to be quite positive. For example, the consultant checked, and confirmed approximately 40% of the Copper Chief electronic database and found two typographical errors, and he checked approximately 20% of the Burro Pit electronic data base and found one omission.

With the exception of two shallow drilling programs by Cyprus and Arimetco all the assay certificates for all the data in the electronic database have been located. Additionally, geologic logs for over 95% of the drilling completed in the resource areas have been located and were reviewed by Bikerman Engineering & Technology Associates.

In summary, all four levels of data verification have shown only minor database errors. Bikerman Engineering & Technology Associates 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 reviewed by Bikerma Engineering & Technology Associates in preparing their technical report 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 the Johnson Camp Mine 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 at which time 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 4,300,000 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 preparing its technical report, Bikerma Engineering & Technology Associates 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.

### ***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 \$1,000,000. As of December 31, 2008, our Company has paid approximately \$58,000 under this commitment.

On March 31, 2009, we sold a 2.5% royalty on the mineral production sold from the existing mineral rights at Johnson Camp to International Royalty Corporation, acting through its subsidiary, IRC Nevada Inc., for net proceeds of approximately \$4,950,000.

### ***United States Mining and Environmental Laws***

#### **Arizona State Mining Laws**

Mining in the State of Arizona is subject to federal, state and local laws. Three types of these 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. The Johnson Camp current 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 evaluate our projects in light of the cost and impact of current 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 Johnson Camp property also includes unpatented claims. 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 mining 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, is the *Water Quality Assurance Revolving Fund* (WQARF) statute.

Under the *Resource Conservation and Recovery Act* (RCRA) and related state laws, including the *Arizona Hazardous Waste Management Act* (HWMA), the generation, transport, treatment, storage, and disposal of hazardous or solid wastes associated with certain mining related activities are highly regulated. 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. Failure to comply can create a fineable condition.

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 certain 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 and regulated emissions. In August 2008, we received an air quality permit from ADEQ which permitted us to resume construction at the Johnson Camp Mine and, in January 2009, we commenced mining and crushing new ore.

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. Storm water discharges also are regulated and permitted under the storm water program. All of those programs impose permitting and other requirements on our operations. Arizona has been delegated authority under the federal NPDES permitting program. We maintain an active Storm Water Pollution Prevention Plan onsite and are in the process of having it renewed. In addition, certain proposed activities (increased heap leach pad capacity, new ponds and waste dump facilities) indicated potential assessment for applicability of a U.S. Army Corps of Engineers section 404 Dredge & Fill Permit. We are evaluating this circumstance.

In accordance with Clean Water Act requirements, a Johnson Camp Property Spill Prevention Control and Countermeasure Plan (SPCC Plan) was prepared to document oil storage within bulk storage containers and oil-filled operational equipment on site, and also to provide a comprehensive spill prevention program to minimize the potential for oil discharges from the facility. Cleanup procedures are also included to help ensure that quick and effective responses are undertaken by site personnel in the event of an oil spill, with the view to preventing any discharges from occurring.

The federal *Pollution Prevention Act of 1990*, that implements the Community Right To Know portions of CERCLA, from time to time may require us to file annual toxic chemical release forms. This is dependent on the amount and character of the materials we will have and use at the facility.

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 acres per year on unpatented mining claims, could result in additional costs or delays. There is no current 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.

Under Arizona's *Aquifer Protection Permit Program* facilities that discharge, including certain mining operations, are required to obtain an Aquifer Protection Permit (APP). An APP application is currently pending review at the Arizona Department of Environmental Quality for the Johnson Camp Mine.

The Johnson Camp property has undergone mining activities for a period of over 125 years. We acquired the Johnson Camp property from Arimetco subject to a number of conditions that constituted aquifer protection law violations and compliance measures. Accordingly, in connection with the acquisition, Consent Order P 139 99 was entered with the ADEQ in June 1999. We agreed to upgrade and improve certain of the facilities and complete certain remediation activities at the Johnson Camp property by September 2000. On January 3, 2001, Consent Order P 401 01 was entered with the ADEQ which replaced Consent Order P 139 99. Consent Order P 401 01 allowed the Johnson Camp Mine to continue to operate and to make improvements to the facility with the view to bringing it into compliance with current Arizona statutes.

On September 7, 2002, the ADEQ issued Compliance Order APP 1 14 02. That order required the following:

- the Johnson Camp Mine be brought into compliance with Arizona's aquifer protection laws;
- a Stipulated Judgment and Stipulated Judgment Entry Agreement be entered with the ADEQ which provided for civil penalties in the amount of \$4,325,000 as a consequence of violation of Consent Order #P401-1 and the aquifer protection laws, subject to the agreement by the ADEQ that it would not file for entry of the judgment unless Compliance Order APP 1 14 02 was violated and the violation was not cured on a timely basis, or unless we became the subject of a bankruptcy, insolvency or receivership proceeding prior to achieving compliance with Compliance Order APP 1 14 02; and
- an Escrow Agreement be entered with the ADEQ requiring a \$1,500,000 deposit by our Company into an escrow account to be used solely to pay for the direct costs of bringing the Johnson Camp Mine into compliance with Compliance Order APP 1 14 02 and the aquifer protection laws.

In response to Compliance Order APP 1 14 02, we applied the \$1,500,000 in escrowed funds to environmental remediation activities at the Johnson Camp Mine and to the preparation and filing of an Aquifer Protection Permit application with the ADEQ in June 2003.

The ADEQ responded to the aquifer protection permit application by letter dated September 2, 2003 which identified a comprehensive list of specific deficiencies. A partial response was submitted on September 28, 2006, however certain financial assurances required by the ADEQ could not be provided at that time. In reply, the ADEQ issued an Administrative Review Notice dated May 18, 2007 which included, among other things, lack of the required financial assurances as a deficiency. We submitted a response on July 2, 2007, but were unable to provide certain financial assurances in a form acceptable to the ADEQ. On July 6, 2007, a notice of violation was issued citing the failure to provide the required financial assurances. On August 1, 2007, the outstanding financial assurances were submitted to the ADEQ, and, on August 10, 2007, a formal response to the notice of violation including documentation evidencing submission of financial assurances was filed.

On August 15, 2007, the ADEQ declared that all components necessary for the Aquifer Protection Permit application were received by the ADEQ, at which time the ADEQ commenced its substantive technical review process. Since

then, the ADEQ has made subsequent requests for information and we have made additional

submissions in response. The most recent request for information, dated March 5, 2009, requested a response within 45 days. We submitted our response to the ADEQ on May 8, 2009.

During this permitting process we are allowed to produce copper from the Johnson Camp Mine while we continue to comply with the mandates of Compliance Order APP 1 14 02.

In addition, the ADEQ issued a Notice of Violation dated June 26, 2008 concerning alleged violations of the APP Program and indicating that certain violations constituted non compliance with the Compliance Order APP 1 14 02. We timely responded to the Notice of Violation by submittal dated August 7, 2008, indicating that no such violations occurred. In addition, we performed certain remedial type actions with respect to various areas referenced in the ADEQ s Notice of Violation. The ADEQ responded, indicating that it was not completely satisfied with our Company s position and response. The parties conferred and we submitted additional information dated January 15, 2009 in accordance with the parties discussions. By letter dated March 26, 2009, the ADEQ confirmed that we had now met the Documenting Compliance provisions of the Notice of Violation. No further response is required by our Company at this time.

We are committed to materially complying with all 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/or 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 in an amount sufficient to satisfy expected reclamation costs. 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 are currently 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. We submitted our reclamation and mine closure plan to the Arizona State Mine Inspectors Office in July 2007 which plan contemplates reclaiming 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.

Components of our reclamation plan and closure plan include four separate post mining land use objectives based on public safety, existing and historic land uses, climate, soil quantity and quality, and economic feasibility. These include: rangeland; future mineral exploration and development; storm water management and processing waste rock materials for sale as landscape material, riprap and railroad ballast to contractors and the public.

Our closure plan includes 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. Mine closure costs from existing and future impacts of the contemplated operations have been estimated to total \$1,850,000. The financial projection

assumes a salvage value of the mining, process and service equipment of \$2,512,000, a value in excess of the estimated mine closure cost.

### *Status of Permits Summary*

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 permits that are on the critical path for project start up. These are summarized in the table below:

<b>Permit</b>	<b>Status</b>
Compliance Order	Currently allows copper production from site. Compliance with this order requires material compliance with its contents and the issuance of the Aquifer Protection Permit.
Air Quality Permit	In August 2008, an air quality permit was issued from the ADEQ which permitted construction and further mining and crushing operations at the Johnson Camp Mine.
Hazardous Material Transport and Storage	None Required. Material Safety Data Sheets are maintained on property.
Explosives Storage and Use	Mining Contractor is responsible for use and storage of explosives and is permitted accordingly.
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)	Application is currently under technical review by ADEQ.
Storm Water National Pollutant Discharge Elimination System	Permit number AZR05B377 issued on March 7, 2001. A Storm Water Pollution Prevention Plan has been fully developed and was revised and updated in December 2008.
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). Nord is currently working with its engineering consultant and ADEQ for approval of an on site drinking water system.
Reclamation and Mine Closure Plan	Reclamation and Mine Closure Plan with adequate financial assurances was submitted to the Arizona State Mine Inspectors Office in July 2007. The Plan is under review.

### ***Landscape and Aggregate Rock Operation***

The Johnson Camp property includes decorative and structural stone operations, which produce landscape and aggregate rock from the overburden piles at the Johnson Camp Mine. Until January 31, 2009, we leased the landscape rock operation to JC Rock, LLC and the aggregate rock operation to Texas Canyon Rock & Sand Inc. in exchange for sliding scale royalties. Effective February 1, 2009, we commenced managing the landscape rock operation although the landscape rock is processed by a third party; the aggregate rock operation continues to be leased to Texas Canyon Rock & Sand.

The rock currently being sold for landscaping purposes 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. We do not believe that the landscape and aggregate rock operations will be material to our financial results of operation.

### **OTHER PROPERTIES**

In addition to the Johnson Camp property, we have an option to acquire an interest in the Texas Arizona claim, an exploration stage project that we do not consider to be material to our overall operations at this time. As described in more detail below, we also held options to acquire interests in the Coyote Springs and Mimbres properties. We elected to allow our option on the Coyote Springs property to expire unexercised in accordance with its terms in January 2009, and to terminate our rights under the Mimbres option in January 2008.

#### ***Texas Arizona Mines Project***

In July 2004, we entered into an option agreement with an individual named 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 in 2004 and an additional \$10,000 in 2008 to exercise the option. The claims are located in the Johnson Mining District approximately three miles from the Johnson Camp Mine.

#### ***Coyote Springs***

In January 2004, our Company acquired an exclusive option from Thornwell Rogers, South Branch Resources, LLC, and MRPGEO, LLC ( *Coyote Option Agreement* ) to purchase the leasehold rights and mining claims located in the Safford mining district in Graham County, Arizona, commonly known as *Coyote Springs* , consisting of two State of Arizona mineral 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 gave us the right to 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, or a combination of shares and cash, 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 and 2006, and the issuance of 106,674 stock options in 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 (based on market price at the time). The stock options issued prior to 2008 have an exercise price 15% below the value of our Company's common stock on the date of grant and are to expire 36 months following their respective grant dates. In order to comply with TSX rules, the number of stock options granted subsequent to January 2008 was grossed up in lieu of the 15% discount.

Pursuant to an amended 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 full 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. In January 2007,

we paid an additional \$18,330 and issued 33,332 shares of our common stock valued at \$36,665 in conjunction with the Coyote Springs option. In January 2008, we paid an additional \$60,000 in conjunction with the Coyote Spring Option and issued 106,674 stock options to the Coyote Springs owners. Each stock option entitles the holder to purchase one share of common stock in the capital of our Company at an exercise price of \$1.00 per share until 5:00 pm (Tucson time) on January 24, 2011.

In December 2008, we elected to allow our option to acquire an interest in the Coyote Springs property to expire unexercised in accordance with its terms in January 2009. As of December 31, 2008, the total consideration paid under the Coyote Springs option was valued at \$400,836, including the value of all stock options and shares of common stock issued. We have recorded a charge to other expense in the amount of \$400,836 to reflect the write off of our investment in this property.

### ***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 commonly 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.

In January 2008, we elected to terminate the option agreement. Consequently, we have recorded a charge to other expenses in the amount of \$6,002 to reflect the write off of our investment in this property.

## **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, results of operations or cash flows.

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

As previously disclosed in prior annual reports on Form 10 KSB, the ADEQ issued a Compliance Order on September 7, 2002, 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 the 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. 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.

On August 15, 2007, the ADEQ declared that all components necessary for the Aquifer Protection Permit ( APP ) application were received by the ADEQ, at which time the ADEQ commenced its substantive technical review process. Since then, the ADEQ has made subsequent requests for information and we have made additional submissions in response. The most recent request for information, dated March 5, 2009, requested a response within 45 days. We submitted our response to the ADEQ on May 8, 2009.

During this permitting process we are allowed to produce copper from the Johnson Camp Mine while we continue to comply with the mandates of the Compliance Order.



In addition, the ADEQ issued a Notice of Violation dated June 26, 2008 concerning alleged violations of the APP Program and indicating that certain violations constituted non-compliance with the Compliance Order. We timely responded to the Notice of Violation by submittal dated August 7, 2008, indicating that no such violations occurred. In addition, we performed certain remedial type actions with respect to various areas referenced in the ADEQ s

Notice of Violation. The ADEQ responded, indicating that it was not completely satisfied with our Company's position and response. The parties conferred and we submitted additional information dated January 15, 2009 in accordance with the parties' discussions. By letter dated March 26, 2009, the ADEQ confirmed that we had now met the Documenting Compliance provisions of the Notice of Violation. No further response is required by our Company at this time.

#### *Patent Infringement Lawsuit*

In January 2009, a lawsuit was filed by Corrosion IP Corp. and CTI Southwest, LLC against our Company alleging that certain containers for corrosive materials purchased by us from Novenco Consultants Limited infringe on three patents held by the plaintiffs, and further alleging that we have infringed on a copyrighted drawing owned by the plaintiffs. We have filed an answer denying all liability and have also filed a Third Party Complaint against Novenco. Prior to our purchase of the containers from Novenco, Novenco assured us that the containers did not infringe on any patents held by others and provided our Company with an indemnification agreement whereby Novenco agreed to indemnify our Company from any damages that might arise from a claim of patent infringement. We believe that the containers do not infringe on any patents held by the plaintiffs. We also believe that, in any event, Novenco will be held responsible for any possible damages. We are mitigating our risks associated with the litigation by assembling proof that the plaintiffs' allegations are false and further through the Third Party Complaint against Novenco. We believe that if the plaintiffs are successful, the resulting award of damages against us, if any, will not be material to the financial condition of our Company.

## **MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER INFORMATION**

### *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 Over The Counter Bulletin Board until May 31, 2001 and Pink OTC Markets Inc. (formerly, Pink Sheets, LLC) until March 4, 2008. Our common stock commenced trading on the Toronto Stock Exchange, in Canadian dollars, under the symbol **NRD** on January 21, 2008, and on the OTC Bulletin Board under the symbol **NRDS** on March 5, 2008. The following tables set forth, for the calendar periods indicated, the high and low closing sale price of our common stock on the OTC Bulletin Board, the TSX and the Pink Sheets LLC (now the Pink OTC Markets Inc.). The prices relating to the OTC markets reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

	<b>OTC Bulletin Board</b>			
	<b>2009</b>		<b>2008</b>	
1 <sup>st</sup> Quarter <sup>(1)</sup>	\$0.15	0.34	\$0.80	0.96
2 <sup>nd</sup> Quarter		N/A	0.66	0.95
3 <sup>rd</sup> Quarter		N/A	0.28	0.80
4 <sup>th</sup> Quarter		N/A	0.08	0.59

(1) Since March 5, 2008

	<b>Toronto Stock Exchange</b>			
	<b>2009</b>		<b>2008</b>	
1 <sup>st</sup> Quarter <sup>(1)</sup>	CDN\$0.18	0.35	CDN\$0.67	1.15
2 <sup>nd</sup> Quarter		N/A	0.70	1.00
3 <sup>rd</sup> Quarter		N/A	0.36	0.88
4 <sup>th</sup> Quarter		N/A	0.06	0.61

(1) Since January 21, 2008



**Pink OTC Markets Inc.**  
**(formerly Pink Sheets, LLC)**

	2007		2006	
1 <sup>st</sup> Quarter	\$0.60	1.18	\$0.26	0.64
2 <sup>nd</sup> Quarter	0.65	0.85	0.51	1.22
3 <sup>rd</sup> Quarter	0.72	1.47	0.72	0.95
4 <sup>th</sup> Quarter	0.90	1.40	0.70	1.23

***Holders***

The number of record holders of our common stock, \$0.01 par value, as of May 11, 2009 was 2,089.

***Dividends***

We have not, since the date of our incorporation, declared or paid any dividends on our common shares. In addition, pursuant to the terms of our Amended and Restated Credit Agreement with Nedbank, we are restricted from paying dividends or making distributions on shares of our common stock. Therefore, we anticipate that we will retain future earnings and other cash resources for the operation and development of our business for the foreseeable future. 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***

We have adopted a stock incentive plan (which includes a subpart governing deferred stock units in lieu of the DSU Plan) (the "2006 Stock Incentive Plan") which was approved by our stockholders at our Annual General Meeting held on October 18, 2006. Amendments to the 2006 Stock Incentive Plan were approved by our stockholders at our Annual General Meeting held on October 15, 2008. The amendments have been incorporated into an Amended and Restated 2006 Stock Incentive Plan (the "Amended and Restated 2006 Stock Incentive Plan") which has been filed with the SEC.

A total of 6,000,000 shares of common stock have been reserved for issuance under all awards that may be granted under the Amended and Restated 2006 Stock Incentive Plan. Eligible Participants who are entitled to participate in the Amended and Restated 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 Amended and Restated 2006 Stock Incentive Plan provides for the granting to Eligible Participants of such incentive awards (each, an "Award") as the administrator of the Amended and Restated 2006 Stock Incentive Plan (the "Administrator") may from time to time approve. The Amended and Restated 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 our 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 (9a "Grantee") that is not inconsistent with the provisions of the 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 Amended and Restated 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 Amended and Restated 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 Amended and Restated 2006 Stock Incentive Plan, stock options may be granted as either incentive stock options under section 422 of the Code and the related regulations, or as non-incentive stock options under section 83 of the Code. As of December 31, 2008, we have granted a total of 4,510,000 non-qualified stock options and 200,000 incentive stock options under the Amended and Restated 2006 Stock Incentive Plan. In addition, 200,000 previously issued non-qualified stock options have been cancelled.

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 Amended and Restated 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 Amended and Restated 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, 2008.

The following table provides a summary of the number of stock options and deferred stock units outstanding as at December 31, 2008.

	<b>Number of securities to be issued upon exercise of outstanding options,</b>	<b>Weighted average exercise price of outstanding options,</b>	<b>Number of securities remaining available for future issuance</b>

	<b>warrants and rights (a)</b>	<b>warrants and rights (b)</b>	<b>under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders	5,181,237 <sup>(1)</sup>	0.53	684,325

	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted average exercise price of outstanding options, warrants and rights (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans not approved by security holders <sup>(2)</sup>	0	0.00	N/A
<b>Total<sup>(3)</sup></b>	5,181,237 <sup>(1)</sup>	0.53	684,325

Notes:

- (1) Includes 4,710,000 shares of common stock reserved for issuance in connection with stock options granted under the 2006 Stock Incentive Plan, and 471,237 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 166,667 deferred stock units were not issued until January, 2009, 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, 2008. Does not include 44,411 common shares issued during 2008, and 90,027 shares issued during 2007, pursuant to the conversion of deferred stock units.
- (2) Amount does not include 1,840,002 stock options with an exercise price of \$0.75 per share issued to agents as compensation in connection with our unregistered special warrants offering in June 2007, and stock options in the amounts of 99,999 with an exercise price of \$0.47 per share and 106,674 with an exercise price of \$1.00 issued pursuant to our option agreement in respect of the Coyote Springs property.
- (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.
- (4) The deferred stock units are disregarded for purposes of calculating the weighted average exercise price of outstanding options.

#### SELECTED FINANCIAL DATA

The following selected financial data has been derived from and should be read in conjunction with (i) our audited consolidated financial statements for the years ended December 31, 2008 and 2007, together with the notes to these consolidated financial statements, (ii) our interim unaudited consolidated financial statements for the three-month periods ended March 31, 2009 and 2008, together with the notes to these consolidated financial statements, and (iii) the sections of this prospectus entitled Description of Business and Properties and Management's Discussion and Analysis of Financial Condition and Results of Operations .



**Operating Data**

	<b>Operating Data</b>			
	<b>Three Months ended</b>		<b>Year ended December 31,</b>	
	<b>March 31,</b>		<b>2008</b>	<b>2007</b>
	<b>2009</b>	<b>2008</b>		
	<b>(Unaudited)</b>			
Net sales	\$ 1,417,419	\$ 1,540,154	\$ 8,155,820	\$
Net income (loss)	655,324	(674,547)	(5,038,374)	(2,512,181)
Net income (loss) per basic and diluted common share	0.01	(0.01)	(0.07)	(0.07)

Weighted average number of basic shares outstanding <sup>(1)</sup>	69,773,292	66,859,687	67,824,759	36,172,142
Weighted average number of diluted shares outstanding <sup>(1)</sup>	70,462,737	66,859,687	67,824,759	36,172,142

- (1) As of March 31, 2009, we had 69,639,255 shares of common stock outstanding. Such number does not include shares underlying options, warrants or other rights to acquire our shares.

	<b>Balance Sheet Data</b>			
	<b>March 31, 2009 (unaudited)</b>	<b>March 31, 2008 (unaudited)</b>	<b>December 31, 2008</b>	<b>December 31, 2007</b>
Cash and cash equivalents	\$ 2,498,647	\$ 2,609,244	\$ 4,465,245 <sup>(1)</sup>	\$ 3,368,910 <sup>(2)</sup>
Working capital surplus (deficiency)	(2,535,980)	(230,182)	(2,849,660) <sup>(3)</sup>	710,914 <sup>(4)</sup>
Total assets	59,764,804	29,255,698	67,607,377	21,881,304
Total current liabilities	13,407,808	4,035,446	17,821,975	2,870,020
Total long-term liabilities	26,069,361	28,301,549	19,437,039	14,063,932
Total liabilities	39,477,169	32,336,995	37,259,014	16,933,952
Total stockholders equity (deficit)	20,287,635	(3,081,297)	30,348,363	4,947,352

- (1) Excludes \$1,533,662 in restricted cash being held in a Debt Service Reserve Account in conjunction with the close-out of a portion of our Company's hedge contracts and \$686,476 being held in conjunction with two letters of credit. The \$1,533,662 was reclassified to unrestricted cash in March of 2009.
- (2) Excludes \$3,000,000 in restricted cash being held in a Debt Service Reserve Account in conjunction with our \$25,000,000 secured term loan credit facility with Nedbank Limited and \$686,476 being held in conjunction with two letters of credit. The \$3,000,000 was reclassified to unrestricted cash during 2008.
- (3) Includes \$6,674,662 in current portion long-term debt and capital lease obligations. In March 2009, our Company entered into an Amended and Restated Credit Agreement which, among other things, deferred the payment of \$3,333,333 in current portion of long-term debt until 2012.
- (4) Includes \$321,875 in current portion long-term debt and capital lease obligations

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

The following discussion of our financial condition, changes in financial condition and results of operations for the years ended December 31, 2008 and 2007, and for the three months ended March 31, 2009 and 2008, should be read in conjunction with our most recent audited consolidated financial statements and our unaudited interim consolidated financial statements included in this prospectus, and, in each case, the notes thereto, which are included in this prospectus. 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 prospectus.

### **Our Plan of Operations**

#### *Overview*

We had placed the Johnson Camp Mine on a care and maintenance program in August 2003 due to weak market conditions for copper at that time. In June 2007 when conditions improved, we began the process of reactivating the Johnson Camp Mine.

In January 2008, we commenced copper cathode production from leaching old dumps, and during 2008 we produced approximately 2,900,000 pounds of copper from residual leaching.

In August 2008, we received the Air Quality permit necessary to enable us to complete the reactivation of the Johnson Camp Mine. We commenced mining of new ore upon completion of the reactivation work in January

2009, and we commenced production of copper from new ore in February 2009. We anticipate reaching our currently planned full copper production rate of 25,000,000 pounds of copper per annum in late spring 2009.

In February 2008, we entered into a long term cathode sales agreement with Red Kite Master Fund Limited for 100% of the copper cathode production from the Johnson Camp Mine. The agreement runs through December 31, 2012 with renewable extensions by mutual agreement of both parties. Pursuant to the agreement, pricing is based on the average monthly COMEX price for high grade copper.

In November 2008, we received a scoping study completed by an independent, internationally recognized firm of mining engineers and consultants that found that we can potentially increase our production to an estimated rate of 40,000,000 pounds of copper per year from our current plan of 25,000,000 pounds of copper per year with an additional capital investment of approximately \$19,000,000. We plan to conduct an updated feasibility study as a first step in assessing whether we should pursue this increase in our planned production. We believe that we will have sufficient cash flow from operations to commission the required updated feasibility study, but we will require additional financing if we decide to make the required capital investments to increase production. Upon completion of the updated feasibility study, which we anticipate will take six months from the date that it begins, our board of directors will analyze the results to determine whether it is in the best interests of our Company to pursue this initiative, taking into account, among other things, the availability of required financing (which cannot be assured).

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 .

### ***Estimated Capital Costs***

The initial capital costs to complete the reactivation of the Johnson Camp Mine were approximately \$36,000,000. Such costs related primarily to: (a) the rehabilitation of solution ponds; (b) refurbishment and a modest expansion of the SW-EX copper production facility; (c) the installation of our primary stage crusher, and the purchase and installation of two secondary stage crushers, an agglomerator and conveying equipment; and (d) other project-related items.

We estimate we will incur a further \$5,000,000 in capital costs in the next three years, primarily for the expansion of our existing leach pad capacity. These cost figures do not include estimated reclamation bonding requirements, and do not account for inflation, interest and other financing costs.

### **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 complete the production ramp up of the Johnson Camp Mine, to produce copper at a level where we can become profitable, to 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 the consolidated financial statements 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 March 31, 2009 and 2008:

	<b>As of March 31, 2009</b>	<b>As of March 31, 2008</b>
Cash reserves	\$ 2,498,647 <sup>(1)</sup>	\$ 2,609,244 <sup>(2)</sup>

Working capital surplus

(deficiency)	\$	(2,535,980) <sup>(3)</sup>	\$	(230,182) <sup>(4)</sup>
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- (1) Excludes \$686,476 in restricted cash being held in conjunctions with two letters of credit.
- (2) Excludes \$3,000,000 in restricted cash being held in a Debt Service Reserve Account in conjunction with our \$25,000,000 secured term loan credit facility with Nedbank Limited and \$686,476 being held in conjunction with two letters of credit.

(3) Includes \$5,015,808 in current portion of long-term debt and capital lease obligations.

(4) Includes \$770,495 in current portion of long-term debt and capital lease obligations.

The following table sets forth our cash and working capital as of December 31, 2008 and 2007:

	<b>As of December 31, 2008</b>	<b>As of December 31, 2007</b>
Cash reserves	\$ 4,465,245 <sup>(1)</sup>	\$ 3,368,910 <sup>(2)</sup>
Working capital surplus (deficiency)	\$ (2,849,660) <sup>(3)</sup>	\$ 710,914 <sup>(4)</sup>

Notes:

- (1) Excludes \$1,533,662 in restricted cash being held in a Debt Service Reserve Account in conjunction with the close-out of a portion of our Company's hedge contracts and \$686,476 being held in conjunction with two letters of credit. The \$1,533,662 was reclassified to unrestricted cash in March of 2009.
- (2) Excludes \$3,000,000 in restricted cash being held in a Debt Service Reserve Account in conjunction with our \$25,000,000 secured term loan credit facility with Nedbank Limited and \$686,476 being held in conjunction with two letters of credit. The \$3,000,000 was reclassified to unrestricted cash during 2008.
- (3) Includes \$6,674,662 in current portion long-term debt and capital lease obligations. In March 2009, our Company entered into an Amended and Restated Credit Agreement which, among other things, deferred the payment of \$3,333,333 in current portion of long-term debt until 2012.
- (4) Includes \$321,875 in current portion long-term debt and capital lease obligations

#### Special Warrant Financing

We completed an offering of 30,666,700 special warrants on June 5, 2007. The special warrants were offered and sold at a price of \$0.75 per special warrant, for aggregate gross proceeds of \$23,000,025. Our net proceeds after payment of the costs of the offering, including agents' commissions, were \$21,334,368. Following completion of the offering, we applied a portion of the proceeds to fully repay the \$5,000,000 secured bridge loan to Nedbank Limited. We also paid a total of \$3,035,474 to certain officers and directors in satisfaction of various accrued and outstanding amounts payable to them including repayment of the \$564,812 outstanding amount under the \$600,000 revolving credit facility, \$315,000 associated with the TMD settlement, repayment of the 50% portion of the related party convertible notes as stipulated in the related debt agreement, as amended, and \$2,023,633 in accrued and outstanding consulting fees, salaries, bonuses and fees to certain senior officers and directors which had been accrued over the four years up to December 31, 2007.

#### Credit Agreement with Nedbank Limited, as Lead Arranger

We also entered into a Credit Agreement dated as of June 28, 2007 with Nedbank Limited, as administrative agent and lead arranger, which provided for a \$25,000,000 secured term loan credit facility. The Credit Agreement was amended and restated as of June 30, 2008, and provided for a series of term loans to be funded from time to time by a syndicate of lenders in response to draw-down requests by our Company, with the aggregate amount of all term loans being \$25,000,000. As of December 31, 2008, all of the \$25,000,000 had been drawn down on the loan. Proceeds from the loan have been used to fund the purchase and installation of equipment associated with the reactivation of the Johnson Camp Mine.



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In March 2009, we agreed to amend and restate our \$25,000,000 credit agreement with Nedbank. Although payments of principal and interest on the loan are required to be made on the last business day of March, June, September, and December in each year, starting with the last business day of September 2009 and ending on the last business day of March 2013, the payments scheduled to be paid on March 31 and June 30, 2009 (the Deferred Payments ) have been deferred until December 31, 2012 and March 31, 2013, respectively. The loan now bears interest at an annual rate equal to LIBOR for the interest period in effect plus a margin of 6.06% . The margin will be reduced by 1.75% if we prepay the deferred payments, and will be reduced by an additional 0.5% upon completion of the Johnson Camp Mine, as defined in the amended and restated credit agreement, which is currently scheduled for October 2009.

Under the amended and restated credit agreement, we may sell certain copper price hedging instruments that we currently hold under copper price hedging agreements maturing on October 1, 2010 or later, if the net proceeds to our Company will be more than \$2,200,000. If we elect to do so, we will be required to set aside \$2,200,000 in a segregated account to fund our debt service obligations under the credit facility. The existing loan will then be separated into two tranches, whereby the first tranche will be equal to the aggregate principal amount then outstanding minus \$2,200,000, which will be the principal amount of the second tranche. The second tranche will be subject to an interest rate of LIBOR plus 5.00% per annum and scheduled for repayment on March 31, 2013, However, if we prepay the Deferred Payments, the second tranche will be amortized in equal portions over the number of quarters remaining until March 31, 2013.

Sale of a Royalty

On March 31, 2009, our Company sold to International Royalty Corporation, acting through its subsidiary IRC Nevada Inc., a 2.5% net smelter royalty on the mineral production sold from the existing mineral rights at Johnson Camp. The net proceeds of the sale are approximately \$4,950,000. The royalty is payable in cash on a quarterly basis.

**Results of Operations Three Months Ended March 31, 2009 and 2008**

The following table sets forth our operating results for the three months ended March 31, 2009, as compared with our operating results for the three months ended March 31, 2008.

	<b>Three Months Ended March 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>Change</b>
	(unaudited)	(unaudited)	<b>Increase/ (Decrease)</b>
			(unaudited)
Revenue	\$ 1,417,419	\$ 1,540,154	\$ (122,735)
Costs applicable to sales	991,662	797,316	194,346
Gross margin	425,757	742,838	(317,081)
General and administrative expenses	783,372	1,405,183	(621,811)
Depreciation, depletion and amortization	184,409	53,852	130,557
Loss from operations	(542,024)	(716,197)	174,173
Other income (expense):			
Interest expense	(135,423)	(75,116)	(60,307)
Other expense	(2,681)	-	(2,681)
Miscellaneous income	1,335,452	116,766	1,218,686



Total other income (expense)	1,197,348	41,650	1,155,698
	59		

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	<b>Three Months Ended March 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>Change</b>
	(unaudited)	(unaudited)	<b>Increase/ (Decrease)</b>
			(unaudited)
Income (loss) before income taxes	655,324	(674,547)	1,329,871
Provision for income taxes	-	-	-
Net income ( loss)	\$ 655,324	\$ (674,547)	\$ 1,329,871

**Revenue**

We commenced commercial production from residual leaching in February 2008, and production of copper cathode from the mining of new ore in February 2009. In February 2008, we entered into a long term cathode sales agreement with Red Kite Explorer Fund Limited for 100% of the copper cathode production from the Johnson Camp Mine. The agreement runs through December 31, 2012 with renewable extensions by mutual agreement of both parties. Pursuant to the agreement, Red Kite accepts delivery of the cathodes at the Johnson Camp Mine, and pricing is based on the average monthly COMEX price for high grade copper.

For the three months ended March 31, 2009, we recorded revenues of \$1,417,419 (including \$572,966 from the settlement of copper hedges) from the sale of 556,053 pounds of copper cathode. Additionally, revenues earned from the sale of 280,728 pounds of copper cathode produced prior to the commencement of commercial production in the amount of \$742,237 (including \$271,897 from the settlement of copper hedges) were credited to development costs.

We recorded revenues of \$1,540,154 from the sale of 421,905 pounds of copper cathode from February 1, 2008 through March 31, 2008. Revenues earned from the sale of 58,723 pounds of copper cathode produced prior to the commencement of commercial production in the amount of \$209,907 were credited to development costs.

**Cost Applicable to Sales**

Cost of sales represents the costs incurred in converting the ore present in existing leach pads into salable copper cathodes. The conversion process includes the mining of ore, crushing, conveying and stacking of ore on to the pads, leaching of stockpiles, solvent extraction and electrowinning and results in the production of copper cathode. The costs include labor, supplies, energy, site overhead costs and other necessary costs associated with the extraction and processing of ore.

For the three months ended March 31, 2009, we incurred \$991,662 of costs applicable to sales from the sale of copper produced from residual leaching. Operating costs incurred in excess of costs forecasted to occur once our Company reaches a steady state of production in the amount of \$2,268,554 were capitalized, and will be amortized using the units of production method and over an estimated 370,000,000 pounds of copper which represents the estimated copper resource base of the Johnson Camp mine once the mine achieves commercial copper production levels from the mining of new ore.

We incurred \$797,316 of costs applicable to sales realized from the commencement of commercial production (February 1, 2008) through March 31, 2008. Operating costs incurred from December 1, 2007 through January 31, 2008 in the amount of \$572,118 (net of pre-commercial revenue) were capitalized and will be amortized over the expected life of production of copper cathodes from existing heaps.



### ***General and Administrative Expenses***

Our general and administrative expenses decreased to \$783,372 for the three months ended March 31, 2009, compared to \$1,405,183 for the three months ended March 31, 2008. This decrease was primarily due to the non-recurring nature of \$267,373 in legal and accounting fees and certain other general and administrative expenses related to the registration and listing of our common stock on the Toronto Stock Exchange in January 2008. In addition, we experienced a \$68,572 decrease in employee compensation primarily resulting from a reduction in performance incentive bonus accruals and a reduction in payroll related to the amortization of stock options granted in prior periods, and a \$59,333 decrease in accounting and SOX compliance fees. Finally, property and casualty insurance expenses (\$57,293) reported in general and administrative expenses for the three month period ending March 31, 2008 have been reclassified and are now being reported in cost of sales for the three month period ending March 31, 2009.

### ***Depreciation, Depletion and Amortization***

Our depreciation, depletion and amortization expenses increased by \$130,557 for the three months ended March 31, 2009, as compared to the three months ended March 31, 2008. The increase was primarily due to the transferring of approximately \$41,300,000 in mining equipment from construction in progress to property and equipment and the commencement of depreciation of these assets during the three months ended March 31, 2009.

### ***Interest Expense***

Interest expense is primarily attributable to the amortization of debt issuance cost and the settlement of the Company's interest rate swap derivative contract.

Interest expense increased by \$60,307 for the three months ended March 31, 2009 compared to the three months ended March 31, 2008. The increase was primarily due to the reclassification of the settlement of \$66,095 from accumulated other comprehensive income to interest expense resulting from the scheduled maturity of interest rate swap derivatives.

### ***Miscellaneous Income***

Miscellaneous income increased by \$1,218,686 for the three months ended March 31, 2009 as compared to the three months ended March 31, 2008. This increase was due primarily to the reclassification as trading securities of copper price protection contracts representing approximately 579 metric tons of copper which were originally designated as cash flow hedges. Such reclassification was necessary because the Company's forecasted production of copper during 2009 no longer matched its hedged position, and, as such, the underlying derivative contracts were deemed to be ineffective. Accordingly, the value of these contracts in the amount of \$1,261,239 has been reclassified from accumulated other comprehensive income to miscellaneous income.

### ***Net Income (Loss)***

Operations resulted in net income of \$655,324 for the three months ended March 31, 2009 as compared to a net loss of \$674,547 for the three months ended March 31, 2008. The increase in net income between these periods is primarily related to:

- a decrease in general and administrative costs, as discussed above; and
- an increase in miscellaneous income associated the reclassification cash flow hedges to trading securities, as discussed above.

We achieved a slight reduction in cost applicable to sales on a per pound basis during the three months ended March 31, 2009, as compared to the three months ended March 31, 2008. However, this reduction was not enough to fully

offset a decrease in our gross margin resulting from a decrease in the amount of copper sold, and a decrease in the sales price per pound.

### ***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 produce copper at a level where we can become profitable, to pay off existing debt and provide sufficient funds for general corporate purposes, all of which is uncertain. Our condensed consolidated financial statements contain additional note disclosures to this effect, and the condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### ***Cash Flows from Operating Activities***

Our cash flows from operating activities during the three months ended March 31, 2009 and 2008 were (\$1,379,766) and (\$532,132), respectively. We commenced copper cathode production from leaching existing old dumps in January 2008 and from the mining and producing of new ore in January 2009. We completed the first sale of copper cathode produced from residual leaching operations in February 2008, and the first sale of copper cathode produced from newly mined ore in February 2009.

Commercial production is defined by our Company as either operating at a minimum of 75% of the designed capacity of our processing facilities at the Johnson Camp Mine, or generating positive cash flows from mine operations for a period of seven days for residual leaching or thirty days for mining and processing of new ore. Commercial production from residual leaching was achieved effective February 1, 2008. Commercial production from the mining and processing of new ore has not yet been achieved.

Operating costs incurred prior to achieving commercial production, net of related revenues, are capitalized as mine development costs. Our Company generated \$425,757 and \$742,838 in gross margin excluding depreciation, depletion and amortization during the three months ended March 31, 2009 and 2008, respectively.

Working capital increased between December 31, 2008 and March 31, 2009 by \$314,680, and decreased between December 31, 2007 and March 31, 2008 by \$941,095.

### ***Cash Flows from Investing Activities***

Our cash flows from investing activities during the three months ended March 31, 2009 were (\$5,502,461), which primarily reflects capital expenditures of \$6,099,131 related to the reactivation of the Johnson Camp Mine during this time period, \$1,651,317 (net of \$742,237 of copper sold during the period which includes \$271,897 of proceeds from the settlement of effective hedges) in pre-commercial production costs incurred prior to the commencement of commercial production from the mining and processing of new ore, \$714,324 in proceeds from the sale of ineffective copper hedges, and the reclassification of \$1,533,662 from restricted cash and marketable securities to cash and cash equivalents.

Our cash flows from investing activities during the three months ended March 31, 2008 were (\$7,215,218), which primarily reflects capital expenditures of \$6,642,453 related to the reactivation of Johnson Camp during this time period, and \$572,765 (net of \$209,907 of copper produced during the period) in pre-commercial production costs incurred prior to the commencement of commercial production on February 1, 2008.

### ***Cash Flows from Financing Activities***

Our cash flows from financing activities during the three months ended March 31, 2009 was \$4,915,629 compared to \$6,987,684 for the same period in 2009.

On March 31, 2009, the Company sold to IRC Nevada Inc. a 2.5% net smelter royalty on the mineral production sold from the existing mineral rights at Johnson Camp. Net proceeds from the sale were \$4,950,000 and are being used for

working capital during the ramp-up of our mining operations.

During the three month period ended March 31, 2009, the Company incurred debt issuance costs of \$36,303 related to an agreement to amend and restate our credit agreement with Nedbank and realized proceeds in the amount of \$6,000 from the exercise of 66,668 stock options.

In February 2008, we drew down \$7,000,000 from the \$25,000,000 secured term loan credit facility we received from Nedbank in June of 2008. Proceeds from the loan were used to purchase supplies and equipment associated with the reactivation of the Johnson Camp Mine. As of March 31, 2008, our Company had \$13,000,000 remaining undrawn under the facility. In addition, during the quarter, we entered into a lease agreement for the purchase of equipment valued at \$79,310, which has been accounted for as a non-cash transaction for purposes of the Condensed Consolidated Statement of Cash Flows, and made principal payments thereon of \$12,316.

As indicated above, we had drawn down all of the \$25,000,000 in principal under the Nedbank secured term loan facility as of December 31, 2008, with the result that no funds were available to us under this facility at March 31, 2009.

### **Results of Operations Years Ended December 31, 2008 and 2007**

The following table sets forth our consolidated loss from operations during the fiscal years ended December 31, 2008 and 2007.

#### ***Consolidated Loss From Operations***

	<b>Year Ended December 31</b>	
	<b>2008</b>	<b>2007</b>
Net sales	\$ 8,115,820	\$
Costs applicable to sales (exclusive of depreciation, depletion and amortization shown separately below)	8,795,628	
General and administrative expenses	3,701,083	6,135,527
Write down of inventory to net realizable value	530,964	
Depreciation, depletion and amortization	251,487	123,768
Loss from operations	\$ (5,123,342)	\$ (6,259,295)

#### ***Net Sales***

We commenced commercial production from residual leaching on February 1, 2008. One hundred percent of the copper cathode production from the Johnson Camp Mine was sold to Red Kite Master Fund Limited under the previously described off-take agreement. During 2008, we recorded revenues of \$8,115,820 from the sale of 2,842,890 pounds of copper cathode, all of which was produced from residual leaching. Revenues earned from the sale of 58,723 pounds of copper cathode produced from residual leaching prior to the commencement of commercial production in the amount of \$209,907 were credited to development costs.

We did not have any sales during 2007 due to the fact that the Johnson Camp Mine was on a care and maintenance program during that year.

#### ***Costs Applicable to Sales***

Cost applicable to sales represents the costs incurred in converting the ore present in existing leach pads into salable copper cathodes. The conversion process includes leaching of stockpiles, solvent extraction and electrowinning. Costs include labor, supplies, energy, site overhead costs and other necessary costs associated with the extraction and



processing of ore. However, the cost applicable to sales excludes depreciation, depletion and amortization, and the write-down of inventory to net realizable value.

We incurred \$8,795,628 of costs applicable to sales from the commencement of commercial production (February 1, 2008) through December 31, 2008. Operating costs incurred from December 1, 2007 through January 31, 2008 in the amount of \$572,765 (net of pre commercial revenue) were capitalized and are being amortized over the expected life of production of copper cathodes from existing heaps.

Our primary cost associated with residual leaching is sulfuric acid which amounted to approximately \$4,100,000 for the year ended December 31, 2008. During 2008, we were subject to significant price volatility in the sulfuric acid market as prices rose from a low of approximately \$150 per ton delivered in the first quarter of 2008 to a high of almost \$300 per ton delivered in the fourth quarter of 2008. Prices have subsequently decreased significantly and are now in the \$100 per ton delivered range as of the first quarter 2009.

### ***Write down of Inventory to Net Realizable Value***

As a result of the decline in copper prices in the fourth quarter of 2008 and the impact of higher operating costs on inventory balances during 2008, our Company recorded charges totalling \$530,964 to reduce the carrying value of copper and chemical inventories to net realizable value.

### ***General and Administrative Expenses***

Our general and administrative expenses decreased to \$3,701,083 during 2008 as compared to \$6,135,527 in 2007. The higher general and administrative expenses in 2007 reflected, in part, \$1,079,120 related to drilling expenditures incurred at Coyote Springs and Johnson Camp Mine, and \$818,305 in legal, accounting and registration fees related to our special warrant offering. In addition, there was a \$328,000 decrease in employee and director compensation during 2008. This decrease in general and administrative expenses between 2007 and 2008 was partially offset by a \$194,326 increase related to the listing of our common stock on the Toronto Stock Exchange in January 2008.

### ***Depreciation, Depletion and Amortization***

Our depreciation and amortization expense increased by \$127,719 in 2008, as compared to 2007, due to additional purchases of property and equipment associated with the restart of Johnson Camp being placed in service during 2008.

### ***Other Income (Expense)***

The following table sets forth our other income and expenses during the fiscal years ended December 31, 2008 and 2007:

	<b>Year Ended December 31</b>	
	<b>2008</b>	<b>2007</b>
Other income (expense)		
Interest expense	\$ (408,202)	\$ (577,171)
Other expenses	(406,838)	
Legal settlement		3,617,166
Miscellaneous income	900,008	707,119
Total other income (expense)	\$ 84,968	\$ 3,747,114

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

### ***Interest***

Interest expense is attributable to interest that we pay on loans that we have obtained to fund our business operations, amortization of debt issuance costs on loans previously secured and the non-cash interest expense of \$125,137 resulting from our Company electing to extend the exercise period on 818,590 warrants held by Nedbank by six months. These warrants expired unexercised in November 2008. During 2008, we capitalized 100% of the interest costs incurred on the Nedbank project financing commitment, in the amount of \$995,407.

During the years ended December 31, 2008 and 2007, we incurred \$408,202 and \$577,171, respectively, in total interest expense, as follows:

**Year Ended December 31**

**2008**                      **2007**

Amortization of debt issuance costs	\$	239,772	\$	180,652
Accretion on modification of warrants		125,137		
		64		

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Interest on notes payable			396,519
Other interest expenses		43,293	
Total	\$	408,202	\$ 577,171

**Other Expenses**

Other expenses during 2008 are comprised of the \$400,836 and the \$6,002 expenses to write off the carrying amounts of the Coyote Springs and Mimbres speculative mineral property projects that were abandoned during the year. We do not consider either of these projects to have been material to our overall operations.

**Legal Settlement**

In March, 2007, we entered into a settlement agreement with Platinum Diversified Mining, Inc. and its subsidiaries (collectively, the PDM Parties ) in connection with the agreement and plan of merger between our Company and the PDM Parties dated October 23, 2006. The settlement agreement 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. The PDM Parties paid our \$3,617,166 during the year ended December 31, 2007.

**Miscellaneous Income**

Sources of miscellaneous income for the year ended December 31, 2008 were:

- Royalty income from landscape aggregate business of \$237,043;
- Interest income of \$126,017;
- Realized gain on ineffective copper hedges of \$521,577; and
- Other income of \$15,371.

Sources of miscellaneous income for the year ended December 31, 2007 were:

- Royalty income from landscape aggregate business of \$402,624;
- Interest income of \$276,643; and
- Other income of \$27,852.

**Net Loss**

The following table reflects our net loss for the years ended December 31, 2008 and 2007, after taking into account the amounts recognized as other income or expenses.

	Year Ended December 31	
	2008	2007
Loss from operations	\$ (5,123,342)	\$ (6,259,295)
Other income (expense)	84,968	3,747,114
Provision for income taxes		
Net Loss	\$ (5,038,374)	\$ (2,512,181)

We recorded a net loss of \$5,038,374 for the year ended December 31, 2008 as compared to a net loss of \$2,512,181 for the year ended December 31, 2007. The increase in net loss between these periods is primarily related to:

- The \$3,617,166 gain during 2007 from PDM settlement agreement, as discussed above; and
- Negative gross margins from the sale of copper cathode from residual leaching operations which began on February 1, 2008.

The increase in net loss was partially offset by a decrease in general and administrative costs, as discussed above.

***Cash Flows From Operating Activities***

Our cash flows from operating activities during 2008 and 2007 were (\$4,262,344) and (\$3,702,010), respectively. Our cash flows from operating activities for 2008 include an increase in inventory of \$741,155 as a result of the reactivation of the Johnson Camp Mine. Our cash flows from operating activities during 2007 include a decrease in accrued expenses of \$1,925,424 primarily for the payment of obligations that became due upon the completion of our special warrant financing.

***Cash Flows From Investing Activities***

Our cash flows from investing activities during 2008 were (\$15,357,645) due primarily to \$18,355,185 in construction costs related to the reactivation of the Johnson Camp Mine. This amount was offset in part by the decrease in restricted cash and marketable securities in the amount of \$1,466,338 and the proceeds from the sale of cash flow hedges in the amount of \$1,531,202. These proceeds were classified as restricted cash as of December 31, 2008 and reclassified to unrestricted cash in March 2009.

Our cash flows from investing activities during 2007 were (\$13,783,865) due primarily to capital expenditures of \$10,097,389 related to the restart of Johnson Camp and an increase in restricted cash of \$3,686,476. Under the Amended and Restated Credit Agreement with Nedbank Limited dated June 28, 2007, our Company was required to maintain a balance of the greater of (a) \$3,000,000 or an amount equal to obligations scheduled to become due during the period of the next two consecutive fiscal quarters. Our Company maintained a balance of \$3,000,000 as of December 31, 2007. During 2008, this requirement was clarified and we now believe that we are not required to maintain a Debt Services Reserve Balance until we are in the financial position to do so. In addition, our Company purchased two certificates of deposit totalling \$686,476 which are held as collateral on two letters of credit for various purposes, including environmental reclamation and other general corporate purposes.

***Cash Flows From Financing Activities***

Our cash flows from financing activities during 2008 were \$20,716,324 compared to \$19,846,950 for the same period in 2007.

During 2008, we drew down \$20,000,000 from our \$25,000,000 secured term loan credit facility with Nedbank. Proceeds from the loan were used to purchase and install equipment, and to purchase supplies, associated with the reactivation of the Johnson Camp Mine. As of December 31, 2008, our Company was fully drawn down on the facility. As indicated above, interest on the term loan credit facility in the amount of \$995,407 is being accrued and will be added to the principal balance of the credit facility when our Company begins to make payments in September, 2009. In addition, during 2008, we entered into a lease agreement for the purchase of equipment valued at \$79,310, which has been accounted for as a non-cash transaction for purposes of the consolidated statement of cash flows, and we made principal payments on this and other capitalized leases of \$35,676.

During 2008, warrant holders exercised 2,540,000 warrants with exercise prices ranging between \$0.25 and \$0.50 into 2,540,000 shares of our Company's common stock resulting in proceeds to our Company of \$702,000. In addition, one option holder exercised 250,000 options with an exercise price of \$0.20 into 250,000 shares of our Company's common stock, resulting in proceeds to our Company of \$50,000.

During 2007, we received a \$100,000 loan from Auramet which was added to the then outstanding principal under our \$5,000,000 secured bridge loan facility with Nedbank, and we incurred \$75,000 in debt issuance costs associated with the extensions of the Nedbank bridge loan, resulting in \$25,000 in proceeds to our Company. During 2007, we repaid the \$5,000,000 in outstanding principal under this facility.

During 2007, we completed the special warrant offering for gross proceeds of \$23,000,025 of which \$1,665,657 was used to pay the direct offering expenses incurred as a result of the special warrant financing. We then used \$5,714,114 of those proceeds to repay our debt which consisted of the Nedbank bridge loan, the revolving credit facility, the convertible notes and an equipment loan. In December 2007, the special warrants were converted for no additional consideration into the underlying shares of common stock and warrants. A total of 15,333,350 warrants were issued upon conversion of the special warrants. Each warrant entitles the holder to purchase one share of

common stock until September 5, 2012 at a price of \$1.10 per share. The warrants are governed by the terms of a warrant indenture between our Company and Computershare Trust Company of Canada, as the warrant agent. These warrants remain outstanding as of December 31, 2008.

In connection with the special warrants offering our Company entered into an agency agreement whereby we paid a cash commission of 6% of the gross proceeds realized from the sale of the special warrants to the agents and issued 1,840,002 stock options to the agents entitling them to acquire one share of common stock of our Company at any time within the subsequent 24 month period at an exercise price of \$0.75. For financial reporting purposes, the stock options have been valued at \$513,436.

During 2007, we drew down \$5,025,000 from our \$25,000,000 secured term loan credit facility with Nedbank. Proceeds from the loan were used to purchase supplies and equipment associated with the reactivation of the Johnson Camp Mine. During 2007, we incurred \$1,222,673 in debt issuance costs (\$1,197,673 of which was incurred in connection with the Nedbank Credit Agreement).

During 2007, warrant holders exercised 931,589 warrants with exercise prices ranging between \$0.35 and \$0.56 into 931,589 shares of our Company's common stock resulting in proceeds to our Company of \$443,119.

During 2007, we made principal payments capitalized on our lease of \$18,750.

### **Critical Accounting Policies And Estimates**

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 inventories, marketable securities and long lived assets, valuation of derivatives, stock options and warrants, income taxes, reclamation costs, and accounting for legal contingencies.

### ***Three Months Ended March 31, 2009 and 2008***

Our condensed 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.

#### **Marketable Securities**

Marketable securities at March 31, 2009, consisted of certificates of deposits which are considered held-to-maturity securities and are stated at amortized cost on the consolidated balance sheet.

All marketable securities are defined as held-to-maturity securities, 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 with the intent and ability to be held to maturity are classified as held-to-maturity securities. Held-to-maturity securities are carried at amortized cost on the consolidated balance sheet until sold.



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.

### Inventories

As described below, costs that are incurred in or benefit the productive process are accumulated as stockpiles, ore on leach pads and inventories and classified as inventories on the consolidated balance sheet. Inventories are carried at the lower of average cost or net realizable value. Net realizable value represents the estimated future sales price of the product based on current and long term metals prices, less the estimated costs to complete production and bring the product to sale. Write downs of inventories, resulting from net realizable value impairments, are reported as a component of costs applicable to sales. The current portion of inventories is determined based on the expected amounts to be processed within the next 12 months. Inventories not expected to be processed within the next 12 months are classified as long term. The major classifications of inventories are as follows:

#### *Stockpiles*

Stockpiles represent ore that has been mined and is available for further processing. Stockpiles are measured by estimating the number of tons added and removed from the stockpile, the number of contained pounds (based on assay data) and the estimated metallurgical recovery rates (based on the expected processing method). Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to stockpiles based on relative values of material stockpiled and processed using current mining costs incurred up to the point of stockpiling the ore, including applicable overhead, depreciation, depletion and amortization relating to mining operations, and removed at each stockpile's average cost per recoverable unit.

#### *Ore on Leach Pads*

The recovery of copper from certain copper oxide ores is achieved through the heap leaching process. Under this method, oxide ore is placed on leach pads where it is treated with a chemical solution, which dissolves the copper contained in the ore. The resulting pregnant solution is further processed in a plant where the copper is recovered. Costs are added to ore on leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations. Costs are removed from ore on leach pads as pounds are recovered based on the average cost per estimated recoverable pound of copper on the leach pad.

The estimates of recoverable copper on the leach pads are calculated from the quantities of ore placed on the leach pads (measured tons added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on ore type). In general, leach pads recover approximately 77% of the recoverable pounds in the first year of leaching, declining each year thereafter until the leaching process is complete.

Although the quantities of recoverable copper placed on the leach pads are reconciled by comparing the grades of ore placed on pads to the quantities of copper actually recovered (metallurgical balancing), the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and estimates are refined based on actual results over time. Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write downs to net realizable value are accounted for on a prospective basis.

#### *In Process Inventory*

In process inventories represent materials that are currently in the process of being converted to a saleable product. Our Company utilizes a solvent extraction electrowinning process to extract the copper from the ore. In process material is measured based on assays of the material fed into the process and the projected



recoveries of the respective plants. In process inventories are valued at the average cost of the material fed into the process attributable to the source material coming from the mines, stockpiles and/or leach pads plus the in process conversion costs, including applicable depreciation relating to the process facilities incurred to that point in the process.

#### *Finished Goods Inventory*

Finished goods represent salable copper cathodes. Finished goods are valued at the weighted average cost of source material or net realizable value.

#### *Materials and Supplies*

Materials and supplies are valued at the lower of average cost or net realizable value. Cost includes applicable taxes and freight.

#### 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 are based upon detailed life-of-mine engineering plans and feasibility study and include estimates of recoverable pounds of copper, future copper prices (considering current and historical prices, price trends and related factors), production rates and costs, capital and reclamation costs as appropriate. Assumptions underlying future cash flow estimates are subject to risks and uncertainties.

No impairment losses were recorded during the year ended December 31, 2008 or during the three months ended March 31, 2009.

#### Derivative and Hedging Activities

In connection with the Credit Agreement with Nedbank, our Company is required to maintain a hedging program with respect to a specified percentage of copper output from the Johnson Camp Mine. Under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, these contracts are carried on the consolidated balance sheet at their fair value. As these contracts have been designated as cash flow hedges, the changes to their fair value are currently reflected in accumulated other comprehensive income in the condensed consolidated statement of changes in stockholders' equity. As of March 31, 2009, the carrying value of the derivative asset was \$9,211,327, and the increase in fair value was recorded in accumulated other comprehensive income on the condensed consolidated balance sheet.

During 2008, our Company entered into certain contracts expiring between 2009 and 2012, to hedge the interest rate risk exposure on its \$25,000,000 Nedbank Credit Facility. Under the interest rate swap contract terms, our Company receives the three month United States Dollar London Interbank Offered Rate ( LIBOR ) and pays a fixed rate of 2.48% interest. The program requires no cash margins, collateral or other security from our Company. Under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, these contracts are carried on the consolidated balance sheet at their fair value. As these contracts were also designated as cash flow hedges, changes to the fair value of these contracts are reflected in accumulated other comprehensive income. A change in fair value of the interest rate swap occurred during the year ended March 31, 2009 in the amount of \$41,961 and was recorded in accumulated other comprehensive income in the condensed consolidated balance sheet as of March 31, 2009. The estimated fair value of

the interest rate swap was a liability of \$395,123 as of March 31, 2009.

### 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 granted. When determining the fair value of stock options, the expected forfeiture rate is based on historical employee rates. The expected term of the options granted to employees is estimated using the formula set forth in SEC Staff Accounting Bulletin ( SAB ) No. 107. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant and the expected volatility is based on the weighted historical volatility of our Company's common stock and that of our Company's peer group.

### Income Taxes

Our Company uses the asset and liability method to account for income taxes under SFAS No. 109, Accounting for Income Taxes . Under the asset and 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 SFAS No. 109, we do not meet the more likely than not criteria to recognize deferred tax assets related to our Company's net operating loss carry forward because it is unlikely that sufficient taxable income will be generated to realize the benefit of these deferred tax assets over time until we have established 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 each period presented to offset the entire deferred tax asset arising from our net operating 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 related regulations, and will have the effect of limiting the availability of the tax loss carry forward.

### Reclamation Costs

SFAS No. 143, Accounting for Asset Retirement Obligations, establishes 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 \$402,384 for the Johnson Camp Mine. To calculate the fair value of this obligation, the projected cash flows were discounted at our Company's estimated credit-adjusted, risk free interest rate of 10%. The majority of cash expenditures for reclamation and closure activities are expected to occur at the conclusion of production, currently anticipated to be in 2023-2024. Our Company will recognize an increase to the asset retirement obligation concurrent with the impact from mining activity as we mine in the future. At March 31, 2009 the recorded value of accrued reclamation costs was \$146,110.

### Litigation

Other than as described below under the heading Legal Proceedings, 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. However, our Company may from time to time be 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.

*Years Ended December 31, 2008 and 2007*

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.

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 our Company be unable to continue as a going concern. Such adjustments could be material. Our Company's continuation as a going concern is dependent upon its ability to meet its obligations under its Credit Agreement with Nedbank and to produce copper to sell at a level where our Company becomes profitable. Our Company's continued existence is dependent upon its ability to achieve its operating plan. If management cannot achieve its operating plan because of sales shortfalls, reduction in copper prices, or other unfavorable events, our 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 our 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.

Use of Estimates

The preparation of our Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires our 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. Our 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, our 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 and Marketable Securities

As required by the Credit Agreement with Nedbank Limited ( Nedbank ) dated June 28, 2007 (the Credit Agreement ), our Company is required to maintain a balance of the greater of (a) \$3,000,000 or an amount equal to obligations



scheduled to become due during the period of the next two consecutive fiscal quarters. During 2008, this requirement was clarified and our Company now believes that it is not required to maintain the Debt Service Reserve Balance until is in the financial position to fund such an account. The balance at December 31, 2008, reflects proceeds received from the close out of a portion of our Company's hedge position. This amount was

reclassified to unrestricted cash in the first quarter of 2009. Our Company maintained balances of \$1,533,662 and \$3,000,000 at December 31, 2008 and 2007, respectively.

Marketable securities at December 31, 2008 and 2007, consist of certificates of deposit which are considered held-to-maturity securities and are stated at amortized cost on the consolidated balance sheet. The certificates of deposit have an original maturity of 14 months, expire in December 2009 and carry a stated interest rate of 3.05% per annum. All marketable securities are defined as held-to-maturity securities, trading securities, or available-for-sale securities under SFAS No. 115 Accounting for Certain Investments in Debt and Equity Securities. Management determines the appropriate classification of our Company's 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 with the intent and ability to be held to maturity are classified as held-to-maturity securities. Held-to-maturity securities are carried at amortized cost on the consolidated balance sheet until sold. 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.

#### Accounts Receivable

Our 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. Our Company does not accrue finance or interest charges. On a periodic basis, our 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 remote. Management determined that no allowance for losses was required as of December 31, 2008 and 2007.

#### Revenue Recognition

Our 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 collectability 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. Our Company evaluates these estimates on a regular basis and revises them as necessary.

#### Inventories

As described below, costs that are incurred in or benefit the productive process are accumulated as stockpiles, ore on leach pads and inventories and classified as inventories on the consolidated balance sheet. Inventories are carried at the lower of average cost or net realizable value. Net realizable value represents the estimated future sales price of the product based on current and long-term metals prices, less the estimated costs to complete production and bring the product to sale. Write-downs of inventories, resulting from net realizable value impairments, are reported as a component of costs applicable to sales. The current portion of inventories is determined based on the expected amounts to be processed within the next 12 months. Inventories not expected to be processed within the next 12 months are classified as long-term. The major classifications of inventories are as follows:

#### *Stockpiles*

Stockpiles represent ore that has been mined and is available for further processing. Stockpiles are measured by estimating the number of tons added and removed from the stockpile, the number of contained pounds (based on assay data) and the estimated metallurgical recovery rates (based on the expected processing method). Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to stockpiles based on relative values of material stockpiled and processed using current mining costs incurred

up to the point of stockpiling the ore, including applicable overhead, depreciation, depletion and amortization relating to mining operations, and removed at each stockpile's average cost per recoverable unit.

#### *Ore on Leach Pads*

The recovery of copper from certain copper oxide ores is achieved through the heap leaching process. Under this method, oxide ore is placed on leach pads where it is treated with a chemical solution, which dissolves the copper contained in the ore. The resulting pregnant solution is further processed in a plant where the copper is recovered. Costs are added to ore on leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations. Costs are removed from ore on leach pads as pounds are recovered based on the average cost per estimated recoverable pound of copper on the leach pad.

The estimates of recoverable copper on the leach pads are calculated from the quantities of ore placed on the leach pads (measured tons added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on ore type). In general, leach pads recover approximately 77% of the recoverable pounds in the first year of leaching, declining each year thereafter until the leaching process is complete.

Although the quantities of recoverable copper placed on the leach pads are reconciled by comparing the grades of ore placed on pads to the quantities of copper actually recovered (metallurgical balancing), the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and estimates are refined based on actual results over time. Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write downs to net realizable value are accounted for on a prospective basis.

#### *In Process Inventory*

In process inventories represent materials that are currently in the process of being converted to a saleable product. Our Company utilizes a solvent extraction electrowinning process to extract the copper from the ore. In process material is measured based on assays of the material fed into the process and the projected recoveries of the respective plants. In process inventories are valued at the average cost of the material fed into the process attributable to the source material coming from the mines, stockpiles and/or leach pads plus the in process conversion costs, including applicable depreciation relating to the process facilities incurred to that point in the process.

#### *Finished Goods Inventory*

Finished goods represent salable copper cathodes. Finished goods are valued at the weighted average cost of source material or net realizable value.

#### *Materials and Supplies*

Materials and supplies are valued at the lower of average cost or net realizable value. Cost includes applicable taxes and freight.

#### Derivative and Hedging Activities

In connection with the Credit Agreement with Nedbank, our Company is required to maintain a hedging program with respect to a specified percentage of copper output from the Johnson Camp Mine. Under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, these contracts are carried on the consolidated balance sheet at their fair value. As these contracts have been designated as cash flow hedges, the changes to their fair value are currently reflected in accumulated other comprehensive income (loss) in the Statement of Equity. As



of December 31, 2008, the carrying value of the derivative asset was \$19,154,102, and the increase in fair value was recorded in accumulated other comprehensive income (loss) on the consolidated balance sheet. As of December 31, 2007, the carrying value of the derivative liability was \$9,183,428, and the reduction in fair value was recorded in accumulated other comprehensive income (loss) on the consolidated balance sheet.

During 2008, our Company entered into certain contracts expiring between 2009 and 2012, to hedge the interest rate risk exposure on its \$25 million Nedbank Credit Facility. Under the interest rate swap contract terms, our Company receives the three month United States Dollar London Interbank Offered Rate ( LIBOR )and pays a fixed rate of 2.48% interest. The program requires no cash margins, collateral or other security from our Company. Under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities , these contracts are carried on the consolidated balance sheet at their fair value. As these contracts were also designated as cash flow hedges, changes to the fair value of these contracts are reflected in accumulated other comprehensive income (loss). A reduction in fair value of the interest rate swap occurred during the year ended December 31, 2008 in the amount of \$437,084 and was recorded in accumulated other comprehensive income (loss) in the consolidated balance sheet as of December 31, 2008.

### Fair Value Accounting

In September 2006, the FASB issued FASB Statement No. 157, Fair Value Measurements ( SFAS 157 ). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of SFAS 157 were adopted January 1, 2008. In February 2008, the FASB staff issued FSP No. 157-2 Effective Date of FASB Statement No. 157 ( FSP FAS 157-2 ). FSP FAS 157-2 delayed the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). We will adopt those provisions of SFAS 157 that relate to nonfinancial assets and liabilities on January 1, 2009 and are currently evaluating the impact of this statement on our Company s consolidated financial statements and related disclosure.

In October 2008, the FASB issued FSP No. FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active ( FSP 157-3 ), which clarifies the application of SFAS 157 in an inactive market. The intent of this FSP is to provide guidance on how the fair value of a financial asset is to be determined when the market for that financial asset is inactive. FSP 157-3 states that determining fair value in an inactive market depends on the facts and circumstances, requires the use of significant judgment and in some cases, observable inputs may require significant adjustment based on unobservable data. Regardless of the valuation technique used, an entity must include appropriate risk adjustments that market participants would make for nonperformance and liquidity risks when determining fair value of an asset in an inactive market. FSP FAS 157-3 was effective upon issuance. The provisions of FSP 157-3 did not have a material impact on the Company.

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below:

- Level 1* Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2* Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3* Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth our Company's financial assets and liabilities within the consolidated balance sheet as of December 31, 2008 measured at fair value by level within the fair value hierarchy. As required by SFAS 157,

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assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

		Total	Level 1	Level 2	Level 3
Assets:					
Derivative contracts	copper cash flow hedges, net	\$ 19,154,102		\$ 19,154,102	
Liabilities:					
Derivative contract	interest rate swap contract	\$ (437,084)		\$ (437,084)	

Our Company's derivative instruments, copper cash flow hedges and interest rate swap contracts are valued using pricing models and our Company generally uses similar models to value similar instruments. Where possible, our Company verifies the values produced by its pricing models to market prices. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit spreads, measures of volatility, and correlations of such inputs. Our Company's derivatives generally trade in liquid markets, and as such, model inputs can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy.

### Shipping and Handling Costs

Our Company includes shipping and handling costs related to the transport of finished goods in operating expenses.

### Debt Issuance Costs

Debt issuance costs are amortized over the life of the related loan as interest expense. During 2007 and 2006, our Company incurred debt issuance costs of \$1,297,673 and \$161,065 respectively, related to the issuance of promissory notes, bridge loans and the project financing facility. During 2005, debt issuance costs of \$100,000 were incurred in connection with an extension of a bridge loan with Nedbank in the total principal amount of \$5,000,000. The bridge loan was repaid in 2007 and the associated debt issuance costs were fully amortized in 2007. The remaining debt issuance costs of \$1,197,673, incurred in conjunction with the project financing facility, 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 \$1,659,369 and \$1,419,597 at December 31, 2008 and 2007, respectively. Unamortized debt issuance costs were \$877,249 at December 31, 2008.

### 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 seven 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

Our Company reviews and evaluates our 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 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, 2008 and 2007.

### 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 asset retirement obligation is based on when the spending for an existing environmental disturbance and activity to date will occur. Our Company reviews its asset retirement obligation, on an annual basis, unless a triggering event occurs that requires a more frequent evaluation. The asset retirement obligation at the mine site is accounted for in accordance with SFAS No. 143, Accounting for Asset Retirement Obligations.

### Stock Based Compensation

Our Company accounts for its awards of stock based compensation under the fair value recognition provisions of SFAS No. 123(R), Share Based Payment, using the modified prospective application method. Our Company has granted incentive and non qualified stock options to its employees and directors under the terms of its 2006 Stock Incentive Plan. Our Company has also granted non qualified, non plan stock options, which have been authorized by our 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.

### Net Loss per Share of Common Stock

Basic earnings (loss) per common share are computed by dividing the net 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 23,395,025 and 26,687,156 shares of common stock for the years ended December 31, 2008 and 2007, 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 anti dilutive.

### 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. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense consists of the income tax payable or refundable for the current period and the change during the period in net deferred tax assets and liabilities.

### Accumulated Other Comprehensive Income (Loss)

In addition to net income (loss), accumulated other comprehensive income (loss) includes all changes in equity during a period, including the effective portion of changes in fair value of derivative instruments that qualify as cash flow hedges and cumulative unrecognized changes in fair value of marketable securities classified as available for sale or other investments, except those resulting from investments by and distributions to owners.

### **Recently Issued Accounting Guidance**

*Fair Value Measurements.* In September 2006, the Financial Accounting Standards Board ( 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. However, in February 2008,

FASB Staff Position ( FSP ) 157 - 2, Effective Date of FASB Statement 157 , was issued. FSP 157 - 2 applies to nonfinancial assets and nonfinancial liabilities, and defers the effective date of SFAS No. 157 for nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of the FSP. Accordingly, our Company adopted SFAS No. 157 as it

relates to financial assets and liabilities beginning January 1, 2008. The adoption of this Statement did not have a material impact on our Company's consolidated financial statements.

*Fair Value Option for Financial Assets and Liabilities.* In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Liabilities* Including an amendment of FASB No. 115, which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Our Company adopted SFAS No. 159 effective January 1, 2008. Our Company did not elect to measure any additional financial instruments at fair value that are not required to be measured at fair value. Accordingly, the adoption of this Statement did not have a material impact on our Company's consolidated financial statements.

*Expected Term for Plain Vanilla Share Options.* In December 2007, the SEC issued SAB 110 which was issued to express the understanding that the use of a simplified method, as discussed in SAB 107, in developing an estimate of the expected term of plain vanilla share options in accordance with FASB No. 123 would be acceptable beyond December 31, 2007. Our Company adopted this standard beginning January 2008. The adoption of SAB 110 did not have a material impact on our Company's consolidated financial statements.

*Noncontrolling Interests in Consolidated Financial Statements.* In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* an amendment of ARB No. 51. SFAS No. 160 requires that ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled and presented in the consolidated statement of financial position within equity, but separate from the parent equity. It also requires that the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income. This statement also establishes a single method of accounting for changes in a parent's ownership position interest in a subsidiary that do not result in deconsolidation. The statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and that disclosures be expanded in the consolidated financial statements that clearly identify and distinguish between the interests of the parent's owners and the interests of the noncontrolling owners of a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Our Company plans to adopt this standard beginning January 2009 and our Company does not anticipate it will have a material impact on its consolidated financial statements.

*Business Combinations.* In December 2007, the FASB issued SFAS No. 141 (Revised 2007), *Business Combinations*. SFAS 141 (Revised 2007) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141 (Revised) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Our Company expects SFAS 141 (Revised 2007) will have an impact on our Company's consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions our Company consummates, if any, after the effective date.

*Disclosures About Derivative Instruments and Hedging Activities.* In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. SFAS No. 161 establishes, among other things, the disclosure requirements for derivative instruments and for hedging activities. The objective of this statement is to enhance the understanding of: (1) how and why an entity uses derivative instruments; (2) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and (3) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit risk related contingent features in derivative agreements. SFAS No. 161 is effective for financial statements issued for fiscal years

and interim periods beginning after November 15, 2008.

Our Company plans to adopt this standard beginning January 2009 and we are currently evaluating the potential impact of adopting this statement on our derivative instrument disclosures.

*The Hierarchy of Generally Accepted Accounting Principles.* In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements for nongovernmental entities that are present in conformity with generally accepted accounting principles (GAAP) in the United States. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Our Company plans to adopt this standard in January 2009 and does not believe it will have a material impact on our Company's consolidated financial statements.

*Determining the Fair Value of a Financial Asset when the Market for That Asset is Not Active.* In October 2008, FSP 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, was issued. FSP 157-3 clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This FSP applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with SFAS No. 157. Accordingly, our Company adopted this standard beginning January 2008, and it did not have a material impact on its consolidated financial statements.

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

We have no off balance sheet arrangements.

### **CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS**

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 P.C. on any matter of accounting principles, practices or financial statement disclosure.

### **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are subject to risks related to foreign currency exchange rate fluctuations. However, they have not had a material impact on our results of operations to date.

Our functional currency is the United States dollar. However, a significant portion of our business is transacted in other currencies (the Canadian dollar). As a result, we are subject to exposure from movements in foreign currency exchange rates. We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure to manage our foreign currency fluctuation risk.

### **DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS**

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

<b>Name and Municipality of Residence</b>	<b>Age</b>	<b>Current Office with Nord Resources Corporation</b>	<b>Director Since</b>
<b>Ronald A. Hirsch<sup>(1)</sup></b> Laguna Beach, CA	65	Director and Chairman	September 7, 2000

**John T. Perry**<sup>(2)</sup>  
Tucson, AZ

42

Director, President and Chief Executive Officer

June 11, 2007

78

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Name and Municipality of Residence	Age	Current Office with Nord Resources Corporation	Director Since
<b>Stephen D. Seymour</b> Baltimore, MD	67	Director	October 15, 2003
<b>T. Sean Harvey</b> Port Carling, ON, Canada	49	Director	June 11, 2007
<b>Douglas P. Hamilton</b> North Chatham, MA	67	Director	February 15, 2006
<b>John F. Cook</b> Roslin, ON, Canada	69	Director	February 15, 2006
<b>Randy L. Davenport</b> <sup>(3)</sup> Carefree, AZ	53	Vice President and Chief Operating Officer	N/A
<b>Wayne M. Morrison</b> <sup>(4)</sup> Tucson, AZ	51	Vice President, Secretary and Chief Financial Officer	N/A

Notes

- (1) Mr. Hirsch also held the position of Chief Executive Officer of our Company until February 15, 2006.
- (2) Mr. Perry was appointed as Chief Executive Officer and President of our Company effective April 23, 2007. Mr. Perry has served as our Company's Senior Vice President and Chief Financial Officer from April 1, 2005 to January 8, 2008, and as our Company's Secretary and Treasurer since September 2005 to January 8, 2008.
- (3) Mr. Davenport replaced Erland A. Anderson as our Vice President and Chief Operating Officer on January 12, 2009.
- (4) Mr. Morrison was appointed Vice President, Secretary and Chief Financial Officer on January 8, 2008.

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.

**John T. Perry** Mr. Perry has been a director of our Company since June 11, 2007 and President and Chief Executive Officer since April 23, 2007. Mr. Perry was appointed as our Senior Vice President and Chief Financial Officer on April 1, 2005 and Secretary and Treasurer in September 2005 and acted as such until January 2008. Mr. Perry has over 20 years 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. He is also a director of Homeland Uranium Incorporated.



**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, turnaround situations and under managed and undercapitalized ventures. Mr. Seymour holds an undergraduate degree from Rutgers University and an MBA from Columbia University.

**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. Mr. Cook is the President of Tormin Resources Limited, a private company providing consulting services to the mining industry. He holds a Bachelor of Engineering (Mining), C. Eng UK, and P. Eng Ontario, and brings to Nord more than 40 years of experience in the operations and management of mining companies. Mr. Cook's positions included Senior Mining and Managing Consultant, RTZ Consultants Ltd. (1974-78), Associate and Principal, Golder Associates Ltd. (1978-83), Senior Project Manager, General Manager, and Vice President Engineering, Lac Minerals Ltd. (1983-90), Vice President Operations, Goldcorp Inc. (1990-94), and Navan Resources Plc, Operations Director (1994-96). Currently, Mr. Cook serves as the Chairman of Premier Gold Mines Limited and the President of San Anton Resources Corporation. He is also a director of Anaconda Mining Inc., GLR Resources Inc., Uranium City Resources Inc., MBMI Resources Inc. and Homeland Uranium Inc.

**T. Sean Harvey** Mr. Harvey was appointed as a director of our Company on June 11, 2007. He is a co-founder and, since January 2004, has served as the Non-Executive Chairman of Andina Minerals, Inc., a Toronto-based exploration-stage mining company listed on the TSX Venture Exchange. Mr. Harvey also served as the President, Chief Executive Officer and a director of Orvana Minerals Corp. (April 2005-May 2006), a mining company listed on the Toronto Stock Exchange, and as the President, Chief Executive Officer and a director of Atlantico Gold Inc. (May 2003-January 2004), a private company that acquired the Amapari gold project in Brazil in 2003, and that was subsequently acquired by Wheaton River Minerals Ltd. Prior to that, Mr. Harvey served as: the President, Chief Executive Officer, Chief Operating Officer and a director of TVX Gold Inc. (April 2001-January 2003), a mining company listed on the Toronto and New York Stock Exchanges; a financial consultant to the EBX Group of Companies based in Rio de Janeiro (April 2000-March 2001); a Director at Deutsche Bank Securities Limited (August 1998-March 2000) in Toronto, where he was a member of the Investment Banking Group and the Global Mining and Metals team; a Director at Nesbitt Burns Inc. (Burns Fry Ltd.) (February 1990-July 1998) in Toronto, where he was a member of the Investment Banking Group; a Financial Analyst at IBM Canada Limited (February 1989-February 1990); and an Assistant Manager, CIBC (March 1988-February 1989). Mr. Harvey holds an Honors Bachelor of Arts degree (Economics and Geography) and a Master of Arts degree (Economics) from Carleton University, a Bachelor of Laws degree from the University of Western Ontario and an MBA from the University of Toronto. He is also a member of the Law Society of Upper Canada.

**Randy Davenport** Mr. Davenport was appointed Vice President and Chief Operating Officer on January 12, 2009. Prior to joining our Company, Mr. Davenport held the position of Vice President, Resource Development, Freeport-McMoran Copper & Gold Inc. from 2007 to 2008. In addition, he had previously held a number of senior positions during two decades with Phelps Dodge Corporation, then the world's second-largest copper producer, which was acquired by Freeport-McMoran in 2007. In his career at Phelps Dodge, Mr. Davenport's responsibilities included managing large copper mining operations, overseeing major mining construction projects, several feasibility and scoping studies, and directing the expansion of established operations and the start-up of green-field projects and acquisitions. Mr. Davenport's career at Phelps Dodge also included five years as President of Sociedad Minera Cerro Verde, a Peruvian company majority owned and operated by Phelps Dodge and based in Arequipa, Peru, with a fully integrated open-pit mining and solvent extraction electrowinning facility, the same process that our Company is using at its Johnson Camp Mine. Mr. Davenport earned a Bachelor of Science degree in Mining Engineering from the University of Idaho, and has served in the U.S. Marine Corps and the Army National Guard.

**Wayne M. Morrison** Mr. Morrison was appointed Vice President and Chief Financial Officer on January 8, 2008. Prior to that, he served as our Controller from December 3, 2007 to January 8, 2008. Prior to joining our Company, Mr. Morrison was Vice President, Finance and Administration of AmpliMed Corp., a privately held biotech company, from March 2005 until December 2007. From February 2002 to October 2004, Mr. Morrison

held the position of Vice President and Chief Financial Officer of Fastrac 24/7, a privately held information processing company, and from October 1997 to January 2002, he was President of Par One Golf Ventures, a privately held golf promotion company. Mr. Morrison's experience also includes past employment as a Certified Public Accountant with PricewaterhouseCoopers for four years. He earned a Bachelor of Science Degree in Accounting from the University of Delaware and an MBA from the Kenan Flagler Business School of the University of North Carolina.

### **Term of Office**

All of our directors hold office until the next annual general meeting of the shareholders or until their successors are elected and qualified. Our officers are appointed by our board of directors and hold office until their earlier death, retirement, resignation or removal.

### **Significant Employees**

There are no significant employees other than our executive officers.

### **Family Relationships**

There are currently no family relationships between any of the members of our board of directors or our executive officers.

### **Board Independence**

The board of directors determined that Douglas P. Hamilton, John F. Cook, Stephen Seymour and T. Sean Harvey each qualify as independent directors under the listing standards of the NYSE Alternext US Exchange. Our former director, Mr. Wade Nesmith, was also determined to be independent under these standards during his service on the board of directors until his resignation in March of 2007.

In determining Mr. Stephen Seymour's independence, the board of directors considered certain loans and advances that Mr. Seymour had previously made to our Company and which we have repaid. For further details on these transactions, please refer to the section entitled "Certain Relationships and Related Transactions," under the headings "TMD Acquisition," "Revolving Line of Credit" and "Convertible Promissory Notes." The board of directors determined that since these transactions relate to the repayment of outstanding loans or advances made by Mr. Seymour to or on behalf of our Company, that such transactions were not compensatory in nature and do not interfere with Mr. Seymour's ability to exercise independent judgment.

### **Committees of the Board of Directors**

Our board of directors currently has three committees: an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. These Committees were established in February 2006.

The information below sets out the current members of each of our 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, as amended. Our Audit Committee is comprised of Douglas P. Hamilton, John F. Cook, and T. Sean Harvey. 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 407(d)(5) of Regulation S-K of the rules of the Securities and Exchange Commission. Each Audit Committee member is able to read and understand fundamental financial

statements, including our consolidated balance sheet, consolidated statement of operations and consolidated statement of cash flows.

The Audit Committee meets with management and our external auditors to review matters affecting our financial reporting, the system of internal accounting and financial controls and procedures and the audit procedures and

audit plans. The Audit Committee reviews our significant financial risks, is involved in the appointment of senior financial executives, and annually reviews our insurance coverage and any off balance sheet transactions.

The Audit Committee is mandated to monitor the audit and preparation of our consolidated financial statements and to review and recommend to the board of directors all financial disclosure contained in our public documents. The Audit Committee is also mandated to appoint our 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 also approves in advance any permitted services to be provided by the external auditors which are not related to the audit.

Our Company provides 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 NYSE Alternext US Exchange.

#### ***Compensation Committee***

The Compensation Committee of our board of directors is comprised of Douglas P. Hamilton, John F. Cook and T. Sean Harvey. 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 operates pursuant to a written charter, adopted by the Board of Directors in March 2008.

#### ***Corporate Governance and Nominating Committee***

The Corporate Governance and Nominating Committee is comprised of Stephen Seymour, Douglas P. Hamilton and John F. Cook. Mr. Seymour 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 our 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 our 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.

The Corporate Governance and Nominating Committee operates pursuant to a written charter adopted by the Board of Directors in October 2008.

**Involvement in Certain Legal Proceedings**

Except as disclosed in this prospectus, during the past five years none of our directors or executive officers is, or has been, a general partner or executive officer of any business that filed a bankruptcy petition (or had a bankruptcy petition filed against it), either at the time of filing or within two years prior to such time.

None of our directors or executive officers has, within the past five years, been convicted in a criminal proceeding or been the subject of a pending criminal proceeding (excluding traffic violations and other minor offences).

None of our directors or executive officers has, within the past five years, been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities.

None of our directors or executive officers has, within the past five years, been found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

There are currently no legal proceedings to which any of our directors or officers is a party adverse to us or in which any of our directors or officers has a material interest adverse to us.



**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, 2008;
- (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, 2008, and whose total compensation exceeds \$100,000 per; and
- (c) up to two 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, 2008;

(individually a Named Executive Officer and collectively the Named Executive Officers) are set out in the summary compensation table below.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)</b>	<b>Option Awards (\$)<sup>(1)</sup></b>	<b>Non Equity Incentive Plan Compensation (\$)</b>	<b>Non qualified Deferred Compensation Earnings (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
<b>Ronald A. Hirsch</b> Chairman <sup>(1)</sup>	2008	100,000			5,300				105,300
	2007	110,321			250,881				361,202
<b>Erland A. Anderson</b> Former Executive Vice President and Chief Operating Officer <sup>(2)</sup>	2008	175,000							175,000
	2007	152,522			159,272				311,794
<b>John T. Perry</b> President, Chief Executive Officer, Secretary and Treasurer <sup>(3)</sup>	2008	200,000 <sup>(3)</sup>			23,850			15,500 <sup>(5)</sup>	239,350
	2007	192,308			331,693				524,001
<b>Wayne M. Morrison</b> Vice President,	2008	150,000			13,250			11,250 <sup>(5)</sup>	174,500
	2007								

Chief Financial Officer, Secretary and Treasurer <sup>(4)</sup>									
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Notes:

- (1) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2008 and 2007 financial years for the fair value of stock options granted to each Named Executive Officer, in accordance with SFAS 123R. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service based vesting conditions. For additional information on the valuation assumptions with respect to the options, refer to Note 13 under the heading **Stock Based Compensation** in our consolidated financial statements.

- (2) Mr. Anderson resigned as Executive Vice President and Chief Operating Officer on January 12, 2009 and was replaced by Randy Davenport as Vice President and Chief Operating Officer.
- (3) Mr. Perry resigned as Chief Financial Officer, Secretary and Treasurer effective January 8, 2008.
- (4) Mr. Morrison was appointed Vice-President, Chief Financial Officer, Secretary and Treasurer effective January 8, 2008.
- (5) Represents the dollar amount of our Company's contribution to the Named Executive Officer's 401(K) Retirement Plan.

**Outstanding Equity Awards as of December 31, 2008**

The following table summarizes the outstanding equity awards as of December 31, 2008 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 (#)	Equity Incentive Plan Awards: Market Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
Ronald Hirsch	100,000 183,332 N/A	50,000 91,668 100,000	N/A N/A N/A	\$0.68 \$0.85 \$0.09	6/11/2017 7/11/2017 11/26/2013	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A
Erland A. Anderson	675,000 166,667 33,333	N/A 83,333 16,667	N/A N/A N/A	\$0.50 \$0.68 \$0.85	2/1/2011 6/11/2017 7/11/2017	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A
John T. Perry	433,333 200,000 100,000 100,000 100,000 N/A	216,667 N/A N/A N/A N/A 450,000	N/A N/A N/A N/A N/A N/A	\$0.68 \$0.30 \$0.40 \$0.50 \$0.60 \$0.09	6/11/2017 4/1/2010 4/1/2010 4/1/2010 4/1/2010 11/26/2013	N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A	N/A N/A N/A N/A N/A N/A
Wayne M. Morrison	133,334 N/A	66,666 250,000	N/A N/A	\$1.10 \$0.09	12/3/2012 11/26/2013	N/A N/A	N/A N/A	N/A N/A	N/A N/A

**Equity Compensation Plans**

As disclosed in more detail under the heading *Market For Common Equity And Related Shareholder Matters - Equity Compensation Plans*, we have granted options under the Amended and Restated 2006 Stock Incentive Plan. We have also granted stock options under individual compensation arrangements, and under the Coyote Springs option.

There are 7,981,675 stock options outstanding at December 31, 2008, of which 3,271,675 are non-qualified, non-plan stock options and 4,710,000 pursuant to our Company's Amended and Restated 2006 Stock Incentive Plan. The outstanding options expire at various dates from 2009 to 2017.

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 Amended and Restated 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, 2008.

**Compensation of Directors**

The following table summarizes the compensation of our Company's directors for the year ended December 31, 2008:

Name <sup>(1)</sup>	Fees Earned or Paid in Cash (\$)	Stock Awards <sup>(2)</sup> (\$)	Option Awards <sup>(3)</sup> (\$)	Non Equity Incentive Plan Compensation (\$)	Non qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
T. Sean Harvey	3,000 <sup>(5)</sup>	25,000 <sup>(4)</sup>	5,300				33,000
Doug Hamilton	4,500 <sup>(6)</sup>	40,000 <sup>(4)</sup>	5,300				49,800
Stephen Seymour	4,500 <sup>(7)</sup>	32,500 <sup>(4)</sup>	5,300				42,300
John Cook	4,500 <sup>(8)</sup>	32,500 <sup>(4)</sup>	5,300				42,300

Notes:

- (1) Ronald Hirsch and John Perry, members of our board of directors, are Named Executive Officers and did not receive any compensation as directors that have not been disclosed in the summary compensation table above.
- (2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2008 fiscal year for the fair value of deferred stock units, or DSUs, granted in 2008 in accordance with SFAS 123R. Fair value is calculated using the average of the high and low price of our stock on the trading day prior to the date of grant. The outstanding DSUs for the directors at December 31, 2008 are as follows: Douglas Hamilton (97,171 DSUs), Stephen Seymour (78,952 DSUs), John Cook (78,952 DSUs) and T. Sean Harvey (60,732 DSUs).
- (3) This column represents the fair value of the options awarded in 2008 in accordance with SFAS 123R. Pursuant to SEC rules, the amount shown exclude the impact of estimated forfeitures related to service based vesting conditions.
- (4) Fair value of deferred stock units issued pursuant to our Company's Amended and Restated 2006 Stock Incentive Plan.
- (5) Cash fees totalling \$3,000, of which \$1,500 were accrued in 2007 and paid in 2008.
- (6) Cash fees totalling \$4,500, of which \$1,500 were accrued in 2007 and paid in 2008.
- (7) Cash fees totalling \$4,500, of which \$1,500 were accrued in 2007 and paid in 2008.
- (8) Cash fees totalling \$4,500, of which \$1,500 were accrued in 2007 and paid in 2008.

On June 11, 2007, the board of directors granted 150,000 common stock purchase options to each of Ronald Hirsch, John Perry, Stephen Seymour, Douglas Hamilton, John Cook and Sean Harvey. These options were granted pursuant to our 2006 Stock Incentive Plan, and are exercisable for a period of ten years at a price of \$0.68 per share. One third of the options vested on the grant date and the remaining options will vest as to one third on each of the first and second anniversaries of the grant date.

On July 11, 2007, the board of directors granted options to acquire 125,000 and 275,000 shares of common stock to Stephen Seymour and Ronald Hirsch, respectively. These options were granted pursuant to our 2006 Stock Incentive Plan and are exercisable for a period of ten years at a price of \$0.85 per share. One third of the options vested on the grant date and the remaining options will vest as to one third on each of the first and second anniversaries of the grant date.

On November 26, 2008, the board of directors granted 100,000 common stock purchase options to each of Ronald

Hirsch, John Perry, Stephen Seymour, Douglas Hamilton, John Cook and Sean Harvey. These options were granted pursuant to our Amended and Restated 2006 Stock Incentive Plan, and are exercisable for a period of five years at a price of \$0.09 per share. One third of the options will vest as soon as the Johnson Camp Mine has mined, crushed and conveyed 150,000 tons of ore to the heaps (the initial vesting date ) and the remaining options will vest as to one third on each of the first and second anniversaries of the initial vesting date.

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.

Non executive directors are entitled to receive a \$25,000 annual retainer, with an additional \$15,000 payable annually to the Chairman of the Audit Committee and \$7,500 payable annually to the Chairman of the Compensation Committee and the Chairman of the 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.

Between August 2006 and February 2007, a Special Committee was appointed by the board of directors to assist our Company in its evaluation of the potential merger with Platinum Diversified Mining, Inc. and its Subsidiaries. The Chairman of the Special Committee was entitled to receive a monthly retainer of \$7,500 and the members of this committee were entitled to receive a monthly retainer of \$5,000. During 2007 and 2006, our Company accrued Special Committee fees of \$26,250 and \$78,750, respectively. The liability was paid in cash in 2007.

To date, the equity based fees have been payable in shares of our common stock pursuant to our 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 DSUs. Each of our non executive directors exercised such rights in respect of the equity based fees payable to him for 2008 and 2007. Accordingly, all retainer fees paid during 2008 and 2007 were paid in DSUs. The DSUs are subject to the Amended and Restated 2006 Stock Incentive Plan. DSUs are awarded on a quarterly basis at the end of March, June, September and December, or as otherwise determined by the administrator of the Amended and Restated 2006 Stock Incentive Plan. The number of DSUs awarded each quarter is calculated by dividing the total fees payable to each director for that quarter by the fair market value of our common stock, determined in accordance with the Amended and Restated 2006 Stock Incentive Plan. Each DSU is the economic equivalent of one share of our common stock. The DSUs will be converted into shares of common stock upon the director's termination of service, or as otherwise provided in their individual deferral election.

During 2008, T. Sean Harvey received 60,732 deferred stock units; Douglas Hamilton, the Chairman of our Audit Committee, received 97,171 deferred stock units; John Cook, the Chairman of our Compensation Committee, received 78,952 deferred stock units; and Stephen Seymour, the Chairman of our Corporate Governance and Nominating Committee received 78,952 deferred stock units. During 2008, 44,411 DSUs issued to John Cook were converted into common shares. The deferred stock units are subject to the Amended and Restated 2006 Deferred Stock Unit Plan.

We paid cash fees to our non executive directors totalling \$16,500 during the year ended December 31, 2008 as follows:

<b>Name</b>	<b>Amount of Cash Fees Paid</b>
T. Sean Harvey	\$ 3,000 <sup>(1)</sup>
Doug Hamilton	4,500 <sup>(1)</sup>
John Cook	4,500 <sup>(1)</sup>
Stephen Seymour	4,500 <sup>(1)</sup>
	\$ 16,500

Notes:

(1) Includes \$1,500 of fees accrued in 2007 and paid in 2008.

***Employment Contracts and Termination of Employment and Change In Control Arrangements Ronald Hirsch***

Ronald Hirsch serves as Chairman of our Company's board of directors pursuant to an executive employment agreement dated January 2, 2004. The executive employment agreement originally governed the terms of



Mr. Hirsch's employment as our Chief Executive Officer, until his resignation from that position effective February 15, 2006. The original term of this executive employment agreement was for three years, expiring on January 2, 2007. The executive employment agreement has been renewed until January 2, 2009, and is subject to automatic renewals for successive one year periods unless cancelled by either of the parties.

The executive employment agreement provides that, absent a change in control, if we were to terminate Mr. Hirsch for any reason not for cause (other than due to death or disability), we would have to pay to Mr. Hirsch: (i) his accrued unpaid salary, bonuses and expenses, if any; (ii) his base salary for 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 were to terminate Mr. Hirsch for any reason other than for death, disability or cause, we would be required to pay Mr. Hirsch all accrued unpaid salary, bonuses, and expenses, a lump sum equal to three times his annual base salary, and we would be required to pay for his health, medical, and disability insurance premiums for a period of 18 months. Mr. Hirsch may also elect to terminate his employment following a change of control and receive these payments.

Effective October 18, 2006, we entered into an agreement amending our executive employment agreement with Mr. Hirsch, pursuant to which we have paid Mr. Hirsch all of his accrued consulting fees for services provided by him to our Company between May 1, 2001 and October 19, 2003, and all of his accrued and unpaid salary (See Certain Relationships and Related Transactions - Compensatory Arrangements ). As described in more detail below, the amended executive employment agreement contains certain provisions that will apply if our Company becomes a party to 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 our Company representing or convertible into 51% or more of the common stock of our Company; 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 our Company or of assets of our Company valued at \$12,000,000 or greater.

Our amended executive employment agreement with Mr. Hirsch provides, among other things, that:

- Mr. Hirsch's base salary in his capacity as Chairman from February 15, 2006, to February 15, 2007 continued at the original level provided for in his executive employment agreement of \$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 or as a result of a Significant Transaction which is accompanied by a change of majority ownership of our Company, our Company shall continue to provide health insurance benefits to Mr. Hirsch until he reaches the age of 65.
- If our Company enters into an agreement with respect to a Significant Transaction which is accompanied by a change of majority ownership of our Company, Mr. Hirsch will voluntarily resign as Chairman effective immediately prior to the completion of the Significant Transaction.
- In the event that Mr. Hirsch ceases to be employed by our Company (other than by way of termination for cause) in connection with the completion of a Significant Transaction, other than one which is accompanied by a change of majority ownership of our Company, we must provide to Mr. Hirsch certain payments and benefits set forth in the executive employment agreement subject to execution and delivery by Mr. Hirsch to our Company of a mutual and general release of claims including the payment to Mr. Hirsch of an amount equal to three times his annual base salary in a lump sum within 60 days following termination of employment.
- In the event of the completion of a Significant Transaction which is accompanied by a change of majority ownership of our Company, Mr. Hirsch will not be entitled to receive the lump sum payment equal to three times his annual base salary.



***John T. Perry***

John Perry serves as our Company's President and Chief Executive Officer pursuant to the terms of an executive employment agreement dated April 18, 2005. The executive employment agreement originally governed the terms of Mr. Perry's employment as our Company's Senior Vice President and Chief Financial Officer until his resignation from the position of Senior Vice President upon his appointment as President and Chief Executive Officer on April 23, 2007. The initial term of this agreement was for two years, subject to automatic renewal for successive one year periods unless cancelled by either of the parties. Mr. Perry's annual base salary under the agreement was originally set at \$175,000 annually, subject to his agreement to accept 20,000 shares of common stock per month in lieu of cash salary on an interim basis. Following the completion of our Company's unregistered offering of special warrants in June 2007, Mr. Perry received his salary in cash. Given Mr. Perry's increased responsibilities, the board of directors authorized an increase in his salary to \$200,000 effective June 1, 2007.

At the time of his appointment as our Senior Vice President and Chief Financial Officer effective April 1, 2005, 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 were issued in April 2006. We also issued 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.

Absent a change in control, if we terminate Mr. Perry for any reason other than for cause, we must pay Mr. Perry's salary and health and dental insurance premiums for 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 annual 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.

Effective October 18, 2006, we entered into an agreement amending our executive employment agreement with Mr. Perry. The amended executive employment agreement contained certain provisions that will apply if our Company becomes a party to a Significant Transaction. The definition of Significant Transaction in our amended executive employment agreement with Mr. Perry is identical to that contained in our amended executive employment agreements with Mr. Hirsch and Mr. Anderson.

Effective September 9, 2008, we entered into an amended and restated executive employment agreement with Mr. Perry. Pursuant to the terms of the amended and restated executive employment agreement, Mr. Perry will continue to serve as our President and Chief Executive Officer. Mr. Perry will perform such duties and responsibilities as set out in the amended and restated executive employment agreement and as our board of directors may from time to time reasonably determine and assign as is customarily performed by persons in an executive position.

In consideration for Mr. Perry's services, we have agreed to:

- continue to pay Mr. Perry an annual salary in the amount of \$200,000;
- continue to provide Mr. Perry with bonuses from time to time as determined by our compensation committee; and
- continue to allow Mr. Perry to participate in our 2006 Stock Incentive Plan, our Performance Incentive Plan, and such other plans that may from time to time be adopted by our Company during the term of employment to compensate or provide incentives to qualifying senior executives of our Company.

Prior to its amendment, Mr. Perry's employment agreement included certain provisions that would apply if our Company entered into an agreement with respect to a Significant Transaction, including the requirement that



Mr. Perry immediately resign as an officer our Company, and our obligation to make certain payments and provide certain benefits to Mr. Perry. Significant Transaction was 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 our Company representing 51% or more of the common shares of our Company, 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 our Company or of assets of our Company valued at \$12,000,000 or greater.

The provisions applicable in the event of a Significant Transaction have been eliminated from the amended and restated executive employment agreement, but the amended and restated executive employment agreement contains certain provisions that will apply if Mr. Perry resigns or is terminated without cause following a change of control of our Company, including the following:

- we will pay Mr. Perry an amount equal to three times his base salary in a lump sum within 60 days;
- if Mr. Perry elects continuation of coverage of medical and dental benefits under the United States Consolidated Omnibus Budget Reconciliation Act of 1985, our Company will pay 100% such premiums for the first 18 months of coverage;
- we will pay the premiums necessary for continuation of any supplemental disability policy or, at our election, a lump sum amount equal to the aggregate premiums to be paid on such a policy, in either case for a period of 18 months; and
- immediate vesting and/or issuance of all unvested stock options, grants, rights or other equity.

Mr. Perry's term of employment under the amended and restated executive employment agreement will end on April 22, 2009. The amended and restated executive employment agreement is subject to automatic extension for successive periods of one additional year unless either our Company or Mr. Perry provides written notice of an intention not to renew the agreement no later than 90 days prior to the end of the then current term of the agreement.

The amended and restated executive employment agreement provides that we may terminate Mr. Perry's employment without cause, in which event:

- Mr. Perry will be entitled to continue to receive his base salary for the greater of (a) the remainder of the then current term of the amended and restated executive employment agreement, and (b) 12 months (the Perry Severance Term);
- if Mr. Perry is eligible for and elects to continue his health insurance pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 following the date of his termination, we will pay the premiums until the earlier of (a) the expiration of the Perry Severance Term, or (b) the date on which Mr. Perry commences employment with another employer who provides health insurance benefits at least as favorable as those provided by us; and
- immediate vesting and/or issuance of all unvested stock options, grants, rights or other equity.

### ***Randy Davenport***

Randy Davenport serves as our Company's Vice President and Chief Operating Officer pursuant to a letter agreement dated January 12, 2009 (the Letter Agreement). Pursuant to the terms of the Letter Agreement, Mr. Davenport is entitled to a salary of \$230,000 per annum. In addition Mr. Davenport was granted 500,000 stock options on January 12, 2009 pursuant to the Corporation's 2006 Stock Incentive Plan. These stock options vest as to 166,667 on April 11, 2009, 166,667 on January 12, 2010 and 166,666 on January 12, 2011. The stock options have an exercise price of \$0.205 per share and expire on January 12, 2014.



The Letter Agreement also provides that Mr. Davenport will receive all customary benefits from the Corporation (including health care benefits, 401 K and 3 weeks of vacation annually), and that he will also be eligible for participation in bonus plans as implemented by the Board of Directors at a target level of 50% of his salary.

The Corporation and Mr. Davenport will enter into a formal executive employment agreement on these terms, for a term of at least three years, upon confirmation of his acceptability of as an executive officer from the Toronto Stock Exchange. The Letter Agreement provides that, among other provisions, the formal executive employment agreement will include a provision stating that, in the event Mr. Davenport's employment is terminated by the Corporation without cause, he will be entitled to continuation of his base salary for twelve (12) months.

### ***Wayne Morrison***

Wayne Morrison has been appointed as our Company's Vice President and Chief Financial Officer effective as of January 8, 2008. Our Company and Mr. Morrison are parties to a letter agreement dated December 3, 2007, whereby Mr. Morrison was offered the position of Controller of our Company, effective December 1, 2007, with a view toward Mr. Morrison's appointment as Vice President and Chief Financial Officer upon confirmation of acceptability of Mr. Morrison as an executive officer from the Toronto Stock Exchange.

Effective September 9, 2008, we entered into an executive employment agreement with Mr. Morrison. Pursuant to the terms of the executive employment agreement, Mr. Morrison will continue serve as our Vice President and Chief Financial Officer. Mr. Morrison will perform such duties and responsibilities as set out in the Morrison Agreement and as our board of director's may from time to time reasonably determine and assign as is customarily performed by persons in an executive position.

In consideration for Mr. Morrison's services, we have agreed to:

- continue to pay Mr. Morrison an annual salary in the amount of \$150,000 as provided in the letter agreement;
- continue to provide Mr. Morrison with bonuses from time to time as determined by our compensation committee; and
- continue to allow Mr. Morrison to participate in our 2006 Stock Incentive Plan, our Performance Incentive Plan, and such other plans that may from time to time be adopted by our Company during the term of employment to compensate or provide incentives to qualifying senior executives of our Company.

The executive employment agreement contains certain provisions that will apply if Mr. Morrison resigns or is terminated without cause following a change of control of our Company, including the following:

- we will pay Mr. Morrison an amount equal to three times his base salary in a lump sum within 60 days;
- if Mr. Morrison elects continuation of coverage of medical and dental benefits under the United States Consolidated Omnibus Budget Reconciliation Act of 1985, we will pay 100% of the premiums for the first 18 months of coverage; and
- we will pay the premiums necessary for continuation of any supplemental disability policy or, at the election of our Company, a lump sum amount equal to the aggregate premiums to be paid on such a policy, in either case for a period of 12 months.

Mr. Morrison's term of employment under the executive employment agreement will end on November 30, 2010. The executive employment agreement is subject to automatic extension for successive periods of one additional year unless either our Company or Mr. Morrison provides written notice of an intention not to renew the agreement no later than 90 days prior to the end of the then current term of the agreement.





The executive employment agreement provides that we may terminate Mr. Morrison's employment without cause, in which event:

- Mr. Morrison will be entitled to continue to receive his base salary for 24 months (the Morrison Severance Term); and
- if Mr. Morrison is eligible for and elects to continue his health insurance pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, following the date of his termination, we will pay the premiums until the earlier of (a) the expiration of the Morrison Severance Term, or (b) the date on which Mr. Morrison commences employment with another employer who provides health insurance benefits at least as favorable as those provided by us.

### **Performance Incentive Plan**

On July 31, 2007, we adopted a performance incentive plan, or the Performance Plan, for the purpose of retaining and providing an incentive to certain key employees involved in restarting and commissioning the Johnson Camp Mine. In December 2008, our Company revised certain targets or milestones, lowered the potential payout and modified the effective period of the plan. The Performance Plan covers the period of time from July 1, 2007, to April 30, 2009 and bases its payouts on the achievement of certain key targets and milestones associated with the restart and commissioning of the Johnson Camp Mine.

Our Compensation Committee is responsible for administering the Performance Plan, including selecting the employees eligible to participate therein, determining their participation level and establishing key target dates for payments to be made under the Performance Plan.

Under the Performance Plan, the achievement of targets or milestones is not on an all or nothing basis. If a milestone is achieved later than the target date set by the Compensation Committee, it will still have been achieved; however, it will have been achieved at less than 100%. The level of achievement reached with respect to the established targets or milestones will be determined by the Chief Executive Officer and President, subject to approval by the Compensation Committee.

In August, 2007, the Compensation Committee selected the employees entitled to participate in the Performance Plan and set the key target dates and payout levels under the Performance Plan. Currently John Perry, our President and Chief Executive Officer, and Erland A. Anderson, our Executive Vice President and Chief Operating Officer, until his resignation effective January 12, 2009, are both participants under the Performance Plan and are entitled to a maximum payout of up to 110% of their base salary during the plan period if all targets or milestones are met at 100%. Upon appointment as Vice President and Chief Financial Officer on January 8, 2008, Wayne Morrison was also selected to participate in the Performance Plan. He is entitled to a maximum payout of up to 80% of his base salary during the remaining plan period if all targets or milestones are met at 100%. Currently, various other employees are participating in the Performance Plan at lower percentages.

### **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information as of March 15, 2009 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 69,639,255 shares of common stock outstanding as of May 11, 2009.



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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 May 11, 2009, 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 <sup>(1)</sup> <i>Named Executive Officers and Directors</i> <sup>(2)</sup>	As of May 11, 2009	
	Shares	Percent
Ronald A. Hirsch Chairman	7,997,675 <sup>(3)</sup>	11.4%
Stephen D. Seymour Director	5,415,519 <sup>(4)</sup>	7.7%
Douglas P. Hamilton Director	333,333 <sup>(5)</sup>	0.48%
John F. Cook Director	553,776 <sup>(6)</sup>	0.79%
T. Sean Harvey Director	790,083 <sup>(7)</sup>	1.1%
Randy L. Davenport <sup>(8)</sup> Vice President and Chief Operating Officer	241,667 <sup>(9)</sup>	0.3%
John T. Perry President and Chief Executive Officer	2,396,857 <sup>(10)</sup>	3.4%
Wayne M. Morrison <sup>(11)</sup> Vice President, Chief Financial Officer, Secretary and Treasurer	236,667 <sup>(12)</sup>	0.3%
<b><i>Directors and Executive Officers as a Group (Eight Persons)</i></b>	17,965,577 <sup>(13)</sup>	24.8%

Notes

- (1) Applicable percentage of ownership is based on 69,639,255 shares of common stock outstanding as of May 11, 2009. Under Exchange Act Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily

reflect the person's actual ownership or voting power with respect to the number of common shares actually outstanding on May 11, 2009.

- (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) Includes 283,333 shares of common stock that may be acquired pursuant to options exercisable within 60 days.
- (4) Includes 383,333 shares of common stock that may be acquired pursuant to options exercisable within 60 days. Also includes 1,575,000 shares of common stock held by Mr. Seymour as a co-trustee of a trust, and 36,300 owned by his spouse. Mr. Seymour disclaims beneficial ownership of the 36,300 shares of common stock owned by his spouse.
- (5) Includes 333,333 shares of common stock that may be acquired pursuant to options exercisable within 60 days.
- (6) Includes 71,429 shares of common stock owned by Tormin Resources Limited, a company owned and controlled by Mr. Cook. Also includes 333,333 shares of common stock that may be acquired pursuant to options exercisable within 60 days.
- (7) Includes 93,750 shares of common stock that may be acquired pursuant to warrants, and 133,333 shares of common stock that may be acquired pursuant to options, in each case exercisable within 60 days.

- (8) Mr. Davenport was appointed Vice President and Chief Operating Officer on January 12, 2009.
- (9) Includes 166,667 shares of common stock that may be acquired pursuant to options exercisable within 60 days.
- (10) Includes 1,084,000 shares of common stock that may be acquired pursuant to options exercisable within 60 days.
- (11) Mr. Morrison was appointed Vice President and Chief Financial Officer on January 8, 2008.
- (12) Includes 216,667 shares of common stock that may be acquired pursuant to options exercisable within 60 days.
- (13) Consists of 2,933,999 shares of common stock that may be acquired pursuant to options, and 93,750 shares of common stock that may be acquired pursuant to warrants, in each case exercisable within 60 days.

The following table sets forth, as of May 11, 2009, certain information regarding beneficial ownership of our common stock by each person known by us to be the beneficial owner of more than 5% of our outstanding common stock.

Name and Address Of Beneficial Owner	Common Stock Beneficially Owned		
	Title of Class	Number of Shares	Percent of Class <sup>(1)</sup>
Sprott Asset Management South Tower Royal Bank Plaza 200 Bay Street SL Level Toronto, ON Canada, M5J 2J5	Common Stock	9,061,000 <sup>(2)</sup>	12.3%
Geologic Resource Partners, LLC 535 Boylston Street Boston, MA 02116	Common Stock	8,634,950 <sup>(3)</sup>	12.2%

Notes:

- (1) Applicable percentage of ownership is based on 69,639,255 shares of common stock outstanding as of May 11, 2009 together with securities exercisable or convertible into shares of common stock within 60 days of May 11, 2009, for each stockholder. Beneficial ownership is determined in accordance with the rules of the Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to securities exercisable or convertible into shares of common stock that are currently exercisable or exercisable within 60 days of May 11, 2009, are deemed to be beneficially owned by the person holding such options for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.
- (2) Includes 3,731,000 shares of common stock that may be acquired upon exercise of outstanding common stock purchase warrants.
- (3) Includes 891,999 shares of common stock that may be acquired upon exercise of outstanding common stock purchase warrants.

We have no knowledge of any arrangements, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in our control.

We are not, to the best of our knowledge, directly or indirectly owned or controlled by another corporation or foreign government.

### Changes in Control

We are unaware of any contract, or other arrangement or provision, the operation of which may at a subsequent date result in a change of control of our company.

#### **LEGAL MATTERS**

The valid issuance of the securities offered hereby will be opined upon for Nord Resources Corporation by Potter Anderson & Corroon LLP.

#### **EXPERTS**

The consolidated financial statements as of December 31, 2008, and for each of the two years in the period ended December 31, 2008 included in this prospectus and elsewhere in the registration statement have been audited by Mayer Hoffman McCann P.C., independent registered public accounting firm, as indicated in their reports with

respect thereto, and are included herein in reliance upon the authority of said firm as experts in auditing and accounting in giving said reports.

The estimates of our mineralized material have been included in this prospectus in reliance upon *Johnson Camp Mine Project Feasibility Study, Cochise County, Arizona, Technical Report* pursuant to National Instrument 43-101 of the Canadian Securities Administrators, prepared by Dr. Michael Bikerman, Ph.D, PG, Mr. David Bikerman, M.S., E.M. and Mr. Thomas McGrail, Eng. of Bikerman Engineering & Technology Associates, Inc. and Mr. Dale Deming, P.E., of Dale A. Deming, P.E. (sole proprietorship).

### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

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.

#### *Compensatory Arrangements*

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.

### **DISCLOSURE OF SEC POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES**

Our directors and officers are indemnified as provided by the *Delaware General Corporation Law*, our Certificate of Incorporation, as amended and our Amended and Restated Bylaws.

We have been advised that, in the opinion of the SEC, indemnification for liabilities arising under the Securities Act is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of our legal counsel the matter has been settled by controlling precedent, submit the question of whether such indemnification is against public policy to a court of appropriate jurisdiction. We will then be governed by the court's decision.

### **WHERE YOU CAN FIND MORE INFORMATION**

We are required to file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at One Station Place, 100 F Street, N.E., Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You can also obtain copies of our SEC filings by going to the SEC's website at <http://www.sec.gov>.

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the securities offered under this prospectus. This prospectus, which forms a part of that registration statement, does not contain all information included in the registration statement. Certain information is omitted and you should refer to the registration statement and its exhibits. With respect to references made in this prospectus to any contract or other document of our company, the references are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract or document.

No agent of our company or other person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this prospectus and, if given or made, such information

or representation must not be relied upon as having been authorized by us. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or



solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date of this prospectus.

## FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements for the quarters ended March 31, 2009 and 2008 and the audited consolidated financial statements for the for the years ended December 31, 2008 and 2007 of Nord Resources Corporation are included in this prospectus. These consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States and are expressed in U.S. dollars.

## DEALER PROSPECTUS DELIVERY OBLIGATION

No dealer, salesman or any other person has been authorized to give any information or to make any representations other than those contained in this prospectus, and, if given or made, such information or representations may not be relied on as having been authorized by us or any of the underwriters. Neither the delivery of this prospectus nor any sale made hereunder shall under any circumstances create an implication that there has been no change in our affairs since the date of this prospectus. This prospectus does not constitute any offer to sell, or solicitation of any offer to buy, by any person in any jurisdiction in which it is unlawful for any such person to make such an offer or solicitation. Neither the delivery of this prospectus nor any offer, solicitation or sale made hereunder, shall under any circumstances create any implication that the information herein is correct as of any time subsequent to the date of the prospectus.

Until 180 days from the effective date of this prospectus all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

## 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.

### ***Definitions of Technical Terms***

Following are definitions of certain technical terms used in this prospectus.

**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.

**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 that is soft and bluish green to emerald green. It forms incrustations and thin seams in oxidized parts of copper mineral veins, and is a source of copper.

**Column Test.** A test where dry ore samples of various particle sizes are placed into columns (pipes) of a selected length and diameter, and then acidified leach solutions are circulated through the column for various periods of time. Column test data is used to determine such heap leach operating parameters as: acid cure and no cure, acid cure dosage, acid cure time, crush size, irrigation rate, reagent acid concentration, lift height and temperature.

**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.



**Internal Rate of Return (IRR).** The rate of return that would make the present value of future cash flows plus the final market value of an investment or business opportunity equal to the current market price of the investment or opportunity.

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

**Lerch Grossman.** 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 minerals.

**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.

**Malachite.** A monoclinic mineral that is bright green. It is dimorphous with georgeite and occurs with azurite in oxidized zones of copper deposits. It is a source of copper.

**Manganiferous.** Something that contains manganese.

**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 phenocrysts 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.

**Resource.** The measurement of size and grade of a mineral deposit, without any inferred economic parameters.

**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.

**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.

**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.

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

**Total Copper (Total Cu).** 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 prospectus, unpatented mining claims refers to lode claims (and not placer claims).

## FINANCIAL INFORMATION

## Index to Consolidated Financial Statements:

	<b>Page</b>
<b>March 31, 2009 and 2008:</b>	
<u>Condensed Consolidated Balance Sheets as of March 31, 2009 (unaudited) and December 31, 2008</u>	<u>F-1</u>
<u>Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2009 and 2008</u>	<u>F-3</u>
<u>Unaudited Condensed Consolidated Statement of Changes in Stockholders' Equity for the three months ended March 31, 2009</u>	<u>F-4</u>
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2009</u>	<u>F-5</u>
<u>Unaudited Notes to the Condensed Consolidated Financial Statements</u>	<u>F-6</u>
<b>December 31, 2008 and 2007:</b>	
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-16</u>
<u>Consolidated Balance Sheets as of December 31, 2008</u>	<u>F-17</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2008 and 2007</u>	<u>F-19</u>
<u>Consolidated Statements of Changes in Stockholders' Equity (Deficit) for the Years Ended December 31, 2008 and 2007</u>	<u>F-20</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2008 and 2007</u>	<u>F-21</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-22</u>



**NORD RESOURCES CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS  
MARCH 31, 2009 AND DECEMBER 31, 2008**

**March 31,**                    **December**  
**2009**                        **31,**  
(Unaudited)                **2008**

**ASSETS**

## Current Assets:

Cash and cash equivalents	\$ 2,498,647	\$ 4,465,245
Accounts receivable	6,988	320,493
Inventories	1,791,074	221,271
Current portion of derivative contracts	6,059,497	9,604,405
Prepaid expenses and other	515,622	360,901

Total Current Assets	10,871,828	14,972,315
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## Property and Equipment, at cost:

Property and equipment	45,991,906	4,657,929
Less accumulated depreciation and amortization	(1,890,845)	(1,614,405)
	44,101,061	3,043,524
Construction in progress	-	36,944,454
Net Property and Equipment	44,101,061	39,987,978

## Other Assets:

Restricted cash and marketable securities	686,476	2,220,138
Derivative contracts, less current portion	3,151,830	9,549,697
Debt issuance costs, net of accumulated amortization	953,609	877,249
Total Other Assets	4,791,915	12,647,084

Total Assets	\$ 59,764,804	\$ 67,607,377
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The accompanying notes are an integral part of these condensed consolidated financial statements.

**NORD RESOURCES CORPORATION AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2009 AND DECEMBER 31, 2008**  
(Continued)

	<b>March 31,</b>	<b>December</b>
	<b>2009</b>	<b>31,</b>
	(Unaudited)	<b>2008</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 6,350,838	\$ 9,694,716
Accrued expenses	1,185,976	887,438
Current portion of deferred revenue	310,222	-
Current maturities of accrued interest	270,613	265,442
Current maturities of long term debt	5,000,000	6,666,667
Current maturities of derivative contracts	274,351	299,717
Current maturities of capital lease obligation	15,808	7,995
<b>Total Current Liabilities</b>	<b>13,407,808</b>	<b>17,821,975</b>
<b>Long Term Liabilities:</b>		
Derivative contracts, less current maturities	120,772	137,367
Long term debt, less current maturities	20,000,000	18,333,333
Capital lease obligation, less current maturities	41,063	45,015
Deferred revenue, less current portion	4,639,778	-
Accrued interest, less current maturities	1,082,454	729,965
Accrued reclamation costs	146,110	144,256
Other	39,184	47,103
<b>Total Long Term Liabilities</b>	<b>26,069,361</b>	<b>19,437,039</b>
<b>Total Liabilities</b>	<b>39,477,169</b>	<b>37,259,014</b>
<b>Commitments and contingencies</b>		
<b>Stockholders Equity:</b>		
Common stock: \$.01 par value, 100,000,000 shares authorized, 69,639,255 and 69,493,635 shares issued and outstanding as of March 31, 2009 and December 31, 2008, respectively	696,392	694,936
Additional paid in capital	110,230,067	109,940,000
Accumulated deficit	(99,357,892)	(100,013,216)
Accumulated other comprehensive income	8,719,068	19,726,643
<b>Total Stockholders Equity</b>	<b>20,287,635</b>	<b>30,348,363</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 59,764,804</b>	<b>\$ 67,607,377</b>

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



**NORD RESOURCES CORPORATION AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**  
**(Unaudited)**

	2009	2008
Net sales	\$ 1,417,419	\$ 1,540,154
Costs applicable to sales (exclusive of depreciation, depletion and amortization shown separately below)	991,662	797,316
General and administrative expenses (includes stock based compensation of \$185,523 and \$210,822, respectively)	783,372	1,405,183
Depreciation, depletion and amortization	184,409	53,852
Loss from operations	(542,024)	(716,197)
Other income (expense):		
Interest expense	(135,423)	(75,116)
Other expenses	(2,681)	-
Miscellaneous income	1,335,452	116,766
Total other income	1,197,348	41,650
Income (loss) before income taxes	655,324	(674,547)
Provision for income taxes	-	-
Net income (loss)	\$ 655,324	\$ (674,547)
Net income (loss) per basic and diluted share of common stock:		
Weighted average number of basic common shares outstanding	69,773,292	66,859,687
Basic earnings (loss) per share of common stock	\$ 0.01	\$ (0.01)
Weighted average number of diluted common shares outstanding	70,462,737	66,859,687
Diluted earnings (loss) per share of common stock	\$ 0.01	\$ (0.01)

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

**NORD RESOURCES CORPORATION AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENT OF  
CHANGES IN STOCKHOLDERS EQUITY  
FOR THE THREE MONTHS ENDED MARCH 31, 2009  
(Unaudited)**

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Com- prehensive Gain	Total Stockholders Equity
Balance at December 31, 2008	69,493,635	\$ 694,936	\$ 109,940,000	\$ (100,013,216)	\$ 19,726,643	\$ 30,348,363
Comprehensive loss:						
Net income	-	-	-	655,324	-	655,324
Unrealized mark to market adjustment of cash flow hedges, net	-	-	-	-	(9,900,814)	(9,900,814)
Net realized gains from cash flow hedges	-	-	-	-	933,246	933,246
Effective portion of copper hedges transferred to net sales	-	-	-	-	(572,966)	(572,966)
Effective portion of copper hedges transferred to capitalized pre- production costs	-	-	-	-	(271,897)	(271,897)
Ineffective portion of copper hedges transferred to						

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miscellaneous income	-	-	-	-	(1,261,239)	(1,261,239)
Effective portion of interest rate swap transferred to interest expense	-	-	-	-	66,095	66,095
Comprehensive loss	-	-	-	-	-	(10,352,251)
Compensation expense from issuance of stock options	-	-	153,023	-	-	153,023
Exercise of stock options	66,668	666	5,334	-	-	6,000
Common stock issued for deferred stock units	78,952	790	(790)	-	-	-
Issuance of warrants to Nedbank	-	-	100,000	-	-	100,000
Compensation expense from issuance of deferred stock units	-	-	32,500	-	-	32,500
Balance at March 31, 2009	69,639,255	\$ 696,392	\$ 110,230,067	\$ (99,357,892)	\$ 8,719,068	\$ 20,287,635

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

**NORD RESOURCES CORPORATION AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**  
**(Unaudited)**

	2009	2008
<b>Cash Flows From Operating Activities:</b>		
Net income (loss)	\$ 655,324	\$ (674,547)
Adjustments to reconcile net income (loss) to net cash used by operating activities:		
Depreciation, depletion and amortization	184,409	53,852
Accretion expense on accrued reclamation costs	1,854	3,279
Amortization of debt issuance costs	59,943	59,944
Issuance of stock options for services rendered	153,023	178,322
Issuance of deferred stock units for services rendered	32,500	32,500
Gain on sale of hedges-effective portion	(572,966)	-
Gain on the sale of hedges-ineffective portion	(1,261,239)	-
Proceeds from settlement of effective hedges	285,017	-
Changes in assets and liabilities:		
Accounts receivable	313,505	(216,255)
Inventories	(1,418,132)	(246,924)
Other assets	(154,721)	(520,818)
Accounts payable	51,098	1,038,989
Accrued expenses	298,538	(240,474)
Other liabilities	(7,919)	-
Net Cash Used By Operating Activities	(1,379,766)	(532,132)
<b>Cash Flows From Investing Activities:</b>		
Decrease in restricted cash and marketable securities	1,533,662	-
Proceeds from sale of ineffective hedges	714,324	-
Capital expenditures	(7,750,447)	(520,888)
Construction in progress	-	(6,694,330)
Net Cash Used By Investing Activities	(5,502,461)	(7,215,218)
<b>Cash Flows From Financing Activities:</b>		
Proceeds from issuance of notes payable	-	7,000,000
Debt issuance costs	(36,303)	-
Proceeds from exercise of options	6,000	-
Principal payments on capital leases	(4,068)	(12,316)
Proceeds from sale of royalty interest	4,950,000	-
Net Cash Provided By Financing Activities	4,915,629	6,987,684
Net Decrease in Cash and Cash Equivalents	(1,966,598)	(759,666)
Cash and Cash Equivalents at Beginning of Period	4,465,245	3,368,910
Cash and Cash Equivalents at End of Period	\$ 2,498,647	\$ 2,609,244

Supplemental Disclosure of Cash Flow Information:

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Cash paid during the year for:			
Interest	\$	75,480	\$ 14,876
Income taxes		-	-

Supplemental Disclosure of Non-cash Investing and Financing Activities:			
Stock options issued for purchase of property	\$	-	\$ 51,040
Warrants issued in connection with debt facilities		100,000	-
Common stock issued in exchange for deferred stock units		790	-
Mark to market of cash flow hedges		(9,900,914)	7,615,964
Construction in progress financed by accounts payable		3,387,047	861,060
Acquisition of equipment under lease		-	79,310
Capitalized interest financed by accrued interest		357,660	171,124
Gain on sale of copper hedges-effective portion allocated to pre-production costs		(271,897)	-

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



## **1. FINANCIAL STATEMENTS**

The accompanying financial information of Nord Resources Corporation (the Company) is prepared in accordance with the rules prescribed for filing condensed interim financial statements and, accordingly, does not include all disclosures that may be necessary for complete financial statements prepared in accordance with U.S. generally accepted accounting principles. The disclosures presented are sufficient, in management's opinion, to make the interim information presented not misleading. All adjustments, consisting of normal recurring adjustments which are necessary so as to make the interim information not misleading, have been made. Results of operations for the three months ended March 31, 2009 are not necessarily indicative of results of operations that may be expected for the year ending December 31, 2009. The Company recommends that this financial information be read in conjunction with the complete consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008, previously filed with the Securities and Exchange Commission (the SEC).

## **2. BASIS OF PRESENTATION**

The accompanying condensed 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 condensed 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. Such adjustments could be material. The Company's continuation as a going concern is dependent upon its ability to continue copper cathode production at the Johnson Camp Mine in a timely and cost effective manner and ultimately achieve commercial copper cathode production from the mining of new ore, to continue to meet its obligations under its Credit Agreement with Nedbank, and to sell copper at a level where the Company is profitable. The Company's continued existence is dependent upon its ability to achieve its operating plan. If management cannot achieve its operating plan because of production or sales shortfalls or other unfavorable conditions, the Company may find it necessary to dispose of assets, or undertake other actions as may be appropriate.

## **3. PRE COMMERCIAL PRODUCTION COSTS**

### **Production of Copper for Existing Dumps**

The Company commenced copper cathode production from leaching existing old dumps in January 2008 and completed the first copper cathode sale from these operations in February 2008. Commercial production from existing heaps is defined by the Company as either operating at a minimum of 75% of designed capacity or generating positive cash flows from operations for a period of seven days. Commercial production from residual leaching was achieved effective February 1, 2008. Operating costs incurred prior to achieving commercial production, net of the realized value of copper produced during the period, are capitalized as mine development costs. Until December 31, 2008, these costs were being amortized on a straight-line basis over the expected life of production of existing ore on old dumps which was estimated to be 5 years. In January 2009, management reduced the expected life of production from old existing dumps to 3 years. Consequently the unamortized balance as of December 31, 2008 in the amount of \$468,034 is being amortized on a straight-line basis over the remaining 2 years. The amortized balance of the pre-commercial production costs for existing dumps was \$409,531 as of March 31, 2009.

## **Production of Copper for Mining of New Ore**

The Company commenced copper cathode production from the mining of new ore in February 2009. Commercial production from the mining of new ore is defined by the Company as either operating at a minimum of 75% of designed capacity or generating positive cash flows from operations for a period of 30 days. Commercial production from the mining of new ore has not been achieved. Operating costs incurred prior to achieving commercial production, net of the realized value of copper produced during the period, are capitalized as mine development costs. Once we achieve commercial production from the mining of new ore, these costs will be amortized over the life of the mine based on a units of production method. During the three months ended March 31, 2009, the Company capitalized \$1,526,317 of operating costs which was net of revenues in the amount of \$470,340 realized from the sale of 280,728 pounds of copper cathode and \$271,897 from the settlement of copper derivatives. The total amount of pre-production costs capitalized as mine development costs for the mining of new ore was \$1,841,080 as of March 31, 2009.

## **4. STOCK-BASED COMPENSATION**

### **Stock Options**

The Company follows the fair value recognition provisions of Statement of Financial Accounting Standards ( SFAS ) No. 123(R), Share-Based Payment . 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.

There are 7,782,342 stock options outstanding at March 31, 2009, of which 3,171,676 are non-qualified non-plan stock options and 4,610,666 have been issued pursuant to the Company s 2006 Stock Incentive Plan. The outstanding options expire at various dates from 2009 to 2017.

The Company granted 500,000 stock options during the three months ended March 31, 2009 and recognized \$153,023 in compensation expense related to employee stock options that vest over time or that were cancelled prior to vesting.

The Company granted 106,674 stock options during the three months ended March 31, 2008, to persons other than employees or directors. However, it recognized \$178,322 in compensation expense related to employee stock options that vest over time.

As summarized in the following table, during the three months ended March 31, 2009, 66,668 options were exercised, 500,000 were granted, 532,666 were cancelled and 99,999 stock options expired in accordance with their respective terms:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2008	7,981,675	\$ .59
Granted	500,000	.21
Exercised	(66,668)	.09
Cancelled	(532,666)	.73
Expired	(99,999)	.47

Options outstanding at March 31, 2009	7,782,342	\$ .56
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The following table summarizes certain additional information about the Company's total and exercisable stock options outstanding as of March 31, 2009:

	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Intrinsic Value
Total stock options	7,782,342	3.9	\$ .56	\$ 413,600
Exercisable stock options	5,886,788	3.6	\$ .67	\$ 122,033

The closing price of the Company's common stock on the OTC Bulletin Board on March 31, 2009 was \$0.30 per share. Accordingly, the intrinsic value of total stock options and exercisable stock options as of March 31, 2009 was \$413,600 and \$122,033, respectively.

The following table summarizes the unvested stock options outstanding as of March 31, 2009:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested options outstanding at December 31, 2008	2,576,667	\$ .20
Granted	500,000	.13
Vested	(648,447)	.05
Cancelled/Forfeited	(532,666)	.51
Non-vested Options outstanding at March 31, 2009	1,895,554	\$ .14

The total grant date fair value of options vested during the three months ended March 31, 2009 was \$30,167. The Company recognizes stock option compensation expense on stock options with a graded vesting schedule on a straight line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. As of March 31, 2009, 1,895,554 stock options remain unvested, resulting in \$89,805 in compensation expense to be recognized over the following eight quarters.

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted. As indicated above, 500,000 were granted during the three months ended March 31, 2009. The expected forfeiture rate of 8% in 2009 was based on historical employee turnover rates and included actual forfeitures of stock options due to the resignation of one of the company's officers. The expected



term of the options granted to employees is estimated using the formula set forth in SEC Staff Accounting Bulletin (SAB) No. 107. The risk-free interest rate is based upon the U.S. Treasury yield curve in effect at the date of grant and the expected volatility is based on the weighted historical volatility of the Company's common stock and that of its peer group.

The fair values for the stock options granted during the three-month periods ended March 31, 2009 and 2008 were estimated at the respective dates of grant using the Black-Scholes option pricing model with the following assumptions:

	<b>Three Months Ended March 31, 2009</b>	<b>Three Months Ended March 31, 2008</b>
Risk-free interest rate	1.1%	2.3%
Expected life	3.0 years	3.0 years
Expected volatility	97%	78%
Expected dividend yield	0%	0%

#### **Deferred Stock Units**

During the three months ended March 31, 2009, 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 the three months ended March 31, 2009. Accordingly, during that period, Douglas Hamilton, the Chairman of the Company's Audit Committee, received 33,898 deferred stock units; John Cook, the Chairman of the Company's Compensation Committee, received 27,542 deferred stock units; Stephen Seymour, the Chairman of the Company's Corporate Governance and Nominating Committee, received 27,542 deferred stock units; and T. Sean Harvey received 21,186 deferred stock units. During the three months ended March 31, 2009, the Company recognized expense of \$32,500 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. During the three months ended March 31, 2009, 78,952 DSUs were converted into shares of the Company's common stock. As of March 31, 2009, there were 502,453 deferred stock units outstanding.

During the three months ended March 31, 2008, Douglas Hamilton, the Chairman of the Company's Audit Committee, received 11,765 deferred stock units; John Cook, the Chairman of the Company's Compensation Committee, received 9,559 deferred stock units; Stephen Seymour, the Chairman of the Company's Corporate Governance and Nominating Committee, received 9,559 deferred stock units; and T. Sean Harvey received 7,353 deferred stock units. During the three months ended March 31, 2008, the Company recognized expense of \$32,500 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. As of March 31, 2008, there were 238,076 deferred stock units outstanding.

**5. INVENTORY**

Inventory is as follows:

	<b>March 31, 2009 (unaudited)</b>	<b>December 31, 2008</b>
Copper in process	\$ 1,344,627	\$ 79,217
Finished goods	83,389	62,490
Material and supplies	363,058	79,564
Total	\$ 1,791,074	\$ 221,271

**6. LONG-TERM DEBT**

In March 2009, the Company agreed to amend and restate its \$25 million credit agreement with Nedbank. Payments of principal and interest on the loan are required to be made on the last business day of March, June, September, and December in each year, starting with the last business day of September 2009 and ending on the last business day of March 2013; the payments scheduled to be paid on March 31 and June 30, 2009 (the Deferred Payments ) have been deferred until December 31, 2012 and March 31, 2013, respectively. The loan bears interest at an annual rate equal to LIBOR for the interest period in effect plus a margin of 6.06% . The margin will be reduced by 1.75% if the Company prepays the deferred payments, and will be reduced by an additional 0.5% upon completion of the Johnson Camp Mine, as defined in the amended and restated credit agreement, which is currently scheduled for October 2009.

Under the amended and restated credit agreement, the Company may sell certain copper price hedging instruments that it currently holds under copper price hedging agreements maturing on October 1, 2010 or later, if the net proceeds to the Company will be more than \$2.2 million. If the Company elects to do so, it will be required to set aside \$2,200,000 in a segregated account to fund its debt service obligations under the credit facility. The existing loan will then be separated into two tranches, whereby the first tranche will be equal to the aggregate principal amount then outstanding minus \$2.2 million, which will be the principal amount of the second tranche. The second tranche will be subject to an interest rate of LIBOR plus 5.00% per annum and scheduled for repayment on March 31, 2013. However, if the Company prepays the Deferred Payments, the second tranche will be amortized in equal portions over the number of quarters remaining until March 31, 2013. As of March 31, 2009, these copper price hedges have not been sold.

Under the amended and restated credit agreement dated March 31, 2009, the maturities on the project financing facility will be as follows:

2009	\$ 3,333,333
2010	6,666,667
2011	6,666,667
2012	6,666,667
2013	1,666,666
Total	\$ 25,000,000

In consideration of Nedbank's agreement to amend and restate the credit agreement, the issued 731,480 common stock purchase warrants to N.B.S.A. Limited, a company affiliated with Nedbank. Each warrant is exercisable for two years and entitles the holder to purchase one share of the Company's common stock at an exercise price of \$0.30 per share. If the market price of the Company's common stock is greater than the \$0.30 per share, the Company has the right, exercisable at any time and from time to time, but in any event no later than the 180<sup>th</sup> day following the issue date of the warrants, to repurchase some or all of



the warrants at a price to be determined on a pro rata basis where the total repurchase price for all of the warrants is equal to \$100,000, being the estimated value of the warrants as determined pursuant to the Black-Scholes model. The \$100,000 value of the warrants has been capitalized as debt issuance costs as of March 31, 2009 and will be amortized to interest expense over the remaining life of the related debt.

## **7. SALE OF ROYALTY**

On March 31, 2009, the Company sold to IRC Nevada Inc. a 2.5% net smelter royalty on the mineral production sold from the existing mineral rights at Johnson Camp. The net proceeds of the sale were \$4,950,000 which has been reflected as deferred revenue in the condensed consolidated balance sheets as of March 31, 2009. This amount will be amortized to revenue over the life of the mine based on a units of production method. Amounts payable to IRC Nevada Inc., which will be calculated based on the revenue generated from the sale of copper, will be expensed in the period incurred. There were no royalty payments to IRC Nevada Inc. and no amortization of deferred revenue during the three month period ended March 31, 2009.

## **8. DERIVATIVE INSTRUMENTS**

### ***Copper Price Protection Program***

In connection with the Credit Agreement dated June 28, 2007 with Nedbank, the Company agreed to implement a price protection program with respect to a specified percentage of copper output from the Johnson Camp Mine. The price protection program consists of a synthetic put structure whereby the Company entered into a combination of forward sale and call option contracts for copper quantities, based on a portion of the estimated production from the Johnson Camp Mine during the term of the loan. As of March 31, 2009, the program covers approximately 30.9% of the estimated copper production from the Johnson Camp Mine during the term of the loan. As of March 31, 2009, the Company had in place forward contracts of 3,420, 3,600 and 2,400 metric tons for 2009, 2010 and 2011, respectively, at a net forward price of \$5,427, \$4,841 and \$4,413 per metric ton for the same periods. The program also included the purchase of long call options for the same quantities thereby permitting the Company to participate in price increases in the event that copper prices exceed the strike price of the long call options. As of March 31, 2009, the average strike prices of the long call options were \$8,709, \$8,523 and \$8,723 per metric ton for the periods ending 2009, 2010 and 2011, respectively. The program requires no cash margins, collateral or other security from the Company.

Under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, these contracts are carried on the consolidated balance sheets at their fair value. As these contracts were designated as cash flow hedges, changes to the fair value of these contracts are reflected in accumulated other comprehensive income (loss). During three month period ended March 31, 2009, a decrease in fair value in the amount of \$11,049,536 was recorded as other comprehensive income (loss) in the consolidated balance sheets. During the three month period ended March 31, 2009, contracts representing approximately 579 metric tons of copper originally designated as cash flow hedges were reclassified to trading securities because the Company's forecasted production of copper during the first quarter of 2009 no longer matched its hedged position, and, as such, the underlying derivative contracts were deemed to be ineffective. Accordingly, the realized gains from the sale of these contracts in the amount of \$1,261,239 have been reclassified from accumulated other comprehensive income and reported within the consolidated statement of operations as miscellaneous income. The amounts in accumulated other comprehensive income will be reclassified to the statement of operations upon the ultimate sale of the underlying hedged copper cathode or at the determination that the hedge is ineffective. Although this estimate is subject to changes in the forward price curve of copper, as of March 31, 2009, \$6,059,497 of



the amount deferred in accumulated other comprehensive income is expected to be reclassified to revenue within the next 12 months.

In addition, during the three months ended March 31, 2009 the Company transferred \$572,966 and \$271,897 of realized gains to copper sales and capitalized pre-production costs, respectively. These amounts were the result of effective hedges of copper for which the underlying copper contracts were settled during the three months ended March 31, 2009 and related to sales of 556,053 pounds and 280,728 pounds of copper from residual leach heaps and new ore production, respectively.

#### *Interest Rate Swaps*

In November 2008, the Company entered into an interest rate swap agreement to hedge the interest rate risk exposure on its \$25 million Nedbank Credit Facility expiring between 2009 and 2012. Under the interest rate swap contract terms, the Company receives LIBOR and pays a fixed rate of interest of 2.48% . The program requires no cash margins, collateral or other security from the Company. Under the terms of the interest rate swap, settlement begins on March 31, 2009 and occurs every three months thereafter until the contract expires on September 28, 2012.

Under SFAS No. 133, this interest rate swap agreement is carried on the consolidated balance sheets at fair value. As this contract was designated as a cash flow hedge, changes in fair value are reflected in accumulated other comprehensive income. During the three month period ended March 31, 2009, the Company made a payment to Nedbank in the amount of \$66,095 which is reflected in interest expense in the condensed consolidated statement of operations. In addition, a change in fair value in the amount of \$41,961 was reflected in accumulated other comprehensive income and as a reduction of the liability in the consolidated balance sheet as of March 31, 2009. The amount deferred will be reclassified to the statement of operations upon the ultimate payment of the interest expense on the Company's credit agreement with Nedbank or by declaration that the interest rate swap is ineffective. Although this estimate is subject to changes in the forward interest rate curve for LIBOR, as of March 31, 2009, approximately \$274,351 of the deferral in accumulated other comprehensive income is expected to be reclassified to interest expense with the next 12 months.

#### **Fair Value of Derivative Instruments**

	<b>Balance Sheet</b>		<b>Balance Sheet</b>	
	<b>Location</b>	<b>Fair Value</b>	<b>Location</b>	<b>Fair Value</b>
Commodity contracts	Current Assets	\$ 6,059,497	Other Assets	\$ 3,151,830
	<b>Balance Sheet</b>		<b>Balance Sheet</b>	
	<b>Location</b>	<b>Fair Value</b>	<b>Location</b>	<b>Fair Value</b>
Interest rate swap contracts	Current Liabilities	\$ 274,351	Other Liabilities	\$ 120,772

#### **Cash-Flow Hedges**

The Company utilizes derivatives for the purpose of hedging forecasted cash flows related to the sale of copper and debt service requirements. For a derivative instrument designated as a cash-flow hedge, the effective portion of the derivative's gain (loss) is initially reported as a component of other comprehensive income ( OCI ) and is subsequently recognized in earnings when the hedged exposure is recognized in earnings. Gains (losses) on the derivative

representing either hedged components excluded from the

F-12

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assessment of effectiveness or hedge ineffectiveness are recognized in earnings. During the three months ended March 31, 2009, the Company recognized the following gains (losses) related to our copper price protection and interest rate swap programs:

	<b>Three months ended March 31, 2009</b>
<b>Effective Portion</b>	
Net loss recognized in other comprehensive income (OCI)	\$ 11,007,575
Gain reclassified from accumulated OCI into net sales	\$ 572,966
Gain reclassified from accumulated OCI into pre-production costs	\$ 271,897
Loss recognized in interest expense	\$ 66,095
<b>Ineffective Portion</b>	
Gain recognized in miscellaneous income	\$ 1,261,239

The Company's potential loss due to credit risk on its derivative instruments amounts to approximately \$8,816,204 as of March 31, 2009. However, the counter party on both the copper price protection program and the interest rate swap agreement is Nedbank, the holder of the Company's \$25 million credit facility. Under the Company's \$25 million Credit Facility and the derivative contracts, there is a master netting agreement which allows either party to offset an obligation by the other should either party be in default of its obligations. The Company neither deposited nor holds any collateral related to its derivative instruments.

## 9. FAIR VALUE MEASUREMENTS

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below:

- Level 1* Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2* Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
- Level 3* Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the Company's financial assets and liabilities within the consolidated balance sheet as of March 31, 2009 measured at fair value by level within the fair value hierarchy. As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Total	Level 1	Level 2	Level 3
Assets:				
Derivative contracts copper cash flow hedges, net	\$ 9,211,327		\$ 9,211,327	
Liabilities:				
Derivative contract interest rate swap contract	\$ (395,123)		\$ (395,123)	

The Company's derivative instruments, copper cash flow hedges and interest rate swap contracts are valued using pricing models, and the Company generally uses similar models to value similar instruments. Where possible, the Company verifies the values produced by its pricing models to market

F-13

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prices. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit spreads, measures of volatility, and correlations of such inputs. The Company's derivatives generally trade in liquid markets, and as such, model inputs can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy.

## 10. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are 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. Outstanding options, warrants and other dilutive securities to purchase 21,703,839 and 26,743,830 shares of common stock for the three months ended March 31, 2009 and 2008, respectively, are not included in the computation of diluted earnings (loss) per share as the effect of the assumed exercise of these options and warrants would be anti-dilutive.

Components of basic and diluted earnings per shares were as follows:

	<b>Three Months Ended March</b>	
	<b>31,</b>	
	<b>2009</b>	<b>2008</b>
Net income (loss) available for common stock holders	\$ 655,324	\$ (674,547)
Weighted average outstanding shares of common stock	69,773,292	66,859,687
Dilutive effect of warrants and stock options	689,445	-
Common stock and common stock equivalents	70,462,737	66,859,687
Earnings (loss) per share:		
Basic	\$ 0.01	\$ (0.01)
Diluted	\$ 0.01	\$ (0.01)

## 11. CONCENTRATION

The Company currently sells 100% of its copper cathode production under a definitive purchase and sale agreement dated February 2, 2008 with Red Kite Explorer Fund Limited. Red Kite is a large, well capitalized and diversified multinational organization; therefore, the credit risk is considered to be minimal.

**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 sheets of Nord Resources Corporation and Subsidiary as of December 31, 2008 and 2007 and the related consolidated statements of operations, changes in stockholders' equity (deficit) and cash flows for each of the two years in the period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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, 2008 and 2007 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As shown in the consolidated financial statements, the Company incurred a net loss of \$5,038,374 and \$2,512,181 during the two years in the period ended December 31, 2008, respectively. As discussed in Note 2 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 2. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

/s/ Mayer Hoffman McCann P.C.

Phoenix, Arizona  
March 31, 2009

**NORD RESOURCES CORPORATION AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS**

	<b>At December 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,465,245	\$ 3,368,910
Accounts receivable	320,493	144,012
Inventories	221,271	
Current portion of derivative contracts	9,604,405	
Prepaid expenses and other	360,901	68,012
Total Current Assets	14,972,315	3,580,934
Property and Equipment, at cost:		
Property and equipment	4,657,929	4,161,993
Less accumulated depreciation and amortization	(1,614,405)	(1,460,611)
	3,043,524	2,701,382
Construction in progress	36,944,454	10,795,491
Net Property and Equipment	39,987,978	13,496,873
Other Assets:		
Restricted cash and marketable securities	2,220,138	3,686,476
Derivative contracts, less current portion	9,549,697	
Debt issuance costs, net of accumulated amortization	877,249	1,117,021
Total Other Assets	12,647,084	4,803,497
Total Assets	\$ 67,607,377	\$ 21,881,304

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

**NORD RESOURCES CORPORATION AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
(Continued)**

	At December 31,	
LIABILITIES AND STOCKHOLDERS EQUITY	2008	2007
<b>Current Liabilities:</b>		
Accounts payable	\$ 9,694,716	\$ 1,322,459
Accrued expenses	887,438	1,212,435
Current maturities of accrued interest	265,442	13,251
Current maturities of long term debt	6,666,667	312,500
Current maturities of derivative contracts	299,717	
Current maturities of capital lease obligation	7,995	9,375
<b>Total Current Liabilities</b>	<b>17,821,975</b>	<b>2,870,020</b>
<b>Long Term Liabilities:</b>		
Derivative contracts, less current maturities	137,367	9,183,428
Long term debt, less current maturities	18,333,333	4,687,500
Capital lease obligation, less current maturities	45,015	
Accrued interest, less current maturities	729,965	
Accrued reclamation costs	144,256	131,141
Other	47,103	61,863
<b>Total Long Term Liabilities</b>	<b>19,437,039</b>	<b>14,063,932</b>
<b>Total Liabilities</b>	<b>37,259,014</b>	<b>16,933,952</b>
<b>Commitments and contingencies</b>		
<b>Stockholders Equity:</b>		
Common stock: \$.01 par value, 100,000,000 shares authorized, 69,493,635 and 66,659,224 shares issued and outstanding as of December 31, 2008 and December 31, 2007, respectively	694,936	666,592
Additional paid in capital	109,940,000	108,439,030
Accumulated deficit	(100,013,216)	(94,974,842)
Accumulated other comprehensive income (loss)	19,726,643	(9,183,428)
<b>Total Stockholders Equity</b>	<b>30,348,363</b>	<b>4,947,352</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 67,607,377</b>	<b>\$ 21,881,304</b>

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



**NORD RESOURCES CORPORATION AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Years Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
Net sales	\$ 8,155,820	\$
Costs applicable to sales (exclusive of depreciation, depletion and amortization shown separately below)	8,795,628	
Operating expenses (includes stock based compensation of \$601,137 and \$1,006,676, respectively)	3,701,083	6,135,527
Write down of inventory to net realizable value	530,964	
Depreciation, depletion and amortization	251,487	123,768
Loss from operations	(5,123,342)	(6,259,295)
Other income (expense):		
Interest expense	(408,202)	(577,171)
Write-off of speculative mineral properties	(406,838)	
Legal settlement		3,617,166
Miscellaneous income	900,008	707,119
Total other income	84,968	3,747,114
Loss before income taxes	(5,038,374)	(2,512,181)
Provision for income taxes		
Net loss	\$ (5,038,374)	\$ (2,512,181)
Net Loss Per Basic and Diluted Share of Common Stock:		
Weighted Average Number of Common Shares Outstanding	67,824,759	36,172,142
Net loss per share of common stock	\$ (0.07)	\$ (0.07)

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

**NORD RESOURCES CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT)**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	Common Stock		Additional	Special	Accumulated	Accumulated	Total
	Shares	Amount	Paid in	Warrants	Deficit	Other Com- prehensive Loss	Stockholders Equity (Deficit)
Balance at January 1, 2007	34,018,043	\$ 340,181	\$ 85,563,087		\$ (92,462,661)		\$ (6,559,393)
Comprehensive loss:							
Net loss					(2,512,181)		(2,512,181)
Cash flow hedge, net						(9,183,428)	(9,183,428)
Comprehensive loss							(11,695,609)
Common stock issued for Coyote Springs	33,332	333	36,332				36,665
Common stock issued to settle outstanding claims	139,880	1,399	161,601				163,000
Exercise of warrants issued in connection with bridge loan	931,589	9,315	433,804				443,119
Issuance of stock options in connection with special warrant financing			513,436				513,436
Issuance of special warrants (net of costs of \$2,179,093)				20,820,932			20,820,932

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Common stock issued for deferred							
stock units	90,027	901	(901)				
Compensation expense from							
issuance of stock options			801,076				801,076
Conversion of convertible notes,							
related party	679,653	6,796	125,884				132,680
Conversion of special warrants	30,666,700	306,667	20,514,265	(20,820,932)			
Compensation from issuance of							
deferred stock units			125,600				125,600
Common stock issued for services	100,000	1,000	79,000				80,000
Balance at December 31, 2007	66,659,224	666,592	108,439,030		(94,974,842)	(9,183,428)	4,947,352
Comprehensive income (loss):							
Net loss					(5,038,374)		(5,038,374)
Unrealized mark to market adjustment of cash flow hedges						27,900,446	27,900,446
Realized gain from cash flow hedges						1,531,202	1,531,202
Ineffective portion of copper hedges transferred to miscellaneous income						(521,577)	(521,577)
Comprehensive income							23,871,697
Stock options issued for Coyote Springs							
Springs	2,540,000	25,400	676,600				51,040
							702,000

Exercise of warrants						
Common stock issued for deferred						
stock units	44,411	444	(444)			
Compensation expense from						
issuance of stock options			471,137			471,137
Modification of warrants			125,137			125,137
Exercise of stock options	250,000	2,500	47,500			50,000
Compensation from issuance of						
deferred stock units			130,000			130,000
Balance at December 31, 2008	69,493,635	\$ 694,936	\$ 109,940,000	\$	\$ (100,013,216)	\$ 19,726,643 \$ 30,348,363

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, 2008 AND 2007**

	2008	2007
Cash Flows From Operating Activities:		
Net loss	\$ (5,038,374)	\$ (2,512,181)
Adjustments to reconcile net loss to net cash (used) by operating activities:		
Depreciation, depletion and amortization	251,487	123,768
Accretion expense on reclamation costs	13,115	18,212
Amortization of debt issuance costs	239,772	180,652
Write off of speculative mineral properties	406,838	
Write down of inventory to net realizable value	530,964	
Accretion of discount on debt		85,846
Accretion of modification of warrants	125,137	
Issuance of common stock and deferred stock units for services rendered	130,000	205,600
Issuance of stock options for services rendered	471,137	801,076
Gain on sale of cash flow hedges - ineffective portion	(521,577)	
Changes in assets and liabilities:		
Accounts receivable	(176,481)	(139,085)
Inventories	(741,155)	
Prepaid expenses and other assets	(292,889)	(37,069)
Accounts payable	692,690	(503,405)
Accrued expenses and other liabilities	(353,008)	(1,925,424)
Net Cash (Used) By Operating Activities	(4,262,344)	(3,702,010)
Cash Flows From Investing Activities:		
(Increase) decrease in restricted cash and marketable securities	1,466,338	(3,686,476)
Capital expenditures	(881,196)	(748,706)
Proceeds from the sale of cash flow hedges	1,531,202	
Construction in progress	(17,473,989)	(9,348,683)
Net Cash (Used) By Investing Activities	(15,357,645)	<u>(13,783,865)</u>
Cash Flows From Financing Activities:		
Debt issuance costs		(1,222,673)
Principal payments on notes payable		(5,714,114)
Proceeds from issuance of notes payable	20,000,000	5,025,000
Proceeds from issuance of special warrants		23,000,025
Offering costs paid in connection with special warrant financing		(1,665,657)
Principal payments on capital lease	(35,676)	(18,750)
Proceeds from exercise of stock options	50,000	
Proceeds from exercise of warrants	702,000	443,119
Net Cash Provided By Financing Activities	20,716,324	19,846,950
Net Increase in Cash and Cash Equivalents	1,096,335	2,361,075
Cash and Cash Equivalents at Beginning of Year	3,368,910	1,007,835

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Cash and Cash Equivalents at End of Year	\$	4,465,245	\$	3,368,910
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Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest	\$	43,293	\$	396,514
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Income taxes

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

F-20

**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. NATURE OF OPERATIONS**

Nord Resources Corporation and Subsidiary (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. In July 2007, the Company commenced the reactivation of the Johnson Camp Mine. The Company commenced copper cathode production from leaching existing old dumps in January 2008, commenced the mining of new ore in January 2009 and completed the first sale of copper produced from newly-mined ore in February 2009.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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. Such adjustments could be material. The Company's continuation as a going concern is dependent upon its ability to meet its obligations under its Credit Agreement with Nedbank 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. If management cannot achieve its operating plan because of sales shortfalls, a reduction in copper prices, 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.

**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.

F-21

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Restricted Cash and Marketable Securities**

As required by the Credit Agreement with Nedbank Limited ( Nedbank ) dated June 28, 2007 (the Credit Agreement ), the Company is required to maintain a balance of the greater of (a) \$3,000,000 or an amount equal to obligations scheduled to become due during the period of the next two consecutive fiscal quarters. During 2008, this requirement was clarified and the Company now believes that it is not required to maintain the Debt Service Reserve Balance until it is in the financial position to fund such an account. The balance at December 31, 2008, reflects proceeds received from the close out of a portion of the Company s hedge position. This amount was reclassified to unrestricted cash in the first quarter of 2009. The Company maintained balances of \$1,533,662 and \$3,000,000 at December 31, 2008 and 2007, respectively.

Marketable securities at December 31, 2008 and 2007, consist of certificates of deposit which are considered held-to-maturity securities and are stated at amortized cost of \$686,476 on the consolidated balance sheet. The certificates of deposit have an original maturity of 14 months, expire in December 2009 and carry a stated interest rate of 3.05% per annum. All marketable securities are defined as held-to-maturity securities, trading securities, or available-for-sale securities under SFAS No. 115 Accounting for Certain Investments in Debt and Equity Securities . Management determines the appropriate classification of the Company s 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 with the intent and ability to be held to maturity are classified as held-to-maturity securities. Held-to-maturity securities are carried at amortized cost on the consolidated balance sheet until sold. 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.

**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 remote. Management determined that no allowance for losses was required as of December 31, 2008 and 2007.

**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 collectability 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***

As described below, costs that are incurred in or benefit the productive process are accumulated as stockpiles, ore on leach pads and inventories and classified as inventories on the consolidated balance sheet. Inventories are carried at the lower of average cost or net realizable value. Net realizable value represents the estimated future sales price of the product based on current and long term metals prices, less the estimated costs to complete production and bring the product to sale. Write downs of inventories, resulting from net realizable value impairments, are

F-22

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

reported as a component of costs applicable to sales. The current portion of inventories is determined based on the expected amounts to be processed within the next 12 months. Inventories not expected to be processed within the next 12 months are classified as long term. The major classifications of inventories are as follows:

***Stockpiles***

Stockpiles represent ore that has been mined and is available for further processing. Stockpiles are measured by estimating the number of tons added and removed from the stockpile, the number of contained pounds (based on assay data) and the estimated metallurgical recovery rates (based on the expected processing method). Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to stockpiles based on relative values of material stockpiled and processed using current mining costs incurred up to the point of stockpiling the ore, including applicable overhead, depreciation, depletion and amortization relating to mining operations, and removed at each stockpile's average cost per recoverable unit.

***Ore on Leach Pads***

The recovery of copper from certain copper oxide ores is achieved through the heap leaching process. Under this method, oxide ore is placed on leach pads where it is treated with a chemical solution, which dissolves the copper contained in the ore. The resulting pregnant solution is further processed in a plant where the copper is recovered. Costs are added to ore on leach pads based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations. Costs are removed from ore on leach pads as pounds are recovered based on the average cost per estimated recoverable pound of copper on the leach pad.

The estimates of recoverable copper on the leach pads are calculated from the quantities of ore placed on the leach pads (measured tons added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on ore type). In general, leach pads recover approximately 70% of the recoverable pounds in the first year of leaching, declining each year thereafter until the leaching process is complete.

Although the quantities of recoverable copper placed on the leach pads are reconciled by comparing the grades of ore placed on pads to the quantities of copper actually recovered (metallurgical balancing), the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and estimates are refined based on actual results over time. Historically, the Company's operating results have not been materially impacted by variations between the estimated and actual recoverable quantities of copper on its leach pads. Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write downs to net realizable value are accounted for on a prospective basis.

***In process Inventory***

In process inventories represent materials that are currently in the process of being converted to a saleable product. The Company utilizes a solvent extraction electrowinning process to extract the copper from the ore. In process material is measured based on assays of the material fed into the process and the projected recoveries of the respective plants. In process inventories are valued at the average cost of the material fed into the process attributable to the source material coming from the mines, stockpiles and/or leach pads plus the in process conversion costs, including applicable depreciation relating to the process facilities incurred to that point in the process.

***Finished Goods Inventory***

Finished goods represent saleable copper cathodes. Finished goods are valued at the weighted average cost of source material or net realizable value.

F-23

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

***Materials and Supplies***

Materials and supplies are valued at the lower of average cost or net realizable value. Cost includes applicable taxes and freight.

**Derivative Instruments and Hedging Activities**

In connection with the Credit Agreement with Nedbank, the Company is required to maintain a hedging program with respect to a specified percentage of copper output from the Johnson Camp Mine. Under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, these contracts are carried on the consolidated balance sheet at their fair value. As these contracts have been designated as cash flow hedges, the changes to their fair value are currently reflected in accumulated other comprehensive income (loss) within the Statement of Equity. As of December 31, 2008, the carrying value of the derivative asset was \$19,154,102, and the increase in fair value was recorded in accumulated other comprehensive income (loss) on the consolidated balance sheet. As of December 31, 2007, the carrying value of the derivative liability was \$9,183,428, and the reduction in fair value was recorded in accumulated other comprehensive income (loss) on the consolidated balance sheet.

During 2008, the Company entered into contracts to hedge the interest rate risk exposure on its \$25 million Nedbank Credit Facility expiring between 2009 and 2012. Under the interest rate swap contract terms, the Company receives the three month United States Dollar London Interbank Offered Rate ( LIBOR ) and pays a fixed rate of interest of 2.48% . The program requires no cash margins, collateral or other security from the Company. Under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, these contracts are carried on the consolidated balance sheet at their fair value. As these contracts were also designated as cash flow hedges, changes to the fair value of these contracts are reflected in accumulated other comprehensive income (loss). A reduction in fair value of the interest rate swap occurred during the year ended December 31, 2008 in the amount of \$437,084 and was recorded as accumulated other comprehensive income (loss) in the consolidated balance sheet as of December 31, 2008.

**Fair Value Accounting**

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements* ( SFAS 157 ). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of SFAS 157 were adopted January 1, 2008. In February 2008, the FASB staff issued FSP No. 157-2 *Effective Date of FASB Statement No. 157* ( FSP FAS 157-2 ). FSP FAS 157-2 delayed the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company will adopt those provisions of SFAS 157 that relate to nonfinancial assets and liabilities on January 1, 2009 and is currently evaluating the impact of this statement on the Company's consolidated financial statements and related disclosure.

In October 2008, the FASB issued FSP No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* ( FSP 157-3 ), which clarifies the application of SFAS 157 in an inactive market. The intent of this FSP is to provide guidance on how the fair value of a financial asset is to be determined when the market for that financial asset is inactive. FSP 157-3 states that determining fair value in an inactive market depends on the facts and circumstances, requires the use of significant judgment and in some cases, observable inputs may require significant adjustment based on unobservable data. Regardless of the valuation technique used, an entity must include appropriate risk adjustments that market participants would make for nonperformance and liquidity risks when determining fair value of an asset in an inactive market. FSP FAS 157-3 was effective upon issuance. The provisions of FSP 157-3 did not have a material impact on the Company.

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or

**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below:

*Level 1* Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

*Level 2* Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

*Level 3* Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the Company's financial assets and liabilities within the consolidated balance sheet as of December 31, 2008 measured at fair value by level within the fair value hierarchy. As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Derivative contracts copper cash flow hedges, net	\$ 19,154,102		\$ 19,154,102	
<b>Liabilities:</b>				
Derivative contract interest rate swap contract	\$ (437,084)		\$ (437,084)	

The Company's derivative instruments, copper cash flow hedges and interest rate swap contracts are valued using pricing models, and the Company generally uses similar models to value similar instruments. Where possible, the Company verifies the values produced by its pricing models to market prices. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit spreads, measures of volatility, and correlations of such inputs. The Company's derivatives generally trade in liquid markets, and as such, model inputs can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy.

### Shipping and Handling Costs

The Company includes shipping and handling costs related to the transport of finished goods in operating expenses.

### Debt Issuance Costs

Debt issuance costs are amortized over the life of the related loan as interest expense. During 2007 and 2006, the Company incurred debt issuance costs of \$1,297,673 and \$161,065 respectively, related to the issuance of promissory notes, bridge loans and the project financing facility. During 2005, debt issuance costs of \$100,000 were incurred in connection with an extension of a bridge loan with Nedbank in the total principal amount of \$5,000,000. The bridge loan was repaid in 2007 and the associated debt issuance costs were fully amortized in 2007. The remaining debt issuance costs of \$1,197,673, incurred in conjunction with the project financing facility, 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 \$1,659,369 and \$1,419,597 at December 31, 2008 and 2007, respectively. Unamortized debt issuance costs were \$877,249 at December 31, 2008.

### 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 seven years. Mineral properties are amortized over the life of the mine using the units-of-production method.

F-25

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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 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, 2008 and 2007.

**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 asset retirement obligation is based on when the spending for an existing environmental disturbance and activity to date will occur. The Company reviews its asset retirement obligation, on an annual basis, unless a triggering event occurs that requires a more frequent evaluation. The asset retirement obligation at the mine site is accounted for in accordance with SFAS No. 143, Accounting for Asset Retirement Obligations.

**Stock Based Compensation**

The Company accounts for its awards of stock based compensation under the fair value recognition provisions of SFAS No. 123(R), Share Based Payment, using the modified prospective application method. The Company has granted incentive and non qualified stock options to its employees and directors under the 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.

**Net Loss per Share of Common Stock**

Basic earnings (loss) per common share are computed by dividing net 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 23,395,025 and 26,687,156 shares of common stock for the years ended December 31, 2008 and 2007, 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 anti dilutive.

**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 income tax payable or refundable for the current period and the change during the period in net deferred tax assets and liabilities.

**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Accumulated Other Comprehensive Income (Loss)**

In addition to net income (loss), accumulated other comprehensive income (loss) includes all changes in equity during a period, including the effective portion of changes in fair value of derivative instruments that qualify as cash flow hedges and cumulative unrecognized changes in fair value of marketable securities classified as available-for-sale or other investments, except those resulting from investments by and distributions to owners.

**Recently Issued Accounting Guidance**

*Fair Value Measurements.* In September 2006, the Financial Accounting Standards Board ( 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. However, in February 2008, FASB Staff Position ( FSP ) 157 -2, Effective Date of FASB Statement 157 , was issued. FSP 157 -2 applies to nonfinancial assets and nonfinancial liabilities, and defers the effective date of SFAS No. 157 for nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of the FSP. The Company adopted SFAS No. 157 as it relates to financial assets and liabilities beginning January 1, 2008. Accordingly, the adoption of this Statement did not have a material impact on the Company s consolidated financial statements.

*Fair Value Option for Financial Assets and Liabilities.* In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Liabilities Including an amendment of FASB No. 115, which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The Company adopted SFAS No. 159 effective January 1, 2008. The Company did not elect to measure any additional financial instruments at fair value that are not required to be measured at fair value. Accordingly, the adoption of this Statement did not have a material impact on the Company s consolidated financial statements.

*Expected Term for Plain Vanilla Share Options.* In December 2007, the SEC issued SAB 110 which was issued to express the understanding that the use of a simplified method, as discussed in SAB 107, in developing an estimate of the expected term of plain vanilla share options in accordance with FASB No. 123 would be acceptable beyond December 31, 2007. The Company adopted this standard beginning January 2008. The adoption of SAB 110 did not have a material impact on the Company s consolidated financial statements.

*Noncontrolling Interests in Consolidated Financial Statements.* In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51. SFAS No. 160 requires that ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled and presented in the consolidated statement of financial position within equity, but separate from the parent equity. It also requires that the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income. This statement also establishes a single method of accounting for changes in a parent s ownership position interest in a subsidiary that do not result in deconsolidation. The statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated and that disclosures be expanded in the consolidated financial statements that clearly identify and distinguish between the interests of the parent s owners and the interests of the noncontrolling owners of a subsidiary. SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The Company plans to adopt this standard beginning January 2009 and does not anticipate it will have a material impact on its consolidated financial statements.

*Business Combinations.* In December 2007, the FASB issued SFAS No. 141 (Revised 2007), Business Combinations. SFAS 141 (Revised 2007) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination

**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141 (Revised) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company expects SFAS 141 (Revised 2007) will have an impact on the Company's consolidated financial statements when effective, but the nature and magnitude of the specific effects will depend upon the nature, terms and size of the acquisitions the Company consummates, if any, after the effective date.

*Disclosures About Derivative Instruments and Hedging Activities.* In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. SFAS No. 161 establishes, among other things, the disclosure requirements for derivative instruments and for hedging activities. The objective of this statement is to enhance the understanding of: (1) how and why an entity uses derivative instruments; (2) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations; and (3) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit risk related contingent features in derivative agreements. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company plans to adopt this standard beginning January 2009 and is currently evaluating the potential impact of adopting this statement on the Company's derivative instrument disclosures.

*The Hierarchy of Generally Accepted Accounting Principles.* In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements for nongovernmental entities that are present in conformity with generally accepted accounting principles (GAAP) in the United States. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company plans to adopt this standard in January 2009 and does not believe it will have a material impact on the Company's consolidated financial statements.

*Determining the Fair Value of a Financial Asset when the Market for That Asset is Not Active.* In October 2008, FSP 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, was issued. FSP 157-3 clarifies the application of SFAS No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This FSP applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with SFAS No. 157. Accordingly, the Company adopted this standard beginning January 2008, and it did not have a material impact on its consolidated financial statements.

### 3. INVENTORY

Inventory is as follows:

	<b>At December 31</b>	
	<b>2008</b>	<b>2007</b>
Copper in process	\$ 79,217	\$
Finished goods	62,490	

Material and supplies	79,564
Total	\$ 221,271 \$

F-28

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Company's inventories are carried at the lower of cost or net realizable value. Cost for the product inventory is valued using the weighted average cost of production and includes all costs of purchase, costs of conversion (direct costs and an allocation of fixed and variable production overheads) and other costs incurred in bringing the inventories to their present location and condition. During 2008, the Company recorded write downs of \$530,694 in cost applicable to sales to reduce the carrying value of inventories to net realizable value.

#### 4. ACCRETION OF WARRANT MODIFICATION

On May 8, 2008, the Company extended the exercise period on 743,590 and 75,000 common stock purchase warrants held by Nedbank Limited by six months, to November 8, 2008 and November 15, 2008, respectively. The other terms and conditions of the warrants, including their respective exercise prices, remain unchanged. The change in fair value, which was a non-cash charge to interest expense during 2008, resulting from this modification in the warrant expiry date was \$125,137 and was calculated using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1.7%
Expected life	.5 years
Expected volatility	74% to 75%
Expected dividend yield	0%

#### 5. PRE COMMERCIAL PRODUCTION COSTS

The Company commenced copper cathode production from leaching existing old dumps in January 2008 and completed the first copper cathode sale from these operations in February 2008. Commercial production from existing heaps is defined by the Company as either operating at a minimum of 75% of designed capacity or generating positive cash flows from operations for a period of seven days. Commercial production from residual leaching operations was achieved effective February 1, 2008. Operating costs incurred prior to achieving commercial production, net of the realized value of copper produced during the period, are capitalized as mine development. These costs of \$572,765 are being amortized on a straight line basis over the expected life of production of existing ore heaps which is estimated to be 5 years. Pre commercial production costs in the amount of \$104,731 were charged to operations during 2008.

#### 6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<b>At December 31,</b>	
	<b>2008</b>	<b>2007</b>
Land	\$ 98,094	\$ 383,891
Buildings	1,223,691	947,923
Mining and other equipment	3,336,144	2,830,179
Construction in Progress	36,944,454	10,795,491
Total	\$ 41,602,383	\$ 14,957,484

Depreciation and amortization of property and equipment charged to operations was \$146,756 and \$123,768 for the years ended December 31, 2008 and 2007, respectively.

#### 7. ACCRUED EXPENSES

Accrued expenses consist of the following:





**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>At December 31,</b>	
	<b>2008</b>	<b>2007</b>
Accrued payroll expense	\$ 827,664	\$ 534,227
Other accrued liabilities	59,774	678,208
<b>Total</b>	<b>\$ 887,438</b>	<b>\$ 1,212,435</b>

**8. LONG TERM DEBT**

Long term debt consists of the following:

	<b>At December 31,</b>	
	<b>2008</b>	<b>2007</b>
Project Financing Facility	\$ 25,000,000	\$ 5,000,000
Less current maturities	(6,666,667)	(312,500)
<b>Total</b>	<b>\$ 18,333,333</b>	<b>\$ 4,687,500</b>

*Project Financing Facility*

The Company entered into a Credit Agreement dated June 28, 2007 (amended as of June 30, 2008), with Nedbank as administrative agent and lead arranger. The Credit Agreement provided for a \$25 million secured term loan credit facility that was used by the Company to assist in financing the construction, start up and operation of the Johnson Camp Mine. The Credit Agreement contemplated a series of term loans that were funded by a syndicate of lenders in response to draw-down requests by the Company, with the aggregate amount of all term loans being \$25 million. The term loans were available until the earlier of: (i) the date of termination of the lender commitments; (ii) the first principal repayment date; and (iii) December 31, 2008. The loans bear interest, payable in arrears, at an annual rate equal to the London Interbank Offered Rate for the interest period in effect plus a margin of between 3.00% and 4.75% (3.5% to 5.25% during the initial reactivation period). The annual interest rate on these loans at December 31, 2008 was approximately 7.5%. In the event that the Company defaults under the Credit Agreement, an additional 3.0% interest will be payable in addition to such annual rate and all interest will be payable on demand. The Company paid a \$500,000 loan fee on the lenders \$25 million term loan commitment, of which \$50,000 was credited from a previously expired commitment and an additional \$500,000 to Auramet Trading, LLC for their assistance in obtaining the Credit Agreement. The Credit Agreement is collateralized by substantially all of the Company's assets, restricts the Company from incurring certain additional debt, limits the Company's ability to pay dividends and make certain restrictive payments and will be repaid beginning one year after the first draw down and ending four years after the date of the first draw down, subject to certain prepayment obligations set forth in the Credit Agreement. The Credit Agreement requires the Company to maintain certain financial covenants and pay a commitment fee of 0.25% on the unused term loan commitments of up to \$25 million during the availability period.

Additionally, pursuant to the Credit Agreement, the Company was required to put in place a copper price protection program for a portion of the copper produced from the Johnson Camp Mine.

Transaction costs of \$1,197,673 have been included in debt issuance costs and are being amortized on a straight line basis over the term of the facility. During 2008 and 2007, \$239,772 and \$80,652 of amortization expense, respectively, which is included in interest expense, was recognized. As of December 31, 2008, \$25,000,000 had been drawn down on the loan. Proceeds from the loan have been used for the reactivation of the Johnson Camp Mine.

At December 31, 2008, the maturities on the project financing facility were as follows:

F-30

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2009	\$ 6,666,667
2010	6,666,667
2011	6,666,666
2012	5,000,000
Total	\$ 25,000,000

### **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 December 2007. During December 2007, the Company paid \$60,362, including accrued interest of \$14,561, to satisfy the note.

### ***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, Chairman of the Board of Directors, 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 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 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 \$.56 per share. Auramet Trading, LLC exercised the 250,000 warrants in 2007.

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 were exercisable at a price of \$.56 per share and were set to expire on April 17, 2008. Auramet Trading, LLC exercised the 256,410 warrants in 2007.

In connection with a \$3,900,000 loan with Nedbank, the Company issued to Nedbank 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

F-31

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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 common stock at an exercise price of \$.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 were scheduled to expire on May 8, 2008. On May 8, 2008, the Company extended the exercise period from May 8, 2008 to November 8, 2008. On November 8, 2008, the warrants expired unexercised.

During 2006, the Company negotiated an extension of the maturity on the \$3,900,000 bridge loan from Nedbank. 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 were exercisable on or before May 15, 2008 at an exercise price of \$1.00. At the same time, Auramet Trading, LLC, acting through Nedbank, advanced an additional \$1,000,000 loan to the Company which was added to the outstanding principal under the secured bridge loan from Nedbank. 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. On May 8, 2008, the Company extended the exercise period from May 15, 2008 to November 15, 2008. On November 15, 2008, the warrants expired unexercised.

During 2006, the Company negotiated an extension of the maturity date on the \$4,900,000 secured bridge loan from Nedbank. 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 entitled the holder to purchase one share of the Company's common stock on or before September 30, 2008, at an exercise price of \$.83 per share. On September 30, 2008, the warrants expired unexercised.

During 2007, the Company negotiated further extensions of the maturity date on the \$4,900,000 secured bridge loan from Nedbank.. In connection with the extension, 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 entitled the holder to purchase one share of the Company's common stock on or before September 30, 2008, at an exercise price of \$.66 per share. On September 30, 2008, the warrants expired unexercised.

In addition during 2007, the Company negotiated a further extension of the maturity date on the \$5,000,000 bridge loan. In consideration of this extension, the Company paid Nedbank a fee of \$25,000.

The Company used 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 was recorded as a reduction of debt and increase in additional paid-in capital. The debt discount was amortized to interest expense over the life of the loan. The risk-free interest rate was based upon the U.S. Treasury yield curve in effect at the date of issuance. The expected volatility was based on the weighted historical volatility of the Company's common stock and that of its peer group.

The following assumptions were used to estimate the fair value of warrants issued in connection with the bridge loan facility during 2007 and 2006:

**2007**

**2006**

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Risk free interest rate	4.9%	4.7% to 5.0%
Expected term in years	1.6 years	2 years
Expected volatility	70%	66%
Expected dividend yield	0%	0%

F-32

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The fair value of warrants issued in connection with the bridge loan facility was \$85,846 and \$260,729 for the years ended December 31, 2007 and 2006, respectively. The Company recognized \$85,846 and \$374,862 of interest expense associated with the accretion of the debt discount on the bridge loan facility in 2007 and 2006, respectively. In addition, in connection with the modification of the maturity date of the 743,590 and 75,000 warrants held by Nedbank, the Company recognized \$125,137 of interest expense during the year ended December 31, 2008.

On June 6, 2007, the bridge loan facility was repaid from proceeds from the special warrant financing.

***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, a member of the Board of Directors. The line of credit bore interest at 6.0% per annum, was to have matured on December 31, 2005, and was collateralized by accounts receivable, inventory, property and equipment, and other assets. This loan was 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 \$.25 for a period of three years. Pursuant to this agreement during 2005, the Company issued 2,260,000 shares of common stock valued at \$637,000, of which \$238,717 was recognized as interest expense in 2006, and 2,260,000 warrants to purchase one share of common stock valued at \$562,478.

The Company used the Black Scholes option pricing model to estimate the fair market value of the warrants granted in connection with the revolving line of credit. The value of the warrants was recorded as a discount to debt and amortized to interest expense over the life of the loan. The Company recognized \$170,909 of interest expense in 2006 associated with the accretion of debt discount.

Commencing May 1, 2006, the interest rate was changed from 6.0% per annum to M&T Bank's prime rate. The Company negotiated extensions to the maturity date which was extended to the earlier of: (a) July 12, 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.

On June 6, 2007, the revolving line of credit was repaid from proceeds from the special warrant financing.

***Convertible Notes Related Parties***

During 2004, the Company entered into promissory notes for \$66,000 and \$106,000 from Stephen Seymour and Ronald Hirsch, respectively. The loans accrued interest at 10% per annum, were unsecured and had been extended to mature on the earlier of: (a) July 12, 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 were 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 \$.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 \$.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 \$.20 per share as the holder may determine. These loans were subordinated to the Bridge Loan with Nedbank.

The loans contained 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. The beneficial conversion feature was

F-33

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

amortized to interest expense over the period during which the notes were convertible into common stock. The Company recognized \$1,722 of interest expense associated with the amortization of its beneficial conversion feature in 2006.

During 2007 and 2006, the Company accrued interest on the convertible promissory notes of \$8,529 and \$17,200, respectively. During 2007, the Company paid 50% of the accrued interest and principal in cash of \$110,246 and issued 549,653 shares of common stock valued at \$109,930 in exchange for the notes.

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 bore interest at 10.0% per annum, was unsecured and had 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 was 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 \$.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 \$.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 \$.175 per share as the holder may determine. The loan was subordinated to the Bridge Loan with Nedbank.

During 2007 and 2006, the Company accrued interest on the convertible promissory note of \$1,736 and \$3,500, respectively. During 2007, the Company paid 50% of the accrued interest and principal in cash of \$22,389 and issued 130,000 shares of common stock valued at \$22,750 in exchange for the note.

## 9. RECLAMATION COSTS

The Company estimates 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 estimates 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 are discounted at the Company's estimated credit adjusted, risk free interest rate of 10%. In October 2007, based on an amended feasibility study, the mine life was extended from nine years to sixteen years. Consequently, the Company reduced the retirement cost of the asset and the related liability by \$69,193. The majority of cash expenditures for reclamation and closure activities are expected to occur at the conclusion of production, currently anticipated to be in 2023 - 2024. The Company will recognize an increase to the asset retirement obligation concurrent with the impact from mining activity when it resumes in 2009.

A reconciliation of the beginning and ending carrying amounts of the Company's retirement obligation as of December 31, 2008 and 2007 is as follows:

	2008	2007
Liability, beginning of year	\$ 131,141	\$ 182,122
Accretion expense	13,115	18,212
Reduction in asset retirement cost		(69,193)

Liability, end of year	\$	144,256	\$	131,141
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**10. PLATINUM DIVERSIFIED SETTLEMENT**

On September 24, 2007, the Company received the final payment of approximately \$2.2 million pursuant to its Settlement Agreement dated March 7, 2007, with Platinum Diversified Mining, Inc. ( PDM ) and PDM s direct

F-34

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

and indirect subsidiaries, Platinum Diversified Mining USA, Inc. ( PDM USA ) and PDM Merger Corp. (together with PDM and PDM USA, the PDM Parties ). The Settlement Agreement provided for the settlement of the dispute and disagreements between the Company and the PDM Parties arising in connection with the agreement and plan of merger dated October 23, 2006 which had contemplated the acquisition of the Company by PDM in an all cash merger transaction.

The Company received a total of \$3,617,166 from the PDM Parties in full and final settlement of all claims and disputes between the parties.

**11. OTHER INCOME (EXPENSE)**

Write-off of speculative mineral properties as of December 31, 2008 is comprised of the \$400,836 and the \$6,002 expenses to write off the carrying amounts of the Coyote Springs and Mimbres speculative mineral property projects that were abandoned during the year ended December 31, 2008.

Other income as of December 31, 2008 and 2007 is comprised of the following:

	<b>2008</b>	<b>2007</b>
Royalty income	\$ 237,043	\$ 402,624
Interest income	126,017	276,643
Realized gain on ineffective copper hedges	521,577	
Other	15,371	27,852
Total other income	\$ 900,008	\$ 707,119

**12. COPPER PRICE PROTECTION PROGRAM**

In connection with the Credit Agreement dated June 28, 2007 with Nedbank, the Company agreed to implement a price protection program with respect to a specified percentage of copper output from the Johnson Camp Mine. The price protection program consists of a synthetic put structure whereby the Company entered into a combination of forward sale and call option contracts for copper quantities, based on a portion of the estimated production from the Johnson Camp Mine during the term of the loan. As of December 31, 2008, the program covers approximately 26% of the estimated copper production from the Johnson Camp Mine during the term of the loan. The Company implemented the price protection program by entering into forward sales contracts for 4,560, 3,600, and 2,400 metric tons of London Metal Exchange cash settlement copper for 2009, 2010, and 2011, respectively, at a net forward price of \$5,538, \$4,841 and \$4,413 per metric ton for the same periods. As of December 31, 2008, the Company has in place forward contracts of 3,820, 3,600 and 2,400 metric tons for 2009, 2010 and 2011, respectively, at a net forward price of \$5,490, \$4,841 and \$4,413 per metric ton for the same periods. The program also included the purchase of long call options for the same quantities with average strike prices of \$8,781, \$8,523, and \$8,723 per metric ton for the same periods, respectively, thereby permitting the Company to participate in price increases in the event that copper prices exceed the strike price of the long call options. As of December 31, 2008, the average strike prices of the long call options were \$8,871, \$8,523 and \$8,723 per metric ton for the periods ending 2009, 2010 and 2011, respectively. The program requires no cash margins, collateral or other security from the Company.

Under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities , these contracts are carried on the consolidated balance sheet at their fair value. As these contracts were designated as cash flow hedges, changes to the fair value of these contracts are reflected in accumulated other comprehensive income (loss). During 2008 and 2007, respectively, an increase in fair value in the amount of \$29,868,732 and a decrease in the amount of

(\$9,183,428) was recorded as other comprehensive income (loss) in the consolidated balance sheets. During 2008, contracts representing approximately 242 metric tons of copper originally designated as cash flow hedges were reclassified to trading securities because the Company's forecasted production of copper during the first quarter of

F-35

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

2009 no longer matched its hedged position, and, as such, the underlying derivative contracts were deemed to be ineffective. Accordingly, the proceeds from the sale of these contracts in the amount of \$521,577 have been reclassified from accumulated other comprehensive income and reported within the consolidated statement of operation as miscellaneous income. In addition, during 2008, the Company sold effective hedges in the amount of \$1,009,625. The value of this sale continues to be reflected in accumulated other comprehensive income (loss). As of December 31, 2008 and 2007, the fair value of the derivative was approximately \$19,154,102 and (\$9,183,428), respectively. The amounts in accumulated other comprehensive income (loss) will be reclassified to the statement of operations upon the ultimate sale of the underlying hedged copper cathode or at the determination that the hedge is ineffective. Although this estimate is subject to changes in the forward price curve for copper, as of December 31, 2008, approximately \$9,604,405 of the amount deferred in accumulated other comprehensive income (loss) is expected to be reclassified to earnings with the next 12 months.

**13. INTEREST RATE SWAP CONTRACTS**

In November 2008, the Company entered into an interest rate swap agreement to hedge the interest rate risk exposure on its \$25 million Nedbank Credit Facility expiring between 2009 and 2012. Under the interest rate swap contract terms, the Company receives LIBOR and pays a fixed rate of interest of 2.48% . The program requires no cash margins, collateral or other security from the Company. Under the terms of the interest rate swap, settlement begins on March 31, 2009 and occurs every three months thereafter until the contract expires on September 28, 2012.

Under SFAS No. 133, this interest rate swap agreement is carried on the consolidated balance sheet at their fair value. As these contracts were designated as cash flow hedges, changes to the fair value of this agreement is reflected in accumulated other comprehensive income (loss). A reduction in fair value in the amount of \$437,084 was recorded as other comprehensive loss and as a liability in the consolidated balance sheet as of December 31, 2008. The amount deferred will be reclassified to the statement of operations upon the ultimate payment of the interest expense on the Company's credit agreement with Nedbank or by declaration that the interest rate swap is ineffective. Although this estimate is subject to changes in the forward interest rate curve for LIBOR, as of December 31, 2008, approximately \$299,717 of the deferral in accumulated other comprehensive income (loss) is expected to be reclassified to earnings with the next 12 months.

**14. SALES AGREEMENT**

The Company has entered into a long term cathode sales agreement effective February 1, 2008, with Red Kite Master Fund Limited ("Red Kite") for 100% of the copper cathode production from the Johnson Camp Mine. The agreement runs through December 31, 2012 with renewable extensions by mutual agreement of both parties. Pursuant to the agreement, Red Kite will accept delivery of the cathodes at the Johnson Camp Mine, and pricing will be based on the average monthly COMEX price for high grade copper. Accordingly, during the year ended December 31, 2008, the Company sold approximately 2,901,613 pounds (1,316 metric tons) of copper cathode to Red Kite under the terms of the agreement. This amount represented 100% of the Company's copper sales.

**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**15. INCOME TAXES**

The components of the provision for income taxes as of December 31, 2008 and 2007 are as follows:

	<b>2008</b>	<b>2007</b>
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:

	<b>2008</b>	<b>2007</b>
Federal statutory rate	35%	35%
State income taxes, net of federal benefits	5%	4%
Valuation allowance	(40)%	(39)%
Total	%	%

Significant components of deferred income taxes as of December 31, 2008 and 2007 are as follows:

	<b>2008</b>	<b>2007</b>
Net operating loss carry forwards	\$ 33,248,000	\$ 32,270,000
Capital loss carry forward	3,618,000	3,476,000
Other tax credits	1,540,000	
Stock based compensation	584,000	369,000
Deferred gain on cash flow hedges	405,000	
Accrued payroll expense	273,000	
Unrealized loss on cash flow hedges	175,000	
Inventory	121,000	
Accrued reclamation expense	58,000	52,000
Other	25,000	30,000
Valuation allowance	(31,791,000)	(35,717,000)
Total deferred tax asset	8,256,000	480,000
Unrealized gain on cash flow hedges	(7,690,000)	
Depreciation and amortization	(566,000)	(480,000)

Total deferred tax liability	(8,256,000)	(480,000)
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Net deferred tax asset	\$	\$
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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 earnings 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 2008 and 2007 as the Company considered it to be unlikely to recognize sufficient operating

**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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 2008 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 a decrease of \$3,926,000 and \$2,928,000 in 2008 and 2007, 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 2008 or 2007 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, 2008, the Company had federal and state net operating loss ( NOL ) carry forwards of approximately \$92,700,000 and \$17,400,000, respectively. The Company also had a capital loss carry forward of approximately \$9,000,000 which can be utilized to offset capital gains and expires in 2011. The NOL carry forwards expire in the years 2008 through 2028, and 2009 through 2013, for federal and state purposes, respectively. If a change of control in accordance with section 382 of the Internal Revenue Code occurs in the future, the Company's ability to fully utilize its net operating loss carry forward in computing its taxable income will be limited to an annual maximum of the value of the Company just prior to the change in control multiplied by the long term tax exempt rate.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2008 and 2007, the Company made no provisions for interest or penalties related to uncertain tax positions. The tax years 2005 - 2008 remain open to examination by the Internal Revenue Service of the United States.

#### **16. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

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 accumulated other comprehensive income (loss) for the Company include net gain (loss) and mark to market adjustments on cash flow hedges.

The activity in accumulated other comprehensive income (loss) for the years ended December 31, 2008 and 2007 consists of the following:

	<b>2008</b>	<b>2007</b>
Balance, beginning of year	\$ (9,183,428)	\$
Unrealized losses on cash flow hedges	(437,084)	(9,183,428)
Unrealized gains on cash flow hedges	28,337,530	
Realized gains on cash flow hedges	1,531,202	
Transfer of realized gains on ineffective cash flow hedges	(521,577)	
Balance, end of year	\$ 19,726,643	\$ (9,183,428)

#### **17. STOCKHOLDERS' EQUITY**

##### *Authorized Shares*



On May 8, 2007, the Company amended its Certificate of Incorporation to increase its authorized capital from 50,000,000 to 100,000,000 shares of common stock with a par value of \$0.01 per share. In October 2007, the

F-38

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

stockholders adopted a resolution approving an amendment to the Company's Amended Certificate of Incorporation to increase the number of authorized shares of common stock from 100,000,000 to 200,000,000. The Company has not yet taken any steps to give effect to such increase in the number of authorized shares of common stock. The Company's Board of Directors has discretion to elect not to proceed with this change.

**Common Stock**

In June 2007, the Company completed an unregistered private placement offering of 30,666,700 special warrants. The special warrants were offered and sold at a price of \$.75 per special warrant, for aggregate gross proceeds of \$23,000,025. In connection with this offering, the Company paid the agents of the offering a commission equal to \$1,380,002, or 6% of the gross proceeds of the offering, and 1,840,002 stock options, each exercisable at \$.75 per common share for a period of two years from the date of issuance. For financial reporting purposes, the stock options have been valued at \$513,436. After deducting additional offering expenses of approximately \$285,655, the Company received net proceeds of \$21,334,368, which has been offset by the fair market value of the stock options granted to the agents for financial reporting purposes; for a net total of \$20,820,932. Each special warrant was convertible into one fully paid and non-assessable share of common stock and one-half of one common share purchase warrant for no additional consideration. The special warrants were governed by the terms of a special warrant indenture (the indenture) dated June 5, 2007 among the Company, Computershare Trust Company of Canada, as the special warrant trustee, and Blackmont Capital, Inc. Pursuant to the terms of the indenture, the holder of the special warrant was not deemed a holder of the underlying common stock or warrants until the special warrant were converted.

In connection with the terms of the indenture, the Company entered into a registration rights agreement whereby it was required to (a) file and obtain receipt for a Canadian non-offering prospectus to qualify the issuance in Canada of (i) the shares of common stock and the warrants issuable upon conversion of the special warrants and (ii) the shares of common stock issuable upon exercise of the warrants and (b) file a registration statement under the Securities Act of 1933, as amended, in order to register the resale of (i) the shares issuable upon conversion of the special warrants, and (ii) the shares issuable upon exercise of the warrants. Accordingly, pursuant to the registration rights agreement, if the Company failed to obtain a receipt for a final Canadian Prospectus and effectiveness of the U.S. registration statement by December 3, 2007, representing 180 days following the closing of the special warrant offering, it would be liable for a liquidity incentive payment to the investors equal to 1% per month (pro-rated), subject to a maximum liquidity incentive payment equal to 12% of the gross proceeds of the offering.

As of December 21, 2007, the Company had obtained the receipt for a final Canadian Prospectus as well as the effectiveness of the U.S. registration statement. Accordingly, the Company paid a liquidity incentive payment to the special warrant holders of \$118,710.

Pursuant to the terms of the indenture, the special warrants were automatically converted into the underlying common shares and warrants on December 21, 2007. As a result of the conversion, the Company issued 30,666,700 shares of common stock and 15,333,350 warrants, each exercisable into one share of common stock at an exercise price of \$1.10 per share for a period of five years from the special warrant's issuance. The conversion of the special warrant did not result in any additional proceeds to the Company. As of December 31, 2008, the total 15,333,350 warrants are still outstanding.

During 2008, 250,000 stock options were exercised at an exercise price of \$50,000. During 2006, 2,715,000 stock options were exercised at an exercise price of \$54,300.

During the years ended December 31, 2008 and 2007, certain equity-based fees were 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 ( DSUs ). Each of the Company s non executive directors exercised such rights in respect of the equity based fees payable to them for 2008 and 2007. Accordingly, during 2008 and 2007, the Company credited a total of 315,807 and 143,627 DSUs,

F-39

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

respectively, to its non executive directors, and recognized compensation expense of \$130,000 and \$125,600, respectively, related to the issuance of these DSUs. During 2008 and 2007, 44,411 and 90,027 DSUs, respectively, were converted into common shares.

During 2007, the Company issued 33,332 shares of common stock valued at \$36,665 as payment under the Coyote Springs Option.

During 2007, pursuant to an employment agreement with John Perry, President and Chief Executive Officer of the Company, the Company issued 100,000 shares of its common stock to Mr. Perry. As a result of these issuances, the Company recognized compensation expense of \$80,000 during 2007.

During 2007, pursuant to a settlement agreement dated September 29, 2006, the Company issued 139,880 shares of common stock valued at \$163,000 to Nicholas Tintor, a former Director and Chief Executive Officer of the Company.

During 2007, the Company issued 130,000 shares of common stock valued at \$22,750 and 337,458 shares valued at \$67,492 to Ronald Hirsch, and 212,195 shares valued at \$42,438 to Stephen Seymour, in partial exchange for convertible notes at conversion rates ranging between \$.175 and \$.20 per share.

During 2007, Auramet Trading, LLC exercised warrants to purchase 506,410 shares of common stock at a price of \$.56 per share. In addition, during 2007, pursuant to the exercise of warrants, the Company issued 210,750 shares of common stock at a price of \$.35 per share and 214,429 shares of common stock at a price of \$.40 per share.

## **18. 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 the Internal Revenue Code of 1986, as amended (the Code ); (ii) any subsidiary corporation as defined in 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 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

F-40

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

derived from the value of the Company's common stock, or (x) any combination of the foregoing. Subject to payment of the exercise price, the Company issues common stock from treasury on a fully paid and non-assessable basis upon exercise of any stock options granted as Awards under the 2006 Stock Incentive Plan.

Under the 2006 Stock Incentive Plan, stock options may be granted as either incentive stock options or non-qualified stock options.

***Stock Options***

There are 7,981,675 stock options outstanding at December 31, 2008, of which 3,271,675 are non-qualified; non-plan stock options and 4,710,000 have been issued pursuant to the Company's 2006 Stock Incentive Plan. The outstanding options expire at various dates from 2009 to 2017.

During 2008, the Company granted 1,810,000 stock options to employees and directors, granted 106,674 stock options to persons other than employees and directors and recognized \$471,137 in compensation expense. During 2007, the Company granted 2,300,000 stock options to employees and directors and recognized \$801,076 in compensation expense.

The following table summarizes annual activity for all stock options for each of the two years in the period December 31, 2008:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Options outstanding at December 31, 2006	2,924,998	\$ .79
Granted	4,140,002	.75
Exercised		
Cancelled/Expired	(449,999)	1.61
Options outstanding at December 31, 2007	6,615,001	.71
Granted	1,916,674	.14
Exercised	(250,000)	.20
Cancelled/Expired	(300,000)	.75
Options outstanding at December 31, 2008	7,981,675	\$ .59

The following table summarizes certain additional information about the Company's total and exercisable stock options outstanding as of December 31, 2008:

	<b>Number Outstanding</b>	<b>Weighted Average Remaining Contractual Life in Years</b>	<b>Weighted Average Exercise Price</b>	<b>Intrinsic Value</b>
Total stock options	7,981,675	4.4	\$ .59	\$ 199,100

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Exercisable stock options	5,405,008	3.7	\$	.73	\$
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The market price of the Company's common stock on December 31, 2008 was \$.20 per share. The weighted average exercise price of the total and exercisable stock options was \$.59 and \$.73, respectively. Accordingly, the intrinsic value of such total stock options and exercisable stock options on December 31, 2008 was \$199,100 and \$0, respectively. The total intrinsic value of stock options exercised during the year ended December 31, 2008 was \$45,000.

The following table summarizes the activity in unvested stock options for the years ended December 31, 2008 and 2007:

F-41

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Number of Options</b>	<b>Weighted Average Grant Date Fair Value</b>
Non vested options outstanding at December 31, 2006	533,333	\$ .78
Granted	4,140,002	.43
Vested	(2,806,668)	.39
Cancelled/Forfeited	(66,667)	.78
Non vested options outstanding at December 31, 2007	1,800,000	.57
Granted	1,916,674	.08
Vested	(1,140,007)	.58
Cancelled/Forfeited		

Non vested Options outstanding at December 31, 2008                      2,576,667    \$            .20

The total grant date fair value of options vested during the year ended December 31, 2008 was \$665,173. The Company recognizes stock option compensation expense on stock options with a graded vesting schedule on a straight line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. As of December 31, 2008, 2,576,667 stock options remained unvested, resulting in \$154,410 in compensation expense to be recognized over the next 2.25 years.

The Company uses the Black Scholes option pricing model to estimate the fair value of stock options granted. The expected forfeiture rate of 8% in 2008 and 2007 was based on historical employee turnover rates and included actual forfeitures of stock options due to the resignation of one of the Company's officers. Management believes that the historical forfeiture rate is reflective of expected future forfeitures. The expected life of the options granted is estimated using the formula set forth in Securities and Exchange Commission SAB No. 107. The risk free interest rate is based upon the U.S. Treasury yield curve in effect at the date of grant and, 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.

The Company granted 1,916,674 and 4,140,002 (including 1,840,002 stock options issued to agents pursuant to the Special Warrant financing during 2007 and 106,674 issued in 2008, pursuant to the Coyote Springs property option agreement) stock options during 2008 and 2007, respectively. The fair values for the stock options granted during 2008 and 2007 were estimated at the respective dates of grant using the Black Scholes option pricing model with the following assumptions:

	<b>2008</b>	<b>2007</b>
Risk free interest rate	1.4% to 2.3%	2.9% to 5.0%
Expected life	3.0 to 3.1 years	2.0 to 5.5 years
Expected volatility	78% to 91%	78% to 91%
Expected dividend yield	0%	0%

***Deferred Stock Units***

During 2008 and 2007, 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 ( DSUs ). Each of the Company's non executive directors exercised such rights in



respect of the equity based fees payable to them for 2008 and 2007. Accordingly, during 2008, the Company credited a total of 315,807 DSUs to its non executive directors and recognized expenses of \$130,000, related to the issuance of these DSUs. During 2007, the Company credited a total of 143,627 DSUs to its non executive directors and recognized expenses of \$125,600, related to the issuance of DSUs. During 2008 and 2007, 44,411 and 90,027 DSUs were converted into common shares, respectively. As of December 31, 2008, there were 471,237 DSUs outstanding.

F-42

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

***Common Stock***

During 2007, the Company issued 100,000 shares of common stock to employees of the Company as compensation. There were no shares issued to employees of the Company during 2008. The weighted average grant date fair value of common stock issued to employees during 2007 was \$.80. Stock based compensation related to these awards of \$80,000 is included in operating expenses for 2007.

**19. COMMITMENTS AND CONTINGENCIES**

**Capital Lease**

During 2004 and 2008, the Company entered into leases 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 sheets. At December 31, 2008 and 2007, the cost of equipment acquired under these capital lease obligations was \$154,310 and \$75,000, respectively, and the related accumulated amortization was \$90,862 and \$65,625, respectively.

Future minimum lease payments for the capital lease obligations are as follows for the years ending December 31, 2008 and 2007:

	<b>2008</b>		<b>2007</b>
Total minimum obligations	\$ 62,245	\$	12,647
Less amounts representing interest	(9,235)		(3,272)
Total principal	53,010		9,375
Less current portion	(7,995)		(9,375)
Long term portion	\$ 45,015	\$	

**Office Lease**

Effective June 1, 2006, the Company entered into a lease agreement for office space in Tucson, Arizona. The amount of the lease was \$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, 2008 under the Company's operating lease that have initial or remaining non-cancelable lease terms in excess of one year:

Years Ending December 31,		
2009	\$ 52,185	
2010	53,765	
2011	22,513	
<b>Total</b>	<b>\$ 128,463</b>	

Rental expense charged to operations was \$67,570 and \$50,973 for the years ended December 31, 2008 and 2007, respectively.

**401(k) Retirement Plan**

Effective March 7, 2008, the Company adopted a 401(k) Plan for all of its employees. Under the 401(k) Plan, when an employee meets certain eligibility requirements, the Company will make non-elective contributions in an amount equal to up to 4% of such employee's eligible compensation, pursuant to the tax deferral safe harbor provided for in

F-43

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

section 401(k) of the Internal Revenue Code. The Company recognized \$32,003 of expense related to the 401(k) plan during the year ended December 31, 2008.

**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 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 2007, the Company issued 33,332 shares of common stock, valued at \$36,665 and \$18,330 in cash. During 2008, the Company issued options to purchase 106,674 shares of common stock with exercise prices of \$1.00 per share and a three year term expiring on July 24, 2010 and valued at \$51,040. In addition, the Company paid \$60,000 in cash during 2008. In December 2008, the Company elected to terminate the option it held to acquire an interest in the Coyote Springs exploration project. Consequently, the Company recorded a charge to other expenses in the amount of \$400,836 to write off its investment in this property.

The stock options relative to the Coyote Springs Option were to be issued at an exercise price of 15% below the market price of the Company's common stock on the date of grant, be immediately exercisable and expire in 36 months. However, due to Toronto Stock Exchange rules, the Company was required to issue these options with an exercise price equal to the fair market value of the Company's common stock on the date of grant.

**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 ). As of December 31, 2007, 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 was under no obligation to issue any consideration until such time that the Mimbres Option conditions have been satisfied. During January 2008, the Company elected to terminate its option to purchase the Mimbres leasehold rights and mining claims. Consequently, the Company recorded a charge to other expenses in the amount of \$6,002 to write off its investment in this property.

**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. During 2008, the Company paid \$10,000 to the owners the Texas Arizona Mine. Both of the payments have been included in property and equipment in the accompanying consolidated balance sheet.

**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

F-44

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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.

**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. The Company also has an insurance policy for its directors and officers to insure them against liabilities arising from their performance in their positions with the Company or its subsidiaries.

***Performance Incentive Plan***

During 2007, the Company adopted a performance incentive plan, or the Performance Plan, for the purpose of retaining and providing an incentive to certain key employees involved in restarting and commissioning the Johnson Camp Mine. In December 2008, the Company revised certain targets or milestones, lowered the potential payout and modified the effective period of the Performance Plan. The Performance Plan covers the period of time from July 1, 2007, to April 30, 2009 and bases its payouts on the achievement of certain key targets and milestones associated with the restart and commissioning of the Johnson Camp Mine.

The Company's Compensation Committee is responsible for administering the Performance Plan, including selecting the employees eligible to participate therein, determining their participation level and establishing key target dates for payments to be made under the Performance Plan.

Under the Performance Plan, the achievement of targets or milestones is not on an all or nothing basis. If a milestone is achieved later than the target date set by the Compensation Committee, it will still have been achieved; however, it will have been achieved at less than 100%. The level of achievement reached with respect to the established targets or milestones will be determined by the Chief Executive Officer and President, subject to approval by the Compensation Committee.

During 2008 and 2007, the Company recognized \$199,958 and \$358,839, respectively, in accrued compensation expense associated with the Performance Plan. Should the Company achieve the targets or milestones as currently planned, the Company would be committed to an additional \$148,386 in compensation expense during 2009.

**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. During 2008,

F-45

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

the Company recognized royalty expense of \$58,032 which represents the total accumulated amount incurred under the obligation.

***Letters of Credit***

As part of its ongoing business and operations, the Company is required to provide bank letters of credit as financial support for various purposes, including environmental reclamation and other general corporate purposes. As of December 31, 2008 and 2007, there was \$686,476 of outstanding letters of credit. The letters of credit reflect fair value as a condition of their underlying purpose and are subject to fees competitively determined in the market place. The obligations associated with these instruments are generally related to performance requirements that the Company addresses through its ongoing operations. As the specific requirements are met, the beneficiary of the associated instrument cancels and/or returns the instrument to the Company. Certain of these instruments are associated with operating sites with long lived assets and will remain outstanding until closure.

**20. LITIGATION**

Other than as set forth below, as of December 31, 2008, the Company knows of no material, existing or pending legal proceedings against the Company, nor is the Company 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 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. The Company does not believe the potential outcome from any legal proceedings that remain unresolved will significantly impact its financial position, results of operations or cash flows.

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

The ADEQ issued a Compliance Order on September 7, 2002, requiring the Company to bring the Johnson Camp Mine into compliance with Arizona's aquifer protection laws. Pursuant to the Compliance Order, the Company entered into a stipulated judgment with the ADEQ which assessed civil penalties against it 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. The Compliance Order further provides that any future violations of Arizona's aquifer protection laws would subject the Company to additional civil penalties, including the entry of the stipulated judgment and the assessment of the civil penalties described in the stipulated judgment.

The ADEQ has issued a Notice of Violation dated June 26, 2008 concerning alleged violations of the Company's Aquifer Protection Permit Program and indicating that certain violations constituted non-compliance with the Compliance Order. The Company has responded to the Notice of Violation in a timely manner by submittal dated August 7, 2008, indicating that no such violations occurred. In addition, the Company has performed certain remedial type actions with respect to various areas referenced in the ADEQ's Notice of Violation.

**21. 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:

During 2008, the Company recorded \$8,500 and paid \$6,000 to John Cook, a director of the Company, for consulting services related to reactivation of Johnson Camp Mine.



At December 31, 2006, the Company had accrued \$295,000 for consulting services performed by Ronald Hirsch. This amount was paid in cash in 2007. Mr. Hirsch converted \$25,000 of the original accrued consulting liability into a convertible promissory note, which had a balance of \$106,000 at December 31, 2006. During 2007, 50% of

**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

the balance plus interest for a total of \$67,537 was repaid. The remaining balance was converted into 337,458 common shares of the Company at a conversion rate of \$.175 per share.

At December 31, 2006, the Company had 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. During 2007, the Company accrued an additional \$54,167 in unpaid salary to Mr. Hirsch, and \$7,632 in unpaid salary to Mr. Anderson. These amounts were paid in 2007.

The Company had 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. This amount was paid in 2007.

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 and Stephen Seymour 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 were 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 had 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 had incurred in preserving the Zinc Opportunity. The loan was repayable to the Company on demand and was subject to set off against the TMD Expenses.

Although ASARCO's trustee in bankruptcy had 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 than December 22, 2006. In addition, if the Company received any cash payment on account of the ASARCO Claim, it was required to first remit such portion of the cash payment to TMD Acquisition in order to pay the outstanding balance of the TMD Expenses. However, TMD Acquisition agreed to defer reimbursement of the TMD Expenses until the Company's financial position has improved. The Company repaid all outstanding amounts owed to TMD Acquisition in June 2007, out of the net proceeds of the special warrant financing which closed on June 5, 2007.

**22. 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

F-47

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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.

The following table presents a summary of the Company's financial instruments as of December 31, 2008:

	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>
<b>Financial Assets:</b>		
Cash and cash equivalents	\$ 4,465,245	\$ 4,465,245
Derivative instruments	19,154,102	19,154,102
Restricted cash	1,533,662	1,533,662
Restricted marketable securities	686,476	686,476
<b>Financial Liabilities:</b>		
Long term debt	25,000,000	*
Derivative instruments	437,084	437,084

Notes:

\* The fair value for the Company's long term debt cannot be determined as the financial instrument is not actively traded.

The carrying amounts for cash and cash equivalents, marketable securities, receivables, accounts payable, and accrued expenses approximate fair value because of the short maturities of these financial instruments. Pursuant to SFAS No. 133, for reporting purposes, the Company's derivative instruments are recorded at fair value.

Interest rate risk is the risk to the Company's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. In November 2008, the Company entered into contracts to hedge the interest rate risk exposure on its \$25 million Nedbank Credit Facility expiring between 2009 and 2012. Under the interest rate swap contract terms, the company pays fixed rate interest at a rate of 2.48% and receives a floating rate interest amount based on LIBOR. The program requires no cash margins, collateral or other security from the Company. Under the terms of the interest rate swap, settlement begins on March 31, 2009 and occurs every three months thereafter until the contract expires on September 28, 2012.

### **23. CONCENTRATIONS OF CREDIT RISK**

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments, marketable securities, accounts receivable and derivatives. The Company places its cash and marketable securities and derivative contracts 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. The Company's potential loss due to credit risk on its derivative instruments amounts to approximately \$18,717,018 as of December 31, 2008. However, the counter party on both the copper price protection program and the interest rate swap agreement is Nedbank, the holder of the Company's \$25 million credit facility. Under the Company's \$25 million Credit Facility and the derivative contracts, there is a master netting agreement which allows either party to offset an obligation by the other should either party be in default of its obligations. The Company neither deposited nor holds any collateral related to its derivative instruments.

**24. NON CASH INVESTING AND FINANCING ACTIVITIES**

Supplemental Disclosure of Non-cash Investing and Financing Activities:	2008	2007
Common stock issued for purchase of property	\$	\$ 36,665
Stock options issued for purchase of property	51,040	
Stock options issued in connection with special warrant financing		513,436
Warrants issued in connection with bridge loan		85,846
Common stock issued for settlement of accounts payable		163,000

F-48

**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Conversion of special warrants into common stock		20,820,932
Common stock issued in exchange for deferred stock units	444	901
Debt issuance costs paid through notes payable		75,000
Common stock issued upon conversion of related party convertible notes		132,680
Mark to market gains (losses) from cash flow hedges	28,910,071	(9,183,428)
Adjustment to asset retirement obligations		69,193
Capitalized interest	995,407	
Acquisition of equipment under lease	79,310	
Construction in progress financed by accounts payable	7,679,567	942,772

## 25. SUBSEQUENT EVENTS

### Sale of a Royalty

On March 31, 2009, the Company sold to IRC Nevada Inc. a 2.5% net smelter royalty on the mineral production sold from the existing mineral rights at Johnson Camp. The net proceeds of the sale are approximately \$4,950,000. The royalty is payable in cash on a quarterly basis.

### Amendment to Nedbank Credit Facility

In March 2009, the Company agreed to amend and restate its \$25 million credit agreement with Nedbank. Payments of principal and interest on the loan are required to be made on the last business day of March, June, September, and December in each year, starting with the last business day of September 2009 and ending on the last business day of March 2013; the payments scheduled to be paid on March 31 and June 30, 2009 (the Deferred Payments ) have been deferred until December 31, 2012 and March 31, 2013, respectively. The loan bears interest at an annual rate equal to LIBOR for the interest period in effect plus a margin of 6.06% . The margin will be reduced by 1.75% if the Company prepays the deferred payments, and will be reduced by an additional 0.5% upon completion of the Johnson Camp Mine, as defined in the amended and restated credit agreement, which is currently scheduled for October 2009.

Under the amended and restated credit agreement, the Company may sell certain copper price hedging instruments that it currently holds under copper price hedging agreements maturing on October 1, 2010 or later, if the net proceeds to the Company will be more than \$2,200,000. If the Company elects to do so, it will be required to set aside \$2.2 million in a segregated account to fund its debt service obligations under the credit facility. The existing loan will then be separated into two tranches, whereby the first tranche will be equal to the aggregate principal amount then outstanding minus \$2,200,000, which will be the principal amount of the second tranche. The second tranche will be subject to an interest rate of LIBOR plus 5.00% per annum and scheduled for repayment on March 31, 2013. However, if the Company prepays the Deferred Payments, the second tranche will be amortized in equal portions over the number of quarters remaining until March 31, 2013.

Under the amended and restated credit agreement dated March 31, 2009, the maturities on the project financing facility will be as follows:

2009	\$ 3,333,333
2010	6,666,667
2011	6,666,667
2012	6,666,667
2013	1,666,666
Total	\$ 25,000,000

In consideration of Nedbank's agreement to amend and restate the credit agreement, the Company has agreed to issue common stock purchase warrants to N.B.S.A. Limited, a company affiliated with Nedbank. Each warrant will be exercisable for two years and will entitle the holder to purchase one share of the Company's common stock at an exercise price that, subject to the approval of the Toronto Stock Exchange, will be equal to the greater of: (a) 110% of the average closing price of the Company's common stock on the OTC Bulletin Board during the 20 trading days

F-49

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**NORD RESOURCES CORPORATION AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

preceding the date of grant; or (b) the last closing price of the Company's common stock on the OTC Bulletin Board immediately preceding the date of grant. Subject to the approval of the Toronto Stock Exchange, the Company will have the right, exercisable at any time and from time to time, but in any event no later than the 180<sup>th</sup> day following the issue date of the warrants, to repurchase some or all of the warrants at a price to be determined on a pro rata basis where the total repurchase price for all of the warrants is equal to \$100,000, being the estimated value of the warrants as determined pursuant to the Black-Scholes model. The number of warrants to be issued to N.B. S.A. Limited will also be determined in accordance with the Black-Scholes model, and is estimated to be approximately 750,000.

**Appointment of New Chief Operating Officer**

In January 2009, Randy L. Davenport joined the Company as Vice President and Chief Operating Officer. Mr. Davenport is succeeding Erland (Andy) A. Anderson, who is retiring, but has agreed to remain a consultant during a transitional period.

***Notice of Violation by the Arizona Department of Environmental Quality (ADEQ)***

In connection with the ADEQ's Notice of Violation dated June 26, 2008, concerning alleged violations of the Company's Aquifer Protection Permit Program and indicating that certain violations constituted non-compliance with the Compliance Order, the ADEQ has indicated that it is not completely satisfied with the Company's response dated August 7, 2008. The parties have conferred and the Company has submitted additional information dated January 15, 2009 in accordance with the parties' discussions. The ADEQ has not responded in writing to the January 15, 2009 submittal.

***Patent Infringement Lawsuit***

In January 2009, a lawsuit was filed by Corrosion IP Corp. and CTI Southwest, LLC, as plaintiffs, against the Company alleging that certain containers for corrosive materials purchased by the Company from Novenco Consultants Limited (Novenco) infringe on three patents held by the plaintiffs and further alleging that the Company has infringed on a copyrighted drawing owned by the plaintiffs. The Company has filed an answer denying all liability and has also filed a Third Party Complaint against Novenco. Prior to the Company's purchase of the containers from Novenco, Novenco assured the Company that the containers did not infringe on any patents held by others and provided the Company with an indemnification agreement, in which Novenco agreed to indemnify the Company from any damages that might arise from a claim of patent infringement. The Company believes that the containers do not infringe on any patents held by the plaintiffs and believes, in any event, that Novenco will be held responsible for any possible damages. The Company is mitigating its risks associated with the litigation by assembling proof that the plaintiffs' allegations are false and further through the Third Party Complaint against Novenco. The Company believes that if the plaintiffs are successful, the resulting award of damages against it, if any, will not be material to the financial condition of the Company.



**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION**

We will pay all expenses in connection with the issuance and distribution of the securities being registered, except selling discounts and commissions of the selling security holders. The following table sets forth the costs and expenses related to this offering (other than underwriting discounts and commissions) expected to be incurred with the issuance and distribution of the securities described in this registration statement. All amounts are estimates except the SEC registration fee.

	<b>Amount to be Paid</b>
SEC registration fee	\$ 2,269.80
Legal fees and expenses	100,000.00
Accounting fees and expenses	48,000.00
Blue sky fees and expenses (including legal fees)	500.00
Transfer agent and registrar fees	1,000.00
Miscellaneous	8,000.00
<b>Total</b>	<b>\$ 159,769.80</b>

**ITEM 14. INDEMNIFICATION OF OFFICERS AND DIRECTORS**

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, in which such person is made a party by reason of the fact that the person is or was a director, officer, employee of or agent to the corporation (other than an action by or in the right of the corporation a derivative action), if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with the defense or settlement of such action, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's certificate of incorporation, bylaws, disinterested director vote, stockholder vote, agreement, or otherwise.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

- (a) for any breach of the director's duty of loyalty to the corporation or its stockholders,
- (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law,
- (c) in respect of certain unlawful dividend payments or stock redemptions or repurchases, or
- (d) for any transaction from which the director derived an improper personal benefit.

As permitted by the Delaware General Corporation Law, our Certificate of Incorporation, as amended, provides for indemnification of directors as follows:



No Director shall be personally liable to the Corporation or any stockholder for monetary damages for breach of fiduciary duty as director, except, in addition to any and all other requirements for such liability, (i) for any breach of such director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) to the extent provided under Section 174 of Title 8 of the Delaware Code (relating to the General Corporation Law of the State of Delaware) or any amendment thereto or successor provision thereto, (iv) for any transactions for which said director derived personal benefit. Neither the amendment nor repeal of this Article Tenth, nor the adoption of any provisions of this certificate of incorporation inconsistent with this Article Tenth, shall eliminate or reduce the effect of this Article Tenth in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article Tenth, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

In addition, our Amended and Restated Bylaws provide for indemnification of certain persons, including our directors and officers, as follows:

Without limiting any power or right of the corporation to provide indemnification in such additional circumstances as the corporation may from time to time deem appropriate, the corporation shall indemnify every person, his heirs, executors and administrators, who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with such action, suit or proceeding and against fines, judgments and reasonable settlement amounts to the full extent permitted by, and subject to the determinations and otherwise in accordance with the procedures (including, without limitation, procedures for the advancement of expenses) specified in, the General corporation Law of the State of Delaware.

In addition, our company has obtained a director and officer insurance policy that insures our directors and officers and those of our subsidiaries against certain liabilities they may incur in their capacity as directors and officers. Under these policies, the insurer, on our behalf, may also pay amounts for which we have granted indemnification to the directors or officers.

#### **ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES**

During the period commencing on January 1, 2009 and the date May 15, 2009, we sold securities in the following transaction without registering the securities under the Securities Act of 1933, as amended:

- On April 1, 2009, in consideration of Nedbank's agreement to further amend and restate our Amended and Restated Credit Agreement dated as of June 30, 2008, we issued 731,480 common stock purchase warrants to N.B.S.A. Limited, a company affiliated with Nedbank. Each warrant is exercisable for two years and entitles the holder to purchase one share of the Company's common stock at an exercise price of \$0.30. Subject to the approval of the Toronto Stock Exchange, the Company will have the right, exercisable at any time and from time to time, but in any event no later than the 180th day following the issue date of the warrants, to repurchase some or all of the warrants at a price to be determined on a pro rata basis where the total repurchase price for all of the warrants is equal to \$100,000, being the estimated value of the warrants as determined pursuant to the Black-Scholes model. We issued these warrants to N.B.S.A. Limited, as an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

During the three-year period prior to December 31, 2008, we sold securities in the following transactions without registering the securities under the Securities Act of 1933, as amended:

- In September 2005, we commenced a private placement of 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,

was offered for \$0.35 per unit. During the year ended December 31, 2005, we sold 819,644 units for \$286,875. During January 2006, we sold an additional 80,000 units for gross proceeds of \$28,000 pursuant to the final tranche of this private placement. As at January 31, 2006, we had sold 899,644 units for a total of \$314,875 pursuant to this private placement. The stock purchase warrants have an exercise price of \$0.40 and expire in three years. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

- During the year ended December 31, 2005, we issued 12,000 shares of our common stock to settle outstanding payables of \$12,866. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- Pursuant to a Settlement Agreement and General Release dated April 22, 2005 between our company and W. Pierce Carson, we issued 250,000 fully paid and non-assessable shares of our common stock and 250,000 common stock purchase warrants to Mr. Carson. Each warrant entitles the holder to purchase one share of common stock at an exercise price of \$0.50 per share until April 22, 2008. We issued these securities to Mr. Carson, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, amended.
- We entered into a \$600,000 revolving line of credit agreement dated June 21, 2005, with Ronald Hirsch and Stephen Seymour. In consideration for the issuance of the line of credit, our company agreed to issue to Mr. Hirsch and Mr. Seymour four shares of common stock and four warrants for every \$1 loaned to our company. Each warrant entitled the holder to purchase one share of common stock at an exercise price of \$0.25 for a period of three years. The warrants, all of which have now been exercised, would otherwise have expired as follows: 100,000 warrants were issued with an expiry date of June 21, 2008; 100,000 warrants were issued with an expiry date of June 29, 2008; 900,000 warrants were issued with an expiry date of July 8, 2008; 400,000 warrants were issued with an expiry date of August 1, 2008; 200,000 warrants were issued with an expiry date of September 22, 2008; 60,000 warrants were issued with an expiry date of October 5, 2008; 40,000 warrants were issued with an expiry date of October 11, 2008; and 460,000 warrants were issued with an expiry date of October 20, 2008. In summary, we issued a total of 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 this revolving line of credit. We issued these securities to Mr. Hirsch and Mr. Seymour, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- As described under the heading Johnson Camp Property Other Properties Coyote Springs, we acquired an exclusive option from Thornwell Rogers, South Branch Resources, LLC, and MRPGE0, LLC in January 2004 to purchase the leasehold rights and mining claims located near Safford in Graham County, Arizona described as Coyote Springs. During 2004, we issued a total of 199,998 fully paid and non-assessable shares of common stock valued at \$79,999 and 99,999 options valued at \$39,453 to the Coyote Springs owners. The 99,999 options issued in 2004 expired unexercised. On January 28, 2005, we issued a total of 86,538 fully paid and non-assessable shares of common stock to Thornwell Rogers, South Branch Resources, LLC, and MRPGE0, LLC pursuant to the agreement. Pursuant to an amendment agreement dated January 27, 2006, we issued an additional 83,844 shares of our common stock, valued at \$29,010, to the Coyote Springs owners, and 99,999 stock options exercisable at an exercise price of \$0.47 per share. In January 2007, we issued 33,332 shares of common stock, valued at \$36,665, to the Coyote Springs owners. We issued these securities to Thornwell Rogers, South Branch Resources, LLC and MRPGE0, LLC, all of whom are accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- Between January 2005 and May 2005, we issued 67,271 shares of common stock valued at \$22,720 to Rex Loesby, our former Vice President of Corporate Development and Treasurer, for consulting services. As of May 9, 2005, Mr. Loesby ceased being an officer of our company. We issued these securities to Mr. Loesby, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933,

as amended.

II-3

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- During 2005, we issued 430,000 shares of common stock and the following stock options to John Perry, who was then our Senior Vice President and Chief Financial Officer: 200,000 options exercisable at \$0.30 per share; 100,000 options exercisable at \$0.40 per share; 100,000 options exercisable at \$0.50 per share; and 100,000 options exercisable at \$0.60 per share. All of the options expire on April 1, 2010. We issued these securities to Mr. Perry, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On October 17, 2005, we obtained a loan in the amount of \$2,850,000 from Auramet Trading, LLC, of which \$1,850,000 was funded by Ronald A. Hirsch pursuant to an Agreement for Credit Risk Participation dated October 17, 2005, between Auramet Trading and Ronald Hirsch. In connection with this loan, 250,000 warrants were issued to Auramet Trading for the purchase of an equal number of shares of our 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 our shares are sold in an offering, provided that if we did not complete an offering of our common stock on or before April 17, 2006, then the exercise price was to be the average closing price of our common stock for the 20 trading days prior to April 17, 2006. Since we did not complete a public offering by April 17, 2006, we issued the 256,410 replacement warrants to Auramet Trading. The number of warrants were calculated by dividing the Canadian dollar equivalent of \$1,000,000 (on October 17, 2005) by the final price at which a share of our stock is sold in an initial public offering and multiplying the result by 0.15. The warrants were to be exercisable on or before October 17, 2007, provided that we completed an offering of our common stock on or before April 17, 2006. Since we did not complete an offering by April 17, 2006, the replacement warrants expired on April 17, 2006, and, in accordance with our agreement with Auramet Trading, we were required to issue new warrants to Auramet Trading for the purchase of 256,410 shares of our common stock at an exercise price of \$0.56 per share, being the average closing price of our common stock on the Pink Sheets LLC for the 20 trading days prior to April 17, 2006. The new warrants expired on April 17, 2008, without being exercised. We issued these securities to Auramet Trading, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- 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 under the October 17, 2005 loan. Nedbank and Auramet Trading are at arm's length from each other. From the proceeds of this loan, \$1,860,175 was used to repay the portion of the Auramet Trading 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 matures on the earlier of May 8, 2006 or the closing of an equity offering in which we raise not less than \$25,000,000. In connection with this loan, warrants were issued to Nedbank Limited for the purchase of our common stock. The number of warrants is 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 our stock is sold in an initial public offering and multiplying the result by 0.15. The warrants were exercisable on or before November 8, 2007, provided that we completed an offering of our common stock on or before May 8, 2006. Since we did not complete an offering by May 8, 2006, the warrants expired on May 8, 2006, and we issued a new warrant certificate to Nedbank Limited for the purchase of 743,590 shares of our common stock at an exercise price of \$0.88 per share, being the amount equal to the average closing price of our common stock as quoted on the Pink Sheets LLC for the 20 trading days prior to May 8, 2006. The new warrants expired on May 8, 2008. We issued these securities to Nedbank Limited, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- Effective November 28, 2005, we issued the following stock options to Eric Ivey, the general manager of Johnson Camp Mine: 250,000 options exercisable at \$0.20 per share; and 250,000 options exercisable at \$0.50 per share. These options expired on November 28, 2008, without being exercised. We issued these securities to Mr. Ivey, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- In January 2006 we issued an aggregate of 2,675,000 shares of common stock for total proceeds of \$53,500, upon the exercise of stock options at an exercise price of \$0.02 per share by Ronald Hirsch, our Chairman





and formerly our Chief Executive Officer, Erland Anderson, our Executive Vice President and Chief Operating Officer, and Stephen Seymour, one of our directors. We issued these securities relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

- In February 2006, we issued 11,881 shares of common stock to settle outstanding payables of \$11,881. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On February 1, 2006, Erland A. Anderson, our Chief Operating Officer, 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 date of grant. In exchange for such options, we granted to Mr. Anderson 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. We issued these securities to Mr. Anderson, an accredited investor, relying on Rule 506 of Regulation D, Section 4(2) of the Securities Act of 1933, as amended, and/or Section 3(a)(9) of the Securities Act of 1933, as amended.
- On February 8, 2006, we entered into an agreement with Walter Belous, a former independent, outside director of our company who resigned as a director of our company in December 1995, to settle certain retirement benefit claims. Under the terms of the settlement, we issued 42,500 shares of common stock, agreed to pay Mr. Belous \$8,500 in cash for retirement benefits for calendar year 2006 and reaffirmed our continuing obligation to make annual payments in the amount of \$8,500. We issued these securities to Mr. Belous, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- During the first quarter of 2006, we issued 60,000 shares of our common stock valued at \$31,600 to John Perry, who was then our Senior Vice President and Chief Financial Officer. During the second quarter of 2006, we issued a total of 310,000 shares of our common stock valued at \$134,800 to Mr. Perry. During the third quarter of 2006, we issued 60,000 shares of our common stock valued at \$47,000 to Mr. Perry. During the fourth quarter of 2006, we issued 60,000 fully-paid and non-assessable shares of our common stock, valued at \$64,600, to Mr. Perry. We issued these securities to Mr. Perry, an accredited investor, pursuant to his employment agreement relying on Section 4(2) of the Securities Act of 1933, as amended.
- On May 12, 2006, we issued 176,471 shares of our common stock valued at \$88,236 to Nick Tintor, who was then our President and Chief Executive Officer, pursuant to his employment agreement. We issued these securities to Mr. Tintor, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- Upon execution and delivery of our Modification Agreement with Nedbank dated May 15, 2006 in relation to our bridge loan from Nedbank, we issued a total of 100,000 warrants 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 entitled the holder to purchase one share of our 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 our common stock (as quoted on Pink Sheets LLC) for the twenty trading days prior to May 15, 2006. These warrants expired in accordance with their terms without being exercised. We issued these securities to Nedbank and Auramet Trading, each of whom is an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On May 16, 2006 we issued a total of 800,000 stock options to our four non-executive directors and 500,000 stock options to Nick Tintor, who was then our President and Chief Executive Officer, pursuant to our 2006 Stock Incentive Plan. The options granted to the non-executive directors will vest as to one-third upon

approval of the 2006 Stock Incentive Plan by our stockholders (which occurred in October, 2006), as to one-third on February 15, 2007 and as to the balance on February 15, 2008. In accordance with our employment letter agreement with Mr. Tintor dated February 15, 2006, all of Mr. Tintor's stock options vested upon approval of the 2006 Plan by the stockholders. Upon vesting, the options were exercisable for a period of

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ten years following their date of grant at an exercise price of \$1.05 per share; provided, however, that if we effected a registered public offering of our securities of at least \$20,000,000 no later than November 1, 2006, the exercise price was to be the greater of \$1.05 and that amount that is equal to 75% of the offering price per security under such registered offering. We issued these securities to the directors, each of whom is an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

- On May 31, 2006, in connection with the advance to us 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), we issued to Auramet warrants for the purchase of 250,000 shares of our 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 Corporation'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. These warrants expired in accordance with their terms on May 31, 2008, without being exercised. We issued these securities Auramet, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- 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 the current year and for the years ended December 31, 2007 and 2006. Our non-executive directors earned the following deferred stock units during the periods indicated on an unregistered basis; subsequent grants of deferred stock units were effected pursuant to a registration statement filed with the Securities and Exchange Commission on Form S-8 on July 2, 2008:

<b>Date of Award</b>	<b>Director</b>	<b>Period Covered by Award</b>	<b>No. of Deferred Stock Units</b>	<b>Deemed Issue Price per Deferred Stock Unit</b>
June 30, 2006	Wade Nesmith	Quarter ended June 30, 2006	22,266	\$ .80
June 30, 2006	Douglas Hamilton	Quarter ended June 30, 2006	18,750	\$ .80
June 30, 2006	John Cook	Quarter ended June 30, 2006	15,234 <sup>(1)</sup>	\$ .80
June 30, 2006	Stephen Seymour	Quarter ended June 30, 2006	11,719	\$ .80
October 2, 2006	Wade Nesmith	Quarter ended September 30, 2006	15,224	\$ .78
October 2, 2006	Douglas Hamilton	Quarter ended September 30, 2006	12,821	\$ .78
October 2, 2006	John Cook	Quarter ended September 30, 2006	10,417 <sup>(1)</sup>	\$ .78
October 2, 2006	Stephen Seymour		8,013	\$ .78

		Quarter ended September 30, 2006		
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II-6

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<b>Date of Award</b>	<b>Director</b>	<b>Period Covered by Award</b>	<b>No. of Deferred Stock Units</b>	<b>Deemed Issue Price per Deferred Stock Unit</b>
January 3, 2007	Wade Nesmith	Quarter ended December 31, 2006	10,417	\$1.14
January 3, 2007	Douglas Hamilton	Quarter ended December 31, 2006	8,772	\$1.14
January 3, 2007	John Cook	Quarter ended December 31, 2006	7,127 <sup>(1)</sup>	\$1.14
January 3, 2007	Stephen Seymour	Quarter ended December 31, 2006	5,482	\$1.14
April 2, 2007	Wade Nesmith	Quarter ended March 31, 2007	16,470	\$.71
April 2, 2007	Douglas Hamilton	Quarter ended March 31, 2007	14,184	\$.71
April 2, 2007	John Cook	Quarter ended March 31, 2007	11,525 <sup>(1)</sup>	\$.71
April 2, 2007	Stephen Seymour	Quarter ended March 31, 2007	8,865	\$.71
July 2, 2007	Douglas Hamilton	Quarter ended June 30, 2007	14,286	\$.70
July 2, 2007	John Cook	Quarter ended June 30, 2007	11,607 <sup>(1)</sup>	\$.70
July 2, 2007	Stephen Seymour	Quarter ended June 30, 2007	8,928	\$.70
July 2, 2007	T. Sean Harvey	Quarter ended June 30, 2007	1,885	\$.70
October 1, 2007	Douglas Hamilton	Quarter ended September 30, 2007	6,779	\$1.48
October 1, 2007	John Cook	Quarter ended September 30, 2007	5,508 <sup>(1)</sup>	\$1.48
October 1, 2007	Stephen Seymour	Quarter ended September 30, 2007	4,237	\$1.48
October 1, 2007	T. Sean Harvey	Quarter ended September 30, 2007	4,237	\$1.48



<b>Date of Award</b>	<b>Director</b>	<b>Period Covered by Award</b>	<b>No. of Deferred Stock Units</b>	<b>Deemed Issue Price per Deferred Stock Unit</b>
January 2, 2008	John Cook	Quarter ended December 31, 2007	8,644 <sup>(1)</sup>	\$0.94
January 2, 2008	Douglas Hamilton	Quarter ended December 31, 2007	10,638	\$0.94
January 2, 2008	Stephen Seymour	Quarter ended December 31, 2007	9,182	\$0.94
January 2, 2008	T. Sean Harvey	Quarter ended December 31, 2007	6,649	\$0.94
April 1, 2008	John Cook	Quarter ended March 31, 2008	9,559 <sup>(1)</sup>	\$0.85
April 1, 2008	Douglas Hamilton	Quarter ended March 31, 2008	11,765	\$0.85
April 1, 2008	Stephen Seymour	Quarter ended March 31, 2008	9,559	\$0.85
April 1, 2008	T. Sean Harvey	Quarter ended March 31, 2008	7,353	\$0.85
June 30, 2008	John Cook	Quarter ended June 30, 2008	10,621 <sup>(1)</sup>	\$0.77
June 30, 2008	Douglas Hamilton	Quarter ended June 30, 2008	13,072	\$0.77
June 30, 2008	Stephen Seymour	Quarter ended June 30, 2008	10,621	\$0.77
June 30, 2008	T. Sean Harvey	Quarter ended June 30, 2008	8,170	\$0.77
September 30, 2008	John Cook	Quarter ended September 30, 2008	17,105 <sup>(1)</sup>	\$0.475
September 30, 2008	Douglas Hamilton	Quarter ended September 30, 2008	21,053	\$0.475
September 30, 2008	Stephen Seymour	Quarter ended September 30, 2008	17,105	\$0.475
September 30, 2008	T. Sean Harvey	Quarter ended September 30, 2008	13,158	\$0.475

(1)

Mr. Cook has converted all of the deferred stock units issued prior to December 31, 2007 to him into the underlying shares of common stock.

II-8

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We issued these securities to the directors, each of whom is an accredited investor, on the respective Dates of Award shown, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

- Upon execution and delivery of our Modification Agreement with Nedbank dated September 30, 2006 in relation to our bridge loan from Nedbank, we issued a total of 150,000 warrants exercisable no later than September 30, 2008, of which 88,770 were issued to Nedbank and 61,230 were issued to Auramet Trading. Each warrant will entitle the holder to purchase one share of our common stock for a period of two years, at an exercise price of \$0.83 being an amount equal to the average of the closing price of our common stock (as quoted on Pink Sheets LLC) for the twenty trading days prior to September 30, 2006. We issued these securities to Nedbank and Auramet Trading, each of whom is an accredited investor, relying on 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, 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.
- 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 in January 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.
- In January 2007, we issued 25,651 shares of common stock to John Cook, one of our non-executive directors, in exchange for 25,651 deferred stock units. We issued these securities to Mr. Cook pursuant to section 3(a)(9) of the Securities Act of 1933, as amended.
- Upon execution and delivery of our Modification Agreement with Nedbank dated February 23, 2007 in relation to our bridge loan from Nedbank, we issued a total of 300,000 warrants exercisable no later than September 30, 2008, of which 174,000 were issued to Nedbank and 126,000 were issued to Auramet Trading. Each warrant entitles the holder to purchase one share of our common stock at an exercise price of \$0.66 being an amount equal to the average of the closing price of our common stock (as quoted on Pink Sheets LLC) for the five trading days prior to February 23, 2007. We issued these securities to Nedbank and Auramet Trading, each of whom is an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- During the first quarter of 2007, we issued 60,000 shares of our common stock valued at \$50,000 to John Perry pursuant to his employment agreement. Mr. Perry was recently appointed as our President and Chief Executive Officer, and continues to serve as our Chief Financial Officer, Secretary and Treasurer until a suitable replacement to fill those offices can be found. We issued these securities to Mr. Perry, an accredited investor, relying on Section 4(2) of the Securities Act of 1933, as amended.
- During the second quarter of 2007, we issued 40,000 shares of our common stock valued at \$30,000 to John Perry pursuant to his employment agreement. Mr. Perry was recently appointed as our President and Chief Executive Officer, and continues to serve as our Chief Financial Officer, Secretary and Treasurer until a suitable replacement to fill those offices can be found. We issued these securities to Mr. Perry, an accredited investor, relying on Section 4(2) of the Securities Act of 1933, as amended.

- On June 11, 2007 we issued a total of 900,000 stock options to our six directors, 500,000 stock options to John Perry, our Chief Executive Officer and 250,000 stock options to Erland Anderson, our Chief Operating Officer, pursuant to our 2006 Stock Incentive Plan. The options granted to the non-executive directors and officers of the company will vest as to one-third at time of grant, as to one-third on June 11, 2008 and as to the balance on June 11, 2009. The options are exercisable for a period of ten years at an exercise price of

\$0.68 per share. We issued these securities to the directors, each of whom is an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

- During the second quarter of 2007, we issued a total of 150,000 shares of common stock upon exercise of certain outstanding common stock purchase warrants at an aggregate exercise price of \$52,500. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On June 29, 2007, we issued: (a) 130,000 fully paid and non-assessable shares of common stock to Mr. Hirsch upon conversion of 50 percent of the outstanding principal and interest under a \$35,000 convertible promissory note dated June 29, 2004, at a conversion price of \$0.175 per share; (b) 212,195 fully paid and non-assessable shares of common stock to Mr. Seymour upon conversion of 50 percent of the outstanding principal and interest under a \$66,000 convertible promissory note dated August 19, 2004, at a conversion price of \$0.20 per share; (c) 337,458 fully paid and non-assessable shares of common stock to Mr. Hirsch upon conversion of 50 percent of the outstanding principal and interest under a \$106,000 convertible promissory note dated October 4, 2004, at a conversion price of \$0.20 per share. We issued these securities to accredited investors, relying on section 3(a)(9) of the Securities Act of 1933, as amended.
- On June 5, 2007, we completed an offering of 30,666,700 special warrants on June 5, 2007. The special warrants were offered and sold at a price of \$0.75 per special warrant, for aggregate gross proceeds of approximately \$23,000,000. In December 2007, each special warrant was converted into one share of common stock and one-half of one common stock purchase warrant for no additional consideration. Each warrant entitles the holder to purchase one share of common stock for a period of five years following the date of closing of the private placement at a price of \$1.10 per share. A total of 3,948,800 special warrants were sold to institutional accredited investors (as defined in Rules 501(a)(1), (2), (3) and (7) of Regulation D under the Securities Act of 1933, as amended), pursuant to Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended. The balance of 26,717,900 special warrants were sold in offshore transactions to persons who are not U.S. persons (each as defined in Rule 902 of Regulation S under the Securities Act of 1933, as amended), pursuant to Rule 903 of Regulation S under the Securities Act of 1933, as amended, and in accordance with applicable local securities laws.
- In connection with the special warrants offering, we entered into an agency agreement whereby, on June 5, 2007 we issued 1,840,002 stock options to the agents entitling them to acquire one share of common stock of the company at anytime within the subsequent 24 month period at an exercise price of \$0.75. These options were issued to non-U.S. persons in an offshore transaction, pursuant to Rule 903 of Regulation S under the Securities Act of 1933, as amended, and in accordance with applicable local securities laws.
- During the third quarter of 2007, we issued a total of 60,750 shares of common stock upon exercise of certain outstanding common stock purchase warrants at an aggregate exercise price of \$21,262.50. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On July 11, 2007 we issued a total of 400,000 stock options to two of our directors, and 50,000 stock options to Erland Anderson, our Chief Operating Officer, pursuant to our 2006 Stock Incentive Plan. The options granted to the non-executive directors and officers of the Company will vest as to one-third at time of grant, as to one-third on July 11, 2008 and as to the balance on July 11, 2009. The options are exercisable for a period of ten years at an exercise price of \$0.85 per share. We issued these securities to the directors, each of whom is an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

- On September 18, 2007, we issued 506,410 shares of common stock to Auramet Trading upon exercise of the following warrants: 250,000 common stock purchase warrants issued in connection with a secured bridge loan by the selling stockholder in the principal amount of \$2,850,000 dated October 17, 2005, with each warrant entitling the holder to purchase one share of our common stock at an exercise price of \$0.56 per share; and (b) 256,410 common stock purchase warrants issued in connection with the secured bridge

loan in the principal amount of \$2,850,000 dated October 17, 2005, with each warrant entitling the holder to purchase one share of our common stock at an exercise price of \$0.56 per share. We issued these securities to Auramet Trading, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

- On October 4, 2007 we issued 143,000 shares of common stock to two accredited investors, as joint tenants, upon the exercise of warrants at an exercise price of \$0.40 per share, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On November 8, 2007 we issued 71,429 shares of common stock to an accredited investor upon the exercise of warrants at an exercise price of \$0.40 per share, relying on 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, 2007, we issued 200,000 stock options with an exercise price \$1.10 and a value of \$122,738 to Wayne Morrison, Vice President and Chief Financial Officer. We issued these securities relying on Section 4(2) of the *Securities Act of 1933*, as amended.
- During the quarterly period ended December 31, 2007, warrants to purchase 214,429 shares of our common stock were exercised. Each of the warrants had an exercise price of \$0.40 per share. We issued these shares of common stock to two warrant holders, as accredited investors, relying on Rule 506 of Regulation D and/or 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 January 2008, we issued a total of 106,674 stock options to Thornwell Rogers and MRPGEO, LLC pursuant to the agreement. These options were immediately exercisable, had a life of three years and an exercise price of \$1.00. We issued these securities to Thornwell Rogers 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.
- During the quarterly period ended June 30, 2008, we issued a total of 1,380,000 shares of common stock upon exercise of certain outstanding common stock purchase warrants at an aggregate exercise price of \$412,000. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On July 25, 2008, warrants to purchase 200,000 shares of our common stock were exercised. Each of the warrants had an exercise price of \$0.25 per share. We issued these shares of common stock to the warrant holder, as an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the *Securities Act of 1933*, as amended.
- On July 31, 2008, warrants to purchase 200,000 shares of our common stock were exercised. Each of the warrants had an exercise price of \$0.25 per share. We issued these shares of common stock to the warrant holder, as an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the *Securities Act of 1933*, as amended.
- On September 15, 2008, options to purchase 250,000 shares of our common stock were exercised by one of our senior employees. Each of the options had an exercise price of \$0.20 per share. We issued these shares of common stock to the option holder relying on Section 4(2) of the *Securities Act of 1933*, as amended.
- On September 17, 2008, warrants to purchase 100,000 shares of our common stock were exercised. Each of the warrants had an exercise price of \$0.25 per share. We issued these shares of common stock to the warrant holder, as an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the *Securities Act of 1933*, as amended.

*Act of 1933*, as amended.

II-11

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- On September 22, 2008, warrants to purchase 100,000 shares of our common stock were exercised. Each of the warrants had an exercise price of \$0.25 per share. We issued these shares of common stock to a warrant holder, as an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the *Securities Act of 1933*, as amended.
- On October 3, 2008, warrants to purchase 100,000 shares of our common stock were exercised. Each of the warrants had an exercise price of \$0.25 per share. We issued these shares of common stock to two warrant holders, each an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the *Securities Act of 1933*, as amended.
- On October 20, 2008, warrants to purchase 460,000 shares of our common stock were exercised. Each of the warrants had an exercise price of \$0.25 per share. We issued these shares of common stock to two warrant holders, each an accredited investor, relying on 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, 2008, warrants to purchase 560,000 shares of our Company's common stock were exercised. Each of the warrants had an exercise price of \$0.25 per share. We issued these shares of common stock to two warrant holders, as accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the *Securities Act of 1933*, as amended.

## ITEM 16. EXHIBITS

The following is a list of exhibits filed as part of this Registration Statement:

### Exhibit Number Description

#### Articles of Incorporation and By laws

3.1 Certificate of Incorporation (as amended) of Nord Resources Corporation<sup>(1)</sup>

3.2 Amended and Restated Bylaws of Nord Resources Corporation<sup>(2)</sup>

3.3 Amendment to Amended Certificate of Incorporation <sup>(26)</sup>

#### 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<sup>(1)</sup>

4.2 Convertible Promissory Note for \$35,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated June 29, 2004<sup>(1)</sup>

4.3 Amendment to Convertible Promissory Note dated June 29, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective November 30, 2005<sup>(1)</sup>

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- 4.4 Convertible Promissory Note for \$66,000 issued by Nord Resources Corporation to Stephen D. Seymour dated August 19, 2004<sup>(1)</sup>
- 4.5 Amendment to Convertible Promissory Note dated August 19, 2004 issued by Nord Resources Corporation to Stephen D. Seymour effective September 26, 2005<sup>(1)</sup>
- 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<sup>(1)</sup>
- 4.7 Convertible Promissory Note for \$106,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated October 4, 2004<sup>(1)</sup>
- 4.8 Amendment to Convertible Promissory Note dated October 4, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective September 26, 2005<sup>(1)</sup>
- 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<sup>(1)</sup>
- 4.10 Revolving Line of Credit Agreement, between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005<sup>(1)</sup>
- 4.11 Security Agreement between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005<sup>(1)</sup>
- 4.12 Secured Promissory Note (\$600,000) between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005<sup>(1)</sup>
- 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<sup>(3)</sup>
- 4.14 Amended and Restated Warrant Certificate issued by Nord Resources Corporation to Auramet Trading, LLC, dated as of October 17, 2005<sup>(5)</sup>
- 4.15 Warrant Certificate issued by Nord Resources Corporation to Auramet Trading, LLC, dated April 17, 2006<sup>(5)</sup>
- 4.16 Acknowledgement of Ronald A. Hirsch regarding Agreement for Credit Risk Participation dated November, 2005<sup>(1)</sup>
- 4.17 Secured Promissory Note for \$3,900,000 issued by Nord Resources Corporation to Nedbank Limited dated November 8, 2005<sup>(1)</sup>
- 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<sup>(1)</sup>
- 4.19 Warrant Certificate issued by Nord Resources Corporation to Nedbank Limited, dated May 8, 2006<sup>(4)</sup>
- 4.20 Environmental Indemnity Agreement between Nord Resources Corporation and Nedbank Limited dated November, 2005<sup>(1)</sup>



4.21 Subordination Agreement among Ronald A. Hirsch, Stephen D. Seymour and Nedbank Limited dated November 8, 2005<sup>(1)</sup>

4.22 Letter from Nord Resources Corporation to Nedbank Limited regarding conditions subsequent, dated November 8, 2005<sup>(1)</sup>

II-13

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- 4.23 Perfection Certificate completed by Nord Resources Corporation for Nedbank Limited, dated November 8, 2005<sup>(1)</sup>
- 4.24 Waiver Agreement and Amendment of Promissory Note between Nord Resources Corporation and Nedbank Limited, dated February 6, 2006<sup>(3)</sup>
- 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<sup>(4)</sup>
- 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<sup>(7)</sup>

	A. Hirsch and Stephen Seymour dated November 8, 2005 <sup>(12)</sup>
4.40	Modification Agreement dated September 30, 2006 between Nord Resources Corporation and Nedbank Limited <sup>(13)</sup>
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 <sup>(15)</sup>
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 <sup>(15)</sup>
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 <sup>(15)</sup>
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 <sup>(15)</sup>
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 <sup>(20)</sup>
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 <sup>(20)</sup>
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 <sup>(20)</sup>
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 <sup>(20)</sup>
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 <sup>(20)</sup>
4.50	Letter Agreement among Nedbank Limited, Nord Resources Corporation and Auramet Trading, LLC dated for reference January 11, 2007 <sup>(21)</sup>
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 <sup>(21)</sup>
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 <sup>(21)</sup>

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<sup>(21)</sup>

4.54 Amending agreement dated January 15, 2007 among Nord Resources Corporation, Ronald  
II-15

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	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 <sup>(21)</sup>
4.55	Letter Agreement among Nedbank Limited, Nord Resources Corporation and Auramet Trading, LLC dated for reference January 30, 2007 <sup>(22)</sup>
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 <sup>(22)</sup>
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 <sup>(22)</sup>
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 <sup>(22)</sup>
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 <sup>(22)</sup>
4.60	Letter Agreement among Nedbank Limited, Nord Resources Corporation and Auramet Trading, LLC dated for reference February 23, 2007 <sup>(23)</sup>
4.61	Modification Agreement between Nedbank Limited and Nord Resources Corporation dated for reference February 23, 2007 <sup>(23)</sup>
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 <sup>(23)</sup>
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 <sup>(23)</sup>
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 <sup>(23)</sup>
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 <sup>(23)</sup>
4.66	Term Sheet and Agreement between Nedbank Limited and Nord Resources Corporation dated for reference April 13, 2007 <sup>(26)</sup>
4.67	Letter Agreement among Nedbank Limited, Nord Resources Corporation and Auramet Trading, LLC dated for reference April 17, 2007 <sup>(26)</sup>

4.68 Amendment Agreement dated April 30, 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<sup>(25)</sup>

4.69 Amendment Agreement dated April 30, 2007 between Nord Resources Corporation and Ronald  
II-16

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Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference October 4, 2004, in the principal amount of \$106,000<sup>(25)</sup>

4.70 Amendment Agreement dated April 30, 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<sup>(25)</sup>

4.71 Amending Agreement dated April 30, 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<sup>(25)</sup>

4.72 Special Warrant Indenture among Nord Resources Corporation, Blackmont Capital Inc. and Computershare Trust Company of Canada, as special warrant trustee, dated June 5, 2007<sup>(27)</sup>

4.73 Warrant Indenture between Nord Resources Corporation and Computershare Trust Company of Canada, as warrant agent, dated June 5, 2007<sup>(27)</sup>

4.74 Registration Rights Agreement among Nord Resources Corporation, Blackmont Capital Inc. and Salman Partners Inc. dated June 5, 2007<sup>(27)</sup>

4.75 Agent's Option Certificate issued to Blackmont Capital Inc., dated June 5, 2007<sup>(27)</sup>

4.76 Agent's Option Certificate issued to Salman Partners Inc., dated June 5, 2007<sup>(27)</sup>

## Opinion on Legality

5.1 Opinion of Potter Anderson & Corroon LLP<sup>(33)</sup>

## Material Contracts

10.1 Executive Employment Agreement between Nord Resources Corporation and Ronald A. Hirsch dated January 2, 2004<sup>(1)</sup>

10.2 Waiver Agreement between Nord Resources Corporation and Ronald A. Hirsch dated February 15, 2006<sup>(3)</sup>

10.3 Executive Employment Agreement between Nord Resources Corporation and Erland Anderson dated January 2, 2004<sup>(1)</sup>

10.4 Waiver Agreement and Amendment of Employment Agreement between Nord Resources Corporation and Erland Anderson dated February 15, 2006<sup>(3)</sup>

10.5 Nord Resources Corporation Stock Option granted to Erland Anderson February 1, 2006<sup>(3)</sup>

10.6 Executive Employment Agreement between Nord Resources Corporation and John Perry dated April 18, 2005<sup>(1)</sup>

10.7 Waiver Agreement between Nord Resources Corporation and John Perry dated February 15, 2006<sup>(3)</sup>

10.8

Letter Agreement between Nord Resources Corporation and Nicholas Tintor regarding employment matters dated February 15, 2006<sup>(3)</sup>

10.9 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<sup>(1)</sup>

10.10 First Amendment to Option to Purchase Coyote Springs property among Thornwell Rogers,

II-17

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- South Branch Resources LLC, MRPGEO LLC and Nord Resources Corporation dated December 14, 2004<sup>(1)</sup>
- 10.11 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<sup>(3)</sup>
- 10.12 Option to Purchase the Mimbres Property from Thornwell Rogers, South Branch Resources, LLC and MRPGEO, LLC to Nord Resources Corporation dated June 10, 2004<sup>(1)</sup>
- 10.13 Option Agreement between Shirley Bailey and Nord Resources Corporation dated July 19, 2004<sup>(1)</sup>
- 10.14 Debt Conversion between Nord Resources Corporation and Thornwell Rogers dated April 16, 2004<sup>(1)</sup>
- 10.15 Debt Conversion between Nord Resources Corporation and South Branch Resources LLC dated April 16, 2004<sup>(1)</sup>
- 10.16 Debt Conversion between Nord Resources Corporation and MRPGEO, LLC dated April 16, 2004<sup>(1)</sup>
- 10.17 Debt Conversion Agreement between Peifer, Hanson and Mullins P.A. and Nord Resources Corporation dated October 25, 2005<sup>(1)</sup>
- 10.18 Settlement Agreement and General Release between Nord Resources Corporation and W. Pierce Carson dated April 22, 2005<sup>(1)</sup>
- 10.19 Warrant Certificate issuing 250,000 warrants to W. Pierce Carson dated April 22, 2005 <sup>(1)</sup>
- 10.20 Warrant Amendment Agreement between Nord Resource Corporation and Pierce Carson dated October 5, 2006<sup>(28)</sup>
- 10.21 Nord Resources Corporation form of Subscription Agreement for US Investors (2005 private placement)<sup>(1)</sup>
- 10.22 Nord Resources Corporation form of Subscription Agreement for Canadian Investors (2005 private placement)<sup>(1)</sup>
- 10.23 Nord Resources Corporation form of Warrant Certificate for US Purchasers (2005 private placement)<sup>(1)</sup>
- 10.24 Nord Resources Corporation form of Warrant Certificate for Canadian Purchasers (2005 private placement)<sup>(1)</sup>
- 10.25 Letter dated October 25, 2005, amending the terms of the 2005 private placement offering <sup>(1)</sup>
- 10.26 Letter dated November 15, 2005, amending the terms of the 2005 private placement offering <sup>(1)</sup>
- 10.27 Letter dated December 21, 2005, amending the terms of the 2005 private placement offering <sup>(1)</sup>
- 10.28 Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine between Nord Resources Corporation and JC Rock, LLC dated December 24, 2004<sup>(1)</sup>
- 10.29

Tenth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated July 31, 2007<sup>(27)</sup>

10.30 Office Lease between Issa and Henrietta Hallaq, landlords, and Nord Resources Corporation,  
II-18

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	tenant, dated January 5, 2006 <sup>(27)</sup>
10.31	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 <sup>(0)</sup>
10.32	Settlement Agreement between Nord Resources Corporation and Nicholas Tintor dated September 29, 2006 <sup>(14)</sup>
10.33	Mutual General Release between Nord Resources Corporation and Nicholas Tintor dated September 29, 2006 <sup>(14)</sup>
10.34	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 <sup>(16)</sup>
10.35	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 <sup>(16)</sup>
10.36	Settlement Agreement dated October 18, 2006, between Nord Resources Corporation and TMD Acquisition Corporation <sup>(16)</sup>
10.37	Assignment Agreement dated October 18, 2006, between Nord Resources Corporation and TMD Acquisition Corporation <sup>(16)</sup>
10.38	Amended and Restated Waiver Agreement And Amendment of Employment Agreement between Nord Resources Corporation and Ronald Hirsch dated October 18, 2006 <sup>(16)</sup>
10.39	Amendment of Employment Agreement between Nord Resources Corporation and Erland Anderson dated October 18, 2006 <sup>(16)</sup>
10.40	Amendment of Executive Employment Agreement between Nord Resources Corporation and John Perry dated October 18, 2006 <sup>(16)</sup>
10.41	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 <sup>(16)</sup>
10.42	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. <sup>(17)</sup>
10.43	Voting Agreement dated October 23, 2006 among Nord Resources Corp., Platinum Diversified Mining USA, Inc. and Ronald A. Hirsch <sup>(17)</sup>
10.44	Voting Agreement dated October 23, 2006 among Nord Resources Corp., Platinum Diversified Mining USA, Inc. and Stephen Seymour <sup>(17)</sup>
10.45	Deposit Escrow Agreement dated October 23, 2006 among Nord Resources Corp., Platinum Diversified Mining USA, Inc. and American Stock Transfer & Trust Company <sup>(17)</sup>

10.46 Letter Agreement respecting a performance bonus between Nord Resources Corporation and Ron A. Hirsch dated November 2, 2006<sup>(18)</sup>

10.47 Letter Agreement respecting a performance bonus between Nord Resources Corporation and Erland A. Anderson dated November 2, 2006<sup>(18)</sup>

II-19

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- 10.48 Letter Agreement respecting a performance bonus between Nord Resources Corporation and John T. Perry dated November 2, 2006<sup>(18)</sup>
- 10.49 Amended and Restated Assignment Agreement dated as of October 18, 2006, between Nord Resources Corporation and TMD Acquisition Corporation<sup>(19)</sup>
- 10.50 Seventh Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated November 2, 2006<sup>(19)</sup>
- 10.51 Settlement Agreement dated March 7, 2007 among Nord Resources Corporation, Platinum Diversified Mining, Inc., Platinum Diversified Mining USA, Inc. and PDM Merger Corp.<sup>(24)</sup>
- 10.52 Eighth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated January 19, 2007<sup>(26)</sup>
- 10.53 Ninth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated as of April 30, 2007<sup>(26)</sup>
- 10.54 Agency Agreement among Nord Resources Corporation, Blackmont Capital Inc. and Salman Partners Inc. dated June 5, 2007<sup>(27)</sup>
- 10.55 45Form of Subscription Agreement dated June 5, 2007 between Nord Resources Corporation and each purchaser of special warrants<sup>(27)</sup>
- 10.56 Credit Agreement dated as of June 28, 2007 between Nord Resources Corporation, Cochise Aggregates and Materials, Inc., Nedbank Limited and the Lenders from time to time party thereto<sup>(27)</sup>
- 10.57 Tenth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated July 31, 2007<sup>(27)</sup>
- 10.58 Eleventh Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated October 31, 2007<sup>(29)</sup>
- 10.59 Long Term Cathode Sales Agreement effective February 1, 2008, with Red Kite Master Fund Limited (Portions of this document have been omitted and filed separately with the SEC pursuant to a Request for Confidential Treatment filed under 17 C.F.R. 200.80(b)(4) and 240.24b 2<sup>(29)</sup>)
- 10.60 Twelfth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated January 31, 2008<sup>(29)</sup>
- 10.61 Thirteenth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated April 30, 2008<sup>(31)</sup>
- 10.62 Amended and Restated Credit Agreement dated as of June 30, 2008 among Nord Resources Corporation, Cochise Aggregates and Materials Inc., Nedbank Limited and the Lenders from time to time party thereto<sup>(30)</sup>
- 10.63 Amended and Restated Executive Employment Agreement between the Company and John Perry dated September 9, 2008. <sup>(32)</sup>

10.64 Executive Employment Agreement between the Company and Wayne Morrison dated September 9, 2008.  
(32)

10.65 Processing Agreement with Texas Canyon Rock & Sand, Inc., dated October 31, 2008 <sup>(34)</sup>

10.66 Fourteenth Amendment to the Agreement for Purchase and Sale of Waste Rock from the  
II-20

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Johnson Camp Mine dated November 25, 2008<sup>(35)</sup>

10.67 Amended and Restated Credit Agreement dated as of March 31, 2009 among Nord Resources Corporation, Cochise Aggregates and Materials Inc., Nedbank Limited and the Lenders from time to time party thereto<sup>(36)</sup>

10.68 Agreement to Purchase Royalty dated as of March 31, 2009 between Nord Resources Corporation and IRC Nevada Inc.<sup>(36)</sup>

10.69 Royalty Deed and Assignment of Royalty dated as of March 31, 2009, from Nord Resources Corporation to IRC Nevada Inc.<sup>(36)</sup>

### Subsidiaries of the Issuer

21.1 Subsidiaries of the Issuer:

Cochise Aggregates and Materials, Inc. (Incorporated in Nevada)

### Consents of Experts and Counsel

23.1 Consent of Mayer Hoffman McCann P.C.<sup>(37)</sup>

23.2 Consent of Potter Anderson & Corroon LLP.<sup>(37)</sup>

23.3 Consent of Dr. Michael Bikerma n, Professional Geologist, of Bikerma n Engineering & Technology Associates, Inc.<sup>(37)</sup>

23.4 Consent of Mr. David Bikerma n, Engineer of Mines, of Bikerma n Engineering & Technology Associates, Inc.<sup>(37)</sup>

23.5 Consent of Mr. Thomas McGrail, Engineer of Mines, of Bikerma n Engineering & Technology Associates, Inc.<sup>(37)</sup>

23.6 Consent of Mr. Dale Deming, Professional Engineer of Dale A. Deming, P.E. (sole proprietorship).<sup>(37)</sup>

### Power of Attorney

24.1 Power of Attorney<sup>(28)</sup>

### Additional Exhibits

99.1 Nord Resources Corporation Amended and Restated 2006 Stock Incentive Plan<sup>(8)</sup>

99.2 Nord Resources Corporation Performance Incentive Plan for the period from July 1, 2007 to December 31, 2008<sup>(27)</sup>

### 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.

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- (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.

II-21

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- (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 our current report on Form 8 K, filed with the SEC on December 6, 2008.
- (9) Incorporated by reference from our current report on Form 8 K, filed with the SEC on August 8, 2006.
- (10) Incorporated by reference from our current report on Form 8 K, filed with the SEC on August 14, 2006.
- (11) 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.
- (12) Incorporated by reference from Amendment No. 3 to our annual report on Form 10 KSB for the year ended December 31, 2005, filed with the SEC on August 23, 2006.
- (13) Incorporated by reference from our current report on Form 8 K, filed with the SEC on September 28, 2006.
- (14) Incorporated by reference from our current report on Form 8 K, filed with the SEC on October 2, 2006.
- (15) Incorporated by reference from our current report on Form 8 K, filed with the SEC on October 4, 2006.
- (16) Incorporated by reference from our current report on Form 8 K, filed with the SEC on October 23, 2006.
- (17) Incorporated by reference from our current report on Form 8 K, filed with the SEC on October 25, 2006.
- (18) Incorporated by reference from our current report on Form 8 K, filed with the SEC on November 7, 2006.
- (19) 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.
- (20) Incorporated by reference from our current report on Form 8 K, filed with the SEC on December 26, 2006.
- (21) Incorporated by reference from our current report on Form 8 K, filed with the SEC on January 16, 2007.
- (22) Incorporated by reference from our current report on Form 8 K, filed with the SEC on February 5, 2007.
- (23) Incorporated by reference from our current report on Form 8 K, filed with the SEC on February 26, 2007.

- (24) Incorporated by reference from our annual report on Form 10 KSB for the year ended December 31, 2006, filed with the SEC on March 28, 2007.
- (25) Incorporated by reference from our current report on Form 8 K, filed with the SEC on February 26, 2007.
- (26) Incorporated by reference from our quarterly report on Form 10 QSB for the quarter ended March 31, 2007, filed with the SEC on May 9, 2007.
- (27) Incorporated by reference from our quarterly report on Form 10 QSB for the quarter ended June 30, 2007, filed with the SEC on August 14, 2007.
- (28) Incorporated by reference from our Form SB 2, filed with the SEC on October 19, 2007.
- (29) Incorporated by reference from our annual report on Form 10 KSB for the year ended December 31, 2007, filed with the SEC on March 26, 2008.
- (30) Incorporated by reference from our current report on Form 8 K dated June 30, 2008 and filed with the SEC on July 7, 2008.
- (31) Incorporated by reference from our quarterly report on Form 10 Q for the quarter ended June 30, 2008, filed with the SEC on August 14, 2008.
- (32) Incorporated by reference from our current report on Form 8 K dated September 9, 2008 and filed with the SEC on September 12, 2008.
- (33) Incorporated by reference from our Post Effective No. 3 on Form S-1 dated October 24, 2008 and filed with the SEC on October 24, 2008.
- (34) Incorporated by reference from our current report on Form 8 K dated October 31, 2008 and filed with the SEC on November 5, 2008.
- (35) Incorporated by reference from our current report on Form 8 K dated November 25, 2008 and filed with the SEC on November 28, 2008.
- (36) Incorporated by reference from our annual report on Form 10-K for the year ended December 31, 2008 and filed with the SEC on March 31, 2009.
- (37) Filed herewith.

**ITEM 17. UNDERTAKINGS**

The undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
  - (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or together, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in the volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and
  - (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the provisions above, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities, other than the payment by us of expenses incurred or paid by one of our directors, officers, or controlling persons in the successful defense of any action, suit or proceeding, is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling

precedent, submit to a court of appropriate jurisdiction the question whether such indemnification is against public policy as expressed in the Securities Act of 1933, and we will be governed by the final adjudication of such issue.

Each prospectus filed pursuant to Rule 424(b) of the Securities Act of 1933 as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

**SIGNATURES**

In accordance with the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form S-1 and authorized registration statement to be signed on its behalf by the undersigned, in the City of Tucson, Arizona, on May 15, 2009.

**Nord Resources Corporation**

By: /s/ John T. Perry  
John T. Perry  
Director, President and Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Wayne Morrison  
Wayne Morrison  
Vice President and Chief Financial Officer,  
Secretary and Treasurer  
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ John T. Perry  
John T. Perry  
Director, President and Chief Executive Officer  
(Principal Executive Officer) May 15, 2009

/s/ Wayne Morrison  
Wayne Morrison  
Vice President and Chief Financial Officer,  
Secretary and Treasurer  
(Principal Financial and Accounting Officer) May 15, 2009

/s/ John T. Perry, attorney-in-fact  
Ronald A. Hirsch  
Chairman of the Board May 15, 2009

/s/ John T. Perry, attorney-in-fact  
Stephen Seymour  
Director May 15, 2009

/s/ John T. Perry, attorney-in-fact  
Douglas Hamilton  
Director May 15, 2009

/s/ John T. Perry, attorney-in-fact  
John F. Cook  
Director May 15, 2009

/s/ John T. Perry, attorney-in-fact  
T. Sean Harvey  
Director May 15, 2009

